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HARMFUL TAX PRACTICES AND OTHER TAX ISSUES

Report on a meeting of trade union experts held under the OECD Labour/Management Programme

Paris, 19th October 2001

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OECD LABOUR/MANAGEMENT PROGRAMME

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(Paris, 19th October 2001)

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FOREWORD

Under the OECD Labour/Management Programme for 2001, a meeting of trade union experts on "Harmful Tax Practices and Other Tax Issues" was held in Paris on 19th October 2001. The meeting was prepared in collaboration with the Trade Union Advisory Committee to the OECD (TUAC).

Below you will find the Agenda for this meeting, along with the Discussion Paper and the overall report of the discussions of the meeting of experts, which were both prepared by Prof. Flip de Kam, designated as General Rapporteur for this activity.

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AGENDA

1. OECD and Taxation: the Issues at Stake

Brief introduction by David HOLMES, Head of the E-Commerce and Tax Administration Division. Mr. Holmes will summarise the current work programme of the Division as endorsed by the Committee on Fiscal Affairs, focussing on recent achievements and future challenges.

Discussion
Documentation: Centre for Tax Policy and Administration brochure.

2. The OECD Harmful Tax Practices Project

(i) Phil GARLETT, Head of the Harmful Tax Practices Unit, will outline the purpose of the project, review progress and describe the next steps.

(ii) The International Transport Workers' Federation (ITF) will give an overview of ITF's work to link tax havens to flags of convenience and trade union rights abuses.

Discussion on wider trade union concern regarding tax havens and trade union rights abuses.

3. Tax Systems under Reform

Prof. Flip DE KAM, former Head of the Tax Analysis Unit, will review changes in the tax systems of OECD countries. He will draw from an OECD study of tax policy issues and from the annual OECD *Revenue Statistics* report, and include an analysis of the distribution of tax burdens on labour and capital. His presentation also summarises the main results of the annual OECD report *Taxing Wages*.

Discussion and trade union views of domestic developments of tax systems under reform.
Documentation: Paper prepared by Prof. De Kam [PAC/AFF/LMP(2001)8].

4. Work Place Changes – the Necessary Accompaniment to Greener Tax Systems

(i) Steven CLARK, Head of the Tax Policy and Statistics Unit, will discuss options to increase the role of environmental taxes, including the 'double dividend' issue, based on recent work in this area done jointly with the Environment Directorate.

(ii) Lucien ROYER, TUAC, will outline the trade union position on climate change and work place change.

Discussion
Documentation: Report on environmentally related taxes.

5. Summary of the results of the meeting by the Rapporteur.

Concluding remarks.

DISCUSSION PAPER[1]

1.0 INTRODUCTION

1.1 Purpose of meeting: scope of paper

This meeting brings together trade unionists and other experts to discuss key priorities in the OECD work on taxation policy. It will, among other things, take stock of the current position of the OECD project on harmful tax practices and tax havens. Other issues to be addressed at this seminar include the erosion of tax bases and the distribution of tax burdens on labour and capital as well as environmental taxes in connection with workplace changes.

1.2 The OECD and tax policy issues

OECD work in the field of taxation has a long and rich tradition that will not be detailed here. Current activities of the OECD Centre for Tax Policy and Administration are highlighted in the brochure that is part of the documentation prepared for this seminar.

1.3 Organisation of the paper

Section 2 of the paper introduces the OECD project on harmful tax practices and tax havens only very briefly, since this topic was extensively reviewed and discussed at a seminar last year.[2] Participants will be updated on this project by the OECD Secretariat. Major trends in tax revenues, both in aggregate and by tax category, are discussed in Section 3. The main considerations that should influence the design of tax policy include such well-known criteria as efficiency, horizontal and vertical equity and enforceability. They are discussed in a background paper available to participants in the seminar.

Over the past two years, the OECD has reviewed the tax systems of about half of its Member countries, using a common analytical framework. While the challenges facing tax policy makers in these countries are diverse, the policy recommendations by the OECD and their underlying rationale may provide several useful lessons for all OECD countries (Section 4). Among the challenges identified by the OECD are options to broaden the basis of major taxes, to reduce the tax burden on labour and expand the role of environmentally related taxes. For readers interested

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2 *Economic Effects of and Social Responses to Unfair Tax Practices and Tax Havens*. Report on a meeting of trade union experts held under the OECD Labour/Management Programme, 14 April 2000 (PAC/AFF/LMP(2000)5).

in more specific results of this line of tax work at the OECD, the rapporteur has prepared a second background document. The analysis of tax systems and their effects is greatly facilitated by tax statistics which the OECD releases annually in two publications, Revenue Statistics and Taxing Wages. These publications and main results for 1999 are introduced in yet another background paper.

I thank the OECD for its willingness to let me use extensive parts of existing documents while preparing the present paper and the three background documents. Notably, Sections 3, 4 and 5 draw heavily from a joint paper done by the Economics Department and the Centre for Tax Policy and Administration.[3]

2.0 HARMFUL TAX PRACTICES AND TAX HAVENS

Globalisation and new electronic technologies have permitted a proliferation of tax regimes designed to attract geographically mobile activities. Harmful tax practices exist when governments introduce practices designed to encourage non-compliance with the tax laws of other countries or that inappropriately erode other countries' tax bases. With this in mind, the 1998 OECD Report *Harmful Tax Competition: An Emerging Global Issue* focused on four criteria in particular to determine the presence of harmful tax practices:

- No or nominal taxes, in the case of tax havens, and no or low effective tax rates on the relevant income, in the case of preferential regimes;
- Lack of effective exchange of information;
- Lack of transparency, and
- No substantial activities, in the case of tax havens, and ring fencing, in the case of preferential regimes.

The first criterion is only a "gateway" factor used to determine whether tax competition is present. It is never sufficient by itself to constitute a harmful tax practice. One of the other factors must be present.

The OECD has a ministerial mandate to identify <u>tax havens and harmful preferential regimes in Member countries</u> based on criteria established in the 1998 Report. Also, the Report contains nineteen Recommendations to counter <u>harmful tax practices</u> in OECD member countries, non-member economies, and tax havens. The scope of the work is limited to highly mobile activities, such as financial and other service activities.

In a report issued in 2000[4], the OECD identified 35 tax havens and 47 potentially harmful preferential regimes in Member countries. The list of tax havens was non-condemnatory and the Committee on Fiscal Affairs (CFA) was given a mandate to pursue discussions with tax havens with a view to obtaining commitments to co-operate in the harmful tax practices work. The CFA

[3] Paul van den Noord and Christopher Heady, *Surveillance of tax policies: a synthesis of findings in economic surveys*, Economics Department Working Papers No. 303.

[4] OECD, *Towards Global Tax Co-operation: Progress in Identifying and Eliminating Harmful Tax Practices,* Paris 2000

was also given a mandate to develop "application notes" which would assist Member countries and non-OECD economies in determining whether their potentially harmful preferential regimes are actually harmful. Finally, the CFA was instructed to pursue the involvement of non-member economies in the harmful tax practices work.

3.0 TRENDS IN TAXATION

3.1 The level of taxation

The measurement of tax burdens is subject to controversy. The most commonly used gauge, the ratio of total tax revenues to gross domestic product (GDP), is only a rough indicator, mainly for two reasons:

(*i*) Institutional set-ups differ across countries in ways that significantly affect the reported tax to GDP ratio, without having much impact on the burdens actually imposed by taxation. For example, there are differences across countries, and over time, in the taxation of transfer income, the size of tax payments by the public sector itself and the mix of subsidies and tax expenditures.

