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Inequalities and the International Tax Regime

Prof. Dr. Peter Hongler – 14 September 2020

Outline

1. Some data to start
2. International tax law and redistribution – some theoretical considerations
3. Lowering inequalities through the international tax regime
4. Conclusions



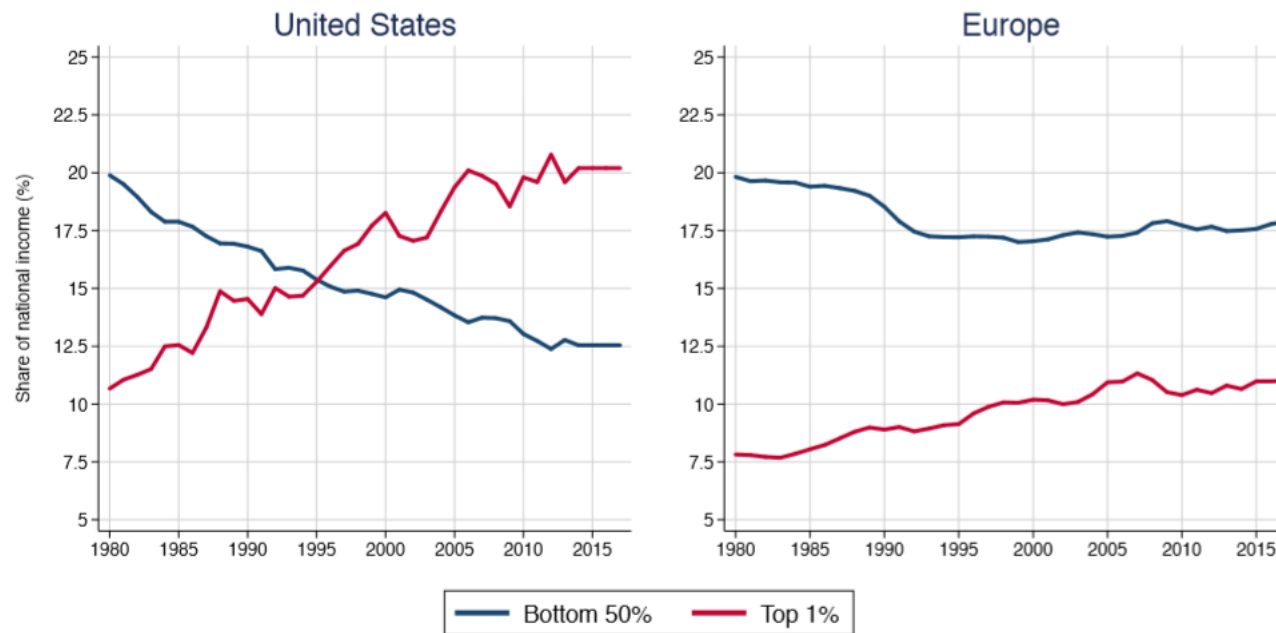
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Some data to start

1. Differences are significant

(a) Bottom 50% vs. Top 1% income shares



Blanchet, Chancel & Gethin (2019)



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International tax law and redistribution – some theoretical considerations

1. Different approaches

- Cosmopolitan duties (difficult to identify but there are authors)
 - Static approach (Valta 2014)
 - Redistributive duties (Benshalom 2009)
 - Dynamic approach (Hongler 2019)
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- Why these differences?
-
- Normative theorizing is about the better argument!

2. Basic structure

- Is there a basic structure that would justify redistribution?
- Is there a basic structure that would justify a decent level of inequalities?
- Elements of a basic structure:
 - Cooperation
 - Coercion
 - Association
- → dynamic approach: the more elements are at hand, the more cross-border moral duties are triggered (e.g. EU integration)

3. The right level of inequalities

- What is the right level of inequalities?
 - Procedural approach (deliberative approach)
 - Access to data
 - Culture matters
 - Inequalities are to the benefit of the worst-off (Rawlsian approach)
 - The Rawlsian approach is also a procedural approach
 - Culture matters
- **We should not expect that we agree in the near future on a certain level of inequalities at a global level**



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Lowering inequalities through the international tax regime

