

MODULE 6

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GLOBAL CHALLENGES 3: TAX POLICY



JOACHIM
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AN OVERVIEW OF THE TEACHING MATERIALS

Target group	School students aged 14–18
Potential subjects	Social science subjects such as economics and politics, but the material is well suited for language courses (especially English) and bilingual lessons
Time requirements	Depending on the materials chosen and if in-depth materials are used, approximately 2 teaching hours
Background	The materials are suitable for studies of international politics and economics, including changes and trends in these fields and the associated opportunities and challenges.
Content	The teaching materials for the Global Classroom focus on the global challenges facing the G20 in the financial sector. Module 6 examines the issues of international tax policy and fair taxation.
How to use the materials	The materials offer an inside view into the G20 Finance Track. We do not provide standardized answers to the exercises. Teachers are free to select and reorganize the order of the materials at their discretion. Any questions concerning the materials can be answered via info@global-classroom.de .
Knowledge requirements	These instructional materials build upon the instructional units “The G20 and the Finance Track – why does it matter?”, “Introduction to Global Governance” and “Introduction to Global Finance.” Prior instruction in general financial matters, such as the global financial crisis, or the issue of sovereign debt, is helpful but not required.
Curricular overlap	The subject matter covered in this module overlaps with the subject of international financial markets.
Objectives	<p>Students</p> <ul style="list-style-type: none"> • discuss what kinds of financial regulations need to be adopted at the international level, and what kinds of difficulties this could lead to. III • describe key reasons why governments levy taxes. I • identify the main tax policy issues that fall within the purview of the G20, and the relevant stakeholders. I • explain the main objectives of the BEPS project, and identify the relevant stakeholders. II • discuss whether international coordination is necessary in the area of tax policy and, if so, what types/areas of coordination are most important. III • discuss why the issue of taxes is so important in political terms and/or why it is an emotionally charged subject of public debate. III • find out how much debt their country has, and discuss what consequences this could have on their generation and future generations. III • discuss what the concept of “fair taxation” means to them, and develop principles and proposals for implementing their ideas. III <p>The targeted skills are indicated using “operative words.” These are verbs that indicate the activities the students are expected to perform when completing the exercises: Exercise category I comprises reproduction, exercise category II requires reorganization and transfer, and exercise category III asks for reflection and transfer. The numbers next to the individual skill descriptions indicate the exercise category. The skills are structured chronologically with respect to the module.</p>

MATERIAL 1

TAXES – A CONSTANT ON THE G20 AGENDA WITH MAJOR
POTENTIAL FOR CONFLICT

The issue of taxes has firmly established itself as the top item on the international economic and fiscal policy agenda. Discussions at the global level are no longer limited to combating tax evasion by major corporations and tax fraud by the super-rich, issues that stir emotions and that have determined the course of public debate to date. Rather, much more is at stake: specifically, the connection between taxes and growth, and the importance of fairness in global tax competition. Because these are contested issues, the upcoming G20 summit is not expected to be a harmonious event. At stake are billions that one country's treasury would gain at the expense of another country's treasury if tax revenue is not distributed equitably.

The finance ministers of the world's largest advanced and emerging economies (G20) recently pointed the way for future international debates over tax policy. The communiqué from their July 2016 meeting in Chengdu, China stated: "We recognize the important role of tax policies in our broader agenda on strong, sustainable, and balanced growth." One of the purposes of the Chengdu meeting was to prepare the September 2016 summit of G20 leaders in Hangzhou. This means that the question of how tax policy can be used in a targeted and more effective way to boost economic growth is now on the political agenda at the highest possible level.

It was German Finance Minister Wolfgang Schäuble who, together with his British and French counterparts, first put an international spotlight on the issue of taxes at a G20 meeting in Mexico in 2012. With the support of the OECD (an international organization comprised mainly of developed countries), he provided the impetus for the BEPS project, which aims to close tax loopholes for corporations that take advantage of

divergent tax laws in different countries, shifting profits to save billions in taxes. The proposals that emerged from the BEPS project are now in the process of being implemented. In addition, starting in 2017, tax authorities in over 100 countries will be engaging in the automatic exchange of tax-related information: their aim is to eliminate tax fraud by the super-rich and to put an end to bank secrecy. Even tax havens from Panama to the Cayman Islands are feeling the heat. They face sanctions if they refuse to cooperate.

Now it's time for the next stage: the issues are diverse. How can countries that compete against each other coordinate and fine-tune their tax systems in a way that fosters higher long-term growth? What can be done to prevent countries from offering bigger and bigger tax bargains in an effort to beef up state coffers by incentivizing major taxpayers to move away from other countries? What can be done to ensure the fair taxation of transactions that are carried out in fractions of a second all around the world using digital networks? And in which countries are these transactions subject to taxation?

