

State of Tax Justice Report calls for levy of Excess Profit Tax on MNCs

By TIOL News Service

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State of Tax Justice 2020, a first-of-its-kind annual report by the Tax Justice Network, has highlighted that governments across the world are losing USD 427 bn in tax each year to international corporate tax abuse and private tax evasion. Thatâ€™s nearly 34 million nursesâ€™ yearly salary lost every year, or one nurseâ€™s yearly salary every second.

More tax is lost to tax havens every year due to corporate tax abuse by multinational corporations than due to private tax evasion by individuals. Multinational corporations short-change countries out of USD 245 billion in tax every year while people who move their wealth offshore short-change their governments out USD 182 billion less in tax every year.

Higher income countries lose a lot more tax than lower income countries, but the impact of those tax losses are far greater on lower income countries public spending. Higher income countries tax losses are equal to 8 per cent of their public health budgets while lower income countries tax losses are equal to over half their public health budgets.

Almost all responsibility for global tax losses falls on higher income countries. Higher income countries were responsible for 98 per cent of all the tax loss countries around the world lost, whereas lower income countries were responsible for just 2 per cent.

Key recommendations

Excess profit tax:

The Report has urged governments to introduce an excess profit tax on the large multinational corporations whose profits have soared during the pandemic while local businesses were forced into lockdown. For the digital tech giants who claim to have our best interests at heart but have been short-changing us out of billions in tax for years, this could be their redemption tax.

Wealth tax:

Governments must introduce a wealth tax to reign in the billions in tax lost to tax havens every year. There has been an explosion in the asset values of the wealthiest since the pandemic began, even as unemployment has soared to record levels in many countries. A wealth tax would make sure that those with the broadest shoulders contribute as they should at this critical time.

UN tax convention:

A global tax system that loses over USD 427 billion a year isnâ€™t a broken system, itâ€™s a system programmed to fail. Itâ€™s no surprise OECDs efforts to reform international tax rules have failed â€“ OECD countries are responsible for nearly half of all global tax losses. The World must establish a UN tax convention that makes sure robust international tax standards are set in a transparent and democratic way.