Bulletin de veille

VOL. 7, NO 1, 2012-2013

Chaire de recherche en fiscalité et en finances publiques

www.USherbrooke.ca/adm/recherche/chairefiscalite

UNIVERSITÉ DE SHERBROOKE

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CANADA

CANADIAN TAX FOUNDATION

Vijay Jog et Jack Mintz, « The 30 Percent Limitation for Pension Investment in Companies: Policy Options », *Revue fiscale canadienne*, vol. 60, no 3, 2012, p. 567, 42 pages.
https://www.fcf-ctf.ca/ctfweb/CMDownload.aspx?ContentKey=98deb3ea-6c59-4b80-a768-0b3cd3df7e39&ContentItemKey=46014d7d-b63b-4386-a689-afd720c71470

Analyse de l'impact de la règle du 30 pour cent : devrait-on opter pour un statu quo de la règle, l'abolir, la durcir ou implanter des limites pour éviter que les régimes contrôlent les entreprises?

● La loi actuelle restreint les placements des régimes de retraite dans les sociétés canadiennes en limitant la propriété d'un régime dans une entité à un maximum de 30 pour cent des actions avec droit de vote (« la règle du 30 pour cent »). Quelques caisses de retraite importantes préconisent un assouplissement de cette restriction. Certains ont dit craindre que la règle du 30 pour cent nuise au rendement du portefeuille des régimes de retraite et à l'efficacité du marché financier. Les auteurs examinent ces arguments en détail et se penchent également sur l'incidence fiscale de l'exonération d'impôt des régimes de retraite pour les marchés. Les changements récents apportés à la règle sur les biens immobiliers détenus à l'étranger ont permis aux régimes de retraite canadiens de réaliser une meilleure diversification de portefeuille au niveau mondial, ce qui a atténué certaines des préoccupations au sujet de l'efficacité du marché financier. Les auteurs affirment que les avantages d'une meilleure gouvernance ne sont pas clairs, étant donné le conflit d'intérêts potentiel à l'égard des placements d'un régime dans une société canadienne, entre la maximisation des profits pour les actionnaires et la protection des intérêts des employés. Leur raison d'être sur le marché étant l'acquisition et le contrôle, les caisses de retraite exonérées d'impôt sont privilégiées par rapport aux investisseurs imposables puisque les sociétés contrôlées ont un avantage concurrentiel en raison d'un coût du capital moins élevé. Les auteurs estiment que l'avantage fiscal actuel pour les entreprises et les particuliers est de l'ordre de 600 à 700 M$ annuellement. Ils examinent diverses options de politique concernant la règle du 30 pour cent — y compris son abolition — et diverses politiques fiscales qui créeraient des conditions plus équitables entre les caisses de retraite et les investisseurs imposables.

C.D. HOWE INSTITUTE

James Pierlot et Alexandre Laurin, *Pooled Registered Pension Plans: Pension Saviour – or a New Tax on the Poor ?*, Commentary No. 359, 23 août 2012, 24 pages.
http://www.cdhowe.org/pdf/Commentary_359.pdf

Le gouvernement devrait revoir les régimes de pension agréés collectifs afin d'avantager tous les travailleurs, précisément ceux à faible revenu.

● In June 2012, the regulatory framework for a promising new retirement savings vehicle, Pooled Registered Pension Plans (PRPPs), was passed into federal legislation. The hope is that PRPPs will improve pension coverage and retirement-saving outcomes by reducing costs and improving investment returns through asset pooling and third-party administration. Since most employers under federal pension legislation are already providing pension coverage to their employees, PRPPs were introduced in the expectation that provincial governments would follow the federal lead and adopt PRPPs for the vast majority of Canadian workers under provincial pension jurisdiction. As of now, only the province of Quebec has announced its intention to create its own distinct version of PRPPs, branded Voluntary Retirement Savings Plans. Although the intentions behind PRPPs are commendable, PRPPs represent only a mild improvement over existing options such as Registered Retirement Savings Plans (RRSPs) and defined-contribution (DC) pension plans. This is because tax rules for PRPPs – essentially identical to those that apply to RRSPs and similar to those for DC plans – will prevent many private-sector workers from saving enough for retirement and from receiving retirement income in the form of a life pension. Tax rules are the foundation for retirement saving because of the advantages they offer in registered plans, such as deferral of tax on contributions and non-taxation of investment income. If the foundation isn't right, these plans cannot operate to their potential or in the interest of all Canadians. As a result, this paper focuses on tax rules and makes recommendations that, if implemented, are likely to make PRPPs perform better for Canadians than their closest comparators – DC plans and RRSPs. Firstly, we demonstrate that many lower-income and middle-income workers who save for retirement should not do so in tax-deferred accounts because if they do, they will pay taxes and government benefit clawbacks on withdrawals in retirement at rates that are significantly higher than the refundable rates that apply to contributions. Over a lifetime, these workers would be much better off financially to save for retirement in existing Tax-Free Savings Accounts (TFSAs). Therefore, we propose that tax rules be amended to allow tax-prepaid saving within PRPPs. Secondly, guidelines should be developed to help PRPP administrators protect lower-income retirees from the punitive effect of high government benefit clawbacks in retirement. Thirdly, PRPP members should have the option of accumulating self-funded, "target" pension benefits providing the same advantages enjoyed by federal government workers and other DB pension plans that are not available in RRSPs and DC plans. And lastly, it seems almost too obvious to state that a pension plan should pay pensions or – at the very least – be able to pay them. But PRPPs will not be able to do so because federal tax rules prohibit any pension plan from paying a pension unless it is a defined-benefit (DB) plan. Allowing PRPPs to pay pensions would improve retirement income security for all PRPP members and turn PRPPs into a truly new and innovative retirement savings vehicle.

