ICRICT

Independent Commission for the Reform of International Corporate Taxation

presentation by manuel f. montes

PSI-FES Labour Tax Summit

Geneva, 17-18 September 2015

who are we?

We are a group of leaders from government, academia, and civil society, including the faith community. Our backgrounds, experience, and expertise span the globe.

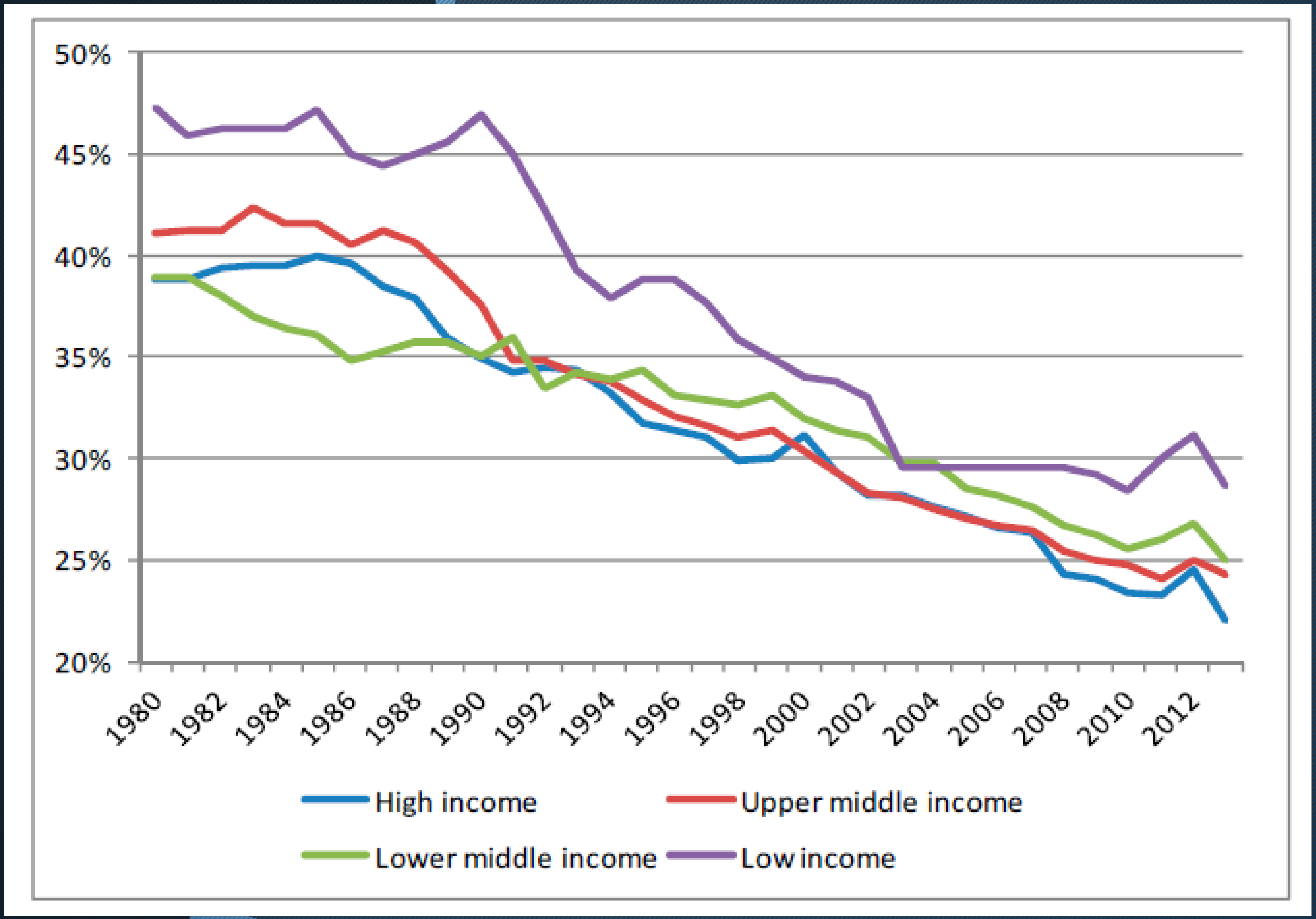
Ms. Eva Joly
Rev. Suzanne Matale
Mr. Manuel Montes
Mr. José Antonio Ocampo (Chair)
Ms. Ifueko Omoigui Okauru
Mr. Léonce Ndikumana
Mr. M. Govinda Rao
Ms. Magdalena Sepúlveda Carmona
Mr. Joseph E. Stiglitz

*who are we?

ICRICT was initiated by a broad coalition that includes ActionAid, Alliance-Sud, CCFD-Terre Solidaire, Christian Aid, the Council for Global Unions, the Global Alliance for Tax Justice, Oxfam, Public Services International, Tax Justice Network and the World Council of Churches, and is supported by Friedrich-Ebert-Stiftung.

