



Tax avoidance and how to get rid of it

TAX EVASION AND AVOIDANCE erode the foundations of prosperity everywhere. The biggest tax avoiders are multinational companies. For developing countries, tax havens are a poverty trap: each year over €800 billion untaxed capital flees developing countries for rich countries and tax haven secrecy laws. The sum is equivalent to about nine times the total volume of all development aid.¹

About the same amount of money is lost from the EU area because of national and international tax avoidance. This is more than the total health care budget of all EU member states.² Each year €320 million flees Finland solely due to corporate transfer mispricing.³

Public debate in Europe began to focus on the insidious influence of tax havens in 2008 at the onset of the global financial crisis. The crisis revealed that many banks hid their risk investments in tax havens. Meanwhile, state budgets were being tightened and the need for tax revenue became more urgent.

Increased transparency would make tax havens wither away, and this would lessen the risk of economic crises, and contribute to democratic development. The most important thing is to shed light on how money moves, where taxes are paid, who actually benefits from business and to whom secret accounts belong.

1 Global Financial Integrity (2012)
2 European Parliament (2013)
3 Finnish Parliament (2012)



KEPA POLICY BRIEFS NO. 17, 2015

ISBN (PDF)

978-952-200-240-2

ISSN

1797-9412

WRITTEN AND EDITED BY

Eva Nilsson
Henri Purje
Henna Hakkarainen
Outi Puukko
Bakar Khamis Bakar
Anna-Stiina Lundqvist
Linda Lönnqvist

ORIGINAL PUBLICATIONS

Kauas verot karkaavat. Kuinka veroparatiisitalous kukistetaan? (No. 12 | 10/2013)
Globaalin verokilpailun syöksykierre. Mitä Tansanialle jää käteen
ulkomaisista investoinneista. (No. 15 | 9/2014)

TRANSLATION OF TEXTS WRITTEN IN FINNISH

Mark Waller

LAYOUT

Nicola Lönnberg

KEPA RY

Elimäenkatu 25–27
00260 Helsinki, Finland
+358 9 584 233
info@kepa.fi
kepa.fi

*Supported by official development aid by the Ministry for Foreign Affairs in Finland.
Opinions presented herein are personal and may not represent the official position of Kepa.*

What is a tax haven?

There is no fixed definition of tax havens, which are highly varied in nature. They combine low levels of taxation with strict secrecy laws.

THERE ARE ABOUT 70 TAX havens in the world.⁴ They are reckoned to contain assets worth over \$US 20 billion belonging to private individuals, which is almost 280 times Finland's annual budget.⁵ Financial flows centre on tax havens because of corruption, money laundering and other criminal activity, in addition to tax avoidance by multinational companies.

Although we hear a lot about tax havens, there are no unambiguous and universally accepted definitions of them. Conventionally, tax havens are seen as countries or jurisdictions where there is nominal or no taxation, which exempt themselves from the international exchange of tax information, where strict banking secrecy prevails and which do not require any substantial activity by companies operating in them.⁶ Tax havens also typically have different rules for foreigners and for locals. Special privileges lure foreigners to tax havens, and they are given plenty of latitude not to comply with certain laws.⁷

There are big differences between tax havens. They are not all Pacific islands, as people usually think. While some modern tax havens, such as Switzerland, have been in existence for long, offshore financial centres (OFCs) like the City of London have only become key tax havens since the 1970s. The finance sector in such financial centres avoids regulation and taxes by investing assets of people that are registered abroad.⁸

Tax havens specialise in a variety of services: some compete for stringent banking secrecy, while others offer low levels of taxation, and yet others act as sort of transit or coordination centres.

Tax havens are odd places. The Cayman Islands, for instance, has 57 000 residents but contains 92 000 companies. The same people may be on the boards of directors of dozens or even hundreds of companies. The Cayman Islands is the

promised land of paper companies. The Bank for International Settlements (BIS), an organisation of central banks, estimated that \$US 1 400 billion worth of assets are located in the Cayman Islands in 2012.⁹ The territory's GDP in 2012 was just over \$US2 million.

The worst tax havens

Organisations such as the OECD and the International Monetary Fund have drawn up lists of tax havens. The definition of tax havens involves powerful political interests. Hong Kong, for example, has never featured on the OECD's black list of tax havens, because of the opposition China voiced at the G20 meeting in London in 2009. There are yawning gaps in the OECD's black list because countries have managed to get themselves off it by signing information exchange agreements.

The Financial Secrecy Index compiled by the Tax Justice Network is the first attempt to define and rank tax havens using the scale of financial flows and secrecy indicators as criteria. These relate to such things as the publication of information on company ownership and accounts, banking secrecy and participation in automatic tax exchange agreements. In 2011, Switzerland was ranked as the jurisdiction with the highest secrecy score, followed by the Cayman Islands, Luxembourg, Hong Kong and the US state of Delaware.¹⁰

The tax havens used the most by the largest European companies are, in order of popularity, Netherlands, the US state of Delaware, Luxemburg, Ireland and the Cayman Islands.¹¹ Estimates show that the favourite destinations for private individuals in Finland are Switzerland and Luxembourg.¹² Most of Africa's foreign investment goes through Mauritius.¹³

4 Tax havens, or secrecy jurisdictions, are states where legislation enables owners of companies and bank accounts to keep all information relating to them fully secret.

5 Tax Justice Network (2012)

6 These criteria were included in the first significant OECD report on the adverse impacts of tax competition and tax havens. See OECD (1998)

7 Palan et al. (2010) and Shaxson (2012)

8 Palan (2012)

9 Zucman (2013)

10 For further information on the Index and its background country reports see www.financialsecrecyindex.com.

11 CCFD-Terre Solidaire (2013)

12 Hirvonen et al. (2010)

13 Keating (2013)

Multinational companies flourish in tax havens

The biggest tax dodgers are multinational companies. Many of them do business in tax havens to evade tax liability.

THE GROWTH IN THE SIZE and power of multinational companies in relation to nation states is transforming global power structures. Multinational companies currently number about 80 000, and they have about ten times that amount of subsidiaries.¹⁴ If the multinational corporation Walmart were a state, its GDP for 2010 would have been larger than 85 per cent of countries in the world – among them Finland.¹⁵ Of the hundred largest economies in the world, 37 are corporations.¹⁶ More than half of world trade takes place within these corporate giants.

Multinational companies normally do tax planning, for instance to avoid double taxation in two countries. It becomes a problem when the planning becomes aggressive i.e. conscious tax avoidance or straight out tax evasion. Both are means to minimise taxes, and they move in a grey area between legality and illegality.

With the networks of subsidiary companies spreading throughout the world, multinational companies have considerable scope for avoiding taxes and regulation of different countries.

