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Centre for Business Taxation

Annual Report 2021–22

Oxford University

Centre for Business Taxation

Contents

Introduction

Michael Devereux
Director, Oxford University Centre for Business Taxation

October 2021 saw an astonishing agreement between around 140 countries for the most fundamental reform to international business taxation in a century. Not surprisingly, that agreement has dominated our research and policy analysis this year. Whilst the agreement was unprecedented, the details at the time were surprisingly lacking, and only became more focused for Pillar 2 with the subsequent publication of the Model Rules and then the related guidance. Further work on Pillar 1 took rather longer to appear, leaving many to question whether the "Two-Pillar Solution" was still intact.

During the year, we have undertaken economic, legal and policy analysis – both theoretical and empirical – on the proposals, in a series of papers and policy notes. For example, in a paper published in January, shortly after the Model Rules were published, we undertook an extensive and already widely-cited analysis of the sometimes surprising implications of Pillar 2 for tax competition and profit shifting. This was developed in further work which examined the proposal in more detail, including contributions on the interaction with CFC rules, the empirical size and importance of the substance-based income exclusion (SBIE), the number and identity of countries required to form a critical mass sufficient for the project to be successful, the remaining incentives for both multinationals and individual countries, and the impact of Pillar 2 on Sub-Saharan Africa. This work of course continues. Some of our work on Pillar 2 was also presented at two major policy conferences hosted by the Centre: online in April 2022 (*Pillar 2: What Will be the Impact?*) and in-person in July 2022 (*Further Investigations of the Global Minimum Tax*).

We continued to work on other fundamental aspects of international business taxation. Legal and policy work on the fundamental structure of the international system identified fundamental difficulties in the practical operation of the transfer pricing risk framework rules that were introduced by the BEPS project, and also the difficulties facing the arm's length principle which sooner or later will necessitate further changes to the income allocation rules.

We also continued our work on environmental taxation, investigating, amongst other things, issues arising with a global carbon tax, and the possible introduction of carbon border adjustment mechanisms (which create some similarities in principle with market-based taxation such as Pillar 1). In March 2022 we hosted an online conference on *Multilateral Cooperation and Carbon Taxation: Challenges and Opportunities*, with speakers and participants contributing from all over the world. And we also continued our fundamental empirical research on the impacts of taxation on firm behaviour; for example, the impact of profit shifting by some multinational companies on competition with domestic businesses. We also undertook research on subjects as diverse as wealth taxes and enforcement mechanisms for VAT in Pakistan.

2021 saw the departure of three of the Centre's research fellows. Two did not go far: Irem Güçeri and Sarah Clifford were both appointed to Associate Professorships in the University of Oxford, Irem at the Blavatnik School of Government, and Sarah at the Department of Economics. We are delighted that both remain closely involved in the Centre's research and activities, along with Assistant Director John Vella and other colleagues in the Faculty of Law, and Programme Director Steve Bond in the Department of Economics. Eddy Tam took up an equivalent position at Kings College London. They were replaced in CBT by two outstanding new research fellows: Kristoffer Berg joined from the University of Oslo, where his PhD in economics was awarded the King's Gold Medal for the best PhD thesis in social sciences in Norway; and Jawad Shah joined us from the University of Kentucky in completion of his PhD in economics, which drew on his earlier experience of being a tax revenue official in Pakistan.

We have also been fortunate to have a number of visitors in the Centre, although in some cases their arrival was partially delayed by the aftermath of covid restrictions. Vicki Perry joined us for the calendar year 2022 after her departure from her position as Deputy Director of the Fiscal Affairs Department of the IMF; she was also made a Visiting Professor of Oxford University. Professors Debbi and Sebastian Schanz joined us for the first half of 2022 from the Universities of Munich and Bayreuth, respectively. Jeff Hoopes joined us from the University of North Carolina, Giedre Lideikyte Huber from the University of Geneva, Svea Holtmann from the University of Eichstätt-Ingolstadt and Raphael Müller from the University of Mannheim. All our visitors contributed immensely to the academic community of the Centre.

The Centre continues to be heavily involved in teaching the MSc Taxation programme in collaboration with colleagues from the Law Faculty. As in past years, we also hosted academic conferences and seminars as well as our policy events – notably the annual three-day academic symposium, which returned to an in-person event in June 2022, and our annual conference for PhD students. We also initiated a very successful online, interdisciplinary, seminar series with colleagues at MIT, University of Michigan, Max Planck Institute for Tax Law and Public Finance in Munich, and Georgetown University, which we named 'OMG Transatlantic Talks'.

The Centre has been financed by a number of sources over the year, including income from teaching and research income. I am especially grateful to a small number of businesses that have continued their financial support.

Research highlights

On the apparent widespread misapplication of the Transfer Pricing Guidelines

This paper concerns some fundamental difficulties in the practical operation of the transfer pricing risk framework rules that were introduced by the BEPS project. These rules were introduced with the primary goal of restoring a substance-based approach in the application of the transfer pricing rules and lie at the heart of the new approach to the 'delineation' of transactions for transfer pricing purposes. In broad terms, the general approach of the Transfer Pricing Guidelines is to first determine the true nature of (i.e., delineate) a transaction so that it can be compared with similar uncontrolled transactions and then be appropriately priced. Problems in the application of the delineation rules because of difficulties in applying the risk framework rules therefore affect the general operation of the transfer pricing regime.

The particular concern is that in many cases (involving many jurisdictions) the delineation rules are becoming very difficult to apply due to the varying (and potentially contradictory) interpretations of those rules that are being applied by a number of tax authorities. More specifically, the interpretations adopted by a number of tax authorities in relation to the risk framework rules are not obviously aligned with the requirements of the relevant OECD transfer pricing guidance, or at least with what seem to be the intended requirements of that guidance.

In the sphere of the transfer pricing rules, the importance of this issue cannot be overstated given: the central importance of these risk framework rules in the context of the required delineation of transactions under the Transfer Pricing Guidelines; the scale and significance of the emerging disagreements (and varying interpretations) amongst multiple tax authorities; and the consequences of any break down in the consistent application of the rules by tax authorities across the world.

To date, there has been relatively little discussion of why this apparent breakdown in the application of the Transfer Pricing Guidelines is occurring. This paper responds to this situation, seeking to explain why the new rules on risk have in practice given rise to such material variations between what the Transfer Pricing Guidelines require (or seem to require) and how they are often being interpreted in practice.

The analysis in the paper argues that two major unresolved tensions are, as well as giving rise to the problems discussed above, also creating wider, more fundamental challenges for the ALP. The first set of challenges stems from the increasing reliance of OECD guidance on applying the ALP by relying on an analysis (which is inevitably highly granular) of decision-making by individuals. That approach is now pervasive in the guidance on both transfer pricing and the attribution of profits to permanent establishments ('PEs'). The second set of challenges concerns the troubling impacts from the increasing influence of a 'value creation' framework or lens through which the Transfer Pricing Guidelines are being interpreted and applied by a number of tax authorities.

The paper argues here that there are various significant difficulties created by the reliance on granular decision-making and the notion of value creation and that these are undermining the status and operation of the income allocation rules. In many cases, these difficulties create highly variable results which are the product of bespoke and usually protracted negotiations, based on a flimsy rule book. It is also argued that the true scale and nature of these problems is not fully recognised. These difficulties also undermining confidence in the reform process given that in significant measure they flow from recent reforms of the international tax system.

The paper argues that there is a pressing need to recognise the difficulties discussed and meaningfully address them. A number of possible action points are proposed to do just that.

Richard S. Collier, Ian F. Dykes (2022), OECD/International - On the Apparent Widespread Misapplication of the OECD Transfer Pricing Guidelines, Bulletin for International Taxation 76 (1).

Transfer pricing and the arm's-length principle after the pillars

Some 140 countries have now agreed to the outline of a two-pillar package of important proposed changes to the architecture of the international tax system. The changes are potentially complex and far reaching, including: (1) the adoption of a form of minimum tax on global income; and (2) changes to the mechanism for allocating the income of some multi-national enterprises ('MNEs') among taxing jurisdictions. This paper focuses on the implications of the newly agreed changes for the future application of the arm's length principle ('ALP').

The analysis in the paper proceeds in four steps. First, it summarizes pressures on the ALP that have been building over recent decades. Second, it considers the modifications to the ALP made in the OECD's BEPS project in response to those pressures as well as the perceived successes and failures of those changes in addressing the identified pressures on the ALP. Third, it summarizes the reasons for the recent shifts in thinking about the ALP that are evident in the Pillar 1 agreement. Fourth, it considers the likely trajectory for future use and application of the ALP.

The analysis identifies and critically examines two immediate priorities that arise from the agreement on Pillars 1 and 2: these are (1) the need to ensure the hybrid income allocation system can work effectively, especially in connection with the required interactions between the new destination system under Pillar 1 and the ALP-based system; and (2) ensuring that the ALP can function properly within this new hybrid system.

However, the current position also leads to some more searching questions about the ALP and its continuing role in the system. For example, if it is possible to fix the perceived problems with the ALP, our core income allocation system, why do we need the formulary overlay? However, if we cannot fix the ALP, why are we keeping the ALP as the core basis of income allocation for the international tax system? Is the Pillar 1 solution intended to function as part of the fix of the ALP, for example as a supporting 'prop' in areas where the ALP needs additional supporting measures? If so, how does Pillar 1 deal with any identified problems, and so leave the ALP to function where it properly can work? If this is the intended approach, why is it limited to only approximately 100 companies?

It is argued that the questions posed above (and others raised in the paper) are the right policy and technical questions that need to be addressed if the ALP is to remain an important part of the international tax system. This suggests a direction for future work based on the policy and technical assessment of the current position in which the ALP remains the core part of the income allocation system. However, it is recognised that it would be naïve to think that the future progression will be so simple and so ordered. Rather more likely, is that not much attention will be given to the open questions relating to the ALP until all the questions arising from the development of the Two Pillar package – and from integrating the new and existing income allocation systems – are more fully elaborated and addressed. This could take several months or years.

The conclusion drawn from the discussion is that, because of various difficulties facing the ALP, sooner or later further changes to the income allocation rules will be necessary. This means that the Inclusive Framework agreement likely represents a way station on a potentially tangled path to somewhere else. For the reason given above, we are unlikely to see a swift progression to the introduction of new approaches.

From a more general perspective, it seems hard to conclude we are not on a course of travel away from the ALP, at least to some degree. Many arguments have recently been deployed in support of such a direction away from the ALP. As discussed in the paper, there have also been many concerns voiced about the ALP. As reflected in the Pillar 1 measures, and as supported now by some 140 states, the first steps have been taken to incorporate into the mainstream income allocation rules an element of a destination approach. This suggests there may be no going back, even if the Two Pillar approach runs into difficulties. It also suggests the hegemony of the ALP has already gone and that it will be impossible to restore.

Richard Collier

Richard S. Collier, Joseph L. Andrus, (2002), "Transfer Pricing and the Arm's-Length Principle After the Pillars", Tax Notes International, 31 Jan 2022.

How can the Global Minimum Tax be simplified?

One of the biggest problems of 'Pillar Two' – the Global Minimum Tax agreed by more than 140 countries – is its high complexity and, as a consequence, its high compliance costs. In research at the Centre, Deborah Schanz worked with co-authors, as well as in close consultation with the OECD Secretariat, to investigate how the Global Minimum Tax could be simplified. They have developed mechanisms to identify in which countries no global minimum tax needs to be calculated, because local tax payments are already above the critical threshold of 15%. This approach allows for significantly reduced documentation requirements and consequently can be expected to lower compliance costs. At the same time, the global minimum tax can nevertheless not be circumvented: In case of low local taxes, the full documentation requirements of the global minimum tax would have to be fulfilled and the top-up tax incurred.

This 'simplification safe harbour' proposal is based on tax administrative guidance. It assesses the risk that entities in a country may have a tax burden below 15%. It would be carried out in two stages, a country-level test and, if necessary, a test at the level of the multinational company (MNE). If a high tax rate and a country's tax base ensures that taxes would exceed 15%, then all entities in that country would be exempt from calculating the minimum tax. In low-tax countries corporate entities would still have to perform the full calculation for the global minimum tax. If a country is between those extremes and there exist incentives that could lead to a low tax in that country, the country-level test identifies these incentives as 'red flags'.

Only in these red flag cases would the second stage, the MNE-level test, come into play. In a largely simplified calculation, MNEs would add the income related to the red flags to the existing tax base and divide taxes paid by this new base. If the result exceeds 15%, no top-up tax is imposed. Only if it is below 15% would a full minimum tax calculation become necessary.

Overall, unnecessary compliance and audit costs would be avoided for MNEs and tax administrations alike.