(*ii*) Some taxes may have a stronger impact on economic behaviour – *i.e.* act more as a 'burden' – than others, and it is therefore useful to examine the breakdown of tax revenues by tax base.

Even so, bearing these caveats in mind, the ratio of aggregate tax revenues to GDP is useful as a scaling factor: to the extent tax systems matter for economic efficiency, their costs are likely to rise as economic decision makers' exposure to taxation increases. The evolution of tax revenue as a percentage of GDP in OECD countries since 1965 is reported in Table 1.

The stylised facts are the following. There has been a persistent and largely unbroken upward trend in the ratio of tax to GDP since 1965 across most of the OECD area, though recent developments suggest the trend increase has levelled off and may be ending. Only in the Netherlands are tax ratios currently below their 1975 level, and in only three other countries, *i.e.* Mexico, the United Kingdom and the United States, have tax receipts developed broadly in line with GDP over a long period.

A few more, including Ireland, Japan, New Zealand and Sweden, have succeeded in reducing the tax ratio from peak levels of 1985 or 1990, but not by large amounts. Only rather recent data available for transition countries suggest that these countries are recording falling tax revenues relative to GDP as well, although this may reflect in part 'erosion' of their tax bases while they are grappling with the transition process.

Tax ratios in the European Union, averaging more than 40 per cent of GDP, generally exceed those elsewhere. Outside Europe, only Canada and New Zealand have tax ratios above 30 per cent of GDP.

Declining tax ratios are currently reported more widely across countries. This largely reflects public expenditure trends, although fiscal consolidation efforts during the 1990s have implied that

the success a number of countries have had in reducing expenditure ratios has not yet been reflected in tax ratios that are actually falling. Moreover, a favourable cyclical position has buoyed the tax take as a percentage of GDP notwithstanding tax cuts implemented in a large number of countries.

3.2 The structure of taxation

The distribution of tax revenue among major taxes for OECD countries in 1998 is reported in Table 2 while Figure 1 provides a graphic comparison of tax structures among the largest OECD economies, *i.e.* the United States, Japan and the European Union. The OECD average shows that the vast bulk of tax revenue, *i.e.* over 80 per cent, comes from three main sources: income taxes, taxes on goods and services, and social security contributions (other payroll taxes are zero or very small in most countries). However, countries vary considerably in the relative importance of these three main revenue sources. Notably, Australia and New Zealand do not collect social security contributions. There are also substantial differences across countries in the share of taxes on property, which are generally lower in continental Europe than elsewhere. Overall, the European Union relies more on consumption taxes and social security contributions and less on personal income tax than the OECD average. In contrast, the United States collects more in personal income tax and property tax but less in consumption taxes and social security levies. Japan is similar to the United States in its low share of consumption taxes but collects much less in personal income tax, offsetting this with higher levels of corporate tax and social security contributions.

As tax to GDP ratios have risen, the largest part of the increases has taken the form of higher social security contributions (see Figure 2) reflecting the expansion of social insurance systems substantially financed by such contributions. Higher personal income taxes have also played a significant role, although most of the rise in these had taken place by 1975. Corporate income and wealth, possibly more constrained by the potential mobility of their bases than social security, and personal income taxes, have risen more modestly, as have taxes on goods and services.

4.0 OPTIONS FOR TAX REFORM

To varying extents across countries there seems to be scope for improving the performance of tax systems of OECD economies in several respects, which can be grouped under the following four broad categories:

4.1 Reducing distortions in economic behaviour

First, distortions in economic behaviour stemming from taxation may be reduced. This would need to involve the reduction of tax disadvantages to employment, especially in several European countries (box 1). In particular, although recent reforms have been going in this direction, further efforts are needed to reduce the high tax wedges affecting low-income earners (see box 2) as well as those workers that are at the upper end of the income distribution – preferably combined with further broadening of tax bases to avoid an increase in marginal tax rates of middle income earners' revenue. Such changes would be instrumental in raising the chances of lower-skill

workers finding gainful employment while reducing tax planning and avoidance activities of the higher skilled that go against objectives of both economic efficiency and equity.

BOX 1 ***LABOUR AND CAPITAL INCOME TAX RATIOS***

Over the past ten years, tax ratios derived using aggregate data – also known as implicit tax rates – have attracted growing interest from both policymakers and academic policy analysts as a possible approach to measuring average effective tax rates on various income categories and taxpayer groups. Implicit tax rates are essentially ratios measuring aggregate revenues from one or more taxes – e.g. taxes on employed labour, taxes on capital – as a percentage of some aggregate tax base – *e.g*. total compensation of employees, all income accruing to the owners of capital (including workers participating in pension funds). Academic research suggests that high labour taxes have contributed to current high unemployment levels in Europe. In contrast, the tax rate on capital income is thought to have fallen. In 1998, European Commissioner Mario Monti argued that

"Unbridled tax competition between member states has caused average tax rates on mobile factors of production, notably capital, to fall from 45.5 per cent to less than 35 per cent in the last fifteen years. In the same period, the average tax rate on labour has increased from 34.9 per cent to more than 42 per cent. A growing body of evidence now points to a strong negative effect of high labour taxes on the level of employment … in Europe."

However, a recent study commissioned by the OECD concludes that there are significant problems associated with calculating labour and capital income tax ratios.[5] This study finds that most tax ratios reported in the academic literature suffer from a number of methodological flaws, and furthermore, are not good approximations of actual tax burdens. The basic message of the study is that policymakers should be aware of the measurement problems underlying average tax ratios based on aggregate data, should they be fielded to shape public policy debates. The authors of the OECD study have suggested some refinements to the existing methodology to measure tax ratios and generated some quantitative results of their own. Key outcomes of their research are reproduced in Tables 3A and 3B.

Generally speaking, labour income tax ratios have indeed increased in the 1980-1996 period, but less so than claimed in the quote from Mr. Monti. Also, in two EU Member States the labour income tax ratio actually fell by a few points. Trends in capital income tax ratios are more diverse. In fact, this ratio increased during the 1980-1992 period in three out of the eight countries included in Table 3. Only in the case of the UK the ratio fell by more than 10 points. Although the general trend emerging from these results confirms to some extent current concerns over a tax shift from labour to capital, outcomes reported in the OECD study also suggest that the overall picture of tax ratios on labour and capital income has many more nuances than is often thought.

The neutrality of tax systems with regard to the choice of investment funding, business organisation and location are other priorities for reform, with a view to reducing the, potentially costly, distortions in these areas. Strengthening the neutrality of taxation across savings vehicles would be complementary to this approach.

[5] OECD, *Tax Ratios: A Critical Survey*. Paris, 2001 (OECD Tax Policy Study No.5).

BOX 2 ***EASING THE TAX BURDEN ON LOWER-PAID LABOUR***

The heavy taxation of wage earnings which is typical for countries that maintain extensive social security systems drives a large wedge between the real labour compensation as perceived by employers – which includes employer contributions to finance social security and private pension plans -- and real take-home pay per worker. This phenomenon is particularly pronounced in several countries of the European Union.[6]

To the extent that industrial relations, regulatory constraints or transfer schemes prevent the incidence of this wedge from being borne by the workers, firms will be induced to cut back their use of labour. This may take the form of substitution of (typically low-skill) labour with other production factors, downsizing of activity or relocation of activity to countries that offer lower wages for a given level of skills and competencies.

