

Tax for the common good

A study of tax and morality

October 2014



Cover image: The Cultural Centre, Masendu Central Village, Zimbabwe. A place where the community gathers to share information, learn and consult with one another.
Christian Aid/Geoff Daintree

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Contents

Christian Aid is a Christian organisation that insists the world can and must be swiftly changed to one where everyone can live a full life, free from poverty.

We work globally for profound change that eradicates the causes of poverty, striving to achieve equality, dignity and freedom for all, regardless of faith or nationality. We are part of a wider movement for social justice.

We provide urgent, practical and effective assistance where need is great, tackling the effects of poverty as well as its root causes.

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Foreword	4
Introduction	6
Chapter 1: Tax and international justice	10
Chapter 2: Tax and government.....	20
Unfair tax demands in Brazil: <i>A Christian Aid story</i>	32
Chapter 3: Tax and morality: Challenges and opportunities	34
Tax for social spending in South Africa: <i>A Christian Aid story</i>	42
Chapter 4: In the world but not of it: <i>A voice from South Africa</i>	43
Chapter 5: Tax and the private sector	46
A community working for the common good: <i>A Christian Aid story</i>	51
Conclusion	52
Recommendations	54
Peer review panellists	55
Glossary	57
Endnotes	58

Foreword

In this timely publication, Christian Aid presents a theological and moral foundation for the campaign to promote tax justice. Many developing nations are seriously affected by the way in which some multinational companies manipulate their profits to allow them to pay little or no tax in the countries in which they are operating. As Esther Reed observes in her paper, this simply feels wrong to most people. These papers seek to explore what lies behind such a feeling and how it is anchored in some deep Christian instincts. They also set out to give a picture of what good, effective and just taxation might be like.

We need to be a bit cautious when we speak about justice. Often we work with a simple idea of justice as 'what is owed to someone or something'; and if that is all there is to it, there is going to be a risk of turning it into a rather thin concept, without much positive emotional content or spiritual significance. Walter Brueggemann, in his great *Theology of the Old Testament*, rightly insists that 'justice' in the Bible is about redistributing goods and power so that all may share what God has given the human race. This adds an important dimension of transformation to the picture. But it also needs a further dimension – a focus on just relationship – that is, not simply redistributed property and influence, but a positively renewed set of social interactions and mutual nurture. The roots of the Jewish and Christian idea of justice in the Hebrew and Christian Scriptures have more to do with this dimension.

The Hebrew root from which the word for justice (*tsedaqah*) derives has to do with standing up straight, being in accord with, going in the right direction. It is, in other words, a term that is primarily about a quality within a person or a situation and a state in which people are in alignment with what is true or real.

To 'perform *tsedaqah*', to 'do justice', is to act in a way that relates you properly to the truth, to God and God's world. The famous triad in the prophet Micah (6:8), doing justice, loving mercy and walking humbly with God, implies that acting justly is bound up with both compassion and a developing relationship with

God. 'Standing up straight' is living as you are meant to; living as you are meant to involves sensitivity to the actuality or urgency of another's need or pain, and a truthful self-awareness in the face of the Creator. Jeremiah 22:15-16 spells this out even more clearly: justice and the knowledge of God go together, and the true 'knowing' of God is defending the poor and needy.

So what is 'unjust' in this perspective is what Hebrew Scripture regularly calls 'violence', the 'setting at naught' of the other with whom you need to be in relation. Refusing to 'know God', betraying the true God with gods of your own invention to serve your own convenience, goes along with the refusal really to 'know' the need of the other alongside you.

Jesus echoes the language of the prophets about 'justice, mercy and faithfulness' (Matthew 23:23). Being 'in Christ' means being 'righteous' with his 'righteousness' – that is being set straight by being aligned with his relation to God the Father. And what follows is that in each and every member of the community, Christ is active, because in each member Christ's relation with God is coming to life – right relation, true alignment. The community is one in which every member is empowered by the indwelling of Christ, so as to make Christ more real for the neighbour.

If we want to use the language of debt and 'owing', we can say that here each is in debt to all, and all to each; and mutual service is the essence of life together. 'Justice' becomes a matter of each person being freed to give what they have been given, to make their unique contribution to the interdependent whole – with every member being conscious that they have nothing but what they have been given, so that no one has a simple right of absolute possession in respect of anything that is theirs.

To act justly is to act in accordance with truth: justice is a kind of accuracy of seeing and acting. Our justice is not giving people what they deserve, not even simply recognising their rights or their claims, it is the attempt to act in accordance with reality as God has made it – which includes the uniqueness and dignity of all others, and the calling of all to become 'givers' in the human community, so that each can

supply what is lacking in the other. It is an active and reciprocal view of justice, grounded in a demanding vision of God's truth as that which we must serve and learn to know in all things.

How, then, do we apply this to tax justice on the international stage? In what sense is a multinational company called to be a 'giver' to the human community? And to whom does the company have a responsibility to supply what frees them to be more actively human?

The recommendations in this publication offer some suggestions as to how we might begin answering those questions, and I hope that they

will facilitate the thinking and decision-making of those who are able to influence the behaviour and policy of corporate bodies so that tax justice at last becomes a reality. We at Christian Aid believe that this is crucial to the goal of setting many nations on the path to greater self-determination and ending their reliance upon aid. With a truly creative understanding of justice, we may be able to have a truly creative role in advancing the freedom of all both to give and receive the gifts of human flourishing.

Rowan Williams
October 2014



Women performing dances originally done by slaves. In Brazil, the Arapapuzinho quilombola community is facing threats from outsiders taking over its land and also an unjust tax demand from the government.

Introduction: The moral vision of Christian Aid

Geoff Daintree

For nearly 70 years, Christian Aid has been involved with the fight against global poverty. Working alongside people in need, we have given support as they begin to transform their living conditions. We have sought to understand the causes of poverty and campaigned to address them, so that one day poverty will be over.

All of our work is motivated by the vision to end the scourge of poverty that blights the lives of millions of people across the globe. This vision, with our agreed values and way of working, acts as our moral imperative, a requirement which compels us to act.

In the aftermath of the Second World War, a group of British and Irish church leaders met, determined to do everything possible to help destitute European refugees. They recognised that the refugees had a dignity and worth that had been snatched from them.

As Church leaders they saw their action as a Christian duty:

‘You shall love the Lord your God with all your heart, and with all your soul, and with all your strength, and with all your mind; and your neighbour as yourself.’ (Luke 10:27).

Christian Aid has followed this form of Christian obedience throughout its history, and like many people we see this as obedience to the Golden Rule, one form of which is found in the teaching of Jesus:

‘In everything do to others as you would have them do to you; for this is the law and the prophets.’ (Matthew 7:12).

The Christian people who saw the suffering of refugees in Europe did not focus on any subjective benefit of their actions, but on faith-inspired obedience to the will of God.

From the outset, this approach has enabled Christian Aid to see that all people, regardless of class, creed or nationality, have a God-given dignity and value. This has provided the moral vision which underpins our development work.

Prophetic voice

Christian Aid has spoken out from the foundation of that faith-inspired moral vision. Whether in support of refugees, or the victims of a natural disaster, whether in support of nations who are bound by the chains of debt, or the people suffering the effects of a changing climate, the message has consistently echoed: It does not need to be like this. Change can happen.

The prophetic voice reflects a theology of redemption; it is a positive declaration that oppression and injustice need not have the final word. There is an alternative future and we can nurture the change required so that, through God-inspired action, it might come into being.

In recent years, Christian Aid has used its voice to call for economic justice, specifically a change in the impact of international tax dodging on developing countries. We have spoken out at various levels – from the personal responsibility to act fairly, to promoting change in international financial structures. It is a prophetic voice that challenges human excess in a world increasingly dominated by a materialistic, growth-dominated culture.

