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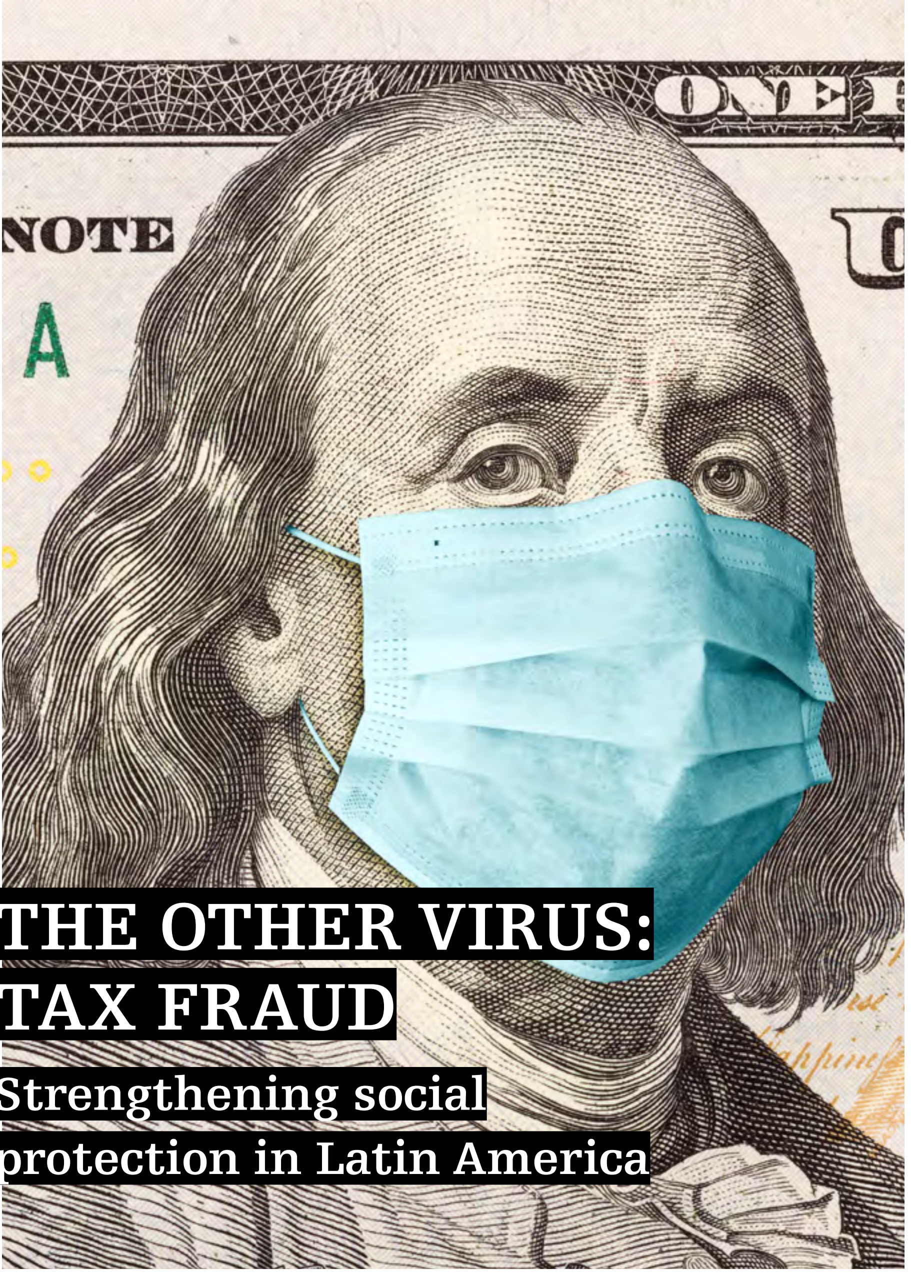


# THE OTHER VIRUS: TAX FRAUD

## Strengthening social protection in Latin America

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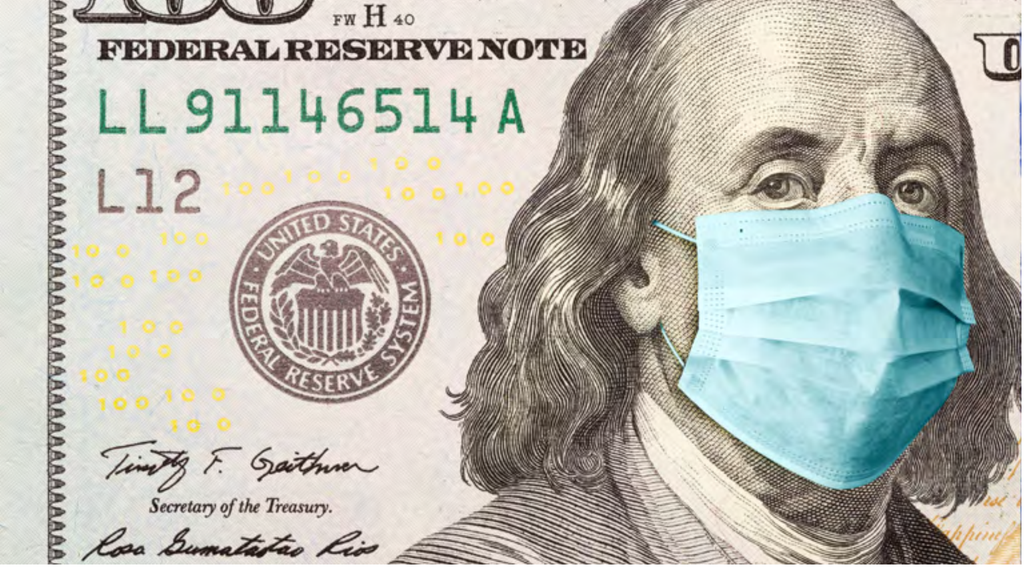



