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### Current Tax Reading

Robin Boadway

Kim Brooks

*Dalhousie University Schulich School of Law*, [kim.brooks@dal.ca](mailto:kim.brooks@dal.ca)

Jinyan Li

Alan Macnaughton

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## CURRENT TAX READING

Co-Editors: Robin Boadway, Kim Brooks, Jinyan Li, and  
Alan Macnaughton\*

**Bev Dahlby, “Reforming the Federal Fiscal Stabilization Program”** (2019)

12:18 *SPP Briefing Papers* [University of Calgary School of Public Policy]

1-20 (<https://doi.org/10.11575/sppp.v12i0.68076>)

The federal-provincial fiscal transfer system both redistributes from high- to low-fiscal-capacity provinces and insures provinces against unexpected fiscal shocks. Fiscal redistribution in Canada is accomplished by (1) the equalization system, which is based on provinces’ revenue-raising capacities; and (2) federal health transfers and social transfers, which are given on an equal per capita basis. Insurance against fiscal shocks, which is the focus of Dahlby’s study, is provided by the equalization system and by the federal stabilization program (FSP). However, such insurance works better for some provinces than for others. Only those provinces that receive equalization can rely on it to cushion shocks to their revenue-raising capacity. The FSP augments equalization for provinces that suffer declines in their own-source revenues, but it does so only up to a cap of \$60 per capita. Moreover, reductions in natural resource revenues trigger much less in FSP transfers than do reductions in non-resource revenues.

Owing to a combination of these factors, Alberta gets virtually no fiscal insurance despite the fact that its revenues are very volatile relative to other provinces’. Equalization is of no insurance value to Alberta, since it is not an equalization recipient. In addition, as Dahlby points out, the FSP is of limited value to this province because (1) most of its volatility is caused by fluctuations in resource revenue, (2) the cap of \$60 per capita precludes sizable insurance payouts when provincial revenues fall, and (3) FSP payments are based on single-year revenue reductions, so those sustained over several years are not covered.

Dahlby proposes reforming the FSP so that it is based on standard insurance properties. A reformed program would be based on three core principles. First, only large unanticipated losses should be covered. Second, to preserve incentives to avoid losses, the program should cover only losses that are in excess of a deductible, and co-insurance should apply in such a way that only a proportion of eligible claims

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\* Robin Boadway is of the Department of Economics, Queen’s University, Kingston, Ontario. Kim Brooks is of the Schulich School of Law, Dalhousie University, Halifax. Jinyan Li is of Osgoode Hall Law School, York University, Toronto. Alan Macnaughton is of the School of Accounting and Finance, University of Waterloo.

are covered. Third, the reformed FSP should be based on simple contracts with streamlined claims-adjustment processes.

Dahlby's proposed FSP program would take the following form. Entitlements for FSP payments would be based on shortfalls of all current-year own-source revenues, as opposed to an average of own-source revenues in the previous five years, reduced by a deductible. The fiscal stabilization would be some proportion of the shortfall, referred to as the "coverage rate." There would be no distinction between resource and non-resource revenues, and there would be no cap. The formula would include actual own-source revenues, not potential revenues as in the equalization program. Three alternative programs are considered: program A, with a deductible of 5 percent and coverage of 50 percent; program B, with a deductible of 5 percent and coverage of 75 percent; and program C, with a deductible of 3 percent and coverage of 66 percent. FSP payments would be received in the event of revenue shortfalls, but revenues in excess of previous years would not be taxed back, and there would be no analogue of an insurance premium.

Dahlby illustrates his proposal by calculating what the annual FSP payouts would have been between 1986-87 and 2017-18 for Alberta, Saskatchewan, and Newfoundland and Labrador, and then comparing these payouts with what payouts would be from the existing system if the cap were not enforced. For Alberta, programs B and C would provide significantly more than would the current formula without a cap, and program A would provide roughly the same. For Saskatchewan, only program C would provide more than the current formula. For Newfoundland and Labrador, all three programs would provide a much larger payout than the current system does. Thus, while the existence of the cap is a significant problem with the current FSP, it is not the only problem. The discriminatory treatment of natural resource revenues is also a significant problem.

R.B.

**Richard Eccleston and Ainsley Elbra, eds., *Business, Civil Society and the "New" Politics of Corporate Tax Justice: Paying a Fair Share?***

(Northampton, MA: Edward Elgar, 2018), 318 pages

(<https://doi.org/10.4337/9781788114974>)

What constitutes paying a fair share of taxes and how to assess whether that share has, in fact, been paid are perennial concerns in tax policy. The growing interest of civil society groups in the tax collected from multinationals around the world is, perhaps, the old concern with a new flavour.

This collection features work by various authors on the topic of citizen engagement and the role of civil society in the contribution that corporations should make to the fisc. The chief claim of the book is that much of the emerging pressure on multinational corporations to pay their "fair share" is driven not (as one might expect) by governments but, rather, by tax justice activists and non-governmental organizations (NGOs) that have inspired the public to speak out about what they expect from multinationals. The authors' way of framing that claim connects it with the

literature on tax governance; they note that this book (1) contributes to debates about the effectiveness and legitimacy of private governance (that is, of a system in which private firms respond to marketplace pressures instead of to government legislation); (2) evaluates the effectiveness of civil-society groups in promoting international tax reform; and (3) assesses the likelihood that governments will be able to compel corporations to pay their fair share.

The authors hail from Australia, the United States, the United Kingdom, and Canada (Allison Christians and Lynn Latulippe). The collection is divided into three parts and comprises 12 chapters, each of which should be relatively accessible to a non-technical audience. The first part (chapters 1 through 3) sets out the context for the problem. The authors begin with the early tax campaigns and end with the Organisation for Economic Co-operation and Development's (OECD's) base erosion and profit shifting (BEPS) project. The responses of civil-society groups are described within that historical context.

The next part (chapters 4 through 7) explores the role of particular actors. To that end, the authors join forces with a growing body of scholarship that is interested in the effects that a particular individual or group might have on global tax reform projects. The authors look at the role of, among other sources of influence, the Tax Justice Network, the media, tax professionals, and the responses of corporations.

Finally, in the third part, the collection offers five chapters (8 through 12) that put the previous discussions in a theoretical context. These chapters consider what we can learn by using concrete case studies (for example, those provided by the Extractive Industries Transparency Initiative, the Fair Tax Mark, the Forestry Stewardship Council, and investigative journalism) of the consequences of emerging modes of tax governance.

