Tied hands and closed eyes: 3 ways FfD can remove international obstacles to effective taxation

FfD regional consultation, Panel 3: Creating conducive international frameworks for resource mobilization

23 March 2015, Palais des Nations, Geneva
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Major obstacles to taxation

• Tied hands
  – Norms (the ‘tax consensus’) and
  – Governance (who makes the rules?)

• Closed eyes
  – Transparency (follow the money)
1. Set better norms

- Revenue norm:
  Tax/GDP:

- Governance (& progressive) norm:
  Direct tax/expenditures:
Figure A3.6 Revenue composition for all developing countries 1990-2009

Tax Revenues, High Income Countries

% of Tax revenue

Year


NB: Mean values used

- PIT
- CIT
- Goods and Services
- Trade
1. Set better norms

- Revenue norm:
  Tax/GDP: 20% minimum target?

- Governance (& progressive) norm:
  Direct tax/expenditures: 40% target?
2. Sort out governance

• Who makes the rules? e.g.
  – Source vs residence?
  – Separate accounting or unitary tax?
  – Harmonisation vs ‘race to bottom’?
  – Exchange of tax information?
  – Transparency of ownership?
Whose tax rules?
Whose tax rules?
Whose tax rules?
2. Sort out governance

• An intergovernmental tax body
  – Truly representative (=UN)
  – Fully resourced (i.e. OECD+)
  – Rule-making power (but not law)
  – Statistical responsibility...
3. Transparency

i. Fundamental for direct tax, & vs IFF

— *Public* registers of beneficial ownership

— *Automatic* and fully multilateral exchange of tax information

— *Public* country-by-country reporting
3. Transparency

i. Fundamental for direct tax, & vs IFF

<table>
<thead>
<tr>
<th>Proposed target</th>
<th>Benefits</th>
<th>Costs</th>
<th>BCR</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Reduce to zero the legal persons and arrangements for which beneficial ownership info is not publicly available</td>
<td>$768bn - $7.5tn</td>
<td>$0.35bn - $66bn</td>
<td>13 – 20,000</td>
</tr>
<tr>
<td>(ii) Reduce to zero the cross-border trade and investment relationships between jurisdictions for which there is no bilateral automatic exchange of tax information</td>
<td>Possible additional taxable income of $277bn to $1660bn (or $245bn to $1471bn)</td>
<td>Unknown: but certainly not prohibitive for the 64 jurisdictions now committed to the OECD standard</td>
<td>Likely to be high (high confidence)</td>
</tr>
<tr>
<td>(iii) Reduce to zero the number of multinational businesses that do not report publicly on a country-by-country basis</td>
<td>Unknown; but highly likely to be in billions of dollars a year</td>
<td>Unknown, but close to zero and possibly negative</td>
<td>Likely to be high (high confidence)</td>
</tr>
</tbody>
</table>

3. Transparency

ii. Economic and financial globalisation
   – Global pattern of TNC activity, profit
   – Bilateral data on investment, trade and banking stocks and flows
Main proposals

• Untie our hands
  1. Appropriate tax norms
  2. Representative rule-making body

• Open our eyes
  3. Transparency of income, assets, profits; and of bilateral economic and financial data
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