The establishment of a subsidiary in a tax haven is not necessarily a sign of tax evasion and avoidance. But it often is. A survey of multinational companies operating in India revealed that companies linked to tax havens paid on average 30 per cent less tax in 2010 than others.¹⁷

According to the OECD, the tax rate on the global profits of major multinational companies was five per cent. Small and medium-size companies paid from four to six time more.¹⁸

Aggressive tax planning is not the only way to try to conceal profits. Almost half of investments in developing countries by multinational companies are routed via tax havens.¹⁹ This means that many of the biggest incoming investments for developing countries come from small and relatively poor countries, such as Mauritius or the British Virgin Islands. The foreign investments of the British Virgin Islands,

which have just 32 000 inhabitants, are 860 times the island group's GDP.²⁰ When financial flows are routed via tax havens, less tax revenue from foreign investments tends to end up in developing countries.

Widespread abuse of transfer pricing

Multinational companies can transfer profits and assets from one country to another by distorting international trade prices, quantities and product types. In practice, trade prices, for instance, can be decreased or increased so that trade costs can be transferred to countries in which it pays to make only limited profits due to high taxes. This can happen between independent companies as well as between subsidiaries of multinational companies.

The vast majority of world trade – as much as 70 per cent – takes place within multinational companies.²¹ This is why the abuse of transfer pricing is so widespread. African countries lose 50 billion US dollars annually through trade mispricing alone.²²

Current rules set by the OECD on corporate internal trading stipulate that the so-called arm's-length principle should be followed. This means that internal trading should use the same pricing as would happen between two different companies trading on the open market. But this is not always the case.

The trade in intangibles, such as patents and royalties, complicates things. It is usually impossible to apply the arm's length principle because there are no points of comparison.²³ This is why the OECD's arm's-length principle is often faulted for being obsolete.

Loan and interest trickery minimises taxes

Companies can also avoid taxes through internal loan and interest arrangements. In many countries, interest on foreign loans is tax deductible but the dividends paid on equity

14 Ruggie (2011)

15 Walmart (2010), IMF (2012)

16 Transnational Institute (2014)

17 Christian Aid (2013a)

18 OECD (2013)

19 Action Aid (2013)

20 Christian Aid (2013b)

21 Murphy (2010)

22 High Level Panel on Illicit Financial Flows (2015)

23 Murphy (2010)

are not. The different tax treatment of equity and debt creates the scope for aggressive tax planning.

One possible scheme is where parent Company A takes a large loan. It uses this to buy the shares of Subsidiary Company B, located in a tax haven. Company B then makes a loan to Subsidiary C in a third country with high taxes. Company C can therefore deduct taxes from the interests paid on the loan. Subsidiary B, based in the tax haven, meanwhile, pays little tax on its interest income.

This is called *thin capitalisation*. As a result, parent Company A's taxes are less than they would have been had the stock trading used equity, therefore paying more dividends. Moreover, Company C will have lower earnings before tax because of debt costs.²⁴

Many countries have tried to tackle thin capitalisation using national legislation. Absolute limits, according to the debt ratio, have been set concerning the amount of interest expenses companies belonging to the same corporation can deduct. The debt ratio refers to the equity and debt correlation.²⁵

Holding companies in transit countries

Some tax havens specialise in relaying international financial flows between companies, and in this way minimise their taxation. Netherlands and Ireland are examples of such countries.

Multinational companies often have holding companies located in transit countries, whose only function is to own a corporation's other companies or, for instance, their patents. These companies usually pay little or no tax on revenue from dividends, royalties and capital income.

It is common for a company to focus patents, the corporation's internal services, such as administrative costs and insurance premiums, on activities related to the company's internal money transactions in countries where they are taxed only lightly.

The amount of investments flowing through so-called offshore financial centres²⁶ is at a historic high.²⁷ In 2012,

some 80 \$US billion were invested in OFCs. This explosive growth in investments began following the 2007 financial crisis. OFCs account already for about six per cent of foreign direct investment recipients.²⁸

One way of minimising tax is to use SPVs – Special Purpose Vehicles (aka Special Purpose Entities or Financial Vehicle Corporations). SPVs are created for specific short-term aims, and they have a special legal status. Companies use them to protect themselves from financial risks, but they are also commonly used to conceal debts or assets.²⁹

SPVs are typically set up in countries that give them tax concessions. Luxembourg, Netherlands and Hungary alone have received over \$US 600 billion of SPV investments.³⁰ Such host countries have a broad network of agreements preventing double taxation, which steers companies to invest in particular countries. The aim of these agreements is to ensure that investing companies do not have to pay taxes twice, in the country of origin and destination. However, agreements to prevent double taxation are used instead to enable companies to avoid paying tax altogether. For instance, the taxation agreement between India and Mauritius enables a large number of Indians to route their investments to Mauritius and back to India to avoid being taxed.³¹

A considerable amount of foreign direct investment to Africa comes from Mauritius. The majority of investment bound for Africa from India end up in Mauritius or is routed through it, and the same goes for investment from Malaysia.³² Mauritius has become the main thoroughfare for investments bound for eastern and southern Africa. The reason is that it offers generous tax haven services.³³

24 See e.g. Eurodad (2012)

25 Finnish government (2012)

26 Offshore financial centre (OFC) usually refers to a small, low taxation country or jurisdiction that specialises in providing foreign companies and foundations various financial services. Such countries usually have a disproportionately large financial sector in relation to their population.

27 UNCTAD (2013)

28 Ibid.

29 In addition to tax evasion and avoidance, SPVs can be set up because they can help developing countries' companies to internationalise through financing and clear legislation.

30 UNCTAD (2013)

31 Ibid.

32 Ibid.

33 The Economist (2011)

Mauritius – the tax-free freeway to Africa

MAURITIUS IS A SMALL island state in the Indian Ocean, off the east African coast. Its population is just 1.3 million and yet it accommodates over 25 000 multinational companies. Over 800 of them are investment funds.³⁴ The World Bank defines Mauritius as a middle-income country where inequality is at a global average and extreme poverty has been more or less eradicated.³⁵

Previously dependent mainly on agriculture, tourism and the clothing industry, Mauritius has diversified its economy by expanding into such areas as offshore financial operations, outsourcing services for companies and the luxury real estate business.³⁶

Mauritius is ranked 19 on the Tax Justice Network's index of tax havens.³⁷ The index ranks countries especially in terms of secrecy laws and practices, and for Mauritius the secrecy indicators are marked red.³⁸

Apart from its secrecy laws, Mauritius is famous for its non-existent corporate taxation. The effective tax rate of companies operating in Mauritius that actually pay tax is

estimated at only three per cent. There are also no rules concerning intra-company borrowing systems, such as thin capitalisation or transfer pricing.³⁹ Such rules are the main way to curb tax evasion and avoidance.

