Background

- Inequality on the rise
  - Within country inequality rising
  - Falling global share of labour income/rising share of capital income

- Crisis and its aftermath
  - Perceived causes
  - Fiscal consolidation and austerity
  - Need for governments to secure their revenues

- Globalisation and tax avoidance
  - Conversation about ‘fair share’
Rising inequality

- Within country inequality rising
  - Focus on traditional market economies

- But the story is even more complicated than this:
  - Massive shift in global economic power
  - Rising living standards in many of the Emerging Market Economies
  - Reductions in poverty and inequality from a more ‘global’ perspective – but many countries still being left behind
  - Intergenerational inequality – ageing populations
Existing tax policy tools

- Conventional thinking on ‘growth friendly’ taxation policy
  - Property taxes – recurrent taxes on immovable property rather than transaction taxes
  - Consumption taxes – distributional concerns
  - Personal income tax – most progressive, but distortive
  - Corporate income tax – most distortive

- Redistribution better achieved through government expenditure policies
  - But reduced capacity due to fiscal consolidation
This has led to a more nuanced policy discussion about ‘sustainable and inclusive growth’

- Can tax play a more important role in tackling economic inequality?
  - Are new taxes needed or should we look to make better use of existing and available policy tools?
- Estate, inheritance and gift taxes?
- Wealth taxes?
- How can we more effectively tax capital?
- Personal income tax rates on top incomes
- Taxation of skills and workforce participation?
Wealth and inheritance taxes

Recurrent taxes on net wealth

Estate, inheritance and gift taxes

Source: OECD Revenue Statistics, Categories 4100, 4200, 4300, and 1120+1220 respectively.
Taxation of dividend income

Source: OECD Tax Database.
Wealth taxes – a panacea?

- Many challenges associated with wealth taxes
  - Taxing stocks or flows?
  - Gross or net?
  - Comprehensive or selected classes of assets?
  - Valuation issues

- Mobility and competition in a global economy

- One of the biggest challenges relates to avoidance, especially in the context of globalisation
  - Transparency is crucial
Concerns about mobility and avoidance have led to some discussion about a ‘global wealth tax’, but

Tax sovereignty

- Who is entitled to the revenue?
- Who enforces the tax?
- Countries are diverse with different societal preferences, differing inequality levels, different revenue needs and at different stages of economic development
- Political legitimacy (democratic or otherwise)

The challenge of tackling avoidance remains
With the G20, the OECD has been leading the work with other organisations such as the EU to increase transparency.

- Exchange of information
  - On request
  - Spontaneous
  - Automatic

- Global Forum on Transparency and Exchange of Information for Tax Purposes
  - Restructured in 2009, 123 members and ongoing peer reviews

- Multilateral Convention on Mutual Assistance in Tax Matters
The OECD presented a single, common global standard on AEOI to G20 Finance Ministers in September

The AEOI standard provides for regular, automatic exchange between governments of all relevant financial information

- All types of investment income - including interest, dividends, income from certain insurance contracts and other similar types of income

- The financial institutions required to report include banks, custodians, brokers, certain collective investment vehicles and certain insurance companies

- Accounts include those held by individuals and entities, with an obligation to look through passive entities.
Global Forum meeting in Berlin 28-29 October 2014

- 89 Global Forum member jurisdictions signed up to AEOI
- 2015 – Jurisdictions will provide implementation plans
- 2017 – Early adopters to exchange
- 2018 – Other nations signed will exchange
- Support for developing countries to help them implement AEOI

Research in Norway showed that in 38.7% of cases disclosed under AEOI had not been reported as income in Norway

A project in Denmark, based on information received under AEOI, showed a non-compliance rate of 40%

AEOI has the potential to dramatically increase taxation of capital income and assets
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