TAX JUSTICE NETWORK

Embargoed: 00.01hrs GMT Tuesday 9 March 2021

TAX HAVEN RANKING SHOWS COUNTRIES SETTING GLOBAL TAX RULES DO MOST TO HELP FIRMS BEND THEM

A club of rich countries determining global rules on corporate tax are responsible for over two-thirds of global corporate tax abuse, reports the Corporate Tax Haven Index 2021, a ranking of countries most complicit in helping multinational corporations pay less tax than they are expected to. The index documents the ways in which global corporate tax rules set by the OECD[1], a membership organisation made up of high income countries and the world's leading rule-maker on international tax, failed to detect and prevent corporate tax abuse enabled by the OECD's own member countries – and in some cases, pushed countries to rollback their tax transparency.

Leading economists and campaigners from around the world are calling for OECD tax rules to be superseded by a more robust and globally inclusive process at the United Nations, beginning with a UN tax convention[2], to clamp down on global corporate tax abuse and raise the public funding urgently needed to address the economic toll of a pandemic now entering its second year.

In a further blow to deteriorating trust in the OECD group's ability[3] to tackle the rampant global corporate tax abuse that costs the world $245 billion in lost corporate tax a year[4], the Corporate Tax Haven Index 2021 finds OECD countries and their dependencies to be responsible for 68 per cent of the world's corporate tax abuse risks. Broken down, OECD countries are responsible for 39 per cent of the world's corporate tax abuse risks and their dependencies – like the UK's Crown Dependency Jersey and the Netherlands' Aruba - are responsible for 29 per cent. Dr Dereje Alemayehu, executive coordinator of the Nobel Peace Prize-nominated[5] Global Alliance for Tax Justice, said "to trust the OECD in light of the index's findings today is like trusting a pack of wolves to build a fence around your chicken coop."

Top 10 greatest enablers of corporate tax abuse risks

The 2021 edition of the Tax Justice Network's biennial Corporate Tax Haven Index sees OECD countries or their dependencies take up the top six spots on the ranking of the world's greatest enablers of corporate tax abuse. These are, in descending order, the British Virgin Islands, Cayman and Bermuda – three British Overseas Territories where the UK government has full powers to impose or veto lawmaking and where power to appoint key government officials rests with the British Crown – the Netherlands, Switzerland and Luxembourg.

The world's top 10 biggest enablers of global corporate tax abuse today are:

1. British Virgin Islands (British Overseas Territory)
2. Cayman Islands (British Overseas Territory)
3. Bermuda (British Overseas Territory)
4. Netherlands
5. Switzerland
6. Luxembourg
7. Hong Kong
8. Jersey (British Crown Dependency)
9. Singapore
10. United Arab Emirates

The Corporate Tax Haven Index ranks each country based on how intensely the country's tax and financial systems allow multinational corporations to shift profit out of the countries where they do business and consequently pay less tax than they should there. The index grades each country's tax and legal system with a "haven score" out of 100 where a zero represents no scope for corporate tax abuse and a 100 is unrestrained scope for corporate tax abuse. The country's haven score is then combined with the volume of financial activity conducted in the country by multinational corporations to calculate how much cross-border corporate tax abuse is facilitated by the country.

A higher rank on the index does not necessarily mean a jurisdiction's corporate tax laws are more aggressive, but rather that the jurisdiction in practice plays a bigger role globally in enabling the profit shifting that costs countries billions in lost tax every year. A highly tax aggressive jurisdiction that facilitates a small volume of financial activity from multinational corporations, like Anguilla (ranked

39th), will rank below a less tax aggressive jurisdiction that is a major host of multinational corporations' financial activity, like Belgium (ranked 16th).

Key changes in ranking

Cayman threat continues its relentless rise

British Overseas Territory Cayman has moved up from third to second on the Corporate Tax Haven Index since the last edition of the index 2019. While the British Overseas Territory had already maxed out its haven score at 100 in 2019, it increased the volume of financial activity it hosts from multinational corporations by nearly 15 per cent, thus increasing the global role it plays in enabling profit shifting.

