

Submission to Treasury for the Creation of the Australian Tax Research Institute

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Key features of this submission

This submission sets out our distinctive vision for a world-class institution with the promise of enduring benefits for Australia. The key features of the submission are designed to create an institution with a unique set of attributes:

- Ø a **uniquely cooperative** venture between four of Australia's most highly regarded Universities and their staff of accomplished, internationally-respected tax scholars
- Ø harnessing both the opportunities afforded by innovative modern technology and the **deep and rich research infrastructure** already in place in the participating Universities
- Ø ensuring, as a key feature of the bid, the directing of funding to building critical **long-term capacity** in tax analysis in the next generation of Australian graduates
- Ø emphasising **strong linkages with leading tax researchers** in all Australian Universities, as well as research institutes and Universities around the world, to enhance capacity even further
- Ø with a **targeted research agenda** focussing on issues of immediate and national significance, designed to generate relevant policy outcomes that provide an evidence base for future tax reform
- Ø that can **draw on the skills and insights** of leading scholars in a wide range of relevant fields of research – economics, law, accounting, business, government, public administration and public policy
- Ø in an **inclusive model** that makes research funding accessible for the best tax research being conducted anywhere in Australia, not just a single institution, to achieve greater impact
- Ø providing value for money by **bringing additional funding** to the bid from those Universities, as well as the prospect of additional funding from State governments, the tax profession and Australian business
- Ø ensuring sustainability via **an enduring entity** with ongoing national and international profile for its work, and
- Ø with the **participation of key stakeholders** in the tax system – community and business representatives, as well as government – in setting research directions and governance bodies, ensuring relevance and value.

A uniquely collaborative proposal

The Treasurer's closing remarks to the Tax Forum in 2011 announcing the establishment of a tax research institute noted the need in Australia 'for more tax and transfer system research, to support more evidence based policy development...'

This proposal takes seriously the Treasurer's concern about the lack of research capacity in Australia – the insufficient number of researchers, the limited funding opportunities for tax research, and the problem of too few graduates leaving Australia's Universities with demonstrated excellence in tax analysis.

We propose a unique model to address this – a collaborative venture that will combine and co-ordinate our disparate resources – to achieve in combination more than any one institution can achieve alone.

Our goal is to deliver the Treasurer's vision of, 'a centre for research excellence, linked to our universities ...'

And the vision is not static. Over time, it is expected the institute would grow, to involve more Universities, in Australia and abroad. It is also expected that the institute would develop new ways of involving key stakeholders in a dialogue about improving tax regimes and systems.

The tax researchers of the four participating Universities represent the largest collection of established, internationally-respected tax scholars in Australia. No single University in Australia can match the pool of talent – in economics, law, accounting, government or public administration – which the four participating Universities bring to this project. Some of the key tax researchers at each of the participating Universities are listed in Appendix 5.

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Modern technologies, building on rich and deep research infrastructure

The Institute will be a forward-looking co-operative venture between the four participating universities, harnessing the opportunities of modern technology to create a virtual national and international research presence.

The virtual existence of the institute offers immediate dissemination – and impact – for its research, high visibility for its work to national and international communities and minimal infrastructure demands, so that the maximum funds can be devoted to expanding tax research capacity.

The Institute would utilise modern technology to enable both virtual and ‘on the ground’ collaboration and conferences. Modern technology can also engage the public in the ongoing debate on new research and tax reform. The extensive use of modern technology – as well as the traditional methods of publication – means the institute’s research would be widely available – to governments, the broader policy community, journalists, researchers and the public.

In addition, behind the virtual presence of the institute and unique to the Universities, stands their established research infrastructure. Each of them boasts established research facilities that are rich and unmatched in Australia, combining both deep historical collections of research materials and access to the latest subscriber-based materials.

The Institute would provide a hub for tax research collaboration nationally and internationally, through a program of affiliated scholars, visiting fellowships for policy makers, non-government policy analysts and scholars.

Building long-term capacity in tax analysis

A key objective of the institute will be to develop greater tax research capability in Australia. The institute will pursue three related strategies in pursuit of this goal.

A pool of skilled graduates. One of the singular advantages of locating the institute in four of Australia's leading Universities comes from their unique ability to build long-term capacity in tax analysis by preparing the next generation of Australian graduates. Building greater tax research capability will happen most effectively in bodies dedicated to research and research training.

So, a critical target for the allocation of funding by the participating Universities will be the creation of funded research positions for PhD candidates and post-doctoral fellowships.

