

Even it Up!

**Tax Justice to
fight inequality**

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**EVEN IT UP! Time end extreme inequality,
time to change the rules**



WHY OXFAM WORKS ON INEQUALITY

Figure 3: Wealth of the 80 richest people³ in the world has doubled⁴ in nominal terms between 2009 and 2014, while the wealth of the bottom 50% is lower in 2014 than it was in 2009.



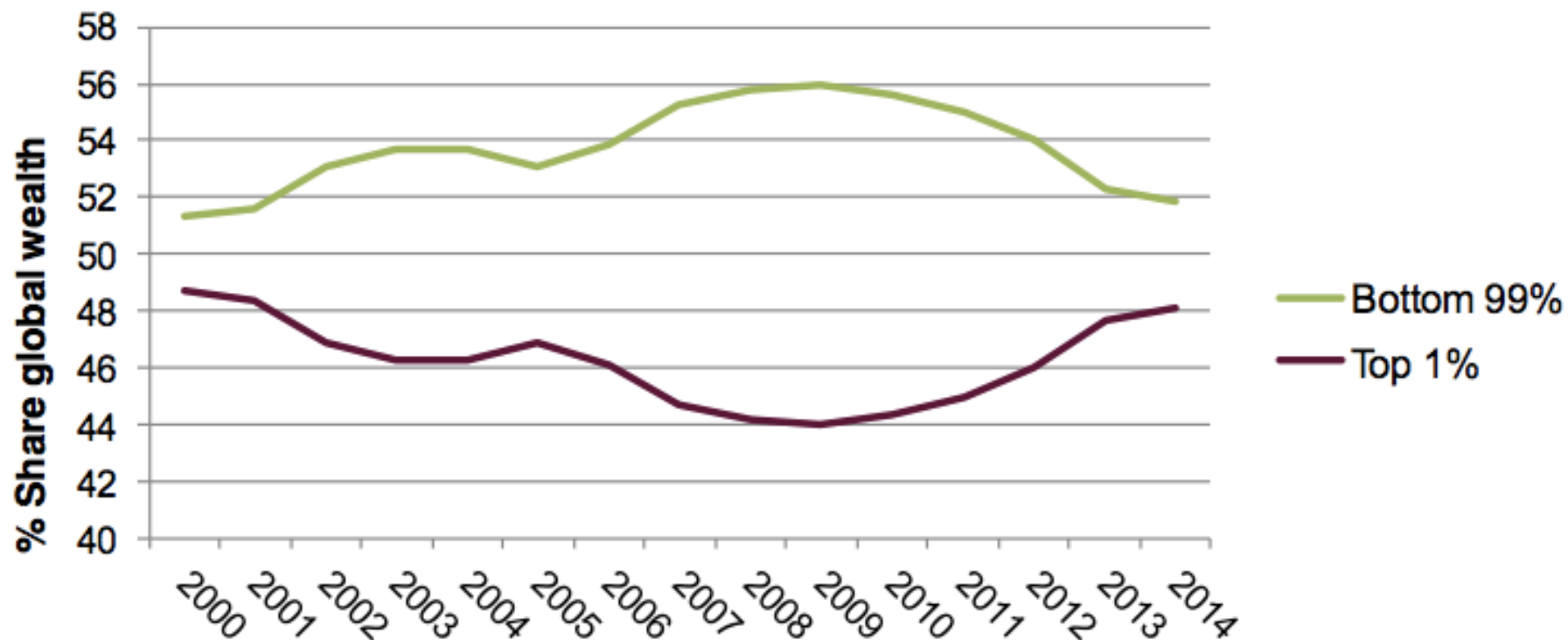
WHY OXFAM WORKS ON INEQUALITY

**THE
80 RICHEST PEOPLE OWN
THE SAME WEALTH
AS THE 3.5 BILLION
POOREST PEOPLE**



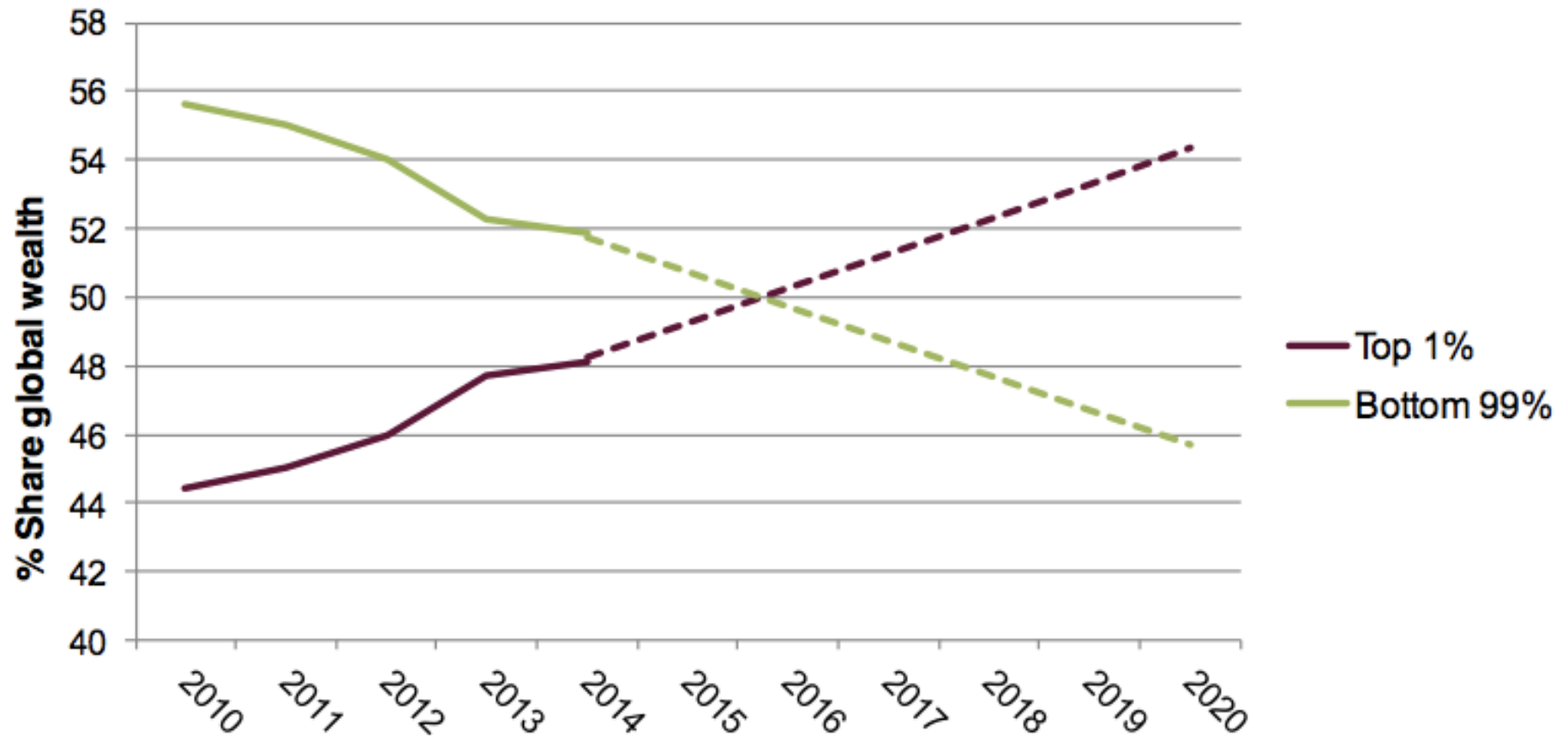
WHY OXFAM WORKS ON INEQUALITY

Figure 1: Share of global wealth of the top 1% and bottom 99% respectively; Credit Suisse data available 2000–2014.



