

Denmark bars tax haven companies from Covid-19 financial aid

By Audrey Quicke

The Danish Government has refused Covid-19 bailout money to companies registered in tax havens. This has inspired some countries to adopt similar restrictions, but Australia is yet to follow suit.



Above: Danish Member of Parliament, Jacob Mark explains the Danish Government's approach in a Twitter video.¹

In March 2020, the Danish Government introduced a comprehensive economic support package for workers and businesses affected by the Covid-19 crisis. A fixed cost compensation scheme was made available to companies that had suffered a significant decline in revenue, offering them compensation of up to 80% for fixed expenses such as rent.

To exclude companies registered in tax havens from accessing the fixed cost compensation scheme, a legislative amendment was passed in April, making the right to compensation conditional on the company not being based in a tax haven. Additionally, companies that access the scheme must agree not to pay dividends or make share buy-backs in 2020 or 2021.²

Global corporate tax losses due to tax haven use are estimated at between \$500 billion and \$600 billion per year.³

Corporations minimise payable tax by shifting profits and investments to offshore financial centres, often through subsidiary entities and intricate tax planning. These offshore

financial centres, or tax havens, are countries with low corporate tax rates that allow entry to foreign businesses.⁴

For example, mining giant BHP was forced to pay a \$529 million settlement with the Australian Taxation Office over its attempts to minimise Australian tax payments through its Singapore entities. Strategies such as this contribute to ATO data showing that nearly a third of large companies did not pay corporate tax in Australia in 2017-18.⁵

Denmark's approach to restricting access to stimulus finance has its limitations.⁶ The legislative amendment only excludes companies registered in tax havens listed on the European union's tax avoidance blacklist ('the EU Blacklist'). The EU Blacklist does not include many popular tax havens, most notably those located in the EU. According to analysis by Oxfam, Cyprus, Ireland, Luxembourg, Malta and the Netherlands all fail the EU's fair tax criteria, but are not included on the EU Blacklist.⁷ Despite this limitation, Denmark's approach is a significant step towards tackling tax avoidance whilst complying with EU State aid rules.

Not only has the Danish Government applied conditions to its own bailout funding, it has actively encouraged other nations to follow its lead. In a video uploaded to social media, Danish politician Jacob Mark has appealed to nations to follow Denmark's example and apply similar conditions to their Covid-19 support packages:

*"My name is Jacob, and I'm a member of the Danish Parliament, and I hope that more nations around the world will take inspiration from us, and stop corporate greed and tax evasion."*⁸

Similar plans have been announced by Poland, France,⁹ Argentina,¹⁰ Canada,¹¹ and Wales.¹² Australia is yet to heed the Danish Government's call and bar companies registered in offshore tax havens from accessing Covid-19 financial aid.

The Danish government has made an important step towards challenging tax avoidance and ensuring that Covid-19 stimulus funds are well spent. It has inspired other countries to adopt similar measures, and demonstrated how conditional access to economic support packages can shape the post-recovery future. The Danish example may even encourage countries to align their covid-19 financial support packages with international climate commitments, workers' rights and a sustainable future. Australia stands to gain from the Danish approach.

¹ Mark (2020)

https://twitter.com/MargreteAuken/status/1252932354403950594?ref_src=twsrc%5Etfw%7Ctwcamp%5Etweetembed%7Ctwterm%5E1252932354403950594&ref_url=https%3A%2F%2Fwww.theguardian.com%2Fbusiness%2F2020%2Fapr%2F27%2Fclergy-tax-haven-coronavirus-richard-branson

² PWC Denmark (2020) *New Executive Order on Fixed Cost Compensation for four months*, https://www.pwc.dk/da/artikler/2020/05/ny-bekendtgørelse-om-kompensation-for-faste-omkostninger.html?utm_source=Metimus&utm_medium=Email&utm_campaign=S%3C%3A6rmail/Covid/ans%3C%3B8gning%20om%20tilskud%20til%20faste%20omkostninger&utm_content=PwC&utm_term=113708179236062020

³ IMF (2019) *Tackling Tax Havens*, <https://www.imf.org/external/pubs/ft/fandd/2019/09/tackling-global-tax-havens-shaxon.htm>

⁴ International Consortium of Investigative Journalists (2020) *What is a Tax Haven? Offshore Finance Explained*, <https://www.icij.org/investigations/panama-papers/what-is-a-tax-haven-offshore-finance-explained/>

⁵ Butler (2019) *ATO data reveals almost a third of big companies still not paying tax in Australia*, <https://www.theguardian.com/australia-news/2019/dec/12/ato-data-reveals-almost-a-third-of-big-companies-still-not-paying-tax-in-australia>

⁶ Chapman (2020) *Denmark bans tax haven companies from accessing coronavirus bailout money- will other countries follow?*, <https://www.independent.co.uk/news/business/analysis-and-features/coronavirus-denmark-bailout-tax-haven-companies-uk-richard-branson-a9475081.html>

⁷ Oxfam (2019) *Off the Hook: How the EU is about to whitewash the world's worst tax havens*, <https://www.oxfam.org/en/research/hook-how-eu-about-whitewash-worlds-worst-tax-havens>

⁸ Mark (2020)

https://twitter.com/MargreteAuken/status/1252932354403950594?ref_src=twsrc%5Etfw%7Ctwcamp%5Etweetembed%7Ctwterm%5E1252932354403950594&ref_url=https%3A%2F%2Fwww.theguardian.com%2Fbusiness%2F2020%2Fapr%2F27%2Fclergy-tax-haven-coronavirus-richard-branson

⁹ Bowden (2020) *European countries exclude companies registered in offshore havens from coronavirus stimulus*, <https://thehill.com/policy/finance/494297-european-countries-exclude-companies-registered-in-offshore-tax-havens-from>

¹⁰ Lewkowicz (2020) *Companies with headquarters in tax shelters are left out*, <https://www.pagina12.com.ar/261516-techint-no-califica-para-recibir-la-asistencia-del-estado>

¹¹ Chown Oved (2020) *No COVID-19 bailouts for firms that use tax havens, Prime Minister Justin Trudeau says*, <https://www.thestar.com/politics/2020/04/28/no-covid-19-bailouts-for-firms-that-use-tax-havens-prime-minister-justin-trudeau-says.html>

¹² Smith (2020) *Wales won't give coronavirus bailout cash to firms based in tax havens*, <https://www.mirror.co.uk/news/politics/wales-wont-give-coronavirus-bailout-22022841>
