GENDER & TAX
basics of TAX POLICY ISSUES
Liz nelson

@Zilhen @taxjusticenet
A global network of researchers and practising professionals working with advocacy and campaigning activists to remedy financial market failures, promote just tax policies and tackle the harm caused by tax havens.

Launched in March 2003, the network spans over 80 countries on 6 continents.

[www.taxjustice.net](http://www.taxjustice.net)

“TJN has done more than any other organisation to put fiscal justice at the center of the policy agenda. Tax issues should not be left to those who want to escape taxes! Changes will come when more and more citizens of the world take ownership of these matters. TJN is a powerful force acting in this direction.”

Thomas Piketty

“I credit TJN for not only putting tax issues at the heart of the global development debate but also for ensuring that the voices of the people, especially from the Global South are heard loud and clear in this debate.”

Jane Nalunga, Country Director, Uganda, Southern and Eastern African Trade, Information and Negotiations Institute
TAX POLICY

• What is tax – what is it designed for

• Tax income – tax base

• Corporate taxation:
  • Defining tax avoidance
  • The system we have...scale and impact
  • Tax competition – finance curse
  • The corporate vehicle – ‘looking under the bonnet’:
  • Country by country reporting
  • Automatic exchange of information
  • Beneficial ownership (trusts)
  • Financial Secrecy Index

• Solutions
Why are people taxed?

What types of taxation exist?

Source: LSE Library, "Demand the Beveridge Plan" a page from, "Beveridge on Beveridge: Recent Speeches of Sir William Beveridge", edited by Joan S. Clarke, nd [1944].
https://www.flickr.com/photos/lselibrary/8219741831
"That’s the standard technique of privatization: defund, make sure things don’t work, people get angry, you hand it over to private capital."

Noam Chomsky
# TAX RAISED AS A % OF GDP – SOME INTERNATIONAL COMPARISONS

<table>
<thead>
<tr>
<th>Country</th>
<th>Tax Raised as % of GDP</th>
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<tbody>
<tr>
<td>UK</td>
<td>35.2</td>
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<tr>
<td>Denmark</td>
<td>48</td>
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<tr>
<td>France</td>
<td>45.3</td>
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<tr>
<td>Norway</td>
<td>42.2</td>
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<tr>
<td>Greece</td>
<td>33.8</td>
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<tr>
<td>Canada</td>
<td>30.7</td>
</tr>
<tr>
<td>Brazil</td>
<td>35.3</td>
</tr>
<tr>
<td>US</td>
<td>24.3</td>
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<tr>
<td>Mexico</td>
<td>10</td>
</tr>
<tr>
<td>Kuwait</td>
<td>0.7</td>
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CORPORATE TAX RATES – SOME INTERNATIONAL COMPARISONS

• UK 20%
• Ireland: 12.5%
• Vanuata: 0%
• The Bahamas: 0%

• Japan 25.5%
• Argentina: 35%
• France: 34.3%
• Spain: 30%

Source: http://www.heritage.org/index/explore?view=by-variables
STAGECOACH LOSES COURT CASE OVER £11M TAX AVOIDANCE SCHEME

• Characteristics of financial secrecy:
  • Deliberately complex multi-layered ("laddered")
  • Devised by tax experts (KPMG)
  • Real beneficial owners difficult to identify
  • Offshore companies
TNC’S & PRINCIPLES GOVERNING THE INTERNATIONAL TAX SYSTEM

• Trans national corporations treated as separate entities in different countries
• Entities trade across borders (“arm’s length principle”)
OECD

• Organisation of economic cooperation and development (OECD).
  • Fiscal committee – both operates the rules & regulates
  • Decisions involve $billions in taxes
  • Exclusive club
  • Base Erosion & Profit Shifting (BEPS) project completed in 2015
Cross-border finance

• Absence of:
  • Comprehensive and consistent bilateral asset data
  • Identification of ultimate beneficial ownership
  • Automatic exchange of tax information

