

Our impact: A summary



Initial objectives

The Tax Justice Network has a radical agenda: to change the political ‘weather’ of the global financial system. It uses research and communications to take innovative solutions into the policy mainstream.

TJN was established in 2003 as a network of tax and policy experts - economists, lawyers, accountants, political scientists - to focus on three overlapping issues: the scale of tax evasion and tax avoidance, the pivotal role of tax havens, and the resulting damage to human rights and human development, globally. At the time, tax justice issues had no profile, either in global policy circles or in the public consciousness.

In the first three years, TJN established the three key planks of its policy platform (the ABC of tax transparency). Each represented a new standard for international financial transparency campaigners, aimed at rebalancing a set of major, unequal power relationships. Each started life as a politically unrealistic pipe dream. But since then, TJN has changed the ‘weather’ for all three of them...

Automatic information exchange

The exchange of financial information between jurisdictions (for example, about the bank deposits of a suspected criminal) used to be ‘upon request’. This process is cumbersome, and very little information was provided - especially not by those secrecy jurisdictions where criminal assets were often to be found. TJN proposed the automatic exchange of such information between jurisdictions, so that each year, a country would provide authorities in other countries with a list of their residents with bank accounts there, and the relevant tax information. Tax compliance is around seven times higher when taxpayers know that information on their incomes is automatically provided in this way – to say nothing of the impact on corrupt payments and other criminal transactions.

Beneficial ownership registers

Historically, it has been easy to hide the real owners of companies, trusts and other legal vehicles in most countries. This ability to hide ownership not only allows outright tax evasion through the failure to declare, but also facilitates corrupt payments and transfers of ownership (directly enabling money laundering and terrorism), and the obscuring of corporate structures with implications for tax but also for market regulation (e.g. hidden monopolies). TJN proposed the establishment of public registers of the ultimate beneficial ownership of companies and trusts (that is, to identify publicly the warm-blooded human beings who stand behind any given entity). Again, this is a technical proposal involving a significant shift of power, which was fiercely resisted by many.

Country-by-country reporting

Multinational companies often ‘shift their profits’ artificially to low-tax jurisdictions to minimise their tax liabilities. TJN, in an initiative led by Richard Murphy, created an accounting standard for country-by-country reporting by multinationals. This requires the annual publication of the location of companies’ economic activity, profits and tax paid, making multinationals accountable to the public (as well as to tax authorities) for any misalignment between their profits and the location of their real activity, and tax authorities accountable to the public for their tolerance (or support) of such arrangements. This technical accounting exercise entails a powerful political shift – hence the resistance of multinationals and of the ‘big 4’ accounting firms that work for them.

Achieving change

Policy proposals do not cause or maintain policy changes, regardless of their technical acuity or power. Nor is weight of evidence sufficient to drive policy change. The dynamics of tax are highly complex, so progress depends on building social and political awareness and highlighting neglected aspects of tax policy-making, such as gender, rather than focusing on a single economic analysis to drive a one-time decision. Systemic change depends on the changing of popular narratives as well as the introduction of specific, technical changes. TJN has focused on identifying areas that have not been properly explored, and has deployed its cross-disciplinary expertise to challenge three dominant narratives from the outset:

Minimising tax payments is just smart business

TJN's counter-narrative is that tax dodging imposes costs on society and on shareholders, and that paying the right tax is simply the bare minimum for corporate social responsibility.

TJN brought tax avoidance by multinationals to the attention of the world's media. The result? These stories now dominate the news on a regular basis (Panama Papers, Paradise Papers, LuxLeaks).

Corruption is a problem of lower-income countries

TJN's counter-narrative is that corruption is driven by financial secrecy, which is typically provided by high-income countries and exploited by elites and multinationals.

TJN regularly publishes the Financial Secrecy Index, a ranking of the biggest secretive countries in the world. The FSI is used globally and enabled [moves to abolish anonymous company ownership](#) in 2017.

Countries need to compete in a global race for investment

TJN's counter-narrative is that the idea of states competing on tax and regulation is confused, and involves a harmful race to the bottom, in which the elites always win and majorities lose.

TJN seeks to demolish this still-dominant global consensus, including through its original analysis of the 'finance curse' (which harms countries with oversized finance sectors), opening up space for change.

TJN realised early on that success would not come from a narrow focus on its 'brand', but from engaging others, regardless of who received the credit. TJN [actively targeted](#) key constituencies - technical experts, NGOs, campaigners, journalists – explaining the importance of the issues, providing technical support, and incubating national and regional networks. TJN lit the touch paper so that others might build the fires.

Return on investment

None of the three technical proposals outlined above, nor any of the wider components of the ABC DEFG of tax justice, would have made it from the wilderness to the global policy agenda without their elaboration and promotion by TJN. Since the G20 and G8 meetings of 2013, the ABC has effectively made up the global policy agenda on tax, and tax has been at or near the top of the agenda for these meetings and also many within the EU and OECD. Tax justice has gone mainstream. Quantification is challenging, but by way of example, suppose that country-by-country reporting reduces multinational profit-shifting (which is estimated by the IMF to cost about \$600 billion per year) by just 1%; this would represent an additional \$6 billion flowing to revenue authorities every year, as a result of TJN's work. But imagine it occurred in a single year only, and never again. On the cost side, TJN's total income since 2003 has been about \$6 million. Ignoring all other policy successes than country-by-country reporting, and all future benefits, **the return on investment in TJN to date would be a thousand to one.**

There remains a long way to go. Regressive narratives are still dominant in many areas, and progress made needs to be embedded, not least through the creation of a globally representative, intergovernmental tax forum and the strengthening of tax justice in local policy debates all around the world. TJN will play a critical role by developing high-quality research, providing leading policy analysis, and communicating widely and clearly so that we can continue to bring radical solutions into the mainstream.