

The Concept of Tax

EATLP International Tax Law Series – Volume 3

TABLE OF CONTENTS

Preface

About the authors

Part 1. The Concept of Tax in EU Member States

Introduction (B. Peeters)

1.1. The relevance of a concept of tax

1.1.1. The concept of tax: a normative approach (W. Barker)

- 1.1.1.1. The ideal tax system
- 1.1.1.2. The just tax system
- 1.1.1.3. The real tax system

1.1.2 The normative background for a broad concept of tax (H. Vording)

- 1.1.2.1. Outline
- 1.1.2.2. The classical tax doctrine: equity and neutrality
- 1.1.2.3. Modern views on property, welfare and taxation
 - 1.1.2.3.1. Libertarian views on taxation
 - 1.1.2.3.2. Utilitarian views on taxation
- 1.1.2.4. Challenges to the classical tax doctrine: property rights and the quality of the tax legislative process
 - 1.1.2.4.1. The moral status of property rights
 - 1.1.2.4.2. The quality of the tax legislative process
- 1.1.2.5. Restraining the taxing powers of the state
 - 1.1.2.5.1. Equitable distribution of tax burdens
 - 1.1.2.5.2. Neutrality as a substantive norm
 - 1.1.2.5.3. Legislative norms as restraints
- 1.1.2.6. The scope of a concept of tax
 - 1.1.2.6.1. Social insurance contributions: taxes?
 - 1.1.2.6.2. The OECD concept of tax for statistical purposes
 - 1.1.2.6.3. Problems with the OECD definition

1.1.3. Some propositions on tax as a legal concept (G. Suchy)

- 1.1.3.1. Tax is a complex relationship
 - 1.1.3.1.1. Tax is a right of the public power to require a payment
 - 1.1.3.1.2. Tax is a right to obtain compliance
- 1.1.3.2. Taxation as a concept of public law
 - 1.1.3.2.1. Taxation is the setting of rules
 - 1.1.3.2.2. Taxation implies the power to act

- 1.1.3.3. Individual rights and public prerogatives
- 1.1.3.3.1. Taxation is a matter of individual rights
- 1.1.3.3.2. Taxation is a matter of equality
- 1.1.3.4. Conclusion

1.2. Overview of the different sources of funds obtained by the government to finance its expenditure (G. Suchy)

1.2.1. Budgetary means

- 1.2.1.1. Overtly financial means
 - 1.2.1.1.1. Levies
 - 1.2.1.1.2. Prices and fees
 - 1.2.1.1.3. Voluntary contributions
 - 1.2.1.1.4. Temporary means
- 1.2.1.2. Means that are effectively financial

1.2.2. Non budgetary means

- 1.2.2.1. Personal services
- 1.2.2.2. Inducement of private activity
 - 1.2.2.2.1. Nonfiscal inducement
 - 1.2.2.2.2. Fiscal inducement

1.3. The notion of tax and the different types of taxes

1.3.1. Comparative approach (M. Barassi)

- 1.3.1.1. Introduction
- 1.3.1.2. The different types of taxes
- 1.3.1.3. Tax
 - 1.3.1.3.1. Germany
 - 1.3.1.3.2. United Kingdom
 - 1.3.1.3.3. France
 - 1.3.1.3.4. Belgium
 - 1.3.1.3.5. Luxembourg
 - 1.3.1.3.6. Spain
 - 1.3.1.3.7. Switzerland
 - 1.3.1.3.8. Italy
 - 1.3.1.3.9. Remarks
- 1.3.1.4. Fees and other types of levies
 - 1.3.1.4.1. United Kingdom
 - 1.3.1.4.2. Germany
 - 1.3.1.4.3. France
 - 1.3.1.4.4. Luxembourg
 - 1.3.1.4.5. Spain
 - 1.3.1.4.6. Belgium
 - 1.3.1.4.7. Italy
- 1.3.1.5. Conclusions

