

## CONFERENCE “DEVELOPING A TAX ENVIRONMENT FOR GROWTH AND COMPETITIVENESS”<sup>1)</sup>

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The **Institute of Austrian and International Tax Law** (Vienna University of Economics and Business) led by the well-known tax law professor **Prof. Dr. Dr. h.c. Michael Lang** is among the largest research institutions in the world in the field of the Tax Law. The teaching and research activities of the institute focus on topics related to the field of study of international, European and Austrian tax law.

The history of the Institute dates back to 1968, when it was founded by the former tax inspector Anton Lager, the first professor of Financial Law of the University of Economics and Business from Vienna. The reputation of the institute has consolidated over time and it is now a member of the EUCOTAX – European Universities Cooperating on Taxes, alongside 12 other universities from Europe and the United States.

Further, with the consent of Mr. Prof. Dr. Jeffrey Owens – Head of Institute for Austrian and International Tax Law – we present in full text of this institute official report on the conference on “Developing the Tax Environment for Growth and Competitiveness”.

**On January 18 and 19, WU’s Institute for Austrian and International Tax Law and the Association Internationale de Droit Économique, with the support of the European Commission, held a high-level conference on the interface between tax policy, growth, and competitiveness. It brought together ministers, international senior policymakers, academics, and representatives of business and civil society. The purpose was to engage a dialogue on the possibilities of achieving more transparency and convergence of national tax systems and developing of common principles.**

The Conference was opened by Algirdas Gediminas Šemeta (EU Commissioner for Taxation and Customs Union, Audit and Anti-Fraud) and the Italian Secretary of Finance and economist, Vieri Ceriani. Jeffrey Owens, professor at WU’s Institute for Austrian and International Tax Law and former Director of the OECD’s Centre for Tax Policy and Administration, and Rainer Geiger, Member of the Board of the Association Internationale de Droit Économique and

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former OECD Deputy Director of Financial and Enterprise Affairs, organised the conference.

### **Main conclusions and further questions**

Tax policy can help pave the way out of the crisis and build a strong basis for the expansion of productive investment and competitive enterprises. Tax systems need to be effective in terms of revenue generation, integrated with strategies to stimulate sustainable growth and to achieve a fair distribution of the tax burden.

Tax law hasn't kept pace with the international business environment. The diversity of national tax systems and the weakness of international cooperation can lead to economic double taxation or double non taxation. The national tax base of countries in which companies operate can be eroded through complex schemes of transfer mispricing, abuse of tax havens and abusive tax avoidance strategies.

Over the past decades there have been growing elements of convergence in national tax reform strategies consisting of cutting of the top personal income tax and corporate tax rates and broadening the tax base, the spread of VAT systems and progress in international tax cooperation. The most encouraging fact is the growing network of EOI agreements on information on request, within a framework of international monitoring and peer pressure. There is also growing movement towards automatic information. A multilateral convention on administrative assistance has 46 members and membership is expected to expand in the future. The challenge of creating a framework of multilateral rules providing equality and fairness of the treatment of tax payers and protecting the tax base of countries remains.

Tax has several objectives which need to be balanced carefully. Tax revenues are key to budgetary stability and fiscal consolidation which are needed for moving out of the crisis. Taxpayers also expect that their contribution is used to enhance public investment and services necessary to prepare the ground for sustainable growth and increased competitiveness.

Tax and expenditure policies can reduce income inequalities through a well-balanced tax mix, progressive tax rates for high incomes, eliminating tax privileges which benefit the higher income brackets and reforming social contribution systems.

Developing countries are dependent on ODA, vulnerable to illicit capital outflows and suffer from institutional deficiencies. Efforts should start by improving governance, respecting the rule of the law and democracy. A dialogue between governments and stakeholders is needed to explain the purpose of tax systems and provide service functions to taxpayers.

On exchange of information, an international consensus is being achieved through EU directives and action plans, the OECD Global Forum and the discussions within the G20. The peer review process within the Global Forum is

producing encouraging results in terms of availability, accessibility and exchange of relevant information. These international efforts need to be backed up by reforms and administrative change at the national level to make efficient use of the information received while protecting confidentiality. Further progress is desirable in providing a clear definition of harmful tax practices and the cost/benefit assessment of incentive schemes.

In terms of transparency of the use of natural resource revenues and accountability by both governments and companies the Extractive Industries Transparency Initiative is an important step forward. The expansion of the initiative beyond natural resources and through contract transparency and information on the use of the payments made is under consideration. Accountability of both Governments and companies may also be enhanced through country-by country reporting on the activities of multinational enterprises.

Transfer pricing systems need to be reviewed and the separate entity concept needs to be adapted to make allowance for the reality of global integration among related entities and the fact that comparable pricing levels of independent entities are sometimes difficult to identify.

Even if the separate entity (or arm's length principle) is maintained, corrective elements will need to be introduced into the system (simultaneous tax audits, harmonisation of accounting concepts and better functioning of the system of corresponding adjustments).

Tax avoidance schemes may erode legitimate tax interests of countries if they are tied to artificial legal conduits without reasonable links to the substance of transactions. In such cases; targeted or general anti avoidance rules can help.

Taxation needs to become integral part of corporate governance and responsible business conduct where companies should comply not just with the letter but also the spirit of the law. This is increasingly recognised in international instruments such as the OECD Guidelines for multinational enterprises. Good tax practice and transparent reporting should be considered a board responsibility.

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