Deborah Schanz

Cedric Döllefeld, Joachim Englisch, Simon Harst, Deborah Schanz, Felix Siegel (2022), "A Simplification Safe Harbor for Pillar 2", Tax Notes International, 106 (12).

Pillar 2's impact on tax competition

This research article examines Pillar 2's impact on tax competition. Overall, Pillar Two should have a significant impact on tax competition, albeit not as significant as some may have hoped, and it is certainly not a straightforward impact. It also creates incentives that are not clearly desirable from a policy perspective.

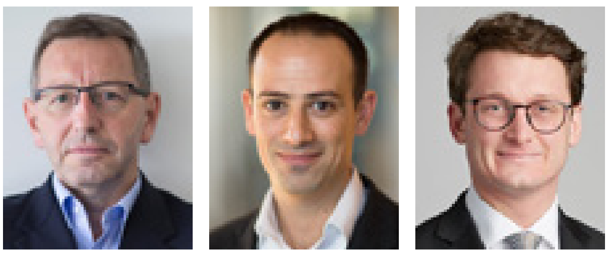
If the GloBE Rules are implemented by a critical mass of countries, there will be a floor on the Total Tax paid by in-scope multinationals and an effective floor on the 'total tax' collected by source countries equal to 15% of the Excess Profit (as calculated under the GloBE Rules). To impose this minimum, a source country would need to impose a nil 'regular' Corporation Tax and impose a Qualified Domestic Minimum Top-up Tax (QDMTT) to collect the minimum. Of course, this is just a floor. It represents the most aggressive competitive position countries can adopt once Pillar 2 is implemented. Countries that want to compete aggressively can compete down to this point. Various factors may lead countries not to position their tax system right at the floor.

The article also explains that different outcomes would have followed from an alternative design which would have set the floor to 15% of Excess Profit without reliance upon the QDMTT. The fundamental difference between these two designs is that under the Model Rules, in order to offer a tax rate between 15% of Excess Profit and 15% of Profit, a state must reduce their Corporation Tax and rely upon the QDMTT. Under the alternative design, the same floor would be set without an incentive to cut the Corporation Tax.

The above key conclusions are subject to important caveats. First, there may be counterbalancing incentives against shifting from the Corporation Tax to the QDMTT. If a QDMTT must credit CFC taxes a country could lose revenue by shifting from a Corporation Tax (which does not credit CFC taxes) to the QDMTT. Other countries may also adopt 'conditional taxes' which would impose additional tax liabilities on an MNE if the recipient of a payment is only subject to the QDMTT and not to a required rate of Corporation Tax. Whether these factors are enough to counter the incentive for countries to reduce their Corporation Tax and rely on the QDMTT is difficult to answer generally. But once the incentives for countries imposing CFCs and 'conditional' taxes are taken into account, overall the incentives to rely on a QDMTT over a Corporation Tax appear to generally remain.

Second, the 'floor' of 15% Excess Profit can practically be breached through the offering of government grants and Qualified Refundable Tax Credits (QRTCs). As grants and QRTCs are treated as additional income rather than a reduction in taxes, their use can allow for much lower 'real' effective tax rates than 15% of Excess Profit. Countries may be expected to come under competitive pressure to introduce such QRTCs, and the pressure will increase with the number of countries that offer them.

The incentives created by Pillar 2 to rely on the QDMTT over a Corporation Tax and to use QRTCs or government grants rather than non-QRTCs are not easily justifiable from a policy perspective. But these, and other features of Pillar 2, are a product of political compromise among a large number of countries. As a global minimum tax – unlike other international corporate tax reform options – requires a high degree of coordination among a large number of countries with different priorities and preferences, political compromises which produce questionable policy features are unavoidable in practice. This should not detract from the fact that Pillar 2 is a significant political and diplomatic achievement. It is a key milestone in the history if international taxation, although it is unlikely to have stabilised the system for years to come.



Left to right: Michael Devereux, John Vella, and Heydon Wardell-Burrus

Michael Devereux, John Vella and Heydon Wardell-Burrus (2022) "Pillar 2's impact on tax competition", World Tax Journal, forthcoming.

Tax competition in Sub-Saharan Africa after Pillar 2

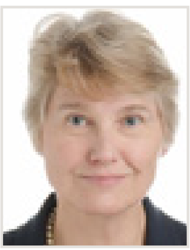
This research explores the implications of Pillar 2 for tax competition in Sub-Saharan African (SSA) countries. It concludes that Pillar 2 will not kill tax competition in SSA, but that SSA countries will need to analyse their specific situations and make some decisions in response to Pillar 2.

SSA countries are primarily recipients of foreign direct investment and have long engaged in competition to attract such investment by granting tax incentives that reduce or even eliminate the local corporate tax burden for individual subsidiary entities of multinational enterprises (MNEs). As a result, the effective local corporate tax rates on particular multinational investments in SSA are frequently far below the quite high regional statutory CIT rates – and below the proposed global minimum effective rate of 15%, even equalling zero when tax holidays or economic incentive zones are used.

The intended effect of the Pillar 2 proposal is that individual MNE groups will have to pay tax equal to at least 15% of their (excess) profits in each jurisdiction where those profits are generated. This implies that there would be no point to competing the effective tax rate on such entities to below this, as that would achieve no benefit for an MNE. But there are many caveats and nuances to that broad statement which mean that several routes to tax competition in SSA will remain open.

First, Pillar 2 would only apply to within-scope MNE groups with revenues exceeding 750 million Euro. Second, the 'substance-based income exclusion' (SBIE) carves out a portion of a subsidiary entity's profits from the scope of the minimum effective tax. In principle, this exclusion permits continued tax competition for 'real' investment which earns a return only equal to the SBIE. Lower income source countries were in many cases strong proponents of such a carve out. SSA countries will need to assess the extent of taxable profits arising in excess of this carve out, and whether and how to compete. Third, a major development that appeared only in December 2021, the Qualified Domestic Minimum Top-up Tax (QDMTT), means that any potential direct revenue benefit of additional Pillar 2 minimum tax can fall to host, rather than residence, countries, as had been the case in the previously announced design. This gives an opportunity for the SSA countries to collect the top-up tax, without creating a further competitive disadvantage. Fourth, the existing use of domestic minimum taxes in at least a third of SSA countries could have a significant impact on the overall effective taxes to which an included MNE entity would be subject. At issue here is whether such taxes are deemed to constitute Pillar 2 'covered taxes'. Fifth, Pillar 2 includes another provision explicitly designed to permit continued tax competition for investment beyond the SBIE carve out, in the form of Qualified Refundable Tax Credits (QRTCs). Such refundable CIT credits are perhaps the one approach not used now as a tax incentive in SSA countries. But given the intended possibility that QRTCs will permit lower effective tax rates on residual profits beyond the SBIE carve outs, it seems likely, if undesirable, that SSA governments will come under pressure to design new incentives to take advantage of this route.

In addition to the proposed global minimum tax, Pillar 2 includes a Subject to Tax Rule (STTR), which would apply to lower income countries that have negotiated low or zero rates of gross withholding on interest and royalties in existing bilateral treaties. These low rates of withholding are in fact just another form of tax competition. If the STTR is ultimately implemented it would permit lower income countries to require bilateral treaty partners that apply nominal rates of tax below 9% to gross payments from related parties to revise their treaties, to increase the payor country's withholding rates to 9%. Again, the SSA country must ask itself whether, if the opportunity is presented, it wants to back away from that tax competition route.



Victoria Perry

Victoria Perry (2022) "Pillar 2, Tax Competition, and Low Income Sub-Saharan African Countries", Oxford University Centre for Business Taxation Working Paper 22/12.

Does a wealth tax improve equality of opportunity?

Over the last few decades, most countries levying wealth taxes abolished them. Today, Norway, Spain and Switzerland are the only OECD countries left that continue to apply annual net wealth taxes. However, in the wake of the last US presidential election, wealth taxes have re-emerged on the policy agenda.

In a recent research paper, Research Fellow Kristoffer Berg and co-author Shafik Hebous combine the examination of wealth taxes with the intergenerational perspective, using Norway as a case study. The paper exploits the specific design of the Norwegian wealth tax to answer three questions:

1. What is the causal effect of parents' wealth on their children's income?
2. How does this relationship affect income inequality in the next generation?
3. To what extent can the wealth tax limit the effect on income inequality?

First, consider the correlation between income of people born in 1978–1980 in 2010–2017 and the wealth of their parents in 1993. Berg and Hebous find that not only do people with richer parents receive higher capital income, but they also earn higher labour income. This already suggest that there are differences in opportunities for children depending on their parents' wealth.

To measure the causal relationship between wealth of the parents and labour income of the children, they exploit two particularities about the Norwegian wealth tax in the 1990s. First, single and married couples had different tax deductions. Married couples were taxed on their joint wealth and receive a higher tax deduction than singles, but not twice as high. This meant that some couples received a tax benefit from marriage, while others received a tax penalty. Second, the tax law included a limitation on how large yearly tax payments could be relative to a person's income, such that the wealth tax was reduced when tax payments reached more than 80% of income. The result from exploiting these to measure the causal effect is that a one million krone increase in wealth of the parents from 1993 to 1998 increases children's labour income by 16,000 krone per year.

Education appears to be one of the drivers for the result but cannot explain the whole effect. Our results also indicate differences in the level of risk taking among children with wealthy compared to less wealthy parents. The mechanism could be that parental wealth acts as a form of insurance for the children, such that they are able to take more risky career paths, which pays off on average in the end.

How does this affect income inequality? Here the answer is simple. Children with wealthier parents earn higher labour income than their peers, such that a causal effect of parental wealth on children's earnings means that labour income distribution among the children is more unequal than it would have been if there were no such effects.

Can the wealth tax limit this effect? Yes, since the wealth tax makes the parental wealth distribution more equal, it means that the income inequality among the children is lower than it would have been if there were no wealth tax in place in the 1990s. The findings imply that the presence of the wealth tax reduces the Gini coefficient of the labour income distribution by about one point.

Kristoffer Berg

Kristoffer Berg and Shafik Hebous (2022) "Does a Wealth Tax Improve Equality of Opportunity? Evidence from Norway", IMF Working Paper No. 2021/085.

How and why a global carbon tax could revolutionise international climate change

The introduction of a global carbon price is often presented as an efficient instrument for mitigating climate change. The idea has been advocated by the OECD Secretary-General, the director-general of the World Trade Organization, and the managing director of the International Monetary Fund. In practice, it is not clear how such a global carbon price could be implemented. The most straightforward and ambitious approach would be to introduce a global carbon tax at a uniform tax rate (e.g. $75 per ton of CO_2 emissions). This would bring an important shift in the approach to climate mitigation that has prevailed in international climate change law to date.

A global carbon tax would solve one of the key weaknesses of the existing international legal framework for climate mitigation, the risk of carbon leakage. This takes place when a country's climate policy leads to higher levels of greenhouse gas emissions in other countries. It can be caused by the relocation of domestic enterprises to jurisdictions with no (or a lower) carbon price, or by an increase in demand for carbon-intensive goods from those jurisdictions. The traditional tool used by countries to mitigate has been to grant preferential treatment to carbon-intensive enterprises. For example, in the EU, enterprises deemed at risk of carbon leakage have been granted free allowances under the EU Emissions Trading System. But this mutes the carbon price signal that they would have otherwise faced. An alternative solution – recently proposed in the EU – is to introduce carbon border adjustment measures (CBAMs), which impose a carbon price on importers of a selection of carbon-intensive imported products, making the necessary adjustments so that the carbon price paid by importers is the same as that paid by domestic enterprises. A global carbon tax would render preferential regimes as well as CBAMs unnecessary.

However, a global carbon tax would break with the bottom-up approach of the Paris Agreement, which requires countries to adopt climate mitigation measures that reflect their "highest possible ambition" in the light of their national circumstances. Under the Agreement, countries are not obliged to introduce an explicit carbon price, but can mitigate climate change by using other types of mechanisms, such as the introduction of standards or a ban on carbon-intensive activities (e.g. coal fire power stations). A global carbon tax at a uniform rate would radically shift away from this bottom-up approach. But other arrangements could be envisaged in order to maintain some flexibility for countries to define their own carbon pricing policy. For example, there could be a minimum carbon price that would apply only in key large-emitting countries (being those countries where a large amount of carbon-intensive activities take place). The level of this minimum carbon price would be lower in emerging market economies and higher in developed countries. Differences in carbon pricing across countries would thus remain, not fully removing carbon leakage risks caused by differences in carbon prices across countries.