WHY OXFAM WORKS ON INEQUALITY

Figure 2: Share of global wealth of the top 1% and bottom 99% respectively; the dashed lines project the 2010–2014 trend. By 2016, the top 1% will have more than 50% of total global wealth.





80 percent of the world's population lives in countries where income differentials between the rich and poor are widening

MUM'S THE WORD

Since the financial crisis, the number of billionaires has more than doubled, while a million mothers have died in childbirth due to a lack of basic health services.

#EVENITUP

**EVEN
IT UP**

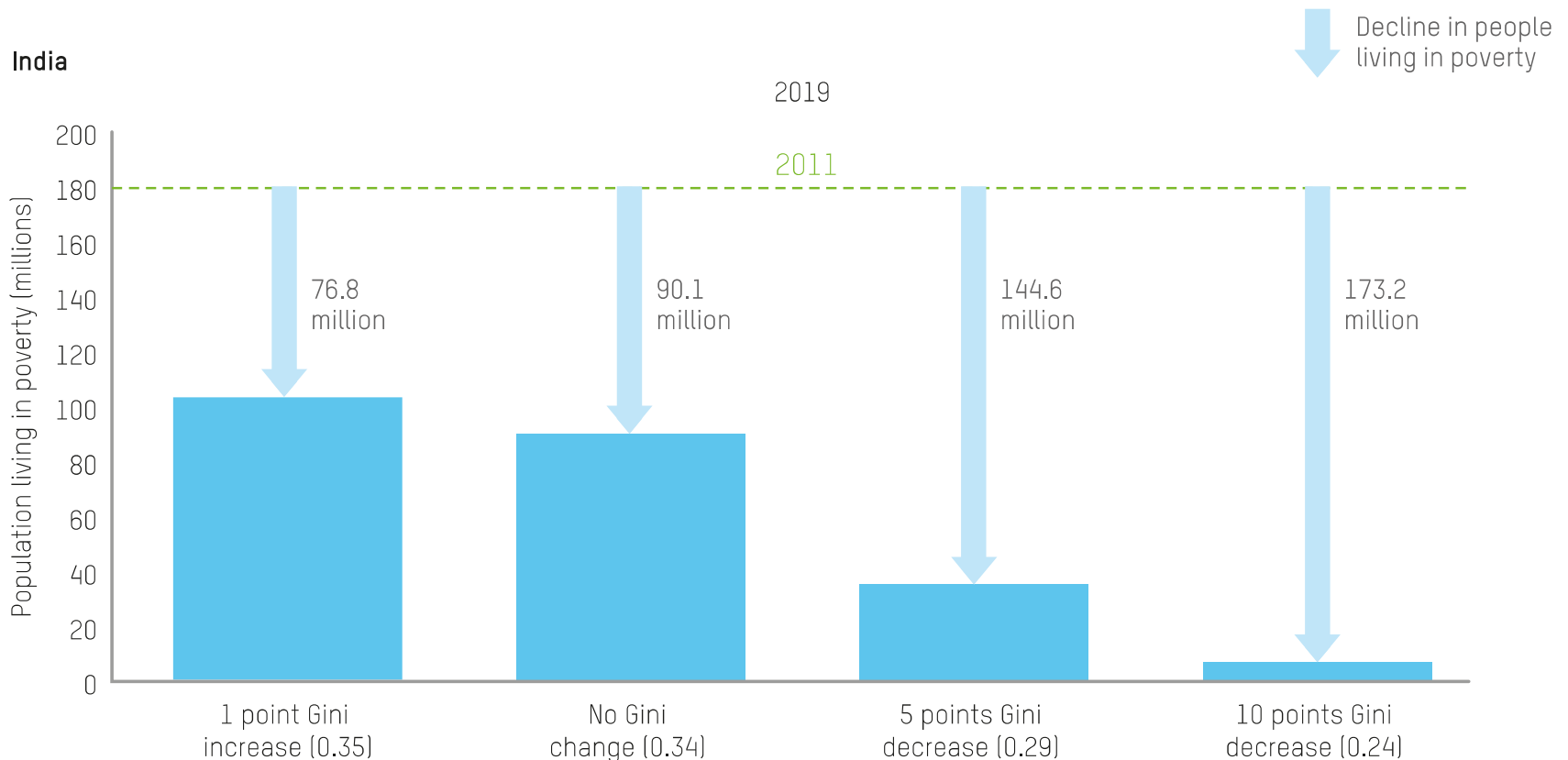


OXFAM



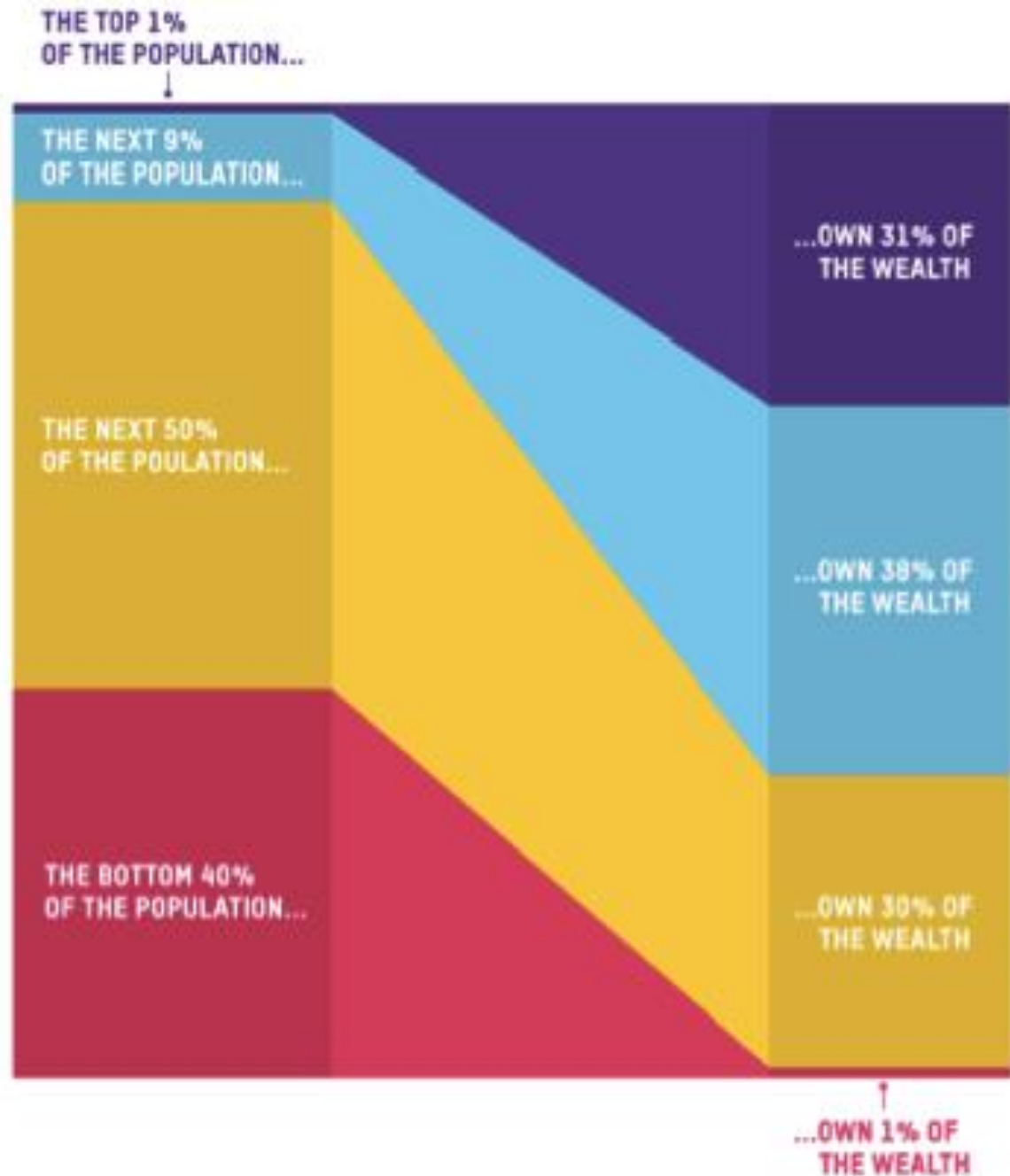
OXFAM

Inequality is a barrier to poverty reduction



- If **India** stops inequality from rising, it could **end extreme poverty** for **90 million people** by 2019. If it goes further and **reduces inequality by 36 percent**, it could **virtually eliminate extreme poverty**.

**Wealth
concentration
in Europe:
123 million
people at risk
of living in
poverty,
almost 25%
of population**



What has caused this inequality explosion?

‘There’s been class warfare going on for the last 20 years and my class has won.’ Warren Buffet

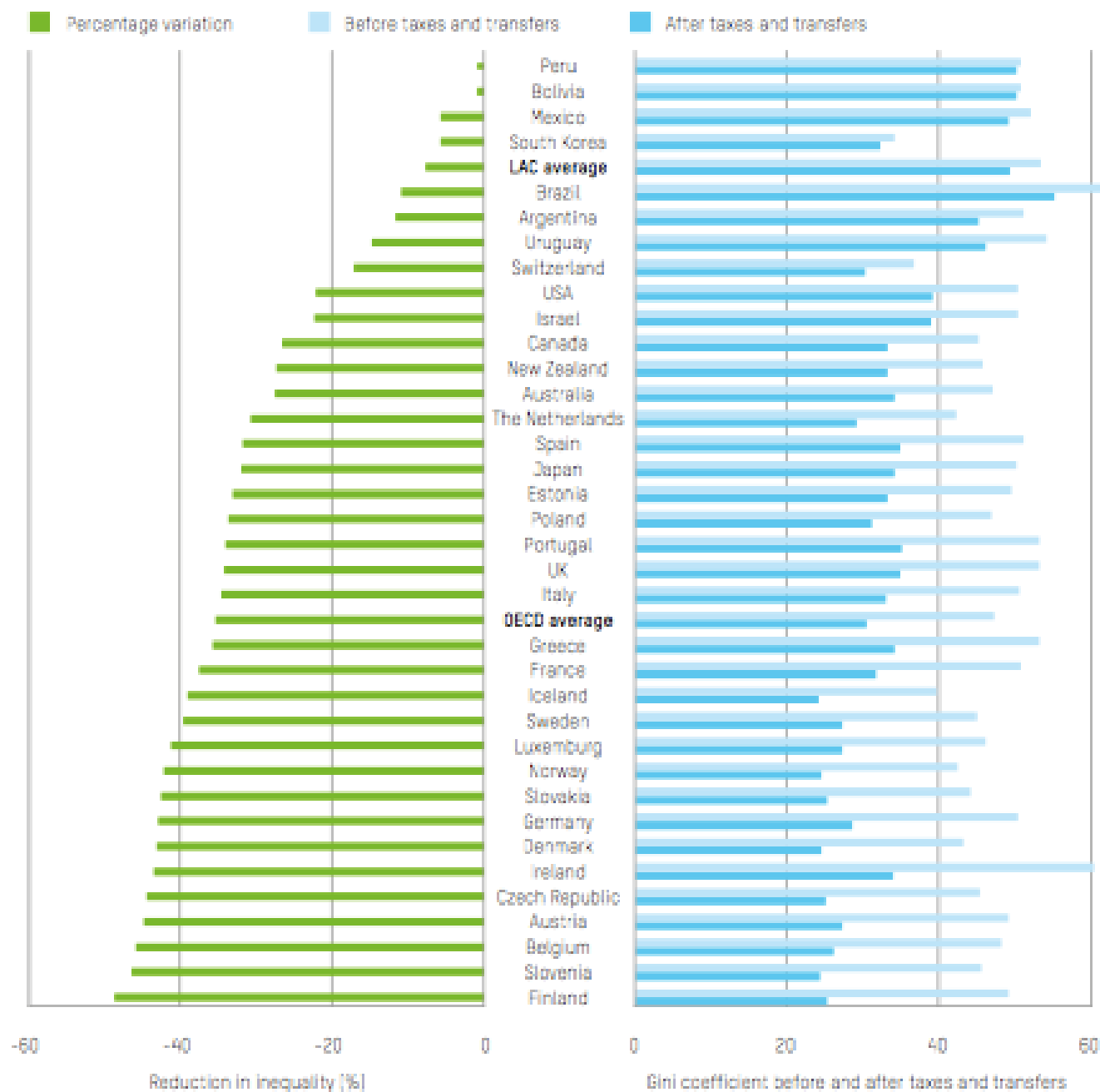
Market fundamentalism and the **capture of power** by elites are two powerful drivers of inequality that go a long way to explaining the extremes we see today.



Rising inequality is not inevitable

- Make governments work for citizens: strengthen institutional democracy
