



CONCEPT NOTE AND AGENDA

Global tax reform beyond BEPS: Unitary Taxation and other alternatives

ONE-DAY HIGH LEVEL ROUNDTABLE SEPTEMBER 18, 2017 ROGER SMITH HOTEL NEW YORK, USA

The international tax system needs a paradigm shift. The rules devised over 80 years ago treat the different parts of a multinational enterprise as if they were independent entities. This creates a perverse incentive for multinationals to create ever more complex groups in order to minimize taxes, exploiting the various definitions of the residence of legal persons and the source of income. While states may attempt to combat these strategies directly, they may also respond by competing to offer tax incentives, many of which then facilitate such techniques to undermine other countries' taxes.

Recognizing the need for reform, in 2013 the G20 gave its support to the OECD's Base Erosion and Profit Shifting (BEPS) project. The OECD delivered its final reports to the G20 in October 2015. The BEPS outputs aim to strengthen the system of international tax rules, and give better tools to tax authorities, if they have the capacity and will to use them.

However, the BEPS process failed to address the core problem of our global tax system, the separate entity approach to taxation. The ICRICT Declaration proposed an alternative: tax multinationals as single firms and apportion their total global profit according to factors reflecting their real presence in each country. Although the BEPS project adopted some measures which move towards a unitary taxation approach, such as Country-by-Country Reporting, most of its recommendations continue to adhere to the entrenched separate entity system. This has added enormous complexity to international tax rules, making them subjective and hard to administer. Yet they have still not resolved the basic problem of how to align the attribution of profits of multinationals to where activities take place and value is created.

Several alternative approaches to the separate entity principle have been identified, which start from the economic reality that multinationals operate as unitary firms. Three can be described as forms of unitary taxation: residence-based worldwide taxation, a destination-based cash flow tax, and formulary apportionment. Variations of these approaches have been proposed for adoption especially by the USA and the EU. Other methods have also been suggested which could be used in the short term and by smaller states, such as the fixed margin approach used by Brazil, a Shared Net Margin Method and an alternative minimum tax.

The purpose of this workshop is to examine these alternatives to enable the Commission to contribute specific policy proposals for the continuing debate on reform of the international tax system, especially for developing countries.

Format

The high-level roundtable will take the form of short presentations by experts based on a previously circulated background Briefing, and interactive discussion.

Agenda

**Monday, 18 September 2017, Roger Smith hotel, 501 Lexington Ave,
New York, NY**

9:30-16:30 (By Invitation Only)

9.30:10:00	Welcome and registration
10.00-10:30	Opening Address Luise Rürup, Executive Director, FES New York José Antonio Ocampo, ICRICT Chair
10:30-12:00	Panel I: Unitary Taxation Approaches <i>Chair:</i> ICRICT Commissioner <i>Expert presentations:</i> 1 Residence Based Worldwide Taxation – Professor J. Clifton Fleming, Brigham Young University 2 Destination Based Cash Flow Taxation – David Miller, Proskauer RoseLLP 3 Formulary Apportionment – Professor Kim Clausing, Reed College 4 EU CCTB/CCTB – Professor Danuse Nerudova, Mendel University in Brno Q & A by ICRICT Commissioners and participants
12:00:13:00	Lunch
13:00-14:15	Panel II: Other alternatives <i>Chair:</i> ICRICT Commissioner <i>Expert presentations:</i> 1 Shared Net Margin Method – Mike Durst, ICTD 2 Alternative Minimum Tax – Anne Brockmeyer, World Bank 3 Brazil’s Fixed Margin Approach – Tatiana Falcao, United Nations Q & A by ICRICT Commissioners and participants
14:15-14:45	Coffee break
14:45:16:15	Panel III: Way forward and next steps/challenges <i>Chair:</i> ICRICT Commissioner
16:15-16:30	Conclusion

