European Union

The "Torino-Busan Declaration": Identifying Priorities in an International Setting for Tax Professionals and Taxpayers

Alessandro Valente[*]
and Aleksandar Ivanovski[**]

Issue: European Taxation, 2020 (Volume 60), No. 2/3
Published online: 23 January 2020

Just over a year after the "Ulaanbaatar Declaration", the Global Tax Advisers Platform (GTAP) identified four key short-term tax priorities in the "Turin-Busan Declaration", signed on 3 and 17 October 2019 in Torino and Busan, respectively. The main objective is to set out a framework to strengthen cooperation among the globalizing community of tax professionals and to ensure fair and efficient taxation in an increasingly global, dynamic and digitalized context.

1. Introduction

The Global Tax Advisers Platform (GTAP), an international forum, is the most representative body of the tax profession globally, presently representing over 600,000 consultants active in Europe, Asia, Australia-Oceania and Africa. Its aim is to bring together national and international organizations of tax professionals.[1] The GTAP, in particular, strives to bring to stakeholders' attention the relevance of streamlined tax system operations, both internationally and nationally, in order to guarantee equitable and fair taxation for the benefit of citizens, governments, taxpayers and their advisers. Equally, the GTAP's *leitmotif* is to promote the relevance of taxpayer charters and the protection of taxpayer rights for the benefit of the tax profession at large.[2]

In 2018, the GTAP promoted the "Ulaanbaatar Declaration", signed on 12 September 2018.[3] Its main goals were to establish 10 fundamental objectives for a fair and efficient global tax framework and promote the joint effort of the globalizing tax community internationally, for example, under the umbrella of the UN, OECD and the European Union.[4]

Building on the success of the initial manifesto, 2019 saw the publication of the "Torino-Busan Declaration" (signed on 3 October 2019 in Torino and on 17 October in Busan), setting out four additional priorities regarding international taxation.[5] As a result of the joint efforts of the founding bodies and observers of the GTAP, an inaugural global tax conference, entitled "Tax and the Future", was held in Torino, Italy on 3 October 2019 on the occasion of the 60th Anniversary of the leading body of European tax professionals, CFE Tax Advisers Europe. This event, in conjunction with the GTAP, was held under the patronage of the President of the European Parliament, David Sassoli and in the presence of the Director of the OECD Centre for Tax Policy and Administration, Pascal Saint-Amans and the Head of the European Commission's Company Taxation Initiatives, Bert Zuijdendorp.

The following article endeavours to examine the proclaimed priorities of the "Torino-Busan Declaration".

---

* **BBA, LLB, MA; Tax Adviser and Representative to the CFE Tax Technology Committee. The author can be contacted at a.valente@gebnetwork.it .**

** **LLM (Amsterdam), MA (London); Tax Policy Manager at CFE Tax Advisers Europe and Secretary-General of the Global Tax Advisers Platform (GTAP); Teaching Fellow and PhD Candidate at Queen Mary University of London, United Kingdom. The author can be contacted at a.ivanovski@qmul.ac.uk**

1. The founding members of the GTAP are the CFE Tax Advisers Europe; the Asia-Oceania Tax Consultants' Association (AOTCA); and the West Africa Union of Tax Institutes (WAUTI). Observers to the GTAP include: the International Association of Financial Executives Institutes (IAFEI); the Society of Trust and Estate Practitioners (STEP); the Arc Méditerranéen des Auditeurs (AMA); and the Center for Criminal Tax Law (*Centro di Diritto Penale Tributario* , CDPT).
2. In the 21st century, collaboration in the tax sector is essential considering the growth rate of both globalization and digitalization. In this regard, numerous initiatives have been undertaken by international organizations, primarily the OECD and the European Union.
   The current international context is characterized by:

   - international and supranational legislators, as well as European and OECD institutions;
   - transnational taxpayers, or entities that structure their activities without borders; and
   - national tax authorities that cooperate internationally.
3. *See* P. Valente, *The Ulaanbaatar Declaration: 10 Key Priorities in International Taxation Identified by the Global Tax Advisers' Platform (GTAP)* , 59 Eur. Taxn. 1, p. 33 (2019), Journal Articles & Papers IBFD.
4. 1. Strong cooperation among tax professionals; 2. Inclusiveness, openness, global reach; 3. Position of tax professionals in the tax scenario; 4. Impact on the renovation of the international tax scenario; 5. Proposal of a new tax system; 6. Taxpayer rights; 7. Awareness and foresight; 8. Preparation for the digital era; 9. Tax advisers without borders (TAWB); 10. Tax culture and ongoing education. *See* id., at p. 33.
5. In 2018, the GTAP encouraged dialogue and cooperation between tax consultants due to the need to adapt to the new challenges proposed at the global level resulting from the progressive affirmation of new technologies. According to the GTAP, tax consultants in all jurisdictions share common interests that can be pursued more effectively through greater interaction between its members.