Cayman also increased its ranking last year on the Tax Justice Network's Financial Secrecy Index 2020 – a ranking of countries most complicit in helping individuals to hide their finances from the rule of law – from third to first after it increased the volume of financial activity it hosts from non-resident persons by 21 per cent.[6] Cayman has been referred to as the "crown jewel of the UK spider's web"[7], a network of British territories and dependencies (where the UK government has full powers to impose or veto lawmaking) that operates as a global web of tax havens laundering and shifting money into and out of the City of London.

Despite Cayman continuing to grow into the world's single greatest threat of global tax abuse, the British Overseas Territory was removed from the EU tax haven blacklist in 2020 after a major public relations campaign.[8] A bid by a handful of members of the European Parliament to re-blacklist Cayman in February 2021 failed, prompting Paul Tang, MEP and chair of the European Parliament's subcommittee on tax matters, to call for "political games" to be removed from the blacklisting process.[9]

UAE enters top 10 for the first time following $250bn Netherlands injection

The United Arab Emirates (UAE) entered the ranks of the world's top 10 greatest enablers of corporate tax abuse after multinational corporations rerouted over $218 billion foreign direct investment through OECD member Netherlands and into the UAE's economy. Although the UAE's haven score of 98 out of 100 did not change since the 2019 edition of the index, the injection from the Netherlands – which was equivalent to more than half of the UAE’s GDP – skyrocketed the volume of financial activity the UAE hosts from multinational corporations by nearly 180 per cent. As a result, the UAE jumped up from 12th to 10th on the ranking.

Investigative work by the Tax Justice Network attributes the likely source of the injection to a multibillion-dollar game of “hot potato” where $200 billion in foreign direct investment were routed into the Netherlands from the US and South Africa in 2019. This large injection into the Netherlands seems to have then been rerouted into the UAE. The substantial increase of foreign direct investment from South Africa into the Netherlands coincides with a decrease of similar magnitude in foreign direct investment going from South Africa to China. This suggests that the UAE replaced China as a favoured destination of foreign direct investment leaving South Africa. However, since data is aggregated at the country level, it does not show which individual companies are responsible for these shifts.

The UAE also appears to have replaced two British Overseas Territories – the British Virgin Islands (ranked 1st on the index) and Bermuda (ranked 3rd) – as a preferred destination for multinational corporations based in the Netherlands and multinational corporations that use the Netherlands as a conduit. The two tax havens hosted $130 billion less in foreign direct investment from the Netherlands in 2019 than they did in 2018 (a 64 per cent decrease). Overall, Bermuda saw the volume of financial activity they host from multinational corporations from around the world drop by over $150 billion (19 per cent) between 2018 and 2019. The shift towards the UAE may in part be explained by the UAE’s more lenient adoption of the Economic Substance Core Income Generating Activities rules – which require a certain level of economic activity to take place in the jurisdiction in which a multinational reports profits – and by the UAE’s growing role as the offshore financial centre of choice for multinational corporations operating in Africa and Asia.

The cost of OECD countries enabling corporate tax abuse

The Corporate Tax Haven Index's finding that OECD countries and their dependencies are responsible for 68.3 per cent of global corporate tax abuse risks matches findings from the Tax Justice Network's State of Tax Justice 2020 published in November last year.[10] The study found OECD countries and their dependencies responsible for facilitating 68.1 per cent of observable tax losses through cross-border corporate tax abuse. The 2020 study arrived at the same conclusion as the index using a completely different methodology based on analysing corporate tax filings published by the OECD, in contrast to the index's methodology which analyses countries' tax and financial laws for risks of corporate tax abuse.[11]

The State of Tax Justice 2020 revealed OECD countries and their dependencies cost the world over $166 billion in lost corporate tax every year – the equivalent of losing over 26 million nurses' yearly salaries a year, or losing 50 nurses' yearly salaries every minute to OECD countries and their dependencies.

