

PRESS RELEASE

International Tax Dialogue (ITD)

4th Global Conference

on 'Tax and Inequality'

Delhi, India, 7 - 9 December 2011

TAXATION CAN PROMOTE EQUALITY

Addressing growing inequalities is now at the centre of the political debate around the world, spurred in part by the current financial crisis, which has impacted the underlying trends affecting poverty and inequality globally. Apart from the profound political and ethical issues surrounding increasing inequality, there are many technical issues, in particular on the design and implementation of fiscal policies that are critical.

Income distribution has become more unequal in several advanced economies over the last few decades, often in the context of declining growth. As to emerging and developing economies, while performance has been impressive in terms of economic growth, its benefits have not always been shared equally and income inequality has remained at very high levels. Achieving a more equitable income distribution as a key to social harmony remains a priority for every society.

Against this background, this conference set out to discuss the role of taxation in reducing inequalities in income and wealth, and promoting best practices. Jointly organized by the Ministry of Finance of India and partner organizations of the International Tax Dialogue (CIAT, European Commission, IADB, IMF, OECD, the World Bank) the conference brought together more than [300] senior tax policymakers and administrators from [90] countries and representatives of the ITD partners and other international organizations active in tax matters.

Conference Opening

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

In his remarks, Mr. Pranab Mukherjee, Minister of Finance of India, noted that “[DN: to be added by Indian MOF]

Mr. Min Zhu, Deputy Managing Director of the IMF, welcomed participants to the conference on behalf of the ITD partners. He noted “This conference could not be timelier. From the Arab spring to the Occupy movement, from the streets of Europe to the quiet resistance in many developing countries to tax systems seen as unfairly favouring elites, a sense of basic unfairness—not least through governments’ tax and spending policies—are prominent around the world. Experience has taught us much about these challenges, and how they can be addressed. We know, for instance, that the fiscal consolidation needed in many advanced countries, while painful, need not

be unfair. We know that many countries persist in policies, such as huge fuel subsidies, that are much less effective in relieving poverty—and much more expensive—than alternatives available to them. And we know that strengthening capacity is critical to building fiscal systems capable of delivering public services and support fairly and effectively. But there is much that we do not know, and no one will have all the answers. Experience sharing on these issues among the technical experts, of the kind that the Interactional Tax Dialogue has a strong track record of promoting, is more needed than ever.”

Carlo Cottrell, Director of the Fiscal Affairs Department of the IMF, noted that supporting an equitable income distribution is, together with macroeconomic stabilization and economic efficiency, one of the three classical goals of fiscal policy, and a critical one. Mr. Cottarelli also noted the importance of sufficient progressivity in the personal income tax and of raising income from property taxation, as well as the role that natural resource revenues could play in resource-rich countries.

Otaviano Canuto, Vice President of the World Bank said “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.

Advancing the Agenda

During a comprehensive two and a half day programme, conference participants will address 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 but not exclusively advanced, 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 policy-makers.

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. The ITD partners will be reviewing the outcomes of the Conference to see how it should impact on the ongoing work in this area and, will continue to work 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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Head of the ITD Secretariat or

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