

FairTax

H2020-EURO-SOCIETY-2014

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FAIRTAX

FairTax is a cross-disciplinary four year H2020 EU project aiming to produce recommendations on how fair and sustainable taxation and social policy reforms can increase the economic stability of EU member states, promoting economic equality and security, enhancing coordination and harmonisation of tax, social inclusion, environmental, legitimacy, and compliance measures, support deepening of the European Monetary Union, and expanding the EU's own resource revenue bases. Under the coordination of Umeå University (Sweden), comparative and international policy fiscal experts from eleven universities in six EU countries and three non-EU countries (Brazil, Canada and Norway) contribute to FairTax Research.

The project is funded by the European Union's Horizon 2020 research and innovation programme 2014-2018, grant Agreement FairTax 649439



CONFERENCE PROGRAMME

Fair and Sustainable Taxation

Brno, March 9th- 10th, 2017

special session of the conference

**Enterprise and Competitive Environment
2017** organized by Mendel University in Brno

Organizers:

- **Mendel University in Brno** (Czech Republic)
- **Austrian Institute of Economic Research WIFO** Vienna (Austria).

Scientific comitee:

Giacomo Corneo (FU Berlin), **Eva Eberhartinger** (University of Business and Economics Vienna), **Friedrich Heinemann** (ZEW Mannheim), **Inge Kaul** (Global Policy Studies, Hertie School of Governance), **Jacques Le Cacheux** (OFCE), **Mikulas Luptacik** (University of Bratislava), **Sabine Kirchmayr-Schliesselberger** (University of Vienna), **Michael Lang** (Vienna University of Economics and Business), **Giorgia Maffini** (OECD), **Sonja Puntscher-Riekmann** (University of Salzburg), **Milena Mathé** (European Commission), **Sigrid Stagl** (Vienna University of Economics and Business), **Rick van der Ploeg** (Oxford University), **Astrid van Mierlo** (European Commission), **John Vella** (Oxford University, Harris Manchester College), **Hannes Winner** (University of Salzburg), **Brigitte Young** (University of Münster)

FairTax special session of the conference Enterprise and Competitive Environment 2017 Preliminary programme

Wifi network: mendelu-host
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THURSDAY, 9th MARCH 2017

09:00 – 09:30

Registration (Foyer, Building Q, Ground Floor)

09:30 – 12:00

Plenary session (Room Q01, Building Q, Ground Floor)

Welcoming Remarks: Assoc. Prof. Svatopluk Kapounek (Vice Dean, Mendel University in Brno)

Professor Milan Sojka Award and Tomáš Kotbá Award: supervised by Assoc. Prof. Svatopluk Kapounek (Vice Dean, Mendel University in Brno)

Keynote Address:

Václav Klaus (Economist, Politician, President of the Czech Republic in 2003 - 2013)

Giorgia Maffini (Deputy Head of the Tax Policy and Statistics Division Centre for Tax Policy and Administration, OECD)

Laurent Weill (Full Professor in Economics, University of Strasbourg)

12:00 – 13:00

Lunch (Foyer, Building Q, Ground Floor)

13:00 – 13:55

FairTax opening session (Room Q15, Building Q, 1st Floor)

Welcome: Danuše Nerudová (Mendel University in Brno)

Gaëlle Garnier (European Commission): video message

Asa Gunnarsson (Umeå University): presentation of FairTax

Brigitte Unger (Utrecht University): presentation of COFFERS

Sonja Puntischer-Riekmann (University of Salzburg): presentation of EMU-Choices

14:00 – 15:00

Session 1A - (Room Q15, Building Q, 1st Floor)

Chair: Margit Schratzenstaller (WIFO)

Discussant: Sonja Puntischer-Riekmann (University of Salzburg)

THURSDAY, 9th MARCH
15:30 - 18:00

Alfredo de Feo (European University Institute Florence)

Sustainable Resources to Relaunch the European Project

Danuše Nerudová, Jiřka Janová, **Petr Rozmahel** (Mendel University in Brno), David Hampel, Marian Dobranschi

Sustainability of the taxation systems in the EU: A case of the Czech Republic

Angela Köppl (WIFO), Daniela Kletzan-Slamanig

Environmentally Counterproductive Support Measures in Austria – Empirical Analysis for Energy and Transport

Hannes Fauser (Free University Berlin), Jakob Mielhe

Germany's Efforts to Curb International Tax Evasion

Marcel Garz (Hamburg Media School), Verena Pagels

Cautionary Tales: Celebrities, the News Media, and Usage of Tax Amnesty Programs

Petr Janský (Charles University Prague)

Banks' Country-by-Country Reporting Data and Locations of Their Activities: Profits in Tax Havens. Turnover and Employees Elsewhere?

15:00 - 15:30

Coffe Break (Foyer, Building Q, Ground Floor)



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THURSDAY, 9th MARCH 2017

15:30 - 18:00	Session 2A - (Room Q15, Building Q, 1st Floor)		Session 2B - (Room Q16, Building Q, 1st Floor)	
	Chair: Lotta Björklund Larsen (Linköping University)		Chair: Ann Mumford (King's College London)	
	Discussant: Svetislav V. Kostić (University of Belgrade)		Discussant: Giorgia Maffini (OECD)	
	Dennis De Wit (University of Exeter Business School), Lynne Oats, Emer Mulligan	<i>Cooperative Compliance: Tax Administration and Taxpayers Working Together?</i>	Dirk-Hinnerk Fischer (Tallinn University of Technology), Simona Ferraro	<i>Sustainability-oriented Future EU Funding: A European Net Wealth Tax</i>
	Nimmo Elmi (Linköping University)	<i>The Digitalization of Tax Compliance</i>	Markus Tiefenbacher (University of Salzburg), Sarah Kuypers, Gerlinde Verbist	<i>Simulating Wealth Taxes for Germany. Distributive and Fiscal Outcomes of Current and Alternative Policies</i>
	Borbála Kolozs	<i>Tax Morale in Hungary</i>	Adam Wyszowski (University of Białystok), Aneta Kargol-Wasiluk, Anna Wildowicz-Giegiel	<i>Tax Expenditures as a Redistributive Tool</i>
	Chair: Åsa Gunnarsson (Umeå University)		Chair: Danuše Nerudová (Mendel University in Brno)	
	Discussant: Eva Eberhartinger (Vienna University)		Discussant: Ann Mumford (King's College London)	
	Lotta Björklund Larsen (Linköping University)	<i>What Tax Morale? A Moral Anthropological Stance on a Swedish Cooperative Compliance Project</i>	Alexander Krenek (WIFO), Margit Schratzenstaller	<i>A Proposal for a Simple Average Based Progressive Taxation System</i>
	Sebastian Beer, Matthias Kasper (University of Vienna), Jan Loeprick	<i>Puzzling Tax Law – Behavioral Responses to Complexity</i>	Liliana Eva Donath (West University of Timisoara), Petru-Ovidiu Mura	<i>Ends and Means of Flat Taxation. Evidence from Romania</i>
18:30 - 23:30	Svetislav V. Kostić (University of Belgrade), Danilo Vuković, Saša Randelović	<i>The Perfect Silence – An Empirical Study on How Ignorance Lowers the Costs of Corruption in the Process of Enacting Tax Legislation</i>	Serena Fatica, Doris Prammer (Oesterreichische Nationalbank)	<i>Housing and the Tax System: How Large are the Distortions in the Euro Area?</i>
	Alicja Brodzka (Wrocław University of Economics)	<i>Increasing Transparency in the European Union</i>	György Lengyel (Corvinus University of Budapest)	<i>For a few Euros more: About levels of redistribution</i>
	Dinner (paid by participants) - ERA CAFE, Zemědělská 30, Brno		Meeting point 18:15 in from of the building Q, D. Nerudová phone +420 776 757 766	



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FRIDAY, 10th MARCH 2017

Session 3A - (Meeting room of the Dean's office, 1.56, Building Q, Ground Floor)

Chair: **Lotta Björklund Larsen** (Linköping University)

Discussant: **Mikulas Luptacik** (University of Bratislava)

Dobranschi Marian (Mendel University in Brno),
Nerudová Danuše, Solilová Veronika

Sustainability-oriented Future EU Funding: A Fuel Tax

Fanny Dellinger (WIFO), Margit Schratzenstaller

Sustainability-oriented Future EU Funding: A European Nuclear Power Tax

Danuše Nerudová (Mendel University in Brno),
Jitka Janová, Petr Rozmahel, **David Hampel**,
Marian Dobranschi

