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UNIVERSITY OF OXFORD

# OXFORD UNIVERSITY CENTRE FOR BUSINESS TAXATION ANNUAL REPORT 2011/12

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COUNCIL



OXFORD UNIVERSITY  
CENTRE FOR  
BUSINESS TAXATION

# OXFORD UNIVERSITY CENTRE FOR BUSINESS TAXATION

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The Oxford University Centre for Business Taxation is an independent research centre which aims to promote effective policies for the taxation of business.

The Centre undertakes and publishes multidisciplinary research into the aims, practice and consequences of taxes which affect business. Although it engages in debate on specific policy issues, the main focus of the Centre's research is on long-term, fundamental issues in business taxation. Its findings are based on rigorous analysis, detailed empirical evidence and in-depth institutional knowledge.

The Centre provides analysis independent of government, political party or any other vested interest. The Centre has no corporate views: publications of the Centre are the responsibility of named authors. The Centre is not a consultancy: it reserves the right to publish the results of its research.

The Centre's research programme is determined on the basis of academic merit and policy relevance, and is the responsibility of the Director and the Centre's Steering Committee. Decisions on the research programme and the content of research are taken independently of the views of the Centre's donors and other funding agencies. All research carried out at the Centre is undertaken with a view to publication.

The Centre complies with the University's policy on conflict of interest.

If you would like to receive our e-newsletter and information about our events please email [cbt@sb.ox.ac.uk](mailto:cbt@sb.ox.ac.uk).



You can also follow us on Twitter  
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# WELCOME

This report summarises the activities of the Centre for Business Taxation between August 2011 and July 2012. During this period, the Centre has made substantial contributions to research in business taxation, and to the policy debate in the UK and elsewhere.

The Centre has taken part in the UK government's formal reviews of the tax system. In particular, Judith Freedman was a member of the GAAR Study Group led by Graham Aaronson QC, and established by the government in December 2010 to study the possibility of introducing a General Anti-Avoidance Rule (GAAR). Aaronson reported towards the end of 2011 and the Centre organised a one-day conference in London in February 2012 on the proposals, with 270 participants, including the entire Aaronson Group, senior representatives from the UK government, and international commentators. In the March 2012 Budget, following the advice of the Aaronson Group, the Chancellor announced that the government planned to introduce such a measure in 2013 after further consultation. Judith Freedman has also worked with the new Office of Tax Simplification on the taxation of small business, and I have been a member of the Business Forum on Tax and Competitiveness, chaired by the Exchequer Secretary.

We have made a number of contributions to the ongoing debate on the taxation and regulation of the financial sector. In particular, we have been active in the debate on the proposals of the European Commission to introduce a financial transaction tax (FTT). In a paper in the British Tax Review we highlighted the discrepancies between the proposals and the Commission's own impact assessment. John Vella gave evidence on this to the House of Lords EU Economic and Financial Affairs and International Trade Sub-Committee, and has since debated the proposals at many events around the world. Other centre research has highlighted the links between the taxation and regulation of banks. The

Centre organised a one-day conference in Oxford in October 2011 on the taxation and regulation of banks with speakers that included John Vickers, chairman of the Independent Commission on Banking, and Manfred Bergmann of the European Commission, who is responsible for the FTT proposal.

We have also been active elsewhere in Europe. Professor Clemens Fuest has advised the German government on the Euro crisis. He has also testified at a hearing of the German constitutional court related to its ruling on the European Stability Mechanism (ESM). Rita de la Faria was appointed adviser on VAT policy to the Portuguese government. Her work contributed directly to the European Commission's recent positive assessment of Portuguese VAT reforms, which commented that they have significantly increased the efficiency of the tax, whilst protecting lower income households and key sectors of the Portuguese economy.

At the same time as engaging with these policy developments, the Centre continued with its more fundamental research in the area of business taxation. The Centre's output in this year has included more than 23 published academic papers, 28 academic working papers, and several other reports and policy articles. Among other things, the Centre produced its second systematic ranking of corporate taxes across the G20 and OECD countries to monitor progress towards the UK government's target of having the most competitive economy in the G20. In addition, we have organised and hosted 6 major conferences, including the prestigious Trans-Atlantic Public Economics Seminar, run jointly with the US National Bureau for Economic Research. The work of the Centre has received considerable attention in the national and international media.

"In a paper in the British Tax Review we highlighted the discrepancies between the proposals and the Commission's own impact assessment."

We continue to be grateful to a number of members of the Hundred Group for their generous financial support, and also to the Economic and Social Research Council for its grant funding. As in previous years, I have depended on the support of Clemens Fuest and Judith Freedman, as well as the Centre's five programme directors, and our network of International Research Fellows.

Michael Devereux  
Director

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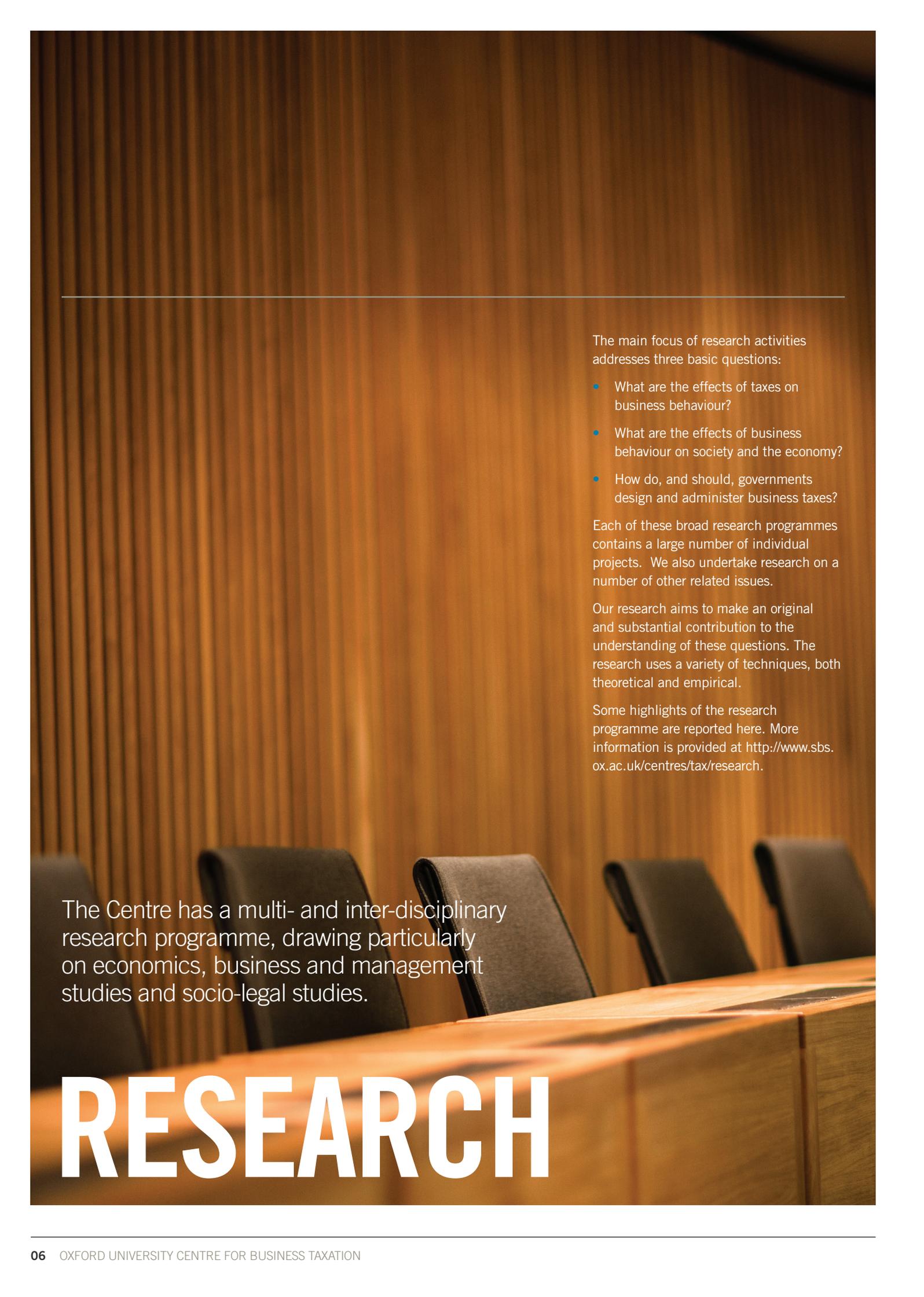
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SAID BUSINESS SCHOOL

