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Business Taxation

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Oxford University
Centre for Business Taxation

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Introduction

Like much of the rest of the world, the Centre for Business Taxation (CBT) has been virtual since March 2020. That has certainly had an impact on our activities, and our research. Informal exchange is important in exchanging research ideas – that has become more difficult in the lockdown. University teaching also went online almost overnight. However, we are all now proficient in Zoom and other communication tools and enjoying some of the benefits of working from home.

In response to the pandemic, we undertook early research into the tax and economic consequences of the measures taken to slow down the spread of the virus. That research is briefly summarised in the Research highlights section in this report. In the UK, the government acted swiftly and decisively with its Job Retention Scheme, but the prospect for the next year or so nevertheless remains bleak.

Of great consequence for the long-term nature of the international tax system has been the development at the OECD of its two Pillars of reform. These move in radically opposite directions – Pillar 1 to establishing taxing rights in market countries, and Pillar 2 to increasing taxing rights in the country of residence of parent companies. If both are eventually adopted – on top of the existing system – then it will be challenging to describe what principle would be used to govern the allocation of taxing rights amongst countries. I can only refer to the ‘Marxist’ blog I wrote a couple of years ago: as Groucho Marx memorably said ‘those are my principles, and if you don’t like them ... well, I have others’.

Over the years, we have written a great deal on the principle of giving tax rights to market countries. So, during this year, the CBT’s researchers instead collectively invested in the analysis of the Pillar 2 proposal. Our report is also summarised under Research highlights. That contains analysis of the policy itself, including an examination of some of the key features of the system, including its interaction with EU law. It also includes an empirical evaluation of the likely consequences for tax revenues and business investment.

Two major books were also delivered to Oxford University Press during this year, the Research highlights section contains a brief introduction to each. Richard Collier combined advising the OECD with completing *Banking on Failure: Cum-Ex and Why and How Banks Game the*

System which was published in September 2020. The book describes one of the biggest and most complex tax scandals - the ‘cum-ex’ scandal – in which hundreds of banks and funds from across the globe participated in the raid on the public exchequers of a number of countries, with losses in the tens of billions of euros. The book then draws on the significance of this case study, and what this tells us about modern banks and their interactions with tax systems.

The Oxford International Tax Group, which I chaired, has completed *Taxing Profit in a Global Economy*, a book which re-examines the fundamentals of the international system for taxing business profit. The book, which will be published in January 2021, steps back from the current political debates and instead starts from first principles to ask how we should evaluate a tax on business profit – and whether there is any good rationale for such a tax in the first place. It then goes on to evaluate the existing system and a number of alternatives that have been proposed. The key conclusion from the analysis is that there would be significant gains from a reform that moved the system towards taxing profit in the country in which a business made its sales to third parties. I, and others on this group, have argued for such a move for some time now and thus are pleased to note that Pillar 1 moves in this direction.

The CBT continues to be heavily involved in teaching the MSc in Taxation in collaboration with the Law Faculty. As usual, we also hosted several conferences – both academic and policy oriented – although some of these had to be moved online. Early in 2020 we had planned to explore new ways of funding our research and activities. However, 2020 does not seem like a good time to seek new financial support from business. I am especially grateful to those businesses that have continued their support.

Michael Devereux

Director, Oxford University Centre for Business Taxation

Research highlights

Tax and COVID-19

Researchers at the CBT have written two research papers and a number of blogs on tax issues arising from the COVID-19 pandemic. These were among the earliest contributions to research in this area.

Discretionary fiscal responses to the COVID-19 pandemic

This paper analyses discretionary fiscal responses to the COVID-19 pandemic. It begins by distinguishing three phases of the pandemic: (1) acute overall disruption, (2) initial recovery phase and (3) the longer term. It then goes on to consider measures that could be used – especially focusing on the immediate issues in phases (1) and (2). We distinguish measures that aim to create incentives to change behaviour from those that simply provide a cash benefit.

The most important of the former group are schemes to support short-time work, when an employee works for reduced hours or does not work at all. These schemes typically subsidise the wage costs for workers whose working hours have been reduced or who have been furloughed and thus create an incentive for businesses to maintain employment levels. The UK Coronavirus Job Retention Scheme is a generous example of such a scheme.

Such policies are particularly useful in phases 1 and 2. They help businesses maintain their workers and thus their firm-specific human capital, which allows them to recover more quickly after temporary shocks. They also save firms' firing and re-hiring costs. These factors ultimately reduce the probability that the business has to close. They also reduce the monetary and physical costs for workers who would otherwise be laid off.

The second main group of measures are designed to boost business cash flow, for example, by deferring or cancelling tax payments, and government guarantees for business loans. For example, many countries have introduced measures which have deferred payment of VAT and corporation taxes. A one-year holiday of business

rates for the retail, hospitality and leisure sectors was also introduced in England. These measures are clearly beneficial for businesses in phase 1 but deferring tax may create potential problems for phase 2. If a tax is deferred until the end of phase 1, then it may become due just at the moment at which governments will be hoping for a speedy recovery, with business rehiring workers and undertaking new investment.

Identifying appropriate policies for phase 2 is more difficult. The paper considers extensions to the relief for short-time work, as well as relief from corporation tax, VAT and business rates. The priority must be to support a speedy recovery; how that is done should depend on whether there are primarily supply or demand shocks to the economy. Extending the Job Retention Scheme to workers working less than full hours would be important. In addition, governments should consider subsidising employment – for example, in the UK by reducing or halting employers' national insurance contributions. This would clearly entail substantial costs, but the costs of much greater unemployment may be larger still.

Tax policy and the COVID-19 crisis

Many countries around the world responded to the COVID-19 crisis through unprecedented lockdowns, severely restricting economic activity as well as the personal movement of their citizens. This has had a devastating effect on economies. Tax policy has an important role to play in alleviating and addressing the negative consequences of the lockdown on the economy. This article provided some preliminary thoughts on the fiscal measures available to policymakers in response to the COVID-19 crisis.

The role of fiscal measures will evolve with the different phases of the crisis caused by the pandemic, and the first part of this article sets out and discusses a number of tax policy options for each of these phases. In the first phase, while the lockdown is in place and countries are experiencing an acute overall disruption, tax measures can help mitigate the impact of the crisis by providing businesses and households with cash flow in order to avoid a complete collapse of the economy. In the second phase, once the lockdown is lifted, businesses and households are likely to require similar economic support measures. Again, tax policy can assist in keeping businesses afloat. However, in this

phase, once there is sufficient certainty about the recovery, fiscal policymakers might also consider introducing incentives to stimulate demand and re-establish supply chains. In the third phase, the longer term, tax policy will turn back to its traditional primary objective, namely the generation of revenue. Indeed, once the crisis is over, it is likely that tax will play a key role in offsetting the costs of the crisis.

In the second part of this article the focus narrows to international business taxation, as the crisis comes at a critical juncture in the history of the international tax system. The 137 member countries of the OECD/G20's Inclusive Framework are currently discussing fundamental and unprecedented reform of the system, and the time for taking final decisions on new and momentous policy directions is fast approaching. Pressure to reach multilateral agreement is high, not least because of wide-spread public and political demand for reform and the growing threat of unilateral action by countries. Against that background, this article asks whether the crisis has provided any further lessons about the existing tax system and reflects on how it may impact the international policy debate at this delicate time.



The OECD Global Anti-Base Erosion ('GloBE') proposal

In January 2020 a group of CBT researchers, led by Michael Devereux, published a wide-ranging report on one of the two proposals under discussion by the OECD/G20's Inclusive Framework: the GloBE Proposal (Pillar 2). Its proponents viewed it as a potential game changer for international business taxation, addressing issues of tax competition and profit shifting. But the proposal left many policy and legal questions unanswered. There was also a dearth of empirical evidence on its possible impact. The report sought to analyse the policy issues and to provide empirical evidence to facilitate a better-informed debate. The report covered four main areas.

1. Policy analysis

At the time at least, the GloBE proposal appeared to have two main objectives: first, to extend the BEPS project to further combat profit shifting and, second, to reduce tax competition. It was not clear if both main objectives, or only the first, would be pursued.