Measurement of the Sustainability of the Taxation System: Validation of the Model

Miklós Somai (Institute of World Economics)

Ecological Footprint Tax for the Development of Local Agri-food Business

10:30 - 11:00

Coffee Break (Foyer, Building Q, Ground Floor)

Session 4 - (Meeting room of the Dean's office, 1.56, Building Q, Ground Floor)

Chair: **Dana Nerudová** (Mendel University in Brno) /**Margit Schratzenstaller** (WIFO)

Discussant: **Eva Eberhartinger** (Vienna University of Business and Economics)

Petr Janský, Miroslav Palanský (Charles University Prague)

Estimating the Scale of Corporate Profit Shifting: Tax Revenue Losses Related to Foreign Direct Investment

Lukas Moravec (Czech University of Life Sciences Prague), Gabriela Kukalova, Stanislav Kanka

Czech Total Tax Gap Estimation Based on the Black Economy Level Assessments

Richard Murphy (University of London)

Why Bother with the Tax Gap? An Introduction to Modern Taxation Theory

Laurence Jacquet, **Stéphane Robin** (PRISM---Sorbonne)

Harmonization of R&D Tax Credits Across the European Union: Common Sense or Nonsense?

12:30 - 13:30

Lunch (Foyer, Building Q, Ground Floor)



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Session 3B - Meeting Room of Department of Accounting and Taxes, 3.76, 2nd floor

Chair: **Margit Schratzenstaller** (WIFO)

Discussant: **Brigitte Young** (University of Münster)

Maciej Cieślukowski (Poznań University of Economics and Business)

A Sustainable Tax System

Ann Mumford (King' College London)

Tax, the Environment and Sustainability

Ulrike Spangenberg (Umeå University)

20 Years past Amsterdam: Concepts and Mechanisms to Achieve Fair and Sustainable Taxation

Åsa Gunnarsson (Umeå University),
Martin Eriksson

Eliminating the Secondary Earner Bias: Policy Lessons from the Introduction of Partial Individual Taxation in Sweden in 1971

Bernd Genser (University of Konstanz), Robert Holzmann

The Taxation of Internationally Portable Pensions: Fiscal Issues and Policy Options



List of Abstracts

SESSION 1A, THURSDAY, 9th MARCH 2017, 14:00 – 15:00

Alfredo de Feo (European University Institute Florence)

Sustainable Resources to Relaunch the European Project

My presentation will try to provide answers to the following research questions: a) how a sustainable taxation and a sustainable budget can be acceptable, for public opinions and the national and EU Institutions? Which factors might influence the reform of EU own resources and of the EU Budget? Which timeline could be foreseen for a new financing mechanism?

After a short analysis of the main proposals of the 'Monti' report, the presentation outlines some of the factors which might influence the reform of the financial mechanisms.

National Parliaments will play a decisive role in the reform with the approval of the modification of the own resources' decision. National Parliaments should be involved early enough in the process to avoid last minute surprises. National parliaments should contribute not only to the debate supporting governments' positions, but also to raise the awareness of public opinion. The reform of the EU financing mechanisms will never be achieved without the support of public opinion.

The negotiations on the exit of the United Kingdom from the EU, will impact the debate on the own resources and the evolution of the EU Budget. The official narrative, following the British referendum, says that until the Brexit is not formalized, business will continue as usual. The reform of the EU funding could certainly make progress during the two years of negotiations but it is foreseeable that decisions will be taken only after the end of the negotiations.

Last but not least, the new financial mechanisms, introduced to face the challenges, give a new role to the EU Budget which merit a reflection. Those instruments have a growing importance challenging the traditional mechanisms of financing and control. Starting from this premise, the presentation will comment the outcome of the HLGOR report under two aspects: the sustainable taxes and the sustainable budget. Concerning the taxes, the conclusion is that the taxes examined are the most suitable to be used. The unanimous support of Governments and National Parliaments can be achieved only as part of a wider reform which should include the revision of all EU policies, and financing of the new priorities. The introduction of European taxes, to partially replace the current financing system, cannot be considered as an isolate initiative. It is then necessary that all current policies, with a financial impact, be assessed in respect of EU basic principles of European Added Value and Subsidiarity. Following this assessment it would be easier to prioritise the new policies for the period after 2020. This new approach should be part of the necessary relaunch of the European project.

The last part of my presentation will outline a possible calendar of the reform linked to the Institutional events of the near future and conclude on the centrality of a new financing mechanism for the relaunch of the European project.

Danuše Nerudová, David Hampel, Jitka Janová, Petr Rozmahel (Mendel University in Brno)

Sustainability of the taxation systems in the EU: A case of the Czech Republic

A general concept of tax system sustainability is proposed in the study. In particular, the paper develops the model for the evaluation and measurement of the sustainability of the tax system applicable across the EU countries. Actually, the proposed model can be used as a kind of diagnostic tool, which reveals to what extent the tax system of individual EU countries contributes to the sustainable development in the pre-defined economic, social, environmental and social dimensions. It allows measurement of the sustainability within the economic, social, environmental and institutional dimensions. Due to a modular construction the model allows (based on the results of the measurement) to formulate the recommendations for policy of EU Member States in respective dimensions and areas. In this paper, we apply the proposed tax sustainability evaluation concept in a case of the Czech Republic. The results indicate the tax system of the Czech Republic to be sustainable in the economic, social and institutional pillars. Even strong sustainability is found in the social pillar. On the contrary, the Czech tax system is unsustainable from the environmental point of view.



Daniela Kletzan-Slamanig, Angela Köppl (WIFO),

Environmentally Counterproductive Support Measures in Austria – Empirical Analysis for Energy and Transport

Besides the motive of revenue generation the introduction of taxes can also aim at changing behaviour. This aspect is especially important in relation to environmental taxation. However, the flip side of “green” taxes are environmentally harmful subsidies. The OECD (1998) defines these as “All kinds of financial supports and regulations that (...) together with the prevailing taxation regime, (unintentionally) discriminate sound environmental practices.” Most of the subsidies in question that are in place in industrialized countries are provided as preferential tax treatments for certain fossil fuels or energy intensive activities. The removal of subsidies that support the use of fossil fuels or other resource intensive activities has been discussed for many years for instance by international organizations like the OECD. The Paris Agreement of December 2015 confirms the necessity to comprehensively restructure our energy systems. In this context a subsidy reform that removes unintended negative environmental effects and improves incentives for energy efficiency and decarbonisation is called for. In addition, the reform of environmentally harmful support measures could contribute to balancing the public budgets and should ideally be part of an ecological fiscal reform. In recent years the analysis of existing subsidies for fossil fuels has gained in importance. A series of international studies aimed at estimating the support volume on the global level or for the OECD member states. However, the results differ widely as on the one hand different definitions and delineations of subsidies are used. On the other hand the studies often lack detailed information on regulatory specifications in single countries. The paper focuses on direct subsidies and tax concessions for the areas energy generation and use as well as transport on the federal level in Austria. Most support measures analysed are granted via tax concessions in the context of energy taxation, VAT and income taxation. In addition, the grandfathering of emission allowances in the EU ETS is taken into account. The quantification of environmentally harmful support measures in Austria results in a volume of approximately 4 bn. € per year. Of these, one third is based on EU regulation and can therefore only be reformed via a unanimous decision on EU level. However, for the remaining support measures options for a reform can be developed that reduce the incentives for fossil fuel use or energy intensive activities like individual motorized transport.



SESSION 1B, THURSDAY, 9th MARCH 2017, 14:00 – 15:00

Hannes Fauser (Free University Berlin), Jakob Miethe

Germany's Efforts to Curb International Tax Evasion

We evaluate the impact of regulatory attempts by German authorities to combat international tax evasion by establishing reactions of reinvested capital in German bank accounts to such measures. Incidents of regulatory tightening or official scrutiny are available both nationally (changes in the tax code) as well as internationally (tax and information exchange agreements and double taxation conventions). We use monthly cross-border deposits of liabilities of German banks to non-residents, collected by the Bundesbank. Preliminary findings show a similar effect to that established by Hanlon et al. (2015) for portfolio investment in the US but are economically larger than other estimates of bank deposit reactions. We also provide disaggregated reactions for a list of tax havens which have signed information exchange agreements and find especially large reactions to information exchange for the Bahamas, Guernsey, and Jersey. We find puzzling results effects for two tax havens: Malta and the Isle of Man, which seem to increase in popularity for German evaders after information exchange.

