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## **Combatting tax avoidance, the OECD way? The impact of the BEPS Project on developing and emerging countries' approach to international tax avoidance**

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### **Citation**

Heitmüller, F. (2024, March 12). *Combatting tax avoidance, the OECD way?: The impact of the BEPS Project on developing and emerging countries' approach to international tax avoidance*. Meijers-reeks. Retrieved from <https://hdl.handle.net/1887/3721806>

Version: Publisher's Version

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**Note:** To cite this publication please use the final published version (if applicable).

## 1.1 MOTIVATION, THEORETICAL APPROACH, AND RESEARCH QUESTIONS

When the Organization for Economic Cooperation and Development (OECD) and the Group of 20 (G20) launched the Base Erosion and Profit Shifting (BEPS) Project in 2013, this marked a moment of intensification in global governance in the area of taxation of multinational enterprises.<sup>1</sup> Although international organizations had been involved in promulgating policy standards on the taxation of cross-border income since the 1920s, the BEPS Project represented a step-up in ambition. It was initiated at a time when “aggressive tax planning” strategies by companies such as Google, Apple, and Starbucks, and reports of tax planning structures like the “Double Irish with a Dutch Sandwich,” made the headlines.<sup>2</sup> Its purpose was to perform an overhaul of the “international tax system” to reduce the opportunities for multinational enterprises to engage in such practices. The increase in ambition concerns both the substance and the geographical scope of the project:

First, while previously international institutions had presented the outcomes of their deliberations as mere recommendations or models, the BEPS Project introduced a number of minimum standards subject to peer review and presented recommendations on a greater range of topics. Second, although initially only OECD and G20 members participated its development phase, the geographical scope has been significantly increased after the creation of the BEPS Inclusive Framework in 2016. By July 2023, 143 jurisdictions worldwide including many developing and emerging economies had become part of the framework. The combination of both features thus has the potential to significantly increase convergence of tax rules across countries.

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1 Christensen and Hearson, “The New Politics of Global Tax Governance: Taking Stock a Decade after the Financial Crisis.”

2 Goodley and Milmo, “Dutch Masters of Tax Avoidance”; Syal, “Amazon, Google and Starbucks Accused of Diverting UK Profits.”

At the outset of the BEPS Project, many commentators qualified it as the most important attempt of international cooperation in tax policy so far, dividing recent tax history into a “pre-BEPS” and a “post-BEPS” era,<sup>3</sup> although in hindsight the consensus seems to be that the ambition was small compared to the follow-up “BEPS 2.0” project.<sup>4</sup> However, it also generated controversy, particularly regarding the association of developing countries to the project.<sup>5</sup> The fact that countries were invited only after the main outcomes had already been produced coupled with a widespread perception in academic and policy circles that the policies developed in the BEPS Project may be counter to the interests of developing countries culminated in slogans propagated by tax activists that developing countries were not “at the table, but on the menu.”<sup>6</sup>

This type of controversy is not limited to the realm of taxation. Global governance institutions in different policy areas have been intensively debated among scholars, policymakers, activists, and other stakeholders. In international relations theory, the liberal institutionalist perspective sees global governance as a means for participating actors to overcome cooperation problems.<sup>7</sup> In contrast, other approaches such as realism and critical theories argue that global governance is often just a tool that powerful actors use to impose their policy preferences on less powerful actors and emphasize that global governance creates winners and losers.<sup>8</sup>

These conflicting perspectives are reflected in debates about the global governance of international taxation.<sup>9</sup> In line with the liberal institutionalist tradition, the first OECD report on BEPS emphasizes the role of global governance in fostering cooperation: “Collaboration and co-ordination will not only facilitate and reinforce domestic actions to protect tax bases, but will also be key to provide comprehensive international solutions that may

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3 Christians, “BEPS and the New International Tax Order”; de Graaf and Visser, “BEPS: Will the Current Commitments and Peer Review Model Prove Effective?”; Tavares and Owens, “Global Tax Policy Post-BEPS and the Perils of the Silk Road”; Tell, “Interest Limitation Rules in the Post-BEPS Era”; Lankhorst and van Dam, “Post-BEPS Tax Advisory and Tax Structuring from a Tax Practitioner’s View”; Kingma, *Inclusive Global Tax Governance in the Post-BEPS Era*; Danon, “Treaty Abuse in the Post-BEPS World: Analysis of the Policy Shift and Impact of the Principal Purpose Test for MNE Groups”; Sawyer, Sadiq, and McCredie, *Tax Design and Administration in a Post-BEPS Era: A Study of Key Reform Measures in 16 Countries*.

