Tax Sustainability in an EU and International Context

Editors: **Cécile Brokelind and Servaas van Thiel**

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Why this book?
This book brings together the observations made at the 2019 GREIT conference in Lund, Sweden. The conference focused on the question: How can tax systems contribute to sustainable development? Leading international and European tax law researchers, public finance experts and business administration experts tackled this question against the backdrop of the UN 2030 Agenda on Sustainable Development. The aim was to determine how the 17 Sustainable Development Goals (SDGs) might impact tax policy design at the national and EU levels.

This raises a host of thought-provoking questions: Should tax systems help achieve the SDGs by taking a more proactive Pigouvian role? Are progressive taxes and redistribution needed to eradicate poverty, reduce inequalities and increase social inclusion? Are tax incentives a good idea for promoting sustainable production and reducing waste and pollution? How about introducing a CO2 tax? These and other questions are thoughtfully analysed in this valuable reference resource.

Highlights:
- Unique insights into the impact of taxes on sustainable development
- Compilation of observations made at the GREIT conference
- Thoughtful analysis of the key questions concerning the interaction between tax systems and sustainable development

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Foreword

The Group for Research and International Taxation (GREIT) was born in Lund in Midsommar 2006 as a challenge to promote independent scientific studies on European international taxation, i.e. on the common principles of EU law that affect international taxation.

Much has happened since then, but each time GREIT gets back to Lund, it gives me great aspirations to write new pages on international taxation for the European Union. The research project underlying this book culminated in the 14th GREIT conference, once more bringing GREIT back to its birthplace, Lund, in Midsommar 2019.

Also, this time it was a privilege to host prestigious speakers and have them commit to working at the highest possible scientific level on a global topic that matters for Europe and the entire world. In line with its tradition, GREIT explores new avenues of international taxation. This time we have selected tax sustainability, which the Lund University School of Economics and Management considers a priority for academic research.

Just as last time, this book is the result of a collective journey towards the search for answers to questions raised by societal changes and challenges. As an EU tax law specialist, it crossed my mind that the GREIT network should initiate the question of whether and, if so, how sustainability rules our EU tax law world. This societal requirement, which could be said to be a non-legal term, appears in some legal documents and fuels the interesting scientific debate on where the law starts and where it stops. I found it quite stimulating to start the dialogue with colleagues from social sciences who already have extensive expertise on the need to adapt our society to the needs of sustainability requirements, may they be environmental, societal or economic.

Sigrid Hemels, visiting professor at our Department of Business Law, put the engine into gear and sat in the driver's seat right along with me for the whole trip, with her dynamic professionalism that pushed me right towards the goal. Without her, the book would not have been published, and I am indebted and grateful. She helped me through organizing a call for papers, the first time ever a GREIT conference has applied this process for selecting the book chapters that were presented at the conference held in Lund from 19-20 June 2019. As a result, we managed to organize a (sustainably) gender-neutral EU tax law conference, showing that this topic is of common and shared interest to all of us.

Servaas van Thiel kindly accepted reviewing the book's chapters, which was done very thoroughly, after my first reading of the chapters covering mostly substantial and methodological issues. This co-editing process means that all chapters have been double peer-reviewed, and the authors have hopefully been able to deliver a revised version of their preliminary drafts that they are satisfied with.

I am very grateful to all my friends on the Continent (as it is called in Sweden) for their trust in me. Firstly, I am indebted to Pasquale Pistone, Ana Paula Dourado and Dennis Weber for their continued support of GREIT's activities. When we started in Lund in 2006, I was not aware that a couple of months after the first book was released, the European Union was going to commit to decreasing by 2020 its greenhouse emissions by 20% compared to 1990 levels, to increase the share of renewable energy consumed in the European Union to reach 20%, and to decrease by 20% all energy consumption (the 20-20-20 goals for 2020). And I could not anticipate that in 2020, we would have yet another GREIT conference in Lund, on the theme of sustainability. I am nevertheless very thankful that everything worked out the right way for our GREIT network in a timely fashion.

Additionally, I am also extremely thankful to all of the talented and honourable reporters who accepted the challenge of coming to Lund, to present their views and to contribute to this book in answer to my questions, thanks to you all.

