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L'impresa di un'economia diversa



Towards Tax Justice for Europe



John Christensen
Director, TJN International Secretariat

“A world in which a global plutocratic class pays little or no tax, while benefiting from the stability generated by taxes imposed on the ‘little people’, will prove unsustainable.”

*Editorial
25th June 2007*

Mission Statement

In an era of globalisation, the Tax Justice Network is committed to a socially just, democratic and progressive system of taxation. TJN campaigns from an internationalist perspective for a tax system which is favourable for poor people in developing and developed countries, and finances public goods and taxes harmful activities which pollute and cause unacceptable inequality.

- Ø tackling tax competition
- Ø strengthening corporate accountability
- Ø reducing tax evasion
- Ø tackling corrupt practices

tax competition

Ø prevailing view within the European Commission that tax competition is a positive thing:

Ø promotes efficient public spending

Ø attracts inwards investment

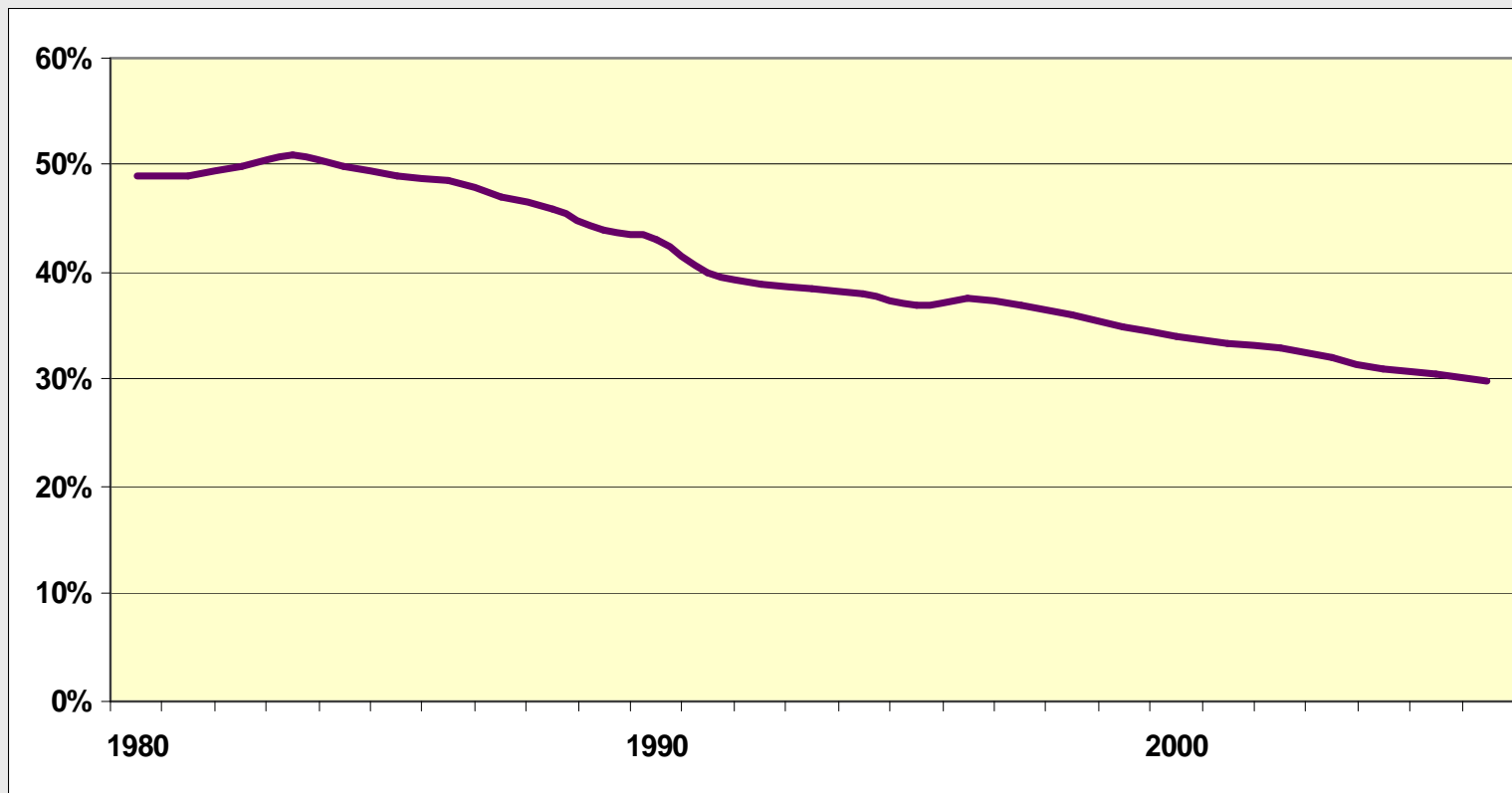
Ø disciplines high tax / high spend governments