4 Arnold, “The Ordering of Residence and Source Country Taxes and the OECD Pillar Two Global Minimum Tax,” 2. See also section 4.5.

5 Mosquera Valderrama, “Legitimacy and the Making of International Tax Law: The Challenges of Multilateralism,” 2015.

6 According to Pascal Saint-Amans, the slogan was first used by tax activists at the Addis Ababa Financing for Development Conference in 2015. See: Saint-Amans, *Paradis Fiscaux*. See also Christensen, Hearson, and Randriamanalina, “At the Table, Off the Menu? Assessing the Participation of Lower-Income Countries in Global Tax Negotiations.”

7 Buchanan and Keohane, “The Legitimacy of Global Governance Institutions,” 407.

8 Drezner, *All Politics Is Global*; Hurd, “The Case against International Cooperation.”

9 For an application of these differing interpretations of global tax governance, specifically on the issue of tax havens, see Sharman, *Havens in a Storm*.

satisfactorily respond to the issue.”<sup>10</sup> Here, the OECD portrays the issue as a struggle for governments to work together to regain control over the actions of private actors that have moved beyond the regulatory reach of the state in a globalized world. Pascal Saint-Amans, the former head of the OECD Center for Tax Policy and Administration, explained in an interview that the BEPS Project should be seen as “tax regulation for globalization – to reconcile in particular the middle class with globalization.”<sup>11</sup>

The critical view rejects the interpretation of the BEPS Project as collaboration among public actors to regulate private actors but rather emphasizes a confrontation between different public actors – governments of OECD Member States vs. governments of developing countries.<sup>12</sup> At first sight, the rejection seems somewhat paradoxical, since according to several empirical studies, developing countries are particularly affected by international tax avoidance due to, among other reasons, a greater reliance on the corporate income tax for overall tax revenue generation.<sup>13</sup>

This apparent contradiction is the first motivation of this research project: How would developing countries engage with policy standards that pretend dealing with a problem they are affected with but that are judged as not adequate for them? By joining the Inclusive Framework, countries committed to the BEPS Project and therefore the baseline expectation should be that they implement it. However, the critical view sheds some doubt on this expectation.

In other policy fields, the empirical record of global governance institutions in spurring policy change at the domestic level is mixed, in particular when it comes to developing and emerging countries. While proponents of the globalization hypothesis point to increasing cross-national convergence across all areas of society and to a growing role of international and supranational organizations in shaping peoples’ lives,<sup>14</sup> others remain more cautious and highlight the limits of globalizing forces.<sup>15</sup> Research in

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10 OECD, *Addressing Base Erosion and Profit Shifting*, 51.

11 „In den vergangenen Jahren haben wir eine Art Steuerregulierung für die Globalisierung gebaut – um vor allem die Mittelschicht mit der Globalisierung zu versöhnen.“ Saint-Amans, *Der Kern des Systems ist das Steuerschlupfloch*.

12 The governments of non-OECD G20 members (such as for example, China, India, Indonesia, Argentina, or South Africa) have a somewhat ambiguous position in this narrative. On the one hand, they could be considered as developing countries by considering their income level and other economic characteristics. On the other hand, they have more geopolitical power and were able to fully participate in the development of the BEPS Project.

