



# **Pathways to international tax governance - Has the German G20 presidency made a difference?**

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# Why this paper?



- Global Tax Cooperation has been brought forward significantly in the last years
- G20 played and plays a major role
- Still many challenges...
  - prevail, not only, but also with respect to developing countries
  - have come up (Trump presidency, Brexit)

**What drives changes in international tax governance?**

**Has the agenda moved forward under the German G20 presidency?**

# What drives international tax governance?



- Theories of tax competition
  - Used to explain general downward trend of tax rates on capital since the 1980s
  - Free riders undermine attempts to deepen cooperation
- Theories of tax cooperation
  - Facilitated by higher degrees of homogeneity and symmetric power distributions → club governance structures
  - Facilitated by compensations (aid for DTAs)
- Theories of tax fairness and tax justice
  - Fairness is a frequent notion in international debates
  - Hurdles to norm diffusion and joint action are high



Three broad challenges to international taxation (following Hearson, 2017):

1. Tax avoidance by multinationals
2. Tax evasion by individuals
3. Tax competition

**While the activities by G20/OECD have been tackling 1 and 2, there are no initiatives on 3**



## G20/OECD BEPS Project

- IF joined by 99 countries as of today
- MC-BEPS (Action Point 15) signed in June 2017 by 68 countries

Baden-Baden, March 2017:

- Interim report on the implications of digitalization for taxation was commissioned to be delivered by OECD's TFDE in 2018
- Tax certainty report by IMF & OECD welcomed

⇒ **Mostly following up on previous initiatives, with some adjustments**



## **AEoI/CRS**

- First 50 countries commenced exchanges on basis of CRS in September 2017, 50 more in 2018
- Global Forum
  - stands at 146 members
  - was demanded to list non-compliant countries with transparency standards, 10 were listed as partially or non-compliant
  - “defensive measures will be considered” by G20, but e.g. US, which not signed CRS, is still listed as largely compliant

⇒ **No new initiatives, avoidance of conflict**



- Tax policies were included in Africa policies of G20:
  - Addis Tax Initiative conference held directly after G20 Africa Partnership Conference
  - Africa Academy for Tax and Financial Crime Investigation launched at same conference
  
- Platform for Collaboration on Tax (UN, IMF, WB, OECD) has extended its activities with regard to capacity development

⇒ **All in line with extended focus on capacity development and mobilizing private investment flows in context of inclusion of developing countries**



- Key driver of international tax governance: spillovers created by mismatches of public service delivery and the payment of taxes  
→ (lack of) **fiscal equivalence**
- Fiscal equivalence increases the chances for tax systems to reflect collective choices
- In a context of market globalization, a tax governance structure based primarily on national market regulations and bilateral agreements is evidently in conflict with the principle of fiscal equivalence





- Internalization of spillovers requires a tax system able to provide at least three kinds of services:
  - A multilateral approach to the collection and sharing of tax-related information, to tackle information asymmetries
  - A common corporate tax base beyond non-binding “codes of conduct” to increase tax certainty and avoid spillovers arising from regulation gaps in cross-border transactions
  - A common system of standards and monitoring mechanisms on tax expenditure to fight moral hazard behaviour by individual jurisdictions



**Thank you for your attention !**