

Fiscal Affairs Department

INTERNATIONAL ASPECTS OF CORPORATE TAXATION —AN IMF PERSPECTIVE

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7th IMF-Japan High-Level Tax Conference For Asian Countries

Tokyo; April 6, 2016

Outline

- IMF activities in the area
- Importance for developing countries
- Looking forward—Some issues

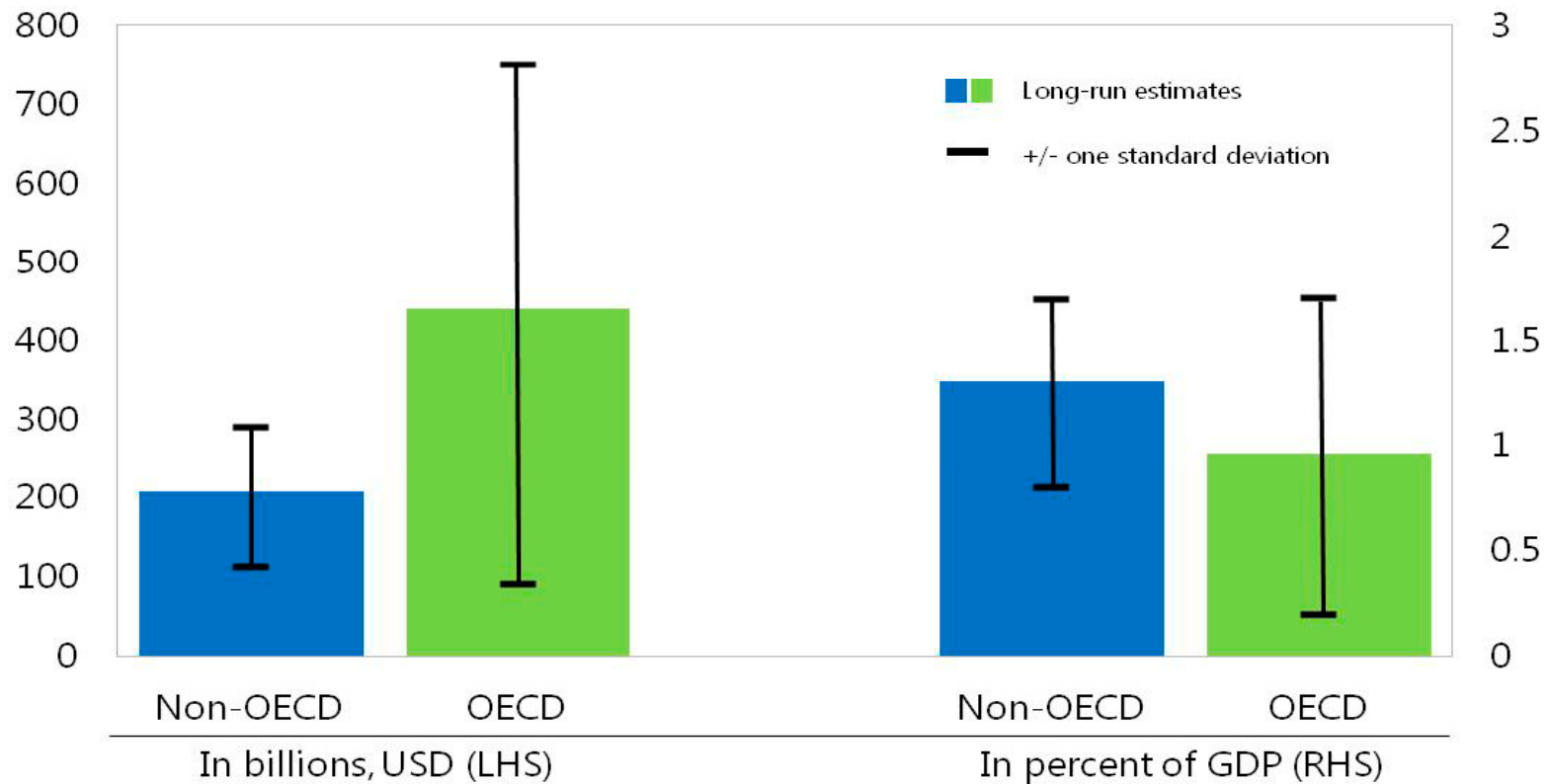
IMF activities in the area

A wide range

- Technical assistance
- Analytical work, e.g.
 - Scaling 'BEPS'
 - Book on international tax issues for the EIs
- 'Platform for collaboration on tax' (IMF,OECD, UN, WB)
 - Toolkits
 - Wider eye on international tax issues
- Enhanced Fund-Bank collaboration
 - Explicitly on international tax issues
 - Improved tools for tax policy diagnosis
- Increased focus in IMF surveillance

