



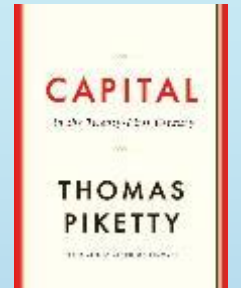
A global network of researchers and practising professionals working with advocacy and campaigning activists to remedy financial market failures, promote just tax policies and tackle the harm caused by tax havens.

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



“I credit TJN for not only putting tax issues at the heart of the global development debate but also for ensuring that the voices of the people, especially from the Global South are heard loud and clear in this debate.”

Jane Nalunga, Country Director, Uganda, Southern and Eastern African Trade, Information and Negotiations Institute

TAX POLICY

- What is tax – what is it designed for
- Tax income – tax base
- Corporate taxation:
 - Defining tax avoidance
 - The system we have...scale and impact
 - Tax competition – finance curse
 - The corporate vehicle – ‘looking under the bonnet’:
 - Country by country reporting
 - Automatic exchange of information
 - Beneficial ownership (trusts)
 - Financial Secrecy Index
- Solutions

Why are people taxed?

What types of taxation exist?

Source: LSE Library, "Demand the Beveridge Plan" a page from, "Beveridge on Beveridge: Recent Speeches of Sir William Beveridge", edited by Joan S. Clarke, nd [1944].