The ideal solution in terms of competition would be for the major countries of the world to move towards uniform tax rates and tax systems, but all experts agree that this is completely unrealistic. That's why, in Chengdu, Wolfgang Schäuble put a stronger emphasis on a different objective: namely, ensuring that taxation is

INFO

BEPS

Base Erosion and Profit Shifting

carried out reliably, predictably, and transparently within the framework of applicable rules. This in turn requires effective, well-functioning tax administrations.

The G20's effort to find greater common ground on tax policy is not an end in itself. In explaining

the new level of momentum, Schäuble recently stated that “No country acting on its own can ensure reliable taxation.” OECD Secretary-General Angel Gurría takes this one step further:

In his view, a fair, socially equitable tax system is a crucial factor in ensuring people's trust in the political system.

Informative videos provided by the OECD on the issue of BEPS are available online:



Collecting VAT in the Digital Age

<https://www.youtube.com/watch?v=qs8dYOkpN2E&list=PLwJUf-surgy4vvyAX9kkY4UVxj85cYCnm&index=1>



Neutralising Hybrid Mismatch Arrangements

https://www.youtube.com/watch?v=imjo9-YP_wM&list=PLwJUf-surgy4vvyAX9kkY4UVxj85cYCnm&index=2



Improving Transparency with Country-by-Country Reporting

<https://www.youtube.com/watch?v=UH8v3LRpeQQ&list=PLwJUf-surgy4vvyAX9kkY4UVxj85cYCnm&index=3>



Eliminating Treaty Shopping

<https://www.youtube.com/watch?v=3W4orxYM18k&index=4&list=PLwJUf-surgy4vvyAX9kkY4UVxj85cYCnm>

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Additional information on BEPS can be found on the OECD's website at:
<http://www.oecd.org/tax/beps/>

EXERCISES ON THE TEACHING MATERIALS

MATERIAL 1

TAXES – A CONSTANT ON THE G20 AGENDA WITH MAJOR POTENTIAL FOR CONFLICT

Tax policy as a key priority on the G20 agenda

1. Short essay: What role does taxation play in the economy and society?

Write a text on taxation (200–400 Words). For this exercise, imagine that you are a politician who is promising new public services (try to come up with a good example for a public service). In your speech explain how you are planning to finance your proposal: Will the new services be financed by shifting allocations in the budget? By new sources of revenue (taxes)? Or by increasing debt? Your speech should make clear why the financing solution you are proposing is better than the other alternatives.

You can upload your paper to the Global Classroom (Link). Alternatively, you can hand in your paper to your teacher.

2. Group exercise: How does taxation affect stakeholders in your local community?

Work in groups of 3 to 5 people. Your task is to identify how the various stakeholders in your local community view the issue of taxation: How are businesses affected by taxes? How are private citizens affected? What impact do different taxes have on different stakeholders? Can you identify a group of stakeholders who are not affected at all by tax issues?

Visualize your results on a poster or flip chart. Is it possible to summarize your findings in a diagram? You can upload your results to the Global Classroom or present them in class.

3. Group discussion: The pros and cons of international tax policy coordination

Discuss whether international coordination is necessary in the area of tax policy and, if so, what types/areas of coordination are most important. For this exercise, break out into two groups. After preparatory discussions within each group, Group A will argue that the benefits of international tax policy coordination and collaboration outweigh the risks. Group B will argue the reverse, focusing on potential problems that may arise in this field.

After preparing their arguments, Group A and Group B convene for a debate. Each group should make an opening statement. Then both groups debate the topic. What are your conclusions? Can you reach a consensus? Make sure your arguments are as specific as possible (including concrete examples to back up your positions).

OPTIONAL EXERCISES

Global Conference Room: Invent a slogan for the BEPS project

1. Work in groups of 3 to 5 people. Your task is to identify the main features of the Base Erosion and Profit Shifting (BEPS) project in terms of subject matter, objectives and stakeholders.
2. Try to summarize your findings in simple formulations by focusing on the main points. Can you come up with a slogan that communicates the subject matter and objective of the BEPS project to relevant stakeholders?
3. You can upload your slogans to the Global Conference Room ([link](#)) and ask students from other countries for their feedback. You can also discuss your slogans in class.

SOURCES

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Source: <http://www.boerse-online.de/nachrichten/meinungen/Steuern-G20-Dauerhit-mit-grossem-Streitpotenzial-1001374346>
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JOACHIM HERZ STIFTUNG

The Joachim Herz Stiftung is an economically and politically independent nonprofit foundation. It was founded in 2008 and promotes education, science and research in the fields of economics and business administration as well as in the natural sciences. Educating and empowering individuals are the common goals of all programs.

www.joachim-herz-stiftung.de

GLOBAL CLASSROOM IN THE G20 FINANCE TRACK

The Global Classroom is a joined project of the German Federal Ministry of Finance and the Joachim Herz Stiftung. It provides teaching materials covering up-to-date topics of the G20 Finance Track 2017, like different aspects of economic growth and financial stability as well as the role of international organizations in global and national politics. The materials can be used in all social science classes such as economics and politics, but are also well suited for languages (especially English) and bilingual lessons.

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