



International Fiscal Association



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OUTLINE

The use of tax systems to execute fiscal policy (Companion seminar to Subject 1)

SEMINAR B | Monday, 23 October 2023 | 13.30 – 15.30

Chair

Armando Lara Yaffar (Mexico)

Panel members

Ubaldo González de Frutos (IADB)

Alice Pirlot (United Kingdom)

Flávio Rubinstein (Brazil)

Gary Sprague (USA)

Secretary

Roberto Padilla (Mexico)

Background

Many countries continue to face adverse economic scenarios that require effective responses to counteract the effects that have arisen with them, such as the post-COVID19 pandemic, geopolitical events around the world that have affected supply chains, the increase in the prices of certain commodities, the ever-present issue of climate change.

Scope of the seminar

Different fiscal policy responses have been given to respond to each of these factors.

In the case of energy companies, a series of initiatives began to be taken to establish windfall taxes with a very different scope, although on the common basis of their demand to energy companies.

In the case of climate change, the transition to greener systems has led to strong incentives that have sometimes led to major clashes, particularly recently between the US and the EU (e.g. over access for European vehicles to Biden's recently promoted incentives).

On the other hand, efforts to combat harmful tax competition have led to very different trends since 1998, from the OECD report, to action 5 BEPS and now Pillar 2. It is a line, especially, that Pillar 2 may have a strong impact on the design of incentive policies (see the OECD document of October). This is also connected with the ban on state aid in the EU context, and the recent judgments in the FIAT case.

All these policies must be accompanied by an adequate implementation program to facilitate their understanding and application by the tax administrations; This implies the investment not only in human resources but also in technological resources, with which it is important to highlight the importance of the assistance in the implementation and application of agreed rules. The lack of strong support in the implementation of new rules gives rise to lack of consistency and coherence in the implementation of the new rules and the preference for simplified solutions which may not always deal with potential problems.

The objective

Based on the above, the panel will aim to discuss the latest trends to apply tax systems to achieve non-fiscal policy goals of countries. The panel will determine if the implementation of such measures has been yielding the expected results at the beginning, and the appropriate design of such policies to be consistent with Pillar 2 and other recent developments.