<https://www.flickr.com/photos/lselibrary/8219741831>

DEMAND THE BEVERIDGE PLAN

SOCIAL SECURITY CENTRE

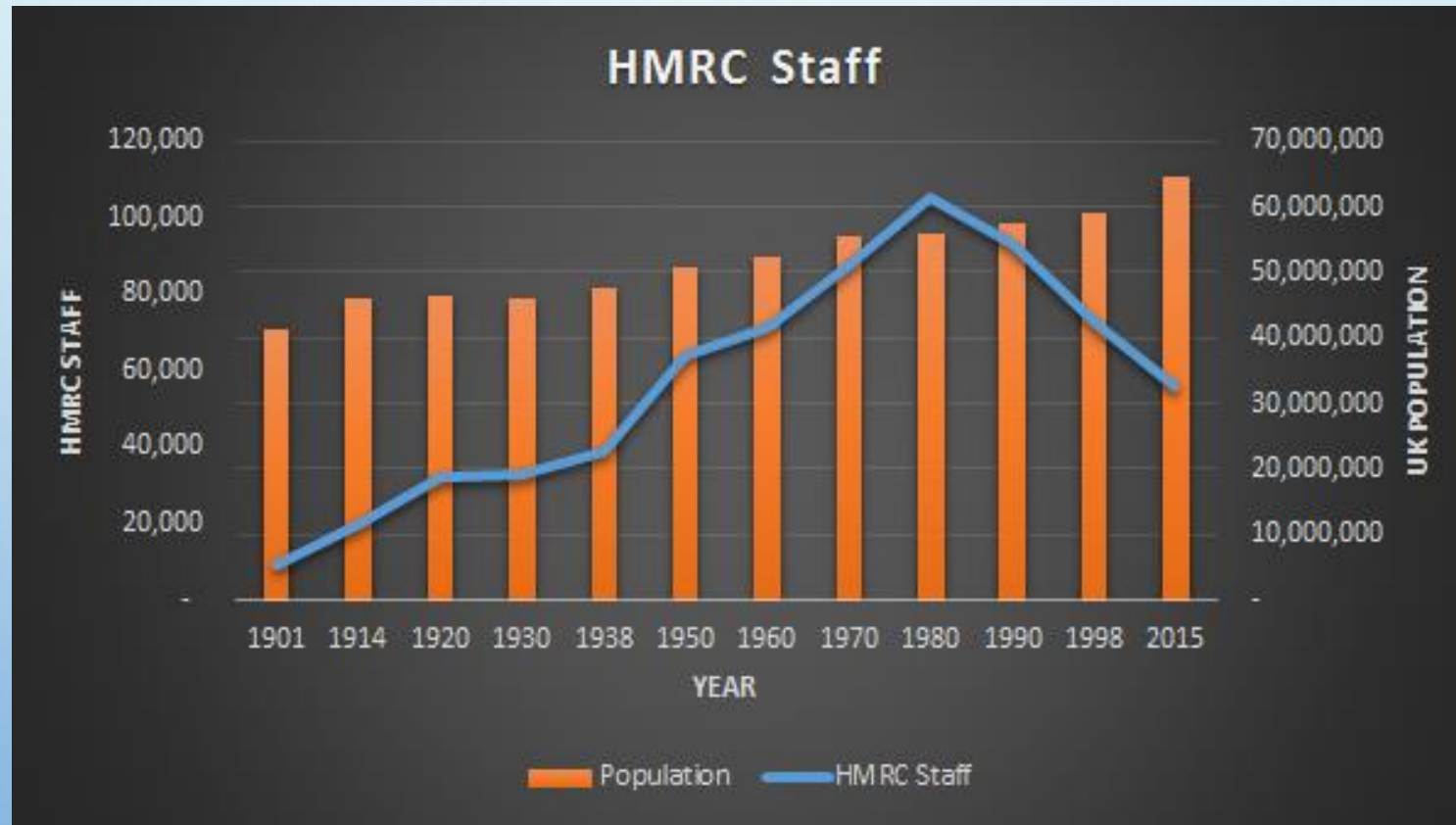
Single Weekly Payment

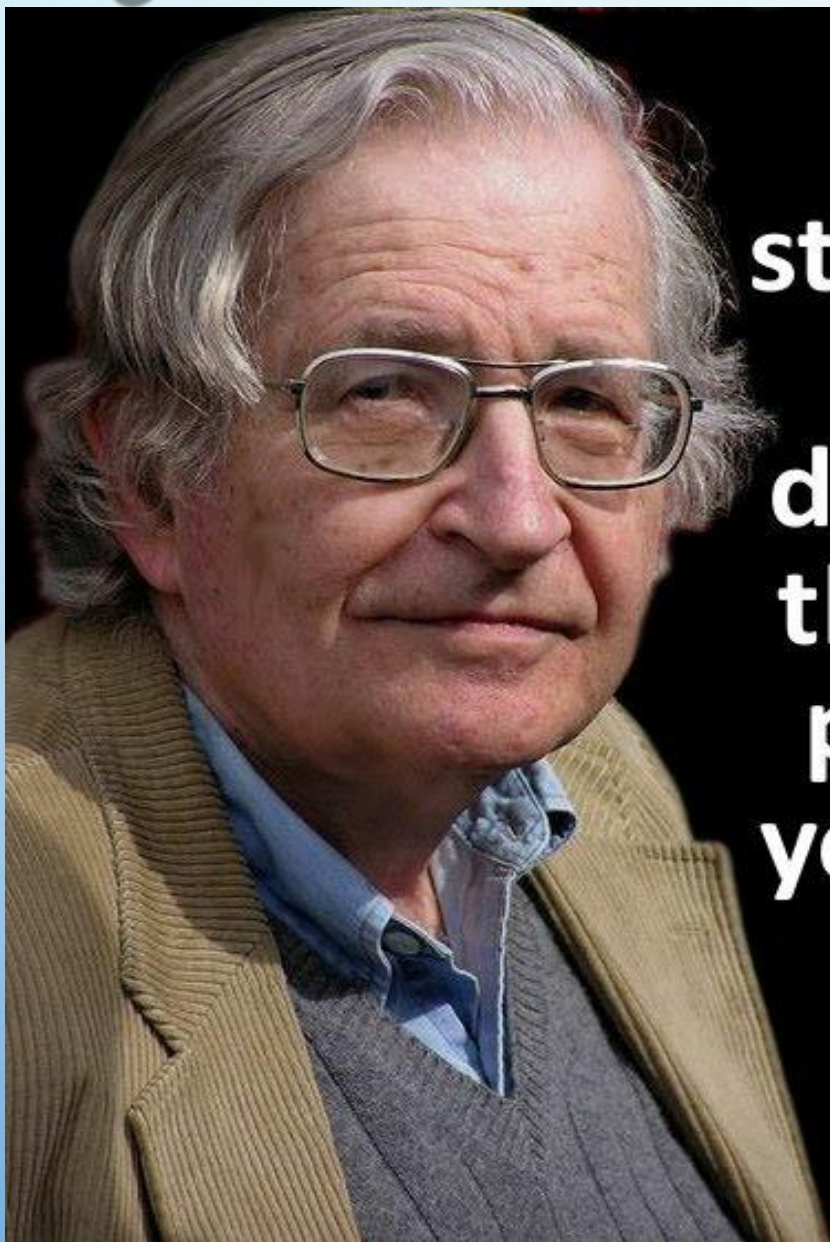
MATERNITY GRANT	£4 plus 36/- weekly
CHILDREN'S ALLOWANCES	8/- Weekly for all children after the first up to £10
MARRIAGE GRANT	Comprehensive Medical Service... FOR EVERYONE
HEALTH	Benefit Unlimited in Duration 56/-
DISABILITY	Payment of Disability Benefit LEGAL COSTS TO CEASE
WORKMANS COMPENSATION	56/- Benefit Unlimited in Duration PAYING BENEFIT NO MEANS TEST
UNEMPLOYMENT	40/- per Week (REDUCED BY PART OF EARNINGS)
WIDHOOD	Reaching 40: Man: Wife, 24/- Single after 20 years
AGE PENSIONS	State Service premiums to provide SERVICE on Pensions
INDUSTRIAL ASSURANCE	£20 Adults (smaller for children)
FUNERAL BENEFIT	

