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I would like to make a submission in relation to Implications of the Modern Global Economy for the Taxation of Multinational Companies. I note that the discussion paper refers to issues such as: the increased importance of multinationals and intangibles; the impact of the GFC; and profit shifting that puts the integrity of the corporate income taxation at risk, and also that:

“These issues are being considered in the context of broader geopolitical changes. The global economy continues to experience dramatic shifts from the rise of Asia and growing concerns over the fiscal position of some advanced economies following the global financial crisis.”

There is a major issue that needs to be considered that was not mentioned in the discussion paper – namely that some now important economies in East Asia have financial systems that are incompatible with the capitalistic economic practices that are the basis of conventional approaches to business taxation. Those economies (notable those of Japan and China) are mercantilist in the sense of pursuing economic power by maximizing production, rather than capitalistic in the sense that this involves profit-focused investment by independent enterprises – see Evidence.

An attempt to provide an account of those systems is in Understanding East Asia's Neo-Confucian Systems of Socio-political-economy (2009), and the implications of those arrangements for Australia's ability to impose taxes on corporate profits was suggested in RSPT Won't Hurt Miners: But Pity Help Naive Australians (2010).

Other aspects of this situation include: (a) the relationship between those arrangements and the global financial crisis; (b) their incompatibility with continued global economic growth; and (c) the resulting likelihood of financial crises and political instability / resurgent-militarism in East Asia. These points are explored further in Fasten Seat Belts: Rough Weather Ahead.

Suggestions about managing these issues are included with 'Art of War' Speculations about North Korea's Threats.

Regards

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