At the same time, where tax and social security contributions are shifted back into wages they may generate disincentives to seek work or raise work effort – *i.e.* if the substitution effect exceeds the income effect in the labour-leisure trade-off.

If tax enforcement is weak, and confronted by the 'tax penalty on employment', firms and workers may also drift into the 'informal' economy. Easing this problem by cutting the tax burden on labour, based on a careful assessment of the trade-off between the social returns on public expenditure and the social cost of labour taxation, would seem to be a top priority. Concerns about excessive labour costs prompted initiatives in several EU countries (Belgium, France, the Netherlands, Spain and the United Kingdom) to cut social security contributions at the bottom end of the pay scale. Such measures are generally seen to be effective in terms of creating job opportunities for low-skilled workers and may in fact enhance the vertical equity of the tax and social security system at a relatively small, if any, net fiscal cost.

A few countries, in addition, have introduced cash transfers to active workers whose (family) earnings are below a certain threshold. In this respect, Finland, Ireland, Greece and recently France followed the examples of the United States, the United Kingdom, New Zealand and Canada. Such schemes aim to reduce the tax burden at low levels of earnings in order to increase participation in work, in particular for people eligible for unemployment compensation or welfare benefits. This policy approach is considered to be effective in encouraging labour supply -- in particular if combined with a minimum wage at a reasonable level, as this limits the extent to which the incidence of the tax credit might be transferred from the worker to their employer. A drawback is that incentives for additional work effort at income levels in the abatement range of the credit are reduced (the transfer is phased-out as earnings approach a statutory threshold).

4.2 Correction of market failures

A second option for tax reform is to make taxes that aim to correct market failures more efficient (see box 3). For example, improvement in the effectiveness of environment taxation should also

[6] The cross-country spread in tax wedges would even be larger when taking into account the taxation of consumption from wage earnings, with countries in the European Union featuring not only the highest labour taxes but also the highest consumption taxes.

be on the policy agenda. In order to encourage the development and application of environmentally-friendly technology and to be in line with the ‘polluter pays principle’, green taxes should be related to the damage done to third parties and therefore levied in proportion to the content of environmentally harmful substances in inputs or outputs. Meanwhile, where governments levy taxes on the use or emission of harmful substances, countries might realise efficiency gains if they moved towards lessening exemptions that seek to protect the international competitiveness of heavy polluters.

BOX 3 THE MOVE TOWARDS GREENER TAX SYSTEMS

OECD Member countries face a number of environmental challenges, including the protection of the ozone layer, local air quality, acidification and eutrophication, water supply and water quality, waste management and biodiversity losses. Over the last decade, the role of economic instruments in environmental policies of OECD countries has significantly expanded. In this context, a distinctive feature is the increasing role of environmentally related taxes. There is growing evidence on the effectiveness of environmentally related or ‘green’ taxes in OECD countries as a means to reduce damage to the environment.

All industrialised countries have introduced environmental taxes to a varying extent, and an increasing number of countries are implementing comprehensive green-tax reforms, while others are contemplating to do so. The revenue from environmentally related taxes now averages roughly 2% of GDP in OECD countries. In the context of environmental concerns, green taxes introduce a price signal that helps ensure that polluters – both firms and households – take into account the costs of pollution on the environment when they make production and consumption decisions. Taxes are a flexible policy instrument that can provide incentives for technological innovation and further reductions in polluting emissions.

International competitiveness

A major obstacle to the implementation of environmentally related taxes in certain cases is the fear of reduced international competitiveness in the most polluting, often energy intensive, sectors of the economy. To date, environmentally related taxes currently imposed by OECD countries have not been identified as causing significant reductions in the competitiveness of any sector. This is consistent with research on economic performance that shows that skills and capital investment largely determine sectoral competitiveness. Also, different sectors within countries differ in terms of their exposure to international trade and competition. The finding is also not surprising given the numerous forms of exemptions and rebates currently granted to business. Indeed, a joint OECD/EU database shows that environmentally related taxes are levied almost exclusively on households and the transport sector. These exemptions and rebates create inefficiencies in pollution abatement and undermine application of the polluter pays principle.

Blanket exemptions for polluting products along with rebates for heavy polluting industries can significantly reduce the effectiveness of environmentally related taxes in curbing pollution and similarly reduce incentives for developing and introducing new technologies. Consideration might

be given to a dual (two-tier) rate structure, rather than the use of full exemptions, with lower rates for the more internationally exposed sectors, as a possible alternative. The negative environmental effect of exemptions and rate reductions can also be limited by ensuring that firms that currently benefit from exemptions and reduced tax rates sign up to stringent mitigation measures.

Pre-announcing the introduction of environmentally related taxes and tax rate increases, and a gradual reduction or phasing out of rebates and exemptions, are two policy options that could ease implementation, and make environmental taxes more effective, while also addressing competitiveness concerns.

Income distribution

The distributional incidence of environmental policy measures has become a key issue in the policy debate. The data show that some environmentally related taxes are regressive at least to some extent, impacting more on low-income households, and can also increase regional income disparities in some countries. However, a complete assessment of distributional effects would also include the secondary impact of any compensation payments, tax reductions, and the induced employment effects. It should also take into account the distribution of the environmental benefits resulting from the tax.

Mitigation measures (e.g. reduced tax rates for lower incomes) to address the regressivity concerns can reduce the environmental effectiveness of the taxes. Governments should seek other, and more direct, measures if low-income households are to be compensated (e.g., transfers). Such compensation measures can maintain the price signal of the tax, whilst reducing or eliminating the impact of the tax on household income (for average polluters).

The use of tax revenue

Each country decides on the use of revenues from environmentally related taxes according to its specific economic, fiscal and environmental situation. Several options are available. The revenues could alleviate a budget deficit, contribute to a budget surplus, or finance discretionary increases in government expenditures. The revenues can also provide room for discretionary reductions in other taxes to reduce distortions (efficiency losses) in labour or capital markets. Where revenues are used to enable reductions in other taxes this can limit the efficiency loss generally incurred by the collection of tax revenues if the taxes being reduced are more distorting than the environmentally related taxes being introduced. This question depends on the final incidence of the taxes in question, where different taxes may have different tax burden effects.[7]

[7] All taxes, including taxes imposed on pollution, are ultimately borne by individuals as consumers, workers, employers or investors. However, final tax incidence – that is, how its burden gets passed on to individuals through some combination of higher prices, lower wages, and/or lower returns to capital – can differ depending on the specific tax and the characteristics of the affected markets.

One particular, and often debated option, is a shifting of the tax burden from labour to pollution, with the expectation that a lower tax burden on labour would encourage work effort and thereby contribute to a decrease in unemployment, while improving the environment (the 'double dividend' hypothesis). The theoretical and empirical evidence for a double dividend is not conclusive. Estimates of potential job growth are very uncertain. Also, the primary aim of environmental taxes is to improve the environment and stimulate energy conservation, not to create jobs. Nevertheless, a number of governments are implementing revenue-neutral green tax reform, *inter alia* with the intention of realising a double dividend. If it could be demonstrated conclusively that positive employment effects follow from switching the burden of taxation to pollution from labour, this evidence could counterbalance the competitiveness and equity arguments used against implementing new or higher environmentally related taxes. There is a need to carry out *ex post* evaluations of these policies, to reject or confirm the double dividend hypothesis.

