

5 KEY PRIORITIES

IN INTERNATIONAL TAXATION

THE

2021 GTAP

DECLARATION

GTAP is an international organisation uniting tax professionals from around the world. The term “*tax professionals*” includes persons engaged at a professional level with tax practice, as lawyers, as accountants or as advisers, and accredited as such pursuant to applicable national law.

The principal purpose of GTAP is to promote the public interest in taxation by ensuring the fair and efficient operation of national and international tax systems. This includes the recognition of the rights interests and responsibilities of taxpayers, tax administrations and tax professionals.

We strongly advocate taxation as the most equitable tool to foster and promote equality among nations and individuals and, as such, to facilitate reassuring citizens of the continued validity of the social contract. In this spirit GTAP provides the platform for regular meetings, exchange programmes, dialogue and interaction of tax professionals from all continents.

GTAP is hereby defining the future key priorities for the pursuit of its principal purpose and aspiring to contribute and shape current and crucial developments in global tax policies.

THE 2021 GTAP DECLARATION

1. COVID-19 and Tax

Over a year from the start of the COVID-19 pandemic, it is becoming ever more evident that the sudden halts in economic activity and the incremental disruption of business worldwide are much worse, both in depth and volume, than anything on record. Such a global challenge will only be overcome through a global response¹.

A crucial element that will undoubtedly play a paramount role in this rebuilding and rebalancing process is international tax strategy. A set of well-coordinated multilateral actions will be decisive in responding to this global crisis². As such, it appears that to expand the fiscal space, there needs to be a renewed sense of urgency to fight tax evasion and tax avoidance.

¹ Cf. IMF, Policy Responses to COVID-19 <<https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>> accessed 7 February 2021.

² Cf. World Bank, World Bank COVID-19 Response <<https://www.worldbank.org/en/news/factsheet/2020/10/14/world-bank-covid-19-response>> accessed 7 February 2021.

Similarly, moving toward a fairer and more equitable taxation of economic activities will provide a much needed “*second wind*” for the long process of economic and social renewal that is inevitable once the pandemic loses its impetus.

With the COVID-19’s impact being so profound, the rapid and inexorable spread of the virus has strained medical infrastructures³, brought restrictions on travel and social contact, and caused extraordinary disruptions to the global economy. As expressed by the OECD⁴, the way forward should be multilateral and based on cooperation. **We could not agree more.**

GTAP aims at providing its continuing support in the challenging times that await us and seeks to encourage the harmonization of tax systems to safeguard the achieved results, modernize tax cooperation and tackle the many challenges posed by the digital economy⁵.

³ Cf. United Nations, A taxing problem: how to ensure the poor and vulnerable don’t shoulder the cost of the COVID-19 crisis <<https://news.un.org/en/story/2020/07/1068111>> accessed 7 February 2021.

⁴ Cf. OECD <<http://www.oecd.org/ctp/tax-policy/tax-and-fiscal-policy-in-response-to-the-coronavirus-crisis-strengthening-confidence-and-resilience.htm>> accessed 7 February 2021.

⁵ Cf. The Platform for Collaboration on Tax Publishes its Progress Report 2020 <<http://www.oecd.org/tax/the-platform-for-collaboration-on-tax-publishes-its-progress-report-2020.htm>> accessed 7 February 2021.

2. Climate, Green, Natural Resources, Circular Economy

Today, more than ever, global warming, pollution, and the collateral effects generated by an economic system which is not capable of self-sustenance, must be tackled with utmost urgency. It is crucial to rethink our economic cycle in relation to recycling, consumption, and duration of products. On such topics, the OECD, the United Nations, and the World Bank, have all recognised the need for urgent action, for the need to transit to a sustainable economic model⁶. This same message was delivered by the European Commission. The Circular Economy Action Plan (2015), includes measures designed to stimulate Europe's transition towards a circular economy. This will boost global competitiveness, foster sustainable economic growth and generate new jobs. The Action Plan covers the entire economic cycle: from production and consumption to waste management, including the market for secondary raw materials and a revised legislative proposal on waste.

