

**A Conference on “Winning the Tax Wars”
Protecting Developing Countries from
Global Tax Base Erosion**

Global Tax Team (Governance GP)

May 23 and 24, 2016

Preston Auditorium, World Bank, Washington, D.C.

In recent years, issues around tax base erosion, in connection with globalization and the aggressive tax planning by multi-national firms, have been attracting international attention and media coverage. Recently, the Panama Papers have exposed the lack of transparency around beneficial ownership and tax compliance which can undermine the social contract between governments and taxpayers in developing countries.

The global tax agenda has been mainly focusing on these issues from the fiscal revenue generation perspective (tax base erosion and tax rate “race to the bottom”) and also from the efficiency viewpoint (uncertainty of tax regimes for foreign direct investment and long term profitability of firms). However, more attention is needed to assess how these global tax trends are affecting developing countries and to find solutions to the issues they face, taking into account their particular circumstances. As governments in developing countries, often the host and not the home of multi-national firms, are unable to collect additional corporate income tax revenue, they must raise other taxes on the rest of the economy, including on lower income taxpayers. However, the structural challenges they face, due to their own socio-economic and institutional constraints, aggravated by the perception that the richest individuals and large companies are not complying with their tax obligations, undermine their domestic resource mobilization efforts and contribute to maintaining their reliance on foreign aid.

In addition to facing corporate income tax avoidance and evasion, governments in developing countries also have difficulties to increase revenues from taxes on personal income, capital gains, real estate and other wealth assets, due to remaining socio-economic, political and administrative constraints.

Initiatives to enhance domestic resource mobilization (DRM) efforts in developing countries, in order to meet the Sustainable Development Goals (SDGs), could fail if those with higher ability to pay taxes, firms and individuals, do not contribute their fair share. This could also entail a bias towards low/middle income taxpayers who often do not own capital or physical assets, but only have their human capital and labor skills to offer, further increasing the perception that tax systems hurt the poor. In addition, lack of transparency enforcing tax rules on those with higher ability to pay would only contribute to aggravate this perception of unfairness. Developing

countries alone will not be able to meet their DRM objectives without solutions to these challenges.

On the other side of the spectrum of tax “war“ pressures emerging from avoidance and evasion schemes, new consensus seems to be afoot to globally enforcing corrective tax instruments, on goods whose consumption creates social negative externalities, such as tobacco and CO2 emissions. Tobacco taxes could represent a win-win for developing countries in terms of improving public health, while generating additional fiscal revenues. Similarly, carbon taxes could help mitigate climate change and contribute to reduce the welfare divide between developing and more advanced countries. In both cases, regional and global tax coordination and tax cooperation will be necessary to achieve those ambitious goals.

The objective of this one-and-a-half day conference is to discuss these questions with lead experts from a variety of backgrounds and experiences, and to complement ongoing work on other related global taxation areas. It is also expected that the conference will shed light on topics where more analytical work is needed to understand how improved design and enforcement of tax policy, as well as better tax cooperation, can win declared “tax wars” affecting developing countries, and how they can be protected from their negative consequences. The Conference will also explore global solutions to global tax cooperation challenges, and guide the current World Bank DRM research agenda. A technical report based on inputs from panelists and the outcome of the discussions will be prepared after the Conference.

The primary target audience is World Bank economists, specialists and practitioners working to give policy advice and technical assistance involving tax issues, working in developing countries around the world in the following areas: Governance, macroeconomic and fiscal management, poverty, trade and competitiveness, finance and markets, climate change, health and human development, among others.

We are also involving policy-makers, think-tank staff, academics, media and others who are operating at the leading edge of tax and global goods.



Program

Day 1: Monday, May 23, 2016

08:15 – 9:00 *Coffee and Registration*

09:00 – 9:15 **Opening Remarks: Jan Walliser**, Vice President, Equitable Growth, Finance, and Institutions (EFI)

09:15 – 10:00 **Session I: Tax Competition: Are We at War? A Historical Review**

Countries around the world are competing on tax rates and ownership of the tax base, often resulting in harmful tax behavior. This panel will provide a historical perspective of how tax competition has resulted into global tax wars between multinational companies and tax administrations, between countries (regardless of their development levels), and between wealthy elites and regular taxpayers.

Moderator: **Blanca Moreno-Dodson**, Lead Economist, Global Tax Team Economic Growth, Finance and Institutions (EFI) Vicepresidency The World Bank

Panelists: **Vito Tanzi**, Fiscal Affairs Expert and author of the first book on tax competition “Taxation in an Integrating World” in 1995

Michael Keen, Deputy Director of the Fiscal Affairs Department of the International Monetary Fund

Erika Dayle Siu, Tax Attorney and Consultant, Independent Commission for the Reform of International Corporate Taxation

10:15 – 11:15

Session II: Tax Competition: An Unleveled Playing Field for Developing Countries?

