Tax reform for improving job recovery and equity[1]

5

Main findings

- Given the shift in public discourse from stimulus to consolidation, the purpose of this chapter is to present an overview of government revenue measures that could be taken to support the reduction in the debt while making room for pro-employment programmes and moving towards more equitable growth patterns. Following the global crisis, increased expenditures coupled with the fall in revenues pushed fiscal deficits to 5.2 per cent in advanced countries and 3.7 per cent in developing countries in 2009. Additionally, tax systems have become less progressive, placing a heavier burden on real investment and employment than on other activities, such as financial revenues or property.

- The chapter finds that the tax structure in both advanced and developing countries has changed considerably over the past decade or so. Particularly since the global crisis, there has been an increasing reliance on indirect taxes and social contributions for revenue generation. This creates an extra burden on poor households and workers, while at the same time a declining trend has been observed in top personal income tax and corporate tax rates in at least the past decade:

    - forty-three per cent of countries decreased top income tax rates during 2000 to 2008; while 70 per cent of countries decreased corporate tax rates during the same period;

    - thirty per cent of countries increased value added tax during 2000 to 2008.

1. Excellent research assistance was provided by Sébastien Fontenay and Anna Akinshina.

- The analysis confirms the need to expand tax revenue by considering more innovative options as a means of financing pro-employment programmes. If properly designed, the implementation of taxes such as property and environmental taxes could serve to redistribute income towards workers without adversely impacting the productive base; while financial transaction and activities taxes could help to stem some of the excessive risk taking that has led to market volatility, particularly in the commodity market (see Chapter 4).

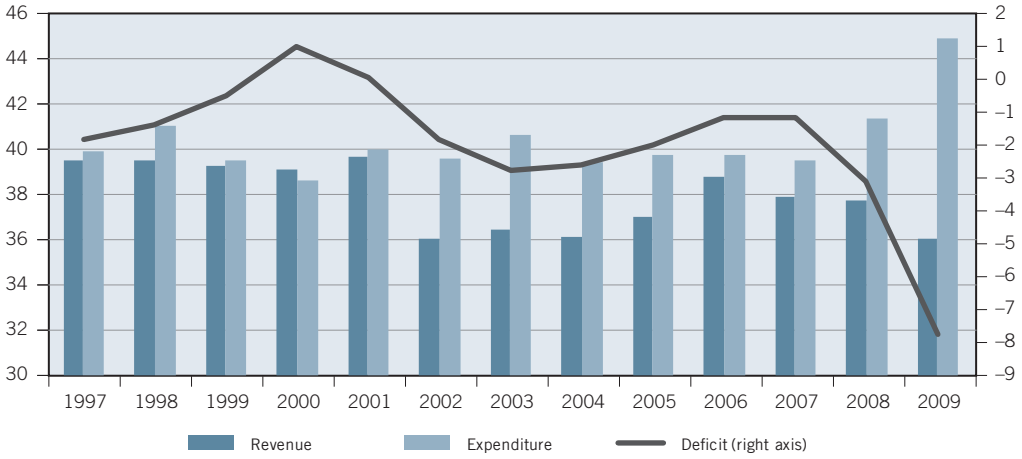
- However, international cooperation is needed to improve compliance and reduce the risk of tax evasion and avoidance. Illicit capital flows linked to tax evasion are estimated to be around US$700 billion in emerging countries and US$355 billion in Europe per year. This is an issue that is expected to be addressed as part of the G20 process.

Introduction

The previous chapters highlighted the need for pro-employment programmes and policies to increase productive investment (Chapter 2), including in the rural sector (Chapter 4), and bring about more efficient and equitable wages (Chapter 3). These fiscal measures are important in order to address the underlying structural issues in the global economy while also addressing the more immediate need of supporting recovery and averting another global recession. However, with debt-levels at near unsustainable levels in many countries, some governments have been contracting their fiscal spending in an attempt to rein in deficits. There is concern that this might seriously affect the already fragile and uneven recovery described in Chapter 1 and also depress growth and decent work prospects in the medium term. Such is the case in both developed and emerging economies.

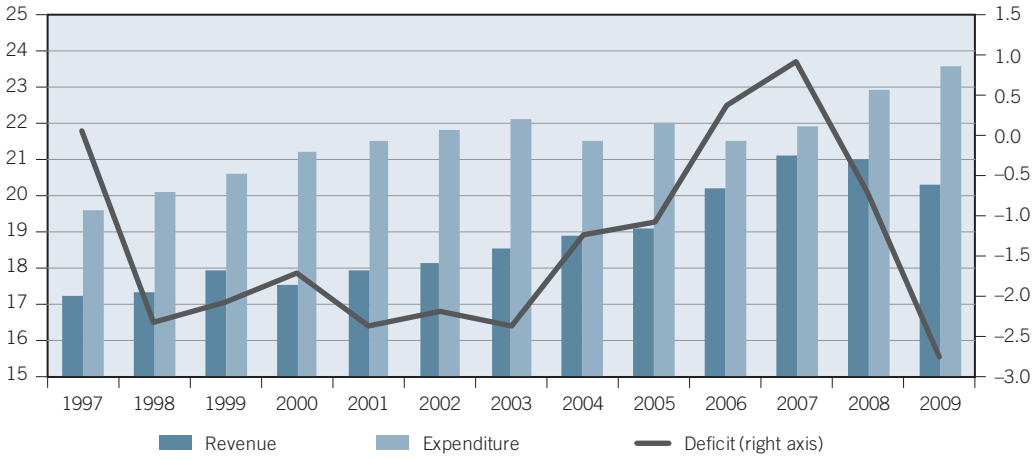
The argument must, therefore, properly reflect on how to couple expenditure on employment-friendly programmes with a medium-term fiscal consolidation plan. The purpose of this chapter is to present an overview of government revenue measures that could be taken to support medium-term fiscal consolidation while making room for pro-employment programmes and moving towards more equitable growth patterns. The starting position is illustrated in figure 5.1 and figure 5.2. In advanced countries, the improvement in the fiscal position before the global crisis was due mainly to consolidation on the expenditure side, while in emerging and developing economies it was mainly the result of gains in revenues. Increased expenditures in the wake of the crisis coupled with the fall in revenues pushed fiscal deficits to 5.2 per cent in advanced countries and 3.7 per cent in developing countries in 2009. There is also some evidence that, overall, tax systems have become less progressive and that taxation of real investment and employment is relatively heavy vis-à-vis taxation of other activities, such as financial revenues or property (Landais et al., 2011).

Figure 5.1 Government revenues, expenditures and deficits in advanced countries (weighted averages, percentage of GDP)



Source: IILS calculations based on IMF (2011), OECD.Stat Extracts and World development indicators (2011).

Figure 5.2 Government revenues, expenditures and deficits in emerging countries (weighted averages, percentage of GDP)



Source: IILS calculations based on IMF (2011) and World development indicators (2011).

With this mind, the chapter will discuss the role of taxation in helping a job-rich recovery and averting a double dip. Section A discusses the structural changes in revenue patterns in the past decades in relation to their progressiveness and employment impacts. Section B examines the issue of tax burden and employment. Section C looks at innovative ways to expand tax revenue along with lessons learned from specific country examples.

A. The evolution in tax structure

The trend in government revenues in advanced and emerging countries prior to the crisis requires a better understanding of countries' different sources of revenue. Thus, this section analyses the structural changes in tax revenue across five broad categories (see Appendix A for definitions) at the international level and provides country-level examples.[2]

In advanced countries, revenues from taxes on goods and services, personal income and social contributions represent over two-thirds of total revenue and have remained fairly stable over the past decade ...

In advanced countries (figure 5.3, panel A), three sources of taxes (taxes on goods and services, individual income tax and social contributions) each contribute over 20 per cent to total revenue. For the most part, taxes on goods and services (mainly valued added taxes (VAT)) and individual income taxes have remained fairly stable over the past decade. But, social security contributions declined, falling from 25 per cent of total revenue in 1995 to 23 per cent in 2007.

The other three sources of revenue each contribute less than 10 per cent to the total. While property taxes and international trade taxes have both remained rather stable, corporate income tax revenue has risen considerably. The contribution of corporate income tax rose from less than 6 per cent in 1995 to over 9 per cent in 2007.