2. Tax for Growth

One of the main objectives of the GTAP is proactive engagement of the global tax professional community in the creation of a global fiscal framework that encourages stable economic growth. In spite of its *status nascendi* , the GTAP is gaining increasing visibility and prominence. The key activities of the platform are increasingly geared toward promotion of sustainable fiscal policies that would ultimately improve society for the benefit of the many.

The well-being and progress of the global community is achieved through continuous development at a sustainable rate. In this context, taxation policies are undoubtedly a key factor influencing economic growth. The distribution of the tax burden has been shown to encourage or discourage economic development. Furthermore, fiscal policy is the key instrument to guarantee development (from policies aimed at promoting equality to sustainable environmental protection).

Moreover, new trends in international taxation affect both developing countries and the rate of economic growth. To that end, the GTAP is resolutely committed to promoting inclusive tax policies that foster growth.[6] By extension, a key element of economic growth is tax governance.[7] To improve tax governance, GTAP members support policies aimed at strengthening fiscal certainty[8] and voluntary compliance by taxpayers concerning their tax obligations.

On a related note, the GTAP has endorsed the findings of the OECD Report that fiscal certainty has a significant impact on business decisions, in the absence of which modified business structures, increased costs, and changes to investment decisions could arise.[9] The GTAP has always advocated for increased tax certainty and strengthened taxpayer rights as a proxy for increased tax morale among individuals and businesses. Tax morale is defined as a voluntary, intrinsic motivation to pay taxes, both at the level of individuals and businesses. GTAP members strongly believe that well-functioning institutions, trust in governments and an atmosphere of positive returns from the system back to citizens will produce results, such as higher tax morale and a willingness of individuals to voluntary contribute to the “social contract” by paying more taxes. Thus, a sustainable system that creates growth should be based on a fair tax environment, responsive governments, reciprocally related to the tax contributions of citizens and the supply of public goods.

To the extent that taxpayers perceive that their “social contract” commitments are adequately represented, their identification with national governments increases. Consequently, their willingness to voluntarily meet the needs of the budget and pay taxes significantly affects growth. The GTAP concurs with the proposition that effective public services are a means to demonstrate how well governments turn tax revenues into beneficial expenditures, so these can produce a double dividend comprising both the intrinsic benefit of the service provided and spillover benefits from public satisfaction generated by its provision.[10]

Furthermore, GTAP members believe that an increased focus on voluntary tax compliance has a profound impact on economic growth, which is particularly relevant for developing countries: improved public service delivery is directly related to an improved tax morale. On this basis, the GTAP highlights the intrinsic link between sustainable economic growth, societal development and voluntary compliance, as citizens and businesses alike will more likely comply with the law if the taxpayer/government relationship is found to be equitable.[11]

In a recent publication,[12] the OECD indicated that achieving sustainable growth requires increased focus on the following areas: labour, investment and productivity. Concerning the workforce, the OECD has reported that labour income tax reforms will generally differ depending on whether the objective is to increase participation or working hours. Reducing average labour taxes may be desirable to increase participation, while lowering marginal tax rates may be preferable to increase working hours. There could also be gains from reducing the progressiveness of the tax programme on the income of individuals, both in terms of quantity and quality of the job offer. Estimates in this study indicate the negative effects of highly progressive income tax programmes on per capita GDP through both less labour use and lower productivity.

Regarding investments, the OECD believes that a reduction in corporate tax rates and the elimination of special tax breaks can encourage investment. Similarly, providing greater certainty and predictability in the application of corporate income taxes can improve development performance. On the issue of productivity, the OECD has identified several ways in which taxation can influence growth. A widely-used policy trajectory to improve productivity is to stimulate the private sector’s innovative activity by offering tax incentives for increased

