

Supporting Tax Reform and Implementation in Iraq: Role of the OECD

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A key variable in promoting a
democratic market economy

“No taxation without Representation”

- Strengthens the links between citizens and governments and promotes accountability

- A well functioning tax system is essential to:
 - enable governments to invest in the future
 - achieve a fair sharing of the costs and benefits of transition
 - promote a sustainable growth path
 - achieve a stable sharing of powers between different levels of government

What does this require?

- A well functioning tax administration
- A capacity to analyse tax policy options
- A clear process to move from options to policies

What can OECD offer?

- A series of good practices in tax administration
- Access to the experience of its 30 Member countries
- Facilitating exchange of experiences with MENA countries
- A review of tax policy options

Proposed Strategy for Iraq

- Developing a world class tax administration
- Predicting the revenue effects of tax policy changes
- Designing tax policies to promote investment, employment and the development of SMEs
- Getting the right balance in the taxation of MNEs
- Developing an extensive tax treaty network
- Oil revenue for development

Taxpayers

- Certainty
- Compliance costs
- Awareness
- Consultation

Tax officials

- Skills
- High standards of ethical behaviour
- Limited resources and growing expectations

Systems-Admin

- Transparent
- Adaptable and flexible (IT)
- Right balance — help
— enforcement
- Relation with other stakeholders
- International trends

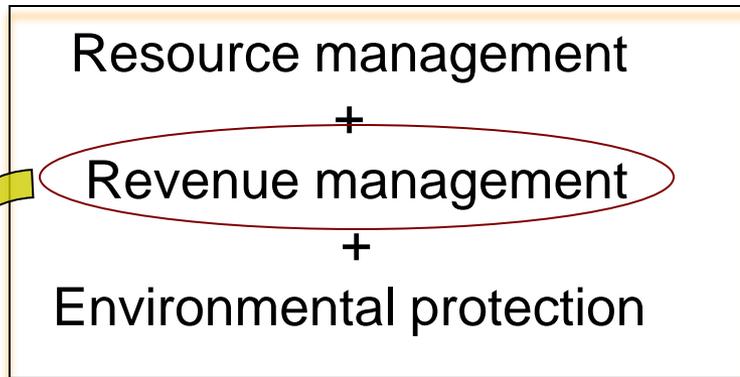
- Design of tax system:
 - Encourage business creation and growth: employment
 - Collect revenues
 - Minimise compliance costs

- MNEs
 - Tax planning: true ETR
 - Low CIT rate with broad base (+ base protection measures)
 - Tax incentives?

- SMEs
 - High compliance cost: simplified regimes (presumptive tax)

Role of Tax Treaties

- The “oil” that minimise friction between national tax systems
- The 3000 worldwide bilateral tax treaties are based upon the OECD Model
- The MENA-OECD Tax Treaty Initiative provides a platform to extend the Iraqi tax treaty network



Oil taxation and petroleum funds

- Oil taxation
 - an *additional* source of tax revenue as some share of the oil rents
 - efficient (if properly designed) form of taxation
 - Location specific rents
- Petroleum funds
 - current investment
 - Reserve Funds (abroad)
- Successful experience in the OECD = Norway

Thank you for your attention