This project would never have been carried out without the valued financial support of the *Skattenytt Stiftelsen*, the *Centrum för Europaforskning*, the Nordic Tax Research Council, IBFD and the Department of Business Law, School of Economics and Management, Lund University.

I would also like to thank dearly Gisela Bromé, for her assistance with this project and helping me with all the practicalities that I would not have been able to carry out in connection with hosting our reporters and gathering together a team of dedicated helpers, to all of whom my gratitude is expressed, especially Hugo and Moisés.

Finally, I owe a special debt of gratitude to my dearest ones who supported me one way or another, for instance by taking care of daily life while I was busy with this project, or even assisting me during the conference or providing food for thought on sustainability from a political science perspective.

To all of you and on behalf of GREIT, my wholehearted thanks!

Cécile Brokelind
Lund, October 2019

Chapter 1

Sustainable Taxes for Sustainable Development

Servaas van Thiel[1]

1.1. Introduction

The 2019 GREIT Conference in Lund allowed for a multi-disciplinary discussion of the many questions related to the objective of designing sustainable taxes for sustainable development. Whereas the concept of "sustainable taxes" refers more to the traditional revenue-generating function of our tax systems, the concept of sustainable taxes for sustainable development is more about the question to what extent tax policy design can contribute to "sustainable development" as reflected in the 2030 Agenda and its 17 Sustainable Development Goals (SDGs) and 169 targets. Both sides of the question were intensively discussed.

The first question, related to the primary function of taxation to generate revenue, is whether our tax systems are capable of generating sufficient revenue to allow the state to finance its public expenditures or whether there are any shortfalls that need to be financed by other means (e.g. borrowing). Various discussions at the GREIT Conference, and corresponding chapters in this book, look at different aspects of how taxes can be sustainable in their revenue-generating capacity.

First, as regards the fight against aggressive tax planning and base erosion, Garbarino (*see* chapter 13) is critical about the unworkable nature of the concept of "value creation" that underpins current OECD BEPS policies (no clear definition; concept can be used by states to maximize revenue intake). He proposes that tax sustainability should be preserved by democratic

1. Prof. Servaas van Thiel works at the EU Delegation in Vienna (since 2015), teaches at the universities of Brussels ("Globalisation, international law and sustainable development") and Vienna (International and European Taxation), and is *Raadsheer* (Counsellor) in the Dutch Regional Court of Appeal (since 2003). He has guest-lectured and published worldwide and was Director of the Brussels LLM Program (2003-2011). He previously worked for the EU Delegation Geneva, the EU Council of Ministers, the European Court of Justice and the IBFD. He consulted for the Italian Economic and Labour Council, the UN Centre for Trans-National Corporations and the UN Economic Commission for Africa. He studied law and economics at the Universities of Nijmegen and Brussels and holds a Doctoral Degree from Erasmus University Rotterdam. The observations in this chapter are purely personal and cannot be attributed to any of the institutions mentioned.

nation states that regulate BEPS and engage in some form of multilateral cooperation. Global companies could be treated as *unitary firms* in which an ultimate parent company is responsible to enforce a global tax mechanism applied by the ultimate residence state and cooperating states should defend their tax systems against non-cooperative jurisdictions. Koerver Schmidt (*see* chapter 12) is more positive on the EU Anti-Tax Avoidance Directive (ATAD), which, in spite of its shortcomings (legal certainty; legitimacy) is preferable over unilateral anti-avoidance rules. He believes that ATAD bolsters the overall resilience of tax systems to aggressive tax planning (more tax revenue) while limiting aggressive tax planning advantages (more level playing field), which contributes to a more sustainable international tax framework and to achieving the UN SDGs. In chapter 19, Sonnerfeldt notes that the loss of revenue and the redistributive effects of tax avoidance could undermine the achievement of the SDGs. She recognizes that the tax avoidance regulatory arena has become increasingly complex and believes that there is a need for a broader and more contextual theoretical framework and for better knowledge on tax practices, governance and mechanisms at the firm level, to understand the implications of tax regulation. Both should be developed in a multidisciplinary approach. Sonnerfeldt also points at the broader question whether corporations are establishing a business case for sustainability or a sustainability case for businesses? While the former justifies corporate action on sustainable initiatives only if benefits exceed costs to the company, the latter fosters a corporate mindset to positively contribute to sustainable development. She hopes that with greater cooperation and trust between the significant actors in the tax field, perhaps, more resources can be channelled towards achieving the SDGs.

