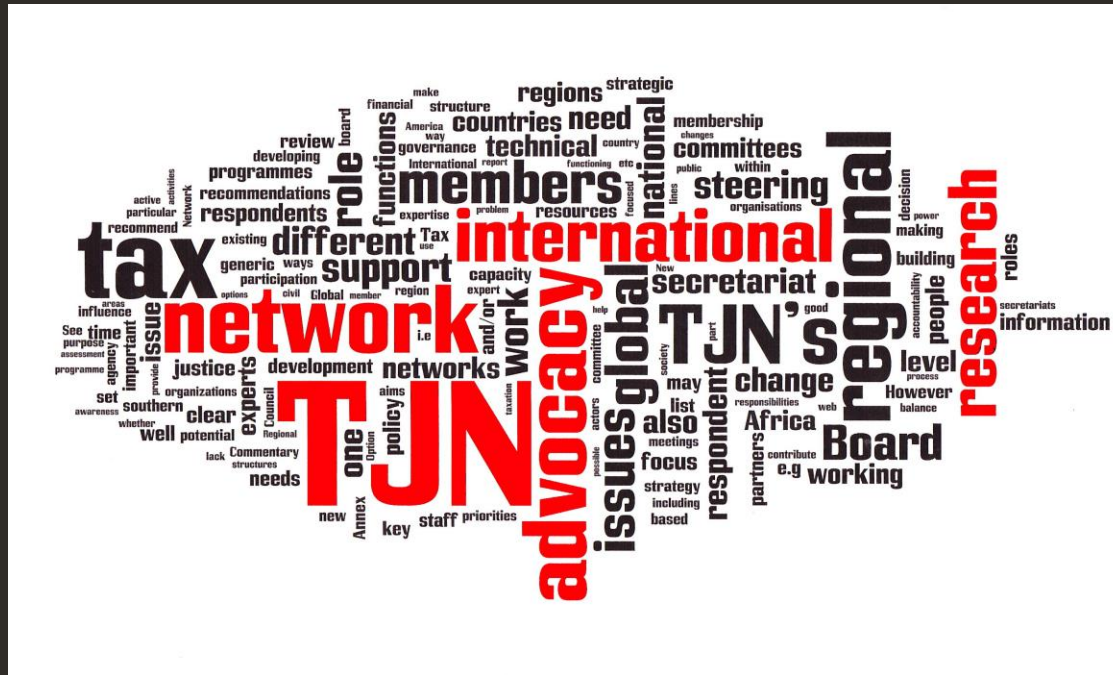


Global Labour Tax Summit, Geneva



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



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.

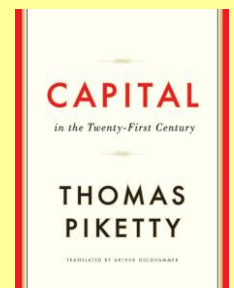
Launched in March 2003, the network spans over 80 countries on 6 continents.

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



The Greatest Invention

Tax and the Campaign
for a Just Society

Foreword by John Christensen
A Tax Justice Network Production



How Much?

published 24th September 2015,
Commonwealth Publishing

£13 trillion: hoard hidden from taxman by global elite

- Figures show scale of tax havens
- Private banks help rich to hide cash

by Heather Stewart
Business Editor

tional Settlements and the International Monetary Fund, suggests that many developing countries the cumulative value of the capital that has flowed out

Bradley Wiggins increases lead
and is poised to win Tour de France



£13 trillion
=
US\$ 21 trillion

38 BUSINESS

Revealed: wealth doesn't trickle down – it just floods offshore

A far-reaching study suggests a staggering \$2tn in assets has been lost to global tax havens. If taxed, that could have been enough to put parts of Africa back on its feet – and even solve the euro crisis. By Heather Stewart

The world's super-rich have hidden a range of tax assets to the tune of at least \$2tn, from their home countries and held in almost a year longer than the entire American economy. James Mackin, a former chief economist at consultancy McKinsey and an expert on tax havens, has unveiled groundbreaking new research for the Tax Justice Network campaign group, which has been using data from the Bank for International Settlements (BIS), the international Monetary Fund (IMF) and private sector sources to construct a picture of the global tax haven industry. The study, which is the first to be published, shows that the world's super-rich have hidden more than \$2tn in assets in tax havens. The study also reveals that the world's super-rich have hidden more than \$2tn in assets in tax havens. The study also reveals that the world's super-rich have hidden more than \$2tn in assets in tax havens.