The Corporate Tax Haven Index 2021 reports that lion's share of responsibility for enabling global corporate tax abuse among the OECD group falls on the UK and its network of Overseas Territories and Crown Dependencies, where the UK has full powers to impose or veto lawmaking and where power to appoint key government officials rests with the British Crown. Infamously referred to as the "UK spider's web"[12] for the way in which the network operates as a web of tax havens centred around the City of London, the UK and its network are collectively responsible for 31 per cent of the world's corporate tax abuse risks – or nearly half (45 per cent) of corporate tax abuse risks enabled by OECD countries and their dependencies.

After the UK, the three largest enablers of corporate tax abuse risks among OECD countries and their dependencies are the Netherlands (5.5 per cent), Switzerland (5.1 per cent) and Luxembourg (4.1 per cent). These three countries grouped with the UK and its network are together responsible for nearly half (46 per cent) of the world's corporate tax abuse risks – hence why the group is often referred to collectively as the "axis of tax avoidance".[13] The axis of tax avoidance is responsible for over two-thirds (67 per cent) of the corporate tax abuses risks that OECD countries and their dependencies enable.

The UK spider's web was similarly found by the State of Tax Justice 2020 to be responsible for the lion's share of responsibility – 29 per cent of all corporate tax losses suffered by countries around the world – costing countries nearly $70 billion in lost corporate tax every year.

Liz Nelson, director of tax justice and human rights at the Tax Justice Network, said:

"The world's richest countries are depriving the rest of the world of $166 billion in corporate tax every year by enabling the biggest multinational corporations to pay less tax than they should. OECD countries can plea that they're operating within the OECD's global tax rules, but the fact is the window dressing tax rules they pushed on the rest of the world are depriving poorer countries of the equivalent of 26 million nurses' yearly salaries every year, or 50 nurses' yearly salaries every minute. It's time our global tax rules are set by the UN, where democracy and people's human rights come before plutocracy and super yachts."

OECD's flagship "harmful tax" ratings fail to identify corporate tax havens

Analysis of the OECD's flagship safeguarding policy against countries enabling harmful tax practices found that the policy failed to detect almost all corporate tax abuse risks documented by the index. The policy is one of the four key pillars of the set of global rules the OECD launched in 2015 to tackle tax abuse by multinational corporations, known as the BEPS (Base Erosion and Profit Shifting) Action Plan.[14] Under the safeguarding policy, countries' tax systems are evaluated and graded by the OECD on whether they enable harmful tax practices by multinational corporations.

A comparison of the OECD ratings that countries received against their evaluation on the Corporate Tax Haven Index revealed that countries graded by the OECD as "not harmful" are responsible for 98 per cent of the world's corporate tax abuses risks. In comparison, countries graded "harmful" by the OECD account for just 1 per cent. Countries currently under review accounted for another 1 per cent.

Further comparison of countries' OECD ratings against the Tax Justice Network's analysis of the OECD's own country by country reporting data shows that countries graded as "not harmful" by the OECD cost the world $239 billion in lost corporate tax a year by enabling multinational corporations to shift profit, whereas countries graded as "harmful" cost the world $5 billion in lost corporate tax. The Tax Justice Network argues that the OECD's failure to identify harmful tax practices in its ratings has in practice rubberstamped harmful behaviour by corporate tax havens.

Moran Harari, lead researcher on indices at the Tax Justice Network, said:

"How can the OECD claim global leadership in guarding against corporate tax abuse when it fails to detect 98 per cent of corporate tax abuse risks? Every time a tax haven like Cayman is called out for enabling billions in corporate tax abuse, they immediately retort that everything they do is above-board with the OECD's global standards.[15] By labelling the tax systems of countries responsible for 98 per cent of the world's corporate tax abuse as "not harmful", the OECD gives the biggest tax havens the cover they need to keep wreaking havoc.

