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Konjunkturinstitutet

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1. Decentralization and Progressive Taxation

By: Simin Berset; Mark Schelker

Abstract: The traditional normative literature on fiscal federalism argues that redistributive policies should be centralized in order to avoid welfare- or tax-induced migration. However, recent evidence shows that even in a setup where the progressivity of the income tax schedule is centralized to an upper-layer government and local governments are involved in tax competition with only a tax shifter, local mobility induces income sorting. Hence, despite centralized redistributive taxation, the resulting effective tax schedule is less progressive than what is set in the tax code. We argue that upper-layer governments anticipate the impact of local income sorting and strategically adjust their statutory tax schedules. We analyze Swiss panel data and apply causal machine learning methods to identify the effects of decentralization on the statutory tax structure. We provide evidence that more decentralized cantons reduce the tax burden for lower and intermediate income classes and hence implement more redistributive statutory tax schedules. This strategic adjustment is limited by the mobility of the tax base.

Keywords: fiscal federalism, decentralized taxation, redistribution, progressive income taxes

JEL: H73 H77 H71

Date: 2021

URL: <http://d.repec.org/n?u=RePEc:ces:ceswps:8862&r=pbe>

2. Optimality of tax policy on the basis of comparative analysis of income taxation

By: Abuselidze, George

Abstract: This paper is to determine the optimality of taxation based on a comparative analysis of income taxation in developed and developing countries. In our opinion, the main idea of income tax should be the optimal distribution of tax literacy on the basis of a direct definition of income of taxpayers or progressive taxation. The theoretical and

methodological basis of the research is the main provisions of the market economy, classical and modern tax theories, legislative and regulatory acts of foreign countries. The main part of the empirical material is from 2002 to 2017. In the process of analysis of the actual material, together with the general scientific method of research, is used: Comparative and systemic analysis, analogy, statistical data monitoring and other methods. The comparative and systemic analysis will give us an opportunity to reveal and evaluate the ways of perfection. Analogy and comparative analysis is based on variables and features, such as the of income taxes structure, withdrawal rules, rates, tax base. Data from several studies suggest that concept tries to explain the named phenomena by the way of fundamental analyzing of the statistic data received from multiple statistic observation. Previous analyses of tax rates tend to support the hypothesis that developed countries emphasize the importance of fairness, while developing countries are mainly focused on mobilizing budget revenues and lesser consideration of fair taxation principles, since the tax system performs a fiscal function more effectively than developing countries.

Keywords: Tax policy; Income tax; Tax burden; Budget; Well-being
 JEL: H11 H21 H24 H30 H61
 Date: 2020
 URL: <http://d.repec.org/n?u=RePEc:pra:mprapa:104591&r=pbe>

3. The Effect of Legislated Tax Changes on the Trade Balance: Empirical Evidence for the United States, Germany, and the United Kingdom

By: Bernd Hayo (Philipps University Marburg); Sascha Mierzwa (Philipps University Marburg)

Abstract: Using a narrative account of quarterly discretionary changes in tax liabilities from 1974Q4 to 2018Q2 in a VAR setting, we study whether legislative tax changes affect the trade balance in the United States, Germany, and the United Kingdom. As legislative tax changes we consider (i) all changes, (ii) personal income tax changes, (iii) business tax changes, (iv) indirect tax changes in Germany and the UK, (v) spillovers of US tax changes into Germany and the UK, and (vi) asymmetric reactions after tax hikes and cuts. Generally, we find that after a reduction in aggregated tax liabilities, imports and exports in the US and Germany react quite similarly: imports tend to rise; exports do not change much. Consequently and fostered by growing output the net-exports-to-GDP ratio decreases. We find no clear net effect in the UK. Instead, UK imports only increase after cuts to indirect taxes. However, employing normal variations of the tax changes as a yardstick, the economic magnitude of the estimated effects on the trade variables is not particularly large. Thus, there remain doubts as to whether tax policy is an effective instrument for addressing trade imbalances.