Supporting the strengths of existing researchers. Another strategy for building long-term capacity is to develop and intensify the skills of existing researchers. A significant portion of the available resources will be allocated to bringing leading international experts under the umbrella of the institute in a variety of ways, including by supporting their involvement with the participating Universities through visiting fellowship programs and by encouraging Australian researchers' connections with research institutes offshore.

Spreading the opportunities. One important goal of the collaborative and outward-looking model is to engage researchers from other academic institutions in Australia and abroad in Institute research activities – whether as Visiting Fellows, on secondment or as commissioned researchers. The institute will offer opportunities for growing the skills and competencies of existing researchers at other Universities. Each of the four participating Universities will make available space, office facilities and access to research resources so that international visitors and scholars from other Australian institutions can pursue their research and contribute to the work of the institute.

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International and local linkages

Collaboration between scholars offers the possibility of richer, more informed and ultimately better quality outputs.

International affiliations. Another distinctive strength of the four participating Universities is their capacity to attract to the institute the leading tax researchers around the world. Again, it is the collaborative nature of the proposal that offers access to a wider range of expertise and the opportunities for greater involvement by those experts than a single-institution bid could deliver.

The four participating institutions have in place formal and informal exchange arrangements with leading Universities and tax research organisations in Europe, North America and New Zealand including –

- Robert D Burch Center for Tax Policy and Public Finance, University of California, Berkeley
- The Brookings-Urban Tax Policy Center
- The Institute of Fiscal Studies, UK
- The Oxford Centre for Business Taxation
- The Centre for Tax Law, Cambridge University
- Max Planck Institute for Tax Law and Public Finance
- Institute for Public Economics, Canada
- Centre for Accounting, Governance and Taxation Research, Victoria University, Wellington, NZ

Our researchers participate in the OECD International Network of Tax Researchers and the UK Tax Research Network.

Individual researchers from our Universities already work collaboratively with leading international scholars. The evidence can be seen in jointly funded research projects involving foreign tax scholars and jointly authored articles,

International affiliations

- Robert D Burch Center for Tax Policy and Public Finance, University of California, Berkeley
- The Brookings-Urban Tax Policy Center
- The Oxford Centre for Business Taxation
- The Institute of Fiscal Studies, UK
- The Centre for Tax Law, Cambridge University
- Max Planck Institute for Tax Law and Public Finance
- Institute for Public Economics, Canada
- Centre for Accounting, Governance and Taxation Research, Victoria University, Wellington, NZ

Moreover, many of our researchers have established track records of collaborating in joint research projects, both with researchers from the four participating Universities, and from other Universities.

books and monographs with tax scholars. These connections involve collaborations with scholars in United Kingdom, Austria, Hong Kong, Canada and New Zealand.

And of course, because of the strong international profile of our researchers, most have existing personal contacts with leading tax and fiscal policy scholars who can be attracted to the institute in various ways -- Alan Auerbach, Richard Blundell, Robin Boadway, Neil Brooks, Neil Buchanan, Len Burman, Bernard Dafflon, Bev Dahlby, Michael Devereux, Judith Freedman, Jane Gravelle, Peggy Musgrave, Eric Toder, François Vaillancourt and George Zodrow – to name a few.

Local collaborations. Moreover, many of our researchers have established track records of collaborating in joint research projects, both with researchers from the four participating Universities, and from other Universities. Take, for example, the ARC-funded project, 'Safeguarding the domestic tax base in a world without investment borders' which involves joint research by researchers at Monash and Sydney; the project, 'Assessing and addressing tax system complexity in Australia' which involves researchers from UNSW, Monash, Curtin, and Griffith; or the project, 'Mitigating tax barriers to trade and investment relations between Australia and the People's Republic of China' which involves researchers from Sydney, Monash, UNSW and Melbourne.

The same story emerges from the large number of jointly authored articles, books and monographs by tax scholars from each of our Universities.

In short, collaborative projects involving joint research and publication, both between us and with researchers from other institutions, are very common.

A well-targeted research agenda to support policy reform

The report of the Review of Australia's Future Tax System (2009) lamented more than once the significant gaps in our existing knowledge of the impacts of tax and transfer systems.

A clear goal. So the principal and driving motif for the research agenda of the institute will be to carry out evidence-based tax applied research to inform both the development and implementation of tax policy.

Access to the best research and researchers. Through the four Universities and their network of affiliated institutions and researchers, the institute will be a centre of excellence of tax research domestically and internationally.