Richard Eccleston and Ainsley Elbra's thoughtful conclusion closes the volume. They attempt an assessment of whether the various civil-society initiatives have had a notable effect on the behaviour of firms (the short answer is sometimes yes, sometimes no), and they speculate about whether other mechanisms might be more effective. Ultimately, they conclude that action by civil society alone is unlikely to result in transformative change; for that, political leadership will also be necessary.

K.B.

**Mattia Anesa, Nicole Gillespie, A. Paul Spee, and Kerrie Sadiq,**  
**"The Legitimation of Corporate Tax Minimization"** (May 2019)

75 *Accounting, Organizations and Society* 17-39

(<https://doi.org/10.1016/j.aos.2018.10.004>)

Pierre Bourdieu probably did not imagine that his work would be used to inform a methodological framework for the analysis of how corporate tax-minimization strategies are legitimated, and yet that is precisely the authors' aim in this article. Bourdieu's work has inspired a generation of sociologists keen to understand the way in which power and social capital are transferred and maintained.

The central question in this article is how the practice of tax minimization is maintained in the face of threats to its legitimacy. The authors' work was carried out between September 2014 (when the Australian chapter of the Tax Justice Network, together with the trade union United Voice, released a report offering a list of effective tax rates paid by Australia's largest 200 public companies) and the time, near the end of November 2017, when the Senate inquiry into corporate tax avoidance was due to report.

The authors' research included an inductive mapping of the tax field. They reviewed a range of documents (including news materials on corporate tax minimization) as well as conducting 77 interviews in which the dynamics within the tax field were discussed. Through this mapping process, the authors identified 19 actors with influence over tax-minimization strategies: "government, politicians, the ATO [Australian Tax Office], the judiciary, treasury, corporates, business associations, accountants, professional bodies, shareholders, the OECD, advocacy groups, unions, investment banks, academics, think-tanks, media, customers and citizens."<sup>1</sup> The authors regrouped these actors into eight main categories according to their similarities with regards to habitus (to oversimplify, their dispositions) and capitals (economic, symbolic, cultural, and social).

Ultimately, the analysis suggests that actors in certain clusters—the "corporates," advisers, investors, or governance actors—were highly influential; the media and intellectuals less so; and the civil society and public actors even less so. These findings may be unsurprising. More surprising, perhaps, is the authors' discovery that all of the actors outside the "influential/power circle," despite their openly critical stance regarding corporate tax minimization, actually contributed to maintaining—and even reinforcing—the legitimacy of current tax-minimization strategies. This occurred because these critiques from outside the power circle adopted the language and mindset of those that they criticized, and, in doing so, failed to provide a plausible alternative to current tax-minimization practices. The authors also found that actors in the field of corporate tax minimization were likely to discount their agency in that field, despite their influential role in maintaining the status quo.

This article is fascinating, although it will undoubtedly prove dense reading for those without some prior exposure to Bourdieu.

K.B.

**Kenneth McKenzie and Michael Smart, *Tax Policy Next to the Elephant: Business Tax Reform in the Wake of the US Tax Cuts and Jobs Act*,**

C.D. Howe Institute Commentary no. 537 (Toronto: C.D. Howe Institute, March 2019)

The Tax Cut and Jobs Act (TCJA), enacted in the United States in 2018, presents significant challenges to Canada. The combination of major corporate tax cuts, a

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1 At 22.

reform of depreciation and interest deductions, and a movement away from a worldwide tax system makes investment in—and profit shifting to—the United States more attractive. The immediate response of the Canadian federal government was to make the capital cost allowance (CCA) significantly more attractive for all depreciable assets. No doubt this is not the end of the matter. Many of the TCJA reforms were temporary, and, depending on how they evolve in the future, there could be more fundamental Canadian responses in the offing. In this commentary, McKenzie and Smart evaluate the consequences of the TCJA for investment and tax revenues in Canada, and they argue convincingly that now is a good time to think about more fundamental reforms to the corporate tax system. The two reforms that they consider are a reduction of the corporate tax rate and a reform of the tax base to make it less distorting, or more neutral.

McKenzie and Smart begin by outlining the four main features of the TCJA: a reduction of the federal statutory corporate tax rate from 35 percent to 21 percent; a replacement of the gradual depreciation of equipment by immediate expensing; a limitation of interest deductions to 30 percent of adjusted taxable income; and a movement from a worldwide system of taxation toward a territorial system. The latter involves exempting the repatriated earnings of US multinationals from domestic taxation while introducing a global intangible low-taxed income (GILTI) tax on foreign-source income, with a partial credit for foreign taxes. The authors judge that these changes are likely to increase investment and productivity in the United States in the long run. However, although the TCJA moves toward a neutral rent tax system, it does so very imperfectly. Investment expensing is permitted only on equipment, not on other investments, and interest deductions remain for some firms and not for others. Moreover, the expensing provisions are for a limited period of time. Nonetheless, the changes will erode Canada's tax competitiveness.

McKenzie and Smart proceed to assess in more detail the likely impact of the TCJA on tax revenues and investments in Canada. They first observe that since 2000, the Canadian corporate tax rate has fallen sizeably, but tax revenues have been roughly constant. Their explanation for this is that the corporate tax base has increased sufficiently to offset the effect of lower tax rates on tax revenues. The authors argue that much of the increase in the tax base can be attributed to profit shifting from higher-tax jurisdictions—particularly the United States—to Canada. The fall in the US tax rate resulting from the TCJA will have the opposite effect, according to the authors. Citing empirical evidence on the semi-elasticity of taxable income with respect to the corporate tax rate, they calculate that the TCJA will result in losses of up to \$2.4 billion in Canadian corporate tax revenues.

McKenzie and Smart turn next to the effect that the TCJA might have on real investment decisions, and they use two measures of effective tax rates as indicators. The marginal effective tax rate (METR) measures the taxes incurred by marginal investments of different kinds, and it indicates the size of the incentives that the tax system gives for the level of investment. The average effective tax rate (AETR) measures the total taxes as a proportion of investment income for representative investments. It measures the incentives for firms to undertake discrete investments in

one jurisdiction rather than another. For each of these effective tax rates, McKenzie and Smart compare values for Canada with those for the United States pre- and post-TCJA. Before TCJA, the average METR was 20 percent in Canada as compared with 33 percent in the United States. Since the TCJA's enactment, the average US METR has fallen to 17 percent for firms that are able to take full advantage of (1) the expensing of equipment investment and (2) the interest deductions. Much of the TCJA's effect on US METRs is owing to the expensing of equipment investment rather than to changes in the corporate tax rate or interest deductions.

