IISD
International Institute for Sustainable Development

BRIEF

Revisiting Tax Incentives as an Investment Promotion Tool

Q&A for investment policy-makers

Kudzai Mataba, Thomas Lassourd,
Alexandra Readhead, Suzy Nikièma
October 2023

Tax incentives have, for many years, been considered essential investment promotion tools. Since the early 2000s, however, their effectiveness has been brought into question. Policymakers, including those responsible for investment law and policy frameworks, have responded by tightening the governance of tax incentives—by shortening the duration of incentives or requiring that investors meet additional performance requirements, for example. While this is a valuable and worthwhile exercise, the actual utility and effectiveness of tax incentives have been less explored by governments.

The incoming global minimum tax is a major development for investment incentives and a significant motivation for this Q&A. The global minimum tax will require all multinational companies over a certain turnover to pay an effective tax rate of 15% in all jurisdictions where they operate. This new rule will come into force as soon as January 2024. It will render the use of some types of tax incentives redundant. This significant global development offers governments a renewed opportunity to reconsider the continued use of tax incentives as an investment promotion tool.

This Q&A is intended to update the investment community on the evolution of tax incentives as an investment promotion tool. It revisits the foundational premises surrounding the use of tax incentives at a time when rapidly changing international tax and investment norms are challenging their continued effectiveness. It builds on an earlier policy brief published by the International Institute for Sustainable Development (IISD) in 2012 titled *Rethinking Tax Incentives* (Perera, 2014), as well as more recent work by IISD on the interaction between tax incentives and the Organisation for Economic Co-operation and Development [OECD]/G20 global minimum tax (Christians et al., 2023). It is structured around five key questions:

- What are tax incentives, and how do they differ from other investment incentives?
- Are tax incentives effective at attracting investment?

© 2023 International Institute for Sustainable Development

- What does the global minimum tax mean for the effectiveness of tax incentives?
- What are the legal considerations for tax incentive reforms?
- What is the future of tax incentives?

Are Tax Incentives Effective at Attracting Investment in Developing Countries?

Results are mixed, suggesting that tax incentives are not a mandatory precondition for attracting investment.

Various models have been developed to assist countries in determining the correlation (if any) between tax incentives and increased investment. However, it remains difficult to establish if the investment would not have taken place without the incentive. This challenge is further complicated by the fact that tax incentives are often introduced in conjunction with other ease-of-doing-business reforms, which may exaggerate the impact of tax incentives on investment decisions (Mansour & Keen, 2009).

International Monetary Fund [IMF] et al., 2015). These results echo earlier work by Holland and Vann (1998), who concluded that tax incentives have largely failed to attract investment in developing countries. They further assert that the continued use of tax incentives, even in developed economies, reflects the difficulty of unwinding them rather than their effectiveness.

A foundational study by Hasset and Hubbard in 2002 found that tax policy had little effect on investment at the macroeconomic level, but there was evidence to suggest that tax policy affected the volume of foreign direct investment (FDI) flowing into certain countries. More recently, Millot et al. (2020) analyzed the relationship between the tax sensitivity of investment and profitability measured at the multinational entity (MNE) level, suggesting that firms in the most and least profitable MNE groups are relatively insensitive to tax increases.

Effectiveness will vary depending on the type of investment and the sector.

Effectiveness also depends on the type of investment and the sector. Some industries or types of investors appear to be more sensitive to tax policy measures than others. In particular, large firms, firms that are part of MNEs, or those that have a large proportion of intangibles in their total fixed assets will be more sensitive to tax-related investment measures (Hannappi et al., 2023). Conversely, investments in sectors that involve location-specific factors, such as natural resources, agglomeration effects, or local markets, are less mobile, making them less responsive to incentives (IMF et al., 2015). More fine-grained research is needed on how incentives impact sectors differently.

Tax policy and tax incentives are only one factor influencing investment decisions.

Various studies have indicated that tax is only one factor that companies consider when making investment decisions (Bird, 2000; James, 2013; Klemm & Van Parys, 2009). Political and macroeconomic stability, the legal environment, and labour skills are key determinants of FDI, according to the World Bank *Global Investment Competitiveness Report* (Kusek, 2020).

All else being equal, investors will consider the tax settings, but this is only one factor when making investment decisions. We can also infer that tax incentives are likely to be *less effective* in the absence of other non-tax investment conditions (Holland & Vann, 1998). Studies have shown that there is no "compensation" effect from tax incentives offered by developing countries if the investment climate is weak (James & Van Parys, 2010). By reducing the tax base, incentives make it harder for countries to invest in other investment conditions (Clark et al., 2007).