- Promote women's economic equality and women's rights
- Guarantee decent work and wages
- Re-invest in public services, Implement social protection
- Tax justice:
 - Share the tax burden fairly
 - Close the international tax loopholes

FIGURE 12: Gini coefficient (income) before and after taxes and transfers
in OECD and Latin American and the Caribbean (LAC) countries (2010)¹⁰⁶



TAX BURDEN FALLS ON CITIZENS

CASE STUDY THE UNEQUAL TAX BURDEN IN THE DOMINICAN REPUBLIC



Bernarda Paniagua sells cheeses and other products in Villa Eloisa de las Cañitas, one of the poorest and most under-served areas of the Dominican Republic. Victor Rojas is the manager of a prestigious company; he lives in one of the wealthiest areas of the country. Bernarda pays a higher proportion of her income in indirect taxes than Victor. In fact, the majority of the country's tax revenue comes from consumption taxes, rather than income tax. Consumption taxes affect the poorest most as they spend a higher percentage of their income on consumption.

Children in Victor's neighbourhood lack for nothing: they receive the best education on offer and have a doctor visiting the house at the first sign of a fever.

In contrast, Bernarda's oldest daughter, Karynely finished high school four years ago and now helps Bernarda sell cheeses. She is unable to continue studying or find a good job because she lacks the necessary IT skills, as there weren't any computers at her school.