Further, a global carbon tax would require rethinking the principle of 'common but differentiated responsibility and respective capabilities' (CBDR-RC) that underlies the Paris Agreement. To put it simply, this principle implies that developed countries should take 'the lead by undertaking economy-wide absolute emission reduction targets' and provide 'financial resources to assist developing country Parties with respect to both climate mitigation and adaptation'. It is accepted that the contribution to climate mitigation can be lower in developing countries. This principle could be interpreted as requiring developed countries to introduce a higher carbon price than in developing

Alice Pirlot

Alice Pirlot (2021) "Carbon Border Adjustment Measures: A Straightforward Multi-Purpose Climate Change Instrument?", Journal of Environmental Law, 8 November 2021.

countries. The introduction of a global uniform carbon price would then be inconsistent with the CBDR-RC principle and, more generally, with the Paris Agreement. The Paris Agreement would accommodate only proposals, such as the proposal discussed above, that provides for a differentiated carbon price floor.

Research Fellow Alice Pirlot argues for an alternative approach: the CBDR-RC principle should be reinterpreted to accommodate the introduction of a global carbon tax. The CBDR-RC principle could be achieved indirectly through the allocation of the revenue of a global carbon tax to developing countries. Allocating the revenue in this way would complement the current commitment of developed countries to provide financial assistance to developing countries. One could argue that this new form of revenue for developing countries would differ from the current financial assistance regime. If the revenue generated by a global carbon tax were allocated to developing countries, then, in accepting the introduction of a higher global carbon price, those countries would not have gone beyond their obligations under the traditional interpretation of the CBDR-RC principle.

The two pillars agreement shows that multilateral agreement on important tax issues is no longer out of reach, which suggests that countries might also be able to achieve an agreement on a global carbon price. That would be welcome in a world in which the mitigation of climate change demands truly global action.

What creates tax uncertainty? Evidence from three phases of a cross-country survey

In recent years, there have been growing complaints from both business and tax administrations about the uncertainty of the international tax system for taxing profit. Business complains that lack of certainty harms investment. Tax administrations complain about wasted resources dealing with complex disputed tax positions with uncertain outcomes. Politically, this issue has moved up the agenda sufficiently for the OECD to declare a day each year to be 'Tax Certainty Day'.

The most significant academic research on tax uncertainty to date has investigated links between tax avoidance and uncertainty, and there is convincing evidence of such a link. However, that does not rule out other factors also creating tax uncertainty.

This research aims to contribute to our understanding of the sources of tax uncertainty, and to a lesser extent, its consequences, by presenting the results of three waves of a survey of senior tax representatives of multinational businesses and their advisers undertaken in 2016, 2018 and 2020. The survey asks general questions about tax uncertainty relevant for business but focuses more specifically on the taxation of corporate profit.

The primary aim of the survey is to identify in more detail the tax sources of uncertainty. Respondents are asked to evaluate from their own experience a number of possible sources of uncertainty. An important aim of the survey is to investigate differences in the sources of tax uncertainty across countries. We ask respondents to identify specific counties with which they have familiarity and about which they are able and willing to answer questions on tax uncertainty. This enables us to differentiate between countries in a way that has not previously been explored in the academic literature.

Michael Devereux

Michael P. Devereux (2022) What creates tax uncertainty? Evidence from three phases of a cross-country survey, CBT Working Paper 22/20

We find strong evidence that uncertainty surrounding tax is an important factor in business investment and location decisions. In fact, uncertainty about tax was reported to be a more significant factor than the level of tax.

However, the most striking findings concern differences across countries. There is remarkable variation in perceived tax uncertainty between countries. In response to the question 'how uncertain is tax in India?', over 96% of respondents answered that it was very uncertain or fairly uncertain. The comparable result for Japan was less than 4%. On the whole, lower middle and upper middle income countries appear to have higher tax uncertainty than high income countries. Apart from India, other countries with high scores are the other BRIC countries (Brazil, Russia and China) as well as Nigeria and Indonesia. At the other end of the spectrum, just above Japan, are the Netherlands and Switzerland. Further, on every measure, and in almost every country, uncertainty has increased in the last 10 years. The only country to diverge from this trend was Japan.

The most important sources of uncertainty also differ strongly across countries and groups of countries. For high income countries, the leading factor was 'complexity in the tax code', followed by 'frequent changes in the statutory tax system'. Lower middle and upper middle countries had higher scores on all the factors considered. However, the most significant factor in lower middle and upper middle countries was 'unpredictable or inconsistent treatment by tax authority'. The other most important factors in these countries also reflect problems with the tax administration – an 'inability to achieve clarity', either retroactively or proactively, 'poor understanding of the tax code by tax authorities' and 'unpredictable or inconsistent treatment by the courts'.

These differences amongst countries are stark. In high income countries, the problem of uncertainty reflects the tax law itself – the problems are complexity and frequent changes. But in middle income countries, the problems stem more from administration, although no doubt these problems are made worse by complexity and frequent changes to the statutory system.

The revenue consequences of introducing a destination-based cash flow tax in Uganda

This research analyses the size of the corporate profit tax base in Uganda. The main aim is to assess the likely impact on the aggregate tax base of one potential reform: a unilateral switch from the existing system to a destination-based cash flow tax (DBCFT), first proposed by Bond and Devereux in 2002.

The DBCFT would make two changes to the tax base. The first is to shift to a cash flow tax: this would permit immediate expensing of all expenditure, including capital expenditure, but remove any relief for the costs of finance, such as the deduction for interest payments. This reform would result in an origin-based cash flow tax. The second would be to change the location of taxing profit from – very broadly – where economic activity takes place (the "origin" country) to the market country where goods and services are sold (the "destination" country). To achieve this, the DBCFT would borrow the border adjustment mechanism used by destination-based VATs: exports would be zero-rated and imports would be taxed. This implies that all profit earned on sales in a particular country would be taxed at the same rate, irrespective of the identity and location of business undertaking the sale. Tax relief for costs would be given in the country in which the expenses were incurred.

In the policy debate around the DBCFT one important issue raised is the question of the impact on corporation tax revenues. In particular, it has been asserted that low income countries are likely to collect less revenue under a DBCFT because they tend to have small markets. However, while it may be true that smaller and lower income countries tend to have a relatively low share of all sales, they also have a small share of existing corporation tax bases. Moving to DBCFT could in principle therefore either raise or lower the tax base.

This paper presents the results of an analysis of the hypothetical introduction of a DBCFT in place of the existing tax on business profit in a low income country, Uganda. It uses administrative data at the level of individual businesses, from two sets of tax returns: the business profit tax, and VAT, provided by the Ugandan Revenue Authority. It makes adjustments to the tax base to model what the base would have been had the DBCFT been in place, without any behavioural response on the part of the businesses. We undertake this analysis in two ways. First, we start from the VAT tax base, and adjust that base for the fact that VAT does not permit labour costs to be deductible. Second, we start from the business profit tax base, and make adjustments for both the cash flow treatment and the border adjustment.

Perhaps not surprisingly, these approaches do not yield precisely the same estimates of the hypothetical DBCFT tax base. This could be due to both technical differences in the computation of the VAT base compared to the business profit base, and also due to measurement error in the data. However, while there is some variation in the estimates for individual businesses, in aggregate the two approaches give rather similar results.

The results are striking. For our sample, the annual tax base for CIT, averaged over the period 2014 to 2016, was 827 million Ugandan shillings. This estimate treats firms with a taxable loss as having a zero tax base. On the same basis, our two estimates for the aggregate DBCFT tax base are 5,536 million shillings (based on adjusting the CIT base) and 6,700 million Ugandan shillings (based on adjusting the VAT base). That represents an increase of 569% and 709%, respectively.

These estimates assume that Uganda does not offer any rebates to firms with taxable losses. However, even if Uganda moved to a completely symmetric DBCFT system, with a full and immediate rebate for taxable losses, the estimated revenues under the new system would still be higher than under the existing system with no rebates. In this case, we estimate that revenues would rise between 13% and 79%.

Miguel Almunia, Michael Devereux and Pablo García-Guzmán (2022) The Revenue Consequences of Introducing a Destination-based Cash Flow Tax in Uganda, CBT Working Paper 22/19

Profit shifting of MNEs and the market performance of national firms

There is considerable anecdotal and empirical evidence on the extent of profit shifting by multinational enterprises (MNEs). While this clearly has an impact on countries' tax revenues, it potentially also impacts the market performance of national enterprise (NEs) as well, since, as the OECD has pointed out, 'corporations that only compete in domestic markets [...] have difficulties competing with MNEs that shift their profits across borders to avoid or reduce tax.'

This research project aims to quantify the importance of this effect on NEs. The difficulty in assessing this is that it is difficult to identify variation in the intensity of profit shifting by MNEs either over time, or amongst MNEs. This research identifies an exogenous change - the tightening of transfer pricing regulations in high tax European countries - which can be taken as correlated with this intensity, and therefore can serve as an instrument in the statistical analysis. Transfer pricing regulation tightness is measured on a scale of 1 to 5 and based on a survey of transfer pricing experts. The research first demonstrates that tighter transfer pricing regulations increases – as expected - the tax burden on MNE profits, as they make it more costly for MNEs to re-locate profits to low tax countries.

In the second part of the analysis, the authors then compare the impact of tightening of transfer pricing regulation in a country between (a) the performance of national firms (NEs) in industries with a large share of MNE competitors in that country, and (b) the performance of NEs in industries with a small share of MNE competitors in the same country. (This is a classic difference-in-difference approach in empirical analysis).

Their main result is illustrated in the figure right. It shows the difference in operating revenue between the two types of NEs before and after the tightening of the transfer pricing regulations. Before the tightening of the transfer pricing regulation (occurring in period t), there is little difference in the evolution of operating revenues. However, after the tightening, operating revenues increase for NEs in industries that are strongly exposed to MNE competitors. Compared to NEs that are not strongly exposed. Quantitatively, the effect is substantial. If a country were to move from no transfer pricing regulations to the most stringent set of rules, this would increase operating revenues of NEs in the average industry by around 7%.

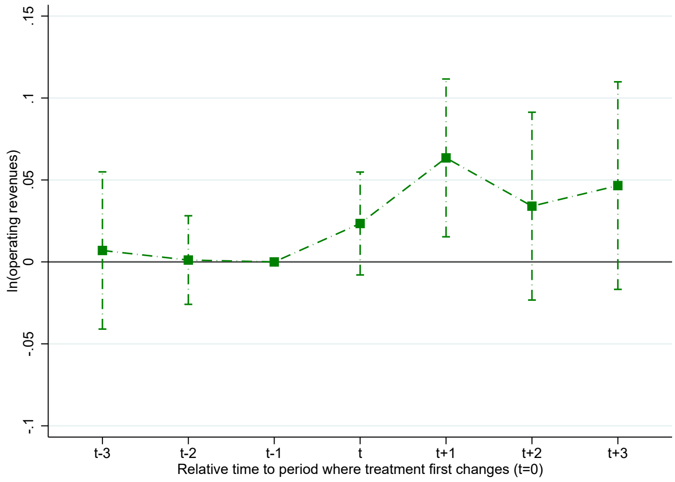


Figure 1: Relative difference in operating revenue of NEs that are strongly vs weakly exposed to MNE competitors before and after a tightening of transfer pricing regulations

This result has important policy implications: First, it suggests that profit shifting of MNEs lowers market efficiency as MNEs gain a competitive advantage not (only) from more efficient production, but (also) from exploiting a lower tax burden. Second, profit shifting of MNEs leads to a redistribution of profits, from MNEs to NEs. The implication is that reducing profit shifting would not only strengthen high tax countries' tax revenues but also level the playing field between MNEs and NEs.

Martin Simmler

Patrick Gauß, Michael Kortenhaus, Nadine Riedel and Martin Simmler (2022) "Levelling the Playing Field: Constraints on Multinational Profit Shifting and the Performance of National Firms", Oxford University Centre for Business Taxation Working Paper 22/15.

Events

Policy conferences

Further Investigation of the Global Minimum Tax

1 July 2022, Saïd Business School, Oxford

This conference continued the examination of Pillar 2, addressing important and not fully explored issues on measurement of the tax base and implementation issues, and also the perspectives of different countries. The questions addressed are described below, in each section.

David Murray, Anglo American plc

Session 1: Measurement of, and constraints on, the tax base

What problems might be solved, or might be likely to arise, in the new dependence of the measure of GloBE income on financial accounts? What will be the role of the Arm's Length Price in Pillar 2? How far will the Pillar 2 rules constrain the choices of source country governments – for example, how would the system react to an allowance for corporate equity (an ACE, or DEBRA, as now advocated by the European Commission), investment incentives, refundable tax credits, timing differences, or other forms of minimum taxation? What about the interaction of Pillar 2 with existing and possible new CFC rules?