1. How to reduce inequalities?

- Revenue side
- Spending side

2. Taxes are not a global common good

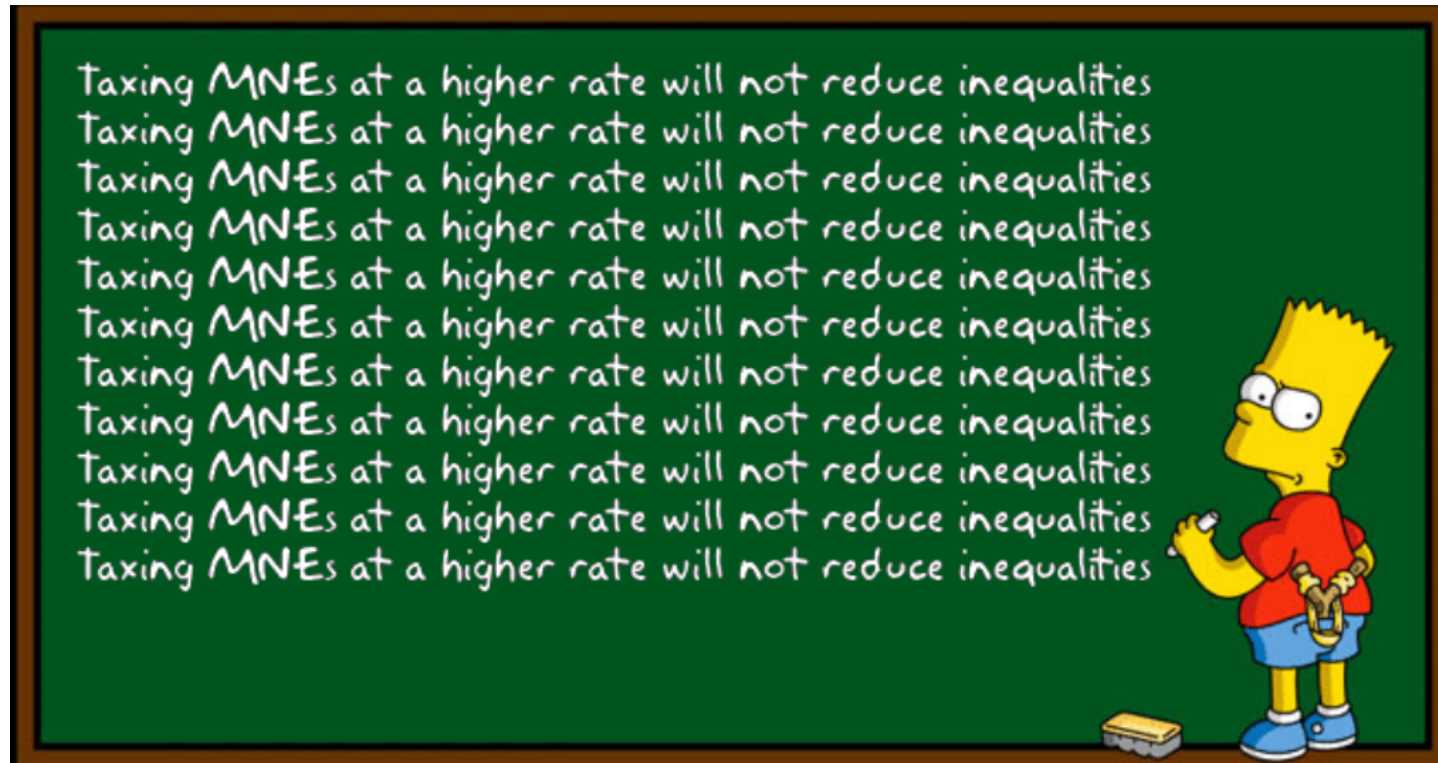
- Excludable! Tax revenues do not belong to the global community

Two intermediate conclusions:

- Efficiency should not be a primary goal of the international tax regime
- Minimum taxation is not justified based on the same rationale as in a domestic setting

3. The limits of corporate income taxation

- Corporate tax incidence literature (see in particular Baert et al [2019] for a recent overview)