Secondly, with respect to the use of costly tax incentives, Redonda notes in chapter 9 (after recalling the importance of domestic resource mobilization for sustainable development, SDG 17.1) that tax expenditures (TEs) are costly, inefficient and less transparent while often failing to address inequalities. He considers that estimating and reporting the fiscal cost of TEs should be a priority for governments as it could help to enhance transparency and accountability, evaluate effectiveness and efficiency, mitigate inequality and ease budget constraints.

Thirdly, as regards sustainable tax systems in non-OECD countries, Bogovac stresses in chapter 6 that tax policy of central and eastern European countries should be informed by the specificities of the local tax systems and, in particular, the capacity constraints in tax administrations. More sustainable tax systems can thus be realized by increasing legal certainty, adopting standard operating procedures for tax officials, enhancing communication with taxpayers, publishing court decisions and introducing simple anti-avoidance measures and merit-based evaluation of tax administration officials. Likewise, but more specifically related to Romania, Oprescu argues in chapter 18 that Romanian tax policies should be based on local factors. Taking into account that austerity measures and scarcity in the 1980s created a population that is (i) consumption addicted, (ii) reluctant to pay taxes and (iii) unenthusiastic about work, Romanian tax policy should first increase consumption and wealth taxes, second, lower taxes on work and, third, generally use withholding taxes rather than self-assessments. Also, tax incentives should encourage saving, private pension systems, continuous learning, job conversion, extension of the retirement age and part-time work. Lips and Mosquera Valderrama (*see* chapter 11) look at revenue generation and BEPS from the perspective of developing countries. Even though the OECD initiatives (on exchange of information and BEPS) should on paper help developing countries realize their domestic resource mobilization goals, they note that empirical evidence on the benefits is scarce and that the compliance costs are significant. They suggest exploring revenue-sharing mechanisms, preparing a code of conduct on tax incentives, tailoring cooperation partnerships and upgrading the UN tax committee to an intergovernmental body.

Finally, in a longer-term perspective the sustainability of tax systems also concerns the question whether our tax systems will have sufficient revenue-generating capacity in the light of broad societal developments, such as the digitalization of the economy,[2] the robotization of the workforce[3] and the ageing of societies.[4] These more longer-term questions were not discussed in further detail at the GREIT Conference in Lund.

The second question discussed at the 2019 GREIT Conference was to what extent taxes can be part of the sustainable development solution as reflected in the 2030 Agenda and its 17 SDGs.[5] Three chapters in this book discuss

2. OECD, *Addressing the Tax Challenges of the Digital Economy – Action 1: 2015 Final Report* (OECD 2015), Primary Sources IBFD, available at http://www.oecd.org/ctp/addressing-the-tax-challenges-of-the-digital-economy-action-1-2015-final-report-9789264241046-en.htm (accessed 8 Feb. 2020).
3. C. Dimitropoulou, *Chapter 4: Robot Taxes: Where Do We Stand?* in *CFE Tax Advisers Europe 60th Anniversary – Liber Amicorum* (S. van Thiel, P. Valente & S. Raventós-Calvo eds., IBFD 2019), Books IBFD.
4. For Japan, A. Okamoto, *Tax Policy for Aging Societies: Lessons from Japan* p. 151 (Springer 2004), available at https://www.springer.com/gp/book/9784431220558 (accessed 26 Mar. 2019).
5. Whereas the primary function of taxation is to generate revenue, taxes have traditionally also been used to pursue different policy objectives such as macro-economic stability, economic growth, redistribution of income and wealth (progression based on

in more general terms the link between taxes and sustainable development. Pirlot (*see* chapter 4) explores the legal effects of the SDGs. She believes it unlikely that the SDGs will amount to positive obligations, requiring UN members to adopt tax policies that directly contribute to the achievement of the SDGs. Nevertheless, she thinks it could be argued that UN members are subject to the negative obligation of not interfering with the SDGs through their tax system. She submits that academics, NGOs and citizens have an important role to play in reminding governments of their commitments under the UN 2030 Agenda and their implications on tax systems.