Similar patterns are evident for the AETR. Before the TCJA, the average Canadian AETR was about 22 percent, and the US AETR was about 35 percent. Since the TCJA, the US AETR has fallen to roughly the same level as Canada's. Most of the change is owing to the reduction in the US corporate tax rate.

Despite these stark changes in relative METR and AETR rates in Canada and the United States, McKenzie and Smart argue that the effect of the TCJA will mostly be higher investment in the United States, with relatively little change in Canadian investment, because rates of return that determine Canadian investment are largely determined on the basis of international capital markets rather than by US rates of return. The GILTI tax may provide an exception to this effect, making it less attractive for US multinationals to invest in Canada. The authors argue that the quantitative effect of the GILTI tax is difficult to determine.

The remainder of the paper deals with Canada's response. McKenzie and Smart calculate METRs and AETRs for three alternative reforms. One reform is the Accelerated Investment Incentive (AII), announced in Canada's 2018 fall economic statement and applicable to all new investments. This reform eliminates the half-year rule in the year in which an asset is purchased and increases the CCA deduction in the first year by a factor of 1.5. The second alternative would be a 10 percentage point reduction in the federal corporate tax rate, which would reduce the average federal-provincial rate from 27 percent to 17 percent. The third alternative would be to change the corporate tax base to a cash flow tax by eliminating interest deductions and allowing the immediate expensing of all investments. These three reforms are compared with the existing corporate tax system and with the TCJA reforms enacted in the United States.

The average METR declines more under all three reforms than it does under both the existing Canadian system and the TCJA system in the United States. The decline is by far the largest under the cash flow tax, whose average METR is close to zero. This is not surprising, given that the cash flow tax eliminates almost all investment distortions. The METR declines less under the corporate tax rate cut, and much less under the AII. These results suggest that investment would be encouraged most by a move to the cash flow tax, and least by the AII. McKenzie and Smart are quick to point out that these reforms are not revenue-neutral. All are likely to reduce corporate tax revenues.

The pattern of changes in average AETRs is much different. AETRs fall significantly under the corporate tax rate cut, but they change very little under either the AII or the cash flow tax, for both of which the AETR is almost the same as under

the US TCJA. The large decline in the AETR under the tax rate cut enhances the incentive for corporations to operate in Canada as opposed to the United States. In addition, the rate cut itself will encourage profit shifting into Canada and the additional tax revenues that such shifting entails.

In their review of these options, McKenzie and Smart opt for the fundamental corporate tax reform represented by the cash flow tax rather than “tinkering with depreciation allowances and/or the statutory tax rate.”<sup>2</sup> The cash flow tax removes the main distortion from the corporate tax system and significantly encourages investment. As the authors note, there exist alternatives to the cash flow tax—for example, the CCA tax or the allowance for corporate equity (ACE) system—that accomplish the same objective of taxing rents. They also recognize that a movement from the existing income-based corporate tax to some version of a rent tax would be a major reform that could not be undertaken lightly. Therefore, they recommend a comprehensive review of the tax system. In this recommendation they are not alone: the International Monetary Fund has also recommended that a major tax review be undertaken.

R.B.

**Shu-Yi Oei and Leigh Z. Osofsky, “Constituencies and Control in Statutory Drafting: Interviews with Government Tax Counsels”** (2019) 104:3 *Iowa Law Review* 1291-1360 ([https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3203657](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3203657))

Despite the urging of many in the legal academy, legal scholarship has remained remarkably impervious to the rise in popularity of empirical methods. And while some scholars—for example Ben Alarie—have made strides in changing that unacceptiveness in the quantitative realm, few legal scholars have undertaken research projects that involve qualitative methods such as interviews. For that reason alone, Oei and Osofsky’s piece is worth reading.

The article asks questions about the process of drafting tax law, on the hypothesis that knowing more about this process may help us better understand why tax statutes are hopelessly complex. The authors interviewed 26 current and former government counsels who had participated in the drafting of tax law (through the Joint Committee on Taxation, the Senate Finance Committee, the House Ways and Means Committee, the Department of Treasury, the Internal Revenue Service [IRS], the Senate Office of Legislative Counsel, and counsels to individual members of Congress). Most interviewees were lawyers. The interviewees’ length of drafting experience varied substantially; about half of them had been involved in the drafting of tax legislation since before the major US reforms of 1986.

The study reaches several fascinating (if perhaps predictable) conclusions. First, tax drafters worry less about readability than they do about conveying substantive

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2 At 21.

meaning accurately. Second, drafters see themselves as writing for tax experts, regulation writers, and (perhaps less predictably) software companies—not for taxpayers. Third, when tax law is reformed, the maintenance of previous provisions is highly valued because their amendment is seen as disrupting the known order of things (an inclination described as “inertial tendencies”).<sup>3</sup> Fourth, the process of drafting remains largely unscrutinized. (As an aside, we note that the story about the influence of one drafter in particular—Ward Hussey—is illuminating.)<sup>4</sup>

A fascinating part of the article is the authors’ explanation of the design practices that can cause tax law rules to become complicated. Part II.B of the paper explains drafting choices, which are described in terms of (1) rules versus exceptions, (2) narrow rules with defined terms versus broad general rules with large exceptions, and (3) freestanding provisions versus intra-section drafting. This way of parsing tax provisions helps make sense of the sometimes byzantine design choices reflected in tax laws around the world. These drafting choices matter for another reason: the authors find that the drafting conventions affect the way in which the law develops.

Part of what makes this article so compelling is that the authors take their research a step further and speculate about why their findings matter. On a doctrinal level, they suggest that their results may argue for a greater interpretive range in judicial decision making (given their finding that members of Congress pay little attention to the drafting details, and that even the drafters themselves view their word choices as idiosyncratic). On a more theoretical level, the authors’ findings raise questions about drafting legitimacy (given its relative obscurity within the democratic process).

K.B.

**Joel Slemrod, “Is This Tax Reform, or Just Confusion?”** (2018) 32:4 *Journal of Economic Perspectives* 73-96 (<https://doi.org/10.1257/jep.32.4.73>)

The TCJA of 2017 represents the first major reform of US income taxes in 30 years. Slemrod provides a timely critique of the TCJA and an overview of its consequences. He begins by comparing the TCJA with the Tax Reform Act of 1986. Both reforms lowered the corporate and personal tax rates and significantly raised the standard deduction, and both broadened the personal income tax base. But while the 1986 reform reduced the tax depreciation rate and eliminated the investment tax credit, thereby increasing the cost of capital, the TCJA moved—temporarily, at least—in the direction of a cash flow tax by allowing the immediate expensing of equipment and by reducing the extent of interest deductibility. The TCJA, unlike the earlier reform, moved from a worldwide system of corporate income taxation toward a territorial system. Further, the Tax Reform Act of 1986 was meant to be revenue-neutral and distributionally neutral, while the TCJA was neither.