"To get approval from its most powerful member countries, the OECD had to water-down its global tax rules to the point of obsolescence. Rather than eliminating tax havens, the OECD's global rules normalised them. Only a UN tax convention, where global rules are determined by democracy not plutocracy, can make tax havens a thing of the past."

The Tax Justice Network similarly reported in November 2020 that the EU's tax haven blacklist failed to identify the vast majority of the enablers of global tax abuse.[16] Jurisdictions blacklisted by the EU at the time were responsible for less than 2 per cent of the world's tax losses to global tax abuse. The Tax Justice Network's research prompted a number of MEPs to call for the political and opaque nature in which the blacklist was compiled to be overhauled with transparent criteria that reflect the reality of global tax abuse and do not automatically exempt EU countries.[17]

An attempt to revamp the tax haven blacklist in February 2021 proved disappointing when British Overseas Territory Cayman, ranked second on the Corporate Tax Haven Index today, was not re-blacklisted. Paul Tang, MEP and chair of the European Parliament's subcommittee on tax matters, was heavily critical of the outcome: "Countries with no corporate income tax remain off the list, leaving the door wide open to tax avoidance on a massive scale…Political games need to be removed from the listing process so that a country can avoid being listed only through reforms rather than through a diplomatic offensive."[18]

OECD pushes more countries to be less tax transparent

Following continued pressure from the OECD on governments to water-down their country by country reporting laws to match the OECD's less robust standard on country by country reporting, two more countries – Germany and Spain – have now weakened their laws to match the OECD's standard. At least 11 countries have now watered-down their laws on country by country reporting – a tax transparency measure that exposes multinational corporations shifting profit into tax havens – since 2018 under pressure from the OECD, marking one of the biggest retreats in corporate tax transparency in recent years.

Germany and Spain's weakened country by country reporting laws contributed to higher tax aggression scores for the two countries, and consequently in part contributed to Germany moving up from 24th to 23rd on the ranking and Spain moving up from 27th to 22nd, overtaking Germany in the process.

Country by country reporting data proved to be game-changing in exposing cross-border corporate tax abuse in 2020 when the Tax Justice Network's State of Tax Justice 2020 report used country by country reporting data published for the first time by the OECD to reveal that the world loses $245 billion in corporate tax to profit shifting every year and to identify the countries most responsible for facilitating these tax abuses.[19] However, due to the data being aggregated and anonymised before publishing, the Tax Justice Network was unable to identify with the data the specific multinational corporations shifting profit.

Global calls for a UN tax convention gain momentum

The once impossible notion of shifting the responsibility of setting global tax rules away from the OECD, which has held the seat of power on global tax for 60 years, to the United Nations became a more concrete possibility last month when a group of heads of states launched a blueprint for global tax reform prepared by the UN High Level Panel on International Financial Accountability, Transparency and Integrity (FACTI) calling for a UN tax convention to set global standards, and a new intergovernmental body at the UN to set tax rules.[20] Calls to shift tax rule-setting to the UN gained unprecedented momentum last year after the OECD received wide criticism for its failure to deliver meaningful change in its long-awaited tax reform proposals.[21] Today's findings from the Corporate Tax Haven Index 2021 have rallied more calls from the Tax Justice Network, leading economists and campaigners from around the world urging governments to adopt the UN FACTI panel's recommendation to establish a UN tax convention.

Alex Cobham, chief executive at the Tax Justice Network said:

"You don't need to be a tax expert to see why a global tax system programmed by a club of rich tax havens is haemorrhaging over $245 billion in lost corporate tax a year. Our tax systems are our most powerful tools for creating a just society that gives equal weight to the needs of all members of society. But under pressure from corporate giants and powerful tax havens like the Netherlands and the UK, the OECD has programmed the global tax system to prioritise the desires of the wealthiest corporations and individuals over the needs of everybody else. The resulting human cost we pay for that has been made painfully clear by the pandemic.