# NEWS

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- The Centre has published two major policy reports:
  - An analysis of the process of tax policy-making, drawing on detailed evidence on the process in 10 different countries.
  - An assessment of the competitiveness of the UK corporation tax, updated to 2012, relative to other G20 and OECD countries.
- The Centre has hosted a number of policy and academic conferences, with participants from national and international governments, business, professional firms, NGOs and academia. Topics included the future of corporation tax, a GAAR for the UK, tax policy making in countries across the world, accountability and scrutiny of revenue departments and the role of taxes in post-crisis banking regulation.
- Judith Freedman, the Centre's Director of Legal Research, was a member of the HM Treasury's Avoidance Study Group, chaired by Graham Aaronson QC. The Aaronson report, advocating a general anti-abuse rule, was published in November 2011, and discussed at a Centre conference in February 2012. In June 2012, in response to the report, the government published detailed proposals for such a rule.
- Judith Freedman also remains member of the Small Business Review Consultative Committee of the Office of Tax Simplification.
- Members of the Centre have given evidence to government committees. In November 2011, for example, John Vella, a Senior Research Fellow of the Centre, gave evidence to the House of Lords EU Sub Committee A (Economic and Financial Affairs and International Trade) on the proposed Financial Transaction Tax (FTT).
- Michael Devereux, the Centre's Director, was elected President of the International Institute of Public Finance (IIPF), for a three-year term beginning in August 2012. The IIPF is the pre-eminent academic institution for study and research on economic public policy, and has 800 members from fifty countries.
- Rita de la Feria, a Senior Research Fellow of the Centre, proposed radical reforms to the Portuguese VAT in her role as Adviser to the Portuguese Government on VAT Policy. The reforms have led to a significant improvement in the efficiency of the tax, and as a consequence, Portugal was commended by the EU Commission in a recent document (April 2012) for a significant improvement in its VAT policy.
- Rita de la Feria's research on VAT on financial services was cited by The European Court of Justice on May 11th, 2012, in case C-44/11, Deutsche Bank.
- Clemens Fuest, Research Director of the Centre, was invited to testify before the German Constitutional Court in the context of the proceedings about the European Stability Mechanism (ESM). He was also invited to testify at a hearing about policy responses to the Eurocrisis in the German Bundestag. The Committee on Economic Affairs and Development of the Council of Europe invited him to speak at a hearing on tax havens, where he presented research results on information exchange for tax purposes.
- Three members of the Centre's research staff will leave during the next academic year. Research Director, Professor Clemens Fuest has been appointed President of the Centre for European Economic Research (ZEW) in Mannheim, one of Germany's leading research centres in economics. Senior Research Fellow, Rita de la Feria, has been appointed Professor of Law at the University of Durham. And Research Fellow, Nicolas Serrano-Velarde, has been appointed Assistant Professor at Bocconi University, Milan.
- Martin Simmler (DIW, Berlin), won the 2012 Centre for Business Taxation prize for the best research paper by a young scholar presented at the Centre's annual academic symposium. He was awarded the prize for his paper "Differential taxation and firms' financial leverage".
- John Gallemore (University of North Carolina) won the best paper award in the Centre's inaugural annual doctoral meeting, which brings together PhD students from around the world undertaking research in business taxation. His paper was "Deferred Tax Assets and Bank Regulatory Capital".



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The Centre has a multi- and inter-disciplinary research programme, drawing particularly on economics, business and management studies and socio-legal studies.

# RESEARCH

The main focus of research activities addresses three basic questions:

- What are the effects of taxes on business behaviour?
- What are the effects of business behaviour on society and the economy?
- How do, and should, governments design and administer business taxes?

Each of these broad research programmes contains a large number of individual projects. We also undertake research on a number of other related issues.

Our research aims to make an original and substantial contribution to the understanding of these questions. The research uses a variety of techniques, both theoretical and empirical.

Some highlights of the research programme are reported here. More information is provided at <http://www.sbs.ox.ac.uk/centres/tax/research>.

# RESEARCH HIGHLIGHTS

## CBT CORPORATE TAX RANKING 2012

The UK coalition government aims “to create the most competitive corporate tax regime in the G20, while protecting manufacturing industries.” In a 2011 report, we assessed how close the government was to achieving its objective. Updating our research to 2012 indicates that the UK’s rankings with respect to the G20 have changed little, despite a reduction in the corporation tax rate of 2 percentage points. This is partly because other countries have also reduced their rates, but also because the reduction in the UK rate has not yet been very large.

Our 2012 report also compares the UK with other OECD countries. The results of this comparison show the UK in a less flattering light. The UK ranks 22nd out of 33 OECD countries for a measure of the effective average tax rate (EATR), and 31st out of 33 for a measure of the effective marginal tax rate (EMTR). These poor rankings are mostly due to the lack of generosity of allowances for capital expenditure: amongst the 33 OECD countries, only Chile has less generous allowances. But in addition the UK’s tax rate is relatively high when compared to OECD countries. The UK’s tax rate of 26% at the beginning of 2012 was only the 17th lowest rate in the OECD.

This report also documents reforms that have been enacted and proposed in G20 and OECD countries in 2011, 2012 and up to 2015. Taking into account such reforms indicates that even after the implementation of the planned cuts to corporation tax, the UK will not be particularly competitive relative to other countries in the G20 and OECD.

The economic and financial crisis may have given renewed impetus to competitive pressures between countries to reduce effective rates of corporation tax. Comparing the spate of recent reforms to similar reforms over the last thirty years, we find that the number and size of recent reforms

is consistent with earlier periods. Rates of corporation tax have been declining for 30 years, and this decline is continuing. However, there is some evidence of a greater response to competitive pressures amongst G7 countries.

**Contact: Michael Devereux**

## THE EU COMMISSION’S PROPOSAL FOR A FINANCIAL TRANSACTION TAX

The European Commission’s proposal for a Financial Transaction Tax (FTT) has been one of the most controversial political issues in the EU over the past year. The proposal has the full backing of the EU Parliament, and is the subject of vocal and widespread campaigns by interest groups, although EU Member States are divided on the issue.

The CBT issued a policy briefing on the proposal just after it was published in September 2011, which was extended into a longer article in the British Tax Review. Our work questions each of the proposal’s four objectives as set out by the European Commission. The first objective is to raise revenue from the financial sector to recover the costs of the financial crisis, to compensate for the “under-taxation” of the financial sector due to the VAT exemption for financial services, and to create a new revenue stream for the EU. All of these reasons are unconvincing; the link with the costs of the financial crisis is tenuous; the extent of under-taxation due to the VAT exemption is controversial, with mixed evidence, and there is no apparent reason why the EU should be financed by a financial sector tax. In any case, if the aim is simply to raise more revenue, then other, more efficient, taxes would be preferable.

The second objective is to create disincentives for transactions that do not enhance the efficiency of financial markets. The Commission’s target is short-term trading, particularly high-frequency trading (HFT). However, as the Commission itself has

“The UK ranks 22nd out of 33 OECD countries for a measure of the effective average tax rate (EATR), and 31st out of 33 for a measure of the effective marginal tax rate (EMTR).”

*CBT Corporate Tax Ranking 2012*

explained, the “existing evidence is inconclusive about the impact of HFT on market efficiency.” In any event, targeted regulation appears to be a better option to address such concerns.

The third objective is to avoid a fragmentation of the internal market given the increasing number of national financial taxes being introduced. But these new taxes are not FTTs, and so this objective is not well grounded. The final objective is to pave the way towards a global introduction of the tax. But there is little evidence that the unilateral introduction of the tax in the EU will induce other countries to follow suit.

**Contact: John Vella**

# RESEARCH HIGHLIGHTS

Continued

## ISSUES IN THE DESIGN OF TAXES ON CORPORATE PROFIT

The Institute for Fiscal Studies recently organised a high profile study of the fundamental design of the tax system, chaired by Nobel Laureate, James Mirrlees. This study presented a proposal for the reform of corporation tax that is essentially an updated version of the proposals of the IFS Meade Committee, thirty years earlier. The Meade Committee proposed a flow of funds tax, which would permit expensing for all expenditure, including capital expenditure. The Meade Committee proposed an allowance for corporate equity (ACE) which would give a notional deduction for the cost of equity finance, similar to that for debt finance. These are equivalent over the lifetime of an investment, with the tax applying only to economic rent, that is, profit over and above the minimum required rate of return.

A CBT research project addressed the merits of this proposal, which originated with an earlier IFS proposal. It is true that the proposed structure has distinct advantages over existing corporation tax. It solves the problem of discrimination in favour of debt finance, and by taxing only economic rent it avoids distorting marginal investment decisions. These would be significant gains if they were introduced in practice.

However, Mirrlees did not make any proposals designed to address one of the most difficult and intractable problems in international taxation, and one that has become increasingly important since the Meade Committee reported: where profit should be taxed. The problems encountered internationally are similar to some of those encountered domestically: how tax affects the choice between mutually exclusive options, and how income can be manipulated into forms that are taxed less heavily. But both of these issues become particularly important in an international context, with taxes affecting the location of real economic activity and the location of profits.

Modifying the structure of the tax within a country does not address these fundamental problems. They instead need a complete re-examination of how profit is allocated between countries for tax purposes. One option would be to tax profit on the basis of the destination of sales, as with a VAT. Admittedly there are strong institutional barriers to fundamental change. But it is disappointing that Mirrlees chose not to examine these questions.

**Contact: Michael Devereux**

## STRUCTURES, PROCESSES AND GOVERNANCE IN TAX POLICY-MAKING

In a typical Western European country, governments raise taxes of around 40% of national income. A large body of literature investigates the impact of taxes on behaviour. Yet much less attention has been paid to the process by which governments decide what and how much to tax. This research project set out to address the process of tax policy-making in the belief that while good tax policy-making processes may not automatically lead to good tax policy outcomes, it can significantly reduce the risk of random and avoidable failures.

We carried out a comparative analysis of the structures, processes and governance of tax policy-making in 8 countries: Australia, Finland, France, Germany, Ireland, Jersey, New Zealand, Sweden, UK and USA. In each country we interviewed a number of people from different backgrounds involved in the tax policy-making process, including ministers and former ministers, parliamentarians, high-level officials and policy experts, other commentators, business groups and financial journalists. The aim was to capture both the formal and informal aspects of the policy-making process.



“This research project addresses this question using consolidated firm-level accounting data for about 3,400 companies in 15 OECD countries between 2003 and 2007.”  
*Do Tax Burdens Depend on Whether Companies are Resident in Worldwide or Territorial Countries?*

We addressed questions concerning the following: the institutional framework within government through which tax policy is developed; the formal and informal influence and role of external institutions; the role of the legislature in scrutinising tax policy proposals emanating from the executive, and the rights of the legislature to initiate tax law changes; and the process through which taxpayer consent is sought for changes in tax law, including the nature and extent of any consultation with the public or with business on tax policy proposals.

Several weaknesses were common in the countries studied: tax policy-making is generally under-resourced compared with other functions of government; tax policy is made and influenced by a very small group of people; and the fundamental link between taxation and representation is generally weak because governments and political parties shy away from engagement with the electorate on serious tax policy choices.

Based on this analysis, we make a number of recommendations designed to improve the process of tax policy-making in all the countries studied.

**Contact: Chris Wales**

## **DO TAX BURDENS DEPEND ON WHETHER COMPANIES ARE RESIDENT IN WORLDWIDE OR TERRITORIAL COUNTRIES?**

Since Japan and the UK adopted a territorial system in 2009, the US is the only remaining major country with worldwide system that aims to tax fully foreign source income. This issue is the subject of lively debate in the US, with some arguing for a territorial system while others demand the abolition of deferral to strengthen the US system. One important piece of evidence needed in this debate is the extent to which companies headquartered in countries with worldwide systems systematically face higher tax burdens than those in countries with exemption systems.