Chair: James Hines University of Michigan

Speakers:

- Michelle Hanlon, MIT
- Michael Hashemi, HMRC
- Ulrike Schramm, Continental AG
- Michael Devereux, Centre for Business Taxation, University of Oxford

Session 2: Implementation issues

The Pillar 2 Model Rules and Commentary introduce a host of new elements of taxation, both in domestic and international settings. What opportunities are there for simplification, for example through safe harbour arrangements? What arrangements are there, or can be made, for development of the system over time, in the light of unforeseen problems that may arise? What process could be put in place for refinement of the model rules, and what level of agreement would be needed for any such refinement? Is there any need for a revision of treaties? What issues of policing arise? For example, in the case of a dispute over whether a tax credit was refundable or not, how would an international agreement be made? What are the risks if such an agreement is not forthcoming?

Chair: John Vella Centre for Business Taxation, University of Oxford

Speakers:

- Lizzie Arnold, HMRC
- Guglielmo Maisto, Maisto e Associati
- David Murray, Anglo American plc
- Debbi Schanz, University of Munich

Session 3: Country perspectives and the future

What are the political obstacles to the full implementation of the package of Pillar 1 and Pillar 2? How are any such obstacles viewed in different countries – notably the USA, UK and EU? What would be the likely implication of failing to implement Pillar 1 – could that involve the retention of Digital Services Taxes, and possibly the introduction of online sales taxes? Could it trigger a trade war with the USA? Would failing to implement Pillar 1 put Pillar 2 in jeopardy? Will the two pillars (or just Pillar 2) fully address the fundamental weaknesses of the existing system? If not, what will remain as pressure points the system? Will any such pressure points eventually require further reform, and if so, what form are new measures likely to take?

Chair: Michael Devereux, Centre for Business Taxation, University of Oxford

Speakers:

- Benjamin Angel, European Commission
- Fabrizia Lapecorella, Italy Ministry of Economy and Finance, and CFA, OECD
- Vicki Perry, Centre for Business Taxation, University of Oxford
- Stephen Shay, Boston College

Further Investigation of the Global Minimum Tax Session 2

Pillar 2: What will be the impact?

4 April 2022, Online

The conference began with presentations and discussion with Pascal Saint-Amans from the OECD and Itai Grinberg. Researchers from the Oxford University Centre for Business Taxation (CBT) then presented their current conclusions from an ongoing research programme. And finally, the issues were debated by a panel of internationally-known participants from business, practice, and tax policy.

The agreement by the OECD's Inclusive Framework to implement a global minimum tax has been hailed as a fundamental breakthrough in the reform of international tax. Janet Yellen, the US Treasury Secretary, said the 'agreement represents a once-in-a-generation accomplishment for economic diplomacy'. Larry Summers, a previous US Treasury Secretary, said "this agreement is arguably the most significant international economic pact of the 21st century so far." But does the agreement – Pillar 2 of the OECD's Two Pillar Solution – match up to this hype? The two key objectives have been to suppress both profit shifting by multinational companies and tax competition amongst countries. How far will Pillar 2 be successful in meeting each of these goals? How complex will implementation be? What outstanding issues are there?

Session 1: Views from OECD and USA

Chair: Michael Devereux, Director, CBT

- Pascal Saint-Amans, OECD
- Itai Grinberg, United States Treasury

Session 2: Presentation of Research by the CBT

- Michael Devereux, Director
- Irem Güçeri, International Research Fellow
- Martin Simmler, Senior Research Fellow
- John Vella, Deputy Director
- Heydon Wardell-Burrus, DPhil

Session 3: Roundtable Discussion

Chair: John Vella Deputy Director, CBT

Panel:

- Giorgia Maffini
- David Murray, Anglo American plc and CIOT International Tax Committee
- Dan Neidle, Clifford Chance LLP
- Paul Oosterhius, Skadden, Arps, Slate, Meagher & Flom LLP & Affiliates and Columbia Law School
- Victoria Perry, Oxford University, formerly IMF

Multilateral Cooperation and Carbon Taxation: Challenges and Opportunities

14 March 2022, Online

Carbon taxes and other carbon pricing instruments such as emissions trading schemes are important instruments in countries' toolbox for mitigating climate change. Over the past years, these instruments have been implemented or scheduled in a growing number of countries, including Argentina, Chile, Indonesia, and South Africa. One important risk associated with these instruments is that they might affect the competitiveness of domestic energy-intensive enterprises and cause carbon leakage (namely the increase of greenhouse gas emissions in foreign countries). This has led countries to exempt or grant preferential treatment to energy-intensive sectors. Given the need to achieve a climate neutral society in the next thirty years, such exemptions and preferential treatments are not sustainable: decarbonization should cover all sectors of the economy.

In this context, countries are considering two new approaches to carbon pricing. The first consists in the adoption of a global minimum carbon price, which would ensure that all firms, regardless of where they are located, are subject to a carbon price. The second consists in the adoption of carbon border adjustment measures, which would be imposed on imported products to ensure that they are subject to the same carbon price as domestic products.

This conference was structured around these two new approaches, with the objective of shedding light on the opportunities and limits that could arise from each. Questions addressed included: *What are the advantages of a global minimum carbon price? What is the role of the OECD, IMF, UN, World Bank, and WTO? How can these organisations work together to promote a global carbon price? Do we need a global agreement, or can we start with a regional 'climate club'? Can we reconcile the idea of a global minimum carbon price with the Paris Agreement? Could carbon border adjustment measures, as proposed by the EU, help support the implementation of a global carbon tax deal? Are these measures in line with international trade law? What will be their impact on developing and least-developed countries?*

Panel 1: A Global Carbon Price to Mitigate Climate Change

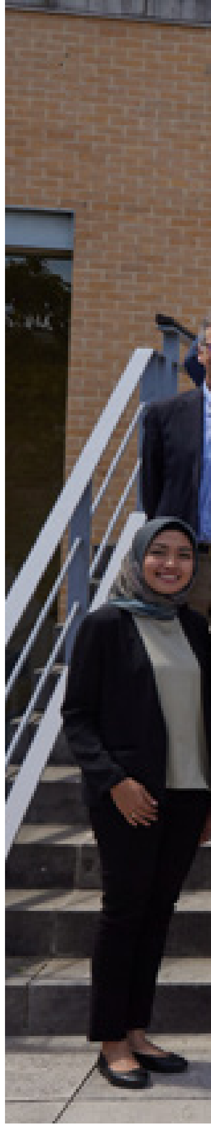
Chair: Michael Devereux (Oxford University Centre for Business Taxation)

- Ian Parry (IMF), *Proposal for an International Carbon Price Floor*
- Kurt Van Dender (OECD, Centre for Tax Policy and Administration), *How to meet the rising need for dialogue on greenhouse gas mitigation policies?*
- David Weisbach (University of Chicago Law School), *Optimal Unilateral Carbon Policy*
- Anna Theeuwes (Co-Chair of the ICC Working Group on carbon pricing mechanisms), *A business perspective*

Panel 2: Carbon Border Adjustment Measures (CBAMs): a necessary tool?

Chair: Karsten Neuhoff (DIW Berlin)

- Misato Sato (LSE), *Carbon leakage: A review*
- Roland Ismer (FAU Erlangen-Nürnberg), *Inclusion of Consumption in the EU ETS*
- Ludivine Tamiotti (WTO), *CBAMs & WTO law*
- Alice Pirlot (Oxford University Centre for Business Taxation), *CBAMs & international climate change law*



Academic conferences

Annual Academic Symposium

27-29 June 2022, Saïd Business School, Oxford

The 16th Annual Academic Symposium was held in person this year, for the first time since 2019. The event attracts the leading academics and researchers in business taxation from around the world to present and discuss the latest cutting-edge research in business taxation from economics, law, accounting and other disciplines in an interdisciplinary setting. The papers presented were:

- **Michelle Hanlon** (MIT) *Asymmetric Effects of Taxes on Product Market Outcomes,* with Nemit Shroff and Rachel Yoon (MIT)
- **Reuven Avi-Yonah** (University of Michigan) *The Proper Tax Treatment of Cryptocurrencies*, with Mohanad Salaimi (Michigan)
- **Yariv Brauner** (University of Florida) *Taxation of Data*
- **Alfons Weichenrieder** (Goethe University Frankfurt) *Corporate Income Tax, IP Boxes and the Location of R&D*, with Pranvera Shehaj (WU Vienna)
- **Jim Hines** (University of Michigan) *Evaluating Tax Harmonisation*
- **Eckhard Janeba** (University of Mannheim) *The global minimum tax raises more revenues than you think, or much less*
- **Niels Johannesen** (University of Copenhagen) *The global minimum tax*
- **Florian Neumeier** (ifo Institute, Munich) *Global profit shifting of multinational companies: Evidence from CbCR micro data*, with Clemens Fuest (ifo Institute), Stefan Greil (Hamburg), and Felix Hugger (Munich)


LMU

- **Irem Güçeri** (Oxford) *Investing in Tax Avoidance*, with Katarzyna Bilicka (Utah State) and Michael Devereux (Oxford)
- **Eduardo Baistrocchi** (London School of Economics) *A theory of global tax hubs*
- **Petr Janský** (Charles University) *Did the Tax Cuts and Jobs Act Reduce Profit Shifting by US Multinational Companies?*, with Javier Garcia-Bernardo (Utrecht), and Gabriel Zucman (University of California, Berkeley)
- **Jawad Shah** (Oxford University Centre for Business Taxation) *Detection Without Deterrence: Tax Audits with Limited Fiscal Capacity*, with Mazhar Waseem (Manchester) and Michael Best (Columbia)
- **Kate Smith** (IFS and UCL) Capital *Taxation and Entrepreneurship*
- **Mindy Herzfeld** (University of Florida) *How to define a tax*
- **Kristoffer Berg** (Oxford University Centre for Business Taxation) *Does a Wealth Tax Improve Equality of Opportunity?*, with Shafik Hebous (IMF)
- **Ilan Benshalom** (Hebrew University) *The three distributive questions of (a non-ideal) tax theory*
- **Miguel Almunia** (CUNEF Universidad) *The Value-Added Tax: Theory and Practice*, with Anne Brockmeyer (IFS), Giulia Mascagni (ICTD), Vedanth Nair (IFS) and Mazhar Waseem (Manchester)
- **Jennifer Blouin** (University of Pennsylvania) *Documenting M&A's Revelation Effect using State-Level R&D Tax Incentives*, with Eliezer M. Fich (Drexel) and Anh L. Tran (Cass Business School)

Discussants: **Marcel Olbert** (London Business School), **Michael Blackwell** (London School of Economics), Steve Shay (Boston College), **Katarzyna Bilicka** (Utah State University), **Martin Simmler** (Oxford University Centre for Business Taxation), **Nicolas Serrano-Velarde** (Bocconi University), **Peter Koerver Schmidt** (Copenhagen Business School), **Sarah Clifford** (University of Oxford), **Anne Brockmeyer** (Institute for Fiscal Studies), **Steve Bond** (University of Oxford), **Glen Loutzenhiser** (University of Oxford), **Arun Advani** (Warwick University), **Tsilly Dagan** (University of Oxford), **Eddy Tam** (Kings College, London), **Deborah Schanz** (LMU, Munich)

Annual Doctoral Conference

13–14 September 2021, Saïd Business School, Oxford

CBT hosts an annual Doctoral conference, now in its eleventh year, where presenters, usually current PhD students, but also early careers researchers within three years of completing their PhD, are offered the opportunity to present their research and receive feedback in a friendly environment. The Best Paper Award was awarded to Paul Organ (University of Michigan) for his paper Citizenship and taxes: Evaluating the effects of the US tax system on individuals' citizenship decisions.

Paul Organ
(University of Michigan)

Seminars

OMG Transatlantic Talks

This speaker series is co-organised by Oxford University Centre for Business Taxation, University of Michigan, Massachusetts Institute of Technology, Max Planck Institute for Tax Law and Public Finance, and Georgetown University Law Center. It was launched in 2021 and is interdisciplinary, with experts in taxation from law, economics, and accounting presenting their work. (Why OMG? Oxford-Michigan-MIT-Munich-Georgetown.)

