tax justice network

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

Alex Cobham @alexcobham

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

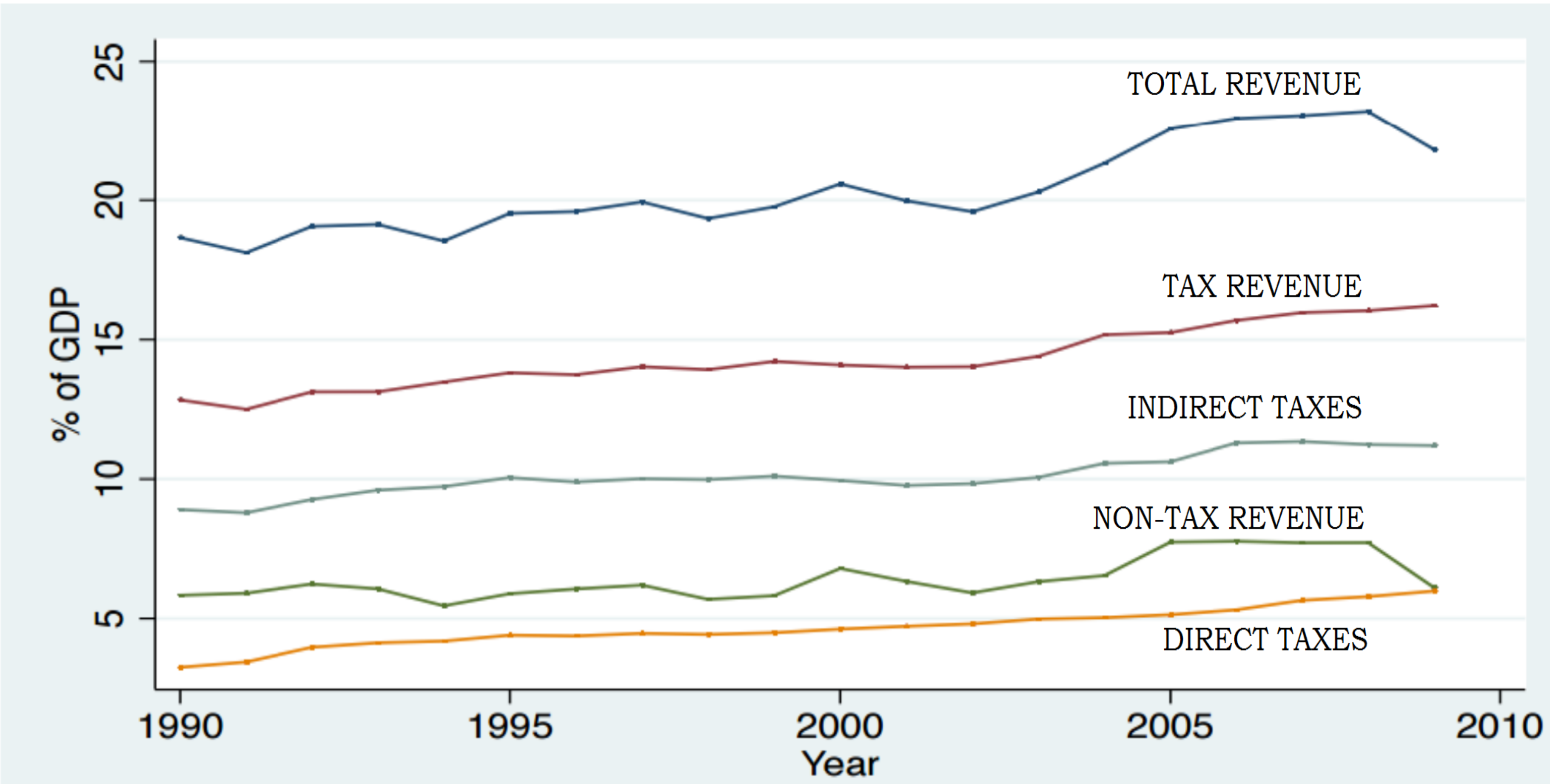
- Revenue norm:

Tax/GDP:

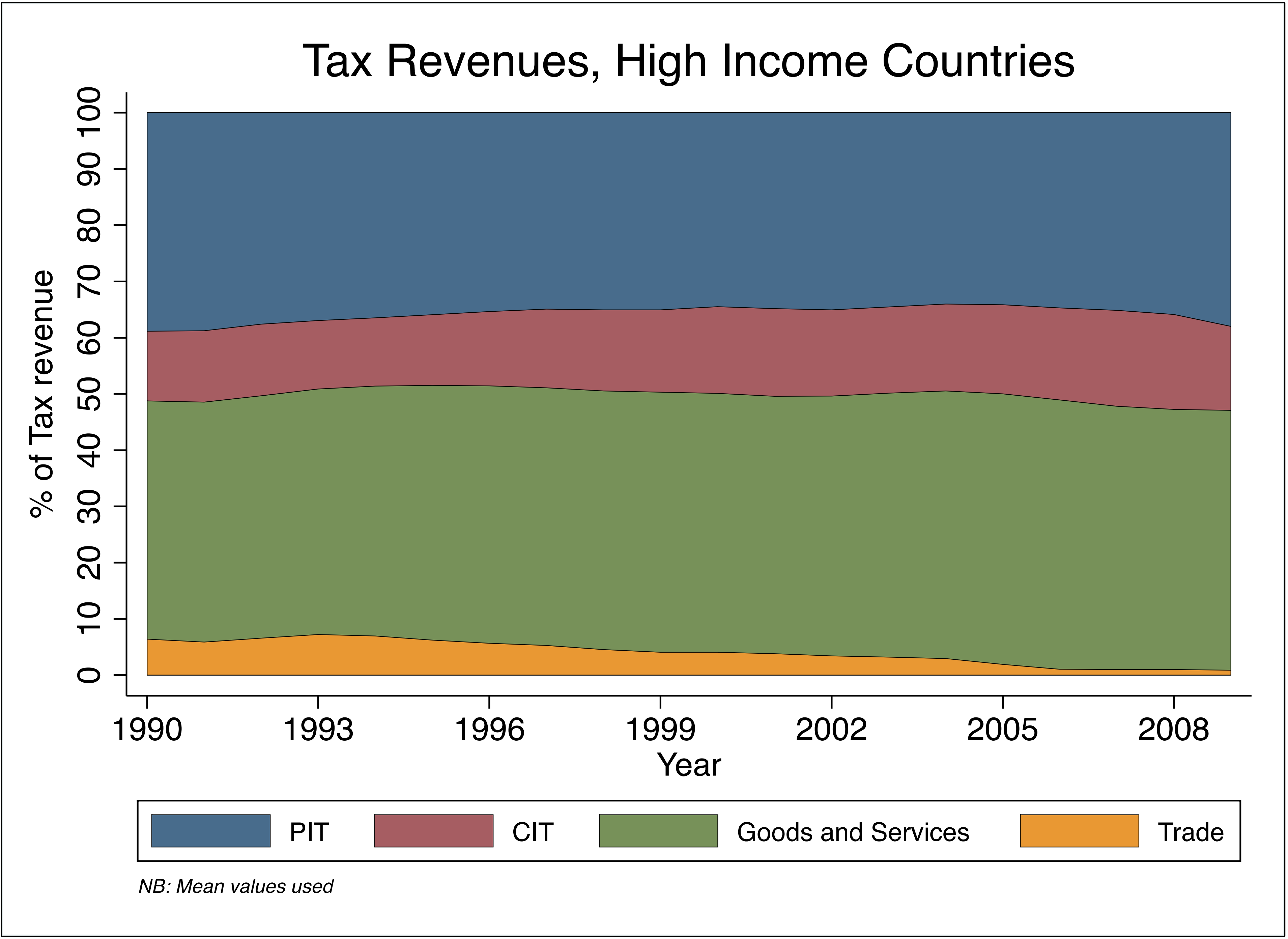
- Governance (& progressive) norm:

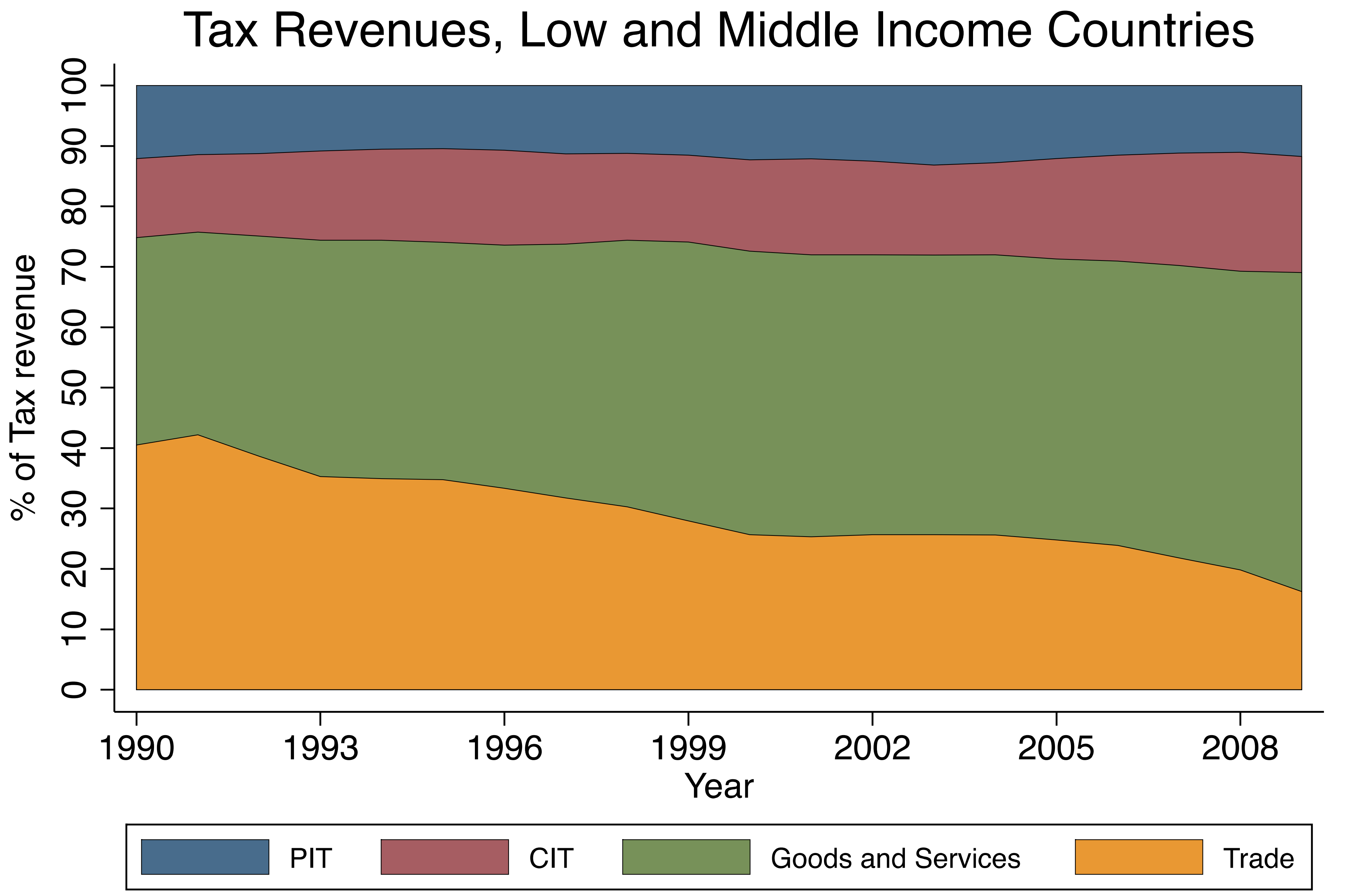
Direct tax/expenditures:

Figure A3.6 Revenue composition for all developing countries 1990-2009



Source: Prichard, Cobham & Goodall (2014): The ICTD Government Revenue Dataset.


