

Monday, 26 October 2009

08:45-9:15	<b>I. CONFERENCE OPEN</b>
	<ul style="list-style-type: none"> <li>▪ <b>Higher Level Leader</b> from State Council, People’s Republic of China</li> <li>▪ <b>Mr. Xie Xuren</b>, Minister of Finance, People’s Republic of China</li> <li>▪ <b>Mr. Angel Gurría</b>, Secretary-General of the OECD</li> </ul>
09:15-10:45	<b>II. PERSPECTIVES ON THE FINANCIAL LANDSCAPE FOLLOWING THE FINANCIAL CRISIS</b> <p>In this opening session, a high level panel comprised of government and industry leaders will discuss the current financial landscape, setting the broad context for the more specific focus on taxation to follow over the ensuing days. The panel will cover questions and issues around changes leading to and resulting from recent financial sector developments. Specific areas will likely include:</p> <ul style="list-style-type: none"> <li>• Globalization of markets--with the accompanying increased speed and sophistication of financial product development, including financial intermediation and securitization;</li> <li>• Changing nature of investors--particularly, growth in cross-border investment, and investors' appetite for risk;</li> <li>• Changes in financial institutions—including structural responses to incentives in the past decade;</li> <li>• Changes in the regulatory and corporate governance environment that affect the nature and forms of financial intermediation.</li> </ul> <p>Panelists will begin the conference’s examination of the tax implication of these developments, with preliminary observations on how taxation affects and is affected by this financial landscape, and what changes will, or should, likely be seen.</p>
10:45-11:15	<b>Coffee break and press conference</b>
11:15-13:00	<b>III. TAXATION OF THE FINANCIAL SECTOR - INSTRUMENTS AND INTERMEDIARIES</b> <p>This session will lay the groundwork for the remainder of the conference’s detailed exploration. It will begin with the presentation of an ITD background paper—available to participants in advance of the conference—which will examine the principles that should underlie the taxation of financial instruments and intermediaries from the perspective of efficiency, equity and administrability. While at the highest level this message is easy to state—resting primarily on the principle of tax neutrality across economic equivalents—its application in a complex, globalized, world raises many questions, among them:</p> <ul style="list-style-type: none"> <li>• What role is played by common and fundamental distortions in the tax treatment of debt versus equity?</li> <li>• How, and to what extent, do these principles conflict with administrability? How can these conflicts be mitigated?</li> <li>• How can these principles be applied to determine the appropriate tax treatment of complex synthetic instruments and contemporary financial intermediaries and institutions?</li> <li>• How can taxation play a positive, or at least a neutral, role in the development of financial systems and markets in developing economies?</li> </ul> <p>Panelists will offer responses to the presentation from a variety of perspectives, including government and academia, and emerging and developed markets.</p>
13:00-14:30	<b>Lunch</b>
14:30-16:00	<b>IV. AN OVERVIEW OF INNOVATIVE FINANCIAL INSTRUMENTS AND THEIR IMPLICATIONS FOR TAX POLICY</b> <p>What are the various complex instruments emerging on the global financial scene? Why do they exist—what circumstances have given rise to each? The session will examine, e.g., simple hedging transactions, credit default swaps, repos, securitized mortgage instruments, and the like. How are they, and should they be, characterized from a tax standpoint? Questions include:</p> <ul style="list-style-type: none"> <li>• Timing and accounting issues: accrual, mark-to-market, relation of tax and financial accounting</li> <li>• International mismatches in treatment: how does tax planning exploit these differences?</li> <li>• Whether fundamental distinctions between debt and equity for tax purposes make any sense now that new financial instruments have eliminated the borderline</li> <li>• How can the system be improved?</li> </ul>

<b>14:30-16:00</b>	<b>V. THE TAXATION OF BANKS - POLICY AND ADMINISTRATIVE ISSUES</b>
	<p>At the heart of the financial system, the appropriate taxation of banks is critical to a well-functioning international tax system. Twenty-first century globalization has moved these institutions a long way from the high street—has the tax system kept up? If not, how has it failed to do so, and what directions should be pursued now?</p> <ul style="list-style-type: none"> <li>• What are the different types of banks? What is the scope of their functions in the modern financial system?</li> <li>• Interaction between capital requirements and taxation—“tier 1 capital” issues, and the like; relation to debt/equity requirements generally</li> <li>• Timing issues</li> <li>• Branches</li> <li>• Interactions of investment and commercial banking functions within institutions—the role of taxation</li> <li>• What reporting obligations should banks have for customer tax purposes?</li> </ul>
<b>16:00-16:30</b>	<b>Coffee break</b>
<b>16:30-18:00</b>	<b>VI. TAXATION OF INSURANCE</b>
	<p>Insurance and reinsurance activities will be examined, and analyzed from a tax standpoint.</p> <ul style="list-style-type: none"> <li>• How are, and should, insurance underwriting versus investment income and fees be taxed (and distinguished)?</li> <li>• In what directions are new products evolving? How should the tax system cope?</li> <li>• What, if anything, should distinguish "financial insurance" (e.g., hedging) from traditional casualty insurance?</li> <li>• What are the tax implications of offshore basing of insurance and reinsurance?</li> <li>• How can and should VAT apply to insurance activities?</li> </ul>
<b>16:30-18:00</b>	<b>VII. TAX ISSUES IN ISLAMIC FINANCE</b>
	<p>The session will examine the function of financial leasing, and methods of determining ownership. Concomitant tax implications will be analyzed. The role of leasing methods in the increasingly important area of Islamic finance will be discussed, along with other aspects.</p> <ul style="list-style-type: none"> <li>• How do various jurisdictions define, and tax, financial leases?</li> <li>• What are the key principles which should underlie this treatment?</li> <li>• What are the international taxation implications, and planning opportunities, created by differences in inter-jurisdictional treatment?</li> <li>• What is the role of leasing transactions in the area of Islamic finance?</li> <li>• What are the other key tax aspects of Islamic transactions?</li> </ul>