SOCIAL SECURITY BENEFITS SHOWN ARE FOR MAN, WIFE & TWO CHILDREN

Campaign for the BEVERIDGE PLAN with
SOCIAL SECURITY LEAGUE
51, TOTHILL STREET, LONDON S.W.1

Source: D. Butler and G. Butler, *Twentieth Century British Political Facts 1900-2000*, Eighth Edition, (Basingstoke: Palgrave Macmillan, reprinted 2005), p. 309-10 and 347.





**"That's the
standard technique
of privatization:
defund, make sure
things don't work,
people get angry,
you hand it over to
private capital."**

Noam Chomsky

TAX RAISED AS A % OF GDP – SOME INTERNATIONAL COMPARISONS

UK 35.2
Denmark: 48
France 45.3
Norway 42.2
Greece 33.8
Canada 30.7
Brazil 35.3
US 24.3
Mexico 10
Kuwait 0.7

Source: 2015 index of economic freedom: 'tax burden as a % age of GDP',
<http://www.Heritage.Org/index/explore?View=by-variables>

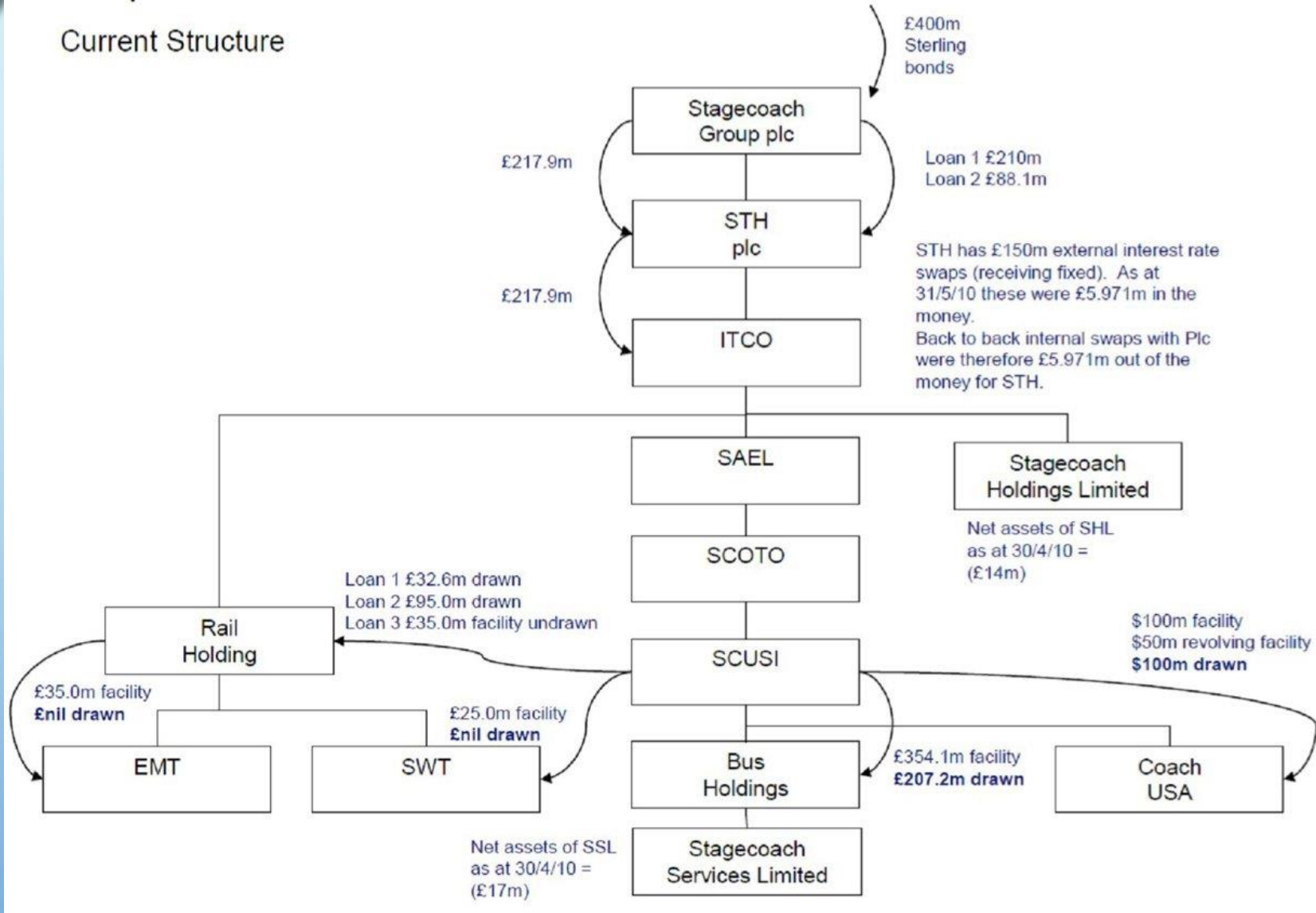
CORPORATE TAX RATES – SOME INTERNATIONAL COMPARISONS