A typical feature of environmental tax policy is earmarking of certain tax revenues for environmental projects.[8] In itself, this approach is a source of efficiency losses. If there are worthwhile environmental projects, the source of finance should not be a motivating or constraining factor for realising them. Moreover, earmarking means that an opportunity to cut distorting taxes in other areas, notably those impinging on the labour market, would be missed. On the other hand, such opportunities may be smaller than hoped for, to the extent environmental taxes contribute to the tax wedge on labour. Since labour is a relatively immobile factor, and capital relatively mobile, notably in open economies, it is indeed likely that the ultimate tax incidence will be on labour. Green tax reforms, as a result, are not a panacea for resolving labour market problems.

Where the revenues are earmarked to specific spending purposes, this fixes the use of tax revenue in advance, which may create an obstacle for the re-evaluation and modification of existing tax and spending programmes. Therefore, the economic and environmental rationale of such measures should be evaluated regularly to avoid inefficient spending that would otherwise not be financed from general tax revenues. For instance, allocating transport taxes to road infrastructure may lead to over-investment in that sector.

4.3 Improving the fairness of tax systems

A third option for tax reform is to use the potential for improving the fairness of tax systems. Tax systems in OECD countries have been designed to raise revenues to fund public expenditures, taking account of economic efficiency objectives and a desire to redistribute income and wealth to those most in need. In order to ensure that the thrust of the tax system does not go against income-distribution goals, it needs to be equitable in a vertical sense, *i.e.* ensure that the most affluent pay a higher proportion of their income in tax. In practice this goal is not always achieved, because more affluent individuals are typically in a better position to take advantage of avoidance and evasion opportunities. Importantly, equity is not only an end in itself but a system

8 The joint OECD/EU database on environmentally related taxes identifies the earmarking of 45 different taxes and 106 fees and charges in 21 OECD countries.

that is generally perceived as being fair will also bolster the acceptance and legitimacy of taxes and facilitate their enforcement.

4.4 Improving the tax collection process

A final option for tax reform which suggests itself is the improvement of the effectiveness and efficiency of tax collection, enforcement and administration. Such reform would preserve, and in some cases enhance, the revenue-raising capacity of tax systems. A key feature of these efforts must be improved co-operation between tax authorities in different countries, including effective exchange of information.

TABLES AND FIGURES

Tables

1. Total tax revenue as percentage of GDP

2. Tax revenue of major taxes as a percentage of total tax revenue, 1998

3A Labour income tax ratios (%)

3B Capital income tax ratios (%)

Figures

1. Tax mix by source

2. Evolution of the tax mix over time

Table 1. **Total tax revenue as percentage of GDP**

	1965	1970	1975	1980	1985	1990	1995	1998	1999 [a]
Australia	22.4	22.9	26.6	27.4	29.1	29.3	29.4	29.9	..
Austria	33.9	34.9	37.7	39.5	41.6	40.2	41.5	44.4	44.3
Belgium	31.1	35.7	41.6	43.1	46.3	43.1	44.8	45.9	45.4
Canada	25.9	31.2	33.1	32.0	33.1	36.1	35.7	37.4	..
Czech Republic	..	..	..	..	..	..	40.1	38.3	37.5
Denmark	29.9	40.4	41.4	44.0	47.4	47.1	49.4	49.8	50.6
Finland	30.3	32.5	37.7	36.2	40.0	44.7	45.0	46.2	46.5
France	34.5	35.1	36.9	40.6	43.8	43.0	44.0	45.2	46.0
Germany [b]	31.6	32.9	36.0	33.1	32.9	32.6	38.2	37.0	37.7
Greece [c]	18.2	20.9	21.0	24.0	28.6	29.4	31.7	35.7	37.1
Hungary	..	..	..	..	..	..	42.4	38.7	37.0
Iceland	26.2	27.0	29.6	29.2	28.4	31.4	31.2	33.6	35.4
Ireland	24.9	29.9	30.2	31.5	35.1	33.6	33.1	32.3	31.9
Italy	25.5	26.1	26.2	30.3	34.4	38.9	41.2	42.7	43.0
Japan	18.3	19.7	20.9	25.4	27.6	30.9	28.4	28.4	27.7
Korea	..	..	15.2	17.7	16.9	19.1	20.5	21.1	23.8
Luxembourg	27.7	28.9	39.6	40.8	45.3	40.8	41.9	41.5	42.1
Mexico	..	..	..	16.2	17.0	17.3	16.6	16.0	16.5
Netherlands	32.8	37.1	43.0	43.4	42.4	42.8	42.0	41.0	40.3
New Zealand	24.7	27.4	31.1	33.0	33.6	38.1	37.6	35.2	..
Norway	29.6	34.9	39.9	42.7	43.3	41.8	41.5	43.6	41.8
Poland	..	..	..	..	..	..	39.9	37.9	..
Portugal	15.8	19.8	21.3	24.6	27.1	29.6	32.7	34.2	34.5
Spain	14.7	16.9	19.5	22.9	27.6	33.0	32.8	34.2	35.1
Sweden	35.0	39.8	43.4	47.1	48.3	53.7	47.6	52.0	52.1
Switzerland	19.6	22.5	27.9	28.9	30.6	30.9	33.5	35.1	35.1
Turkey	10.6	12.5	16.0	17.9	15.4	20.0	22.6	28.6	31.8
United Kingdom	30.4	37.0	35.4	35.4	37.7	36.0	35.2	37.2	36.6
United States	24.7	27.7	26.9	27.0	26.1	26.7	27.6	28.9	..
Total OECD									
Unweighted average	25.8	28.9	31.1	32.1	33.8	35.0	36.1	37.0	37.3
Weighted average [d]	23.1	25.4	26.7	28.3	29.1	30.3	31.9	32.8	33.0
European Union									
Unweighted average	27.8	31.2	34.1	35.8	38.6	39.2	40.1	41.7	42.1
Weighted average [d]	29.1	31.6	33.4	34.6	36.8	37.7	39.4	40.3	40.7

a) Figures for 1999 are estimates.
b) Unified Germany beginning in 1991.
c) Figures for 1998 and 1999 are based on a submission by the national authorities.
d) Using 1995 GDP at purchasing power parities as weights. In 1998 and 1999 the average is based on the latest year for which data are available.
Source : OECD *Revenue Statistics*, 1965-1999.