Which implies ... The institute will also position itself as a thought-leader in the public debate on tax reform, which implies a clear focus on the wide dissemination of its work. Governments, business and the community should expect better, fuller and clearer articulation of the best evidence about the tax and transfer system.

In the initial phase, the institute will pursue a project based national research agenda developed in consultation with the Advisory Board focusing on evidence-based academic research into currently underexplored areas. This development of research capability, particularly in public finance, will enable significant, evidence based research on prioritised projects to be conducted at each of four Universities during this period.

Access to multi-disciplinary insights

Tax is a multi-faceted problem; no single discipline can claim dominion over this subject. This truism informs the collaborative model – no single University in Australia can claim to be the unequivocal leader in all the disciplines that bear on tax and transfer systems and their reform. Again, combining and co-ordinating our disparate resources promises for the institute the possibility of achieving more than a single institution can hope to offer.

It follows from this that the Institute will adopt a multidisciplinary approach in setting its tax research agenda. Researchers from the four Universities working in economics, accounting, law, social policy and public administration will all be affiliated with the institute. A richer and more nuanced output will be produced, that takes into account more of the complexity that tax and transfer systems present.

Ensuring access for researchers from all Australian Universities

One of the key elements of the vision underlying this proposal is that the institute be outward-looking and inclusive. The first step in implementing this vision was to create this coalition between the four Universities. The next step was to develop institutional structures that would expand the opportunities for the support of promising research to those working in other Australian Universities.

So, while this submission was initially developed by academic representatives from the four participating Universities, the development of the proposal from its early days involved extensive discussion and consultation with academics from Curtin University, Griffith University, the University of Queensland and Queensland University of Technology. The substance of this proposal was also presented to an audience of over 100 tax researchers the Annual General Meeting of the Australasian Tax Teachers Association in January 2012.

The institute will provide opportunities for supporting research beyond the four participating Universities. The use of technology and the virtual footprint of the institute make this kind of wider collaboration feasible. And the bricks-and-mortar facilities made available by each of the four participating Universities will make available to researchers the kinds of resources that international visitors and scholars from other Australian institutions will find attractive to intensify their research and, at the same time, contribute to the work of the institute.

Financing a sustainable institution

The success of the institute in the long term will depend upon establishing an international reputation for research excellence. It will also depend upon establishing firm and ongoing funding sources for its work. The 3-year funding from the Commonwealth is seen as the seed funding for establishing an enduring institute capable of financial independence.

As a first step in securing the financial independence of the institute, the four Universities are committed to making a substantial contribution to the operation of the institute in cash and in resources, adding value to the Commonwealth's initial contribution.

The four participating Universities are keenly aware that, for the Institute to grow, it will need to obtain additional support from State governments, business, business and professional associations and community sector organisations. Discussions with a number of these bodies – the Business Council of Australia, the Institute of Chartered Accountants, the Taxation Institute of Australia and a handful of Australian corporates – have already begun in anticipation of this proposal. Protocols to govern tied and general funding opportunities are being developed.

The participating Universities are also planning to secure funding by growth – from other universities in Australia and New Zealand keen to attach themselves to the work of the institute.

The institute will also participate in national and international competitive grant processes.

Over time, the Institute should develop as a key tax research institute and resource for the region.

An inclusive governance model

Key funders of the institute are entitled to expect governance systems that ensure proper accountability and reporting, and to participate in those systems.

Since the tax and transfer systems of a nation have an impact on all citizens, it is also appropriate to involve key stakeholders in the tax and transfer systems in the work of the institute.

The governance structures of the institute – set out in Appendix 1 and Appendix 2 – offer a model that includes both key funding agencies and a broad representation from stakeholder institutions.

Appendices 3 and four describe our plans for –

- establishing the institute and its organs, and
- its ongoing operations once its existence has been bedded down.

Appendix 1. Governance structures

Governance during the initial phase. In the initial phase the Institute will operate as a contractual arrangement between the four Universities. One of the research nodes will be the contracting party with the funders and will have the relevant formal reporting obligations. The contractual arrangement between the initial four research nodes will give each node equal authority in the internal decision making of the Institute and will ensure that each node is fully accountable for Institute projects that it undertakes and Institute funds that it receives. Each research node will indemnify the party contracting with funders and the other research nodes for any liability they incur in relation to Institute projects that it undertakes or Institute funds that it receives.

