GENERAL PRINCIPLES
Standard tax principles continue to apply, but maybe with new twists:

*Equity*—Put a large part of the burden on better-off old?

*Efficiency*—A search for immobile tax bases; ease that constraint by further strengthening of international cooperation, including on climate policies?

*Implementation*—How fundamentally will new technologies change things (real-time transaction reporting; personalized pricing...)?
OPTIONS
Value Added Tax

- All G-20 have a VAT, except US and Saudi Arabia
  —in US, 13% VAT could raise 6% GDP

- About 20 percent of all revenue

- Has proved a relatively efficient revenue source

- Wide variations in rate (5-21 percent), number of rates (1 to 4) and base
As a broad indicator:

C-efficiency = VAT revenue/(rate x consumption)

= 100% if single rate, broad-based, perfectly enforced

In practice, averages 50% for advanced and emerging...
—though with big variation (69% in Japan, e.g.)

...suggesting scope to do more without raising rate
Decomposing failure into ‘policy’ and ‘compliance’ gaps, main weaknesses are:

- **Compliance in emerging economies**
  - Latvia could raise 1.6% GDP by cutting compliance gap to that in France

- **Policy in advanced countries: ‘old’ VATs have multiple rates and exemptions**
  - Eg1: Italy could raise 3.1% GDP by halving policy gap
Eg2: Removing zero-rating in UK:  

...would raise 0.79% GDP even after protecting poor
Personal income tax

Central for equity concerns, but behavioral impact—real and avoidance/evasion—matters

- Main labor supply effects are through participation
  - more scope to exploit these: e.g. lower rates on those near retirement (but consistent with intercohort equity?)

- Planning makes taxable income of richest responsive
  - current top rates may be close to revenue-maximizing
Corporate income tax

Rates have tumbled but revenue held up (pre-crisis...)

Possible explanations include strength of financial sector.
Substantial increase in revenue unlikely given:

- Continued pressure on rates
- Likely lower financial sector profits (and accumulated losses)
- Past base broadening (though maybe scope for more—R&D tax credits?)

International coordination, again beyond info. exchange (to minimum rates, bases, formula apportionment)
- Has proved hard
Carbon pricing

...whether tax or cap-and-trade

- Substantial potential in principle...
  - $50-660 billion annually form efficient pricing
  - Proposals in US implied c. $100 billion annually

...even after compensating measures

- Important not to dissipate by free allocation of rights...

- ...and to include international aviation and maritime (and in indirect taxation more generally)
Real estate taxes

- Seem relatively growth-friendly (immobile, low current rates) fair, and suitable for lower-level govts.

- Under-used in some countries
  - 3% percent GDP in Canada, US, UK, but under 1% in other G20

- But reform can take time
  - to develop cadastre and valuation techniques
CONCLUDING
Nature (and extent) of policy measures country-specific

Some new opportunities (carbon and congestion pricing, congestion...)

But largely widening existing bases...

...in ways that have proved politically difficult