**Importance for developing
countries**

Scaling the issue

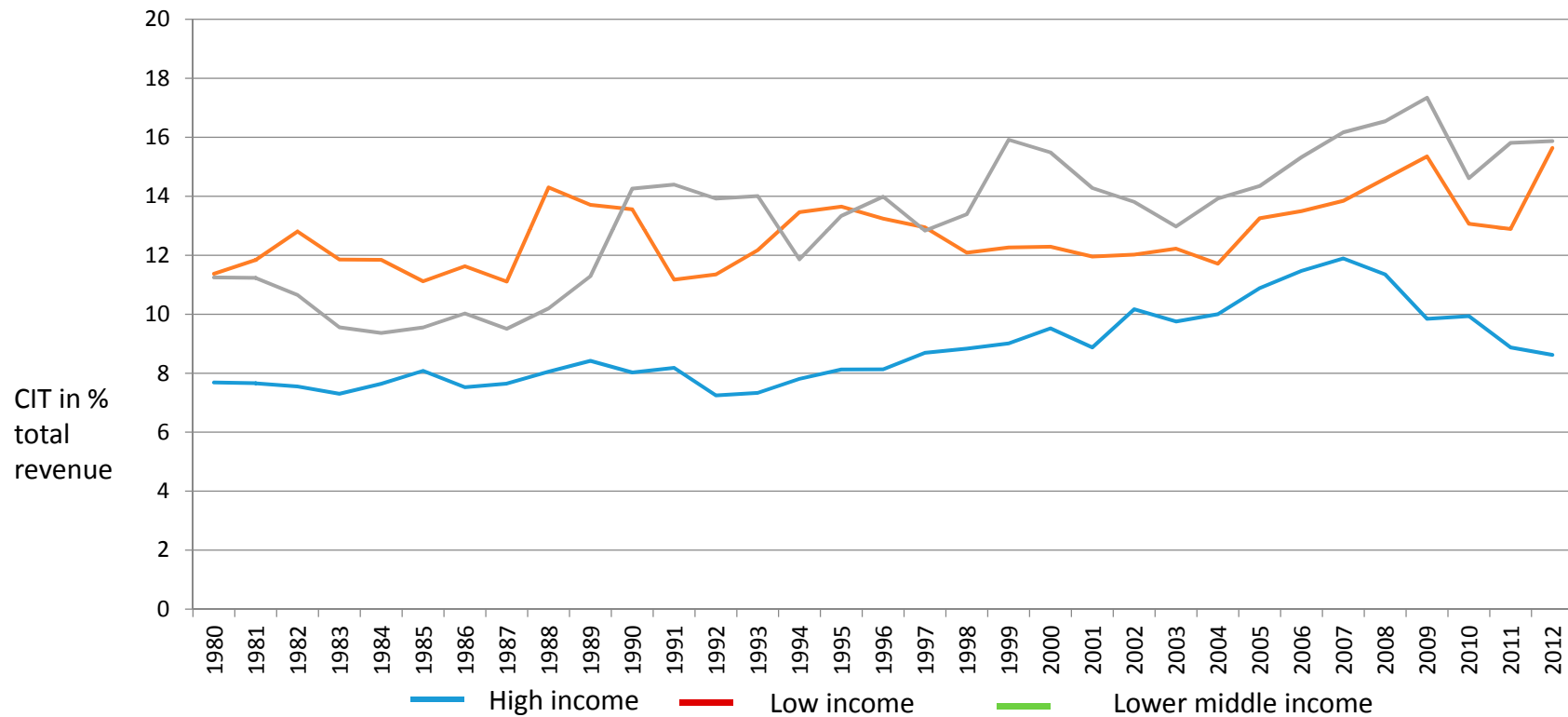


Short-run estimates

	USD, billions	Percent of GDP
Non-OECD	28	0.2
OECD	95	0.2

Amplified by

Greater reliance on CIT in developing countries:



And fewer alternatives

Looking forward—Some
issues

1. BEPS implementation

- Work to do promoting understanding of what is in BEPS
- Some unfinished business
- BEPS as a package
- Application to developing countries
 - Platform and work on toolkits
- Will it address the fundamental concerns?
 - Ideal is to raise average tax rates but not marginal

2. How will the international tax system evolve?

Pressures will remain, as will interest in alternative structures:

- European commission reviving its proposal for a form of formula apportionment
- Academic interest in ‘destination-based cash flow tax’ — similar to VAT plus wage subsidy
 - Not far from direction of reform in many countries
- Greater reliance on personal level taxation?

A lesson learned: It helps to have a sense of where the system will/should go

3. An elephant in the room? Tax competition

- Incentive to attract tax base and real investment remains...
- ...with source-based taxation inherently vulnerable to downward tax competition
- Making avoidance harder can amplify the difficulty
- Some progress in operationalizing notion of 'harmful tax competition'
- But can it reach to core of the issue?