# I TAX STRUCTURE THAT DOES NOT RENDER IT POSSIBLE TO FUND SUSTAINABLE AND UNIVERSAL PUBLIC POLICIES

## 1 Low Tax Burden neutralizes public funding

Most countries in the region have characteristically relied on a fiscal structure whose extremely low tax burden does not make it possible to count on sound, sustainable, or universal public policies. This weakness in the funding of social policies has negatively affected our region by making it the most unequal on the planet, such that social exclusion, income inequality, and concentration of wealth are just a 'fact of life' in Latin America. (Seen graph 1, page 2)

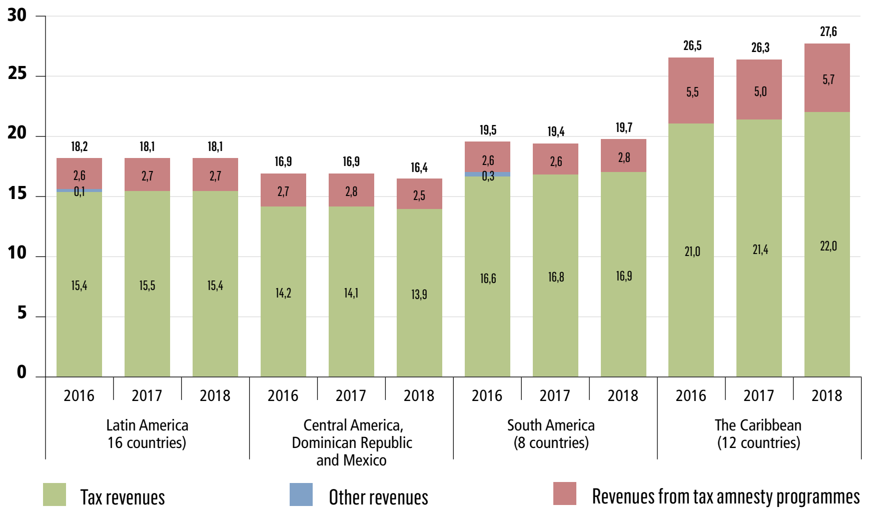
It should be noted that average tax revenue in the region is considerably low, a paltry 15.4% of GDP in 2018, whereas OECD tax receipts accounted for 24.9% of GDP in the same year.[1] A huge gap that directly affects the flawed social protection systems our region exhibits. If we disaggregate the data, we can see that in the Central America/ Mexico/Dominican Republic subregion tax revenue is even worse, while South America is one and a half percentage point higher than the regional average, mostly on account of Argentina and Brazil. In contrast, the Caribbean exhibits levels that are much closer to OECD levels.

## 2 A regressive tax structure that fuels inequality

Additionally, the region has adopted increasingly more regressive tax structures basically sustained by indirect taxes

1 Global Revenue Statistics Database OECD. Paris, France, 2018. see at https://www.oecd.org/tax/tax-policy/global-revenue-statistics-database.htm

**Graph 1** **Latin America and the Caribbean: central government revenue by subcomponent. 2016–2018** (Percentages of GDP)




**Source:** Fiscal Panorama of Latin America and the Caribbean. ECLAC. 2019.

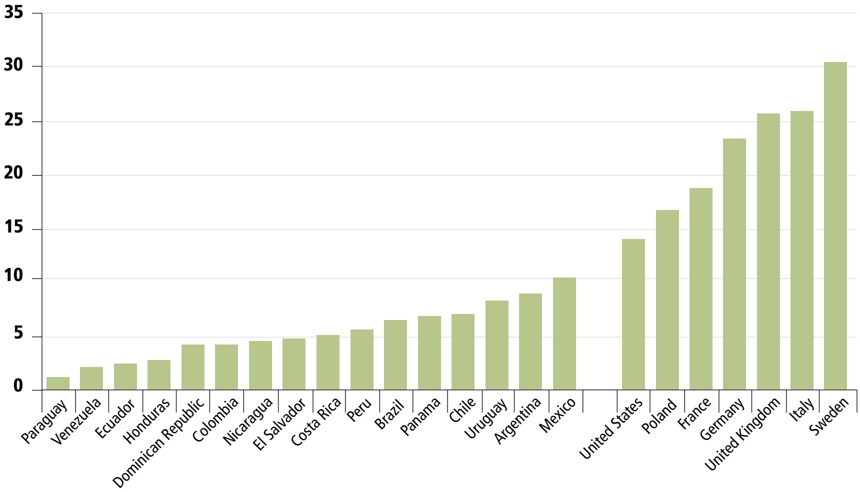
on consumption and low direct taxes levied on income, wealth, capital gains, and inheritances. Between 1990 and 2018 consumption taxes, including VAT, doubled from 8.9% of GDP in 1990 to 11.5% of GDP in 2018.[2]