Developing countries are often compelled to lower corporate income tax rates and/or provide particular tax advantages to firms which, do not only have high ability to pay, but also the sophistication to articulate worldwide tax planning and avoidance strategies. They do it with the goal to “win” investments, economic activity and job creation, over competitor countries. At the same time, given their own socio-economic and institutional constraints, they face tremendous challenges to raise fiscal revenues from other tax instruments. Representatives from international organizations (World Bank, IMF, OECD, UN and the South Center) will discuss how tax competition affects particularly the ability of developing countries to enforce a legitimate contract between governments and tax payers. They will also present different perspectives on how global tax rules could be improved to keep pace with a rapidly changing global business environment, without further aggravating income disparities between developing and advanced countries.

Moderator: **Lyne Latulippe**, Associate Professor of the Tax Department, Sherbrooke University

Panelists: **Jim Brumby** Director, Public Service and Performance, Governance Global Practice, World Bank

Victoria Perry, Assistant Director in the Fiscal Affairs Department and Division Chief of the Tax Policy Division at the International Monetary Fund

Manuel Montes, Senior Advisor on Finance and Development at the South Center in Geneva

Grace Perez-Navarro, Deputy Director, Centre for Tax Policy and Administration, The Organization for Economic Co-operation and Development

11:15 – 12:15

Session III: Tax Competition, Tax Coordination and Tax Cooperation in a Globalized World

Domestic tax policymaking has been under pressure to design a tax system that allows minimizing distortions to economic activity in order to stay competitive in a globalized world, often in reference to neighboring or competitor countries. This panel will offer insightful thinking from national leaders about how countries can protect their tax sovereignty in a globalized world, whether or not it is possible to achieve tax coordination, and how to better protect the tax base of developing countries through better tax cooperation.

Speaker: **Michael Sell**, Head of Tax Department, German Ministry of Finance

Moderator: **Vanessa Houlder**, Tax journalist on the Financial Times

Panelists: **Cristina Duarte**, Finance Minister Cabo Verde 2006-2016

Michel Sapin, Finance Minister France

Juan Ricardo Ortega, Former Tax Director and Advisor to the Minister of Finance, Colombia

12:15 – 14:00

Lunch

14:00 – 14:20

Keynote Speech: Reducing Secrecy and Improving Tax Transparency

Senator Carl Levin, Former U.S. Senator from Michigan and chairman of The Permanent Subcommittee On Investigations; Chair of the Levin Center at Wayne State University Law School

14:20 – 15:00

Session IV: How Tax Transparency Could Lead to Better Global Tax Rules

This session will illustrate how government-led investigations can advance public discourse on the enduring problems of international tax competition and what we can learn from tax investigations. The session will also reflect on how better exposure to tax evasion data, as revealed in the recent Panama Papers, could lead to better enforcement of tax rules and more effective design of anti-avoidance mechanisms globally.

Moderator: **Richard Rubin**, U.S. tax policy reporter for The Wall Street Journal in Washington

Panelists: **Elise Bean**, Former Staff Director and Chief Counsel of the U.S. Senate Permanent Subcommittee on Investigations. One of Washington’s 100 most powerful women (2011, 2013).

Omri Marian, Assistant Professor of Law, University of California, Irvine school of Law.

15:00 – 16:00

Session V: Taxing Multinationals in a Globalised World

In a globalized world where capital is mobile across boundaries and where multinational firms play an increasing role in trade and investment, the design of “competitive” tax policy (instruments, structure and rates) faces the additional challenge of countering the sophisticated and aggressive tax planning strategies of firms. This session will discuss current issues and possible alternatives for taxing multinationals in a globalized world. Further, different scenarios to find mutually agreeable approaches will be discussed. Finally, the session will elaborate on what the World Bank is doing in the area of international taxation in developing countries, in order to protect their tax base, as well as to shield national businesses from harmful competition as a result of tax avoidance by multi-national companies.

Moderator: **Vanessa Houlder**, Tax Journalist, Financial Times

Panelists: **Prof. Rita de la Feria**, Professor, Chair in Tax Law, University of Leeds

Bill Parks, Educator, Entrepreneur, and Business Professional, founder of NRS, Inc.