Institutions that once advocated for tax incentives now question their effectiveness.

The use of tax incentives as an investment promotion tool in developing countries can be traced back to the era of Structural Adjustment Programs (SAPs) by international financial institutions (Khan et al., 1987). Enacting SAPs, which often included putting in place tax incentives, was a precondition for receiving debt relief and loans from the Bretton Woods Institutions (Crisp & Kelly, 1999).

By the late 1990s, it was becoming clear that the economic policies that encouraged the use of tax incentives were not achieving the desired goals (Ricupero, 2000). This conclusion coincided with growing literature and empirical evidence on the mixed effects of tax incentives. The same organizations that had once advocated for incentives, including the IMF, OECD, United Nations, and World Bank, changed their advice to more cautious use of tax incentives. They now focus on assisting developing countries in increasing domestic revenue mobilization. The UN Sustainable Development Goals, the Doha Declaration on Financing for Development, and the Addis Ababa Action Agenda highlight this shift in approach.[1]

Despite the questionable effectiveness of tax incentives, they remain widespread.

Despite this normative change in the thinking around the effectiveness of tax incentives as an investment promotion tool, they continue to be used widely. This could be because, unlike other policy measures that could offer investors a "lower cost of doing business," such as subsidies or cash grants, incentives do not require a new source of revenue (Jun, 2017). Instead of introducing a new expenditure line item that must be financed, it may be more convenient for governments to introduce a tax expenditure that can even be heralded as a "tax break." In reality, however, tax incentives and cash grants may actually result in a similar economic cost to governments (Tanzi & Shome, 1992). Tax incentives may also be viewed as more visible and readily implementable tools to promote investment rather than other measures that might improve the overall investment climate. These reasons could also provide a political basis for using tax incentives, particularly where the government is in need of short-term economic solutions.

[1] For further reading on the changing consensus on the use of tax incentives see: (i) Kronfol & Steenbergen, 2020; (ii) Gore, C. (2000). *Aid, private capital flows and external debt: The challenge of financing development in the LDCs* (Least Developed Countries Report). United Nations Conference on Trade and Development; (iii) UN General Assembly. (2008). *Doha Declaration on Financing for Development (2008): Outcome document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus: Resolution*. https://digitallibrary.un.org/record/644499; (iv) Addis Tax Initiative. (2015). *The Addis Tax Initiative—Declaration*. Financing for Development Conference. https://www.un.org/esa/ffd/ffd3/wp-content/uploads/sites/2/2015/10/Addis-Tax-Initiative_Declaration.pdf; (v) IMF et al., 2015; (vi) Moore, M., & Prichard, W. (2017). *How can governments of low-income countries collect more tax revenue?* (pp. 109-138). Springer International Publishing.

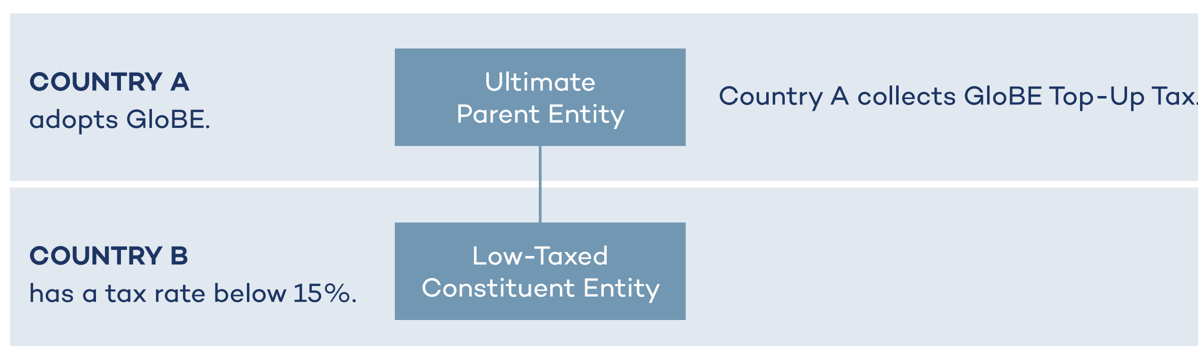
What Does the Global Minimum Tax Mean for the Effectiveness of Tax Incentives?

