Index

Aaron, H. 130
ACE (Allowance for Corporate Equity) proposal 100–102, 125, 126–7, 128
Adams, P. 230
ageing
consumption tax and transitional fairness issues for elderly, New Zealand 305–6
and labour supply responses 6
retirement income policy, Australia 272–3, 277, 285–6
Ahmad, E. 163
Alston, J. 224
Altshuler, R. 61–77, 116, 121, 128, 129
Apps, P. 171
Arnold, J. 15–37, 280
Atkinson, A. 148, 162
Auerbach, A. 48, 54, 107, 111, 114, 122, 128, 130
Australia
carbon taxes and trade-exposed energy-intensive industries (TEEI), compensation for 234–5, 236
carbon taxes vs tradable permit scheme 219, 230, 233, 234–5
corporate tax 5, 118, 299
Demand and Welfare Effects Simulator (DAWES) 191
Department of Climate Change White Paper 234–5
FDI with New Zealand 290
Household Expenditure Survey (HES) 168–9
labour supply responses, modelling see labour supply responses, modelling, in Australia and New Zealand
MITTS behavioural microsimulation model 173–4,
176–80, 181–4, 185–6, 187, 188–9, 190
New Tax System 190, 227, 229, 268, 270, 275–6, 277–8, 283
price-takers of petroleum products and gas 227–8
Survey of Income and Housing Costs (SIHC) 168–9, 173–4
tax credits 7, 211–12
territorial corporate income tax system 116
wage elasticities and education levels 184, 185–6
wage elasticities and labour supply 182–4, 187
Australia, tax reforms, past and present 265–88
administration and compliance 275–6
aggregate tax burden 278, 280
Asprey, Taxation Review Committee 266, 268
Australia 2020 Summit 277
Australian Constitution 266–7
‘baby bonus’ 271
base broadening 268, 270, 276, 281
Board of Taxation 268
business tax expenditures 274
Business Tax Review committee 268
business taxation review 281–2
Campbell, Australian Financial System Inquiry 266, 268
capital gains taxes and fringe benefits 269, 270, 278
capital taxes over labour taxes 279, 284
Charter of Budget Honesty Act 274
Commonwealth dominance 266–7, 275
company grouping 269–70
company tax rates 272, 279, 281–2, 298
compensation payments for low-income earners 275
compliance enforcement and self-assessment system 276
depreciation arrangements 269
dividend imputation system 269, 272
and economic growth 279, 280–81
effective marginal tax rate (EMTR) 38, 39, 271, 286
effective tax rates, stability of 269
entities and integration 272
environmental, infrastructure and housing affordability issues 283–4
family tax benefit system 271–2
federation arrangements 283
and foreign source income 270, 279, 281
and foreign tax credit system 270
foundations of 266
future tax system review 276–87
goods and services tax (GST) 190, 227, 229, 268, 270, 275–6, 277–8, 283
greenhouse gas problem and emission trading reduction scheme 284
housing affordability 279
‘in-house secret’ package approach 268
income to consumption tax, no substantive shift 278
indirect and state taxes 274–5, 278
Intergenerational Reports 280
international tax arrangements review 270
legacies of past reform 278–80
long-term revenues, securing adequate 280
low income tax offset (LITO) 271
Medicare levy 270
national savings shortfall 279
occupational superannuation arrangements 272–3, 285–6
offshore banking units (OBUs) and venture capital 274
offshore petroleum resources’ rent tax 274
operating efficiency decline 278
personal income tax and transfers 270–72, 275, 277, 282
political economy of reform 266–8
political economy and tax review 277–8
property transfer taxes 268
Reform of the Australian Tax System packages 268
and residential real estate 274
retirement income policy 272–3, 277, 285–6
sectoral policies 273–4, 279
self-assessment system and compliance enforcement 276
Senior Australians Tax Offset 285
simplification, delivering radical 282–3
statutory tax rate, finding appropriate 281
tax avoidance and evasion measures 268, 269, 275–6
tax mix 268–9
tax and transfers based on equity, progressivity and work incentives 286–7
top personal tax rate, reduction of 270
vertical equity rules 282
weak spots, potential 279
wholesale sales tax 274–5

Bankman, J. 126
Banks, J. 130, 171
Barnes, S. 44
Belgium
company tax rate and domestic–source income 291
corporate tax decline in 1980s 66
Bell, B. 261
Benassy-Quere, A. 300
Benge, M. 289–312
Bermuda 68, 71
Bernheim, B. 47
Besley, T. 149, 150
Bird, R. 117
Blundell, R. 171, 189, 191, 201
Boersch-Supan, A. 24
Bradbury, B. 162
Bradford, D. 107, 127, 130
Index