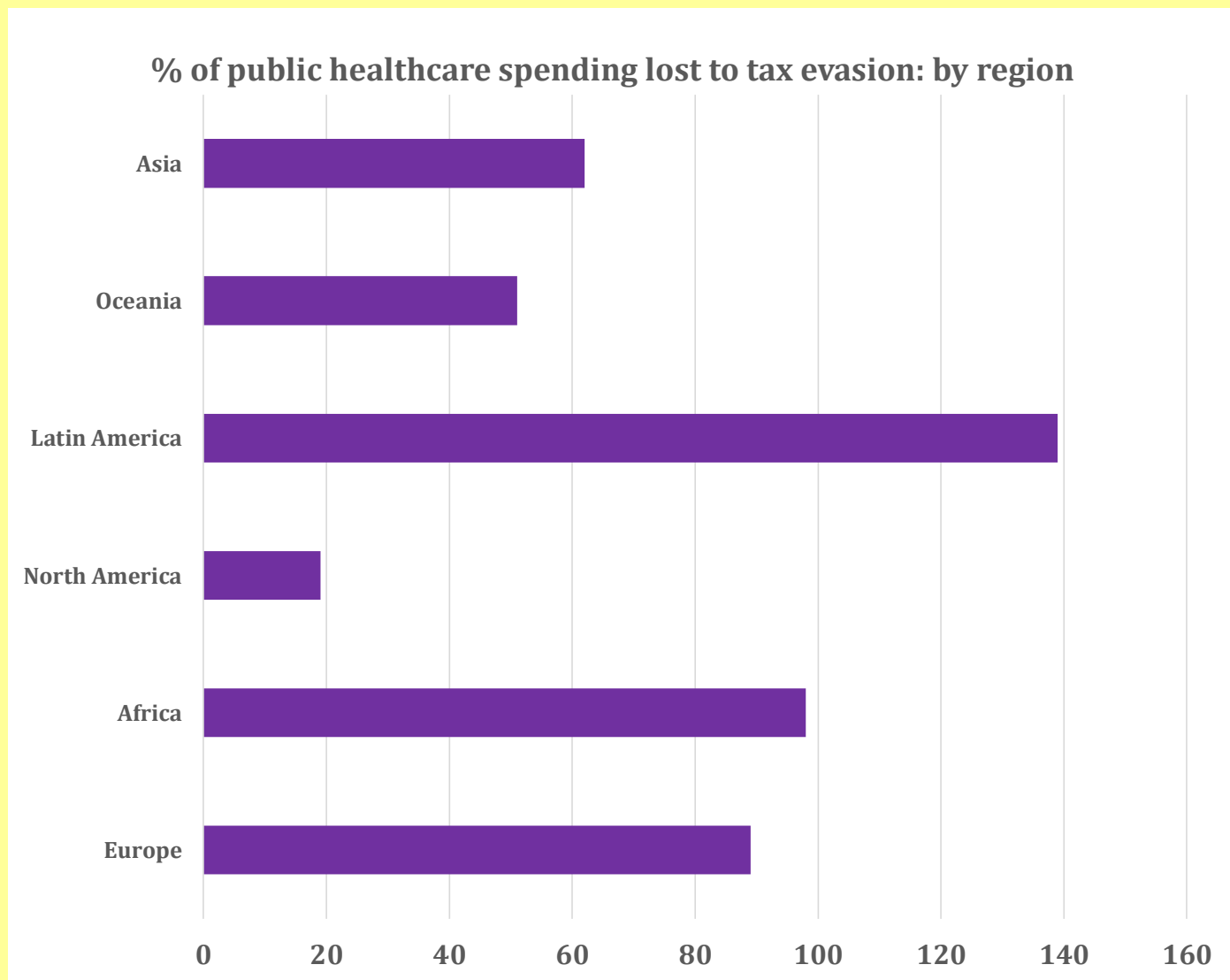
CAPITAL FLIGHT FROM DEVELOPING COUNTRIES: THE TOP 20 LOSER

WHERE AND WHAT ARE TAX HAVENS?
A tax haven is any jurisdiction that offers the promise of secrecy for overseas investors to compete for funds. As well as low, no or special rates that allow foreigners to stash their fortunes, it is a haven for a network of lawyers and accountants who