- UK 20%
- Ireland: 12.5%
- Vanuata: 0%
- The Bahamas: 0%
- Japan 25.5%
- Argentina: 35%
- France: 34.3%
- Spain: 30%

Source: <http://www.heritage.org/index/explore?view=by-variables>

Recapitalisation of SHL / SSL

Current Structure



STAGECOACH LOSES COURT CASE OVER £11M TAX AVOIDANCE SCHEME

- Characteristics of financial secrecy:
 - Deliberately complex multi-layered (“laddered”)
 - Devised by tax experts (KPMG)
 - Real beneficial owners difficult to identify
 - Offshore companies

TNC'S & PRINCIPLES GOVERNING THE INTERNATIONAL TAX SYSTEM

- Trans national corporations treated as separate entities in different countries
- Entities trade across borders (“arm’s length principle”)

OECD

- Organisation of economic cooperation and development (OECD).
 - Fiscal committee – both operates the rules & regulates
 - Decisions involve \$billions in taxes
 - Exclusive club
 - Base Erosion & Profit Shifting (BEPS) project completed in 2015

SCALE - INTERNATIONAL DATA

Cross-border finance

- Absence of:
 - Comprehensive and consistent bilateral asset data
 - Identification of ultimate beneficial ownership
 - Automatic exchange of tax information
- Estimates of scale:
 - Low end: zucman **\$7.6 trillion**, or 8% h/hold fin wealth; revenue loss **\$190 billion** per annum
 - High end: henry, assets up to \$21-32tn
 - [Our analysis](#) of profit-shifting by US multinationals suggests that around 25%-30% of global profits are shifted into jurisdictions with no corresponding real economic activity

Figure: The wealth of the richest 62 individuals continues to grow, while that of the poorest half of the world stagnates⁴





