

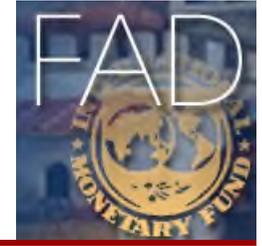


Ensuring a sound tax base in developing countries: Are the current international initiatives sufficient?

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(Views are mine ...)

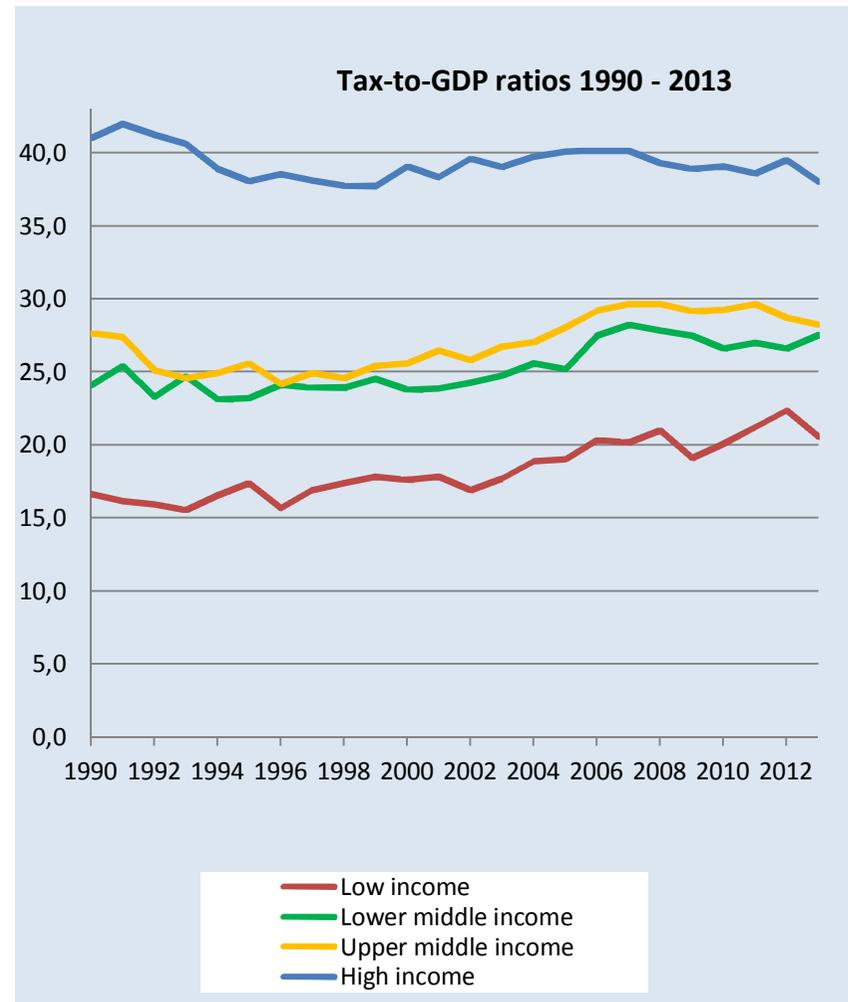
**Conference “Pay your taxes where you add the value”
Dutch Ministry of Foreign Affairs, July 2, 2015**



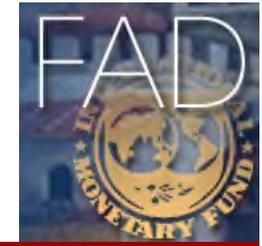


Ensuring a sound tax base ...

- ❑ Some major achievements in DRM – though not everywhere
- ❑ Key challenges left – beyond ‘mere’ DRM (quality matters)
 - ❑ High-wealth individuals
 - ❑ Hard-to-tax sectors
 - ❑ VAT implementation
 - ❑ Extractive Industries
 - ❑ Multinationals
- ❑ Which DRM efforts have the highest payoff in LICs?
- ❑ Country-specific revenue strategies needed

