

Tax By Design: The Mirrlees Review

"CEPR Public Policy Symposium 2011 - Keynote Panel"
Emmanuel Saez, Steven Bond, Stuart Adam

Christian *KEUSCHNIGG*
University of St. Gallen

FGN-HSG

May 27, 2011

Tax By Design - The Mirrlees Review

- **Mirrlees Review:** ambitious and systemic approach to tax reform
 - Intro. *"...use insights from modern economic theory and empirical research to discuss the impact that the tax system ... and the resulting trade-offs ... between ... often conflicting objectives ..."*
- **Large project:** several years of discussion, two parts
 - ① **Tax By Design**, book with main recommendations, editorial team chaired by J. Mirrlees, including T. Besley, R. Blundell, J. Poterba, and 2 of today's panelists
 - ② **Dimensions of Tax Design**, 1300 pages
 - 13 chapters and comments by leading academics in public economics and related fields
 - including a chapter by panel member E. Saez & coauthors on means testing and tax rates on earnings
- **Opportunity:** CEPR public policy symposium
 - to present and discuss important parts of the Review

Tax By Design - The Mirrlees Review

- **Real world tax systems:** have historically developed,
 - often uncoordinated, distorted by political lobbying
- **Tax by Design:**
 - is radical, but carefully designed departure from existing tax practice
 - aims at largest possible tax neutrality, to raise revenue at lower cost
 - aims at effective redistribution with *integrated* tax/benefit schedule
 - systemic: considering the impact of the tax system as a whole
- **Key elements:** of taxing at personal and firm level
 - 1 **Progressive income tax**, with few tax breaks for families with children and older workers
 - 2 **No tax on normal return** on savings/investment
 - 3 **Broad VAT** with single rate and very few exemptions
 - 4 Same cumulative tax on alternative forms of income to **prevent tax arbitrage** and protect the tax base
 - 5 **Integrated, coherent tax transfer scheme**, coordinating income tax and benefits/contributions to social insurance

- **Mirrlees Review:** starting from UK tax system
 - other countries: different initial conditions, but similar broad objectives and trade-offs
 - behavioral impact: consider tax transfer system as a whole!
- **Swiss perspective:** pressure on tax reform to respond to aging and international tax competition
 - ① **Personal income tax reform:** recent official investigations
 - about earned income tax credits in Switzerland
 - project 'Zuwachs': alternatives for income tax reform
 - aging, social security, and total effective taxes on labor supply
 - ② **Capital income tax reform:**
 - business tax reform (USTR III), dividend tax relief (USTR II)
 - reconcile bank secrecy and international interest taxation
 - keep attractive as a location of investment/financial activity
 - ③ **Value added tax reform:** administrative simplifications and
 - policy initiative 'ideal VAT': one rate, few exemptions

- **Program of panel discussion:**

- 3 presentations on important dimensions of the Review
- questions and answers from moderator/audience

① **Emmanuel Saez**, University of California, Berkeley
Labor Income Taxation and Tax Transfer Programs

② **Steven Bond**, Nuffield college, Oxford University
Corporate and Capital Income Taxation

③ **Stuart Adam**, Institute for Fiscal Studies, London
Value Added and Commodity Taxation

- **'Partial disclaimer':**

- St. Adam and St. Bond: members of editorial team of Mirrlees Review
- E. Saez: author of influential background study