“... 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

What companies take - and what they give back

Corporate subsidies, grants and tax breaks | Corporate tax payable

£bn

80

70

60

50

40

30

05/06

07/08

08/09

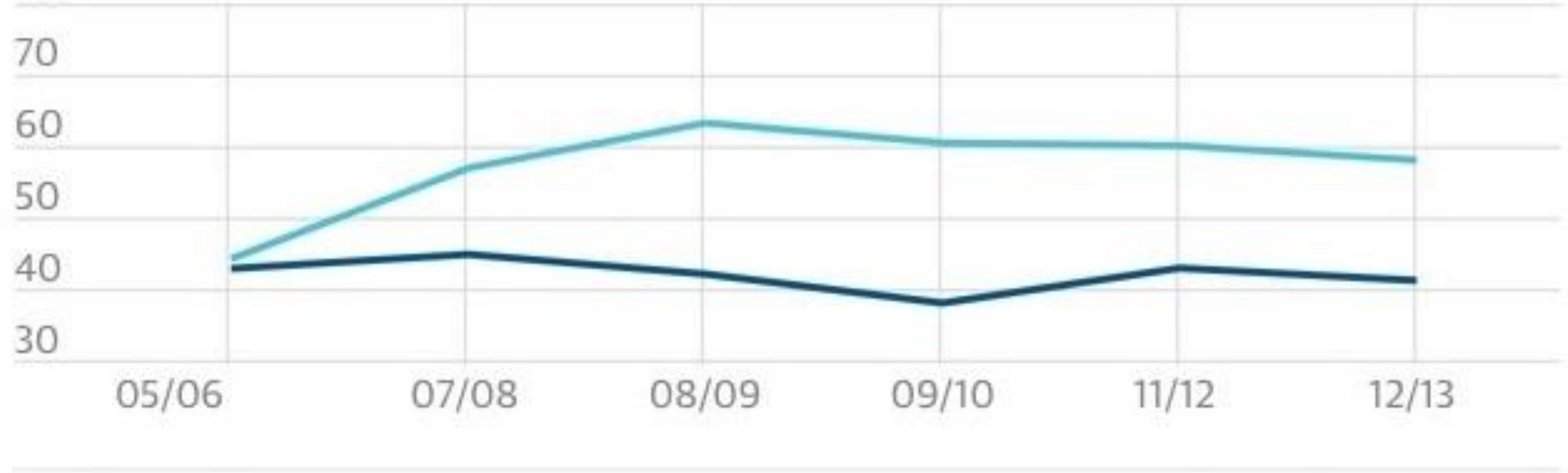
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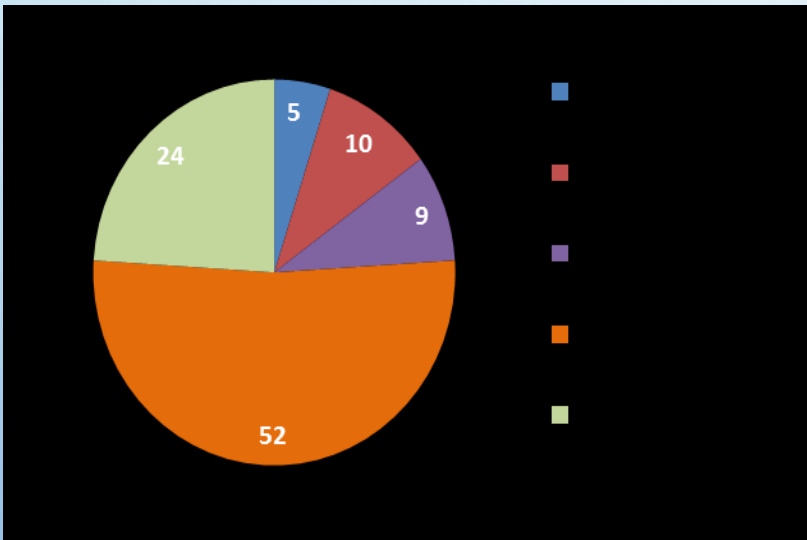
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Guardian graphic

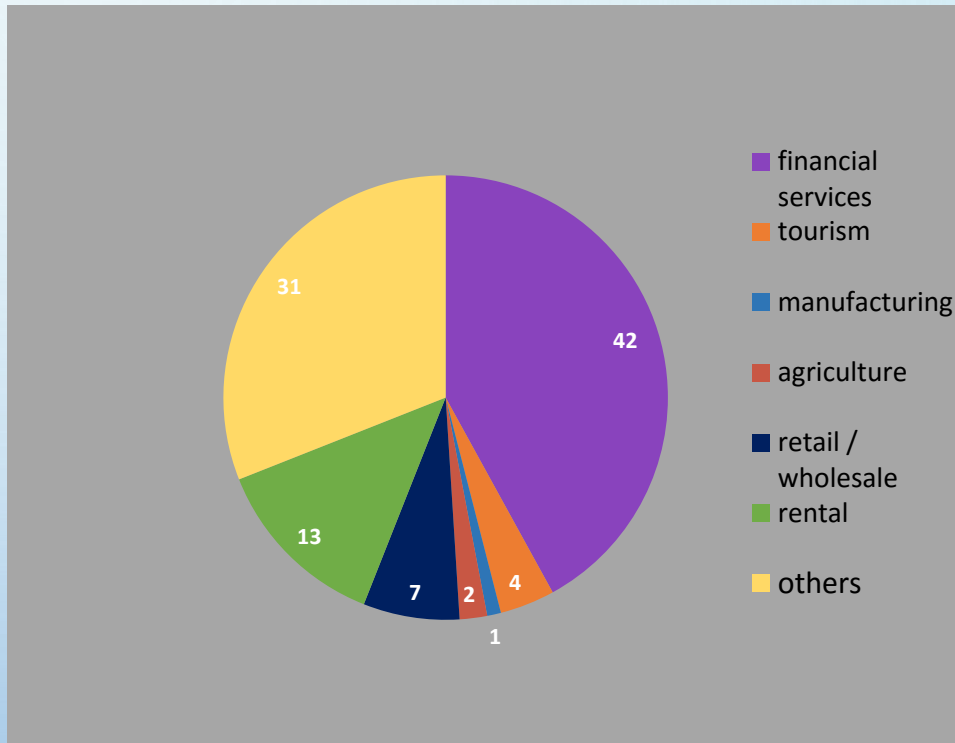
Source: Kevin Farnsworth



JERSEY - GROSS VALUE ADDED BY SECTOR (2013 COMPARED TO 1970)