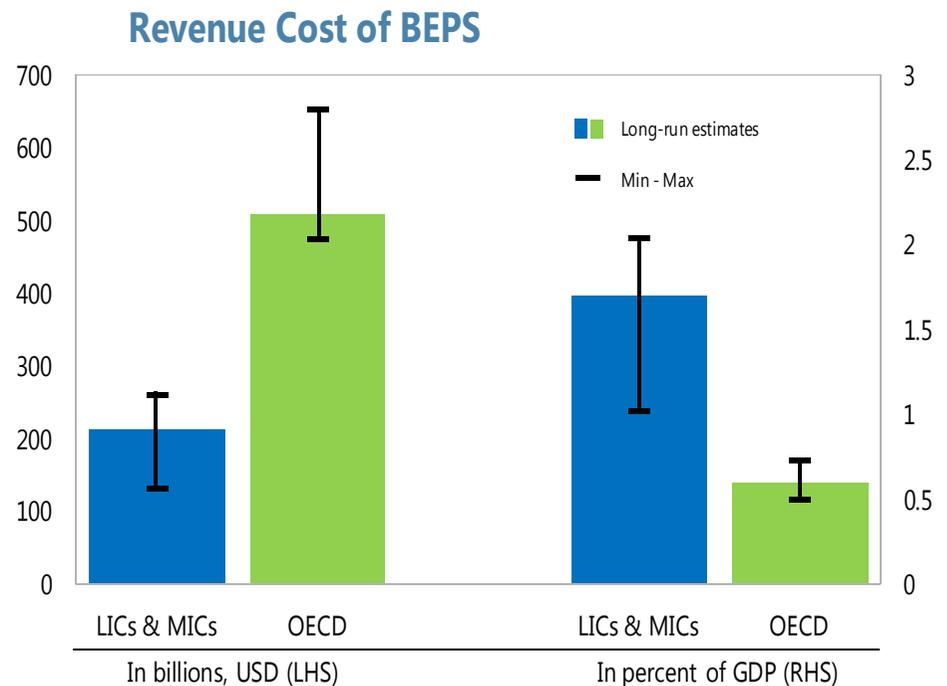


Source: FAD World Revenue Database



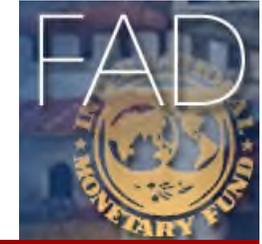
... current international initiatives ...

- ❑ Technical assistance – capacity
- ❑ Regional initiatives
 - ❑ SADC, EAC, WAEMU, COSEFIN
- ❑ G20/OECD initiatives: BEPS & AEOI
 - ❑ BEPS spillovers seem relatively larger for LICs
 - ❑ IO's now going beyond 15 BEPS actions (tax incentives; offshore gains)
 - ❑ Recognition of special circumstances of LICs



Short-run estimates

	USD, billions	Percent of GDP
LICs & MICs	105	0.8
OECD	207	0.3

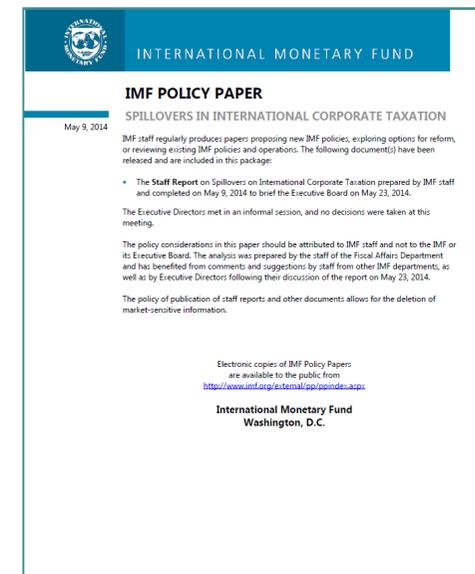


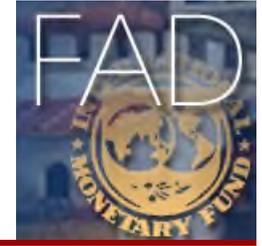
... sufficient ... (?)

- ❑ Addressing avoidance & evasion important ...
 - ❑ Large sums at stake - needs for capacity building

- ❑ ... but interact with other tax spillovers... →
 - ❑ What about 'real' spillovers in tax bases?
 - ❑ What about tax competition more generally?
 - ❑ How do tax incentives fit into this?

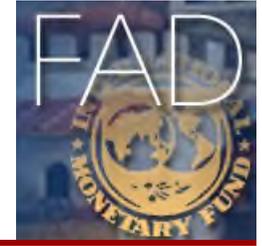
- ❑ ... that raise fundamental questions on current int'l tax architecture ...
 - ❑ Source vs residence (vs destination) – treaties
 - ❑ Formula apportionment (“... where you add the value”)
 - ❑ Wider 'tax harmonization': regional? – a new WTO?





... sufficient ... (?)