Although income and capital gains taxes in 2018 grew with respect to 1990 data, largely resulting from price increases as from 2003 for the commodities the region exports, consumption taxes in 2018 accounted for 50% of total tax revenue in Latin America. A key factor with respect to regressivity is the low tax burden of the region's richest sectors. The region's richest decile pays an effective tax rate on personal income of less than 5% of total assets and wealth. Only three countries (Argentina, Mexico, and Uruguay) have tax rates that are higher than 8%, while only in Mexico this tax rate reaches 10%. In contrast, in the United States the effective tax rate on income for the same decile is 14.2%, and in several countries in Europe it exceeds 20%.[3]

**2** Revenue Statistics in Latin America and the Caribbean 1990-2018. Organisation for Economic Co-operation and Development (OECD), Inter-American Center of Tax Administrations (CIAT). Paris, France. 2020

**3** Time to tax for inclusive growth. Economic Commission for Latin America and the Caribbean (ECLAC), OXFAM. Santiago, Chile. 2016

**Graph 2 Selected countries: effective tax rate on personal income tax of the tenth decile, 2011** (Percentages of %)




**Source:** Tributación para un Crecimiento Inclusivo. CEPAL/OXFAM 2017.

## 3 Tax privileges that erode public budgets

Another key reason for the low tax burden, Latin American tax regressivity, and the erosion of public finances, which prevent the promotion of inclusive and universal public policies, are tax privileges.

These tax privileges take up several forms: tax holidays, deductions, credits, reduced interest rates, deferrals.[4] They are accounted for as "Tax Expenditures", which are defined as the revenue the State loses by providing incentives or benefits that reduce the tax base; and they are "expenditures" because this loss of revenue might have funded public programs and policies for the benefit of other social sectors.[5]

In general, these privileges are opaque, with a very low level of transparency, have become permanent privileges, most of which never evaluated to allow identification of whether they are meeting the criteria for which they were created. They can even bring about situations like the one in Peru, where in 2016 income and

**4** Fiscal Panorama of Latin America and the Caribbean 2019. ECLAC. Santiago, Chile. 2019.

**5** LONGINOTTI, Peláez Fernando. Panorama de los Gastos Tributarios en América Latina: Principales estadísticas de la Base de Datos del CIAT. CIAT. 2017.

**Graph 3** **Tax expenditure by type of tax, 2016/2019**
(as % of GDP)

| Country | Year | Individual income tax | Corporate income tax | VAT | Other tax revenues | Total, as % of GDP |
|---|---|---|---|---|---|---|
| **Argentina** | 2019 | 0.10 | 0.28 | 1.23 | 0.72 | 2.33 |
| **Bolivia** | 2016 | 0.01 | 0.10 | 0.97 | 0.13 | 1.20 |
| **Brazil** | 2019 | 0.70 | 0.81 | 1.50 | 0.97 | 4.12 |
| **Chile** | 2019 | 1.02 | 1.07 | 0.81 | 0.03 | 2.93 |
| **Colombia** | 2017 | 0.60 | 1.60 | 6.06 | - | 8.26 |
| **Costa Rica** | 2017 | 0.38 | 1.26 | 2.89 | 0.96 | 5.49 |
| **Ecuador** | 2017 | 0.70 | 1.30 | 2.30 | 0.40 | 4.70 |
| **El Salvador** | 2016 | 0.51 | 1.02 | 1.94 | - | 3.76 |
| **Guatemala** | 2017 | 0.11 | 0.64 | 1.44 | 0.11 | 2.30 |
| **Honduras** | 2019 | 0.32 | 2.04 | 3.34 | 0.50 | 6.20 |
| **Mexico** | 2019 | 0.92 | 0.77 | 1.40 | 0.06 | 3.15 |
| **Panama** | 2016 | 0.05 | 1.27 | 2.30 | - | 3.62 |
| **Paraguay** | 2019 | 0.05 | 0.21 | 0.94 | 0.16 | 1.36 |
| **Peru** | 2019 | 0.20 | 0.17 | 1.62 | 0.14 | 2.13 |
| **Dominican Republic** | 2018 | 0.11 | 0.58 | 2.68 | 1.75 | 5.12 |
| **Uruguay** | 2017 | 0.35 | 1.08 | 3.71 | 1.19 | 6.39 |

**Source:** Based on Tax incentives for businesses in Latin America and the Caribbean

sales taxes paid by mining companies amounted to PEN (Peruvian sol) 2 billion, while the State returned PEN 6 billion; in other words, the Peruvian State ended up subsidizing mining companies, via tax privileges, with PEN 3 for every sol the mining companies paid in taxes. Or the case of Colombia, where from 2005 and 2010 mining companies paid on average USD 488 million in income tax and were granted deductions and tax exemptions worth USD 989 million – for every 100 dollars they pay in taxes they get tax exemptions and privileges worth more than 200 dollars. (See *http://www.latindadd.org/wp-content/uploads/2018/06/latindadd_privilegios-a-cambio-de-nada.pdf)*.