Keywords: Fiscal policy, tax policy, legislated tax changes, trade balance, exports, imports, Germany, United Kingdom, United States, VAR, narrative approach
JEL: E62 F41 H30 K34
Date: 2021
URL: <http://d.repec.org/n?u=RePEc:mar:magkse:202103&r=pbe>

4. The Political Economy of the International Tax Transparency Agenda in the G20/OECD Context

By: Ludger Schuknecht; Vincent Siegerink
Abstract: This paper empirically analyses the motives underlying progress in implementing multilateral tax transparency standards. The results point to the protection of domestic special interests as a potential motive behind slower and less rigorous implementation. In particular, jurisdictions with a significant share of global offshore wealth and to some extent those that host shell company activity, progress less in adopting and implementing the AEOI and EOIR standards. High tax jurisdictions seem to make more progress, while those with significant wealth held offshore seem to lag behind. These special interest considerations, however, may have declined over time as participation became more global and compliance improved. There is also evidence that reputational motives and preceding bilateral collaboration mattered for the speed and comprehensiveness of participation.
Keywords: policy coordination, international public goods, tax transparency and coordination, information exchange
JEL: D70 F53 H26
Date: 2021
URL: http://d.repec.org/n?u=RePEc:ces:ceswps:_8813&r=pbe

5. Climate Policy and Optimal Public Debt

By: Maximilian Kellner; Marco Runkel
Abstract: This paper analyzes the optimal level of public debt when taxes are used not only for funding public expenditures but also for correcting externalities from climate change. Taking into account externalities implies that the optimal policy deviates from tax smoothing. Provided cumulative marginal damages are larger from today's than from tomorrow's emissions, the internalization of externalities decreases [increases] optimal debt if tax rates are on the increasing [decreasing] side of the Laffer curve. The reversed holds if the cumulative marginal damages increase over time. Allowing for endogenous adaptation investments reduces the deviation from tax-smoothing, but nevertheless increases optimal debt.
Keywords: environmental externality, public debt, tax smoothing
JEL: H23 H63 Q54 Q58

Date: 2021
URL: <http://d.repec.org/n?u=RePEc:ces:ceswps:8865&r=pbe>

6. The Accuracy of Tax Imputations: Estimating Tax Liabilities and Credits Using Linked Survey and Administrative Data

By: [Bruce D. Meyer](#); [Derek Wu](#); [Grace Finley](#); [Patrick Langetieg](#); [Carla Medalia](#); [Mark Payne](#); [Alan Plumley](#)

Abstract: This paper calculates accurate estimates of income and payroll taxes using a groundbreaking set of linked survey and administrative tax data that are part of the Comprehensive Income Dataset (CID). We compare our estimates to survey imputations produced by the Census Bureau and those generated using the TAXSIM calculator from the National Bureau of Economic Research. The administrative data include two sets of Internal Revenue Service (IRS) data: (1) a limited set of tax information for the population of individual income tax returns covering selected line items from Forms 1040, W-2, and 1099-R; and (2) an extensive set of population tax records processed by the IRS in 2011, covering nearly every line item on Form 1040 and most lines on a series of third-party information returns. We link these IRS records to the Current Population Survey Annual Social and Economic Supplement (CPS) for reference year 2010. We describe how we form tax units and estimate various types of tax liabilities and credits using these linked data, providing a roadmap for constructing accurate measures of taxes while preserving the survey family as the sharing unit for distributional analyses. We find that aggregate estimates of various tax components using the limited and extensive tax data estimates are close to each other and much closer to public IRS tabulations than either of the imputations using survey data alone. At the individual level, the absolute errors of survey-only imputations of federal income taxes and total taxes are on average 10% and 13%, respectively, of adjusted gross income. In contrast, the limited tax data imputations yield mean absolute errors for federal income taxes and total taxes that are about 2% and 3% of adjusted gross income, respectively. For the Earned Income Tax Credit, the limited tax data imputation is off by less than \$20 on average for a typical family (compared to more than \$500 using either of the survey-only imputations).

JEL: [C42](#) [C81](#) [H20](#) [H24](#) [I32](#)

Date: 2020–12

URL: <http://d.repec.org/n?u=RePEc:nbr:nberwo:28229&r=pbe>

7. Is funding a large universal basic income feasible? A quantitative analysis of UBI with endogenous labour supply

By: [Ghatak, Maitreesh](#); [Jaravel, Xavier](#)

Abstract: This article addresses a key point of contention in the ongoing UBI debate: given the way labour supply responds to tax changes, is it

possible to fund a large UBI using income taxes? Using recent empirical estimates and quantitative tools from the public economics literature, we assess what level of UBI may be funded given the fall in labour supply that could be induced by the required larger taxes. Despite a prevalent belief that a large UBI would be fiscally irresponsible, we find that it is possible to fund a large annual UBI over £11,000 per person, that it could be funded through a 45% flat tax, but that increasing taxes on the most affluent alone would be insufficient. Our findings highlight an important tension: a large UBI is possible, but it requires large tax rates, including for those at the bottom of the income distribution.