It is a voice calling for the generous sharing of the earth’s resources that reflect the redemption Paul referred to in Romans 8, where he spoke of ‘the whole creation groaning, waiting for the revealing of the children of God.’ This is poetic and prophetic language, which suggests that the wrong doing, greed and selfishness which consistently damage relationships within creation, can be transformed by a renewed humanity that is inspired by the Spirit of God. The ultimate vision given by Paul is a flourishing life where all are encompassed by the love of God.

This is a vision yet to be fully realised, a reminder that we share responsibility for how the world is and an encouragement to act for a renewed world. We know the reality of poverty and injustice; and we have a vision for how things could be: there is no excuse for turning away.

International development agencies have for decades revealed the paucity of opportunity for so many people around the world. We know that governments in many parts of the world are struggling to provide the basic necessities for their people. So many governments are unable to afford a strong and healthy infrastructure of roads and transport, of water and sewage treatment, of reliable and sustainable energy and of transparent and equitable financial systems. Tax revenues should provide a reliable and consistent way of financing this form of development. However, in many places they struggle in vain to collect the taxes they are legally due. Local inefficiencies and corruption are part of the problem, but shortfalls are also caused by the complicated, highly secretive financial arrangements made by some multinational corporations and wealthy individuals.

In 2008, Christian Aid estimated that developing countries were losing as much as US\$160bn each year from tax dodging– more than they receive in aid. That figure is based on an estimate taken from work carried out in the 1990s, claiming that transfer mispricing accounts for 7% of global trade each year. The US\$160bn figure is disputed by some who question that underlying methodology. However, almost all estimates indicate that there is a significant problem, and the OECD agrees that developing countries lose more money each year in tax dodging than they receive in aid.

The OECD also accepts that the present rules ‘allow and even encourage’ multinationals to eliminate or significantly reduce tax by artificial means – although the focus of the OECD’s work is broader than just transfer mispricing, including legal difficulties with current systems and how to tax digital economies. This is one reason why we need to give careful thought to tax reforms which bring fairness to all.

Christian Aid believes that it is important to get beyond the specific figure and explore the principles and moral values behind the dodging of taxes.

Theology

Theology is an essential influence in the shaping of Christian Aid’s principles and moral values. The insights and traditions of the Christian scriptures and faith provide our guide as we wrestle with the issues of today’s world.

In what follows, when we refer to morality, we are using the term within a Christian theological context, and we are building our vision of what is good and just on the foundation of Christian values that have been drawn from an interpretation of the Scriptures. We recognise that interpreting scripture is far from straightforward, that frequently it is contested and that there is often no neat or simple connection between today’s moral challenges and voices from the Bible.

We have found that pausing to reflect on biblical teachings and the Christian tradition provides profound insight into the very deepest questions we need to address, even before we begin to discuss the details of tax systems and regulation.

Theological reflection is an approach by which we enable one another to ask the deepest ‘why’ and ‘what’ questions; for example what it means to be human in relationship to others, what it means to ‘own’ or to ‘share’, what a good and just society might be like, and why tax matters. Such reflection enables us to step back from the details of current legislation or the complexities of a globalised world, and to ask what it is that we are truly hoping for and why, what we desire to see develop in the world and what vision we have for the future.

Through our papers *Theology and International Development*¹ and *The Gospel and the Rich: theological views of tax*,² which attempt to provide a theological rationale for our work on international tax dodging,³ and in a booklet called *The Pocket Guide to Tax*⁴ we have set out our understanding of and approach to human society and relationships.

We believe that human life is best understood when lived in relationship with others and that who we are is shaped by the ways in which we relate both to God and to our neighbours (understood in the broadest sense). Our humanity is shaped by our social and community relationships and through our economic relations, which in turn influence our personal identity.

Injustice, inequality, poverty and violence are signs of a world in which good relating has broken down. The work of international development can be seen in terms of the restoration of relationships, through which inequality and injustice are removed and social structures are changed to bring about the opportunity for all to enjoy a flourishing life; a renewed world in which all contribute and all benefit from the wellbeing of community and society. Taxation, as will be seen, is one way in which this good relating can be established and maintained.

Taxation provides the revenue for the people of a society to finance the organisation of their corporate life. Progressive taxation is one of the ways in which a society can share the burdens, duties and responsibilities to provide for these common goods. It also enables a society to express its ethics, rather than be shaped by market forces.

Ideally, through taxes collected by governments, all citizens are treated justly, all are afforded equal opportunities to state-run benefits and all share access to the state-run infrastructure. We might argue, therefore, that life in all its fullness, the flourishing life, is encouraged by a good, suitable, workable and effective tax regime.

Over recent years, campaigns on tax justice have attracted broad support from civil society and these campaigns are having a significant influence on governments and international bodies. This is profoundly encouraging and contributes towards the fulfilment of our vision that all people should enjoy the common good.

Because Christian Aid has a Christian foundation, we see our approach as truly prophetic, in the sense that our values look beyond the status quo to a renewed world, and challenge others to discern new ways of receiving the Word of God in the present. As Richard Holloway states: 'The prophetic role is always uncomfortable and sometimes dangerous.'⁵

In using the Christian faith as the basis of our working ethics and values, Christian Aid has chosen to recognise the teaching of Christ as having application beyond the Church, drawing as it does on widely acknowledged principles such as love and justice, equality and respect.

Jesus spoke powerfully about economics, justice and tax and we hope that our reflection in this publication will be faithful to his wisdom and insight, passion and commitment.

Tax and morality

On 12 November 2013, in a UK parliamentary hearing, Margaret Hodge, Chair of the Public Accounts Committee, told Google's vice president for Europe, Matt Brittin: 'We're not accusing you of being illegal, we're accusing you of being immoral.'

Many writers and commentators in the current debates surrounding the collection and use of taxes use phrases which include reference to 'moral' values. It is frequently stated that one action is right and others are wrong. This raises the question of what values are being called upon to make these judgements. An action may be technically legal, but that does not make it moral. For example, it was once legal to own a slave and to use children in the workplace, but we would not want to argue that slavery and child labour are ethically right.

Why tax matters

Christian Aid works in nearly 50 countries to eradicate poverty, addressing its causes and the systems that allow it to flourish. Tax dodging, which exploits a system the OECD accepts as no longer fit for purpose, deprives poorer countries of money for essential services such as health and education.

In the longer term, effective tax collection by poor countries can help their governments reduce their reliance on aid. Fair and equitable taxation also leads to more accountable governance as citizens demand to know how tax revenue is spent. This, in turn, fosters greater transparency.

'We hear every day that there is no money for development projects, for building schools and dispensaries. Yet people hear of billions of shillings lost in tax revenue... How do we explain this to people who we tell there is no money for basic services?'

John Cheyno, chairman, Parliamentary Public Accounts Committee, Tanzania

A fair system of taxation will assist us in building good, strong societies, in which everyone benefits from the common good. Promoting this is one way of expressing our love for God alongside love for our neighbour; love expressed through solidarity which leads to a flourishing society.

The chapter 'A voice from South Africa' refers to the miracle of the loaves and fishes (Luke 9), where the crowd was fed, each person had sufficient for their needs *and* there was food left over. In other words, there was a sense of mutuality, affirming the equality of all, and when each person was treated fairly there was abundance. This is a glorious picture of the common good, and in this publication we explore the role that taxation has in making our vision a reality and in helping to build a flourishing world.

An introduction to the essays and papers

Esther D Reed explores what Christian ethics can tell us about the taxation of multinational companies. She argues that such companies are required to pay more tax than the law requires of them, if failure to do so would damage the conditions required for everyone to flourish. She further argues that the fact of human sinfulness makes it necessary to have coercive measures at a national and international level to prevent tax evasion and restrain tax avoidance.

Angus Ritchie argues that individuals benefit from the existence of a robust and accountable state and that such a state is a public good to which all who can should contribute. He makes a similar argument in relation to companies and also shows how the Bible supports the principle of redistributive taxation, 'collecting resources on the basis of ability to pay and giving in relation to need'. He proposes five principles for a good tax system.