Nerudová et al. (*see* chapter 3) report on the FairTax research project,[6] which suggests a theoretical concept of tax system sustainability (and a model for measurement) in which different tax policies, tools and legislative measures contribute to sustainable development in its economic dimension (innovation, knowledge-driven growth, productivity, sustainable consumption, investment, debt sustainability), social dimension (employment, social cohesion, population growth), environmental dimension (greenhouse gas emissions, green innovation, renewable energy and waste) and institutional dimension (effective tax collection, compliance costs, tax morale).

Rendahl and Nordblom (*see* chapter 17) categorize different SDGs as being relevant from a tax policy perspective either directly (tax policy can help achieve SDG) or indirectly (tax revenue can help achieve SDG) (or structurally). They distinguish three basic values underlying most of the SDGs, including (i) equity and equality, (ii) environmental protection and (iii) coherence. They then present four core policies for sustainable tax policy: redistributive taxation; environmental taxes; international legal cooperation; and efficient, legitimate non-discriminatory tax law. They note that the vast complexity of demands to reach the SDGs is a major challenge for creating sustainable tax policy and that constant trade-offs are needed. One important question is then how that balancing act can be perceived as rational and legitimate.

The remainder of this chapter will also explore in general terms how taxes can be designed to contribute to the 2030 Agenda and its 17 SDGs, and a

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ability to pay), pricing environmental externalities (and environmental taxes), steering individual behaviour (excises on alcohol and tobacco, tax incentives). A good tax system is thus expected to provide sufficient revenue, without distorting economic choices (neutrality) or discriminating between taxpayers (equity), while minimizing the cost of tax collection and compliance (simplicity) and while also contributing to the realization of non-tax policy objectives.

6. H2020 EU project FairTax No. 649,439, *Revisioning the 'Fiscal EU': Fair, Sustainable, and Coordinated Tax and Social Policies*.

distinction is made between the economic, social and environmental dimensions of sustainable development. To the extent the remaining chapters in this book address more specific questions as to how taxes can contribute to these different dimensions of sustainable development, these will be referred to in more detail in section 1.4., which addresses the social dimension of sustainable development (reference to chapters 7, 5, 8 and 10) and in section 1.5., which addresses the environmental dimension of globalization (reference to chapters 2, 14, 15 and 16).

Before tackling those questions, some preliminary clarification is needed about the meaning of the terms "globalization" and "sustainable development" in general (section 1.2.). Subsequently, a closer look at the respective economic (section 1.3.), social (section 1.4.) and environmental dimensions (section 1.5.) of sustainable development will allow us to better understand some examples of tax policy questions that arise when a state seeks to design its tax system in a sustainable development friendly way. Some conclusions are offered in section 1.6.

1.2. Globalization and sustainable development

Globalization can be defined as a factual process of increasing density of cross-border human interaction (in all its forms and with all its by-products) over ever larger distances, that is made possible by a variety of factors, including of a demographic (increase and spread of population), economic (trade and investment), technological (transport, communication) and political nature (competition for power, increased openness of countries). This gradual reduction of the relative importance of "distance" as a constraint for human interaction, creates numerous opportunities for positive developments, but also raises concerns over possible adverse effects, essentially because it allows human activity to take place outside the boundaries of domestic regulatory systems and possibly within a regulatory void (causing a sense of loss of control).

Moreover, states are increasingly faced with challenges of a cross-border nature, which can no longer be tackled by individual states but require collective action, which again presupposes agreement on the problems, the solutions, the actions to be taken and on who does what. In the 1940s, discussions on possible collective responses to certain of these global challenges had already taken place. The Second World War had witnessed a breakdown of international economic relations, military engagement on a global scale and unprecedented human atrocities and suffering. After the war, world leaders agreed ways to tackle these challenges and they created a rules-based multilateral system with global governance systems to effectively tackle collective challenges that states no longer could resolve individually. As such, the UN Security Council was tasked with ensuring global peace and security (on the basis of the UN Charter and in particular its chapter VII), the 1946 UN Commission on Human Rights and the 1950 UN High Commissioner for Refugees were tasked with protecting human rights and refugees (on the basis of the 1948 Universal Declaration on Human rights and the 1951 Refugee Convention) and the Bretton Woods institutions (the IMF, World Bank, GATT) were set up as the framework to ensure stable global economic and financial relations.