help the wealthy shield assets from their home country's tax authorities.



Tyrants and foreign vultures devour the riches of Africa



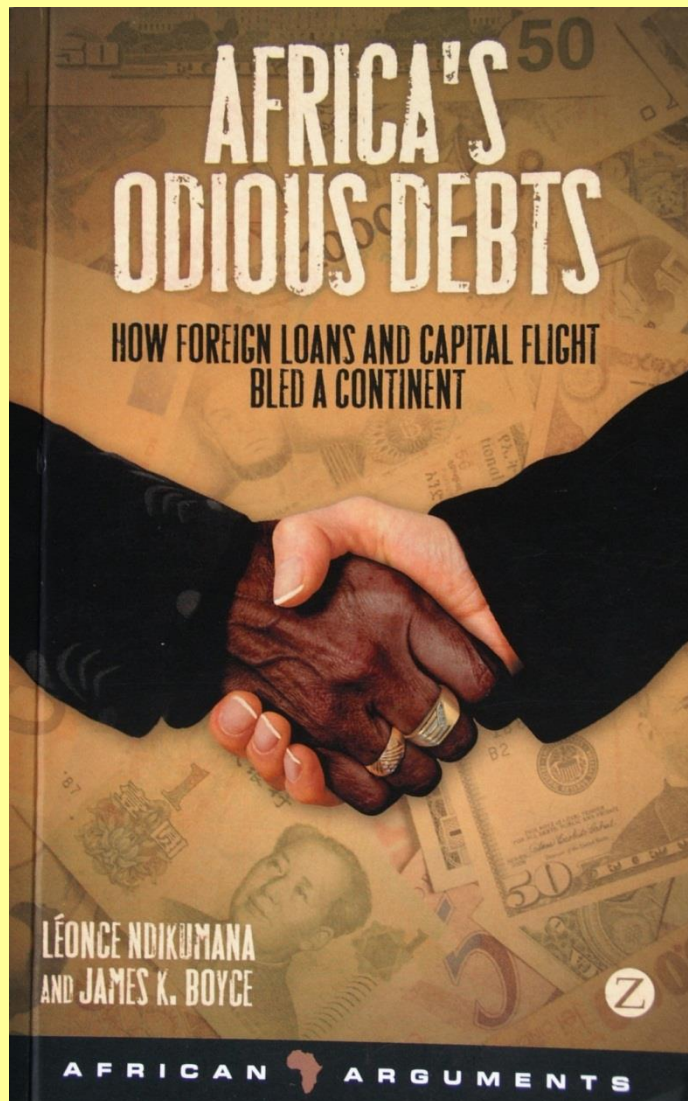


source: *The Cost of Tax Abuse*, TJN, 2011

IMF ESTIMATES OF REVENUE LOSSES ARISING FROM PROFITS SHIFTING BY TNCs

	USD Billion	% of GDP
	<hr/>	
OECD countries	509.2	0.57
Developing countries	212.7	1.70

