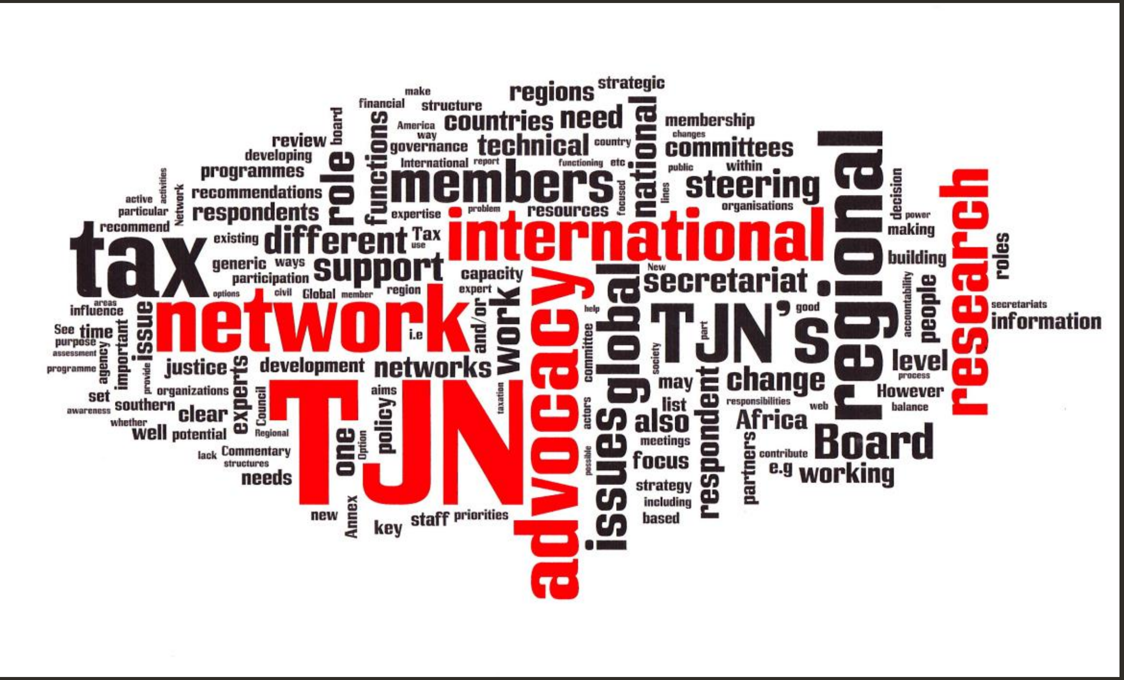
Global Labour Tax Summit, Geneva



How much? Who? How?

John Christensen, Director, Tax Justice Network
17th September 2015

tax justice network

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.

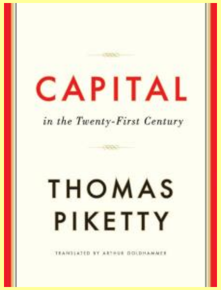
Launched in March 2003, the network spans over 80 countries on 6 continents.

