Funding the Future

The IMF sets out its work programme on international ta...

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The OECD is dominating debate on international tax this morning with its new report to the G20 about which I have commented here. However, it is not the only player in this arena. The IMF has just endorsed its own tax work programme which ius much more broadly based than the OECD programme, largely because it explicitly starts from a macro-economic perspective, whereas the OECD has a largely micro-focus. The result is that the IMF is keen to look at what it calls the 'spillover effects' - which it defines as the consequence of the tax policies of one state on the tax affairs of another. In the process it shows it has considerable sympathy with the approach I have used in defining secrecy jurisdictions.

But perhaps most significant is this section, that I reproduce wholesale precisely because it shows that the IMF is more willing to acknowledge the copncerns fo civil society than the OECD is in its report:

Dealing better with spillovers: Toward an improved international tax framework

ï‚· There is considerable interest among civil society organizations and others in more radical alternatives to the current international tax framework, such as â€—formulary apportionment‘ (allocating a multinational‘s global profits among countries by some formula intended to proxy its â€—real‘ relationships with those in which it operates, not by a transactional arms-length basis) and some form of minimum taxation. Even if the conclusion is that these are infeasible or undesirable, such schemes–including their ***impact on developing countries–deserve a more thorough and realistic assessment.***

ï‚· Other suggestions deserving close attention–more in the nature of â€—fixes‘ than deeper improvements–include wider use of minimum taxes and denial of deductions as a response to profit shifting.

ï‚· The general strategy of building an international tax structure around bilateral tax treaties is being increasingly questioned. Key issues are when

and whether domestic legislation can achieve the same effects in better ways, and whether there is scope for increased multilateralism.

ï‚· The active but sometimes confused debate on â€—country-by-country' reporting raises questions as to whether countries–especially developing–have, or under current arrangements, can obtain information needed to protect against erosion of their tax bases. Beyond this are wider issues as to how best administrations can assess and address the challenges of international taxation that they face, including in dealing with current initiatives, in the wider context of their broader efforts to strengthen revenue mobilization.

ï‚· Overarching all these questions is that of whether the spillovers, and countries' reactions to them, are large enough to warrant deeper and fuller cooperation on international tax matters–and if so, given the great sensitivities in tax matters, what form might it take?

There may be lessons to draw from various regional efforts at this cooperation, several of which the Fund continues to be closely involved in.

I do make one suggestion to the IMF though - on country-by-country reporting. If they're confused, why not call me?