3 At 1296-97, 1322, and 1340-41.

4 At 1328-30.

Slemrod attributes the momentum for US tax reform, and the direction of several of its changes, to the international environment. Since the 1980s, the US economy had become more integrated into the world economy. Corporate tax rates in many OECD countries had fallen dramatically. Income inequality in the United States had increased significantly since the 1980s. Intangible capital had increased in importance, and with it the ability to shift profits to low-tax countries. Finally, the ratio of debt to gross domestic product (GDP) had increased considerably.

Many of the various blueprints for tax reform that preceded the TCJA called for corporate and personal tax reductions, and for the abandonment of the worldwide taxation of US corporations. In 2016, a Tax Reform Task Force established by House Republicans issued an influential report that proposed reducing top individual tax rates, repealing the estate tax, and reducing the tax rate on passthrough entities, which are widely used in the United States. Most radically, it recommended adopting a cash flow corporate tax to be applied on a destination basis (by deducting export sales and including imports in the corporate tax base). The TCJA moved haltingly in the direction of this earlier Republican blueprint.

Slemrod summarizes in broad outline the effects of changes in the corporate and personal income taxes. In the case of the corporate tax, he focuses on two areas affected: investment and income shifting. Investment could potentially be stimulated in two ways. First, the cost of capital should decrease, mainly because of the immediate expensing of equipment investment. Second, the reduction in corporate tax rates should improve corporate cash flows, thereby relaxing financial constraints on investment. The reduction in tax rates should reduce the shifting of income to foreign locations, unless other countries respond by reducing their tax rates. However, the move toward a territorial system could have the opposite effect.

Another form of income shifting induced by the TCJA is shifting between corporate and personal taxes. Prior to the TCJA, personal tax rates were, on average, lower than the corporate tax rate, and this induced many businesses to classify themselves as passthrough entities, mostly in the form of so-called S corporations, which pay tax at the personal rather than at the corporate tax rate. The TCJA would have the opposite effect, since it makes the corporate tax rate lower than personal tax rates. Slemrod argues that this has implications for the distribution of income, especially for the amount of income going to top income earners, although he chooses not to quantify the importance of this implication.

Changes in the individual income tax were less momentous, but consequential nonetheless. Under the TCJA, the rate structure became less progressive, and the standard deduction was nearly doubled. In addition, some other, less substantive base-broadening measures were implemented under the TCJA. The increase in the standard deduction simplified the tax system by encouraging a higher proportion of taxpayers to take the standard deduction rather than to itemize deductions (a feature of the US tax system that does not apply in Canada).

Slemrod outlines what the TCJA did not do. Base-broadening was minimal because the TCJA did not touch some of the biggest tax expenditure programs, such as those associated with employer-provided health insurance and income tax preferences for

owner-occupied housing. The TCJA did not increase the federal gasoline tax or implement a carbon tax. It did not abolish the estate tax. More generally, it did not move to a highly different tax system, such as a personal consumption tax or a value-added tax. Nor did it adopt the destination-based cash flow tax that had been a centrepiece of the 2016 Republican proposal.

Slemrod's most pointed criticism concerns what the TCJA got wrong. First, it was not a revenue-neutral reform. It would provide short-term stimulus that was not needed, and it would increase the US public debt, thus reducing budget flexibility in the future as well as burdening future generations with higher tax liabilities. Second, it would be highly regressive, with more than half the benefits of tax cuts going to the top 10 percent of income earners. In Slemrod's view, a massive tax cut for the rich is the "wrong direction for policy."<sup>5</sup> The overall distributive impact of the TCJA depends on who bears the incidence of the corporate tax, a topic that remains controversial among public finance economists. Recent evidence suggests that a significant proportion of corporate taxation is borne by workers. If so, they stand to benefit from reductions in the corporate tax rate, at least in the long run.

R.B.

**James Alm, "Is the Haig-Simons Standard Dead? The Uneasy Case for a Comprehensive Income Tax"** (2018) 71:2 *National Tax Journal* 379-98 (doi.org/10.17310/ntj.2018.2.07)

This article provides a traditional take on an age-old issue in taxation: What form should the income tax base take? In particular, should the ideal be the Haig-Simons (H-S) comprehensive income tax? Alm presents three arguments. First, he observes that a fully comprehensive income tax has never been applied and is therefore "dead" from the point of view of relevant, real-world tax policy. Second, the death of H-S standard is appropriate, since a good case can be made for the extensive use of the exemptions, deductions, and adjustments to taxable income that one finds in virtually all tax systems. Finally, there is no one-size-fits-all—or best practices—income tax base. What is best for a given country depends on the country's specific circumstances. The author makes these points in a discursive way, from a mostly US perspective. Almost no account is taken of the past 50 years' vast literature on optimal tax policy design—for example, the Mirrlees review in the United Kingdom or the Henry report in Australia, let alone the influential earlier policy reports such as the Meade report in the United Kingdom or the Carter report in Canada<sup>6</sup>—or the tax commissions that have drawn on such studies.

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5 At 88.

6 James A. Mirrlees, Stuart Adam, Tim Besley, Richard Blundell, Stephen Bond, Robert Chote, Malcolm Gammie, Paul Johnson, Gareth Myles, and James Poterba, *Tax by Design: The Mirrlees Review* (Oxford: Oxford University Press, 2011) (herein referred to as "the Mirrlees review"); Australia, Department of the Treasury, *Australia's Future Tax System* (Canberra: Commonwealth of Australia, 2010) (herein referred to as "the Henry report"); Institute for Fiscal Studies, *The*

The paper begins with a simple summary of the H-S comprehensive income base and some of the issues that it must address, such as the treatment of capital gains, imputed income, in-kind income, and transfer income. The normative arguments for comprehensive income are recounted. It is taken to be the best measure of ability to pay, and to meet several objectives of taxation. To Alm, these objectives include adequacy and elasticity of revenue raising; equity, both horizontal and vertical; efficiency, or neutrality; simplicity of collection and compliance; political acceptability; and suitability for the stabilization function. He suggests that these objectives can largely be collapsed into three main goals: adequacy, equity, and efficiency. He argues that the H-S tax base achieves these goals sufficiently well, and that therefore its appeal is understandable.