Tax Revenues, High Income Countries
% of Tax revenue
0
10
20
30
40
50
60
70
80
90
100
1990
1993
1996
1999
2002
2005
2008
Year
PIT
CIT
Goods and Services
Trade
NB: Mean values used



NB: Mean values used

1. Set better norms

- Revenue norm:

Tax/GDP: 20% minimum target?

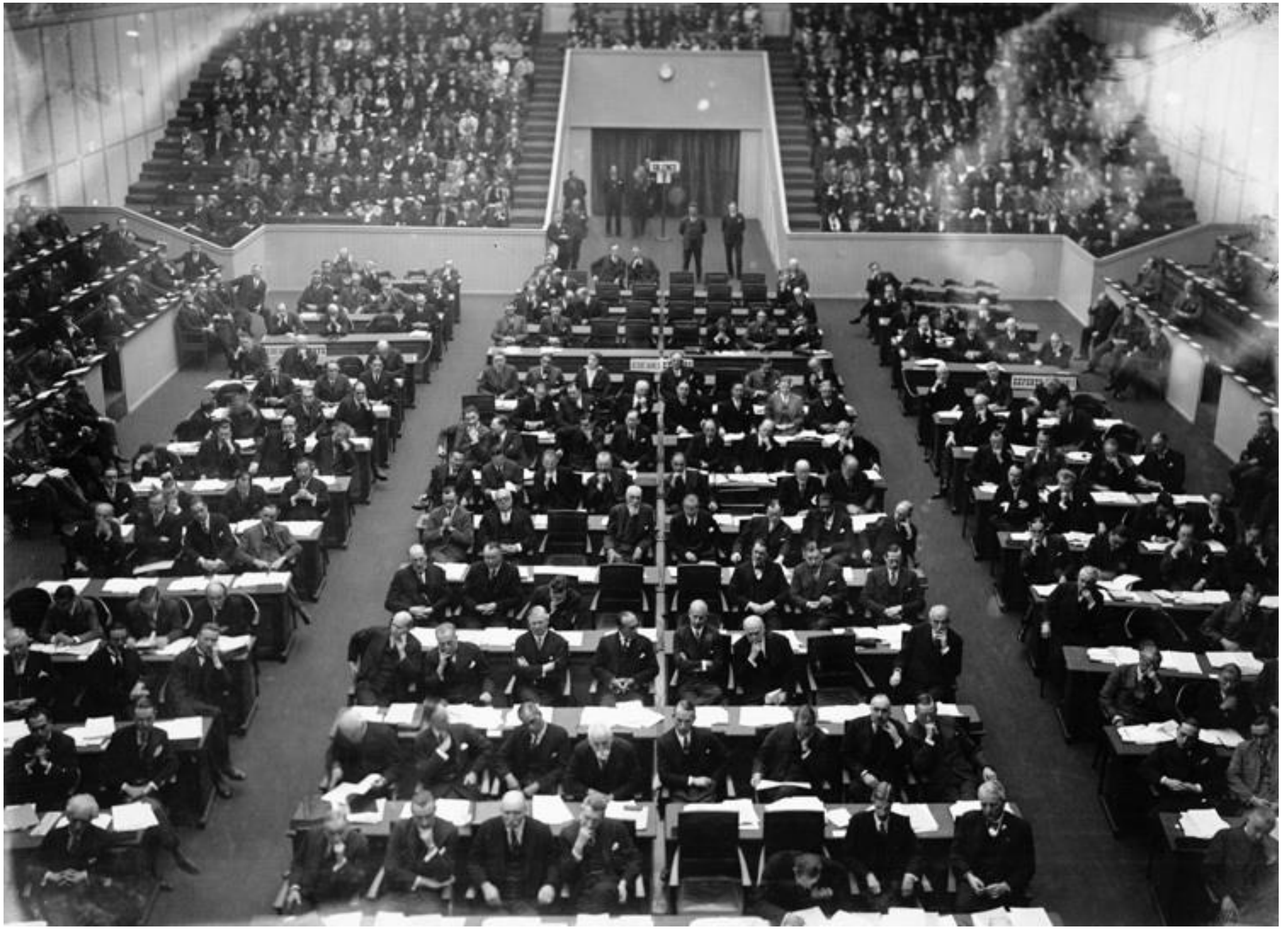
- Governance (& progressive) norm:

Direct tax/expenditures: 40% target?