KPMG

KPMG, *Choix Concurrentiels*, 25 septembre 2012, 44 pages.
http://www.kpmg.com/Ca/fr/services/Tax/Documents/Competitive-Alternatives-Focus-on-Tax-French.pdf

La compétitivité fiscale internationale : évaluation du fardeau fiscal des sociétés dans 14 pays.

■ Le présent rapport est un supplément à l'étude *Choix concurrentiels : Guide KPMG sur les coûts liés au choix d'un pays où exercer ses activités*, édition 2012. Il évalue la compétitivité fiscale générale de 113 villes dans 14 pays ayant fait l'objet du projet de recherche principal, en se concentrant sur 55 grandes villes du monde. Pour la première fois, l'édition 2012 présente quatre grands pays en forte croissance; le Brésil, la Russie, l'Inde et la Chine, fréquemment désignés les « pays du BRIC ». Les 10 autres pays à l'étude sont l'Allemagne, l'Australie, le Canada, les États-Unis, la France, l'Italie, le Japon, le Mexique, les Pays-Bas et le Royaume-Uni. De plus amples renseignements sur toutes les villes à l'étude se trouvent à l'annexe A. L'objectif que nous visions en établissant le présent supplément était d'offrir une méthode d'évaluation de grande envergure des nombreux facteurs complexes qui ont une incidence sur le fardeau fiscal des sociétés et, ainsi, de proposer une approche simple et efficace aux comparaisons entre les différents emplacements géographiques, compte tenu des résultats fiscaux de différents scénarios de situations professionnelles.

ÉTATS-UNIS

CONGRESSIONAL BUDGET OFFICE

Ron Gecan, *Effects of Federal Tax Credits for the Purchase of Electric Vehicles*, Congressional Budget Office, septembre 2012, 41 pages.
http://www.cbo.gov/sites/default/files/cbofiles/attachments/09-20-12-ElectricVehicles_0.pdf

Les crédits d'impôt pour l'achat de véhicules électriques n'auront d'effets qu'à long terme.

■ CBO estimates that federal policies to promote the manufacture and purchase of electric vehicles (including some policies that support other types of fuel-efficient vehicles) will have a total budgetary cost of about $7.5 billion through 2019. Tax credits for buying electric vehicles—which account for about one-fourth of that budgetary cost—are likely to have the greatest impact on vehicle sales. At current vehicle and energy prices, the lifetime costs to consumers of an electric vehicle are generally higher than those of a conventional vehicle or traditional hybrid vehicle of similar size and performance, even with the tax credits, which can be as much as $7,500 per vehicle. That conclusion takes into account both the higher purchase price of an electric vehicle and the lower fuel costs over the vehicle's life. The direct effect of the credits is to subsidize purchases of electric vehicles—including purchases that would have been made even without the credits. Those people who purchase electric vehicles because of the tax credit use less gasoline and produce fewer emissions of greenhouse gases than would otherwise be the case. The cost to the government of those direct reductions is somewhat higher than the comparable costs of other policies aimed at the transportation sector. However, the tax credits have other, indirect effects: increased sales of electric vehicles allow automakers to sell more low-fuel-economy vehicles and still comply with the federal standards that govern the average fuel economy of the vehicles they sell (known as CAFE standards). Consequently, the credits will have little or no impact on the total gasoline use and greenhouse gas emissions of the nation's vehicle fleet over the next several years. Over the longer term, the tax credits can affect total gasoline consumption and emissions if future revisions to CAFE standards are influenced by current sales of electric vehicles and expectations about future sales. Moreover, if the credits play an important role in helping the U.S. electric vehicle industry become self-sustaining, their effect on vehicle sales might continue to affect CAFE standards—and the resulting amounts of gasoline use and emissions—for many years after the tax credits themselves have run out.