Chart 3 (Page 4) shows that this corporate sector benefits the most from tax-related incentives, as do all those sectors involved in foreign trade, while the VAT accounts for the most tax incentives in the region. These tax holidays account for an average 14%–24% of effective tax collection in Latin America, while in certain countries revenue loss amounts to 30% of total tax collection. Measured as percentages of GDP, for a group of countries these privileges account for more than 5% of their GDP, whereas for the others tax breaks account for between 2.9% and 4.7% of GDP,[6] highly significant amounts that undermine the financial capacity of the region's States.

## 4 Illicit Financial Flows, one of the faces of tax fraud

Illicit Financial Flows (IFFs) are a practice developed by the aggressive tax planning of corporate power, mostly associated with foreign trade activities, and are termed illicit not because they are illegal but because of their rationale of withdrawing earnings and dividends without paying taxes. Capital flight is gigantic, these flows result from Latin America's trade-related transactions with the United States, Europe, and China mostly, and are concentrated in global production chains, of electronics and cars, for instance. From 2004 and 2013, capital flight accounted for approximately USD 765 billion, or USD 31 billion a year.[7] In 2016 these flows amounted to USD 85 billion, a slight reduction in comparison with 2013 and 2014, with annual flows of USD 100 billion, the result of the region's economic contraction and some improvements in custom regulation and control.[8]

Illicit Financial Flows  are carried out by means of two mechanisms – manipulation of transfer prices, hence transfer pricing, and trade misinvoicing – and are based on the current opacity of the international tax system's offshore centers, tax havens, and banking and tax secrecy. IFFs include values, moneys, and monetary instruments obtained legally yet transferred illicitly. See the various mechanisms used by corporate power in Latin America at *http://www.world-psi.org/sites/default/files/documents/research/fraude_fiscal_america_latina_*

According to Global Financial Integrity (GFI), which developed a misinvoicing methodology, from 2008 to 2017 capital flight accounted for USD 125.293 billion a year for the region, or between 13% and 23% of each country's total foreign trade through trade misinvoicing.[9] Trade misinvoicing

6 Tax incentives for businesses in Latin America and the Caribbean. ECLAC/OXFAM. Santiago, Chile. 2019.

7 PODESTÁ, Andrea; HANNI Michael; MARTNER Ricardo. Flujos Financieros Ilícitos en América Latina y el Caribe. ECLAC. Santiago, Chile. 2017.

8 Fiscal Panorama of Latin America and the Caribbean 2019. ECLAC. Santiago, Chile. 2019.

9 Trade-Related Illicit Financial Flows in 135 Developing Countries: 2008/2017. Global Financial Integrity (GFI). 2020.

**Graph 4** Trade misinvoicing estimates for Latin America in billions of US dollars and as a percentage of foreign trade, 2008/2017.

| Country | Total 2008/2017 | Annual average 2008/2017 | % of misinvoiced trade |
|---|---|---|---|
| Mexico | $628.85 | $62.88 | 13.66% |
| Brazil | $262.87 | $26.29 | 18.29% |
| Colombia | $65.37 | $6.54 | 16.51% |
| Chile | $62.54 | $6.25 | 12.80% |
| Argentina | $54.43 | $5.44 | 17.14% |
| Peru | $43.02 | $4.30 | 13.80% |
| Ecuador | $24.73 | $2.47 | 14.49% |
| Costa Rica | $23.65 | $2.36 | 22.64% |
| Guatemala | $17.94 | $1.79 | 17.45% |
| Dominican Republic | $17.78 | $1.78 | 21.64% |
| Panama | $8.76 | $0.97 | 14.29% |
| El Salvador | $8.72 | $0.87 | 16.09% |
| Uruguay | $7.47 | $0.75 | 21.12% |
| Bolivia | $7.42 | $0.74 | 22.77% |
| Honduras | $7.13 | $0.89 | 14.40% |
| Nicaragua | $4.83 | $0.48 | 14.45% |
| Paraguay | $4.66 | $0.47 | 15.98% |
| Latin America | **$ 1.250.17** | **$ 125.29** | |

**Source:** Based on data by GFI and LATINDADD

is a mechanism used by corporate power for overstating the cost of imports or understating the cost of exports, thus overstating the real cost of inputs and understating taxable income.

