

The fight against international tax evasion

The greed of large global organisations has made tax evasion and tax fraud an economic practise of epic proportions.

The Panama Papers and Lux Leaks have revealed the enormous extent of organised tax fraud and have documented that both companies, banks, lawyers and other tax advisers exploit the lack of control with tax evasion.

Recently, we have witnessed revelations of speculators who have cynically, and through criminal acts, robbed public treasuries in a number of European countries of large sums by means of false refunds for corporate taxes paid.

The extent of tax evasion is so vast that it is a threat to the welfare of ordinary workers because a strong welfare society is based on collective financing through taxes, duties etc.

Such a society requires businesses and private individuals to contribute to society and trust that their neighbour and the competing company will also pay their share.

Tax systems everywhere are challenged by increasingly complex business models in an increasingly globalized market.

New digital goods and services are taking up an increasing share of the economy and this makes it harder to identify where turnover and consumption are located. This produces more grey areas and tax loopholes that carry a risk of tax fraud and speculation.

With the 17 UN Global Goals for Sustainable Development towards 2030, the heads of state and government from the UN's 193 member countries have committed to end world poverty and hunger, reduce inequality, and ensure good education and better health care for everyone, decent jobs and sustainable economic growth.

The international community has, furthermore, adopted the Paris Agreement which contains ambitious plans for the future of the climate.

If we are to succeed in obtaining these aims, it requires vast investments and political prioritizing. It will require massive investments into education, social security, infrastructure and climate proofing measures.

This all requires investments - not least public investments. It requires tax revenue and fair and effective tax systems. We need a change.

Fighting international tax evasion

Tax evasion has reached an alarming level. We, in the international trade union movement, must take the lead in fighting it at the national as well as the international level.

We therefore suggest that:

- National tax authorities must allocate the necessary resources to fight international tax evasion. It is crucial to exert a control pressure that will be felt and that involves an actual risk of detection.
- An international supervisory authority should be set up - drawing inspiration from Interpol - for example. This organisation should have the necessary resources - both in terms of personnel and legal powers. The aim is to have an international body working purposefully to reduce the extent of international tax evasion.
- Increasing country-by-country reporting by extending the reporting obligation to more companies. (The current threshold is EUR 750m but could be lowered to EUR 50m, for example).
- Firmer sanctions against tax havens that do not cooperate on transparency and fair taxation. A sanction could be placement on the EU blacklist or in the form of a tax at source on payments to blacklisted countries.
- We encourage the OECD and its member countries to strengthen cooperation on the fight against tax crime and to implement the 10 global principles for fighting tax crime¹.

Launched by LO Denmark in Copenhagen at the 4th ITUC International World Congress on 7 December 2018.

¹ <http://www.oecd.org/tax/crime/fighting-tax-crime-the-ten-global-principles.htm>