Paul Burnham, *The Taxation of Capital and Labor Through the Self-Employment Tax*, Congressional Budget Office, septembre 2012, 42 pages.
http://www.cbo.gov/sites/default/files/cbofiles/attachments/09-27-SECA.pdf

Analyse de la structure de l'impôt sur le travail autonome en comparaison avec celle des contributions employeurs-employés.

■ The Self-Employment Contributions Act (SECA) tax is paid mainly by certain small business owners. That tax on sole proprietors and owners of partnerships is often characterized as one that parallels the Federal Insurance Contributions Act (FICA) tax that employers and employees pay to fund Social Security and Medicare. The two taxes, CBO concludes, are not really parallel in the way that they tax capital income and labor income. (For people who are not self-employed, interest, dividends, rents, and capital gains are capital income, and wages and benefits are labor income.) The differences in the treatment of capital and labor income may prompt people to make choices that they would not otherwise make about self-employment or the organizational form of a business, thereby reducing the efficient allocation of resources. CBO finds that: Approximately 40 percent of the SECA tax base derives from capital income and 60 percent from labor income. The FICA tax base, in contrast, derives entirely from labor income. More than half of the labor income of self-employed people is not included in the SECA tax base. In contrast, virtually all of the labor income of employees is taxable under FICA. CBO analyzed three options that would modify the SECA tax base by either reducing the share of capital income or increasing the share of labor income it includes. No option by itself would accomplish both of those objectives when applied to both sole proprietorships and partnerships, but one option would do so if applied only to partnerships.

JOINT COMMITTEE ON TAXATION

Joint Committee on Taxation, Present Law And Background Information Related To The Taxation Of Capital Gains (JCX-72-12), 14 septembre 2012, 38 pages.
https://www.jct.gov/publications.html?func=startdown&id=4485

Discussion sur l'opportunité d'avoir des taux d'imposition différents pour les gains en capital.

■ This document summarizes the Federal tax rules relating to the taxation of capital gains, provides selected background data relating to capital gain realizations and discusses issues related to differential rates for capital gains. Present law has long maintained tax treatment for capital gain income that is more favorable than the tax rate applicable to a taxpayer's income from labor income (wages and salary) and from other types of capital income (for example, interest and rental income). The differential in tax rates between income from realized capital gains and other sources of income raises several policy issues: Does a differential rate promote improved efficiency of the capital markets? Does a differential rate promote the socially optimal level of risk taking? Does a differential rate promote long-run economic growth? Is income from capital gains properly measured? Is a differential in rates consistent with policy makers' equity goals? Does a differential rate create tax administration issues?

NATIONAL TAX JOURNAL

Kevin S. Markle et Douglas A. Shackelford, « Cross-Country Comparisons Of Corporate Income Taxes », 65 *National Tax Journal* 493-527 (septembre 2012), 35 pages.
http://ntj.tax.org/wwtax/ntjrec.nsf/009a9a91c225e83d852567ed006212d8/0ec1127a0f12729985257a6f0054258c?OpenDocument

L'état où réside la société mère a une influence majeure sur les obligations fiscales mondiales d'un groupe corporatif multinational.

● We use publicly available financial statement information for 11,602 public corporations from 82 countries from 1988–2009 in an attempt to isolate the impact of domicile on corporate taxes. We find that the country in which the parent of a multinational is located and to a lesser extent its subsidiaries are located substantially affects its worldwide effective tax rate (ETR). Japanese firms always face the highest ETRs. U.S. multinationals are among the highest taxed. Multinationals based in tax havens face the lowest taxes. We find that ETRs have been falling over the last two decades; however, the ordinal rank from high-tax countries to low-tax countries has changed little. We also find little difference between the ETRs of multinationals and domestic-only firms. Besides enhancing our knowledge about international taxes, these findings should provide some empirical underpinning for ongoing policy debates about the taxation of multinationals.

John L. Mikesell et Justin M. Ross, « Fast Money? The Contribution of State Tax Amnesties to Public Revenue Systems », 65 *National Tax Journal* 529-62 (septembre 2012), 44 pages.
http://ntj.tax.org/wwtax/ntjrec.nsf/009a9a91c225e83d852567ed006212d8/a13a0285caa1f19885257a6f0054c41b?OpenDocument

Les programmes d'amnistie n'ont plus pour objectif d'améliorer le système d'administration fiscale.