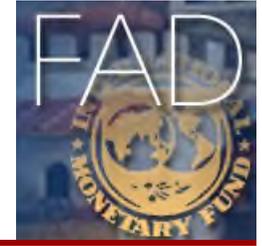
- ❑ ... with immediate practical relevance for developing countries
 - ❑ Domestic tax policy
 - ❑ Strengthening 'source' – e.g. offshore capital gains
 - ❑ Imposing minimum tax – cap deductions
 - ❑ Advanced country tax design
 - ❑ Assessing spillovers on developing countries
 - ❑ Treaties – NL initiative on 23 LICs
- ❑ Bilateral & multilateral efforts
 - ❑ Tax treaties – net gain for LICs?
 - ❑ Regional initiatives – e.g. on tax incentives



Statement 1

- ❑ Advanced countries could implement a ‘LIC-proof’ test for changes in domestic tax law
- ❑ When changing domestic tax legislation for multinational corporations in a major way (or when signing/revising a tax treaty), advanced countries could require a ‘spillover test’, assessing the implications of the change for developing countries’ welfare

Advanced countries could implement a 'LIC-proof' test for changes in domestic tax law



A. Agree

B. Disagree

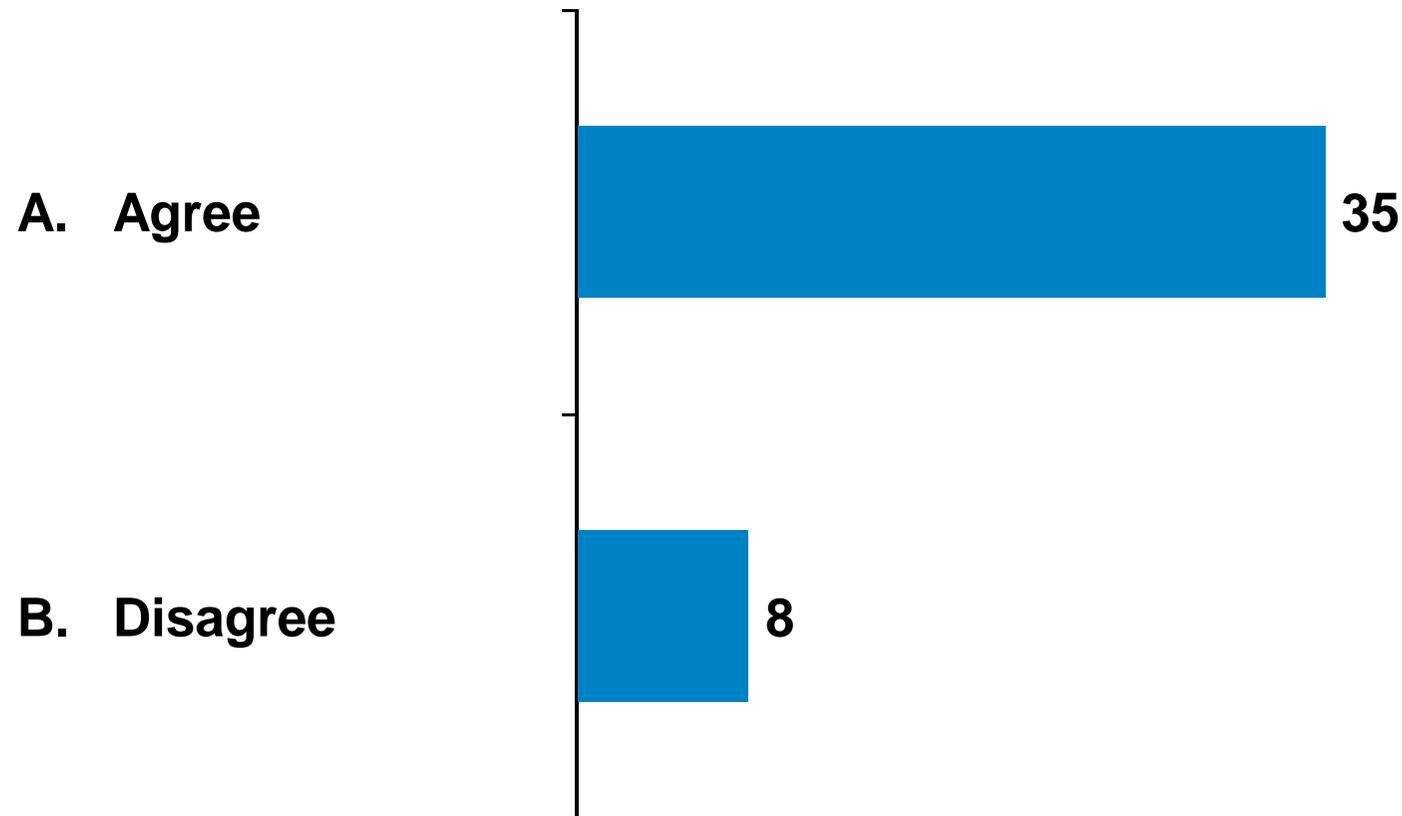
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votes: 43