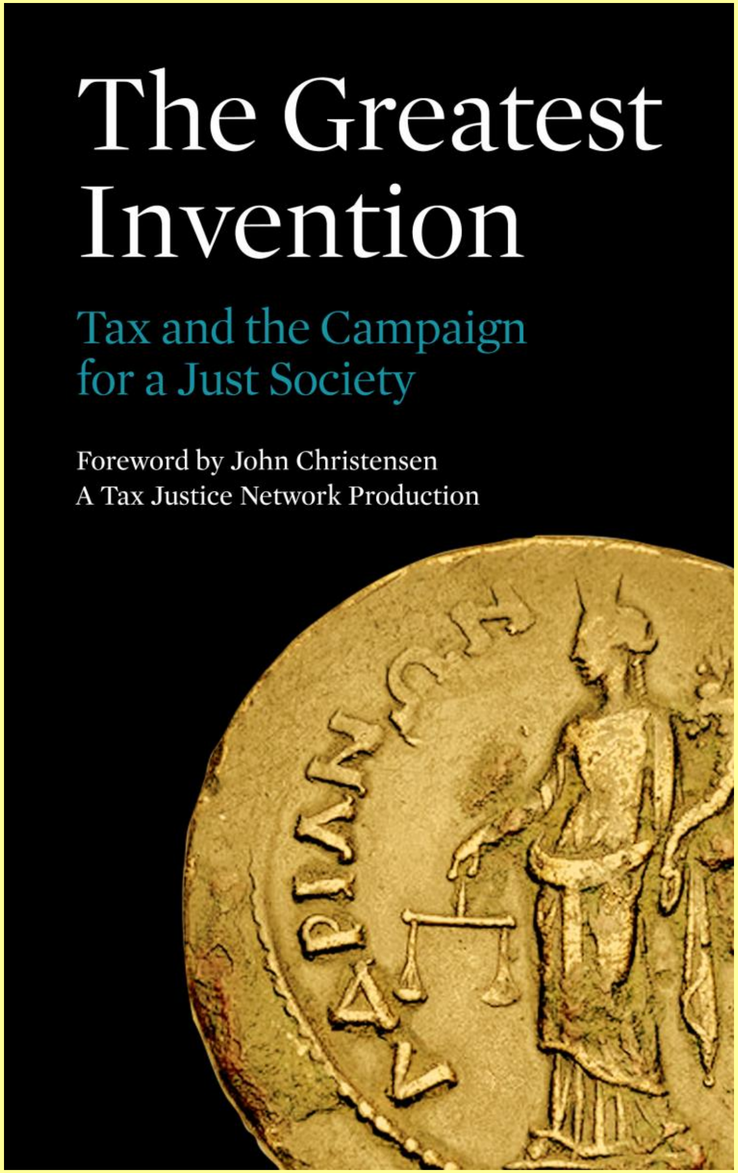
www.taxjustice.net

"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

Author, Capital in the Twenty-First Century





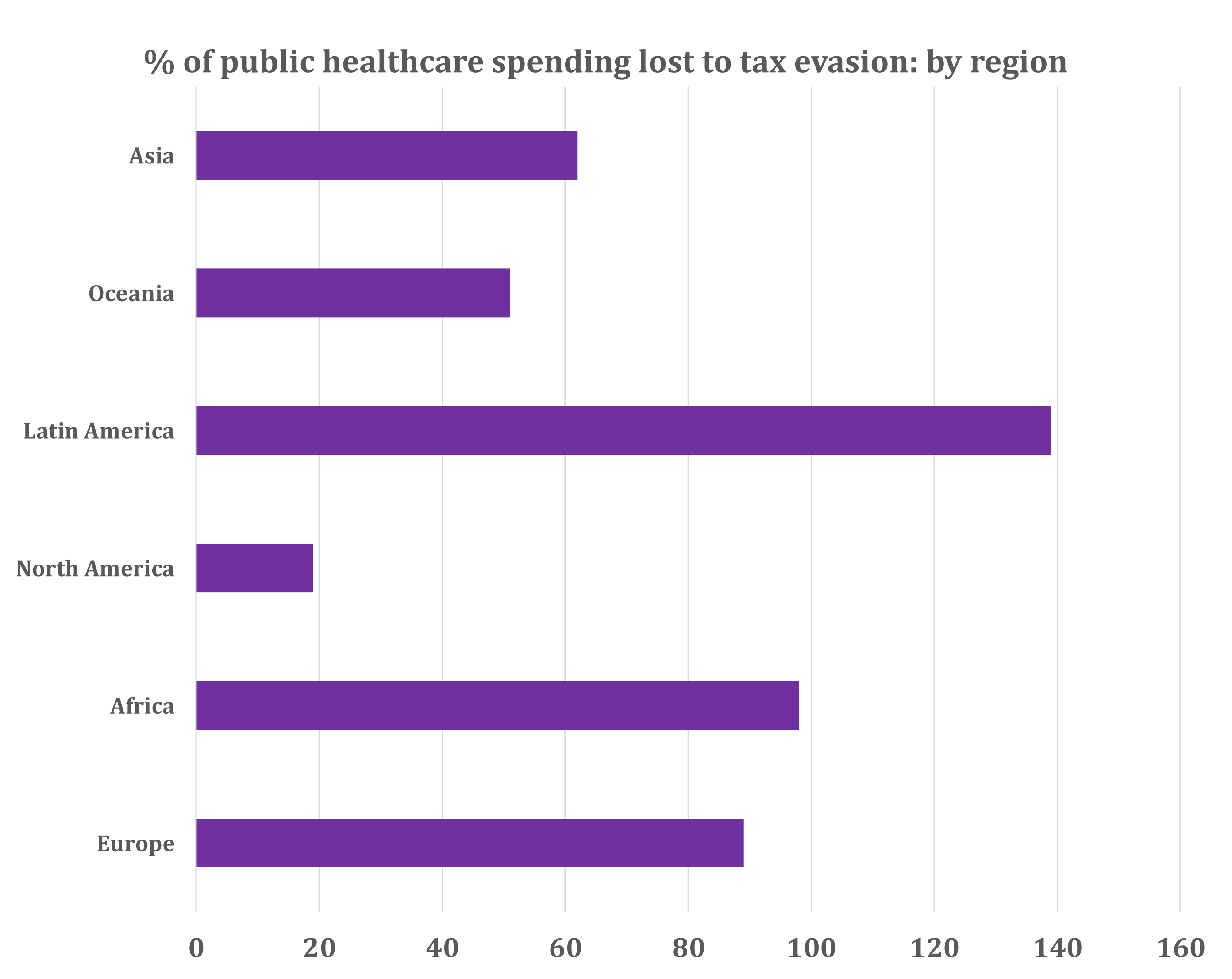
published 24th September 2015, Commonwealth Publishing

How Much?