From a policy perspective, this proposal moves in a different direction to the other proposal being discussed by the Inclusive Framework. While the Unified Approach (Pillar 1) moves in the direction of taxing business profit on a destination basis (in market countries), the GloBE proposal (Pillar 2) moves in the direction of taxing business profit in the location of its parent company. If the proposal were to target both profit shifting and tax competition, it would also constitute a notable departure from the policy consensus agreed only a few years ago during the BEPS project, according to which 'no or low taxation is not per se a cause of concern, but it becomes so when it is associated with practices that artificially segregate taxable income from the activities that generate it.'

The report also notes several issues of practice and implementation. It appeared likely that the GloBE proposal would not achieve its two primary objectives unless (i) it was adopted by all, or most, countries; (ii) countries agreed to a detailed set of harmonised rules; and (iii) the harmonised rules incorporated a strong form of minimum tax, which does not include a substance based carve out or worldwide blending.

Subsequent reports approved by the Inclusive Framework seem to have recognised this by dropping the aim of combating tax competition, in favour of a more general goal of ensuring that multinationals pay a minimum level of tax.

But in any case, questions remain as to whether some mechanisms that are at the heart of the proposal – most prominently the calculation of the effective tax rate – could work from a technical perspective.

2. The effect on revenues

The report uses data from a number of sources to estimate the impact on tax revenues of the introduction of the income inclusion rule, assuming that the proposal is adopted universally, without a substance-based carve-out. The approach did not allow for any behavioural response to the introduction of the GloBE. And the results are subject to considerable uncertainty due to the lack of reliable data.

The report reaches a central estimate that the jurisdictional approach with a threshold effective tax rate of 10% would yield additional revenue worldwide of around \$32 billion, or around 14% of the taxes currently paid by foreign-controlled entities. This represents less than 2% of total taxes currently levied worldwide on corporate profit, and approximately one third of 1% of total worldwide corporate profit. More speculatively, if these revenues were collected by the country of the ultimate parent company, then the largest beneficiaries in absolute terms would be the world's largest economies, such as China and the United States. Relative to their own tax revenues, several Eastern EU member states would also gain substantially. However, in this case, there would likely be a significant impact on tax rates in low tax countries; and if this were to happen, they would become the main recipients of the additional revenue generated.

The report also examined the worldwide blending approach, but this has subsequently been dropped by the OECD.

3. The effect on incentives

The report used a simulation model to identify the effects of the proposal for the income inclusion rule on three types of behaviour of multinational companies:

- the location of real economic activity
- the scale of real economic activity, conditional on location, and
- the extent of profit shifting.

Compared to the worldwide blending approach, the jurisdictional approach would generate:

- a much stronger effect in mitigating profit shifting, but
- a steeper rise in effective average tax rate (EATR), and
- a steeper rise in cost of capital.

4. Compatibility with EU law

EU law imposes several constraints on the GloBE proposal. The proposal should comply with existing directives, such as the Interest and Royalties Directive, or, more likely, the directives will have to be amended to accommodate the proposal. The difficulty here is political rather than technical as it requires unanimous agreement among EU Member States. The proposal should also comply with primary EU law including treaty provisions concerning Fiscal State Aid and the fundamental freedoms. The report focuses on the latter.

The safest route for compliance with the case law of the Court of Justice of the European Union on the fundamental freedoms is the inclusion of a substance-based carve-out. At least two alternative routes may be available if no such carve-out is adopted, although compatibility with EU law is less certain under both. The first is to extend the proposal to domestic subsidiaries. The second is to present the primary objective of the proposal to be that of achieving a broader policy objective such as the equality of treatment of domestic and foreign investment, rather than addressing avoidance. The likelihood that the second route would be found to be compatible with EU law is increased if the proposal is unanimously agreed by Member States and adopted through a directive. However, there is less certainty around these routes than there is on the inclusion of a substance-based carve-out.



The UK's Digital Services Tax

This research paper evaluates the Digital Services Tax (DST) introduced by the UK in Finance Act 2020. While DSTs can be an attractive policy option, the timing of the UK DST's introduction is controversial, as are its objectives, and design.

The timing is controversial because the UK DST may have a negative impact on ongoing negotiations between the UK and the US over a post-Brexit trade deal. It is also controversial because it is a temporary, unilateral measure to address perceived flaws in the international tax system adopted just as 137 countries (the G20/OECD Inclusive Framework) are engaged in a process aiming at collaborative reform. The adoption of the DST may be a strategic move by the UK on both fronts, but it is a risky one as it clearly antagonised the US.

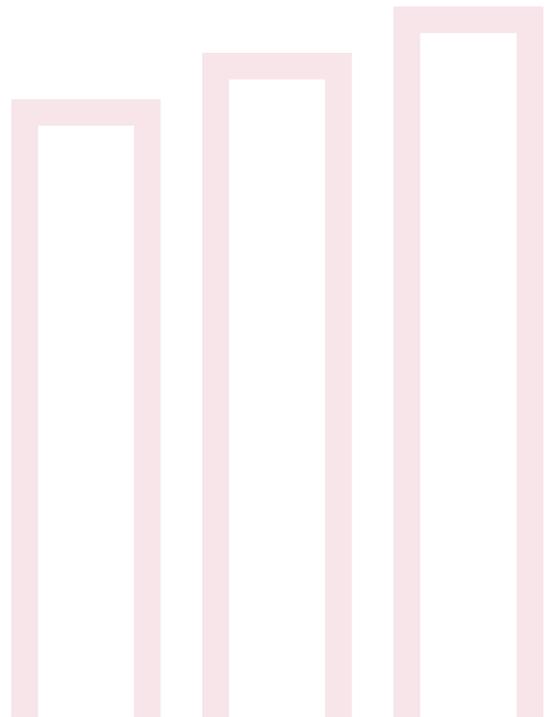
The DST's objective is to 'ensure certain digital businesses pay tax reflecting the value they derive from UK users'. This is controversial because it is based on the 'value creation' principle, which is questionable on both positive and normative grounds. Furthermore, the objective is based on tenuous distinctions. It posits that the value created by users of certain highly-digitalised businesses should be taken into account in allocating taxing rights over business profit, but the value created by users/consumers of any other business should not. This distinction is unclear, unprincipled, and unpersuasive.

DSTs have a number of positive properties which flow from the relative immobility of users; they include robustness to profit shifting and incentive compatibility. Users' relative immobility also means that the DST should not distort businesses' location decisions. But DSTs in general also have a number of negative properties, including the economic distortions that arise from a tax on revenues, and enforcement issues. The UK sought to address – but did not eliminate – these problems through the DST's design. This is commendable, but the UK DST's particular objective of targeting the value created by UK users of certain highly-digitalised businesses leads to significant design issues. It creates a number of borderline cases, which will be hard to resolve. The UK DST's base is complex, involves arbitrary and difficult distinctions, requires taxpayer judgement, and is based on information that may not be easily verified. It runs counter to several of the basic tenets of 'good' tax policy design.

John Vella, 'The UK's Digital Services Tax', *British Tax Review*, forthcoming.

See also:

John Vella, 'Digital Services Taxes: Principle as a double-edged sword', *National Tax Journal*, 2019, 72.4, 821-38.



Investment responses to tax policy under uncertainty

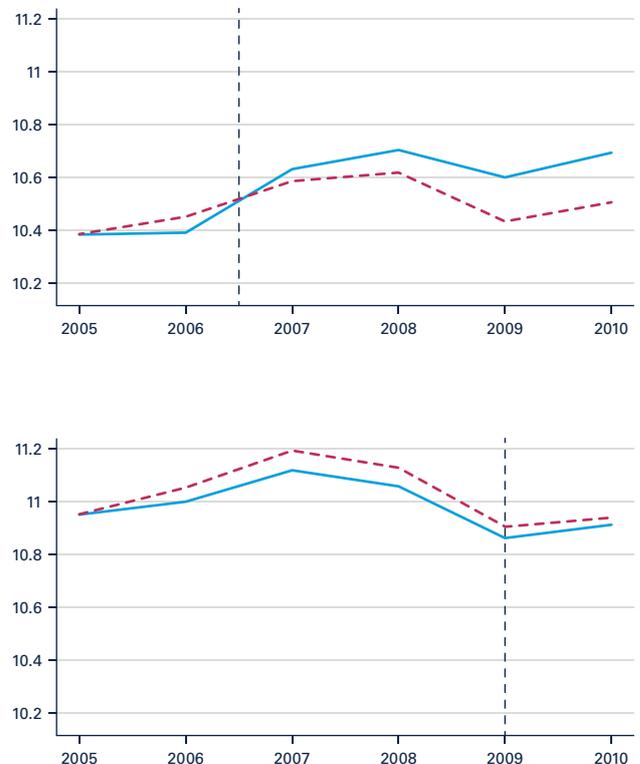
Periods of stability offer an important policy opportunity to encourage investment through tax incentives. However, during recessions, the impact of such a stimulus is weak for firms with a high exposure to elevated uncertainty.

