

# Kluwer International Tax Blog

## Lack of Political “Leadership” in Tax Matters reduces Global Welfare

Theo Keijzer (Dorean Global Tax Policy BV) · Monday, February 16th, 2015

The current global tax landscape changes fast and it is not difficult to find a topic for a blog. Do I start with the G20 angle for raising revenue, with the intra-country tax competition, with the BEPS project that surely will not deliver what the hard working staff of OECD expect? Or do I start with countries jumping the gun on the BEPS project, or the EU Commission keen to take the lead on the topic of tax avoidance. I plan to address some of these topics in my next blogs. In this blog, I'll write about the failure by countries to truly tackle the perceived problem of tax planning.

### We need True Leaders not merely Voter Pleasers

Politicians speak about tax evasion and tax avoidance, they speak about irresponsible tax planning. They speak up in the media and say to their voters they need more instruments to tackle evasion and avoidance, hoping to appear a strong leader. Let's check how true all this is and what they are really doing? Not only words but action, yes?

On evasion: we can be short. That's illegal; and academics have already written that sufficient instruments under penal codes and tax codes are available to deal with this. So, PM's, Presidents and other government ministers and officials just get on with it, understand what it means rather than just shout. Parliaments why are you not challenging PM's and ministers on getting the job done and eradicate tax evasion. Mixing tax avoidance and evasion as synonymous is either displaying lack of knowledge or a deliberate act of pleasing the voters by misleading them.

On avoidance and genuine tax planning: this is legal without any doubt although I have no problem for countries to announce they are going to tackle this but they aren't doing it. They only propose to describe what intolerable tax avoidance and tax planning is; leaving a large part of tax avoidance and planning untouched and apparently accepted. Is this creating chaos or is this assisting in achieving clarity? Tax is so simple: governments only need to enact what they want and taxpayers will and must obey. Compliance may include no longer investing in a country and moving to another country. That is part of the simple equation.

Tax avoidance and genuine tax planning is a common practice by companies and individuals; who hasn't purchased tax free articles at an airport, who hasn't accelerated major purchases ahead of an increase in VAT or Sales tax? Is this tolerable avoidance or is it unacceptable? Again, try and define what acceptable or tolerable tax avoidance is? Where do you draw the boundary?

## Lack of Political Courage

Why are proper measures not taken to combat avoidance and genuine tax planning? The reason is countries claim they are sovereign nations and allowed to write their own tax rules. Surely I don't need to explain that in today's globalized world this clashes with reality. Countries are no longer sovereign nations. They are perhaps in a strict legal sense, but surely they are not sovereign in the economic sense. Which PM, President or Parliament is willing to stand up and say that their country is economically sovereign and doesn't care about the exchange rate or interest rate of their country's bonds? That they don't care what other countries are doing to attract investments, tourists, in general money and revenue away from their country? As long as countries deny they are not economically sovereign, they will look for more rules to combat the reality of tax avoidance and tax planning ("erecting a fence to defend their sovereign turf"). Evidently, the solution in obtaining proper rules lies firstly in accepting this reality, admittedly it takes courage to say to your voters that your country is part of a globalized world and no longer economically sovereign, and secondly in developing a global tax system that takes into account everyday reality of globalization. Various proposals are afloat to start a discussion on this new approach. I have frequently and publicly spoken about my vision and will come back on this in a future blog. A cruel display of this mistaken sovereignty view is the fate of the CCCTB: the solution to virtually all ills of tax evasion, avoidance and planning within EU. I assume you're all aware what has happened.

## The Consequences of not being Honest to the Voters; no Political "Leadership"

Over the last few years all proposed rules to tackle evasion, tax avoidance and tax planning are based on the notion a country is sovereign (for a taste see the BEPS drafts and EU proposals). They will be interpreted differently by each and every country. Hence more chaos, more conflicts between countries and as a consequence a taxpayer who is increasingly uncertain about tax consequences of his everyday business. Moreover, taxpayers and countries alike need to pay a significant additional amount for keeping the Corporate Income Tax in some 195 countries afloat in an uncertain global tax landscape. Money and efforts that could have gone to do better things for mankind. All this leads to less welfare for the people of our planet.

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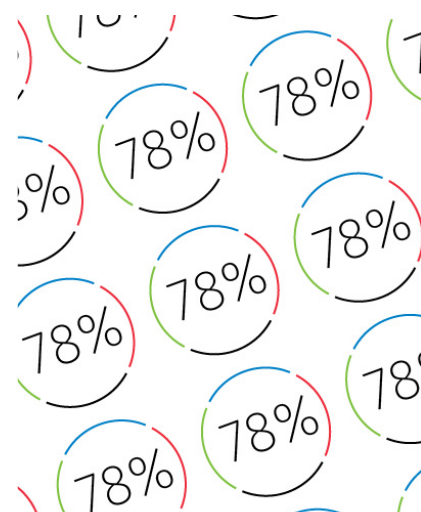
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