Table 2. **Tax revenue of major taxes as a percentage of total tax revenue, 1998** [1]

Type of Tax	Personal income[2]	Corporate income[2]	Social security and other payroll	Property	Goods and services	*of which:* General consumption
Australia	43.3	15.2	6.6	9.5	25.5	8.5
Austria	22.5	4.8	40.3	1.3	27.9	18.7
Belgium	30.7	8.5	31.5	3.2	24.9	15.3
Canada	38.5	10.0	15.8	10.4	24.7	14.0
Czech Republic	13.6	9.7	44.1	1.5	31.0	17.1
Denmark	51.6	5.6	3.9	3.6	33.2	19.6
Finland	32.3	9.0	25.2	2.4	30.7	18.5
France	17.4	5.9	39.5	7.3	26.6	17.5
Germany	25.0	4.4	40.4	2.4	27.4	17.9
Greece (1997)	13.2	6.4	32.3	3.8	41.0	22.6
Hungary	16.8	5.6	36.2	1.6	39.0	23.5
Iceland	35.2	3.4	8.3	7.1	45.9	28.9
Ireland	30.9	10.7	13.8	5.2	38.7	22.2
Italy	25.0	7.0	29.5	4.8	27.4	14.2
Japan	18.8	13.3	38.4	10.5	18.8	8.9
Korea	20.1	12.2	11.4	11.4	40.5	16.5
Luxembourg	18.8	19.7	25.6	8.4	26.1	13.7
Mexico [3]	29.5	..	18.0	..	51.3	19.4
Netherlands	15.2	10.6	39.9	4.9	27.7	16.9
New Zealand	41.8	10.9	0.9	5.7	36.0	26.0
Norway	27.3	9.7	23.3	2.4	37.2	21.3
Poland	22.0	7.5	33.1	3.0	34.4	20.8
Portugal	17.1	11.6	25.5	2.9	41.3	23.3
Spain	20.8	7.3	35.2	6.0	29.4	16.6
Sweden	35.0	5.7	33.5	3.7	21.6	13.6
Switzerland	31.8	6.0	35.7	8.3	18.2	10.0
Turkey	27.0	5.8	14.3	2.8	35.7	30.0
United Kingdom	27.5	11.0	17.6	10.7	32.6	18.1
United States	40.5	9.0	23.7	10.6	16.2	7.6
Total OECD						
Unweighted average	27.1	8.9	25.6	5.4	31.3	17.9
Weighted average [4]	30.0	9.1	28.2	8.3	23.2	12.5
European Union						
Unweighted average	25.6	8.7	28.9	4.7	30.2	17.5
Weighted average [4]	23.9	7.1	32.7	5.4	28.8	17.2

1. Rows do not add to 100 because some minor taxes are omitted and general consumption taxes (mainly VAT) are a sub-category of taxes on goods and services.
2. The breakdown of income tax into personal and corporate income tax is not comparable across countries; see foonote 8 in the
3. The figure for personal income tax in Mexico combines personal and corporate income tax.
4. Using 1995 GDP weights at purchasing power parities as weights. Mexico is not included in the OECD

Source: OECD Revenue Statistics, 1965-1999.

Table 3A Labour income tax ratios (%)

	1980	1996	change 80-96
			Points
Austria	35.9	43.7	+ 7.8
Belgium	40.7	47.8	+ 7.1
Finland	31.8	39.0 a)	+ 7.2
France	35.6	40.1 a)	+ 4.5
Germany	33.0	35.5 b)	+ 2.5
Ireland	22.8	32.2 b)	+ 9.4
Italy	36.4	53.1	+ 16.7
Netherlands	42.1	39.8	− 2.3
United Kingdom	29.2	27.8	− 1.4

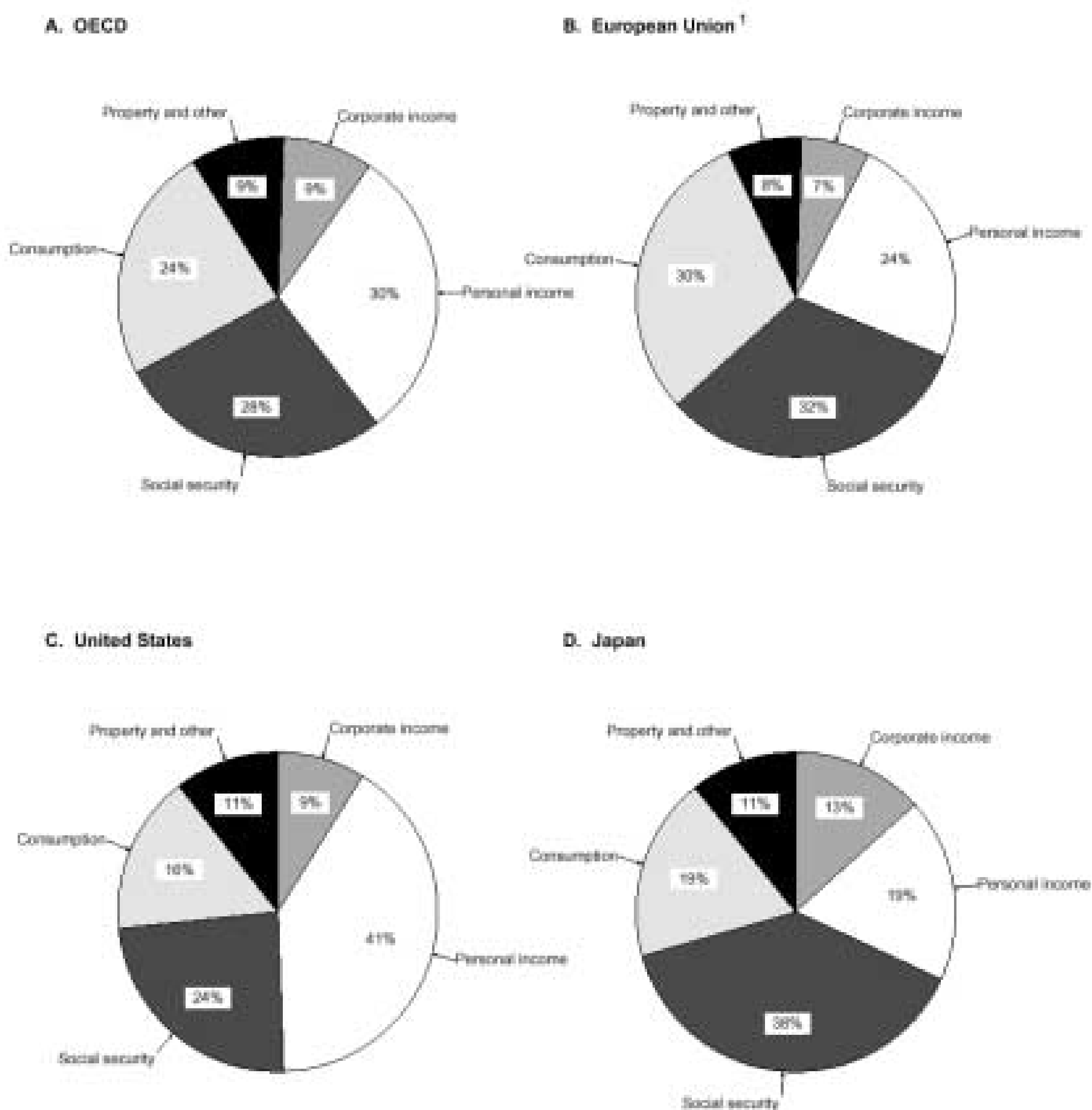
a) 1992
b) 1990

Table 3B Capital income tax ratios (%)