This paper finds that where uncertainty is relatively low, tax incentives have strong positive effects on average investment. But where uncertainty is high, the story is different: there is vast heterogeneity in investment responses. Firms that are sheltered from elevated uncertainty still respond strongly to the policy, but firms that are exposed to high uncertainty have a much smaller response.

The paper uses confidential corporation and personal tax returns data, merged with VAT returns and trade data from the Ministry of Finance in Poland, to study the impact of tax incentives on investment at different points in time and for different groups of firms. It uses the introduction of 100 percent expensing of the cost of plant and machinery (instead of depreciating such costs over a number of years) to pin down the impact of investment tax incentives. Two policies were implemented in the same country, two years apart: once during a period of economic stability, and once during a period of very high uncertainty. This is the first paper to explore the effects of uncertainty on the effectiveness of incentives in a quasi-experimental setting with firm-level variation using administrative data.

These findings show that elevated uncertainty may be contributing to the lower response to tax policy during recessions, limiting the impact of supply-side stimulus measures such as investment tax incentives during downturns. In such periods, demand-side instruments such as direct government spending may be more effective in generating output, at least in the short run.

Trends in average investment across treatment and control groups, low volatility (top panel) and high volatility (bottom panel) periods



VAT notches, voluntary registration and bunching: theory and UK evidence

Most countries around the world use VAT as their primary indirect tax. It is standard to set a minimum registration threshold, usually based on annual turnover, below which businesses do not need to register for VAT. In the EU, a large majority of countries currently have a registration threshold, with the UK threshold being the highest. As VAT rates are often quite high, this may create a large and salient tax ‘notch’ for businesses whose turnover is around the threshold – that is there could be a significant jump in tax liabilities from going from just below, to just above, the threshold.

Using confidential administrative tax records for UK businesses in the HMRC Datalab, the paper documents both (a) bunching in annual turnover just below the VAT registration threshold – that is a large number of firms have annual revenue just below the threshold; and (b)

persistent voluntary registration by almost half of the firms below the threshold. At first sight, these two effects seem contradictory, in that the firms that bunch below the threshold are likely to be aiming to keep their revenue down so as not to have to register, while many of those below the threshold register voluntarily.

The paper develops a conceptual framework that simultaneously explains these two apparently conflicting facts. The framework predicts that higher intermediate input shares, lower product-market competition and a lower share of business to consumer (B2C) sales would lead to voluntary registration. The predictions are the opposite for bunching. The paper tests the theory using linked VAT and corporation tax records from 2004-2014, and finds empirical support for these predictions.

Environmental taxation in the European Union

In her political guidelines for the Commission's new five-year term, Ursula von der Leyen proposed a 'European Green Deal'. This initiative, intended to make Europe 'the first climate-neutral continent by 2050', includes proposals in favour of environmental tax reform. It is not the first time that the European Union has shown interest in green tax measures. However, European Union law has not always had a positive impact on the development of environmental taxation.

This paper explores how EU law has shaped and continues to shape the development of environmental tax measures, including environmental taxes and environmentally-driven taxes and tax incentives, both at the level of the EU and at the level of the Member States.

First, at the EU level, the paper shows that the EU's institutional framework has inhibited the harmonisation of environmentally-driven taxes, since different proposals to better align energy taxation to climate objectives failed due to a lack of unanimity among Member States. Consequently, the energy taxation directive remains largely disconnected from the EU's climate policy, including the EU Emissions Trading Scheme.

Second, the paper argues that EU substantive law has had an ambiguous impact on Member States' environmental tax policy. On the one hand, EU substantive law has been interpreted by the EU Court of Justice in a way that encourages Member States to adopt environmental tax measures that are environmentally-driven and structured accordingly. Indeed, the environmental purpose of Member States' tax measures seems to play a positive role in the assessment of their compatibility with EU law, including State Aid provisions, the fundamental freedoms and the energy taxation directive. On the other hand, in some instances, EU law strictly limits Member States' ability to adopt environmentally-driven tax measures. Moreover, EU secondary law disregards the purpose of environmental taxes when classifying them for statistical purposes.

The broad picture that emerges from the analysis of existing legislation, case-law, and literature highlights that the EU has not yet been able to align its energy tax policy to its climate ambitions. The last section of the paper makes suggestions that could improve the consistency of environmental tax policy at both EU and Member State levels.

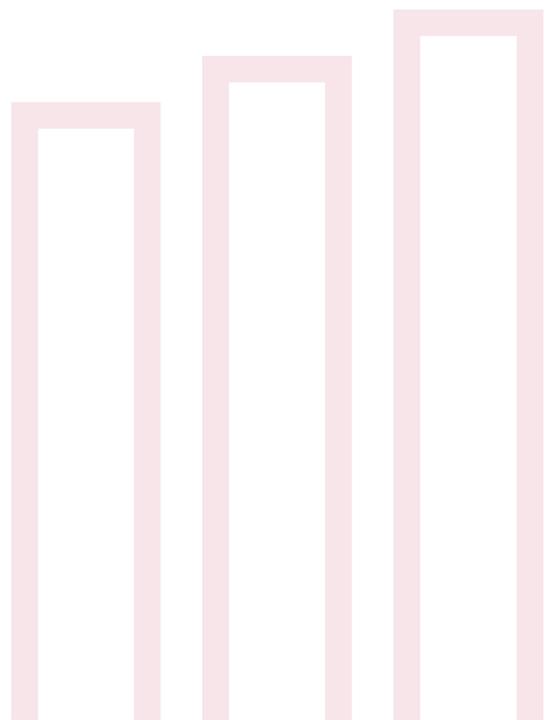
What is the role of tax in achieving the Sustainable Development Goals?

Major international organisations, including the International Monetary Fund (IMF), the Organization for Economic Co-operation and Development (OECD), the United Nations (UN) and the World Bank Group (WBG) have recognised the role that taxation could play in achieving the UN Sustainable Development Goals (SDGs) as part of the UN 2030 Agenda, in particular in terms of domestic revenue mobilisation. However, it is not entirely clear whether and how taxation can (or should) contribute to the achievement of these goals.

Building upon the work of the UN and other international organisations, this paper shows that three types of interactions can arise between taxation and the SDGs. First, taxation can indirectly support the achievement of the SDGs by providing revenue to fund supporting activities. Second, tax measures can directly and positively interact with the UN 2030 Agenda by encouraging certain behaviours that are in

line with the SDGs. Third, tax measures can have a direct and negative effect on the SDGs when they incentivise behaviours that undermine the achievement of the UN Agenda. This paper discusses each of these interactions by means of examples. It provides a broad picture as to the overall impact of tax policy on the 17 SDGs.

Based on the observation that the SDGs are supposed to be integrated in all policy areas, including taxation, the paper then explores whether policy makers could be legally obliged to align tax systems to the SDGs, eliminating potential negative interactions while reinforcing positive ones. Although the UN 2030 Agenda is not binding, the paper concludes that the SDGs can inform decision making in the field of taxation, encouraging policy makers to reform their tax system and having some legal effects on the judicial process.



Trade integration and changes in local business environment

Trade integration between countries may lead governments to adopt different tax policy for businesses when there is competition for international capital. This research examines if trade integration within a country would similarly induce changes in the local business environment and policies, by considering intercity transport infrastructure that lowered trade cost between different regions of a country.

As connectedness between different regions increases, metropolitan areas become more economically advantageous because of agglomeration forces. By contrast, less economically vibrant areas lose out and may engage less in pro-business policies to compete for firms and businesses. This research empirically examines how the rollout of country-wide expressways in China between 1996 and 2010 may have affected the local business environment and policy choices, including effective tax rates and subsidies experienced by firms in different local regions. It finds that when the peripheral counties are connected to the national transportation network, firms experienced higher effective tax rates and received less automatic subsidies, which the local government could instead make available to businesses via discretionary measures. Business-related public spending and the degree of competition in the peripheral counties also reduced.

The research therefore suggests that trade integration by intercity transportation infrastructure could affect the provision of pro-business policies by local governments. It finds that when trade integration happens within a country, the business environment could become less favourable for firms in economically less vibrant areas as local governments change their set of policies for business.