WHY OXFAM WORKS ON PROFIT SHIFTING AND BASE EROSION BY LARGE COMPANIES

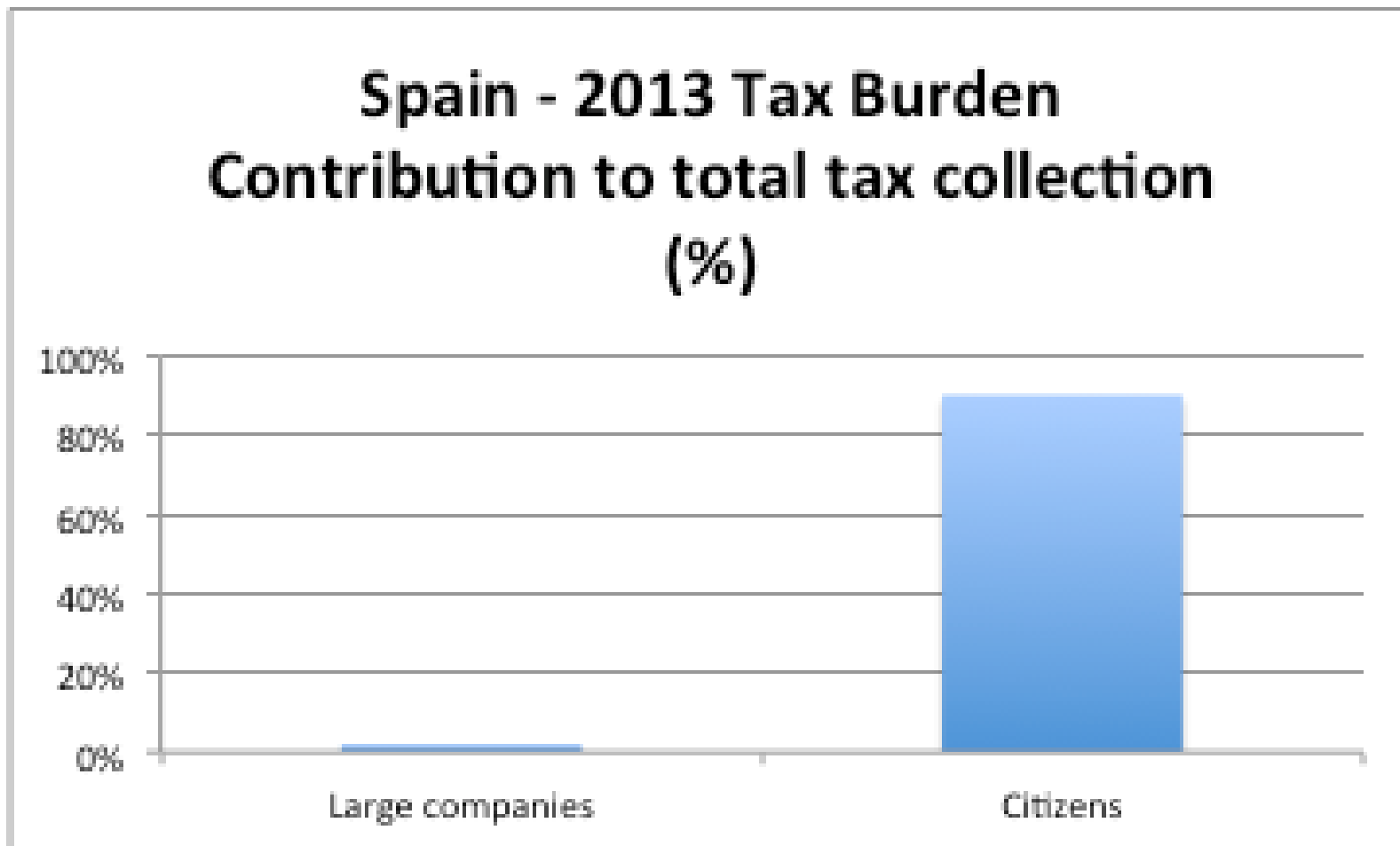
POOR COUNTRIES LOSE MORE THAN
\$100 BILLION A YEAR
DUE TO CORPORATE TAX DODGING

WHY?

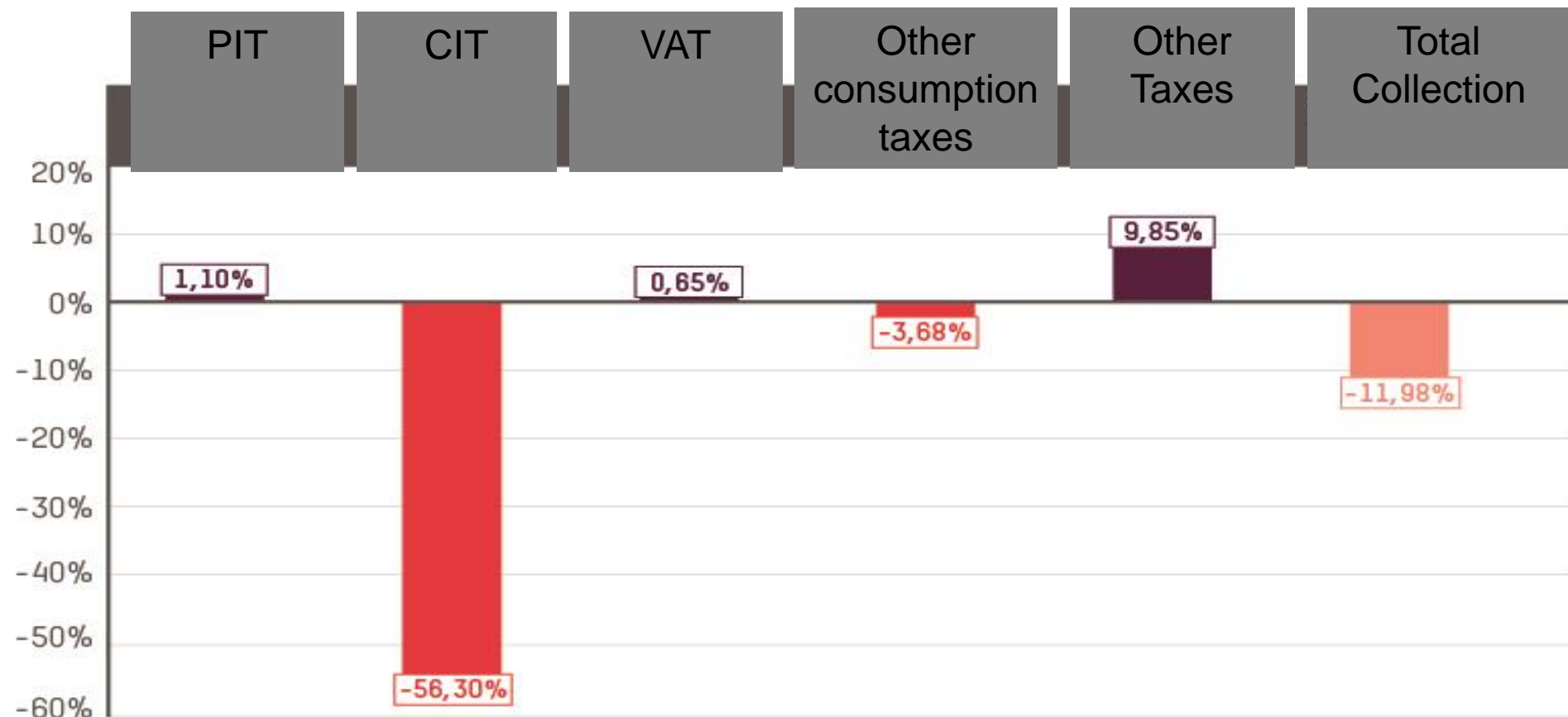
- MNE are not paying their fair share of taxes where the real activity is taking place
- MNE shift their profits ARTIFICIALLY to tax havens:
- A NEW REALITY IN BUSINESS: profits are not declared where value is created
- The international tax system is broken:
 - Designed 100 years ago
 - Not fit for purpose