The governing bodies of the Institute will be: The Governing Board; the Advisory Board; and the Executive. The process and Chair of each of these bodies will be determined in consultation with the members of those bodies. The four research nodes will establish a process to identify a Chair of the Executive – a distinguished person with tax expertise who is independent of each node (on a modestly remunerated, part-time basis). For streamlining and ease of communication, the Executive Chair may also chair the Governing Board and Advisory Board if this is agreed by the members of those bodies.

The Governing Board. This Board will be the means of demonstrating accountability to funding agencies for the money contributed to the Institute. The Governing Board may comprise: an independent Executive Chair, 1 representative of the Commonwealth Treasury; 2 representatives of State Governments; 1 representative from each of the initial four research nodes of the Institute. Appointments to the Governing Board should normally be of three years duration.

It is envisaged that the Governing Board would have scheduled meetings at least twice per year and will be the final decision making body on budgets and approval of projects and would be advised by the Executive and the Advisory Board.

The Advisory Board. The Advisory Board will have a broad representation from stakeholder institutions: universities (including international representation); State Governments; professional associations; business organisations; individual firms; and other stakeholders. The main role of the Advisory Board will be to identify possible research fields and projects for the Institute in the national interest, and possible personnel to be involved in projects. The Advisory Board will make recommendations to the Executive for consideration and through the Executive will have an indirect reporting line to the Governing Board. It is envisaged that the Advisory Board would have scheduled virtual meetings twice per year.

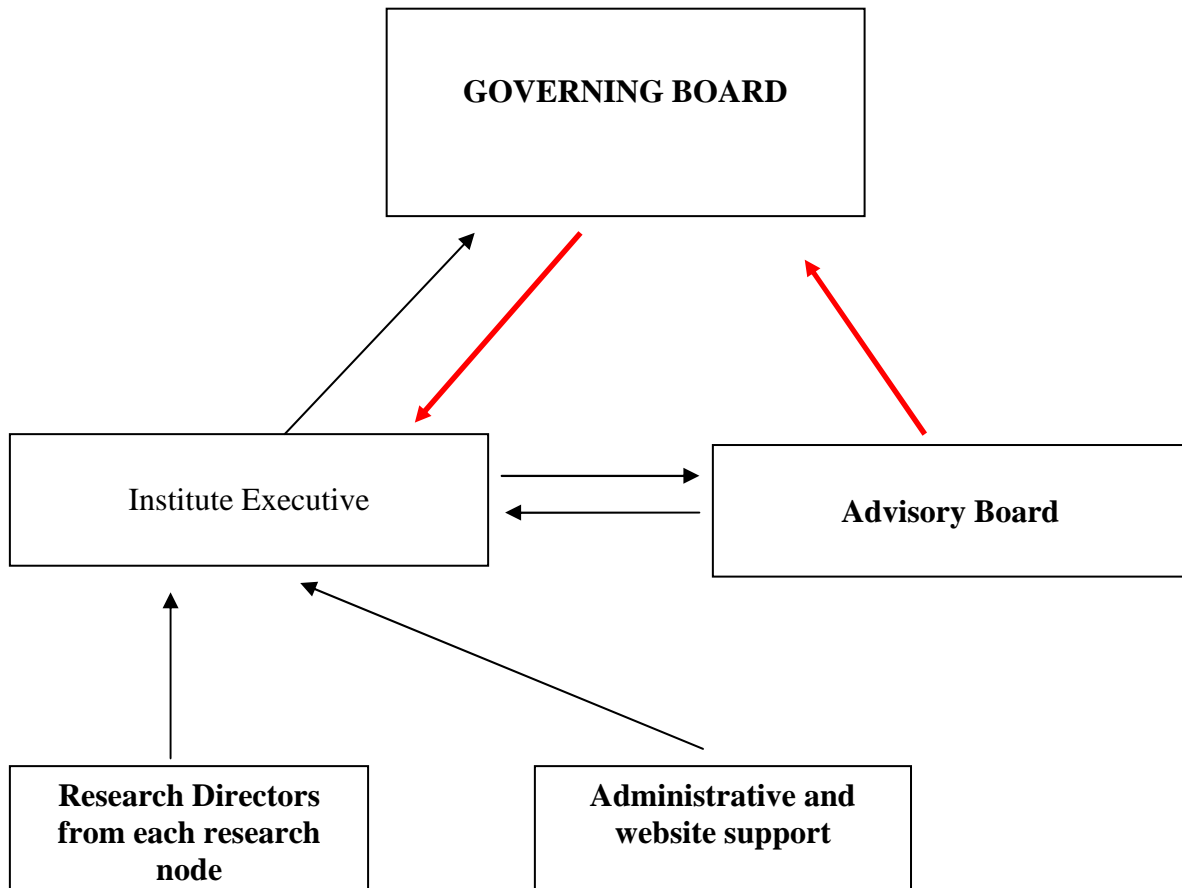
The Executive. The Executive of the Institute will comprise a Chair (either an independent chair or through, eg, a rotating process) and a Research Director from

