

 **CANADA**

INSTITUT C.D. HOWE

C. Busby et A. Laurin, *The 8 Percent Solution: A Sensible Tax Compromise for Albertans*, 4 juillet 2013, 9 p.

**Débat: l'Alberta
devrait-elle
réduire son
impôt sur le
revenu et
introduire une
taxe à la
consommation?**

Alberta's long-term fiscal troubles stem from rapidly growing expenses; a trend that existed long before the recent onset of flood-related recovery costs. Financial trouble has led to calls for a broad-based sales tax in Alberta, and strong opposition to that proposal.

Most proponents favour a revenue-neutral tax swap that would see a sales tax introduced alongside a decrease in income taxes. Such a switch, they say, would lead to greater saving, investment, and result in less volatile government revenues. Those opposed are concerned about shifting costs onto lower- and middle-income Albertans, and the loss of Alberta's identity as the only province without a sales tax. We propose a solution that would break the deadlock between the two sides of the debate. We recommend Alberta introduce an 8 percent HST and lower its personal income tax rate to 8 percent, which would be revenue neutral. By introducing

a generous HST credit for low- and middle-income earners, our proposal would also minimize the adverse distributional effects of the HST, while creating a more tax-competitive economy.

**SOCIAL SCIENCE RESEARCH
NETWORK**

J. Mintz et P. Bazel, « Enhancing the Alberta Tax Advantage with a Harmonized Sales Tax », *The School of Public Policy*, vol. 6, no 29, 24 septembre 2013, 40 p.

Alberta enjoys a reputation as a fiercely competitive jurisdiction when it comes to tax rates. But the reality is that the province can do better with a tax mix that has greater emphasis on consumption, rather than income tax levies.

While Alberta has a personal tax advantage compared to other Canadian jurisdictions — but not the United States — it relies most heavily on income taxes and non-resource revenues that impinges on investment and saving. Taxes on new investment in Alberta's non-resource sectors are no better than average, compared to other countries in the Organization for Economic Co-

**L'introduction
de la taxe de
vente
harmonisée en
Alberta est-elle
souhaitable pour
les Albertains?**

operation and Development, or OECD, so it is not exceptionally attractive to many different kinds of investors. And Alberta's corporate income tax rate is not much more competitive than the world average for manufacturing and service companies. By introducing the Harmonized Sales Tax with a provincial rate of 8 per cent (in addition to the federal 5 per cent rate), Alberta has the ability to make its tax system more competitive. An HST would even allow the province to entirely eliminate income tax for the majority of families. And because the HST would be easily administered using the same collection mechanisms that already exist for the GST, implementing a new Alberta HST could be done relatively smoothly and with minimal additional administration costs. Adopting an Alberta HST is the simplest, most efficient and fairest way to reform the provincial tax system, and will deliver noticeable benefits to Albertans, most visibly in the form of significant income tax relief.

CANADIAN TAX FOUNDATION

Jinyan Li, Thaddeus Hwong, « GAAR in Action: An Empirical Exploration of Tax Court of Canada Cases (1997-2009) and Judicial Decision Making », (2013) *Revue fiscale canadienne*, vol. 61, no 2, p. 321, 46 p.

Comprendre les
facteurs qui
influencent
l'application de
la RGAE par les
juges

Cet article présente une modeste étude empirique exploratoire de l'application de la règle générale anti-évitement du Canada (RGAE). L'étude examine l'ensemble des causes relatives à la RGAE tranchées par la Cour canadienne de l'impôt au cours de la période de 1997 à 2009, ainsi que certains attributs personnels et sociétaux des juges qui ont rendu ces décisions. Les constatations permettent de formuler trois conclusions provisoires. Premièrement, la RGAE a contribué à faire changer la donne, quoique modestement, en ce qui a trait à l'approche des tribunaux dans les causes d'évitement fiscal. Deuxièmement, bien qu'un degré élevé d'incertitude demeure concernant

l'application de la RGAE, il semble se dessiner une constance dans les décisions judiciaires. Troisièmement, tout porte à croire que certaines décisions sur la RGAE s'appuient sur des critères « au pifomètre »; en particulier, la prise de décisions judiciaires dans les affaires relatives à la RGAE semble avoir été influencée par les attributs des juges, notamment l'expérience à la Cour canadienne de l'impôt, le sexe, l'expérience avant la nomination et les liens régionaux. Puisque les ensembles de données examinés dans l'étude sont très petits, ces constatations ne sont nullement concluantes. Néanmoins, il est à espérer qu'elles aideront à faire progresser la compréhension empirique de l'application de la RGAE.