£13 trillion

=

US$ 21 trillion

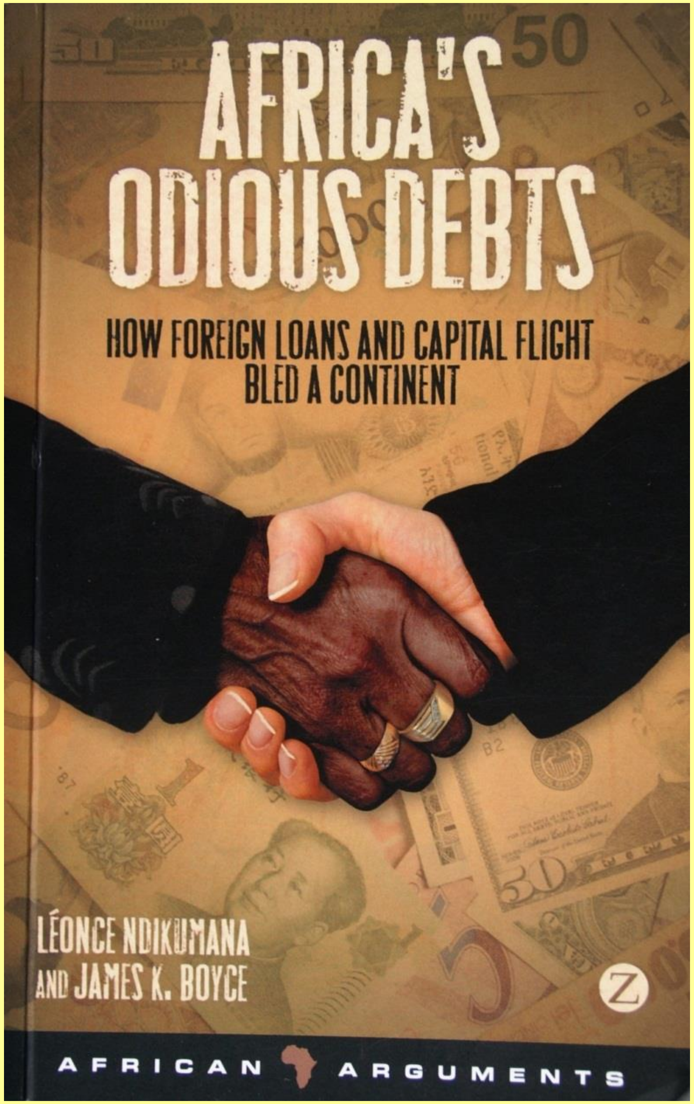


source: *The Cost of Tax Abuse,* TJN, 2011

IMF ESTIMATES OF REVENUE LOSSES ARISING FROM PROFITS SHIFTING BY TNCs

	USD Billion	% of GDP
OECD countries	509.2	0.57
Developing countries	212.7	1.70

Source: IMF Fiscal Affairs Dept. 2015

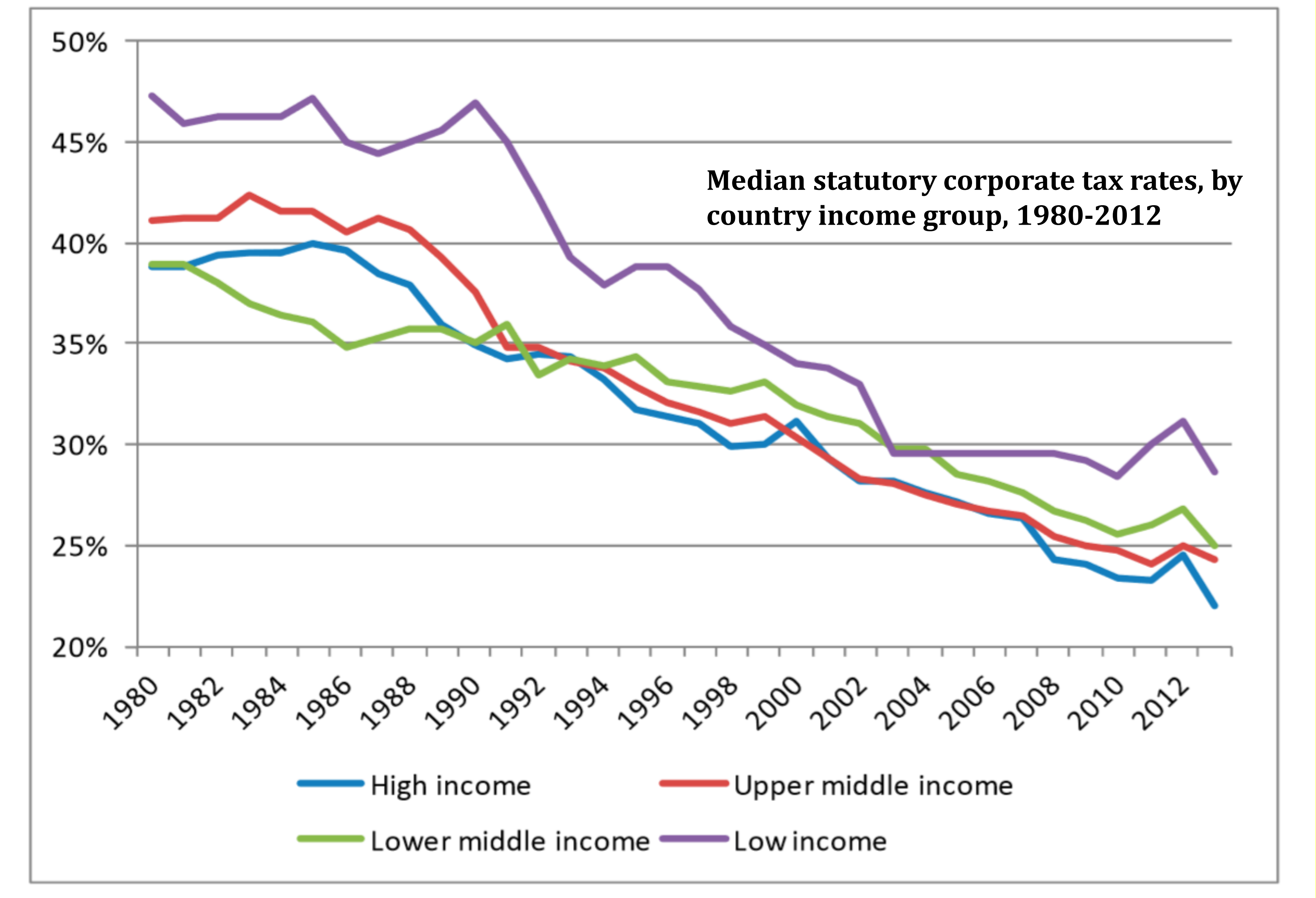


Net losses from illicit outflows between 1970 to 2008 from 33 sub-Saharan countries totalled $944 billion.

Combined external debts for those countries at end-2008 was $177 billion.