Source: IMF Fiscal Affairs Dept. 2015

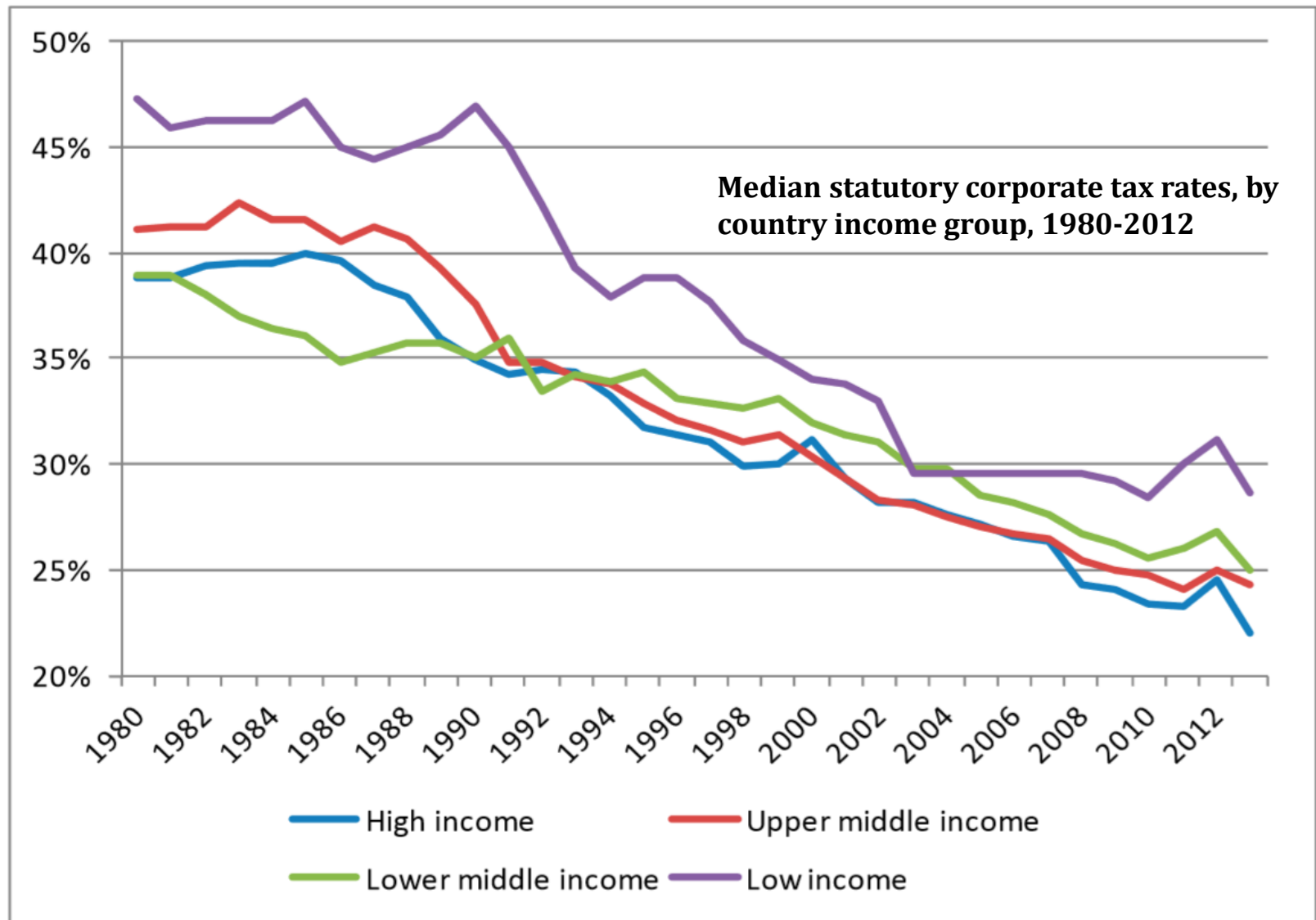


Net losses from illicit outflows between 1970 to 2008 from 33 sub-Saharan countries totalled \$944 billion.