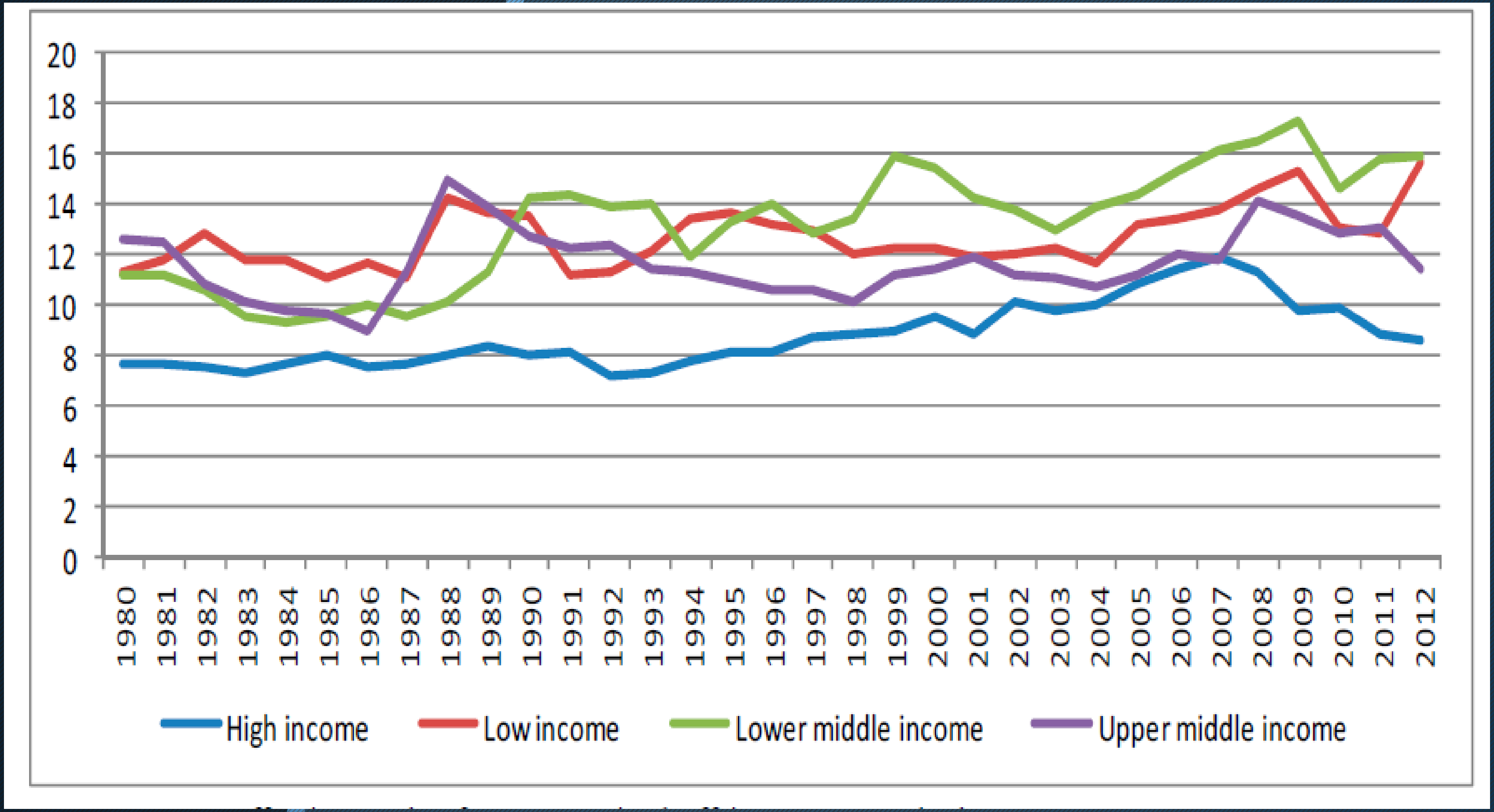
Responding to widespread anger about corporate tax avoidance, the impacts of such avoidance on inequality, and concerns that current tax reform processes are inadequate, the coalition has worked since 2014 to establish this new nonpartisan body to propose tax reforms that better reflect the public interest.

*trends in corporate tax rates



Source: IMF 2015

*dependence of developing countries on corporate taxes (pct of total revenue)



Source: IMF 2015

*global tax system

(Not an agenda against foreign investment)

Competition over foreign investment through tax reduction and deregulation, privatization, liberalization

- instead of competition among private companies, competition between societies and states
- state role in attracting, appeasing, accommodating private financial investment versus social interest for investment, private and public, in real sector activities

Strong trends in and culture of

-lower tax rates and

-weak, half-hearted enforcement

reduces public and community resources and degrades state capabilities

our declaration

Our system of taxing global profits is broken and the rules and institutions governing the international corporate tax system must change.

The world has changed and so should its tax system. The current system has become obsolete and ineffective in preventing tax abuse by multinational corporations.

Tax abuse by multinational corporations increases the tax burden on other taxpayers, violates the corporations' civic obligations, robs developed and developing countries of critical resources to fight poverty and fund public services, exacerbates income inequality, and increases developing country reliance on foreign assistance.

our declaration

The primary enabler of international corporate tax abuse is the separate entity principle—a legal fiction that enables the flow of vast amounts of taxable income away from the underlying business operations.

