# Table of Contents

About the Author v

Foreword xiii

Preface xv

Introduction 1

**Chapter 1**
The Relationship between the Rule of Reason, the Standard of Reasonableness and Proportionality in Search of Fairness 9

1.1 The Origins of the Standard of Reasonableness, the Rule of Reason, and the Principle of Proportionality 9

1.2 Their Interaction, Differentiation, and Classification as Rules, Standards or Principles 11


**Chapter 2**
American Legislation and the US Supreme Court 25

2.1 The Constitutional Clauses regarding Reasonableness and Proportionality Standards of Review 26

2.1.1 The Role of Proportionality in the American Federalism 26

2.1.2 Constitutional Clause on Contract Protection (The Rule of Reason) 30

2.1.3 Reasonableness and Legal Interpretation 33

2.1.4 The Living Notion of Reasonableness and Proportionality 34
## Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.2 Excessive Taxation</td>
<td>35</td>
</tr>
<tr>
<td>2.3 Tax Discrimination</td>
<td>37</td>
</tr>
<tr>
<td>2.4 Retrospective Taxation</td>
<td>42</td>
</tr>
<tr>
<td>2.5 Domestic Notions of Reasonableness and Proportionality and Their International Tax Dimension</td>
<td>44</td>
</tr>
<tr>
<td><strong>CHAPTER 3</strong></td>
<td></td>
</tr>
<tr>
<td>International Jurisdictions and Proportionality and Reasonable Standards of Review (The ICJ, the ECHR and the WTO)</td>
<td></td>
</tr>
<tr>
<td>3.1 The Role of Proportionality within the Jurisdiction of the <em>International Court of Justice</em></td>
<td>49</td>
</tr>
<tr>
<td>3.2 The <em>European Court of Human Rights</em>: Proportionality and Reasonableness Tests in Tax Matters and in General</td>
<td>50</td>
</tr>
<tr>
<td>3.2.1 General Principles and the Origin of Proportionality and Reasonable Standards of Review in the ECHR</td>
<td>52</td>
</tr>
<tr>
<td>3.2.2 The Meaning and Ascertainment of Reasonableness via Proportionality</td>
<td>52</td>
</tr>
<tr>
<td>3.2.3 Reasonableness and Proportionality as an Unwritten and Overarching Principle</td>
<td>53</td>
</tr>
<tr>
<td>a) Discrimination: Reasonableness Coupled with Proportionality</td>
<td>55</td>
</tr>
<tr>
<td>b) The Right to Property, Its Three Rules and the Overall Assessment of Proportionality</td>
<td>55</td>
</tr>
<tr>
<td>c) Proportionality and Other Fundamental Rights</td>
<td>57</td>
</tr>
<tr>
<td>1) Express Limited Rights</td>
<td>60</td>
</tr>
<tr>
<td>2) The Rights to a Fair Trial and to an Effective Remedy</td>
<td>61</td>
</tr>
<tr>
<td>3) Absolute Rights and Implied Limitations</td>
<td>63</td>
</tr>
<tr>
<td>d) Conclusion</td>
<td>65</td>
</tr>
<tr>
<td>3.2.4 The Margin of Appreciation Doctrine and Its Interference with the Proportionality Principle</td>
<td>66</td>
</tr>
<tr>
<td>a) Tax and Non-tax Matters, Notion of the Margin of Appreciation</td>
<td>66</td>
</tr>
<tr>
<td>b) The Margin of Appreciation in Taxation</td>
<td>70</td>
</tr>
<tr>
<td>3.2.5 Tax Discrimination</td>
<td>71</td>
</tr>
<tr>
<td>a) The Joint Taxation of Married Couples and Family Taxation</td>
<td>71</td>
</tr>
<tr>
<td>b) Tax Discrimination on Grounds of Sex and Strict Proportionality</td>
<td>75</td>
</tr>
<tr>
<td>c) Tax Discrimination on Grounds of Fiscal Residence</td>
<td>78</td>
</tr>
<tr>
<td>3.2.6 Justification for Retrospective Taxation</td>
<td>79</td>
</tr>
<tr>
<td>a) Retrospective Legislation, Tax Avoidance, and Tax Evasion</td>
<td>79</td>
</tr>
</tbody>
</table>
b) Contrast between Tax and Non-tax Retrospective Legislation 83

c) Some Conclusions on Retrospective Legislation and Proportionality 86

3.2.7 Other Tax Principles Derived from Proportionality 87
a) Lawfulness (Clarity and Predictability) in Taxation 87
b) Fiscal Penalties and Forfeiture 89
c) Excessive Taxation, and Ability to Pay (‘Financial Position’) 94
d) VAT and the Rights to Deduction and Refund 96