Keywords: poverty; inequality; redistribution; taxation; welfare
 JEL: R14 J01 E6 N0
 Date: 2020-01-01
 URL: <http://d.repec.org/n?u=RePEc:ehl:lserod:108533&r=pbe>

8. How Well Insured are Job Losers? Efficacy of the Public Safety Net.

By: Chloe N. East; David Simon
 Abstract: An extensive literature in economics documents large and persistent declines in earnings following involuntary job loss. We study whether the public safety net mitigates this loss in resources using the Survey of Income and Program Participation in 1996-2013. With an individual fixed effects model, we document which public safety net programs provide the most insurance, and how this varies by pre-job-loss characteristics. We find that Unemployment Insurance provides the largest buffer against lost income, but that due to the structure of the program, the neediest are less-well insured (in terms of dollars transferred and percentage of lost earnings replaced), compared to middle and higher income job losers. This has important implications for the progressivity of the safety net, and how best to support displaced workers, which is crucial to understand for job losers at any time, and especially now, in light of the historic number of job losses during the COVID-19 pandemic.
 JEL: H0 H31 J18 J65
 Date: 2020-12
 URL: <http://d.repec.org/n?u=RePEc:nbr:nberwo:28218&r=pbe>

9. The Impact of R&D tax incentives in Portugal

By: Rita Bessone Basto (Research Office of the Portuguese Ministry of the Economy and Digital Transition); Ana Martins (Research Office of the Portuguese Ministry of the Economy and Digital Transition); Guida Nogueira (Research Office of the Portuguese Ministry of the Economy and Digital Transition)
 Abstract: The competitiveness of an economy increasingly depends on its ability to innovate. Theory suggests that innovation makes an

important contribution to growth both at the firm level and at the national level. Innovative economies that deliver new differentiated products and services and/or develop more efficient production processes are often more productive, more resilient and adaptable in the face of adversity and change, and better able to support higher living standards and thus greater well-being. However, because knowledge is a public good, without government support, private agents are likely to underinvest in R&D, as it usually leads to higher social returns than private ones. In this context, it is strategically important to use public funds to promote innovative activity in firms to achieve the optimal level of R&D investment. Since 2000, indirect public support through tax credits has become more prominent and is currently the main form of public R&D support for most OECD countries. This paper evaluates the impact of SIFIDE, the Portuguese system of tax incentives to corporate R&D investment, on firms' behaviour. The results show the effectiveness of SIFIDE in promoting investment in R&D, both through the impact of the program on intangible investment and on R&D staff.

Keywords: R&D tax credits, Innovation, BERD, SIFIDE, Propensity score matching, Differences-in-Differences.

JEL: O31 O32 H25 H32 C31

Date: 2021–01

URL: <http://d.repec.org/n?u=RePEc:mde:wpaper:0158&r=pbe>

10. Do Audits Deter or Provoke Future Tax Noncompliance? Evidence on Self-employed Taxpayers

By: Sebastian Beer; Matthias Kasper; Erich Kirchler; Brian Erard

Abstract: This paper employs unique tax administrative data and operational audit information from a sample of approximately 7,500 self-employed U.S. taxpayers to investigate the effects of operational tax audits on future reporting behavior. Our estimates indicate that audits can have substantial deterrent or counter-deterrent effects. Among those taxpayers who receive an additional tax assessment, reported taxable income is estimated to be 64% higher in the first year after the audit than it would have been in the absence of the audit. In contrast, among those taxpayers who do not receive an additional tax assessment, reported taxable income is estimated to be approximately 15% lower the year after the audit than it would have been had the audit not taken place. Our results suggest that improved targeting of audits towards noncompliant taxpayers would not only yield more direct audit revenue, it would also pay dividends in terms of future tax collections.