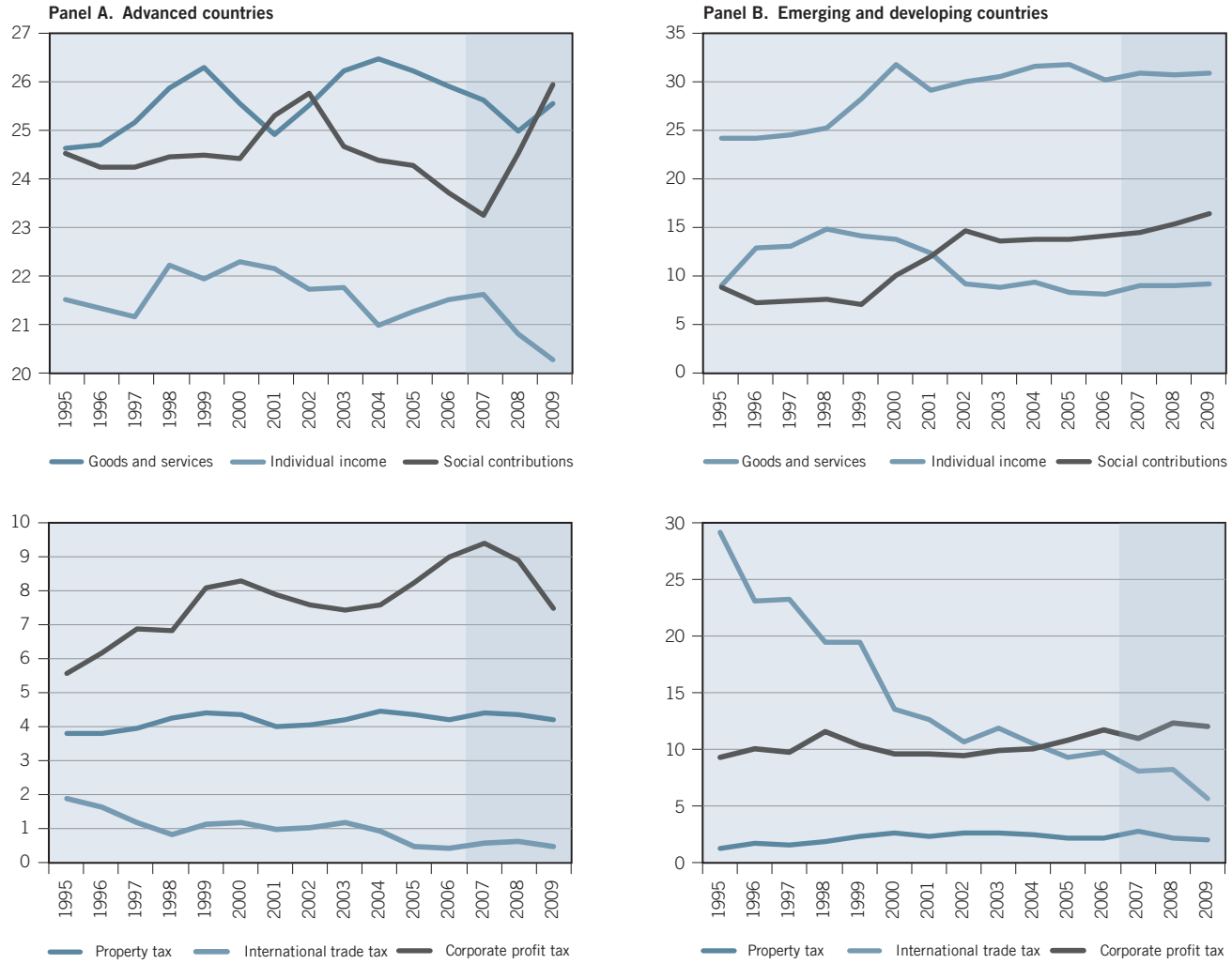
The financial crisis brought about two shifts in structure. First, there has been a spike in the contribution of goods and services taxes to government revenue (which increased by 1 percentage point between 2008 and 2009). Second, there has been an important decrease in the contribution of taxes on income and profits, linked to the decline in corporate income during the crisis. The decline in income tax was partially compensated by increases in VAT, as well as higher social contributions – however, this was not sufficient to keep total revenues from falling significantly as VAT revenue decreased in absolute terms in most of the advanced countries.

... while the major sources of revenue in emerging and developing countries have shifted.

The tax structure in emerging and developing countries (figure 5.3, panel B) has undergone considerable change over the past 15 years as a result of structural transformation and economic liberalization. First, the sum of these tax sources represented over 81 per cent of total revenue in 1995, but by 2007 had declined to around 75 per cent. This was due to the increasing importance of other sources of government revenue (including grants and aid given by foreign governments or multilateral institutions and income derived from State activities). Second, there was a very large net decline in the share of revenues from international trade taxes (mainly as a result of trade liberalization and elimination of tariffs), from close to 30 per cent of total revenues in 1995 to only 8 per cent in 2007. Finally, there has been a significant increase in revenues from goods and service taxes (from 24 per cent total tax revenue in 1995 to 31 per cent in 2007).

2. Individual income taxes and corporate income taxes are analysed separately in this section although they belong to one broad group.

Figure 5.3 Sources of revenue (percentage of total government revenue)



Source: IILS calculations based on the IMF (2011), and OECD.Stat Extracts.

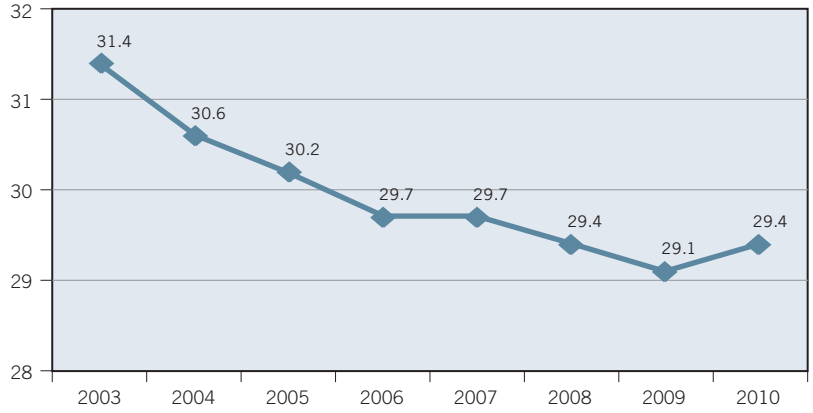
Social contributions and corporate tax revenues are also increasing in importance, but the contribution from income tax has been fairly stable at around 10 per cent of total revenue, and the contribution of property tax is negligible at 2 per cent of total revenue. In general, the increase in government revenues is mainly linked to the increase in the tax base, improvements in tax collection efficiency, more strict compliance, increases in tax rates and new forms of taxation.

The broad trends mask a number of changes: first, top personal income tax rates have tended to decline...

Top personal income tax rates have declined globally, from 31.4 per cent in 2003 to 29.1 per cent in 2009 (figure 5.4), as many governments decreased the top income tax rates due to the cyclical boom during the late 1990s and the subsequent improved budgetary positions leading into the 2000s (Hemmelgarn and Nicodeme, 2010). Even as individual income tax revenues started to decline, the top tax rates were not increased.

In the advanced economies, it has been shown that substantial revenues can be generated by relatively small tax increases for higher income groups (Atkinson et al., 2010). For example, in the OECD countries, the richest 10 per cent of the

Figure 5.4 Top personal income tax rate — world average (percentage)



Source: IILS calculations based on KPMG (2010).

population pay on average 31.6 per cent of the total government taxes (OECD, 2008a); while in the United States the top earners contribute 45 per cent of total taxes, or 70 per cent of all federal income tax (Tax Foundation, 2010).

Governments in developed and developing economies have started to increase the top personal income tax rates, owing to the considerable revenue loss due to the financial crisis (e.g. France, Greece, Ireland, Jamaica, Mexico, Portugal and the United Kingdom, among others). However, some countries maintained their top personal income tax rates; while some countries (such as Denmark, Hungary and Malaysia) even decreased the rate as part of demand-stimulus policies.

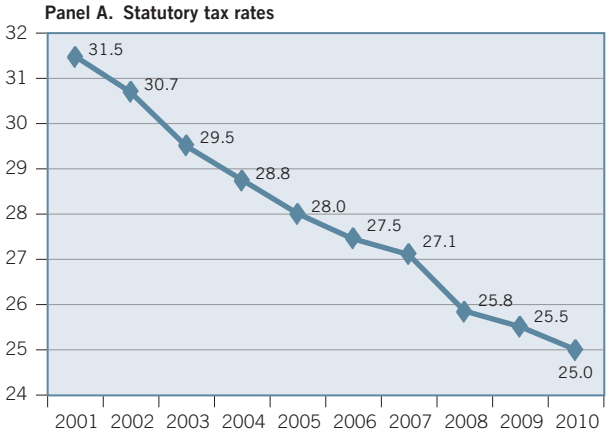
... second, corporate tax rates have tended to decline as well ...

On average, corporate tax rates – both statutory and effective – have exhibited a decreasing trend, from 29.5 per cent in 2003 to 25 per cent in 2010 (figure 5.5). Some analysts argue that this trend reflects attempts to improve the business climate, improve competitiveness and attract foreign capital (Zodrow and Mieszkowski 1986). Other authors (Genschel and Schwarz 2011), however, find that high taxation does not necessarily discourage foreign direct investment (FDI) – such as in Denmark (where public infrastructure, access to new technology, a well-educated labour force and social and political stability play an important role). With this in mind, some emerging economies have ended the practice of granting favourable tax treatment for foreign firms by unifying tax rates – through the lowering of domestic rates and increase of foreign rates. China, for example, has introduced a unified corporate tax rate of 25 per cent (see box 5.1).

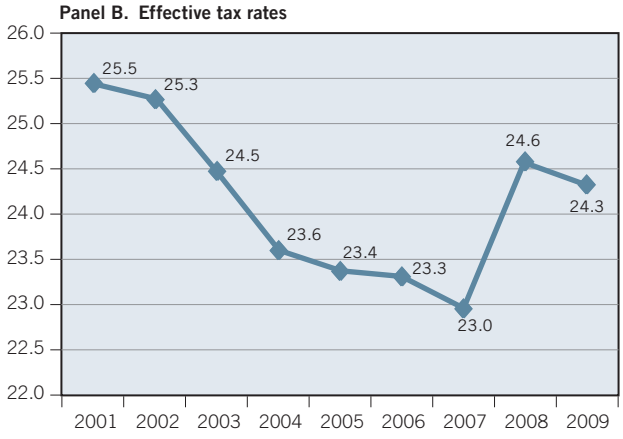
... third, VAT has become a major source of tax revenues, notably in emerging and developing economies ...

The importance of VAT in generating government revenue is higher in emerging and developing countries (35 per cent of total tax revenues) than in advanced countries (26 per cent), and these values have remained stable over the past ten years. However, the world average VAT rates have been decreasing since the beginning of the 2000s. In 2005 it was around 16 per cent, which decreased to 15.4 per cent in 2009.