Whereas global governance struggled during the Cold War, there was a renewed optimism about the possibility of collective action in the 1990s. In fact, although globalization is very much an ongoing historic process with ups and downs, the process enjoyed a significant boost as a result of political developments (in particular; the fall of the Berlin Wall), and technological developments (particularly improvements in transport and communication and the use of the Internet), which turned the world into a global village in which everybody is able to communicate with everybody irrespective of time and place. At the same time, there was an increasing awareness that globalization not only came with advantages but also with significant collective challenges, such as how to maintain peace and security, how to tackle poverty (population) and how to save the environment (planet).

In an early phase of this discussion, the a priori question arose whether it would at all be possible to reach a global consensus on the direction in which to steer the process of globalization. In 1989, Fukuyama announced the "end of history" because in his view a global consensus would spontaneously emerge on political and economic liberalism (democracy and free market capitalism) as the ultimate form of organizing society,[7] but his optimism contrasted sharply with the views of Huntington, who predicted that future wars would not be fought between countries, but between cultures, predicting thus a clash of civilizations.[8]

Away from this more theoretical discussion, however, the end of the Cold War did result in a flurry of international diplomatic activity, often involving

7. F. Fukuyama, *The End of History?*, The National Interest (Summer 1989), available at http://www.wesjones.com/eoh.htm (accessed 27 Mar. 2019).
8. S.P. Huntington, *The Clash of Civilisations?*, Foreign Affairs (Summer 1993), available at https://www.foreignaffairs.com/articles/united-states/1993-06-01/clash-civilizations (accessed 27 Mar. 2019).

heads of state and government. Therefore, the more factual question is whether those world leaders did or did not agree on directions in which to steer the globalization process. An analysis of the outcome documents of a series of the post-Cold War political summits that involved world leaders does indeed show a gradually emerging consensus on the need to steer the globalization process in the direction of "sustainable development", which again became a narrative concept that clustered a range of economic, social, environmental and political objectives.

In 1990, the first major international conference after the fall of the Berlin Wall was the 1990 Paris Summit and it gathered the leaders of the OSCE (Organization for Security and Co-operation in Europe) countries (essentially Europe, the United States and Canada). They adopted the Charter of Paris for a new Europe, which clustered democracy and respect for human rights with economic liberty (market economy), social justice, environmental responsibility and the peaceful settlement of disputes.[9]

Two years later, in 1992, a major global conference at the level of world leaders took place in Rio de Janeiro (the Earth Summit). It proclaimed 27 principles and adopted a Plan of Action as well as the Conventions on Climate Change (CCC) and on Biological Diversity (CBD).[10] These principles declare that human beings are at the centre of "sustainable development" (Principle 1), and they cluster economic development with environmental protection (Principle 3) and with poverty eradication (Principle 5) and peace (Principles 24, 25 and 26).

In 1995, and with a clarity that is exceptional for negotiated Summit outcomes, the Copenhagen Social Summit Declaration[11] provided in point 6: "We are deeply convinced that economic development, social development and environmental protection are interdependent and mutually reinforcing components of sustainable development", and it links sustainable development also to democracy and peace and security. In point 14, it notes that: "Globalization … opens new opportunities for sustained economic growth

9. CSCE, *Charter of Paris for a New Europe*, *Meeting of the Heads of State or Government of the participating States of the Conference on Security and Co-operation in Europe (CSCE)* (Paris 19-21 November 1990), full text available at http://www.osce.org/mc/39516?download=true (accessed 27 Mar. 2019).

10. *Report of the UN Conference on Environment and Development (Earth Summit)*, Rio de Janeiro, 3-14 June 1992, available at http://www.un.org/documents/ga/conf151/aconf15126-1.htm (accessed 27 Mar. 2019).