"We must reprogramme our global tax system to prioritise people's wellbeing and livelihoods over the desires of those bent on not paying their tax. Rules on where and how global corporations pay corporate tax must be set at the UN in the daylight of democracy, not by a small club of rich countries behind closed doors."

Dr Dereje Alemayehu, executive coordinator of the Nobel Peace Prize-nominated Global Alliance for Tax Justice, said:

"Trusting the OECD to set global rules on corporate tax when OECD member countries are responsible for over two-thirds of global corporate tax abuse is like trusting a pack of wolves to build a fence around your chicken coop. The OECD's inability to bring about real reform became crystal clear last year when its global tax reform proposal, after years of planning, amounted to a plan for 'tax havens lite'.[22]

"The Corporate Tax Haven Index now makes it crystal clear that the task of tackling global corporate tax abuse was not just practically impossible for the OECD but grossly inappropriate. We must take our global rules on corporate tax out of the hands of those bent on bending them and put them in the hands of the UN. Only a UN tax convention can make sure our global corporate tax rules are genuinely democratic and principled on our human rights."

Hon. Irene Ovonji-Odida, a panellist on the UN High Level Panel on International Financial Accountability, Transparency and Integrity and a commissioner of the Independent Commission for the Reform of International Corporate Taxation, said:

"*Major OECD countries that yesterday on International Women's Day called for a stronger global commitment to gender equality are the same ones revealed today tilting the scales against countries' ability to raise public finances to promote social justice interventions, and indeed achieve that goal. Global tax abuse by big corporations and wealthy individuals robs billions of a better future, but particularly women who systematically have less opportunities to begin with. When the tax needed to pay for public services ends up instead in tax havens or financial secrecy jurisdictions - many in advanced economies - women are far more often the ones who foot the bill with their unpaid time and labour. While the impact of an unfair global financial system has hit developing countries hardest for several decades, inequalities and exploitation enabled by these rules are increasingly being felt by majorities in all countries including in now-developed countries, distorting economies and undermining the ability of governments to even respond effectively to crisis citizens face in health, education, food, agriculture, labour, income, social security or environment.*

"Over the past 60 years, the OECD has shaped global tax policy into a tool for prioritising the profits of the biggest multinational corporations over the needs of everyone else, exacerbating the inequalities women and other social groups face. It's time we reshaped global tax policy into a tool for repairing gender inequality, not fuelling it. The first step towards this goal is to establish a UN tax convention."

-ENDS-

Contact the press team: media@taxjustice.net or +44 (0)7562 403078

Download the embargoed ranking and country profiles:
https://bit.ly/CTHI21press (password: CTHI#2021)

Link to **Corporate Tax Haven Index 2021 website** (live on 9 March):
cthi.taxjustice.net

Notes to editor

1. The Organisation for Economic Cooperation and Development (OECD) is an international membership organisation with 37 member countries. OECD members are high income countries and are generally regarded as "developed countries". The OECD was founded in 1961 with the aim of promoting policies on tax, trade and welfare among its members and the rest of the world. Since its founding, the OECD has been the world's leading publisher of rules, conventions and guides on international tax, including on how countries tax multinational corporations' profits. Current OECD members are: Austria, Australia, Belgium, Canada, Chile, Colombia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.
2. A UN convention, like the Convention of the Rights of the Child and the Convention against Torture, is an agreement adopted by the UN General Assembly that creates international norms and standards. A UN member state can sign onto the convention when the UN General Assembly adopts it to indicate support for the principles of the convention. The convention only becomes legally binding to the UN member state once the member state then ratifies the convention. The UN High Level Panel on International Financial Accountability, Transparency and Integrity (FACTI) recently called for a UN tax convention to set global standards on equitably and transparently taxing multinational corporations. See note 19.
3. The OECD came under fire in October 2020 when it sidestepped tax reform plans prepared and negotiated in consultation with countries from around the world, including with non-OECD countries, in favour of a more limited tax reform proposal privately negotiated by the US and France behind closed doors and abruptly announced in 2020. The tax reform proposals, now the OECD's official position, have been harshly criticised by leading economists, including by recipient of the Noble Prize in Economics Joseph Stiglitz who at the time said: "The proposals at the OECD are simply not adequate, they really represent the capture of this agenda by the multinational corporations and the countries that are closely allied with those multinational corporations." The Tax Justice Network criticised the OECD reform proposal as a "tax haven lite" blueprint.
4. The Tax Justice Network's State of Tax Justice 2020 reported in November 2020 that countries around the world are losing over $427 billion in tax each year to international corporate tax abuse and private tax evasion,

