



## Press Release

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# TAX DODGING INDUSTRY IS RIPPING OFF POOR COUNTRIES, SAYS REPORT

The global tax avoidance industry, created by multinational accounting firms, banks and companies, must be tackled if poverty is to be consigned to history, says a new report from a global network of development economists. *tax us if you can*, published by the Tax Justice Network, details how tax has become a battleground in the fight against poverty.

The report is published as part of joint work with development charity Christian Aid. The charity today releases *The shirts off their backs*, a companion briefing to *tax us if you can*. Both are launched in the run up to a major United Nations' summit – The Millennium Review Summit – focussing on global poverty, which takes place in New York later this week.

*tax us if you can* censures accountants, banks, companies and tax havens – many of which are closely associated with Britain – for their role in profiting from activities which foster poverty, threaten nation states and undermine the notion of democracy. It highlights the need for poor countries to raise more income from taxation if they are to escape poverty.

The report warns that massive tax avoidance and illicit capital flight by companies and wealthy individuals in poor countries is costing the developing world US\$500 billion per year in lost revenue – a sum of money that dwarfs annual overseas aid.

*'The growth of tax havens in recent decades demonstrates an overwhelming lack of commitment on the part of the international community to create a framework for genuinely fair trade and good global governance,'* says John Christensen, international coordinator of the Tax Justice Network.

KPMG has recently agreed a settlement of \$465 million after having admitted to selling 'unlawful' tax avoidance schemes which deprived the US public of billions of dollars. But the tax avoidance industry involves many financial services companies and has become deeply embedded in the global political economy. Tax havens are playing a major part in widening the gap between rich and poor, and developed and developing countries.

*'There is a crisis developing in poor countries as public services and infrastructure crumble because of a lack of public money. Tax avoidance by wealthy people and multinational companies is one of the main causes of*

*this,' says Andrew Pendleton, senior policy officer at Christian Aid. 'Corrupt leaders, criminals and terrorists are hiding away their ill-gotten gains by piggybacking on the systems set up for tax avoidance.'*

In the foreword to *tax us if you can*, Professor Stephany Griffiths-Jones, a leading expert in international finance and adviser to the United Nations, says the trend towards increased tax evasion and avoidance *'is particularly harmful in developing countries where government spending is essential to finance sustainable development and poverty reduction.'*

*tax us if you can* provides a detailed analysis of how key players in the globalised financial services industry have created a framework within which the majority of world trade is routed via tax havens for tax avoidance purposes. The industry has also encouraged and enabled high net worth individuals to shift \$11.5 trillion into offshore accounts, companies and trusts.

The sheer scale of the lost tax revenue this implies for governments around the world – some US\$255 billion per year – beggars belief. This figure, if spent on tackling poverty, would more than plug the financing gap to achieve the Millennium Development Goals – the international targets being discussed in New York later this week.

At the same time, free-riding transnational businesses make use of international tax avoidance opportunities to increase their profits and gain a harmful advantage over local competitors. These firms also use their power to force governments, particularly in developing countries, to lower tax rates and provide tax incentives to attract investment. This has resulted in a shift of the tax burden to workers and low-income households and has forced damaging cutbacks in public services.

Richard Murphy, an author of *tax us if you can* and a chartered accountant said *"One of the scandals of modern taxation is the indifference that the professional institutes of accountants and lawyers have shown towards abuses of taxation law by their members. This must change if they are to reclaim the status they once enjoyed in society"*.

For more information and for copies of *tax us if you can* and *The shirts off their backs*, please contact:

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## Notes to editors:

*tax us if you can* is available in printed edition and as a freely downloadable pdf file. Electronic editions of *tax us if you can* are to be made available for free download in English, Finnish, French, German, Portuguese and Spanish at [www.taxjustice.net](http://www.taxjustice.net)

*tax us if you can* has been written for a general readership and includes an extensive glossary of terms that will help non specialists to understand the language of tax, which is often used by the tax avoidance industry to obfuscate and distort.

*The shirts off their backs*, a companion briefing, is published by Christian Aid, which supported the production of *tax us if you can*, and is available printed or is downloadable at: [www.christianaid.org.uk](http://www.christianaid.org.uk)

The Tax Justice Network is a civil society organisation with members and supporters on five continents campaigning for taxation justice around the world. Its international secretariat is based in London. Christian Aid works in some of the world's poorest communities in more than 50 countries. At home and overseas, it campaigns to change the structures that keep people poor.

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.

Richard Murphy is a director of Tax research Limited, and a practising chartered accountant and tax expert.