Spain, inequality and unfair tax system

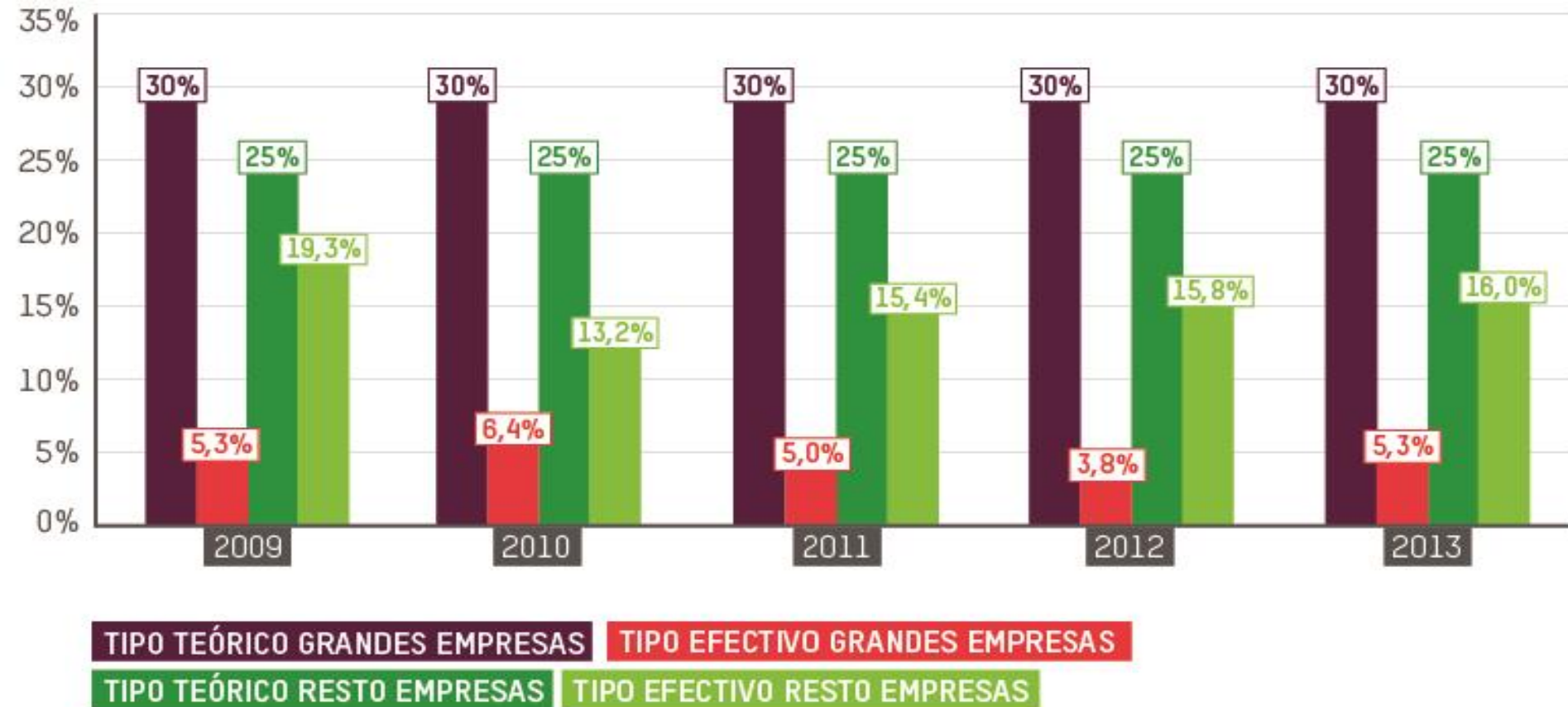
TAX BURDEN FALLS ON CITIZENS



DRAMATIC DROP IN CIT COLLECTION (from 2007 to 2014)



