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TAX JUSTICE AND HUMAN RIGHTS: THE BEGINNING OF A BEAUTIFUL FRIENDSHIP?

Adrienne Margolis

Tax policy has wide-ranging implications for human rights throughout the world, not least because financial secrecy is indispensable to modern tyranny. Now law, accountancy and economics stand to be transformed as the public trace the connections.

Many anti poverty campaigners have already made the connection between tax justice and human rights, but the business community and the general public are only now starting to catch up. Governments all over the world are finding their coffers depleted as transnational corporations dodge taxes in the countries in which they operate, and wealthy individuals also move their money offshore. This makes government commitments to alleviating poverty increasingly difficult to achieve. In such circumstances it is becoming increasingly clear that wealthy countries can only make good on their stated commitment to universal human rights if they renounce the temptation to profit from illicit capital flows. Responsible democracies cannot moonlight as tax havens.

This edition of *Tax Justice Focus* brings together some of the strands of an emerging consensus in law and international affairs.

Magdalena Sepúlveda has been investigating the obstacles that governments face in alleviating poverty in her capacity as the United Nations special rapporteur on extreme poverty and human rights. Her report on the human rights impact of fiscal and tax policy has been submitted to the UN Human Rights Council for consideration in June. In her article for TJF, Sepúlveda spells out the connection between fiscal and tax policies and governments' human rights obligations,

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Eleanor Roosevelt, one of the architects of the Universal Declaration of Human Rights, photographed at the United Nations in 1947.

stressing that without the necessary funds to alleviate poverty, "realising human rights is rendered meaningless." Whether revenue is lost through illicit financial flows or austerity measures, she argues that states that do not take steps to collect all taxes owed are not meeting their obligations to realise economic, social and cultural rights.

The need is urgent. Yale philosophy and international affairs professor Thomas Pogge points out that about half of the world's population do not have adequate food, clothing, housing, medical care or access to social services that could protect them. Governments in the countries where many of the poorest people live have huge difficulty raising revenue through taxation, largely because corporations can easily shift profits to tax havens. Pogge notes that the funds lost through such tax abuse could go a long way to alleviating poverty and helping governments to meet human rights obligations. The key to solving the problem is global financial transparency.

Pogge recently chaired a task force set up by the International Bar Association's Human Rights Institute to investigate the links between illicit financial flows, tax and poverty. The task force published its report Tax Abuses, Poverty and Human Rights, in October last year. International human rights lawyer Lloyd Lipsett was the task force's rapporteur. He notes that a key finding in the report was that government action that facilitates tax abuse could violate state's international human rights obligations. The task force concluded that states have obligations to counter tax abuses and businesses have a responsibility to avoid tax planning that harms human rights. Lawyers have an important role to play - they must balance their obligation to their clients with an understanding of the impact of tax abuse on society.

Some commentators have seen the IBAHRI report as a starting point for further research into the impact of tax abuse on human rights.

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More case studies are needed. A powerful example has been provided by Bill Black, campaigner and former banking regulator, whose actions helped uncover the US Savings and Loans scandal. He describes the experience of Ireland, where human rights have been harmed by severe austerity measures, as a result of economic policies encouraged by the country's tax haven status. Black warns that Irish tax policies have "spread the rot to other nations by inducing a race to the bottom."

It is time for the race to be halted.

Adrienne Margolis is founder and editor of Lawyers for Better Business (www.L4BB.org) a website and global network to keep lawyers one step ahead of developments in business and human rights. She is a director of Tax Justice Research.

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