Brys, B. 15‒37
Bryson, A. 200
Buddelmeyer, H. 169, 171, 197‒8, 207
Butcher, G. 261
Caballaro, R. 44
Cai, L. 190
Callan, T. 178
Canada
corporate tax decline in 1980s 66
FDI in Ireland 74
hybrid securities and dividend exemption systems 65
investment subsidies and factor substitution elasticity 44
statutory and effective marginal tax rates (EMTRs) 39
Capital Export, Import and Ownership Neutrality 72, 73
capital gains tax exemption, New Zealand 115, 142
and fringe benefits, Australia 269, 270, 278
New Zealand 291, 303, 307‒8, 309
Norway 308
capital mobility
Nordic countries, dual income tax 82, 84‒5, 102
and sensitivity to host country tax rate differences, US 66‒7
capital taxes
increasing individual-level share of, small open economies 121, 122‒3, 128
over labour taxes, Australia 279, 284
and profit-shifting across countries 5
carbon taxes vs tradable permits 219‒40
agricultural industry in New Zealand 228‒9
Australia 219, 227‒8, 230, 233, 234‒5, 236, 284
carbon leakage and TEEI 234, 235
and compensation for TEEI 234‒5, 236
consumer prices and policy intervention 224
consumption or destination base and TEEI 236
developing countries and fair cooperative agreement, challenge of 231‒3
and economic and demographic shifts 225‒6
electricity generation industry in New Zealand 228, 229
global dimensions and policy options 230‒33
global dimensions and uncertainty over competition 235‒6
greenhouse gas emissions and climate change 220‒27
industries using energy as intermediate business input, New Zealand 230
input costs passed on to buyers, New Zealand 229‒30
market failure with greenhouse gas emissions 221‒2
operation, efficiency and distributional implications, comparison of 224‒5
petroleum products and gas in New Zealand 219, 226, 227‒8, 229
policy design issues for early movers 233‒8
policy problem and intervention options 220‒30
and pollution source 223‒4
and price stability 226‒7
social costs and benefits of pollution externality 222
trade-exposed energy-intensive industries (TEEI), issues affecting 233‒7
see also New Zealand, lake water quality improvement through nutrient trading system
cash-flow tax 130
and expensing of investment purchases 124‒5, 127
foreign tax creditability problems 121, 126
and inflation 40, 54
and investment subsidy, difference between 39‒40
and neutrality of shareholder income tax, and dual income tax 96‒7
Cayman Islands 68, 71
Tax reform in open economies