	1980	1992	change 80-92
			Points
Austria	17.1	22.2	+ 5.1
Finland	12.4	22.9	+ 10.5
France	27.2	24.8	– 2.4
Germany	63.6	55.9 a)	– 7.7
Ireland	18.7	17.0	– 1.7
Italy	14.2	23.8 b)	+ 9.6
Netherlands	34.1	29.8 b)	– 4.3
United Kingdom	57.1	36.0 b)	– 21.1

a) 1990
b) 1996

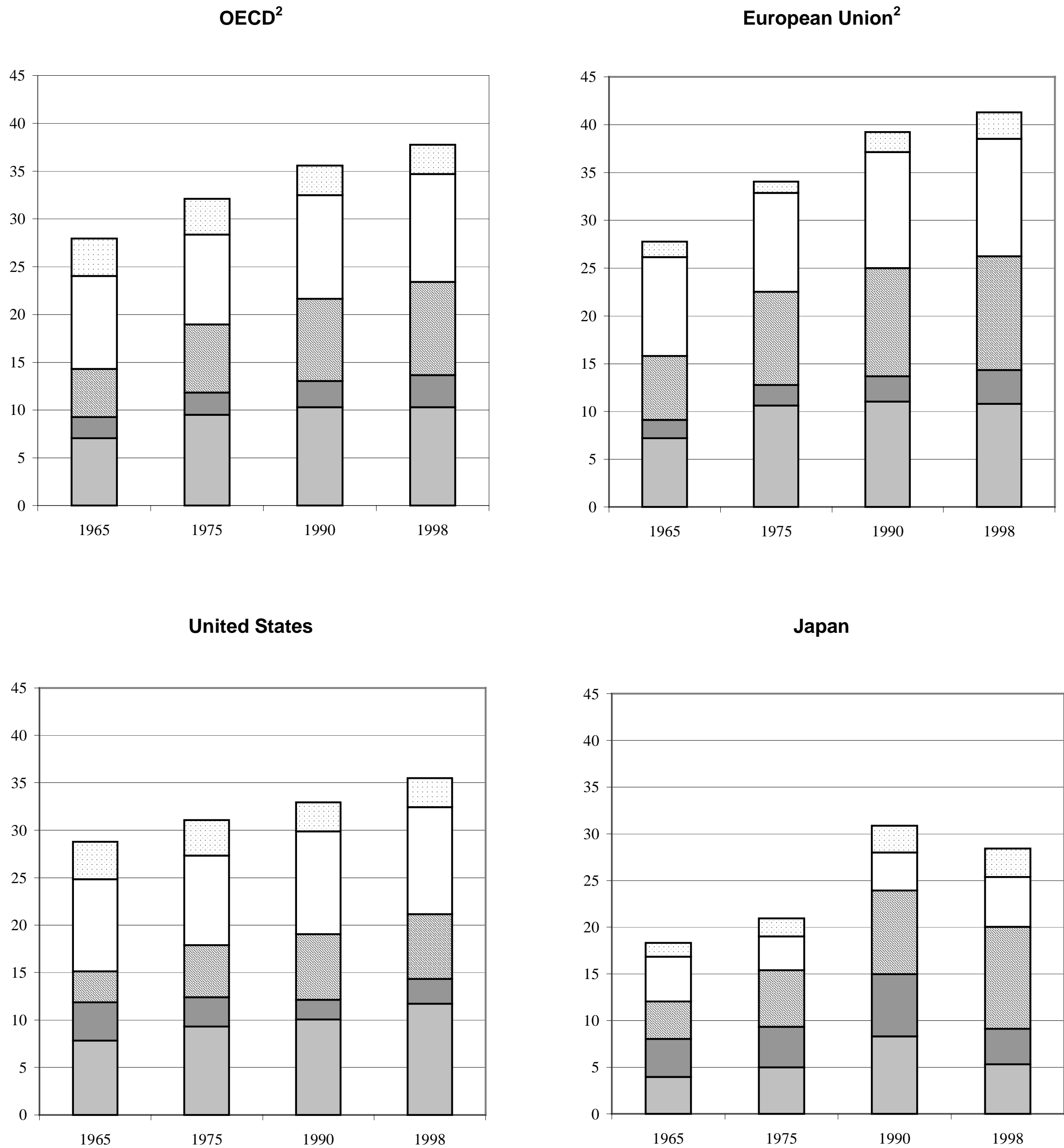
Figure 1. Tax mix by source
Per cent share of total revenue, 1998



1. Weighted average.
Source: OECD, Revenue Statistics 2000.

Figure 2. **Evolution of the tax mix over time**

Per cent of GDP



1. The breakdown of income tax into personal and corporate income tax is not comparable across countries; see footnote 8 in the text.
2. Unweighted average.
Source: OECD Revenue Statistics, 1965-1999.

FINAL REPORT ON THE MEETING

by
Mr. Flip de Kam
Professor of Public Finance at Groningen University
(Netherlands)

BACKGROUND

The objective of the meeting was to bring together trade unionists and other experts to discuss key priorities in current OECD work on taxation policy. Among other topics, the meeting was to take stock of the present position of the OECD project on harmful tax practices and tax havens. It was also meant to consider the potential linkage of this work to related issues which are of importance to the trade union movement, such as offshore financial centres, money laundering and "flags of convenience" in international shipping. Other issues of importance to trade unions to be discussed at this seminar included the distribution of tax burdens on labour and capital as well as environmental taxes in connection with workplace changes.

For this meeting, participants had received a discussion paper prepared by the Rapporteur, Professor Flip de Kam, Department of Economics of Groningen University.

A full list of participants is attached as an Annex to this report.

The meeting was chaired and opened by Mr. Bob Baldwin, Director, Social and Economic Department of the Canadian Labour Congress.

OVERVIEW OF THE ISSUES

Mr. David Holmes, Head of the E-commerce, Consumption Taxes and Tax Administration Division of the Centre for Tax Policy and Administration (CTPA) outlined the structure of the Centre which operates under the OECD Committee on Fiscal Affairs (CFA). The Committee lays down the work of its subsidiary bodies and oversees its implementation. The Committee co-operates with other international organisations, including UN agencies, the IMF, the WTO and the CEU, and with regional tax organisations such as the Commonwealth Association of Tax Administrators (CATA) and the Centro Interamericano de Administraciones Tributarias (CIAT).

Mr. Holmes pointed out that the OECD undertakes an extensive policy dialogue with non-member countries (Global Forum on Taxation), because global problems need global solutions and the 30 OECD Member countries are too small a group to set international standards. This dialogue with non-Members includes over 60 countries and 70 events per year. An important part of the work is to support the transition of former communist countries to market economies.

The CFA entrusts most of its daily work to five Working Parties (WP):

- WP1 regularly reviews and updates the OECD Model Tax Convention which provides clear consensual rules for taxing income and capital; over 1500 tax treaties are currently in place;
- WP2 provides the CFA with analysis of tax policy choices facing governments and annually produces internationally comparable tax statistics – the *Revenue Statistics* and *Taxing Wages* reports –, which make essential reading for policy makers;
- WP6 considers the taxation of multinational enterprises, emphasizing the arm's length principle to determine the tax liability in each jurisdiction where transnational companies operate, as embodied in its Transfer Pricing Guidelines;
- WP8 focuses on tax avoidance and evasion, including the exchange of information and access to bank information for tax purposes;
- WP9 provides a forum to discuss policy, administrative and technical issues concerning value-added tax as well as sales taxes and excise taxes.

The CFA has established the Forum on Strategic Management which brings together senior tax administrators to share information and develop international best practices for resolving particular administration issues. As one example of innovative progress achieved in administrative matters, Mr. Holmes cited that taxpayers fill out their tax returns online, as is already possible in several countries, both Members and Non-members of the OECD.

The Forum on Harmful Tax Practices addresses tax practices considered harmful in Member countries, tax havens and Non-OECD economies.