If a foreign company sets up a holding company in Mauritius, it pays a withholding tax of up to eight per cent, and no capital gains tax. Corporate tax is in principle 15 per cent, but companies do not have to pay it, if they proceed to invest in a country with which Mauritius has a treaty preventing double taxation. Mauritius already has agreements of this kind with 14 countries in Africa and with India.⁴⁰

The consulting and accounting company Deloitte had to publicly account for the fact that it has advised companies investing in some of the poorest countries in Africa, to do so via Mauritius to avoid being taxed.⁴¹ In Deloitte's document entitled *Investing in Africa through Mauritius*, which was leaked to the Observer newspaper, the company describes how a foreign firm can invest for example in Mozambique with the least possible tax expenditure. Mozambique belongs to the group of least developed countries and over 50 per cent of its population live in poverty. Deloitte commented that the issue was one of attracting investment and not tax evasion and avoidance.⁴²

34 Deloitte (2014)

35 UNDP (2013)

36 UNCTAD (2013)

37 Tax Justice Network - Financial Secrecy Index defines and ranks tax havens using as criteria the volume of financial flows passing through a jurisdiction and the extent of secrecy involved. The criteria relate to such things as the publicising of information on company ownership, issuing financial records, banking secrecy and tax information exchange agreements. For more information on the Index and its country reports, see www.financialsecrecyindex.com.

38 Tax Justice Network (2013)

39 Deloitte (2014)

40 Ibid.

41 Ibid.

42 Guardian (2013)

Countries compete with tax breaks

Global tax competition is when countries compete with each other for low rates or tax breaks to attract investments from multinational companies.

The justification given for tax competition is that attracting companies using low taxation creates the basis for long-term industrialisation. There is also the belief that placing foreign factories in low tax Special Economic Zones will bring employment and help transfer skills and technology to boost the local economy. The hope is also that tax breaks will smooth the way for foreign investment in countries where the investment environment otherwise has drawbacks. These may include an unpredictable political system, unstable macro economy and poor infrastructure.⁴³

The increase of Special Economic Zones (aka Free Trade Zones or Export Processing Zones) is one sign of the intensifying tax competition of recent years. Such corporate oases exist worldwide. They are geographically demarcated areas within countries that qualify for different rules than exist elsewhere in the same countries. Apart from tax benefits, they may offer investing companies functioning infrastructure and services and less bureaucracy.

In 1980, there was not a single tax-free Special Economic Zone in the low-income countries of sub-Saharan Africa. But by 2005 they had been set up in half of the countries of the region. In 1980 only 40 per cent of countries offered tax breaks. By 2005 this had risen to 80 per cent.⁴⁴

Tanzania is East Africa's largest provider of tax incentives.⁴⁵ For the fiscal year 2012-2013 it lost TZS1.5 billion, or €672 million, due to tax breaks. This is a tenth of all national income.⁴⁶ It is the same amount as the country's health care budget or the loan Tanzania secured from China for building the 500-kilometre Mtwara-Dar es Salaam gas pipeline.⁴⁷

Already in 1998, the OECD recognised the existence of harmful tax competition.⁴⁸ Subsequent to this, the UN, IMF and World Bank have all stated that tax breaks can have a detrimental effect on many countries.⁴⁹

To begin with, granting tax breaks is linked to transparency problems. In many countries, the criteria and practices used in granting them are obscure. Different ministries, investment centres and tax authorities can grant them, often

according to different laws. There is scant coordination and administration drains resources. Tax breaks may be funded from outside the official budget, and parliaments do not always have a say in the matter. Tax system confusion can lead to abuses.⁵⁰ Politicians may even use tax breaks to reward companies that support them or their parties.⁵¹

At worst, tax breaks induce speculation, where companies cease operating when their tax incentive deadline elapses and then start up under another name so they can apply again for the concessions. In this way, businesses can operate for decades without being taxed.⁵²

Tax breaks do not bring investments

Research shows that the main problem with tax breaks is that most of them have no impact on the volume of foreign direct investments.⁵³ Tax breaks have hardly any effect in attracting investments to countries where governance is weak and the business environment poor.⁵⁴

According to a World Bank study, tax incentives in Tanzania come 17th on a 22-point list of factors that investors deem important when considering investing. Market potential and functional infrastructure, for instance, are factors that are far more important.⁵⁵ Despite this, tax breaks remain commonplace, particularly in low-income countries.⁵⁶

The World Bank's approach to tax incentives is not unambiguously negative. Its annual report Doing Business ranks countries according to their business environment. One of the indicators the World Bank uses concerns the tax burden on companies. The higher the tax percentage, the worse the investment. Tanzania currently ranks 148th on the list of 189 countries, and terms of taxation 141st.⁵⁷ While the IMF urges Tanzania to reduce its tax breaks, we find the World Bank penalising it for having too high tax rates.⁵⁸

Tax breaks can also distort competition by putting local businesses in an unequal position than incentive-endowed

43 Tax Justice Network-Africa and Action Aid International (2012)

44 IMF (2009)

45 Tax Justice Network-Africa and Action Aid International (2012)

46 Tanzanian National Audit Office (2013)

47 Manson (2013)

48 OECD (1998)

49 Hornberger et al (2011), IMF (2006), IMF et al (2011), OECD (2013a)

50 OECD (2013a) ja IMF (2006)

51 Institute for Development Studies (2014)

52 Tax Justice Network-Africa and Action Aid International (2012) ja OECD (2013a)

53 Ibid.

54 CRC Sogema (2013)

55 Ibid.

56 Institute for Development Studies (2014)

57 Maaillanpankki (2014b)

58 Manson (2013)

foreign investors.⁵⁹ There is often the belief in developing countries that if foreign companies do not receive tax breaks, investments will move to neighbouring countries. This leads to a race to the bottom in which everyone ultimately loses. Action Aid estimates that developing countries lose \$US138 billion due to official tax breaks.⁶⁰ The IMF, OECD, UN and World Bank have recommended that developing countries should be supported and encouraged to resist the downward spiral of tax breaks.⁶¹

Instead of losing money to tax breaks, many countries could use it for developing road, port, electricity and water supply infrastructure.⁶² Now, wages and consumption are taxed more in order to collect the necessary revenue in state coffers. Consumption taxes increase the prices of such things as food, which imposes hardship in the poorest people in society.

The problem is not always that tax breaks go to companies. The organisations and projects that run the development cooperation sector also receive tax breaks. It is hard to justify these tax concessions, particularly in countries receiving budget support from donor countries.⁶³

In some cases, there may be grounds for tax breaks. Broadly speaking, these relate to such things as projects that generate public goods, Cleantech technology, health sectors and personnel development.⁶⁴

Tax treaty losers

Lost tax revenue due to the constant increase of aggressive tax planning by companies and tax competition between countries is linked to the growing power of giant corporations. The operations of multinational companies are not regulated so that fair tax revenues from their profits remain in the countries in which those operations take place.⁶⁵

The principles concerning the taxation of multinational companies are negotiated in many international forums. The OECD, representing the industrialised countries, has become, partly for historical reasons, the most prominent player, even though it represents only a small proportion of the world's nations. Among others, the model tax convention, agreed in the OECD framework, provides the basis for which the majority of countries negotiate their tax agreements. The first model tax convention was introduced in the 1960s.⁶⁶

Tax treaties generally refer to two kinds of agreement, either to do with tax information exchange between countries

or to stop double taxation. Investment pacts between countries may also cover taxation rules. Bilateral agreements in particular are crucial to the tax obligations of multinational companies.