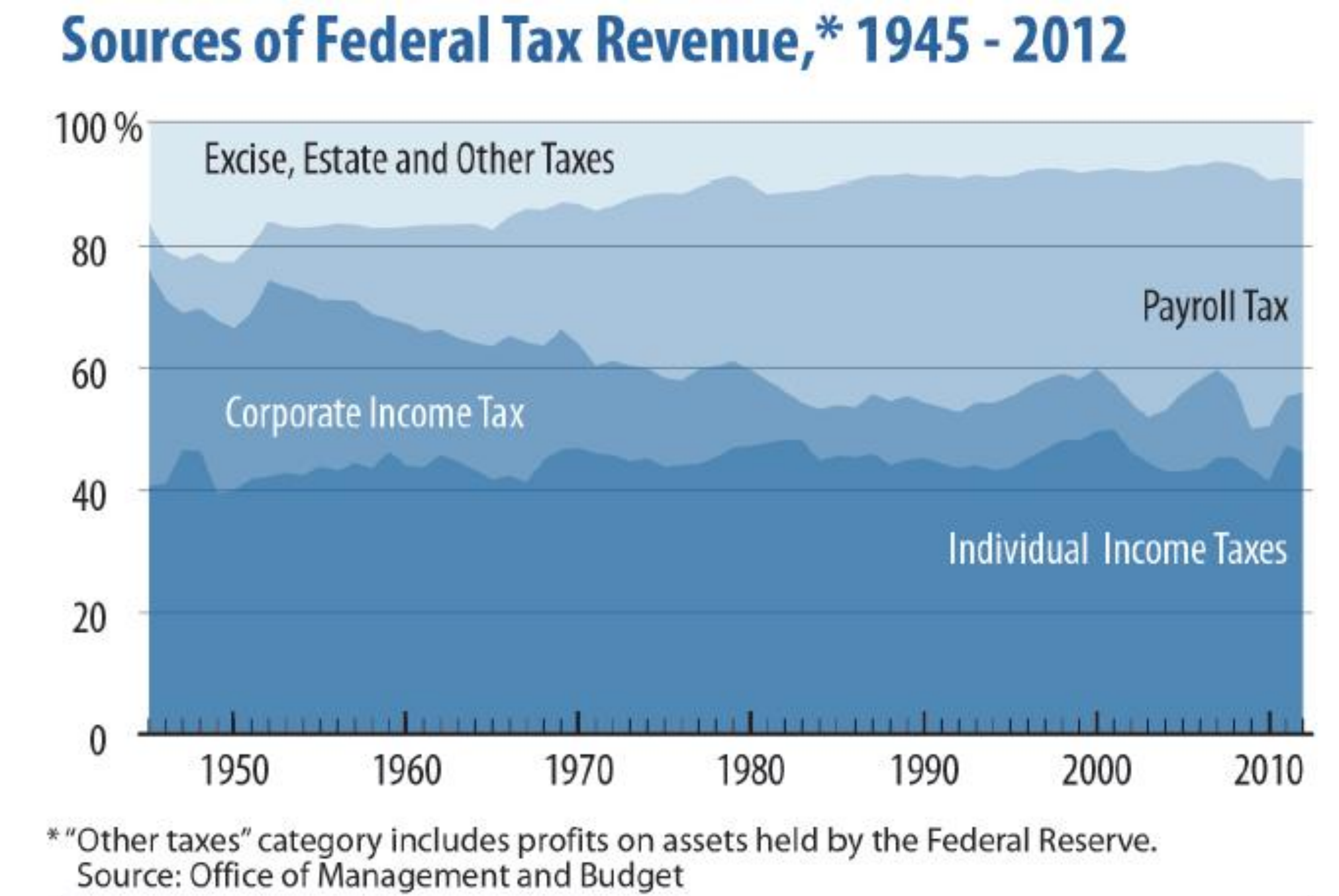
Almost all these flows went via secrecy jurisdictions linked to OECD countries, with UK dependencies playing a prominent role

Who wants to win the race-to-the-bottom?