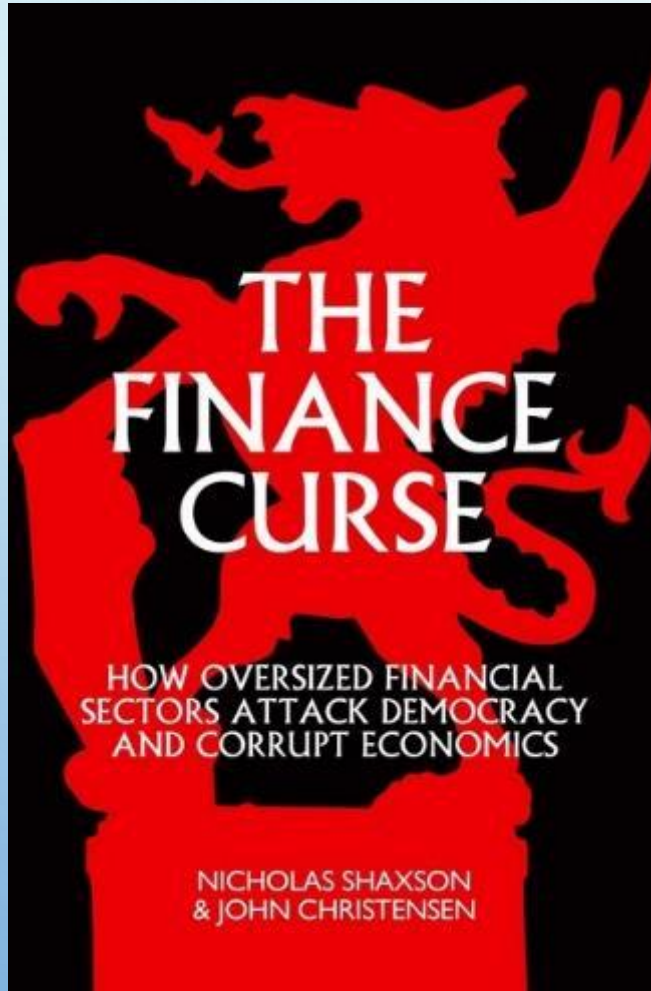


(1970 data relates to GDP estimates by Powell, G.C.)



Sources: Author's charts, data from States of Jersey Statistics Unit

FINANCE CURSE SYMPTOMS



- Crowding-out of other industries, brain drain, single sector dependence, rent-seeking displaces entrepreneurialism
- State capture, revolving doors, threats: *“don’t regulate us or we’ll go to Dublin”*
- Corruption, criminalization
- Inequality
- Poverty
- Volatility, crises