The negotiation of tax agreements started in the first half of the 1900s. Wealthy industrialised countries were the initiators, as multinational companies originated in them, as they still do. The aim was to find a way, amidst the internationalisation of corporate activity, to tailor countries' tax systems to international investments and money transactions.⁶⁷ The aim was also to ward off double taxation.

To prevent double taxation, tax agreements regulate what income a company's country of origin can tax and when investments in the target country (so called source country) should be subject to tax breaks. But the situation is distorted by the latitude multinational companies have to shop around for the cheapest agreements through such countries as Netherlands and Mauritius.⁶⁸

Generally speaking, the OECD model tax convention allows companies' countries of origin more tax rights than countries in which companies invest. This basic arrangement is problematic for developing countries because only very few multinational companies are domiciled in them. Developing countries hardly benefit at all from reciprocal tax breaks.⁶⁹ The UN Tax Committee has developed an alternative model allowing target countries more taxation rights, but the model has not been widely adopted.⁷⁰

The Dutch-based Centre for Research on Multinational Corporations (SOMO) estimates that countries that have tax agreements with the Netherlands lose at least €771 million each year in tax revenue from dividend and interest income alone. This figure does not include losses on royalties or capital income.⁷¹

Studies on the impacts of amounts of foreign investments yield varied and often conflicting results. In terms of developing countries, though, there is not always a positive link between tax agreements and foreign investments.⁷²

The dearth of operative rules reflects a lack of political will and the massive imbalance of power between rich and poor countries. Also, the turnover of many companies is greater than the GDP of many countries, and they can therefore exercise considerable bargaining power when making decisions on investments. At present, 37 of the world's largest economies are corporations.⁷³

59 IMF (2006)

60 Action Aid International (2013)

61 IMF et al (2011)

62 Institute for Development Studies (2014)

63 IMF et al (2011)

64 Tax Justice Network-Africa and Action Aid International (2012)

65 Tax Justice Network (2005)

66 OECD (2010) ja Uckmar (2006)

67 SOMO (2013)

68 Ibid.

69 Dagan (2000)

70 YK (2001)

71 SOMO (2013)

72 Neumayer (2007)

73 Transnational Institute (2014)

Solutions

Transparency using country-by-country reporting

At present, not even top specialists in the field are able to keep track of financial flows. Transparency does not in itself put an end to tax havens, but it does shed light on aggressive tax planning. Transparency would be furthered if there were country-by-country reporting of financial accounts.

Companies are currently obliged only to report their financial flows regionally or globally, making it impossible to gain a complete view of tax planning. It would be important to know how a multinational company's profits and tax payments are divided between the countries in which it operates, be they Zambia, Mauritius, Netherlands or Finland.

Country-by-country reporting would not just yield information for the public. It would also make it easier for investors in risk assessment and decision-making, as well as improve the market position of companies that demonstrate accountability. The ground rules would be open and the same for all. At present, though, there is little scope for investors, suppliers, consumers, the public or tax authorities to obtain information on companies' country-by-country operations.

Fortunately, there has been some progress in this area. According to an EU directive approved in spring 2013 European extractive and forestry companies will be obliged

to report on country by country and project specific payments to governments. Similar legislation is on the way in the US. Until now, reporting has been under the voluntary global framework of the Extractive Industries Transparency Initiative (EITI), and so in many countries it has remained limited and insufficient.⁷⁴

Despite these positive steps, many CSOs are disappointed with the scope of the EU directive. In its present form, it does not yield information on corporate tax planning, because the volume of data that is to be reported is small. Mere disclosure of payments does not properly show whether companies pay fair levels of tax for their operations. For this to happen, companies must, in addition to supplying data on tax payments, publicise the numbers of their employees, production volumes and values, as well as sales, procurements and subsidies. In the absence of this information, it's impossible to estimate the extent to which companies make use of their operational infrastructure, level of education and other public goods in relation to the taxes they pay.

74 Publish What You Pay (2012)

Tax haven business is booming

Companies are not only users of tax haven services, but also providers. Major consulting firms and front companies are also a part of the global tax haven industry.

PROVIDING TAX HAVEN SERVICES is a lucrative line of business for many enterprises. This vast field of business is concentrated in the hands of just a few big corporations. The Big Four Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers (PwC) wholly dominate the international audit market.

Banking and legal services are also highly concentrated among a handful of corporations.⁷⁵ Much of the wealth channelled through various tax evasion and avoidance systems ends up in bank accounts or the portfolios of bank asset managers. We know, for instance, that leading European banks, such as the French PNB Paribas and Crédit Agricole, as well as the German giant Deutsche Bank, set up paper companies or front companies in secrecy jurisdictions for hundreds of their clients, who wanted to avoid paying taxes or to hide their assets.⁷⁶

Banks and front companies also nurture corruption by offering politicians the means to conceal dirty money.

The dual purpose of auditing corporations

Deloitte, Ernst & Young, KPMG and PwC dominate most of the global auditing, accounting and consulting market. Apart from examining their clients' accounts, they also advise them on tax planning and various other activities. Accountancy companies also play a big role in setting ground rules. They advise and lobby decision makers, fund political campaigns and are key power brokers in areas such as the setting of international accounting rules by the International Accounting Standards Board (IASB).⁷⁷

The largest accounting firms are complex corporate structures and innovators in tax evasion and avoidance strategies. They operate in virtually all tax havens. For example, PwC operates in 150 countries⁷⁸, and Deloitte employs over 700 professionals in eight Caribbean islands. The company says it is in such places, "because there is legitimate, straightforward business taking place in those locations ...".⁷⁹

The scale of operations is such that in 2010 the Big Four employed nearly 280 000 people, according to annual report

data. In Finland alone, PwC has over 130 employees working in its taxation department, while the country's tax administration employs fewer than 40 people to work on transfer pricing monitoring.⁸⁰

Front companies open for business

So-called front or paper companies are set up to avoid taxes and conceal wealth. Anyone – whether criminal or entrepreneur – can use front companies to enable them to transfer assets around the world under the radar.

A front company has nominal owners and personnel who are used to mask its underlying actual owners. Virtually anyone almost anywhere can create a paper company and they don't have to be too fussy about the accuracy of personal data. Typically, there will be some actual paperwork, an official address and the required straw men – a director and board members.⁸¹

The usual practice is that various financial services and business solutions providers have to verify their clients' identity. There are, though, many countries or secrecy jurisdictions that don't require identity checks on company owners and beneficiaries. Notification of the names of managers and trustees is sufficient. The overall picture may be highly complicated. An owner may in fact be another company whose beneficiaries could be unknown.⁸²

The market in various types of front companies is big business. The Internet is packed with service providers advertising inexpensive, speedy, hassle-free, secure and inconspicuous solutions for setting up companies, trusts, foundations or other sorts of enterprise.