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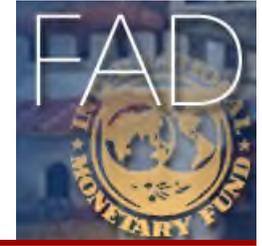
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Advanced countries could implement a 'LIC-proof' test for changes in domestic tax law



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Statement 2

- ❑ Developing countries could develop (and own) a comprehensive “DRM Strategy”, part of which deals with int’nl tax challenges
- ❑ The ‘revenue strategy’ would be based on proper diagnosis and prioritization to guide efforts in tax design and revenue administration to where they yield the highest returns – accounting for both quantity and quality of DRM

Developing countries could develop (and own) a comprehensive “DRM Strategy”, part of which deals with int’nl tax challenges



A. Agree

B. Disagree

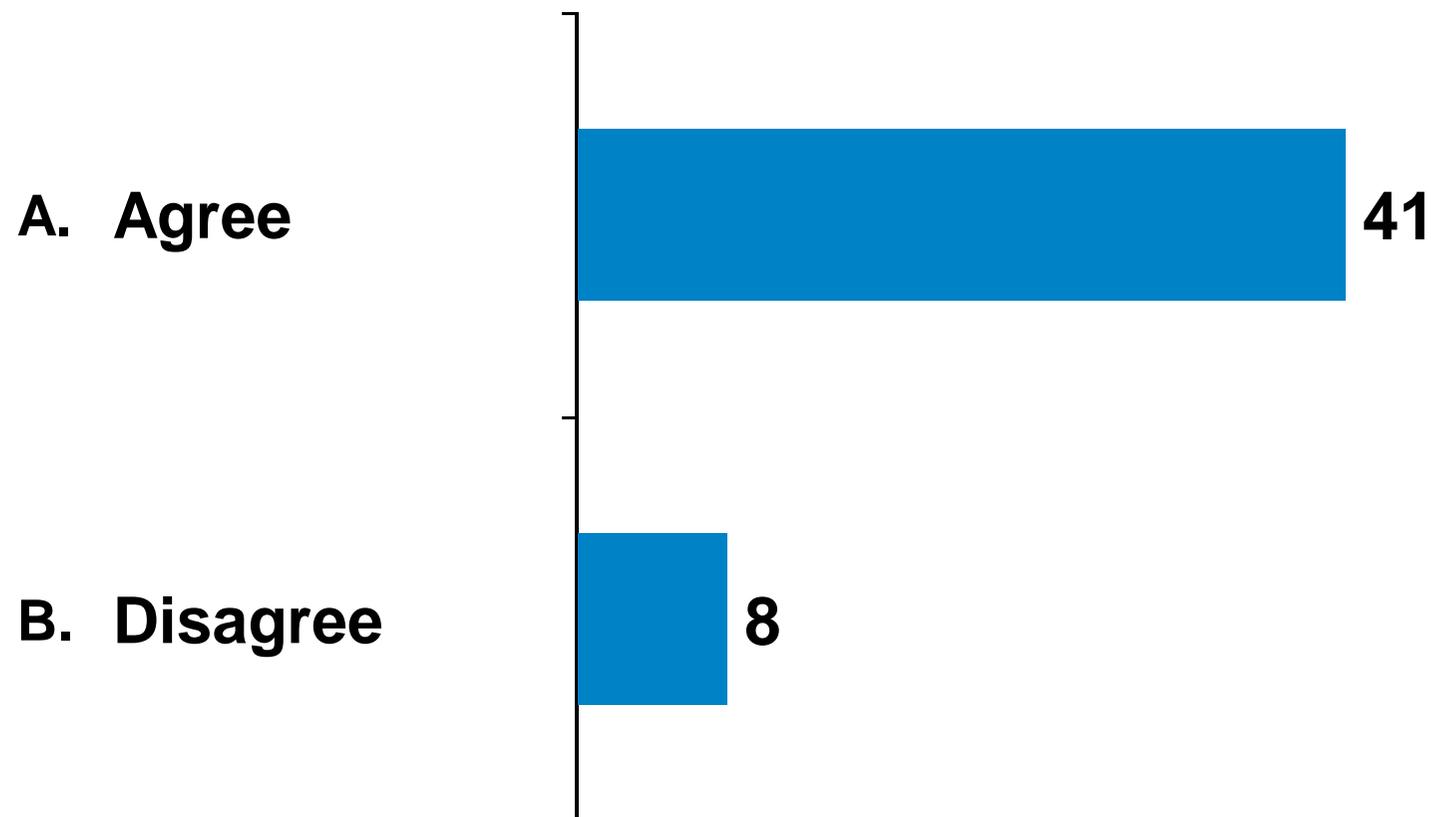
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votes: 49

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Developing countries could develop (and own) a comprehensive “DRM Strategy”, part of which deals with int’nl tax challenges



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