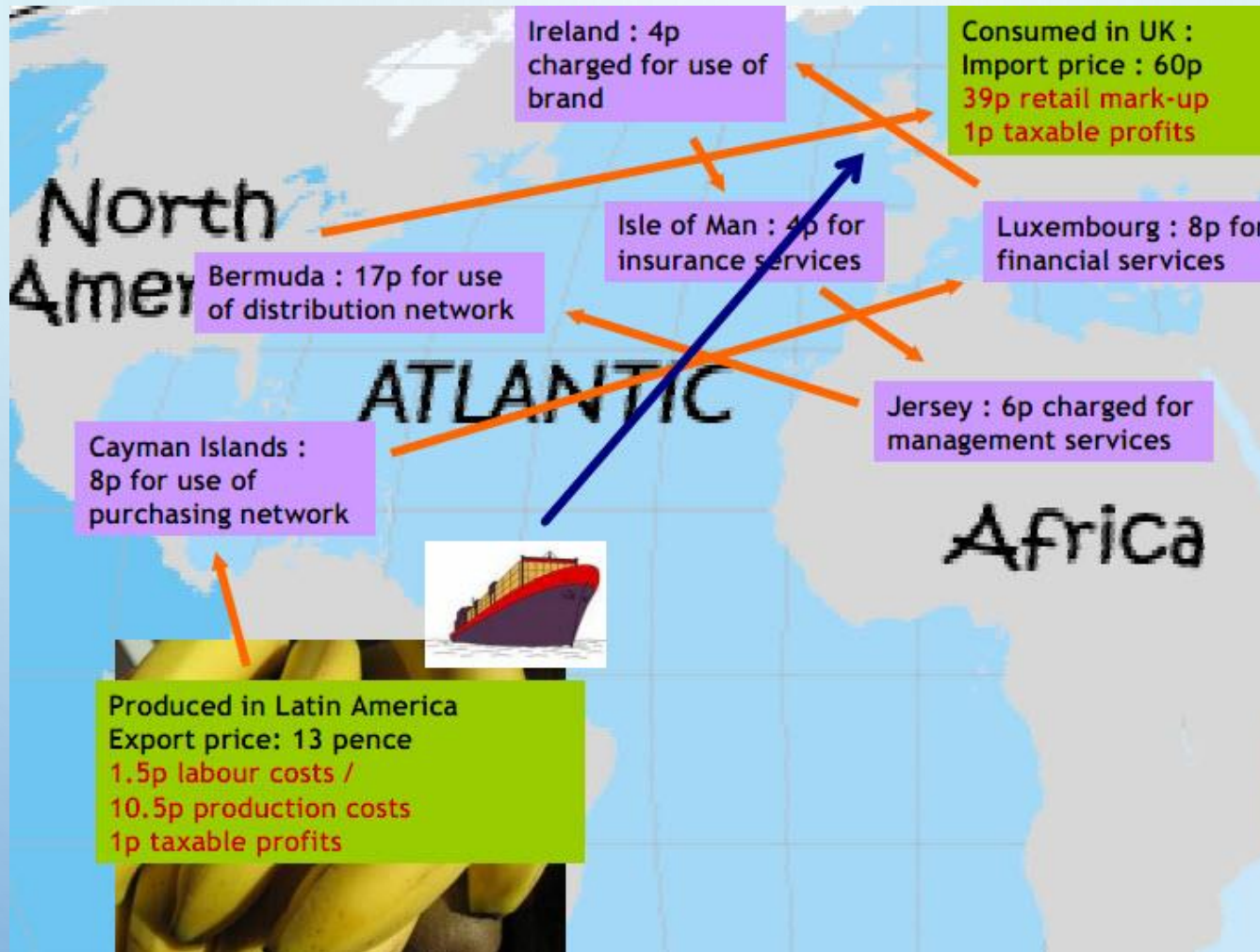
THE STARBUCKS METHOD

- Royalty payments
- Transit trade / transfer pricing
- Thin capitalisation

- [HTTP://WWW.REUTERS.COM/VIDEO/2012/10/15/STARBUCKS-BREWS-UP-BIG-TAX-BREAKS?VIDEOID=238375113](http://www.reuters.com/video/2012/10/15/starbucks-brews-up-big-tax-breaks?videoId=238375113)
- TOM BERGIN [HTTP://WWW.REUTERS.COM/ARTICLE/US-BRITAIN-STARBUCKS-TAX-IDUSBRE89E0EX20121015](http://www.reuters.com/article/us-britain-starbucks-tax-idUSBRE89E0EX20121015)

ROLE OF TAX HAVENS IN TNC TAX AVOIDANCE

- BANANA COMPANY(GUARDIAN 2007; DOLE, CHIQUITA, DEL MONTE, FYFFES)



Transfer pricing:

Banana costs £1 GBP :

Export price:
13 pence
40 cent in
Deutschland

47 pence
divided
between tax
havens

Major corporations profit enormously from the accounting ‘gimmickry’ and international tax rules

BLUEPRINT FOR TAXING MULTINATIONAL COMPANIES

- Unitary Taxation
- Genuine economic activity

COUNTRY BY COUNTRY REPORTING

- CbCR would require each TNC to provide: :
 - (1) the name of each country in which it operates.
 - (2) the names of all its subsidiaries and affiliates in each country in which it operates.
 - (3) the performance of each subsidiary and affiliate in every country in which it operates, without exception.
 - (4) the tax charge included in its accounts of each subsidiary and affiliate in each country in which it operates.
 - (5) details of the cost and net book value of its fixed assets located in each country in which it operates.
 - (6) details of its gross and net assets for each country in which it operates.

FAULT LINES IN POLICY DEVELOPMENTS

- Country by country reporting:
 - Not public
 - Not mutli-lateral

AUTOMATIC & MULTILATERAL EXCHANGE OF INFORMATION

- **Automatic and multilateral exchange of financial information:**
 - Must be public
 - Must include developing countries
 - Must cut out bi-lateral arrangements
 - Facility for non-reciprocal receipt of informations

BENEFICIAL OWNERSHIP

- **Public registers of beneficial ownership:**
 - Of companies,
 - Of trusts, and foundations
- Beneficial ownership rules and standards within a weak international & European framework:
 - FAFT (2012) 40 recommendations
 - 4th EU directive on money laundering
 - Many shortcomings replicated in national laws
 - Developing countries will be especially hard hit in attempts to prevent capital flight and loss of sovereign assets

TRUSTS

- Commercial purposes
- Tax evasion
- Criminality
- Money laundering
- Defrauding creditors, as well as
- Genuine 'family matters'
- More difficult to see into than shell companies

CAN WE TRUST TRUSTS ?