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<b>08:45-10:30</b>	<b>VIII. THE ADMINISTRATIVE CHALLENGE</b>
	<p>Building on the initial exploration of administrability begun in Plenary Session II, here senior revenue commissioners from industrial, emerging and developing countries will offer perspectives on the multitude of issues arising in the implementation of financial sector taxation, domestically and internationally, and in particular, how to achieve better compliance. What special challenges do this sector pose, what recent developments may hold promise, and what remains to be done? Areas to be examined will include:</p> <ul style="list-style-type: none"> <li>• Managing risk <ul style="list-style-type: none"> <li>○ Disclosure issues</li> <li>○ Intelligence gathering</li> <li>○ Providing guidance to taxpayers</li> <li>○ Building internal expertise in a complex area</li> </ul> </li> <li>• Getting access to bank information <ul style="list-style-type: none"> <li>○ Third party reporting, domestically and internationally</li> <li>○ Information gateways between tax authorities and regulators</li> </ul> </li> <li>• International cooperation <ul style="list-style-type: none"> <li>○ The role of exchange of information</li> </ul> </li> <li>• Fostering an enhanced cooperative relationship with taxpayers in the sector</li> </ul>
<b>10:30-11:00</b>	<b>Coffee break</b>

11:00-12:45	<b>IX. PRIVATE EQUITY AND HEDGE FUNDS: THE TAX CHALLENGE</b>
	<p>These vehicles have played a sharply increasing role in investment activities in developed markets over the past decade. How are these vehicles, their managers, owners, and portfolio companies treated for tax purposes in various jurisdictions? How should they be? How if at all has taxation contributed to either their growth or their demise? The session will examine, among other topics:</p> <ul style="list-style-type: none"> <li>• What private equity partnerships and hedge funds do, and why they became so important</li> <li>• Taxation of target businesses and their former owners</li> <li>• Leverage issues</li> <li>• Taxation of carried interests and management fees</li> <li>• International issues, including permanent establishment and place of management questions, transparency and reporting problems – are profits being taxed where they are earned?</li> </ul>
11:00-12:45	<b>X. VAT TREATMENT OF THE FINANCIAL SECTOR</b> <p>The application of value added taxes to the financial sector has been a thorny problem since the widespread introduction of the tax began over 40 years ago. In an industry in which the value added must in principle be measured by the spread between interest cost and interest income, it is difficult to appropriately allocate these and determine timing. A variety of solutions have been adopted, or proposed, in various countries:</p> <ul style="list-style-type: none"> <li>• Exemption of all financial transactions from the VAT, other than fee based services (the "traditional" solution)</li> <li>• Exemption of intra-EU transactions, with zero-rating of transactions between EU taxpayers and others</li> <li>• Inclusion of at least casualty insurance activities within the normal VAT (New Zealand)</li> <li>• Use of the addition method (Israel)</li> <li>• Application of cash flow/subtraction method to financial transactions (proposed for EU and piloted)</li> </ul> <p>What is the impact of current financial services exemptions? What model is theoretically correct? Which are feasible from a practical standpoint? What are the implications of each for efficiency and the primary principle of neutrality? What solution is best for emerging markets? Developing countries?</p>
12:45-14:15	<b>Lunch</b>
14:15-16:00	<b>XI. COLLECTIVE INVESTMENT VEHICLES</b>
	<p>Long before the explosion of private equity and hedge funds, collective investment vehicles of more traditional types were already making a large portion of portfolio investments in developed markets. Mutual funds, real estate investment trusts (begun in the U.S. over 20 years ago), investment trusts, pension funds are all subject to disclosure and special tax regimes in most countries. The session will examine the desirable and existing tax treatment of these vehicles:</p> <ul style="list-style-type: none"> <li>• Do current rules in various countries promote neutrality between investments made through collective vehicles and those made directly? How?</li> <li>• Are there tax incentives, or disincentives, associated with the use of these vehicles? Should there be?</li> <li>• What are the growing international implications of such vehicles?</li> <li>• What treaty entitlement issues are raised, and what are the trends in procedural application of double taxation treaties to these vehicles and their investors?</li> </ul>
14:15-16:00	<b>XII. FINANCIAL TRANSACTION TAXES — INCLUDING, INTER ALIA, BANK DEBIT TAXES, STAMP DUTIES, SECURITIES TRANSACTIONS TAXES</b> <p>The prevalence of relatively low rate taxes on the gross amounts of various financial transactions has increased over the past 15 years, particularly in emerging and other economies in Latin America, but increasingly in other non-OECD jurisdictions. Frequently adopted as easy "tax handles," the impact of such levies on the financial sector and the economy as a whole remains too little understood. This session will examine what we do know, and raise questions for further study.</p> <ul style="list-style-type: none"> <li>• What is the extent of these taxes now?</li> <li>• What type(s) are most prevalent, and why?</li> <li>• How do these taxes interact with the remainder of the domestic (and international) tax system?</li> <li>• What trends are observable in rates over time, and in revenue yields?</li> <li>• What is the theoretical impact of different types of financial transactions taxes on efficiency? What is the likely incidence of such taxes?</li> <li>• What if any empirical evidence exists for the impact of such taxes on financial disintermediation?</li> <li>• What administrative issues--positive and negative--do such taxes raise?</li> </ul>

