Global corporate tax:

anti-abuse, transparency and co-operative compliance

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Tax evasion and sustainable development

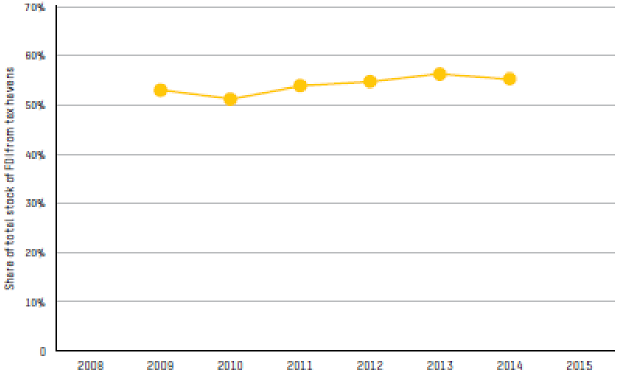
TABLE 1. GROSS PROFIT SHIFTED AND LOST TAX REVENUE (US $ BILLIONS) IN 2014 — AUSTRALIA

	PROFIT SHIFTED TO TAX HAVENS	EFFECTIVE TAX RATE (25%)	COMPANY TAX RATE (30%)
Average estimate	$16.20 b	$4.05 b	$4.86 b
Lower limit (90% CI)	$8.81 b	$2.20 b	$2.64 b
Upper limit (90% CI)	$35.41 b	$8.85 b	$10.62 b

Source: Oxfam (2016)

Notes: ETR is based on analysis of aggregate tax payments. Upper and lower limits are based on the 90% Confidence Intervals (CI) of the model. We prefer CTR to ETR because the former excludes any reductions due to tax dodging.

FIGURE 7. EXPOSURE TO TAX HAVENS (% OF TOTAL FOREIGN DIRECT INVESTMENT) — DEVELOPING COUNTRIES



Source: IMF CDIS data (2015), Oxfam (2016) calculations.

We estimate that multinationals operating around the world (and not just from Australia) shifted USD $638 billion in profits offshore and out of developing countries.

As a result, globally operating multinationals ripped an estimated US $172 billion in tax revenue out of developing countries.

Tax haven use by tax dodging multinationals operating **here cost Australia US $4-5 billion in potential tax revenue in 2014**.

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The human face of tax evasion

Daulo district, Easter Highlands, Papua New Guinea: Rebecca and her fellow classmates previously had to wash their hands in dirty water collected from a waterhole (pictured at right) after going to the toilet. Photo: Rodney Dekker/OxfamNZ.

The other side of tax revenue —public expenditure —provides the “human face” of tax evasion.

When tax revenue is ripped out of the economy, evidence suggests that the poorest are impacted the most.

This is money that could have been going towards reducing inequality and lifting people out of poverty.

TABLE 4. ESTIMATED PUBLIC EXPENDITURE IMPACT OF GLOBAL TAX HAVEN USE (USD $ BILLIONS) - DEVELOPING COUNTRIES

	EDUCATION	GENDER EQUALITY	HEALTH	SOCIAL PROTECTION	WATER AND SANITATION	TOTAL
2014 expenditure	$29.3	$0.4	$15.8	$5.7	$5.0	**$56.2**
Present value of projected expenditure (2015-2020)	$178.8	$2.6	$96.5	$34.5	$30.5	**$342.9**

Source: Oxfam (2016)

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Anti-avoidance rules and transparency towards longer term compliance

Short term (and on-going)
Anti-avoidance rules to prevent immediate ‘base erosion’ and reduce on-going non-compliance

Medium term
Publicly reporting country-by-country, assets, employees, profits and taxes paid helps align economic activity with taxes. This sort of transparency is necessary for public accountability.

The way forward, perhaps?

Long term (sustainable)
<u>Public</u> pressure through transparency, and <u>government</u> pressure through anti-avoidance rules *could* lead to co-operative compliance where multinational exhibit responsible tax practices.

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