Prices start at just a few hundred euros. A little over \$US500 and a day's notice will get you a company in the Seychelles that doesn't have to pay local taxes, publicise the identities of its directors or owners, or issue financial reports. A more sophisticated system, of the sort that exists in Switzerland or Luxembourg, may cost several thousand euros.⁸³

75 Henry (2012)

76 Heinzle et al. (2013)

77 Mitchell et al. (2011)

78 Ibid.

79 Goodall (2013)

80 PwC.fi (2013)

81 Heywood (2013)

82 Kraus (2013)

83 The Economist (2012)

Solutions

Name owners, share info

Legislation in many countries facilitates anonymous corporate ownership, for instance by using front companies. In Finland, too, one can own shares anonymously using the registration management system created for foreign investors.

At the same time, effectively tackling tax evasion and avoidance necessitates a functioning exchange of tax information between countries. If information about true owners is not available, such exchanges of information are difficult. Information about the actual owners of companies or accounts should be publicised and made available to the authorities.

At present, tax authorities can request information from other countries about the tax obligations of their own taxpayers, if they suspect that an individual or company is guilty of tax evasion and avoidance. They can only request such information from countries with which there are tax

information exchange agreements (TIEA).

Regionally, automatic tax information exchanges apply to private individuals' bank deposits. EU countries, except Luxembourg and Austria, mutually exchange information on such deposits. Automatic information exchange is also in use between the US, Canada and Mexico, and between Australia and New Zealand.⁸⁴

Finland has promoted the automatic exchange of tax information among EU countries and there has been progress in finding common ground also with tax havens located in Europe. Regional and bilateral models should move toward open multilateral information exchange agreements. Apart from political will, such efforts need technical support, especially for developing countries.

84 Tax Justice Network (2009b)

No development without tax revenue?

The connection between having a sufficient tax base and meeting development goals is irrefutable. International tax competition, however, undermines the ability of developing countries to collect tax revenue.

THE TAX ARRANGEMENTS of multinational companies, crime, corruption and inadequate monitoring and supervisory resources on the part of tax authorities all hinder the growth of tax revenues in the global south. In many developing countries, too, there is abundant informal economic activity that takes place completely outside the tax systems.

Tax flight is a special problem for developing countries. Their tax revenues and asset ratios are already low, and many countries are consequently unable to finance vital basic services or infrastructure. And while lack of tax revenue sustains development dependency, many donors have cut their aid budgets due to economic recession. The crisis is estimated to have cut a sum equivalent to over 40 times the total amount of development funds for 2009.⁸⁵

Currently, half of sub-Saharan countries in Africa collect less than 17 per cent of their GDP in the form of tax revenue. If all developing countries were able to collect even 15 per cent of the GDP in tax revenue, they would increase their annual income by at least €136 billion.⁸⁶

Progress in Africa on attaining the Millennium Development Goals correlates with how much of their GDP comprises tax revenue.⁸⁷ The UN estimated that in order to reach the MDGs, developing countries would have had to collect at least 20 per cent of their GDP in the form of tax revenue.⁸⁸ Countries that rely on tax revenue usually do better in good governance and democracy rankings, compared for instance to developing countries living off oil wealth.⁸⁹ The taxation of foreign companies is also a key issue confronting middle-income countries, which don't receive development aid. Tax paid by companies is income for the state and enables countries to carry out national development plans on their own terms.⁹⁰

People in many countries are frustrated with their governments' reliance on development aid, and there is growing pressure for self-sufficiency. This has been evident in particular in those developing countries that in recent years have made major natural resource discoveries.

Increasing self-sufficiency among natural resource-rich countries is not reflected in better living conditions for ordinary citizens. The reason is not only corporate tax evasion and avoidance but also a variety of factors related to taxation systems and administration. In many countries, tax systems are regressive, meaning that the tax burden does not increase in relation to ability to pay. Such tax systems maintain inequality, as the tax burden is proportionally heavier on low-income sections of the population.

Tax authorities often lack resources and international tax planning is especially hard to control. In Mozambique, for instance, the number of people employed in the entire administration in 2011 was just 3 010 people. This breaks down as 0,131 tax officials for every thousand inhabitants.⁹¹ The Finnish tax administration employs about one person for every thousand inhabitants.⁹²

The problem is also to do with lack of knowledge and empowerment. If citizens had better chances to be part of the discussion on the sources and uses of tax income, there would be a greater likelihood people would be more interested in promoting fairer tax policies. Corruption also undermines people's faith in the tax system. There is therefore a need for both better financial management and a more active civil society.

Tax incentives are ruinous

Competition between countries for corporate investments in recent decades has undermined the scope for developing countries to collect tax revenue. Many developing countries have set up low-tax special economic zones or have tailored tax relief for companies, for example by exempting them from withholding tax.

The position of developing countries is also weakened by the way multinationals place them in competition against one another. Being caught up in tax competition is no guarantee of being rewarded with foreign investments. Rather, the negative impacts of tax competition are undeniable. Nicaragua,

85 African Economic Outlook (2010)

86 Action Aid (2009)

87 Kohonen (2010)

88 UNDP (2010)

89 Marshall (2009)

90 Kepa (2012)

91 Fjeldstad & Heggstad (2011)

92 Tax Administration (2013)

for example, loses over five per cent of its GDP in tax relief each year.⁹³

The aluminium smelter Mozal, operating in Mozambique, is a typical example of a mega investment with non-existent benefits to the national economy. Under the system of tax breaks, Mozal pays just one per cent in sales tax, though the usual rate in the country is 32 per cent. It also uses 65 per cent of the country's electricity reserve, while only 12 per cent of the Mozambican people have electricity.⁹⁴

The means available to developing countries to adapt to the pressures of tax competition are palpably more limited than for rich countries. Wages and consumption have to be

taxed more heavily in order to collect the necessary revenues. Consumption taxes increase food prices, which worsen the situation of the poor.

The issue of taxation is vitally important from a development perspective. In 2015 countries at the UN summit meeting on financing for development committed themselves to strengthening tax revenue collection by bolstering work to tackle tax evasion and avoidance. Tax havens, tax evasion and avoidance and increasing self-sufficiency have also become key issues in deciding on the new global goals succeeding the UN MDGs after 2015.⁹⁵

93 Instituto de Estudios Estratégicos y Políticas Públicas (2012)

94 Jubilee Debt Campaign (2012)

95 High-Level Panel of Eminent Persons on the Post-2015 Development Agenda (2013)

Tax incentives common in Tanzania

IN TANZANIA, tax revenue accounts for about 18 per cent of GDP.⁹⁶ The country's budget for 2015/16 is €9.3 billion, less than a fifth of the Finnish national budget, to cover the needs of 48.5 million Tanzanians.⁹⁷

Tax revenue covers about 52.2% or just over half the budget, the rest of which relies on loans and development cooperation funds.⁹⁸ Other funding instruments are far less reliable than tax revenue: commercial loans increase national debt, development aid is dependent on the policies and economic situation in the donor countries. Although aid dependence has decreased from 17 percent in 2011 to 6.4 percent in the 2015/16⁹⁹ budget, being aid beggars is hardly an attractive position for Tanzanians.