Chang, C. 148
Chatelain, J. 44
child tax credit, New Zealand 195
Chirinko, R. 43, 44
Claus, I. 1–12
Cnossen, S. 81, 130
Coate, S. 149, 150
Cohen, D. 44, 45
Cohen-Stuart, J. 137
corporate tax policy
New Zealand see New Zealand, company taxation in
in small open economies see small open economies, international taxation and company tax policy
see also corporate tax
consumption tax
advantages of 125
and Allowance for Corporate Equity (ACE) approach 100–102, 125, 126–7, 128
disadvantages of, small open economies 125–6
and economic growth 3–4, 16, 17, 18, 19, 33, 34–5
and expensing for tax purposes, small open economies 124–5, 127
and income levels 35
and investment subsidies, differences between 51
labour supply and wage levels 33
suggested move towards consumption-based taxation, New Zealand 122, 124–5, 298
and tax structures and firm performance 3–4, 16, 17, 18, 19, 33, 34–5
and transitional fairness issues for elderly, New Zealand 305–6
Cooper, R. 238
Cornwell, A. 229
corporate tax
age of firm and productivity 25, 26, 28, 29
Australia 5, 118, 299
and average effective tax rate (AETR) 31
and capital income taxation 121
corporate equity allowance as alternative to dual income tax 100–102
and debt finance 120–21
decline in 1980s 66
economic growth 3–4, 17, 19, 24–31, 33–4
and effective marginal tax rate (EMTR) 31
and FDI 20, 24, 34
global decline, slowing of 4
and incorporation as sheltering device 115
inflation and cash-flow tax 40, 54
and international taxation see small open economies, international taxation and company tax policy
and investment 24–6
and investment subsidies, differences between 51
job turnover and employment protection legislation 30
move towards lower 3, 5, 24, 26–7, 34, 35, 85, 117–18, 121
multinationals see MNCs
New Zealand see New Zealand, company taxation in
and productivity 26–31, 33–4
and profit-shifting across countries 5
and profitability 28, 29
rate reduction with increases in labour or consumption taxation, small open economies 122–4
role in tax structure 51
and SMEs and productivity 25, 26, 28, 29
and tax incentives for R&D 26, 29–31
and tax sheltering 51, 115
tax structures and firm performance 24–31, 33–4, 85
and total factor productivity (TFP) 24–31
and user cost of capital 24, 25, 26
windfall recapture tax 119
see also individual countries
Costa Dias, M. 201
<table>
<thead>
<tr>
<th>Name</th>
<th>Page(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coulibaly, B.</td>
<td>44</td>
</tr>
<tr>
<td>Crawford, C.</td>
<td>3</td>
</tr>
<tr>
<td>Creedy, J.</td>
<td>137–65, 171, 178, 189, 191, 229, 238</td>
</tr>
<tr>
<td>Croatia, ACE</td>
<td>126</td>
</tr>
<tr>
<td>Cummins, J.</td>
<td>44, 45</td>
</tr>
<tr>
<td>Dalgety, J.</td>
<td>194–216</td>
</tr>
<tr>
<td>De Long, J.</td>
<td>54</td>
</tr>
<tr>
<td>de Mooij, R.</td>
<td>49, 115, 300</td>
</tr>
<tr>
<td>de Wet, A.</td>
<td>44</td>
</tr>
<tr>
<td>Deaton, A.</td>
<td>148</td>
</tr>
<tr>
<td>debt</td>
<td></td>
</tr>
<tr>
<td>business debt and interest deduction, Nordic countries and dual income tax 90–91</td>
<td></td>
</tr>
<tr>
<td>debt-financed investment, MNCs 121, 124, 126</td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td></td>
</tr>
<tr>
<td>self-employment taxation 92 see also Nordic countries, dual income tax</td>
<td></td>
</tr>
<tr>
<td>Desai, M.</td>
<td>76</td>
</tr>
<tr>
<td>developing countries and fair cooperative agreement, carbon taxes 231–3</td>
<td></td>
</tr>
<tr>
<td>Devereux, M.</td>
<td>3, 31, 111, 129, 130</td>
</tr>
<tr>
<td>Diamond, P.</td>
<td>130, 148, 150</td>
</tr>
<tr>
<td>Dixon, P.</td>
<td>227, 229</td>
</tr>
<tr>
<td>Doirion, D.</td>
<td>189</td>
</tr>
<tr>
<td>Dorsett, R.</td>
<td>194–216</td>
</tr>
<tr>
<td>dual income tax</td>
<td></td>
</tr>
<tr>
<td>Nordic countries see Nordic countries, dual income tax and small open economies 123–4</td>
<td></td>
</tr>
<tr>
<td>Duncan, A.</td>
<td>171, 176, 189</td>
</tr>
<tr>
<td>Dunning, J.</td>
<td>111</td>
</tr>
<tr>
<td>Eastern Europe, flat tax 80 economic growth</td>
<td></td>
</tr>
<tr>
<td>Australia, tax reforms, past and present 279, 280–81</td>
<td></td>
</tr>
<tr>
<td>and consumption tax 3–4, 16, 17, 18, 19, 33, 34–5</td>
<td></td>
</tr>
<tr>
<td>and corporate tax 3–4, 17, 19, 24–31, 33–4</td>
<td></td>
</tr>
<tr>
<td>and immovable property taxes 17–18, 19, 35</td>
<td></td>
</tr>
<tr>
<td>and personal income tax 3–4, 16, 17, 18, 19, 33, 34–5</td>
<td></td>
</tr>
<tr>
<td>and property tax 17–18, 19, 32–3, 34–5</td>
<td></td>
</tr>
<tr>
<td>and tax structures and firm performance 15–16, 32–4</td>
<td></td>
</tr>
<tr>
<td>Ederveen, S.</td>
<td>49, 300</td>
</tr>
<tr>
<td>Edgeworth, F.</td>
<td>137, 138</td>
</tr>
</tbody>
</table>
| effective marginal tax rates (EMTRs) Australia 38, 39, 271, 286 and corporate tax 31 G-7 38, 39 and labour supply responses, modelling, in Australia and New Zealand 176–7, 189 New Zealand 296, 297, 304 Ellerman, A. 244 employment see labour supply Engen, E. 48 Estonia, net corporate distribution tax 130 EU electricity generation industry and tradable permits 228 tradable permit scheme for carbon emissions 219, 226, 228, 233 see also individual countries family tax benefit system Australia 271–2 see also tax credits Finland self-employment taxation 92 shareholder taxation 103 small companies, taxation of 102–3 tax practices, current 86, 87 see also Nordic countries, dual income tax firm performance and tax structures see tax structures and firm performance firm-specific economic rents, role of, small open economies 111, 118, 121, 122, 123, 125 foreign income, US see US, foreign income foreign investment and corporate tax 20, 24, 34 credit system for, US 43 and economic rents, New Zealand 207, 293, 301–2
foreign firms streaming profits away, New Zealand 298–300
foreign source income, Australia 270, 279, 281
and high-tax versus low-tax jurisdictions, US 74
and labour taxes 20
and mobility of intangible capital, US 67–8, 72–3, 74
net-of-foreign-tax return on offshore investments, New Zealand 292
non-residents taxed on New Zealand-sourced income 292–3
offshore active income exemption, government proposal of, New Zealand 294
offshore banking units (OBUs) and venture capital, Australia 274
offshore petroleum resources’ rent tax, Australia 274
offshore subsidiaries, plans to exempt from company tax, New Zealand 292
post-foreign-tax return on offshore investments, New Zealand 292
see also international taxation; MNCs
foreign tax credits
Australia 270
New Zealand, company taxation in 292, 293
and small open economies, international taxation and company tax policy 116–17, 126
see also tax credits
France
corporate tax decline in 1980s 66
hybrid securities and dividend exemption systems 65
investment subsidies and factor substitution elasticity 44
statutory and effective marginal tax rates (EMTRs) 39
Freebairn, J. 219–40
Freedman, J. 3
Fuest, C. 85
G-7, statutory and effective marginal tax rates (EMTRs) 38, 39
Galper, H. 130
Garnaut, R. 220, 231, 234–5, 236, 238
Gemmell, N. 1–12
Gensler, B. 123
Gentry, W. 20
Germany
affiliate royalties to US 68
investment subsidies and factor substitution elasticity 44
statutory and effective marginal tax rates (EMTRs) 39
Giles, C. 171, 176
global
dimensions and policy options, carbon taxes vs tradable permits 230–3, 235–6
recession, aftermath of, and rate rises 4
warming see carbon taxes vs tradable permits
goods and services tax (GST)
Australia 190, 227, 229, 268, 270, 275–6, 277–8, 283
New Zealand 141, 227, 239, 291, 297, 305–6
Gordon, R. 76, 110, 111, 114, 115
Gravelle, J. 38–58, 112–13, 126
greenhouse gas problems see carbon taxes vs tradable permits
Griffith, R. 21, 31, 101, 111, 114, 126, 127, 129
Grubert, H. 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 116, 121, 128, 129–30
Gugl, E. 116
Hagen, K. 106
Hajkova, D. 20
Hall, J. 113
Hall, R. 80, 130
Harberger, A. 110, 113
Harding, M. 1–12
Harris, M. 189
Hartman, D. 117
Hashimzade, N. 148
Hassett, K. 43
Head, J. 129, 130
Heady, C. 15–37, 162
Heckman, J. 191
Hindriks, J. 148
Hines, J. 66, 76, 110, 111
Holland, D. 289–312
Hong, Q. 129
Hotz, V. 191
House, C. 45
Hubbard, R. 20, 43
Huizinga, H. 113

in-work tax credits 195–200, 209, 215–16
see also tax credits

income shifting
and MNCs 112
and Nordic countries, dual income tax 84–5, 93
reasons for allowing, US 64–5, 69, 71, 72, 73
role of, small open economies 112, 113

inflation
and cash-flow tax 40, 54
and dual income tax 82, 83, 106
and income measurement, small open economies 130