GTAP wholly embraces these ambitions and will cooperate fully with national and international institutions to facilitate the transition from the current economic structure to a circular model. GTAP believes it is

⁶ Cf. OECD <<http://www.oecd.org/cfe/regional-policy/Circular-economy-brochure.pdf>>, United Nations <https://www.unido.org/sites/default/files/2017-07/Circular_Economy_UNIDO_0.pdf>, World Bank <<https://olc.worldbank.org/content/circular-economy>> accessed 10 November 2019.

necessary to encourage the adoption of new and ambitious tax models if an economic structure for a sustainable future is to be created.

Well-designed systems of energy taxation encourage citizens and investors to favour clean over polluting energy sources. Taxes on energy use also contribute to limiting health damage from local pollution, a very pertinent policy concern in an urbanising world⁷. However, whilst fuel excise and carbon taxes are simple and cost-effective tools to limit climate change, the politics of carbon pricing can be challenging and occasionally intractable.

GTAP is an active participant in this ongoing dialogue. We accept that tax policy is a crucial tool to internalise environmental costs and help in the transition to a low carbon economy, for the benefit of future generations. Our members will use their knowledge of taxes, economic structures and financial systems in co-operation with governments and other global bodies in forging the transition to a low carbon global economy.

⁷ For more information on “sustainable tax” policies see OECD <<https://www.oecd-ilibrary.org/sites/058ca239-en/index.html?itemId=/content/publication/058ca239-en&mimeType=text/html>>, United Nations <<https://iccwbo.org/publication/tax-united-nations-sustainable-development-goals/>>, World Bank <<https://www.worldbank.org/en/news/press-release/2018/02/12/countries-called-to-strengthen-tax-systems-to-meet-sdgs>> accessed 10 November 2019.

3. Tax Morale

Tax morale is a crucial component of a tax system. It influences the likelihood that taxpayers will pay their taxes, their belief in the integrity of government, their perception of corruption, and their belief in the redistributive approach at the base of a nation's social welfare⁸.

GTAP agrees with and endorses the findings of the OECD Report that tax certainty has a great impact on business decisions. Absence of certainty results in modified business structures, increased costs, and changes to investment decisions. Similar reports by the International Monetary Fund and the World Bank stressed the profound socio-economic impact that tax morale has and how important it is to ensure positive performance by governments and revenue administrations in transparency, accountability and delivery of public services.

⁸ Cf. OECD <<https://www.oecd-ilibrary.org/sites/f3d8ea10-en/index.html?itemId=/content/publication/f3d8ea10-en&mimeType=text/html>>, International Monetary Fund <<https://www.imf.org/external/np/fad/pct/pdf/Progress%20Report%20G20%20Tax%20Certainty%202019.pdf>>, World Bank <http://documents.worldbank.org/curated/en/986411557941098413/pdf/Voice-and-Punishment-A-Global-Survey-Experiment-on-Tax-Morale.pdf> accessed 10 November 2019.

GTAP has always argued for increased tax certainty and strengthened taxpayers' rights as a proxy for increased tax morale among individuals and businesses. To this end, the Model Charter of Taxpayer Rights and Responsibilities, published by CFE Tax Advisers Europe, the Asia-Oceania Tax Consultants' Association (AOTCA) and the Society of Trust and Estate Practitioners (STEP), sets out a detailed framework which balances the rights and responsibilities which are expected from a civil and developed economy.

The concept of tax morale is dependent on the mutual trust between the taxpayer and government. Policy developments in this direction are welcomed by GTAP as these will have a positive impact on taxpayers' tax morale and the tax compliance in general.