The global minimum tax will make some tax incentives redundant as early as 2024.

In 2021, 137 members of the OECD/G20 Inclusive Framework agreed to a two-pillar solution to address tax base erosion and profit shifting by multinationals. This initiative was spurred by the need to address tax challenges arising from the digitalization of the global economy. Pillar 2 of this proposal establishes a global minimum tax that will apply to all multinational companies with an annual turnover of EUR 750 million or more. It aims to curb the use of harmful tax competition that has led to the so-called "race to the bottom."[2] This term refers to the phenomenon of countries aggressively reducing their effective tax rates in the hope of attracting foreign investment. The global minimum tax will do this by requiring eligible multinationals to pay an effective tax rate of 15% in all the countries where they operate.

The global minimum tax will make some tax incentives redundant (see Figure 2). This is because the tax benefit that MNEs receive in one jurisdiction will remain payable in another jurisdiction that implements the global minimum tax rules to the extent that the tax benefit reduces the effective tax rate of that MNE below 15%. This example could also lead to a transfer of tax revenue from the country where the investment is located to the residence country (see Figure 1).

Figure 1. The basic operation of the income inclusion rule under the global anti-base erosion system (GloBE)



Source: Christians et al., 2023.

[2] International tax competition has been identified as one of the foundational premises of the use of tax incentives. Klemm, A. (2010). Causes, benefits, and risks of business tax incentives. *International Tax and Public Finance, 17*, 315-336.

Table 1. Impact of the global minimum tax on types of tax incentives

Tax Incentive Types	Likely Impact of GloBE
Profit-based incentives	
Income tax holidays and export processing zones	**High**—Will significantly reduce the GloBE ETR for periods in which it is applied and likely lead to the payment of top up taxes.
Reduced tax rates, business credits, withholding tax relief, preferential treatment of long-term capital gains	**Medium**—Will in many cases reduce GloBE ETR but the ETR reduction may not always lead to the payment of top-up tax.
Cost-based incentives	
Tax deferrals, investment allowances, extended carry forward periods, deductions for qualifying expenses	**Limited**—Likely not to reduce GloBE ETR and lead to the payment of top-up tax. The GloBE rules use a version of deferred tax accounting mechanisms that adjust for timing difference. There are however some limitations.
Payroll tax incentives, property tax reductions, exemptions from indirect taxes	**No impact**—Payroll taxes and other employment-based taxes, as well as social contributions are not covered taxes under the GloBE rules. Consumption taxes, such as sales taxes and value-added taxes (VAT), are not coveredtaxes under the GloBE rules.

Note: GloBE ETR refers to the effective tax rate paid by a Multinational Entity under the rules framework.
Source: IISD-ISLP Guide.

The global minimum tax adds further impetus to revise the use of tax incentives.

The incoming global minimum tax creates a unique opportunity for governments to rethink their use of tax incentives and possibly unwind those regimes that are ineffective. Governments can also respond by adopting a domestic minimum tax that will ensure that either all companies or only those within the scope of the rules are liable for a minimum effective tax rate of at least 15%. Together with the International Senior Lawyers Project (ISLP), IISD has published a *Guide for Developing Countries on Understanding and Adapting to the Global Minimum Tax* (Christians et al., 2023). The guide explains how the tax will work and how countries can respond.

What Are the Legal Considerations for Reforming Tax Incentives?

Tax incentives may be found in several domestic and international laws.

Countries seeking to revise their tax incentive regime must be aware that these measures do not exist in a vacuum. Good practice dictates that tax incentives should be primarily provided for in the general tax law; however, in practice, this is often not the case. Tax incentives will often be embedded or reinforced through various domestic and international sources of law.

Therefore, before commencing any reforms, governments must determine the sources of tax incentives within their country's jurisdiction. This will indicate where and how to make changes to ensure legal and policy coherence, as well as provide clarity for investors and government agencies.

Box 1. Common sources of tax incentives

In many countries, incentives are dispersed across national laws and regulations, including:

- corporate income tax laws,
- investment laws,
- sector-specific laws,
- laws governing special economic zones, and
- special regulations on tax incentives.

In addition, countries often make commitments in international legal instruments that can limit their policy space to review their tax policies, including tax incentives in

- bilateral and regional investment treaties and
- bilateral and regional trade agreements (especially for indirect taxes).

Investment contracts are another important instrument through which governments may grant incentives.