Dom Francisco de Assis da Silva led a group discussion which focused on Brazil. It argues that tax revenues should be used to promote the common good, equity and social justice, but this is not happening nearly enough in Brazil. The group argues that the country's political system – dominated by business – must be reformed and that transparency around and citizen monitoring of what the government does with tax revenues is also vital, along with reforms to make the tax system itself more progressive.

Voice from South Africa reflects a discussion among church leaders, academics and local NGOs. It echoes much of what is said in the earlier chapters and argues it is 'wrong' for an individual or company to act in a way which increases their own wealth while keeping other people in poverty. It also calls on churches to 'give a lead to the societies in which they live by challenging the political and financial structures that are used to deprive the poor of their rightful power and which subject them to continued poverty.'

Tax and the private sector reflects the relationship and learning Christian Aid has gained through our work with individuals and companies in the private sector. It recognises that change will be brought about by people within companies as well as outside them and acknowledges that companies can have a positive role within society but that like governments, they must be held to account. The paper concludes by suggesting that Christians within business can challenge accepted ways of working and encourage others to do the same, although it recognises that this is costly in a non-financial sense.

Chapter 1: Tax and international justice

Esther D Reed

'Billions of dollars are also lost through legal tax avoidance by multinational companies and wealthy investors, also enabled to a large extent by the world's tax havens.

'This not only deprives developing countries of public revenues needed to fight poverty, but may also be hindering those countries' domestic businesses from flourishing.'
Action Aid, *How Tax Havens Plunder the Poor*⁶

Most people react to reports like this with the intuition that something is *wrong*. But what is wrong and who is responsible? Laws might not have been broken. Few individuals will have interacted directly with others to harm them. Company directors have maximised shareholder value as they are obligated – often legally – to do. Yet something has gone badly wrong if profits are being declared and taxes avoided, thereby depriving citizens of countries where products are sold and profits are made of the payments required by governments and regional municipalities to meet public needs.

Many things – not one single thing – might have gone wrong. Governments might be rife with corruption or beset by structural weaknesses that make it difficult to collect tax. Developing countries might not have the information or capacity to collect the taxes owed to them. Anonymous shell companies might be used to shift profits between countries, disguising who really owns those profits. International processes to share information about company ownership and the reporting of taxes are not in place or adequately regulated.

Mechanisms whereby companies not paying their fair share can be tracked and exposed are not yet in place,⁷ and there are complexities surrounding where value is created if production is in one country, but the goods are completed and packaged elsewhere. Citizens in developed countries are slow to protest because consumer goods may be cheaper when companies avoid tax. Public opinion ebbs and flows, but rarely becomes electorally significant. Political leaders in developed countries are hampered by perceptions of hypocrisy.⁸

G20 finance ministers and the Organisation for Economic Co-operation and Development (OECD) are clear that:

'In an increasingly interconnected world, national tax laws have not kept pace with global corporations, fluid capital, and the digital economy, leaving gaps that can be exploited by companies who avoid taxation in their home countries by pushing activities abroad to low or no tax jurisdictions.'⁹

In July 2013, the OECD launched an Action Plan on Base Erosion and Profit Shifting (BEPS), identifying 15 specific actions needed in order to equip governments with the domestic and international instruments to address this challenge.¹⁰ The BEPS plan recognises the importance of addressing the borderless digital economy, and will develop a new set of standards to prevent double non-taxation, the need for closer international cooperation, greater transparency, data and reporting requirements. This Action Plan was fully endorsed by the G20 Finance Ministers and Central Bank Governors at their July 2013 meeting in Moscow and the G20 Heads of State at their meeting in St Petersburg in September 2013. The OECD reports, for the first time ever in tax matters, non-OECD G20 countries are involved on an equal footing.¹¹

Yet the problem remains of the gradual destruction of the base of trade in a given country. Exploiting gaps and mismatches in tax rules to make profits disappear for tax purposes distorts competition, may lead to inefficient allocation of resources by 'distorting investment decisions towards activities that have lower pre-tax rates of return, but higher after-tax returns', and is an issue of fairness 'when taxpayers (including ordinary individuals) see multinational corporations legally avoiding income tax, it undermines voluntary compliance by all taxpayers'.¹²

The OECD is committed to implementing effective anti-avoidance measures, including rules to improve transparency, restrict how profits are allocated within a given company or group, and more.¹³ But something has gone wrong.

Like national tax laws, Christian ethics have not really kept pace with the global realities of tax avoidance. This essay is an attempt to consider theologically and ethically what has gone wrong when multinational corporations can avoid tax to the extent that the OECD, G8 and G20 are concerned to act urgently. It is not easy to investigate what has gone wrong. Mindful of many complexities, this essay attempts three things.

1. To remind us that Christian ethics is properly and centrally concerned with questions about social justice, which entails debate about taxation. This involves restating some basic convictions about God revealed in Jesus Christ.
2. To argue for renewed investigation of why and how the common good was once a central theme in political, ethical and theological literature, and suggest that it has traction not only at the level of the nation state but also at the level of international affairs.
3. To discuss foci for action – from robust international regulation to personal responsibility for the influencing of public opinion.

The theological heart of the essay is found in Jesus' words: 'Render to Caesar the things that are Caesar's, and to God the things that are God's' (Mark 12:17) – with the emphasis falling on the second half of the sentence. The claim is not that Jesus gives us a direct answer to the question of tax avoidance. Mark does not yield a straightforward Christian policy on taxation. (Nor should we seek such a policy from this or any other biblical text.) However – and here is the nub of the matter – Jesus' words direct the hearts and minds of his hearers towards God, the origin and end of goodness, mercy and truth. Mark 12:17 gives a sense of direction to human life defined by love of God and neighbour. This is not to suppose that everyone believes in the God revealed in Jesus Christ as Father, Son and Holy Spirit. Christian tradition has never supposed this! But the basics required for coexistence are accessible to everyone and universally applicable regardless of religious affiliation, ethnicity, class, age or gender. All are subject to the demands of the good by virtue of mere existence.

Basic Christian convictions

The work of Christian ethics is not to formulate economic theory or political manifestos – though many Christian people are properly involved in these tasks – but to bear witness to Christ's redemptive work of salvation and the hope of transformation in Him. In doing this, Christian ethics carry forward a moral tradition from the earliest period of the church. However, that biblical teaching remains applicable to contemporary economic life and trading practices:

- The world was given by God to humanity in common. To take more than one's fair share is to steal from others (Isaiah 3:14).
- People have priority over goods and economic gain.
- Economic goods are to be used primarily to meet human needs.
- Sin forms in the hearts of both rich and poor. But the rich are especially prone to lusting after temporal goods and the acquisition of wealth in ways that pile misery on others.¹⁴
- The coming judgement of God should cause everyone to reassess and modify behaviour.¹⁵
- Simplifying our lives often means that we have more to give to others.¹⁶
- Christian ethics proposes God's future for the world.

The major concerns of Christian ethics are not with tax and tax avoidance *per se*, but with the gospel of Christ and the effects of human sin upon human life and relationships. This said, Christians have always been obligated to ask about how money is acquired and used, the purpose of property ownership, trading practices, notions of value, the meaning of money, and more, in ways that prioritise concern for the poor and disadvantaged.

A word of caution before turning in more detail to the account in Mark's Gospel of the debate about paying taxes to Caesar (Mark 12:13-17). Early Christian thinking was shaped in an environment where taxes were oppressive and administered rapaciously.¹⁷ Taxation was a sign of subordination and oppression. Those involved in its collection were suspected of collaboration with the occupying power and of enriching themselves dishonestly. This might have resonance in some countries of the world today. But there is no direct route from biblical references to taxation to international compliance regulations today. No single 'Christian' policy on tax can be pieced together from biblical texts. We must do more than turn biblical texts about taxation into simple proposals for reform and regulation.