each of the initial research nodes of the Institute. It is envisaged that the Executive would meet monthly and would be responsible for the prioritising and management of projects recommended by the Advisory Board and would make recommendations in relation to projects and budgets to the Governing Board. The appointment and the term of Research Directors of each node should be determined by the university in which the node is physically located.

Administrative Support. The Institute will have modest administrative support so as to leave most funding for research capacity building. Administrative staff of the Institute would provide support for the Institute in general and at each research node, as needed, in respect of general meetings, conference organisation, visitor administration and financial reporting; the implementation of decisions made by the Governing Board and the Executive; and the design, development and maintenance of the Institute's Website and communications strategy.

Infrastructure Requirements. Physical space for researchers – Visiting Fellows; Post Docs; and Ph D scholars would need to be provided at each institution.

Appendix 2: Governance structures – diagrammatic representation



Appendix 3. Transition to operating the institute

Transitional implementation group. A transitional implementation group will be formed from key stakeholders. The transitional implementation group will draft the charter for the Institute and make recommendations for the composition of the Governing Board, Advisory Board, and the Executive in consultation with key stakeholders.

The development of the institute in the initial phase. With this level of funding over a three-five year period the Institute should be able to provide several Post Doctoral research fellowships, PhD scholarships and conjoint senior research appointments. This development of research capability, particularly in public finance, will enable significant, evidence based research on prioritised projects to be conducted at each of four nodes of the Institute in this period. Through the independence of the Institute from government, the quality of its research and the communication of its research to a wider audience, the Institute will become the key source of quality and informed tax research and information in Australia

Funding during the initial phase. Institute core funds will be provided from Commonwealth Treasury, State Government and other external core fund contributors as agreed.

Each participating research node will in addition make an equal financial contribution (in cash and/or kind), of an amount to be determined and based on the overall core budget, to the establishment of the Institute. Each participating research node may also raise independent or project based Institute funding for that node. Any additional funding obtained by a node for an Institute directed research project would remain with the node.

Core funds will be allocated in four ways.

- Each research node's financial contribution will be assigned consistently and transparently to the development and support of Institute projects within that node.
- Institute funds at a modest level will be assigned to an executive Chair (if agreed) and to provide administrative support and website development and maintenance for the Institute.
- Each research node will be assigned in the first instance, core funds equal to the contribution by that institution, those funds to be utilised for building additional research capacity in that node through, eg, visiting fellowships; PhD scholars; post docs; research related resources and funding public finance education and skill acquisition. This allocation will depend on University contributions and on overall core funding, and will be limited so as to ensure that the majority of Institute funds are directed to research projects.

- The majority of Institute core funds would be available for distribution to research projects managed through the participating research nodes, as determined by the Governing Board in consultation with the Executive and the Advisory Board. Principles relevant to the allocation of funds should include: (a) alignment with target research areas as determined and prioritised by the Governing Board, advised by the Advisory Board and Executive, with an emphasis on underexplored topics; (b) collaborative research projects including collaboration across nodes; across disciplines; and involving other researchers nationally and internationally; and (c) capacity building particularly in applied public sector economics.

The contracting party will be responsible for consolidated financial reporting to Commonwealth and relevant State governments and other financially contributing stakeholders through the preparation of a consolidated report on all the activities of all research nodes. All research nodes will also maintain a financial accounting mechanism designed to ensure full accountability for all institute funds and transparency in relation to their assigned institute projects to enable consolidated financial reporting.

Appendix 4: Tentative model for the institute's operations

The Advisory Board. A key function of the Advisory Board will be to decide on research projects to be considered by the Executive and the Governing Board. Members of the Advisory Board will be able to submit proposals to the Advisory Board for its consideration and the Advisory Board will also be able to call for proposal submissions to it from persons and organisations that are not directly represented on the Advisory Board.