The current reform efforts of the G20/OECD Base Erosion and Profit Shifting initiative is a step in the right direction but fundamentally inadequate because it maintains the separate entity principle. Representation in this process is also problematic. The challenges of tax abuse demand global tax solutions that cannot be created outside of an inclusive global tax body with all nations at the table.

our declaration

Therefore, States should take domestic and international action to:

I. Tax multinationals as single firms

In the long term, the system for taxing a multinational corporation's subsidiaries as separate entities should be replaced by a system of taxing multinational corporations as single and unified firms, using formulary apportionment based upon objective factors.

II. Curb Tax Competition

Developed countries should establish a minimum corporate income tax. States should examine spillover effects of their tax preferences for multinational corporations and eliminate those that facilitate tax avoidance in another country.

our declaration

III. Strengthen Enforcement
States should ensure that their tax administrators have adequate resources, independent authority, and legal protection to collect taxes owed from multinational corporations.

IV. Increase Transparency
States should require multinational corporations, both public and private, to file country-by-country reports and, upon filing, make those reports freely available to all tax administrators, without requiring separate treaty or other agreements, so as not to disadvantage developing countries and to facilitate efficient and cost-effective tax administration.

States should also make country-by-country reports available to the public within 30 days of filing.

our declaration

V. Build inclusivity into international tax cooperation
States should establish an intergovernmental tax body within the United Nations and begin drafting a UN convention to combat abusive tax practices and eventually adopt a consolidation and apportionment system for taxing global corporate profits.

*developing country interest and action

Self-organization among developing countries for an effort to design and implement development-oriented tax policy

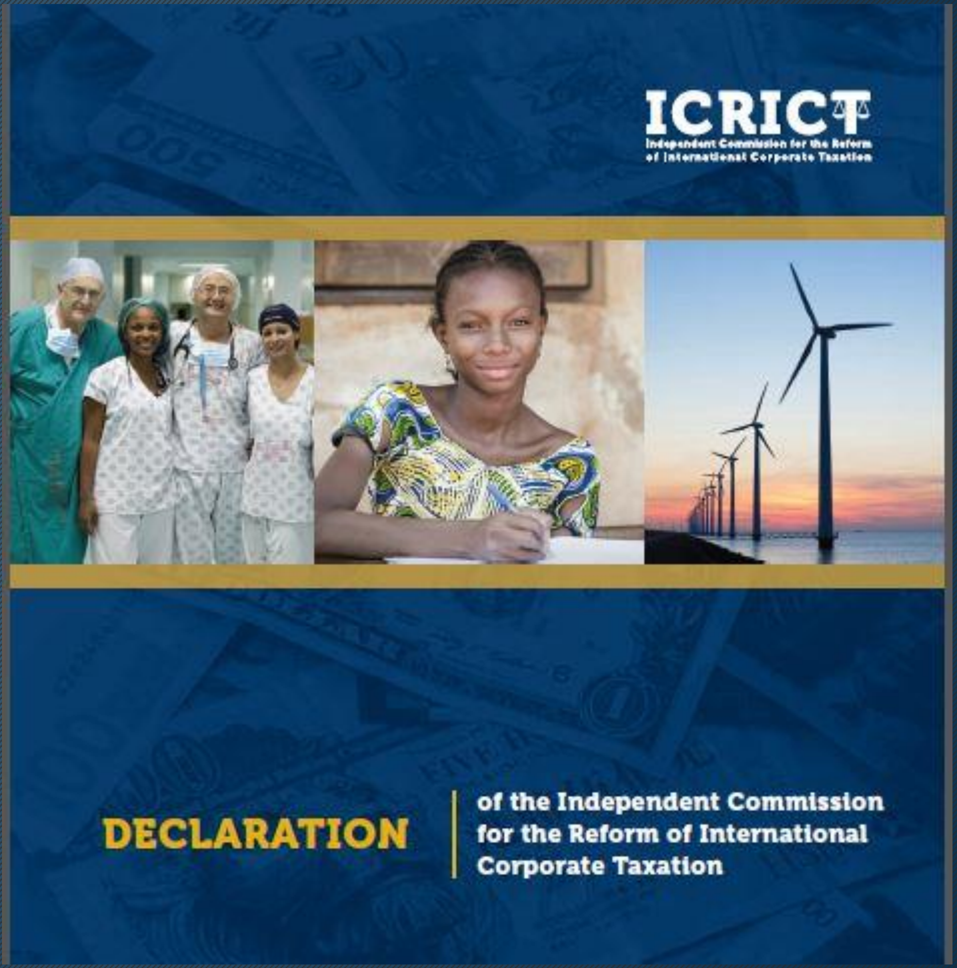
Role of the state has been critical in successful development (including United States) and thus development requires growing capability state capability – tax as a basic

Indigenous private sector versus multinational companies

Sharing of tax bases is an intergovernmental issue

Africa's illicit financial flows agenda ($50-60b/year; 60% commercial)

thank you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DECLARATION
of the Independent Commission for the Reform of International Corporate Taxation