Institute of Fiscal Studies, ACE proposal 100–102, 125, 126–7, 128

international taxation
efficiency criteria for, US 72–3
New Zealand, company taxation in 291, 306–7
review, Australia 270
in small open economies see small open economies, international taxation and company tax

see also foreign investment; MNCs

investment subsidies, economic effects of 38–58
aggregate effects on economy 40–50
as alternative method of reducing tax burdens 39–40
‘bang for the buck’ 51–2, 53, 119
and bonus depreciation, effects of 44–5
capital demand and factor substitution elasticity 45
and cash-flow tax, difference between 39–40
choice and design of subsidies 50–55
and consumption tax on saving 48
and corporate and consumption tax, differences between 51
and credit systems of foreign investors 43
and debt finance 43, 120–21
and effective marginal tax rates (EMTRs) 38–9
equipment investment and economic growth 54
and equity investments 54–5
and factor substitution elasticity 43–5
and favoring equipment over structures 54
and inflation 55
and investment credits 38, 39, 48, 51–3, 54–5
negative tax rates and debt finance 54–5, 120–21
neutrality issues 52–4
and offset of revenue losses 43
and partial expensing 48, 54
and savings elasticity 45–50
savings elasticity in closed economy 46–9, 55
savings elasticity models 47–9
savings elasticity in open, capital-importing economy 49–50
savings elasticity and rate of return 46–7
savings, and exchange rate risk 49
and sustainable consumption 40–43
and temporary bonus depreciation 44

Ireland
affiliate royalties to US 67–8
company tax rate and domestic-source income 291
corporate tax system compared with New Zealand 300–303
FDI from Canada 74
rate alignment 3

Italy
investment subsidies 39
IRAP tax (value-added tax) 130
statutory and effective marginal tax rates (EMTRs) 39
Tax reform in open economies

Japan
affi liate royalties to US 68
credit system for foreign investment 43
statutory and effective marginal tax rates (EMTRs) 39
treasury transfer effect 116
Johansson, Å. 15‒37
Johnston, S. 193‒216
Judd, K. 54

Kalb, G. 162, 163, 166‒93
Kanbur, R. 148
Keane, M. 176, 178
Keen, M. 130
Kennedy, M. 245
Kerr, S. 241‒62
Kew, H. 189
Killingsworth, M. 191
King, J. 130
Klevmarken, N. 171
Kneller, R. 16, 32
Knittel, M. 44, 45
Koch, S. 44
Kornhauser, M. 194
Kotlikoff , L. 48

labour income
and capital income, achieving
neutrality between 114
and FDI 20
tax and cash-flow tax, differences
between 39‒40
labour supply
employment for sole parents see
New Zealand, sole parents,
employment incentives for
in-work tax credits 195‒200, 209,
215‒16
job turnover and employment
protection legislation 22
labour force mobility, New Zealand
290, 304
labour force mobility, and personal
income tax 120
work incentives, tax and transfers
based on, Australia 286‒7
labour supply responses, modelling,
in Australia and New Zealand
166‒93
comparisons with other countries
188‒90
and effective marginal tax rates
(EMTRs) 176‒7, 189
labour elasticities for sole parents
183‒4, 188‒9
labour supply elasticities 180‒90
labour supply modelling in
MITTS-B and TaxMod-B
176‒80, 181‒90
microsimulation models, advantages
and limitations of 166, 167
wage elasticities, in Australia 182‒4,
187
wage elasticities, calculation of
180‒82
wage elasticities and education
levels, in Australia 184, 185‒6
wage elasticities, in New Zealand
184‒8
labour supply responses, modelling,
in Australia and New Zealand,
behavioural and non-behavioural
microsimulation
behavioural microsimulation 171‒3
behavioural microsimulation, typical
model 171‒2
discrete hours approach 173, 177‒8,
179, 180
MITTS in Australia 173‒4, 176‒80,
181‒4, 185‒6, 187, 188‒9, 190
non-behavioural microsimulation
167‒71
non-behavioural microsimulation,
arithmetic model 168
non-behavioural microsimulation,
arithmetic model data 168‒70
simulating changes in labour force
participation 172‒3
tax and transfer system 170‒71, 177
TaxMod in New Zealand 174‒80,
181‒2, 184‒8
lake water quality see New Zealand,
lake water quality improvement
through nutrient trading system
Levine, M. 197
Liang, K. 205
Lock, K. 241‒62
Luxembourg, rate alignment 3
McCulloch, J. 137, 161
McDonald, M. 69
MacKie-Mason, J. 114
McLure, C. 126, 129, 130
MacRae, J. 176
MacCurdy, T. 191
Maddala, G. 178
Madden, D. 163
Madrian, B. 49
Mieszkowski, P. 110, 130
Mill, J. 162
Millar, J. 44
Mintz, J. 113
Murrells, J. 148
MITTS behavioural microsimulation model, Australia 173–4, 176–80, 181–4, 185–6, 187, 188–9, 190
MNCs
debt-financed investment 121, 124, 126
and income shifting 112
investment location and economic rent generation 111
location decisions and dividend exemption, US 74–5
tax avoidance 115–16, 118, 119, 125–6
and taxation, US 61–77
see also corporate tax; foreign investment; international taxation; tax structures and firm performance
Moffitt, R. 171, 176, 178
Murray, J. 189
Musgrave, P. 117
Mutti, J. 66, 68
Myles, G. 20, 148