3.2.8 Conclusion on the ECHR 97

3.3 The WTO: The Interaction between the Rules and Principles of International Free Trade, Taxation and the Role of the Proportionality Principle 100

3.3.1 The Core Principle of Non-discrimination within the WTO 100

3.3.2 National Treatment Principle and Other GATT/GATS Rules 103
a) The Principle of Non-discrimination 103
b) The General Exceptions, the Wording ‘Necessary’: The Cost-Benefit Analysis and Proportionality 105
c) Chapeau of Articles XX and XIV: Balance and Non-abuse of Rights 110

3.3.3 Contrast with Other Jurisdictions and Conclusion 117

CHAPTER 4
A European Union Law (The European Court of Justice) 121

4.1 Proportionality as a General Principle of EU Law 122

4.2 Proportionality, Taxation, and the Fundamental Freedom of Goods 125
4.2.1 Custom Duties (Articles 28-30 TFEU) 125
4.2.2 Trade Restrictions on Imports and the Rule of Reason (Articles 34-36 TFEU) 126
4.2.3 The Relationship between State Aid and the Freedom of Movement of Goods (Articles 34-36 Rule of Reason and 107 TFEU) 128
4.2.4 Domestic Taxation and Protective Measures (Articles 110-113 TFEU) 130

4.3 Free Movement of Persons, Services and Capital (Proportionality as an Explicit Condition for Any Restrictive Measure) 132

4.4 Interaction between Environmental Taxation and the Fundamental Freedoms 138

4.5 Proportionality and Tax Imperative Requirements (Fiscal Coherence, Effectiveness of Fiscal Supervision, Balanced Allocation of Taxing Powers and Tax Avoidance) 142
4.5.1 The Tax System Coherence as a Justification 142
4.5.2 The Fiscal Supervision Requirement 145
4.5.3 The Allocation of Tax Powers between Member States 147
4.6 Proportionality, Abuse and Tax Avoidance 151
4.6.1 The Role of Proportionality in Addressing Tax Avoidance 151
4.6.2 Development of a General Doctrine of Abuse of Rights (Direct Taxation) 153
4.6.3 Specific Tax Avoidance Rules and Proportionality 159
4.7 VAT Principles and Proportionality 161
4.7.1 Tax Avoidance, Tax Evasion, Simplification, Neutrality and Fairness (Substantive Measures) 161
4.7.2 Abuse of Rights as a General Anti-avoidance Rule within the VAT System 166
4.7.3 Fiscal Supervision, Fraud, Neutrality, Fairness (Procedural Measures) 169
4.7.4 Conclusions on VAT Principles and Proportionality 172
4.8 Retrospective Tax Legislation, Legitimate Expectation, and Proportionality 173
4.8.1 The Principles of Legal Certainty and Its Corollary of Legitimate Expectation 173
4.8.2 Proportionality, Legitimate Expectation and Retrospective Legislation in General 175
4.8.3 Actual Retrospective Taxation. Simplification as a Justification 177
4.8.4 Retrospective Taxation and Justifications of Tax Avoidance, Abuse and Evasion: Actual and Apparent Retrospective Taxation 178
4.8.5 Retrospective Taxation and Procedural Rules regarding Limitation Periods 181
4.9 Conclusion on the EU and Some Comparisons with Other Jurisdictions 183

Conclusion 187
1 Proportionality and Reasonableness as Overarching or General International Principles or Standards of Law 187
2 Fundamental Tax Issues and the Role of Proportionality and Reasonableness 190
2.1 Equality, Non-discrimination and International Tax Law 190
2.2 The Abuse of Tax Law and Other International Tax Principles Developed via Proportionality and Reasonableness 193
2.3 The Features of Proportionality (Optimization, Effectiveness and Neutrality) and the Principle of Good Faith in Assessing Fair Taxation 196
2.4 Proportionality and Reasonableness as Applied to Double Taxation Conventions 199
3 Costs and Benefits of Proportionality: International Tax Certainty and Fairness 201
## Table of Contents

Bibliography .................................................. 205
Table of Cases ............................................... 217
Index .............................................................. 231