Alm then documents how actual tax bases depart from the H-S standard, and he uses the US case as an example. Deviations include not only tax evasion but also the many exclusions, adjustments, deductions, and exemptions that are summarized in the government's document on tax expenditures. All countries, including Canada, have tax bases that depart from the H-S standard, but they do so in very different ways. For example, the largest personal income tax expenditures in the United States are (1) the exclusion of employer contributions for medical insurance and care, (2) the exclusion of imputed rental income, and (3) the preferential treatment of capital gains. On the basis of the number and size of tax expenditures, Alm concludes that the H-S comprehensive tax base is dead in terms of real-world relevance.

Alm next turns to the reasons for departures from the H-S standard, and he argues that most of the departures are justified. Some special treatment makes tax liabilities more reflective of individual characteristics, and therefore equitable. He includes in this category the personal exemption, deductions for unexpected expenditures such as medical expenditures and property losses, deductions for the cost of earning income, and deductions for child care and education. Other deductions and exemptions are justified on the basis of legitimate efficiency reasons, including items that are costly to administer (imputed income, unrealized capital gains), and deductions for charitable donations. Alm also argues that deductions for capital income and bequests—deductions that are meant to encourage saving—are justified on dynamic efficiency grounds, although this argument is theoretically suspect. The case for the preferential treatment of capital income (as opposed to labour income) has been widely studied in the taxation literature, and it has been carefully documented in the Mirrlees review and its background studies. In fact, the preferential treatment of capital income is probably the largest single difference between real-world tax systems and the H-S standard. But this subject is barely touched on in this paper. The

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*Structure and Reform of Direct Taxation: Report of a Committee Chaired by Professor J.E. Meade* (London: Allen & Unwin, 1978) (herein referred to as "the Meade report"); and Canada, *Report of the Royal Commission on Taxation* (Ottawa: Queen's Printer, 1966) (herein referred to as "the Carter report").

author also argues that some types of income are less responsive to taxation than others and that the preferential treatment of them could improve the efficiency of taxation.

Alm concludes by claiming that a strong case exists for deviating even more from the H-S standard than current practices do. If exemptions, deductions, and exclusions were used more judiciously, taxes could be both better aligned with ability to pay and more efficient. However, the appropriate approach must be specific to each situation and country. Any attempt to reduce actual tax policy principles to best practices is, according to the author, “fundamentally misguided.”<sup>7</sup> Moreover, citing some well-known papers in the literature, Alm argues that no consensus exists among tax theorists regarding what an optimal tax system should be. At one extreme, it is argued that the optimal marginal tax rate should decline at high incomes; that the tax should be flat, with a uniform refundable credit; and that capital income should be exempt from taxation. At the other extreme, it is argued that high incomes should face high and rising marginal income tax rates, that earnings of low-income workers should be subsidized, and that capital income should be taxed.

R.B.

**Hunt Allcott, Benjamin B. Lockwood, and Dmitry Taubinsky, “Should We Tax Sugar-Sweetened Beverages? An Overview of Theory**

**and Evidence”** (2019) 33:3 *Journal of Economic Perspectives* 202-27  
(<https://doi.org/10.1257/jep.33.3.202>)

This is a valuable and readable analysis of the case for taxing sugar-sweetened beverages. The article consists of three parts, which provide the following, respectively: (1) background on the consumption patterns for sugar-sweetened beverages; (2) an economic framework, which is essentially a cost-benefit approach to evaluating the tax; and (3) some empirical evidence on the parameters determining the size of the tax. The article concludes with some cryptic advice for policy makers.

Allcott, Lockwood, and Taubinsky begin with some context. They review the use, in the United States, of a tax on sugar-sweetened beverages (seven cities use such a tax), and its use in several other countries around the world. They present some evidence on the consumption of sugar-sweetened beverages in the United States. US consumption (1) is remarkably high, (2) declines with higher household income, and (3) is significantly higher than the world average (although it has been falling in recent years). The authors document evidence on the three main health harms attributable to sugar-sweetened beverage consumption (weight gain, type 2 diabetes, and cardiovascular disease), and they note that sugar consumed through drinks is more harmful than sugar consumed through foods. They also report some estimates of the total health-care costs associated with sugar-sweetened beverage consumption.

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7 At 24.

The authors' economic framework for evaluating a sugar-sweetened beverage tax is based on a partial equilibrium approach that is focused on the demand and supply of a sugar-sweetened beverage, whereby consumption has two negative consequences that are not captured in the market. The first consists of conventional externalities: the consumption of sugar-sweetened beverages imposes costs on third parties. Here, the externalities are mainly the health costs that are borne by private or public health-care insurers. The second negative consequence consists of so-called internalities, which are the costs that consumers impose on themselves through imperfect decision making. Internalities may be the result of imperfect information about the health consequences of consumption, or they may be caused by a consumer's problems with self-control or time-consistency, whereby decisions to satisfy short-term desires are harmful to the consumer's long-term welfare.

Imposing a "sin tax" to correct for these externalities and internalities has both benefits and costs. Allcott et al., using a simple diagrammatic approach (which is based on much more elaborate optimal tax-analysis modelling in a related paper), nicely summarize the consequences of using an excise tax to correct for these effects. There is a transfer of resources from the taxpaying consumer to the government that can have a negative net value if the marginal utility of income is higher for the taxpayer than for the government, and vice versa. The presumption is that consumers of sugar-sweetened beverages have lower incomes than average, so this transfer of tax revenue will decrease these consumers' welfare. To the extent that the tax is borne by producers, the net benefit of the revenue transfer is higher, because producers are likely to have higher incomes and therefore lower marginal utilities of income. In addition, the harm from the externality or internality is reduced, which constitutes an unambiguous benefit. The benefit will accrue to the health-care provider in the case of an externality and to the consumers themselves in the case of internalities. The values of these harm-reduction benefits will depend on the marginal utility of income of those whose harm is reduced. The absolute magnitude of the various benefits and costs will depend on the elasticities of demand and supply for the sugar-sweetened beverages.

This cost-benefit analysis of a tax on sugar-sweetened beverages applies equally well to other sin taxes, such as alcohol taxes and tobacco taxes, both of which might result in both externalities and internalities. In contrast, gasoline or carbon taxes result in externalities but not in internalities. Other excise taxes, such as those on luxury goods, fulfill redistributive functions.