13 Johannesen, Tørsløv, and Wier, “Are Less Developed Countries More Exposed to Multinational Tax Avoidance? Method and Evidence from Micro-Data.”; Cobham and Janský, “Global Distribution of Revenue Loss from Corporate Tax Avoidance: Re-estimation and Country Results”; Tørsløv, Wier, and Zucman, “The Missing Profits of Nations”; Fuest, Hebous, and Riedel, “International Debt Shifting and Multinational Firms in Developing Economies.”

14 Meyer et al., “World Society and the Nation-State.”

15 For a review of both sides’ arguments as well as on the mixed empirical evidence, see Drezner, “Globalization and Policy Convergence.”

other fields – for example on the implementation of trade agreements<sup>16</sup> or bankruptcy standards<sup>17</sup> in developing countries, or even on EU directives,<sup>18</sup> – has shown that there is not necessarily a relation between the enactment of an agreement or standards at an international or supranational level and the actual social practices that the agreement intends to change, even in the case of a legally binding treaty.

Recent contributions in political science use the BEPS Project, among other international tax initiatives (such as the Common Reporting Standard<sup>19</sup>), as an indicator that an impactful layer of global governance in taxation has emerged and that the freedom of countries to design their tax rules independently from external influences may be receding. Rixen and Unger, for example, assert that “national tax systems are increasingly couched in international rules promulgated by transgovernmental and transnational networks”<sup>20</sup> and that “the notion of taxation as a purely national affair is obsolete.”<sup>21</sup>

Yet, the empirical foundation for these assertions is still incomplete. While the impact of international initiatives dealing with information exchange to combat tax evasion is well documented,<sup>22</sup> this is less so for the case of corporate tax rules. Several authors hypothesized that the impact of the BEPS Project might be less.<sup>23</sup> Azam, for example, wrote in 2017: “I do not expect the BEPS project to substantially impact the international tax regime. The main challenges of tax competition and corporate tax avoidance will continue to prevail and will require different solutions.”<sup>24</sup> Taxation of multinational companies’ profits – and substantive aspects of tax laws more generally – is considered as “hard case” for policy coordination, since states have traditionally considered tax policy as an essential part of their sovereignty.<sup>25</sup>

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16 Deere, *The Implementation Game: The TRIPS Agreement and the Global Politics of Intellectual Property Reform in Developing Countries*.

17 Halliday and Carruthers, *Bankrupt: Global Lawmaking and Systemic Financial Crisis*.

18 Falkner et al., “Non-Compliance with EU Directives in the Member States: Opposition through the Backdoor?”

19 OECD, “Standard for Automatic Exchange of Financial Information in Tax Matters. The CRS Implementation Handbook.”

20 Rixen and Unger, “Taxation: A Regulatory Multilevel Governance Perspective,” 2.

21 Rixen and Unger, 5.

22 Ahrens and Rixen, “Transcending Tax Competition: How Financial Transparency Enables Governments to Tax Portfolio Capital.”

23 See for example Ring, “When International Tax Agreements Fail at Home: A US Example”; Woodward, “A Strange Revolution: Mock Compliance and the Failure of the OECD’s International Tax Transparency Regime”; Mosquera Valderrama, “Legitimacy and the Making of International Tax Law: The Challenges of Multilateralism,” 2015.

24 Azam, “Ruling the World: Generating International Tax Norms in the Era of Globalization and BEPS,” 523.

25 See for example Van Apeldoorn, “BEPS, Tax Sovereignty and Global Justice.”

Several years into the implementation phase of the BEPS Project, the OECD wrote in its progress reports that “the BEPS project has resulted in tangible progress, irrefutably moving the needle in the direction of a world less susceptible to tax avoidance.”<sup>26</sup> Nevertheless, other OECD documents acknowledge that open issues persist. For example, the proposal for Global Anti-Base Erosion (GloBE) rules of the current “Pillar 2” project is usually justified with reference to “remaining BEPS challenges”.<sup>27</sup> Another OECD report on the BEPS Project in developing countries notes that “in many cases they are yet to fully benefit from the advances made in countering BEPS”.<sup>28</sup> Most strikingly, an empirical study of foreign affiliate data finds that profit shifting did not decrease over the period of 2015–2018, after the initial roll-out of the BEPS Project.<sup>29</sup> This suggests that it is still unclear to what extent it has had an impact on the policies of developing countries and whether it has been effective in addressing the problem of international tax avoidance.

