

## ActionAid tax justice campaign briefing

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### Why is tax an important issue for developing countries?

The OECD estimates that poor countries lose three times more money to tax havens every year than they receive in aid (the OECD estimates global aid levels to be at least US\$120bn each year). Tax revenues are a more sustainable and predictable source of development finance than aid, providing a domestic funding stream for states to invest in their own development. Countries with strong tax administrations and efficient tax collection tend to be more stable – crucial for business investment and economic growth.

### Why do developing countries lose so much money from tax avoidance?

Multinational companies operating in poor countries play a crucial role in development. However, many take advantage of a lack of transparency to move their profits into tax havens. Increased transparency would help developing countries to raise revenue and would increase accountability. Governments could be sure they were collecting the right amount of revenue from companies, and citizens could monitor how governments use these taxes, thus challenging corruption.

### Tax dodging by Glencore in Zambia

A leaked [Grant Thornton audit report](#), commissioned by the government of Zambia on FTSE-listed Glencore's Mopani mine, reveals widespread tax dodging. For more than 10 years the mine declared a loss and paid no corporation tax. However, Grant Thornton found that the cost base of the mine had increased "exponentially" and without justification. It accused the company of exporting copper to Glencore's Swiss HQ at below market prices, indicating a clear breach of OECD guidelines on transfer pricing. ActionAid estimates that tax dodging by Glencore could have cost Zambia up to £76 million in one year alone – far more than the £59 million Zambia receives in UK aid each year.

### Close tax loopholes

ActionAid is calling for a new international accounting standard which requires multinational companies to report basic information in their annual financial statements about the profits made and taxes paid in every country in which they operate, including tax havens. Such measures would help developing countries overcome the global barriers to collecting the taxes they are owed.

Tackling tax haven secrecy would also help developing countries recover the tax due to them. Tax authorities in developing countries need to be able to exchange information with other jurisdictions, in particular tax havens. By far the easiest way to achieve this is through a multilateral agreement incorporating all countries, to enable less-resourced tax administrations to obtain crucial information.

### What can MPs do?

- Please write to the Chancellor to urge the UK government to play a leading role in supporting an international, country-by-country financial reporting standard at this year's G20 Summit in November.
- Pressure the Department for International Development and the Treasury to increase their work supporting developing countries' ability to raise taxes efficiently.
- Ensure the impact of tax avoidance on international development is debated at the next reading of the Financial Transparency and Tax Bill on 25 November.

### The UK government should

- Ensure that the G20's Development Working Group makes a strong recommendation to the G20 summit on improving domestic resource mobilisation.
- Support better tax information exchange between countries by encouraging its overseas territories to join the Multilateral Convention on Mutual Administrative Assistance in Tax Matters.
- Ensure that the detrimental impacts on developing countries of changes to UK tax rules (particularly Control Foreign Companies rules) are fully considered and mitigated.