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

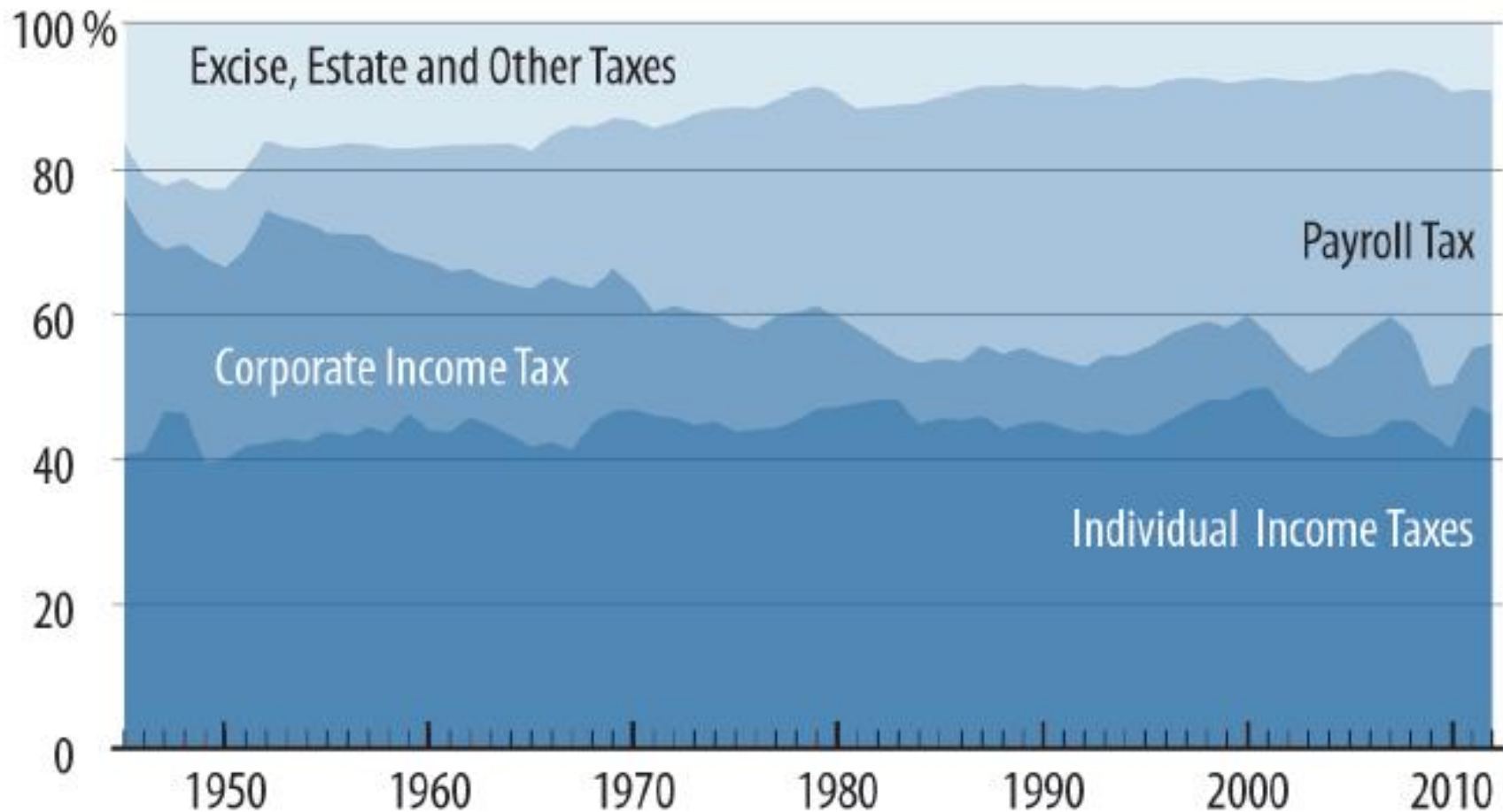
Who wants to win the race-to-the-bottom?