The presenters for 2021–22 were:

19 May 2022 – **Alex Raskolnikov** (Columbia University), *Should Only the Richest Pay More?*

21 April 2022 – **Stefanie Stantcheva** (Harvard University), *Wealth and Taxation in the United States*

17 March 2022 – **Marcel Olbert** (London Business School), *Real Effects of Country-by-Country Disclosure – Recent Evidence, Policy Implications, and Questions for Future Research*

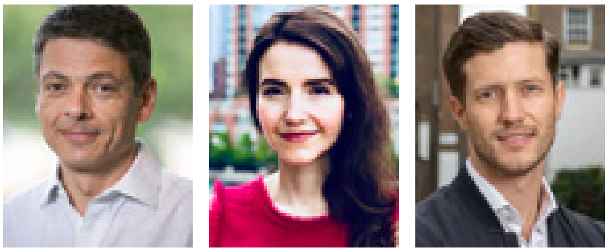
17 February 2022 – **Mitchell Kane** (New York University), *The Use and Abuse of Location-Specific Rents*

20 January 2022 – **Georg Kofler** (Vienna University of Economics and Business), *The Shielding Effect of EU Secondary Law*

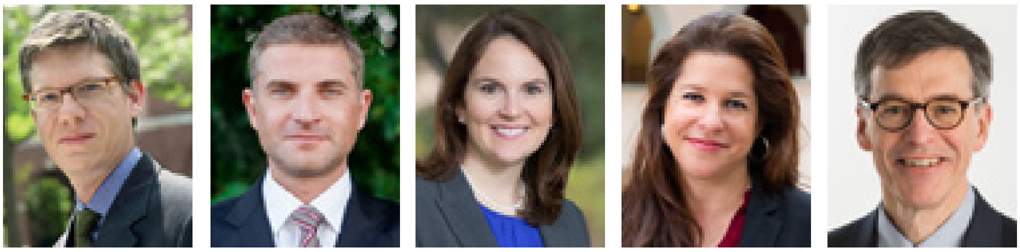
16 December 2021 – **Rebecca Lester** (Stanford University), *Foreign Aid through Domestic Tax Cuts? Evidence from Multinational Firm Presence in Developing Countries*

11 November 2021 – **Dina Pomeranz** (University of Zurich), *Ghosting the Tax Authority: Fake Firms and Tax Fraud, by Paul Carrillo*

14 October 2021 – **James Hines** (University of Michigan), *Evaluating Tax Harmonization*



Left to right: Alex Raskolnikov, Stefanie Stantcheva, Marcel Olbert



Mitchell Kane, Georg Kofler, Rebecca Lester, Dina Pomeranz, James Hines

CBT Research Seminars

The Centre hosts regular seminars throughout the academic year. This year we were able to return to in-person seminars, with hybrid options for some of our attendees.

The speakers for 2021–22 included:

8 June 22 – **Mayara Felix** (Harvard Kennedy School of Government) T*ax Administration versus Tax Rates: Evidence from Corporate Taxation in Indonesia*

25 May 22 – **Deborah Schanz** (University of Munich, LMU) *Tax Administrative Guidance: A Proposal for Simplifying Pillar Two*

16 March 2022 – **Naomi Feldman** (Hebrew University of Jerusalem), *The Impact of Opportunity Zones on Commercial Investment and Economic Activity*

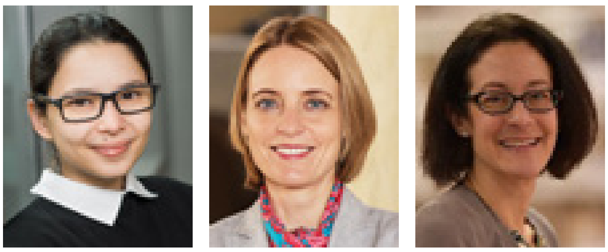
23 February 2022 - **Nathan Seegert** (University of Utah), *The Elasticity of Taxable Income Across Countries*

30 November 2021 – **Marcel Olbert** (London Business School), *Consumption Taxes and Multinational Tax Planning in the Digital Age - Evidence from the European Service Sector*

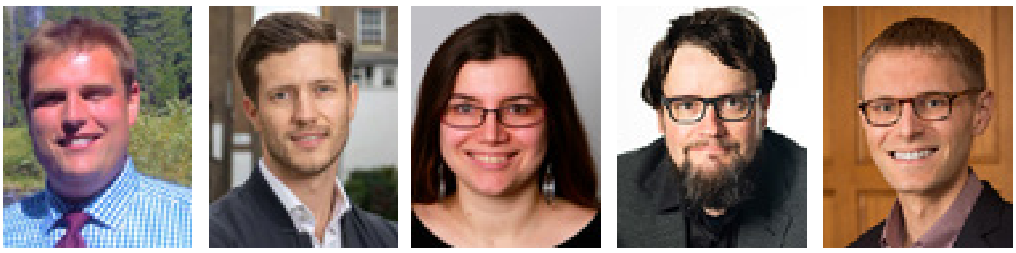
24 November 2021 – **Evelina Gavrilova-Zoutman** (NHH Norwegian School of Economics), *Dividend Withholding Tax Arbitrage Across Europe: the Revenue and Welfare Effects of Vulnerabilities in the Tax Code*

2 November 2021 – **Tuomas Kosonen** (VATT Institute for Economic Research), *Tax Compliance in the Rental Housing Market: Evidence from a Field Experiment*

20 October 2021 – **Zachary Liscow** (Yale University Law School) & Edward Fox (University of Michigan Law School), *The Psychology of Taxing Capital Income: Evidence from a Survey Experiment on the Realization Rule*



Left to right: Mayara Felix, Debbi Schanz, Naomi Feldman



Nathan Seegert, Marcel Olbert, Evelina Gavrilova-Zoutman, Tuomas Kosonen, Zachary Liscow

Engagement

CBT researchers have engaged with policy makers and businesses, in secondments, formal and informal meetings, in many countries and on many different issues.

Formal presentations at events organised by national and international public bodies included the following:

Michael Devereux

- Norway Ministry of Finance, keynote speaker, presented, 'Reforming the corporate income tax in a global economy', Oslo, on 21 June 2022
- EU Tax Observatory invited speaker, presented, 'Tax avoidance and offshore wealth: policies for tomorrow', Brussels, on 13 June 2022
- International Tax Policy Forum of (mostly US) multinational companies invited speaker, presented, 'New research on global minimum taxes', online (Washington DC), on 8 June 2022
- International Fiscal Association, Mexico branch, keynote speaker, presented, 'Some Thoughts on the New Landscape for Taxing Multinationals', online, on 11 May 2022
- PwC Global Tax Policy Conference, invited speaker, presented, 'Back to basics: how to re-legitimize tax policy making', Amsterdam, on 10 May 2022
- IMF/World Bank Spring Meetings on International Taxation keynote speaker, presented 'Global minimum tax and developing countries: what next?', online, on 28 April 2022
- Digital Services Tax Group of (mostly US) multinational companies invited speakers, presented, 'Pillar 2: QDMTT, SBIE and Tax Competition', online, on 27 January 2022
- World Bank invited speaker, presented, 'Insights on the New Landscape for Taxing Multinationals', online, on 13 January 2022
- EconPol annual conference invited speaker, presented, 'Profit Shifting and Location Choices with a Global Minimum Tax', on 14 October 2021
- European Tax Policy Conference invited speaker, presented, 'Profit Shifting and Location Choices with a Global Minimum Tax', on 12 October 2021
- American Bar Association invited speaker, presented, 'Taxing Profit in a Global Economy', on 14 July 2021
- Moore Kingston Smith LLP invited speaker, presented, 'Taxing Profit in a Global Economy', on 14 July 2021
- Society of International Economic Law Seventh Global Conference, invited speaker, presented 'The Global Minimum Tax Initiative', on 7 July 2021

John Vella

- IFA UK Joint Meeting with HMRC and HMT, invited speaker, presented 'Pillar 2's impact on tax competition', London, on 17 June 2022
- Malta Institute of Management Annual Conference Tax Conference, invited speaker, presented 'Pillar 2's impact on tax competition', Malta, on 3 May 2022
- CORIT Celebrational International Tax Conference, keynote speaker, presented, Will the Two Pillar "Solution" stabilise the international tax system?, Copenhagen, on 10 March 2022
- Baker & McKenzie European Tax Conference, panellist on Future of Tax Panel, online, on 29 November 2021
- Tax Academy of Singapore's Signature Conference 2021 - Taxes and Investments in the Post-Pandemic World, invited speaker, presented 'A Sustainable Tax System For A More Digitalised Economy', online, on 3 September 2021

Alice Pirlot

- Europe-Jana-South Korea Policy Dialogue on a Transformational Climate Alliance, chaired a panel on carbon border adjustment measures, on 5 July 2022
- PricewaterhouseCoopers (PWC) Belgium, held a one-day seminar on environmental taxation, on 1 June 2022

Martin Simmler

- EconPol, presenter and panellist, presented 'Tax Competition and the Location of Real Activity', on 14 October 2022

Kristoffer Berg

- Presented, 'Does a Wealth Tax Improve Equality of Opportunity?', at the 4th World Bank IFS ODI Tax Conference, Washington DC, on 22–23 September 2022

Jawad Shah

- Participated in a workshop 'Tax Audits in Africa: Policy and Administration Reflections', jointly organized by African Tax Administration Forum (ATAF) and Tax Administration Research Centre (TARC) of University of Exeter, on 23 March 2022

Researchers also presented at many academic seminars and conferences, including the following presentations.

Michael Devereux

- Beveridge 2.0 Tax Justice Symposium, presented, 'Issues of Fairness in Taxing Corporate Profit', at London School of Economics, on 3 May 2022
- CESifo Public Economics conference, presented, 'Investing in Tax Avoidance', on 26 March 2022
- University of Toronto James Hausman Tax Law and Policy Workshop, presented, 'Pillar 2: Profit shifting, investment and tax competition', on 26 January 2022
- University of Zurich Conference on Public Finance & Development, discussed, 'Incidence of Payroll Taxation', on 13 December 2021
- University of Barcelona institute of Economics, keynote speaker, presented, 'Taxes and Digitalisation, The 2021 International Tax Reform', on 24 November 2021
- University of Michigan seminar invited speaker, presented, 'Investing in Tax Avoidance', on 1 November 2021
- Loyola University Chicago Tax Policy Colloquium invited speaker, presented, 'Taxing Profit in the Market Country', on 11 October 2021
- University of New South Wales invited speaker, presented 'Taxing Profit in the Market Country', on 8 October 2021
- International Institute of Public Finance Annual Conference, presented, 'Optimisation Frictions and the Fixed Cost of Profit Shifting', on 19 August 2021

John Vella

- Dialogue on Pillar Two, presented 'Pillar 2's impact on tax competition', Central University of Finance and Economics of China, online, on 29 July 2022
- Research Seminar, presented 'The New International Corporate Tax System', Oxford Faculty of Law, online, on 9 June 2021
- Research Seminar, presented 'Pillar 2's impact on tax competition', University of Florida, online, on 6 April 2022
- Tax Tracks Launch Event, presented 'Pillar 2's impact on tax competition', Bocconi University, Milan, on 5 May 2022
- The Global Minimum Tax conference, presented 'Politics and Policies of Pillar 2', University of Luxembourg, on 24 March 2022
- Tax Law – Contemporary Issues, presented 'The New International Corporate Tax System', University of Bergen and NHH Norwegian School of Economics, Bergen, on 25 November 2021
- PhD Course – Research in Tax Law, presented 'Some reflections on tax law research - in particular the role of economics', University of Bergen and NHH Norwegian School of Economics, Bergen, on 23–24 November 2021
- Research Seminar, presented 'Taxing Profit in a Global Economy', Aston Business School, University of Birmingham, Birmingham, on 6 October 2021

Alice Pirlot

- Presented at KUL Polycarbon Carbon Pricing Conversations, on 14 June 2022
- Presented at University of Laval Workshop on the Design of Environmental Clubs, on 9–10 May 2022
- Presented at Oxford International Tax Governance & Justice Workshop, on 17 May 2022
- Organised (with Ana Paula Dourado) and presented at Lisbon Seminar on Tax Incentives, on 3 June 2022

Martin Simmler

- IIPF 2022 Linz presented, 'Decentralization of Property Tax Revenues and the Development of Commercial Property Markets - Evidence from the UK', on 11 August 2022
- Presented, 'Leveling the Playing Field: Constraints on Multinational Profit Shifting and the Performance of National Firms', at Research Seminar Tuebingen Economics Department, on 5 July 2022

Kristoffer Berg

- Presented, 'Does a Wealth Tax Improve Equality of Opportunity?', at the 4th World Bank IFS ODI Tax Conference, Washington DC, on 22–23 September 2022
- Presented, 'Revealing Inequality Aversion from Tax Policy: The Role of Non-Discrimination', at IIPF 2022, Linz, on 10–12 August 2022
- Presented, 'Does a Wealth Tax Improve Equality of Opportunity?', at CBT Academic Symposium 2022, Oxford, on 27–29 June 2022
- Presented at LAGV 2022, Marseille, on 6–8 June 2022
- Presented at UTAXI 2022, Salt Lake City, on 1–3 June 2022
- Presented at Norwegian Tax Forum 2022, Oslo, on 22 June 2022
- Discussant at NTA 2021, Online, on 17–20 November 2021