This research project addresses this question using consolidated firm-level accounting data for about 3,400 companies in 15 OECD countries between 2003 and 2007 (when the UK and Japan had worldwide systems). The research estimates a marginal effective tax rate (METR) which measures the average rise in the tax liability as a result of an extra £1 of profit in the financial report. The results present clear evidence that this METR was significantly higher for companies headquartered in countries that had a worldwide system.

However, there were other differences in taxes between the countries considered, notably in statutory tax rates. To take account of differences in tax rates, we also estimate a marginal effective tax base (METB) that measures the increase in taxable profit resulting from an extra £1 of profit declared in the financial report. In effect this measure controls for differences in tax rates and therefore permits an assessment of the underlying system independently of the rate. The results are again striking; there is no significant difference in the METB across countries. This indicates strongly that differences in the METR between countries are due primarily to differences in statutory tax rates, rather than in the treatment of foreign income.

This project also investigates the use of tax havens in affecting aggregate tax liabilities. It questions whether having a presence in a tax haven tends to reduce the aggregate tax liability of a company; and more specifically, whether this effect differs according to whether the company is headquartered in a country with a worldwide or territorial system. Consistent with greater opportunities for tax planning, the results suggest that presence in a tax haven reduces the METR and the METB more for companies headquartered in countries with territorial systems.

**Contact: Giorgia Maffini**



# RESEARCH HIGHLIGHTS

## Continued

### WITH WHICH COUNTRIES DO TAX HAVENS SHARE INFORMATION?

In recent years, tax havens have been put under increasing political pressure to co-operate with high tax countries in efforts to reduce tax evasion and avoidance. One particular area of concern is the exchange of information for tax purposes. In order to encourage the exchange of tax information between countries the OECD has created the Global Forum on Transparency and Exchange of Information for Tax Purposes. Its role is to provide a framework for international co-operation in the area of exchange of tax information.

Many tax havens have reacted to this political pressure by changing their policies with regard to bank secrecy and information exchange. As part of OECD standards, countries are expected to sign tax information exchange agreements (TIEAs) with other countries. TIEAs are particularly important in cases where no double taxation agreements exists because double taxation agreements often include arrangements for information exchange. Currently tax havens are required to sign a minimum of 12 TIEAs in order to avoid being put on the list of uncooperative jurisdictions.

This research project considers how tax havens choose their partners for the signing of TIEAs and, as a consequence, whether the network of TIEAs is likely to be effective in fighting tax evasion. Two possibilities are: (a) that to avoid providing useful information, tax havens could systematically avoid TIEAs with countries with which they have a strong economic relationship; and (b) if another country knows that its residents favour a particular tax haven, it will try to achieve a TIEA precisely with this tax haven, rather than with others.

Our findings suggest that on average the existence of stronger economic links between two countries increases the likelihood of signing agreements. But this effect is not very large. Focusing on the 5 partner countries which are most important in terms of economic links for each haven, we find that on average tax havens have agreements on information exchange - either as TIEAs or in double taxation agreements (DTAs) - with just under half of them. This suggests that tax havens do not systematically avoid signing TIEAs with countries to which they have strong economic links. But it also suggests that many relevant relationships are not covered. There is also evidence that the activity of signing TIEAs slows down after countries have reached the threshold of 12 agreements.

**Contact: Clemens Fuest**



**David Gauke MP, Exchequer Secretary to HM Treasury, who commissioned the Aaronson Study Group, speaking at the Centre's 'Tax-policy making' conference, Oxford, March 2012.**

“The proposals on the table for a GAAR seek to create a coherent overriding principle, together with adequate safeguards for the taxpayer.”

*GAAR as a process and the process of discussing a GAAR*



Members of the UK GAAR Study Advisory Committee speaking at the Centre's 'GAAR' conference, London, February 2012.

## GAAR AS A PROCESS AND THE PROCESS OF DISCUSSING A GAAR

As a member of the Aaronson Study Group which was asked by the Exchequer Secretary, David Gauke, to conduct a study that would consider a General Anti-Avoidance Rule (GAAR), Judith Freedman, who has been working on these issues for almost 10 years, continued her work on the GAAR during 2011-12, advising on Graham Aaronson's report which was delivered in November 2011. Following this, In February 2012 the Centre organised a major conference on the topic, "A GAAR for the UK? Building on overseas experience", with participation from all the members of the Aaronson Committee, key officials from HMRC and HMT, many distinguished overseas speakers and a large number of participants from academia, business and tax practice.

In his 2012 Budget speech the Chancellor announced that the Government intended to proceed with a GAAR based on the Aaronson report. A consultation document was published

containing the government's own proposals on 12th June 2012. Judith Freedman has continued to discuss these issues, both in the UK and abroad, giving a number of public lectures and seminars as well as holding smaller meetings with government officials and with other groups, with a view to a better understanding of the problems and issues and learning from best practice in other jurisdictions.

In a comment in the Tax Journal in June 2012 Judith Freedman argued that a GAAR is not simply a response to recent journalistic activity. The judiciary has made it clear that it is unwilling to develop a coherent anti-avoidance principle through case law, preferring to rely on statutory interpretation. As a result, not only is the law now uncertain, but an environment has been created where, despite all the provisions about disclosure and the many complex and specific anti-avoidance provisions, some still see highly artificial tax avoidance schemes as worth trying. This does not benefit legitimate business, which needs to know where it stands and to have a level playing field. The proposals on

the table for a GAAR seek to create a coherent overriding principle, together with adequate safeguards for the taxpayer. Revised draft clauses are now anticipated in preparation for the Finance Bill 2013. The Centre will continue to engage with these developments.

**Contact: Judith Freedman**

# CONFERENCES

## TAXING BANKS: THE ROLE OF TAX IN POST-CRISIS BANK REGULATION

Saïd Business School, Oxford

October 2011

The financial crisis left no doubt as to the need for improving bank regulation. Some proposed improvements have materialised, most notably those contained in Basel III, but the process is still on-going. At the same time a number of new financial sector taxes, including bank levies, Financial Transaction Taxes and Financial Activities Taxes, have been proposed both at a domestic and a supra-national level. Whilst the debates on the latter two taxes continue, new bank levies have been introduced in the UK, Germany, France and 7 other EU member states. Other countries are expected to adopt similar levies in the near future.

The use of taxes to achieve regulatory goals is a new phenomenon and thus requires careful consideration. As a start we ought to consider which of the two, regulation or tax, is better suited to achieve governments' goals. More practically, as the two will be in place concurrently, we need to consider the interaction between them.

Our understanding of the issues arising from the new financial sector taxes and, in particular, their interaction with regulation, is still at an early stage. Ideally, an exploration of these issues would involve expertise in both bank regulation and tax. This conference brought together experts from both fields with a view to furthering our understanding of these issues. Whilst the conference was partly academic in focus, a number of regulators, bank officials and practitioners also participated. Speakers included: Andrew Bailey (FSA); Manfred Bergmann (European Commission); Angela Knight (British Bankers' Association); Richard Middleton (Association for Financial Markets in Europe); David Miles (Bank of England); John Vickers (University of Oxford); and Malcolm White (HMRC).



**The future of corporation tax; accountability and scrutiny of revenue departments; and the proposed UK GAAR, Summer conference, Oxford, June 2012.**

## PUBLIC ECONOMICS AND THE FIRM: 2011 DOCTORAL CONFERENCE

Saïd Business School, Oxford

October 2011

In October 2011, the Centre hosted its first doctoral meeting. Twelve doctoral students and young researchers came to Oxford to present their papers to their peers and members of the Centre. The work discussed in the meeting covered a wide range of interesting issues of public economics. The main issues discussed were: tax policy and firm entry and exit; tax setting and tax competition; corporate taxes and multinational firms; the political economy of taxes; and the effect of taxes on firm growth, R&D spending, and bank regulatory capital.

## A GAAR FOR THE UK? BUILDING ON OVERSEAS EXPERIENCE

The Queen Elizabeth II Conference Centre, London

February 2012

The Aaronson report on a proposed GAAR for the UK, published in November 2011, has attracted considerable interest. Designed as a targeted anti-abuse rule rather than a broad spectrum anti-avoidance rule, it aims to escape some of the problems experienced with GAARs in other jurisdictions. Novel features for the UK, such as a proposed Advisory Panel, bear similarities to institutions elsewhere, but differ in other respects.

As a contribution to the on-going debate, the Oxford University Centre for Business



**Left, Charles Goodhart, LSE, speaking at the Centre's 'Taxing banks' conference, Oxford, October 2011. Middle, The Rt Hon Lord Hoffmann, formerly Lord of Appeal, Non-Permanent Judge of the Court of Final Appeal of Hong Kong, Visiting Professor Oxford Law Faculty, speaking at the Centre's 'GAAR' conference, London, February 2012. Right, Steve Edge, Slaughter and May, speaking at the Centre's summer conference, Oxford, June 2012.**

Taxation organised a conference on 10th February 2012, at which Graham Aaronson, members of his Advisory Group and other UK experts met to discuss these issues with leading authorities on the GAARs of other jurisdictions. Speakers included: Professor Ann O'Connell (Melbourne Law School); Hon Justice Tony Pagone (a member of the Australian GAAR Panel); Professor Graeme Cooper (University of Sydney); Professor David Duff (University of British Columbia); Wayne Adams (Canadian Tax Foundation, formerly Chair of the GAAR committee at the Canadian Revenue Agency); Emer Hunt (University College Dublin); Professor Craig Elliffe (University of Auckland); Ed Liptak (Consultant South African Revenue Service (with responsibility for GAAR)); Philip Baker QC (Gray's Inn Tax Chambers); and Richard Lyal (EU Commission Legal Service).

## STRUCTURES, PROCESSES AND GOVERNANCE IN TAX-POLICY MAKING

Saïd Business School, Oxford  
March 2012

The issue of how tax policy is made has become the subject of keen interest in recent times. In the UK, the Treasury published *Tax policy-making: a new approach* in June 2010 and launched a consultation process aimed at strengthening its own processes. The Institute for Fiscal Studies also published a report on *Tax policy making in the UK* and has explored the political economy of tax policy more fully in the Mirrlees Review.