1.3.2. The concept of tax and the para-commutative taxation (L. Del Federico).

- 1.3.2.1. Delimitation of the notion of tax by a complex research methodology: structural outline, functional outline and law regime
- 1.3.2.2. Fiscal levies are not necessarily compulsory
- 1.3.2.3. The para-commutative taxation
- 1.3.2.4. Conclusions

1.4. Constitutional (see: general) framework of the different types of income (M. Bourgeois)

1.4.1. General constitutional guidelines concerning the different types of financing government action

- 1.4.1.1. Liberal versus social background of the national constitutional framework
- 1.4.1.2. A constitutional principle of solidarity?
- 1.4.1.3. Equality and ability to pay
 - 1.4.1.3.1. General versus specific tax principle of equality
 - 1.4.1.3.2. Availability of constitutional review of tax legislation
 - 1.4.1.3.3. The principle of equality and the different types of income financing government activities
 - 1.4.1.3.4. Generality of taxation
 - 1.4.1.3.5. Ability to pay
 - 1.4.1.3.6. Equality, ability to pay and benefit principle
 - 1.4.1.3.7. Soft equality text with respect to taxation
 - 1.4.1.3.8. General conclusion and ultimate remarks with respect to equality and ability to pay
- 1.4.1.4. Specific fundamental rights
 - 1.4.1.4.1. Classical rights
 - 1.4.1.4.2. Economic, social and cultural rights
 - 1.4.1.4.3. Conclusion
- 1.4.1.5. Non-retroactivity
- 1.4.1.6. Punctual illustration: financing of motorways

1.4.2. The distinction between taxation and the expropriation of goods (and services) vs. the constitutional protection of property

- 1.4.2.1. The right to own property and taxation: a paradoxical relationship
- 1.4.2.2. Expropriation versus taxation: two distinct concepts
- 1.4.2.3. Prohibition on confiscatory taxes

1.4.3. Tax competence (power of setting taxes) at a central or decentralised level (distinction between unitary and federal countries: the possibility of a different concept of tax between the central and decentralised level)

- 1.4.3.1. Centralized versus decentralized countries (from a tax viewpoint)

- 1.4.3.2. Is there a different concept of tax between the central and the decentralized levels of government?
- 1.4.3.3. Tax powers, fees powers, regulatory powers and spending powers: plurality of approaches to the division of powers within a federal or decentralized state
 - 1.4.3.3.1. Taxation and regulation of conducts
 - 1.4.3.3.2. Does the power to levy 'fees' (with or without a fiscal nature) necessarily follow the matter to which it relates?
- 1.4.3.4. Economic and monetary union within the whole state

1.4.4. Specific constitutional principles of taxation and the justification of those principles

- 1.4.4.1. The principle of legality in tax matters: other tax principles related to formal justice with respect to taxation
- 1.4.4.2. Ability to pay and other tax principles related to material justice with respect to taxation
 - 1.4.4.2.1. The ability to pay principle
 - 1.4.4.2.2. Progressivity of taxation
 - 1.4.4.2.3. Equality in tax matters
 - 1.4.4.2.4. Non-retroactivity
 - 1.4.4.2.5. Principles of a programmatic nature
 - 1.4.4.2.6. Other specific tax principles: illustrations

1.4.5. Specific constitutional principles concerning the other types of financing of government action

1.5. Secondary consequences of the distinction between taxes and the other modes of financing government expenditure (M. Bourgeois)

- 1.5.1. Inside effects deriving from the tax label
 - 1.5.1.1. The public law statute of fiscal levies
 - 1.5.1.2. Administrative rules and judicial protection rules
 - 1.5.1.2.1. Overview
 - 1.5.1.2.2. Germany
 - 1.5.1.2.3. Luxembourg
 - 1.5.1.2.4. The Netherlands
 - 1.5.1.2.5. France
 - 1.5.1.2.6. Italy
 - 1.5.1.2.7. Belgium
 - 1.5.1.2.8. Austria
 - 1.5.1.2.9. Greece
 - 1.5.1.3. Tax evasion measures
 - 1.5.1.4. Tax rulings
 - 1.5.1.5. The scope of tax exemptions
 - 1.5.1.6. The relevance of qualifying a levy as a tax for the application of penalties