Jawad Shah

- Presenter and discussant at IGC/ACES Summer School in Political Economy, London, on 6–8 July 2022
- Paper presented at Annual IIPF congress at Linz, Austria, on 10–12 August 2022
- Presented, 'Detection Without Deterrence: Tax Audits with Limited Fiscal Capacity', at CBT Academic Symposium 2022, Oxford, on 27–29 June 2022
- Attended Case Method Workshop organized by Blavatnik Case Centre at Blavatnik School of Government as a participant, on 20–21 June 2022

Heydon Wardell-Burrus

- Presented, 'MNE Strategic Responses to Pillar 2', at Society of Legal Scholars, on 6–9 September 2022
- Presented, 'State Strategic Responses to Pillar 2', at Global Tax Symposium (NIPF, LSE, University of Louvain, University of Melbourne, University of Leiden, University of Muenster), on June 2022
- Presented, 'Remaining Channels for Tax Competition', at Pillar 2: what will be the impact? CBT event, online, on 4 April 2022
- Presented, 'Addressing Tax Base differences in Pillar Two', at Remaining Channels for Tax Competition, on 15 February 2022

Michael Devereux also represented the Centre at a number of private meetings:

- Meeting with IMF officials on global tax reform for developing countries, on 29 July 2022
- Meeting with National Audit Office on Digital Services Tax and OECD reforms, on 21 July 2022
- Meeting with US Congressional staff from Ways and Means Committee, Senate Finance Committee and Joint Committee on Taxation, London, on 30 May 2022
- Meetings with James Murray MP, Shadow Financial Secretary to HM Treasury, on 16 July 2021 and 5 May 2022
- Meeting with Bruno Casella and colleagues, UNCTAD, on global minimum taxes, on 12 April 2022
- Private dinner with several senior business tax representatives (Microsoft, Barclays, Lloyds Bank, Schroeders, Anglo American), on 31 March 2022
- Marilyne Sadowsky, International Law Association, on 10 February 2022
- Meeting with officials of Australian Treasury, Graeme Davis and colleagues, on 26 July 2021

Honours and Awards

Photo courtesy of UiO/Jarli&Jordan

Alice Pirlot, Michael Devereux, and **John Vella** were shortlisted for 8th IBFD Frans Vanistendael Award. The works shortlisted included:

Michael P. Devereux, Alan J. Auerbach, Michael Keen, Paul Oosterhuis, Wolfgang Schön, and John Vella, *Taxing Profit in a Global Economy*, published by Oxford University Press

Alice Pirlot, *Carbon Border Adjustment Measures: A Straightforward Multi-Purpose Climate Change Instrument?*, published by Oxford University Press in Journal of Environmental Law (2021, 00, 1-28)

Publications

Joseph Andrus and Richard S. Collier (2022) 'Transfer Pricing and the Arm's-Length Principle After the Pillars', *Tax Notes International,* 31 Jan 2022

Kristoffer Berg (2021) 'Does A Wealth Tax Improve Equality of Opportunity?', *CESifo Working Paper,* No. 9174, July 2021

Richard S. Collier and Ian F. Dykes (2022) 'OECD/ International - On the Apparent Widespread Misapplication of the OECD Transfer Pricing Guidelines', *Bulletin for International Taxatio*n, (76) 1

Richard Collier and John Vella, (2022) 'GLoBE: Formative Policies and Politics of Pillar 2', in Werner Haslehner, Georg Kofler, Katerina Pantazatou, and Alexander Rust, *The Global Minimum Ta*x, Edward Elgar Publishing, forthcoming

Michael Devereux (2022) 'International Tax Competition with a Coordinated Minimum Tax', *National Tax Journal,* forthcoming

Michael Devereux and John Vella (2022) 'Issues of Fairness in Taxing Corporate Profit', *LSE Review of Public Policy,* forthcoming

Michael Devereux, Martin Simmler, John Vella and Heydon Wardell-Burrus (2021) 'What is the Substance-Based Carve-Out under Pillar 2? And How Will it Affect Tax Competition?', *EconPol Policy Brief 39*

Michael Devereux, John Vella, and Heydon Wardell-Burrus (2022) 'Pillar 2: Rule Order, Incentives, and Tax Competition', *Oxford University Centre for Business Taxation Policy Brief*

Michael Devereux, John Vella, and Heydon Wardell-Burrus (2022) 'Pillar 2's Impact on Tax Competition', *World Tax Journal*, forthcoming

Mathias Dolls, Clemens Fuest, Andreas Peichl, Christian Wittneben (2022) 'Fiscal Consolidation and Automatic Stabilization: New Result's, *IMF Economic Review,* 70 (3), 420–450

Florian Dorn, Sahamoddin Khailaie, Marc Stoeckli, Sebastian C. Binder, Tanmay Mitra, Berit Lange, Stefan Lautenbacher, Andreas Peichl, Patrizio Vanella, Timo Wollmershäuser, Clemens Fuest, Michael Meyer-Hermann (2022) 'The Common Interests of Health Protection and the Economy: Evidence From Scenario Calculations of COVID-19 Containment Policies', *The European Journal of Health Economics*

Florian Dorn, Clemens Fuest, Niklas Potrafke (2022) 'Trade Openness and Income Inequality: New Empirical Evidence', *Economic Inquiry* 60 (1), 202–223

Clemens Fuest, Felix Hugger, Susanne Wildgruber (2022) 'Why is corporate tax revenue stable while tax rates fall? Evidence from firm-level data', *National Tax Journal,* 75 (3)

Clemens Fuest, Felix Hugger, Samina Sultan, Jing Xing (2022) 'What drives Chinese overseas M&A investment? Evidence from micro data', *Review of International Economics*, 30, 306-344

Clemens Fuest, Felix Hugger, Florian Neumeier (2022) 'Corporate Profit Shifting and the Role of Tax Havens: Evidence from German Country-by-country Reporting Data', *Journal of Economic Behavior and Organization*, 194, 454–477

Alice Pirlot (2022) 'Carbon Border Adjustment Measures: A Straightforward Multi-Purpose Climate Change Instrument?', *Journal of Environmental Law,* 34 (1) 25-52

Alice Pirlot (2022) 'Fiscalité environnementale : une construction juridique', in Florence George et al. (eds.), *Penser, écrire* et interpreter le droit, Larcier, 285-294.

John Vella (2021) 'The OECD/G20 Inclusive Framework's Two-Pillar Solution', *British Tax Review* 515.

Heydon Wardell-Burrus (2022) 'Can Pillar Two be Leveraged to Save Pillar One?', *Tax Notes International,* July 2022

Heydon Wardell-Burrus (2022) 'Should CFC Regimes Give a Tax Credit for Qualified Domestic Minimum Top-up Tax?', *Tax Notes International*, June 2022

Heydon Wardell-Burrus (2022) 'The Taxation of Businesses in Financial or Economic Distress – UK National Report', *European Association of Tax Law Professors (EATLP) 2022 Annual Congress Report*, forthcoming

Blogs

The Centre hosts a blog series aimed at highlighting relevant and newsworthy items on topics in business taxation. The aim is to produce regular blogs by academics and others with an interest in business taxation. To give you a taste of what the covered the content of one of the blogs written by Associate Fellow, Richard Collier, can be read below.

Could Pillar 2 be enough?

Ongoing discussions on the reform of the international tax system continue to be dominated by the G20/OECD's proposed "two-pillar" solution – which includes the introduction of a new allocation of taxing rights to market states (Pillar 1) and a 15% global minimum tax rate (Pillar 2).

Despite the initial intention to treat the Pillar 1 and Pillar 2 measures as two parts of the same package, there is increasing discussion about the possibility of decoupling Pillar 2 from Pillar 1 and enacting Pillar 2 on an accelerated time scale. That possibility was enhanced by the publication last month of both the Pillar 2 Model Rules (some way ahead of any expected rules on Pillar 1) and the publication by the European Commission of a proposed EU directive to incorporate Pillar 2 into EU law. Further, some states are known to be keen to prioritise Pillar 2 given the pressure on tax revenues following the covid crisis, coupled with the relatively higher tax yields expected from Pillar 2 compared to Pillar 1. At the same time, there remain formidable challenges to any agreement on the detail of Pillar 1 and its implementation. For example, some challenging questions are raised by the need to identify 'paying entities' to deal with the elimination of double tax and the need to deal with the intended 'tax certainty" measures relating to the prevention of disputes. There also seems to be some scepticism on whether some countries could even implement Pillar 1 without material delays given domestic law timing issues and constitutional issues. These challenges may have the effect of stalling the Pillar 1 measures or causing them to fail.

An obvious question is therefore what would be the implications of a successfully implemented Pillar 2, combined with a stalled or failed Pillar 1? Specifically, in such a case, would there be a fall-off in the momentum or perceived need for the Pillar 1 reallocation of taxing rights to the market? The question is essentially asking if a sufficient 'fix' for the various concerns that are regarded as besetting the international tax system could be delivered by the Pillar 2 measures alone.

My answer to this question is that, in the event of a failed or materially deferred Pillar 1, it seems very unlikely that a successful Pillar 2 will stall or reverse the momentum for a re-allocation of taxing rights to the market. There are several reasons for this conclusion.

First, there is some uncertainty about how many states will adopt the Pillar 2 measures given that the adoption of those measures is not mandatory for any state. Given that the historic justification for the OECD work is that states cannot deal with the problems of the international tax system by acting alone, this suggests a critical mass of states is needed to make the package effective. It is also possible some difficulties may remain with the compatibility of the Pillar 2 measures with EU law and double tax treaties.

Second, even if the Pillar 2 measures are widely adopted, the package would deliver little or no response to most of the key problems recognised in the digitalization debate to date. For example, the Pillar 2 measures do not respond to the identified nexus problem concerning the point at which economic activity in a state should properly be regarded as giving rise to a tax charge in that state. Neither would they address the weaknesses of the functions-based transfer pricing rules that act as a barrier to the taxing ability of market states, notwithstanding the perceived participation of remote sellers in the economy of such states. Further, the problems of avoidance activities by MNEs and tax competition activities by states would be constrained within more limited parameters by the 15% minimum tax rate of Pillar 2 but not stopped altogether. Also, all the operational problems of the ALP system (identifying appropriate comparables, inherent complexity, mobility concerns, etc.) would remain, raising the obvious question why Pillar 2 is being used to bolster the ALP system when it is currently thought to be so problematic. These issues are simply not addressed by the core income inclusion rule of Pillar 2: the default allocation of taxing rights to parent states under the income inclusion rule of Pillar 2 does nothing to satisfy the concerns raised by market states (and neither are those concerns met by the newly-introduced 'QDMTT rule' which allows source states to capture additional revenue under Pillar 2).

Third, if for some reason the Pillar 1 measures fail or are materially deferred, it seems very likely that many states would rapidly look to pursue alternative destination-based approaches. Most obviously, this would presumably put DSTs back on the table, a point that is emphasised by the limited time for which they are suspended pending a successful Pillar 1 implementation. States may also look to other approaches, possibly based on some of the other proposals for increased market taxation that have been made over the last couple of years.

It seems very likely that many states would respond in the manner suggested above in the event of a failed or materially deferred Pillar 1. This is because the views of many states on what is an appropriate nexus for taxation have now moved on from the traditional idea of nexus based on physical presence. This, in turn, might be due to some normative notion (such as one couched in terms of value creation) or, and probably more likely, due simply to the increasing recognition by states that they actually can readily tax such remote sellers. This means that for many states the destination approach has become appreciably more attractive. Whether through Pillar 1 or otherwise, this seems the likely future direction of travel. Pillar 2 alone is never going to be enough of an answer to the issues raised by the digitalisation debate.

Richard S Collier

Other blogs in the series are:

How and why a global carbon tax could revolutionise international climate change law?

Should low tax countries learn to love a minimum tax rate?

Will Pillar 2 halt tax competition?

Should women pay lower taxes?

More on Pillar 2 and tax competition

Taxing the unvaccinated: Externalities and paternalism during the pandemic

Reducing complexity and compliance costs: A simplification safe harbour for the global minimum tax

Pennies from haven: Wages and profit shifting

To read the full blogs:

https://oxfordtax.sbs.ox.ac.uk/blogs

Working papers

WP 21/14 Shafik Hebous and Michael Keen, Pareto-Improving Minimum Corporate Taxation

WP 21/15 Alice Pirlot, Carbon Border Adjustment Measures

WP 21/16 Wei Cui, Mengying Wei, Weisi Xie, and Jing Xing, Corporate Tax Cuts for Small firms: What Do Firms Do?