Allcott et al. proceed to summarize empirical estimates of the relevant supply-and-demand elasticities and other parameters that determine the optimal size of a sugar-sweetened beverage tax. Demand elasticities are critically important for determining the size of the response to the tax and therefore the welfare gains. The authors stress the difficulty of isolating empirically the causal effects of tax changes on demand, and they discuss empirical strategies for addressing the issue—for example, controlling for factors such as product quality and demand fluctuation, or using an instrumental variable approach. They also caution that data availability is a problem. On the basis of a review of the empirical literature, they suggest that the

price elasticity of demand for sugar-sweetened beverages is about  $-1.4$ , which is sufficiently large to make the benefits of reducing externalities and internalities at least as great as the burden of tax payments.

They then summarize empirical estimates of externality and internality reduction. The average health-cost externality from beverage consumption is estimated to be about 0.9 cents per ounce. The benefits of reducing internalities that involve imperfect information and lack of self-control are particularly challenging to measure. Allcott et al. summarize the various approaches to such measurement before settling on their own estimates—that the average US household would consume about 35 percent less sugar-sweetened beverage if household members had perfect knowledge of the beverage's effects, and perfect self-control.

The authors also discuss the regressivity of a tax on sugar-sweetened beverages. Although internality-reduction benefits are highly progressive, the tax itself is regressive. Allcott et al. argue that, on balance, the net benefits of a tax on sugar-sweetened beverages are roughly even across the income distribution, though they are greater for low-income households. On the basis of these empirical estimates, they suggest that the socially optimal tax rate on sugar-sweetened beverages is about 1.5 cents per ounce. If the benefits of internality effects were eliminated for philosophical reasons, the optimal tax would fall to 0.4 cents per ounce.

Allcott et al. conclude by providing some guiding principles for policy makers, most of which are self-evident. The five main ones are as follows: (1) “focus on correcting externalities and internalities, not on minimizing . . . consumption”; (2) where feasible, “target [tax] policies to reduce consumption among [groups of] people generating the largest externalities and internalities”; (3) “tax grams of sugar, not ounces of liquid”; (4) “tax diet drinks and fruit juice if and only if they also cause uninternalized health harms”; and (5) “when judging regressivity, consider internality benefits, not just who pays the taxes.”<sup>8</sup>

The broad message is that the benefits of taxes on sugar-sweetened beverage taxes likely exceed the costs. Presumably, these principles apply to other sin taxes as well.

R.B.

**Bronwyn H. Hall, *Tax Policy for Innovation*, NBER Working Paper no. w25773**

(Cambridge, MA: National Bureau of Economic Research, April 2019), 26 pages

This is a readable and short summary of the key issues surrounding the widespread use of tax incentives for innovative activity worldwide, particularly tax credits or deductions and intellectual property (IP) boxes. Although the content of the paper is sketchy, the coverage is broad and includes discussion of (1) the rationale for research and development (R & D) incentives, (2) tax policy design, and (3) empirical evidence regarding the effectiveness of tax incentives in encouraging innovation. The comprehensive list of references is especially useful.

Hall begins with a brief discussion of the forms of firms' innovative spending, which range from spending on basic and applied research, to spending on product development, to investment in technologically advanced capital. She identifies the activities that are likely to give rise to unpriced spillovers and that warrant encouragement. Government policies to encourage innovation can include (1) providing incentives to firms and (2) direct spending. The remainder of Hall's paper emphasizes the former. She focuses on two tax-related measures: (1) R & D tax credits and super-deductions (that is, deductions in excess of the cost of R & D), and (2) IP boxes (that is, reduced tax rates on profits from innovation).

Hall outlines some of the properties of effective tax measures, and she identifies the following features: salience to firms; a matching of the time horizon of subsidized investments with benefits generated; stability; the targeting of spillover-inducing activities and of small and medium-sized firms that face financial constraints; and ease of audit.

Hall presents a summary of tax measures that are likely to influence innovation—for example, the treatment of debt versus equity finance and of accelerated depreciation—and she discusses in detail the design properties of R & D tax credits and IP boxes. This discussion includes (1) the scope of R & D-related activities covered by such measures, (2) loss carryforward provisions, (3) the forms of IP covered by the measures, (4) the treatment of acquired IP versus developed IP, and (5) the relationship between the tax benefits of IP profits and the R & D credits that may have been received in developing IP.

Hall discusses the differences between R & D credits and IP boxes, and when one should be preferred over the other. For example, R & D tax credits target inputs, while IP boxes target outputs and therefore capture windfalls but do not alleviate financing problems. In addition, IP boxes do not cover non-patentable innovation, while R & D tax credits cover only R & D-generated innovation. IP boxes target the most appropriable forms of innovation, which may already receive patent protection, and they also encourage patent trolling. IP boxes also face higher audit costs than R & D tax credits, since revenues and costs must be allocated between IP and non-IP assets. The effectiveness of R & D tax credits depends on the effective corporate tax rate when the R & D is undertaken, which depends on whether the firm is in a taxpaying position.

Hall briefly summarizes the use of R & D tax credits (or super-deductions) and IP boxes worldwide. The former are used in most OECD countries and in a few non-OECD ones. The credits vary widely in form, differing with respect to (for example) whether a credit or deduction is used, whether small businesses receive favourable treatment, whether unused credits can be carried forward, and whether the credit applies to all R & D or only to incremental R & D spending. Far fewer countries use IP boxes, and most of them are in the EU. They vary in the types of IP covered and with respect to whether the reduced tax rate applies to gross or net IP income, whether past R & D credits are recaptured, and whether eligibility is contingent on further development of the IP.

In the paper's final section, Hall reviews empirical findings on the extent to which R & D tax credits and IP boxes stimulate innovation. Evidence suggests that

R & D tax credits increase R & D spending, with elasticities of R & D in excess of unity with respect to tax-adjusted prices. Studies also find that tax-credit-stimulated increases in R & D might increase patenting in firms that are technologically similar. At the same time, some findings suggest that firms receiving R & D tax credits tend to pursue existing research areas rather than to branch out into others. As well, some studies show that at least some of the benefit of R & D credits goes to R & D workers (in the form of higher wage rates) rather than to increasing the quantity of R & D activity.

Studies of patent boxes investigate both their effect on patent transfers to and from a country and their effect on patentable inventions. The location and the transfer of patents respond to lower tax rates on patent income, but the transfer of patents is considerably reduced if eligibility for the patent box tax rate requires further development of existing patents. There is, however, little evidence that patent boxes increase patentable invention or R & D investment.

