

Requirements for European Tax Microdata from a Scientific Perspective

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Decentralised Access to European Microdata
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- ① Empirical research in business taxation
- ② Why using European Tax Microdata?
- ③ Requirements on European Tax Microdata
- ④ Conclusion

Empirical research issues in business taxation

- Impact of taxation on decision making of individuals and firms
- Revenue, distributional, liquidity and other effects of
 - single legal norms
 - the current tax system
 - tax reform proposals
- Design of legal norms and tax reform proposals

Current research project: German inheritance tax a threat to businesses?

- German Inheritance Tax Reform Act 2009 phased in a vast (85%) or even entire (100%) tax-exemption for businesses
- Argument: Threat to businesses due to a (negative) impact on liquidity
- **Research question:** Can this tax privilege be justified?

Current research project: German inheritance tax a threat to businesses?

- **Research objective:** Appraisal of the liquidity effect by calculating the

$$\text{effective tax burden} = \frac{\text{tax liability} - \text{non business assets}}{\text{market value of business}}$$

- Two legal settings
 - German Inheritance Tax Act 2008 (prior to 2009 reform)
 - alternative revenue neutral inheritance tax reform: tax cut & base broadening → no tax privileges

Outline

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Empirical tax research requires tax microdata

- Detailed analysis of the effects of single legal norm or the entire tax system requires
 - rich information with respect to the individual tax situation
 - calculations and simulations for each individual/firm
- *Case study*
 - *German Inheritance Tax Statistics 2007 (ITS 2007) allow for*
 - *identification of business transfers*
 - *calculation of the effective tax burden*
 - *differentiation between transfers via inheritance versus gift*
 - *Survey-related data as SOEP lack required information*

Why using European Tax Microdata?

- Curiosity for tax regulations and their effects in other countries
- Foreign tax regulations could serve as a role model
- Improved foundation for policy advise
- Probability of getting a paper published in a top (international) journal increases
- *Case study*
 - *International comparison would be interesting and improves publication chances*

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Requirements on data access

- Access to tax data at the researcher´s office (e.g. via scientific use files) to
 - reduce entry barriers and encourage empirical tax research
 - reduce costs of empirical tax research
- *Case study*
 - *microsimulation model (ErbSiHM) based on the scientific use file of ITS 2007*
 - *„controlled remote calculation procedure“ to receive unbiased results*

Requirements on data quality

- High data quality
 - no missing values
 - no discrepancies within the data
 - accurate validation of data to reduce costs of research
- *Case study*
 - *missing values in several characteristics (e.g. sub-items of the characteristic „other assets“)*
 - *discrepancies in some characteristics in the 2002 data (e.g. degree of blood relationship versus applied tax rate)*
 - *accurate validation of the data was extremely time-consuming*

Requirements on documentation and discription

- Proper documentation and description via metadata
 - application of well-established (economic) terms and in addition the underlying tax-specific terms
 - detailed description of the single characteristics (e.g. meaning, status in tax assessment procedure and tax statistics)
 - providing the origin of the characteristics (tax return values vs. calculated values)
- Providing flowcharts of the tax assesement procedure and the tax statistics
- Objective: Making the interrelation between the characteristics traceable

Requirements on the design of a common European Tax Microdatabase

- **Central issue:** Remarkable differences in European tax laws
- Profound comprehension of a foreign tax law extremely difficult
- One **common** database (besides additionally provided 27 different databases) is essential
 - standardised but flexible framework necessary
 - labelling in economic terms by underlaying the tax-specific terms
 - high standards for metadata and flowchart
 - flowcharts of the tax assessment procedure and the tax statistics of every member desirable

Requirement for imputation and completion

- Data of (German) Tax Statistics lack information and suffer from incompleteness
- Imputation and completion is a difficult task
- *Case Study*
 - *ITS 2007 do not contain market values → imputation via tax-market-value multipliers*
 - *ITS 2007 do not cover transfers of low-value properties → completion via SOEP*

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Conclusion

- Development of a common European Tax Microdatabase is a challenging task
- Establishing a committee of
 - members of the Official Statistical Offices
 - members of the tax authorities
 - members of the scientific community

Thank you very much for your attention!