FRASER INSTITUTE

M. Milke et G. Lang, *Public Sector Pensions: Options for Reform from the Saskatchewan NDP*, 16 septembre 2013, 61 p.

In 2011, just over six million Canadians were enrolled in some type of registered pension plan (RPP). In the public sector, 87.1% of employees were covered by an RPP, up from 75.5% in 1978. In the private sector, just 24.4% of employees were enrolled in an RPP in 2011, down from 35.2% in 1978. In

1974, of those enrolled in a registered pension plan, 98.8% of public sector workers were in a defined benefit plan, which had decreased 94.0% by 2011. In the private sector, 88.0% of private sector workers were in a defined benefit plan in 1974 but that declined to 52.3% by 2011. In the private sector, significant growth has occurred in defined contribution and "other" registered plans. Actuarial assumptions about major provincial public sector pension plans have been too optimistic, which has had consequences for public treasuries. In fact, increased contribution rates and/or bailouts for public sector pension plans have been the norm among the major plans, not

Réforme des
régimes de
pensions : la
Saskatchewan a-
t-elle trouvé la
solution pour
stopper le
déficit?

the exception. Since the year 2000, taxpayers have seen repeated increases in the contribution rates to public sector pension plans, this to ameliorate pension fund shortfalls. In addition, taxpayers have also been required to bail out the public sector pension plans through special payments. Given the tight connection between the cost of public sector pension plans and the public treasury—and thus to taxpayers, one notable Canadian-made option for reform comes from Saskatchewan. There, the province stopped adding to pension liabilities and did so over three decades ago. The NDP's 1970s-era reforms can serve as a useful model for long-term reform to any government, provincial or federal.



ÉTATS-UNIS

INSTITUTE ON TAXATION AND ECONOMIC POLICY

ITEP Report, *A Federal Gas Tax for the Future*, 23 septembre 2013, 14 p.

Une réforme de
la taxe sur
l'essence
s'impose aux
États-Unis

On October 1, 2013, the federal gasoline tax rate will have been stuck at 18.4 cents per gallon for exactly 20 years. Despite two decades of neglect, the gas tax is the single most im-

portant source of transportation funding for the federal government. Taxes on gasoline and diesel fuel raise over \$30 billion per year, accounting for 85 percent of the revenue flowing into the nation's transportation spending account. But the short-sighted design of the gas tax has put its revenues on an unsustainable course. The gas tax is increasingly falling short of America's infrastructure needs. In just the last five years, Congress has transferred more than \$53 billion out of the nation's already deficit-ridden general fund in order to compensate for sluggish gas tax revenue growth in the transportation fund. Absent major reform, many more of these Band-Aid fixes will be required in the years ahead. The historic and ongoing decline of the gas tax is a result of its inability to deal with two important developments: fuel-efficiency gains that reduce

the gas tax base and normal growth in construction costs that erodes the gas tax rate. This report explains how both of these challenges affect the sustainability of the gas tax, and measures the relative importance of each in contributing to the current transportation funding shortfall. The report then offers a specific recommendation for reforming the gas tax to improve its revenue growth in the face of these two issues. It concludes by showing how implementing this reform earlier could have prevented our current predicament—bringing the nation's transportation spending account from frequent deficits to constant surpluses at a relatively low cost to the average driver.

SOCIAL SCIENCE RESEARCH NETWORK

K. DeLaney Thomas, « Presumptive Collection: A Prospect Theory Approach to Increasing Small Business Tax Compliance », *Texas Law Review*, vol. 92, 26 août 2013, 56 p.