Marcel Garz, Verena Pagels (Hamburg Media School)

Cautionary Tales: Celebrities, the News Media, and Usage of Tax Amnesty Programs

This study investigates effects of news media on tax payers. Media reports likely affect evaluations of the probability of detection of tax evasion and the severity of penalties, as well as knowledge about legal and illegal behaviors. We compile an original data set for Germany, including regional information on the amounts of tax payers using amnesty regulations to voluntarily disclose taxes they have evaded. The data set also includes counts of news reports published by 6 national and 54 local newspapers, addressing topics related to tax evasion. We exploit exogenous variation in the news coverage resulting from public trials for tax evasion by celebrities to identify the causal effect. According to our baseline specification, instrumental variable estimates indicate that a one standard deviation increase in tax evasion coverage raises the number of self-denunciations by 38%. This finding helps to better understand the effectiveness of tax amnesty programs, and it illustrates the economic implications of publicly trying famous personalities.

Petr Janský (Charles University Prague)

Banks' Country-by-Country Reporting Data and Locations of Their Activities: Profits in Tax Havens, Turnover and Employees Elsewhere?

The country-by-country reporting (CBCR) data is one of the few implemented financial transparency recommendations following the global financial crisis, albeit only for banks in the European Union since 2014. I analyse the newly available country-by-country reporting data of biggest European banks for 2014 and 2015 to shed more light on locations of banks' activities. I focus on the misalignment between the location of real economic activity and profits. I find a major misalignment of the location of profit and the location of real economic activity. I identify the most popular tax havens for European banks and identify specific banks that seem to be reporting a lot of profits in tax havens. Some selected jurisdictions have substantially more profit reported in them than a proportion of employees and turnover suggests would be in line with their economic activity. These jurisdictions include Ireland and Luxembourg, for which there is a lot of data, and Cayman Islands, Curacao, Jersey, Mauritius, Qatar, with little data available. Also other countries that are often considered tax havens, such as Hong Kong and Singapore, exhibit high levels of misalignment.



SESSION 2A, THURSDAY, 9th MARCH 2017, 15:30 – 18:00

Dennis de Widt (University of Exeter Business School),
Lynne Oats, Emer Mulligan"

**Cooperative Compliance: Tax Administration and
Taxpayers Working Together?**

In recent years, tax administrations have put increasing emphasis on developing more cooperative relationships with corporate taxpayers. Referred to by the OECD as 'cooperative compliance', new ways of interaction between tax administrations and corporate taxpayers have been introduced in several countries. Principles underlying many cooperative compliance initiatives include mutual understanding based on commercial awareness, impartiality, proportionality, openness through disclosure and transparency, and responsiveness (OECD 2008). The initiatives are expected to increase voluntary compliance, and result in an easier and more efficient application of tax law, generating advantages for both tax administrations and tax payers alike. While the OECD, and some tax experts (e.g. Owens, 2013), strongly promote the presumed benefits of cooperative compliance, empirical research into the new working methods is highly limited. The absence of a body of literature is especially surprising given the potential for cross-country differences and the insights that would bring for tax administration and compliance.

In this paper, we investigate why countries have opted for different forms of cooperative compliance, and how the resultant new ways of interaction have affected the relationship between tax administrations and large businesses. Our focus is on large corporate taxpayers, which reflects the target group of the majority of cooperative compliance initiatives, but this focus also helps us to better understand the particular challenges large businesses present to tax administrations, particularly in an increasingly globalized context. The paper concentrates on cooperative compliance initiatives and associated working methods introduced by tax administrations in the Netherlands, the UK, and the US. Despite the pioneering status held by these three tax administrations for the introduction of cooperative compliance initiatives, the origins and evolution of those initiatives demonstrates significant differences.

The paper provides a cross-country comparison of the main cooperative compliance initiatives introduced for large corporate taxpayers: Horizontal Monitoring in the Netherlands, the Compliance Assurance Program (CAP) in the US, and the Customer Relations Manager (CRM) Model in the UK. We apply a process tracing approach to analyse these initiatives, each of which has been in place for over a decade. The paper draws upon primary and secondary material, such as policy documents from tax administrations and tax advisers. By conducting a comparative analysis, the paper does not only demonstrate the core features of cooperative compliance initiatives in each of the three systems, but also illuminates the importance of national culture, and institutional setting, to explain why tax administrations follow divergent trajectories in their collaborative efforts.

Nimmo Elmi (Linköping University)

The Digitalization of Tax Compliance

Global risks tear down national boundaries and jumble together the native with the foreign. Global actors and policymakers have recently shifted their efforts to achieving sustainable development by aligning their policies to predefined goals (SDG). The goals are described by the UN resolution as inclusive and participatory as opposed to its' predecessor the Millennium Development Goals (MDG) which is described as top-down. This move to sustainability is being translated in various ways within the social, economic and political terrains it navigates in. This paper is concerned with the move towards achieving sustainable economic development, in particular, taxation. Not only are tax administrations shifting towards achieving sustainable economic development but also towards shifting using digital tax solutions. One particular venture in Kenya, lays the foundation for my paper the iTax platform. By evaluating the processes around the implementation of the iTax platform in Kenya, I aim to understand how these new measures are shaping the taxpayer, the administration and the state. I aim to highlight the techno politics involved when digital models interface with local infrastructures.



Borbála Kolozs	Tax Morale in Hungary
<p>Paying taxes typically tend not to trigger enthusiasm in any jurisdiction in the world. In general, tax collectors, officials of tax administrations and tax executors have always been among the less popular people and those taxpayers, who are keen on complying with their tax obligations, are often regarded foolish. News about rich people's bank account in the Cayman Island does not help to improve tax compliance either.</p> <p>Attitudes towards paying taxes may be particularly striking in the formerly socialist eastern bloc nations in terms of both the low level of support for tax in general in and the poor state of tax morale in particular. This paper suggests that the roots of current tax morale issues lie mostly in the legacy of socialism and the troubled transition from centrally planned to market economies.</p> <p>This conclusion is based on observations in one former socialist nation, Hungary. In 1989, communist Hungary refashioned itself as a democratic republic and almost overnight shifted its centrally planned economy to a free market economy. In 2009, a survey revealed that in the capitalist Hungary, people believed that stealing a person's bag was a far more serious crime than evading taxes. This suggests two things. First, and most obviously, cheating on taxes was not regarded as a serious crime in Hungary. Secondly, public goods were not appreciated as much as private goods. Put simply, after four decades, of socialism, Hungarians had grown accustomed to the idea that public goods and services were apparently costless and nothing done by the government post-socialism dislodged that notion. One could say that the Millennials, who were born after the change of the political system, should be able to understand that nothing is for free, but the society is so deeply infected with the way of thinking of the former system that it seems almost impossible to change it. Five features of the communist system, the low importance of taxation, the provision of too many public benefits, over-employment, disrespect for the public property and the uncontrolled spending of public money play particularly central roles in the tax morale story.</p>	
Lotta Björklund Larsen (Linköping University)	What Tax Morale? A Moral Anthropological Stance on a Swedish Cooperative Compliance Project
<p>Cooperative compliance is a way of working proactively with taxpayers to ensure that information, taxes and fees are to the largest extent correct as early as possible in the taxation process. It has been promoted by OECD's Forum on Tax Administration, IFA and Fiscalis (an EU programme where national tax administrations exchange information and expertise) as an efficient and modern way of working. In practice it means that Tax Administrations and Multinational Enterprises, MNE's, should cooperate, learn more about each others' way of handling taxation and aim to settle questionable tax issues prior to handling in the annual tax return. My study of the Swedish cooperative compliance project – Fördjupad samverkan FS (enhanced collaboration) introduced in 2011 and the modified initiative relaunched as Fördjupad dialog FD (enhanced dialogue) in 2014 – describes how the Swedish Tax Agency, SKV, proposed an initiative that carried with it international success stories from similar projects, but in the Swedish version and context met with strong resistance and is now put on hold awaiting proposed changes in the law.¹ As the report's title suggests, SWEDEN: Failure of a Cooperative Compliance Project the Swedish version can be regarded as a fiasco. The report suggests eight aspects that have to be paid attention to when implementing a successful cooperative compliance initiative. These quite practical aspects seldom stand alone, but are drawn upon in various combinations making both encouragement and criticism possible. 'I could not see this aggressive resistance coming,' said one of the project leaders at SKV. 'What we [SKV] aim to do is to correct tax errors; errors that are often interpreted as cheating. This was not at all the intention with FS.' Yet, the strong resistance, heated discussions and moralizing among stakeholders demand further inquiries. In this paper I explore if additional light can be shed on the Swedish failure of cooperative compliance initiative borrowing from moral anthropology.</p>	



