Corporate tax dodging: The problem

Each year, the UK loses out on up to

£25 billion

in taxes due to corporate tax dodging[1]

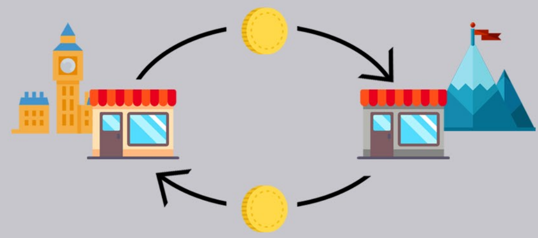
That's more than the £20 billion

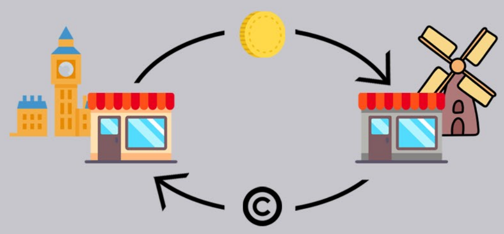
the NHS

needs from Chancellor Philip Hammond[2]

There are many ways multinational companies can shift their profits to dodge their tax.

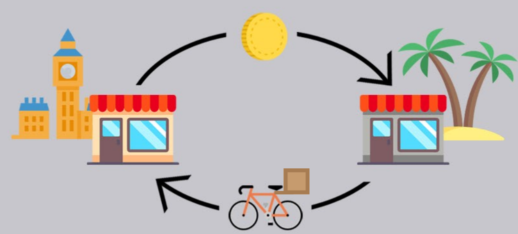
Lend to yourself
Have your subsidiary in a low tax country make a loan with a high interest rate to your subsidiary in a high tax country. Then deduct loan payments from your tax bill.



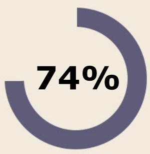


Charge yourself
Place your company's intellectual property (eg your brand name or secret recipe) in a low tax country and charge a subsidiary in a high tax country a high fee to use it.

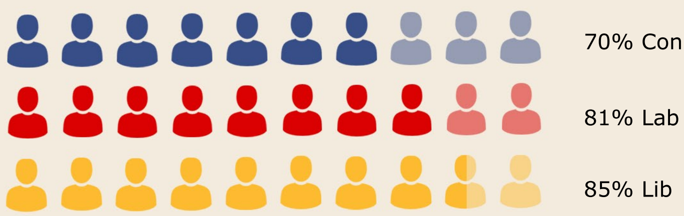
Outsource to yourself
Book the sales you make in a high tax country in a low tax country, by designating your subsidiary in a high tax country as a delivery agent for your subsidiary in a low tax country.

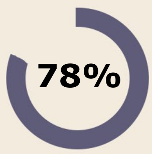


Unsurprisingly, most UK voters think this should be fixed.[3]

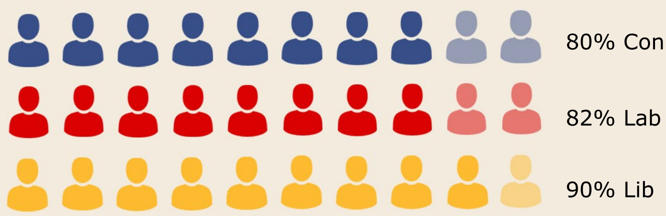


of British voters think the Government should be doing more to reduce corporate tax dodging





are in favour of requiring multinationals to publish tax and profit information in each country where they operate



Corporate tax dodging: The solution

TJUK

tax justice network

Public country by country reporting for UK-based multinationals would cover **1 in 5** of the world's biggest businesses[4]

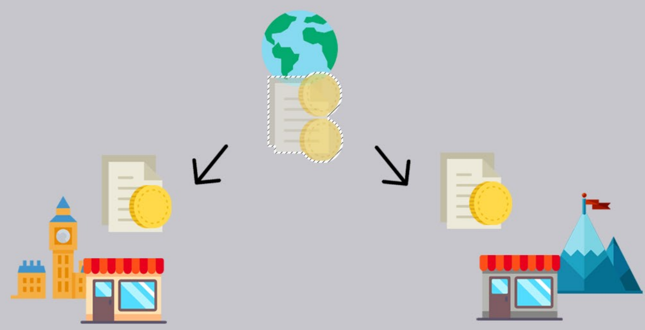
That includes listed companies that represent almost **60%** of the market value of all large listed companies, equivalent to some[5]

£32 trillion

Public country by country reporting

[noun] */public cbcr/*

A reporting practice that requires companies to publish information for every country they operate in, rather than only provide a single set of information at a global level that blankets all their operations.



It gives citizens and authorities the ability to see whether mulitnationals are shifting locally made profits offshore, serving as a strong deterent against corporate tax dodging.

Companies are already collecting and privately sharing this information with tax authorities under OECD rules. Making the information public would come at no extra cost to multinationals, but would help reduce the costs imposed on citizens by corporate tax dodging.

The Finance Act 2016

The Finance Act 2016 currently gives the Treasury power to seek more openness on tax from corporations with significant activities in the UK, including the power to require public country by country reporting.

Exercising the legal power can prevent an estimated

£2.5 billion

in tax from being dodged by corporations each year[6]

Which public services would you fund with £2.5 billion?

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1 Habu, K., 2017, 'How aggressive are foreign multinational companies in reducing their corporation tax liability?', Oxford University Centre for Business Taxation working paper WP 17/13: http://eureka.sbs.ox.ac.uk/6810/1/WP1713.pdf
2 BBC, NHS funding: Theresa May unveils £20bn boost <https://www.bbc.co.uk/news/health-44495598>
3;4;5 Oxfam, Majority of Conservative voters think Government should be doing more to tackle tax dodging, https://www.oxfam.org.uk/media-centre/press-releases/2017/11/majority-of-conservative-voters-think-government-should-be-doing-more-to-tackle-tax-dodging
6 Tax Justice Network and Tax Justice UK, 2018, The value of public country-by-country for the UK