In Graph 5 (page 7) we can see another dimension of Illicit Financial Flows. Unlike trade misinvoicing, which is outright evasion, manipulation of transfer prices is more related to tax avoidance in connection with foreign trade as it simulates business transactions as if conducted by unrelated parties rather than parties belonging to the same economic group, using opaque networks of offshore firms, banking and tax secrecy, and tax havens. Illicit Financial Flows, whether by using misinvoicing or transfer pricing, account for the region's most serious source of tax base erosion.

## 5 Tax evasion and tax fraud in our America

It has become increasingly evident that taxation is a key issue in Latin America, as evasion looms as an obstacle for development, balanced growth, and ultimately justice, on which the tax system should be founded.[10]

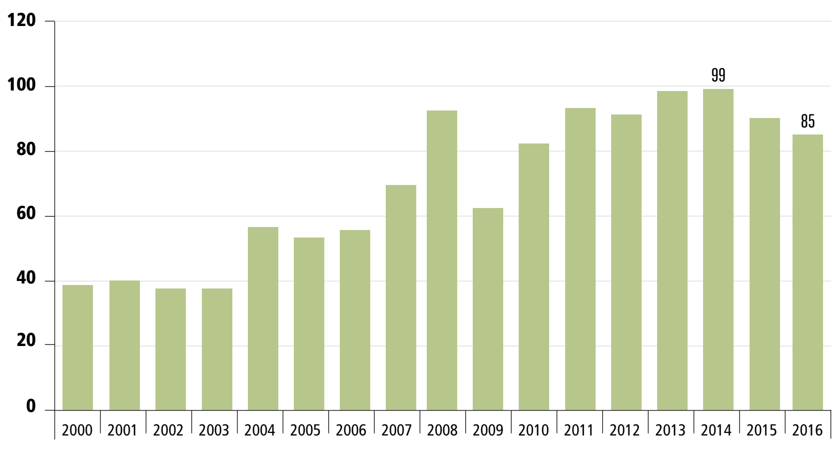
ECLAC estimates for 2013 indicated some USD 320 billion, while for 2017 it is estimated that income tax and VAT evasion was USD 335 billion. Income tax evasion as a percentage of GDP in 2013 was 10.8%, while VAT evasion was 8.8%; in 2017 income tax evasion was 10.6% and 8.9% as regards VAT evasion. Over these five years there was no improvement whatsoever in the fight against tax evasion.

When referring to the theme of evasion, one should focus not only on the figures, but mostly on the fact that this problem has remained quite concealed when one starts analyzing data per country, as national statistics are outdated for a good part of the countries or in many countries do not have systematic calculation processes that may enable comparisons or evaluate trends over the years.

These percentages show that evasion is a problem that is unlikely to diminish, as VAT erosion

**10** GOMEZ-SABAINI, Juan Carlos, MORAN, Dalmiro. Evasión Tributaria en América Latina. Nuevos y antiguos desafíos en la cuantificación del fenómeno en los países de la región. ECLAC. Santiago, Chile. 2016.

**Graph 5** **Latin America and the Caribbean (33 countries): estimated value of trade misinvoicing, 2000–2016** (billions of dollars)

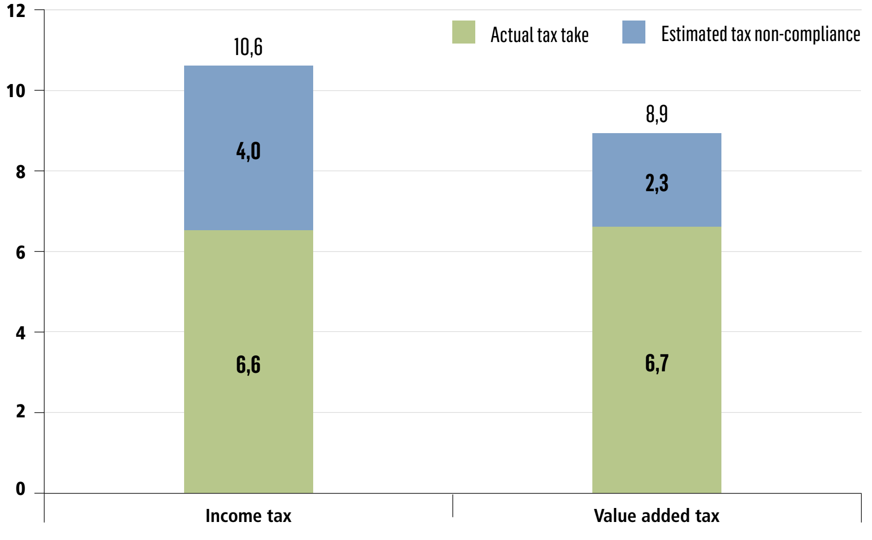



**Fonte:** Panorama Fiscal América Latina. CEPAL, 2019 is very strong, representing between 20% and 40% of total tax collection per country. Hundreds of billions of dollars that are not collected by the States' coffers. In the case of VAT, this is evasion that is directly associated with the corporate sector, as it is a tax levied on the totality of consumers in every purchase of goods and services, yet businesses fail to pay it to tax administrations.