6. The Declaration states: “We share the commitment to improving tax morale as a policy course of action with the most meaningful impact on capacity building and economic growth”.
7. Tax governance in business groups is the answer to the fundamental need to manage and prevent risks related to the tax variable, as well as ensure support in respect of tax audits. Corporate governance and tax governance are closely interrelated. In this sense, tax governance can be defined as corporate governance applied to the tax variable. Tax governance represents a “constituent part” of the broader concept of corporate governance. Seen from another perspective, fiscal governance summarizes the response of a company’s Board of Directors to the following questions:
1) What responsibilities and opportunities does the company face in tax terms?
2) Which response to the above responsibilities and opportunities “best interprets” the interests of the shareholders and other parties involved?
8. Legal certainty, a principle universally recognized by the states, implies a uniform and certain interpretation of tax legislation. In carrying out an economic activity, the taxpayer must be able to know with certainty and be clear on the tax obligations imposed by national legislation. Tools, such as rulings and circulars or resolutions (technical interpretations) aim to provide an univocal interpretation between tax offices, during the audit procedure. According to art. 12 Model Taxpayer Charter (*see* http://www.taxpayercharter.com/index.asp (accessed 23 Jan. 2020), the tax administration has the duty to communicate both the various interpretations of the tax legislation, and the positions taken on a given question: these interpretations must be published and made available to the taxpayer.
9. OECD, *Tax Morale: What Drives People and Businesses to Pay Tax?* (OECD 2019).
10. J. Alm & B. Torgler, *Culture differences and tax morale in the United States and in Europe* , 27 Journal of Economic Psychology 2, pp. 224-246 (2006).
11. B. Torgler, *Tax morale, rule-governed behaviour and trust* , 14 Constitutional Political Economy 2, pp. 119-140 (2003). Torgler suggest that there are other possibilities to increase tax morale, i.e. taxpayers are likely to follow rules they know or trust to produce good results or when they trust both the public officials and the legal system.
12. OECD, *Tax and Economic Growth* (OECD 2019), available at https://www.oecd.org/mena/competitiveness/41997578.pdf .

expenditure on research and development (R&D). Moreover, the OECD findings indicate that tax incentives have a stronger effect on R&D spending in comparison to direct funding.

A careful balance of tax policy choices from both a company taxation and personal income taxation perspective can provide the equilibrium necessary to create an attractive investment climate, resulting in stable and predictable tax systems that are managed in an efficient and transparent manner, yet are based on the principles of fairness and equitability.

3. Tax and Climate Change – Sustainable Tax Policies

Climate change affects us all. GTAP members are committed to sharing their knowledge and expertise in tax matters with governments and other international stakeholders with the aim of reducing carbon emissions in all sectors of the economy. To that end, fiscal policy should serve as a tool to facilitate the transition to a low-carbon economy for future generations. Future-proof tax systems need a balance between today's public finance needs and tomorrow's sustainable policies.

In this context, the Sustainable Development Agenda, published by the OECD, is particularly relevant.[13]This document, published in 2015, discusses a series of "goals" of significant relevance for the future of our planet. It emphasizes radical changes caused by the alarming increase in carbon emissions on a planetary scale. In this regard, it is necessary to recall how taxation, seen as a system of incentives and disincentives, can contribute profoundly to directing companies, governments and individuals towards the pursuit of goals that would otherwise be very challenging to reach, such as a reduction in carbon emissions.

The close relationship between fiscal policy and sustainability has been explored in the past in several publications,[14]which have highlighted the need to discourage emissions as a preventive method with respect to the drastic environmental consequences caused by the increase in temperatures.

Estimates of leading international organizations, such as the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD), the United Nations (UN) and the World Bank agree that a failure to face the most significant environmental challenges could potentially slow down the development of the world economy and push more than 100 million people into extreme poverty.[15]

In a context of great political and social instability, globalization has contributed to creating the conditions for a chaotic process of restoring equilibrium on a global scale. Considering the evident slowness demonstrated by most companies to adapt to the inevitable changes imposed by an increasingly interconnected world, it is reasonable to hypothesize that the consequences of further environmental instability may constitute a point of no return even from a social and cultural perspective.

The tax professionals united under the umbrella of the GTAP welcome the commitments of the new European Commission led by President von der Leyen to align the future direction of tax policy with Europe's climate ambitions by using a variety of policy instruments, including the State aid and competition law tools, which could support an equitable transition to a greener economy. The New European Green deal presents a unique opportunity to make Europe the first climate-neutral continent, under which every aspect of the economy ought to be revaluated to address the shortcomings of the global framework, which are compounded by the climate emergency.