11. *See Copenhagen Summit Declaration on Social Development*, available at https://documents-dds-ny.un.org/doc/UNDOC/GEN/N95/116/51/IMG/N9511651.pdf?OpenElement (accessed 27 Mar. 2019).

and development of the world economy" and "promotes a cross-fertilization of ideas, cultural values and aspirations", but that at the same time, "the rapid processes of change and adjustment have been accompanied by intensified poverty, unemployment and social disintegration" and that 'Threats to human well-being, such as environmental risks, have also been globalized." It concludes that: "The challenge is how to manage these processes and threats so as to enhance their benefits and mitigate their negative effects upon people."

This challenge was taken seriously by the UN and at the 2000 Millennium Summit, heads of state and government were invited to rally behind a concrete global agenda and they adopted the Millennium Declaration and its eight Millennium Development Goals with 21 time-bound targets.[12] Even though the list was limited to social and environmental objectives (poverty and hunger, education, gender equality, child mortality, maternal health, HIV-malaria, environmental sustainability, partnerships), it was a remarkable effort to draw up a global agenda with concrete deliverables to be realized within a concrete time frame (i.e. before 2015).

That concrete "to do" approach was also followed by the outcome document of the 2015 summit ("Transforming Our World: The 2030 Agenda for Sustainable Development").[13] Apart from the traditional Summit Declaration, world leaders agreed to a list of 17 SDGs and 169 time-bound targets covering:

– Economic objectives, including the creation of growth and jobs (SDG 8), and the sustainable development of industry (SDG 9) and agriculture (SDG 2).

– Social objectives, including combatting poverty (SDG 1) and inequality (SDGs 5 and 10), preventing social exclusion by providing access to health care and education (SDGs 3 and 4) and creating sustainable cities (SDG 11).

– Environmental objectives, including access to and efficient use of water and energy (SDGs 6 and 7), the creation of sustainable patterns of production and consumption (SDG 12), combatting climate change (SDG

12. *See UNGA Resolution 55/2 Millennium Declaration* (A/55/L.2), full text available at http://www.un.org/millennium/declaration/ares552e.htm (accessed 27 Mar. 2019).
13. *See Transforming Our World: The 2030 Agenda for Sustainable Development* (A/RES/70/1), available at https://sustainabledevelopment.un.org/post2015/transformingourworld (accessed 27 Mar. 2019).

13) and protection of terrestrial and marine ecosystems (SDGs 14 and 15).

– More political objectives, including peace, justice and inclusive institutions as well as sustainable development partnerships (SDGs 16 and 17).

The question of tax policy design for sustainable development therefore requires linking taxation respectively to the economic, social and environmental objectives of the 2030 Agenda, and to the actions of a multitude of actors and stakeholders, including sovereign states, international organizations and private sector organizations (business, academia, civil society). Sections 1.3., 1.4. and 1.5. will examine in more detail these economic, social and environmental objectives of sustainable development and provide examples of how taxation can be part of the answer to tackle those challenges.

1.3. Tax policy to help tackle the economic challenges of globalization

1.3.1. Economic challenges of globalization: Growth, jobs, industry and agriculture

Key economic challenges of globalization include the question of how to efficiently produce the goods and services needed for a minimum of well-being of the world population, including enough food to prevent hunger, and the question of how to create jobs for all men and women of working age. These economic challenges are tackled in the 2030 Agenda, in particular, by SDGs 8 (growth and jobs), 9 (industry) and 2 (agriculture).

In general terms, SDG 8 seeks to promote "sustained, inclusive and sustainable economic growth and full and productive employment and decent work for all". More detailed objectives are partly of a social and environmental nature, but mostly relate to economic issues such as per capita economic growth (8.1), increased economic productivity (8.2), development-oriented policies (including support for SMEs – small and medium-sized enterprises) (8.4), full and productive employment and decent work for all (8.5), youth employment, education or training (8.6), sustainable tourism (8.9) and access to banking, insurance and financial services (8.10). As a way to help realize these objectives reference is made to Aid for Trade (8.a) implementation of the ILO Global Jobs Pact and a youth employment strategy (8.b), but somewhat surprisingly the need to mobilize private investment is not mentioned here (*but see* SDGs 2 and 10).