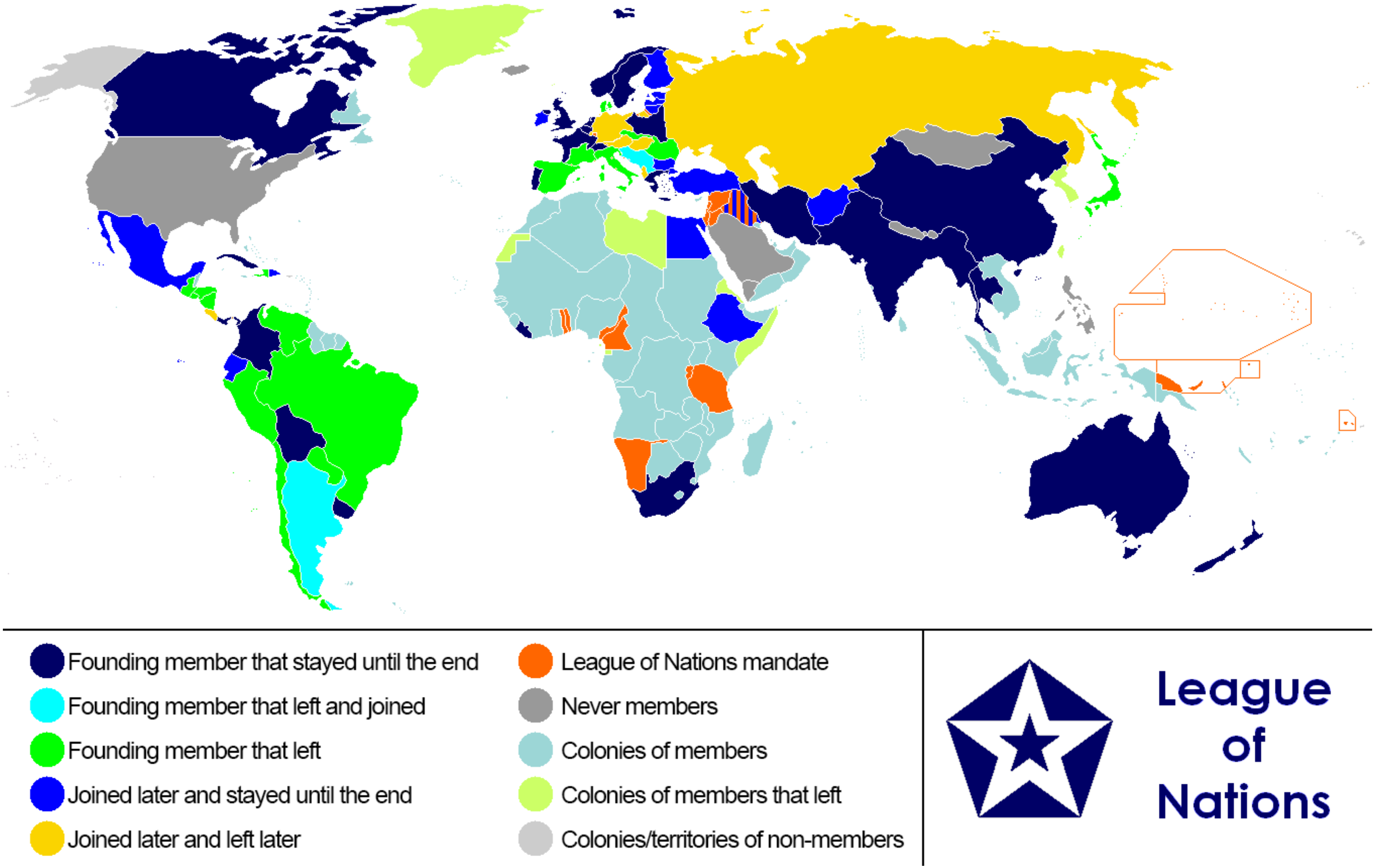
2. Sort out governance

- 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?