The lack of progress over the past decade in reducing the tax gap, particularly the failure to reduce the rate of noncompliance among the self-employed, demonstrates the need for innovative approaches. Recent

Contrener l'évasion
fiscale des
petites
entreprises par
un impôt
forfaitaire

increases in information reporting likely will have an impact in some areas, but the elephant in the room is the cash economy. Given the limitations of standard deterrence techniques, prospect theory has much to offer in improving tax compliance among small business owners for whom information reporting or withholding is not feasible. A number of economists and psychologists have found that prospect theory is a relevant predictor of taxpayer behavior. In the context of framing, the theory predicts that taxpayers claiming a refund tend to view the outcome as a gain, and thus will demonstrate risk aversion, making them more likely to comply. On the other hand, taxpayers facing a balance due, generally framed as a loss, tend to be risk-seeking, making them more likely to evade. This

behavior has been confirmed by numerous empirical studies involving laboratory subjects, and by studies of IRS compliance data covering hundreds of thousands of actual taxpayers. Thus far, the legal community has made little use of this empirical evidence. To fill this gap, this Article proposes a novel approach to target small business noncompliance that relies on the demonstrated connection between tax compliance and the presence of a tax refund. I propose that tax for small business owners be collected on a presumptive basis (what I call "presumptive collection") throughout the year based on principles used in presumptive tax regimes employed by other countries, which impute income based on external factors rather than relying on self-reporting.

INTERNAL REVENUE SERVICE

Danny Yagan, *Capital Tax Reform and the Real Economy: the Effects of the 2003 Dividend Tax Cut*, Internal Revenue Service - Statistics of Income Paper Series, été 2013, 49 p.

Réforme fiscale
de 2003 : la
réduction du
taux
d'imposition des
dividendes n'a
pas stimulé les
investissements

Policymakers frequently propose to use capital tax reform to stimulate investment and increase labor earnings. This paper tests for such real impacts of the 2003 dividend tax cut one of the largest reforms ever to a U.S. capital tax rate using a quasi-experimental design and a large sample of U.S. corporate tax returns from years 1996-2008. I estimate that the tax cut caused zero change in corporate investment, with an upper bound elasticity with respect to one minus the top statutory tax rate of .08 and an upper bound effect size of .03 standard deviations. This null result is robust across specifications, samples, and investment measures. I similarly find no impact on employee compensation. The lack of detectable real effects contrasts with an immediate impact on financial payouts to shareholders. Economically, the findings challenge leading

estimates of the cost-of-capital elasticity of investment, or undermine models in which dividend tax reforms affect the cost of capital. Either way, it may be difficult for policymakers to implement an alternative dividend tax cut that has substantially larger near-term effects.

TAX POLICY CENTER

H. Galper, J. Rosenberg, K. Rueben and E. Toder, *Who benefits from tax-exempt bonds? An application of the theory of tax incidence*, 27 septembre 2013, 30 p.

This paper develops and applies a conceptual framework to estimate the distribution among income groups of benefits from the federal income tax exemption of interest on state and local bonds. We first review the general theory of tax incidence and how it is applied in practice by the Urban-

Brookings Tax Policy Center (TPC) and federal agencies. We then apply that framework to the analysis of the effects of the state and local bond exemption, taking account of how the exemption might affect relative returns to different financial instruments and relative costs of private and public sector goods and services. Across a range of possible assumptions, we find that the exemption primarily benefits higher-income individuals even though all holders of debt assets benefit from tax-exemption, not just holders of municipal debt. We also show that the assumption of how state and local government budgets change in the presence of the exemption matters greatly and affects which households benefit from the exemption and how much. Finally, we apply this framework to estimate the distributional effects of the President's proposal to limit the tax savings from the exemption of municipal bond interest to 28 percent of interest received.

Les exemptions
fiscales et leur
impact sur les
instruments
financiers et
l'équité fiscale
du régime
américain

NATIONAL TAX JOURNAL

Harry Grubert et Rosanne Altshuler, « Fixing the System: an Analysis of Alternative Proposals for the Reform of International Tax », *National Tax Journal*, vol. 66, no 3, p. 671-712 (Septembre 2013), 42 p. (*lien vers le working paper*).

Imposition
des revenus
étrangers : un
taux
d'imposition
plancher
serait l'option
la plus simple

We evaluate proposals for U.S. international tax reform including dividend exemption, full current inclusion, dividend exemption with an effective tax rate test and active business exception, dividend exemption with a per-country or overall minimum tax, and repeal of check-the-box. As alternatives to active business tests, we consider minimum taxes that allow

expensing for real investment abroad. We evaluate reforms along many dimensions including the lockout effect, income shifting, the choice of location, and complexity. We find a per-country minimum tax with expensing has many advantages with respect to these margins. The simpler overall minimum tax is a serious alternative.