The
Economist

*“tax
competition is the only
agent of productivity for
governments – it is the
only competition they
have”*

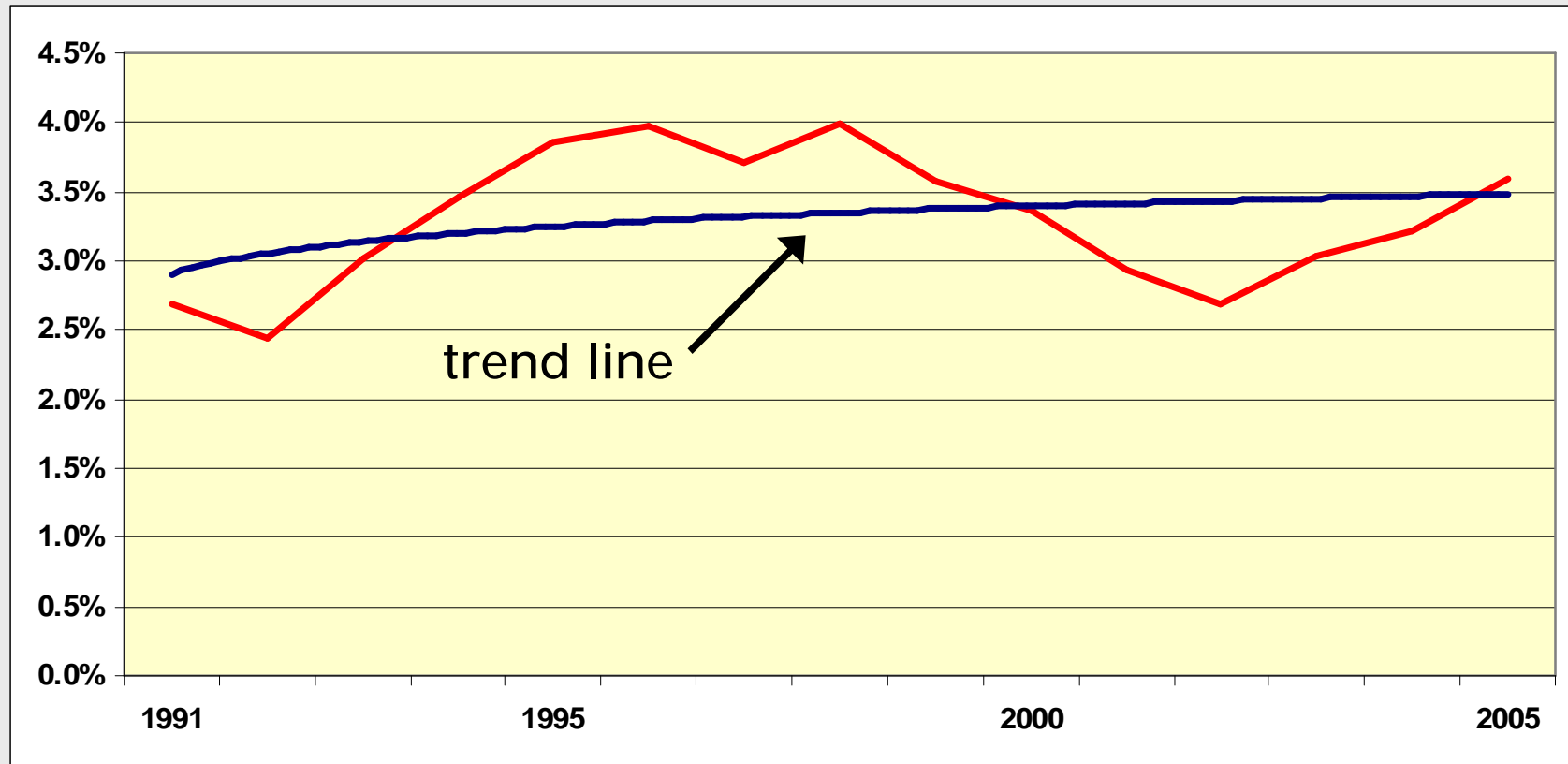
*swiss banker Jacques de Saussure
Quoted in Survey of Offshore Finance
24th February 2007*