A case-by-case analysis of the precise wording of fiscal stabilization provisions will reveal the impacts on tax incentives, if any.

"Fiscal stabilization" clauses are provisions that are designed to limit (or could be interpreted as limiting) the ability of the government of the host jurisdiction to change the fiscal law applicable to an investor or investment in its territory. Stabilization clauses can also require economic compensation for enacting and enforcing such changes in law. These clauses can be found in domestic laws and investment contracts. The broad standards of protection in investment treaties could also be interpreted as limiting the power of developing countries to dismantle ineffective tax incentives or respond to the global minimum tax. Fair and equitable treatment provisions and "umbrella clauses" in older treaties are of particular concern in this regard.

Ultimately, whether an arbitral tribunal rules that a country is prevented from making changes to its tax incentives will depend on a case-by-case reading of the precise wording of the fiscal stabilization clause in the investment contract or standard of protection in a treaty, not a generic notion of a stabilization clause.[3] The context in which tribunals understand these clauses is also evolving. John Ruggie's *Report on Principles for Responsible Contracts* (2011), found the expansive nature of fiscal stabilization clauses to be incompatible with the sustainable governance of investments. The OECD's 2020 *Guiding Principles on Durable*

[3] Further guidance on this topic as it relates to the global minimum tax can be found in the IISD-ISLP Guide.

Extractive Contracts suggest that fiscal policy measures, including removing tax incentives, that protect against tax base erosion and profit shifting and are consistent with international practice should not be constrained by stabilization clauses.

Finally, governments should revise incentives according to their country's full legislative process. Procedural transparency and fairness will enhance the legitimacy of the reforms.

What Is the Future of Tax Incentives?

The global minimum tax does not seek to end the use of all tax incentives but rather only the most harmful types of tax incentives.

The global minimum tax affects only incentives related to corporate income tax. Governments that seek to continue using tax incentives for investment promotion may wish to replace tax incentives that the global minimum tax renders ineffective, such as broad tax holidays, with others that are less affected, such as accelerated depreciation and investment allowances. Such reforms should be carefully considered in light of global changes affecting investment patterns beyond the global minimum tax, as noted in the United Nations Conference on Trade and Development's 2022 *World Investment Report*. Countries may be better served by investing in other determinants of capital location decisions, including physical infrastructure, human capital, and the rule of law. Best practice recommendations also include tying incentives to specific targets, such as energy infrastructure, climate resilience, domestic processing, and attaining the 2030 Sustainable Development Goals.

Countries that choose to continue to offer tax incentives, should ensure that they are underpinned by sound economic rationale and the latest empirical studies.

Governments may determine that they would benefit from introducing tax incentives because of some specificities in their jurisdiction. In such cases, tax incentives need to be designed to be effective and efficient. A tax incentive is "effective" if it achieves its policy objective and "efficient" if the objective is met at the minimum cost to government revenue. Some important considerations when measuring effectiveness and efficiency include the following:

- Increased investment is a necessary but not sufficient measure of effectiveness. Investments should also be sustainable and long term. Tax incentives that attract mobile investments that will result in minimal spillover effects to the broader economy and that will close shop after the incentive expires are less likely to be considered effective.
- The granting of tax incentives to corporate taxpayers may present a wide array of direct costs, the most obvious being the revenue foregone by granting the concession. Policy-makers should also consider indirect costs, such as the market distortion that incentives can cause as a result of weakened domestic competition (Chen et al., 2018) and the types of behavioural responses of taxpayers and unintended consequences that might flow from incentives.[4]

[4] For a further discussion of the top 10 manners that tax incentives are abused see Zolt, E. M. (2013). *Tax incentives and tax base protection issues* (Draft Paper 3). Papers on Selected Topics in Protecting the Tax Base of Developing Countries, United Nations. https://www.un.org/esa/ffd/wp-content/uploads/2014/10/20140604_Paper3_Zolt.pdf

Financial models can help governments assess if tax incentives are necessary.

Financial models are essential to determining whether a tax incentive will be efficient. A financial model simulates the investment circumstances, including the impact of incentives on investor returns and government revenues.[5] This data can offer valuable insights into whether the incentive is necessary to induce investment, as well as government revenue foregone.[6] These results should be fed into a broader cost-benefit analysis that considers the direct and indirect costs, as well as the benefits of the potential investment (e.g., jobs-created, contribution to exports, etc).