● State tax amnesties have become a commonplace component of state tax administration over the last 30 years. This paper reviews the structural evolution of all state amnesty programs and makes the case that their fundamental purpose has shifted from improving tax administration to emphasizing revenue maximization. It then provides empirical evidence on which state amnesty program features aid in this effort. The regression results reveal that most of the malleable amnesty program features that tend to increase amnesty recoveries also conflict with or undermine the goal of improving the tax administration system.

Ergete Ferede et Bev Dahlby, « The Impact of Tax Cuts on Economic Growth: Evidence from the Canadian Provinces », 65 *National Tax Journal* 563-94 (septembre 2012), 32 pages.
http://ntj.tax.org/wwtax/ntjrec.nsf/009a9a91c225e83d852567ed006212d8/d2eeb9d5f1d7f7ea85257a6f00551c60?OpenDocument

Relation inversement proportionnelle entre le taux d'impôt corporatif et la croissance économique dans les provinces canadiennes.

● We examine the impact of the Canadian provincial governments' tax rates on economic growth using panel data covering the period 1977–2006. We find that a higher provincial statutory corporate income tax rate is associated with lower private investment and slower economic growth. Our empirical estimates suggest that a 1 percentage point cut in the corporate tax rate is related to a 0.1–0.2 percentage point increase in the annual growth rate. Our results also indicate that switching from a retail sales tax to a sales tax that is harmonized with the federal value-added sales tax boosts provincial investment and growth.

James Mirrlees et al., « The Mirrlees Review: a Proposal for Systematic Tax Reform », 65 *National Tax Journal* 655-83 (septembre 2012), 30 pages.
http://ntj.tax.org/wwtax/ntjrec.nsf/009a9a91c225e83d852567ed006212d8/3dfe19060c4da03f85257a6f0056127c?OpenDocument

Le rapport *Mirrlees* : analyse des caractéristiques d'un bon système fiscal, une question dont l'influence dépasse le Royaume-Uni.

■ *Tax by Design: The Mirrlees Review* (Mirrlees et al., 2011), hereafter the Review, was a multi-year project that aimed to "identify the characteristics that would make for a good tax system in an open economy in the 21st century; and to suggest how the British tax system in particular might be reformed to move closer to that ideal". It was carried out under the auspices of the Institute for Fiscal Studies in London. The Review sought to fill an important gap by offering a comprehensive economic analysis of the appropriate direction for tax policy in the United Kingdom, with both broad strategic direction as well as specific reform suggestions. It was carried out by a group of academics, working independently of government, with the hope that its analysis and conclusions would influence tax policy in the United Kingdom and perhaps more widely. This paper summarizes the main findings of the Review. It describes the framework that underpins the proposals and some of their most important features. It is based closely on the concluding chapter of the Review, which presents the Review's conclusions. It makes reference to only a small part of the key evidence that underpins those conclusions, provides a brief update on very recent developments, highlights some of the possible implications of the Review for tax policy design in the United States, and concludes with a short overview of the many issues where we believe more evidence is required.

BROOKINGS INSTITUTION

Robert Puentes et Jennifer Thompson, *Banking on Infrastructure: Enhancing State Revolving Funds for Transportation*, 12 septembre 2012, 20 pages.
http://www.brookings.edu/~/media/research/files/papers/2012/9/12%20state%20infrastructure%20investment%20puentes/12%20state%20infrastructure%20investment%20puentes

Une façon efficace de financer les infrastructures de transport : les banques d'investissement des états.

● In recent years, states and the federal government experimented with a set of innovative finance mechanisms, credit programs, and revolving loan funds to stretch public and private dollars and support the kind of infrastructure investments necessary to build the Next Economy. For transportation projects, much of this support comes in the form of below market revolving loans and loan guarantees from state infrastructure banks (SIBs.) Since established in the 1990s they have provided billions in financing for more than 1,000 projects mostly focused on the 100 largest metropolitan areas. However, this activity is highly concentrated in just a few states as many SIBs are underutilized or inactive. This research shows that SIBs can be valuable tools for delivering infrastructure projects and can generate more investment per dollar than traditional federal and state grant programs. This report recommends that U.S. states should : align federal and state roles and responsibilities to streamline project delivery and ensure loan capacity is fully utilized; ensure the long-term sustainability of revolving infrastructure funds by leveraging capitalization and reach a broader range of sponsors and projects; and develop partnerships with local public and private actors so projects have high economic, environmental, or social effects.