The Earth is the Lord's!

With this in mind, we look more closely at Mark 12:13-17. Many have ventured interpretations of this text and its parallels in other Gospels. Nicholas Townsend has constructed a useful typology ranging from arguments that Caesar and God each have their own distinct realms (the 'two kingdoms' reading), through 'God's way above Caesar', to 'God against Caesar', and more.¹⁸ Townsend's own reading – to which I am sympathetic – draws attention to the literary context of Mark

12:13-17 between the parable of the tenants in the vineyard (12:1-12) and Jesus' teaching in the temple and cleansing of it. Jesus pulls the event onto his agenda of identity and recognition, and whether his questioners, who can identify the Roman emperor easily enough, will see that the reign of God is coming and recognise the vineyard owner's 'beloved son'.¹⁹

For our purposes, we are interested in the central dynamic that it has for Christian ethics, namely, giving back to God what God has already given. Three steps follow in establishing that the central dynamic of giving back to God bears upon the payment of taxes to Caesar as much as it bears upon any other dimension of life.

Give back to God

Many versions of Mark 12:17 use the word 'render' to translate *apodote* (Greek ἀπόδοτε). Hence Jesus' reply to the Pharisees and Herodians: 'Render to Caesar the things that are Caesar's, and to God the things that are God's'.²⁰ More literally, *apodote* can be understood as 'to give back or restore' (from *apodidomai* – ἀποδίδωμι). Jesus' choice of word is different from that used by the Pharisees and Herodians. They ask: 'Is it allowed to give poll-tax to Caesar? Shall we give or shall we not give?' (Mark 12:14),²¹ and use *dounai* (δοῦναι) and *dowmen* (δῶμεν) – from *didomi* (δίδωμι) meaning 'to give' – whereas Jesus uses *apodote*, which carries the sense of 'returning' or 'restoring', as when Jesus returned the scroll to the attendant in the synagogue at Nazareth (Luke 4:20), or returned the boy with an unclean spirit to his father (Luke 9:42).

The startling truth, of course, is that all things belong to God. So how does a person give anything to him to whom all things belong? What is to be given to God, to whom all the earth belongs and everything in it (Psalm 24:1)? In many respects Jesus leaves his listeners to supply their own answer. While Jesus may have taken in his hand the coin that bore Caesar's head, he did not take hold of anything that bears the image of God. It is not possible physically to showcase the things to be given to God.²² The ethical demand of the Gospel has no clearly representable limits, but has to be imagined, and is infinitely demanding.

Both Mark and Matthew's account of the debate about paying taxes to Caesar are followed within a few verses by Jesus' conversation with a young scribe or lawyer about the greatest commandment: 'You shall love the Lord your God with all your heart and with all your soul and with all your mind and with all your strength.' (Mark 12:30). The point is similar. Giving back to God what is due to God is a demand that requires infinite commitment and an experience of conscience that orients one's entire life in all its dimensions to God.

Nor is this experience peculiar to those who confess the lordship of Christ. Everyone experiences something like the unbounded love in Jesus' words. No one who has had a baby knew what would be entailed in loving that child. The demand was limitless, yet not without meaning. Becoming a parent requires developing good parenting practices. Becoming a good teacher is not satisfied by mere adherence to laws and professional guidelines, but entails striving to perform well.

Responsiveness to the demand of the good does not have to flow from acceptance of God's commandments, the revelation of God in Jesus, or any other faith-based claim, but is a primordial human capability for ethical living that may be presupposed in all human life. The human condition 'east of Eden' entails ceaseless striving to live well in every dimension of life.

The things that are God's

The seemingly infinite demand to 'give back to God the things that are God's' is encountered not only in the personal realm, but also in civic obligations. Basil of Caesarea makes this point when appealing to the common good, and it remains consistent in Christian tradition until the present day.

'If riches abound, set not your heart upon them (Ps. lxi.11). ... And just as a wide stream is distributed through the fruitful earth by many channels, so let your riches flow, that by many means they may reach the homes of the poor. Wells, when they are drawn from, flow forth in a purer and more abundant stream. Where they are in disuse they grow foul. And so do riches grow useless, left idle and unused in any place; but moved about, passing from one person to another, they serve the common advantage and bear fruit.'²³

For Basil and many other Christian teachers, the language of common advantage or common good is familiar.²⁴ Biblical accounts of the Garden of Eden may be understood symbolically to mean that God conferred on all humanity the authority and responsibility to take care of and distribute all the goods on earth.²⁵ While property ownership is necessary in a fallen world, Jesus himself owned no property (Matthew 8:20, Luke 9:58), and urged his followers not to gather treasure upon the earth (Matthew 6:19). Patristic writers have as a model the injunction to a rich young man to go and sell all that he has and give the proceeds to the poor if he wishes to be perfect (Matthew 19:21, Luke 18:22) and 'take extensive notice' of the blessings Christ has for the poor (Luke 6:20) and the criticism he has for the rich (6:24).

So the question becomes what and how personal possessions, as well as those things held in common

such as the seas and air, are given back in ways that honour God. Much Christian teaching has focused on personal responsibility, for example, tithing, lessening carbon footprints and living more simply. This is proper because agency and cause belongs to people. God is the source, or Arché, of *all* life and good, so our questions cannot only be about personal giving and decision-making, but also about aspects of life for which responsibility is shared out among many. 'Give back to God the things that are God's' is not fulfilled entirely by decisions at the personal level but extends to the societal.

Give to Caesar the things that are Caesar's

So what is owed to Caesar? This imperative is difficult for Christian people when taxation facilitates expenditure with which they disagree – whether nuclear weapons, military armaments or bailing out banks. For present purposes, we understand 'give to Caesar the things that are Caesar's' to mean giving to the public purse what properly belongs to it for expenditure in the community, the claim being that Christian ethics have a proper and central concern for monies given in taxation. The accent of the verse on divine sovereignty has consequences for all walks of life, including consideration of what is due to Caesar, why and how. Because the emphasis of Mark 12:17 falls on the second half of the verse, we may read it with this inverted ordering of the phrases.

But what *is* owed to Caesar? What properly belongs to the public purse? How much and what types of tax should be paid? Should a company pay a contribution to a society where it is based, but in which the government has granted tax exemptions? One cannot render unto Caesar until one knows what Caesar is asking for! Sometimes Caesar does not always have the interests of the country at heart.

Developing countries sometimes need economic policies to attract investors who may not otherwise go there at all. What are the links between corporate payment of taxes and corporate social responsibility (CSR), and some of the world's most intractable problems including poverty, community development, HIV/AIDS and climate change? What about those countries where a tax on profits might not be most efficient and a shift to resources taxes or sales taxes might better ensure that they receive a proper share? What about cases where corporation tax might not be the best way to make a contribution to the wellbeing of a country or region?

This is deeply complex. Enormous efforts have been made by corporations in the last two decades to publicise their commitment to CSR principles. For better or for worse, corporations are now

addressing, and are increasingly expected to address, the lack of primary healthcare in many rural locations, food insecurity, the need for roads and other infrastructure, including water supply and electricity.

Milton Friedman's famous 1970 article 'The Social Responsibility of Business is to Increase its Profits' now seems outdated in the extreme, as corporations seek to gain reputational advantage as the 'investment of choice' or company preferred by a given government because of their reputation as a problem-free, environmentally and socially responsible business.²⁶ Today's debates are not about *whether* CSR should take place but *how*. Yet if these same corporations are avoiding fair taxation by shifting profits into tax havens, such behaviour is deeply problematic because it further undermines the proper role of state and civil society (even if the latter are performing badly). CSR and tax payments or avoidance must be viewed together. Global companies are not civil or state authorities, and not accountable to the people in the same way.