Tax breaks depress the country's share of tax revenue. In the period between July 2014 and April 2015 tax exemptions amounted to 539 million euros, equivalent to 1.4 percent of GDP.¹⁰⁰ This amount was more than General Budget Support given by aid donors in the same financial year. According to the National Audit Office, tax relief focuses in five sectors: VAT (44%), companies and individuals (17%), The Tanzania Investment Centre's (TIC) programmes (16%),

development cooperation projects (12%) and mining (8%).¹⁰¹

Investments and the extractive industry including the mining sector are particularly tough areas in terms of increasing the country's tax base. In addition to mining tax incentives, mining companies benefit from VAT breaks, and they do not have to pay fuel tax or import duties on their machinery. Mining firms also receive other benefits through the TIC.

The mining sector's contributions to the national economy are of dubious benefit. Tanzania is Africa's third largest gold producer, but because of the numerous incentives companies enjoy, the mining industry is able to wriggle out of the majority of its tax obligations.

Fortunately recent legal reforms on VAT and tax administration are meant to reduce and control tax incentives substantially. There will be a significant reduction of exempt items in the VAT act and the government has also announced plans to reduce tax exemptions offered by discretion.¹⁰² The laws are a positive step although according to Tanzania's tax authorities, tax breaks will not be done away with anytime soon.¹⁰³

Bakar Khamis Bakar

Linda Lönnqvist

96 Masalla (2013)

97 National Bureau of Statistics (2015) <http://www.nbs.go.tz/>

98 National Audit Office of Tanzania (2013)

99 Budget Speech (2015/2016)

100 Ibid.

101 National audit office of Tanzania (2013)

102 Budget speech (2015/2016)

103 Chaula (2013)

Global tax rules should be formed by all

It takes political will to tackle tax evasion and avoidance, but purely national level action is not far-reaching enough. If countries are serious about putting a stop to the tax haven economy, they all must be involved in shaping international tax policies.

TAX POLICY HAS traditionally been the preserve of nation states. Despite this, the growth of globalisation and the tax haven economy have sparked the interest of many countries in international tax policy. The Finnish government too has set itself ambitious targets in this respect.

The OECD, in which only rich countries have official representation, largely determines the direction of international tax policy. A model tax agreement for use between countries, rules on transfer pricing and a blacklist of tax havens have been drawn up within the OECD framework. Rich countries consider the OECD to be the most important actor in international tax policy.¹⁰⁴

The UN is also active on tax issues. The Committee of Experts on International Cooperation in Tax Matters, under the UN Economic and Social Council (ECOSOC), inspects tax agreements, tax evasion and avoidance, further international cooperation on taxation and provides support to the tax authorities of developing countries. The committee has 25 members – 10 from rich countries and 15 from developing countries and emerging national economies. The committee has no resources to speak of, however, and many rich countries oppose strengthening its work.

Many civic and specialist organisations have for years been advocating reinforcing the tax committee's mandate and resources.¹⁰⁵ They argue that the weaknesses of the OECD are its lack of comprehensive representation from developing countries and ineffectiveness in getting rid of tax havens.

The OECD model tax agreement is based on the rule that a company's country of residence or origin has the greater entitlement to collecting taxes from it. The commensurate UN model tax agreement, on the other hand, favours source country taxation, which emphasises the right to collect taxes by the country invested in.¹⁰⁶ This is an important principle for developing countries, because it would bolster their taxation powers and tax revenue.

The G8 and G20 groups of countries have also been goaded into action on the issue of tax havens. At the Loch Earn G8 summit in Northern Ireland, June 2013, countries agreed

on a ten-point list that included setting up an international information exchange system as an international standard. Making the list was a positive step, but it has been criticised for being a wish list that lacks resolve and specifics.¹⁰⁷ The G8 and the G20 support the implementation of the OECD's taxation objectives, which in practice means that there is no genuine desire to include developing countries in the process.

In February 2013, the OECD published its report on tax evasion and avoidance, *Addressing Base Erosion and Profit Shifting*.¹⁰⁸ Leaders of the G20 had commissioned it, and it is being followed-up by an action plan, which in turn is being pursued by in number of thematic committees.¹⁰⁹ The action plan will occupy a central position in future international tax policy. Developing countries should not be excluded from the process.

¹⁰⁷ Guardian (2013)

¹⁰⁸ OECD (2013)

¹⁰⁹ Ibid.

Recommendations to governments

- ▶ Demand corporations to disclose annual country-by-country financial reports and promote similar regulation internationally
- ▶ Establish public beneficial ownership registries and promote similar regulation internationally
- ▶ Support the establishment of a multilateral, automatic tax information exchange agreement
- ▶ Support the establishment of an intergovernmental UN Tax Body in order to ensure that all countries are represented in international tax policy making
- ▶ Curb tax competition by ending harmful tax incentives
- ▶ Renew harmful double taxation agreements (DTAs)
- ▶ Strengthen tax administrations nationally and regionally

¹⁰⁴ Ks. E.g. European Commission (2013) and Ministry of Finance (2013)

¹⁰⁵ The UN Tax Committee is supported by organisations such as the worldwide Tax Justice Network. See e.g. Tax Justice Network (2008).

¹⁰⁶ Compare OECD (2010) and YK (2011)

