



Oxfam Ireland's submission to the Department of Jobs, Enterprise and Innovation on European Commission proposals on public tax transparency rules for multinationals

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Oxfam Ireland welcomes the opportunity to contribute our position on the EC proposals on public transparency rules for multinationals to the Department of Jobs, Enterprise and Innovation, and look forward to continuing to work together in future on issues of mutual concern. The Oxfam confederation has been working on issues related to the international financial system for over a decade, and has significant policy and technical experience on global taxation, and particularly in the area of country by country reporting.

The rapid rise of extreme economic inequality is standing in the way of eliminating global poverty. Today, hundreds of millions of people are living without access to clean drinking water and without enough food to feed their families; many are working themselves into the ground just to get by. Oxfam's decades of experience in the world's poorest communities have taught us that poverty and inequality are not inevitable or accidental, but the result of deliberate policy choices. We know that if we are going to achieve the global commitment to eradicate extreme poverty by 2030, a fair global tax system will be crucial. Since the launch of the *Even It Up* campaign in 2014, Oxfam Ireland has campaigned for an international tax system which works in the interests of the majority – not the few. Tax avoidance has rightly been described by the International Bar Association as an abuse of human rights¹ and by the President of the World Bank as 'a form of corruption that hurts the poor'. There will be no end to the inequality crisis until world leaders end the era of tax havens once and for all.

Developing countries need their own public resources to fund services that are essential to their citizens. Ireland can make a crucial contribution to the international fight against poverty and inequality by ending the tax havens and tax dodging which contribute to chronic and entrenched poverty across the globe. Oxfam welcomes the steps already taken by the Irish government in this regard. In particular, Oxfam acknowledges the government's engagement with the OECD BEPs process as a move in the right direction. However, we urge the government to take further steps by ensuring companies publish their results so citizens are aware of exactly what they earn where, what they owe where and what they actually pay in tax.

¹ M. Cohn (2013) 'Tax Avoidance Seen as a Human Rights Violation', Accounting Today.

<http://www.accountingtoday.com/news/Tax-Avoidance-Human-Rights-Violation-68312-1.html>

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Taxes are essential sources of revenue to fund the services, infrastructure, and 'public goods' that benefit us all, and can be the glue between citizen and state. A just and progressive system of taxation increases the accountability of a state to its people by improving governance, reducing inequality and financing public services. Without this important source of revenue, governments will struggle to sufficiently and equitably realise the human rights of their citizens.

Tax also plays a significant role in the redistribution of resources in ways that can prevent and alleviate inequality. Oxfam's 2016 report, "An Economy for the 1%", found that the richest 1% now have more wealth than the rest of the world combined. A global network of tax havens further enables the richest individuals to hide \$7.6 trillion². The fight against poverty will not be won until the inequality crisis is tackled. Through its research, Oxfam has found that in many EU countries unfair tax systems are failing to correct income inequalities and, worse, are actually contributing to a widening inequality gap. These tax systems are consistently biased towards more heavily taxing labour and consumption than capital, allowing high earners, wealthy individuals and the most profitable companies to largely escape from their tax obligations, and placing the burden of effort on common citizens.

Oxfam Ireland is not alone in its call for greater tax transparency. A survey commissioned by Oxfam Ireland and undertaken by Empathy Research in advance of the 2016 Irish General Election found that 79% of Irish adults polled believe that the gap between the richest and the rest of society is rising and making Ireland a more unequal place. Furthermore, 83% believe that tax dodging means vital public services like schools and hospitals in Ireland and across the world are suffering.