After this presentation, Mr. Peter Coldrick, Confederal Secretary of the European Trade Union Confederation (ETUC) took the floor and asked about the relation between the OECD work on harmful tax practices and the Code of Conduct work undertaken by the European Union. The Secretariat (Mr. Holmes and Mr. Gartlett) confirmed that there is an overlap of concerns here, but that both policy initiatives stand alone. Also, there are various differences in approach. For one, the OECD does not aim for tax harmonisation. Also, the OECD activities have a more global reach, given the present limited membership of the European Union.

Other Delegates fielded questions covering the Financial Action Task Force (FATF) actions on anti-money laundering, reporting of profits allocated by transnational corporations to high and low tax jurisdictions in the National Accounts for these countries, and the treatment of private payments for social security in the OECD *Revenue Statistics*.

In reply, the Secretariat pointed out that the Task Force is not a part of the OECD and that it sets its own agendas. The Secretariat clarified that in line with internationally agreed guidelines value-added is included in the Gross Domestic Product of the countries where it is created. The amount of value-added may be impacted by accounting practices of transnational corporations. Delegates were referred to the OECD National Accounts Division for further information. It was confirmed that the *Revenue Statistics* only report payments made to general government, since private payments can not be considered as taxes. As a consequence, countries that rely more on private arrangements are shown as having less social insurance coverage and lower tax burdens.

The Chair then introduced Mr. Phil Garlett, Head of the Harmful Tax Practices Unit of the CTPA. Mr. Garlett summarised the history of this project, recalling that the work is based upon a mandate from Ministers in 1996 and reminding participants that the scope of the original 1998 Report was on mobile financial and other services, whereas manufacturing and similar activities are not considered. That report shows that the OECD is not opposed to tax competition as such, and that the organisation does not aim to harmonise or equalise tax rates. Instead, the OECD developed factors for identifying harmful tax practices. Such factors include:

- no or only nominal taxes/low effective tax rates;
- lack of effective exchange of information;
- lack of transparency;
- no substantial activity (tax havens);
- ring fencing (preferential regimes only available to 'outsiders').

By eliminating harmful tax practices the international community creates acceptable rules for fair competition in the area of taxation.

Mr. Garlett discussed some key factors in identifying harmful tax practices in greater detail, such as transparency, access to and exchange of information 'upon request', that is, only in the context of a specific inquiry.

The 2000 Progress Report identified 47 potentially harmful preferential regimes in OECD Member countries and included a list of 35 tax havens. The current status of the work was:

- on <u>tax havens</u>:
  - ✓ 5 new commitments from jurisdictions on the original list;
  - ✓ all 11 committed jurisdictions participate in the Global Forum Working Group which is developing a model information exchange instrument;
  - ✓ discussions with virtually all tax havens identified on the list in the 2000 Report.

- on <u>preferential regimes</u> in <u>Member countries</u>:
  - ✓ application notes being developed. Input has been sought from BIAC, the committed jurisdictions and Non-member economies.

- on <u>Non-member countries</u>:
  - ✓ discussions in bilateral and multi-lateral framework to associate them with the work of the project;
  - ✓ participation in meetings of regional tax organisations (CIAT etc.)
  - ✓ encourage self-assessments applying the factors for identifying harmful tax practices.

Talking about future work, Mr. Garlett recalled that the Member country deadline for the project is April 2003. The tax haven deadline is December 2005.

When the floor was open for discussion, a Delegate from Italy asked whether this process would be sped up and what happens if tax havens are non-co-operative. In response, the Secretariat explained that the time schedule for the work is fixed and that tax havens that do not co-operate in the project can be subject to various defensive measures by OECD governments. Such measures should be proportional to the situation.

In reply to remarks made by a Delegate from Germany and by Mr. Roy Jones (Senior Policy Adviser to TUAC), the Secretariat pointed out that bank secrecy and confidentiality in tax matters need not be a problem *per se*, but national laws should not have provisions forbidding exchange of information if tax authorities from other countries request data in connection with the examination or investigation of specific taxpayers to ensure compliance with tax laws.

A Delegate from Denmark asked why there should not be a minimum rate of corporation income tax in source countries. In response, the Secretariat pointed to various defensive measures that countries can take to prevent erosion of their own tax bases, including guidelines for transfer pricing and rules for Controlled Foreign Companies.

A Delegate from Belgium noted that the concept of exchange of information upon request implies that the OECD project has serious limitations. The Secretariat recalled that the project was underway now for only a limited number of years. Future work might include broadening the range of situations where information is exchanged, but this would be for Member countries to decide.

The Chair then gave the floor to Mr. Jon Whitlow, Secretary of the ITF Seafarers' Section. Mr. Whitlow introduced the concept of Flags of Convenience (FOCs), where the beneficial ownership and control of a vessel is found to lie elsewhere than in the country of the flag the vessel is flying. He outlined the typical tramp company structure, illustrating his analysis with the case of the Sea Empress oil spill.

Mr. Whitlow proceeded to discuss why shipowners use a flag of convenience, and reviewed the Belize IBC as a typical instrument. Flags of convenience provide a regime for ship owners where there is no income tax, little or no transparency, while FOC States typically ring fence the shipping registration business. In his presentation Mr. Whitlow underlined the FOC/tax haven nexus: each of the characteristics of the typical FOC country also constitutes a crucial criterion to determine whether a tax haven country is involved in harmful tax practices. Indeed, a number of OECD tax havens figure on the FOC list.

Mr. Whitlow called for drastic action by the OECD, stressing that problems linked to flags of convenience include smuggling of migrants by sea, money laundering and international terrorism.

Mr. John Evans, General Secretary of TUAC, intervened to stress the importance that countries work towards more effective legal systems to counteract money laundering, tax havens and flags of convenience. There are important commonalities to these issues. The presentation by Mr. Whitlow had clearly shown how important it is to take action against FOCs, in addition to work already being carried out to counteract money laundering and harmful tax practices. Mr. Evans thought that FOCs and tax havens should best be dealt with as separate projects, with a clear recognition how they are linked.

In conclusion, participants representing trade unions stressed that the OECD Guidelines for Multinational Enterprises are highly relevant when discussing harmful tax competition and the status of tax havens, especially the two chapters dealing with disclosure of information and taxation, respectively. These Delegates pointed out that the OECD project on harmful tax practices does not even refer to the Guidelines for Multinational Enterprises and said there was a need that various parts of the Directorate for Financial, Fiscal and Enterprise Affairs should co-operate on this.

After the lunch break the Chair introduced Prof. Flip de Kam (Groningen University, Netherlands) who highlighted some key issues which are raised in the discussion paper that he had prepared for the meeting. There is no need to summarise that paper in this final report.

In his review of changes in the tax systems of OECD countries, Prof. De Kam made many references to a recent OECD study of tax policy issues[9] and to data included in the OECD *Revenue Statistics* and *Taxing Wages* reports.

The Chair then invited Ms. Isabelle Joumard from the OECD Economics Department to speak about European tax systems and their impact on economic performance and the functioning of labour markets in particular. In her presentation, Ms. Joumard focused on the impact of employer taxes, which may damage job creation, and employee taxes, which may reduce labour supply. In her view, it follows that countries with significant unemployment should foremost aim to reduce employer taxes. She concluded from her recent work on the tax system of European OECD Member countries that in Europe there is scope to

9 Paul van den Noord and Christopher Heady, Surveillance of Tax Policies: A Synthesis of Findings in Economic Surveys, OECD Economics Department Working Papers No 303 (July 2001).

broaden the tax base of the value-added tax and to increase the role of property taxes, which are already more prominent in the tax mix of the U.S., Japan and Korea.[10]

These two presentations sparked animated discussions. A Delegate from Sweden raised doubts about the reporting of capital income in the National Accounts. He pointed out that several countries with significant tax wedges have nevertheless high labour participation rates. The remarkable job growth in the Netherlands could have been financed in part because this country poaches the tax base of some Nordic countries.