WP 21/17 Jeffrey Hoopes, Marcel Olbert, Rebecca Lester, and Daniel Klein, Foreign Aid through Domestic Tax Cuts? Evidence from Multinational Firm Presence in Developing Countries

WP 21/18 Kristoffer Berg, Revealing Inequality Aversion from Tax Policy: The Role of Non-Discrimination

WP 22/01 Clemens Fuest, Klaus Gründler, Niklas Potrafke, and Fabian Ruthardt, Tax Policies after Crises

WP 22/02 Jing Xing, Katarzyna Bilicka, and Xipei Hou, How Distortive are Turnover Taxes? Evidence from Replacing Turnover Tax with VAT

WP 22/03 Matt Andrew and Richard Collier, Is the shift to taxation at the point of destination inexorable?

WP 22/04 Annette Alstadsæter, Julie Brun Bjørkheim, Ronald B. Davies, and Johannes Scheuerer, Pennies from Haven: Wages and Profit Shifting

WP 22/05 Elisa Casi, Evelina Gavrilova, David Murphy, and Floris Zoutman, Welfare Effect of Closing Loopholes in the Dividend-Withholding Tax: the Case of Cum-cum and Cum-ex Transactions

WP 22/06 Heydon Wardell-Burrus, A Pillar One Design Proposal: Leveraging Pillar Two

WP 22/07 Javier Garcia-Bernardo, Petr Janský, and Gabriel Zucman, Did the Tax Cuts and Jobs Act Reduce Profit Shifting by US Multinational Companies?

WP 22/08 Ilan Benshalom, The Three Distributive Questions of (a Non-Ideal) Tax Theory

WP 22/09 Reuven Avi-Yonah and Mohanad Salaimi, A New Framework for Taxing Cryptocurrencies

WP 22/10 Niels Johannesen, The Global Minimum Tax

WP 22/11 Michael Devereux, John Vella and Heydon Wardell-Burrus, Pillar 2's Impact on Tax Competition

WP 22/12 Victoria Perry, Pillar 2, Tax Competition, and Low Income Sub-Saharan African Countries

WP 22/13 Eckhard Janeba, Guttorm Schjelderup, The Global Minimum Tax Raises More Revenues than you Think, or Much Less

WP 22/14 Heydon Wardell-Burrus, MNE Strategic Responses to the GloBE Rules

WP 22/15 Patrick Gauß, Michael Kortenhaus, Nadine Riedel and Martin Simmler, Leveling the Playing Field: Constraints on Multinational Profit Shifting and the Performance of National Firms

WP 22/16 Michael Devereux, John Vella and Heydon Wardell-Burrus, Pillar 2's impact on tax competition

WP 22/17 Kristoffer Berg and Shafik Hebous, Does a Wealth Tax Improve Equality of Opportunity? Evidence from Norway

WP22/18 Alice Pirlot, Carbon Border Adjustment Measures: A Straightforward Multi-Purpose Climate Change Instrument?

WP22/19 Miguel Almunia, Michael Devereux and Pablo García-Guzmán, The Revenue Consequences of Introducing a Destination-based Cash Flow Tax in Uganda

WP22/20 Michael P. Devereux, What creates tax uncertainty? Evidence from three phases of a cross-country survey

The Centre's working papers are available at **https://oxfordtax.sbs.ox.ac.uk/research**

MSc in Taxation

September 2021 saw the 6th intake of students on the Oxford University MSc in Taxation and the 5th cohort of students graduated in 2022. This 2021 cohort of 32 students came from all over the world representing 17 nationalities, with 94% coming from work.

The MSc is a two-year part-time degree taught by the Faculty of Law in association with the Centre for Business Taxation. Unusual among masters degrees in taxation, the MSc in Taxation was designed by a combination of lawyers and economists. The interdisciplinary nature of the degree ensures that students not only acquire a detailed understanding of technical law, but also the ability to think deeply about the underlying policy considerations.

Teaching on the MSc in Taxation is undertaken in Oxford in intensive periods, primarily during three residential weeks and in other short blocks of time at weekends. The flexibility of the course allows students to tailor their studies to their individual preferences. which appeals to a range of students from a variety of disciplinary backgrounds. The degree aims to accommodate both those who are engaged in full-time careers and those who are taking a break but have other duties and responsibilities.

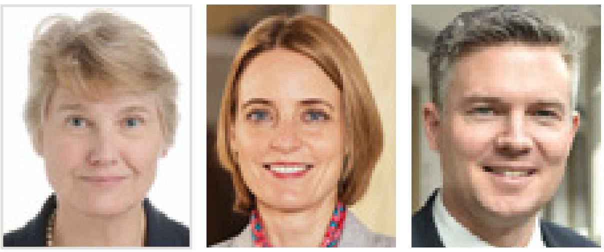
In addition to staff from the CBT (Michael Devereux, Richard Collier, Irem Güçeri and Alice Pirlot) and the Law Faculty (Tsilly Dagan, Judith Freedman, Glen Loutzenhiser and John Vella), the degree is taught by Visiting Professors Philip Baker QC and Emma Chamberlain QC. Other visiting lecturers this year were CBT alumni Anzhela Cédelle (OECD) and Rita de la Feria (University of Leeds), MSc alumnus Matt Andrew (OECD), Jonathan Peacock QC (11 New Square), Jennifer Blouin (University of Pennsylvania), and Niels Johannesen (University of Copenhagen).

Topics taught included Principles of International Taxation, Tax Treaties, UK Corporation Tax, EU Tax Law, Tax and Public Policy, Transfer Pricing, Tax and Human Rights, and the Taxation of Corporate Finance.

For further information about the MSc see: **www.law.ox.ac.uk/msctax**

Visitors

The following visited the CBT during the year 2021–2022 to undertake research, with visits ranging from a few weeks to several months.



Left to right: Victoria Perry, Deborah Schanz, Sebastian Schanz

Victoria Perry

Until 2021, Victoria Perry was Deputy Director in the Fiscal Affairs Department (FAD) of the International Monetary Fund. She was appointed as Visiting Professor of the University of Oxford in 2022. Since joining the IMF in 1993, she provided technical advice in tax policy and revenue administration to numerous countries in all regions. From 2002 to 2008 she served as Division Chief for Revenue Administration in FAD, and from 2008 until June 2016, she was Division Chief of Tax Policy, before becoming Deputy Director. Prior to joining the IMF, Ms Perry was the Deputy Director of the Harvard University International Tax Program and practiced tax law with the Boston law firm of Wilmer Hale. She is Vice President of the International Institute for Public Finance, and has been President of the National Tax Association, President of the American Tax Policy Institute, Chair of the Value Added Tax Committee of the American Bar Association Section of Taxation. She is a co-author of the book ‘The Modern VAT,’ published by the IMF in 2001.

January to December 2022

Deborah Schanz

Professor Dr Deborah Schanz is Professor of Taxation and Accounting and the head of the Institute for Taxation and Accounting at the University of Munich. Her research focuses on corporate taxation, the complexity of tax systems, international tax law, especially the OECD Base Erosion Profit Shifting (BEPS) project, and digitalisation. She heads the Tax Working Group of the Schmalenbach-Gesellschaft für Betriebswirtschaft e.V., is a member of the board of the German section of the International Fiscal Association (IFA), and is Principal Investigator and LMU spokesperson in the Collaborative Research Centre TRR 266 – ‘Accounting for Transparency’, funded by the German Research Foundation. She advises the German Bundestag and the OECD.

February to August 2022

Sebastian Schanz

Sebastian is Professor of Business Taxation at the University of Bayreuth, Germany. He previously held professorial positions in Bielefeld and Magdeburg. His research focuses on business taxation, financial decisions and didactics in this area, for example the analysis of selected provisions of current law, investigation of current proposals for fundamental reform of corporate taxation and the effects of taxation on investment and financing decisions. In addition, Professor Schanz conducts research at the interface to the economics sub-discipline of operations research in the form of optimizing tax options and the perception of taxes. The taxation of renewable energies is also one of his interests.

February to August 2022

Jeff Hoopes

Jeff Hoopes is an Associate Professor at the University of North Carolina and the research director of the UNC Tax Center. Jeff received his PhD in Business Administration from the University of Michigan. He is a CPA in the State of Colorado. Jeff researches corporate tax, and his research focuses on the intersection of accounting, public economics and finance. He has testified before Congress, presented to the Congressional Budget Office, and worked on consulting projects with the Internal Revenue Service. Jeff has authored pieces in Wall Street Journal, Fortune, Bloomberg Tax, and The Hill, and his work has been cited in media outlets such as New York Times, Wall Street Journal, Newsweek, Forbes, CNN, NPR, Fortune, and the Washington Post. Jeff is the co-host of Tax Chats, a weekly podcast about taxes.

July to August 2022

Giedre Lideikyte-Huber

Giedre Lideikyte Huber is currently a Senior lecturer at the Faculty of Law of the University of Geneva, affiliated as a Swiss National Science Foundation researcher to the Geneva Centre for Philanthropy. She holds a PhD in Tax Law (summa cum laude). She has been a visiting scholar at the Massachusetts Institute of Technology, University of Zurich, Harvard Law School and Berkeley Law. She has been awarded various prizes and scholarships, for instance by the International Fiscal Association Swiss branch and Swiss National Science Foundation. Giedre specializes in tax law, and more specifically in corporate taxation, taxation of the philanthropic sector as well as in sustainability issues in tax systems (including gender and climate questions in taxation).

February to April 2022

Svea Holtmann

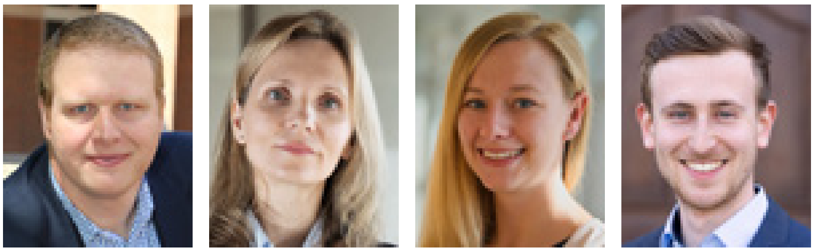
Svea Holtmann is a research assistant at the Chair of Economics, esp. Public Finance (Professor Dr Dominika Langenmayr) and at the Chair of Business Administration and Business Taxation (Professor Dr. Reinald Koch) at the Catholic University of Eichstaett-Ingolstadt. She holds a Bachelor's and Master's degree in Business Administration with a focus on Taxation. In her dissertation, she works on tax avoidance as well as the interface between taxation and climate protection.

February to April 2022

Raphael Müller

Raphael Müller is a PhD student at the Graduate School of Economic and Social Science (GESS) at the University of Mannheim, under the supervision of Professor Dr Christoph Spengel. He works as a research assistant at the Chair of Business Administration and Taxation II (Professor Dr Christoph Spengel) at the University of Mannheim. Raphael received a Bachelor's degree in Management and Law from the Management Centre Innsbruck (MCI) and a Master's degree in Management from the University of Mannheim. In his dissertation, he analyses the impact of corporate tax transparency regulations (i.e., CbCR) on taxpayers and their stakeholders.

May to July 2022



Left to right: Jeff Hoopes, Giedre Lideikyte-Huber, Svea Holtmann, Raphael Müller

Researcher Alumni

The Centre is immensely proud of those who have been employed as researchers. Collectively, they have made very significant academic and policy contributions to our understanding of business taxation. Their current affiliations are as follows.

Professor Johannes Becker
Professor of Economics and Director of Institute of Public Finance, University of Münster, Germany

Professor Katarzyna Anna Bilicka
Assistant Professor of Economics, Jon M Huntsman School of Business, Utah State University, USA

Dr Anzhela Cédelle (née Yevgenyeva)
Counsellor at the Organisation for Economic Co-operation and Development (OECD)

Professor Sarah Clifford
Associate Professor, Economics Department, University of Oxford, UK

Professor Rita de la Feria
Professor of Tax Law, University of Leeds, UK

Professor Clemens Fuest
President, ifo Institute and Professor of Economics and Public Finance, University of Munich, Germany

Professor Irem Güçeri
Associate Professor, Blavatnik School of Government, University of Oxford, UK

Dr Li Liu
Senior Economist, International Monetary Fund

Professor Geoffrey Loomer
Associate Dean and Associate Professor of Law, University of Victoria, Canada

Dr Simon Loretz
Senior Economist, Austrian Institute of Economic Research, Vienna, Austria

Dr Giorgia Maffini
Special Adviser in Tax Policy, PwC, UK

Dr Socrates Mokkas
Director, Advance Analytics and Quantitative Economics, Deloitte, UK

Professor Nadine Riedel
Professor of Economics and Director of Institute for Public and Regional Economics, University of Münster, Germany

Dr Tim Schmidt-Eisenlohr
Principal Economist, International Finance Division, Federal Reserve Board, USA

Professor Nicolas Serrano-Verlade
Associate Professor, Bocconi University, Italy

Professor Eddy Hiu Fung Tam
Associate Professor, King's Business School, King's College London, UK

Professor John Vella
Professor of Law, University of Oxford, UK

Professor Johannes Voget
Professor of Taxation and Finance, University of Mannheim, Germany

Professor Jing Xing
Associate Professor of Finance, Antai College of Economics and Management, Shanghai Jiao Tong University, China

What is the Centre for Business Taxation?