Finally, there is some US evidence that the socially optimal level of R & D investment is a multiple of actual investment. Hall concludes that incentives for R & D should be larger than they currently are, especially in larger economies.

R.B.

**Tarcisio Diniz Magalhães, “What Is Really Wrong with Global Tax Governance and How To Properly Fix It”** (2018) 10:4 *World Tax Journal* 499-536

(<https://ssrn.com/abstract=3303213>)

Magalhães is a promising new scholar. In this article, he applies the insights of critical legal theory and international relations theory to explain why global tax governance—as reflected both in current arrangements and in the governance models proposed by those who argue for a reform of the existing one—will inevitably fail low-income countries. He argues that, without radical reform to the “bureaucratic club” model of global tax governance, the problems posed by expertise and power will not be overcome. The alternative to the existing arrangement, he claims, is to embrace multipolarity and pluralism in the design of global tax institutions.

Magalhães pulls no punches in his analysis. In his introduction, for example, he highlights the OECD’s recent efforts to accommodate the voices of low-income countries as part of its BEPS initiative. He summarizes the objective of that initiative as follows:

The announced objective is to stop a global base erosion and profit shifting epidemic, which, however, stems from the very international tax regime . . . [that] those countries [the 35 OECD member-states] themselves set up a century ago, and which they made sure would remain as close as possible to its original intent.<sup>9</sup>

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9 At 501.

Following the introduction in part 1, the article comprises three major parts. In part 2, Magalhães focuses on the problems of expertise and power, drawing from the work of legal scholar David Kennedy and political theorist Nancy Fraser. Like other scholars, including Canada's Lisa Philipps,<sup>10</sup> who have identified the role of technical discourse and its challenges in limiting civil society's broad engagement in tax institutions, Magalhães argues that the imposition of technocracies "restricts the flow of ideas," with negative consequences for processes and outcomes.<sup>11</sup> In his analysis of the function of power, Magalhães underscores the role of the OECD as a hegemonic actor in the international tax arena. The OECD, given its dominance in setting the international tax agenda, is characterized as supporting international fiscal imperialism.

Part 3 discusses the proliferation of proposed alternatives to the OECD in its role as the standard-setter in the international tax arena. Many of these proposals have been reviewed in previous issues of this feature.<sup>12</sup> Magalhães offers a tour of the proposals advanced by a wide range of scholars and policy makers, including Vito Tanzi, Kofi Annan, Francis Horner, Michael McIntyre, Thomas Rixen, Canadian Peter Dietsch, Douglas Bamford, H. David Rosenbloom, Noam Noked, and Mohamed Helal.

Part 4 sets out Magalhães's proposed way forward. He focuses on input legitimacy, building on the procedural trend in political theory, as reflected in the work of John Rawls and Jürgen Habermas. This focus compels him to rely substantially on the potential for putting interests on an equal footing in the framing of global tax norms and institutions. The end result is that he eschews a global tax organization in favour of multipolar and plural blocks that will diffuse authority and challenge the conventional concentrations of power.

K.B.

**Afton Titus, "Designing a General Anti-Avoidance Rule for the East African Community—A Comparative Analysis" (2019) 11:2 *World Tax Journal* 261-301**

General anti-avoidance rules (GAARs) have proliferated in countries around the world. In this article, Afton Titus, a faculty member at the University of Cape Town, proposes something novel: a shared GAAR for the East African Community (EAC), to be enacted once the EAC has completed its regional integration project.

The article is a model of comparative study and is worth reading for that reason alone. Three other features of Titus's work merit highlighting for the readership of

10 See, for example, Lisa Philipps, "Discursive Deficits: A Feminist Perspective on the Power of Technical Knowledge in Fiscal Law and Policy" (1996) 11:1 *Canadian Journal of Law and Society/Revue Canadienne Droit et Société* 141-76.

11 At 508.

12 See, for example, the review of Vito Tanzi, *The Ecology of Tax Systems: Factors That Shape the Demand and Supply of Taxes* (Cheltenham, UK: Edward Elgar Publishing, 2018), advocating for a world tax organization; see this feature (2019) 67:2 *Canadian Tax Journal* 487-88, at 487-88.

this journal. First, there has been some debate among academics and policy makers about whether it is sensible to enact GAARs in low- or even middle-income countries. One of the major challenges of a GAAR is effective application, which may require capacity building when it comes to audit, legal analysis, and dispute resolution processes (for example, to ensure that judges are able to understand and effectively apply the GAAR). Afton is among those who believe that GAARs are as important, if not more important, for developing nations as for developed ones. In particular, she argues that a small group of highly skilled individuals may be sufficient for the effective implementation of a GAAR.

Second, with a view to designing a GAAR for the EAC, Afton looks to the legal frameworks and jurisprudence in the EU, Canada, and South Africa. For a Canadian audience, this review will be of interest. The Canadian example is used because of our comparatively long history with a GAAR and our developed jurisprudence in this area, and because Canada has some similarities to the EAC (in terms of having a mixed legal tradition and a dependence on natural resources).

Finally, the article offers a review of GAARs in the current EAC countries, including Kenya, Tanzania, Uganda, and Burundi. It is rare to find a comprehensive review of tax law in these four countries, let alone in a comparative context. For each country, Afton reviews the legal design features of the GAAR, the country's approach to statutory interpretation, and any judicial or administrative guidance.

All of this work is ultimately in aid of Afton's larger project, which is to ready the EAC for a shared GAAR when the time comes.

K.B.

**Daisy L.A. Ogembo, "The Tax Justice Network-Africa v Cabinet Secretary for National Treasury & 2 Others: A Big Win for Tax Justice Activism?"**

[2019] no. 2 *British Tax Review* 105-17 ([https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3390820](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3390820))

There are over 3,000 bilateral income tax conventions, so the fact that low- and middle-income countries have cancelled one or two in the hope of negotiating fairer bargains with higher-income states doesn't seem especially noteworthy. Nevertheless, in an era of rapid (and increasingly public) change in the international tax field, each of these developments merits scrutiny.

Ogembo's current note draws attention to a constitutional challenge brought by the Tax Justice Network in Kenya. The challenge raised three questions: (1) Did the double tax agreement between Kenya and Mauritius increase the risk of revenue loss through treaty abuse in a manner that contravened the constitutional principles of public finance? (2) Is there a difference between bilateral treaties (subject to one ratification process) and bilateral agreements (not subject to the same processes), and was the double tax agreement a treaty or an agreement? (3) Was there sufficient public participation, as required under the constitution?

