



## **Tax Justice Network**

### **Declaration**

#### **Part 1. "Only the little people pay taxes!"**

1. Large corporations and wealthy individuals are increasingly avoiding their obligation to contribute to society through taxation. With the aid of governments, they are shifting the tax burden further onto ordinary citizens and smaller businesses. Governments claim that revenues are too low to achieve social justice through decent public goods and services; privatisation and cuts in social expenditure are presented as the only solutions. Instead, we argue for tax justice: to restore the ability to tax the wealthy beneficiaries of globalisation.
2. Tax avoidance now occurs on a massive global scale. Assets held offshore, beyond the reach of effective taxation, are already estimated to equal one-third of total global assets.
3. Around half of all world trade appears to pass through tax haven jurisdictions, as corporations shift profits to where they can avoid tax. Networks of banks, lawyers and accountants create complex and secret financial structures, reducing transparency and enabling tax evasion. Claims of corporate social responsibility are undermined when low corporate tax payments are exposed. Such behaviour is economically inefficient, socially destructive, and profoundly unethical.
4. Developing countries are estimated to lose revenues greater than annual aid flows. An increased return of just half a per cent on global assets held offshore could yield sufficient revenue to finance the UN Development Goals for 2015, halving global poverty. Instead, such development is under threat from the huge tax breaks offered to attract large corporations, and from the vast outflow of funds from developing countries to tax havens.
5. These trends threaten democracy and development. A process of tax competition at the global level undermines the social contract previously set within the national arena, as states compete to offer tax exemptions to capital. Tax havens grow more

numerous, the world's richest financial centres get even richer, taxes paid by large corporations fall, and ordinary citizens bear the cost. We call upon all concerned to meet this challenge, by building global and national campaigns for tax justice.

## **Part 2: A manifesto for tax justice**

6. It is vital to act now, before the process of tax competition becomes even more established in the world economy. Our aims are to achieve the following:
  - to eliminate cross-border tax evasion and limit the scope for tax avoidance, so that large corporations and wealthy individuals pay tax in line with their ability to do so;
  - increase citizens' influence in the democratic control of taxation, and restrict the power of capital to dictate tax policy solely in its own interest;
  - restore similar tax treatment of different forms of income, and reverse the shifting of the tax burden onto ordinary citizens;
  - remove the tax and secrecy incentives that encourage the outward flow of investment capital from countries most in need of economic development;
  - prevent the further privatisation and degradation of public services.
7. There are of course concerns, reservations, and difficulties in working towards such aims. However, with sufficient research, democratic dialogue, and a fair distribution of the benefits of progress on this issue, we believe that such problems can be overcome. For example:
  - Financial secrecy and lack of information currently inhibit the research required to establish the true picture in many states. Proposals for reform will evolve in line with the results of future research.
  - We recognise that some small island economies and certain less developed countries are heavily dependent on harmful tax practices arising from tax competition, and that such economies may suffer significant reductions in investment and economic growth. To the extent that these factors impact negatively on the general population in such countries, we propose multilateral support to assist with re-structuring.
  - Wealthy vested interests will oppose progress, but we entirely reject the economic arguments by which tax exemptions for the rich are presented as beneficial to us all. Experience demonstrates that tax cuts usually lead to increasing inequalities between rich and poor.
  - Increases in government revenue may only deliver progress for ordinary citizens where broader society is democratically engaged in spending decisions.
8. The reasonable privacy of citizens must be distinguished from regimes of financial secrecy, from which only the wealthy and the dishonest benefit at substantial cost to the majority. Taking into account the concerns expressed above, we demand an immediate end to all regimes of financial secrecy, in every territory and state, in favour

of open, honest and accessible publication of information as detailed in annex 1. This will:

- increase the data available to authorities, researchers and policy-makers;
  - discourage corrupt capital flight;
  - expose criminal fortunes;
  - increase current global tax revenues.
9. In the past decade, efforts to tackle harmful tax practices have frequently consisted of attacks by industrialised countries on smaller tax haven economies. Such initiatives have not fully recognised that tax competition is also deeply embedded within the financial structure of the industrialised countries themselves, and therefore we look beyond the narrow concerns of industrialised governments. We propose the immediate initiation of a democratic global forum, to consist of representatives from governments and from citizens' groups across the world. We call for improved international tax co-operation and widespread debate on these issues, in particular to consider the appropriateness of policies such as those detailed in annex 2.
10. We propose that as citizens and as social movements from around the world, we intervene wherever and however we can, to promote awareness and debate of these issues, and to develop practical solutions. Our active participation is essential to fight for global tax justice.

**[www.taxjustice.net](http://www.taxjustice.net)**

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## **Annex 1: Immediate Measures Proposed**

(i) Public Disclosure of the following information, in all states and territories:

- all tax laws and treaties;
- detailed national statistics for financial services activity and public accounts data;
- audited accounts for all significant business entities and trusts, specifically disclosing turnover and tax paid with a breakdown for each entity and in each territory or tax jurisdiction, and other improvements to disclosure;
- beneficial ownership of all business entities, trusts, bank and investment accounts, property, and any other form of asset.

(ii) Development of comprehensive and automatic information exchange between all tax authorities:

- to facilitate both assessment and collection of taxes,
- including imposing obligations on states to obtain information from financial institutions, lawyers, accountants, auditors, and other relevant intermediaries.

(iii) The provision of funding:

- for substantial research into the extent of, the effects of, and solutions to, tax competition, tax havens, cross-border tax evasion, and tax avoidance by wealthy individuals and large corporations;
- for representatives from citizens' groups and developing countries to engage in this debate with sufficient expertise to promote their interests in this process.

(iv) The initiation of a democratic global forum:

- to consist of representatives from governments and from citizens' groups across the world;
- to improve co-operation, to encourage debate, and to increase citizens' influence in the democratic control of taxation.

## **Annex 2: Additional measures to be urgently considered for improved international tax co-operation**

(i) Taxation of transnational corporations on the unitary basis, allowing tax authorities to effectively reverse the false shifting of profits to low-tax jurisdictions.

ii) Universal application of the residency principle for corporate taxation.

(iii) States at comparable levels of economic development, and states geographically close to each other, should co-operate to eliminate destructive effects of tax competition between themselves.

(iv) Harmonisation of tax rates and tax bases for highly mobile capital such as that controlled by large corporations and wealthy individuals.

(v) The possibilities for establishing regional and global tax authorities that can represent the interests of citizens.