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G20 among biggest losers in large-scale tax abuse – but poor countries relatively hardest hit

G20 countries are the biggest losers when US multinationals avoid paying taxes where they do business. This is the main finding of a new report on the global tax system, 'Still Broken,' released by the Tax Justice Network, Oxfam, Global Alliance for Tax Justice and Public Services International today.

Overall it is estimated that, in order to reduce their tax bills, US multinationals shifted between $500 and 700 billion—a quarter of their annual profits—out of the United States, Germany, the United Kingdom and elsewhere to a handful of countries including the Netherlands, Luxembourg, Ireland, Switzerland and Bermuda in 2012. In the same year, US multinational companies reported US$ 80 billion of profits in Bermuda - more than their profits reported in Japan, China, Germany and France combined.

Claire Godfrey, head of policy for Oxfam's Even it Up Campaign said: "Rich and poor countries alike are haemorrhaging money because multinational companies are not required to pay their fair share of taxes where they make their money. Ultimately the cost is being borne by ordinary people – particularly the poorest who rely on public services and who are suffering because of budget cuts."

Rosa Pavanelli, general secretary of Public Services International said: "Public anger will grow if the G20 leaders allow the world's largest corporations to continue dodging billions in tax while inequality rises, austerity bites and public services are cut."

The G20 Heads of State are expected to consider a package of measures they claim will address corporate tax avoidance at their annual meeting in Turkey on 15 and 16 November.

Alex Cobham, director of research at Tax Justice Network, said: "The corporate tax measures being adopted by the G20 this week are not enough. They will not stop the race to the bottom in corporate taxation, and they will not provide the transparency that's needed to hold companies and tax authorities accountable. It's in the G20's own interest to support deeper reforms to the global tax system."

Twelve countries – the United States, Germany, Canada, China, Brazil, France, Mexico, India, UK, Italy, Spain and Australia – account for roughly 90 percent of all missing profits from US multinationals. For example, US multinationals make 65 percent of their sales, employ 66 percent of their staff and hold 71 percent of their assets in America but declare only 50 percent of their profits in the country.

While G20 countries lose the largest amount of money, low income developing countries such as Honduras, the Philippines and Ecuador are hardest hit because corporate tax revenues comprise a higher proportion of their national income. It is estimated, for example, that Honduras could increase healthcare or education spending by 10-15 percent if the practice of profit shifting by US multinationals was stopped.

Dereje Alemayehu, chair of the Global Alliance for Tax Justice said: "If big G20 economies with well-developed tax legislation and well-supported tax authorities cannot put a stop to corporate tax abuse, what hope have poor countries with less well-resourced tax administrations? Poor countries need a seat at the table in negotiations on future tax reforms to ensure that they can claim tax revenues which are desperately needed to tackle poverty and inequality."

The Tax Justice Network, Oxfam, Global Alliance for Tax Justice and Public Services International are calling on the G20 to support further reforms to the global tax system that involve all countries on an equal footing. These reforms should effectively tackle harmful tax practices such as profit shifting and the use of corporate tax havens and should halt the race to the bottom in general corporate tax rates.

Notes to editors

- The briefing paper 'Still Broken: Governments must do more to fix the international corporate tax system' is available here: https://goo.gl/RJ46Ru

- The full research paper 'Measuring misalignment: The location of US multinationals' economic activity versus the location of their profits', written by Alex Cobham and Petr Janský of Tax Justice Network, on which the briefing is based, is available at www.taxjustice.net/scaleBEPS/

- A breakdown comparing the proportion of profits which US multinationals declare in different countries with their economic activity is included in the annex of this report.

- The research focuses on US based multinationals because only the US publishes such detailed data from a comprehensive survey of its multinationals. If multinationals from other countries are factored in revenue losses would be far greater.

Oxfam is an international confederation of 17 organizations working together with partners and local communities in more than 90 countries. Oxfam is determined to change that world by mobilizing the power of people against poverty. www.oxfam.org

The **Global Alliance for Tax Justice** brings together thousands of organizations worldwide through regional networks in Asia, Africa, Latin America, North America and Europe. The Global Alliance for Tax Justice campaigns for a world where fair and accountable taxation funds sustainable development and accessible public services for all. www.GlobalTaxJustice.org

Public Services International is a global trade union federation representing 20 million working women and men who deliver vital public services in 150 countries. PSI champions human rights, advocates for social justice and promotes universal access to quality public services. PSI works with the United Nations system and in partnership with labour, civil society and other organisations. www.world-psi.org

The **Tax Justice Network** is an independent international network dedicated to high-level research, analysis and advocacy on the role of tax and the harmful impacts of tax evasion, tax avoidance, tax competition and tax havens. www.taxjustice.net

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