Source: IMF 2015

The long-term shift of taxes from Capital to Labour

Sources of Federal Tax Revenue,* 1945 - 2012



* "Other taxes" category includes profits on assets held by the Federal Reserve.
Source: Office of Management and Budget

The West African Giveaway: Use & Abuse of Corporate Tax Incentives in ECOWAS

July 2015

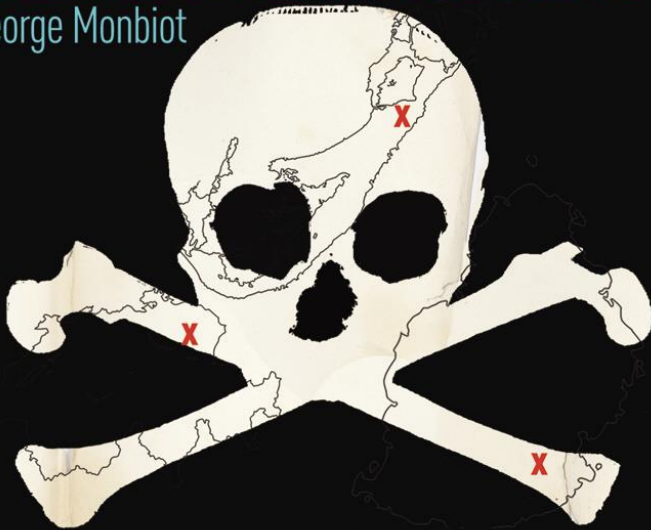


“... our research shows that three countries alone – Ghana, Nigeria and Senegal – are losing up to \$5.8 billion a year ... investment incentives – particularly corporate tax incentives – are not an important factor in attracting foreign investment ... This conclusion is confirmed both by surveys of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

August 2015

**'PERHAPS THE MOST IMPORTANT BOOK
PUBLISHED IN THE UK SO FAR THIS YEAR'**

George Monbiot



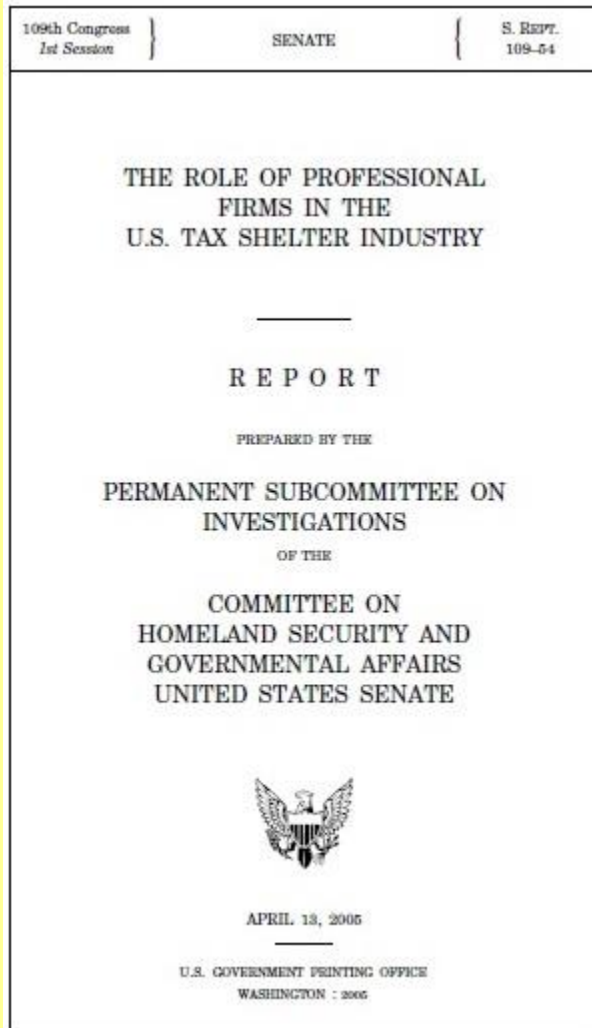
TREASURE ISLANDS

**TAX HAVENS AND THE MEN
WHO STOLE THE WORLD**

NICHOLAS SHAXSON

VINTAGE

Who?