Large and influential: Firm size and governments' corporate tax rate choice

The importance of large businesses has grown steadily over recent decades, and many observers have raised concerns that the increased concentration of economic activity in large businesses may increase corporate sector influence over government policies. This paper assesses the empirical support for this concern. Using local tax policy in Germany as a testing ground, it finds that jurisdictions that host on average large firms set lower business tax rates. The results would predict that, for example, the city of Wolfsburg would be likely to raise its local business tax rate by 30% if Volkswagen were to relocate its headquarter away from there to another city.

Since the implications of the finding depend on the transmission channel, the research also investigates whether local governments act rationally when setting lower rates, for example because large firms are more mobile, or to maximise their private benefits, for example because large companies are more likely to engage in lobbying activities. The empirical evidence strongly supports the mobility channel, indicating that tax competition plays a significant role. That is, the current corporate tax system in combination with increasing firm mobility does drive down corporate tax rates – however, this depends on the extent to which the tax depends on the location of production.

Forthcoming books

Banking on Failure

Banks are often involved in cases of misconduct, which centre on the exploitation of tax systems. This observation is explored on the basis of a case study (Part I of the book), which is then discussed in the light of its wider implications for financial markets and tax systems (Part II of the book).

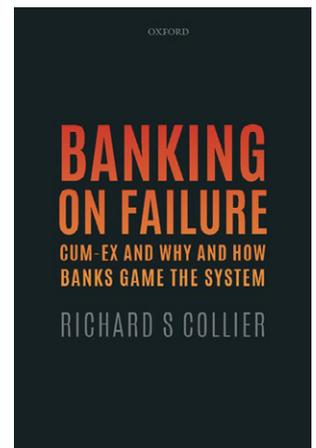
The case study concerns a highly complex structured tax trade (usually referred to as the 'cum-ex' trade) that was designed to exploit a flaw at the intersection of the tax system and the financial markets settlements system. It was entered into by a very large number of banks, pension funds, investors and other financial institutions. A number of factors make this cum-ex trade remarkable including: (1) the sheer scale of the amounts of tax involved (tens of billions of euros) derived from underlying transactions involving the movement of shares and cash and the execution of derivative contracts counted in the many hundreds of billions of euros; (2) the very large number of banks and financial institutions involved, and the number of states in Europe that were affected by the structure, as well as the fact that participation in the trade involved banks and funds across the globe; (3) the comprehensive failure of the controls infrastructure in a sector which is the most highly regulated in the world; and (4) the fact that the revenue authorities across Europe have found it so difficult to deal with the structure (in Germany, for example, it took the tax authorities over 10 years from first knowing about the problem to closing it down, despite some spectacularly unsuccessful attempts to close it earlier).

Included in the discussion in Part I of the book is a detailed explanation of the cum-ex structure, broken down into its various constituent elements. This is followed by an explanation of how the structure evolved over time to permit wider participation in the trade, the reduction of execution costs, and the structuring around attempts by the authorities to close the structure down. The discussion also contains an account of how the structure was finally (after several attempts) closed down and considers the resulting fall-out from the trade amongst the banks, revenue authorities, regulators, politicians, and others.

Part II of the book draws out the wider significance of the cum-ex trade and what it tells us about the modern bank and the banks' interactions with tax systems. The account given demonstrates why the exploitation of tax systems by banks is made practically inevitable due to a variety of systemic features of the financial markets landscape and of tax systems themselves, particularly due to their treatment of derivatives and complex financial products. The discussion examines how the cum-ex transaction has been assessed to date before arguing that those assessments reflect a limited understanding of the real complexity and wider causes, and implications, of schemes such as the cum-ex trade.

There is a consideration of the impact of a number of profound changes to the banking business model which have taken place in the last half-century as banks have shifted to a highly-transactional business model and discovered that tax systems around the globe present fertile opportunities for exploitation. The discussion includes an analysis of why it is considered that the banks' internal and external control mechanisms materially failed to deal with the cum-ex trade. The discussion of tax systems includes an explanation of why banks are in a unique position to exploit tax systems and why the attempts of tax systems to accommodate complex financial products have the bizarre consequence of actually facilitating the exploitation of those tax systems.

Finally, the book includes a summary of the conclusions and relevant lessons for the future. The discussion also explores possible responses to the current situation.



Taxing Profit in a Global Economy

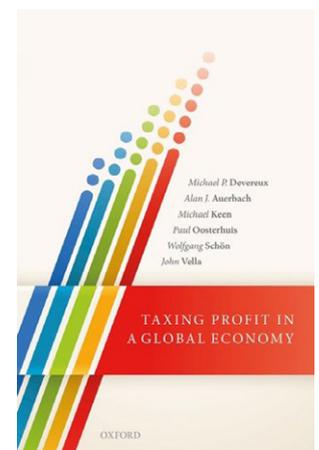
This book undertakes a fundamental review of the existing international system of taxing business profit. It steps back from the current political debates on how to combat profit shifting and how taxing rights over the profits of the digitalised economy should be allocated. This book is authored by a group of economists and lawyers – the Oxford International Tax Group, chaired by Michael Devereux. It draws insights from both economics and law – including economic theory, empirical evidence on the impact of taxes, and an examination of practical issues of implementation – to assess the existing system and to consider fundamental reforms.

The book starts from first principles to ask how we should evaluate a tax on business profit – and whether there is any good rationale for such a tax in the first place. It develops five criteria by which to judge alternative approaches to taxing international profit: economic efficiency, fairness, robustness to avoidance, ease of administration and incentive compatibility.

It then goes on to evaluate the existing system and possible alternatives that have been proposed against these five criteria. It argues that the existing system is fundamentally flawed on a number of these criteria, and that there is a need for radical reform. For example, empirical evidence suggests that real activity moves in response to differences in taxation between locations, resulting not only in an economic cost, but also driving tax competition between countries. But profit can also move, despite the many attempts to limit such shifting, attempts that tend to make the system ever more complex and uncertain.

The book then analyses several alternative options, grouped according to where taxing rights over the profit are allocated: the country of residence of the shareholder; the country of residence of the ultimate parent company; the 'origin' country, where functions and activities take place and where tangible and intangible assets are owned; and the 'destination' country, where goods and services are sold to independent third parties. Among the specific proposals examined is a formulary apportionment system, such as the European Commission's CCCTB proposal.

The key conclusion from the analysis is that there would be significant gains from a reform that moved the system towards taxing profit in a jurisdiction based on factors that are relatively immobile. That could potentially have gains in at least four of the criteria. That approach tends to point to where the business interacts with relatively immobile third parties – either shareholders or customers. The book focuses on options based on moving at least some taxing rights to the 'destination' country in which a business made its sales to third parties.



Two options along these lines are then considered and evaluated in some detail. They differ in the extent to which they represent a radical reform from the existing system. The Residual Profit Allocation by Income (RPAI) approach aims to allocate routine profit to the 'origin' country where functions and activities take place, largely using the existing arm's length principle. It would then allocate any remaining residual profit to the 'destination' country. The Destination-Based Cash Flow Tax (DBCFT) is a much more radical reform, which would in effect allocate all taxing rights to the destination country. It would do so by introducing border adjustments along the lines of VAT, with exports being untaxed and imports being taxed. Both options score well on the five criteria. They have different strengths, relating to issues which include the costs of transition, the size of remaining economic distortions, the complexity of the system and its robustness to avoidance.

Events

OECD Pillar Two Proposal: Global Anti-Base Erosion (GloBE) Conference

11 December 2019, British Academy, London

On 8 November 2019, the OECD published a consultation document on its 'Global Anti-Base Erosion' proposal. Led by Professor Michael Devereux, researchers from the CBT undertook research on this proposal. This research is outlined in page 6 of this report. Their findings were presented by Michael Devereux and Martin Simmler at this conference, and included:

- The rationale underlying the proposal. Is there a need for additional BEPS measures? Should any such measures be based on the residence of the parent company? What issues arise in determining the tax base, and the options for blending?
- The likely economic consequences of the proposal being introduced. Evidence was presented on
 - The effects on the tax on incentives for location of economic activity, and
 - The tax revenue consequences
- The proposal's compatibility with EU Law



Annual Academic Symposium

29-30 June 2020

This year the 14th Annual Academic Symposium was held online due to the COVID-19 crisis. The event normally attracts over 40 of the leading academics in business taxation from around the world to present and discuss the latest cutting-edge research in business taxation from economics, law, accounting and beyond. As the event was held online this year, we reduced the size of the programme but we opened up the event more broadly. An audience of over 200 delegates joined us for two afternoons of illuminating research presentations and discussion.