- 1.5.2. External effects (1) deriving from the tax-label
 - 1.5.2.1. Prohibition of tax-based fiscal levies
 - 1.5.2.2. Elimination of double taxation of the same matter

- 1.5.3. External effects (2) deriving from the tax label
 - 1.5.3.1. Contracts
 - 1.5.3.2. Extradition

1.6. General conclusions (B. Peeters)

Part 2. The Concept of Tax in EU Law

2.1. Methodological premises (P. M. Herrera)

2.2. The restrictive impact of the principles of EU law on tax sovereignty and the concept of tax in the EU Member States (link with Part 1) (P. M. Herrera)

- 2.2.1. Can the general EC rules on taxation be used as a guideline for a common concept of tax for all the Member States?
- 2.2.2. The ability to pay principle in the EC Treaty and in the failed European Constitution and the balance with the economic freedoms (with particular attention to ECJ case law on tax matters)

2.3. The concept of tax in the EC Treaty and in the failed European Constitution: (1) fiscal and tax provisions (P. M. Herrera)

- 2.3.1. Common rules on competition and liberalisation of public services: their impact on how public services are financed
- 2.3.2. Fiscal provisions (Article 95.2 ECT) and “provisions primarily of a fiscal nature” (Article 175 ECT), with particular reference to some “fees, charges or duties” established by the Member States (link with Part 1)
- 2.3.3. “Internal taxation” (Article 90 ECT) (link with Part 1) and “charges having equivalent effect to customs duties” (Article 25 ECT)
- 2.3.4. Avoidance of double taxation within the Community (Article 293 ECT) (link with Part 3)
- 2.3.5. Green taxes and levies and the polluter-pays principle

2.4. The concept of tax in the EC Treaty and in the failed European Constitution: (2) State aids (G.T.K. Meussen)

- 2.4.1. Introduction
- 2.4.2. Concept of advantage
- 2.4.3. State resources involved
- 2.4.4. Taxation versus State aid
- 2.4.5. The concept of tax with regard to State aid

2.5. The concept of tax in the Directives (P. Selicato)

- 2.5.1. General approach: the interpretative method in the ECJ case-law on tax Directives
- 2.5.2. The influence of the unanimity rule on the EU concept of tax
- 2.5.3. The concept of tax in VAT Directives
 - 2.5.3.1. Taxes, duties or charges which cannot be characterized as turnover taxes
 - 2.5.3.2. Dues, fees, contributions or payments collected by a Public Authority
- 2.5.4. The “tax obstacles” to the free movement of capital in the Directive on capital duties
 - 2.5.4.1. Registration charges on capital contributions
 - 2.5.4.2. Administrative charges on the inscription of companies in the public registers
 - 2.5.4.3. The Italian extraordinary tax on company’s net assets as a capital duty
- 2.5.5. The concept of double taxation in the Directives
 - 2.5.5.1. The cross-border “withholding taxes”
 - 2.5.5.2. The concept of double taxation in the Interest-Royalty Directive
- 2.5.6. Tax evasion and tax avoidance in the Directives
 - 2.5.6.1. Tax evasion and tax avoidance in the cross-border restructuring operations
 - 2.5.6.2. Tax evasion and tax avoidance in the Interest-Royalty Directive
- 2.5.7. Other charges or fees ruled by EC Directives
 - 2.5.7.1. Fees or charges imposed for the authorisations in the telecommunication services
 - 2.5.7.2. Recovery of the cost of water services
 - 2.5.7.3. Payments related to the emission permits
 - 2.5.7.4. Road pricing (Eurovignette)

2.6. Executive summary and practical consequences

Part 3. The concept of tax in the OECD Model and in the World Trade Organisations Agreements

3.1. The concept of tax in the OECD Model (K. van Raad)

- 3.1.1. Occurrence of the term “tax” in the OECD Model
- 3.1.2. Meaning of the term “tax” as used in the OECD Model
 - 3.1.2.1. Intro
 - 3.1.2.2. The term ‘tax’ in Article 2
 - 3.1.2.2.1. The importance of the scope of the term ‘tax’ in Article 2
 - 3.1.2.2.2. Interpretation of the undefined term ‘tax’ under the general interpretation rule of Article 3.2.

