

Periodic Report IRSES 2012– Publishable Summary

The increasing interdependence of national economies and the globalization lead to new possibilities and risks related to **cross-border taxation for investors and governments**. To minimize the risks and to support the possibilities for European and third countries, **alternatives to national fiscal sovereignty**, i.e. various forms of treaties on a bilateral or supra-national level, may be required. Within the joint exchange programme we wanted to provide answers to specific issues raised in the scientific and political debate on EU taxation and third countries within an area where countries are striving for **economic integration** and also in the light of recent changes in the well established Model Conventions and their Commentaries. The overall topic of “**EU taxation and third countries**” was explored in four work packages:

- Income tax treaties - the importance and effect of treaty commentaries
- Corporate Tax Consolidation Regimes for multijurisdictional companies in relation to non-resident companies
- Recent developments in tax treaties in the light of recent changes in OECD and UN Model Conventions and Commentaries
- Improving VAT and GST systems

Similar to the previous IRSES-project “International Tax Coordination” which was launched in 2011, again the major benefit of this IRSES-project “EU Taxation and Third Countries” has been the possibility to **exchange ideas among tax academics from different jurisdictions** which would not have been possible without the support of the European Commission. As there were several activities where the seconded researchers were able to meet experts affiliated to their host institution, the research stays were a great opportunity to get in touch with scholars one would not be able to talk to at the home institutions. Discussion rounds, workshops as well as informal talks were very fruitful for the research undertaken during and after the research stay. Also each researcher could establish their own network and integrate in the international tax community.

By performing the aforementioned activities, among other the following **scientific highlights** have been achieved:

- **Tax Governance:**
Attending a Conference on Tax Governance that was organized by the Institute of Austrian and International Tax Law, WU Vienna, Gerd Willi Rothmann got inspired to establish a new line of research concerning tax governance. He is engaged in organizing an international congress at the São Paulo Law School on this subject, with the participation of tax experts from EU-countries, involving all levels of their governments.
- **European Tax Law from a Third Country Perspective**
Scientific highlights were the opportunity to get valuable input on issues of European Tax Law, by professors from non-EU and non-OECD states. This has given highly



valuable insights and new ideas/views that would not have been gained without a research stay abroad. In this respect for example the studies of Gerd Willi Rothmann can be mentioned who critically analysed the European VAT system from the perspective of a Brazilian Academic to assess which lessons Brazil can learn from the EU and vice versa.

- **Zero-rating of certain commodities in VAT law beneficial for the poor in South Africa**

In South Africa the marginal taxation of fruits and, to a lesser extent, the taxation of vegetables (both of which are currently zero-rated) was beneficial to the 1st income decile under most scenarios considered. In particular, the taxation of fruits alleviated the situation of the 1st decile, also, if only 5.6% of total spending were allocated to their use and Rand 1.25 had to be collected in tax to provide Rand 1 of spending. Furthermore, it was found that the zero-rating of some commodities, including brown bread, mealie rice, rice, dried beans, and vegetable oil, effectively helps the poor.

- **Comparison of fiscal federalism in the European Union (EU) and the East African Community (EAC)**

It was established which lessons the EAC may learn from the EU when developing a system of fiscal federalism. The two regional organizations share many similarities and both appear to be on the brink of momentous change. In this respect, the EU offers both positive and negative lessons from which the EAC may learn

It has been ascertained that as far as EU taxation and third countries are concerned, analyses of **national tax law in comparison with foreign tax law** are inevitable. Such studies enable the researchers to learn about the differences and to develop international acceptable suggestions for solving conflicts in international tax law. Due to this international relevance, it is of immense importance from a European perspective to cooperate with third countries. The multinational IRSES-project deals with global challenges in international trade. **Double taxation** in direct and indirect taxation is harmful for **international trade** and research activities in this area are necessary to develop solutions for these global problems. Also research in the field of corporate tax consolidation and EU tax coordination are of high international importance and therefore involve substantial scientific value for each partner country. The partnership's contribution to the area of collaboration serves as a **basis for future political developments** in order to eliminate the above mentioned problems in international trade. In the end, the only systematic way to address the underlying tax obstacles is by scientific analysis of the tax law issues in close relationship between the partner universities as it is essential to elaborate the problems from the view of all involved countries.