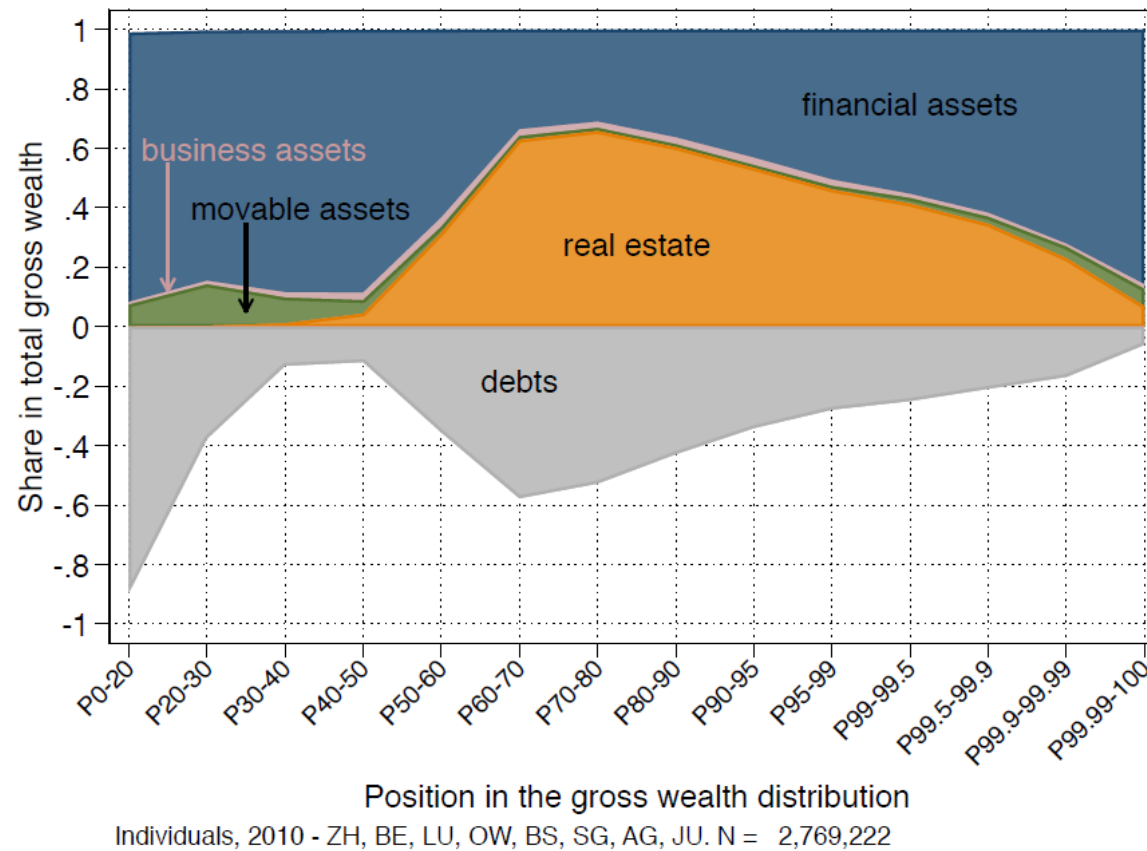


4. The limits of income and wealth taxes

States have different wealth and income distributions:

- Who do you want to tax? → the top 0.001% or the top 0.01% or the top 0.1% or the top 1.0%? Is income or wealth distribution decisive (age matters)? (it depends on the country!)
- Income vs. wealth distribution (it depends on the country!)
- Wealth composition matters (it depends on the country!)

5. Wealth composition matters

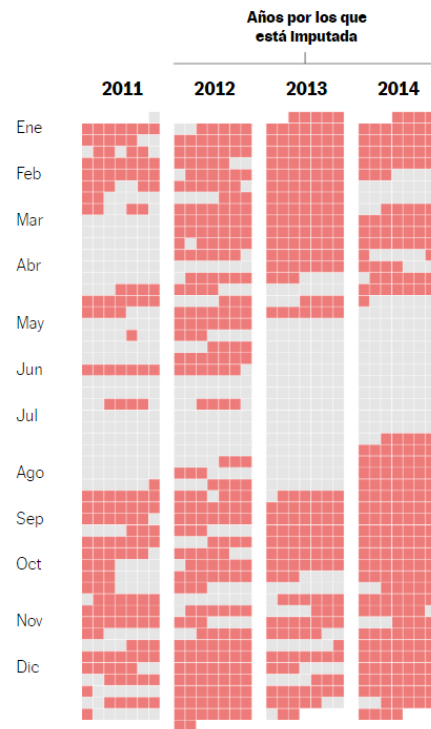


6. Protect the source

- Corporate income taxation
 - Nexus
 - Allocation of income
 - Robust source rules
- Income taxation
 - Subject-to-tax clauses
 - Robust source rules

7. Protect residency or transform residency into a source

**Días que pasó Shakira
en España y en el extranjero**



El PAIS (2020)

- Tax resident in Nassau
- However, she lives mainly in Barcelona/Spain
- My assumption: most of her income was fully tax exempt
- Some new song titles:
 - Your residency might be «waka waka»
 - «Trips don't lie»
 - Income taxation is «La Tortura» in Spain
 - Tax me «whenever, wherever»



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Conclusions

Inequalities and the international tax regime

- We will not solve questions of the right level of redistribution through the international tax regime
 - Cosmopolitan approach
 - corporate income tax regime is a bad if not the worst steering possibility
 - an ideal income and/or wealth tax regime depends on the country specifics
 - protect the source and protect residency or transform residency into a source
 - Static approach
 - protect the source and protect residency or transform residency into a source
 - Better understanding of the interaction between the spending and the revenue side for the reduction of inequalities
- **Normative goal of the international tax regime: Development of multiple modernities (Habermas 2019)**

Sources

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Prof. Dr. Peter Hongler
Universität St. Gallen
IFF-HSG
peter.hongler@unisg.ch