Tax incentives that lower investment costs are preferable to profit-based incentives.

If financial modelling shows that incentives are necessary to attract investment—and the benefits outweigh the costs—the next step is to consider the type of incentive. Generally, cost-based incentives (e.g., accelerated depreciation) are preferable to profit-based tax incentives (e.g., tax holidays) (IMF et al., 2015) for two main reasons:

1. Cost-based incentives aim to lower the cost of capital, making a greater number of investment projects profitable at the margin—that is, they may generate investments that would not otherwise have been made but for the incentive. Profit-based incentives, on the other hand, make investments that would have been profitable regardless, even more profitable with the incentive. Investments of this nature would have likely still taken place without the incentive.
2. Profit-based tax incentives have been found to be more susceptible to abuse than cost-based incentives. This is because companies can misreport their earnings or drastically change their operations beyond what the government envisaged when granting the incentive in order to gain the most tax benefits from these incentives.[7]

The global minimum tax is a further reason to prefer cost-based incentives. This is because cost-based incentives, such as accelerated depreciation and investment allowances, only affect the timing of when tax is paid. They do not reduce the overall effective tax rate and lead to the payment of a top-up tax. The IISD-ISLP guide provides further information on how timing differences are treated under GloBE (Christians et al., 2023). Other cost-based incentives—such as payroll taxes, property tax reductions, and exemptions from indirect taxes like value-added tax—have been excluded from the scope of the global minimum tax rules and continue to operate as normal.

Transparency and inter-agency coordination are critical to effective administration of tax incentives.

Good governance of incentives is directly correlated to their effectiveness and efficiency. Transparency is necessary to facilitate accountability and reduce opportunities for rent

[5] For further guidance on cost-benefit analysis see Kronfol and Steenbergen (2020) and IMF et al. (2015).

[6] For further guidance on modelling for sustainable development see Bassi et al. (2019).

[7] See BEPS project Action 5 for information on how tax incentives may provide opportunities for tax avoidance.

seeking and corruption. Specific steps that a government could take to extend tax incentives responsibly include the following:

1. Have clear, measurable policy objectives for the incentives regime that are publicly stated and subject to public consultations.
2. Adopt a "whole-of-government" approach to granting tax incentives; of particular importance is the involvement of the Ministry of Finance and the tax authority.
3. Administer incentives through corporate tax codes rather than sectoral laws or contracts.
4. Avoid the granting of discretionary incentives, whether through negotiation or certification. Any contracts should be public so that project-level tax incentives can be monitored.
5. Regularly calculate and publicly report the amount of revenue loss attributable to incentives.[8]

Several organizations—including the OECD[9], World Bank, IMF, United Nations[10], Inter-American Center of Tax Administrations CIAT, Columbia Center on Sustainable Development[11], and IISD—have developed comprehensive principles that expand on good governance related to incentives.

Conclusion

This Q&A aims to update the investment community on the latest thinking surrounding the use and effectiveness of tax incentives. It highlights the urgency for tax incentive reform within the context of the global minimum tax that will invariably alter the utility of some tax incentives. It is the first output from the newly established Tax and Investment workstream at the IISD. More research and technical assistance will follow on the use of tax incentives in different sectors, as well as the interaction between other investment promotion tools, such as subsidies, and the global minimum tax.

[8] For further reading on tax expenditure analysis see Redonda, A., De Sarralde, S. D., Hallerberg, M., Johnson, L., Melamud, A., Rozemberg, R., ... & von Haldenwang, C. (2019). Tax expenditure and the treatment of tax incentives for investment. Economics, 13(1), 20190012.

[9] https://www.oecd.org/tax/tax-global/transparency-and-governance-principles.pdf

[10] https://elibrary.worldbank.org/doi/abs/10.1596/22923

[11] https://ccsi.columbia.edu/sites/default/files/content/docs/publications/Investment-Incentives-policies-approaches-sustainable-investment-CCSI-Oct-2022.pdf

References

Bassi, A. M., Casier, L., Smaller, C., Uzsoki, D., Laborde, D., Linsen, M., Manley, D., Maennling, N., Siersted, M., Steel, I., & West, J. (2019). *Modelling for sustainable development: New decisions for a new age*. International Institute for Sustainable Development. https://www.iisd.org/publications/modelling-sustainable-development

Bird, R. M. (2000). Tax incentives for investment in developing countries. In G. Perry, J. Whalley, & G. McMahon (Eds.), *Fiscal reform and structural change in developing countries, Volume 1* (pp. 201–221). https://doi.org/10.1002/jid.770

