Even it Up!

Tax Justice to fight inequality

Susana Ruiz

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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 people in the world has doubled 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

(YES, 80 – SO FEW THEY’D FIT ON THIS BUS)
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

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)
TAX BURDEN FALLS ON CITIZENS

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

Spain - 2013 Tax Burden
Contribution to total tax collection (%)

- Large companies
- Citizens
DRAMATIC DROP IN CIT COLLECTION (from 2007 to 2014)
EFFECTIVE TAX RATES

2009: TIPO TEÓRICO GRANDES EMPRESAS 5.3%, TIPO EFECTIVO GRANDES EMPRESAS 19.3%

2010: TIPO TEÓRICO GRANDES EMPRESAS 6.4%, TIPO EFECTIVO GRANDES EMPRESAS 13.2%

2011: TIPO TEÓRICO GRANDES EMPRESAS 5.0%, TIPO EFECTIVO GRANDES EMPRESAS 15.4%

2012: TIPO TEÓRICO GRANDES EMPRESAS 3.8%, TIPO EFECTIVO GRANDES EMPRESAS 15.8%

2013: TIPO TEÓRICO GRANDES EMPRESAS 5.3%, TIPO EFECTIVO GRANDES EMPRESAS 16.0%
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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
TAX CREDITS TO LARGEST SPANISH COMPANIES…

TAX CREDITS BY IBEX35 COMPANIES

TOTAL CIT COLLECTION IN SPAIN (LARGE AND SME CO)
## COMMITMENT TO TRANSPARENCY?

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| TOTAL | 20 | 20 | 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% |

**INDICADORES #01-#03**
- #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

**INDICADORES #04-#12**
- #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

**GRADIENRE TRANSPARENCIA FISCAL**
- TRANSPARENCIA FISCAL NULLA: 0 - 48
- TRANSPARENCIA FISCAL BAJA: 49 - 97
- TRANSPARENCIA FISCAL MEDIA: 98 - 145
- TRANSPARENCIA FISCAL ALTA: 146 - 192
LUXLEAKS
SOCIAL IMPACT OF CORPORATE TAX ABUSES
• 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
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 №1 (15M €+208,000 € interest) after 20 days

- Irish subsidiary (304M €, interests incl)

- Luxembourg №4 (346M €, interests incl)

TOTAL LOANS 665M €

TURNOVER COMPANY IN SPAIN: 200 M €
# Tax ruling 2008

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<th>Spain Holdings</th>
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<td>2008 – 1st April</td>
<td>Reimbursement of loan after 20 days</td>
<td>Payment 15 mn € loan + interests</td>
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<td>Reimbursement of Loan to (Ireland)</td>
<td>Payment 300 mn € loan + interests</td>
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<td>Reimbursement of Loan to Luxembourg (n°4)</td>
<td>Payment 342 mn € loan + interests</td>
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**TOTAL:**

PAID IN JUST ONE DAY MORE THAN 3 TIMES NET ASSETS OF THE COMPANY

665,7 mn € loan + interests
2008-2011 Losses for restructuring Spain

13/03/2008 Dividends paid

31/03/2008 Annual Profits End of tax year

01/04/2008 Intragroup loan paid

270
127
111
665
### 2008-2011: FINAL BALANCE

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<th>Year</th>
<th>Turnover (MN GBP)</th>
<th>Profit and Loss</th>
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<td>2008</td>
<td>161.6</td>
<td>14.4</td>
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<td>2009</td>
<td>144.5</td>
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<td>2010</td>
<td>107.1</td>
<td>-70.4</td>
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<tr>
<td>2011</td>
<td>49.4</td>
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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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