References

- Action Aid (2013): "How Tax Havens Plunder the Poor". http://www.actionaid.org.uk/sites/default/files/publications/how_tax_havens_plunder_the_poor_2.pdf
- Action Aid (2009): "Accounting for poverty: How international tax rules keep people poor". www.actionaid.org.uk/doc_lib/accounting_for_poverty.pdf
- African Economic Outlook (2010): "African Economic Outlook 2010". http://157.150.195.10/esa/dsd/resources/res_pdfs/publications/sdt_afri_AEO2010_part1_p76.pdf
- CCFD-Terre Solidaire (2013): "Aux paradis des impôts perdus". <http://ccfd-terresolidaire.org/infos/partage-des-richesses/paradisfiscaux/aux-paradis-des-impots>
- Chaula, Beldon (2013): "Interview with the Principal Research Officer at the Tanzania Revenue Authority", 14.8.2013.
- Christian Aid (2013a): "Multinational companies and the profit shifting lure of tax havens". Christian Aid occasional paper 9. <http://www.christianaid.org.uk/images/ca-op-9-multinational-corporations-tax-havens-march-2013.pdf>
- Christian Aid (2013b): "Invested Interests: The UK's Overseas Territories' Hidden Role in Developing Countries". <http://www.christianaid.org.uk/Images/Invested-interests-tax-report-June-2013.pdf>
- Christian Aid (2009): "False profits: robbing the poor to keep the rich tax-free". <http://www.christianaid.org.uk/images/false-profits.pdf>
- The Economist (2012): "Shells and shelves". <http://www.economist.com/node/21552196>
- Eduskunta (2012): "Tarkastusvaliokunnan mietintö 4/2012 vp. Valtion tilinpäätöskertomus 2011". (Parliament of Finland, Audit Committee report 4/2012 State Financial Report. in Finnish) [http://www.eduskunta.fi/triphome/bin/thw.cgi/p?\\$\(APPL\)=utpvm&\\$\(BASE\)=utpvm&\\$\(THWIDS\)=0.4/1379692024_358520&\\$\(TRIPPIFE\)=PDF.pdf](http://www.eduskunta.fi/triphome/bin/thw.cgi/p?$(APPL)=utpvm&$(BASE)=utpvm&$(THWIDS)=0.4/1379692024_358520&$(TRIPPIFE)=PDF.pdf)
- Eurodad (2012): "Exposing the lost billions: How financial transparency by multinationals on a country by country basis can aid development?". http://eurodad.org/uploadedfiles/whats_new/reports/cbc%20report.pdf
- European Parliament (2013): "Report on Fight against Tax Fraud, Tax Evasion and Tax Havens". (2013/2060(INI)) <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A7-2013-0162+0+DOC+XML+V0//EN> European Commission (2013): "Acting Globally". http://ec.europa.eu/taxation_customs/taxation/tax_fraud_evasion/acting_globally/index_en.htm
- Finnish Government (2011): "Programme of Prime Minister Jyrki Katainen's government". <http://valtioneuvosto.fi/documents/10184/367809/Programme+of+Prime+Minister+Katainen's+Government/64238eca-58cd-43bb-81dc-963a364a422e>
- Finnish government (2012): "Hallituksen esitys eduskunnalle laeiksi elinkeinotulon verottamisesta annetun lain ja verotusmenettelystä annetun lain 65 §:n muuttamisesta (HE 146/2012)". (Government Bill on Business Income Tax Act and amending § 65 of the Law on tax procedure. In Finnish.) <http://www.finlex.fi/fi/esitykset/he/2012/20120146>
- Fjeldstad, Odd-Helge ja Kari K. Heggstad (2011): "The tax systems in Mozambique, Tanzania and Zambia: capacity and constraints". Norad. http://www.norad.no/en/_attachment/340669
- Global Financial Integrity (2012): "Illicit Financial Flows from Developing Countries: 2001-2010". A December 2012 Report from Global Financial Integrity. <http://iff.gfintegrity.org/iff2012/2012report.html>
- Goodall, Andrew (2013): "Big four defend presence in tax havens as campaigners call for a change in ethics". Tax Journal (4 February 2013). <http://www.taxjournal.com/tj/articles/big-four-defend-presence-tax-havens-campaigners-call-%E2%80%98change-ethics%E2%80%99-04022013>
- Guardian (2013): "G8 summit: Tax campaigners condemn David Cameron's 10-point 'wish list'". <http://www.theguardian.com/world/2013/jun/18/g8-summit-tax-evasion-david-cameron>
- Heinzle, Christoph et al (2013): "Deutsche Bank Helped Customers Maintain Hundreds of Offshore Entities". The International Consortium of Investigative Journalists. <http://www.icij.org/offshore/deutsche-bank-helped-customers-maintain-hundreds-offshore-entities>;
- Henry, James (2012): "The price of offshore revisited. New estimates for "missing" global private wealth, income, inequality, and lost taxes". Tax Justice Network. http://www.taxjustice.net/cms/upload/pdf/Price_of_Offshore_Revisited_120722.pdf
- Heywood, Max (2013): "How to set up an offshore company in 10 minutes". <http://blog.transparency.org/2013/04/09/how-to-set-up-an-offshore-company-in-10-minutes/>
- High-Level Panel of Eminent Persons on the Post-2015 Development Agenda (2013): "A New Global Partnership: Eradicate Poverty and Transform Economies Through Sustainable Development". <http://www.post2015hlp.org/wp-content/uploads/2013/05/UN-Report.pdf>
- Hirvonen, Markku, Pekka Lith ja Risto Waden (2010): "Suomen kansainvälistyvä harmaa talous". Eduskunnan tarkastusvaliokunnan julkaisu/2010. (Finland's internationalising grey economy. Publication of the Parliamentary Audit Committee. In Finnish) <http://web.eduskunta.fi/dman/Document.entId=so17210161302877&cmd=download>
- IMF, International Monetary Fund (2012): "World Economic Outlook Database". <http://www.imf.org/external/pubs/ft/weo/2012/01/weodata/index.aspx> (30.4.2012).
- Instituto de Estudios Estratégicos y Políticas Públicas (2012): "Propuesta de Concertación Tributaria". http://www.hacienda.gob.ni/documentos/documentos-mhcp/documentos-despacho-del-ministro/publicaciones/Propuesta_de_Concertacion_Tributaria2012-07-09-Presentacion_Oficial.pdf/at_download/file
- Jubilee Debt Campaign (2012): "Whose development is it? Investigating the Mozal aluminium smelter in Mozambique". <http://jubileedebt.org.uk/reports-briefings/report/whose-development-is-it>
- Keating, Joshua (2013): "Africa's Tax Haven". Foreign Policy 26.3.2013. http://ideas.foreignpolicy.com/posts/2013/03/26/how_much_of_africas_foreign_investment_is_malaysian_money_in_mauritius
- Kepa (2012): "Is development sustainable? The world beyond the Millennium Development Goals". <http://www.kepa.fi/julkaisut/julkaisusarjat/12290>
- Kohonen, Matti (2010): "Tax Justice is the missing ingredient in achieving the MDGs". Africa Tax Spotlight 1:4. <http://ebookbrowse.com/africa-tax-spotlight-4th-edition2-pdf-d358759697>
- Kraus, Joseph (2013): "The global shell game". Thomson Reuters Foundation. <http://www.trust.org/item/20130605152318-9i7og/>

