



FIGHTING GLOBAL POVERTY

War on Want fights the root causes of poverty and human rights violation, as part of the worldwide movement for global justice. Our vision is a world free from poverty and oppression, based on social justice, equality and human rights for all.

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Public and  
Commercial  
Services Union

The Public and Commercial Services Union (PCS) is one of the largest trade unions in the UK, with around 270,000 members. We are a democratic organisation, run by our members, for our members. We campaign for fair pay and conditions, decent pensions for all and equality in the workplace and beyond.

[pcs.org.uk](http://pcs.org.uk)

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Published: June 2013. Written by Murray Worthy.



This leaflet has been produced with the assistance of the European Union – DCI-NSAED/2011/247. The contents of this publication are the sole responsibility of War on Want and PCS and can in no way be taken to reflect the views of the European Union.

# EVERYTHING YOU NEED TO KNOW ABOUT TAX\*

# \*probably

# WHY YOU NEED TO KNOW ABOUT TAX

**Tax plays a vital role in society. Tax should redistribute wealth from corporations and rich individuals, fund public services and tackle poverty.** Yet multinational companies dodge billions of pounds in tax every year, acting as giant corporate parasites on the countries they operate in, sucking profits out and leaving the rest of society paying the price.

The need to act is more urgent than ever. **In the UK and across the rest of Europe, governments are imposing extreme 'austerity' policies, cutting vital social services and increasing poverty and inequality.** In the world's poorer countries, more and more governments are introducing savage spending cuts while still facing debts of over £3 trillion. Tackling tax dodging could fund the services being cut, tackle inequality and give poorer countries a path out of poverty.

**Multinational companies are only able to dodge tax because the tax rules of countries like the UK allow them to.** The UK plays a central role in the 'offshore' system that allows multinational companies to dodge tax, through its own global network of tax havens. However, the government is still allowing the UK and its tax havens to be used to dodge taxes around the world, even though the UK loses out on billions of pounds of revenue every year.

# TIME FOR TAX JUSTICE

**The scandal of tax dodging is not new, but now the tide is turning.**

A few years ago, tax dodging was a technical issue that few people in the UK knew about. However, after the coalition government began its programme of severe public spending cuts in 2010, trade unions and anti-cuts campaigners catapulted tax avoidance into the headlines. **The simple argument is that it is unjust for wealthy companies to dodge tax while the most marginalised are hit hardest by the cuts.**

But tax justice isn't just a big issue in the UK. **A movement has been growing around the world dedicated to achieving a fairer tax system** and ending the abuse and exploitation of the world's tax rules. Tax is now being taken up as a major issue across poorer countries and in international negotiations between governments.

But we haven't won yet. **Only through massive public pressure can we make sure the UK government takes real action to end its central role in this global scandal.**

# TAX JUSTICE

## FAQs

### What is tax dodging?

Tax dodging is used to describe all of the ways that companies and rich individuals reduce their tax bills, whether through lobbying governments for tax breaks and lower corporate tax rates, exploiting obscure loopholes in tax laws, or shifting profits into tax havens. Some of these are legal and some of them are not, but all increase poverty and inequality.

### What is tax avoidance?

Tax avoidance refers to the artificial ways companies and individuals reduce their tax bills by exploiting tax rules in ways that were not intended.

Tax avoidance is fundamentally an unjust activity, as it offers advantages to rich individuals and multinational companies to dodge the tax they rightfully owe. Tax avoidance undermines the ability of the tax system to fulfil its core purpose: to raise revenue for public services and to redistribute wealth.

### What is tax evasion?

Tax evasion is acting illegally to reduce a company or an individual's tax bills. Tax evasion often involves lying to tax authorities, such as by not declaring income or by hiding money from tax authorities in a tax haven.

### What is tax justice?

Tax justice is a principle guiding how taxes should be raised and spent. Taxes should be raised progressively, based on ability to pay, and spent according to need.

Tax is not only government money: it is redistributed wealth. A just tax system is one where money is not only raised fairly; it is spent fairly. Tax should be spent to reduce inequality in society and to fund universal public services – tax shouldn't be spent on corporate welfare or on destructive and wasteful military spending. Tax should be raised and spent transparently, with real democratic oversight and control.