EFFECTIVE TAX RATES

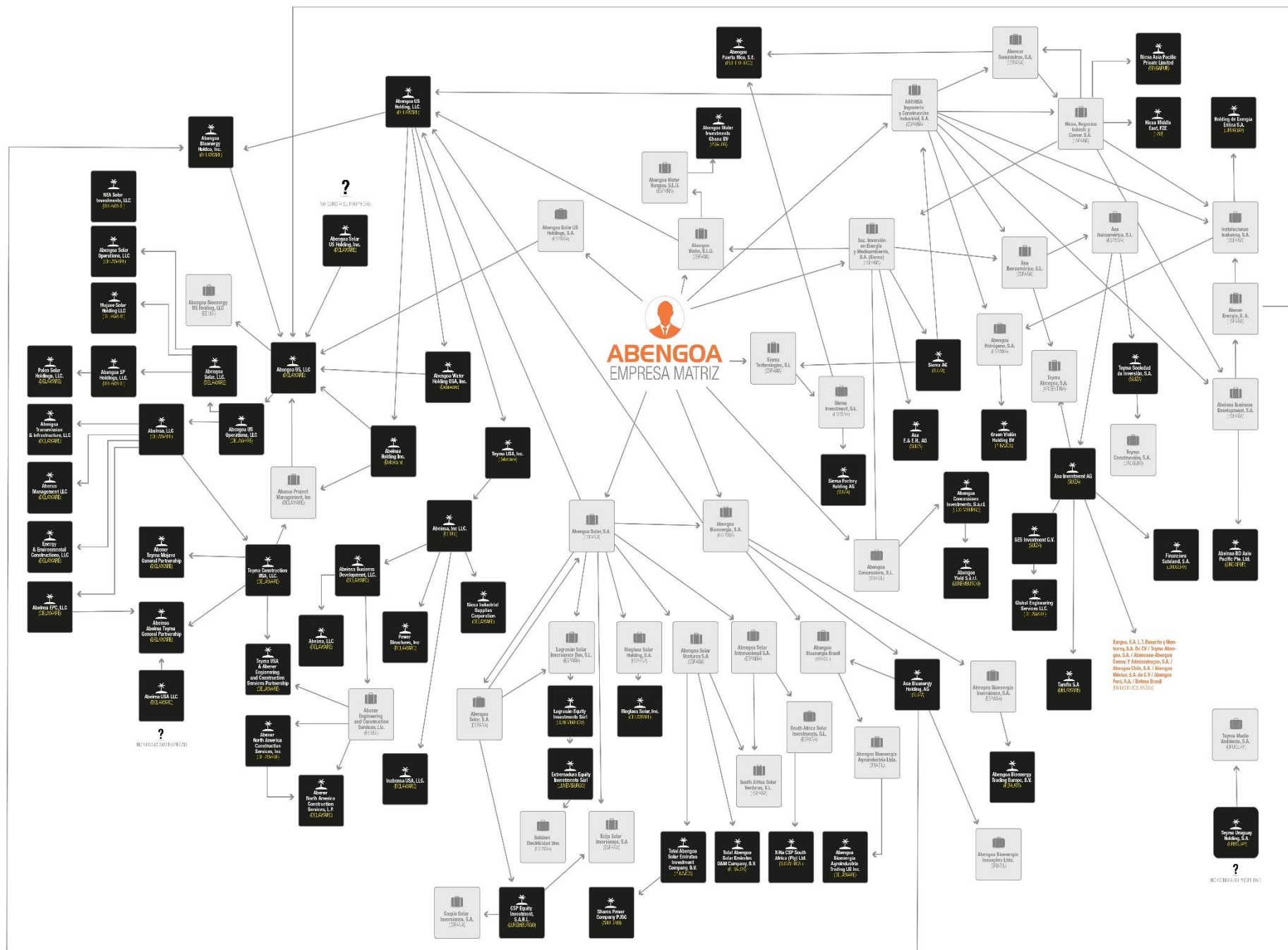


DECLARED EFFECTIVE TAX RATES

NOMBRE USUAL	TIPO EFECTIVO DECLARADO
ACERINOX	50,0%
ACS	33,0%
AMADEUS	32,3%
BANKINTER	27,6%
BBVA	2,9%
FERROVIAL	19,0%
GAS NATURAL	22,0%
RED ELECTRICA	27,7%
REPSOL YPF	43,3%
SACYR VALLEHERMOSO	-43,4%
BANCO SANTANDER	27,6%
TECNICAS REUNIDAS	15,0%
TELEFONICA	20,1%
VISCOFAN	19,8%

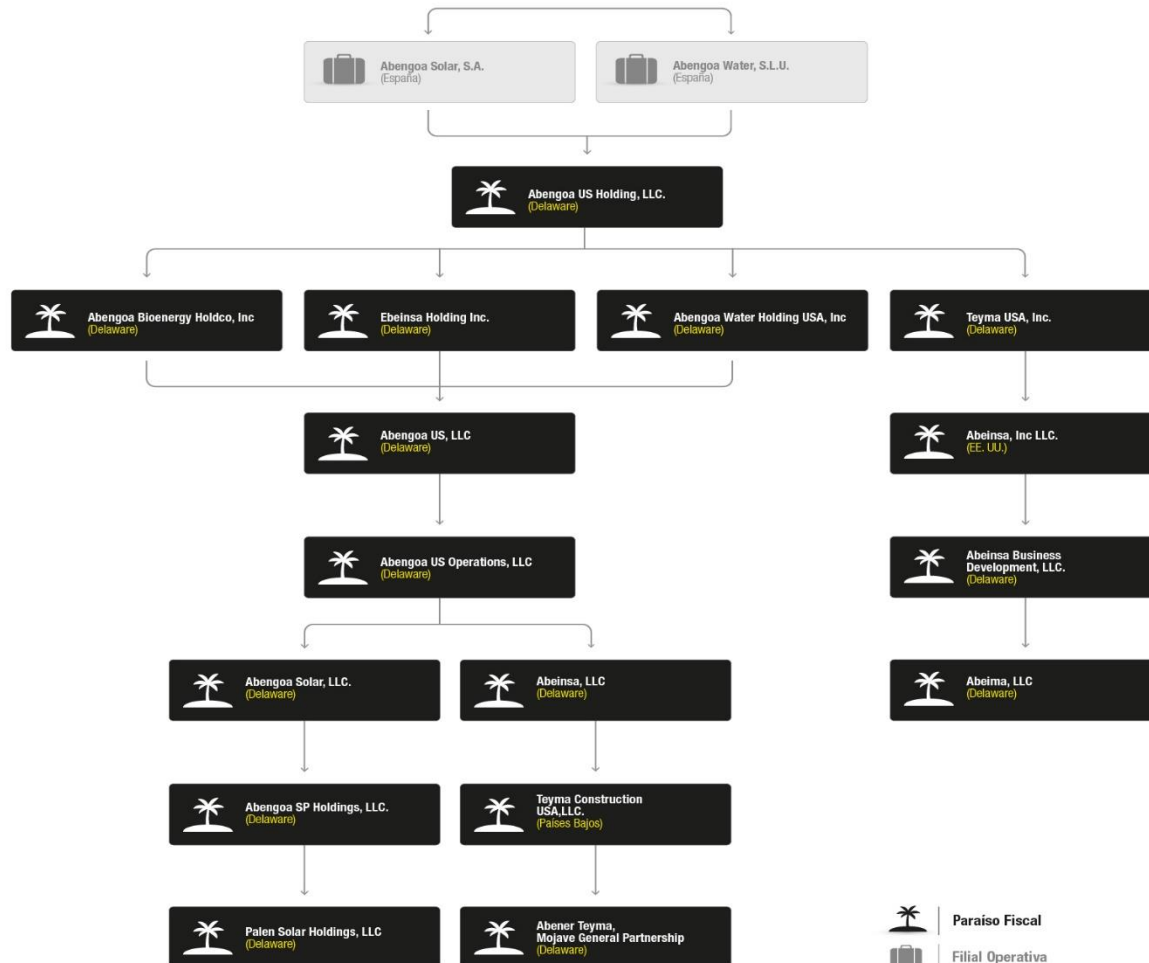
SPAIN AND TAX HAVENS- 2014

- 34 out of 35 largest spanish companies have subsidiaries in tax havens, totalling 810. An increase of 44% in one year.
- FDI to tax havens: **+205% in 2014**
- 26% of FDI is intragroup loans
- **12,4% round-trip investment (Spain is the second investor in Spain)**
- 71% of investment from the US to Spain goes first through a tax haven