Average tax rates for the EU 15, 1986 - 2006



source: KPMG, tax justice network

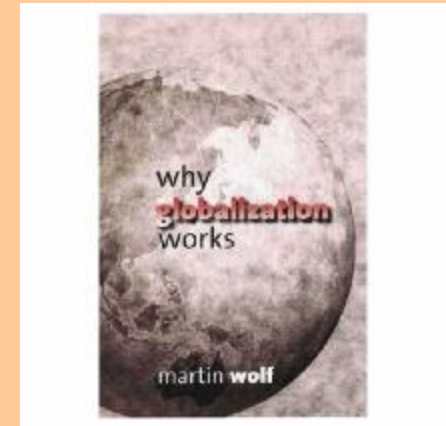
Corporate tax paid as a percentage of gross domestic product (UK) 1991-2005



source: HM Treasury, tax justice network

Laffer curves, market “discipline” and other nonsense

- Ø no empirical evidence to support assertion that tax competition improves public spending efficiency
- Ø no evidence that tax competition stimulates growth or job creation
- Ø lower tax on capital shifts tax burden to labour and consumption
- Ø tax competition is fundamentally anti-democratic



“The notion of the competitiveness of countries, on the model of the competitiveness of companies, is nonsense.”

Martin Wolf

Why Globalisation Works 2005

tackling tax competition

- Ø a single set of corporation tax rules for EU-25:
The Common Consolidated Corporate Tax Base
- Ø a minimum tax rate for EU-25
- Ø formulaic apportionment according to micro-economic criteria: wages, capital and turnover in each location

corporate accountability

- Ø European Commission currently reviewing IFRS-8 relating to geographical basis for corporate accounting
- Ø IFRS-8 is the standard recommended by the International Accounting Standards Board
- Ø it allows management discretion to determine basis for reporting
- Ø we are campaigning for an alternative based on country-by-country accounting