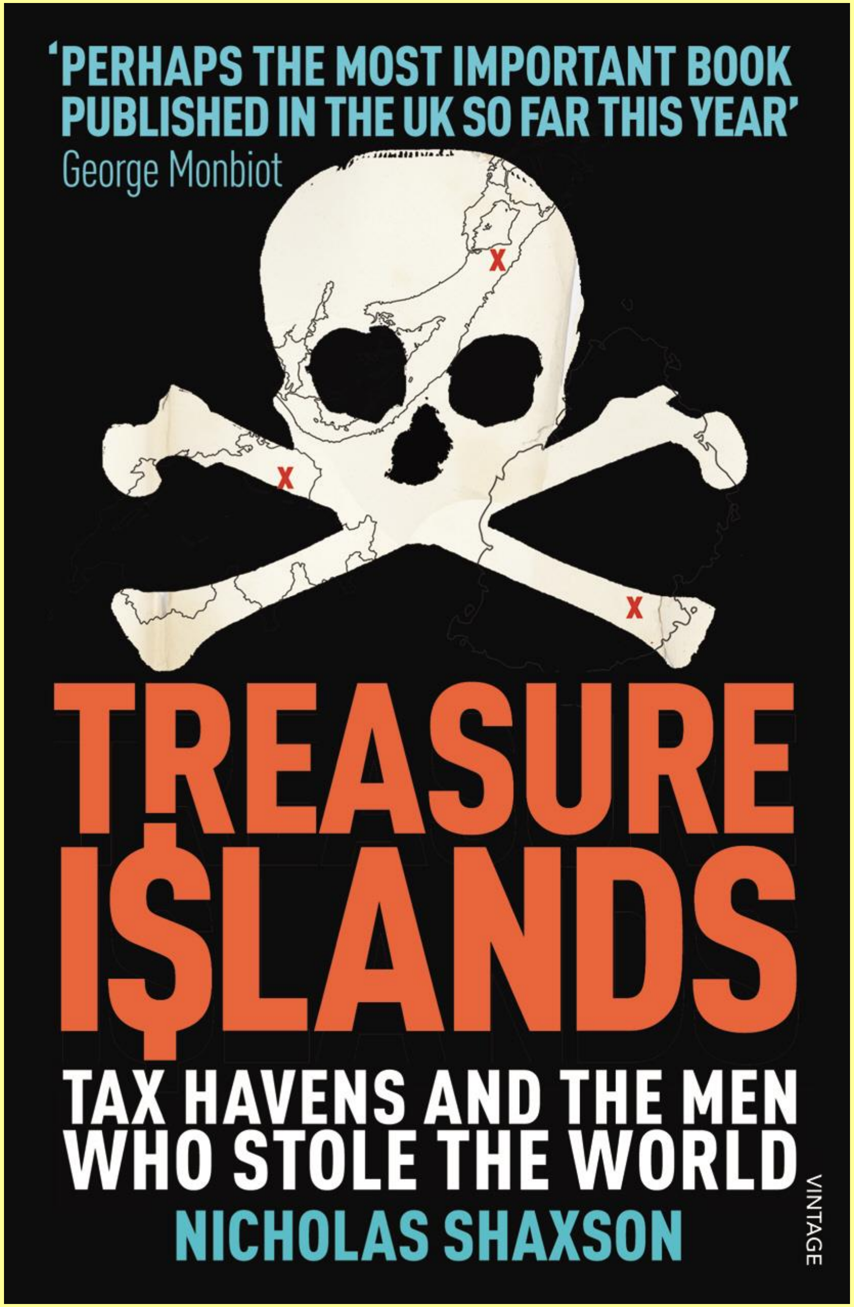
Source: IMF 2015

The long-term shift of taxes fromCapital to Labour

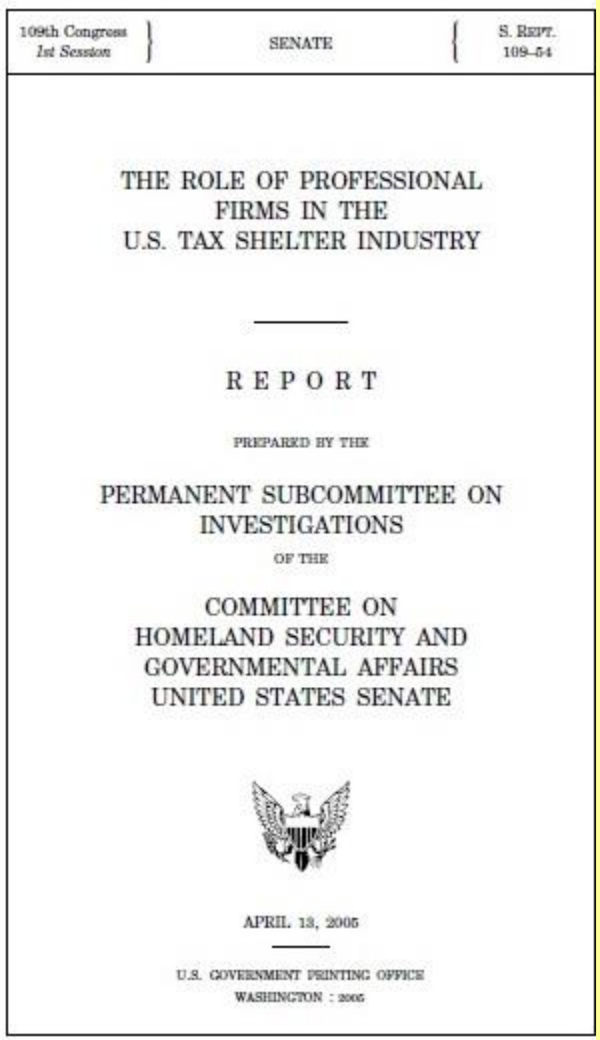


" . . . our research shows that three countries alone – Ghana, Nigeria and Senegal – are losing up to $5.8 billion a year . . . investment incentives – particularly corporate tax incentives – are not an important factor in attracting foreign investment . . . This conclusion is confirmed both by surveys of investors and by econometric evidence"

August 2015


'PERHAPS THE MOST IMPORTANT BOOK PUBLISHED IN THE UK SO FAR THIS YEAR'
George Monbiot
TREASURE I$LANDS
TAX HAVENS AND THE MEN WHO STOLE THE WORLD
NICHOLAS SHAXSON
VINTAGE

Who?


109th Congress
1st Session

SENATE

S. REPT.
109-54

THE ROLE OF PROFESSIONAL
FIRMS IN THE
U.S. TAX SHELTER INDUSTRY

REPORT

PREPARED BY THE

PERMANENT SUBCOMMITTEE ON
INVESTIGATIONS

OF THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

APRIL 13, 2005

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 2005

" accounting firms . . . have been major participants in the development, mass marketing, and implementation of generic tax products sold to multiple clients . . . dubious tax shelter sales were no longer the province of shady, fly-by-night companies with limited resources. They had become big business, assigned to talented professionals at the top of their fields, and able to draw on the resources and reputations of the country's largest accounting firms, law firms, investment advisory firms, and banks."

