

This proposal was submitted to the negotiations of a Common Code for the Coffee Community www.sustainable-coffee.net

Tax Dimension

Category	No	Principle	Green Criteria	Yellow Criteria	Red Criteria
Tax havens	1	The corporation does not choose to route any part of its supply chain or financial transactions through any state that has at any time been identified as a tax haven (or equivalent) by the OECD, Financial Action Task Force or the Financial Stability Forum ^{1 2 3}	The corporation does not choose to engage in voluntary inter group transactions in tax havens to obtain a tax advantage	The corporation uses tax havens but this has no effect on taxes paid either in producer or consumer countries	The corporation deliberately undertakes inter group transactions in tax havens to obtain a tax advantage or to obscure the nature of the supply chain by use of tax haven secrecy provisions
	1b	All trades in the supply chain take place using arm's length transfer pricing ⁴	The corporation can demonstrate that all transactions in the supply chain are undertaken at arm's length prices so that profit is appropriately declared and taxed in the state in which it is earned	The corporation can demonstrate that arm's length pricing is used between all its territories where double tax treaties require such pricing but not otherwise	The corporation seeks to price aggressively to ensure maximum profits are declared in states where little or no tax is due and either seeks to disguise this pricing as commercial or conceal it through the use of secrecy laws in the states involved
	1c	The corporation does not seek to transfer assets such as brand names, licensed industrial processes, patents and copyrights to tax havens and seek a tax advantage by paying fees for their use to such territories, so diverting profits from higher tax areas	The corporation does not transfer its intellectual property to tax haven territories	The corporation only transfers licences for intellectual property to tax haven or offshore states for their domestic use	The corporation operates an aggressive policy of transferring intellectual property assets into offshore, low tax and tax haven states in an effort to transfer profit to those territories and so avoid tax

¹ <http://www.oecd.org/dataoecd/33/1/1904184.pdf> Harmful Tax Practices : An Emerging Global Issue

² Financial Action Task Force <http://www1.oecd.org/fatf/>

³ Financial Stability Forum <http://www.fsforum.org/home/home.html>

⁴ OECD and UN model double tax treaties e.g. <http://www.oecd.org/dataoecd/52/34/1914467.pdf>

Tax payments	2a	The corporation does not seek inappropriate tax advantages from the states in which it trades by negotiating tax holidays, reduce rates of corporation tax or special tax allowances in any of the states in which it trades	The corporation does not seek a more advantageous tax environment for its trading activities than would be available for a locally incorporated corporation	The corporation only takes advantage of those taxation incentives to investment made available to all corporations investing in a state	The corporation seeks to negotiate enhanced packages of tax allowances, tax holidays and incentives as a pre-condition of its trading or investment in a state
	2b	The corporation complies with corporation tax legislation and payment requirements in the states in which it trades	The corporation seeks to comply with all local taxation legislation and accounting disclosure requirements	The corporation seeks to mitigate its local disclosure of profits for corporation tax purposes and /or secure favourable tax payment arrangements	The corporation seeks to undertake its trading activities in territories with little or no tax disclosure requirement and little or no corporation tax payable so avoiding these obligations
	2c	The corporation seeks to comply with the rules for deduction of tax from employees, contractors and other stakeholders. Staff are paid in accordance with local taxation and social security requirements and other obligations are settled	The corporation seeks to make all payments in compliance with local regulations	The corporation seeks to mitigate local taxation liabilities in respect of its staff and other stakeholders	The corporation actively seeks to avoid its obligations with regard to payment of tax in respect of its employees and other stakeholders
Transparency	3	The status of the corporation and those who own it is identifiable. All subsidiaries and associates of the parent corporation can be identified	The nature of the corporation, its country of incorporation, the rules by which it is governed, the identities of its owners and a full list of all subsidiaries and associates of the parent corporation are all disclosed on public record	The corporation does not disclose some or all information as to its ownership, rules of governance or place of incorporation and subsidiaries and associates or seeks to obscure some or all of such information by the use of nominee shareholders, trusts or the like	The ownership of the corporation is not disclosed or is obscured by nominees and trusts, the rules of the corporation are not published and the country of incorporation is not disclosed. No information as to the group structure of the corporation is published
	3b	The corporation's tax charge accords with the anticipated tax charge for the country of incorporation, or any difference is explained without suggesting of artificial or aggressive tax planning	The declared tax charge for a corporation in a period accords with the underlying tax rate of the country of incorporation of the reporting entity and that	The declared tax charge for a corporation in a period accords with the underlying tax rate of the country of incorporation of the reporting entity but some	The declared tax charge for a corporation in a period does not accord with the underlying tax rate of the country of incorporation of the reporting entity because of

			tax is actually paid	or all of that tax is not paid because of deferred tax or other provisions	the use of tax planning and there is no anticipated prospect of the shortfall being paid
	3c	The corporation discloses the taxation and other payments it makes to all governments of states in which it operates ^{5 6 7}	The corporation declares all payments it makes to the governments of the states in which it operates	The corporation declares selected payments to the governments of the states in which it operates or consolidates that information so that payments to particular governments cannot be identified	The corporation does not disclose the taxation and other payments it makes to all governments of states in which it operates

August 4th 2004, Berne Declaration (www.evb.ch), based on the analysis of Richard Murphy, BSc FCA, UK Chartered Accountant and Director of Tax Research Limited

⁵ Global Reporting Initiative *Sustainability Reporting Guidelines* 2002

⁶ Extractive Industries Transparency Initiative (EITI) *Statement of Principles and Agreed Actions* 2003

⁷ To a very limited extent this is required by International Accounting Standard 12 and equivalent national standards