Papers and participants:

Ron Davies (University College Dublin): Patent boxes and the success rate of applications

Jing Xing (Shanghai Jiao Tong University): Corporate tax incentives and responses of small firms

Alpa Shah (IMF): Tec(h)tonic shifts: taxing the 'Digital Economy'

Michael Smart (University of Toronto): VAT compliance, trade and institutions

Nadine Riedel (University of Münster): Cross-border effects of R&D tax incentives

Daniel Hemel (University of Chicago): The behavioral elasticity of tax revenue

Dan Shaviro (New York University): What are minimum taxes, and why might one favour or disfavour them?

James Hines (University of Michigan): Random policies in federations

Discussants: **Marko Köthenbürger** (ETH Zurich), **Eric Zwick** (University of Chicago), **Itai Grinberg** (Georgetown University), **Ben Lockwood** (University of Warwick), **Steve Bond** (University of Oxford), **Michael Devereux** (CBT), **Dharmika Dharmapala** (University of Chicago), **Alan Auerbach** (University of California, Berkeley).

During this year's Symposium the sad news reached us that Ed Kleinbard had passed away. Ed was Robert C. Packard Trustee Chair in Law at the University of Southern California and one of the leading academics in the field of business taxation. He had a long-standing relationship with the CBT and was a CBT International Research Fellow. Michael Devereux and Dan Shaviro took a moment during the symposium to remember Ed, the wonderful scholar and human being. He will be greatly missed by all at the CBT and the broader international tax community.



Dan Shaviro and Michael Devereux made a dedication to Ed Kleinbard, pictured here with Vicki Perry

Annual Doctoral Conference

19-20 September 2019, SBS, Oxford

CBT hosts an annual Doctoral Conference, now in its 9th 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 prize for best paper was awarded to Adrian Lerche (Universitat Pompeu Fabra) for his paper entitled 'Investment Tax Credits and the Response of Firms'.

Papers and participants:

Adrian Lerche (Universitat Pompeu Fabra): Investment tax credits and the response of firms

Jeffrey Hicks (University of British Columbia): Cash on the table? Imperfect take-up of tax incentives and firm investment behavior

Ann Kayis-Kumar (University of New South Wales): The importance of lawyers in international tax policy design and development: an exploration and extension of the legal-economic literature

Julia Sinnig (University of Luxembourg): (Digitalised) Destination-Based Corporate Tax and its compatibility with double taxation conventions

Paul Kindsgrab (University of Michigan): Firm-specific payroll tax incidence: theory and evidence

Jawad Ali Shah (University of Kentucky): Using computerised information to enforce VAT: evidence from Pakistan

Simon Skipka (European University Institute): Tax competition with limited profit shifting

Sébastien Laffitte (ENS Paris-Saclay and Crest): A fistful of dollars? Foreign sales platforms and profit shifting in tax havens

Svea Holtmann (Catholic University of Eichstätt-Ingolstadt): Tax avoidance with hybrid financial instruments

Samina Sultan (Ludwig-Maximilians University): How does inequality affect local fiscal policy in Germany?

Orli Oren-Kolbinger (Villanova University School of Law): How to get away with tax non-compliance? Judicial decision-making in equitable 'innocent spouse relief' cases?

Christina Dimitropoulo (Wirtschaftsuniversität Wien): Robot taxes: tax policy options and relevant tax justifications – is the EU part of the equation?

Discussants: **Steve Bond** (University of Oxford), **Irem Güçeri** (CBT), **Daisy Ogembo** (University of Oxford), **John Vella** (CBT), **Eddy Tam** (CBT), **Ben Lockwood** (University of Warwick), **Michael Stimmelmayer** (University of Bath), **Michael Devereux** (CBT), **Sarah Clifford** (CBT), **Martin Simmler** (CBT), **Judith Freedman** (University of Oxford), **Anzhela Cédelle** (OECD)



Prize winner Adrian Lerche with Michael Devereux

International Tax Justice and Governance Workshop

15 November 2019, Worcester College, Oxford

Legal scholars of international taxation increasingly focus on considerations of justice. Domestic duties of distributive justice are being challenged by the inability of states to collect tax revenues in a competitive global world. Gaps between rich and poor countries add another dimension to the debate, raising questions as to the duties that rich countries may have in narrowing these gaps. These conundrums invite rethinking of the governance of international taxation and its mechanisms.

This interdisciplinary workshop brought together rising and established scholars engaging in law and political philosophy to discuss international tax governance and justice.

Papers and participants:

Johanna Stark (Max Planck Institute): Tax justice beyond national borders – interpersonal or international?

Tarcisio Magalhaes (McGill University): The digital taxation debate and international distributive justice

Ana Paula Dourado (University of Lisbon): International tax justice

Laurens van Apeldoorn (Leiden University): The entitlement principle and a just international tax system

Cees Peters (Tilburg University): Global tax justice: Who's involved?

Ricardo García Antón (Tilburg University): Multilateral dynamics in bilateral settings: back to realpolitik

Discussants: **Peter Hongler** (University of St. Gallen), **John Vella** (CBT), **Alice Pirlot** (CBT), **Reuven Avi-Yonah** (University of Michigan), **Glen Loutzenhiser** (University of Oxford), **Anzhela Cédelle** (OECD).



Worcester College, Oxford

Engagement

CBT researchers have engaged with policy makers and businesses through formal and informal meetings, in many countries and on many different issues. Formal presentations at events organised by national and international public bodies, as well as business and industry associations included the following.

Mike Devereux

- was a panel member at IIPF Congress, Glasgow, in August 2019, as well as presenting his paper 'Residual Profit Allocation by Income';
- gave a presentation on 'Reform of the International Tax Architecture' at IMF Europe, Brussels, in September 2019;
- gave a presentation on 'The DST and alternatives' at the Chartered Institute of Taxation / Institute for Fiscal Studies, London, in November 2019;
- gave a presentation on 'Taxing Profit in a Global Economy' at the National Tax Association annual conference, Tampa, Florida, USA, in November 2019;
- gave a presentation on 'International Tax Reform' at the Association for the Study of Banking and the Stock Market, Milan, in December 2019;
- gave a presentation on 'Digital Services Taxes and alternatives' at the Swedish Expert Group on Public Economics (ESO) and the Swedish Institute for European Policy Studies (SIEPS), Stockholm, in February 2020;
- gave a presentation on 'Taxing Residual Profit in the Destination Country', at the CEPR conference, St Gallen, Switzerland, in February 2020;
- presented on the OECD GloBE proposal at the IMF, Washington DC in February 2020, at the International Tax Policy Forum, Washington DC in February 2020, and at the Indiana/Leeds Summer Tax Workshop Series in July 2020;
- presented his paper 'Taxing the Digital Economy' at the Bloomberg Tax Leadership Forum, in June 2020;
- participated in the City of London webinar, 'Emerging Trends in Tax Policy for the Recovery – An International Perspective', in July 2020.

John Vella

- was a panellist on a session on the future of international tax at Baker McKenzie's Annual Tax Conference, London, in September 2019;
- gave a presentation on international tax reform to the CBI Tax Committee, London, in September 2019;
- gave presentations entitled 'Residual Profit by Income' and 'Digital services taxes: Principle as a Double-Edged Sword' at the National Tax Association 112th Annual Conference, Tampa, USA, in November 2019;
- gave a presentation on Pillar II to the Digital Tax Study Group, Oxford, in January 2020;
- gave a presentation at a seminar entitled 'The OECD Pillars: where do we stand?' organised by IFA UK Branch meeting in London, in February 2020.

Judith Freedman

- delivered the Willoughby Lecture for the University of Hong Kong, entitled 'Tax Avoidance -then and now', in November 2019;
- was appointed Chair of the Tax Law Review Committee of the IFS in December 2019;
- was appointed onto the Board of the Office of Tax Simplification in July 2020.
- Richard Collier gave a presentation at the IFA Mauritius International Tax Webinar, entitled 'Taxing the Digital Economy', Online, in September 2020.

Richard Collier gave a presentation at the IFA Mauritius International Tax Webinar, entitled 'Taxing the Digital Economy', Online, in September 2020.