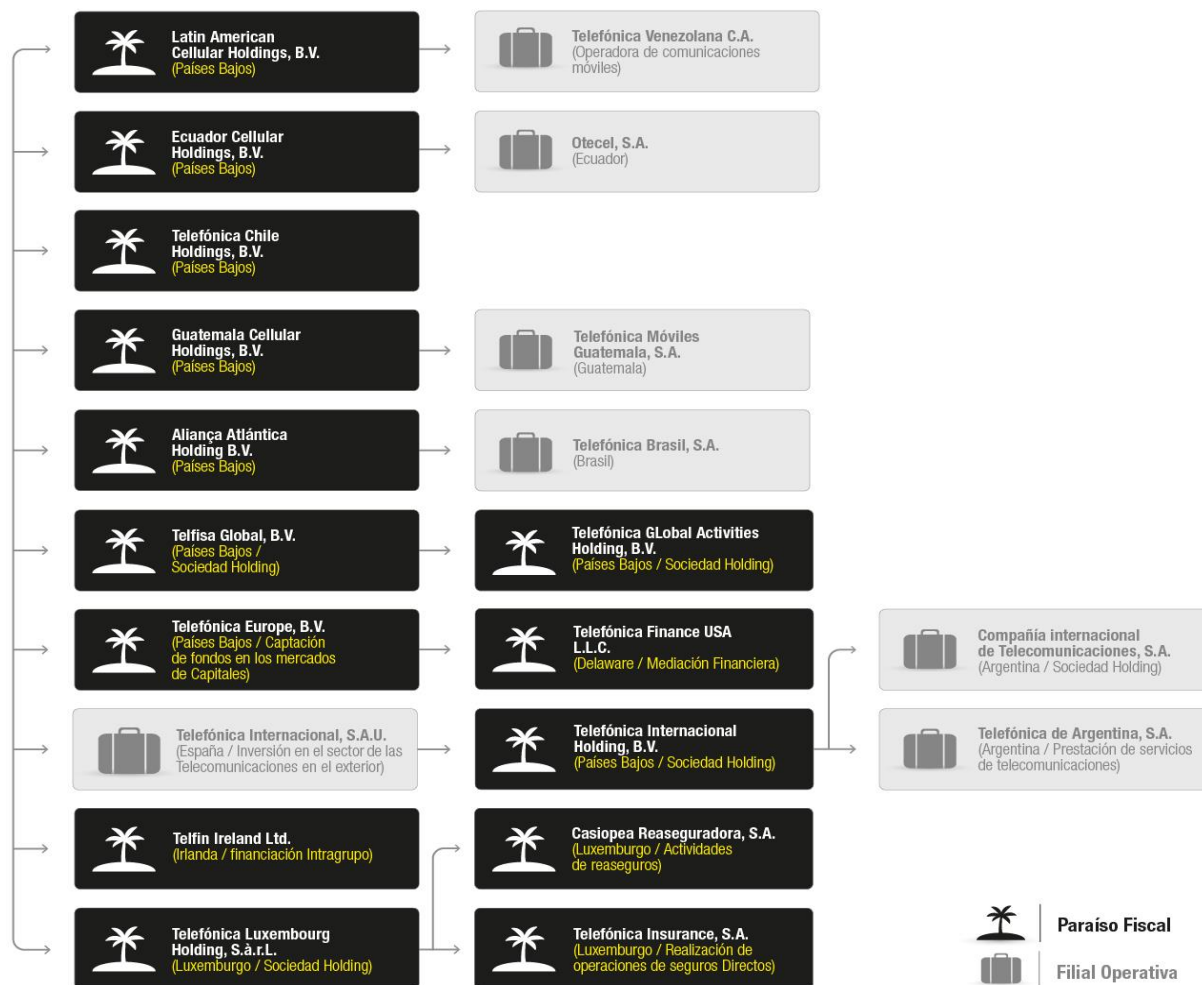




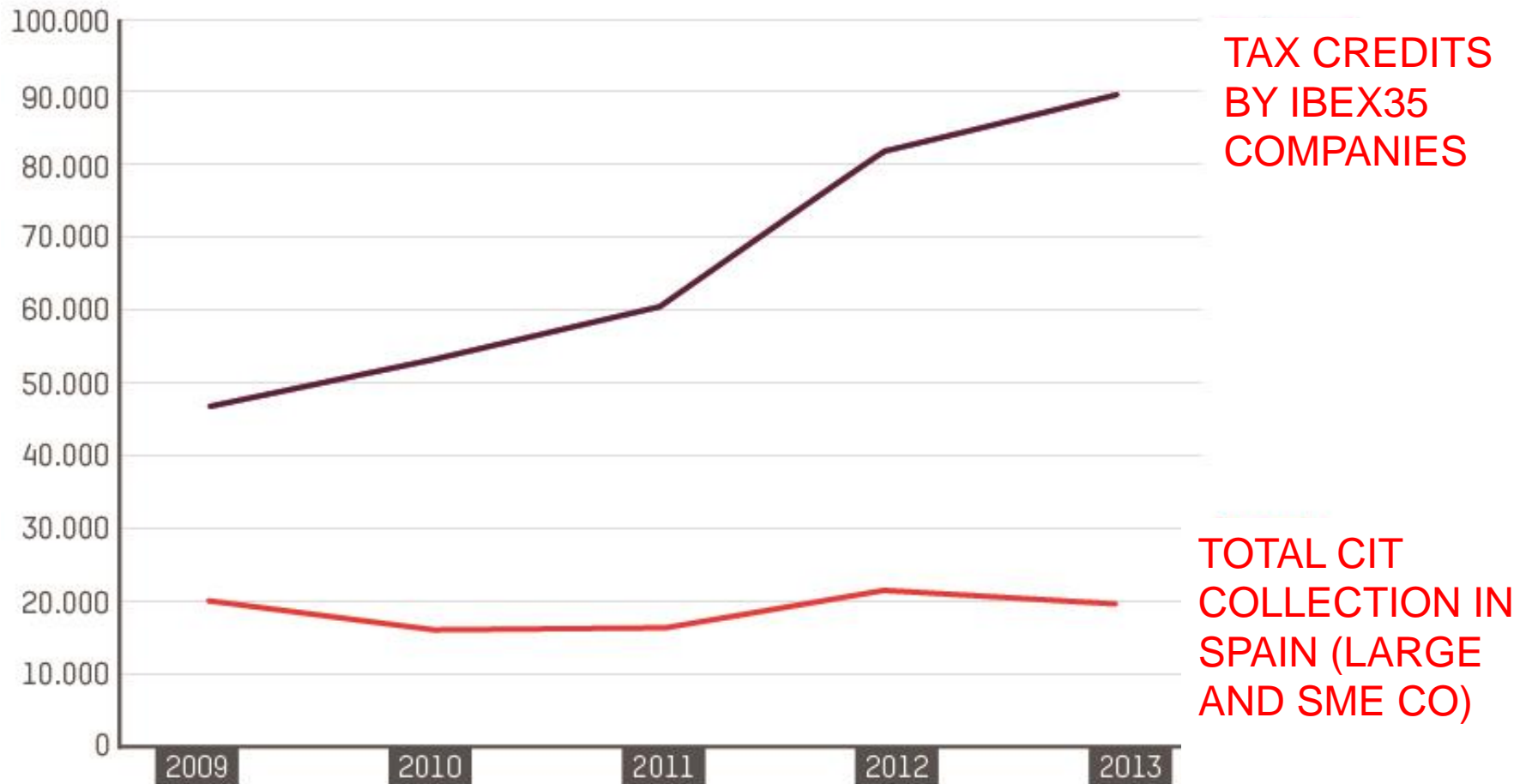
ABENGOA



 Paraiso Fiscal
 Filial Operativa



TAX CREDITS TO LARGEST SPANISH COMPANIES...



COMMITMENT TO TRANSPARENCY?

ENFOQUE	INDICADOR	ABENGOA	ABERTIS	ACCIONA	ACERINOX	ACS	AMADEUS	ARCELOR MITTAL	BANCO POPULAR	BANCO SABADELL	BANKINTER	BBVA	BOLSAS Y MERCADOS	CAIXABANK
ENFOQUE CORPORATIVO	#01	0	0	1	0	0	0	0	1	1	0	1	0	0
	#02	0	0	1	0	0	0	0	1	2	0	2	0	0
	#03	2	2	2	3	1	1	0	2	2	1	2	0	1
ENFOQUE POR PAÍS	#04	1	1	1	1	0	1	1	1	1	1	4	0	0
	#05	6	12	15	2	4	0	4	12	12	8	0	3	2
	#06	2	2	6	2	3	2	2	4	2	3	4	10	3
	#07	1	3	2	1	2	1	0	0	0	0	0	0	0
	#08	3	2	4	2	4	2	2	6	4	4	4	4	2
	#09	3	3	3	3	3	2	3	9	3	0	3	3	3
	#10	2	2	2	2	2	2	2	2	2	2	2	2	2
	#11	0	1	1	4	1	1	1	1	2	2	1	2	1
	#12	0	1	0	6	0	1	6	6	1	0	0	1	2
TOTAL		20	29	38	26	20	13	21	45	32	21	24	25	16
% DE CUMPLIMIENTO DE REQUISITOS		10%	15%	20%	14%	10%	7%	11%	23%	17%	11%	13%	13%	8%