During the last year, a comparative international study of the tax policy-making process has been carried out under the auspices of the Centre.

The study covers 10 countries: Australia, Finland, France, Germany, Ireland, Jersey, New Zealand, Sweden, the UK and the US. It seeks to identify examples of "good practice" and to provide a framework within

which Governments of both developed and developing countries can benchmark their own structures, processes and governance arrangements. The study has provoked great interest in each of the countries where the work has been carried out.

The initial findings were presented for discussion at this major international conference on the structures, processes and governance in tax policy-making, which brought together outstanding speakers from around the world, including representatives of all the main stakeholder groups in the tax policy-making process.

There were speakers from the UK, the US, Germany, France, New Zealand, Australia, Sweden, Ireland and from all the main stakeholders in the tax policy-making process, including senior government officials and former officials, ministerial advisers, senior parliamentarians, representatives of trade unions, "think-tanks", business groups and individual companies as well as journalists and academics.

# CONFERENCES Continued



*Left, David Miles, Bank of England, speaking at the Centre's 'Taxing banks' conference, Oxford, October 2011. Right, Martin Feldstein, Harvard, speaking at the Trans-Atlantic Public Economics Conference on 'Business Taxation', jointly organised with NBER, Oxford, June 2012.*

## TRANS-ATLANTIC PUBLIC ECONOMICS CONFERENCE ON BUSINESS TAXATION

Jesus College, Oxford

Joint Conference with National Bureau of Economic Research (NBER)

June 2012

The NBER is the leading economic research organization in the USA: twenty Nobel prize winners in Economics and thirteen past chairs of the US President's Council of Economic Advisers have been affiliated to the NBER. Every two years, the NBER co-organises a prestigious conference on a topic in public economics in collaboration with a European institution. This year, the Centre was the European host, and the topic was "business taxation". The NBER president, Jim Poterba, and the immediate past president, Martin Feldstein, both took part in the conference. Twelve academic papers were presented, six each by researchers in the US and Europe, covering topics in entrepreneurial activity, developing economies, factor inputs, profit shifting and multinational activity. Three papers were presented by Centre

researchers: "What Determines Corporate Tax Payments in Developing Countries? Evidence from Firm Panel Data", Clemens Fuest, Giorgia Maffini and Nadine Riedel; "The Elasticity of Corporate Taxable Income: New Evidence from UK Tax Records", Michael Devereux, Li Liu and Simon Loretz; and "The Impact of Corporate Taxes on R&D and Patent Holdings", Nadine Riedel and Tom Karkinsky. Several other papers were presented by International Research Fellows of the Centre.

## ANNUAL SYMPOSIUM 2012

Saïd Business School, Oxford

June 2012

The Centre hosted its sixth annual academic symposium in June 2012. As in previous years, we have attracted the world's leading academics in business taxation for a 3-day conference to discuss the most recent academic research in business taxation. Around 70 academics attended, with expertise in economics, law and accounting. Papers covered a wide variety of the Centre's interests. For example, amongst

the presentations were papers by: David Waldasin (University of Kentucky) on "Fiscal Competition, Redistributive Transfers, and Factor Mobility in a Dynamic Context"; Rosanne Altshuler (Rutgers University) on "Fixing the system: An Analysis of Alternative Proposals for the Reform of International Tax"; Peter Egger (ETH Zürich) on "The Consequences of the New UK Tax Exemption System: Evidence from Micro-Level Data"; Ilan Benshalom (Hebrew University Jerusalem) on "Rethinking the Source of the Arm's Length Transfer Pricing Problem"; Martin Simmler (DIW Berlin) on "Differential Taxation and Firm's Financial Leverage – Evidence from the Introduction of a Flat Tax on Interest Income"; and Helen Miller (Institute for Fiscal Studies) on "Government Tax Setting for Mobile Income". We repeated the successful young scholars' session, which was instituted last year, where selected papers written by researchers who have gained their PhD within the last three years are presented. A prize for the best young scholars' paper was awarded at the end of the symposium to Martin Simmler.



**Left, Christopher Wales, PwC, Vanessa Houlder, Financial Times and Phillip Inman, Guardian, speaking at the Centre's 'Tax-policy making' conference, Oxford, March 2012. Right, John Vickers, University of Oxford, speaking at the Centre's 'Taxing banks' conference, Oxford, October 2011.**

## SUMMER CONFERENCE 2012

Saïd Business School, Oxford

June 2012

This conference brought together leading figures from government, business, NGOs and academia to discuss a range of critical issues in business taxation. This year the summer conference explored three highly topical areas:

### The future of corporation tax

Despite popular concerns that companies are not paying enough tax, and despite the continuing budget deficit, the UK government has once again reduced the rate of corporation tax in order to stimulate the economy. Other countries are taking a different approach, narrowing the corporate tax base by adopting the Allowance for Corporate Equity, as recommended by the IFS Mirrlees Review. Both approaches leave many of the central problems of the tax unaddressed. Leading experts, Malcolm Gammie QC (a member of the Mirrlees Review team), Richard Vann (Sydney University) and Michael Devereux (Director of the CBT), considered the future of corporation tax in the light of these developments. Contributions to the

discussion were also made by Richard Collier (PwC) and Jon Sherman (Deputy Director Corporate Tax, HMT). The Centre presented a report on the competitiveness of the UK corporation tax in 2012.

### Accountability and scrutiny of revenue departments

Tax administration has also been high on the agenda over the past year. Concerns have been expressed (and denied) that the relationship between HMRC and some taxpayers and professionals is too close. Calls for greater transparency in individual cases have been resisted, based on the principle of taxpayer confidentiality. Following criticism by Parliamentary Committees and the media, HMRC has responded with proposed new governance arrangements. Meanwhile the National Audit Office (NAO), advised by Sir Andrew Park, has published its follow up report on some large tax settlements, raising a number of important questions. Against this background, we considered the ways in which the actions of revenue authorities can be scrutinised and how the need for public confidence in the tax collection process and calls for greater

transparency can be balanced against the requirements of operational efficiency and issues of taxpayer confidentiality. Ali Noroozi (Inspector General of Taxation in Australia) and Vilhelm Andersson (Head of the Legal Division of the Swedish Tax Agency) made important comparative contributions to these discussions: and Geoff Lloyd (Ernst & Young), James Bullock (Pinsent Masons) and Judith Freedman (Director of Legal Research at the CBT) added their thoughts prior to a discussion with contributions from the floor.

### The proposed UK GAAR

The publication by HMRC of their own consultation document on a GAAR, including new draft clauses, will result in much discussion over the summer. In our third session we had the opportunity to debate the proposed clauses and the balance they seek to reach, as well some suggestions not yet fully developed, such as that for an Advisory Panel. The speakers were: Chris Davidson (HMRC); Steve Edge (Slaughter and May); and Roger Adams (Aviva).

# EXTERNAL PUBLICATIONS

## BOOK CHAPTERS

**de la Feria, R.**, 2012. Supplement 15. In: R. de la Feria, ed. A handbook of EU VAT legislation. Lieden: Kluwer Law International.

**de la Feria, R.**, 2012. Supplement 16. In: R. de la Feria, ed. A handbook of EU VAT legislation. Lieden: Kluwer Law International.

**de la Feria, R. and Belim, C.**, 2011. A repartição das competências tributárias: o papel do IVA na reforma dos impostos sobre o rendimento colectivo. In: F. Araújo, P. Otero and J. Gama, eds. Livro de homenagem a Saldanha Sanches, Vol. IV. Wolters Kluwer Coimbra Editora.

**Freedman, J., Loomer, G. and Vella, J.**, 2012. Analysing the enhanced relationship between corporate taxpayers and revenue authorities: a UK case study. In: L. Oats, ed. Taxation. A fieldwork research handbook. London and New York: Routledge.

**Freedman, J. and Macdonald, G.**, 2012. The nature of the directive: rules or principles? In: The KPMG Guide to CCCTB. KPMG International Cooperative in collaboration with KPMG's EU Tax Centre.

**Fuest, C. and Riedel, N.**, 2012. Tax evasion and tax avoidance in developing countries: the role of international profit shifting. In: P. Reuter, ed. Draining development? Controlling illicit flows of funds from developing countries. Washington DC: World Bank Press.

**Vella, J.**, 2011. Sparking regulatory competition in European company law – a response. In: R. de la Feria and S. Vogenauer, eds. Prohibition of abuse of law: a new general principle of EU law. Oxford: Hart Publishing.

## JOURNAL ARTICLES

**Arulampalam, W., Devereux, M.P. and Maffini, G.**, 2012. The direct incidence of corporate income tax on wages. *European Economic Review*, 56(6), pp.1038-1054.

**Becker, J., Fuest, C. and Riedel, N.**, 2012. Corporate tax effects on the quality and quantity of FDI. *European Economic Review*, 56(8), pp.1495–1511.

**Becker, J. and Fuest, C.**, 2012. Transfer pricing policy and the intensity of tax rate competition. *Economics Letters*, 117(1), pp.146-148.

**Becker, J. and Fuest, C.**, 2011. Optimal tax policy when firms are internationally mobile. *International Tax and Public Finance*, 18(5), pp.580-604.

**Becker, J. and Fuest, C.**, 2011. Tax competition – greenfield investment versus mergers and acquisitions. *Regional Science and Urban Economics*, 41(5), pp.476-486.

**de la Feria, R.**, 2012. The 2011 communication on the future of VAT: harnessing the economic crisis for EU VAT reform. *British Tax Review*, 2, pp.119-134.

**de la Feria, R.**, 2012. Novo rumo para a aplicação do princípio da neutralidade fiscal às isenções em IVA? *Revista de Finanças Públicas e Direito Fiscal*, 4(4), pp.295-309.

**de la Feria, R.**, 2012. A natureza das actividades e direito à dedução das holdings em sede de IVA. *Revista de finanças públicas e direito fiscal*, 4(3), pp.171-198.

**de la Feria, R. and Van Kesteren, H.**, 2011. Introduction to this issue - VAT exemptions: consequences and design alternatives. *International VAT Monitor*, 22(5), pp.300-302.