CENTER ON BUDGET AND POLICY PRIORITIES

C. Huang et N. Frenzt, *Myths and Realities About the Estate Tax*, 29 août 2013, 7 pages.

Saviez-vous que
0,14 % des
américains
paient de
l'impôt sur les
successions?

Though the estate tax has been an important source of federal revenue for nearly a century, a number of myths continue to surround it. This article answers the most common myths about estate tax. Myth 1: The

estate tax is best characterized as the “death tax.” Myth 2: The estate tax forces estates to turn over half of their assets to the government. Myth 3: Weakening or repealing the estate tax wouldn't significantly worsen the deficit because the tax doesn't raise much revenue. Myth 4: The costs of complying with the estate tax nearly equal the amount of revenue the tax raises. Myth 5: Many small, family-owned farms and businesses must be liquidated to pay estate taxes. Myth 6: The estate tax constitutes “double taxation” because it applies to assets that already have been taxed once as income. Myth 7: If policymakers decide to retain the estate tax, the logical top rate would be 20 percent, the same as the top capital gains rate. Myth 8: Eliminating the estate tax would encourage people to save and thereby make more capital available for investment. Myth 9: The United States taxes estates more heavily than do other countries. Myth 10: The estate tax unfairly punishes success.

ERNST & YOUNG

J. Dixon, *Tax Transparency: Seizing the Initiative*, septembre 2013, 52 pages.

Public debate is increasingly focused on the tax policies of companies as well as the amount of tax they pay. With the dialogue played out across a number of channels including investors, parliamentary committees, governments and the EU as well as the national press and social media, there is growing pressure on

organisations to respond or face reputational damage. In our view, the debate around ‘fair tax’ has raised the bar in terms of the expectations of the level of tax information provided by multinational companies and we expect the response will be a greater degree of disclosure by many organisations. Indeed, the debate is progressing at such a pace that it is difficult to envisage an environment where increased tax transparency in some form or another is not on the near horizon. Groups need to act now to consider their ap-

La réputation
des
multinationales
passe par la
transparence
de leur
planification
fiscale

proach to tax transparency. This is not just about being responsive to key stakeholders currently demanding more information. By acting and responding promptly, organisations have the opportunity to shape the debate and to influence the direction of travel toward a more workable and effective long-term solution. A lack of consistent usage means that tax transparency represents different things in different contexts but we see it as the communication of an organisation's approach to tax planning and compliance as well as the amount of tax it pays in order that stakeholders have confidence that a fair share of tax is being paid. Reporting, both voluntary and mandatory, is therefore a key element of tax transparency.



INTERNATIONAL

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES (OCDE)

P. LeBlanc, S. Matthews et Kirsti Mellbye, *The Tax Policy Landscape Five Years after the Crisis*, 4 septembre 2013, 45 p. (Veuillez noter qu'il faut s'abonner aux publications de l'OCDE pour consulter ce document.)

Adaptation
des systèmes
fiscaux en
réponse à la
crise
financière

Le paroxysme de la crise économique et financière est loin derrière nous, mais les séquelles restent multiples, et de nombreux pays de l'OCDE ont encore du chemin à parcourir avant de retrouver une croissance économique forte et durable. Avant même la Grande récession, les économies de l'OCDE se heurtaient déjà à un éventail de problématiques telles que, notamment, les incidences de la mondialisation, mais aussi à des défis comme le changement climatique, le creusement des inégalités et le vieillissement de la population. Dans ce contexte, ce rapport explique comment les politiques fiscales se sont adaptées face aux évolutions budgétaires et macroéconomiques de ces cinq dernières an-

nées et face à ces bouleversements économiques structurels de plus long terme.

nées et face à ces bouleversements économiques structurels de plus long terme.

OCDE, *Plan d'action concernant l'érosion de la base d'imposition et le transfert de bénéfices*, 19 juillet 2013, 50 p.

Dans un environnement fiscal international en mutation, un certain nombre de pays s'inquiètent de la façon dont les normes internationales, sur lesquelles sont fondées les conventions fiscales bilatérales, répartissent les droits d'imposition entre États de la source et de la résidence. Ce Plan d'action est centré sur la lutte contre l'érosion de la base d'imposition et le transfert de bénéfices. Les mesures prises à cette fin permettront de rétablir l'imposition dans l'État de la source et dans celui de la résidence dans un certain nombre de cas où, en l'absence de telles mesures, les bénéfices tirés d'activités transnationales seraient soumis à un taux d'imposition nul ou très faible, mais ces mesures n'ont pas pour objectif direct de modifier les normes internationales existantes relatives à l'attribution des droits d'imposition des bénéfices transnationaux.

