International Chamber of Commerce

Commission on

TAXATION

ICC's perspectives on international businesses paying their 'Fair Share' of tax

Public trust in the tax system is a cornerstone of democracy. In recent years this trust has been eroded and there is concern among the general public and politicians that multinational enterprises are not paying their fair share of the tax burden. This paper sets out ICC's views on this matter.

Taxes can only be levied on the basis of laws. Countries design their own tax regimes and in doing so pursue different policy objectives. Tax competition between countries is a natural consequence of this. In itself tax competition is beneficial for states in that it will encourage states to keep improving their tax system and prevent inefficiencies. Furthermore, through the sovereign decision on the design of national tax systems, the revenue side of a state can be adapted to the respective expenditure side of the same state. For instance, if a state decides to have a low expenditure level, it must also have the possibility of adapting its tax system to an equally low tax level. This will not lead to a race to the bottom but rather a journey to the optimum as long as harmful tax competition is avoided. It is up to countries to collectively define and agree what harmful tax practices are.

Countries provide tax incentives to promote investment, jobs and economic growth. Companies are entitled and encouraged to use such measures offered by governments. Taking the least costly route should not in itself be condemned. It is the role of the legislature to decide what a "fair share" of tax is for the various taxpayers in a given society and to write the tax laws accordingly. The legislature also has to periodically evaluate the tax laws and to make amendments where required to take into account developments in policy objectives and expectations in society.

ICC supports transparent, efficient, predictable and stable tax regimes that incentivize long term investment, job creation and economic growth. In order not to disincentivize cross border trade and investment, profits from business activities should be taxed only once, in accordance with the applicable double taxation treaties and transfer pricing legislation.

ICC strongly opposes tax fraud and tax evasion. However, it is crucial to distinguish these illegal activities from the use of lawful methods of tax planning and tax management, provided these are aligned with commercial and economic activities.

ICC encourages greater cooperation between companies and tax authorities, with a relationship that is transparent, constructive and based on mutual trust and a focus on tax related risks, compliance with the law and certainty on a real time basis.

The role of tax authorities is to uphold the tax laws as written, rather than try to assess taxes based on their perception of what would constitute a fair share for an individual taxpayer in particular circumstances. To avoid inconsistencies between national tax systems, more coordination between governments is required. This is a complex international task and can obviously not be resolved by taxpayers. Uncoordinated actions by individual countries will lead to increased double taxation, increased unfair competition and increased uncertainty over the tax consequences of cross border transactions and in that way impede and distort international trade and investment.

There is a lot of misinformation in the public fair share debate. It is important for all involved to provide the correct facts, so a balanced and rational debate can take place.