costing countries altogether the equivalent of nearly 34 million nurses' annual salaries every year – or one nurse's annual salary every second. Of the $427 billion lost in tax, $245 billion is directly lost to cross-border corporate tax abuse by multinational corporations and $182 billion to private offshore tax evasion by individuals. Multinational corporations paid $182 billion less in tax than they should have by shifting $1.38 trillion worth of profit out of the countries where they were generated and into tax havens, where corporate tax rates are extremely low or non-existent. Private tax evaders paid less tax than they should have by storing a total of over $10 trillion in financial assets offshore. See note 13 for information about the State of Tax Justice 2020's methodology.

5. The Global Alliance for Tax Justice (GATJ) and the International Consortium of Investigative Journalists (ICIJ) were nominated together for a Nobel Peace Prize by three Norwegian politicians. The shared nomination is widely celebrated as recognition of the international tax justice movement. The Global Alliance for Tax Justice was spun out of the Tax Justice Network in 2013 as the umbrella body for mass mobilisation organisations working on tax justice around the world. The two organisations continue to collaborate closely.
6. The Tax Justice Network's Financial Secrecy Index complements the Corporate Tax Haven Index. Together, the indexes provide a complete picture of both sides of the tax abuse coin, where the Financial Secrecy Index documents the ways in which countries enable wealthy individuals to hide their money from the rule of law and the Corporate Tax Haven Index documents the ways in which countries enable multinational corporations to pay less tax on their profits than they should. Some tax havens specialise in facilitating private offshore tax evasion, like the USA which ranks 2nd on the Financial Secrecy Index 2020 but 25th on the Corporate Tax Haven Index. Others specialise in facilitating corporate tax abuse, like Bermuda which ranks 3rd on the Corporate Tax Haven Index but 40th on the Financial Secrecy Index. And some specialise in facilitating both types of tax abuse, like Cayman, Switzerland, the Netherlands, Luxembourg, Hong Kong, Singapore, British Virgin Islands and the United Arab Emirates – all of which rank in the top ten on both indexes. The top ten jurisdictions ranking on the Financial Secrecy Index 2020 are: 1. Cayman (British Overseas Territory), 2. USA, 3. Switzerland, 4. Hong Kong, 5. Singapore, 6. Luxembourg, 7. Japan, 8. Netherlands, 9. British Virgin Islands (British Overseas Territory), 10. United Arab Emirates.
7. Extensive research has documented the ways in which the UK's network of jurisdictions operates as a web of tax havens facilitating corporate and private tax abuse, at the centre of which sits the City of London. The UK spider's web consists of the following British Overseas Territories and Crown Dependencies: Cayman Islands, British Virgin Islands, Guernsey, Jersey, Gibraltar, Bermuda, Isle of Man, Anguilla, Turks and Caicos Islands and Montserrat.

   For more information about the UK spider's web, please see Michael

Oswald's documentary *"The Spider's Web: Britain's Second Empire"*, produced by Tax Justice Network founder John Christensen. The documentary is available on YouTube in English, Spanish, French, German and Italian and has been viewed over 4 million times.

Due to the very large role Cayman plays in enabling global tax abuse, the Tax Justice Network has in the past referred to the territory as the "crown jewel" of the UK's network of jurisdictions.