Dereje Alemayehu, Chair of the Global Alliance for Tax Justice and Senior Economic Policy Advisor of Tax Justice Network Africa

El Hadji Ibrahima DIOP, Directeur du Contrôle Interne, Direction Générale des Impôts et des Domaines, Sénégal

16:00 – 16:15

Networking Break

16:15 – 17:30

DEBATE

Tax Competition or Tax Cooperation? Consequences for Developing Countries

The purpose of the debate is to discuss the outcomes of tax competition versus tax cooperation from the perspective of developing countries. This issue will be explored through a series of three resolutions, as follows:

1. **First**, be it resolved that: *tax competition harms developing countries by reducing their capability to raise fiscal revenue to finance physical and social infrastructure, needed for economic growth and social inclusion.*
2. **Second**, be it resolved that: *tax competition increases developing countries' reliance on foreign aid, therefore making them more vulnerable to aid volatility.*
3. **Third**, be it resolved that: *tax competition aggravates existing income disparities between developed and developing countries*

Moderators **Professor Allison Christians**, Associate Professor, H. Heward Stikeman Chair in Tax Law, McGill University

Debaters: **Alison Holder**, Director of Policy, Advocacy and Campaigns at ActionAid
Veronique de Rugy, Senior Research Fellow at the Mercatus Center at George Mason University

Jury: **Jay Rosengard**, Lecturer in Public Policy, Harvard Kennedy School of Government and Academic Director Rajawali Foundation Institute for Asia, Ash Center for Democratic Governance and Innovation

Hon. Louise Otis, International Judge, President OECD administrative Tribunal

17:30

Cocktail

Day 2: Tuesday, May 24, 2016

8:15 – 9:00

Coffee

9:00 – 10:15

Session VI: Expanding the Global Tax Base: Taxing to Promote Public Goods, Tobacco Taxes

This session will be dedicated to exploring how countries can use tobacco taxes to reduce harmful behavior for health while raising fiscal revenues, with particular lessons for developing countries, which are lagging being public health improvements worldwide. The session will also discuss how developing countries could overcome the pressure from tobacco multinational companies to expand their business and, instead, diversify their agriculture production.

Speakers: **Prof. George Akerlof**, 2001 Nobel Prize Laureate in Economics, and University Professor at Stanford University and Georgetown University

Prof. Philip Cook, ITT/Terry Sanford Professor of Public Policy Studies, Duke University, and author of seminal book “Paying the Tab”

Jason Furman, Chairman, Council of Economic Advisers, Executive Office of the President of the United States

Moderator: **Patricio Marquez**, Lead Public Health Specialist and Co-Coordinator Global Tobacco Control Program, Health, Nutrition and Population (HNP) Global Practice, The World Bank

Panelists: **Jeremias Paul**, formerly Under Secretary of Finance of the Philippines and now Coordinator, Tobacco Economics Program, WHO, architect of the 2013 Sin Tax Policy Reform in the Philippines.

Fernando Serra Semiglia, Director of the Tax Advisory MEF, Uruguay

Rose Zheng Ph.D, Director, WHO Collaborating Center for Tobacco and Economics Professor, School of International Trade and Economics (SITE), University of International Business and Economics (UIBE)

10:15 – 10:30

Networking Break

10:30 – 11:15

Session VII: Expanding the Global Tax Base: Taxing to Promote Public Goods, Carbon Taxes

Carbon taxes can contribute to improve social welfare by reducing negative externalities associated with a polluted environment. This session will focus on how the design of carbon taxes could be coordinated regionally and globally, in order to reverse tax competition. Further the discussion will draw lessons for developing countries based on current worldwide trends in environmental tax policies.

Moderator: **Adam Komiuszewski**, Executive Director, Green Cross International

Panelists: **William S. Becker**, Executive Director of the Presidential Climate Action Project (PCAP), an initiative of Natural Capitalism Solutions

Corinne Lepage, French Minister of the Environment (1995-1997), Member of the European Parliament 2009–2014

Francois Damerval, Chief of Staff since 2008 and parliamentary assistant to Corinne Lepage

11:15 – 12 PM

Session VIII: How to Tax Wealth Better. Other Tax Instruments?

In addition to corporate income taxes, tax wars also affect other, often less popular, taxes on personal income, capital gains, real property and other wealth assets. Taxing stored wealth in the hands of capital owners and the beneficiaries of their estates could become a viable solution towards reducing income disparities globally. This session will explore the feasibility of introducing other tax instruments to tax wealth better, in order to contribute to more equitable tax systems. Further lessons for developing countries and global tax coordination will be explored.

Moderator: **Lilian Faulhaber**, Associate Professor of Law, Georgetown University

Panelists: **Prof. Richard Murphy**, Professor of practice in international political economy at London City University, technical director of the Fair Tax Mark and director of Tax Research UK

Prof. Eric M. Zolt, Michael H. Schill Distinguished Professor of Law, UCLA School of Law

Joe Thorndike, Director of the Tax History Project at Tax Analysts and contributing editor for Tax Notes magazine.

12 PM

Closing Remarks