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Fixing Corporate Tax

UNION DEMANDS

AUTOMATIC EXCHANGE OF INFORMATION

AUTOMATIC EXCHANGE OF INFORMATION

THE PROBLEM: FINDING THE OFFSHORE ASSETS OF THE SUPER-RICH

Tax havens are [estimated](#) to harbour eight per cent of the world's financial wealth which has been shifted offshore by wealthy people.

This means that huge sums in tax revenue, which fund public services like health and education, are lost. Tax-haven secrecy also helps the super-rich to cream off and hide a disproportionate share of the value created by labour. Further increasing inequality, it concentrates wealth and power that is used to influence elections and capture government policy.

KEY POINT:

TRADE UNIONS SHOULD CALL
ON ALL COUNTRIES TO:

- AUTOMATICALLY EXCHANGE
TAX INFORMATION ON THEIR
CITIZENS' ASSETS OVER-
SEAS, SO THAT TAX AUTHOR-
ITIES CAN FIND AND TAX
THE OFFSHORE ASSETS OF
THE WEALTHY

Tax authorities have long struggled to prevent the offshoring of private wealth. A tax authority which suspected a wealthy citizen of hiding cash or assets in another country or territory would have to laboriously seek information from that jurisdiction, which might provide it belatedly, if at all. The problem is particularly difficult for low- and middle-income countries whose tax authorities are often short of resources to pursue tax evaders.

This represents a redistribution of wealth from workers to the offshore rich which afflicts all countries but has proportionately bigger effects in poorer countries which desperately need the revenue.

That's why the Tax Justice Network began campaigning for multilateral, automatic information exchange in 2003, so that tax authorities would not have to go through an arduous process just to request the information. The trade union movement actively supports this campaign.



	Offshore wealth (\$ bn)	Share of financial wealth held offshore	Tax revenue loss (\$ bn)
Europe	2,600	10%	75
USA	1,200	4%	36
Asia	1,300	4%	35
Latin America	700	22%	21
Africa	500	30%	15
Canada	300	9%	6
Russia	200	50%	1
Gulf countries	800	57%	0
Total	7,600	8.0%	190

**THE HUGE
SCALE OF
WEALTH
IN TAX
HAVENS**

Source: Gabriel Zucman,
The Hidden Wealth of Nations, 2015



UNIONS TAKE ACTION

NIGERIAN LABOUR MOVEMENT MOBILIZES FOR TAX JUSTICE

Nigerian unions have been at the forefront of the fight for public funding for development – much needed across the country. Nigeria loses up to \$327 million a year on import duty exemptions. This is more than double the Federal budget allocation to health and more than the budget for education. If retained, this revenue could be invested in productive sectors of the economies to lift Nigeria’s growing population out of under-development and poverty. According to Nigerian authorities, the Netherlands is an important destination of its oil exports, but a substantial part of these sales does not appear in Dutch data. Capital often flows through the Netherlands to avoid tax – such as the infamous “Double Dutch Sandwich” corporate structure.

Outrage at this situation led PSI and FES to bring together public and private sector

unions, civil society and the Nigeria Labour Congress to better understand the problem and take action. This resulted in the establishment of a national Platform to mobilise unions and citizens against illicit financial flows and tax dodging, which generated significant media coverage and made tax a strong political issue.

The Platform has led rallies to the Ministry of Finance, multinational headquarters have been occupied by protesters demanding they pay their fair share and, along with ITUC Africa, unions have backed a continent-wide campaign called “Stop The Bleeding” aimed at reducing Illicit Financial Flows – especially from corporate tax dodging.

For more information, check out PSI’s Paper: [Tax Justice Nigeria](#)

“THE GOVERNMENT OF NIGERIA CAN COLLECT MORE REVENUE BY REDUCING UNNECESSARY TAX INCENTIVES TO MULTINATIONAL COMPANIES. THIS WILL HELP TO ADDRESS THE CHALLENGES OF FUNDING PUBLIC INFRA-STRUCTURE DEVELOPMENT, PROVIDE AND EXPAND SOCIAL PROTECTION BENEFITS TO NIGERIANS, ESPECIALLY THE INDIGENT ONES, AND ASSIST IN WAGES OF PUBLIC SECTOR WORKERS, AS WELL AS AID EMPLOYMENT CREATION. WE ALSO BELIEVE THAT THE GOVERNMENT’S FIGHT AGAINST ILLICIT FINANCIAL FLOWS WILL BE MORE SUCCESSFUL WITH THE INVOLVEMENT OF ALL STAKEHOLDERS, INCLUDING TRADE UNIONS AND THE WIDER CIVIL SOCIETY.”

**NIGERIA TAX PLATFORM DECLARATION TO THE GOVERNMENT
(CO-SIGNED BY PSI)**



PROGRESS TO DATE

Since the global financial crisis, international efforts to make it harder for the super-rich to hide profits overseas have crept forward. The Organisation for Economic Cooperation and Development (OECD) finally developed a Common Reporting Standard (CRS) for the Automatic Exchange of Information, which requires jurisdictions to collect information on the bank accounts and assets of foreign citizens and automatically pass this information to their home countries, to check that they are paying the correct amount of tax.

This mechanism should ensure that national tax authorities can obtain the information they need to make sure that their citizens are not evading tax at home by hiding money or assets abroad. The fact the CRS exists at all is a major step forward.