Chen, D., Harris, P. A., & Zolt, E. M. (2018). *Design and assessment of tax incentives in developing countries: Selected issues and a country experience*. United Nations. https://financing.desa.un.org/sites/default/files/2023-03/tax-incentives_eng.pdf

Christians, A., Lassourd, T., Mataba, K., Ogbebor, E., Readhead, A., Shay, S., & Tinhaga, Z. P. (2023). *A guide for developing countries on how to understand and adapt to the global minimum tax*. International Institute for Sustainable Development & International Senior Lawyers Project. https://www.iisd.org/publications/guide/developing-countries-adapt-to-global-minimum-tax

Clark, S., Cebreiro, A., & Böhmer, A. (2007). *Tax incentives for investment: A global perspective. Experiences in MENA and non-MENA countries.* MENA-OECD Investment Programme. https://www.oecd-ilibrary.org/finance-and-investment/making-reforms-succeed/tax-incentives-for-investment-a-global-perspective-experiences-in-mena-and-non-mena-countries_9789264052826-11-en

Crisp, B. F., & Kelly, M. J. (1999). The socioeconomic impacts of structural adjustment. *International Studies Quarterly, 43*(3), 533–552. https://doi.org/10.1111/0020-8833.00134

Hanappi, T., Millot, V., & Turban, S. (2023). *How does corporate taxation affect business investment? Evidence from aggregate and firm-level data* (ECO/WKP(2023)18). Organisation for Economic Co-operation and Development. https://one.oecd.org/document/ECO/WKP(2023)18/en/pdf

Hassett, K. A., & Hubbard, R. G. (2002). Tax policy and business investment. *Handbook of Public Economics, 3*, (pp. 1293–1343). https://doi.org/10.1016/S1573-4420(02)80024-6

Holland, D., & Vann, R. J. (1998). *Income tax incentives for investment on tax law design and drafting*. International Monetary Fund. https://www.imf.org/external/pubs/nft/1998/tlaw/eng/ch23.pdf

International Institute for Sustainable Development. (2011). *Investment treaties and why they matter to sustainable development: Questions and answers.* https://www.iisd.org/publications/investment-treaties-and-why-they-matter-sustainable-developmentquestions-and-answers

International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations, & World Bank. (2015). *Options for low income countries' effective and efficient use of tax incentives for investment: A report to the G-20 Development Working Group by the IMF, OECD, UN and World Bank*. https://www.oecd.org/tax/options-for-low-income-countries-effective-and-efficient-use-of-tax-incentives-for-investment.pdf

James, S. (2009). *Tax and non-tax incentives and investments: Evidence and policy implications.* FIAS & World Bank Group. https://ssrn.com/abstract=1540074

James, S. (2013). *Effectiveness of tax and non-tax incentives and investments: Evidence and policy implications*. World Bank. https://dx.doi.org/10.2139/ssrn.2401905

James, S., & S. Van Parys. (2010). The effectiveness of tax incentives in attracting investment: Panel data evidence from the CFA Franc Zone. *International Tax and Public Finance, 17*(4), 400–429. https://doi.org/10.1007/s10797-010-9140-1

Jun, J. (2017). *Tax incentives and tax base protection in developing countries*. UN Economic and Social Commission for Asia and the Pacific. https://www.unescap.org/sites/default/files/S3_Tax-Incentives-and-Tax-Protection-Base.pdf

Khan, M. S., Goldstein, M., & Corbo, V. (1987, February 25–27). *Growth-oriented adjustment programs: Proceedings of a symposium held in Washington, D.C.* https://www.imf.org/en/Publications/Books/Issues/2016/12/30/Growth-Oriented-Adjustment-Programs-Proceedings-of-a-Symposium-held-in-Washington-D-C-134

Klemm, A., & Van Parys, S. (2012). Empirical evidence on the effects of tax incentives. *International Tax and Public Finance, 19*(3), 393–423. https://doi.org/10.1007/s10797-011-9194-8

Kronfol, H., & Steenbergen, V. (2020). *Evaluating the costs and benefits of corporate tax incentives: Methodological approaches and policy considerations*. Policy Commons. https://policycommons.net/artifacts/1271207/evaluating-the-costs-and-benefits-of-corporate-tax-incentives/1854081/