Figure 5.5 Trends in corporate tax rates (percentage)

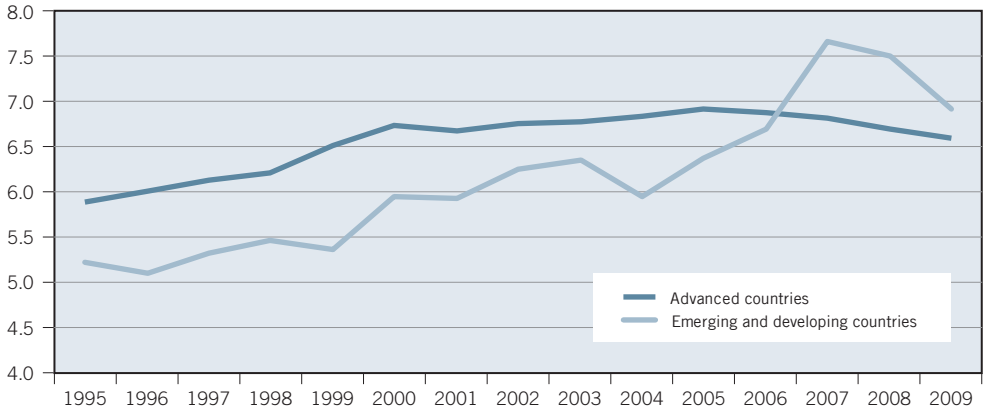


Source: IILS based on KPMG (2010).



Source: IILS based on Markle & Shackelford (2011).

Figure 5.6 VAT revenue (percentage of GDP)



Source: IILS calculations based on IMF (2011) and OECD.Stat Extracts.

As a percentage of GDP, VAT revenue has also been increasing in both advanced and emerging countries (figure 5.6). It represented 5.9 per cent of GDP in advanced countries in 1995, increasing to 6.9 per cent in 2007, but slightly decreasing to 6.5 per cent in 2009 as result of the financial crisis. In the emerging and developing countries, it represented 5.2 per cent of GDP in 1995, increasing to 7.7 per cent in 2007 (surpassing the advanced countries), but declining slightly in 2009 to 7 per cent.

A principal issue with regard to VAT is that of progressivity. Since, VAT is normally passed on to the consumer through price increases, some argue that the poorest are hit harder than the rich in terms of its incidence, and therefore it is a regressive tax.[3] There have been attempts by some countries to deal with this regressivity by eliminating or lowering VAT rates on basic consumption items, which are generally consumed by the poor, while luxury items are surcharged (see box 5.2). Such a multiple-rate VAT may be difficult to implement and monitor in some emerging and developing countries, therefore in these countries it might be

3. This is because the VAT increase may be passed on to the consumer through price increases. For example, Viren (2009) shows that two thirds of the VAT is borne by the consumer.

Box 5.1 China's tax revenue supported by foreign companies

China has played an important role in international tax competition. In the late 1970s, when it opened to the world market, basic legislation was created in order to attract and maintain foreign investment. The government provided foreign invested enterprises with more favourable tax treatment than domestic enterprises in the form of lower rates (15 per cent, instead of 33 per cent for domestic enterprises), tax holidays and exemptions. During this period, FDI increased from less than US$500 million in 1982 to nearly US$160 billion in 2007. The inflow of FDI has had a positive effect on economic growth by providing additional capital and improving employment. Accordingly, in China the large FDI has helped foster the country's economic development.

Such inequitable tax policies, however, also led to unfair competition and provoked evasive tactics, such as the phenomenon of "fake foreign capital", whereby domestic invested enterprises transferred their capital to other countries and reinvested it in China to obtain preferential treatment. At the same time, corporate tax revenue was becoming an increasingly important component of total tax revenue (see figure 5.7). Indeed, it is estimated that almost one-third of total FDI in China was provided by domestic companies registered abroad (van der Hoek et al., 2008), mainly in Hong Kong (UNCTAD, 2007), but also tax havens such as the Cayman Islands, Samoa and the United States' Virgin Islands.

Due to pressure from the World Trade Organization and domestic enterprises the country has begun to address these issues. In 2008, corporate tax rates for domestic and foreign companies were unified to one rate of 25 per cent and most of the earlier preferential treatments were eliminated,[4] essentially making China's tax laws more in line with international standards (Garnant, 2007).

It is still too early to determine the effects of these developments, but the policy should go some ways in reducing tax avoidance and tax evasion. With regard to FDI, it is possible that the inflow of foreign capital may be shifted towards more innovative sectors, such as high and new technologies, which are supported by the Chinese Government and still receive a preferential tax rate. Ultimately, this may positively affect the growth rate of the Chinese economy (van der Hoek et al., 2008). It should also be borne in mind that there are also other non-tax factors which keep China as an attractive destination for FDI, such as the growing domestic market, low labour costs and the availability of trained workers, which can ensure the continuity of foreign capital inflows despite the increase in tax rates.

Figure 5.7 Corporate tax revenue as percentage of total tax revenue and GDP

Source: China Statistical Yearbook 2010.

4. However, this tax rate can be reduced to 20 per cent for small, low profit enterprises and to 15 per cent for some enterprises involved in the industries supported by the government such as high and new technology enterprises. There are also some incentives for infrastructure, agriculture, environmental protection and energy saving industries (Huang and Mou, 2007).

Box 5.2 A more progressive (or less regressive) consumption tax: Lessons from Canada

Background

On 1 January 1991, Canada implemented the Goods and Services Tax (GST), a multi-stage tax similar to the value added tax (VAT). The GST replaced the Manufacturers' Sales Tax (MST), a single-stage tax which had been criticized for its regressivity and for its "cascading" effect (items were taxed repeatedly as they moved from production to final retail sale) (Bird and Gendron, 2009). The GST is complemented by provincial consumption taxes. Initially, the GST rate was 7 per cent, but it was eventually reduced to 5 per cent in 2008. The combined tax rate varies from 5 per cent in the province of Alberta to 15 per cent in Nova Scotia. Despite its complexity, the Canadian GST presents the features of an innovative tax as it reduces the burden for low-income households.

"GST package"

In an attempt to increase the progressivity of the GST, the Canadian federal Government has included in the design of the consumption tax an exemption for certain items and implemented a refundable tax credit to compensate low-income households for the increase in prices of goods and services:

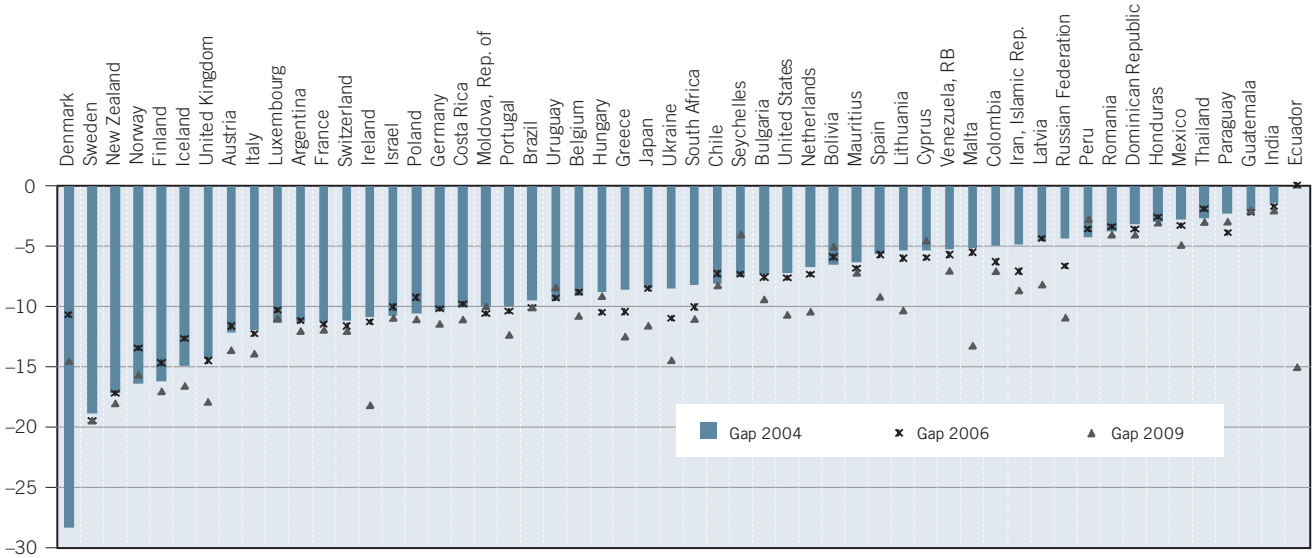
- The GST does not apply to basic groceries, health and medical care, education, day care, legal aid services, residential rents, financial services, municipal services and passenger ferries. This approach makes the GST more progressive because the tax exemption is targeted at products that represent a large share of low-income households' budgets.
- The Canadian Government has implemented a refundable tax credit, which is a quarterly payment that helps low- and lower middle-income households offset all or part of the GST that they pay. In other words, the Government pays eligible households a cash rebate for their GST, so that households at the subsistence income level pay no net consumption tax, but the rate of the rebate reduces as household income increase. (Auerbach and Hassett, 2005). In 2010, the GST credit was C$258 for an eligible adult and C$133 for each dependent child. To be eligible for the tax credit, net income should be below C$40,681 for a single person and C$48,401 for a family with two children. In addition to the federal GST credit, some provinces provide tax credits for their own consumption tax.

Distributional effect

By including the tax credits in the analysis, Grady (1990) demonstrated that the GST was progressive for families with incomes under C$35,000 per year and proportional for those with higher incomes. Those results were supported by a more recent study by Curtis et al. (2010), which showed that families with net incomes below C$30,000 ended up with tax credits that outweighed the increase in expenditure necessary to maintain their welfare level.

