



## Shining the Light on Tax Dodging & Corruption: *Australia's G20 Opportunity*

Since world leaders agreed to the Millennium Development Goals in 2000, the world has made great progress against poverty. Through sustained investments in public health, and the provision of immunisations, vaccines and essential health services through government budgets, aid programs and multilateral funds, child mortality has been cut by almost 50% since 1990 – 15,000 fewer children dying every single day.

We celebrate this progress. Yet more than 1 billion people still live in extreme poverty, which remains an affront against human dignity, stunting lives and bodies, destroying hope and opportunity. Micah Challenge has campaigned in support of the Millennium Development Goals since 2005 and we urge the Australian Government and Parliament to continue to work towards the eradication of extreme poverty – by increasing our poverty-focused aid, by supporting fairer global trade, by taking strong action to mitigate against dangerous climate change and by responding to global peace, security, health and sustainability challenges.

In 2014, particularly, Australia has a unique opportunity – as Chair of the G20 – to tackle the scourge of tax dodging which robs developing countries on a massive scale of vital revenue for poverty reduction and sustainable human development.

“Developed countries must keep their promises to developing countries. North-South aid is still vital for many countries: it must be maintained, and increased wherever possible. But more than aid is needed to implement sustainable development worldwide. Developed countries... have special responsibilities in ensuring that there can be no safe haven for illicit capital and the proceeds of corruption, and that multinational companies pay taxes fairly in the countries in which they operate.”

*A New Global Partnership—Report of the High-Level Panel on the Post-2015 Development Agenda*



Christian Aid estimated that in 2008, developing countries lost more than USD 160 billion through just two forms of multinational corporate tax dodging – transfer mispricing and false invoicing. This figure dwarfs the amount that these countries receive in aid, which amounted to USD \$120 billion in 2009.

If developing countries had access to these lost revenues and used them in the same proportions and for the same purposes as their current expenditures, Christian Aid estimates they could save the lives of around 350,000 children each year.

“It is a contradiction to support increased development assistance, yet turn a blind eye to actions of multinationals and others that undermine the tax base of a developing country.”

*Trevor Manuel, South African Finance Minister*

## The ABC of tackling tax evasion – what should Australia do?

**A – Automatic Exchange of Information (AEOI) between tax authorities:** AEOI, with appropriate privacy safeguards, is a powerful way to reduce tax evasion and is already supported by Australia, which provides information on tax matters automatically to over 40 countries and receives such information from 20 countries.

AEOI provides more timely detection of tax dodging and increases fairness in the tax system. When Denmark sent out 1,100 letters informing Danish taxpayers about information that had been shared automatically, 440 people reported foreign income that year which they had not previously reported. In 2009, Norway used such information to verify tax returns above a certain threshold and found that in 38.7% of cases, people had not reported taxable income. However, very few developing countries have been able to benefit from AEOI, particularly if their tax administrations are not strong enough to meet requirements for reciprocal information sharing. AEOI is likely to be adopted by the G20 as a global standard, and Australia already provides some assistance for countries to make use of AEOI, but it is important that *all* developing countries are able to make use of the system.

*The Government should ensure that AEOI becomes the global standard and that all developing countries are supported and able to make use of the system to combat tax dodging and corruption.*

**B – Beneficial Ownership Disclosure through a public register that lists the true owners and beneficiaries of companies, trusts and foundations:** Anonymous companies and secret trusts can be covers for crime, corruption and tax dodging. The World Bank's *Puppet Masters* report found that in 213 grand cases of corruption that took place 1980–2010 involving US\$56 billion, more than 70% of them used anonymous companies.

The European Parliament voted in March 2014 to create a publicly-accessible register of the beneficial ownership for companies, trusts and foundations and the UK Prime Minister, David Cameron, has announced his Government's intention to develop a similar public register. Current Australian law does not require multinationals to disclose the existence of all their subsidiaries that exist in secrecy jurisdictions (tax havens).

*The Government should establish a public register of beneficial ownership in Australia and should call on all G20 nations to adopt similar registers.*

**C – Country by country reporting for multinational corporations:** Currently, international reporting standards only require multinational companies to produce reports at a global level, making it impossible to know how much was earned or invested and how much tax was paid in each country in which they operate.

However, the US requires all listed oil, gas and mining companies to report all payments made to governments on a country by country basis. The European Union will require the same from large oil, gas, mining and forestry companies from 2015 and will require banks to disclose profits, taxes paid, subsidies received, turnover and number of employees for each country where they operate. Australia is lagging behind in this global trend towards greater transparency.

Requiring country by country reporting (CBCR) makes it harder for companies to shift their profits and gives citizens access to information they need to hold their governments to account for the revenue they receive. Some corporations already report in this way, including Rio Tinto and Paladin Energy. The OECD has developed a draft template for CBCR – now the G20 must ensure that these reports contain all the information needed to combat tax dodging.

*The Government should require all multinational corporations registered in Australia to provide a worldwide combined report including country-by-country breakdown of the number of employees, assets, sales, profits, as well as taxes due and paid. The Government should endorse the G20 adopting this country-by-country reporting as standard.*

## What an MP or Senator can do

- 1) Make a speech in Parliament or in public about these important issues – contact Micah Challenge for speech notes
- 2) Contact the Prime Minister, the Treasurer and the Assistant Treasurer calling on them to deliver on the ABC of tackling tax evasion through domestic legislation and through the G20 – ensuring that the voices, needs and interests of all developing countries are fully represented in these processes.