Netherlands
corporate tax decline in 1980s 66
hybrid securities and dividend exemption systems 65
New Zealand
ACE tax, benefits of 127
agricultural industry and carbon taxes 228–9, 245, 248
broad base-low rate principle 118, 140, 141–2
capital gains tax exemption 115, 142
carbon taxes and input costs passed on to buyers 229–30
carbon taxes and trade-exposed energy-intensive industries (TEEI), compensation for 236
carbon taxes vs tradable permits 219, 226, 227–30, 233
comprehensive income taxation 104–5
consumption-based taxation, suggested move towards 122, 124–5, 298
corporate income tax 105, 114, 117
corporate income tax, downward pressure on 117–18, 299
corporate income tax and tax sheltering 115
dual income tax, argued relevance of 104–6
electricity generation industry and carbon taxes 228, 229
goods and services tax (GST) 141, 227, 239, 291, 297, 305–6
Household Economic Survey (HES) 169–70, 174–6
Household Labour Force Survey (HLFS) 201, 202, 205
income shifting concerns 112, 114
income tax structures 154–7
industries using energy as intermediate business input 230
international labour mobility 104, 105
labour responses of single men 6
labour supply responses, modelling see labour supply responses, modelling, in Australia and New Zealand
location-specific economic rents, taxation of 113
means-tested transfer payments 142
optimal marginal income tax reforms, model to examine 152–4
personal income tax and labour mobility 120
petroleum products and gas industry and carbon taxes 219, 226, 227–8, 229
rate alignment 3
shareholder dividend taxation 105
social insurance contributions, lack of separate 141
tax credits 6, 7, 104, 105–6
tax preferences, introduction of 118
tax revenue 104
tax-free threshold, lack of 141
TaxMod non-behavioural microsimulation 174–80, 181–2, 184–8
tradable permit schemes and industries using energy as intermediate business input 230
Treasury transfer effect 116, 117
wage elasticities and labour supply 184–8
Working for Families (WfF) 105–6, 196–8, 200, 203, 212

New Zealand, company taxation in 105, 114, 117–18, 289–312
and Australia’s company tax rate 298
capital gains tax 291, 303, 307–8, 309
consumption levels and alignment approach 305
consumption tax and transitional fairness issues for elderly 305–6
EMTRs 296, 297, 304
FDI with Australia 290
FDI, effects of taxes on 300
flat personal tax system 290–91
foreign firms streaming profits away 298–300
foreign investment and economic rents 207, 293, 301–2
foreign tax credits 292, 293
future of 298–300, 310–11
high company tax rate, possible effects of 300
high level of government revenue 289, 302
imputation system 289, 290, 291, 292, 294–5, 301, 303, 307–8, 309
integrity problems and alignment approach 304–6, 309, 310, 311
integrity problems and mind-the-gap approach 304, 306–8, 309, 310–11
integrity problems and mind-the-gap approach, economic incentives of 306–7
integrity problems and Nordic split-rate approach 304, 308–11
see also Nordic countries
integrity problems and tax variation rates 303–10
and international taxation 291, 306–7
Irish system, consideration of and company tax rate cuts 300–303
see also Ireland
labour force mobility 290, 304
life insurance policyholder income 294
low-income benefits and cost-of-living adjustments 305
net-of-foreign-tax return on offshore investments 292
non-residents taxed on New Zealand-sourced income 292–3
offshore active income exemption, government proposal of 294
offshore subsidiaries, plans to exempt from company tax 292
outbound investment taxation 292
policy choices, determining 296–303
policy paradigm 290–93
Portfolio Investment Entity (PIE) 294, 296, 309
post-foreign-tax return on offshore investments 292
recent changes 294–6
single level of tax on broad-based definition of income 290–91
and tax avoidance and deferral 294–5, 302–3
tax incentives, lack of 293
tax system in 2007 293–6
top personal and company tax rates alignment 290, 297–8, 304–6
top personal tax rate, recent changes 294, 295, 296
trust tax rate 294, 295, 296