Mark 12:17 gives no instructions about what tax is due to Caesar. Indeed, Jesus' words could hardly be more open at this point. 'The things' to be given to Caesar translates the Greek '*ta*' (meaning 'the'). What precisely is owed to Caesar is not specified at all! The Pharisees and Herodians might have been tempting Jesus to speak about the despised poll tax demanded by the Romans, or the circulation of Roman currency that was potentially idolatrous to Jesus' pious compatriots because coins bore the head of a supposed god. Either way, Jesus' answer admits of debate.

What *is* clear is the demand to consider what is owed to Caesar in the light of basic convictions about obligations to God and neighbour. Financial arrangements that prevent the vulnerable from enjoying reasonable opportunity to reach their potential, oppress the poor and powerless, or deal in deception, contradict the spirit of the kingdom.²⁷ It is also clear that Jesus expects more than mere adherence to the law. The Pharisees and Herodians asked a question about lawfulness. 'Is it lawful (Greek *exestin*) to pay taxes to Caesar, or not?' (Mark 12:14). Jesus' answer looks beyond mere adherence to the law to its fulfilment in love. This is important in the debate about tax avoidance, where techniques employed for the maximisation of profit are often legal and deemed by some to be moral.

That companies should be criticised, or even penalised, for not doing more than is required by law is said by some to risk undermining the rule of law on which liberal societies are built.²⁸ There is some criticism of the moral hysteria amid which companies are shamed into discontinuing tax avoidance 'which everyone knows is wrong',

because it might lead to the punishment of those who have obeyed the letter of law. Yet respect and care for the poor ranks higher in Jesus' list of priorities than adherence to the law.²⁹

Global corporations may properly be expected to exceed minimal compliance standards on taxation, where failure to do so undercuts the conditions required for the flourishing of all, and engage proactively with what is required for true wealth (decent wages, but also healthcare provision, education, human rights, infrastructure, a healthy environment, the rule of law and more) in the communities and countries in which they trade.

Tax and common good

In well-governed societies, the politics of taxation has to do with building the infrastructure needed for life, citizenship and the free worship of God. How much of this should be paid for by public taxation is open to debate. At its most basic, however, good government provides conditions for people to flourish – going to school, getting married, staying safe, being subject to judgement in the event of wrongdoing, and so on.

Taxation is the means by which the conditions for societal flourishing are made possible. Bad government neglects or harms these conditions, not least by the failure to collect and/or administer the expenditure of taxation. Tax provides the funds by which the common life of a society or people may be oriented toward peace and harmony; a primary means by which everyone appropriate is included within a functioning society characterised by lawfulness, good order and opportunities for advancement.

Discussion about the conditions for a people's flourishing has been conducted in Western philosophical traditions – from Aristotle to the present day – in terms of the good of the city or the common good of the people.

'Aristotle used the concept of "the common interest" (Greek *to koinēi sympheron*) as the basis for his distinction between "right" constitutions, which are in the common interest, and "wrong" constitutions, which are in the interest of the rulers; at one point he seems to equate "the common interest" with "justice".'³⁰

Christian traditions, especially those with roots in Thomas Aquinas, have adopted the same kind of language and recast it in theological terms. God is the common good (*bonum commune*), said Aquinas, for whom and because of whom all things exist.

'Thus it is said in Proverbs (16:4): "God made all things for Himself"; and in the Apocalypse (22:13): "I am Alpha and Omega, the First and the Last."

... All things are ordered to one end, God: since the good has the essential character of an end, all things are subordinated to God, as preceding ends under an ultimate end. Therefore, God must be the end of all things.'³¹

Aquinas' belief in an all-encompassing God allows him to affirm that every particular good is ordered toward the common good as its end – nothing stands alone in the flourishing it enjoys, but depends upon being part of a larger whole. Within this kind of world view, taxation makes possible the flourishing or wellbeing of the individual by bringing them into relation with the greater good. A family thrives in its relation to a wider community, local communities are part of a larger people or nation state, a nation state prospers through relations (such as trade) with other nation states, and so on.

It might seem odd to associate something as mundane as taxation to questions about our very humanity. Yet for centuries the vision of what it is to be human underlying both the Aristotelian and Thomist traditions has held that human beings are by nature communal animals whose coexistence must be treated as a common project if all are to survive and thrive. The common good does not just happen. Aristotle says that children are the good common (*koinon agathon*) to parents – a shared task or responsibility oriented toward building a common life, a family.³² The common good is not something whose substance may be defined, but a set of responsibilities pertaining to a shared project of which all are part. Contrary to what some neoliberals claim, the common good neither has nor requires clearly defined substantive content that may be specified *a priori*, because it is more like an activity, set of responsibilities or a common project, inconceivable when individuals are thought about as isolated one from another.

The goods of trade

A problem is that Christian thinking about common good can grind to a halt at this point because of failure to move from fairly general levels of discourse to more specific considerations. Hence this section is more specifically about the goods of trade and the development of good trading practices internationally and how they have implications for debate about the ethics of tax. The argument against tax avoidance develops in terms of the harms done to trading practices as well as to those affected adversely by exposure to global economic forces. The harms to trade and from trade are held together.

Not everyone who trades seeks to be a good trader. But most will have an opinion about what is going wrong or how failing businesses could do better. In Jim Crace's novel *Harvest*, it rapidly became apparent when villagers grew slow to tend the cattle, weed the vegetable patches, stack the straw and

wash the water pots. Not everyone cared because, by this stage, village life was breaking down for fear of Edmund Jordan's ambitions to enclose the common land to create pastures, remove the villagers' livelihoods and transfer the profits to himself. Violence had broken out. In this instance, the entire village ceased to function well. Not everyone had the critical distance and strength of character to analyse what was going wrong and take steps to redress the situation. Most fled when threats of violence became too great. Until that time, however, villagers had reprimanded those who failed to care for the animals or perform their daily labours. They might not have agreed about everything, but were capable of evaluation, disputation, bargain-broking and planning for the future in ways that held the village together. There had been broad communal agreement about behaviour and what practices were likely to produce the best outcomes for everyone. Practical wisdom requires moral judgement, depends upon reciprocal relationships, and implies a commitment to the good of others as well as oneself.

Responses to human sinfulness

The reality, of course, is that some people and companies will avoid tax by going beyond morally responsible tax planning to the exploitation of loopholes and the problems identified by the G20 and OECD as shielding profits from meaningful taxation. Why bother paying tax if one can get away without doing so? As Plato observed, most people believe in their hearts that injustice is 'far more profitable to the individual than justice'.³³

Three responses may be ventured. First, the good news of Christ is that sin will not triumph and death is defeated. This is why the believer does not fall into despair.

Second, the reputational risk to many companies is often too great for them to be exposed as tax avoiders. Where companies brazen it out, consumer activism can be surprisingly effective in changing behaviour. Powerlessness to effect change is cited by many in the developed world as a reason for doing nothing, but every disciple of Jesus concerned about tax justice is capable of protesting and reading the Scriptures to affirm 'thus saith the Lord'. Remember, Mark 12:13-17 is sandwiched between Jesus' cleansing of the temple (11:15-19) and foretelling the destruction of the temple (13:1-23). Tax justice, protest and prophecy within a few verses!

Third, legal frameworks backed by coercive sanctions are essential to curb human sinfulness in trading relations and to prevent harm to the vulnerable. Hence the urgent need for commitment to the BEPS and G8 processes which are underway, and the need for mercantile customary law to govern

the formation and enforcement of trade and the resolution of commercial disputes.³⁴ For trade to flourish sustainably, we need established practices and enforceable rules that bring good order to economic relations. Right now, the challenge is for regulation to keep pace with the global realities of tax avoidance. An eleventh principle should also be added to the UN Global Compact – which sets standards for global trade and currently address human rights, labour rights, environmental protection and anti-corruption measures.