In sum, three different interpretations of the BEPS Project can be observed: The first sees it as collaboration to end tax avoidance, a second as an imposition of powerful actors’ preferences on those less powerful, and a third sees it as not impactful at all. Evaluating the accuracy of either interpretation subsequently depends on how countries act in practice: Whether policy standards should indeed be seen as devices by which powerful countries impose their preferences on less powerful ones depends on how they affect actors in practice. Likewise, it would be difficult to claim that there is cooperation when commitments to adopt certain policies are not adhered to in practice. Observing activity at the international level is therefore only the starting point of the analysis. The second step implies considering what the recipients of policy standards actually do with them.<sup>30</sup> This dissertation focusses on the second step by asking:

To what extent has the BEPS Project impacted developing countries’ approach to international tax avoidance?

This requires addressing a number of sub-questions:

- How does the BEPS Project address the issue of international tax avoidance?
- How have individual countries’ approaches to international tax avoidance changed from before the introduction of the BEPS Project to afterwards?
- How many of these changes can be attributed to the BEPS Project?

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26 OECD, “OECD/G20 Inclusive Framework on BEPS: Progress Report July 2020 - September 2021,” 6.

27 OECD, “Tax Challenges Arising from Digitalisation – Report on Pillar Two Blueprint,” 14.

28 OECD, “Developing Countries and the OECD/G20 Inclusive Framework on BEPS,” 23.

29 Tørsløv, Wier, and Zucman, “The Missing Profits of Nations: 2018 Figures.”

30 Raustiala, “Compliance & (and) Effectiveness in International Regulatory Cooperation.”

There is no dearth of studies that address these questions in one or another way. Shortly after the publication of the BEPS Project many scholars authored pieces in which they assessed how "its individual elements could be implemented in their home country's tax systems."<sup>31</sup> While very useful for practical purposes (and as sources for writing this dissertation), these assessments do not necessarily allow for insights on the impact more broadly defined. On the other side of the spectrum, there are annual Progress Reports published by the OECD.<sup>32</sup> These, however, focus more on output indicators such as counts of countries that have adopted certain policies without giving much weight to the meaning of these policy changes for the BEPS Project's overall goals.

In this research project, I attempt to build a bridge between both approaches, by studying four countries in detail (India, Colombia, Nigeria, and Senegal), at times supplemented with more superficial data available for a larger sample of countries, and by focussing on two overarching policy problems addressed by the BEPS Project: transfer pricing and treaty shopping. The purpose is to find a compromise between a more general perspective and a sufficient attention to details.<sup>33</sup> In the four countries I conducted interviews with international tax policy stakeholders, attempting to better conceptualize how the BEPS Project impacts policy decisions, on the one hand, and how international taxation is practiced by the tax administration, companies, and tax advisors.

This focus on practice is motivated by previous research on the impact of international norms: Halliday and Carruthers for example wrote in their study on the implementation of bankruptcy standards in Asia that "Not only is everyday legal practice largely invisible to official eyes but local businesses, creditors and debtors, lawyers, and judges are adept at exploiting their local knowledge to frustrate powerful international agents of change."<sup>34</sup> Studies on the impact of the Basel standards for banking have highlighted the importance of the domestic political economy in moderating the impact of international standards on domestic practice.<sup>35</sup> This body of literature encourages to engaging in detailed studies of domestic institutions and consider at institutional change as outcomes of the inter-

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31 See for example the following edited volumes and articles: Sawyer, Sadiq, and McCredie, *Tax Design and Administration in a Post-BEPS Era: A Study of Key Reform Measures in 16 Countries*; Shay and Christians, "Assessing BEPS: Origins, Standards, and Responses"; Montoya, "Análisis de Las Acciones BEPS, Su Aplicación En Colombia y Su Inclusión al Sistema Tributario"; Kumar, Palwe, and Jhaveri, "Treaty Shopping and BEPS Action 6: An Indian Perspective."