New Zealand, lake water quality improvement through nutrient trading system 241–62
adjustment costs and cost-sharing 253
allowance allocation options and
cost-sharing principles 249–55, 259–61
allowances, gradual issuing of 255‒6
beneficiaries should pay 245–7
and buy-back 251, 252, 255, 257
catchment area and cost sharing 246–7
and ‘clean green’ image 246–7, 252
compensation for changes in monitoring 258
compensation for losses through free allocation of allowances 251, 252
compensation for stranded assets 254–5
cost-sharing principles 245–9
cost-sharing principles and allowance allocation options 249‒55, 259‒61
cost-sharing as system evolves 256–9
cost-sharing and vintage of nutrients 255–6, 260
costs involved 242–5
and Emissions Trading Scheme, interactions with 245
emitters and non-emitters, sharing costs between 251–2
emitters, sharing costs among 252–5
and ‘existence value’ 247
and farming sector 243, 248, 252, 257
and fishermen 251–2
and future generations 247, 256
grand-parenting and historical emissions 254, 260
and groundwater lags 248, 251
and land use capability 253
land use changes and scientific development 258–9, 261
long-term equity and cost-sharing 252–3
low emitters, rewarding 254–5
nutrient loss cap, changes to 257, 260–61
nutrient reduction costs 243
nutrient tax as alternative to trading system 242
OVERSEER model 253, 254, 260
‘polluter pays’ principle 247–8
and property developers 251, 255, 256
and property rights 248–9, 253, 255, 256, 257
Proposed Lakes Rotorua and Rotoiti Action Plan 243, 244, 245, 248, 252, 257
recommendations, suggested 259–61
Resource Management Act 247
scientific developments 258–9, 261
tourism and cost sharing 246, 251
and trading caps 251, 252, 255, 260
trading system impact on costs 243–5
trading system and mitigation opportunities 243–4, 245, 249, 250–51, 254, 256, 257, 258
trusts to distribute allowances 256
and vulnerable members of community, protection of 249, 253
see also carbon taxes vs tradable permits
New Zealand, sole parents, employment incentives for 194–216
abatement rate changes 195
analysis models 200–206
analysis results 206–12
barriers to work remaining 212
benefit exit and re-entry rates, changes in 207–11
benefit numbers, changes in 198–200
child tax credit 195
difference-in differences employment rate estimator 201–2, 205–6, 207
Domestic Purposes Benefit (DPB) 195, 199–200, 203–5, 207–12
economic context 200
employment and benefit receipts, recent trends in 197–200
employment rates, changes in 197–8
financial support 195, 215–16
and hours of work, increase in 207, 208
Household Labour Force Survey (HLFS) 201, 202, 205
in-work tax credit 195–200, 209, 215–16
paid employment, changes in 206–7
delaying paid employment, changes affecting 194–7
time in receipt of benefit, survival analysis of 203–6, 209
Widows Benefit and part-time employment 195
work-testing requirements 195
Working for Families (WFF) package 196–8, 200, 203, 212

Ng, K. 239
Nicodème, G. 113, 115, 129
Nielsen, S. 81, 130
Nordhaus, W. 238
Nordic countries, dual income tax 3, 78–108, 308–10
alternative visions for 85–6
business debt and interest deductibility 90–91
and capital income tax rate 83–4
and capital mobility 84–5, 102
case for 81–4
cash-flow tax and neutrality of shareholder income tax, equivalence of 96–7
clientele effects and flat tax 83
and corporate equity allowance as alternative 100–102
corporate profits, double taxation avoidance 79
critique of 84–5
description of 78–9
entrepreneurs, rate of return and risk premium 91–2
flat tax 80–81, 82, 83, 85, 90, 91, 106
and income shifting 84–5, 93
inflation and flat tax 82, 83, 106
lock-in effects and flat tax 82, 85
and New Zealand, considered for 104–6
principles of 78–86
progressive labour income tax combination and flat tax 80–81
progressive taxes on capital income, reduction of 84
self-employment income taxation under 86–93
and shareholder dividends 85–6, 101–2
shareholder income tax with rate-of-
return allowance, suggestion for 94–100
shareholders, taxing of active 93–4, 99–100, 101–3
SME taxation 102–3
tax administration and flat tax 83
tax arbitrage and flat tax 83, 90, 91
tax credits 78, 86
tax neutrality between wage earners and entrepreneurs 79
tax neutrality and flat tax 82, 90, 91
and tax-favoured assets 83, 85
taxation of closely-held corporations 93–102
taxing business income under income tax 86–103
versus other blueprints 79–81
Norway
capital gains tax 308
dividends, double taxation of 308
dual income tax, shareholders, taxing of active 94
self-employment taxation 92
shareholder income tax with rate-of-return allowance 95–6, 98–9
shareholder taxation 103, 105, 130
tax practices, current 86, 87
taxation system considered in New Zealand 304, 308–11

O’Brien, D. 162
OECD
corporate tax rates and top personal tax rate, difference between 306
corporate tax rates and total factor productivity growth (TFP) 301
expenditure tax, lack of implementation of 80
in-work tax credits 195
progressive comprehensive income tax 79–80
tax structures and firm performance see tax structures and firm performance
optimal tax theory 6–7, 138, 139, 141, 142–3, 145, 147, 148–50
and behavioural tax microsimulation model 150, 152–4
and elasticities, use of 152
and marginal tax rates 149, 150
Index

