CPA Practice Advisor

'Tax Battles,' reveals how these tax havens are leading a global race to the bottom on ...

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Bermuda, the Netherlands, Ireland and Luxembourg are among the world's 15 worst corporate tax havens, according to new Oxfam research published today. The report 'Tax Battles,' reveals how these tax havens are leading a global race to the bottom on corporate tax that is starving countries out of billions of dollars needed to tackle poverty and inequality.

The full list of the world's worst tax havens, in order of significance are: (1) Bermuda

with international processes against tax avoidance (including measures to increase financial transparency).

Many of the countries on the 'world's worst' list have been implicated in tax scandals. For example Ireland hit the headlines over a tax deal with Apple that enabled the global tech giant to pay a 0.005 percent corporate tax rate in the country. And the British Virgin Islands is home to more than half of the 200,000 offshore companies set up by Mossack Fonseca – the law firm at the heart of the Panama Papers scandal.

Esme Berkhout, tax policy advisor for Oxfam said: "Corporate tax havens are helping big business cheat countries out of billions of dollars every year. They are propping up a dangerously unequal economic system that is leaving millions of people with few opportunities for a better life."

Tax dodging by multinational corporations costs poor countries at least $100 billion every year. This is enough money to provide an education for the 124 million children who aren't in school and fund healthcare interventions that could prevent the deaths of at least six million children every year [1].

Yet Oxfam's report shows that tax havens are only part of the problem. Countries across the world are slashing corporate tax bills as they compete for investment. The average corporate tax rate across G20 countries was 40 percent 25 years ago – today it is less than 30 percent [2]. The use of unproductive and wasteful tax incentives is also ballooning – particularly in the developing world. For example, tax incentives cost Kenya $1.1 billion a year – almost double their entire national health budget [3].

When corporate tax bills are cut, governments balance their books by reducing public spending or by raising taxes such as VAT, which fall disproportionately on poor people. For example, a 0.8 percent cut in corporate tax rates across OECD countries between 2007 and 2014 was partially offset by a 1.5 percent increase in the

race to the bottom on corporate tax:

- Stop unfair and unproductive tax incentives and work together to set corporate tax at a level that is fair, progressive and contributes to the collective good
- Ensure tax blacklists are based on objective, comprehensive criteria including whether or not a country offers zero rates of corporate tax;
- Improve tax transparency by requiring all multinational companies to publish financial reports for every country in which they operate, so it is clear what taxes companies are paying and where.
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