As for the income tax, the available data by country shows that there is widespread non-compliance both by the corporate sector and individuals. On average, corporate tax evasion is higher, yet reality shows this to be a widespread practice in societies, thus making it a harder challenge to accomplish greater tax system progressivity, in that, as the income tax is a direct tax that is calculated on the level of income, those evading are sectors with greater paying capacity.

The still pending task, in addition to being a strategic challenge, is the strengthening of the supervision capacity of tax administrations, something which has not been constant in the region, as only with strong supervision, strengthening of staff capabilities, and automation of tax processes will the scourge of evasion be effectively addressed.

**Graph 6** **Latin America: Income tax and value added tax non-compliance, 2017** (Percentages of GDP)




**Source:** Fiscal Panorama of Latin America and the Caribbean. ECLAC. 2019.

## II LOW TAX REVENUE PROMPTS PRECARIOUS AND TARGETED SOCIAL INVESTING IN LATIN AMERICA

The region is going through a political cycle in which budget austerity has once again become the dominant trend, as well as control of public spending and targeted social policies, as the overarching premises of a neoliberal logic. During the first and a half decade of the 21st century, particularly South America, with governments labeled as "progressive", bet on strong social investments to fight poverty and income inequality. It can be said that, as far as social spending is concerned, there are three quite different realities: Mexico/Central America, South America, and the Caribbean.

In the case of South America, the effects of significant social spending during the beginning of the 21st century are still visible in 2018, with Brazil leading the region in social spending, yet falls with Bolsonaro's arrival. On average, the subregion of South America invests 13.2% of its GDP in social protection, while Chile, Uruguay, and Brazil were the countries with the largest social protection spending in 2018.

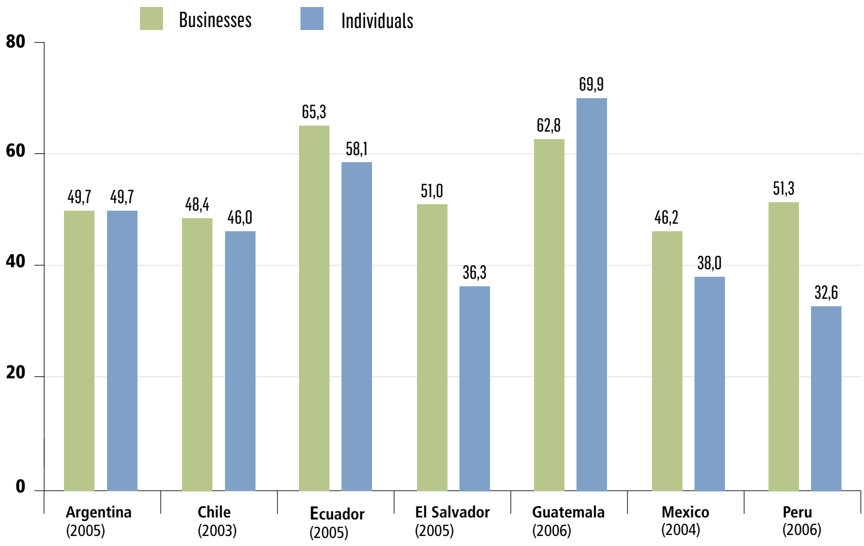
Another reality is that of Central America, Mexico, and the Dominican Republic, which exhibit very low levels of social spending – actually, the subregion exhibits the worst social indicators on the continent. On average, the subregion

**Graph 7 VAT evasion in Latin America** (Percentages of %)

| Countries | 2001 | 2005 | 2007 | 2010 | 2012 |
|---|---|---|---|---|---|
| Argentina | 29.6 | 23.3 | 19.8 | 30.0 | 33.0 |
| Chile | | 16.7 | 14.8 | 22.2 | 24.8 |
| Colombia | 36.6 | 30.2 | 24.8 | 24.9 | 23.0 |
| Costa Rica | 26.4 | 27.5 | 19.6 | 30.1 | 30.5 |
| El Salvador | 39.2 | 35.4 | 34.2 | 33.1 | |
| Guatemala | 34.6 | 36.4 | 26.3 | 38.0 | 32.6 |
| Mexico | 22.5 | 31.7 | 27.0 | 27.0 | 24.3 |
| Paraguay | | | 45.3 | 41.5 | 36.7 |
| Peru | 49.5 | 42.9 | 38.4 | | |
| Dominican Republic | 36.5 | 35.6 | 26.1 | 29.7 | |
| Uruguay | 37.4 | 30.1 | 22.7 | 14.4 | 13.4 |

**Source:** Evasión Tributaria en América Latina (ECLAC, 2016) and data by Latin American tax administrations.

**Graph 8** **Estimated income tax evasion rates in countries of Latin America**
(Percentages of %)




**Source:** Evasión Tributaria en América Latina. ECLAC. 2016.

invests 9.1% of its GDP in social protection, with Costa Rica and Nicaragua being the two countries that most invested in social protection in 2018.