“ 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

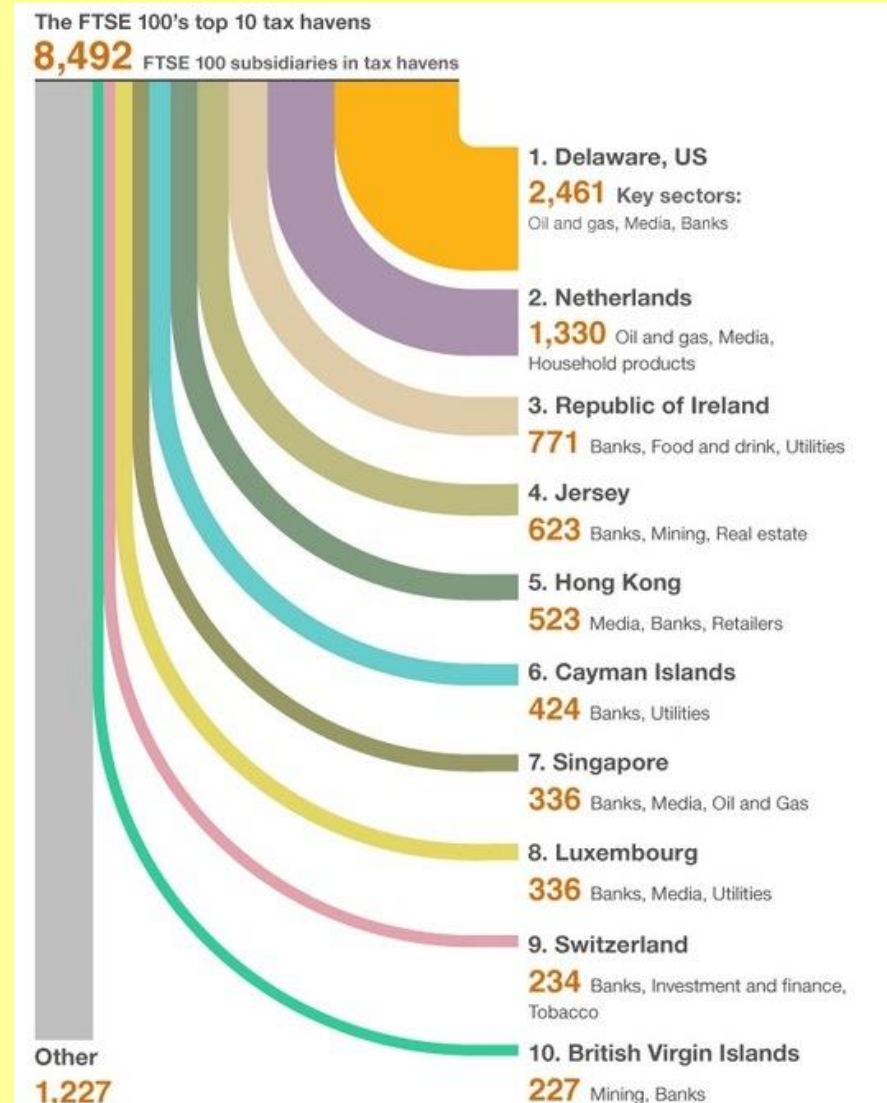
Tax evasion



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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the guardian

Revealed: how multinational companies avoid the taxman

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

Felicity Lawrence and Ian Griffiths

Global banana companies supplying the UK are using tax havens to avoid paying tax on their profits here and in developing countries, the Guardian has found.

The investigation reveals that large corporations are creating elaborate structures to move profits through subsidiaries to offshore centres such as the Cayman Islands, Bermuda and the British Virgin Islands, to avoid handing money over to tax collectors in the countries where their goods are produced, and in those where they are consumed. Governments at both ends of the chain are increasingly being deprived of the ability to raise tax for development or services.

Dole, Chiquita, and Fresh Del Monte, the three companies that supply several UK supermarkets and between them control more than two thirds of the worldwide banana trade, generated over \$50bn (£2.4bn) of sales and \$1.4bn of global profits in the last five years. Yet they paid just \$200m, or just over 14% of profits, in taxes between them over that period, our analysis of their financial accounts reveals.

In some years the banana companies have paid an effective tax rate as low as 8%, even though the standard rate in the US where they have their headquarters and file their full accounts is 35%.