**Devereux, M.P. and Loretz, S.**, 2012. How would EU corporate tax reform affect US investment in Europe? *Tax Policy and the Economy*, 26, pp.59-91.

**Dolls, M., Fuest C. and Peichl A.**, 2012. Automatic stabilizers and economic crisis: US versus Europe. *Journal of Public Economics*, 96, pp.279-294.

**Freedman, J.**, 2012. GAAR as a process and the process of discussing a GAAR. *British Tax Review*, 1, pp.22-27.

**Freedman, J. and Vella, J.**, 2012. Revenue guidance: the limits of discretion and legitimate expectations. *Law Quarterly Review*, 128, pp.192-197.

**Freedman, J.**, 2011. Responsive regulation, risk and rules: applying the theory to tax practice. *UBC Law Review*, 44(3), pp.627-662.

**Fuest, C., Hebous, S. and Riedel, N.**, 2011. International debt shifting and multinational firms in developing economies. *Economics Letters*, 113(2), pp.135-138.

**Riedel, N. and Becker, J.**, 2012. Cross-border tax effects on affiliate investment - evidence from European multinationals. *European Economic Review*, 56(3), pp.436-450.

**Riedel, N.**, 2011. Taxing multinationals under union wage bargaining. *International Tax and Public Finance*, 18(4), pp.399-421.

**Riedel, N. and Dischinger, M.**, 2011. Corporate taxes and the location of intangible assets within multinational firms. *Journal of Public Economics*, 95(7-8), pp.691-707.

**Riedel, N., Büttner, T. and Runkel, M.**, 2011. Strategic consolidation under formula apportionment. *National Tax Journal*, 64(2), pp.225-254.

**Simpson, H.**, 2012. How do firms' outward FDI strategies relate to their activity at home? Empirical evidence for the UK. *The World Economy*, 35(3), pp.243-272.

**Simpson, H.**, 2012. Investment abroad and labour adjustment at home: evidence from UK multinational firms. *Canadian Journal of Economics*, 45(2), pp.698-731.

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**Simpson, H. and Abramovsky, L.**, 2011. Geographic proximity and firm-university innovation linkages: evidence from Great Britain. *Journal of Economic Geography*, 11(6), pp.949-977.

**Vella, J.**, 2012. Eclipse film partners no 35 LLP v HMRC: a different approach to tax avoidance from MCashback? *British Tax Review*, 3, pp.252-261.

**Vella, J., Fuest, C. and Schmidt-Eisenlohr, T.**, 2011. The EU Commission's proposal for a financial transaction tax. *British Tax Review*, 6, pp.607-621.

**Vella, J.**, 2012. The financial transaction tax debate: some questionable claims. *Intereconomics*, 47(2), pp.90-95.

**Xing, J.**, 2012. Tax structure and growth: how robust is the empirical evidence? *Economics Letters*, 117(1), pp.379-382.

## OTHER ARTICLES

**de la Feria, R.**, 2012. Rank Group. VAT exemption on gambling. Principle of fiscal neutrality. Court of Justice. Highlights and Insights on European Taxation, 2, pp.132-147.

**Fuest, C. and Peichl, A.**, 2012. European Fiscal Union: What is it? Does it work? And are there really 'no alternatives'? *CESifo Forum*, 13(1), pp. 3-9.

**Vella, J.**, 2012. A European financial transaction tax? *Banking Today, The Journal of the Hong Kong Institute of Bankers*, 64, pp.18-21.

## REPORTS

**Bilicka, K. and Devereux, M.P.**, 2012 CBT Corporate tax ranking 2012.

**Wales, C. J. and Wales, C.P.**, 2012 Structures and processes in tax policy-making.



Trans-Atlantic Public Economics Conference on 'Business Taxation', jointly organised with NBER, Oxford, June 2012.

# POLICY ARTICLES

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## PAPER 12/02

### Corporate Income Tax in times of crisis: UK v Italy

Katarzyna Bilicka, Michael P Devereux and Giorgia Maffini

While sustaining serious efforts to consolidate their public finances, Italy and the United Kingdom have recently reformed their corporate income tax to stimulate investment.

Standard corporate income tax systems favour the choice of debt financing over equity financing as interest payments are tax deductible. The introduction of the ACE in Italy corrects the bias by introducing an equivalent deduction for new equity. In the UK there is still an advantage to debt-financed investment, although it is reduced by the lower statutory rate. Nevertheless, the bias towards greater leverage, and hence riskier companies, is still in place in the UK.

The paper concluded that the recent UK reforms reduce the tax burden on highly profitable investments and ease the vulnerability of the UK to profit shifting. But they do not address the existing distortions towards debt financing. By contrast, by introducing an ACE, Italy has eliminated the bias in favour of debt finance. It has also reduced the rate of tax on less profitable investments.

## PAPER 12/01

### Corporation Tax rate reduction significantly improves UK ranking in G20

Katarzyna Bilicka, and Michael P Devereux

The 2010 Coalition agreement stated that “our aim is to create the most competitive corporate tax regime in the G20”.

A 2011 report by the Oxford University Centre for Business Taxation showed that this had not been achieved by 2011. In 2011, the UK ranked 7th in the G20 on the statutory tax rate (with a rate of 28%), and 9th on the effective tax rate (with a rate of 26.3%).

In the 2012 Budget, the Chancellor of the Exchequer announced that the statutory tax rate would be reduced to 22% in 2014. If no other countries introduced reforms to their current corporation taxes, the Centre for Business Taxation showed that the rankings of the UK in 2014 would become:

Statutory tax rate. UK ranking: 4th

Effective tax rate. UK ranking: 6th

## PAPER 11/04

### VAT: a new dawn for fiscal neutrality?

Rita de la Feria

On 10 November 2011 the EU Court of Justice handed down its eagerly anticipated judgment on two cases referred by the UK courts involving the Rank Group plc and Her Majesty's Revenue and Customs (HMRC). The disputes arose in the context of gaming activities, namely bingo and slot machines, and raised significant questions over the application of the principle of fiscal neutrality. The EU Court of Justice ruled that, where two gaming services are comparable from the point of view of the average customer and meet the same needs of that customer, under the principle of fiscal neutrality, they must be regarded as similar and receive the same treatment for VAT purposes. Whilst the decision has obvious implications for the interpretation of the gambling exemption, it will most likely also have far more reaching implications for the application of the principle of fiscal neutrality to VAT exemptions more generally, as well as to other areas of the tax such as rates' structures.

This article appeared in the January 2012 issue of Highlights & Insights on European Taxation.