Keywords: Auditing; Personal income; Tax assessments; Tax auditing and verification; Tax return filing compliance; WP, audit outcome, audited taxpayer

Date: 2019–10–11

URL: <http://d.repec.org/n?u=RePEc:imf:imfwpa:2019/223&r=pbe>

11. Public Health Insurance and Medical Spending: Evidence from the ACA Medicaid Expansion

By: Cortnie Shupe

Abstract: This paper investigates the short-run impact of public insurance expansion under the Affordable Care Act on out-of-pocket medical spending (OOP) and risk exposure among low-income, eligible households as well as the incidence of the cost of providing insurance. Using data from the Medical Expenditures Panel Survey (MEPS), I exploit exogenous variation in Medicaid eligibility rules across states, income groups and time. I find that public insurance eligibility reduced mean OOP by 18.2% among targeted households, but it did not causally increase total expenditures among beneficiaries. Rather, Medicaid expansion shifted the burden of payment from eligible households and private insurance (17% reduction) to taxpayers in the form of public insurance (45.7% increase). The efficiency of these public funds can be summarized by a Marginal Value of Public Funds ranging from 0.06 to 0.59 that is highest for households with at least one pre-existing condition.

Keywords: public health insurance, risk protection, MVPF, Medicaid, out-of-pocket expenditures, Affordable Care Act

JEL: D04 D61 H44 I13

Date: 2021

URL: http://d.repec.org/n?u=RePEc:ces:ceswps:_8827&r=pbe

12. Fiscal Decentralization, Regional Income Inequality, and the Provision of Local Public Goods: Evidence from Indonesia

By: Matondang Elsa Siburian (Graduate School of Economics, Waseda University)

Abstract: The objective of this paper is to clarify the potential joint determination between fiscal decentralization, regional inequality, and the provision of local public goods in Indonesia. Using provincial-level data over the period 2001-2014, we estimate the simultaneous equation model (SEM) to circumvent the possibility of interdependence between the interest variables. The result reveals that fiscal decentralization is associated with lower regional income disparity but not vice versa. The result confirms that regional income inequality and the provision of public goods are simultaneously determined. The result provides no evidence of interdependence between fiscal decentralization and the provision of local public goods.

Keywords: fiscal decentralization; regional inequality; local public goods; Indonesia; simultaneous equation model

JEL: H10 H77 H70

Date: 2020-05

URL: <http://d.repec.org/n?u=RePEc:wap:wpaper:2001&r=pbe>

13. Digitalization to Improve Tax Compliance: Evidence from VAT e-Invoicing in Peru

By: Matthieu Bellon; Jillie Chang; Era Dabla-Norris; Salma Khalid; Frederico Lima; Enrique Rojas; Pilar Villena

Abstract: This paper examines the impact of e-invoicing on firm tax compliance and performance using administrative tax data and quasi-experimental variation in the rollout of VAT electronic invoicing in Peru. We find that e-invoicing increases reported firm sales, purchases and value-added by over 5 percent in the first year after adoption. The impact is concentrated among smaller firms and sectors with higher rates of non-compliance, suggesting that e-invoicing enhances compliance by lowering compliance costs and strengthening deterrence. The reform's positive effects on tax collection are hindered by shortcomings in the VAT refund mechanism in Peru, suggesting that digital tools such as e-invoicing should be complemented by other reforms to improve revenue mobilization.

Keywords: Value-added tax;Credit;Tax administration core functions;Tax return filing compliance;Stocks;WP,firm,VAT,authority

Date: 2019-11-01

URL: <http://d.repec.org/n?u=RePEc:imf:imfwpa:2019/231&r=pbe>

14. What Makes a Tax Evader?

By: Marcelo L. Bergolo; Martin Leites; Ricardo Perez-Truglia; Matias Strehl

Abstract: Why do some individuals choose to evade taxes while others do not? One popular view is that some individuals cheat on their taxes because they are more dishonest, selfish, or perceive different social norms. There is, however, little direct evidence on this matter. In collaboration with the national tax agency in Uruguay, we address this question using a combination of surveys and administrative records. Leveraging a unique institutional setting, we measure individual-level evasion choices. We document significant variation in evasion decisions across individuals. For a subsample of 6,078 taxpayers, we use survey questions and incentivized laboratory games to measure traits such as honesty, selfishness, and perceived social norms. We find that these individual traits have some power to predict who evades taxes, but other factors, such as the environment, play a much bigger role.

