Comments and Questions

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Recap of presentations

- Mr. Jaffar Al-Rikabi
  - Points out that low tax-to-GDP of EMDEs.
  - Proposes PIT reforms, eliminating tax expenditures, and carbon pricing.

- Mr. Alexander Klemm
  - Points out that low tax-to-GDP ratios of LIDCs, high tax potential of LIDCs and EMEs.
  - Proposes decreasing compliance gaps by tax administration reforms reducing wasteful tax incentives, international tax reforms for the 2-pillar agreement, and carbon pricing.

- Mr. Go Nagata
  - Points out that Asian EMEs have high debt-to-GDP ratios and low tax-to-GDP ratios.
  - Proposes rationalizing tax expenditure, addressing informal sectors, using more property taxes, and international tax cooperation.

Comment and Question 1: Comparison of LIDCs and AEs

- Presenters show many comparison between LIDCs and AEs in terms of tax ratios and tax structures.

- Basically, tax quantitative measures (tax ratio) reflect spending needs（demographic factor, social security needs, infrastructure needs, industrial policy needs, etc.）. Tax qualitative measure (tax structure) should be considered in terms of efficiency and equity.

Question 1: Considering that developing countries are facing their own spending needs in their own development stages, are AEs’ tax systems good criteria for LIDCs?

Related Questions:

- Do LIDCs really need the tax-to-GDP ratio of 15%?
- Asia-Pacific countries have fewer rates of PIT and CIT than OECD countries. Should Asia-Pacific countries increase these taxes?

Just for information:

- Japan has public debt more than 200% of GDP.
- Japan finally introduced a ‘paper’ invoice system last year in VAT.
- European countries have been using reduced rates for many items in VAT.
- Advanced countries tend to have high CIT rates because they have location-specific rents to cover the costs caused by the high tax rates.

Comment and Question 2: Global vs. Domestic

- Presenters argue that the 2-pillar agreement on CIT is necessary and good for developing countries. However, if developing countries raise the CIT rates following the global agreement, the inward FDI may decrease.

- Generally speaking, even if global agreements are necessary in a global perspective, they may not be desirable in a national perspective.

Question 2: How do you reconcile a global pressure to address global problems with domestically desirable policies in developing countries?

Related Questions:

- What advantage are developing countries going to gain by following 2-pillar agreement? (Especially Pillar 2)
- What are the strategies of developing countries after adopting Pillar 2? What are they going to compete by?