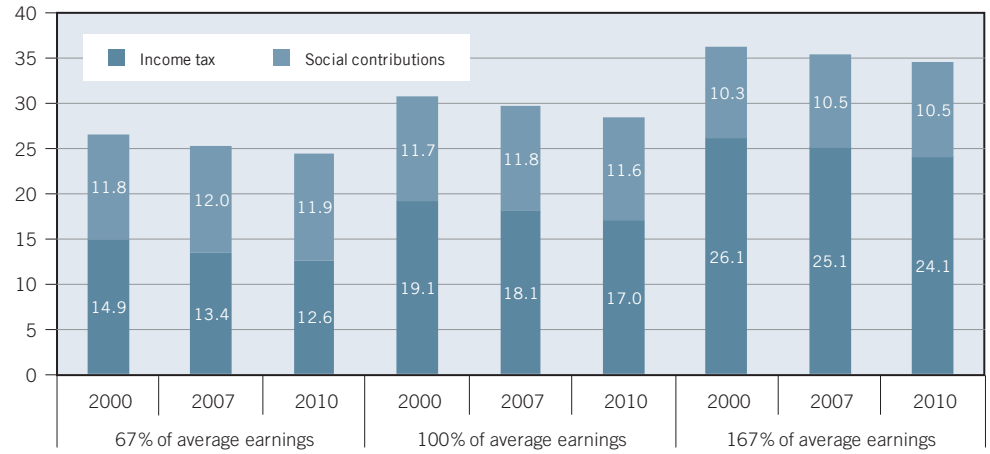
Thus, the tax credit has proved to be not only a good instrument to relieve the burden of indirect taxation for lower-income groups (especially when coupled with tax exemptions for necessary products), but also a redistributive tool.

Figure 5.8 Financing gap of social expenditures (percentage of GDP)



Source: IILS calculations based on the IMF (2011) and World development indicators (2011).

Figure 5.9 Average effective tax rates in OECD countries for a single person with no children (percentage)



Source: IILS based on OECD.Stat Extracts.

more efficient to implement a single-rate VAT, which would allow governments to use the widest base possible and thus maximize tax revenue.

... and fourth, social contributions play an increasingly important role in government revenues ...

Social protection spending (healthcare, old-age pensions, unemployment benefits, child/family allowances, social assistance to low-income households) is either financed through general tax revenue or through a tax generally paid by employers or employees (may also include self-employed). Since 2007, there has been a sharp increase in the importance of social contributions to government revenue in advanced and emerging countries. However, the importance relative to GDP, in the advanced countries (in spite of considerable fluctuations over the period), remained at 8.9 per cent of GDP in 1995 and in 2007. Owing to the financial

crisis, it sharply increased to 9.3 per cent in 2009. As for the emerging and developing countries, it increased steadily from 2.8 per cent of GDP in 1995 to reach 4.8 per cent in 2009.

The financing gap for social expenditures also increased dramatically, as expenditures outpaced revenue enhancements. Between 2004 and 2006, the financing gap declined or remained stable in the vast majority of countries with available data (figure 5.8). But, following the financial crisis, the gap increased from 8.6 per cent of GDP in 2006 to over 10 per cent in 2009. There are significant intercountry variations, but for the most part the emerging and developing countries have higher financing gaps.

... raising the issue of tax progressivity.

The average tax burden, including social security contributions, for all groups of the population can be shown by calculating the average effective tax rate by income group. In general, the average tax burden has declined across all income groups (see figure 5.9). However, the social security contribution rates for each group remained relatively stable over the 2000 to 2010 period. The rates are around 12 per cent of income for the lower and middle class earners and 10.5 per cent for the upper income earners. This shows that the decline in tax burden has been driven by a decline in income tax, rather than social contributions, particularly at lower income levels, where the social contribution tax rate is indeed almost as high as the income tax rate. For higher income groups, the social contribution is less than half the income tax rate. This diminishes the progressivity of taxes and has led some countries to revisit financing strategies for social protection.

In general, there is a strong relationship between social security contributions and employment. Social security contributions are an additional tax burden on workers and employers. This in turn affects employment levels, as will be discussed further in Section B. Lowering social security contributions for workers (and employers) would certainly lower the tax burden, but alternative means of financing would be needed to keep the system solvent.

B. Tax burden and employment

There is an extensive literature on the employment impacts of taxation ...

In light of the growing unemployment issues in many advanced countries, there is intense debate on the effects of tax policy on growth and employment. It is often argued that taxes (progressive taxes in particular) have a depressive effect on economic growth and that a more equitable tax structure can only be obtained at the expense of a loss in economic growth and employment. This imposes a trade-off between equity and efficiency objectives.[5] Based on this argument, it would be better to first stimulate earning incentives for high-income earners and then let the returns trickle down to low-income earners.

But, such an argument would be premature, since it is indeed difficult to assess the impact of tax reforms on employment. First, a change may affect several factors at the same time, some having positive effects and others having negative effects. Second, the existence of other policies or institutions (such as a minimum

5. See for example Browning and Johnson (1984); Røed and Strøm (2002) and Li and Sarte (2004).

wage or trade unions) could affect the outcome (OECD, 2010a). Finally, different taxes may have different macroeconomic impacts after a policy change.

- It is argued that *personal income taxes* impact employment from the supply side, by adversely impacting on a worker's decision to participate in the labour force or on their determination of hours worked (Bovenberg, 2006; Sandmo, 1983). However, much depends on the alternative options available for labour market participants, including the generosity of the country's benefits. Additionally, empirical evidence suggests that for the most part, for a majority of workers, labour supply is almost inelastic (Salanié, 2003; Røed and Strøm, 2002).

- *Corporate income taxes*, are also purported to have an adverse impact on investment decisions since they increase the cost of capital and reduce the after-tax return (OECD, 2010a). Moreover, corporate income taxes are either borne by workers, consumers or owners of capital (shareholders). Thus, an increased burden on these groups might affect employment through a reduction in output or productivity or an increase in factor substitution (resorting to cheaper labour) and a reduction in wages (Bettendorf et al., 2007). But other studies show that corporate tax rates represent only a small part of investment decisions and are much more related to growth of demand (Gerson, 1998) and (Jackson, 2008).

- *Value added taxes* and various consumption taxes have important repercussions on employment since they are mainly transferred to workers and consumers. For example, it is estimated that these taxes increased the tax burden on workers by 8 per cent in OECD countries (OECD, 2010a). Therefore, any increase would lead to a decrease in real disposable income, which could have adverse impacts on aggregate demand and consequently the demand for labour.

- It is argued that *social contributions* (for employers) increase the cost of labour and therefore discourage firms from hiring, thus increasing unemployment (see box 5.3). By reducing this cost (through employer tax credits), firms may be given the incentive to hire more workers (or at least not to lay off workers during downturns). Additionally, a reduction in employee social contributions can increase employment and therefore – by increasing the disposable income of workers – ultimately increase aggregate demand and stimulate further employment gains.

… but, studies show that a more progressive tax structure can be obtained without a loss in employment and efficiency …

Numerous studies have shown the fallacy of the "equity over efficiency" argument, from both theoretical and methodological perspectives (Røed and Strøm, 2002). Moreover, empirical evidence shows that growth and progressive taxation can coexist. A good example is the "Glorious Thirty", the period after the Second World War until the mid 70s. During this period marginal rates were very high in many countries, but growth was also strong. Based on more recent data, there is also no evidence that progressive taxation has an adverse impact on growth or employment (see figure 5.11).

Assuming that low-income earners have a higher marginal propensity to consume than do high-income groups, a more progressive tax system fosters greater

Box 5.3 Unemployment and labour taxes

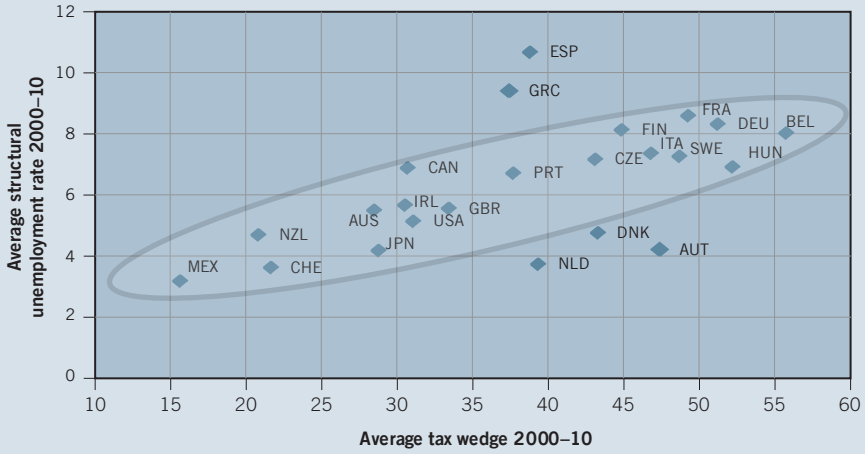
It is argued that high labour tax wedges – defined as the sum of personal income tax and employee plus employer social security contributions together with any payroll tax less cash transfers, expressed as a percentage of labour costs (OECD, 2007a) – are one of the causes of higher unemployment rates in some OECD countries. The rationale behind this is that a higher tax wedge reduces the demand for labour because it increases the cost of hiring a worker.