JEL: H24 H26 K42 Z1 Z13

Date: 2020-12

URL: <http://d.repec.org/n?u=RePEc:nbr:nberwo:28235&r=pbe>

15. Republic of Poland; Technical Assistance Report-Revenue Administration Gap Analysis Program—The Value-Added Tax Gap

By: International Monetary Fund

Abstract: This report presents the results of applying the Revenue Administration Gap Analysis Program (RA-GAP) value-added tax (VAT) gap estimation methodology¹ to Poland for the period 2010–16. The RA-GAP methodology employs a top-down approach for estimating the potential VAT base, using statistical data from national accounts on value-added generated in each sector. There are two main components to this methodology for estimating the VAT gap: 1) estimate the potential VAT collections for a given period; and 2) determine the accrued VAT collections for that period. The difference between the two values is the VAT gap. RA-GAP provides estimates of the two components of the tax gap: the compliance gap and the policy gap. The compliance gap is the difference between the potential VAT that could have been collected given the current policy framework and actual accrued VAT collections. The policy gap is the difference between the overall tax gap and the compliance gap. To put the level and trends of the compliance gap into context it is also necessary to analyze the level and trends of the overall tax gap and the policy gap.

Keywords: Tax gap; Value-added tax; Revenue Administration Gap Analysis Program (RA-GAP); Revenue administration; Tax efficiency; ISCR, CR, VAT, gap, compliance gap, VAT gap, revenue, yield

Date: 2018–12–07

URL: <http://d.repec.org/n?u=RePEc:imf:imfscr:2018/357&r=pbe>

16. Heterogeneous price and quantity effects of the real estate transfer tax in Germany

By: Christofzik, Désirée I.; Feld, Lars P.; Yeter, Mustafa

Abstract: Using quarterly data for German counties, we study how housing prices and offers respond to higher transaction costs induced by tax increases. Since 2006, states can set their own tax rates on real estate transfers. Several and substantial tax hikes generate variation across time and states which we exploit in our empirical analysis using an event study design. Our results indicate that prices and offers decrease significantly by 3% and 6% already in the quarter in which the tax increase is announced in press but rise subsequently. Furthermore, we find heterogeneous responses when distinguishing between different types of counties. Housing prices decrease persistently in shrinking counties, while this is at most temporarily the case in growing, central and peripheral counties. This implies that the economic incidence of this tax varies across transactions.

Keywords: Real estate transfer tax, real estate prices, housing market, tax incidence, anticipation effects

JEL: H20 H22 H71 R32 R38

Date: 2020

URL: <http://d.repec.org/n?u=RePEc:zbw:svrwwp:102020&r=pbe>

17. Access to social protection for platform and other non-standard workers: A literature review

By: Kool, Tamara (UNU-MERIT, Maastricht University); Bordon, Giulio (UNU-MERIT, Maastricht University); Gassmann, Franziska (UNU-MERIT, Maastricht University)

Abstract: The need to extend social protection to include new forms of employment has progressively been recognised by policymakers in the last decade. Several countries introduced new schemes particularly for this group or made provisions to existing schemes to cover new forms of employment. In order to get a better overview of the different measures applied, this paper systematically reviews the existing literature with a focus on European countries and a subset of OECD countries, by focusing first on how non-standard, and in particular platform workers are classified and legally protected. Secondly, the paper reviews the extent to which platform and other non-standard workers have access to the different forms of social security provisions. While there is a clear conceptualisation of how platform work can be classified, the challenge lies in the legal construct underlying the work activities. Differing practices prevail between countries and only a few have thus far explicitly recognised platform work or crowd work as a form of employment. The lack of statutory and effective social protection coverage of platform workers can be addressed in various ways. These include adjusting existing schemes in terms of eligibility criteria, portability of transfers, incorporating digital innovation, and providing flexible security. Current shifts in policies have the potential to decrease socio-economic differences between different employment statuses. Ultimately, these shifts promote the transferability of individuals' social rights between employment statuses and ease the use of individual social protection accounts.

Keywords: platform work, platform workers, social security, social protection, non-standard workers, workers rights

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