and piecewise-linear tax functions 150
and welfare function 148–9
Orszag, P. 226

Pechman, J. 38
Pencavel, J. 191
Perman, R. 223
personal income tax
backstop argument, small open economies 114–15, 123
and economic growth 3–4, 16, 17, 18, 19, 33, 34–5
and entrepreneurship and risk–taking 20, 34
and firm performance 20–23
and industry-specific characteristics 20–21
job turnover and employment protection legislation 22
labour income and capital income, achieving neutrality between 114
labour income tax and cash-flow tax, differences between 39–40
and labour mobility 120
labour taxes and FDI 20
new firm entries and top marginal income tax rates 21–3
proportional, in dual income taxes 81
and savings returns 33
social security contributions (SSCs) and TFP 21, 22, 23
tax structures and firm performance 20–23, 33, 34–5
top personal tax rates see top personal tax rates
and total factor productivity (TFP) 20–23
and transfers, Australia, tax reforms, past and present 270–72, 275, 277, 282
personal income tax structure, theory and policy 137–65
broad base-low rate principle 2–3, 118–20, 140, 141–2, 150, 268, 270, 276, 281
compensated demand elasticity 141
empirical measurement, limitations of 138–40
goods and services tax (GST) see goods and services tax (GST)
history of 137–8
and household equity 141
interdependencies involved 138
linear tax (basic income–flat tax (BI–FT)) 142–8
linear tax (basic income–flat tax (BI–FT)), and government budget constraint 143–5, 146, 147, 150
marginal income tax reform 151–4
and optimal tax theory see optimal tax theory
redistribution and progressivity 137, 140, 142, 154–8
‘rules of thumb’, role of 140–42
social welfare function 7, 141, 145–7, 148, 150, 151, 152
top marginal tax rates 142, 152, 155–7, 158–60
utility maximising theory 137–8
and voting schemes 147
welfare changes and top marginal rate 158–60
see also individual countries
Peter, K. 3, 162
property tax
and economic growth 17–18, 19, 32–3, 34–5
and housing investment 32–3
immovable, and economic growth 17–18, 19, 35
recurrent taxes on immovable property 32–3, 35
and recurrent taxes on residential property 35–6
and tax structures and firm performance 17–18, 19, 32–3, 34–5
taxes on property transactions 33
transfer taxes, Australia 268
and valuation systems 35–6
Rabushka, A. 80, 130
Randolph, W. 113
Razin, A. 110

Iris Claus, Norman Gemmell, Michelle Harding and David White - 9781849804998
Downloaded from Elgar Online at 02/23/2019 07:36:27AM
via free access
retirement income policy
Australia 272–3, 277, 285–6
see also ageing
Reutter, A. 123
Rice, E. 66
Richman, P. 76
Rimmer, M. 227, 229
Rose, M. 126, 130
Sadka, E. 110
Saez, E. 148, 152
Savage, E. 171
savings
national savings shortfall, Australia 279
patterns, US 47, 49
returns, and personal income tax 33
Unlimited Savings Allowance tax 130
Scarpetta, S. 21
Schaller, H. 44
Schler, M. 126
Scholz, J. 191
Schwellnus, C. 24, 26, 36
Scobie, G. 113, 224
Scutella, R. 174, 176, 179
self-employment income taxation,
Nordic countries, dual income tax 86–93
Shapiro, M. 45
Shapiro, R. 226, 238
shareholder taxation
New Zealand 105
Nordic countries, dual income tax 85–6, 101–2
Norway 103, 105, 130
and rate-of-return allowance,
suggestion for, Nordic countries, dual income tax 94–100
taxing of active shareholders,
Nordic countries, dual income tax 93–4, 99–100, 101–3
Shea, D. 49
Sijm, J. 228
Singapore, affiliate royalties to US 67–8
single parents see sole parents
Sinn, H. 117
Sleeman, C. 141, 238, 311
Slemrod, J. 112, 114, 115, 129, 162
Smale, R. 228
small open economies, international
taxation and company tax policy 109–34
business taxation, political
desirability of 117
and capital emigration 110
capital income taxation, increasing
individual-level share of 121,
122–3, 128
cash-flow tax and foreign tax
creditability problems 121, 126
corporate tax policy 110–17
corporate tax reform options,
evaluation of specific 117–28
comprehensive business income tax
(CBIT) 120–21, 123
corporation tax, advantages of 125
corporation tax and Allowance
for Corporate Equity (ACE) approach 125, 126–7
corporation tax, disadvantages of 125–6
corporation tax and expensing for
tax purposes 124–5, 127
corporation tax and rate of return
on equity 127
corporation-based business taxes
and corporation tax reforms 124–8
corporate income taxes,
qualifications to arguments for
low 112–17
corporate rate reduction with
increases in labour or
corporation taxation 122–4
corporate tax and import
substitution elasticity 112–13
and dual income tax (DIT) 123–4
firm-specific economic rents, role of 111, 118, 121, 122, 123, 125
and foreign tax credits 116–17, 126
income shifting, role of 112, 114
income tax reform and further rate
reductions 120–21
inflation rates and income
measurement 130
interest income, taxation of 124
location-specific economic rents, role of 113, 118, 123, 125
MNCs and debt–financed investment 121, 124, 126
personal income tax backstop argument 114–15, 123
revenue-neutral base-broadening and rate-reducing income tax reform 118–20
tax avoidance, role of 115–16, 118, 119, 123, 125–6, 127
and tax preferences 118, 119
treasury transfer effect 116–17, 126
windfall recapture tax 119, 130
‘zero tax’ argument 11–12, 110
see also individual countries
Smart, M. 129
SMEs
Nordic countries, dual income tax 102–3
productivity and corporate tax 25, 26, 28, 29
and tax structures and firm performance 25, 26, 28, 29, 33
Smetters, K. 43, 49, 112–13
Smith, A. 137, 138, 140
Smith, G. 265–88
Smith, J. 44
sole parents
employment incentives for see New Zealand, sole parents, employment incentives for and labour elasticities 183–4, 188–9
Sørensen, Peter Birch 78–108, 123, 129, 130
South Africa, investment subsidies and factor substitution elasticity 44
Spain, investment subsidies and factor substitution elasticity 44
Spier, P. 194–216
Stephens, R. 227, 229
Stern, N. 162, 163, 191, 220
Stiglitz, J. 148
Summers, L. 54
Sweden
self-employment taxation 92
shareholder taxation 103
small companies, taxation of 102, 103
tax practices, current 86, 87
tax avoidance
anti-avoidance legislation 3–4
evasion measures, Australia 268, 269, 275–6
MNCs 115–16, 118, 119, 125–6
and New Zealand company taxation 294–5, 302–3
small open economies 115–16, 118, 119, 123, 125–6, 127
tax credits
family tax benefit system, Australia 7, 271–2
foreign see foreign tax credits
in-work 195–200, 209, 215–16
New Zealand 6, 7, 104, 105–6
Nordic countries, dual income tax 78, 86
UK 6, 7, 195
tax havens 65, 68, 71
tax incentives
lack of, New Zealand 293
for R&D 26, 29–31
tax policy
broad base, low rate (BBLR) 2–3, 118–20, 140, 141–2, 150, 268, 270, 276, 281
lessons 2–7
see also company tax policy; corporate tax; personal income tax; property tax
tax reforms, Australia see Australia, tax reforms, past and present
tax sheltering 51, 115
tax structures and firm performance 15–37
and consumption taxes 3–4, 16, 17, 18, 19, 33, 34–5
corporate tax 24–31, 33–4, 85
economic growth promoting tax policies 15–16, 32–4
equity considerations 34–6
and neutral tax shifts 18, 19
overall tax mix 16–19
personal income tax 20–23, 33, 34–5
policy implications 32–6
and property tax 17–18, 19, 32–3, 34–5
recurrent taxes on immovable property 32–3, 35
and savings returns 33
and SMEs 25, 26, 28, 29, 33
tax mix, estimated cross-country
effects 17–18
tax structure focus, importance of 15
taxes on property transactions 33
Thuronyi, V. 130
Tietenberg, T. 223
top marginal tax rates
and new firm entries 21–3
personal income tax structure,
theory and policy 142, 152,
155–7, 158–60
and welfare changes 158–60
top personal tax rates
alignment with company tax, New
Zealand 290, 297–8, 304–6
recent changes, New Zealand 294,
295, 296
reduction of, Australia 270
total factor productivity (TFP)
and corporate tax 24–31
and personal income tax 20–23
treasury transfer effect 116
Tressel, T. 21
trust tax rate, New Zealand 294, 295,
296
Tuomala, M. 146–7, 148, 162