#01	Estrategia política fiscal de la compañía	#02	Revisión anual de la estrategia o política fiscal de la compañía	#03	Listado de todas las compañías del grupo
#04	Descripción de operaciones	#05	Número de empleados	#06	Ingresos
#07	Subvenciones	#08	Resultados antes y después de impuestos	#09	Impuesto sobre beneficios
#10	Exenciones al impuesto sobre beneficios (sociedades)	#11	Dividendos repartidos a sociedades del grupo	#12	Inspecciones y auditorías fiscales

INDICADORES #01- #03	0 - 1	2 - 3	4
INDICADORES #04- #12	0 - 5	6 - 13	14 - 20

GRADIENTE TRANSPARENCIA FISCAL	
TRANSPARENCIA FISCAL NULA	0 - 48
TRANSPARENCIA FISCAL BAJA	49 - 97
TRANSPARENCIA FISCAL MEDIA	98 - 145
TRANSPARENCIA FISCAL ALTA	146 - 192

LUXLEAKS

SOCIAL IMPACT OF CORPORATE TAX ABUSES

Luxembourg **LEAKS**



- All the research is based on Luxleaks documents on regards to operations of the company in Spain (tax rulings designed by PWC), analysis of the company public accounts in Spain and Group information

Tax ruling 2008

Corporate structure - Intermediate subsidiaries in Lux: at least 8

Spanish operational subsidiary 100% controlled by Luxembourg

Spanish branch forced to unnecessary intragroup loans

Loans are reimbursed all the same day

A profitable company is so declaring losses: factory is closed, 500 jobs loss

1 de Abril 2008:

Holding SL in Spain
reimbursement of loans:

-Luxembourg Nº1(15M
€+208.000 €interetss) after 20
days

- Irish subsidiary(304M €,
interests incl)

-Luxembourg Nº4 (346M,
interests incl)

GROUP (UK)

COMPANY
SPAIN

(LUX)

COMPANY UK
Nº1

Finance
Ltd (UK)

Luxembourg
g (Nº1) Sarl
(LUX)

Luxembourg
(Nº2) Sarl
(LUX)

Luxembourg
g (Nº3) Sarl
(LUX)

Luxembourg
(Nº4) Sarl
(LUX)

Holdings
SL SPAIN

COMPANY UK
Nº2

COMPANY
UK Nº3

COMPANY
Singapur
Distribution

COMPANY
(Ireland)

Luxembourg
g (Nº5) Sarl
(LUX)

1st April 2008:
(Spain) Holding SL

TOTAL LOANS 665M €

TURNOVER COMPANY IN SPAIN:
200 M €

Luxembourg
(Nº8) Sarl (LUX)

(Nº2)
Unlimited
(UK)

Ireland
Investmen
ts(Ireland)

(Nº7)
Unlimited
(UK)

Spain
Retail SL
(SPAIN)

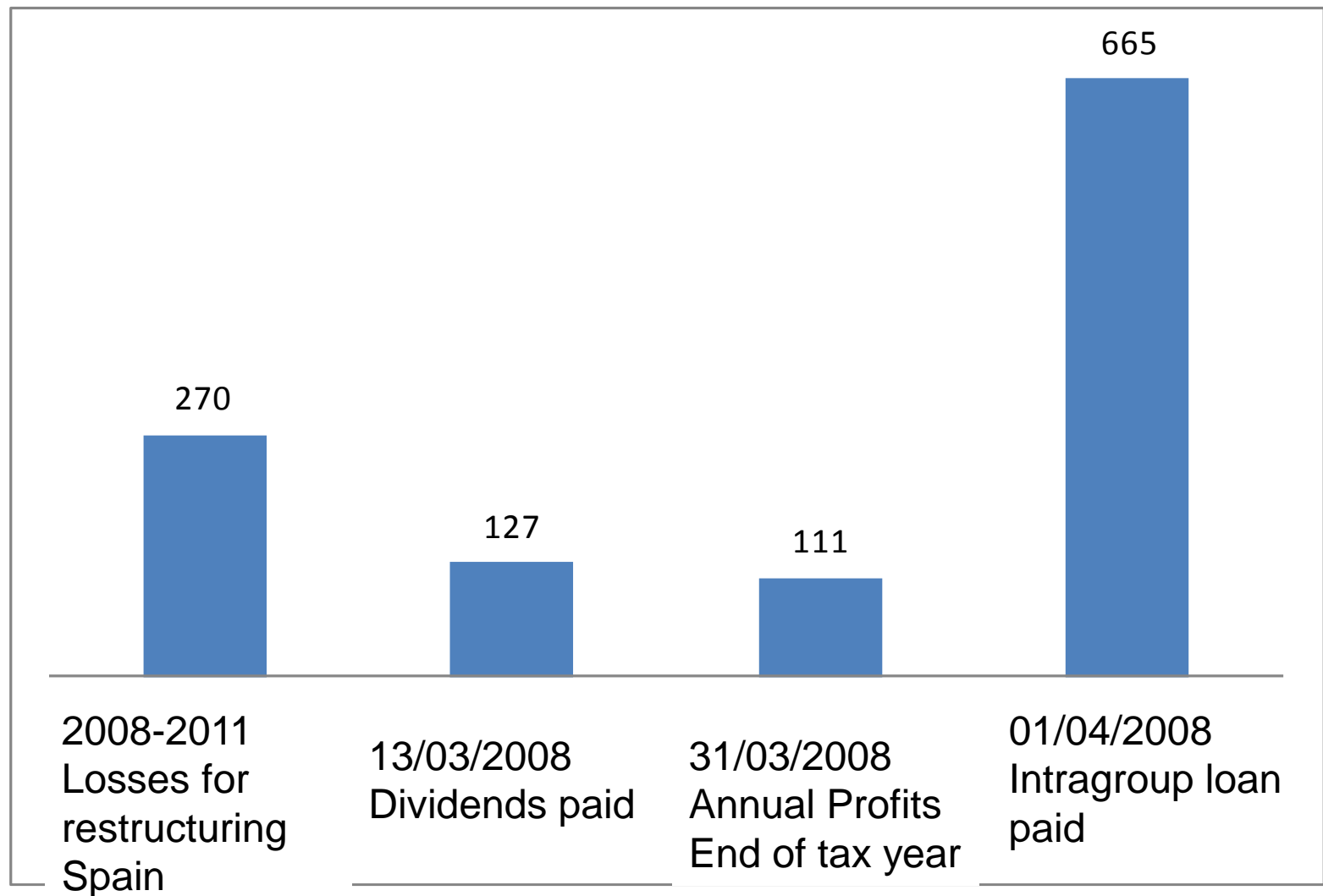
Spain S.A.
(UK)



Tax ruling 2008

When

2008 – 1st april	Spain Holdings Reimbursement of loan after 20 days	Payment 15 mn € loan + interests
	Reimbursement of Loan to (Ireland)	Payment 300 mn € loan + interests
	Reimbursement of Loan to Luxembourg (n ^o 4)	Payment 342 mn € loan + interests
	TOTAL: PAID IN JUST ONE DAY MORE THAN 3 TIMES NET ASSETS OF THE COMPANY	665,7 mn € loan + interests



2008-2011: FINAL BALANCE

SPAIN – TURNOVER (MN GBP)		PROFIT AND LOSS
2008	161.6	14.4
2009	144.5	-161.1
2010	107.1	-70.4
2011	49.4	-6.2

In 2009-2010, the factory get closed in Spain , production is moved to Asia and 550 jobs are lost



Thank you

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