

Opening Statement by Jim Clarken, Oxfam CEO,

February 7th, 2017

**Oireachtas Committee on Finance, Public Expenditure and Reform, and
Taoiseach**

Thank you for the opportunity to speak to you today. This is an important and welcome opportunity for Oxfam to engage with decision makers in a genuine and solutions oriented discussion on how to increase tax justice to improve the lives of people in Ireland and abroad. Oxfam works in some of the poorest countries in the world and seeks to develop long term solutions to global poverty and inequality. We believe this is impossible to achieve as long as the current scale of corporate tax avoidance continues to drain essential financial resources from developing countries. Today, I do not wish to speak to you at length about the Apple State Aid case, but instead about how to apply the *lessons* from this case to ensure that we develop a global tax system that ends the corporate tax avoidance which is particularly detrimental to developing countries.

The UN has estimated that every year, developing countries lose around \$100bn annually as a result of corporate tax avoidance schemes. This is enough to pay for the education for all of the 121 million children currently out of school, and to pay for health interventions that could save the lives of 4 million children. This is outrageous, unjustifiable, and morally defunct.

In the run up to the 2016 General Election, Oxfam Ireland commissioned independent, nationwide attitudinal research on inequality and corporate tax avoidance. 82% of Irish adults polled agreed that the next Taoiseach should specifically address tax dodging, equal pay and access to quality public services. The survey also showed growing concern in relation to large-scale tax dodging with 86% of Irish people believing that big companies and wealthy individuals are using tax loopholes to dodge paying their fair share of taxes. It is clear that the Irish people have mandated the government to act.

Oxfam recognises that Ireland has been involved in the OECD BEPS process and various ongoing processes at EU level to address corporate tax avoidance. We

agree with the Irish Government that these are the most appropriate avenues to deal with a number of issues related to corporate tax avoidance. Oxfam also recognises the important role the 12.5% corporate tax rate has played in our economic development over many years, and I wish to make it clear that that Oxfam Ireland is not asking for changes to this rate. However, Oxfam has serious concerns as to whether the existing processes Ireland is engaged in go far enough to really address the problem of tax avoidance. Having worked on these issues for many years, we believe the following 5 areas need to be addressed as a matter of urgency:

Development of a Global Tax Body: The re-writing of global tax rules should be tackled by a global body like the UN. The OECD and EU are not constituted or qualified to represent the international community, and a forum which does not include developing countries on an equal footing will, inevitably, not take their interests sufficiently into account. Since 2012, the G77 has been calling for the UN to set up an international tax body to agree a truly global set of rules for taxation. We call upon Ireland to stand with developing countries on this issue and support the formation of a global tax body.

Increased Transparency: Ireland has agreed to exchange Country by Country Reports (CBCR) and tax rulings with its European partners, yet this falls well short of full transparency. None of this limited information will be available for public scrutiny by legislators, policy makers, civil society watchdogs or the media. It will also not be available to those most affected by corporate tax avoidance - developing countries and their citizens. We already have public CBCR in relation to the financial sector in Europe and this an important tool which allows policy makers to identify potential tax avoidance strategies. There is no public interest in not extending this approach to all other business sectors. If the recent crash has taught us anything, it is that we need quality information to deliberate and select policy options that result in outcomes that protect the public interest.

Tackling profit-shifting: It is obvious that one of the primary ways that companies continue to avoid taxes in Ireland is by profiting shifting. We can see evidence of this in a variety of ways, whether it is by our inflated GDP figures or the very high levels of excess profits over and above what one might normally expect based on real economic activity, which Oxfam research has estimated to be in the tens of billions.

Yet despite this, Ireland's transfer pricing specific legislation is exceptionally weak and doesn't give Irish revenue officials any authority to investigate instances where profit-shifting may be used as a tax avoidance strategy. This needs to change.

Ireland also needs to legislate for strong **Controlled Foreign Company Rules** rules as agreed to under the EU Anti-Tax Avoidance Directive as soon as possible, preferably in the next Budget. The main aim of CFC rules is to discourage profit shifting to tax havens outside the EU, which should benefit both developed and developing countries.

Double-Taxation Treaties: A 2011 report prepared by the UN, World Bank, IMF and OECD recommended that all treaties with developing countries should include an anti-abuse clause. Despite this, none of Ireland's treaties with developing countries contain any anti-abuse provisions, even those treaties with Ethiopia, Pakistan and Botswana which have all been concluded after 2011 following the above recommendations. We call on the Government to ensure that all double taxation agreements concluded by Ireland contain anti-abuse provisions.

Spillover Analysis: Ireland is to be commended for commissioning a spillover analysis of the possible effects of the Irish taxation system on the developing world. At the time of the analysis there was no access to country by country reporting by multinationals, so it was extremely difficult to assess where the flows originate. Given that (non-public) country by country reporting has now been mandated for Irish companies from 2016, we call upon the Irish government to conduct a follow-up spillover analysis using the new data available, which may help to improve understanding of flows between Ireland and developing countries via third countries, and help target measure to end corporate tax avoidance.

Finally, I wish to remind you that Corporate Tax Avoidance is not a victimless crime. Because of the Apple ruling we know that, all profits from iPhones and other Apple products sold in Europe, the Middle East or Africa are recorded in Ireland, and little or no tax was paid. This is worth considering in the context of developing countries in Africa. Africa is now a bigger mobile phone market than the USA, and will shortly

surpass Europe.¹ Apple is cashing in on this growing market - sales of the iPhone grew by 133% in 2015 in the Middle East and Africa.² But African countries tax revenues have not been benefiting from this boom. Even if just a small amount of the billions of profits that are generated by MNCs like Apple were taxable in developing countries, these additional resources would make a huge difference to the people with whom Oxfam works, and who are fighting every day to lift themselves out of poverty.

I want to conclude by telling you a story which shows the shocking human impact of tax policy. It reminds me that when we talk about seemingly dry, technical accounting practices or reforms, lives are at stake.

Monique Koumate was expecting twins in the west African country of Cameroon. Her partner took her to hospital when she went into labour and started experiencing complications. But because they didn't have the money to pay the hospital fees, she was left outside the maternity hospital for hours, in desperate need of urgent care, the door closed to her.

Monique's family members did their best to help her, but one twin was stillborn, and the other died moments after birth. Monique also died on the steps of the maternity unit – three lives lost just feet away from the medical attention they so desperately needed but could not afford.

Cameroon has a severe shortage of doctors, just one for every 5,000 people. The government introduced a fee-based system for healthcare in a bid to bridge a funding gap and make services more widely available. But precisely because of the fees, care was not available to Monique.

Illicit financial flows out of Cameroon are 63% of the country's health budget and the equivalent of its entire FDI and aid each year. And it's not just the Government of Cameroon which is left short of funds to cover the costs of universal healthcare. For

¹ Counterpoint Technology Market Research, Market Monitor Q3 2016.

² Counterpoint Technology Market Research, Market Monitor Q3 2015.

the West African countries at the centre of the Ebola crisis, health budgets were dwarfed by the figures lost to corporate tax dodging.

We have the chance to build a more human economy, where the interests of the majority are put first. A world where there is decent work for all, where women and men are equal, where tax havens are something people read about in history books, and where the richest pay their fair share to support a society that benefits everyone. However, unless we act now to end corporate tax avoidance, we will not achieve the global target to eradicate extreme poverty in our world by 2030.