GTAP recognises that the need for increased focus on tax morale is particularly relevant for developing countries, where improved public service delivery is directly related to improved tax morale, as evidenced by research.⁹

⁹ GTAP Opinion Statement on the OECD Report on Tax Morale, May 2019:
<https://taxadviserseurope.org/blog/portfolio-items/opinion-statement-on-the-oecd-consultation-on-draft-report-on-tax-morale/?portfolioCats=124%2C125%2C127>

4. Tax and Digitalisation

Economic and social growth, now and for the foreseeable future, is inextricably linked with digital development. As technology becomes a pillar of business and daily life, development of global economic and social systems requires the adoption of an approach to digital development which is transparent and capable of interaction¹⁰. The process of digitalisation is both advancing and disrupting trends in all major aspects of society. If we are to avoid digital chaos and the risk of human alienation, we must have tax rules that inspire the consensus of national legislators to act globally. Digital change must be shaped with a human-centred approach.

For global and cross border taxation, the process of digitalisation affects the perception that there is a mismatch between the place of value creation and location where tax is paid. As such, it affects the perception of fairness in our tax systems. Such cross-jurisdictional issues require a global response, whilst a “*single*

¹⁰ Cf. OECD <<https://www.oecd.org/tax/beps/public-consultation-document-addressing-the-tax-challenges-of-the-digitalisation-of-the-economy.pdf>>, United nations <https://www.un.org/esa/ffd/wp-content/uploads/2019/04/2019-ECOSOC-Tax-meeting_Taxation-and-digitalization-of-the-Economy_Issue-note.pdf>, International Monetary Fund <<https://www.elibrary.imf.org/view/IMF071/24304-9781484315224/24304-9781484315224/ch02.xml?redirect=true>>, World Bank <<https://www.worldbank.org/en/events/2019/10/04/strengthening-tax-systems-in-a-digitalizing-world>> accessed 10 November 2019.

global tax jurisdiction” demands rules with the support of broad consensus.

GTAP is ready to accept and embrace such a change. Because of the speed at which the digital environment is changing, solutions must be oriented for the future, and aligned with the principle of matching profit with economic activity and the creation of value. GTAP calls for a coordinated international tax policy response to the challenges generated by digitalisation.

5. Tax and Blockchain

Blockchain technology is deemed to be a “*foundational technology*”, bringing a new disruption into the digital revolution¹¹. For global tax purposes, the uses to which blockchain could be put are limitless. It can be used for secure storage

¹¹ Cf. OECD <<http://www.oecd.org/daf/blockchain/OECD-Blockchain-Policy-Centre-Flyer.pdf>>, United Nations <https://www.forbes.com/sites/lawrencewintermeyer/2019/09/26/blockchain-at-the-united-nations-leading-solutions-to-the-global-crisis/>>, International Monetary Fund https://www.google.com/url?sa=t&rcrt=j&q=&esrc=s&source=web&cd=3&ved=2ahUKFwj6_5ei7YLmAhVBCe_wKHxMYBT8QFjACegQIBBAC&url=https%3A%2F%2Fwww.imf.org%2F~%2Fmedia%2FFiles%2FPublications%2FTN063%2F2019%2FEnglish%2FTNEA2019001.ashx&usq=AOvVaw0WYdXgiYZ7hM-IMNfgn2GH>, World Bank <<https://www.worldbank.org/en/news/press-release/2019/08/16/world-bank-issues-second-tranche-of-blockchain-bond-via-bond-i>> accessed 10 November 2019.

of financial information - tax authorities can avail themselves of an updated record of financial transactions for audit purposes whenever they want and they can share required or requested information with foreign tax authorities who have an interest in the same taxpayer in a timely and safe manner.

Blockchain technology is said to promise the transformation of the internet from an “*Internet of Information*” to an “*Internet of Value*”. Such expectation derives from the technology’s three basic features: an encryption security system which, to date, has not been hacked, the elimination of the need for a trustworthy third party to guarantee the validity of a peer-to-peer transaction, and an immutable, shared and at-real-time-up-to-date record of information.

These features make blockchain technology attractive to a wide range of industries, to the private and public sector. Always open to embrace technology as a catalyst for progress, GTAP is determined to monitor and discuss the developments related to blockchain’s disruptive potential, but always cognizant of the potential for risk which accompanies all new technologies.



Founders:

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Observers:

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