UNIVERSITÄT LIECHTENSTEIN

Sustainable Taxation

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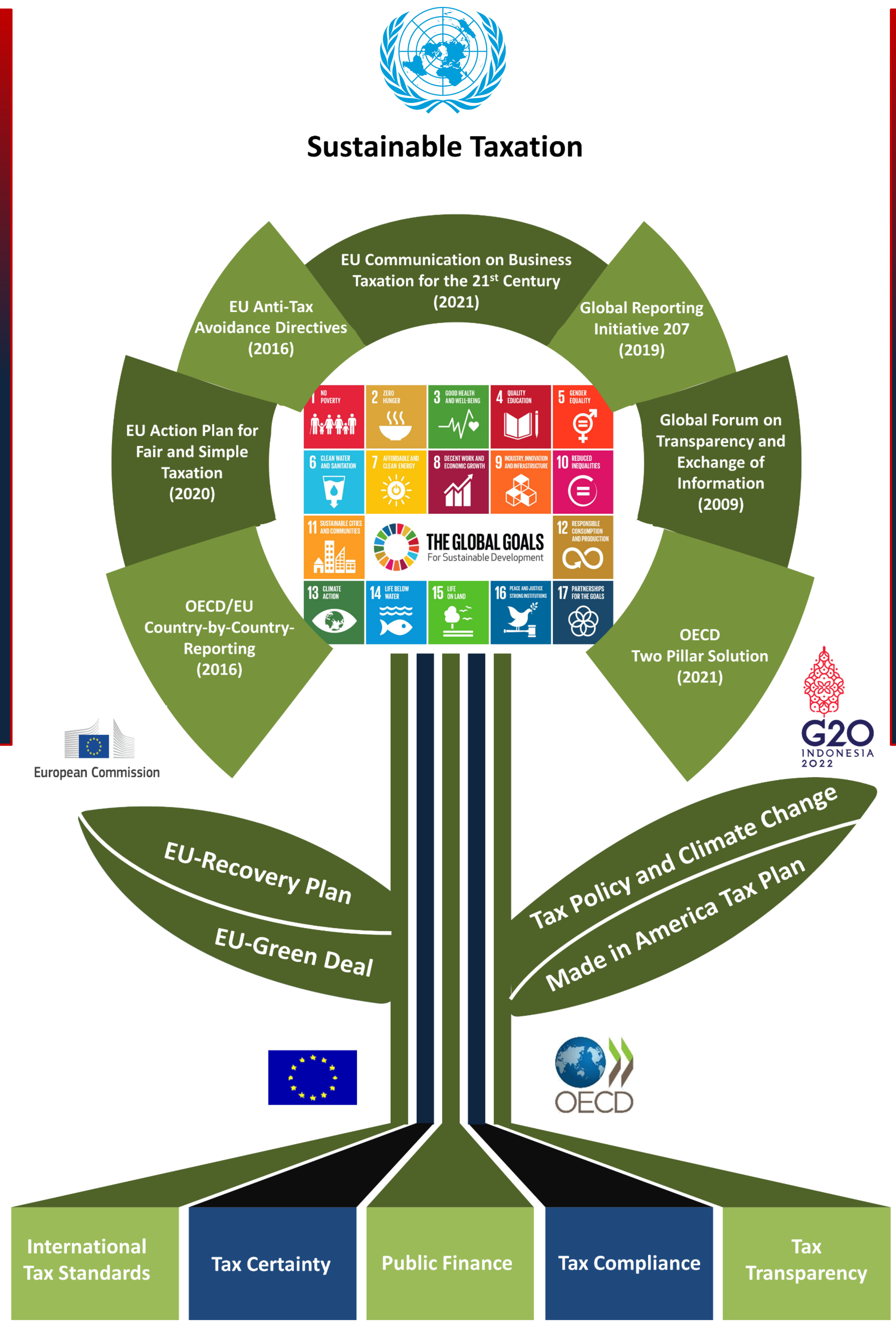
Research Objectives

- Definition of Sustainable Taxation
- The role of taxation as an instrument to achieve a sustainable world
- Current regulative and reporting guidelines
- Tax system sustainability and the economic, social, environmental and institutional pillars
- The relevance of Sustainable Development Goals (SDGs) from a tax policy perspective



Research Questions

(1) Conceptualizing "sustainable taxation" and aspects that make for a "sustainable tax system"

(2) International and European tax standards currently being put forth by different international actors such as the OECD or the EU Commission to achieve a "sustainable tax system"

(3) What standards and guidelines for tax sustainability reporting have been developed by different standard setters?

Research Outcome

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Taxation and Sustainability

- Sustainability as described by the UN SDGs | Reaching the goals = Achieving sustainability
- Mutual interactions between the SDGs and taxation
  - Tax measures support and/or undermine the achievement of the SDGs
  - SDGs influence the way tax policies are implemented and interpreted

1

Taxation indirectly supports the achievement of the SDGs by providing revenue

Tax transparency | Exchange of Information (AEoI, EoIR, sEoI, GR), Country-by-Country Reporting (CbCR), Base Erosion and Profit Shifting (BEPS), Beneficial Ownership Register (BOR), Anti Tax Avoidance Directive (ATAD)

Capacity building | Official Development Assistance, Tax Inspectors without borders

Re-allocation of taxing rights | Taxation and value creation, Two-Pillar Solution, Unshell

Taxation directly (+/-) interacts through incentives with the SDGs

2

Direct positive interaction: Achieve regulatory objectives that relate to the SDGs

Example(s): Environmental tax measures (SDG 13) | carbon taxes, solar panel tax incentives

3

Direct negative interaction: Encourage behaviours that oppose the objectives of the SDGs

Example(s): Tax incentives to company cars (SDG 11, 13), Joint taxation of adult couples (SDG 5)

Tax Sustainability Reporting

Corporate Tax Reporting to assess sustainability as a behavioural and contributor

- **CbCR** | Corporate's contribution (total taxes paid by country) and behaviour (transparency and engagement in aggressive cross-border tax practices)
- **Global Reporting Initiative (GRI) 207** | Corporate's contribution (CbCR) and behaviour (approach to tax, tax governance and risk management)
- **S&P Global Corporate Sustainability Assessment (CSA)** | Corporate's contribution (tax reporting and effective tax rates) and behaviour (tax strategy and governance)

Position of Liechtenstein | Tax co-operation

- Exchange of information on request (EoIR) ✓
- Automatic exchange of information (AEoI) ✓
- Inclusive Framework on BEPS membership ✓
- Two-pillar agreement participation ✓

Liechtenstein initiatives towards sustainability

- 2016 – Nachhaltigkeit in Liechtenstein: ESG-Analyse der Liechtensteinischen Aktienfonds (Government)
- 2019 – Financial center strategy (Government)
- 2020 – Energie | Strategie 2030, Vision 2050 (Government)
- 2021 – Roadmap 2025 | Growth through sustainability and innovation (Bankers Association)
- 2021 – Dealing with ESG Risks (FMA)

Academic Relevance

- Bachus, K. & Vanswijgenhoven, F. (2018). The use of regulatory taxation as a policy instrument for sustainability transitions. *Journal of Environmental Planning and Management, 61*(9), 1469-1486.
- Brokelind, C. & van Thiel, S. (2020). Tax Sustainability in an EU and International Context. Amsterdam: IBFD.
- Janovà et al. (2019). Design and validation of a tax sustainability index. *European Journal of Operational Research, 278,* 916-926.
- Middleton, A., & Muttonen, J. (2020). Multinational enterprises and transparent tax reporting. London: Routledge