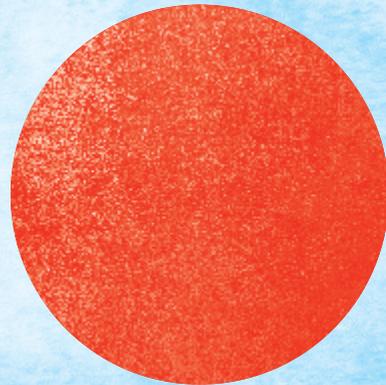
### What are tax havens?

Tax havens, also known as 'secrecy jurisdictions', enable people or companies to escape or undermine the laws, rules and regulations of other jurisdictions elsewhere, using secrecy as a prime tool.

Many of the world's tax havens are British, whether overseas territories such as the Cayman Islands, Bermuda and British Virgin Islands or crown dependencies such as Jersey, Guernsey and the Isle of Man. It is estimated that around £2 billion worth of assets are held through secretive trusts in the tax haven of Jersey alone. The City of London itself acts as the nerve centre for these tax havens and supports an army of lawyers and accountants dedicated to helping companies dodge tax.

# TAX HAVENS: A SECRET SCANDAL

**TAX HAVENS**  
£20tn



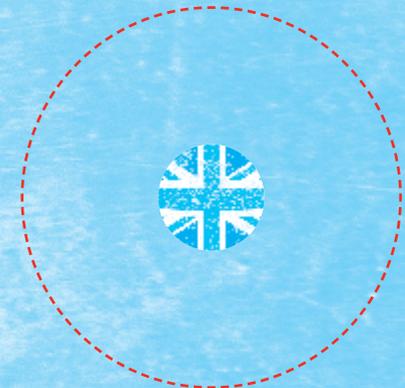
## TREASURE TROVE

The wealth held in tax havens is almost double the GDP of the US and UK combined

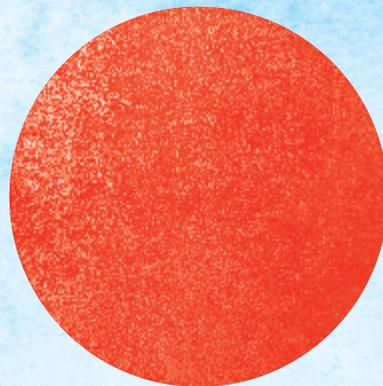
**US GDP**  
£9.5tn



**UK GDP**  
£1.5tn



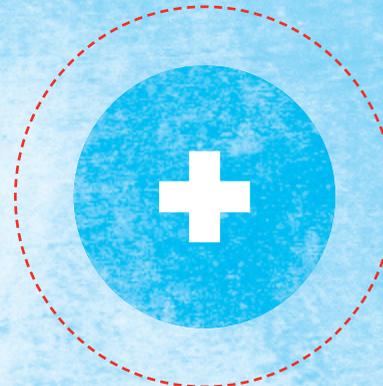
**POTENTIAL TAX REVENUE**  
£180bn



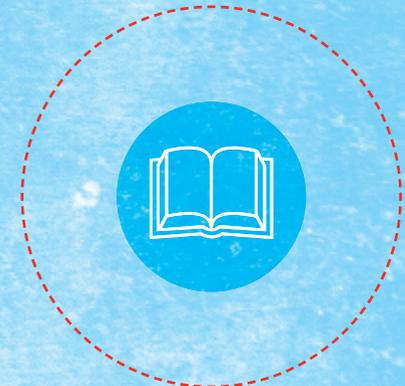
## IF TAX HAVENS WERE ABOLISHED

This wealth would be subject to tax, generating more money than the UK government spends each year on healthcare and education put together

**NHS**  
£108bn



**EDUCATION**  
£56bn



**TAKE ACTION NOW AT [waronwant.org/tax](http://waronwant.org/tax)**

# TAX JUSTICE

## FAQs

### How do companies dodge tax?

Companies use a range of methods to dodge tax. Working together with accountants and lawyers, companies continue to find innovative ways to cut their tax bills.