Irem Güçeri participated in 'WIN in Conversation', with the International Fiscal Association UK Branch on Covid-19's impact on the role of fiscal incentives, London, in September 2019. Irem also gave a presentation entitled 'Investment Responses to Tax Policy under Uncertainty', at the National Tax Association 112th Annual Conference, Tampa, USA, in November 2019 and at the Tax Administration Research Centre. Irem participated in an EconPol Online Lunch Debate and the EconPol Discussion on Supporting Firm Innovation and R&D, both in September 2020.

Alice Pirlot gave the keynote speech 'A Carbon Tax to Mitigate Climate Change: Challenges & Opportunities' at the Belgian Representation to the European Union, in Brussels in October 2019. Alice also contributed to the discussion at the Women in Tax event, 'Tax an Ethics', Online, in April 2020.

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

- Richard Collier presented 'The ALP, Past, Present and Future' at the University of Lausanne, in March 2020
- Richard Collier gave a talk at the LSE, 'The Digitalisation of Business and International Tax Reform', in March 2020
- Richard Collier gave a presentation at the 24Ore Business School (Italy) Webinar, 'Tax impacts of Covid-19 and the digitalisation of business agenda', in June 2020
- Sarah Clifford presented 'Tax enforcement using a hybrid between self- and third-party reporting', at the 35th annual congress of the European Economic Association (EEA), in August 2020
- Michael Devereux gave a presentation on 'Principles and Practice of the Taxation of International Profit', Max-Planck-Institut für Steuerrecht und Öffentliche Finanzen, Doctoral Conference, Munich, in September 2019
- Alice Pirlot gave a presentation, 'A Legal Analysis of the Mutual Interactions between the UN Sustainable Development Goals (SDGs) & Taxation', at the joint UCL-KUL seminar on Sustainable Development & Legal Research, Brussels, in September 2019
- Alice Pirlot attended a Research Seminar at the University of Lisbon, in October 2019, Lisbon, scientific coordination with Prof. Ana Paula Dourado and gave a presentation on 'A Critique of the Commission's 'fair tax agenda' in the context of the European legitimacy crisis'
- Alice Pirlot gave a presentation on 'Border Tax Adjustments Measures: design options and legal assessment' at DIW Border Tax Adjustments Seminar, Berlin, in November 2019
- Alice Pirlot was a discussant and presented 'The EU's proposal in favour of a Carbon Border Adjustment Mechanism' at The Future of EU Tax Harmonization, in December 2019
- Alice Pirlot was a panellist at a webinar on the Energy Taxation Directive at Católica Lisbon School of Business and Economics, Online, in June 2020
- Alice Pirlot gave a presentation on 'La fiscalité du carbone: limites et opportunités', at the Belgian Climate Coalition, seminar on carbon taxation, Online, in June 2020
- Martin Simmler gave a presentation on 'Worldwide and territorial taxation and multinational firms' competitiveness' at a Research Seminar, University Mannheim, in October 2019
- Martin Simmler gave a presentation on 'Supporting Firm Innovation and R&D: What is the Optimal Policy Mix?' at the EconPol Conference, Brussels, in November 2019
- Martin Simmler gave a presentation on 'Public Good Provision and Local Employment - Evidence from Grammar School Closures in East Germany' at the IIPF Annual Conference, Online, in August 2020
- John Vella gave a presentation entitled 'Residual Profit by Income' at the Centre's Tax Law and Policy Workshop Series, University of Pennsylvania, in October 2019
- John Vella participated in a workshop on Pillar II, organised by Friedrich-Alexander-Universität Erlangen-Nürnberg. The workshop was held in Berlin, in January 2020
- John Vella spoke at an online seminar organised by the Oxford Law Faculty entitled, 'The COVID-19 Crisis: Legal, Policy and Ethical Challenges', in June 2020.



Irem Güçeri participating in EconPol discussion

Publications

Miguel Almunia, Irem Güçeri, Ben Lockwood and Kimberley Scharf (2020). More giving or more givers? The effects of tax incentives on charitable donations in the UK. *Journal of Public Economics*, 183.

Wiji Arulampalam, Michael P. Devereux and Federica Liberini (2019). Taxes and Location of Targets. *Journal of Public Economics*, 176, pp.161-78.

Richard S. Collier (2020). *Banking on Failure. Cum-Ex and Why and How Banks Game the System*, Oxford University Press.

Richard S. Collier (forthcoming). The Value Creation Mythology. In: W. Haslechner and M. Lamensch, (eds), *Taxation and Value Creation, EATLP International Tax Series*, Vol. 19. Amsterdam: IBFD Publication.

Richard S. Collier and Ian Dykes (forthcoming). The Virus in the ALP, Issues from the Transfer Pricing Guidance on Risk and Capital in the light of the covid-19 pandemic. *Bulletin for International Fiscal Documentation*.

Richard S. Collier and John Vella (2019). Five core problems in the attribution of profits to permanent establishments. *World Tax Journal*, 11 (2), pp.159.

Richard S. Collier and Matt Andrew (2020). COVID-19 Challenges for the Arm's Length Principle, *Tax Notes International*, 98 (12), pp.1363.

Michael P. Devereux (2020). How should business profit be taxed? Some thoughts on conceptual developments during the lifetime of the IFS. *Fiscal Studies* 40.4, pp.591-619.

Michael P. Devereux and John Vella (2020). The Allowance for Corporate Equity 30 years on. In: Rita de la Feria and Glen Loutzenhiser, (eds), *The Dynamics of Taxation: Current Challenges*, Hart Publishing.

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

Michael P. Devereux, François Bares, Sarah Clifford, Judith Freedman, Irem Güçeri, Martin McCarthy, Martin Simmler and John Vella (2020). The OECD Global Anti-Base Erosion Proposal, *Oxford University Centre for Business Taxation Report*.

Michael P. Devereux, Giorgia Maffini and Jing Xing (2019). The impact of investment incentives: evidence from UK corporation tax returns, *American Economic Journal: Economic Policy*, 11.3, pp.361-89.

Michael P. Devereux, Irem Güçeri, Martin Simmler and Eddy H.F Tam (2020). Discretionary Fiscal Responses to the Covid-19 Pandemic, *Oxford Review of Economic Policy*, 36 (1), pp.225-241

Michael P. Devereux, Niels Johannesen and John Vella (2019). Can taxes tame the banks? Evidence from European bank levies. *The Economic Journal*, 129, pp.3058–3091.

Evelyne Esterzon, Alice Pirlot and Isabelle Richelle (2020). Le droit fiscal à la lumière du droit des femmes. In: *Code Commenté – Droits des femmes*. Brussels: Larcier, pp.318-325.

Judith Freedman (2019). Odeon Associated Theatres Ltd v Jones (HM Inspector of Taxes) 1971: A Delphic Pronouncement and a Fundamental Tension. In: J. Snape and D. de Cogan, (eds), *Landmark Cases in Revenue Law*. Oxford: Hart Publishing, pp.201-222.

Judith Freedman (2019). Tackling fiscal 'abuse of law' in the UK: different routes to a single destination. In: T. Lambert, *2018/4 Revue européenne et internationale de droit fiscal*. Brussels: Bruylant, pp.467-474.

Judith Freedman (2019). The UK General Anti-Avoidance Rule: Transplants and Lessons. *Bulletin for International Taxation*, 73 (6/7), pp.332-338.

Judith Freedman (2020). Employment Status, Tax and the Gig Economy—Improving the Fit or Making the Break? *King's Law Journal*, 31 (2), pp.194-214.

Judith Freedman and Helen Miller (2020). Tax and employment status: myths that are endangering sensible tax reform. *The Institute for Fiscal Studies*.

Leonie Koch and Martin Simmler (2020). How important are local knowledge spillovers of public R&D and what drives them? *Research Policy*, 47 (7).

Li Liu, Ben Lockwood, Miguel Almunia and Eddy H.F. Tam (2019). VAT Notches, Voluntary Registration, and Bunching. *IMF Working Papers*, 19 (205).

Alice Pirlot (2020). A Legal Analysis of the Mutual Interactions between the UN Sustainable Development Goals (SDGs) & Taxation. In: C. Brokelind (ed), *Tax Sustainability in an EU and International Context*. Amsterdam: Ibfed Publication, pp.87–111.