Sebastian Beer, Matthias Kasper (University of Vienna), Jan Loeprick	Puzzling Tax Law – Behavioral Responses to Complexity
<p>This paper analyzes the behavioral responses to complexity in tax law. Assuming that understanding a tax system's intricacies depends on the complexity of the system and taxpayers' capability to correctly determine the tax base, we develop three hypotheses: First, we expect that increasing complexity escalates subjective uncertainty when filing taxes. Second, we hypothesize that changes in tax rules have less of a behavioral impact in more complex situations. Third, we conjecture that tax law complexity impacts on taxpayers' compliance choices. We run a lab experiment to test these hypotheses. Our results indicate that complexity induces perceived uncertainty. Moreover, we find that complexity reduces the elasticity of reported income in response to changes in the tax base and that perceived certainty about the effective tax base mediates this relationship. Finally, we observe differential effects of complexity on compliance behavior.</p>	
Svetislav V. Kostić (University of Belgrade), Danilo Vuković , Saša Ranđelović	The Perfect Silence - An Empirical Study on How Ignorance Lowers the Costs of Corruption in the Process of Enacting Tax Legislation
<p>If in the legislative process, as well as in the process of drafting legislation, there is no mechanism for effective public debate and scrutiny, complex tax legislation becomes plagued by the democratic deficit and becomes confined to a small circle of civil servants and high ranking politicians. In such an environment the temptation of corruption may become too great to resist.¹ The civil service, as well as many politicians, are shielded from responsibility by passing it on to the parliament, despite the fact that the parliament and its members are not prepared to carry it, due to lack of knowledge and information for objective analysis. In essence, the outlined issues may have a detrimental impact on the fairness of tax systems.</p> <p>Taking into account the corruption potential which emanates from the complexity of tax laws, which is the relationship we will attempt to empirically prove and appraise, our article will analyse and discuss the procedures which, if implemented, may to some extent constrain the impact of vested interests on the tax legislation. More particularly, our research will attempt to outline the primary deficiency points within the legislative process (the issues of the existence of a mechanism of effective oversight of the legislative process, general public understanding of the measures being introduced, existence of independent expert scrutiny or forums where such scrutiny can be performed and publicized, etc., support which is made available to elected representatives). Secondly, we will analyse comparative legal systems in order to ascertain what solutions (or combinations of) best remedy the determined deficiencies. Thirdly, we will conduct a cost-benefit analysis of different solutions, in order to identify the solution which balances effectively between the benefits (in terms of corruption) and the costs of implementation.</p>	
Alicja Brodzka (Wrocław University of Economics)	Increasing transparency in the European Union: the case of cross-border tax rulings
<p>The European Union recognized aggressive tax planning as a global issue. Practices that consist in taking advantage of the technicalities of the tax system or of mismatches between two or more tax systems for the purpose of reducing tax liabilities, result in the erosion of the national tax bases for EU Member States. European Parliament analysis showed that cross-border companies pay on average 30% less tax than the entities active in only one country. At the same time the corporate tax avoidance in Europe was estimated to cost EU countries EUR 50-70 billion a year in lost tax revenues. Fighting aggressive tax practices was therefore considered essential for fairer and more efficient taxation. A special attention has been directed to so-called "tax rulings", used by several EU Member States. The article analyzes the main issues connected with the secret tax rulings, presents the last European initiatives aimed at increasing transparency and enhancing the international cooperation between EU Member States, and draws some perspectives for strengthening the governance in the future.</p>	



SESSION 2B, THURSDAY, 9th MARCH 2017, 15:30 – 18:00

Dirk-Hinnerk Fischer (Tallinn University of Technology), Simona Ferraro

A Proposal for a Simple Average Based Progressive Taxation System

Countries and cultures are different and so are their tax codes. Some countries prefer simplifying their tax code, while others like to keep theirs specific and individual. Both approaches have their up- and downsides. The purpose of this paper is to introduce a new design of a progressive taxation and analyse the concept theoretically and in first comparative examples. The introduced system is based on only one fundamental formula, which employs the societal average income of the previous year to calculate the individual's tax rate. This simple, capped and average based progressive income taxation system can be understood as an alternative to all the different complex taxation systems, as well as it is an alternative to the flat tax approach. The design enables a taxation system without loopholes. It also, as flat taxes, enables a simple administration for all stakeholders. While we do not have the space to investigate the impact on taxation fairness in depth, the results are very eye opening in regard to which system benefits whom in which way. The results from both, the theoretical and empirical part of the paper show that the simple progressive tax works as predicted, but the results also show that further research and more data is needed for the topic. The variables used are taken from the Luxembourg Income Study Database (LIS) and from data of the German statistical office.

Alexander Krenek (WIFO), Margit Schratzenstaller

Sustainability-oriented Future EU Funding: A European Net Wealth Tax

The increase of wealth inequality in many EU countries has spurred interest in wealth taxation. While taxes on wealth for a long time have played only a marginal role in the public finance and taxation literature, in the more recent literature a variety of arguments are brought forward in favour of (higher) wealth taxation in general and in Europe in particular. Most of these arguments directly or indirectly refer to the potential of wealth taxes to contribute to various dimensions of sustainability, in particular to economic, social, and/or institutional/cultural sustainability. Tax competition has led to an almost complete disappearance of pure net wealth taxes in Europe. EU-wide implementation of a net wealth tax based on harmonized tax provisions may serve as a first step in a longer-term oriented move of the stepwise expansion of net wealth taxes on a global scale in the form of concentric circles. By dealing with non- and underreporting in the Household and Consumption Survey (HFCS) data set provided by the European Central Bank, we are able to estimate the wealth distribution within 20 EU Member States. Applying a progressive tax schedule with a tax rate of 1% for net wealth above € 1 million and 1.5% for net wealth above € 5 million on these adjusted wealth distributions yields potential tax revenues of € 155 billion, taking into account the behavioural responses of individuals triggered by net wealth taxation. Given the positive sustainability properties of a wealth tax with regard to economic efficiency and social inclusion, a European wealth tax offers itself as an interesting candidate for sustainability-oriented tax-based own resources to finance the EU budget.

Sarah Kuypers, Markus Tiefenbacher (University of Salzburg), Gerlinde Verbist

Simulating Wealth Taxes for Germany. Distributive and Fiscal Outcomes of Current and Alternative Policies

The concentration and taxation of wealth has received increasing attention from both scholars and policy makers over the past years. New perspectives for more refined simulations of wealth related taxes and policies in the Eurozone opened up thanks to the collection of the Eurosystem Household Finance and Consumption Survey (HFCS). In light of this, the paper presents the case study of Germany for which the tax-benefit model EUROMOD is extended with wealth-related policies. Simulating the entire spectrum of existing as well as a hypothetical policy we pay particular attention to distributive and fiscal outcomes. We find little redistribution and little loss in tax revenue for wealth-related tax deductions on private pension contributions and mortgage repayments. However, the withholding tax on capital gains and wealth taxes for entitlements to benefits yield a significant redistribution from bottom to top in Germany. This effect cannot even approximately be compensated by wealth-policies in a narrow sense (inheritance and gift, real estate and real estate transfer taxes). A hypothetical policy that substitutes all wealth-related policies with a flat tax on net wealth, virtually neutral in terms of revenue and redistribution, would correspondingly be highly regressive.



Adam Wyszowski (University of Białystok),
Aneta Kargol-Wasiluk, Anna Wildowicz-Giegiel

Tax Expenditures as a Redistributive Tool

One of the main function of state activity is a correction of income and wealth. The main goal of this kind of action is making more equal distribution of wealth. Leaving aside considerations about the legitimacy of state redistribution, authors took, as a main objective, analysis of tool which is used by government in redistribution process. Public revenues and expenditures are normally considered to be a standard tool in this regard. But there is one tool which usually is not taking into account in budget process, in public accounts, is not reported – it is tax expenditure. Tax expenditures are a kind of tax preferences which are used to favor specific activity or a group of taxpayers by reducing tax liabilities. That is why tax expenditures are a kind of spending instruments in public revenue system.