32 OECD, "OECD/G20 Inclusive Framework on BEPS: Progress Report July 2020 - September 2021"; OECD, "OECD/G20 Inclusive Framework on BEPS. Progress Report July 2018 - May 2019."

33 Although some loss of nuance is inevitable.

34 Halliday and Carruthers, *Bankrupt: Global Lawmaking and Systemic Financial Crisis*, 408.

35 Jones, *The Political Economy of Bank Regulation in Developing Countries*.



play of actors with diverging interests, whereby international institutions and the policy standards developed by them are only one of many factors. Therefore, “policies” should be understood in a wide sense in this research project, i.e., encompassing the actual behaviour of states, including administrative (in-)action and not only “written law”.

Within the larger group of countries in the Global South, the countries that were comprehensively researched offer variance in terms of factors that could explain a different engagement with the BEPS Project: variance in inclusion in the policymaking process at the international level; variance in market power; variance in economic development and, by extension, administrative capacity; variance in specific aspects of their legal systems, such as the importance of the judiciary. However, it needs to be mentioned that these cases were selected at the very beginning of the GLOBTAXGOV research project (hence, prior to the development of concrete hypotheses) and not because they should necessarily be considered as representative of all countries in the Global South. Nevertheless, comparing approaches taken by these four countries was useful for capturing more of the diversity of impact.

Once we know more about whether the BEPS Project is impactful or not (or to a varying degree in different countries), the next question I address is: How to explain differing levels of impact?

This question has inspired a growing field in international political economy. Often, this literature uses the case of the regulation of the financial sector for theory building.<sup>36</sup> However, several authors have theorized and empirically assessed the impact of global soft law on tax policies, which I will refer to throughout the text.<sup>37</sup> The most comprehensive work on that topic has been undertaken by Hearson who has researched the impact of policy standards embedded into the OECD Model Tax Convention on tax treaties negotiated between developing and developed countries.<sup>38</sup> He has done so more with a focus on the division of taxing rights between capital importing and capital exporting countries than on tax avoidance. The topics overlap and interact with each other but at times trade-offs for addressing tax avoidance are different than those concerning the allocation of taxing rights. For example, the conflict of interest between capital importing and capital exporting countries may be less apparent, since both could lose revenues to tax avoidance strategies. Moreover, MNEs may be indifferent as to whether they pay tax in a source or residence country if both have a

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36 Jones, 49–50.

37 Azam, “Ruling the World: Generating International Tax Norms in the Era of Globalization and BEPS”; Hearson, “Transnational Expertise and the Expansion of the International Tax Regime: Imposing ‘Acceptable’ Standards”; Hearson, *Imposing Standards*; Bais-trocchi, “The International Tax Regime and the BRIC World: Elements for a Theory”; Vet, “Diffusion of OECD Transfer Pricing Regulations in Eastern Africa.”

38 Hearson, “Transnational Expertise and the Expansion of the International Tax Regime: Imposing ‘Acceptable’ Standards”; Hearson, *Imposing Standards*; Hearson, “The Challenges for Developing Countries in International Tax Justice.”



comparable tax rate, but they are a priori not indifferent to the availability of tax avoidance strategies. However, these research agendas are closely related to the extent that the allocation of taxing rights affects the degree to which countries are exposed to certain tax avoidance strategies. This research therefore builds on previous work on the political economy of international taxation for developing initial elements of a political economy theory of combatting tax avoidance.

## 1.2 STRUCTURE AND MAIN FINDINGS

After describing my methodology in chapter 2, chapter 3 addresses the question of how to analyze policies that deal with international tax policies. I introduce two types of typologies that are useful heuristics for analyzing what is proposed in the BEPS Project and international tax policies more generally. The first typology shows that international tax norms can be distinguished based on what type of country role in international tax planning they address. I distinguish three of them: a defensive, a facilitating, and a supportive role. The second typology argues that with regards to the defensive dimension, which is the one in which international norms have the greatest direct impact on developing countries, different combinations of relevant policy features result in essentially five policy directions that can be adopted by governments or promoted by international organizations: finely delineating responses, blunt responses, giving-up, no response, or international harmonization.

