

CHRISTIAN AID'S TAX JUSTICE STRATEGY

EXECUTIVE SUMMARY

2013-2016



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The core problem

Tax represents the most sustainable and predictable source of income for all countries. It is the lifeblood of functioning democracies. In fact, it is at the heart of the social contract between citizens and the state, generating the resources necessary for the state to guarantee the fundamental human rights of the population. Yet, **many countries struggle to collect sufficient revenue to fund the most basic public services, thus undermining their capacity to overcome poverty and foster human development.**

In developing countries, the tax-to-GDP ratio is roughly half that of developed countries.¹ This situation prolongs developing countries' reliance on overseas aid, and also skews

government accountability away from citizens and towards donors.

The unfair tax systems and rules developed over the past 50 years, at both international and national levels, have led to increased inequality within and between countries. Since wealthy individuals and multinational corporations (MNCs) often have escaped taxes, the tax burden has been shifted to ordinary citizens through taxes on labour and consumption. As a result, wealth and power are being increasingly concentrated in the hands of one per cent of the population, while those who are less able to pay are seeing their human rights – such as the right to food, housing, education or health – seriously undermined.

MAIN CAUSES

- An unsustainable tax competition paradigm.
- Unfair and ineffective tax systems and rules.
- Unacceptable and dangerous financial secrecy.
- Large informal sectors.
- Poor domestic institutions and compliance.
- Weak representation and inter-state cooperation mechanisms at global and regional level.
- Structural power imbalance.



MAIN CONSEQUENCES

- Reduced resources to fulfil human rights and foster development.
- Increased inequality.
- Obstacles to state-building and accountability.

Our vision for tax justice

We want to see a world where the existing values, norms and practices on fiscal and financial matters stem from just power relations and cooperation, and enable states and communities – especially those in developing countries – to enjoy their fair share of wealth. As a result, fundamental economic

and social human rights will be fulfilled, inequality between and within countries will be significantly reduced, and states will become more transparent and accountable to their citizens, rather than to creditors and aid donors.



Our strategic priorities

Strategic priority 1: Promoting fair and effective national tax systems

We will work with our supporters, partners and allies, through our national and regional programmes, so that states build fair and effective tax systems that reduce inequality, ensure access to quality essential services, and strengthen accountability between the state and its citizens.

Strategic priority 2: Promoting changes to the social values that sustain tax dodging

We will work with our supporters, partners and allies, north and south, to promote changes to the social values and incentives that currently sustain tax dodging practices. In the coming years, we will continue to show not only that tax evasion and legal tax avoidance are harmful and morally wrong, but also that tax dodging brings diverse and serious risks to those who decide to engage with it.

Strategic priority 3: Promoting changes to the regulatory framework to enable states to prevent illicit capital flight and obtain their fair share of tax

We will work with our supporters, partners and allies, seeking alignment between action at national and international levels, to promote changes to the current unfair and often ineffective regulatory framework – so that states, especially in developing countries, can prevent illicit capital flight, obtain their fair share of tax and therefore increase their revenue.

Strategic priority 4: Promoting cooperation at regional and international level to stop harmful tax competition

We will work with our supporters, partners and allies to put an end to the race to the bottom in corporate income tax rates, and the proliferation of often damaging tax incentives to attract foreign direct investment. We will do this through the promotion of inter-state cooperation, especially, but not only, at regional level.

Strengthening the global movement for tax justice will be a cross-cutting priority.

We will work with our supporters, partners and allies to increase awareness of the causes and consequences of tax injustice, as well as the possible solutions. We will contribute to expanding the movement for tax justice at national and international levels, and to its effective articulation around a common vision and action for change.

While we acknowledge that we must advance simultaneously in these four areas in order to achieve tax justice, we will not necessarily invest the same level of resources in each of them. How we allocate our resources will depend on a number of variables, such as context and opportunity.

Developing solid partnerships and alliances for success

Partnership has been a founding principle of Christian Aid. It is not just a way of working: it is also fundamental to our identity. It is as much about who we are, as it is about how we work. Christian Aid believes that change happens only when people fight hard for it, and the wider the network, the greater the impact we can achieve. Each action counts, and when united behind a

shared vision, the opportunity to create a lasting change is multiplied. Christian Aid's task is to identify and build the trusting relationships that can turn our energies into a much bigger practical impact.

We are committed to strengthening our partnerships and alliances to make our vision for tax justice a reality.



The changes we want to see by 2016

<p>1. Promoting fair and effective national tax systems.²</p>	<p>1.1 Reforms to the national tax system will increase the tax burden on those with a higher ability to pay, so that tax systems become more progressive and contribute to reducing inequality. Special attention will be devoted to the reduction of gender-based inequality.</p> <p>1.2 Tax revenues will be used to foster human development, with a special focus on improving citizens' access to quality essential services.</p> <p>1.3 Civil society will have access to relevant information on national tax and fiscal systems.</p>
<p>2. Promoting changes to the social values that sustain tax dodging.</p>	<p>2.1 Corporations will adopt socially responsible and sustainable conduct in tax matters, for instance through adherence to a new set of Global Tax and Business Principles. Investors and public investment/spending policies will be targeted strategically in order to achieve changes in corporate conduct.</p> <p>2.2 Leaders in sponsoring churches, and in churches global north and south, will recognise and promote tax justice as fundamental to human development.</p>
<p>3. Promoting changes to the regulatory framework to enable states to prevent illicit capital flight and obtain their fair share of tax.</p>	<p>3.1 The EU, all countries in the G8 and G20, and the UK Crown Dependencies and Overseas Territories will adopt and enforce legislative measures to ensure the effective public disclosure of beneficial owners of companies, foundations and trusts.</p> <p>3.2 Secrecy jurisdictions will automatically exchange information on a multilateral and non-discriminatory basis.</p> <p>3.3 Reforms of international tax rules, with a special focus on those related to preventing double non-taxation and achieving a fair allocation of taxing rights, will consider developing countries' voices and improve their ability to obtain their fair share of tax.</p> <p>3.4 Building on past successes, corporate reporting standards will improve further towards higher levels of transparency on tax policies and practices.</p>
<p>4. Promoting cooperation at regional and international level to stop harmful tax competition.</p>	<p>4.1 States in developing countries will offer tax incentives on the basis of agreed and transparent criteria – including adequate environmental, social and economic cost/benefit analysis – and will publish tax expenditures as part of their budgets.</p> <p>4.2 States in developing countries will take coordinated measures at regional level to stop unsustainable and harmful tax competition.</p>

Endnotes

- House of Commons International Development Committee, *Tax in Developing Countries: Increasing resources for development*, Fourth Report of Session 2012-13, 16 July 2012, p5.
- The changes sought at national level will need to be defined by countries, according to their specific context. What is suggested here is the focus that national teams should consider, based on workshop discussions.