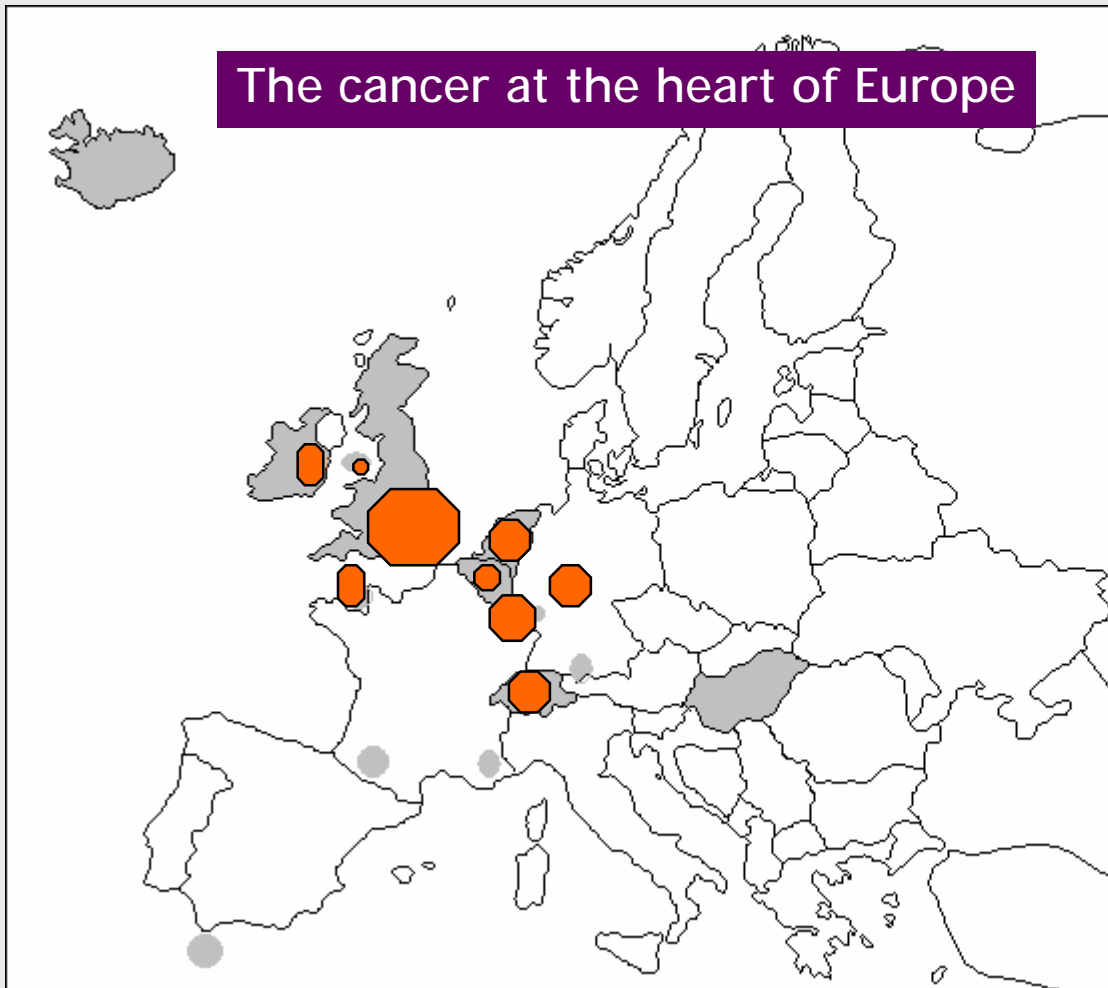
GuardianUnlimited

comment is free...

“International accounting standards are colonialism in another guise, allowing tax avoidance while foisting failed practices without oversight or democratic control.”

Professor Prem Sikka
30 August 2007

The cancer at the heart of Europe



Major European offshore financial centres

Brussels

City of London

Douglas (IoM)

Dublin

Frankfurt

Guernsey

Jersey

Luxembourg

Netherlands

Switzerland

European tax havens

Andorra

Belgium

British Channel Islands

City of London

Cyprus

Gibraltar

Hungary

Iceland

Irish Republic

Isle of Man

Liechtenstein

Luxembourg

Madeira

Malta

Monaco

Netherlands

Switzerland

tackling tax evasion

- Ø The Savings Tax Directive implemented in July 2005 has failed, but set an important global principle
- Ø automatic information exchange is a superior model to the OECD 'by request' model
- Ø flaws arise from the STD's limited scope
- Ø Europe remains a major destination for flight capital originating from Africa, Asia and Latin America