To that end, the GTAP welcomes the tax policy tools of the New Green Deal aimed at removing subsidies for fossil fuels and shifting the tax burden from labour to pollution. Targeted VAT rates to reflect such ambitions should also be considered to encourage environmentally friendly policies, by adopting the Commission's proposal on VAT rates by EU Member States as a matter of priority. In this endeavour, the GTAP members stand ready to support policymakers across the globe to make such progressive climate change-related policies a reality for the benefit of generations to come.

4. Tax and Digitalization

The digital economy is characterized by an unparalleled dependence on intangible assets, massive use of data, widespread adoption of multilateral business models that capture value from externalities generated by free products, and by a difficulty in determining the jurisdiction in which value creation occurs. Despite the rapid growth of the digital sector, the methods of conducting business internationally have been revised; this requires a similar renewal of taxes and other regulations governing these companies.

The OECD admitted, for the first time, at its Ottawa Conference (1998),[16]that there was a need to address digital sector taxation but decided that the existing rules applicable to traditional companies were sufficient to manage even their digital counterparts. More than two decade later, however, the communication revolution is at its peak and new business models are being developed every day. The OECD has noted that national tax laws have not kept pace with the globalization of corporations and companies within the digital economy.

---

13. United Nations, *The Sustainable Development Agenda* , available at https://www.un.org/sustainabledevelopment/development-agenda/ (accessed 30 Oct. 2019).
14. A. Valente & M. Nicoli, *Taxation as a Pivotal Element for Sustainable Development Goals* , in *CFE Tax Advisers Europe 60th Anniversary – Liber Amicorum* ch. 19 (IBFD 2019), Books Online.
15. International Monetary Fund, OECD, United Nations (UN) and World Bank Group, *Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries* , Prepared Submission to G20 Finance Ministers (International Monetary Fund 2016), available at https://www.oecd.org/tax/enhancing-the-effectiveness-of-external-support-in-building-tax-capacity-in-developing-countries.pdf .
16. OECD, *A Borderless World: Realising the Potential of Global Electronic Commerce* (OECD 1998), available at http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=sg/ec(98)14/final&doclanguage=en (accessed 30 Oct. 2019).

This has allowed multinationals to capitalize on those gaps that exist in national systems to artificially reduce the amount of taxation. This has led to the creation of an action plan to tackle the tax challenges of the digital economy within the OECD Base Erosion and Profit Shifting (BEPS) Project. The initiatives of the OECD and the European Union in relation to the digital economy are aimed at adopting measures to fight aggressive tax planning and tax base erosion techniques, which are facilitated by the dematerialization that distinguishes digital companies.[17]

With weaker entry barriers and ease of access to a global customer base, through the widespread use of the Internet, a variety of small and medium-sized enterprises (SMEs) have established their presence as digital service providers in the form of electronic applications, online databases, online markets, multilateral platforms (which allow for customer-to-customer transactions), and cloud-based storage. Some of these companies operate on completely virtual platforms to serve customers globally and do not require a physical presence in any jurisdiction (for example, online databases), thus escaping taxation in most jurisdictions.[18]

Growth is currently defined by considering the various developments in the digital sector. Digital technologies have become an integral part of business and everyday life and their impact is expected to evolve over time. Digitalization produces its effects in the fields of technology, transport, education and health care. The creation of tax rules that can be shared by national legislators around the world is essential to fostering a digitalization process that is of service to mankind.

In the fiscal sector, digitalization exacerbates the disconnect between the place where value is created and where taxes are paid, which then influences the perception of fairness in tax systems, beyond borders and nations. Therefore, these important issues deserve a global response. At the same time, the new “single global tax jurisdiction” requires rules that find broad consensus.

Due to the rapid change in today’s environment and the challenges posed by the digitalization process, current solutions must be “future-proof” and consistent with the principle that profits must be subject to taxation in the place of actual creation of value. The GTAP thus calls for a coordinated response of international fiscal policy to the challenges posed by digitalization.

GTAP members are very much aware of the historic significance of attempting to recognize new taxation rights for jurisdictions as a result of the digitalization of the economy, in particular given that, under present rules, no income can be attributed to any nexus not based on physical presence. If the OECD project on addressing the taxation challenges of the digitalizing economy proves successful, it will represent a new era in the development of global tax policy and the principles it lays down will be used in fashioning future fiscal rules, the need for which is currently unknown. It will become a major precedent. Considering these circumstances, and in order to make meaningful progress in due course, the GTAP has called for more clarity and early consensus at a political level as to the outcome of this process, recognizing the consequences of departing from well-established principles of international tax law in a move towards a more complex international tax system that partly introduces formulary apportionment.