A Delegate from Italy stressed the link between social security contributions and the related benefit entitlements. If revenues of environmentally-related taxes were used to finance part of public social spending, tax wedges could be reduced.

A Delegate from Denmark pointed out that during the economic boom of the past years CIT/GDP ratios have hardly increased. In his view this suggested the occurrence of successful tax 'avoision'.

This Delegate and several others questioned some cherished tenets of standard economic theory. For example, doubts were voiced regarding the conventional view that lower tax levels stimulate GDP growth. Taxes are not only a 'burden' but they also serve to finance crucially important social and economic programmes. Taxes are also an important instrument for macro-economic stabilisation and to achieve a desired degree of income redistribution. Delegates stressed that – even if it were convincingly demonstrated that taxes reduce economic growth – governments are still facing a trade-off between equity and efficiency policy goals.

Total tax ratios were seen as a limited measuring rod for tax burdens, because some countries tax transfer income, whereas most do not, and because the mix of private and public contributions to finance social security varies significantly between countries. Also, effective tax rates are often much lower than nominal tax rates suggest.

Some Delegates felt that in the current work programme of the OECD the option of a Tobin tax (a tax on short term capital movements) was not receiving the attention it deserves. In several European capitals the potential of this tax is under serious review and it was remarked that the OECD seems to neglect this issue.

Mr. Coldrick stated that initiatives to counteract tax degradation could not be limited to the EU, given its present size. The EU focuses on company taxation, the taxation of savings and green taxes. Tax coordination initiatives are important to control negative impacts of tax competition. Unfettered tax competition raises increasing constraints to the financing of public services. Taxes are also an important instrument to serve the stabilisation and the distribution branches of governments.

The Secretariat replied that work done at the OECD suggests that high tax rates may restrict the growth potential of national economies. But the OECD is keenly aware that policy makers in national capitals have to trade off efficiency considerations against other goals of socio-economic policy, notably the desired level of public services and equity considerations.

Furthermore, the Secretariat pointed out that the *Revenue Statistics* report discusses explicitly some of the limitations of total tax ratios. Other OECD publications report effective tax rates using a variety of methodologies.

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[10] Isabelle Joumard, Tax Systems in European Union Countries, OECD Economics Department Working Papers No 301 (June 2001).

As regards the Tobin tax, financial intermediation would move offshore as soon as such a tax were to be levied in industrialised countries. Such a tax could only work if all jurisdictions in the world co-operate in its imposition. It is doubtful whether the political commitment for this approach can be mobilised in the medium term.

Mr. Steven Clark of the CTPA Tax Policy Analysis Group then reviewed recent OECD work in the area of environmental taxes. He commenced his presentation by saying that there is growing worldwide interest in environmental issues, particularly global warming. Work on environmental taxes is an important part of the OECD's Sustainable Development project – the subject of the May 2001 Ministerial Council meeting. The OECD Secretariat had prepared a draft Report for consideration by Ministers. From the discussions it became clear that Ministers support market-based approaches – with taxes and tradable permit schemes being recognised as main economic instruments.

Data in the OECD/EU database on environmentally-related taxes and charges show that environmentally-related taxes currently generate about 2% of GDP. These are mainly taxes on the purchase or use of motor vehicles and fuels. The Report concludes that there seems to be scope for expanding the use of such taxes in many OECD countries.

In the 2001 Report – a joint publication by the Committee on Fiscal Affairs and the Environment Directorate – the focus is on an analysis of green tax reforms, double dividend possibilities – the use of revenues from green taxes to lower taxes on labour – and two broad implementation issues related to:

- income distribution concerns;
- competitiveness concerns.

In the Report it is concluded that the double dividend potential varies by country, depending on tax incidence and relative price effects. Several OECD countries have addressed income distributions concerns by matching reductions of other taxes, notably the personal income tax.

A key finding from the OECD/EU database on environmentally-related taxes and charges is the widespread existence of exemptions for heavily polluting sectors. This preferential treatment of heavy polluters is typically prompted by competitiveness concerns. The 2001 Report considers ways to address genuine competitiveness concerns while still providing incentives to abate pollution. Innovative solutions include (1) recycling, (2) border tax adjustments and (3) co-ordination of parallel policy efforts across countries.

Future work will include:

- the dissemination of information about new environmentally-related taxes;
- sectoral studies to assess when competitiveness issues can be taken as genuine, and to consider ways of tackling impediments;
- inputs from the OECD Secretariat to enable international discussions on how to limit genuine competitiveness concerns.

Mr. Lucien Royer from the Trade Union Advisory Committee (TUAC) to the OECD then outlined the trade union position on climate change and work place change. He thought the recent OECD report was quite good, but stressed the need to link the tax policy response to broader social and economic concerns. It is possible to realise a 'triple' dividend by taking into account the social dimension.

A tax shift from labour to pollution would be too small a step. First, it should be recognised that regulatory measures sometimes work quite well. Second, tax measures can not be the full answer to cushion

employment and social impacts of climate changes, depending on the particular circumstances of regions and sectors. Mr. Royer pressed for more data collection and quality research in these areas, while underlining that the TUAC position is that support for environmental policies should build from its social implications.

With the floor open for discussion, one Delegate pointed out that government revenues will fall if environmentally-related taxes achieve their goal, i.e. reduce pollution or energy use, thus eroding their own tax base. Mr. Roy Jones pointed out that the social dimension is insufficiently addressed in the OECD Report – the threat that companies will relocate with the associated loss of jobs is often very real.

Mr. Clark replied that these concerns relate directly to the competitiveness issue. Industry lobbies will stress increasing costs and falling profits. For government officials it is often difficult to assess how real such arguments are. However, if genuine problems are associated with the introduction of environmentally-related taxes, there are several strategies to address these concerns, as he had tried to demonstrate in his presentation. The OECD will take this work forward by analysing the impact of green taxes for one or more specific sectors, such as the steel industry.

MAIN CONCLUSIONS

Delegates recognised the importance of the OECD work aimed to curb harmful tax competition. They concluded that TUAC should press for this work to continue, given that tax systems are under threat and that – without international co-ordination – options to tax capital are increasingly limited. Delegates stressed the need to broaden the tax haven work to include Flags of Convenience countries. Also, Delegates confirmed that the OECD Guidelines for Multinational Enterprises are highly relevant when discussing harmful tax competition and the status of tax havens. To this end, Delegates flagged the need that various parts of the Directorate for Financial, Fiscal and Enterprise Affairs should co-operate on this.

Delegates noted that standard economic analysis tends to overstate the impact of taxation on economic performance and job growth. They felt that options to reduce the tax burden on labour should be further explored. Statistical data collected by the OECD and surveys of national tax systems can be instrumental in mapping succesful strategies to finance desired levels of public outlays in ways that create economic opportunities and stimulate job growth.

Delegates drew attention to the social dimension of introducing environmentally-related taxes, and stressed the importance of further research into competitive concerns.

ANNEX -- LIST OF PARTICIPANTS

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