**“WE BELIEVE CITIZENS AND
DECISION MAKERS ALIKE
SHOULDN'T HAVE TO RELY ON
INDIVIDUAL WHISTLE-BLOWERS
RISKING THEIR FREEDOM IN
ORDER TO REVEAL THIS KIND
OF INFORMATION”**

CHRISTIAN AID UK

However, there are major problems with the OECD scheme:

- The OECD insists that for countries to ask for tax information, they must be able to provide the same information for other countries. This is a problem for lower-income countries which may need more time to get ready, but in the meantime cannot get information about their own citizens.
- The OECD considers countries and jurisdictions to be compliant with the CRS even if they only share information with a select number of other countries. The result is that many of the most secretive jurisdictions, like Switzerland, have signed up to the CRS but simply refuse to share information with many lower-income countries. The United States has refused to sign at all.
- Some jurisdictions which are not signed up to the CRS offer 'citizenship by investment' schemes which can be exploited by wealthy people who acquire citizenship so that their wealth is not disclosed to their countries of origin.

So, the CRS needs to be tightened up and made more inclusive. At the same time, national tax authorities around the world need to be given the resources and the political support they need to make use of the data obtained through the CRS to go after wealthy tax evaders at home who may be politically well-connected (see Briefing 3: Strengthening tax authorities)



WHY DOES AUTOMATIC EXCHANGE OF TAX INFORMATION MATTER TO WORKERS?

- IF TAX AUTHORITIES CANNOT GET THE INFORMATION THEY NEED TO CHASE DOWN TAX EVADERS, THEN THE RESULT WILL BE RELATIVELY LESS TAXATION OF THE WEALTHY AND MORE TAXATION OF WORKERS.
- TAX EVASION MEANS LESS MONEY FOR PUBLIC SERVICES THAT WORKERS AND THEIR FAMILIES RELY ON, LIKE SCHOOLS AND HOSPITALS. THIS INCREASES THE BURDEN OF DOMESTIC CARE WHICH FALLS MAINLY ON WOMEN.
- THE ABILITY TO HIDE MONEY OFFSHORE MAKES THE WEALTHY EVEN RICHER, CONTRIBUTING TO INEQUALITY.
- GETTING INFORMATION AUTOMATICALLY WILL PARTICULARLY HELP LOW AND MIDDLE-INCOME COUNTRIES, WHERE MORE REVENUE IS BADLY NEEDED.

WHAT NEEDS TO HAPPEN

Trade unions must:

1. Call on governments to reform the Common Reporting Standard such that all jurisdictions which have signed up to the CRS should be obliged to share information automatically with all other jurisdictions which have signed up. Lower-income countries should be allowed to immediately obtain information on their citizens abroad but should be given a five-year window to get the systems in place before they must reciprocate.
2. insist that governments ensure that individuals who are physically present in a jurisdiction for less than half a year do not get tax residency. Residence certificates should not be sold for money or in return for investments. These measures would make it harder for wealthy people to avoid the CRS by buying tax residence in jurisdictions which have not signed up to it.
3. National tax authorities must be given more resources and political support to go after tax evaders at home, based on information about their hidden wealth overseas which has been received under the CRS.

UNIONS TAKE ACTION

NO GENDER JUSTICE WITHOUT TAX JUSTICE

Ensuring tax justice becomes a political issue, not just a technical issue is a key part of feminist struggle. When debates about tax are unnecessarily complicated they exclude workers and the community from fully understanding the implications and participating in that very debate. The voice of women is essential to the fight for tax justice, as women are often disadvantaged by the tax system but benefit disproportionately from public spending.

In 2016, PSI, along with Friedrich Ebert Stiftung and Tax Justice Network, held the first [Global Forum on Gender and Tax](#) to build the strong links between these issues. This was the first forum bringing together global civil society, trade unions and gender justice groups. PSI has continued to build coalitions through a series of further meetings in the UK, Colombia and throughout Africa.

The cost of corporate tax avoidance is too often paid by women through increased taxation on basic goods to provide for those under their care. [Numerous studies show](#) how this entrenches gender inequalities.

Women and girls – especially those marginalised or living in poverty - also suffer the most when public services are starved of adequate funding. This includes lack of access to free quality public healthcare, water, education, childcare, social protection, and anti-violence, sexual and reproductive health services, and lack of safe public transport that make cities safer and more accessible for women. Women spend 2.5 times more time performing unpaid care and domestic work than men. When social services are starved of public funding, women are forced to take on an even greater share of unpaid work.

Unions must ensure women trade union leaders are empowered with the necessary knowledge about tax and other economic issues strengthens unions and women's leadership within them.

FURTHER INFORMATION

For up-to-date reports on Automatic Exchange of Information, see the Tax Justice Network's page on the issue:

<https://www.taxjustice.net/category/policy/automatic-exchange-of-information/>

For the OECD's official page on its Common Reporting Standard, see:

<http://www.oecd.org/tax/automatic-exchange/common-reporting-standard/>



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Public Services International is a global trade union federation representing 20 million working women and men who deliver vital public services in 163 countries. PSI champions human rights, advocates for social justice and promotes universal access to quality public services. PSI works with the United Nations system and in partnership with labour, civil society and other organisations.