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Tax business

A shade over two years ago, you wrote in this magazine (Taxation in a global environment, *OECD Observer* No.230 January 2002) that the time was ripe for a new social compact between governments and citizens. You wrote that the former would provide services in an efficient and cost-effective manner, while the latter would pay their taxes. Aggressive tax planning "would be considered socially unacceptable".

It's a timely reminder as ministers gather for the OECD's midterm summit later in May. They might not be aware, for example, that in April the United States General Accounting Office revealed that almost two thirds of American companies paid no tax between 1996 and 2000, despite the economy booming and profits hitting record levels.

As a result, US corporate tax receipts as a percentage of the overall tax base were at their second lowest ever in 2003, accounting for 7.4%, or US$132bn (£71bn) of federal receipts.

It is difficult to label this as anything other than aggressive tax planning, so much so that the actual rates of corporation tax being paid are beginning to be flagged up as a central measure of Corporate Social Responsibility (CSR). Previously, CSR was limited to mitigating the social and environmental risks incurred by high profile multinationals operating in the developing world. But in recent months, pressure groups and NGOs have started to recognise a financial dimension to CSR. The argument goes that the fair and transparent payment of tax is at the heart of the social contract between business and civil society.

The perceived injustice of corporations paying well below the effective tax rates in countries where they operate could reverberate louder and longer as a citizenship issue.

A recently established coalition, the global Tax Justice Network, believes this amounts to a hidden fault line running through the reputation of high profile multinationals. If so, it is conceivable that tax performance could become a source of operational risk, as critics of big business begin using CSR to leverage a boardroom response while demanding governments investigate revenue shortfalls.

That is not a comforting scenario for the publicity-shy multi-billion dollar tax-planning industry. Its work may be legal, but explaining away hundreds of millions in non-tax payments through the creative deployment of transfer pricing, avoidance vehicles and tax havens should, at the very least, make for an entertaining addition to company CSR statements.

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Female values

You argue about integrating more women into the workforce to raise productivity, describing them in the same breath as other disadvantaged groups, including the old and the disabled. I wonder how productive all "able" groups are, women or men? Blaming low productivity on those who are not in the workforce seems misplaced in some cases and definitely ignores the economic role of women *not* in the workforce. How productive are all public servants, receptionists, back-office secretaries, or nannies, compared with women whose non-stop business is that of looking after a home, including "productive" men? Sure, many women would like to go out to work, as long as they get the same breaks as men. But report after report shows that too often, women get a raw deal in pay and career prospects. Will that change in my lifetime? So I figure: where would you rather be, at home with your kids, teaching them, or stuck on a commuter train at five euros an hour? I work now, but when I didn't, a girl asked me if I ever thought about getting a job. I do the same work as you, better, but for no pay, I answered. She was a nanny.

Bettina Siegel
Copenhagen, Denmark

Body capital

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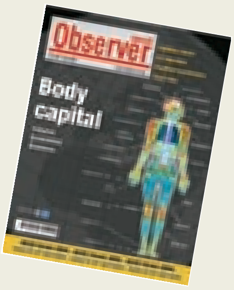

Health of Nations is not just about healthcare, but the condition of our economies, societies, businesses and our environment as well. Innovation, governance, solidarity, stability, energy, etc: these are fundamental to human well-being, and are needed to overcome our vulnerabilities and promote global development.