Ken Berlin, Reed Hundt, Mark Muro et Devashree Saha, *State Clean Energy Finance Banks: New Investment Facilities for Clean Energy Deployment*, 12 septembre 2012, 26 pages.
http://www.brookings.edu/~/media/research/files/papers/2012/9/12%20state%20energy%20investment%20muro/12%20state%20energy%20investment%20muro

Comment financer les énergies renouvelables en combinant le financement privé et les fonds publics.

● Propelled by private entrepreneurship, technology gains, and public support, clean energy and energy efficiency solutions began to proliferate in recent years. However, federal policy gridlock and state budget challenges are now jeopardizing the availability of government finance, exacerbating the serious finance challenges that impede the large-scale deployment of low-carbon energy solutions. Fortunately a number of states are now exploring a variety of ways to leverage scarce public resources with sophisticated banking and finance mechanisms. Epitomized by Connecticut's Clean Energy Finance and Investment Authority (CEFIA), the proposed new finance entities entail the creation by states of dedicated clean energy banks that leverage public money with private-sector funds and expertise. While these banks can take different forms based on each state's unique circumstances, they essentially combine scarce public resources with private sector funds and then leverage those funds to invest in attractive clean energy and energy efficiency projects. A timely benefit of the low-cost financing that these banks will make available is that it will reduce clean energy projects' dependence on expiring federal grants, tax credits, and subsidies and lower the cost of these projects enough to make them cost-competitive with conventional technologies. Along these lines, state leaders can choose among at least three bank models. They may: establish, as in Connecticut, a quasi-public corporation into which are combined existing state clean energy and energy efficiency funds so as to permit private investment in the bank and enable the new entity to make loans and leverage its capital with private capital; repurpose portions of one or more existing financing authorities from a grant to a lending model and then through a partnership agreement combine the financing authority's funds with private funds; adjust an existing or new infrastructure bank so as to attach a clean energy finance bank to fund energy projects to a bank lending to traditional infrastructure projects.

URBAN INSTITUTE

Jim Nunns, *How TPC Distributes the Corporate Income Tax*, 13 septembre 2012, 22 pages.
http://www.urban.org/UploadedPDF/412651-Tax-Model-Corporate-Tax-Incidence.pdf

Qui assume en réalité le fardeau fiscal des sociétés?

● Recent economic research has improved our understanding of who bears the burden of the corporate income tax. One key finding is that a substantial share of the return to corporate capital is from "supernormal" returns, the returns to successful risk taking, inframarginal returns, and economic rents in excess of the "normal" return (the riskless return to waiting). The other key result is that international capital mobility shifts some of the corporate income tax burden on the normal return from corporate capital to labor, which is relatively immobile internationally. Based on these recent research findings, TPC (Tax Policy Center) has updated its corporate income tax incidence. For standard distributional analyses, TPC now treats 20 percent of the corporate income tax burden as falling on labor, 20 percent on the normal return to all capital, and 60 percent on the supernormal returns to corporate equity (shareholders). Previously, we had treated the entire corporate income tax burden as being borne by the total returns to all capital. Our updated approach to incidence reduces somewhat the measured progressivity of the corporate income tax, but has little effect on the distribution of the total federal tax burden. We now also distinguish the incidence of changes in the corporate income tax that affect only the normal return, such as changes in cost recovery rules, which we distribute 50 percent to labor and 50 percent to the normal return to all capital. In addition, for short-run analyses of changes in the corporate income tax we now treat all of the burden as falling on shareholders.

Eric Toder, « International Competitiveness: Who Competes Against Whom and for What? », *Tax Law Review*, vol. 65: 2012, 19 septembre 2012, p. 505, 30 pages.
http://www.urban.org/UploadedPDF/412654-international-competitiveness-Tax-Law-Review.pdf

Les enjeux de la compétitivité économique entre les pays et son impact sur les politiques fiscales.

● Political leaders and commentators frequently claim that the policies they favor will make the United States more competitive, without defining what competiveness between countries means. This paper defines competitiveness as a contest between nations for scarce and mobile resources and explores how different tax policies may help or hinder efforts to attract high-skilled labor, capital investment, and headquarters of multinational corporations. While these inputs contribute to living standards, elevating competition for them into a final goal of policy instead of a consideration that must be weighed against costs of tax policies that attract them could lead to seriously flawed policies.

THE INSTITUTE ON TAXATION AND ECONOMIC POLICY

Institute on Taxation and Economic Policy, *State Tax Codes As Poverty Fighting Tools*, septembre 2012, 27 pages.
http://www.itep.org/pdf/poverty2012report.pdf

Les systèmes fiscaux des états n'aident pas les pauvres à sortir de la pauvreté; mais certaines stratégies pourraient y parvenir.