The banana companies are not alone. Nearly a third of the UK's 700 largest businesses paid no corporation tax in the year 2005-06. A further third paid less than £20m each, according to figures from the National Audit Office.

The use of offshore havens by rich individuals to avoid paying tax was high on the political agenda this autumn, with Gordon Brown matching the Conservatives' pledge to tax "non doms". But government is how to keep up with the strategies being developed by large corporations to cut their tax bills.

About 60% of world trade now consists of internal transfers within multinational companies, according to the OECD. By weighting their costs towards countries such as the UK or the US that have higher rates of tax, corporations can make little taxable profit in those countries. Instead

their profits are weighted towards subsidiaries they have set up in jurisdictions that charge little or no tax.

Del Monte Fresh Produce UK, Chiquita UK and Dole's UK business, JP Fresh, report combined sales in the UK of over £400m in their most recently filed annual accounts. Yet between them they paid only £128,000 in UK tax.

Fresh Del Monte, currently the supplier of the vast majority of Asda's bananas and some of Morrisons', is registered in the Cayman Islands and has more than 30 Cayman subsidiaries. The Caymans have a zero rate of corporation tax. It also has subsidiaries in other tax havens including Gibraltar, Bermuda, the Dutch Antilles and the British Virgin Islands. Over the last five years its actual tax paid has been as much as \$69m a year less than tax calculated at the standard US corporation rate.

Dole, which supplies bananas to Tesco in the UK, paid actual tax that was \$20m a year less than tax at the standard US rate. Its accounts only list its largest subsidiaries, but these include companies in Bermuda, Liberia and Puerto Rico.

Chiquita, which also supplies Tesco, lists 11 subsidiaries in Bermuda at the end of 2006. Our analysis of its accounts over five years shows that its actual tax paid is as much as \$44m less a year than US standard rates.

In a double blow to the developing countries where the bananas are produced, the fall in tax as a percentage of profit paid by the large corporations has coincided with ruthless driving down of costs. Wages have been reduced on plantations even as working hours have been increased.

Fair trade campaign group Banana Link says Fresh Del Monte sacked all 4,300 of its workers on its Monte Libano plantations in Costa Rica in 1999 and re-employed people on reduced wages and benefits, a model it later rolled out across all its plantations. Chiquita's plantation labour costs meanwhile, which were 5% of its total costs

\$1.4bn profits

\$0.2bn tax

In 2004, had been cut to just 2% in 2006. Richard Murphy, a tax expert who advised the NAO on its report on the performance of the UK Revenue and Customs, said that large companies are effectively now able to set their own tax rates.

"Corporation tax is falling worldwide as a percentage of profits. Corporations seem to be deciding what they should pay, not as a percentage like the rest of us, but as a sum above which they don't want to go."

John Christensen, a former economic adviser to the Jersey government and director of the campaign group Tax Justice Network, said the Guardian investigation confirmed that the flight of capital was continuing, having reached unprecedented levels in the 1990s. "The trend in the last 30 years has been to shift the burden of tax away from companies on to the consumer and labour. Capital is increasingly going untaxed."

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

Dole declined to comment on the Guardian's detailed allegations, saying that they involved confidential and proprietary information. Chiquita said it complied with all tax laws in the jurisdictions where it does business. Chiquita added that "a significant portion of our earnings occur outside the US where they are subject to taxation at the local tax rate". Both companies say they are working with the Latin American unions to address workers' rights.

Fresh Del Monte said it too operated in many countries and complied with all local tax law and international tax treaties. It added that it also complied with all local labour laws, was a strong proponent of freedom of association, and that the average wage of its agricultural employees in the countries where it operates exceeds the mandated minimum agricultural wage.

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 Tchenguz, the billionaire investor, is

Sport

Fergie: buy English

Manchester United manager Sir Alex



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?

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



ICRICT
Independent Commission for the Reform
of International Corporate Taxation

ICRICT Declaration – 2nd June 2015

ENDNOTE



Joe Stiglitz – 28th May 2013

theguardian

“

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.

”