The scope of redistribution varies widely in particular countries. It depends on the concept of the state, the level of decentralization, structures of tax revenue and so on. The scope of redistribution is also measured in different ways. In the literature can be found measures such as Lorenz curve, Gini coefficient, Dalton-Atkinson measure and standard relations between budget revenues (or tax revenues) or budget expenditures and gross domestic product (GDP). In the paper authors decided to compare the scope of redistribution in Poland using relation between budget expenditures and GDP. As the main research question adopted whether the classification of Poland in terms of the level meter redistribution will change after taking into account the calculation of tax expenditures?

To realize so formulated objective in the article a descriptive method and the method of comparative analysis will be used for the period of years 2009-2014.

The inclusion of tax expenditures in the budget accounts by increasing the size of the budget expenditure leads to the conclusion that the scope of redistribution in different countries varies. This reflects preferences of particular governments in choosing redistribution tools. These preferences are dependent on a number of reasons which include: transparency of fiscal policy, implemented range of features of the tax system, budgetary procedure and its limitations to the flexibility of spending and tax expenditures creation, as well as political and historical conditions.

Alexander Krenek (WIFO), Margit Schratzenstaller

Sustainability-oriented Future EU Funding: A European Net Wealth Tax

The increase of wealth inequality in many EU countries has spurred interest in wealth taxation. While taxes on wealth for a long time have played only a marginal role in the public finance and taxation literature, in the more recent literature a variety of arguments are brought forward in favour of (higher) wealth taxation in general and in Europe in particular. Most of these arguments directly or indirectly refer to the potential of wealth taxes to contribute to various dimensions of sustainability, in particular to economic, social, and/or institutional/cultural sustainability. Tax competition has led to an almost complete disappearance of pure net wealth taxes in Europe. EU-wide implementation of a net wealth tax based on harmonized tax provisions may serve as a first step in a longer-term oriented move of the stepwise expansion of net wealth taxes on a global scale in the form of concentric circles. By dealing with non- and underreporting in the Household and Consumption Survey (HFCS) data set provided by the European Central Bank, we are able to estimate the wealth distribution within 20 EU Member States. Applying a progressive tax schedule with a tax rate of 1% for net wealth above € 1 million and 1.5% for net wealth above € 5 million on these adjusted wealth distributions yields potential tax revenues of € 155 billion, taking into account the behavioural responses of individuals triggered by net wealth taxation. Given the positive sustainability properties of a wealth tax with regard to economic efficiency and social inclusion, a European wealth tax offers itself as an interesting candidate for sustainability-oriented tax-based own resources to finance the EU budget.



<p>Liliana Eva Donath (West University of Timisoara), Petru-Ovidiu Mura</p>	<p>Ends and Means of Flat Taxation. Evidence from Romania</p>
<p>The paper discusses the fairness and sustainability of flat taxation in Romania ten year after the government has opted for this alternative to replace progressive taxation.</p> <p>Flat taxation has been levied on personal and corporate income since 2005, when the Romanian economy embarked on an upslope trend that has supported, at that time, the initiative to levy a proportionate tax rate. Nevertheless, evidence shows that after a decade, the efficiency and effectiveness of flat taxation do not meet the expectations.</p> <p>The study analysis the context under which such a tax policy might have proven appropriate as well as the adverse effects it has actually created, due to endogenous and exogenous variables The approach is three folded: from the point of view of the tax administration (i.e. that has encountered increased collecting cost and a low tax yield), from the point of view if taxpayers (who do not regard it as a fair taxation, since it has lead to a higher tax burden for low income earners), from the point of view of the society where the polarisation, tax evasion and sluggish economic performance are visible. The paper stresses the regional disparities of the country and the inability of the flat taxation to harmonise growth throughout the country.</p> <p>Finally, the study discusses the sustainability of the fiscal policy based on flat taxation in a catching up economy and ands with policy lessons that rely on the leverage ability of taxation as a core fundamental for a healthy durable development.</p>	
<p>Serena Fatica, Doris Prammer (Oesterreichische Nationalbank)</p>	<p>Housing and the Tax System: How Large are the Distortions in the Euro Area?</p>
<p>This paper presents new evidence on the impact of the preferential treatment of owner-occupied housing in Europe. We find that tax benefits to homeowners reduce the user cost of housing capital by almost 40 percent compared to the efficient level under neutral taxation. On average, the tax subsidy translates into an excess consumption of housing services equivalent to 7.8 percent of the value of owner-occupied housing, or about 30 percent of financial asset holdings in household portfolios. The bulk of the subsidies stems from under-taxation of the return to home equity, while the average contribution of the tax rebate for mortgage interest payments is driven down by relatively low loan-to-value ratios in the data. However, at the margin, the tax-induced incentive to use mortgage debt to finance the purchase of the main residence is sizable.</p>	
<p>György Lengyel (Corvinus University of Budapest)</p>	<p>For a few Euros more: About levels of redistribution</p>
<p>The paper investigates how European political elites think about the proper level of decision making concerning tax redistribution. Based on comparative surveys among European elites it will be explored that on the distribution of collected tax how much should be decided on sub-national, national and EU-level. It is also to be discussed whether there are changes in the views of national political elites in this respect due to the effect of the economic crisis. The two surveys we shall rely upon were carried out in the INTUNE and in the ENEC projects in 2007 and 2014 respectively (see: http://books.google.co.uk/books?id=grEI3cVw_AYC&printsec=frontcover&dq=best+lengyel&hl=en&sa=X&ei=KdJKUsbWHuqq0QXvuoDQBA&ved=0CDMQ6AEwAA#v=onepage&q&f=false; http://enec-2014.wixsite.com/enec-2014). The paper clarifies that national elites would keep the vast majority of collected tax on sub-national and national level, and would be ready to delegate one-seventh of it to supra-national centers. It is to be highlighted that this proportion is significantly higher than the actual level of redistribution within the EU.</p>	



SESSION 3A, FRIDAY, 10th MARCH 2017, 09:00 – 10:30

Dobranschi Marian (Mendel University in Brno),
Nerudová Danuše, Solilová Veronika

Sustainability-oriented Future EU Funding: A Fuel Tax

Fanny Dellinger (WIFO), Margit Schratzenstaller

Sustainability-oriented Future EU Funding: A European
Nuclear Power Tax

Nuclear power plays an important role in Europe's energy mix today. Considering the manifold environmental and health hazards related to all phases of nuclear power production which may cause considerable negative externalities it is remarkable that the whole issue of using taxes as instruments to internalise the externalities associated with nuclear power is completely neglected in the literature. The paper provides a rationale for taxing nuclear power which is based on an analysis of its social costs and of potential windfall profits for the nuclear industry generated by EU policies. We also elaborate the case for channelling revenues from a nuclear power tax into the EU budget as sustainability-oriented tax-based own resource replacing a part of national contributions within a fiscally neutral approach to reform the current system of own resources. Finally, the potential revenues from an EU-wide nuclear power tax are estimated.

David Hampel (Mendel University in Brno), Jitka
Janová, Petr Rozmahel, Danuše Nerudová

Technical Notes on Tax Sustainability Index Definition

The aim of this contribution is to introduce the Tax Sustainability Index concept that will enable to evaluate and compare the sustainability of tax systems of EU countries. We present the Tax Sustainability as a composite of four pillars: economic, social, environmental and institutional; and for the purpose of Tax Sustainability evaluation we define set of original and objective descriptive criteria in each pillar and define the terms Economic, Social, Environmental, Institutional sustainability and Tax sustainability. We construct the Tax Sustainability Index and using original extensive data on tax related legislative measures in the European Union, we enumerate the indexes for all EU countries. In our approach we not only perform new index but we stress the need for robust validation of the index construct. As our construct differs from majority of indexes and, moreover, even for the typical indexes there is no universal validation procedure, we suggest original validation via combining heuristics and simulation to obtain unchallenged index of high explanatory power.

Miklós Somai (Institute of World Economics)

Ecological Footprint Tax for the Development of Local
Agri-food Business

The concept of ecological footprint tax (EFT) can be developed to cover the whole economy, but as a first experimental step, this paper suggests to introduce it in agriculture and food industry. As (rural) unemployment and climate change seem to be two of the greatest anxieties of people in developed and semi-developed world, EFT could be considered as a fair and sustainable type of tax. The proposed arctan relation between the ecological footprint of products and the tax to be paid ensures a fair allocation of tax charges, for those (rich big-consumers) causing greater harm to the ecology would pay much higher tax than low-polluter average people. EFT also assures sustainability for both the ecosystem and local economy, as it is shown that ecological footprint of the products (so the tax charge itself) depends first of all on the distance a product is to be shipped to the customer. A third advantage of the EFT – apart boosting the local economy and preserving the nature – consists of allowing a healthier diet, as local production can reach the customers within much shorter time period than imports, hence there is no more need for the food products to be stuffed with preservatives.