● New Census Bureau data released this month show that the national poverty rate is 15 percent, essentially unchanged since 2010. This means that in 2011, 46.2 million, or about 1 in 6 Americans, lived in poverty. Vermont is the only state to experience a decrease in the share of residents living poverty. All other states either saw an increase in the poverty rate (17 states) or held steady. Astonishingly, state tax policies in virtually every state are making this problem worse rather than better. When all the taxes imposed by state and local governments are taken into account, almost every state imposes higher effective tax rates on low-income families than on upper- income taxpayers. Despite this unlevel playing field state tax systems already create for their poorest residents, many state policymakers have recently proposed (and in some cases enacted) tax increases on the poor as a way to either close budget gaps or finance tax cuts for their wealthiest residents. There is a better approach, just as state and local tax policies can push individuals and families further into poverty, there are tax policy tools available that can help them move out of poverty. In most states, truly remedying state tax unfairness would require comprehensive tax reform. Short of this, lawmakers should use their states' tax systems as a means of providing affordable, effective and targeted assistance to the growing number of people living in poverty. This report presents a comprehensive view of anti-poverty tax policies, surveys tax policy decisions made in the states in 2012, and offers recommendations every state should consider to help families rise out of poverty. States can jump-start their anti-poverty efforts by enacting one or more of four proven and effective tax strategies to reduce the share of taxes paid by low- and moderate-income families: state Earned Income Tax Credits, property tax circuit breakers, targeted low-income credits, and child-related tax credits.

CENTER ON BUDGET AND POLICY PRIORITIES

Chye-Ching Huang and Chuck Marr, *Raising Today's Low Capital Gain Tax Rates Could Promote Economic Efficiency and Fairness, Whille Helping Reduce Deficits*, 19 septembre 2012, 26 pages
http://www.cbpp.org/files/9-19-12tax.pdf

Les impacts d'une augmentation du taux d'impositions des gains en capitaux.

● The large tax preferences that capital gains enjoy over "ordinary" income, such as salary and wages, add to budget deficits, widen income inequality, and do little if anything to promote economic growth. Recent bipartisan deficit commissions have called for eliminating or sharply reducing these tax preferences, as the landmark 1986 Tax Reform Act did. By doing so as part of a package that reduces deficits and reforms the tax code, policymakers could help put the nation's fiscal house in order and make the tax code fairer and more efficient. The tax code now strongly favors capital gains — increases in the value of assets, such as stocks and real estate — over ordinary income. Not only is the capital gains tax rate far below the top tax rate on ordinary income, but taxpayers can delay paying taxes until they realize their capital gains (usually when they sell assets). In many cases, taxpayers can avoid paying capital gains tax altogether; about half of all capital gains are never subject to capital gains tax, according to the Congressional Research Service (CRS). The large preference for capital gains is economically inefficient, regressive and costly.

KPMG

Harry L. Gutman, *How to Think About Real Tax Reform*, 6 août 2012, 14 pages.
http://www.kpmginstitutes.com/taxwatch/insights/2012/pdf/tax-reform-txnotes-8-2012.pdf

Comprendre les enjeux des débats sur la réforme fiscale américaine.

● The country faces a perilous fiscal situation. Federal Reserve Chair Ben Bernanke has described the end of this year as a ''fiscal cliff''. The 2001 and 2003 tax cuts and the annual alternative minimum tax patch expire. So do the 2 percentage point payroll tax cut, many unemployment benefits, the Medicare reimbursement "doc fix," and several other temporary tax provisions that are extended perennially. Sequestration mandated by last summers' Budget Control Act will become effective for fiscal 2013 and the existing national debt limit may have been reached. The Congressional Budget Office released a paper in May addressing the economic effects of reducing the fiscal restraint that is scheduled to occur in 2013. It concluded that if all the scheduled tax increases and spending decreases actually occurred, the economy ''would probably be judged to be in recession.'' Balancing short-term economic recovery needs with long-term deficit reduction is a daunting task. Too much fiscal contraction can jeopardize economic recovery. Failure to address the long-term issues will put the country on an unsustainable fiscal track. Those are problems a lame-duck Congress must address. Douglas Elmendorf, head of the CBO, said recently that increasing tax revenues by one-sixth or reducing entitlement spending by one-fourth could, if done separately, put the country on a sustainable fiscal path. But anyone who has tried to quantify precisely what it would take to achieve those objectives understands the practical and political improbability of that outcome. Consequently, the consensus of most objective observers is that revenues need to increase and spending, particularly entitlement spending, must be reduced. This report is about revenues.