Alice Pirlot (2020). Exploring the Impact of EU Law on Environmental Taxation. In: C.H. Panayi (ed), *Research Handbook in European Union Taxation Law*. Cheltenham, UK: Edward Elgar Publishing, pp.359–388.

Alice Pirlot (2020). The Vagueness of Tax Fairness: A Discursive Analysis of the Commission's 'Fair Tax Agenda.' *Intertax*, 48 (4), pp. 402 – 415.

Alice Pirlot, Richard S. Collier and John Vella (2020). Tax Policy and the COVID-19 Crisis. *Intertax*, 48 (8/9), pp.794–804.

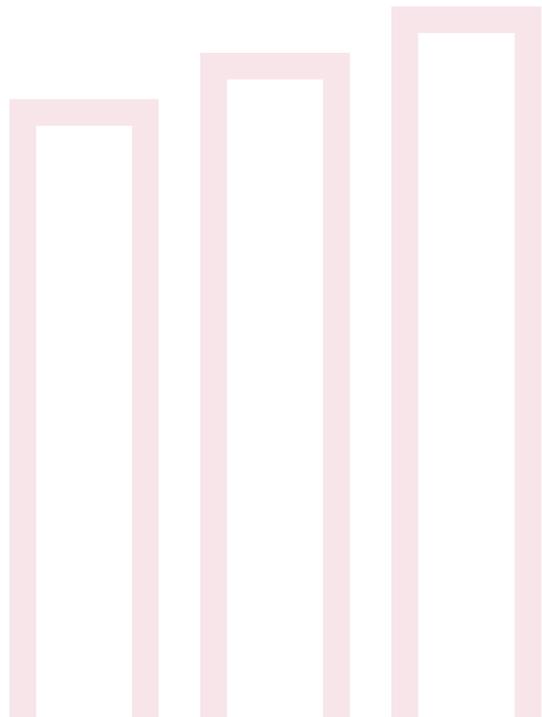
Nadine Riedel, Martin Simmler and Christian Wittrock (2020). Local fiscal policies and their impact on the number and spatial distribution of new firms. *Regional Science and Urban Economics*, 83.

John Vella (2019). Barclays Mercantile Business Finance Ltd v Mawson: Living with uncertainty. In: J. Snape and D. de Cogan (eds), *Landmark Cases in Revenue Law*. Oxford: Hart Publishing, pp.397-416.

John Vella (2019). Digital Services Taxes: Principle as a Double-Edged Sword. *National Tax Journal*, 70 (4), pp.821–838.

John Vella (2020). Value creation and the allocation of profit under formulary apportionment. In: R. Krever and F. Vaillancourt (eds), *The Allocation of Multinational Business Income: Reassessing the Formula Apportionment Option*. Alphen aan den Rijn: Kluwer Law International.

John Vella (forthcoming). The UK's Digital Services Tax, *British Tax Review*.



Blogs

CBT 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 a taste of CBT blogs, a blog written by Centre Director, Michael Devereux can be read below.



Michael Devereux

A policy for a rebound recovery

As the UK lockdown begins to ease, everyone hopes that the economic recovery will take the form of a sharp rebound. Given that average real wages have only just recovered to their 2008 levels following the financial crisis, a sharp rebound from an even more severe crisis would be extremely welcome.

But it cannot be left to chance. There is enormous uncertainty for business about future economic conditions. That uncertainty is compounded in many businesses by the lack of financial resources, following a period of low, or zero, revenue. Such circumstances do not appear promising for an immediate bounce-back. So government policies will be vital in making that more likely.

Many factors will be important for any recovery, including stimulating aggregate demand and re-establishing supply chains. The single most important factor is likely to be getting people back to work – being productive, and in turn creating

greater aggregate demand and re-establishing supply, whilst also contributing to government finances through taxes. But many businesses may not be in a position to re-employ their furloughed employees, or to take on new employees.

The governments' Coronavirus Job Retention Scheme (CJRS) has been a bold, and welcome, initiative that has created an incentive for businesses to furlough, rather than lay off, their employees. Empirical evidence of the effects of similar schemes suggests that it will be beneficial. Firms can avoid the cost of re-hiring and re-training when economic conditions improve, and employees can avoid the long-term career costs of being laid off.

But those benefits only apply if the furloughed workers are re-employed. There is a clear danger that gradually requiring employers to contribute to the cost of the scheme from August will lead to more lay-offs. And simply ending the scheme – as currently scheduled at the end of October – is likely to result in many businesses being forced to lay off workers – worsening, rather than improving, the economy at the very point at which the recovery is needed.

It is welcome that the government has already announced that the scheme will be extended to employees who return to work part-time, in that support will be given for the hours in which employees are not working. That helps businesses – especially in the hospitality sector – slowly return from the lockdown, whilst social distancing measures remain in place. My colleagues and I have recently advocated such an extension.

But that may not be enough. If firms cannot work at full capacity, then closing the scheme will still result in lay-offs. We therefore also propose that the government should go further and offer support to businesses to re-employ furloughed workers (or hire new workers); that is, to contribute to the cost of hours worked as well as hours not worked.

Suppose for example, that an employer was considering rehiring an employee, but that given the new conditions, she could only work at 70% of her normal capacity. Without government support that worker might well be laid off. But if the government offered support of 30% of her wages for every hour that she did work, the employer should be willing to contribute the other 70%. Such support might make a considerable difference to whether the worker is laid off or not.

In macroeconomic terms, it would help boost both demand and supply. Working even at 70% capacity generates private income that would otherwise be lost; and as that income is spent there would be a general boost to demand. Also, supply chains would be supported through relaxing the likelihood of constraints as some businesses were unable to continue. Both effects would contribute to strengthening any recovery.

Obviously, such a policy would be costly. It would almost certainly mean the government supporting some of those who would be re-employed anyway. But there may also be a saving compared to the cost to the government of supporting those who are not working.

To moderate the costs the policy would need to be for a well-established fixed period. The size and duration of the support required is debatable. In the absence of an explicit subsidy, a smaller measure would be a holiday from employer's national insurance for re-employed or new employees.

To ensure that firms are not free-riding on the subsidies, additional regulations might need to be introduced to allow the government to claw back support if businesses did not continue to employ a worker for a period after the subsidy was withdrawn. There may also need to be restrictions on the use of the funds; for example, a limit on dividend payments and share repurchases.

Twelve years is a very long time to wait for wages to recover from an economic crisis. We surely need to aim to do better this time. The UK government has shown that it is prepared to introduce radical policies during the worst of the crisis – it will also need to do so to stimulate a rapid recovery.

Other blogs in the series include:

Apple, Ireland, and the European Union: time to move beyond failed approaches

The Chancellor's summer economic statement

A temporary VAT rate cut may get us spending, but would it speed the recovery?

A policy for a rebound recovery

The impact of Pillar II on incentives: a trade-off between revenue and investment

What problems might the GloBE solve?

The Globe proposal: revenue consequences of a minimum tax on foreign profits of multinationals

The European Green Deal and carbon (border) taxes: déjà vu or new beginning?

The OECD Pillar One proposal

To read the full blogs: [business-taxation.sbsblogs.co.uk](https://www.sbsblogs.co.uk)

Working papers

2019

WP19/14

Technology and tax systems

David R. Agrawal and David E. Wildasin

WP19/15

Investment responses to tax policy under uncertainty

Irem Güçeri and Maciej Albinowski

WP19/16

Don't blame it on WTO law: An analysis of the alleged WTO law incompatibility of Destination-Based Taxes

Alice Pirlot

2020

WP20/01

Tax policy and the COVID-19 crisis

Richard Collier, Alice Pirlot and John Vella

WP20/02

Patent boxes and the success rate of applications

Ronald B. Davies, Dieter F. Kogler and Ryan Hynes

WP20/03

Tec(h)tonic shifts: 'taxing the digital economy'

Aqib Aslam and Alpa Shah

WP 20/04

What are minimum taxes and why might one favor or disfavor them?

Daniel Shaviro

WP 20/05

The behavioral elasticity of tax revenue

Daniel J. Hemel and David A. Weisbach

WP 20/06

VAT compliance, trade, and institutions

Peter Morrow, Michael Smart and Artur Swistak

WP 20/07

Investment responses to tax policy under uncertainty

Irem Güçeri and Maciej Albinowski

WP 20/08

Fell by the wayside: trade integration and policy choices of local governments

Jing Xing and Eddy H.F. Tam

The Centre's working papers are available at

www.sbs.ox.ac.uk/research/centres-and-initiatives/oxford-university-centre-business-taxation

MSc in Taxation

September 2019 saw the 4th intake of students on the University of Oxford MSc in Taxation. This cohort comprised 30 students from all over the world representing 19 nationalities, with 72% coming from work.