Although the Tax Justice Network proclaimed the High Court's decision a win, Ogembo argues that it was an opportunity lost. The High Court nullified the notice

that purported to bring the double tax agreement into effect, but it did so only because the mechanism used to bring the agreement into force followed improper procedure; not on constitutional grounds, and not for the more substantive reasons argued by the petitioner.

This piece is a welcome review of the tax-related activities of the Kenyan court. In the last decade, the number of academics and scholars working in international tax who pursued their initial law degrees in African countries has increased, with the happy result that we are increasingly able to read analyses of decisions and legislation from countries outside the OECD member states.

K.B.

**Michael C. Durst, *Taxing Multinational Business in Lower-Income Countries: Economics, Politics and Social Responsibility***

(Brighton, UK: Institute of Development Studies for the International Centre for Tax and Development, 2019), 142 pages ([www.ictd.ac/publication/taxing-multinational-business-lower-income-countries-economics-politics-social-responsibility](http://www.ictd.ac/publication/taxing-multinational-business-lower-income-countries-economics-politics-social-responsibility))

Michael Durst is a long-time US tax practitioner, in both government and the private sector. In this book, he focuses on the challenge faced by lower-income countries that seek to impose corporate taxes in a world characterized by tax competition. Durst addresses three fundamental questions:

- Would curtailing base erosion and profit shifting in lower-income countries be in the interests of the people of those countries, especially in facilitating the alleviation of poverty?
- What are the political and economic roots of BEPS-style corporate tax planning?
- What policies might lower-income countries realistically pursue to reduce their vulnerability to base erosion and profit shifting?<sup>13</sup>

Addressing the first question, Durst acknowledges the challenges of corruption, but he concludes that corporate tax revenues are likely below socially optimal levels in most lower-income countries and that those revenues should therefore be increased. Regarding the roots of BEPS-style corporate tax planning, Durst assigns responsibility to multinational taxpayers and to governments that have been committed to taking conciliatory measures (through tax exemptions, for example) as a means of attracting investment. He concludes that coordination is the only way to resist what will otherwise inevitably be continued competition. In addition, he espouses the view that corporations need to voluntarily refrain from actively inspiring more tax competition; he sees such self-restraint as a necessary precondition for the success of lower-income countries in raising corporate tax revenue. This “social responsibility” approach is the crux of the book’s final chapter, and it is vital to Durst’s

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13 At 4.

overall model for the enhanced raising of corporate tax revenues in lower-income countries.

Finally, Durst offers a range of concrete policy recommendations. Many of his suggestions are predicated on his mantra that the international tax rules must be simplified. In particular, he suggests revisions to transfer-pricing rules (for example, simplifying the search for comparables, and adopting safe harbours), interest deduction limits, and tax treaty policy, and he argues for enhanced capacity building. He advocates the imposition of minimum corporate taxes, and he addresses the particular challenges that countries face in attempting to impose corporate-level taxes on natural resource extraction, electronic commerce, mobile telecommunications, and banking and insurance.

K.B.

**Sunita Jogarajan, *Double Taxation and the League of Nations***

(Cambridge, UK: Cambridge University Press, 2018), 342 pages

(<https://doi.org/10.1017/9781108368865>)

Jogarajan's book is the product of her curiosity about the answer to the following question: What led countries to work together internationally to reduce double taxation? The result of her enquiry is this (primarily) historical dive into the foundations of modern treaties: the work by the League of Nations in the 1920s.

Jogarajan's analysis is based on a massive amount of archival work. Although the source material was incomplete and often available only in translation, her book offers a comprehensive account of the drafting of the first model treaties. She relies on this historical account in identifying lessons for future reform efforts.

Jogarajan's book is divided into eight chapters. Chapter 2 sets out the background and context of the League's early efforts to develop a model tax treaty. Much of this background will be familiar to those who have read about the history of taxation and tax treaties; nevertheless, Jogarajan offers a succinct review of the major underlying theories of international taxation, along with an overview of 1920s economics and politics and of the role of the League of Nations in that era.

Chapter 3 focuses on the 1925 resolutions, addressing the period 1923-1925. Jogarajan notes that three of the seven experts involved in the production of these resolutions were the major influencers—D'aroma (the Italian chair), Thompson (the British representative), and Clavier (the Belgian representative). Unlike some accounts, Jogarajan's account characterizes the outcome of the discussions among these experts as striking a relative balance between concessions to source countries and concessions to residence countries. One of this chapter's more fascinating insights stems from Jogarajan's exploration of the original basis for the permanent establishment concept and her review of the general preference for the source taxation of business income, a preference mitigated by a concern for fairness with respect to the head office country.

Chapters 4 through 7 explore the development of the 1928 models. These chapters examine the period 1926-1928; Jogarajan meticulously tracks the positions and

debates on each of the major sources and types of income. Seven experts were involved in the 1925 report, which resulted in the resolutions discussed in chapter 3. To these original seven, experts from an additional six countries were added in an effort to move from resolutions to a draft model treaty. Perhaps surprisingly, these new experts were not influential in shifting the foundations of the model treaty proposed in the 1927 report. Instead, they appear to have felt bound by earlier decisions. Chapter 7 focuses on the three models that were prepared in 1928. Those models were developed by representatives from 27 countries, at a single meeting that lasted 10 days.

The influence of major players is a central focus of Jogarajan's narrative, as she describes the evolution of the models from 1926 to 1928. She identifies the various experts along with other players—the International Chamber of Commerce, Britain, and the United States—that merit analytical attention. Departing from the standard story, she suggests that the International Chamber of Commerce was not especially important in the design of the early treaties (although it was instrumental in the treaty's acceptance). The United States does not appear to have exerted much influence, either. Jogarajan finds evidence that many compromises were made to accommodate the British.

Finally, chapter 8 turns to the lessons from Jogarajan's review that might be applied in the modern context. This chapter, which is brief, highlights the links between some of the early model provisions and the current model, and it offers some truncated reflections on some major international tax policy issues, including the primary goals of tax treaties (to prevent double taxation or to reduce tax evasion?), the balance of source and residence tax, the tension between bilateral and multilateral solutions, the issues for developing countries, and the role of influential experts.

Jogarajan's book is a major contribution to tax treaty history and especially to our understanding of the role of particular actors in the development and adoption of tax policy.

K.B.