- 3.1.2.2.3. The OECD Commentary on Article 2 on 'social security levies'
- 3.1.2.2.4. The effect of domestic law that includes social security contributions in the term 'tax'
- 3.1.2.3. The term 'tax' in the Articles 24, 26 and 27
- 3.1.2.3.1. The importance of the scope of the term 'tax' in the Articles 24, 26 and 273.
- 3.1.2.3.2. The meaning of the term 'tax' in the Articles 24, 26 and 27

3.2. "Taxed Covered" – What is a "Tax" According to Article 2 of the OECD Model? (M. Lang)

3.2.1. Art. 2 of the OECD model and treaty interpretation

3.2.2. The term "Tax"

- 3.2.2.1. Imposition on behalf of a contracting state or its political subdivisions or local authorities
- 3.2.2.2. Manner in which the taxes are levied
- 3.2.2.3. Ordinary and extraordinary taxes
- 3.2.2.4. Fees paid for certain benefits
- 3.2.2.5. Taxes must be collected in accordance with domestic law
- 3.2.2.6. Taxes on income and on capital

3.2.3. List of taxes in art. 2(3) of the OECD Model

- 3.2.3.1. Illustrative nature of the list of taxes in Art. 2(3)
- 3.2.3.2. The limiting function of Art. 2(3)
- 3.2.3.3. The "amplifying" power of Art. 2(3)

3.2.4. "Similar taxes" according to art. 2(4) of the OECD model

- 3.2.4.1. The benchmark
- 3.2.4.2. Modification of existing taxes
- 3.2.4.3. Interfering with the balance of a treaty

3.2.5. Taxes on income and capital versus taxes on estates, inheritances and gifts

- 3.2.5.1. Scope of estate, inheritance and gift tax treaties
- 3.2.5.2. How to draw the borderline
- 3.2.5.3. Is there a need to draw a borderline?

3.2.6. Conclusion

3.3. Defining the objective scope of Income Tax Treaties: the impact of other treaties and EC Law on the concept of tax in the OECD Model (A.J.M. Jiménez)

3.3.1. Introduction

- 3.3.2. Impact of other treaties and EC law on art. 2 of the OECD model
 - 3.3.2.1. Social security contributions and Art. 2
 - 3.3.2.1.1. Are social security contributions included within the scope of tax treaties?
 - 3.3.2.1.2. Art. 2 of income tax treaties and EC law on social security contributions
 - 3.3.2.1.3. Art. 2 of the OECD Model and other international agreements
 - 3.3.2.1.4. Conclusion on social security contributions
 - 3.3.2.2. Estate, inheritance and gift taxes and Art. 2 of the OECD Model
- 3.3.3. Concept of tax in art. 24 of the OECD model
- 3.3.4. Concept of tax in art. 26 of the OECD model
- 3.3.5. Concept of tax and assistance in art. 27 of the OECD model
- 3.3.6. Conclusion

3.4. The concept of Tax in the World Trade Organisation Agreements. A brief Overview (J.E. Farrell)

- 3.4.1. The General Agreement on Tariffs and Trade – GATT 1994
- 3.4.2. The General Agreement on Trade in Services – GATS
- 3.4.3. Agreement on Subsidies and Countervailing Measures - ASCM

Annexes

1. A legal definition of tax: the Brazilian experience (M.A. Greco)
2. The notion of tax and the principle of cohesion (C. Sacchetto)
3. Definition of “Tax” in US Law (R. Avi-Yonah)