The MSc is a two-year part-time degree taught by the Faculty of Law in association with the CBT. 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, Alice Pirlot and Sarah Clifford) 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 in Taxation see:
www.law.ox.ac.uk/msctax



Visitors

The following visited the CBT during the year 2019-2020 to undertake research, with visits ranging from a few weeks to several months.

Amanda Duque dos Santos

Amanda Duque dos Santos is a Research Associate at the Max Planck Institute for Tax Law and Public Finance and a doctoral candidate at the Ludwig-Maximilians-Universität München since October 2017, under the supervision of Prof. Dr. Dr. h.c. Wolfgang Schön. She holds a LL.M. in European and International Corporate Law, with a focus on Tax Law, concluded also at the LMU through an award-winning dissertation on the topic of Transfer Pricing Rules and State Aid. She also holds a Masters degree and a Bachelor diploma from the Law Faculty of the UFMG in Brazil, and previously worked at two of the leading law firms in South America specializing in tax and corporate law. Her current research focuses on transfer pricing and risk allocation. Amanda visited the CBT from January to April 2020.

Romain Fillon

Romain Fillon joined the CBT in 2019 as a research assistant. He received a BA in Economics from the Ecole Normale Supérieure Paris-Saclay and a Masters in Management from ESSEC Business School. During his time at the CBT he worked on business rates in England and on business location decisions in the US. His research interest is in Public Economics and Environmental Economics. He returned to Paris in July 2020, where he is finishing his master's degree in Economics and working part-time at Centre International de Recherche sur l'Environnement et le Développement (CIRED).

Kathrin Stutzenberger

Kathrin Stutzenberger visited the CBT in Michaelmas 2019. Kathrin is a research assistant at the Chair of Business Administration and Taxation II (Professor Dr. Christoph Spengel) at the University of Mannheim. She holds a Bachelor's and Master's degree in Business Administration and since 2020 a Doctoral degree from the University of Mannheim. In her dissertation, she analyses the development of European corporate tax systems based on the effects of tax competition, case law of the European Court of Justice and tax harmonisation.



Researcher alumni

Former Research Fellows and Senior Research Fellows at the CBT have gone on to academic jobs at universities around the world, as well as supranational institutions, and industry. They are:

Dr Katarzyna Anna Bilicka

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

Professor Johannes Becker

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

Dr Anzhela Cédelle (née Yevgenyeva)

Counsellor, Organisation for Economic Co-operation and Development

Professor Rita de la Feria

Professor of Tax Law, University of Leeds, UK

Professor Clemens Fuest

President, ifo Institute - Leibniz Institute for Economic Research at the University of Munich, Germany

Dr Li Liu

Economist, International Monetary Fund

Professor Geoffrey Loomer

Associate Professor of Law, University of Victoria, Canada

Dr Simon Loretz

Researcher, Austrian Institute of Economic Research, Vienna, Austria

Dr Giorgia Maffini

Special Adviser in Tax Policy, PwC, UK

Dr Socrates Morkas

Head of Next Best Action and Analytics, Telenor Group, Norway

Professor Nadine Riedel

Director of Institute for Public and Regional Economics, University of Münster

Dr Tim Schmidt-Eisenlohr

Principal Economist, International Finance Division, Federal Reserve Board, USA

Professor John Vella

Professor of Law, University of Oxford, UK

Professor Nicolas Serrano-Verlade

Associate Professor, Bocconi University, Italy

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 the Saïd Business School at the University of Oxford. The CBT also has close links to other university departments such as the Faculty of Economics and the Faculty of Law. 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, a Director of Legal Research 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 number of these companies and others continue to support the CBT.

Donors during the year were:

- AstraZeneca
- IHG
- BAE Systems
- HSBC Bank Plc
- Lansdowne Partners Ltd
- Lloyd's of London Insurance
- Lloyd's Banking
- BP
- National Grid
- BT
- Relx plc
- GSK
- Royal Dutch Shell plc
- Heathrow Airport Holdings Limited
- Sky plc

The CBT has also received funding from several other sources, including Oxford University and research grants from a number a number of organisations including the Economic and Social Research Council, the Nuffield Foundation and the British Academy.



Who we are



Director

Professor Michael Devereux is Professor of Business Taxation and Associate Dean for Faculty at the 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 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 in the Oxford Law Faculty. 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 LL.D) and the University of Cambridge (LL.M and Ph.D) 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.



Director of Legal Research

Professor Judith Freedman CBE 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*.



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.



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 Sarah Clifford joined the CBT in 2018 having completed her PhD in Economics at the University of Copenhagen. Sarah also holds a BSc in Mathematics and Economics, a BSc in Actuarial Science and a MSc in Economics from the University of Copenhagen. Her current work focuses mainly on tax avoidance and evasion by multinational corporations as well as the effectiveness of enforcement policies in general.



Dr Irem Güçeri's current research focuses on productivity and corporate taxation in R&D-intensive sectors. She is a British Academy Postdoctoral Fellow and she holds a Junior Research Fellowship from St.Peter's College. Irem has a DPhil in Economics from the University of Oxford. She received her BA in Economics from Koc University in Istanbul and her MSc in Economics at LSE. She has previously worked as an economist at the World Bank in the Europe and Central Asia region, Financial and Private Sector Development unit.



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 (F.N.R.S.) at the University of Louvain, where she completed her PhD in April 2016. Alice also 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 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).



Dr Eddy Hiu Fung Tam joined the CBT in 2017 on completing his PhD in Economics at the London School of Economics, where he was also a Teaching Fellow and worked in The Suntory Toyota International Centre for Economics Related Discipline. Eddy completed his BSc in Economics from The Chinese University of Hong Kong, and MSc in Economics from the London School of Economics. His research interests include public economics and development economics.



Research Assistant

François Bares joined the CBT in 2018 after completing his MSc Degree in Economics at the London School of Economic, and a Bachelors Degree in Politics, Philosophy and Economics from the University of York. His research interests revolve around the effects of public policies on growth with an emphasis on corporate R&D investment. Francois is also interested in value theory and the measurement of economic performance. Francois moved to the University of Wisconsin-Madison to begin work on his PhD in September 2020.

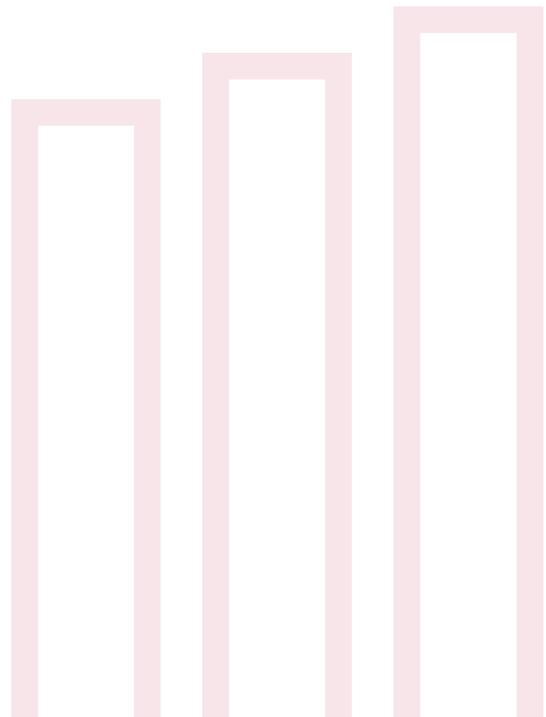


Administrative Staff

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



Jenny Winsland joined the CBT in 2020 as the Centre Manager. She is responsible for managing the administrative work associated with the Centre, its finances, and 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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Saïd Business School

Saïd Business School at the University of Oxford blends the best of new and old. We are a vibrant and innovative business school, but yet deeply embedded in an 800-year-old world-class university. We create programmes and ideas that have global impact. We educate people for successful business careers, and as a community seek to tackle world-scale problems. We deliver cutting-edge programmes and ground-breaking research that transform individuals, organisations, business practice, and society. We seek to be a world-class community, embedded in a world-class university, tackling world-scale problems.

All information is correct at the time of going to press. Please check our website for the most up-to-date information.

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