Wednesday, 28 October 2009

<p><b>09:00-10:30</b></p>	<p><b>XIII. AGGRESSIVE TAX PLANNING USING CROSS BORDER FINANCIAL INSTRUMENTS</b></p> <p>Complex issues of appropriate timing of income and deductions, cross-border mismatches of characterization of income and deductions, and differing rules for, e.g., use of net operating losses, among other factors, give rise to numerous and varied opportunities for legal, if aggressive, tax planning. This session will look at this topic from the point of view of both policy and administration:</p> <ul style="list-style-type: none"> <li>• What are some of the most prevalent methods and instruments used for profiting from arbitrage of international mismatches of income?</li> <li>• How are withholding taxes commonly avoided?</li> <li>• What is the role of tax havens and banking secrecy rules?</li> <li>• How can international cooperation best foster greater transparency?</li> <li>• What are some common foreign tax credit generating methods?</li> <li>• How has international tax arbitrage affected levels of leverage?</li> <li>• What can domestic governments do unilaterally to combat aggressive tax planning using cross-border instruments?</li> </ul>
<p><b>09:00-10:30</b></p>	<p><b>XIV. CORPORATE-SHAREHOLDER INCOME TAX ISSUES AND PRINCIPLES AS THEY RELATE TO FINANCIAL TAXATION</b></p> <p>The international income tax system includes several generally applicable factors that drive non-neutrality in the taxation of financial instruments and institutions. Principal among these, on a sliding scale from voluntarily adopted distortions to those based upon practical considerations, are:</p> <ul style="list-style-type: none"> <li>• Tax rate differentials between "ordinary" income and capital gains</li> <li>• The traditional difference in the corporate tax treatment of "debt" versus "equity" -- a difference which has grown increasingly indistinct with the creation of "innovative financial instruments," if indeed it ever rested upon a clear conceptual foundation</li> <li>• Timing issues related to practical difficulties in taxing certain income--notably, but not limited to, capital gains--on an accrual basis</li> </ul> <p>The session will examine various aspects of these issues, including: what empirical evidence exists of the effect of these distortions on the basis of real-world financial flows; how, and why, some tax systems have been more successful than others at avoiding these distortions; innovative methods for doing so--the "Nordic model," cash flow taxes, ACE; mark-to-market rules; application of accrual accounting; and others.</p>
<p><b>10:30-11:00</b></p>	<p><b>Coffee break</b></p>
<p><b>11:00-12:45</b></p>	<p><b>XV. PAST LESSONS AND FUTURE DIRECTIONS</b></p> <p>The session will include a summary of key lessons and directions derived from the previous two days of discussions and presentations. A senior government panel will discuss that summary and bring a variety of perspectives—administrative and policy, OECD and emerging market—to the problem of determining future directions. The session will look back and forward:</p> <ul style="list-style-type: none"> <li>• Key current weaknesses in the global system of financial taxation</li> <li>• Existing and emerging good practices—policy trends and administrative initiatives</li> <li>• Priorities for reform</li> <li>• Areas demanding better cooperation and coordination</li> </ul> <p>The session will focus broadly on the question “How can the global tax system better support a healthy financial environment?”</p>
<p><b>12:45-13:15</b></p>	<p><b>Closing statements</b></p>