A letter signed by over 300 economists from around the world, including 13 Irish signatories, in advance of the recent UK Anti-Corruption Summit warned world leaders that there is no economic justification for allowing tax havens to continue, and urged them to bring an end to offshore financial secrecy³. Instead, the signatories called for governments to agree new global rules requiring companies to publicly report taxable activities in every country they operate, and to ensure all territories publicly disclose information about the real owners of companies and trusts. While the letter acknowledges that taking on the tax havens will not be easy as there are powerful vested interests that benefit from the status quo, it concluded by quoting Adam Smith who said that the rich "should contribute to the public expense, not only in proportion to their revenue, but something more

² Oxfam (2016) 'An Economy for the 1%' https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/bp210-economy-one-percent-tax-havens-180116-en_0.pdf

³ Economists' letter to World Leaders in Advance of Anti-Corruption. Irish signatories: Dr. Nata Duvvury, Professor Gerard Hughes Dr. Stephen Kinsella, Professor Brian Lucey, Dr. Tom McDonnell, Professor Terrence McDonough, Dr. Nat O'Connor, Dr. Srinivas Raghavendra, Dr. Eoin Reeves, J. Stewart, Paul Sweeney, Michael Taft, Professor Paul Teague. <https://www.oxfam.org/en/pressroom/pressreleases/2016-05-09/tax-havens-serve-no-useful-economic-purpose-300-economists-tell>

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than in that proportion." At Oxfam, we believe that there is no economic justification for allowing the continuation of tax havens which turn that statement on its head.

Oxfam Ireland's response to the European Commission proposals on public tax transparency rules for multinationals

In response to the European Commission proposal on tax transparency rules, Oxfam Ireland is concerned that the Commission has missed the opportunity to effectively end tax havens. The proposal as it currently stands limits public country-by-country reporting to the EU and an arbitrary list of tax havens. This makes it impossible to effectively combat tax havens which have been at the centre of scandals like the Panama Papers, LuxLeaks or OffshoreLeaks.

Oxfam is calling for a strong public country-by-country reporting which would require multinational companies to disclose a breakdown of the following figures: profits earned, taxes owed and taxes paid, number of employees and turnover, as well as an overview of their economic activity in every country where they have subsidiaries, including offshore jurisdictions. While such a measure would allow for real tax transparency, the Commission proposal is far less ambitious.

We have urged the European Commission to move from the intra-EU reporting, as currently proposed, to actual public country-by-country reporting. Only by doing so will the proposal deliver real transparency on profits made and taxes paid by multinationals.

Oxfam Ireland are concerned by several elements of the proposal.

Firstly, the obligation for multinationals to report on a country-by-country basis only inside the EU, while publishing aggregated data from all third countries, would make this proposal unfit for purpose. Public country-by-country reporting should provide the public with key information on the activities of multinationals, including the taxes paid on profits made in each country in which they operate. By only publishing country-by-country data from EU countries, the proposal would effectively allow multinationals to continue shifting their profits out of the EU while still keeping citizens in the dark. It would also make the measure useless for developing countries as they would not be able to attain any country-specific information. Not only does this undermine any chances of collecting adequate public revenues, it would also be contrary to the EU's commitment to policy coherence for development.

Secondly, setting the threshold for companies covered by the reporting requirement at €750 million in annual consolidated turnover would, according to the OECD's estimates, exclude 85-90 per cent of multinationals from the reporting requirement. The proposal on public country-by-country reporting put forward by the European Parliament in the Shareholders' Rights Directive, in accordance with the EU's own existing definition of "large undertakings", covers all large companies that meet two out of three criteria, including a threshold of €40 million in turnover. A lower threshold would cover more

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companies, providing more data on the activities of multinationals and ensuring a more level playing field.

Thirdly, the disclosure elements should give a clear picture of whether taxes are paid where the profits are generated. The Commission's current proposal leaves out many important elements – such as assets, sales and a full list of subsidiaries – contrary to the templates developed by the OECD under BEPS Action 13 and the European Parliament in the Shareholders' Rights Directive.

The European Commission has repeatedly stated its support for transparency as well as its commitment to the fight against tax avoidance. As corporate tax scandals continue to unfold, it is crucial that the Commission seizes this opportunity to restore public trust in our tax systems and to take concrete steps to fight extreme inequality and poverty both at home and in developing countries.

To conclude, we urge the Irish Government to support only full public country by country reporting, encourage other EU member states to do likewise, and to call on the European Commission to address the above mentioned issues in order to advance the transparency urgently needed in the fight against corporate tax avoidance and corruption.

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