The Centre for Business Taxation (CBT) is an independent multidisciplinary research centre which aims to promote effective policies for the taxation of business from its base in Saïd Business School at the University of Oxford. The CBT also has close links to other university departments such as the Faculty of Economics, the Faculty of Law and the Blavatnik School of Government. The CBT undertakes and publishes research into the aims, practices and consequences of taxes which effect business.

The CBT is led by a Director, supported by an Assistant Director, and by programme directors who are professors from Oxford, Warwick and Munich. Its research team has experience in academic research and tax policy and are drawn from backgrounds in economics and law. The CBT's research programme is determined on the basis of academic merit and policy relevance. This is decided by the Director and its Steering Committee.

The CBT was formed in 2005 and was initially funded by substantial donations from a large number of members from the Hundred Group. A small number of these companies and others continue to support the CBT.

Donors during the year were:

- AstraZeneca
- Lloyd's Banking Group
- Microsoft
- Schroder Investment Mgt Ltd
- Shell International

The CBT has also received research grants from a number a number of organisations including the Economic and Social Research Council, the Nuffield Foundation, the British Academy, Tax Centre for Tax Analysis in Developing Countries – Institute for Fiscal Studies, and EconPol Europe – European Network for Economic and Fiscal Policy Research.

Who we are

Director

Professor Michael Devereux is Professor of Business Taxation at Said Business School in the University of Oxford, a professorial fellow of Oriel College Oxford, and a co-director of the MSc in Taxation in the Oxford Law Faculty. He has recently stepped down as Associate Dean of the School. He is an economist who previously held professorial positions at the Universities of Keele and Warwick and has also been a programme director at the Institute for Fiscal Studies. He was the President of the International Institute for Public Finance until 2015 and is currently an Honorary President. He is Research Director of the European Tax Policy Forum and a member of the Board of Advisors of the International Tax Policy Forum. He is also an Honorary Fellow of the Chartered Institute of Taxation and Research Fellow of IFS, CEPR and CESifo. He has written widely on business taxation in academic and professional journals and has edited Fiscal Studies and International Tax and Public Finance. He is currently ranked by REPEC as sixth in the world amongst economics researchers in the field of Public Finance, and first amongst researchers outside the United States.

Assistant Director

Professor John Vella is Professor of Law in the Faculty of Law at Oxford, a Fellow of Harris Manchester College, and a Co-Director of the MSc in Taxation. John plays a significant role in directing the CBT and its main events, including the annual summer conference and academic symposium. He studied law at the University of Malta (BA and LLD) and the University of Cambridge (LLM and PhD) and was previously Norton Rose Career Development Fellow in Company Law at Oxford and then Senior Research Fellow at the CBT. He has been a Visiting Scholar at the IMF, a Visiting Professor at Bocconi University, and a Visiting Researcher at New York, Georgetown and Sydney universities. John's recent research has focused on the taxation of multinationals, financial sector taxation, and tax compliance and administration. He has given evidence on these issues on a number of occasions both before UK Parliamentary Committees and Committees of the European Parliament.

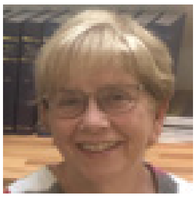
Visiting Professor

Victoria Perry retired as a Deputy Director in the Fiscal Affairs Department of the International Monetary Fund in June 2021, having joined the IMF in 1993. During her IMF career, she provided technical advice in tax policy and revenue administration to more than 50 countries in all regions. From 2002 to 2008 she served as Division Chief for Revenue Administration; from 2008 until 2016 she was Division Chief for Tax Policy. She is presently a Visiting Professor of Taxation at Oxford University. She was a coauthor of the book 'The Modern VAT,' and a coeditor of the recent book "Corporate Income Taxes Under Pressure," both published by the IMF. Prior to joining the IMF, she was the Deputy Director of the Harvard University International Tax Program, teaching comparative income taxation and value added taxation and providing technical assistance in revenue policy to various countries through the Harvard Institute for International Development. She previously practiced tax law with the Boston law firm of WilmerHale. She is a past president of the National Tax Association, a past president of the American Tax Policy Institute, past Chair of the Value Added Tax Committee of the American Bar Association Section of Taxation, and presently Vice President and member of the Board of the International Institute of Public Finance.

Associate Fellow

Dr Richard Collier is a qualified lawyer and chartered accountant, and a former partner at PwC. He has been very closely involved with the work of the OECD since the late 1990s and was especially active in the BEPS project. In 2019 he was appointed on secondment as a senior tax adviser to the OECD to manage the work on Pillar 1 of the OECD's work on taxation of the digitalised economy. He has worked on a wide range of research projects for CBT, especially on tax treaties and transfer pricing, the implications of the BEPS project and more fundamental reform. In 2017 the Oxford University Press published his book, co-authored with Joe Andrus, Transfer Pricing and the Arm's Length Principle After BEPS. His most recent book, Banking on Failure, has just been published, again by Oxford University Press. Richard also teaches on the MSc in Taxation at the Oxford Law Faculty.

Associate Scholar



Professor Judith Freedman CBE is is Pinsent Masons Professor of Taxation Law and Policy at the University of Oxford. From 2001–2019 she was the inaugural statutory Professor of Taxation Law at Oxford University Law Faculty. She was one of the founders and Acting Directors of the CBT when the CBT was established in November 2005 and was one of the initial co-directors of the MSc in Taxation in the Oxford Law Faculty. She was a member of the Aaronson General Anti-Avoidance Rule Study Group and has served on many other policy committees. In 2020 she was appointed to the Board of the Office of Tax Simplification. She is a member of the Council of the Institute for Fiscal Studies (IFS) and Chair of the IFS Tax Law Review Committee. Judith is a visiting Adjunct Professor in the Australian School of Taxation and Business Law, University of New South Wales. She is general editor of the British Tax Review as well as being on the editorial boards of the e-Journal of Tax Research, the Australian Tax Review and Tax Journal.

Programme Directors

Professor Stephen Bond is Senior Research Fellow at Nuffield College and a Professor in the Department of Economics, University of Oxford. He was previously Deputy Director of the ESRC Centre for Public Policy at the Institute for Fiscal Studies and a member of the IFS Mirrlees Review editorial team.

Professor Clemens Fuest is President of the Ifo Institute in Munich. Prior to that he was President and Director of Science and Research of the Centre for European Economic Research (ZEW) in Mannheim, and Research Director of the CBT. He is a Research Fellow of CESifo and IZA and is a member of the Academic Advisory Board of the German Federal Ministry of Finance.

Professor Ben Lockwood is Professor of Economics at the University of Warwick. He is a Research Fellow of CEPR and CESifo and a member of the editorial boards of Social Choice and Welfare and the Journal of Macroeconomics. He is a member of the Board of Management of the International Institute of Public Finance and has acted as a consultant on tax policy for the IMF and PwC.

Research Fellows

Dr Kristoffer Berg joined the centre in September 2021. He is also a Junior Research Fellow at Corpus Christi College. His research focuses on income, wealth and shareholder taxation. Kristoffer has a PhD in Economics from the University of Oslo, an MSc in Philosophy and Public Policy from the LSE, and a Master of Economics and Econometrics from the University of Oslo. In addition, he has previously worked at the Norwegian Ministry of Finance, interned at the IMF, and visited UC Berkeley. He recently received the Norwegian King's Gold Medal for his PhD dissertation Fair and Efficient Taxation.

Dr Alice Pirlot joined the CBT at the beginning of 2018. Previously, Alice was a research fellow of the National Belgian Fund for Scientific Research (FNRS) at the University of Louvain, where she completed her PhD in April 2016. Alice studied law at the Universities of Namur, Antwerp and Louvain (Belgium), and holds a Master of Arts in European Interdisciplinary Studies from the College of Europe (Poland). She has been awarded various prizes and scholarships, including an Honourable Mention of the International Fiscal Association for her doctoral thesis. Alice's main expertise lies at the intersection between tax, environmental, EU and international trade law. Her publications cover a wide range of topics, including environmental border tax adjustments, the taxation of the energy sector, the interactions between tax policy and the UN Sustainable Development Goals as well as the WTO law compatibility of the Destination-Based Cash Flow Tax.

Dr Jawad Shah is a Research Fellow in Economics at the Centre for Business Taxation. Jawad's Research focuses on evasion and enforcement issues in taxation of businesses in developing countries. In his recent research, he studies the behaviour of Value Added Tax (VAT) registered firms in economies with large informal sectors. Jawad is also a seminar leader in economics and public policy at Blavatnik School of Government. Jawad has completed his PhD from University of Kentucky and an MPA from Maxwell School of Syracuse University as a Fulbright scholar. He has worked at International Centre for Tax and Development (ICTD). He was also a tax administrator in Pakistan's Civil Service for more than a decade where he served in VAT, customs, excise, and income tax administrations in various regions of the country.

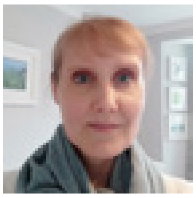
Dr Martin Simmler joined the CBT in 2014, having completed his DPhil in Economics at the Free University Berlin in 2013. His research interest is in public economics, and in particular the impact of taxes and public goods and service provision on firm decisions (location, finance, employment and investment decision). Martin is also a Research Fellow at the German Institute for Economic Research Berlin (DIW Berlin).

Research Assistants

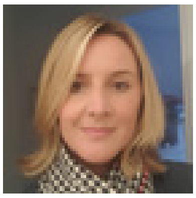
Vikramsinh Patil joined the CBT in September 2020 as a Research Assistant after completing his MSc in Economics at the University of Warwick. He also holds a BSc in Economics from Symbiosis International University in Pune, India. Vikram is currently attached to several projects at the CBT ranging from the measurement of residential and commercial property tax incidence to the modelling of the impact of policies such as the Global Minimum Tax on profit shifting and investment decisions by multinationals.

Heydon Wardell-Burrus is currently completing his DPhil in Law at the University of Oxford and is a Researcher at the Oxford Centre for Business Taxation. His academic work focuses on the Inclusive Framework Pillars Project (particularly the Global Minimum Tax). He was previously a Director and Acting Assistant Commissioner at the Australian Taxation Office where he worked on corporate and international tax policy design and implementation. As part of these roles, he was on the Australian negotiating team for the Pillars Project and a delegate to the OECD's Working Party 11. Prior to joining the ATO, he was a Senior Associate in the tax team at Allens Linklaters where he specialised in international tax. Heydon was a Fulbright Scholar at Harvard Law School and has an LL.M. from Sydney Law School. Heydon is also a Senior Fellow at Melbourne Law School where he is co-teaching Global Digital Tax as part of the Masters of Tax Program.

Administrative Staff



Alison Meeson joined the Centre in 2019 as the Centre Administrative Assistant to assist with the administrative duties associated with the running of the Centre.



Jenny Winsland joined the Centre in 2020 as the Centre Manager. She is responsible for managing the administrative work associated with the Centre, its finances, and all of the logistical arrangements involved in running the Centre's events and conferences.

Oxford University Centre for Business Taxation

The Oxford University Centre for Business Taxation is an independent research centre which aims to promote effective policies for the taxation of business.

The Centre undertakes and publishes multidisciplinary research into the aims, practice and consequences of taxes which affect business. Although it engages in debate on specific policy issues, the main focus of the Centre's research is on long-term, fundamental issues in business taxation. Its findings are based on rigorous analysis, detailed empirical evidence and in-depth institutional knowledge.

The Centre provides analysis independent of government, political party or any other vested interest. The Centre has no corporate views: publications of the Centre are the responsibility of named authors. The Centre is not a consultancy: it reserves the right to publish the results of its research.

The Centre's research programme is determined on the basis of academic merit and policy relevance, and is the responsibility of the Director and the Centre's Steering Committee. Decisions on the Centre's research programme and the content of research are taken independently of the views of the Centre's donors and other funding agencies and comply with the University's Donor Charter. All research carried out at the Centre is undertaken with a view to publication.

The Centre complies with the University's policy on conflict of interest.

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