ROYAUME-UNI

INSTITUTE FOR FISCAL STUDIES

Roger Wilkins, Andrew Leigh, « Effects of Temporary In-Work Benefits for Welfare Recipients: Examination of the Australian Working Credit Programme », *Fiscal studies*, volume 33, numéro 3, p. 335-369, 17 septembre 2012.
http://onlinelibrary.wiley.com/doi/10.1111/j.1475-5890.2012.00164.x/pdf

Crédit d'incitation au travail en Australie: une augmentation des revenus des bénéficiaires, mais pas nécessairement un incitatif suffisant pour quitter l'aide sociale.

● We investigate the impact of 'Working Credit', a nationally-implemented programme which created increased incentives for welfare recipients to undertake temporary work. Highlighting the difficulties in identifying programme effects in the absence of a randomised controlled trial or a natural experiment, we produce estimates of impacts under alternative identifying assumptions and also undertake various robustness checks. Unconditional and regression-adjusted difference-in-difference estimates suggest that the introduction of the Working Credit programme increased employment rates, earnings and exits for those on income support, but matching methods and various robustness checks provide conflicting evidence on the impact on movements from welfare to work for unemployment benefit recipients. Moreover, estimated effects on earnings while on benefits are sensitive to identifying assumptions. Notwithstanding our inability to conclusively identify causal effects of the programme, we note that our findings are broadly consistent with the incentive effects of the programme, with recipients making use of the credits to increase earnings while on benefits, but not increasing movements off welfare.

INTERNATIONAL

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

Carolina Torres, « Taxes and Investment in Skills », OECD Taxation Working Papers, No. 13, OECD Publishing, 17 septembre 2012, 85 pages.
http://www.oecd-ilibrary.org/taxes-and-investment-in-skills_5k92sn0qv5mp.pdf?contentType=/ns/WorkingPaper&itemId=/content/workingpaper/5k92sn0qv5mp-en&containerItemId=/content/workingpaperseries/22235558&accessItemIds=&mimeType=application/pdf

Comparaison internationale et analyse de l'influence de la fiscalité sur la formation continue et l'éducation post-secondaire.

● This paper considers the influence of taxes on the financial incentive to invest in human capital and explores the tax treatment of private investment by individuals and employers in post-compulsory education and lifelong learning in 31 OECD countries, India and South Africa. The paper describes targeted personal, corporate and value added tax measures related to education and training and analyses them in terms of their impacts on the incentive to acquire skills and their distributional effects. The desirability of different forms of tax relief for skills formation is examined from the point of view of efficiency, equity and administrative simplicity within the broader context of fiscal policy and the role of government in skills formation beyond compulsory education.

INTERNATIONAL TAX DIALOGUE

House of Commons International Development Committee (UK), « Tax in Developing Countries: Increasing Resources for Development », *Fourth Report of Session 2012–13, Vol. I: Report, together with formal minutes, oral and written evidence*, 23 août 2012, 169 pages.
http://www.publications.parliament.uk/pa/cm201213/cmselect/cmintdev/130/130.pdf
Vol. II: Additional written evidence, 23 août 2012, 92 pages.
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Rapport sur l'amélioration des systèmes fiscaux dans les pays en voie de développement.

● Tax is an issue of fundamental importance for development. If developing countries are to escape from aid dependency, and from poverty more broadly, it is imperative that their revenue authorities are able to collect taxes effectively. The effectiveness of tax collection can be enhanced in a number of ways, including:• with respect to the extractive industries, a heavier focus on taxing volumes of extraction or turnover (as opposed to taxing profits), since turnover-based taxation is more difficult to avoid or evade;• improved collection of personal income taxation, VAT and local property taxation. Underpinning all this is an urgent need to provide incentives for hitherto unregistered enterprises to join the formal (i.e. taxpaying) sector. Again, there are a variety of ways of doing this. Whilst neither this Committee nor the Department for International Development (DFID) seeks to prescribe policy to developing country governments, DFID should support developing country governments as they attempt to resolve these issues. DFID should also support a broader dialogue around tax policymaking in developing countries. The capacity of developing country governments to collect tax is not, of course, conditioned solely by the policies which they themselves adopt. On the contrary, global level regulatory issues play a major role. Requiring tax authorities to exchange information automatically with their counterparts in other countries would constitute a strong deterrent against cross-border tax evasion, whilst requiring corporations to report their financial information on a country-by-country basis would enable irregularities to be more readily detected. In the immediate future, the Government should enact unilateral legislation to achieve both these objectives: in the former case, the relevant section of the US Foreign Account Tax Compliance Act may serve as a model. In the medium term, the Government should also use its influence in international fora to persuade other countries to enact similar measures. One of the principal forms of cross-border tax evasion is 'transfer pricing abuse.' This occurs when a large corporation (i.e. one with multiple divisions) engages in intra-corporation transactions at non-market rates, with a view to 'transferring' its profits into countries where they will be taxed less heavily (tax havens). The scale of such abuses is disputed, and profits are also transferred for reasons unrelated to tax avoidance, but it is nevertheless a significant problem. To help developing country revenue authorities to detect this, DFID should stress—in its dealings with these revenue authorities—the importance of requiring 'related party transactions' (i.e. transactions taking place within the same corporation) to be declared on annual tax returns.