• Estimates of scale:
  • Low end: zucman $7.6 trillion, or 8% held financial wealth; revenue loss $190 billion per annum
  • High end: henry, assets up to $21-32tn
  • Our analysis of profit-shifting by US multinationals suggests that around 25%-30% of global profits are shifted into jurisdictions with no corresponding real economic activity
Figure: The wealth of the richest 62 individuals continues to grow, while that of the poorest half of the world stagnates.
“... our research shows that three countries alone – Ghana, Nigeria and Senegal – are losing up to $5.8 billion a year ... investment incentives – particularly corporate tax incentives – are not an important factor in attracting foreign investment ... This conclusion is confirmed both by surveys of investors and by econometric evidence”

August 2015
What companies take - and what they give back

Corporate subsidies, grants and tax breaks | Corporate tax payable

Guardian graphic

Source: Kevin Farnsworth
JERSEY - GROSS VALUE ADDED BY SECTOR (2013 COMPARED TO 1970)

(1970 data relates to GDP estimates by Powell, G.C.)

Sources: Author’s charts, data from States of Jersey Statistics Unit
FINANCE CURSE
SYMPTOMS

• Crowding-out of other industries, brain drain, single sector dependence, rent-seeking displaces entrepreneurialism
  ▪ State capture, revolving doors, threats: “don’t regulate us or we’ll go to Dublin”
  ▪ Corruption, criminalization
  ▪ Inequality
  ▪ Poverty
  ▪ Volatility, crises
THE STARBUCKS METHOD

- Royalty payments
- Transit trade / transfer pricing
- Thin capitalisation

- [HTTP://WWW.REUTERS.COM/VIDEO/2012/10/15/STARBUCKS-BREWS-UP-BIG-TAX-BREAKS?VIDEOID=238375113](HTTP://WWW.REUTERS.COM/VIDEO/2012/10/15/STARBUCKS-BREWS-UP-BIG-TAX-BREAKS?VIDEOID=238375113)
Major corporations profit enormously from the accounting ‘gimmickry’ and international tax rules.
BLUEPRINT FOR TAXING MULTINATIONAL COMPANIES

• Unitary Taxation
• Genuine economic activity
COUNTRY BY COUNTRY REPORTING

• CbCR would require each TNC to provide:

  • (1) the name of each country in which it operates.
  • (2) the names of all its subsidiaries and affiliates in each country in which it operates.
  • (3) the performance of each subsidiary and affiliate in every country in which it operates, without exception.
  • (4) the tax charge included in its accounts of each subsidiary and affiliate in each country in which it operates.
  • (5) details of the cost and net book value of its fixed assets located in each country in which it operates.
  • (6) details of its gross and net assets for each country in which it operates.
FAULT LINES IN POLICY DEVELOPMENTS

• Country by country reporting:
  • Not public
  • Not multi-lateral
AUTOMATIC & MULTILATERAL EXCHANGE OF INFORMATION

• Automatic and multilateral exchange of financial information:
  • Must be public
  • Must include developing countries
  • Must cut out bi-lateral arrangements
  • Facility for non-reciprocal receipt of informations
BENEFICIAL OWNERSHIP

• Public registers of beneficial ownership:
  • Of companies,
  • Of trusts, and foundations

• Beneficial ownership rules and standards within a weak international & European framework:
  • FAFT (2012) 40 recommendations
  • 4th EU directive on money laundering
  • Many shortcomings replicated in national laws
  • Developing countries will be especially hard hit in attempts to prevent capital flight and loss of sovereign assets
TRUSTS

- Commercial purposes
- Tax evasion
- Criminality
- Money laundering
- Defrauding creditors, as well as
- Genuine ‘family matters’
- More difficult to see into than shell companies
CAN WE TRUST TRUSTS?

- Full of holes
- Lack of effective registration of trusts’ beneficial owners: the real persons who own, control or benefit from trusts
• ‘Secrecy jurisdiction’ is a potentially more useful and accurate concept (murphy 2008).