More focused on industry, SDG 9 seeks to build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation. More detailed objectives refer to quality infrastructure (9.1), inclusive and sustainable industrialization and an increase in industry's share in employment and GDP (9.2), access to financial services and integration into value chains and markets (9.3), sustainability of infrastructure and industries through resource-use efficiency and clean and environmentally sound technologies and processes (9.4), and enhanced scientific research, technological capabilities and innovation (9.5). As a way to help realize these objectives reference is made to infrastructure development in developing countries (9.a), support for domestic technology development, research and innovation in developing countries (9.b) and increased access to information and communications technology and the Internet (9.c).

More focused on agriculture, SDG 2 seeks to end hunger, achieve food security and improved nutrition and promote sustainable agriculture. The five more detailed objectives refer to ending hunger (2.1.) and malnutrition (2.2.), doubling the agricultural productivity and incomes of small-scale food producers (2.3), sustainable food production systems that increase productivity and production and help maintain ecosystems (2.4), and maintaining genetic diversity (2.5). Ways that are mentioned to help achieve these objectives include increasing investment (in rural infrastructure, agricultural research and technology, gene banks) (2.a), correcting trade restrictions and distortions (export subsidies) (2.b) and ensuring the proper functioning of food commodity markets to limit extreme food price volatility (2.c).

1.3.2. Tax policy in support of growth and innovation

There is a considerable literature on the relationship between tax and economic growth that discusses numerous sub-questions, such as the relationship between the overall level of taxation and economic growth, the extent to which reducing taxes and regulation help increase economic growth or create growth-unfriendly budget deficits and income and wealth inequalities, and the extent to which tax incentives can help investment and economic growth or risk to be ineffective, expensive and difficult to administer.

Important in the discussion on tax policy design for sustainable development is the tax mix question, i.e. whether some types of taxes are better for economic growth than others. A 2008 OECD study on "Tax and Economic Growth" noted that "corporate taxes are the most harmful for growth, followed by personal income taxes, and consumption taxes", with "recurrent taxes on immovable property appearing to have the least impact."[14] This conclusion, however, was strongly contested by other studies that found no compelling empirical evidence favouring consumption taxes over income taxes or personal income taxes over corporate income taxes.[15] Nor had the 2008 OECD study considered equity considerations and, therefore unsurprisingly, the 2016 OECD study on "Tax Design for Inclusive Economic Growth" did make that trade-off between efficiency and equity. It focused on tax policy design for "inclusive economic growth", reassessed the policy recommendations of the 2008 study, and concluded that tax bases should be broadened, tax systems should be more progressive and induce individuals to develop and optimally use their human capital and skills while bringing all taxpayers within the tax net.[16]

A second question, which has also been the subject of considerable research, is to what extent tax incentives should be used to stimulate economic growth and investment. Overall, the policy recommendation is to be very cautious for several reasons. First, taxation is only one and not necessarily the most important factor that influences the anticipated return on intended investment and therefore the investment decision (and offering tax incentives to compensate for investment climate deficiencies may not be effective and is discouraged).[17] Second, overall there seems to be very little convincing empirical evidence that tax incentives actually do attract extra investment (rather than providing an advantage to an investment that would have also taken place without the incentive).[18] Third, it is difficult to decide on the

14. Å. Johansson et al., *Taxation and Economic Growth*, OECD Economics Department Working Papers, No. 620 (OECD Publishing 2008), available at https://doi.org/10.1787/241216205486 (accessed 8 Feb. 2020).
15. J. Xing, *Does tax structure affect economic growth? Empirical evidence from OECD countries*, available at https://editorialexpress.com/cgi-bin/conference/download.cgi?db_name=res2012&paper_id=271 (accessed 8 Feb. 2020).
16. B. Brys et al., *Tax Design for Inclusive Economic Growth*, OECD Taxation Working Papers, No. 26 (OECD Publishing 2016), available at https://doi.org/10.1787/5jlv74ggk0g7-en and Summary available at https://www.oecd.org/tax/tax-policy/tax-design-for-inclusive-economic-growth-web-brochure.pdf (accessed 8 Feb. 2020).
17. OECD, *Tax Incentives for Investment: A Global Perspective Experiences in MENA and Non-MENA Countries* (2008).
18. Already, J. Heller & K.M. Kaufmann, *Tax incentives for industry in less developed countries* (Harvard 1963), who quote earlier studies on Puerto Rico, Mexico, Ghana and the Philippines. Likewise, G.E. Lent, *Tax incentives for investment in developing countries*,

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