To this end, the GTAP believes that more time should be allowed in order to arrive at workable solutions that will withstand scrutiny and the tests of time. A comprehensive solution should be able to keep pace with the ever-evolving nature of digitalizing business models, resolve the present taxation challenges, while ensuring the sustainability of the process, which will justify the resources expended by taxpayers, their advisers and tax administrations in making the new rules a reality. This is particularly relevant for developing countries.

5. Taxpayer Rights and Certainty in a Fast-Paced World

Sustainable growth is dependent on effective tax compliance. Voluntary compliance by taxpayers guarantees greater resources, which are necessary for the implementation of the social contract between citizens and governments. When taxpayer rights are not sufficiently guaranteed, tax compliance is compromised. A tax framework that is unable to adequately address the current evolving reality leads to uncertainty at the expense of economic growth. Consequently, under a dynamic global economic framework, taxpayer rights should act as a “beacon” of certainty.

The GTAP underlines the fundamental importance of taxpayer rights to good tax governance and, to this end, its members urge governments and international bodies to promote the “fundamental right of tax certainty”. This right is appreciated in the Model Taxpayer Charter, an initiative undertaken by CFE Tax Advisers Europe, AOTCA and STEP.

Any discussion of the nature of taxpayer rights and responsibilities can start from a range of perspectives, but must first and foremost consider property rights. Article 17 of the Universal Declaration of Human Rights provides as follows:[19]

1. Everyone has the right to own property alone and in association with others;
2. No one may be arbitrarily deprived of all his properties.

In general, the following guiding principles should form the basis of any debate aimed at protecting taxpayer rights:[20]

(1) the fundamental civil liberty of any citizen to keep, for his own use and enjoyment, the product of his work and of his industry, subject only to the obligations that the law imposes (for example, taxation);

17. S. Huibregtse, *Digital Economy Handbook* (e-bright 2019).
18. Id.
19. M. Cadesky, I. Hayes, & D. Russell, *Towards Greater Fairness in Taxation, A Model Taxpayer Charter* , Preliminary Report, p. 95 (IBFD 2016).
20. Id.

(2) the role of the tax consultant to provide the appropriate tools to customers in order to exercise the choices granted to them by the tax law and to help them comply;

(3) the role of a tax administration to collect the tax provided for by the law, nothing more, nor less; and

(4) all parties within the tax system must fully recognize and respect the role of others, starting from a conceptual basis of a philosophical nature that is of a pragmatic nature.

The first principle is based on the willingness of governments to promote and protect human rights.

The second acknowledges that, once accepted, the legitimate sovereign right of any nation to choose its own tax system, will have immediate consequences.

Regardless of the starting point, the same result tends to be achieved. Taxpayer rights must necessarily be recognized under any modern tax system.[21]

Finally, the overriding purpose of a Taxpayers' Charter is to foster a relationship of mutual trust, respect and responsibility between taxpayers and their tax administration by clarifying taxpayer obligations, while also upholding the rights of taxpayers. The Charter aims to ensure that all taxpayers are treated equally and without bias or preference, which will benefit the economy as a whole.

6. Conclusion

The "Torino-Busan Declaration" highlights four key priorities that are of relevance in the present tax arena. As such, it confirms the importance of taxation as a powerful tool to encourage (i) the growth of national economies, (ii) the pursuit of sustainable development and (iii) the acknowledgement of digitalization as a process that presents immense opportunities, but equally could be disruptive to the existing behavioural models at both an individual and organizational level. Fostering taxpayer rights in such a new and dynamic context can only prove to be beneficial. The GTAP will be instrumental in this process.

---

21. Art. 5 Model Taxpayer Charter indicates some principles present in the national legislation of most countries:

- the presumption of honesty and "truthfulness" of taxpayer behaviour, unless there is evidence of the contrary;
- the prohibition of abuse of rights, in the sense that a taxpayer must not use a statute for the purpose of hindering or delaying the actions of the tax administration in the execution of national fiscal provisions;
- a requirement that taxpayers act within the limits imposed by the national tax legislation;
- ignorance of tax legislation does not justify the non-application of the tax or non-payment of the tax due or non-application of the penalties;
- the principle of non-discrimination in the application of tax;
- recognition of an exemption from the application of interest and sanctions (in specific cases, in particular when the taxpayer proves to have operated in good faith); and
- tax legislation should not penalize a particular industrial sector or a certain employment sector without just cause.