In chapter 4, I ask what the BEPS Project seeks to attain, and through which means. I find that, in terms of the heuristic developed in chapter 3, the BEPS Project mainly encourages finely delineating responses and discourages countries from addressing the problem in a too sweeping way, even though an evolution can be observed compared to earlier recommendations issued by the OECD, as a somewhat higher acceptance of blunt solutions is visible. Nevertheless, the important implication remains that the BEPS Project's approach is not the only response to international tax avoidance and not necessarily the most effective.

In chapter 5, I discuss different features of countries that could explain why they adopt a certain approach to international tax avoidance at a certain moment in time. I first emphasize the importance of carefully analyzing the status-quo ante of the legal and administrative system, by arguing that how a country previously addressed international tax avoidance is likely to have an important impact on future approaches. Then I discuss the relevance of limits of structural features of developing countries, such as their position in the market for MNE investment, and a lack of administrative capacity, in explaining policy choices. Subsequently, I turn to the preferences and the influence of different governmental and non-governmental actors in the policy process. Here I use the typology developed in chapter 3 as a heuristic to distinguish different policy preferences. I find that since

often the status-quo ante in terms of anti-tax avoidance policy was judged as worse, businesses will support the introduction of anti-tax avoidance rules proposed by the OECD. However, the actual influence of businesses and other non-state stakeholders in the process should not be overstated. Instead, the struggle over which approach to take is more often fought within government itself, opposing actors that favor ease of tax collection and those more concerned about the impact of tax rules and administrative practices on investment. It seems that the former prevail more often, and that the BEPS Project may have strengthened their position, even if the policy ultimately adopted is not necessarily the preferred response suggested by the BEPS Project.

In chapters 6 and 7, I compare how the approach to international tax avoidance has evolved in Colombia, India, Nigeria, and Senegal as a response to the BEPS Project (or not) with respect to two important policy problems: transfer pricing and treaty shopping. These issues are most affected by the four BEPS minimum standards, as Action 6 addresses treaty shopping, and Actions 13 and 14 mainly relate to transfer pricing. Focusing on these two issues disregards a number of other international tax problems for example, indirect transfers, taxing digital enterprises, deferral of taxation of foreign earnings, or hybrid mismatches. These may be more important in terms of revenue losses in certain contexts or not. However, ranking them is a challenge. Even dividing policy problems of international taxation is somewhat arbitrary, since strategies employed by MNEs may combine various strategies, and different policies can impact the issues in complex ways. Nevertheless, by focusing on two issues, I hope to provide blueprints for extending similar analyses to these other topics.

Broadly, the case studies show that the BEPS Project has left its mark on how countries approach the topic, although it is more worth highlighting where it has failed to do so and where countries have chosen to diverge. First, when addressing transfer pricing, the countries studied have taken steps to bring their regulations more in line with the BEPS Project's approach, although important delays can be observed with for specific items. The second observation relates to the differences in approaches across countries: Whereas Nigeria and India diverge more in terms of policy than Senegal and Colombia, practice is probably most aligned in India, which can mainly be explained by the strength of India's court system. Finally, although in all countries, there is evidence that transfer pricing was a policy issue before, its extent is uncertain, since some kind of transfer pricing enforcement existed before the adoption of detailed rules, and other features of the broader tax and regulatory system of countries prevented certain forms of transfer mispricing. In sum, the impact of the BEPS Project is ambiguous.

In terms of treaty shopping, countries have adopted different approaches, as well: Although the BEPS Project seems to have contributed to the fact that in those cases where treaty shopping caused important revenue losses – India and Senegal –, governments adopted some responses to

stop it after years of piecemeal enforcement or outright tolerance, they not only rely on the BEPS Project's preferred solution but take decidedly stricter measures.