SESSION 3B, FRIDAY, 10th MARCH 2017, 09:00 – 10:30

Maciej Cieślukowski (Poznań University of Economics and Business)

A Sustainable Tax System

After the UN Summit in Rio de Janeiro in 1992 the sustainable development became a priority of many countries and international organizations, including the European Union. The economics of sustainable development proposes an alternative way of our development to the traditional (neoclassical) one, according to an integrated economic, socio-cultural and environmental order. A new paradigm acquired special significance after the crisis 2008+ that showed weaknesses of a traditional approach.

The sustainable development literature attributes a key role to the state in management of the economy, however it devotes limited and not comprehensive attention to the taxes and tax systems. It is mainly focused on “greening” them and searching for additional economic effects of it (double dividend hypothesis). Then we still have a clear gap in research referring to the influence of traditional taxes (income, VAT, property, etc.) on natural environment. A new model of economy requires a comprehensive approach to a tax system with regard to all sustainable aspects, including various levels of public authorities (European Union, national, regional, local). It means that we need to develop a new paradigm of a sustainable tax system comprising i.a. its conception, construction, classification, principles, functions, criteria and methods of evaluation.

The paper focuses on the basic tax categories in economics of sustainable development and compares them to traditional approach. It also proposes the comprehensive methodology (criteria and methods) of a sustainable tax system evaluation according to economic, socio-cultural and ecological aspects.

The paper has three theoretical, methodological and political advantages. Firstly, it proposes new tax categories. Secondly, it proposes a new criteria and method of evaluation of a tax system. The multi-variable analysis considers both qualitative and quantitative criteria and gives more objective results of evaluation. Thirdly, it proposes the changes in a tax system that adjust it to the new challenges in the XXI century.

Ann Mumford (King' College London)

Tax, the Environment and Sustainability

The rationale underpinning the concept of environmental sustainability is that humans need to invest in developing a model, or framework, through which they might live cooperatively with the environment, as opposed to consuming natural resources for their own benefit, without regard to long-term consequences. The key challenge facing the development of any sustainability model is global warming. A model of redress to global warming will need to include changes in the structure of the economy, and laws which regulate the amount of greenhouse gas, or CO₂, emissions that countries (whether individually, or collectively) are allowed to produce. The model itself will be 'sustainable' if it achieves the goal of lowering emissions, but also protects and promotes all elements of human welfare (including prosperity). The form that such a model should assume has been the subject of a broad literature. This paper will suggest that tax plays an important part in this literature. Environmental protection laws also are important, as is regulation in areas that might not first appear to be relevant - such as property and (other than carbon focused) taxation. Indeed, investigation of the potential of laws in all areas to promote environmental sustainability has produced a still emerging body of literature. The purpose of this paper is to lay the foundations for a consideration of the legal obligations of the European Union with respect to the problem of climate change, yet approached from the perspective of sustainability. The focus of this consideration of legal obligations, roughly, is taxation.



<p>Ulrike Spangenberg (Umeå University)</p>	<p>20 Years past Amsterdam: Concepts and Mechanisms to Achieve Fair and Sustainable Taxation</p>
<p>The Treaty of Amsterdam, signed in 1997, extended legislative capacities of the Union to ensure equal opportunities and equal treatment of men and women in matters of employment and occupation and added a commitment to incorporate a gender dimension into all European policies and institutions. Despite obligations to promote gender equality and prohibit discrimination, 20 years later, macroeconomic policies, in general, and legislative tax measures as well as soft law approaches to coordinate tax policies, in particular, tend to be designed without much regard for gender. An exception is the tax burden on secondary earners, due to joint tax measures. The Europe2020 strategy, promoting smart, sustainable and inclusive growth and the European Semester, which provides a framework for the coordination of economic policies between the Member States of the European Union are no exceptions. The legal obligations introduced with the Treaty of Amsterdam have not led to a successful and comprehensive implementation of gender Mainstreaming and non-discrimination. However, the initial obligations have been altered with the Treaty of Lisbon, that took effect in 2009. The paper aims to clarify the scope of gender equality provisions for European fiscal policies – focusing on positive duties to promote equality as well as the prohibition of discrimination, as a negative dimension of equality.</p>	
<p>Åsa Gunnarsson, Martin Eriksson (Umeå University)</p>	<p>Eliminating the Secondary Earner Bias. Policy Lessons from the Introduction of Partial Individual Taxation in Sweden in 1971</p>
<p>In the European Union, the design of the tax system is regularly identified as a crucial factor which affects the incentives for labor market participation for working women as secondary earners. In this regard, the Swedish introduction of partial individual income tax in 1971 is often identified as a prominent example of how a tax reform may deal with the secondary earner bias in an efficient way. Against this background, this paper studies the different elements included in the Swedish partial individual taxation reform in 1971 to identify what policy lessons this reform holds for contemporary tax policy in the European member states. In the paper, we highlight two such policy lessons. As for tax design, we note that a shift to individual taxation could take the form of a rate reduction at the lower end of the income distribution (where a significant proportion of second earners will be situated) combined with an increase of rates further up the income distribution and by a shift toward other tax bases. However, a shift to individual taxation cannot be limited to changes in the tax system. It must also be combined with other, broad gender equality measures to promote women's work and improve the situation for secondary earners.</p>	
<p>Bernd Genser (University of Konstanz), Robert Holzmann</p>	<p>The Taxation of Internationally Portable Pensions: Fiscal Issues and Policy Options</p>
<p>Pension scheme redesign has received much attention in recent decades, as a relevant policy issue and as a field of economic research. The tax treatment of old-age pensions has, at times, created limited country-specific attention while there was little economic research in this field. The taxation of internationally portable pensions is terra incognita at economic policy and research level. This paper explores the huge differences in old-age pension taxation within and across OECD countries and highlights fiscal equity and efficiency issues that emerge in a world of internationally mobile workers and pensioners. It offers explanations for this heterogeneity, highlights why deferred pension taxation under a residence principle is not sustainable, and proposes a switch from deferred towards frontloaded taxation of old-age pensions. The front-loading can be combined with three tax policy options that differ in the way income taxes are paid: On the spot, deferred till migration or benefit receipt, or phased over the contribution, return and benefit payment stages.</p>	



SESSION 4, FRIDAY, 10th MARCH 2017, 11:00 – 12:30

Petr Janský, Miroslav Palanský (Charles University Prague)

Estimating the Scale of Corporate Profit Shifting: Tax Revenue Losses Related to Foreign Direct Investment

Corporate taxation of multinational enterprises (MNEs) plays an important role in revenue mobilization efforts, which are hampered when MNEs avoid paying corporate taxes. In this paper, we estimate the scale of and one particular aspect of international corporate tax avoidance using foreign direct investment data. We use and extend the methodology developed by the United Nations Conference on Trade and Development to estimate tax revenue losses related to inward investment stocks as directly linked to tax havens and offshore financial centres. For the first time, we provide detailed country-level estimates. This enables us to study the effects of tax avoidance practices on individual countries' government revenues as well as to compare differential impact on European Union countries and lower income countries.

Lukas Moravec (Czech University of Life Sciences Prague), Gabriela Kukalova, Stanislav Kanka

Czech Total Tax Gap Estimation Based on the Black Economy Level Assessments

The paper targets to the designation of the Czech Republic's Tax Gap for the period of 1993 – 2012. The paper uses data from the official sources as OECD, EU, CSO, Ministry of Finance and Tax Administration reports. The first part of the analysis estimates the level Black Economy using most known methods of estimation. Due to the variability of used methods the results present the spread of different values with surprisingly high variability between 2.2 percent and 19.5 percent for the year 2012. Based on the previous results of the Black Economy the amount of Total Tax Gap of the Czech Republic is identified for the period 1993 – 2012 with a wide spread based on the method of the Black Economy level estimated value. The results are presented in the context of other previously realized estimations.