The empirical literature on the subject shows a strong link between unemployment and labour taxes. Daveri and Tabellini (2000), for example, observed that the 14 percentage point rise in labour taxes between 1965 and 1995 in the European Union translated into a 4 percentage points increase in unemployment. García and Sala (2008) found that not only the level of tax wedge matters, but also the composition of this wedge. They showed that in continental European countries, the more labour taxes are supported by employees, the higher is the unemployment rate. In addition, the employment effect of labour taxes is not the same between low-skilled and high-skilled workers. Kugler and Kugler (2003) analysed the effect of labour tax increases in Colombia over the period 1980 to 1990 and found that it affects more negatively employment levels for low-skilled workers than high-skilled workers.

Using OECD data for the period 2000 to 2010, figure 5.10 shows that countries with a higher labour tax wedge have in general higher structural unemployment. The latter is measured by the rate of unemployment consistent with constant price inflation (non-accelerating inflation rate of unemployment; NAIRU). The rationale for measuring structural unemployment comes from the argument that in the long run there is no trade-off between inflation and unemployment, and that unemployment depends solely on structural variables (e.g. demographic changes or tax wedge), while inflation is a purely monetary phenomenon (OECD, 2000). It also neutralizes the cyclicality of crises.

Figure 5.10 shows the average tax wedge in selected OECD countries (all income categories, households without children) and the average structural unemployment rate for the period 2000 to 2010. The upward trend supports the argument that higher labour tax is linked to higher structural unemployment. There are five countries outside of the coloured area, namely Austria, Denmark, Greece, Netherlands and Spain. At the top, Greece and Spain have very high structural unemployment rates, which clearly reflect the impact of other structural variables other than the tax wedge. At the bottom, Austria, Denmark and Netherlands have relatively low structural unemployment rates, which may be the result of their comparatively flexible labour market.

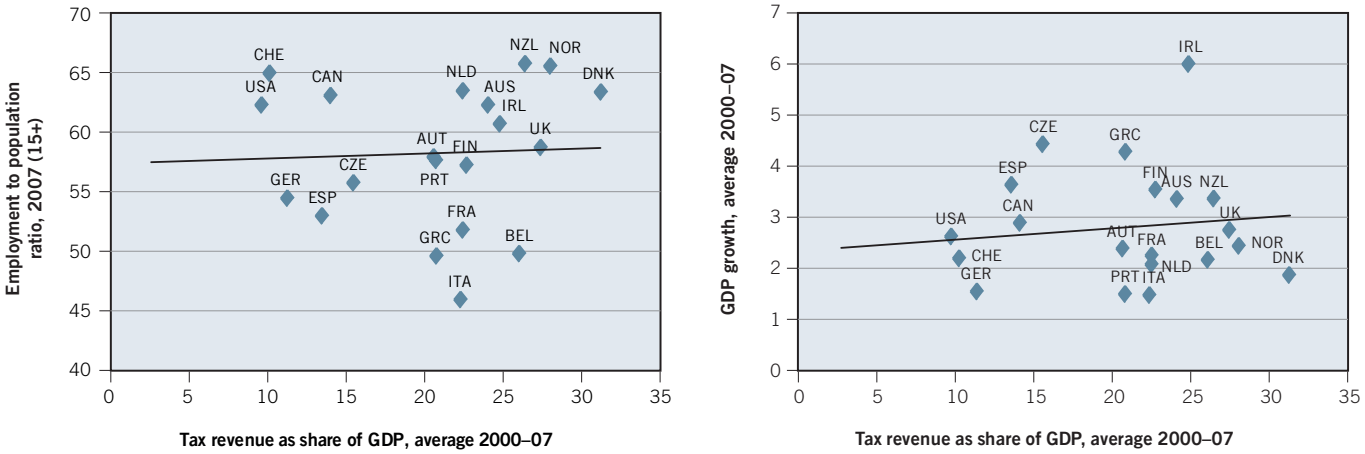
Figure 5.10 Tax wedge and structural unemployment in OECD countries



Source: IILS calculations based on OECD.Stat Extracts.

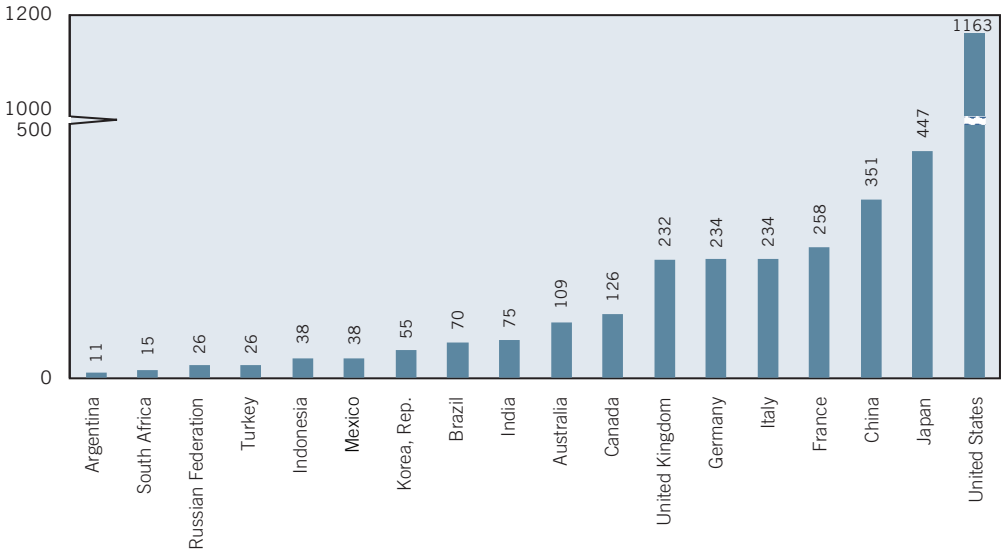
Following this analysis, countries (notably those in the top right corner of the graph) should pursue reforms aimed at decreasing labour tax wedges in order to reduce structural unemployment. With many of these countries facing high deficits in the aftermath of the crisis, the reduction in labour taxes should be compensated by other revenue-raising reforms. Heijdra and Ligthart (2009) showed that cutting labour taxes and increasing income tax so as to keep the marginal tax wedge constant would effectively reduce the unemployment rate while increasing public revenue. The argument for financing social protection from general taxation instead of labour taxes has also been put forward by the OECD in its recent Employment Outlook (OECD, 2011). It would allow countries to switch to a larger tax base and would at the same time reduce the tax wedge on formal labour, which may in turn encourage formal-sector job creation (OECD, 2007a). This has already been done with success in Brazil and South Africa.

Figure 5.11 GDP growth, employment and tax revenue as a share of GDP



Source: IILS calculations based on World data Bank.

Figure 5.12 Revenue generation with a 3 per cent wealth tax, 2010 (US$ billions)



Source: IILS calculations based on Shorrocks et al. (2010).

demand and helps render the economy more dynamic. Particularly during slumps in the business cycle, a progressive tax might act as an economic stabilizer since it reduces fluctuations in after-tax income and consumption (Weller and Rao, 2010). Moreover, by redistributing income, progressive taxation may act as an implicit credit market – workers who cannot easily obtain credit are provided with extra resources through higher after-tax income, alleviating credit market distortions (Bovenberg, 2006).

C. Broadening the tax base: Selected options

Given the complexity of dealing with many of the main tax sources mentioned above, and the consequent employment impacts, it has been suggested that alternative sources of taxation should be explored. Although each of them on their own represents a small percentage of tax revenue, countries may want to give consideration to some of these options as a means of financing pro-employment programmes and reducing the tax burden on workers. Additionally, the tax sources outlined here would not only serve to redistribute income towards workers without adversely impacting the productive base, but could also help stem some of the excessive risk taking that has led to market volatility.

Wealth and capital gains taxation

Individual income taxes do not take into account the wealth or assets of an individual. It has been shown that the introduction of a wealth tax – or a small percentage increase in the rate where such a tax already exists – would generate substantial revenues for governments. For example, data show that the richest 10 per cent of households own over 70 per cent of the global wealth (Davies et al., 2010) – and a temporary 3 per cent wealth tax on these individuals (similar to recent proposals in Europe) would generate US$4 trillion in global revenue in 2010. In the G20 alone, US$3.5 trillion could be generated, with the bulk coming from the United States (figure 5.12). This additional revenue would have a significant impact on debt reduction, with few adverse employment effects. For example, the United States would generate US$1.2 trillion (its public debt level is around US$9 trillion), Indonesia would generate US$38 billion (while its public debt is US$18.4 billion) and France would generate US$258 billion (with a public debt of US$1.8 trillion). Additionally, a wealth tax would be progressive and so could serve as a good redistributive instrument.

Yet, very few countries have wealth taxes. France, India, Norway and Switzerland have some form of a tax on wealth – however, it varies considerably between the countries. Most recently, Hungary introduced a wealth tax in 2010, while Spain is planning to reintroduce one. An even greater number of countries have all but abolished such taxes, including Austria, Denmark, Finland, Germany, Greece, Iceland, Italy and Sweden (Ristea and Trandafir, 2010).

Capital gains tax (CGT), though somewhat controversial, can also be seen as a good option to increase public revenues. In many countries the tax, which is generally payable on the gains from the sale of assets (such as financial assets or property), is levied at a flat rate that is lower than the income tax rate. The rationale for this is that a tax on capital gains acts as a disincentive to investment and can lead to lower capital gains (Hungerford, 2010); in this respect, lower CGT favours entrepreneurial activity and capital formation by diminishing the cost of raising capital for investors. However, empirical evidence does not fully support this idea as fluctuations in the tax rate have only a limited effect on gain realization decisions in the long term (Gentry, 2008). Additionally, the argument suggests that gains realized due to tax cuts are reinvested, which is not necessarily the case. Indeed, the decrease in or abolition of CGT creates opportunities for tax evasion since it might encourage the tax payers to convert ordinary taxable income into capital gains (OECD, 2010a) and to make risky investments for tax benefit reasons.