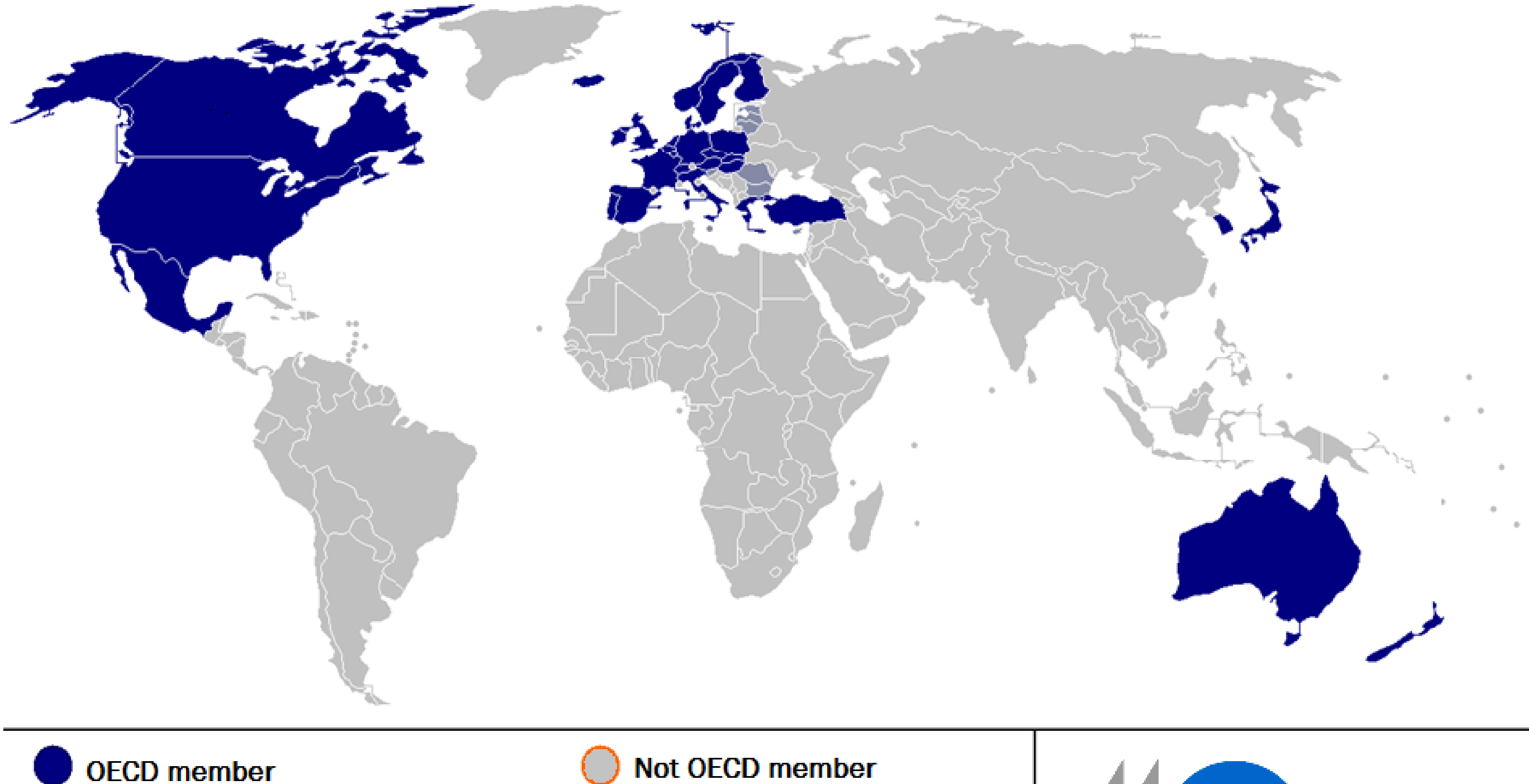
Whose tax rules?



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

Range of benefit-cost ratios for proposed targets

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

Source: Cobham, 2014, for Copenhagen Consensus: http://bit.ly/CC-PDF.

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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