



Death and Taxes: The True Toll of Tax Dodging

Christian Aid, May 2008

In this report looking at transfer pricing issues, Christian Aid emphasises several key points:

- (1) An estimated fifty percent (50%) of all world trade is thought to take place through tax havens.
- (2) An estimated sixty percent (60%) of all world trade is thought to take place within multinationals enterprise, that is, with related parties.
- (3) The loss of corporate tax revenue for developing countries as a result of transfer mispricing and false invoicing is about US\$160 billion annually.
- (4) The role of tax havens and bank secrecy and confidentiality, in facilitating transfer mispricing and the resulting loss of tax revenue in developing countries.
- (5) The role of the four major auditing / accounting firms (KPMG, Deloitte, Pricewaterhouse Coopers, and Ernst & Young) in facilitating trade mispricing, and the role of other facilitators.

This report examines the different methods, licit and illicit, through which multinational corporations and other businesses avoid tax in order to pay as little tax as possible. Lost tax revenue affects all countries, rich and poor, but the impact on the developing world is demonstrably much greater.

The report contains several case studies: Zambia, Tanzania, Malawi, India, Peru and Bolivia. It also describes the socio-economic impact of such lost government tax revenue

in developing countries, and emphasises that if the annual tax revenue lost (US\$160 billion) as a result of trade mispricing were available according to current spending patterns in developing countries, the amount of tax revenue spent on health services could save the lives of 350,000 children under the age of five every year. A Technical Appendix describes how Christian Aid calculates its results.

Christian Aid followed this report with another in March 2009 covering transfer mispricing, entitled *False Profits: Robbing the Poor to Keep the Rich Tax Free*.

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Death and Taxes: The True Toll of Tax Dodging can be downloaded at
<http://www.christianaid.org.uk/images/deathandtaxes.pdf>