As law professor David Scheffer advocates, the eleventh principle should be identified as 'Fair Taxation' and read: 'Businesses should undertake measures to promote fair taxation of their revenues, including non-resort to tax avoidance schemes and prohibition of any tax evasion practices'.³⁵

Globalisation and tax justice

So far, this essay has linked Jesus' teaching about tax to thinking about common good and to the goods of trade in local and national contexts. Yet issues of tax justice today concern not only how the nation state should function as a unit for thinking about justice, but what should count as a just ordering of economic relations in a globalising world. So the question becomes more sharply whether we can really speak of common good and the goods of trade internationally. Who counts as a fellow subject for the purposes of taxation on the global stage? What might be done to promote these reforms?

Globalisation is changing the way we think about tax and related questions of justice. Within the national public sphere, legal requirements state what society holds that citizens owe one another. Individuals and politicians might disagree about the extent to which the state must engage in redistributive taxation in order to ensure a fair distribution of wealth and income in the society it governs. But the boundaries of justice have been relatively clear. For many years, the territorial nation state has provided the limits within which to debate the kind of societal infrastructure that will allow for the flourishing of all, and how to pay for it. A tax has been understood traditionally to be a compulsory payment imposed by a government on its citizens to meet public needs.³⁶ Today, globalising processes in trade and other financial transactions mean that the dividing line between domestic and international justice is often blurred. Decisions taken in one nation state affect the lives of people elsewhere, but the reference points against which to ask questions of justice are shifting and blurred.

When legal and moral obligations are no longer framed by the concept of the sovereign state and democratic pressures, it becomes unclear who

should be included among those entitled to make even minimal justice claims on one another. Familiar debates within nation states about the levels of taxation on income, property, sales, imports, estates and gifts do not provide a template for the actions of transnational corporations. While many argue about what constitutes a just taxation policy and the appropriate ordering of social relations within the society of a nation state, the bounds of the debate have been relatively clear. Taxes are paid for the sake of order and an infrastructure that puts out fires, keeps the streets safe, ensures legal safeguards for businesses and employees, makes sure that food and water are safe, educates children and more. A nation state is a kind of community with a sense of being 'we', belonging together, sharing resources and responsibilities, entailing diverse modes of neighbourliness, some of which are exercised locally at the community level and some through national institutions, including the tax office.

At the international level, it is less easy to make sense of the concept of common good in terms of the dynamics of community life, what is required for business enterprise in a given location, political deliberation, and so on. The international community does not share a sense of membership, proximity, customs and culture, loyalty to political offices such as a president or a monarch, ideals or commitments, or polity closely analogous to the nation-state. Hence moral vagueness around who (whether an individual or corporate agent) is obliged to recognise extra-legal duties toward others across the borders of (potentially) many nation states contributes to the ease with which we can satisfy ourselves that minimal moral duties have been met. Witness the wariness among some Christians to talk about international law because it has no 'place' analogous to state law.

The challenge is how to frame the debate about moral obligation, tax and tax avoidance given that the post-Westphalian political context is no longer delimited by the concept of a sovereign state, when it is not clear who should be included in those entitled to make justice claims, or what kinds of international trading law and global authorities are required to ensure the conditions for a sustainable and healthy global free market, including trade agreements between unequal partners.

'Who?'

A natural move in Christian ethics when faced with a 'who?' question is to ask it with reference to Jesus' response to the lawyer who asked: 'And who is my neighbour?' (Luke 10:29), and to observe that Jesus did not give a straightforward answer (such as, all these people are your neighbours), but instead gave the example of the behaviour of the Samaritan

in relation to the man who fell among thieves. This response has the benefit of reinforcing the importance of personal encounter, being available for others, establishing patterns for responsible action, expecting neighbourliness to entail costs, and more. A problem is that reducing 'who?' to answers that are predominantly personal can leave us ill-equipped to address questions of tax justice at the international level, where the question requires mediation through institutions, legal regimes, and authorities as dubious as that of the Caesar upon whose image Jesus gazed having requested the denarius.

Biblical teaching prepares us in many ways to reclaim the political, institutional and transnational dimensions of loving our neighbour, although these are easy to overlook in favour of personal modes of interaction, including charitable giving. Jesus reminded Pilate that he would have had no political authority unless given from above (John 19:11). Paul teaches that every person should be subject to the governing authorities 'for there is no authority except from God' (Romans 13:1). Biblical teaching is not monochrome. While Paul's instruction in Romans 13:1-7 to be subject to the governing authorities because they are God's servants sits uneasily with texts that appear to designate earthly governors as destroyers of the earth who are themselves set for destruction (Revelation 4:2-11, 5:6-10), we should still take seriously his emphasis on conscience in affirming that members of the church should pay tax:

'For the sake of conscience ... Pay to all what is owed to them: taxes to whom taxes are owed, revenue to whom revenue is owed, respect to whom respect is owed, honour to whom honour is owed.' (Romans 13:5-7, English Standard Version)

Paul's context is different from our own.³⁷ Indeed, our problem is that international authorities are not demanding the payment of taxes for the sake of good governance. But the point is that Christian people should also expect diverse forms of earthly governance to play their role within divine providence, and that this will necessarily entail questions of authority, political institutions, fear and justice.

At a time when secularist theory has no clear answer to the 'who?' question of tax justice, but moves between new cosmopolitanism and state-based realism, Christian people are obligated to think harder about international modes of earthly governance for common good. Love of neighbour is not only about personal encounter (though essentially it remains this), because God's lordship also extends over all history, economic and political institutions, legal authorities and structures.

Some secularist ethical theorists talk about cosmopolitanism and see the world as a global village of which we are all members, where the ethical challenge is to prioritise the equality of every citizen of the world, and are more likely to question the morality of national leaders acting exclusively in the best interests of their own people.³⁸ Others emphasise the moral and political significance of national borders in framing the debate about international justice, with the challenge on the international stage being to help all people to develop domestic capacities by which to exercise fair government including the collection of taxes.³⁹ Each side has its merits and Christian people line up on either side of the debate.

Three points may be ventured. First, it is clear that Christians cannot answer the ‘who?’ question of tax justice solely in terms of geographical proximity. Tax is now an international issue. Second, the demands of conscience and love of neighbour can, and must, be mediated – at least in part – through international economic and political institutions, legal authorities and structures. Third, the simultaneity of the believer’s membership of the church local *and* universal (or ‘catholic’) is reason to resist false polarisation between citizenship of a given country and of the world, cosmopolitanism and state-based realism. Christians have both the resources and reasons to think about the ‘who?’ question of tax justice in dynamic, interactive terms that take account of the many ways in which humans (and other creatures) belong one to another.

‘What?’

The precise ‘what?’ of tax justice will vary from place to place, but also requires international framing. The common good – that is, the collaborative project of working toward the good which includes the goods of trade, education, cultural exchange, and such like – will look vastly different on the outskirts of a Brazilian city from a farming community in South Africa or trading corporation in Pakistan. Fundamentally, however, to the extent that tax avoidance undermines common goods, including the renewability of trade, it hurts everyone:

‘The good of the city is the greater and more perfect thing to attain and to safeguard. The attainment of the good for one person alone is, to be sure, a source of satisfaction; yet to secure it for a nation and for cities is nobler and more divine.’⁴⁰

Whether experienced as a city’s infrastructure, air that will poison us all if polluted, or the seas from which we fish, the baseline ‘what?’ of tax justice is the common good or our shared project of living, in which individual flourishing that exceeds

immediate self-interest, contractual arrangements, possessions and barter, a mode of being human and/or kind of activity wherein our own potential, is held open to the future in relation to the good of all. The ‘what?’ of tax justice is less about this or that specifically than the need to keep asking the question, putting effective regulations in place, and ensuring that they are observed.

But remember! The real tragedy of the commons, as Timothy J Gorringer writes, was not overgrazing *per se*, but the failure of community where neighbours did not police one another and maintain standards of behaviour collectively necessary for survival and mutual flourishing.⁴¹ The ‘what?’ of tax justice demands not the same arrangements as in medieval England, but common ownership of tax justice as a challenge and responsibility that belongs to all relevant parties. There is no single global ‘who?’ or answer to the ‘what?’ of global justice. The common good is a common project for the benefit of all. All are variously responsible for keeping issues of tax justice ‘live’.