strengthening anti tax evasion measures

- Ø extend the Savings Tax Directive to include beneficial owners of companies, trusts and foundations
- Ø widen range of financial products covered, e.g. insurance policies
- Ø widen geographical scope to include branches of EU banks outside the EU area, e.g. branches in Singapore
- Ø support efforts of the UN Tax Committee to tackle capital flight and tax evasion

insider trading

market rigging

avoiding disclosure of
conflicts of interest

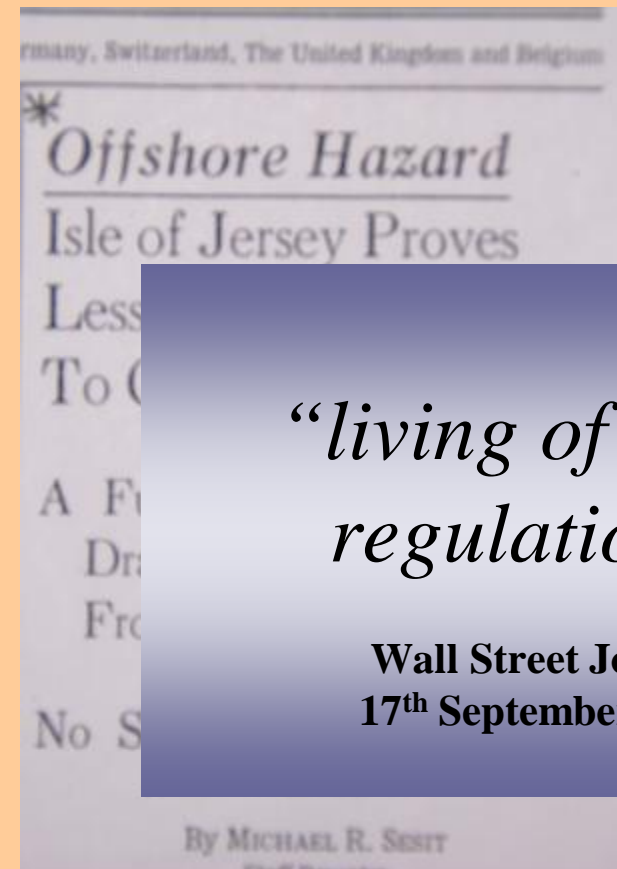
illicit arms trading

illicit political donations

contract kickbacks

bribery

fraudulent invoicing, trade
mispricing and tax evasion



*“living of lax
regulation”*

**Wall Street Journal
17th September 1996**

By MICHAEL R. SESIT

Europe: a centre for grand corruption

Transparency International's Corruption Perceptions Index: 2006

Country rank	African countries	2006 CPI score
156	Chad / DCR / Sudan	2.0
155	Cote d'Ivoire / Equatorial Guinea	2.1
142	Angola / Congo Kenya /Nigeria / Sierra Leone	2.2
138	Cameroon / Niger	2.3
130	Burundi / CAR / Ethiopia / Togo	2.4

Country rank	Tax haven countries	2006 CPI score
5	Singapore	9.4
7	Switzerland	9.1
9	Netherlands	8.7
11	Luxembourg / UK	8.6
15	Hong Kong	8.3
16	Germany	8.0
18	Ireland	7.4
20	Belgium / USA	7.3
24	Barbados	6.7
26	Macau	6.6
28	Malta	6.4
31	U.A.E. (Bahrain/Dubai/RAS)	6.2

tackling corruption

- Ø Define tax evasion as a predicate crime within anti-money laundering legislation
- Ø Highlight how tax havens support corruption – The Financial Transparency Index
- Ø Require disclosure of beneficial ownership and transparency of offshore trusts
- Ø Apply sanctions on tax havens which fail to cooperate
- Ø Put pressure on professional associations of financial intermediaries to regulate their members

“an activity which undermines public confidence in the integrity of the rules, systems and institutions that govern society is corrupt.”

Mirror, mirror on the wall,
Who's the most corrupt of all
John Christensen
tax justice network



“taxes are what we pay for civilized society”

Judge Oliver Wendell Holmes, 1904

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