The leaked documents, which I reviewed with chartered accountant Richard Murphy in November 2011, involve deals negotiated by PricewaterhouseCoopers (PwC), one of the world's largest accounting firms, on behalf of hundreds of corporate clients.

To qualify the companies for tax relief, the records show, PwC tax advisers concocted financial strategies featuring loans among sister companies and other moves designed to shift profits from one part of a corporation to another to reduce or eliminate taxable income.

Insider trading

Market rigging

Avoiding disclosure of conflicts of interest

Illicit arms trading

Illicit political campaign donations

Contract kickbacks

Bribery

Fraudulent invoicing

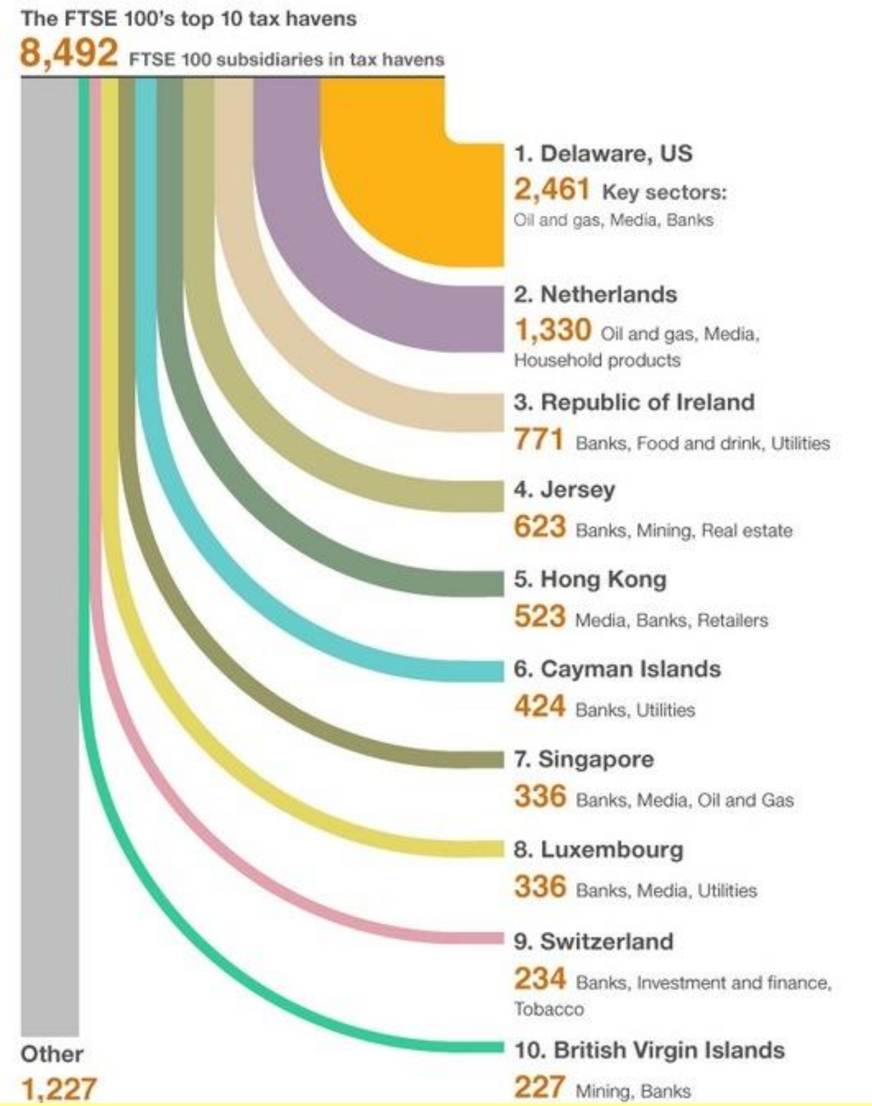
Trade mispricing

Tax evasion

How?

available free online at www.taxjustice.net

One hundred companies: 8,492 separate legal entities in tax havens



Supply Chain Planning – First Principles

- Allocation of profits:
  - Operating entities entitled for normal profits
  - Hub entity entitled for residual (entrepreneurial) profits
- Hub entity
  - Located in Low Tax Jurisdiction ("LTJ")
  - Centralization of management, control & business risks
  - Entitled for residual (entrepreneurial) profits
- Operating entities
  - Location based on business & tax considerations
  - Perform routine functions and bear subordinate risks
  - Receive a stable and relatively low profit level
  - Profit level can be controlled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Revealed: how multinational companies avoid the taxman

Elaborate structures to move profits offshore · International investigation into banana firms

Felicity Lawrence and Ian Griffiths

$1.4bn profits

$0.2bn tax

'Corporations seem to be deciding the maximum tax sum they will pay'