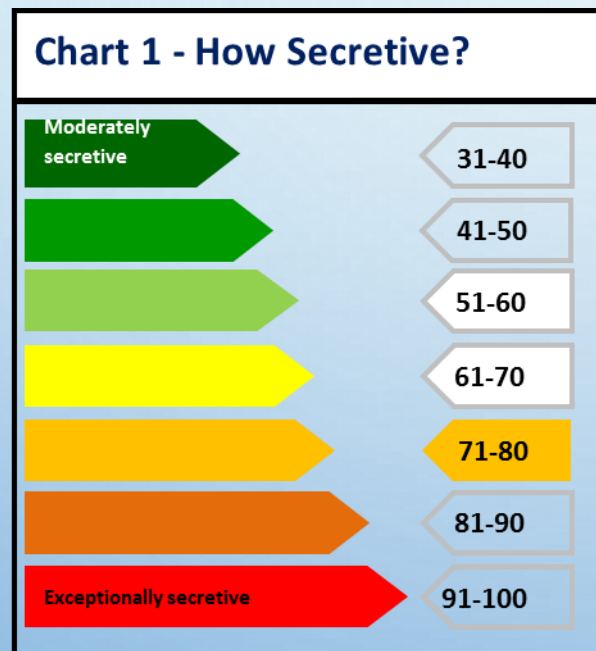
- Full of holes
- Lack of effective registration of trusts' beneficial owners: the real persons who own, control or benefit from trusts

ALTERNATIVE: *SECRECY JURISDICTIONS*

- **‘Secrecy jurisdiction’** is a potentially more useful and accurate concept (murphy 2008).
- Definition: a secrecy jurisdiction is a jurisdiction which provides facilities that enable people or entities *escape* or undermine the laws, rules and regulations of other jurisdictions *elsewhere*, using secrecy as a prime tool.

THE FINANCIAL SECRECY INDEX

- VERIFIABLE MEASURES OF SECRECY * SCALE



What's in a secrecy score?

Knowledge of beneficial ownership		Key aspects of corporate transparency regulation		Efficiency of tax and financial regulation		International standards and cooperation	
1	Banking Secrecy	4	Public Company Ownership	7	Fit for Information Exchange	11	Anti-money Laundering
2	Trust and Foundations Register	5	Public Company Accounts	8	Efficiency of Tax Administration	12	Automatic Information Exchange
3	Recorded Company Ownership	6	Country-by-country reporting	9	Avoids Promoting Tax Evasion	13	Bilateral Treaties
				10	Harmful Legal Vehicles	14	International Transparency Commitments
						15	International Judicial Cooperation

RESOURCES

- **Tax Us If You Can:** http://www.taxjustice.net/cms/upload/pdf/TUIYC_2012_FINAL.pdf (2012)
- **Unitary taxation:** http://www.Taxjustice.Net/cms/upload/pdf/towards_unitary_taxation_1-1.Pdf
- **Financial Secrecy Index:** <http://www.financialsecrecyindex.com/introduction/fsi-2015-results>
- **Automatic Information exchange** <http://www.taxjustice.net/2016/05/20/new-report-exposes-flaws-in-global-and-eu-anti-money-laundering-rules-and-explains-how-they-can-be-fixed/>
- **Gender & Tax Justice:** Switzerland's financial secrecy brought under the human rights spotlight:
 - http://www.cesr.org/downloads/Switzerland_CEDAW_Submission_TaxFinance_1mar2016.pdf

Submission to the Committee on economic, social and cultural rights (May, 2016) *Center for Economic and Social Rights Global Justice Clinic, New York university school of law,*

Tax justice network <http://www.taxjustice.net/topics/inequality-democracy/gender/>

- **Taxcast - June 2016:** https://www.youtube.com/watch?v=P_7FZMiXh5k
- **Corruption:** <https://www.youtube.com/watch?v=ApfurRY4UAw>
- **Tax dodging bananas:** <https://www.youtube.com/watch?v=m5wb5GYOVeM>
- **OECD Recommendations:** https://www.youtube.com/watch?v=sy4Hra9cLg&list=PLPle_vPYGn5y3Bdu-oTwrPvymMtXQI2TS&index=39
- **People & Power: How to Rob Africa:** https://www.youtube.com/watch?v=VVN3N3mWa2E&index=38&list=PLPle_vPYGn5y3Bdu-oTwrPvymMtXQI2TS&spfreload=10
- **Anonymous Companies:** https://www.youtube.com/watch?v=FyOVMqAlFw8&list=PLPle_vPYGn5y3Bdu-oTwrPvymMtXQI2TS&index=32
- **Tax for Everyone:** https://www.youtube.com/watch?v=Ms4yoJT6HOI&index=33&list=PLPle_vPYGn5y3Bdu-oTwrPvymMtXQI2TS