Richard Murphy (University of London)

Why Bother with the Tax Gap? An Introduction to Modern Taxation Theory

Issues relating to tax avoidance and evasion, which make up most of the tax gap, have played a major role in the political narrative of many countries since the global financial crisis of 2008. Despite this economic theory has little to say on the subject whilst political responses have been partial and have rarely been evidence based. This paper suggests that this is because the tax gap has been poorly understood to date. The result has been that the implications of the tax gap for governments, the rule of law, the austerity narrative and the provision of public services as well as its consequences for market risk, investment, productivity growth and economic and social inequality have very largely been overlooked in most official as well as academic discussion on the subject to date. These consequences, it is suggested, justify increased investment in developing new understanding of the nature of tax and its role in the economy and, as a consequence, new tax gap methodologies so that full social and economic consequences of not collecting tax due can be properly appraised.



Laurence Jacquet (THEMA - UCP and OFS),
Stéphane Robin

Harmonization of R&D Tax Credits Across the European Union: Common Sense or Nonsense?

We examine the relevance of R&D tax credits as incentives to spur investment in R&D throughout the European Union (EU) and discuss the relevance and feasibility of harmonizing these tax-based policy instruments across Member States. Based on a thorough investigation of the instruments implemented in five selected European countries (Belgium, France, Italy, the Netherlands and the UK), we argue that the main obstacle to harmonization lies in the great diversity of instruments and eligibility conditions that currently prevail across the EU. We conduct a subsidiarity test, which suggests that, if the EU decides to move towards a harmonized R&D tax credit framework, it should at least impose a minimal level of tax rebate at the EU level, possibly complemented by additional country-level incentives. We highlight that the recent proposal of a Common Consolidated Corporate Tax Base (CCCTB) goes further than this minimal EU-level tax credit, by suggesting to implement a “super-deduction” that would allow EU-based firms to deduce more than 100% of their R&D expenditures from their tax base. We also discuss, as far as the harmonization of R&D tax credits is concerned, possible implications of Brexit both for the UK and for the EU. To complement our reflection and discussion, we develop an econometric analysis on our five selected countries. The super-deduction proposed by the European Commission (EC) relies on the conviction that economic growth in Europe can only be knowledge-based, and that the current level of R&D investment in the EU is too low. The EC hopes that the super-deduction will boost R&D investment across Europe, which is assumed to be conducive to more innovation and, ultimately, more growth. Our econometric analysis allows us to test whether this hope is empirically grounded, by examining whether the R&D tax credits implemented in the five aforementioned EU countries have spurred R&D and innovation (measured by patenting intensity) between 1980 and 2007. Although we fail to identify a causal effect of the tax instruments themselves, we do find that the R&D conducted when a tax credit is available is associated with more R&D in the future in all five countries, and with more innovation in three countries out of five.



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FairTax special session is organised by Mendel University Brno (Czech Republic) and Austrian Institute of Economic Research WIFO Vienna (Austria).



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ABOUT FAIRTAX

Contemporary tax systems are anything but simple. Globalisation, internationalisation, human and corporate mobility, and the establishment of the European economic and monetary union have all brought the features of EU Member State tax systems and the programs they fund into the policy spotlight. This is partly the result of the 2007 financial crisis and ensuing recessions, but also because governance of the EU and of Member States can be enhanced by tax policies that maximise human well-being in sustainable ways.

Recommendations for future taxation and social policy reforms

FairTax is a cross-disciplinary four-year research project, aiming to produce recommendations on how fair and sustainable taxation and social policy reforms can increase the economic stability of EU Member States. How can sustainable taxation and social policy reforms promote economic

equality and security, enhance coordination and harmonisation of taxation, enhance social inclusion and environmental sustainability? How can policy reforms strengthen tax system legitimacy and increase tax compliance? Can policy reforms support a deepening of the European Monetary Union and expand the EU's own-source revenue bases?

Multidisciplinary approach

FairTax is a multidisciplinary project. Methods and theories are based in law, economics, accounting, ethnography, gender studies, economic history, business, and statistics.

Under the coordination of Umeå University (Sweden), fiscal policy experts from eleven universities in six EU countries and three non-EU countries (Brazil, Canada and Norway) contribute to FairTax research.



www.fair-tax.eu

Twitter: @FairTaxEU



The FairTax project is funded by the European Union's Horizon 2020 research and innovation programme 2014-2018, grant agreement No. FairTax 649439.

OBJECTIVES: CROSS-ROADS FOR THE FUTURE OF EUROPEAN TAX POLICIES

The FairTax project will provide specific recommendations relating to four objectives:

Finding options for expanding EU legislative competences, or other governance mechanisms, enabling it to effectively harmonise and coordinate Member States' tax and social policies

Research aiming to fulfill this objective is investigating the effects of the EU's restricted ability to reshape tax policies across Member States. The EU's legislative competences in matters of taxation are generally much more limited than in other policy areas, leaving domestic taxation mostly to the Member States. Coordinated changes in revenue practices that support movement towards sustainable economic growth, social equality, environmental protection and tax compliance are therefore difficult to secure.

Strategies for the increased effectiveness and harmonisation of tax administration and compliance structures within the EU and non-EU areas

Research aiming to fulfill this objective is investigating how citizens can be persuaded to comply with their tax obligations. Researchers examine new ways of thinking about tax compliance for both individuals and organisations and how these developments are playing out in practice.

Recommendations for true own-source EU revenues

Research aiming to fulfill this objective is investigating how to secure sustainable sources of budgetary revenues for the EU itself.

Researchers examine this issue through the intersecting lens of the four pillars of sustainability – economic, social, environmental, and institutional/cultural – as well as of fundamental tax policy norms and binding equality obligations.

Reform options for state-level coordination to create fairer, more stable and sustainable tax and social policy regimes

Research aiming to fulfill this objective is critically investigating how fair, efficient and sustainable European tax policies are, especially from the perspectives of gender, race and economic class.

CONSORTIUM:

Norwegian Business School BI, Norway
www.bi.edu

Copenhagen Business School, Denmark
www.cbs.dk/en

The University of Exeter, The United Kingdom
www.exeter.ac.uk

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direitosp.fgv.br/en

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www.kcl.ac.uk/index.aspx

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www.nuigalway.ie

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www.umu.se/english

Queen's University, Canada
www.queensu.ca

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Research, WIFO, Austria
www.wifo.ac.at/en



FairTax

Recommendations for
fair and sustainable
taxation and social
policy reforms within
the EU

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Revisioning the EU's jurisdiction over tax policy norms (FairTax WP1)

The purpose of this research is to clarify and challenge the scope of the European Union's legislative and coordinative capacities to meet legal obligations and commitments relating to economic, but also social, gender and environmental values and objectives, relevant for tax policies. It seeks to identify barriers and gaps in governance capacities that prevent the European Commission from assuring that member states comply with fundamental tax policy norms.

The first stage included a comparative analysis of the development of fiscal and governance structures by reference to key historical events and socio-political developments in five countries. The country studies identify how tax principles have been used in connection with tax reform developments in each country, assessing their adequacy in meeting the norms associated with those principles as well as future policy needs. The normative starting point is that fundamental tax policy norms, based on traditional fiscal policy principles, have not been successful in meeting essential social, gender, environmental and economic equality objectives.

Further research involves the evaluation of the need for revisioning legislative competencies of the European Union, whilst taking into account European and international obligations addressing not only economic objectives, but environmental, social and gender equality norms. The analysis includes European and international provisions, binding to the Member States or the EU itself but also the most recent outcome commitments, in particular those established by the United Nations Sustainable Development Goals and the Paris Agreement.

The aim of WP 1 is to identify options and develop recommendations for legislative changes and other governance mechanisms that ensure that fundamental tax policy norms and human rights, equality guarantees, and environmental sustainability standards are being applied to member state tax and fiscal laws.

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Harmonising tax structures in EU to secure sustainable revenues (FairTax WP2)

During the last decades, so called “taxation for growth” policies based on concerns related to economic durability have dominated tax reforms, at the expense of social concerns for redistributive purposes. However, in the aftermath of the long period of economic crisis in Europe the demand for fiscal sustainability has become a top priority. At the same time, there is a need to promote tax policies that aim to narrow income gaps and decrease social exclusion. But how can EU states create tax policies that builds sustainable societies, from both an economic, social, environmental and cultural perspective?