- Lupokela, Isaac (2013): "Multi-national companies and techniques in avoiding and evading tax". Presentation at training course on tax justice. 24.7.2013.
- Marshall, John (2009): "One Size Fits All? IMF Tax Policy in Sub-Saharan Africa". Christian Aid Occasional Paper No. 2. <http://www.christianaid.org.uk/images/imfocpaper.pdf>
- Masalla, Diana (2013): "Introduction to Tanzania's Taxation and Fiscal Policy". Esitelmä vero-oikeudenmukaisuuskoulutuksessa 9.5.2013.
- Ministry for Foreign Affairs (2012): *Finland's development policy programme 2012*. <http://formin.finland.fi/public/default.aspx?contentid=241944&contentlan=1&culture=fi-FI>
- Minister of Finance for Tanzania (2012/2013): "Budget speech 2012/13". <http://www.mof.go.tz/mofdocs/budget/speech/HOTUBA%20YA%20BAJETI%202012-13%20-%20-%20ENGLISH.pdf>
- Mitchell, Austin ja Prem Sikka (2011): "The Pin-Stripe Mafia: How Accountancy Firms Destroy Societies". Association for Accountancy & Business Affairs.
- Murphy, Richard (2012): "Closing the European Tax Gap. A report for Group of the Progressive Alliance of Socialists & Democrats in the European Parliament". http://europeansforfinancialreform.org/en/system/files/3842_en_richard_murphy_eu_tax_gap_en_120229.pdf
- National Audit Office of Tanzania (2013): "Controllor Auditor General's Central Government report 2011/2012". <http://nao.go.tz/?p=750>
- OECD (2013): "Addressing Base Erosion and Profit Shifting". OECD Publishing. http://www.oecd-ilibrary.org/taxation/addressing-base-erosion-and-profit-shifting_9789264192744-en
- OECD-DAC (2012): "Development aid: Net official development assistance (ODA)". http://www.oecd-ilibrary.org/development/development-aid-net-official-development-assistance-oda_20743866-table1
- OECD (2010): "Model Tax Convention on Income and on Capital". http://www.keepeek.com/Digital-Asset-Management/oecd/taxation/model-tax-convention-on-income-and-on-capital-2010_9789264175181-en#page1
- OECD (1998): "Harmful Tax Competition: An Emerging Global Issue". <http://www.oecd.org/tax/transparency/44430243.pdf> Palan,
- Ronen (2012): "Tax Havens and Offshore Financial Centres". Academic Foresights, No. 4 April-June. http://www.academic-foresights.com/Tax_Havens_and_Offshore_Financial_Centres.html
- Palan, Ronen, Richard Murphy ja Christian Chavagneux (2010): "Tax Havens: How Globalization Really Works". Cornell University Press.
- Publish What You Pay (2012): "Internal memorandum on the European Accounting Directive and the EITI" 24.2.2012.
- PwC.fi (2013): <http://www.pwc.fi/verokonsultointi/index.jhtml> (16.9.2013)
- PwC Tanzania (2013): "Change: Joining the Dots. National Budget 2013/14". <http://www.pwc.com/tz/en/pdf/pwc-tanzania-budget-2013-14-summary.pdf>
- Ruggie, John (2011): "Guiding Principles for the implementation of the UN 'Protect, Respect and Remedy' Framework: A report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises". <http://www.business-humanrights.org/media/documents/ruggie/ruggie-guiding-principles-21-mar-2011.pdf>
- Shaxson, Nicholas (2012): "Treasure Islands and the Men Who Stole the World". Hive. 2012
- Taloussanommat (9.4.2009): "Nämä yhtiöt toimivat veroparatiiseissa". (These companies operate in tax havens. Article in newspaper Taloussanommat. In Finnish.) <http://www.taloussanommat.fi/yritykset/2009/04/09/nama-yhtiot-toimivat-veroparatiiseissa/20099213/12>
- Tanzania Episcopal Conference (TEC), National Muslim Council of Tanzania (BAKWATA) & Christian Council of Tanzania (CCT) (2012): "The One Billion Dollar Question: How Can Tanzania Stop Losing So Much Tax Revenue?" <http://www.curtisresearch.org/ONE%20BILLION%20DOLLAR%20QUESTION.Final%20text.%20June%202012.pdf>
- Tanzanian Ministry of Finance (2010): "The budget 2010/2011". <http://openmicrodata.wordpress.com/2011/02/11/tanzania-budget-data/>
- Tax Administration (2013): "Verohallinto työpaikkana". ("The Tax Administration as a workplace". In Finnish.) http://www.vero.fi/fi-FI/Tietoa_Verohallinnosta/Verohallinto/Tule_meille_toihin/Verohallinto_tyopaikkana%2812956%29
- Tax Justice Network (2012): "The Price of Offshore Revisited". http://www.taxjustice.net/cms/upload/pdf/Price_of_Offshore_Revisited_120722.pdf
- Tax Justice Network (2011): "Financial Secrecy Index". <http://www.financialsecrecyindex.com>.
- Tax Justice Network (2009a): "Where on Earth Are You? Major Corporations and Tax Havens". <http://www.taxjustice.net/cms/upload/pdf/45940CCBd01.pdf>
- Tax Justice Network (2009b): "Automatic Exchange of Information and The United Nations Tax Committee". Kirje 15.12.2009. http://www.taxjustice.net/cms/upload/pdf/Info_Exchange_Letter_0912.pdf
- Tax Justice Network (2009c): "World Secrecy Map". <http://www.secrecyjurisdictions.com/Map/StatPlanet.html>
- Tax Justice Network (2008): "UN Tax Committee: Why it matters". <http://taxjustice.blogspot.fi/2008/10/un-tax-committee-why-it-matters-uk.html>
- Transnational Institute (2013): "Planet Earth: A corporate world". <http://www.tni.org/article/planet-earth-corporate-world>
- UNDP (2010): "What Will It Take To Achieve the Millennium Development Goals? An International Assessment." <http://www.undp.org/content/undp/en/home/librarypage/mdg/international-assessment---english-full-version/>
- Ministry of Finance (2013): *Finland's Tax Treaties*. https://www.vvm.fi/vm/en/10_taxation/08_finlands_tax_treaties/index.jsp
- Walmart (2010): "Annual Report." <http://www.walmartstores.com/sites/annualreport/2011/financials.aspx>
- Welwel, Daniel (2013): "Tax justice legal and policy environment". Esitelmä vero-oikeudenmukaisuuskoulutuksessa 25.7.2013.
- YK (2011): "United Nations Model Double Taxation Convention between Developed and Developing Countries". http://www.un.org/esa/ffd/documents/UN_Model_2011_Update.pdf
- YK (2009). "Doha Declaration on Financing for Development: Outcome Document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, Artikla 16". www.un.org/esa/ffd/doha/documents/Doha_Declaration_FFD.pdf
- Zucman, Gabriel (2013): "The Missing Wealth of Nations: Are Europe and the U.S. Net Debtors or Net Creditors?" Paris School of Economics. <http://www.parisschoolofeconomics.eu/docs/zucman-gabriel/missingwealth.pdf>

Fleeing taxes

How to put an end to tax havens?

This report gives an overview of the global tax haven economy. What is a tax haven? What methods do multinational companies use to avoid being taxed? How does tax flight impact on developing countries?

Tax havens can be ended by political decision-making. Key to this is to increase transparency to expose companies' aggressive tax planning. Global tax justice must be reinforced and adverse tax competition curbed so that even the poorest countries are able to collect tax revenue to provide for their welfare and can break out of development aid dependency.

Kepa Policy Briefs

The Kepa series of Policy Briefs addresses topical development issues. The papers contextualise and offer new perspectives on issues raised as topics of public debate. They also put forward recommendations for political solutions to reduce poverty and strengthen human rights. The papers deal with development co-operation, international trade policy and other global themes.

Policy briefs are available on the Kepa website at:

www.kepa.fi/ajankohtaiskatsaukset