# WORKING PAPERS

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## WP 11/13

**NATIONAL MEASURES TO COUNTER TAX AVOIDANCE UNDER THE MERGER DIRECTIVE**

Joachim Englisch

## WP 11/14

**ECONOMIC INTEGRATION AND THE OPTIMAL CORPORATE TAX STRUCTURE WITH HETEROGENEOUS FIRMS**

Christian Bauer, Ronald B Davies and Andreas Haufler

## WP 11/15

**CARBON TAXATION IN THE EU: EXPANDING EU CARBON PRICE**

David A Weisbach

## WP 11/16

**EVIDENCE FOR PROFIT SHIFTING WITH TAX SENSITIVE CAPITAL STOCKS**

Simon Loretz and Socrates Mokkas

## WP 11/17

**RESPONSE ON EU PROPOSAL FOR A FINANCIAL TRANSACTION TAX**

John Vella, Clemens Fuest and Tim Schmidt-Eisenlohr

## WP 11/18

**HOW WOULD EU CORPORATE TAX REFORM AFFECT US INVESTMENT IN EUROPE?**

Michael P Devereux and Simon Loretz

## WP 11/19

**RESPONSIVE REGULATION, RISK, AND RULES: APPLYING THE THEORY TO TAX PRACTICE**

Judith Freedman

## WP 11/20

**DOES TAX STRUCTURE AFFECT ECONOMIC GROWTH? EMPIRICAL EVIDENCE FROM OECD COUNTRIES**

Jing Xing

## WP 11/21

**DEBT SHIFTING IN EUROPE**

Raffaele Miniaci, Paolo M Panteghini and Maria Laura Parisi

## WP 11/22

**ENTREPRENEURIAL INNOVATIONS AND TAXATION**

Andreas Haufler, Pehr-Johan Norbäck and Lars Persson

## WP 11/23

**WAGES & INTERNATIONAL TAX COMPETITION**

Sebastian Krautheim and Tim Schmidt-Eisenlohr

## WP 12/01

**TRENDS IN UK BERD AFTER THE INTRODUCTION OF R&D TAX CREDITS**

Stephen R Bond and Irem Guceri

## WP 12/02

**DOES FINANCIAL CONSTRAINT AFFECT SHAREHOLDER TAXES AND THE COST OF EQUITY CAPITAL?**

Chongyang Chen, Zhonglan Dai, Douglas A Shackelford and Harold H Zhang

## WP 12/03

**STRATEGIC LINE DRAWING BETWEEN DEBT AND EQUITY**

Neils Johannesen

## WP 12/04

**A JOURNEY FROM A CORRUPTION PORT TO A TAX HAVEN**

Shafik Hebous and Vilen Lipatov

## WP 12/05

**INCOME TAXATION AND BUSINESS INCORPORATION: EVIDENCE FROM THE EARLY TWENTIETH CENTURY**

Li Liu

## WP 12/06

**A COMPARISON OF THE TAX-MOTIVATED INCOME SHIFTING OF MULTINATIONALS IN TERRITORIAL AND WORLDWIDE COUNTRIES**

Kevin S Markle

## WP 12/07

**OPTIMAL INCOME TAXATION WITH TAX COMPETITION**

Vilen Lipatov and Alfons Weichenrieder

## WP 12/08

**STATELESS INCOME**

Edward D Kleinbard

## WP 12/09

**THE RISING TAX-ELECTIVITY OF US CORPORATE RESIDENCE**

Daniel Shaviro

## WP 12/10

**TERRITORIALITY, WORLDWIDE PRINCIPLE, AND COMPETITIVENESS OF MULTINATIONALS: A FIRM-LEVEL ANALYSIS OF TAX BURDENS**

Giorgia Maffini

**WP 12/11**

**WITH WHICH COUNTRIES DO TAX HAVENS SHARE INFORMATION?**

Katarzyna Bilicka and Clemens Fuest

**WP 12/12**

**EXPLORING THE ROLE DELAWARE PLAYS AS A TAX HAVEN**

Scott Dyreng, Bradley Lindsey and Jacob Thornock

**WP 12/13**

**TAXES AND THE LOCATION OF TARGETS**

Wiji Arulampalam, Michael P Devereux and Federica Liberini

**WP 12/14**

**CONSUMPTION TAXES IN AN INTERNATIONAL SETTING**

Alan Auerbach and Michael P Devereux

**WP 12/15**

**ISSUES IN THE DESIGN OF TAXES ON CORPORATE PROFIT**

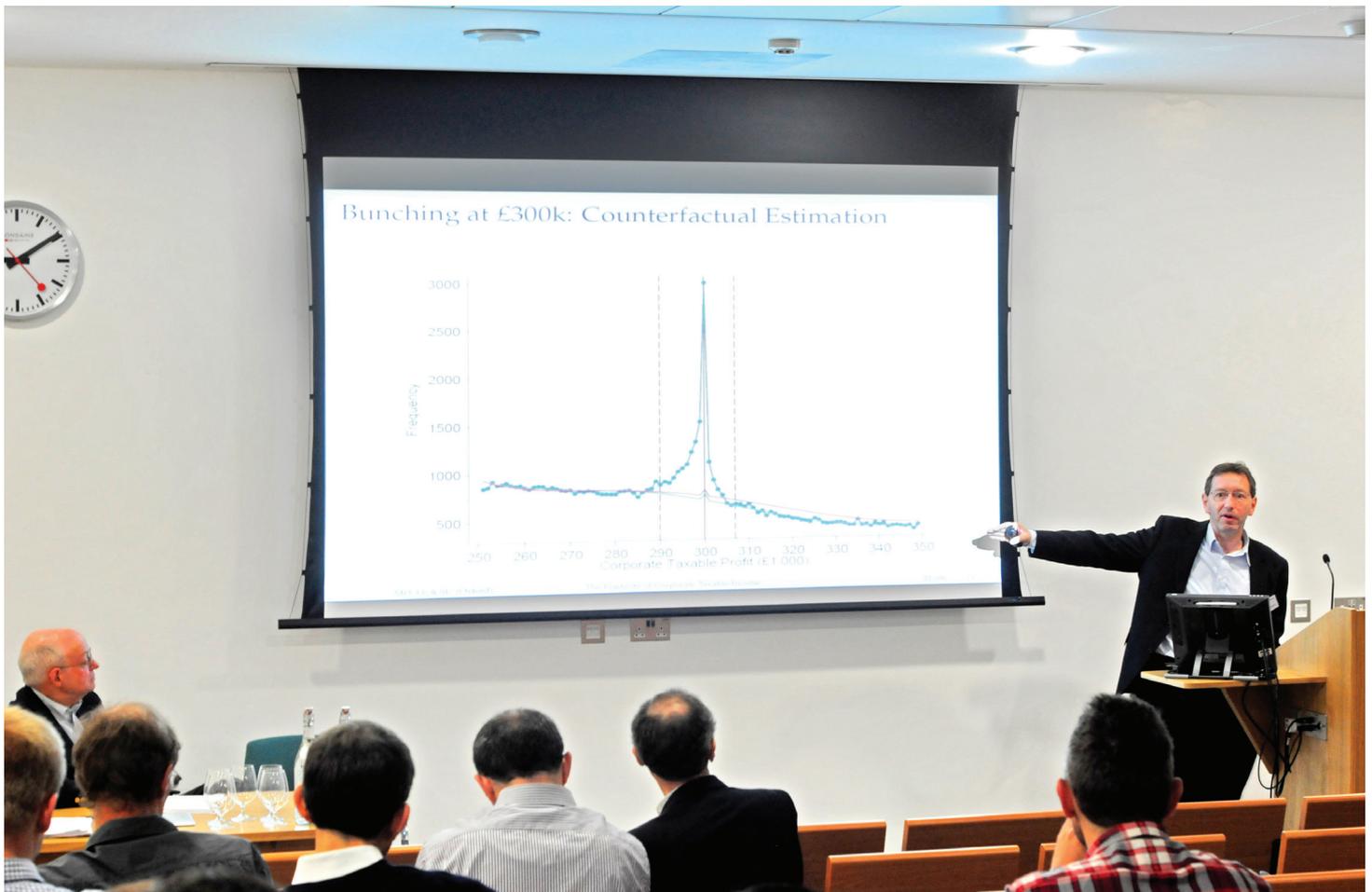
Michael P Devereux

**WP 12/16**

**WHICH WORKERS BEAR THE BURDEN OF CORPORATE TAXATION AND WHICH FIRMS CAN PASS IT ON?**

**MICRO EVIDENCE FROM GERMANY**

Clemens Fuest, Andreas Peichl and Sebastian Sieglösch



Michael Devereux speaking at the Trans-Atlantic Public Economics Conference on 'Business Taxation', jointly organised with NBER, Oxford, June 2012.

# EXTERNAL PRESENTATIONS

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## CONFERENCES

- 67th Annual Congress of the International Institute of Public Finance, University of Michigan, USA.
- EEA-ESEM Conference (the 26th Annual Congress of the European Economic Association and the 65th European Meeting of the Econometrics Society), University of Oslo, Norway.
- European Association for Research in Industrial Economics, Stockholm, Sweden.
- European Trade Study Group (ETSG) Conference, Copenhagen, Denmark.
- National Bureau of Economic Research (NBER) Conference on Tax Policy and the Economy, Washington DC, USA.
- European Tax Policy Forum, London, UK.
- National Tax Association (NTA) 104th Annual Conference on Taxation, New Orleans, USA.
- 8th Annual Corporate Finance Conference, Ohlin Business School, Washington University in St Louis, USA.
- HMRC-ESRC International Conference on Institutional Taxation Analysis, London, UK.
- Beijing Frontier Research in Economic and Social History (FRESH) Meeting, Tsinghua University, Beijing, China.
- UNC Annual Symposium, University of North Carolina, USA.
- American Economic Association Annual Conference, Chicago, USA.
- Oxford Sydney Conference, Sydney Law School, University of Sydney, Australia.
- Royal Economic Society Conference, University of Cambridge, UK.
- ZEW Conference: The Green Growth Challenge, Mannheim, Germany.
- European Tax Policy Forum (ETPF) - Centre for European Policy Studies (CEPS) Conference on Business Taxation, Brussels, Belgium.
- UNSW 10th International Tax Administration Conference: Risky Business, Sydney, Australia.
- CESifo Area Conference on Public Sector Economics, Munich, Germany.
- Taxation Theory Conference, Vanderbilt University, USA.
- CESifo Area Conference on Global Economy, Munich, Germany.
- Finance Malta, 5th Annual Conference, Malta.
- EU Tax Policy Conference, University of Lisbon, Portugal.
- 87th Western Economics Association Annual Conference, San Francisco, USA.
- Tax Competition, Common Consolidated Corporate Tax Base and Fiscal Autonomy Conference, Glasgow, Scotland.
- CESifo Venice Summer Institute 2012: Taxation of the Financial Sector, Venice, Italy.

## SEMINARS AND OTHER PRESENTATIONS

- University of Mannheim, Germany.
- University of Lisbon, Portugal.
- University of Loughborough, UK.
- ZEW, Mannheim, Germany
- Queen Mary, University of London, UK.
- University of Warwick, UK.
- Swiss Finance Institute, Zurich, Switzerland.
- Toulouse School of Economics, France.
- Northwestern University, Illinois, USA.
- HEC Paris, Paris, France
- London School of Economics, London, UK.
- Hong Kong University of Science and Technology, Hong Kong.
- Bank of Italy, Rome, Italy.
- Bocconi University, Milan, Italy.
- École Nationale de la Statistique et de l'Administration Économique (ENSAE), Paris, France
- Paris School of Economics, France.
- Federal Reserve Board, Washington DC, USA.
- University of Toronto, Canada.
- Pompeu Fabra University, Barcelona, Spain.
- VU University Amsterdam, Holland.
- University of Melbourne, Australia.
- Australian Treasury, Canberra, Australia.
- Max Planck Institute for Tax Law and Public Economics, Munich, Germany.
- Belluzzo & Associati, London, UK.
- Max Planck Institute, Bonn, Germany.

Through the year, the Centre's staff have travelled globally, speaking at a number of conferences and giving presentations and seminars at a wide range of institutions, a list of which appears below.

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## COUNTRIES VISITED

- University of the West of England, Bristol, UK.
- University of New South Wales, Sydney, Australia.
- Einaudi Institute for Economics and Finance (EIEF), Rome, Italy.
- University of Hohenheim, Germany.
- Humboldt University of Berlin, Germany.
- World Bank Group, Washington DC, USA.
- Business Rates Wales Review Panel – Call for Evidence, Cardiff, UK.
- The Queen's College, University of Oxford, UK.
- University of Sydney, Australia.
- The UK Oil Industry Tax Committee (UKOITC) Annual Away Day 2012, Latimer Place, Berkshire, UK.
- University College, London, UK.
- University of Auckland Business School, New Zealand.
- International Fiscal Association Sydney branch, Sydney, Australia.
- Vienna University of Economics and Business, Austria.
- University of Muenster, Germany.
- MacFarlanes Roundtable on the GAAR, London, UK.
- Royal Netherlands Embassy, London, UK.
- Australia – University of Sydney; University of Melbourne; University of New South Wales.
- Austria – Vienna University of Economics and Business
- Belgium – Brussels
- Canada – University of Toronto
- China – Tsinghua University, Beijing; Hong Kong University of Science and Technology; University of Hong Kong.
- Denmark – Copenhagen
- France – Toulouse School of Economics; HEC Paris; ENSAE; Paris School of Economics.
- Germany – Freising; Mannheim; Munich; Max Planck Institute for Tax Law and Public Economics, Munich; University of Hohenheim; Humboldt University of Berlin; University of Muenster.
- Italy – Venice; Einaudi Institute for Economics and Finance, Rome; Bocconi University, Milan.
- Malta
- Netherlands – University of Amsterdam; VU Amsterdam.
- New Zealand – University of Auckland Business School
- Norway – University of Oslo
- Portugal – University of Lisbon
- Spain – Pompeu Fabra, Barcelona
- Sweden – Stockholm
- Switzerland – Swiss Finance Institute, Zurich.
- UK – London; Glasgow; Cardiff; Berkshire; Netherlands Embassy; University of Cambridge; University of Loughborough; LSE; University of the West of England; University of Oxford; University of Warwick; Warwick Business School.
- USA – Washington DC; New Orleans; Chicago; San Francisco; Federal Reserve Board, Washington DC; University of Michigan; Washington University in St Louis; University of North Carolina; Vanderbilt University; Northwestern University.

