



Press Release

The Social Irresponsibility of Corporate Tax Avoidance

The current shape of the globalised economy makes it difficult if not impossible for national tax regimes to collect corporate taxes fairly. Many multinational corporations have structured their affairs in such a way as to avoid taxes in virtually every jurisdiction in which they operate. Some might argue that this demonstrates the innate skills and superior efficiency of these companies. But according to the Tax Justice Network the problem of aggressive tax avoidance is a manifestation of systemic failures of global tax policies, leading to market distortions, economic free-riding, slower rates of global growth and widening wealth disparities within and between nation states. The lack of political will to tackle these systemic failures undermines the integrity of tax regimes and opens up possibilities for business to compete on an unethical and harmful basis.

From the point of view of the corporate responsibility agenda, tax avoidance is the elephant in the sitting room. An issue so huge that no one can ignore it, but so awkward that no one is prepared to draw attention to it. In launching its campaign for tax to be included on the corporate responsibility agenda, the Tax Justice Network argues that paying taxes is a prime role of the business community. Businesses which engage in aggressive tax avoidance are failing in their role as corporate citizens and demonstrating a lack of integrity in their dealings with society.

At the press briefing on Thursday 27th January in Davos, which hosts the World Economic Forum, an elite gathering of some of the most powerful corporations, three founder members of the Tax Justice Network will be calling upon businesses to be more transparent in their reporting on tax payments.. Paying taxes should be regarded as a litmus test of a genuine commitment to corporate responsibility, and arguments about compliance with tax law distract from the fact that many companies are able to organise their affairs in tax havens where laws are both lax and secretive, and whose tax regimes enable companies to launder their profits in order to avoid paying taxes anywhere. According to Dr Andreas Missbach *«Our argument is not about legality, it is about responsibility and ethics. The Corporate Social*

Responsibility agenda is driven by demand for an ethical approach to doing business. It is not possible to be ethical in one area of business conduct and to act otherwise in another area, and companies that function in this way reveal a major disconnect in their core organisational values.»

Agressive tax avoidance is a major barrier to achieve the Millennium Development Goals (MDG) of the United Nations, said Bruno Gurtner of the Swiss Coalition of Development Organizations. Developing countries are losing tax revenues at the amount of at least US\$ 50 billions annually from tax competition and harmful tax practices.

Economist John Christensen argues that the remedies are straightforward. Businesses should demonstrate integrity and commitment to corporate responsibility by adopting clear corporate standards on tax payment. These standards should include commitments to publish all necessary accounting information; to refrain from the use of profits-laundering mechanisms created without substantial economic purpose; to list every country in which the company trades and how much profit is derived from its activities in each of these countries with a clear statement of where these profits are booked for tax purposes. Only through making such a commitment to transparency in its tax affairs can a business demonstrate its commitment to genuine social responsibility.

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Notes for editors:

The Tax Justice Network is a civil society organisation with members on five continents campaigning for taxation justice around the world. Its international secretariat is based in London. For further information visit our website at www.taxjustice.net or call our international coordinator on the number above.

Dr Andreas Missbach heads the Private Finance Programme of the Swiss development advocacy organisation Berne Declaration and is also on the international steering committee of the Tax Justice Network.

Bruno Gurtner is senior economist at the Swiss Coalition of Development Organisations and is a member of the international steering committee of the Tax Justice Network.

John Christensen is a development economist and an expert on tax havens. Based at the New Economics Foundation in London, he is international coordinator of the Tax Justice Network.