• Definition: a secrecy jurisdiction is a jurisdiction which provides facilities that enable people or entities *escape* or undermine the laws, rules and regulations of other jurisdictions elsewhere, using secrecy as a prime tool.
THE FINANCIAL SECRECY INDEX

- VERIFIABLE MEASURES OF SECRECY * SCALE

<table>
<thead>
<tr>
<th>Chart 1 - How Secretive?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moderately secretive</td>
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<td>Exceptionally secretive</td>
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<th>Chart 2 - How Big?</th>
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<td>huge</td>
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<tr>
<td>large</td>
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<tr>
<td>small</td>
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<tr>
<td>tiny</td>
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What’s in a secrecy score?

<table>
<thead>
<tr>
<th>Knowledge of beneficial ownership</th>
<th>Key aspects of corporate transparency regulation</th>
<th>Efficiency of tax and financial regulation</th>
<th>International standards and cooperation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Banking Secrecy</td>
<td>4 Public Company Ownership</td>
<td>7 Fit for Information Exchange</td>
<td>11 Anti-money Laundering</td>
</tr>
<tr>
<td>2 Trust and Foundations Register</td>
<td>5 Public Company Accounts</td>
<td>8 Efficiency of Tax Administration</td>
<td>12 Automatic Information Exchange</td>
</tr>
<tr>
<td>3 Recorded Company Ownership</td>
<td>6 Country-by-country reporting</td>
<td>9 Avoids Promoting Tax Evasion</td>
<td>13 Bilateral Treaties</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10 Harmful Legal Vehicles</td>
<td>14 International Transparency Commitments</td>
</tr>
<tr>
<td></td>
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<td>15 International Judicial Cooperation</td>
</tr>
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RESOURCES


• **Gender & Tax Justice**: Switzerland’s financial secrecy brought under the human rights spotlight:

Submission to the Committee on economic, social and cultural rights (May, 2016) *Center for Economic and Social Rights Global Justice Clinic, New York university school of law*,

*Tax justice network* [http://www.taxjustice.net/topics/inequality-democracy/gender/](http://www.taxjustice.net/topics/inequality-democracy/gender/)

• Taxcast – June 2016: [https://www.youtube.com/watch?v=P_7FZMiXh5k](https://www.youtube.com/watch?v=P_7FZMiXh5k)

• Corruption: [https://www.youtube.com/watch?v=ApfurRY4UAw](https://www.youtube.com/watch?v=ApfurRY4UAw)

• Tax dodging bananas: [https://www.youtube.com/watch?v=m5wb5GY0VeM](https://www.youtube.com/watch?v=m5wb5GY0VeM)

• OECD Recommendations: [https://www.youtube.com/watch?v=_sy4Hra9cLg&list=PLPle_vPYGn5y3Bdu-oTwrPvymMtXQI2TS&index=39](https://www.youtube.com/watch?v=_sy4Hra9cLg&list=PLPle_vPYGn5y3Bdu-oTwrPvymMtXQI2TS&index=39)

• People & Power: How to Rob Africa: [https://www.youtube.com/watch?v=Vvn3N3mWa2E&index=38&list=PLPle_vPYGn5y3Bdu-oTwrPvymMtXQI2TS&spfreload=10](https://www.youtube.com/watch?v=Vvn3N3mWa2E&index=38&list=PLPle_vPYGn5y3Bdu-oTwrPvymMtXQI2TS&spfreload=10)

• Anonymous Companies: [https://www.youtube.com/watch?v=Fy0VMcAIWw8&list=PLPle_vPYGn5y3Bdu-oTwrPvymMtXQI2TS&index=32](https://www.youtube.com/watch?v=Fy0VMcAIWw8&list=PLPle_vPYGn5y3Bdu-oTwrPvymMtXQI2TS&index=32)

• Tax for Everyone: [https://www.youtube.com/watch?v=Ms4yoJT6HOI&index=33&list=PLPle_vPYGn5y3Bdu-oTwrPvymMtXQI2TS](https://www.youtube.com/watch?v=Ms4yoJT6HOI&index=33&list=PLPle_vPYGn5y3Bdu-oTwrPvymMtXQI2TS)