8. See Euroactiv article Cayman Islands removal from EU blacklist prompts backlash
9. The statement by Paul Tang MEP, the Chair of the European Parliament's subcommittee on tax matter, on the latest round of changes to the EU tax haven blacklist is available here.
10. See note 4.
11. The State of Tax Justice 2020, a first-of-its-kind annual report by the Tax Justice Network, revealed for the first time in November 2020 how much tax each country in the world loses to both international corporate tax abuse and private tax evasion. While there have been estimates in the past about the tax lost at a global level to tax abuse, it had been difficult in the past to determine how much each country loses individually. However, after nearly two decades of campaigning by the Tax Justice Network, the OECD finally released game-changing transparency data in July 2020 on multinational corporations' financial affairs, making it possible for the Tax Justice Network to estimate each country's tax losses with unprecedented accuracy by analysing the new data.

    The data was collected under a transparency measure known as country by country reporting. The transparency measure is designed to expose profit shifting (see note 9) by multinational corporations by requiring multinationals to report their profits and costs at a country level for each country the are present in, instead of publishing their profits and costs as a global, aggregated sum that obscures the movement of money between countries. By analysing country by country reporting data published by the OECD, the State of Tax Justice 2020 measured observable profit shifting self-reported by multinational corporations and calculated the resulting corporate tax losses.

    The first international accounting standard for public country by country reporting was first proposed by the Tax Justice Network in 2003. Although initially resisted by the OECD, the reporting method was eventually backed by the G20 group of countries in 2013, with the OECD producing a standard for use from 2015. After numerous delays, the OECD finally published partial data in July 2020. However, while the Tax Justice Network's proposal called for multinational corporations to publicly disclose their country by country reports, the OECD required multinationals to only privately submit their reports to OECD countries' tax authorities. Reports collected from multinational corporations were then aggregated and anonymised by OECD countries before the data was shared with the OECD body and published. As a result, while the Tax Justice Network's analysis of the data published by the OECD shows that multinational corporations are paying $245 billion less in corporate tax than they should, it is not possible to identify which multinational corporations are responsible for the tax abuse.

In late February 2021, a majority took shape among EU ministers for the first time in favour of finalising the negotiation of a new directive on requiring multinational corporations to publicly disclose their country by country reporting.

12. See note 7.
13. For media coverage of the "axis of tax avoidance", see The Times article "Big corporations must pay their fair share of the coronavirus cost" and The Independent article "Multinationals shift $1.3tn into tax havens every year, groundbreaking analysis reveals".
14. The OECD launched the BEPS (Base Erosion and Profit Shifting) Action Plan in 2015 to tackle tax abuse by multinational corporations. The plan included a number of global standards, four of which were required to be committed to by OECD and Inclusive Framework members as minimum standards. The Action 5 Report on Harmful tax practices is one of the four BEPS minimum standards.

Under Action 5, "members commit to participating in a peer review by the OECD Forum on Harmful Tax Practices, which has been conducting reviews of preferential tax regimes since its creation in 1998 in order to determine if the tax regimes could be harmful to the tax base of other jurisdictions."

The current work of the Forum on Harmful Tax Practices (FHTP) comprises three key areas. "Firstly, the assessment of preferential tax regimes to identify features of such regimes that can facilitate base erosion and profit shifting, and therefore have the potential to unfairly impact the tax base of other jurisdictions. Secondly, the peer review and monitoring of the Action 5 transparency framework through the compulsory spontaneous exchange of relevant information on taxpayer-specific rulings which, in the absence of such information exchange, could give rise to BEPS concerns. Thirdly, the review of substantial activities requirements in no or only nominal tax jurisdictions to ensure a level playing field, where the first assessment is not applicable."

