

## The Joy of Tax in Orlando

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This is the outline of the talk I gave to the [American Tax Association](#) (made up of US tax professors) in Orlando today:

### **Joy of Tax American Tax Association Orlando 26 February 2016**

- \* The Joy of Tax
- \* My argument is simple
- \* Tax is the tool with the greatest opportunity to shape the world we want to live in
  
- \* This is a macroeconomic argument
- \* We now know how money works
- \* According to the Bank of England every text book is wrong
- \* We now know loans create deposits and not the other way round
  
- \* How tax works
- \* Suppose we got tax wrong too?
- \* Suppose governments don't tax and spend
- \* But spend and then tax?
- \* Let me assure you that's what they do

- \* How do we know?
- \* Over \$6 trillion of QE proves it
- \* But in fact we've always known this - this is why we have a national debt
- \* And why we have any government created money - because all of that is created by government over spending not claimed back by tax
  
- \* So what does this mean?
- \* Tax never, ever, pays for government spending
- \* The primary goal for tax is to reclaim the money the government spends into the economy?
- \* Why? To prevent inflation. I told you this was macroeconomics
  
- \* Is that it?
- \* No!
- \* But what it means is that we have to completely re-appraise what tax is for
  
- \* The six reasons to tax
- \* Reclaiming the money spent by the government into the economy as far as is needed to control inflation
- \* Ratify the value of money
- \* Reorganise the economy
- \* Redistribute income and wealth
- \* Reprice market failure
- \* Raise representation in a democracy
  
- \* To put it another way
- \* Tax is not about paying for anything
- \* Tax, from beginning to end is all about shaping the economy in the way we want in accordance with our democratic principles
  
- \* Principles
- \* Adam Smith
- \* Equity

- \* Certainty
- \* Convenience
- \* Efficiency
  
- \* But this is not 1776
- \* And these were largely standards for the administration of tax, not principles on which to base the tax system
  
- \* So in 2016
- \* Peace
- \* Equality
- \* Truth
- \* Simplicity
  
- \* Applying this to a real example
- \* Country-by-Country reporting
- \* An incredibly simple idea I created in 2003
- \* Why?
  
- \* Peace
- \* John Christensen and I, who were cofounders of the Tax Justice Network were sure there was a transfer pricing problem
- \* Developing countries were not collecting the money they were owed
- \* Multinationals were transfer mispricing profits to tax havens
  
- \* The consequences?
- \* Developing countries were not able to control their economies: the money they need to reclaim is not there to be had
- \* Nor is it available from the tax havens
- \* So there is international stress: the wrong people have the wrong money in the wrong place
- \* Developing countries are constrained on their spending because they have no ability to reclaim money

- \* And in many other countries the need to reclaim tax has been shifted from corporations / capital to wealth
- \* Stress!
  
- \* But more than that
- \* Equality
- \* Large and small business are not being treated the same: result a bias to the big
- \* And nor are countries being treated the same
- \* Whilst access to tax havens has been deliberately designed to create inequality
- \* Faith in the integrity of the system was being undermined
- \* This was an issue to address if macroeconomic credibility and faith in government was to be preserved
  
- \* Truth is key then
- \* Regrettably some governments have not been committed to truth. Opacity has been their watchword
- \* I have defined them as secrecy jurisdictions
- \* If you want to know who they are read the Tax Justice Network Financial Secrecy Index
  
- \* And some companies have not either
- \* Our aim when we set out as tax justice campaigners was to
- \* Put large companies on the front pages of newspapers
- \* If they used tax havens
- \* And if they cost developing countries money
- \* With the aim of forcing change from countries and companies
  
- \* And crucially we were always solution focused
- \* Automatic information exchange
- \* Beneficial ownership on public record
- \* And country by country reporting
- \* There were others, but these were key

- \* Country by country reporting
- \* A method to encourage companies to pay the right amount of tax in the right place at the right time
- \* Where right means that economic substance matches accounting form
- \* Tell us
- \* Third party sales
- \* Intra-group sales
- \* Number of employees
- \* Profit before tax
- \* Tax provided
- \* Tax paid
- \* Equity
- \* Retained reserves
- \* Tangible assets
  
- \* We can do the big data:
- \* Does your reporting match where your profits are likely to be earned
  
- \* So far the evidence is they definitely do not
  
- \* Won at the OECD as part of BEPS
- \* Fix tax reporting
  
- \* Now heading for public record in the EU, I suggest
- \* Why
- \* To provide a tax risk template
- \* For
- \* Tax authorities
- \* Investors
- \* Civil society
- \* The media

- \* This is about holding global companies to account locally
- \* And restoring equality for all - as efficient markets demand

- \* And what of simplicity
- \* Let me not forget the Holy Grail of tax

- \* There is no simple tax system in a modern economy

- \* But go back to Smith

- \* The job is to make sure tax is paid

- \* Equitably

- \* Certainly

- \* Conveniently

- \* Efficiently

- \* And that requires

- \* Good law

- \* Investment in tax authorities

- \* Every encouragement to transparency

- \* And cooperation - call it peace in our time

- \* We set out to change the world of tax

- \* In some ways that is what we are doing

A mindmap summary of this is here: [Joy of Tax Orlando 26-2-16](#)