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Michael S. Knoll, « The Connection between Competitiveness and International Taxation », *Tax Law Review*, vol. 65, 2012, p. 349-374.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2149804

Deux conceptions de la compétitivité internationale se traduisant par deux approches fiscales différentes.

● The term "competitiveness" is a highly elastic concept that has been used in a myriad of different ways. However, in discussions of the connection between international taxation and competitiveness, there are two conceptions of competitiveness that are frequently used, but are not always clearly distinguished from one another. One conception emphasizes the competition between firms to be profitable and grow by acquiring productive assets. The other conception focuses on the competition between states to attract investment capital and people by varying their regulations. Those two conceptions of competitiveness each imply a distinct definition of a domestic industry and a different mechanism whereby taxation affects competitiveness. Those two views also track popular positions in long standing policy debates. For example, each view is associated with a different tax neutrality benchmark. The first view is closely associated with capital export neutrality, whereas the second view is closely associated with capital ownership neutrality. Those two views also track opposing positions in the "Who Is Us?" debate from the 1990s.

Craig Ellife, « Cross Border Tax Avoidance: Applying the 2003 OECD Commentary to Pre-2003 Treaties », *British Tax Review*, numéro 3, 1er mai 2012, p. 307-333.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2120834

Le statut juridique des commentaires de l'OCDE sur le modèle des conventions fiscales: outil d'interprétation précieux.

● On January 28, 2003 changes were made to the Commentary on Article 1 which deals with the improper use of double tax conventions. Most countries, generally speaking, seem to accept that the general anti-avoidance rules will operate and can be reconciled with the provisions of their double tax treaties, when these treaties have been entered into after the changes which were made to the Commentary in 2003. This article looks at the issue of whether treaties concluded prior to 2003 should be read differently to those concluded after 2003 with respect to the application of general anti-avoidance rules to cross-border transactions. In order to answer this issue the following fundamental questions of international tax need to be addressed: 1. Can later Commentaries affect the interpretation of preceding treaties, and if so, in what circumstances? 2. Is the Commentary binding in a legal way or simply designed to assist the interpretation of a treaty? 3. Lastly, and more specifically, is the Commentary introduced in 2003 an example of a "clarifying change" (one that clarifies the existing Commentary, rather than substantially amending)? If it is the former then the Commentary may remain relevant in determining the nature of that important relationship between a domestic general anti-avoidance rule and its application to a double tax treaty entered into prior to 2003. The conclusions reached in this article are that the Commentary is not legally binding although courts around the world recognise they are very important as an interpretive tool. Further, these courts have accepted that later Commentaries (Commentaries amended and promulgated after the conclusion of the treaty) can be of some assistance in the interpretation of a treaty provided they clarify or amplify the previous Commentary. After analysing the changes in the Commentary in 2003 the conclusion reached is that these changes were a clarifying change rather than a fundamental change suggesting that 2003 Commentary can be read and applied to treaties entered into prior to 2003.

Julia Cage et Lucie Gadenne, *The Fiscal Cost of Trade Liberalization*, 4 juin 2012, 43 pages.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2117152

La libéralisation des échanges peut entraîner une baisse des recettes fiscales pour les états dont l'équilibre fiscal est fragile.

- Trade taxes are an important source of revenue for developing countries. These revenues have fallen over the past decades as these countries liberalized trade. Many developing countries simultaneously experienced a decrease in their total tax revenues, suggesting trade liberalization may have come at a fiscal cost. Using a novel panel dataset of tax revenues and government expenditures in developing countries for the period 1945-2006 we identify 110 episodes of decreases in tariff revenues and consider whether countries are able to recover those lost revenues through other tax resources. We show that trade taxes fall by close to 4 GDP percentage points on average during those episodes. Less than half of the countries recover the lost tax revenues 5 years after the start of the episode. The picture is similar when we consider government expenditures. We use the intuition that pre-existing tax capacity is needed to levy domestic taxes to explain theoretically why some countries are unable to recover all tax revenues lost from lowering tariffs. We find that the fiscal cost of trade liberalization is a non-linear function of countries' incentives to invest in tax capacity, and that some will be stuck in a low tax capacity trap. Finally we provide some empirical evidence in line with the model's predictions.

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