The Executive. The Executive would then consider the recommendations for projects emanating from the Advisory Board. Node Institutions represented on the Executive would indicate whether they were willing to undertake particular projects recommended by the Advisory Board and if so would provide a business plan and budget for the project. Each node would be able to propose that researchers from an institution outside the nodes would be able to be part of the node's team researching a particular project. The Executive would also be able to determine that a particular project would be most appropriately undertaken by an institution outside the nodes. The Executive would also be able to develop research proposals, for consideration by the Governing Board, in relation to topics other than those suggested by the Advisory Board. The project recommendations from the Executive to the Governing Board would prioritise projects and, in the case of each project, would include a business plan (including the institutions that would be responsible for the project and the personnel to be involved in it) and budget for the project.

Once projects had been allocated to an institution the Executive would be responsible for overseeing the management and implementation of the project and reporting to the Governing Board.

The Governing Board. The Governing Board would receive project and prioritising recommendations from the Executive, would make the final decision about prioritising and funding projects and would advise the Executive to implement the recommendations of the Governing Board. The Governing Board would also approve the budget and financial reports of the Institute.

Reporting to financially contributing stakeholders. The contracting party will, on the basis of reports received from institute nodes and other institutions provided with funds from the Institute, prepare a consolidated financial report for the Institute and will submit the report to all financially contributing stakeholders.

Appendix 5. Selected tax researchers

Listed below are some of the key tax researchers who are on the staff of the four participating Universities and will be connected to the institute.

Monash University

Steve Barkoczy (company tax, international tax, venture capital taxation), Ken Devos (tax compliance), Wayne Gumley (environmental tax), Thanasegaran Haemala (Malaysian tax), Dean Hanlon (financial markets and tax), Kathryn James (GST), Jeyapalan Kasipillai (Malaysian tax), Diane Kraal (tax history, retirement savings and tax), Rick Krever (direct and indirect tax policy), Yew-Kwang Ng (political economy and economics of taxation), Ranjan Ray (excise taxation), Karen Streckfuss (retirement savings and tax), Samantha Taylor (State taxes), Jonathan Teoh (indirect tax and State tax)

The University of Melbourne

Hielke Buddelmeyer (tax-transfer system, pensions), Mark Burton (tax policy-making), John Creedy (public economics), Michael Crommelin (mining taxation), John Freebairn (public economics), Paul H. Jensen (research and development), Sunita Jogarajan (international tax), Guyonne Kalb (tax-transfer system, labour supply), Michael Kobetsky (international tax), Neville Norman (public economics), Cameron Rider (corporate and international tax), Rosanna Scutella (tax-transfer system), Miranda Stewart (fiscal reform, housing), Justin van de Ven (tax-transfer system)

The University of New South Wales

Kathrin Bain (tax treaties), Hazel Bateman (superannuation), Dale Boccabella (taxation of intermediate entities), Bruce Bradbury (tax and transfer systems), Deborah Brennan (public economics), Bill Butcher (environmental taxation), Maurice Cashmere (financial products), Bettina Cass (tax and transfer systems), Sang-Wook Cho (public economics), Kalmen Datt (indirect tax, tax administration), Robert Deutsch (international tax, transfer pricing), Erwin Diewert (public finance), Chris Evans (compliance, comparative taxation), Philip Hayes (micro simulation models), Trish Hill (tax and transfer systems), Helen Hodgson (family tax benefit systems), Mike Keane (taxation of labour), Youngdeok Lim (tax avoidance), Gordon Mackenzie (superannuation, corporate finance), Fiona Martin (non profits, indigenous organisations), Margaret McKerchar (compliance, small business), John Piggott (public finance, pensions), Peter Saunders (tax and transfer systems), Nolan Sharkey (Asian taxation), Tess Stafford (public economics), John Taylor (corporate tax, tax treaties), Binh Tran-Nam (public finance, taxation and development), Michael Walpole (intangibles, transfer pricing), Neil Warren (public economics), Alan Woodland (taxation), Peter Whiteford (tax and transfer systems)

The University of Sydney

Patricia Apps (public economics), Celeste Black (environmental taxation), Brett Bondfield (tax reform), Micah Burch (US taxation), Lee Burns (taxation and development), David Chaikin (fiscal evasion and revenue protection), Cynthia Coleman (tax administration), Graeme Cooper (corporate tax), Michael Dirkis (small business), Tim Edgar (taxation of corporate and household finance), Peter Gerangelos (fiscal federalism), Eva Huang (China), Stewart Jones (accounting), Rebecca Millar (indirect taxes), Antony Ting (corporate groups), Anne Twomey (State taxation), Richard Vann (international taxation and tax treaties).