Kusek, P. (2020). *2019–2020 Global investment competitiveness report: Rebuilding investor confidence in times of uncertainty*. World Bank. https://documents1.worldbank.org/curated/en/403901590645496246/pdf/Global-Investment-Competitiveness-Report-2019-2020-Rebuilding-Investor-Confidence-in-Times-of-Uncertainty.pdf

Mansour, M., & Keen, M. (2009). *Revenue mobilization in sub-Saharan Africa: Challenges from globalization*. (IMF Working Paper WP/09/157). International Monetary Fund. https://www.imf.org/external/pubs/ft/wp/2009/wp09157.pdf

Millot, V., Johansson, Å., Sorbe, S., & Turban, S. (2020). *Corporate taxation and investment of multinational firms: Evidence from firm-level data* (OECD Taxation Working Paper 51).

Neubig, T., & Redonda, A. (2017). Shedding light on hidden government spending: Tax expenditures. IMF Public Financial Management Blog, International Monetary Fund, https://blog-pfm.imf.org/en/pfmblog/2017/12/shedding-light-on-hidden-government-spending-tax-expenditures

Organisation for Economic Co-operation and Development. (2020). *Guiding principles for durable extractive contracts.* OECD Publishing. https://doi.org/10.1787/55c19888-en

Organisation for Economic Co-Operation and Development Inclusive Framework on BEPS. (2023). Tax challenges arising from the digitalisation of the economy – Administrative guidance on the Global Anti-Base Erosion Model Rules (Pillar Two). https://www.oecd.org/tax/beps/agreed-administrative-guidance-for-the-pillar-two-globe-rules.pdf

Perera, O. (2014). *Rethinking investment incentives*. https://www.iisd.org/articles/policy-analysis/rethinking-investment-incentives

Ricupero, R. (2000). Tax incentives and foreign direct investment. In *United Nations Conference On Trade and Development, Geneva Advisory Studies* (No. 16).

Ruggie, J. G. (2011). *Principles for responsible contracts: Integrating the management of human rights risks into state-investor contract negotiations: guidance for negotiators: report of the special representative of the Secretary-General on the issue of human rights and trans-national corporations and other business enterprises* (A/HRC/17/31/Add.3). UN General Assembly. https://www.ohchr.org/sites/default/files/Documents/Issues/Business/A.HRC.17.31.Add.3.pdf

Ruggie, J. (2008). *Stabilization clauses and human rights.* International Finance Corporation. https://documents1.worldbank.org/curated/en/502401468157193496/pdf/452340WP0Box331ation1Paper01PUBLIC1.pdf

Sarmiento, F., & Nikièma, S. H. (2022). *Fair and equitable treatment: Why it matters and what can be done* (IISD Best Practice Series). International Institute for Sustainable Development. https://www.iisd.org/publications/brief/fair-equitabletreatment

Tanzi, V., & Shome, P. (1993). A primer on tax evasion. *Staff Papers, 40*(4), 807–828. https://doi.org/10.5089/9781451930856.024

Zolt, E. M. (2013). *Tax incentives and tax base protection issues* (Draft Paper 3). Papers on Selected Topics in Protecting the Tax Base of Developing Countries, United Nations. https://www.un.org/esa/ffd/wp-content/uploads/2014/10/20140604_Paper3_Zolt.pdf

© 2023 The International Institute for Sustainable Development
Published by the International Institute for Sustainable Development
This publication is licensed under a Creative Commons Attribution-NonCommercial-ShareAlike 4.0 International License.

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT

The International Institute for Sustainable Development (IISD) is an award-winning independent think tank working to accelerate solutions for a stable climate, sustainable resource management, and fair economies. Our work inspires better decisions and sparks meaningful action to help people and the planet thrive. We shine a light on what can be achieved when governments, businesses, non-profits, and communities come together. IISD's staff of more than 200 experts come from across the globe and from many disciplines. With offices in Winnipeg, Geneva, Ottawa, and Toronto, our work affects lives in nearly 100 countries.

IISD is a registered charitable organization in Canada and has 501(c)(3) status in the United States. IISD receives core operating support from the Province of Manitoba and project funding from governments inside and outside Canada, United Nations agencies, foundations, the private sector, and individuals.

Head Office

111 Lombard Avenue, Suite 325
Winnipeg, Manitoba
Canada R3B 0T4

Tel: +1 (204) 958-7700
Website: iisd.org
Twitter: @IISD_news

iisd.org