Lutter contre
le transfert de
bénéfices en
modifiant les
conventions
bilatérales

OCDE, *Co-operative Compliance: A Framework - From Enhanced Relationship to Co-operative Compliance*, 29 juillet 2013, 110 p. (Veuillez noter qu'il faut s'abonner aux publications de l'OCDE pour consulter ce document.)

This report examines the relationship between large business taxpayers and revenue bodies, five years on from the publication of the FTA's Study into the Role of Tax Intermediaries. The study recommended that revenue bodies develop a relationship based on trust

Grandes
entreprises :
respect des
obligations
fiscales fondé
sur la
coopération

and co-operation. The report is based on a detailed examination of the practical experiences of countries that have established this type of relationship. The report finds that the pillars of an improved relationship highlighted in the Study remain valid. However, it identifies some additional features that are equally important: the part played by the tax control framework used by a large business in providing an objective basis for trust is emphasized. It also suggests that "co-operative compliance" is a better description of the recommended approach than the original "enhanced relationship" label. The report addresses some questions that have been raised about the compatibility of the new approach with certain legal principles and discusses the internal governance of these programmes within revenue bodies. The importance of making a sound business case for the approach and how to measure the results of co-operative compliance programmes is addressed. The report concludes with some thoughts about the future direction of the co-operative compliance concept.

OCDE, *A Step Change in Tax Transparency*, OECD Report for the G8 Summit, juin 2013, 20 p.

Pour un modèle
efficace
d'accord
d'échange
automatique de
renseignements
fiscaux

Vast amounts of money are kept offshore and go untaxed to the extent that taxpayers fail to comply with tax obligations in their home jurisdictions. Jurisdictions around the world, small and large, developing and developed, OECD and non-

OECD, stand united in calling for further action to address the issues of international tax avoidance and evasion. And change is taking place. A major breakthrough towards more transparency was accomplished in 2009 with information exchange upon request becoming the international standard and the restructured Global Forum on Exchange of Information and Transparency for Tax Purposes starting to monitor the implementation of the standard through peer reviews. Now, there is another step change in international tax transparency driven by developments

around the globe, including in the United States and Europe, with unprecedented political support for automatic exchange of information. In April 2013 the G20 Finance Ministers and Central Bank Governors endorsed automatic exchange as the expected new standard. Anticipating these developments and in light of the increase in automatic exchange agreements, the G8 Presidency requested a report from the OECD to analyse how jurisdictions could build on the recent developments to implement automatic exchange in a multilateral context. It invited reflections on specifications for the information to be exchanged, the legal basis for the exchange and consideration of the necessary platform to exchange the information.

INTERNATIONAL TAX DIALOGUE

J. Martinez-Vazquez and A. Timofeev, « *Choosing between Centralized and Decentralized Models of Tax Administration* », 25 septembre 2013, 56 pages.

In this paper, Jorge Martinez-Vazquez and Andrey Timofeev synthesize the insights from the literature on fiscal federalism and tax administration to

Quelle est la
structure
d'administration
fiscale optimale?

develop a simple analytical framework that takes into account how the vertical structure of government can affect the commonly accepted criteria for optimal tax administration. They use the analytical framework to identify patterns in the wide variety of international experiences, focusing on how the conceptual aspects identified in the literature can explain the differences in international practice. One of the basic questions posed in this paper is what may be the reasons for decentralization in the organization of the tax administration in the case of tax sharing and what the proper degree of decentralization is. A second basic question is what may be the reasons behind the different degrees of decentralization in the organization of the tax administration in the case of assignment of own revenues to local governments with autonomous powers.

Équipe de rédaction

Coordination et édition : Marie-Pierre Allard et Marwah Rizqy.

Révision : Gilles Larin.

Recherche et sélection des articles : Ariane Hunter-Meunier, Simon Morin, Marc-Olivier Plante, Jean-François Perrouty, Mathieu Savary, Philippe Valentine.

Site de la Chaire :

<http://www.usherbrooke.ca/chaire-fiscalite>

Pour vous abonner gratuitement au Bulletin de veille et aux publications de la Chaire :

cffp.adm@USherbrooke.ca