Researchers in this part of the FairTax project will develop theoretical taxation models on the complexity of sustainability to show at what crossroads tax policies stand in the choice of tax bases, structures, units, rates and the total tax mixes. All aspects of sustainability – economic, social, environmental and cultural – have to be considered. Within that framework researchers want to identify what tax instruments that most likely will promote economic growth without intensifying growing income inequalities, accelerating environmental degradation or increased tax noncompliance. This analysis focuses on identifying alternative tax policies that should be recommended for adoption by existing and future EU member states.

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Gender equality and income inequalities in fiscal policies (FairTax WP3)

Regardless of what aspects on sustainability conventional policy norms are addressing, they all miss the embedded gender biases of laws, policies and practices. This part of the FairTax project seeks to bridge the gap between a growing understanding of the gender impact of tax and benefit laws, on the one hand, and the limited attention given to these findings in EU policy processes, on the other hand.

The ambition is to produce innovative research and policy recommendations on the gender effects of changes in tax bases, tax rates, and the tax mix. They will also study the gender effects of the use of the couple or the family as tax and benefit units in the EU. The research group will conduct studies on gender effects of the fiscal system as well as the social benefit side of the public budget. They will also try to point out the problems of jurisdictional and enforcement inconsistencies between EU's commitment to gender equality and the lack of governance authority. The research will address the European Commission's competence to legislate on or influence tax and transfer provisions that engage gender equality standards. They will also give recommendations on substantive tax-benefit regulations that should be harmonised to remove structural and fiscal barriers to women's equality.

Benchmarking studies will be used to show the gender impact of tax policy developments, and in-depth analyses will be used to capture effects of ongoing policy changes. A model-simulation of tax-benefit provisions in selected countries will also be performed.

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European pension policies for fiscal fairness and sustainability (WP4)

This research group led by Dr. Emer Mulligan, National University of Ireland, Galway, will critically evaluate the implications of demographic ageing across the EU and in selected OECD countries. In diverse policy contexts across the globe, it has been claimed that the ageing population will place unprecedented pressure on national tax systems to meet the costs of rising dependency ratios. Many are concerned that pension coverage is simply too low and it is frequently argued that pension schemes are inequitable across various dimensions and inefficient. This work examines the employment, social security, tax, and pensions policies introduced to address this phenomenon with a particular focus on fiscal sustainability, equality, and consolidation across the EU.

Following analysis of relevant policy documents and reports, interviews and focus groups with citizens, stakeholders and experts across Europe, this part of the research will present options for policies to make pensions systems fair and sustainable into the future. Following the first deliverable of this project which was securing ethical approval for the collection of personal data using interviews and focus groups, the WP4 team carried out a number of preliminary interviews with relevant stakeholders, including members of advocacy groups for the elderly to identify, from their perspectives, some aspects of the current pensions system and related tax matters which are problematic and need further investigation.

As part of generating 'Citizens Dialogues', WP4 will be investigating concerns that the sometimes arbitrary introduction of pension policies has fundamentally changed the 'social contract' – the implicit agreement about the nature of the relationship between the state and its citizens. This raises questions about whether employment and pension changes have been imposed without adequate consultation with the people who are or will be affected by such changes. Therefore, crucially, WP4 will engage in interview consultations with a sample of taxpayers (a gender-balanced sample from older, middle-aged and younger generations, across a range of employment circumstances) in a number of countries, and stakeholder organisations representing older people and workers, to learn of their experiences of the pensions system, and to establish their views on options to make pension systems (more) fair and sustainable into the future; policies designed to extend working life; and willingness to pay through (increased) taxation to support pensions.

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Increasing sustainability by harmonizing EU corporate tax bases (FairTax WP5)

This research group, led by Danuše Nerudová, Mendel University in Brno, Czech Republic, is analysing what impact implementing a Common Consolidated Corporate Tax Base (CCCTB) in EU Member States might have.

For some time, there has been a discussion if the EU should try to implement a CCCTB. The aim of introducing a CCCTB would be to harmonise and coordinate the corporate tax base in EU Member States. This unique system carries hopes of many potential advantages for corporations, for the EU as a whole, and for individual Member States: It may help to establish a fair tax competition, to remove obstacles in the international trade of financial capital, to prevent profit shifting and – maybe the most challenging of all – to open up a chance to reduce tax base erosion through offshore tax planning.

The implementation of a CCCTB represents a highly ambitious project, and to achieve a maximum effect it will require a high level of harmonisation for implementation. The most pressing issues will definitely be the design of the mechanism for the sharing of the tax base and the impact of its adoption on the corporate tax revenues of EU Member States. These are the crucial issues that will affect Member States' willingness to adopt the CCCTB.

In their latest deliverable (5.3), the researchers in WP5 have developed a model to research the impacts of the CCCTB system on the budget revenues of individual EU Member States. The model is based on datasets from the Amadeus and Bankscope databases, and it covers groups of companies operating in the EU that meet the criteria for consolidation and group taxation under the CCCTB system. The next research will attempt to introduce a dynamic component into the model, reflecting the behaviour of the companies. Moreover, reflecting the current developments in the area of the OECD's initiatives within its BEPS project, further research will aim at the identification of the impact on corporate tax revenues connected with the introduction of cross-border loss offsetting, suggested by the EU Commission in the first implementation step.

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Cooperative compliance projects in Northern Europe (FairTax WP6+7)

The effective enactment of fair and sustainable tax policies requires new ways of thinking about the relationship between large corporate taxpayers and tax authorities. Two work packages within FairTax examine new compliance initiatives in Northern and Western Europe and how these developments are playing out in practice in different cultural and institutional settings.

Large businesses present particular challenges to tax administrations, particularly in an increasingly globalized context. Because cooperative compliance initiatives for large businesses are anchored in a notion of mutual trust, national culture will be a factor in their success, as will the institutional setting.

New compliance initiatives that proactively engage taxpayers, businesses, and third parties have been developed by many government tax agencies. These collaborative efforts start before tax statements are delivered and legal control systems take over. In this project we analyse these proactive engagements addressing large businesses with a qualitative perspective. We aim to shed light on how such initiatives affect the regulation of tax collection and administrative processes, if and how they change relationships between stakeholders and tax agencies, and how they influence tax compliance.

In addition we consider the role of professional advisors for large businesses. The relationship between tax professionals, their clients and the tax authorities concern the integrity of the tax system as a whole. Tax professionals compete with other professionals and regulators for control for the definition and description of valid field knowledge, seeking to influence the construction and control of the boundaries of legitimate or compliant practice.

Combined insights from various country studies will shed light on Northern European developments in this important aspect of tax administration. They also link to work in other FairTax projects dealing with tax policy design in the context of multinational corporations.

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Sustainable revenue sources for the EU (FairTax WP8)

This research group, led by Margit Schratzenstaller (Austrian Institute of Economic Research WIFO, Vienna) and including Mendel University Brno and King's College London, studies potential options for sustainability-oriented EU taxes for financing the EU budget, which may replace current EU own resources. The current system of own resources of the EU is not sustainability-oriented in itself, it does not have any link to EU strategies and therefore it is one of the most important obstacles towards a future- and sustainability-oriented reform of EU expenditures.

As a first step, the pros and cons of own EU taxes were reviewed, and criteria for the evaluation of different options for own EU taxes were established. These consider both conventional tax policy criteria as well as evaluation criteria that capture the four dimensions of sustainability relevant to revenue/tax systems (economic, social, environmental, and institutional/cultural). Based on these fundamental considerations, the research identifies and evaluates options for own EU taxes, including environmental taxes (e.g. a carbon tax, a flight ticket tax, and a nuclear power tax), a CCCTB-based harmonised corporate income tax, a financial transaction tax, and a net wealth tax.

Quantitative assessment will be provided for the regional incidence of potential sustainability-oriented EU taxes. The investigations will also address options to mitigate potential “undesirable” regional incidence effects of these potential EU taxes.

PUBLICATIONS:

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- **Bus 67** from „Hlavní nádraží“ to „Namesti. 28. října“ approx 6 minutes, 5 stops
- **Tram no. 9** from „Hlavní nádraží“ to „Namesti. 28. října“ approx 6 minutes, 3 stops
- Way to walk from **Hotel Arte** appr. 700m, 10 minutes
- Way to walk from **Hotel Amphone, Europa** appr. 1 km, 15 minutes
- Way to walk from **Academy Hall** appr. 1,2 km, 15 - 20 minutes
- Way to walk to **ERA CAFE** appr. 350 m, 5 minutes

FairTax special session is organised by Mendel University Brno (Czech Republic) and Austrian Institute of Economic Research WIFO Vienna (Austria).