In the final part (chapter 8), I review the normative debate on the BEPS Project and developing countries and explain where the analysis carried out in the preceding chapters can contribute to the debate (and where not). I propose that, when considering what countries do in practice, some of the critiques can be mitigated, as countries do not seem to blindly follow what the BEPS Project suggests. Nevertheless, it is important to keep in mind that the countries researched might lack representativeness. Finally, I remain critical of attempts to grant the BEPS Project more coercive force, such as the inclusion of the BEPS minimum standards in the EU list of non-cooperative jurisdictions.

Chapter 9 concludes the study by summarizing the main findings and by highlighting some of the limitations and open questions for further research.

### 1.3 CONTRIBUTION TO LITERATURE

How does this research fit into the broader research agenda on international tax standards? Before the question of their impact the question of how international tax standards are actually produced. This question has gained importance in both public and academic debates in recent years.

There is an increasing amount of literature that analyses the formation of tax policy at the international level from different perspectives. Some authors adopt state-centric perspectives that explain outcomes of international tax policy processes through the (clash of) policy preferences by the United States,<sup>39</sup> the European Union,<sup>40</sup> and emerging powers such as China and India.<sup>41</sup> Other contributions focus on the sociology of international tax policy making and study the interactions between different types of tax policy professionals, civil society organizations, international bureaucrats, and country representatives.<sup>42</sup> In their study on the degrees of participation and influence of lower income countries in international policy making

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39 Hakelberg, *The Hypocritical Hegemon*.

40 Lips, "Great Powers in Global Tax Governance: A Comparison of the US Role in the CRS and BEPS."

41 Hearson and Prichard, "China's Challenge to International Tax Rules and the Implications for Global Economic Governance"; Christensen and Hearson, "The Rise of China and Contestation in Global Tax Governance."

42 Christensen, "Elite Professionals in Transnational Tax Governance"; Büttner and Thiemann, "Breaking Regime Stability? The Politicization of Expertise in the OECD/G20 Process on BEPS and the Potential Transformation of International Taxation"; Seabrooke and Wigan, "Powering Ideas through Expertise: Professionals in Global Tax Battles"; Dallyn, "An Examination of the Political Salience of Corporate Tax Avoidance: A Case Study of the Tax Justice Network," 2017.

processes Hearson, Christensen and Randriamanalina combine state centric and sociological perspectives.<sup>43</sup> The international tax policy making process also plays an important role in contributions from a normative perspective. The lack of influence of lower income countries in the process is often criticized,<sup>44</sup> and has motivated proposals for institutional reform.<sup>45</sup> The respective arguments and findings of this research agenda with regard to the BEPS process will be reviewed in section 8.1.

Studying the impact of these global processes on local practice means assessing to what extent the former matter in practice. This may serve as feedback for the next round of international policymaking. Knowledge about the reasons for adapting a policy or not may help improve the design of policies at the international level. Potentially, it may also attenuate the relevance of policy processes at the international level.

Another important question beyond the scope of this dissertation is that of the impact of international tax policies on the behaviour of private actors. These questions are mainly explored by economists. Research focusses on either quantifying tax avoidance univariately, i.e., without assessing the impact of different policies on the extent of tax avoidance, or on the relationship between policies and other variables such as investment and tax revenue. Although important methodological advances have been made, reliable data on the scale of tax avoidance (at a global level and even more so at the level of individual countries) is scarce and absent for a longer period than a few consecutive years.<sup>46</sup> This makes a straightforward comparison of current levels of tax avoidance with past levels impossible. It is indeed unclear to what extent these estimates capture the effects of reforms already undertaken or not (and sometimes to what extent they would be visible within the data, see the side note in section 0). If the impact of reforms on country policies is not incorporated, better knowledge on the level of certain tax avoidance indicators may not help for knowing what to do about it. Therefore, the kind of study undertaken in this dissertation is necessary for better contextualizing the indicators used in quantitative studies.

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43 Christensen, Hearson, and Randriamanalina, "At the Table, Off the Menu? Assessing the Participation of Lower-Income Countries in Global Tax Negotiations."