One of the most common ways big companies can dodge tax is through a process called 'transfer mispricing'. This involves artificially manipulating the cost of goods or services transferred between the subsidiaries of a multinational company in different countries. Multinational companies charge themselves huge fees for the use of their own brand name or trademark, or export goods out of poorer countries at knock down prices, in order to shift their profits into countries where they can pay less tax.

### How much money does the UK lose to tax avoidance?

Every year the UK government loses out on an estimated £25 billion a year in revenue to tax avoidance by large companies and rich individuals. This figure, published by the TUC, is much higher than the government's official estimate of £5 billion as it includes revenue lost where HM Revenue & Customs *should* have the power to recover it, not just where it currently has the power to act.

### How much money do poorer countries lose to tax avoidance and evasion?

Over £360 billion is illegally siphoned out of poorer countries every year, mostly into offshore banks and tax havens. Around 80% of this is due to the illegal mispricing of imports and exports, much of it because multinational companies are able to distort the price of goods they move between subsidiaries in different countries.

This problem is getting worse: in many countries, especially in Asia and sub-Saharan Africa, the last decade has seen a dramatic increase in the scale of this loss.

In total, as much as £20 trillion is now held by rich individuals in secrecy jurisdictions, better known as tax havens. It is estimated that a third of this comes directly from poorer countries.

The total sum held in tax havens is equivalent to more than 13 times the annual output of the UK economy. If this money was taxed, it could generate as much as £180 billion a year in tax revenue – more than twice the amount rich countries spend on all overseas aid.

# TAKE ACTION DEMAND TAX JUSTICE NOW

## WHAT THE UK GOVERNMENT MUST DO

### Abolish the UK's network of tax havens

Many of the world's most significant tax havens are British, places where financial secrecy and a lack of regulation means multinational companies and rich individuals can dodge taxes and hide their wealth. The UK government claims to be leading the global fight against tax dodging, yet it refuses to abolish the UK's own network of tax havens.

**The UK government must act to end these jurisdictions' secrecy, put in place rigorous financial regulation and ensure effective taxes are applied to profits and wealth.** This would mean that multinational companies and rich individuals can no longer use UK tax havens to hide their business and their money from tax authorities around the world.

### Stop the cuts to HMRC

In order for HM Revenue & Customs to be effective in tackling tax avoidance it needs a strong and capable workforce to take on the tax industry. The government has repeatedly said that it is investing in tackling tax avoidance. However, that investment is in the context of an overall cut to HMRC's budget of £3 billion. Staffing at HMRC has already fallen by a third since 2005, and another 10,000 jobs are set to go by 2015 under the coalition government's plans.

**The government must stop the cuts to HMRC staff and invest in a strong and effective workforce to tackle tax dodging.**

## Introduce a General Anti-Avoidance Principle

Every year the UK government loses £25 billion in revenue to tax avoidance by multinational companies and rich individuals. Yet the government continues to permit high profile tax dodgers like Amazon, Google or Starbucks to exploit the UK's tax system.

**A General Anti-Avoidance Principle could recover as much as £5.5 billion every year from tax avoiders** by declaring unlawful any tax arrangement that was intended to avoid tax and had no real world commercial basis. Introducing this one measure could close huge loopholes in the UK's tax system and give HMRC a powerful weapon to take on corporate tax dodgers.

## WHAT YOU CAN DO

- Email your MP, and ask them to write to George Osborne demanding the UK stops fuelling tax dodging – [waronwant.org/tax](http://waronwant.org/tax)
- Support PCS's campaign to end the cuts to HMRC and deliver a fair tax system – [pcs.org.uk/taxjustice](http://pcs.org.uk/taxjustice)
- Order more copies of this booklet and other campaign materials for your union branches, events, stalls, student unions, local groups, family and friends – [waronwant.org/materials](http://waronwant.org/materials)
- Invite a speaker from War on Want to talk to your union branch, student union or local group about tax justice – email [tax@waronwant.org](mailto:tax@waronwant.org)
- If you've got more time, set up a meeting with your MP – meeting them face to face is one of the most powerful ways of influencing MPs. If you want advice or support, email [tax@waronwant.org](mailto:tax@waronwant.org)