Also, as it is generally the case that higher income households receive more capitals gains, instituting such a tax would make the tax system fairer and more

progressive. For instance, in the United States, "over half of the assets that can generate taxable capital gains are owned by the richest 5 per cent of households" (Hungerford, 2010).

Estimates of revenue generation from implementing or increasing the CGT rate have been high. In 2009, it was estimated that the introduction of a broad-based CGT in New Zealand would raise NZ$9 billion (US$7 billion) a year.[6] In the United States, it was projected that an increase in capital gains and dividend tax rates by 15 to 20 per cent would bring in an additional US$5.4 billion in 2011, US$12.2 billion in 2014 and US$19.9 billion in 2019.[7] It should also be noted that revenues generated by CGT could also be used to finance the gap in social security schemes or to decrease the burden on labour income. For example, in France capital gains are subject to social contributions, and the rate has been increased from 12.3 per cent to 13.5 per cent in 2011.

Taxation of financial transactions and activities

In the aftermath of the crisis, taxing the financial sector has gained support in both political and academic spheres. Such taxes could pursue a wide range of objectives, including correcting for negative externalities stemming from the activities of the financial sector (e.g. excessive risk taking, existence of too-big-to-fail institutions) while providing governments with an additional source of revenue to compensate for the fiscal cost of the crisis.

There is a dual economic rationale underlying the implementation of a financial transactions tax (FTT). First, it would help fight excessive short-term speculation in the stock and commodity markets, which produces price volatility, and second, it would allow governments to raise substantial revenue with a relatively low rate since the potential tax revenue would be large. Moreover, the tax would be imposed on a relatively small number of actors, making it very easy to administer.

Many countries (especially within the G20) currently have some sort of financial tax (*ad valorem* tax), which raises revenue of around 0.5 per cent of GDP (Matheson, 2011). For example, the sale or buying of company shares is taxed in China, India, Indonesia, Italy, the Republic of Korea, South Africa and the United Kingdom (see Box 5.4). Most countries have tended to decrease such taxes overtime in an attempt to decrease the cost of capital and increase the competitiveness of the domestic financial sector. For example, the United States dropped its stock transaction tax in 1966, Germany in 1991 and Japan in 1999, while France dropped its share transaction tax in 2009.

If the tax were to be implemented globally and cover a wide range of financial transactions, it would provide governments with a fairly large amount of revenue. Although, studies have found that the tax would lead to a decline in financial trading, Schulmeister (2011) found that a general FTT of 0.05 per cent for the world economy as a whole would amount to 1.1 per cent of nominal world GDP. The revenues would be even higher in North America and Europe, at between 1.5 per cent and 1.8 per cent of GDP.

Another proposal is the implementation of a financial activities tax (FAT) that could be levied on the sum of profits and remuneration of financial institutions,

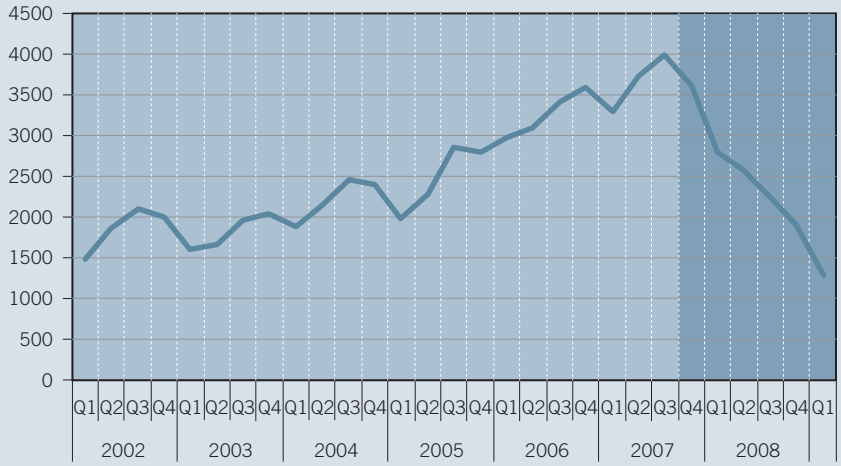
6. See http://www.stuff.co.nz/national/politics/5238989/Goff-not-commenting-on-capital-gains-tax
7. See http://www.huffingtonpost.com/2009/02/26/obama-wants-higher-capita_n_170237.html

Box 5.4 The United Kingdom stamp duty

The United Kingdom's stamp duty is a tax on the registration of ownership of a financial asset. The name originates from the official stamp that was applied to financial instruments when transferred from one owner to another. The Stamp Duty Reserve Tax (SDRT) is levied at a rate of 0.5 per cent on electronic share transactions at the London Stock Exchange and is chargeable on shares from United Kingdom companies, foreign companies with a share register in the United Kingdom and on options to buy shares.

In general, the duty is a very effective way to raise revenue for the Government, notably because the tax is imposed on a relatively small number of actors, making it relatively easy to administer. The collection of the SDRT is done via the securities settlement system operated by Euroclear called CREST and the tax is automatically levied on every transaction.

Figure 5.13 Stamp duty revenue (£ million)



Source: IILS based on HM Treasury – UK National statistics.

The United Kingdom's inland revenue service reports that the tax on share transactions is administratively the most efficient tax to collect. Its cost is less than 0.05 per cent of the revenue collected. By comparison, the administrative cost of collecting the income tax is more than ten times as high, at 0.7 per cent of revenue collected (Baker, 2010). The experience of the United Kingdom with its stamp duty contradicts the often-repeated claims that financial taxes would be difficult to administer.

Stamp duty revenues are a function of share prices, but also of share quantity and turnover. Thus the revenue is very dependent on the development of the stock market. As shown in figure 5.13, revenues from stamp duties have increased since 2002 and the United Kingdom Government collected about £4 billion (US$6 billion) in 2007. But with the 2008 financial crisis, stamp duty revenue decreased drastically and in the first quarter of 2009 it amounted to only £1.3 billion (US$2.1 billion).

Over the long term, one possible threat to the United Kingdom's stamp duty is the growing importance of financial derivatives, which are not subjected to the tax (Schulmeister et al., 2008). The United Kingdom's treasury could solve this problem by broadening the tax to include all financial transactions. The potential revenue from a general FTT in the United Kingdom would be extremely high due to the traditionally strong position of the London marketplace. Schulmeister (2011) calculated that a general FTT in the United Kingdom would amount to roughly 8.6 per cent of GDP (US$193.9 billion). Moreover, if the FTT was introduced in other European countries at the same time as in the United Kingdom, notably in Germany, the second most important financial centre, it would avoid a significant "emigration of trading" (Schulmeister, 2009).

i.e. the tax would apply to the value added of the financial sector. The design of the FAT could vary according to the objectives pursued. If governments decided to include all remunerations and profits, the FAT would effectively be a tax on value added. As such, it would help offset the tendency for the financial sector to be too large (IMF, 2010). But if governments designed the tax to include only remunerations and profits above a certain level, the FAT would become a tax on "excess returns in the financial sector" (IMF, 2010). Thus, it would help in mitigating excessive risk-taking by the financial sector (IMF, 2010).

Using IMF data for a sample of 15 European Union countries, the European Commission (2010) found that the implementation of a FAT with a relatively low 5 per cent rate would generate between €11.1 billion (US$15.8 billion) and €25.9 billion (US$37 billion) in tax revenues depending on the design. However, the implementation of a FAT would need to be coordinated with existing regulations across countries, especially for closely integrated markets in order to avoid tax and regulatory arbitrage and at the same time promote a level playing field (IMF, 2010).

Environmental taxes

Environmental taxes are generally levied on the consumption of energy-intensive goods as a means of discouraging environmentally harmful activities. It also seeks to change behaviour by encouraging polluters to develop and adopt cleaner, more efficient technologies, and thus pay a lower tax.

However, in addition to the direct environmental impact, such taxes were also conceived with another purpose in mind. In the 1990s, when environmental tax reforms were implemented in some European countries (such as Denmark, Germany, the Netherlands and the United Kingdom), the main idea was to shift the tax burden from labour to the users of natural resources. Although the tax in this sense is revenue neutral, it generates additional revenues through an increase in the tax base, which makes it possible to reduce taxes on income and social security contributions. The result is therefore a double dividend, as the tax has a positive effect on both the environment and employment.

Revenues generated from environmental taxes reached 2.3 per cent of GDP in OECD countries in 2008. However, there is considerable space for improving revenue generation in some countries. For example, the European Environment Agency estimates that if Ireland were to apply environmental tax rates similar to those in Denmark and Norway, it would generate up to US$6 billion in revenues in 2014. Additionally, in the United Kingdom additional revenue of US$3 billion is expected due to the recent rise in the tax rate on oil producers from 20 per cent to 32 per cent.[8] And although empirical studies carried out in Germany and the United Kingdom show that the impacts on employment have been small, there were no adverse employment effects (IILS, 2011; OECD, 2007). Additionally, the implementation of the tax succeeded in reducing the tax wedge and, more importantly, carbon dioxide (CO_2) emissions in a number of countries (see box 5.5).

