Inequalities and the International Tax Regime
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Outline

1. Some data to start
2. International tax law and redistribution – some theoretical considerations
3. Lowering inequalities through the international tax regime
4. Conclusions
Some data to start
1. Differences are significant

Blanchet, Chancel & Gethin (2019)
International tax law and redistribution – some theoretical considerations
1. Different approaches

- Cosmopolitan duties (difficult to identify but there are authors)
- Static approach (Valta 2014)
- Redistributional duties (Benshalom 2009)
- Dynamic approach (Hongler 2019)

- Why these differences?

- Normative theorizing is about the better argument!
2. Basic structure

• Is there a basic structure that would justify redistribution?
• Is there a basic structure that would justify a decent level of inequalities?

• Elements of a basic structure:
  • Cooperation
  • Coercion
  • Association

  • → dynamic approach: the more elements are at hand, the more cross-border moral duties are triggered (e.g. EU integration)
3. The right level of inequalities

- What is the right level of inequalities?
  - Procedural approach (deliberative approach)
    - Access to data
    - Culture matters
  - Inequalities are to the benefit of the worst-off (Rawlsian approach)
    - The Rawlsian approach is also a procedural approach
    - Culture matters

- We should not expect that we agree in the near future on a certain level of inequalities at a global level
Lowering inequalities through the international tax regime
1. How to reduce inequalities?
   - Revenue side
   - Spending side
2. Taxes are not a global common good

- Excludable! Tax revenues do not belong to the global community

Two intermediate conclusions:
- Efficiency should not be a primary goal of the international tax regime
- Minimum taxation is not justified based on the same rationale as in a domestic setting
3. The limits of corporate income taxation

• Corporate tax incidence literature (see in particular Baert et al [2019] for a recent overview)
4. The limits of income and wealth taxes

States have different wealth and income distributions:

• Who do you want to tax? → the top 0.001% or the top 0.01% or the top 0.1% or the top 1.0%? Is income or wealth distribution decisive (age matters)? (it depends on the country!)

• Income vs. wealth distribution (it depends on the country!)

• Wealth composition matters (it depends on the country!)
5. **Wealth composition matters**

![Wealth composition graph]

*Position in the gross wealth distribution*

Individuals, 2010 - ZH, BE, LU, OW, BS, SG, AG, JU. N = 2,769,222

Martinez (2020)
6. Protect the source

- Corporate income taxation
  - Nexus
  - Allocation of income
  - Robust source rules

- Income taxation
  - Subject-to-tax clauses
  - Robust source rules
7. **Protect residency or transform residency into a source**

- Tax resident in Nassau
- However, she lives mainly in Barcelona/Spain
- My assumption: most of her income was fully tax exempt

- Some new song titles:
  - Your residency might be «waka waka»
  - «Trips don't lie»
  - Income taxation is «La Tortura» in Spain
  - Tax me «whenever, wherever»
Conclusions
Inequalities and the international tax regime

• We will not solve questions of the right level of redistribution through the international tax regime
  • Cosmopolitan approach
    • corporate income tax regime is a bad if not the worst steering possibility
    • an ideal income and/or wealth tax regime depends on the country specifics
    • protect the source and protect residency or transform residency into a source
  • Static approach
    • protect the source and protect residency or transform residency into a source
    • Better understanding of the interaction between the spending and the revenue side for the reduction of inequalities

• Normative goal of the international tax regime: Development of multiple modernities (Habermas 2019)
Sources

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