The Caribbean is somewhere in between Central America and South America, with social spending at about 12.2% of the continent's total GDP. Barbados and Trinidad Tobago invested the most in social protection in 2018.

Comparing these percentages with those of the OECD, 2016 data show that, on average, OECD countries total social spending amounts to 21% of GDP, with France and Finland with the highest social spending at 30% of their GDP, while Korea, Latvia, and Turkey have the lowest social spending level at 15% of their GDP, yet still higher than total Latin American countries' social spending as a percentage of GDP.

At any rate, the low social spending levels in the region as a whole, to a great extent, show inequality as the structural characteristic of Latin American and Caribbean societies, even during periods of economic growth and prosperity.[11]

Analysis of social spending components in the region shows that social protection (mostly social security and pensions) and

**11** Social Panorama of Latin America 2019. ECLAC. Santiago, Chile. 2019.

education are the two main components, followed by funding of national health systems, with half of total investment in social security and education. Further ahead we shall see the consequences of these figures for Latin America when it comes to facing the COVID-19 pandemic.

Breaking the inequality circle requires the recovery and strengthening of the role of the State in regulating, overseeing, distributing and guiding investments, and producing goods and services to favor growth and ensure rights. This also requires designing and implementing rights-focused public policies and building a new relation that may bring together the State, the market, and society.[12]

## III LOW INVESTMENTS IN PUBLIC HEALTH MAKE LATIN AMERICA HIGHLY VULNERABLE TO THE COVID-19 PANDEMIC

Since the pandemic began in Latin America, the precariousness, weakness, and limited coverage of the national health systems were shown to be one of the region's structural deficiencies toward successfully tackling the health emergency. Regrettably, the numbers have shown that the prediction was right. Even though social investments have been growing over these two decades of the 21st century, this growth was relatively modest, as we grew from 1.5% of the regional GDP in 2000 to 2.2% of GDP in 2018.

The national average of 2.2% of GDP contrasts with that proposed in the 2018/2030 Sustainable Health Agenda for the Americas approved by the Pan American Health Organization (PAHO), where it is stated that in order to advance universal health coverage the target set establishes that "public health spending should be at least 6% of GDP". With the data on health spending made available by the central governments, no country in the region should achieve the target proposed. When analysis is enlarged to encompass all the national budgets (regional governments or decentralized public institutions), we can see that only three countries in the region have surpassed the target set by the PAHO: Cuba with about 11% of GDP, Argentina with about 7% of GDP, and Costa Rica with about 6.5% del GDP.

A hypothesis that may account for the reason why some countries have dealt with the crisis better than others so far, over and beyond the governments' health emergency handling efficacy, is related to Equivalent Fiscal Pressure (EFP).[13] When analyzing EFP,

12 Social Panorama of Latin America 2019. ECLAC. Santiago, Chile. 2019.

13 Equivalent Fiscal Pressure (EFP) has four components: i) government tax revenues, including subnational governments; ii) contributions to public social security systems; iii) mandatory contributions to private social security schemes; and iv) non-tax revenues from natural resource activities.

we can see that Uruguay and Costa Rica, the two countries whose contributions to public social security systems (including public health) are the highest, exhibit the best pandemic handling indicators. In the case of Brazil, the third country contributing the most to social security and the national health system, it seems that the terrible impacts of COVID are mostly related to the government's denial of the health emergency rather than to the contributory effect. In general, what is visible are the low levels of contributions to public social security systems across the region, with the exceptions mentioned, thus placing it in an extremely serious and vulnerable situation to face the pandemic.

Conversely, contributions to public social security in Chile amount to 1.5%; in Guatemala to 1.7%; in Mexico and Peru to 2.0%; and in El Salvador to 2.9%, all in percentages of GDP, numbers that seem to explain the reason why the pandemic has triggered such dramatic health effects in these countries.

What is real is that the economic and social effects of the pandemic on Latin America will be devastating. The International Monetary Fund forecasts a -9.4% contraction of the Latin American GDP, while the International Labour Organization (ILO) estimates the region will lose at least 14 million jobs, and the Economic Commission for Latin America and the Caribbean (ECLAC) forecasts that poverty will grow by about 5%, with some 28.7 million people going into poverty, which will account for approximately 35% of our region's total population by the end of 2020, or 214 million people.

## IV PUBLIC DEBT EMERGES AGAIN AS ANOTHER VULNERABILITY FOR THE REGION WITH THE PANDEMIC

Prior to the outbreak of the pandemic, Latin America exhibited a worrying growth of its indebtedness rate, reaching nearly 40% of the region's GDP. The regional economic crisis had already led to several interrelated phenomena: erosion of public finances by fiscal fraud; severe fiscal deficit, also on account of the economic slowdown; issuance of sovereign debt as a public financing mechanism, with the emblematic cases of Argentina and Ecuador; swapping foreign debt for domestic debt, especially in Colombia, Costa Rica, Mexico, El Salvador, Brazil; and growth of private foreign debt.

