

CLOSING PRESS RELEASE
International Tax Dialogue (ITD)
4th Global Conference
on 'Tax and Inequality',
New Delhi, India, 7 - 9 December 2011

TAXATION CAN PROMOTE EQUALITY

Addressing growing inequalities is now at the centre of the political debate and all countries are taking different actions to address it. Increasing inequality reaches far beyond economic implications, raising a number of political and ethical questions which have wide-ranging consequences for the future of all societies.

Globalisation and the sustainable growth path of many economies in transition and developed countries have produced impressive results in terms of economic growth, social development and poverty reduction. However, the benefits of stronger growth have not always been shared equally and income inequality has remained at very high levels. Achieving greater equality as a key to social cohesion remains a priority for every society.

Against this background, the goal of this conference was to discuss what is the role of taxation in reducing inequalities in income and wealth. The conference tried to identify which policies have failed and which have succeeded in reducing inequalities.

More than 300 senior tax policymakers and administrators from almost 90 countries participated at this event hosted by the Finance Ministry of India and organized by the International Tax Dialogue (ITD). The ITD is a joint initiative of various organisations working on tax issues – the IMF, the OECD, the World Bank, the European Commission, the IADB, and CIAT. The global conferences of the ITD have established a reputation of providing a unique opportunity for those engaged in making decisions about tax to discuss global issues.

The conference will be opened by Mr. Pranab Mukherjee, Minister of Finance of India, Mr. Min Zhu, Deputy Managing Director of the IMF, and Mr. Wang Jun – Vice Minister of Finance of China.

In his remarks, Mr. Pranab Mukherjee, Minister of Finance of India, noted that “[short statement about how India intends to address the twin objectives of sustaining rapid economic growth and whilst ensuring fairness e.g. We must ensure that all segments of society benefit from the growth that we are experiencing and that the wealth of the nation is more evenly distributed. This requires policies that support inclusive growth.]

Mr. Min Zhu stated that [IMF quote]

As host of the previous ITD Global Conference, Mr. Wang Jun remarked the importance of promoting the dialogue between tax policy officials of both developing and developed countries and the international community. He stated “[...]”.

Otaviano Canuto, Vice President of the World Bank said [WB quote which ideally needs to include something about importance of income taxes to make systems progressive and the administrative challenges e.g. “Tax policies have changed significantly in recent years. But for many countries it remains true that their tax policy options are severely constrained by the current administrative capacity of their tax administrations. Developing countries have fewer redistributive tax tools available than in more advanced countries. Upgrading tax administration is a vital step in reducing income inequality through progressive taxation. The World Bank and other international organisations are working hard to help countries overcome these constraints.]

Jeffrey Owens, Director of the Centre for Tax Policy and Administration (CTPA) at the OECD stressed that [“the international dimensions of tax issues related to taxing capital income, whether due to tax competition, tax avoidance or evasion, are now of much greater concern to tax administrators and policy makers given recent trends in income distribution. The recent G20 summit in Cannes showed how important it is to the international community to address the challenges of making sure the wealthiest do not use gaps in the international tax architecture to escape paying their dues, especially given the large cuts in the top nominal rates of personal income taxes and other taxes on capital from which they have benefited in recent years.]

During a comprehensive two and a half day programme, conference participants are addressing the tax issues raised by economic developments and globalisation that have affected the distribution of income, wealth, and living standards within and between countries over recent years. Income inequality between countries has diminished significantly as economic reform in many emerging economies has spurred growth, significantly reducing levels of absolute poverty globally. However, recent decades have also seen significant changes in the distribution of both wealth and incomes within countries, with notable increases in the share of income enjoyed by those at the very top of the income distribution in many countries. A rising tide has not lifted all boats.

The structural linkages between growth and inequality raise difficult issues about how best to raise taxes in a way which contributes to both growth and equitable development. The financial crisis has further impacted on the underlying trends affecting poverty and inequality globally. Sharp rises in unemployment – and therefore significant losses of income for individuals – in many countries are likely to take a long time to be reversed. The fiscal pressures to increase revenues and need to reduce debt levels in many, principally developed, countries require tough decisions on how far to increase taxes and where to make cuts in public expenditures. The impact on inequality is a crucial consideration for Finance Ministers.

The ITD and its partners believe that facilitating international dialogue on tax policy and administration is important if countries are to make the right informed decisions that reflect their own unique circumstances. We are working together to provide support to countries in developing and implementing tax administration and policy reforms.

Notes for Editors

1. Further information about the conference and background material is available at www.itdweb.org/TaxInequalityConference

2. Information about the ITD and its partners are available at the International Tax Dialogue website:
www.itdweb.org

Journalists may obtain further information and arrange for interviews by contacting:

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