The Tax Justice Network only looked at the first and third areas of assessment in its analysis of the OECD's harmful tax practices ratings. This is due to two reasons: First, under the second area of assessment, the OECD does not provide countries with a rating. It only provides countries with recommendations for further action or no recommendation for action. It would be unfair to conclude that countries given no recommendations are considered non-harmful by the OECD and those given recommendations are considered harmful by the OECD. Hence, the Tax Justice Network only looks at ratings under the first and third assessment where language of harm is employed by the OECD. Second, the Tax Justice Network considers criteria used under the second area of assessments on exchange of information on tax rulings too weak to yield valuable insight by analysing.

15. Here are some examples of tax havens using the claim that they are compliant with OECD rules as a way to shield and counter investigations into their tax abuse enabling practices. In response to the State of Tax Justice 2020 revealing Cayman to be inflicting on the world tax losses of $70 billion each year, Cayman Finance stated, "Tax Justice Network's distorted interpretations of the Cayman Islands' statistics get more inaccurate, further from the facts and less believable as they continue to be undermined by the credible findings of recognised international bodies like the OECD and the EU." In response to the Tax Justice Network's Financial Secrecy Index 2020 on which Cayman ranked first, Cayman Finance stated, "The Cayman Islands's standards of transparency are based upon recognised global standards[…]The TJN ignores that the Cayman Islands meets the global standards."

Luxembourg used the same refrain in February 2021 in response to the OpenLux investigation by stating, "Luxembourg fully respects all European and international regulations on taxation and transparency, and applies all Community and international measures in terms of information exchange to fight against tax abuse and evasion. This reality is confirmed by several observers, including the OECD and the European Union, who have not yet identified any tax regime or harmful tax practices in Luxembourg." In response to the Financial Secrecy Index 2020, Luxembourg's Finance Ministry said, "Importantly, the analysis (and concomitant ranking) [by the Tax Justice Network] fails to take into account the fact that regulators and institutions of the Luxembourg financial centre are applying all the relevant EU and international standards. Luxembourg, being an active member of the OECD and a founding member of the EU, has implemented and put in practice all applicable OECD and EU rules on exchange of information in tax matters[…]".

16. The Tax Justice Network's State of Tax Justice 2020 found the jurisdictions on the EU tax haven blacklist to be collectively responsible for just 1.72 per cent of global tax losses, costing countries over $7 billion in lost tax a year. In comparison, EU member states were responsible for 36 per cent of global tax losses, costing countries over $154 billion in lost tax every year. Two jurisdictions blacklisted by the EU, Palau and Trinidad and Tobago, while non-cooperative with international tax regulations, were found to have not created any observable tax losses for other countries. The Tax Justice Network has long criticised the EU's blacklist for ignoring major tax havens while focusing on jurisdictions that are secretive but play an insignificant role in the global economy.

17. Following the Tax Justice Network's State of Tax Justice 2020 analysis of the EU blacklist, the European Parliament's Economic and

Monetary Affairs Committee adopted a resolution in December 2020 deeming the EU blacklist "confusing and ineffective" and calling for it to be revamped. The resolution was approved in January 2021 by the European Parliament with 587 votes in favour, 50 against and 46 abstentions.

18. See note 9.
19. See note 11.
20. The report published by the UN High Level Panel on International Financial Accountability, Transparency and Integrity identifies tax abuse and other illicit financial flows as a systemic problem that "robs billions of a better future" and that can only be addressed by "nothing less than a transformation of the global financial system" led at the United Nations. The report provides a comprehensive set of recommendations that reflect in full the policy platform initiated by the Tax Justice Network in 2003. The Tax Justice Networked praised the report as "a tide-turning moment in the fight against international tax abuse."
21. See note 3.
22. See note 3.

About the Tax Justice Network

The Tax Justice Network believes our tax and financial systems are our most powerful tools for creating a just society that gives equal weight to the needs of everyone. But under pressure from corporate giants and the super-rich, our governments have programmed these systems to prioritise the wealthiest over everybody else, wiring financial secrecy and tax havens into the core of our global economy. This fuels inequality, fosters corruption and undermines democracy. We work to repair these injustices by inspiring and equipping people and governments to reprogramme their tax and financial systems.