Finally, the redistributive impact of environmental taxes may be called into question – since environmental taxes may constitute a greater burden on poor households. Indeed, electricity and water taxes are among the most regressive taxes as industries often benefit from special tax provisions while private consumers do not. Additionally, although private energy consumption is taxed more heavily

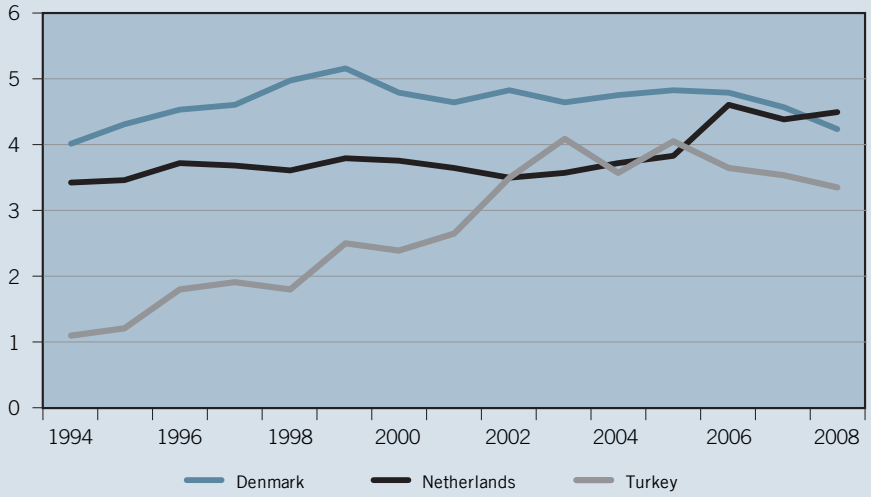
8. http://www.hmrc.gov.uk/budget2011/tiin6133.pdf.

Box 5.5 Environmental tax design

The revenue from environmental taxes has grown markedly in Turkey, from 1.8 per cent of GDP in 1998 to 3.3 per cent of GDP in 2008, reaching nearly 15 per cent of total tax revenue (OECD, 2010b). This places Turkey third, behind the Netherlands and Denmark, among OECD countries in terms of revenue from environmental taxation as a percentage of GDP (See figure 5.14). This strong growth in revenues can be explained by an increase in excise taxes on fuel and motor vehicles, which together represented 96.5 per cent of Turkey's total environmental revenue in 2007 (OECD, 2008b). The country has indeed the highest tax rate on petrol in OECD countries (OECD, 2010b) – but as most low-income households in Turkey do not own a car, the high tax rate on petrol has a progressive impact on overall income distribution (OECD, 2008b).

In Turkey the main purpose of the tax seems to have been revenue generation and not the protection of the environment. For instance, fuel tax rates do not necessarily encourage consumers to use more environment-friendly products since in some cases lower rates are applied to higher polluting fuels (Celikkaya, 2011 and OECD, 2008b). Moreover, between 1990 and 2005 Turkey's total emissions of greenhouse gasses increased by 84 per cent (from 170.1 million tonnes to 312.4 million tonnes).

Figure 5.14 Revenues from environmental taxes (percentage of GDP)



Source: OECD (2010b).

In contrast, the Netherlands not only generates revenues from its environmental taxes, it has also met many of its environmental objectives during the past decades: several sectors, such as the manufacturing and construction sector and agriculture, have made progress in reducing emissions of CO_2 – by 18 per cent and 28 per cent, respectively, between 1990 and 2007. Moreover, to tackle the issue of CO_2 emissions in transportation sectors, the Dutch Government is about to implement a new tax plan for cars, which will take effect in 2012: drivers will have to pay per kilometre to drive.

In Denmark, revenues from environmental taxes are also very high, and have significantly increased over the past decades: by 161 per cent between 1990 and 2009. While generating revenues, such taxes also contributed to the reduction of pollution. During the past decade, a substantial decline has been observed in both CO_2 to GDP ratios and CO_2 emissions per person (IILS, 2011). Moreover, in Denmark revenues from environmental taxation were actively used for shifting the tax burden. The amount of environmental tax revenue used to reduce labour income taxes was equivalent to over 6 per cent of total tax revenue in 2002 (while it was only 0.5 per cent of total tax revenues in the Netherlands in 1999), one of the highest amongst the European countries that undertook environmental reforms (OECD, 2007b).

than industrial activities, the latter pollute more (in Europe, about 80 per cent of total CO_2 emissions originate from production processes). This concern can be addressed by introducing tax exemptions for households (IILS, 2011) and reducing tax provisions for several industries. In this way, the main objective of implementing these taxes, which is the sanctioning of polluters, would also be respected.

Tax compliance and international coordination

Any tax reform will not achieve its potential unless tax compliance and regulation are strengthened and coordinated across countries. Tax evasion is a significant issue in both developed and developing economies, and has been at the origin of significant capital flows, especially from developing countries, thus significantly reducing tax revenues in those countries. It is estimated that illicit financial flows out of developing economies are between US$850 billion and US$1 trillion per year (Kar and Cartwright-Smith, 2009).[9] This phenomenon is almost equally harmful for developed countries, as the European Parliament estimates that tax evasion costs Europe between €200 billion and €250 billion (US$280 billion and US$350 billion) every year.[10] The most worrying concern is that this trend keeps growing: a study shows that "non-resident deposits, which are highly correlated with tax evading offshore deposits, grew at a compound annual rate of 9 per cent (in real terms) between June 1996 and June 2009" (Hollingshead, 2010).

Tax avoidance, as opposed to tax evasion (which is typically illegal), encompasses the numerous legal ways to substantially reduce tax costs. One of the techniques commonly used by multinational companies is transfer pricing or misinvoicing, by which multinationals adjust their internal prices so that they can transfer profits offshore to low-tax jurisdictions, and shift the costs onshore where they benefit from tax deductions (Shaxson, 2011). It is estimated that transfer pricing alone costs the United States up to US$60 billion annually (Gravelle, 2010).

Countries around the world are now attempting to implement stricter rules for tax compliance and are initiating international tax information exchange in view of increasing revenue. These are important steps for improving the transparency of the system.

To reduce tax avoidance in the European Union, in March 2011 the European Commission announced a project – the Common Consolidated Corporate Tax Base – that aims to harmonize the calculation of taxable incomes in the EU-25 area. The Commission estimates that such an agreement would reduce compliance costs by two-thirds and boost economic growth.[11] Nevertheless, the system is envisaged to be only optional and as such it may become another means for companies to reduce taxes.

Such examples show that international cooperation and mandatory schemes remain essential for policies to be effective. The G20 Finance Group provides such a forum for the implementation of measures, which can further fight tax evasion and tax avoidance.

---

9. Only one-third of this amount comes from criminal activities, two-thirds of it being cross-border transactions linked to tax evasion.
10. European Parliament resolution of 8 March 2011 on innovative financing at global and European level.
11. www.rte.ie/news/2011/0316/tax.html

Appendix A

Definitions of various taxes

Income, profits and capital gains taxes

Includes taxes on:

1. wages, salaries, tips, fees, commissions, fringe benefits and other compensation for labour services;

2. taxable portions of social security, pension, annuity, life insurance and other retirement account distributions;

3. interest, dividends, rent and royalty incomes;

4. capital gains and losses, including capital gain distributions of investment funds;

5. profits of corporations, partnerships, sole proprietorships, estates and trusts.

Property tax

Property tax includes taxes on the use, ownership or transfer of wealth. The taxes may be levied at regular intervals, one time only, or on a change in ownership. Taxes on property are divided into four categories:

1. Recurrent taxes on immovable property: Imposed on the use or ownership of immovable property (land, buildings and other structures), levied either on proprietors, tenants or both.

2. Recurrent taxes on net wealth: Taxes levied regularly on net wealth (value of a wide range of movable and immovable property).

3. Estate, inheritance and gift taxes: Taxes on transfers of property at death and on gifts.

4. Taxes on financial and capital transactions: Taxes on change of ownership of property, except those classified in (3). Included are taxes on the issue, purchase and sale of securities, taxes on checks and other forms of payment and taxes levied on specific legal transactions.

Taxes on goods and services

Taxes levied on the production, extraction, sale, transfer, leasing or delivery of goods and rendering of services. This includes: value added taxes; general sales taxes, whether levied at manufacture/production, wholesale or retail level; single-stage taxes; and cumulative multistage taxes, where "stage" refers to stage of production or distribution.

Taxes on international trade

These taxes include customs and other import duties and taxes on exports.

Social contributions

As described in Chapter 3, social contributions are actual or imputed receipts either from employers on behalf of their employees or from employees, self-employed or non-employed persons on their own behalf that secure entitlement to social benefits for the contributors, their dependants or their survivors. Social contributions are levied as a function of earnings, payroll or the number of employees. Social contributions have two elements:

1. Contributions to social security schemes (pension schemes): Employee contributions are either paid directly by employees or are deducted from employees' wages and salaries and transferred on their behalf by the employer. Employer contributions are paid directly by employers on behalf of their employees.

2. Other social contributions: Include actual and imputed contributions to social insurance schemes operated by governments as employers on behalf of their employees that do not provide retirement benefits. These may include health insurance, dependant or family allowances, loss of income for not being able to work (or unemployment insurance), death of main income earner, housing subsidies and education expenses.

Source: Based on IMF Government Finance Statistics Manual 2001.

References

Atkinson, A.; Piketty, T.; Saez, E. 2010. "Top incomes in the long run of history", in A. Atkinson; T. Piketty (eds): *Top Incomes, A Global Perspective* (New York, Oxford University Press), pp. 664–759.

Auerbach, A.J.; Hassett, K.A. 2005. *Toward fundamental tax reform* (Washington, DC, American Enterprise Institute for Public Policy Research).

Baker, D. 2010. *The benefits of financial transactions taxes: Statement to the Bundestag* (Washington, DC, Center for Economic and Policy Research).

Bettendorf, L.; van der Horst, A.; de Mooij, R.A. 2007. *Corporate tax policy and unemployment in Europe: An applied general equilibrium analysis* (European Tax Policy Forum). Available at: http://www.etpf.org/papers/23unemp.pdf.