44 Brauner, "What the BEPS"; Mosquera Valderrama, "Legitimacy and the Making of International Tax Law: The Challenges of Multilateralism," 2015; Christians and Van Apeldoorn, "The OECD Inclusive Framework"; Fung, "The Questionable Legitimacy of the OECD/G20 BEPS Project"; Kingma, *Inclusive Global Tax Governance in the Post-BEPS Era*.

45 Rixen, "Institutional Reform of Global Tax Governance: A Proposal"; Rosenbloom, Noked, and Helal, "The Unruly World of Tax: A Proposal for an International Tax Cooperation Forum"; Tanzi, "Is There a Need for a World Tax Organization?"

46 Important studies are Crivelli, De Mooij, and Keen, *Base Erosion, Profit Shifting and Developing Countries*; Cobham and Janský, "Global Distribution of Revenue Loss from Corporate Tax Avoidance: Re-estimation and Country Results"; Tørsløv, Wier, and Zucman, "The Missing Profits of Nations"; Bolwijn, Casella, and Rigo, "An FDI-Driven Approach to Measuring the Scale and Economic Impact of BEPS." For an overview, see Bradbury, Hanappi, and Moore, "Estimating the Fiscal Effects of Base Erosion and Profit Shifting: Data Availability and Analytical Issues," 101–4.

Other papers investigate the impact of international tax provisions on investment.<sup>47</sup> Some research focusses on the relationship of policy with tax revenue.<sup>48</sup> All three variables (tax avoidance, investment, and tax revenue) are eventually important for assessing the success of the BEPS Project.

Especially in a developing country context, much research uses tax revenue as dependent variable to assess the impact of administrative variables or basic features of the tax system (such as the relative importance of direct vs. indirect taxes) on tax revenue but does not integrate differences in international tax policy in its models, highlighting a lack of comparable data on policies.<sup>49</sup> With my research, I attempt at making tax policy somewhat more comparable by generating new data and generating theory that allows for “categorizing” – i.e., giving meaning to – international tax policies.

However, this dissertation has been written too early for a general assessment about the effects of policy standards proposed at the international level on the behaviour of private actors, since as will be shown in sections 6 and 7, implementation in countries’ legislation and administrative practice is yet incomplete as of 2023. Nevertheless, this dissertation may allow for an improved modelling of the mechanisms through which policies could affect behaviour or not and may therefore allow for more fine-grained assessments and better construction of empirical strategies (e.g., what type of control variables to include) to test whether the BEPS Project had an influence on the behaviour it sought to modify. Nonetheless, in interviews that I carry out with tax practitioners, the question of taxpayer behaviour is relevant, in the sense that expectations about the impact of policies may reveal something about how a specific policy is applied in practice.

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47 For example, the increasing amount literature that assesses the impact of tax treaties and their various features on foreign direct investment flows. Petkova, Stasio, and Zagler, “On the Relevance of Double Tax Treaties”; Davies, Norbäck, and Tekin-Koru, “The Effect of Tax Treaties on Multinational Firms: New Evidence from Microdata”; Azémar and Dharmapala, “Tax Sparing Agreements, Territorial Tax Reforms, and Foreign Direct Investment.”

48 Janský and Šedivý, “Estimating the Revenue Costs of Tax Treaties in Developing Countries”; Beer and Loeprick, “Too High a Price? Tax Treaties with Investment Hubs in Sub-Saharan Africa.”

49 Jeppesen, “What We Hoped for and What We Achieved: Tax Performance of Semi-Autonomous Revenue Authorities in Sub-Saharan Africa”; Sarr, “Assessing Revenue Authority Performance in Developing Countries: A Synthetic Control Approach.” There are exceptions, however: See for example Londoño-Vélez and Ávila-Mahecha, “Can Wealth Taxation Work in Developing Countries? Quasi-Experimental Evidence from Colombia”; Beer et al., “The Costs and Benefits of Tax Treaties with Investment Hubs: Findings from Sub-Saharan Africa.”