# ACADEMIC SEMINARS: EXTERNAL SPEAKERS

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**Louis Kaplow, Harvard University**

An optimal tax system

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**Shelley Griffiths, Law Faculty  
at the University of Otago**

Using these powers too often or too seldom; the “care and management” of taxes and the settlement of tax disputes in New Zealand and the United Kingdom

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**Andrew Ellul, Indiana University**

Transparency, tax pressure, and access to finance

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**Fabiano Schivardi, Einaudi Institute  
for Economics and Finance**

What determines firm performance? The role of demand and TFP shocks

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**Anzhela Yevgenyeva, Law Faculty,  
University of Oxford**

The infringement procedure and its role in the elimination of fiscal barriers in the European Union

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**Claire Lelarge, CREST (Centre de  
Recherche en Economie et Statistique)**

Firm size distortions and the productivity distribution: evidence from France

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**Beata Javorcik, Department of  
Economics, University of Oxford**

Services reform and manufacturing performance: evidence from India

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**John Thanassoulis, Department of  
Economics, University of Oxford**

Industry structure, executive pay, and short-termism

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**Luigi Guiso, European University Institute**

Understanding the size and profitability of firms: the role of a biological factor

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**Alex Raskolnikov, Columbia Law School**

Accepting the limits of tax law and economics

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**Laurent Bach, Stockholm  
School of Economics**

Tax collection and corporate governance: evidence from French small businesses

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**Belinda Tracey, Bank of England**

The impact of implicit funding subsidies on scale economies in banking

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**Andreas Haufler, University of Munich**

Tax competition and risk-taking under cross-border loss offset

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**James Bullock, Pinsent Masons LLP**

HMRC litigation and settlement strategy: ‘sweetheart deals’?: The relationship between HMRC and business

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**James Sallee, University of Chicago**

Car notches: strategic automaker responses to fuel economy policy

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**Dr Michael Kobetsky,  
University of Melbourne**

Transfer pricing

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**Philip Strahan, Carroll School  
of Management (joint with  
the SBS Finance Group)**

Financial integration, housing and economic volatility

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**Mitchell Kane, New York University**

Design issues with source

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# MEDIA COVERAGE

Through the year the Centre's work and members have featured in a variety of media publications, in print, broadcast and online, in the UK and abroad, a selection of which appear below.

Accountancy Age	Handelsblatt	The Times of Malta
Auckland District Law Society Law News	Il Sole 24 Ore	Wall Street Journal
BBC News	The Independent	Wall Street Online (Germany)
BBC Radio 4	infobae.com	Wall Street Online
BerlinKontor	International Tax Review	The Washington Post
Bloomberg Business Week	Irish Independent	Welt Online
Business Insider	Irish Times	Wirtschafts Woche
CASH	JournalStar.com	wiwe.de
CFO World	Les Echos	wiwo.de
Channel 4 News	mail.com	Worldwide Tax Daily
CNBC.com	Nasdaq.com	Zeit online
Deutsche Welle	Neues Deutschland	
Deutschlandradio	The New York Times	For further details, please go to <a href="http://www.sbs.ox.ac.uk/tax">www.sbs.ox.ac.uk/tax</a>
dradio.de	Ocala.com	
Eastmoney.com	Reuters	
EN for business	Reuters China	
FAZ	Reuters Deutschland	
The Financial Times	Reuters Japan	
Financial Times Deutschland	RP Online	
Focus	SKAI TV	
Focus online	Spiegel Online	
Forbes	Süddeutsche Zeitung	
Frankfurter Allgemeine	Sueddeutsche.de	
FT Deutschland	Tax Journal	
FT.com	The Telegraph	
The Guardian	The Times	

# VISITORS

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## **DR NIELS JOHANNESSEN**

**October 2011**

Niels Johannesen is a post-doctoral fellow at Copenhagen University, having received his PhD from Copenhagen in 2010. He previously worked at PriceWaterhouseCoopers in Luxembourg, and at the Danish Ministry of Finance. His main research interests are in the field of international taxation and include theoretical and empirical work on the role of tax havens and international tax planning.

## **DR ALEXANDER HELLGARDT**

**May 2012**

Alexander Hellgardt is Senior Research Fellow and Lecturer-in-law at the Max Planck Institute for Tax Law and Public Finance and Ludwig Maximilians University in Munich. During his visit to the Centre, he worked on three projects, two of which were papers co-authored with John Vella, Senior Research Fellow at the Centre.

## **KATHARINA FINKE**

**June-July 2012**

Katharina Finke is a doctoral candidate at the German Centre for Economic Research (ZEW). Her research interests comprise the topics of tax policy evaluation and decision behaviour of multinational enterprises. More specifically, she has been involved in the development of a microsimulation model for company taxation and the enhancement of this model by behavioural responses (funded by the German Research Foundation DFG and the Fritz Thyssen Foundation). On behalf of the German Ministry of Finance, the model is currently being employed for an impact assessment of the European Commission's CCCTB proposal for Germany.

## **SEBASTIAN SIEGLOCH**

**June 2012**

Sebastian Siegloch studied Economics and Political Science at the University of Cologne and L'Institut d'Etudes Politiques de Paris (Science Po Paris) from 2004 to 2009. He also holds a degree from the Cologne School of Political and Economic Journalism. In October 2009 he became a Resident Research Affiliate at the Institute for the Study of Labor (IZA) in Bonn and started his PhD at the University of Cologne under the supervision of Clemens Fuest. His current research interests include (empirical) public economics and labour economics with particular reference to labour market outcomes of tax reforms.

## **PROFESSOR MICHAEL WALPOLE**

**June 2012-January 2013**

Michael Walpole is a Professor and Associate Head of School (Research) in the Australian School of Taxation at the University of New South Wales. He specialises in tax law and administration, taxation of trusts, Goods and Services Tax, income tax, taxation of intangible property (especially goodwill), tax policy and tax reform. He has researched and published extensively in the field of taxation. He has experience as a partner in a law firm, and as a consultant with Ernst & Young. Michael is a Fellow of the Taxation Institute of Australia.



# RESEARCH STAFF



## DIRECTOR

### Professor Michael Devereux

Michael Devereux is Director of the Oxford University Centre for Business Taxation, Professor of Business Taxation, and

Professorial Fellow at Oriel College, Oxford. He is Research Director of the European Tax Policy Forum, and Research Fellow of the Institute for Fiscal Studies, the Centre for Economic Policy Research and CESifo. He is President of the International Institute for Public Finance, Editor-in-Chief of International Tax and Public Finance, and Assistant Editor of the British Tax Review. Professor Devereux is a member of the Business Forum on Tax and Competitiveness, chaired by the Exchequer Secretary.



## DIRECTOR OF LEGAL RESEARCH

### Professor Judith Freedman

Judith Freedman is Director of Legal Research of the Oxford University Centre for

Business Taxation, Professor of Taxation Law, University of Oxford, and fellow of Worcester College, Oxford. She served as a member of the Office of Tax Simplification Consultative Committee on Small Business Taxation and on the Aaronson Tax Avoidance Study Group appointed to report to the Exchequer Secretary on the question of a General Anti-avoidance Rule and continues to be involved in both these areas of taxation reform. She is a member of the Council of the Institute for Fiscal Studies (IFS) and the IFS Tax Law Review Committee. Judith is a visiting Adjunct Professor in the Australian School of Taxation and Business Law, University of New South Wales and general editor of the British Tax Review as well as being on the editorial boards of the Modern Law Review, the eJournal of Tax Research, The Canadian Tax Journal, The Australian Tax Review and The Tax Journal.



## PROGRAMME DIRECTORS

### Professor Wiji Arulampalam

Wiji Arulampalam is Professor of Economics at the University of Warwick. She is also a Research

Fellow at IZA, Institute for the Study of Labor, Bonn, Germany. She is a member of the editorial board of Foundations and Trends in Econometrics.



### Professor Stephen Bond

Stephen Bond is Senior Research Fellow at Nuffield College, a Visiting Research Fellow in the Department of Economics, University of Oxford, and a Research Fellow of the Institute of Fiscal Studies.



## RESEARCH DIRECTOR

### Professor Clemens Fuest

Clemens Fuest is Research Director of the Oxford University Centre for Business Taxation and Professor

of Business Taxation, University of Oxford. He is a research fellow of CESifo and IZA and is a member of the Academic Advisory Board of the German Federal Ministry of Finance and of the Academic Advisory Board of Ernst and Young AG, Germany. He has a PhD in economics from the University of Cologne. Prior to Oxford, he was a lecturer at the University of Munich and a professor of economics at the University of Cologne.



### Professor Ben Lockwood

Ben Lockwood is Professor of Economics at the University of Warwick. He is a Research Fellow of CEPR and CESifo, and a member

of the editorial boards of The Economic Journal, Journal of Public Economics, Finanzarchiv, International Tax and Public Finance, and the Journal of Macroeconomics. He has acted as a consultant on tax policy for the IMF and PwC.



**Dr Helen Simpson**

Helen Simpson is a Reader in Economics and a member of the Centre for Market and Public Organisation at the University of Bristol. She is an Associate Editor of the

Journal of the European Economic Association.



**Professor David Ulph**

David Ulph is Professor of Economics and Head of the School of Economics and Finance at the University of St Andrews. From 2001-

2006 he was Director of Analysis and Research at HM Revenue & Customs.