6-7

National

Teenage terror threat
Children as young as 15 are being groomed by al-Qaida to take part in terror attacks

International

Pakistan crackdown
Western governments stepped up pressure on President Pervez

Financial

Billionaire's big loss
Robert Tchenguiz, the billionaire investor, is

Sport

Fergie: buy English
Manchester United manager Sir Alex

“*Corporations are creating elaborate structures to move profits through subsidiaries to offshore centres to avoid handing money over to tax collectors in the countries where their goods are produced, and in those where they are consumed.*”

Ireland : 4p charged for use of brand
Consumed in UK : Import price : 60p 39p retail mark-up 1p taxable profits
North America
Isle of Man : 4p for insurance services
Luxembourg : 8p for financial services
Bermuda : 17p for use of distribution network
ATLANTIC
Jersey : 6p charged for management services
Cayman Islands : 8p for use of purchasing network
Africa
Produced in Latin America Export price: 13 pence 1.5p labour costs / 10.5p production costs 1p taxable profits

Tax rules go bananas

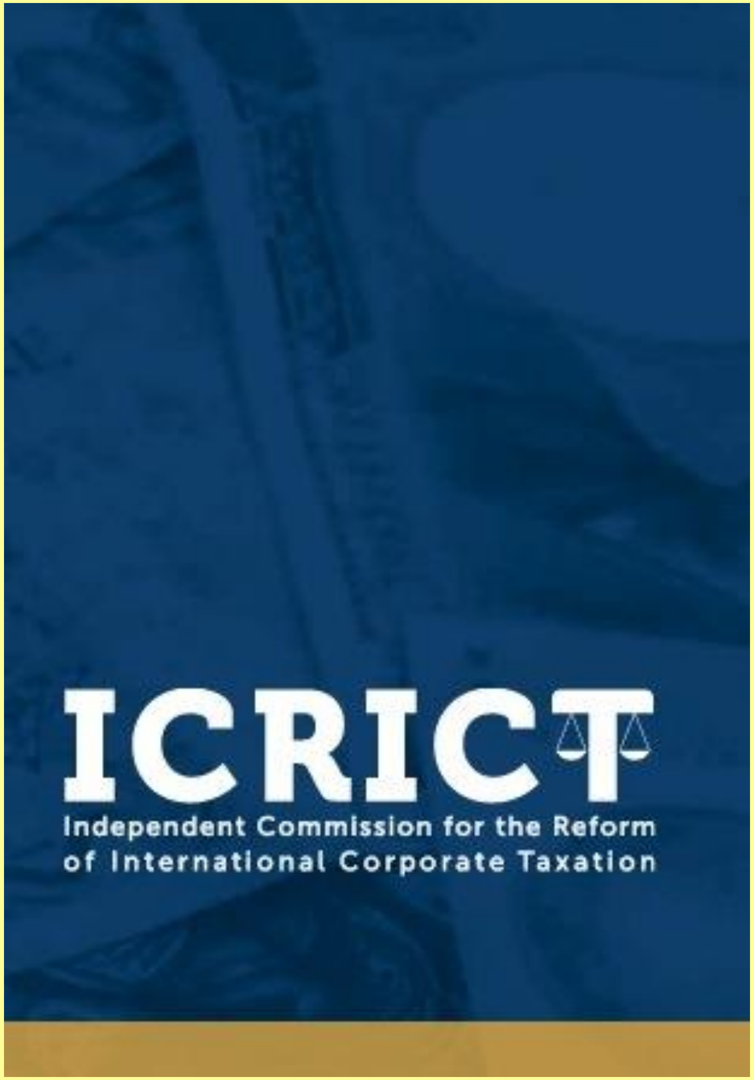
What is the problem?

Lack of legislative clarity in producer/consumer countries?

Lack of enforcement capacity and under-resourced tax authorities?

Aggressive and well resourced (non) taxpayer?

Rules / guidelines that are simply impracticable?



ICRICT Declaration – 2nd June 2015

Recommendations

- Developed countries to agree minimum tax rate
- Examine ‘spillover’ effects and eliminate measures that facilitate tax avoidance
- Disclose tax incentives and preferential tax treatments provided to TNCs
- Governments to refrain from lobbying on behalf of TNCs in tax disputes with other countries
- European Commission should clarify whether existing corporate tax preferences constitute illegal state aid
- European Union should advance Common Consolidated Corporate Tax Base project to create regional framework for tax harmonisation

ENDNOTE

“

It is time the international community faced the reality: we have an unmanageable, unfair, distortionary global tax regime. It is a tax system that is pivotal in creating the increasing inequality that marks most advanced countries today.

”

Joe Stiglitz – 28th May 2013

theguardian