

Fiscal Affairs Department

INTERNATIONAL CORPORATE TAX ISSUES AND DEVELOPING COUNTRIES



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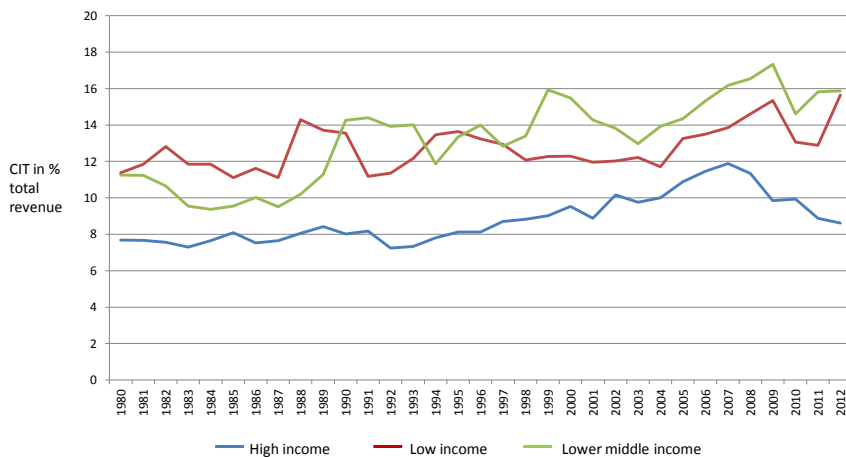
CONTEXT AND THEMES

The IMF Perspective

- Summarized in *Spillovers in International Corporation Tax*
 - Complements G20-OECD BEPS Action Plan
- Draws on and reflects Fund's
 - Technical assistance: Around 130 missions per year
 - Surveillance work
 - Macro focus
 - Global membership
- International tax an important part of DRM agenda—but don't lose sight of others!

Two themes

- Potential macro-relevance
- Importance for developing countries:

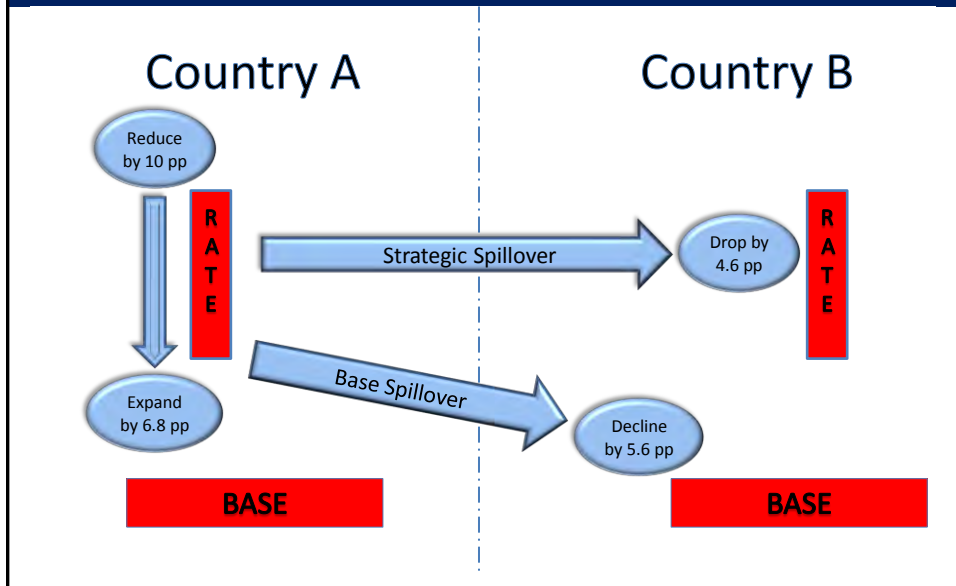


ASSESSING SPILLOVERS

Complexities and evidence

- Interactions are complex
 - E.g. it may be *good* for developing countries if advanced tax their MNEs earnings abroad
- No single number for revenue impact, though note:
 - One estimate is around 25 percent US CIT receipts
 - Even larger, relatively, in some developing country cases
- And some new panel data evidence:

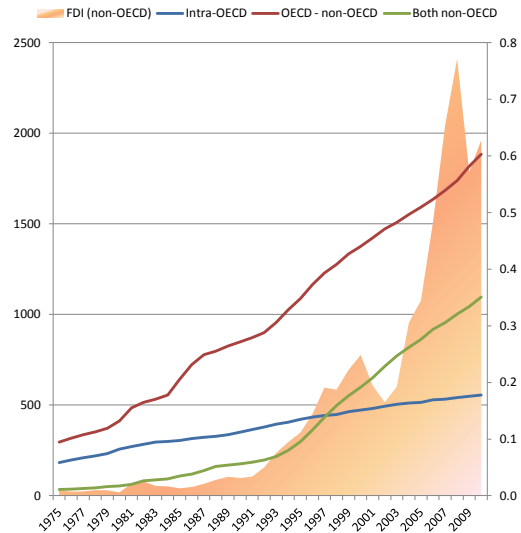
“Base” and “rate” spillovers—Estimates



THREE KEY ISSUES FOR DEVELOPING COUNTRIES

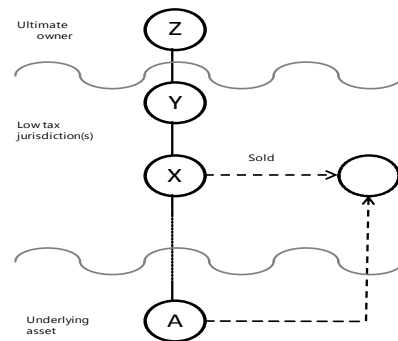
“Treaty shopping”

- Evidence on investment impact of treaties mixed
- A weak spot for many countries
 - Netherlands’ review
- Are treaties needed?



“Indirect transfers of interest”

- Especially but not only in the extractive industries
- Issues for domestic law and treaties



Arms length pricing

Addressing transfer pricing challenges requires

- Not just capacity building...
- ...but also clearer, simplified rules and guidance

SUMMARIZING...

Challenges

- Tax spillovers can be macro-relevant
 - Not least for developing countries
- Politics and the free rider
 - Arrangements for cooperation in tax matters are weaker than in other areas
- Capacity building needed in many countries
 - But rules also matter
 - And other priorities remain

LOOKING FORWARD

IOs contributing...

..in line with comparative advantage/resources

- ‘Structured dialogue’
 - Technical meeting during Bank-Fund Spring Meetings
- ‘Toolkits’
 - Long-term
- Options for Tax Incentives in Low Income Countries
- Indirect transfers of interest