**SENIOR RESEARCH FELLOWS**

**Dr Rita de la Feria**

Rita de la Feria received her law degree from the University of Lisbon and, in 2006, she

completed her PhD on EU VAT harmonisation at the Law School of the University of Dublin, Trinity College. She has held lecturing positions at the University of Dublin, Trinity College and Queen's University Belfast. In August 2011, she was appointed Adviser to the Portuguese Government on VAT Policy. She has published widely on tax issues, particularly on EU VAT.

She is a member of the editorial board of the British Tax Review, and correspondent for Highlights & Insights on European Taxation, the World Journal of VAT/ GST Law, and Revista de Finanças Públicas e Direito Fiscal. Rita takes up a position as Professor of Law at Durham University in September 2012.



**Dr John Vella**

John Vella is a Senior Research Fellow at the Oxford University Centre for Business Taxation and a member of the Faculty of Law at Oxford. John studied law at the University

of Malta (BA and LLD) and the University of Cambridge (LLM and PhD). Following the completion of his PhD he joined the Faculty of Law at Oxford as Norton Rose Career Development Fellow in Company Law where he taught Company Law, Corporate Finance Law, EC Law and Roman Law, before moving to his current post. John has been a Program Affiliate Scholar at New York University and has acted as a co-arbitrator in a tax dispute before the ICC International Court of Arbitration. In November 2011 he gave evidence before the House of Lords EU Sub-Committee A (Economic and Financial Affairs and International Trade) on Financial Transaction Taxes. His recent research has focused on revenue authorities' discretionary powers and the taxation and regulation of the financial sector in the aftermath of the financial crisis.



**RESEARCH FELLOWS**

**Katarzyna Bilicka**

Katarzyna joined the Centre as a Research Fellow in October 2010. Previously she studied BSc Mathematics and

Economics at the University of Warwick, and continued with her studies to obtain an MSc in Economics and International Financial Economics in 2010. At the Centre she conducts research on various topics related to business taxation and fiscal policy. She is also responsible for the maintenance and development of the CBT Tax Database. From October 2012, Katarzyna will be a DPhil student in Economics as well as a Research Fellow in the Centre.



**Dr Li Liu**

Li joined the Centre as a Research Fellow in October 2010. She completed her PhD in Economics from Rutgers University in January 2011 (supervisors: Rosanne

Altshuler and Hilary Sigman). She received her BS in economics from the College of New Jersey (summa cum laude) and her MA from Rutgers University.

Li's doctoral research studies the impact of business taxation on choice of assets, the incidence of the corporate income tax, and the relationship between income taxes and business incorporation. Her current research focuses on the relationship between corporate income taxes and investment, tax structure and legal and organizational form, and the elasticity of corporate taxable income.

# RESEARCH STAFF

Continued



## Dr Giorgia Maffini

Giorgia Maffini has been a Research Fellow at the Oxford University Centre for Business Taxation since 2006. Since May 2010 she has also been a

visiting Lecturer at the Department of Policy Analysis and Public Management, Bocconi University, Italy, where she teaches Business Law and Public Finance. Previously she was an Economist at the Centre for Tax Policy and Administration (CTPA) of the Organization for Economic Cooperation and Development (OECD) in Paris (2004-2005); a Research Assistant at the Department of Economics of the University of Warwick (2003-2004) and at the Institute of Political Economy, Bocconi University, Italy (2001-2002). Giorgia holds a PhD in Economics from the University of Warwick; a PhD in Public Finance from the University of Pavia, Italy; a Masters in Economics from University College of London and an undergraduate degree in Economics and Social Sciences from Bocconi University, Milan, Italy (summa cum laude).



## Dr Tim Schmidt-Eisenlohr

Tim holds a PhD from the European University Institute, where he was supervised by Giancarlo Corsetti. While studying there

he visited New York University at the invitation of Jonathan Eaton. He also studied in Heidelberg, Urbana-Champaign, Bergen and Kiel, where he received a Diploma in quantitative economics in 2006. His research analyses questions of international tax competition, international trade and bank bailouts in financial crisis. In May 2011 he was awarded the Klaus Liebscher Award of the Austrian National Bank for his work on bank bailouts. He is a research affiliate of CESifo, Munich and was nominated for the CESifo Distinguished Research Affiliate Award in Global Economics for his work on trade finance as well as for the CESifo Distinguished Research Affiliate Award in Public Sector Economics for his work on international tax competition. He is also an associate member of Nuffield College.



## Dr Nicolas Serrano-Velarde

A graduate in International Economics from Institut d'Etudes Politiques de Paris (Sciences Po Paris), Serrano-Velarde obtained his

PhD in Economics under the supervision of Luigi Guiso at the European University Institute. His dissertation was entitled Ownership Structures and Firm Performance. During his PhD he was also visiting student at Toulouse School of Economics. His current research interests and activity focus on the way ownership structures impact firm performance, cost of finance and innovation incentives. Methodologically, his works combine various identification strategies from public policy evaluation to structural estimation methods. One of these papers is forthcoming in Journal of Financial Economics. Nicolas Serrano-Velarde joins the Department of Finance of Bocconi University as assistant professor starting in September 2012.



## Dr Jing Xing

Jing joined the Centre as a Research Fellow in 2011 after she completed her DPhil in Economics at the University of Oxford. She received her BA from the Guanghua

School of Management of Peking University in 2005, her MSc from the City University of Hong Kong in 2006, and her MPhil from the University of Oxford in 2008. Jing's doctoral research analyses the relationship between tax structures and growth, and the relationship between corporate income taxes and investment. Her other research interests include the interactions between corporate financing and investment decisions, ownership and productivity, and tax revenues during business cycles.



## NEW RESEARCHER

### **Anzhela Yevgenyeva**

Anzhela is close to completing a doctoral programme in law at the University of Oxford and she joins the team in October

2012. Previously, she was awarded law degrees with distinction at the University of Oxford (MSt in Legal Research) and the National University of Kyiv Mohyla Academy (BA and MA in Law). Anzhela taught EU Law and European Tax Law for several Oxford colleges and gave guest lectures on the Corporate and Business Taxation course at the Law Faculty of the University of Oxford. Her professional experience also involves a mixture of advisory practices, ranging from tax litigation to policy consultancy. Her principal research interests lie in the field of taxation and EU law.



## DPHIL SCHOLARS

### **Irem Guceri**

Irem completed her BA in Economics at Koc University in Istanbul and her MSc in Economics at LSE. She then

worked at the World Bank in the Europe and Central Asia region, Financial and Private Sector Development unit as an economist on policies relating to R&D and technology adoption, corporate taxation, state aid, small and medium sized enterprises and exports. Having completed her MPhil, she is continuing her DPhil in Economics at the University of Oxford. Her thesis, which focuses on corporate taxation and fiscal incentives in R&D-intensive sectors, is supervised by Professor Steve Bond.



### **Artem Kadikov**

Artem is a DPhil student in the Faculty of Law at the University of Oxford. He earned a law degree with distinction from the State University - Higher

School of Economics, Moscow, Russia, where he specialised in tax and public finance law. Artem was awarded a full scholarship by the Hill Foundation to study law at the University of Oxford and received a Magister Juris (MJur) degree in 2010. He has worked as a junior tax lawyer at the Russian law firm Pepeliaev, Goltsblat & Partners and as a tax consultant at Deloitte in Moscow.



### **Germán Vera Concha**

Germán is a DPhil student in the Department of Economics at the University of Oxford. He earned a degree in Industrial Engineering and a diploma in

Chemical Engineering from the Pontificia Universidad Católica de Chile, as well as an MBA and an MPhil in Economics from the University of Oxford. In the past, he has worked primarily in portfolio management for both the private and non-profit sectors, and has held managerial positions in the maritime industry in Chile. His current research is focused on the behaviour of natural resources companies, in particular how taxation regimes affect their production and investment decisions.



### **Richard Wild**

Rick is a doctoral student of international relations. His research focuses on the role of small states in the global economy. He is currently investigating the political process

behind the OECD's 'harmful tax practices' initiative, and how small states have played into that political process.

# ADMINISTRATIVE STAFF

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**Anne-Marie McBrien,**  
Centre Manager



**Catherine Payne,**  
Executive Assistant



**Clare Ruthven-Stuart,**  
Communications and Event Manager



International Research Fellow Jim Poterba, MIT, speaking at the Trans-Atlantic Public Economics Conference on 'Business Taxation', jointly organised with NBER, Oxford, June 2012.

# INTERNATIONAL RESEARCH FELLOWS

**Rosanne Altshuler**, Rutgers University

**Julian Alworth**, European and Global Investments, Dublin

**Alan Auerbach**, University of California, Berkeley

**Reuven Avi-Yonah**, University of Michigan

**Philip Baker**, Grays Inn Tax Chambers

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Centre for Business Taxation

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**Professor Judith Freedman**  
Law Faculty

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**Professor Clemens Fuest**  
Centre for Business Taxation

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**Professor Tim Jenkinson**  
Saïd Business School

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**Dr Clare Leaver**  
Economics Department / Blavatnik School of  
Government

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**Professor Peter Tufano,**  
Dean, Saïd Business School

# FINANCIAL SUPPORT

The Centre receives financial support from a number of sources.

## ECONOMIC AND SOCIAL RESEARCH COUNCIL

The Centre gratefully acknowledges the significant funding it receives from the Economic and Social Research Council (ESRC). The Centre has received two grants from the Council:

- Business, Taxation and Welfare  
Ref: RES-060-25-0033
- Company births and deaths: investigating the role of taxation  
Ref: RES-194-23-0012

## PROJECT SPECIFIC FUNDING

The Centre accepts commissions to carry out independent academic research from government and non-governmental organisations. It does not and will not accept commissions from any organisation where the independence of the Centre might be compromised or where a potential conflict of interest might arise.

## DONATIONS FROM COMPANIES

The Centre for Business Taxation was founded using generous funding from companies from the Hundred Group. Subsequently, other companies have also offered us their support. The Centre is grateful for this financial support, which continues and which is vital to support the work of the Centre. Companies who currently support the Centre are listed to the right.

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