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Statement for ICRICT Meeting (18 March 2015)

My name is Rosa Pavanelli, Generel Secretary of Public Services International (PSI), the Global Union Federation representing 20 million public services workers from more 660 affiliated unions in 160 countries around the world.

I am pleased to inform the Commission that the Council of Global Unions supports the idea of examining the fundamentals of the global corporate tax system. CGU represents over 200 million workers across the globe and is composed of the leaders of the global trade union movement, from education to manufacturing, from health care services to transport.

PSI and the Council of Global Unions welcome the idea of starting an open and public debate on who pays tax and how.

Several statistics demonstrate that in almost all the OECD countries the criteria of progressiveness in tax systems have dropped significantly in the last two decades, shifting fiscal pressure from the capitals to wage earners.

Many observers, among them trade unions, saw in the 2008 financial crisis the opportunity to put an end to financial markets' deregulation and to re-address the tax issue in a more equitable manner.

Seven years later, we see that fiscal consolidation, imposed austerity measures and further reduction of taxes for big companies are amongst the main factors that still foster inequality.

A drastic policy of cuts in public services was adopted all around the world and an increasing number of working poor today has no access to some fundamental public services such as health, education, water, sanitation, energy, waste removal.

At the same time Multi National Enterprises have enjoyed even further tax relief, thanks to the extension of tax avoidance. This tendency - along with the abnormal proliferation of very low wage jobs - is threatening incomes in many industrialised countries, such as the UK.

Even the EU could not adopt a fiscal policy coordination in the Eurozone, while imposing draconian measures of fiscal consolidation that have transformed once flourishing communities in a forlorn landscape of new poverty

This strategy aims to avoid actual tax reforms in order to support policies of cuts in public spending, with all sorts of measures to privatize public services in the interest of MNEs.

Among those measures and tools we are particularly concerned about the Public-private partnerships (PPPs) and the emphasis that the global institutions are putting on them: from the OECD to the IMF, from the Investment Development Banks to the UN negotiation on the SDGs and the FfD.

Far from increasing the quality of services and creating jobs, in the long run PPPs prove to be more expensive, less efficient and effective. Furthermore, PPPs are often used to conceal public borrowing, while providing long-term state guarantees to profits for private companies.

Public investment is essential to boost development and public services are crucial to promote sustainable development and reducing poverty.

Therefore, the solution to the domestic revenue problem in the post 2015 development agenda cannot but be taxing profits of MNEs.

We are told that there is no funding for public services but we know that corporate profits are rising, inequality is rising and the richest are getting richer. In terms of supporting development, MNEs contribute less than migrants' remittances.

Given this scenario, it is an economic but also a moral imperative that richest companies pay their fair share at a global level.

This is a scandal that affects us all and we cannot allow this to continue. A few examples:

- In Africa transfer pricing abuse causes more money to flow out of the continent than total aid onto Africa.
- McDonalds in Europe avoided a billion Euros in taxes between 2009 and 2013

http://www.waronwant.org/news/press-releases/18283-unhappy-meal-1-billion-in-tax-avoidance-on-the-menu-at-mcdonalds-

- General Electric has paid 0.4% federal tax on average in the USA over the last decade. And this happened although it made 68,000 Million dollars in US pre-tax profit over the period.

http://www.taxjusticeblog.org/archive/2015/03/imagination_at_work_ge_once_ag.php

- Rupert Murdoch paid less than 10% tax for a decade while print workers who printed his papers paid three times that amount

http://www.tackletaxhavens.com/more-stuff/quotes/

Public sector unions recently released a report on tax avoidance strategies of McDonalds in Europe.

Through a corporate reorganization in 2008 McDonalds transferred its intellectual property rights and franchising rights to a Luxembourg based subsidiary with a Swiss branch. In 2009 McDonalds moved its European headquarters from London to Switzerland.

In 2013 the Luxembourg company received 833 million euros in royalties but had only 13 staff. It paid only 16 million Euros in tax.

We cannot believe this happened by accident. We do not believe that there is a lack of technical solutions.

There is a lack of political will. Not by chance many EU governments decoded to cut jobs in tax departments or in control bodies, under the pretext of austerity, rather than strengthening those sectors fundamental to fight tax evasion.

How is it that 40 years after we send a man on the moon – we can not collect tax in Europe for companies that make cheeseburgers?

The renewed focus on corporate tax at the G20 and OECD is welcome.

However while corporations are able to artificially restructure and create separate but controlled subsidiaries with no link to actual value creation, our attempts to collect tax will only be as strong as the weakest link.

We believe three fundamental issues remain unaddressed that are at the heart of the matter.

First, we must recognize that the reality of today's multinational corporations is that they deliberately structure themselves as multiple legal entities but that they operate in practice as one big business across the globe.

This pretense must be unveiled and the onus of proof should be on the company, not the other way around.

Secondly, the IFIs should stop promoting tax exemption for foreign investors in developing countries as this has proved to lead to the current system of tax avoidance.

Furthermore, this system is responsible for promoting unfair competition which caused the destruction of manufacturing industry in many countries.

Thirdly, it is inconceivable that there is no global tax body.

Corporations can transfer their activities everywhere on the planet. Financiers move billions of dollars a day around the globe. Big business demand trade barriers to be broken down so that their business can flow freely between borders.

Yet we still do not have a global body for tax.

Who could think that we don't need a world organisation for health? We have a world bank. We have a world intellectual property organisation.

We even have an international federation to regulate football games.

How is it possible that we do not have a world tax body? And who benefits from this vacuum?

Our political leaders can no longer hide behind the excuse of lack of awareness or lack of technical solutions.

There are many, today here that have provided details and evidence. I will conclude pointing out a few reforms we believe are fundamental.

- The OECDs template for country by country reporting is a major achievement that could be a significant shift towards seeing the whole picture of companies' activities. However, they must be filed with all countries where the company is active. Further, they must be publicly available. The public will no longer accept that we find out about tax scandals only when we have media leaks.
- Further revisions, exceptions and refitting of the transfer pricing rules as proposed by the OECD will largely only create more complexity and uncertainty. Developing countries will have even less hope of enforcing them than now. They will benefit the largest players who have the most resources to abuse them. They will punish honest business who attempt to comply by putting them at a competitive disadvantage to those who seek to abuse the complexity.
- More must be done to stop IFIs and governments, starting with giving tax breaks to MNE's. Such windfalls are rarely transparent and create the environment for corruption – if not

outright illegally then through political donations and other illicit means. Countries who genuinely want to promote research and development can do so through investment allowances and subsidies.

- We believe the reform of tax systems for MNEs should be part of the SDGs in the post 2015 agenda.
- We believe the G20 should make a Declaration against harmful tax practices that should have strong undertakings to transparency, economic activity standards and anti-abuse provisions.
- We call on the G20 to show leadership and announce a global tax summit to establish a new global tax body that enfranchises all countries and imposes tax rules in the public interest.

Thank you.