In so doing, the Christian may gain strength and resolve by remembering:

- The world was given by God to humanity in common. To believe that humanity is created in the image of God is to believe that every person is created for good.
- The common good is humanity’s shared project of living together. (It takes different forms at different times and places.)
- Many disordered loves, including the love of money, threaten to corrupt every person’s relationship with God and neighbour, and the common project of living together for the good of all.
- People matter more than profit.
- Profit should never be the end but only the means of economic endeavour. The end (*telos*) of trade is to supply useful products or services to individuals and communities, thus furthering common good.
- Politically, economically, and otherwise advantaged parties, are under the higher obligation, within their means, to ensure the sustainability of conditions required for the practice of good trade, including appropriate taxation.
- Taxation is a significant means by which the common life of a society or people is made possible. Hence tax justice is a key consideration for local and global common good, and their interrelation.

- Tax justice in Christian perspective is governed by Jesus' command to 'give back to God what is God's' (Mark 12:17), and also the imperatives to love God and neighbour (Mark 12:30-31) and 'do unto others as you would have them do unto you' (Matthew 7:12, Luke 6:31).
- Tax justice demands trading practices undistorted by deception, coercion, contrived monopolies, collusions based on bribery, and all other manipulations of market conditions to avoid 'base erosion and profit shifting'.
- The realities of human sinfulness mean that coercive measures in both the nation-state and international community are necessary to prevent tax evasion, restrain tax avoidance, and prevent serious dereliction with respect to the practices of good, sustainable trade.
- The practicalities of tax justice will be context-specific and various but are likely to entail 'proportionate reciprocity' between all relevant parties to the trade, reciprocity being proportionate to the different values of the products or services exchanged.⁴²
- The resurrection is the believer's reason not to despair and keep working for tax justice amid the realities of injustice.

'How?'

How can progress be made toward tax justice? Pope Benedict XVI called for the creation of a global public authority for the service of the common good. His vision has a clearer definition of the role of public authorities at the international level, primarily in the context of problems with financial systems.⁴³ In continuity with much Catholic social teaching, *Caritas in Veritate* urged the fundamental rights of every individual to food, water and conditions conducive to their economic growth, approaches to business enterprise that involve a wide range of social values, and an approach to globalisation that does not succumb to fatalism, but defines the role of public authorities, nationally and internationally, more clearly – with a view to respecting the rights of workers, meeting our duties toward the natural environment, and giving rise to a market that is 'not only more civilized but also more competitive'.

Pope Benedict's call for the creation of a global public authority has been criticised as reflecting the worst aspects of Roman Catholic hierarchy and his belief that a strong international institution, similar to the Vatican's governance of the Catholic world, is controversial and uncomfortable for those who advocate minimally regulated markets.⁴⁴ Pope Benedict was explicit, however, in appealing to the principle of subsidiarity:

'In order not to produce a dangerous universal power of a tyrannical nature, the governance of globalization must be marked by subsidiarity, articulated into several layers and involving different levels that can work together. Globalization certainly requires authority, insofar as it poses the problem of a global common good that needs to be pursued. This authority, however, must be organized in a subsidiary and stratified way, if it is not to infringe upon freedom and if it is to yield effective results in practice.'⁴⁵

His priority, however, was the development of national and international infrastructures to ensure just and equitable trade that can be beneficial to everyone.

We need both a 'bottom up', transactional approach to the development of good trading and taxation practices and the type of 'top down' reform of the United Nations, economic institutions and international finance suggested by Pope Benedict. A 'bottom up', transactional approach demands moral leadership from CEOs, shareholders, business people and others. A reform 'from above' approach would require the cooperation of world leaders, transnational companies and NGOs. The G8 Lough Erne Declaration 2013 currently provides a reasonable set of objectives:

1. Tax authorities across the world should automatically share information to fight the scourge of tax evasion.
2. Countries should change rules that let companies shift their profits across borders to avoid taxes, and multinationals should report to tax authorities what tax they pay where.
3. Companies should know who really owns them and tax collectors and law enforcers should be able to obtain this information easily.
4. Developing countries should have the information and capacity to collect the taxes owed them – and other countries have a duty to help them.
5. Extractive companies should report payments to all governments – and governments should publish income from such companies.⁴⁶

For what am I responsible?

It seems a long way from international tax avoidance issues to our living rooms, but the Bible and Christian tradition consistently bear witness that living responsibly before God is properly and centrally concerned with questions about social justice, including taxation.

Few of us can act significantly on the international stage, but this is not the extent of responsibility. We can all shop differently, learn more about how tax havens work, investigate further the economic, technical and political complexities involved, ask the 'Who?' question of tax justice that keeps us close to the faces and lives of all affected by tax avoidance, allow thinking locally about tax justice and common good to inform our thinking globally, and vice versa.

'Politics is not the naked operation of power or an ethics-free agonism, it is an ethical practice that is driven by a response to situated injustices and wrongs'.⁴⁷

And something *has* gone wrong when the citizens of those countries in which products are sold and profits made do not benefit from the payments properly imposed and required by governments in order to meet public needs.



A mass demonstration of public support, organised by Enough Food For Everyone IF (a coalition of over 200 UK organisations), marks the start of a 10 day countdown to the 2013 G8 summit in Northern Ireland.

Chapter 2: Tax and government

Angus Ritchie

Introduction

A Christian view of taxation will flow in large part from a Christian view of government. What is the legitimate role of the state and in particular, to what extent is it entitled to compel citizens to fund its activities?

Like any political or theological question, we need to note the vantage point of those who are asking and answering. It is all too easy for debates on these issues to assume unwittingly the perspective of those with political and economic power; a vantage point very different from that of the Gospels, or indeed of the majority of Scripture.

The Gospels are written from the perspective of those without political and economic power. No other books of the time are written in such popular, common Greek. None are so focused on the 'multitude' (*ochlos*). Precisely because of the social context of the Gospels (and indeed of the New Testament), they do not provide us with a worked-out theory of the role and limits of government. They are not, in the first instance, written for an audience who will have any ability to reshape the power and nature of the state. For the initial readers of the New Testament, government was as much to be endured as enjoyed.

As we consider the issues of government and of taxation in a very different world – where some multinational corporations have more wealth and power than many states – the interests and experiences of the poorest need to remain at the forefront of the discussion. In this way, we will discern a distinctively *Christian* answer to the question.

In this essay, I will argue:

- for the '**primacy of the social**' – that is, for an account of the relationship between citizens and their government which gives a central role to voluntary association and civil society
- that a flourishing civil society, and a prosperous economy, requires a **robust and accountable state**
- that this places a duty on individuals and companies to **contribute to the activities of that state through taxation**
- finally, I will propose **five characteristics of a good tax system**.

The primacy of the social

As I observed above, your view of the institution of government will depend greatly on where you are standing. In many parts of the world, if you are among the most vulnerable and marginalised, the state is at best an ambiguous institution. However, Christians should consider even the best-run and most accountable government to be secondary to free association of citizens – through religious and civic institutions such as churches and mosques, trade unions and community associations. John Milbank argues that the ‘primacy of the social’ is central to Christian teaching on politics and economics:

‘Free association is vital to any definition of society – with equal weight to both components of the term. It is about liberty, yes, but liberty achieved through people coming together to explore a common purpose. We don’t have a significant range for our freedom if we are acting alone; we can be freer together than in isolation. This insight has implications far beyond both politics and economics, but is often excluded by both.

