

EDITORIAL NOTE

This issue of JOTA presents a collection of research articles, practitioners' commentaries, and reviews. It also includes a section featuring research at the Chartered Institute of Taxation (CIOT).

The paper by Ferry, Chris Evans, and Binh Tran-Nam considers whether the introduction of presumptive income tax regimes for small and medium-sized enterprises (SMEs) can help to reduce the tax compliance costs that these businesses face. Considering Indonesia in 2019, the authors find that the use of such regimes can have a beneficial effect on such businesses. In particular, presumptive taxation significantly reduces explicit costs, and the psychological costs caused by tax disputes.

Chidozie Chukwudumogu analyses the implications for corporate taxation of three recent blueprints for destination-based taxation of profit—the OECD blueprint, the UN blueprint, and the destination-based cash-flow tax (DBCFT) blueprint. He argues that the implications will include the expansion of the source principle; diverging unilateral actions; avertible costs; and the risk of negative distributional impacts across countries.

The article by S. A. Mohan considers the Income Tax Appellate Tribunal (ITAT) in India, and the challenges to its adjudicatory function and its independence from proposed reforms of its operating procedures. The article stresses the need for reforms of the ITAT and gives recommendations as to the form these should take.

Omar Faruq Khan and co-authors investigate tax expenditure reporting in developing countries, with a case study for Bangladesh. Much of these tax expenditures are applied opaquely, mainly due to the unavailability of tax expenditure data. The authors quantify the extent of such expenditures in Bangladesh and propose recommendations for the reform of the tax expenditure policies of emerging economies like Bangladesh.

The paper by Tracy Gutuza considers the use of tax rulings by the South African tax authorities as a tool to provide legal and commercial certainty. The article focusses on areas in which the interpretation of tax law has been disputed either by taxpayers or the tax authority. The article finds that tax rulings and other South African tax administration publications play an important role in promoting certainty, even where the interpretation set out in the ruling is disputed.

In the final paper of the section, Daniel Taborda and António Martins ask how tax authorities can improve the success rate of their transfer pricing litigation. In Portugal, the focus of the article, the tax authority prevailed in just seven cases out of 52 between 2011 and 2019. The authors analyse six cases in detail to draw recommendations for improving rates of success. These include the need for changes to performance metrics, careful planning for transfer pricing audits, analysis of comparability issues in auditing work, and the dissemination of best practices in audit and litigation procedures.

A second analysis of presumptive taxation is to be found in the Commentary section, where Joel Mmasa considers its impact on household income distribution and poverty alleviation in Tanzania. Using a microsimulation model, the paper predicts that reforms to introduce presumptive taxation would result in increases in tax revenue and reduced inequality in household income.

In the CIOT section, Phyllis Alexander and co-authors investigate the determinants of tax awareness, tax literacy, and tax morale of young adults in the United Kingdom. These issues have grown in salience with policy increasingly focussing on the individual's responsibility to engage with taxpaying obligations and, at the same time, providing less state support and assistance. Using a bespoke two-stage qualitative survey, the authors find that gender, tax tuition, and employment experience significantly influence tax morale.

In the reviews section, Felix Wilson and Lynne Oats of the University of Exeter provide a timely review of the recent literature on a range of topics in tax administration, including tax morale and attitudes, tax compliance, and the tax profession.

Matthew Rablen and Stephen Daly
Managing Editors