Bird, R.M.; Gendron, P.P. 2009. Sales taxes in Canada: The GST-HST-QST-RST "system". http://www.americantaxpolicyinstitute.org/pdf/VAT/Bird-Gendron.pdf.

Bovenberg, L. 2006. "Tax policy and labor market performance", in J. Agell; P.B Sørenson (eds): *Tax policy and labor market performance* (Cambridge, MA, MIT Press), pp. 3–74.

Browning, E.K.; Johnson, W.R. 1984. "The trade-off between equality and efficiency", in *The Journal of Political Economy*, Vol. 92, No. 2, pp. 175–203.

Celikkaya, A. 2011. "Environmental tax reforms in European countries and an evaluation of Turkish case", in *Anadolu University Journal of Social Sciences*, Vol. 11, No. 2, pp. 97–120.

Curtis, L.; Kingston-Riechers, J. 2010. "Implications of the goods and services tax for families in Canada", in *Canadian Public Policy*, Vol. 36, No. 4, pp. 503–520.

Daveri, F.; Tabellini, G. 2000. "Unemployment, growth and taxation in industrial countries", in *Economic Policy*, Vol. 15, No. 30, pp. 47-104.
Davies, J.B.; Sandström, S.; Shorrocks, A.B.; Wolff, E.N. 2010. "The level and distribution of global household wealth", in *The Economic Journal*, Vol. 121, No. 551, pp. 223–254.
European Commission. 2010. *Taxation of the financial sector*, COM(2010) 549 final (Brussels).
García, J R. Sala, H. 2008. "The tax system incidence on unemployment: A country-specific analysis for the OECD economies", in *Economic Modelling*, Vol. 25, No. 6, pp. 1232–1245.
Garnant R. and Song L. 2007. *China. Linking markets for growth* (Canberra, The Australian National University Press).
Genschel P., and Schwarz, P. 2011. Tax competition: a literature review, in *Socio-Economic Review* (2011) 9, 339–370.
Gentry, W. 2008. "Capital gains taxation", in: S. Durlauf; L. Blume (eds): *The new Palgrave dictionary of economics online* (Palgrave Macmillan), 24 June 2011. Available at: http://www.dictionaryofeconomics.com/article?id=pde2008_C000033.
Gerson, P. 1998. "The Impact of Fiscal Policy Variables on Output Growth." International Monetary Fund Working Paper (WP/98/1) (www.imf.org, 1998).
Grady, P. 1990. "An analysis of the distributional impact of the Goods and Services Tax", in *Canadian Tax Journal*, Vol. 38, No. 3, pp. 632–643.
Gravelle, J. 2010. *Tax havens: International tax avoidance and evasion*. CRS Report for Congress (Washington, DC, Congressional Research Service).
Heijdra, B.J.; Ligthart, J.E. 2009. "Labor tax reform, unemployment, and search", in *International Tax and Public Finance,* Vol. 16, No. 1, pp. 82–104.
Hemmelgarn, T.; Nicodeme, G. 2010. The 2008 Financial Crisis and Taxation Policy. European Commission, http://ec.europa.eu/taxation_customs/resources/documents/taxation/gen_info/economic_analysis/tax_papers/taxation_paper_20_en.pdf.
Hollingshead, A. 2010. Privately Held, Non-Resident Deposits in Secrecy Jurisdictions. Report of the Center for International Policy, Global Financial Integrity. Available at: http://www.gfintegrity.org/storage/gfip/documents/reports/gfi_privatelyheld_web.pdf.
Huang, J. and Mou C. 2007. New corporate income Tax Law in China, in *China Law Alert*. MWE, China Law Offices. Available at: http://www.mwechinalaw.com/documents/chinalawalert1207.pdf.
Hungerford, T. 2010. The Economic Effects of Capital Gains Taxation . CRS Report for Congress (Washington DC, Congressional Research Service). Available at: http://www.policyarchive.org/handle/10207/bitstreams/19358.pdf.
IILS. 2011 (forthcoming). *The double dividend and environmental tax reforms in Europe*. EC-IILS Joint Discussion Paper Series No.13. (Geneva).
International Monetary Fund (IMF). 2010, A fair and substantial contribution by the financial sector, Final Report for the G20, http://www.imf.org/external/np/g20/pdf/062710b.pdf.
International Monetary Fund (IMF). 2011. *Revenue mobilization in developing countries,* Fiscal Affairs Department Working Paper (Washington, DC).
Jackson, A. 2000. "Tax Cuts: The Implications for Growth and Productivty. CLC Research Paper #16. 2000 (Http:// action.web.ca/home/clcpolcy/attach/taxcut-feb2k.pdf). Republished in Vol. 48, #2, Canadian Tax Journal, 2000).
Kar, D.; Cartwright-Smith, D. 2009. Illicit financial flows from developing countries: 2002-2006 Report of the Center for International Policy, Global Financial Integrity (Washington, DC). Available at: http://www.financialtaskforce.org/wp-content/uploads/2009/04/illicit-financial-flows-economist-report.pdf.
KPMG. 2010. KPMG's individual income tax and social security rate survey 2010, http://www.kpmg.com/GR/en/IssuesAndInsights/ArticlesPublications/Documents/Individual_Income_Tax_2010.pdf (accessed 24 Oct. 2011).
Kugler, A.; Kugler, M. 2003. *The labor market effects of payroll taxes in a middle-income country: Evidence from Colombia*, IZA Discussion Paper No. 852 (Bonn, Institute for the Study of Labor (IZA)).

Landais, C.; Piketty, T.; Saez, E. 2011. *Pour une révolution fiscale* (Paris, Seuil).
Li, W.; Sarte, P-D. 2004. "Progressive taxation and long-run growth", in *American Economic Review*, Vol. 94, No. 5, pp. 1705–1716.
Markle K. and Shackelford D. 2011, *Cross-country comparisons of corporate income taxes*, NBER Working Paper 16839, http://www.nber.org/papers/w16839.pdf.
Matheson, T. 2011. *Taxing financial transactions: issues and evidence*, IMF Working Paper No. 11/54, http://www.imf.org/external/pubs/cat/longres.aspx?sk=24702.
Nickell, S. 2004. *Employment and taxes*, CEP Discussion Paper No. 634 (London, Centre for Economic Performance).
Organisation for Economic Co-operation and Development (OECD). 2011. *OECD Employment Outlook 2011* (Paris).
—. 2010a. Tax policy reform and economic growth, (Paris, OECD Publishing).
—. 2010b. *Revenue statistics, 1965-2009. –Special feature: Environmental related taxation* (Paris, OECD Publishing).
—. 2008a. *Growing unequal? Income distribution and poverty in OECD countries* (Paris, OECD Publications).
—. 2008b. *OECD environmental performance reviews, Turkey* (Paris, OECD Publications).
—. 2007a. *Taxing wages* (Paris, OECD Publications).
—. 2007b. *OECD Employment Outlook 2007* (Paris, OECD Publications).
—. 2000. "Revised OECD measures of structural unemployment", in *OECD Economic Outlook 68* (Paris, OECD Publications).
Ristea, L.; Trandafir, A. 2010. Wealth tax within Europe in the context of a possible implementation in Romania – The existing wealth tax and its decline in Europe., in *Annals of the University of Petrosani Economics*, Vol. 10, No. 2, pp. 299-306.
Røed, K.; Strøm, S. 2002. "Progressive taxes and the labour market: Is the trade-off between equality and efficiency inevitable", in *Journal of Economic Surveys*, Vol. 16, No. 1, pp. 77–110.
Salanié, B. 2003. *The economics of taxation* (Cambridge, MA, MIT Press).
Sandmo, A. 1983. "Progressive taxation, redistribution, and labor supply", in *Scandinavian Journal of Economics*, Vol. 85, No. 3, pp. 311–223.
Schulmeister, S. 2011. *Implementation of a general financial transactions tax.* WIFO Study Commissioned by the Austrian Chamber of Labour (Vienna, Austrian Institute of Economic Research).
—. 2009. *A general financial transaction tax: A short cut of the pros, the cons and a proposal*, WIFO Working Paper No. 344 (Vienna, Austrian Institute of Economic Research).
—; Schratzenstaller, M.; Picek, O. 2008. *A general financial transaction tax. Motives, revenues, feasibility and effects,* WIFO Research Paper Commissioned by the Eco-social Forum Europe (Vienna, Austrian Institute of Economic Research).
Shaxson, N. 2011. *Treasure Islands: Uncovering the damage of offshore banking and tax havens* (New York, Palgrave MacMillan).
Shorrocks, A.; Davies, J.; Lluberas, R. 2010. *Global Wealth Report* (Zurich, Credit Suisse Research Institute).
Tax Foundation. 2010. *Summary of latest federal individual income tax data* [online]. Available at: http://www.taxfoundation.org/news/show/250.html.
UNCTAD. 2007. *Rising FDI into China: The facts behind the numbers*. Investment Brief. Number 2. Available at: http://www.unctad.org/en/docs/iteiiamisc20075_en.pdf.
Van der Hoek, M. Peter, Kong, Shuhong and Li, Zhenzi (2008), "The dual corporate income tax in China: the impact of unification", MPRA Paper No. 11547, available at: http://mpra.ub.uni-muenchen.de/11547/.
Viren, M. 2009. *Does the value-added tax shift to consumption prices?* Discussion Paper No. 250 (Helsinki, Labour Institute for Economic Research).
Weller, C.; Rao M. 2010. "Progressive tax policy and economic stability", in *Journal of Economic Issues*, Vol. 44, No. 3, pp. 629–659.
Zodrow, G.R.; Mieszkowski, P.M. 1986. The new view of the property tax: A reformulation, *in Regional Science and Urban Economics*, Vol. 16, No. 3, pp. 309-327.