UK
ACE tax proposal 128
affiliate royalties to US 68
corporate tax decline in 1980s 66
credit system for foreign investment
43
in-work tax credits 195
investment subsidies 39
investment subsidies and factor
substitution elasticity 44
labour supply elasticities 189–90
statutory and effective marginal tax
rates (EMTRs) 39
tax credits 6, 7, 195
treasury transfer effect 116

US
and ACE tax credibility 126
Acid Rain program 244
American Jobs Creation Act (AJCA) 63
Comprehensive Business Income
Tax (CBIT) 81, 120
corporate tax 5, 51, 66, 112–13,
119
credit system for foreign investment
43
cross-border income shifting,
worsening of 68–9
FDI, and high-tax versus low-tax
jurisdictions 74
FDI and mobility of intangible
capital, increasing over time
67–8, 72–3, 74
firm-specific economic rents, role
of 111
foreign tax credits 62–3, 67, 116,
126
Growth and Investment Tax
proposal 128
import substitution elasticity and
corporate tax 112–13
in-work tax credits 195
interest stripping to minimize
worldwide tax payments 69
and international tax systems,
efficiency criteria for 72–3
investment subsidies and equipment
over structures argument 54
investment subsidies and investment
credit 38, 39
investment subsidies and temporary
bonus depreciation 44
manufacturing corporations,
average effective tax rates 70
MNCs, location decisions and
dividend exemption 74–5
MNCs and taxation 61–77
new tax planning structures
regulations (1997) 71–2
profit-shifting across countries and
corporate tax 5
royalties 62, 63, 64, 65, 67–8
savings patterns 47, 49
SO2 permits 226, 244
statutory and effective marginal tax
rates (EMTRs) 39
and tax competition between
governments, intensification of
69–71
and tax competition, players
involved in 71–2
Tax Reform Act (1986) 119
tax reform, current system as
starting point proposals 73–5

tax sheltering and corporate tax
problems 51

treasury transfer effect 116

USA Tax (Unlimited Savings
Proposal) 130

windfall recapture tax and corporate
tax 119

US, foreign income

capital mobility and sensitivity to
host country tax rate differences
66–7

and ‘check-the-box’ regulations 64,
68

and Controlled Foreign Corporation
(CFC) rules 63–4, 65, 71

and dividend holding companies
65

and hybrid entities 63–5, 68

and hybrid securities 65

and income shifting, reasons for
allowing 64–5, 69, 71, 72, 73

intellectual property and tax haven
shifts 65, 68

international income, taxation of
62–5

Van Soest, A. 176, 178

Vartia, L. 15–37

Ventry, D. 194

Vickrey, W. 102

Warren, N. 229

Weichenrieder, A. 85

Weidenbaum, M. 130

Weitzman, M. 225

welfare

changes and top marginal rate
158–60

social welfare function and personal
income tax structure 7, 141,
145–7, 148, 150, 151, 152

White, D. 1–12

wholesale sales tax, Australia 274–5

Wilson, J. 110, 119, 129

Wilson, M. 205

windfall recapture tax 119, 130

Wiswesser, R. 126, 130

X-Tax 121, 127, 130

Zeger, S. 205

Zodrow, G. R. 109–34