This cocktail becomes explosive with the pandemic because the economic slowdown turns into a recession, tax revenues fall, demand for public spending to provide economic support to unemployed workers and to the private sector grows dramatically, but foremost to fund public health systems that may tackle the pandemic. The International Monetary Fund (IMF) reappears strong with rapid credit and stand-by arrangements, along with their conditionalities; regional bodies also move center stage like the Inter-American Development Bank (IADB), the Andean Development Corporation (CAF), etc.

## V A TRADE UNION AGENDA TO FIGHT TAX FRAUD, TACKLE THE COVID-19 HEALTH EMERGENCY, AND PREPARE THE CONDITIONS FOR THE RECONSTRUCTION OF THE REGION

The fight against tax fraud in Latin America is a fundamental priority firstly because it halts the erosion of public finances, provides the States with resources to put in place public policies that may ensure universal and sustainable public services, and above all provides resources to the countries for the process of reconstruction of our economies in the post-Covid period.

The fight against tax fraud requires at least the following measures:

**a) Increasing the tax burden:** Reducing the larger slice of tax revenues from consumption and increasing direct taxes, particularly income, wealth, and inheritance taxes, whose contribution is very low in most of the countries.[14] Latin America's reduced tax burden does not enable the strengthening of inclusive public policies that may address inequality. The region needs to increase its tax revenues from 15% of GDP to at least 25% of the region's GDP.

**b) Transforming the tax system regressivity:** The region must stop increasing consumption taxes, especially VAT, as talks begin about increasing consumption taxes to face the pandemic, something that would be extremely serious for millions of people. Rather, what is needed is to significantly increase direct taxes on properties, capital gains, high incomes, and inheritances. These taxes should go up from today's 27.8% of tax collection to 45% of total tax revenues, while consumer taxes, including VAT, should be reduced from today's 50% of total tax collection to at least 30%.

**c) Bringing an end to tax privileges:** Tax expenditure stemming from tax privileges has a high cost for the region. For a significant number of countries, the cost is too high, more than 5% of their national GDPs and more than 30% of

14 In the cases of Argentina and Brazil, where direct taxes on property and income are quite high, what is required mainly is greater progressivity so that wage-earners are not the ones contributing most, but instead, the really high incomes.

their annual tax revenues; for the others it is about 3%-4% of their national GDPs, and between 14% and 24% of their annual tax revenues. It is imperative to eliminate mainly corporate exemptions (tax holidays) and review the whole set of incentives with a view to sharply reducing these tax breaks and recovering these tax revenues to strengthen social policies. A cost-benefit analysis is urgently needed prior to establishing any type of tax incentive; at best, tax incentives could be used to drive energy transition and, obviously, to ensure access to food and medicines by low-income sectors.

**d) Eliminating Illicit Financial Flows:** Erosion of funds due to foreign trade-related capital flight leaving without paying taxes is gigantic. Between USD 85 and USD 100 billion a year, according to ECLAC, through transfer pricing, and USD 125 billion a year, according to GFI, through misinvoicing. Regulatory legislation must be submitted as regards transfer pricing, just as we must strengthen country-by-country reporting on transnational activity, the automatic exchange of information by tax administrations, and customs controls, but mostly push for regulations on capital accounts or on capital flows. (See ICRICT report on digital services tax, taxation on large corporations, country-by-country reporting, and taxation of offshore wealth at *https://www.icrict.com/icrict-documentsthe-global-pandemic-sustainable-economic-recovery-and-international-taxation*).

**e) Bringing an end to income tax and VAT evasion:** Erosion of public funds is also very high due to tax evasion and is estimated at between USD 320 billion and USD 335 billion a year regionally. Electronic invoicing must be increased concerning the consumption of goods and services, banking and tax secrecy must be eliminated, offshore-based companies made illegal, tax havens fought against, and tax evasion must be penalized more severely.

Only with a headlong attack against tax fraud in all of its forms will Latin America be able to:

**f)** increase social spending and strengthen universal and sustainable public policies, meet the targets set by PAHO to fund public health and provide universal health coverage, a key priority in the fight against COVID.

**g)** provide biological protective equipment as a priority to health staff on the front line of the pandemic, provide medical centers with much-needed basic equipment, and increase the stocks of medicines to treat the thousands of contaminated patients.

To face the economic fallout of the pandemic, the fight against tax fraud will allow us to obtain economic resources to:

**h)** finance a permanent Universal Basic Income that may sustain Latin American households in face of the economic havoc wrought by the pandemic.

We call for the urgent adoption in Latin America of a **Permanent Tax on Large Fortunes, Wealth, and the Gigantic Capital Gains** of the richest decile in the continent in order to face the economic effects of the pandemic by means of aggressive and sustainable social policies; to tackle inequality and poverty in the region as they rise exponentially as a result of the pandemic; and to open up possibilities for the economic reconstruction of the continent in the post-COVID period.

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Public Services International is a Global Union Federation of more than 700 trade unions representing 30 million workers in 154 countries. We bring their voices to the UN, ILO, WHO and other regional and global organisations. We defend trade union and workers' rights and fight for universal access to quality public services.