‘Right-wing parties have tended to speak in the name of economics, defending the unfettered rights of commodity exchange. Left-wing parties have tended to speak in the name of the political, arguing for the importance of a hierarchical bureaucracy designed to maximise public happiness and equality of opportunity. However, this division was always more apparent than real: both left and right agreed that the only viable public goals are the secular ones of maximising material contentment and private liberty. The Christian vision of society offers a great deal more.⁴⁸

Milbank is highlighting here what he calls the ‘primacy of the social’ – of the institutions through which human beings associate freely to discern and promote the common good.

Christianity affirms the ‘primacy of the social’ because we worship a God who is Father, Son and Holy Spirit. To grow into God’s image is necessarily a corporate activity, for communion is at the very heart of God’s triune life. While God is beyond our comprehension, the analogies we must draw on to speak of him are *both* those of unity (one God) and of community (three persons). The Christian faith is not simply that God loves us, but that God *is* love; that he made the world in love and for love. In John’s Gospel, Jesus draws an explicit analogy between the love that flows within the Godhead, and the love his followers are to share. He prays:

‘On behalf of those who will believe in me through their word, that they may all be one.

As you, Father, are in me and I am in you, may they also be in us, so that the world may believe that you have sent me. The glory that you have given me I have given them, so that they may be one, as we are one, I in them and you in me, that they may become completely one. (John 17:20-23)

St Paul’s teaching on the unity of all Christians within the Body of Christ develops this image of Christians being ‘one’ with Christ ‘in them’. By the indwelling of the Holy Spirit, Christians are drawn into one body, with Christ as our head – a body which therefore shares in the life and love at the very heart of the divine (1 Corinthians 12:12f, Ephesians 1:22-3, Colossians 1:15f). This is what it means for Christians to be ‘partakers of the divine nature’ (2 Peter 1:4, English Standard Version).

The challenge to ‘repent and believe the good news’ is addressed to each of us individually; the Christian understanding of salvation is necessarily corporate as well as individual. We grow into the image of God together. And because God has become flesh in Jesus Christ, the most mundane human interactions can help or hinder such growth.

The whole Bible, Old and New Testaments alike, takes our material nature seriously. In its teaching on both personal and economic relationships, the central question is how our physical interactions are going to embody faithfulness, generosity and love. We can exploit one another’s bodies, viewing other people simply as instruments of our own pleasure and power – or our physical interactions can help us grow into the image of God. It is through the practical love we show to our fellow human beings that we grow beyond ourselves. Love of God and love of neighbour are absolutely inseparable, and love of neighbour has a material, as well as a spiritual, dimension. In the words of the New Testament: ‘No one has ever seen God; but if we love one another, God lives in us and his love is made complete in us.’ (1 John 4:12, New International Version)

The theologian Stephen Long gives us a set of questions to ask of all our interactions with other people:

‘Is charity furthered? Do our exchanges point us to our true source? Do [they] fit the mission Christ has entrusted to us? Do [they] allow us to participate in God’s holiness and God’s perfections? All Christian churches, orders and vocations cannot be faithful if they fail to ask and answer this question: How do our daily exchanges promote that charity which is a participation in the life of God?’⁴⁹

It is interesting that Long chooses the word ‘charity.’ In recent usage, it has of course become associated with the giving of money and the delivery of services

to those in need. But in its older sense, 'charity' speaks of relationship. In the language of the Prayer Book or the King James Version of the Bible, 'to live in charity with one another' is not merely about financial transfers from wealthy to indigent. In its older meaning, 'charity' refers to a whole form of life. It speaks of a set of relationships and exchanges which are mutually enriching.

As we see in the First Letter of John, we share in the life of God precisely by growing into this 'charity'. Christian ethics and indeed politics are fundamentally about communion. Other moral concepts, such as duties, obligations and rights, are necessarily derivative. The primary reality is the creative hospitality of God. From this all other values and obligations flow.

Not surprisingly then, there is extensive teaching on wealth in the New Testament. However, its primary reference is to the corporate life of the community of believers, and not to the operations of the state. Indeed, the injunctions in the Gospels which *do* relate to government are largely addressed to agents of the Roman government – tax collectors and occupying soldiers – commanding them not to use their power to extort and oppress others.

Free association is (in human terms at least) the primary engine of social justice. The anthropologist Margaret Mead observed that we should 'never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it is the only thing that ever has.' From biblical figures such as Moses and John the Baptist through to leaders of the movements for social justice in South Africa and Latin America, it has been those thoughtful, committed citizens who have instigated the most fundamental transformations. A great many of them have shared the conviction that lasting transformation involves divine as well as human agency. Such transformation does not usually begin with isolated individuals or the actions of the state, but with humans in community.

Because Christian theology emerges from the 'free association' which is the body of Christ, and because of the value it places on civil society more generally, we should be suspicious of any political discourse which speaks only of 'the individual' and 'the state'. Christian accounts of the role of government should begin not with the institutions of the state, but with the free association of citizens to discern and promote a common good. Particularly in the global South – but, perhaps surprisingly, also in the 'secular' North – religious institutions remain among the most powerful and resilient parts of civil society.

Jesse Mugambi, Professor of Philosophy and Religious Studies at the University of Nairobi, has warned against interventions which

underestimate the role of these institutions in African societies:

'Religion is the most important force for social mobilisation in African societies... Any externally sourced initiatives which ignore, overlook or denigrate African religiosity will not succeed, because they will be rejected as alienating innovations by the majority of African communities, to whom religion is the essence of life, and the basis for personal and communal identity.'⁵⁰

Indeed, Christian Aid's own practice – of working through local partners in civil society, frequently, but by no means always, religious organisations – embodies both the recognition of the existing importance of such institutions, and a commitment to the development of their capacity.

There is a sense in which these free associations of citizens are prior to both the individual and the state. Individuals only come to exist because of social interaction. Both our conception and our nurture depend on others. The faculty of language – so essential to individual autonomy and expression – is intrinsically social. Without others, we would not exist, survive, or be capable of reasoning and choice. We do not come into the world able to choose what obligations we incur, or what relationships we form. We are dependent on the care of parents and of the wider community, and so by the time we reach adulthood we have incurred obligations – to those who have cared for us, and to the next generation whom we will need, in different ways, to nurture and support. All these factors underline the 'primacy of the social'.

If the 'social' is logically prior to the individual, it is even more obviously prior to the nation state. Having geographically bounded areas in which one sovereign power has a monopoly on the use (or at least, the authorisation) of force is not the only way human beings could organise themselves. It is historically and culturally contingent, and indeed was imposed on many parts of the globe (particularly in the global South) by the process of colonisation, and the granting of independence to entities whose borders had often been drawn in a fairly arbitrary fashion by colonisers.

Human beings organised into associations, by no means always voluntary in nature, long before the nation state emerged, and the rationale for government in something like the form we now have must flow from the good it offers communities, families and individuals. Indeed, at their best, the institutions of local, national and international government are expressions of 'the social' – of human beings acting together to discern and promote a common good.

Civil society needs an active state

While ‘the social’ may be prior to the nation state, it flourishes best where there is robust and accountable government. That is why Scripture provides a definite (if limited) role for the state. The Old and New Testaments both acknowledge a place for something that goes beyond either the choices of the individual citizen or their purely voluntary associations. This takes different forms at different times in history, but there is clear biblical warrant for action by *some* kind of government to address inequalities in wealth and opportunity (most notably in the practice of the Jubilee Year outlined in Leviticus 25), to prevent injustice and oppression (Psalm 72 and Romans 13), and to create the conditions in which virtue can flourish (1 Peter 2). It is hard to see how these objectives could possibly be secured without action by government as well as the voluntary associations of civil society.

A large part of *both* our need for government *and* of its attendant dangers flows from human sinfulness. When power is unequally distributed we have a tendency to abuse it. For genuinely free association to flourish, government needs to defend the interests of the weakest and most vulnerable. Otherwise, the institutions of civil society can either themselves become oppressive – or will be too weak to defend people against oppression.

The experience of the nation state in the global South has echoes of the ambivalent attitude to government in the Old Testament. The citizens of many states shaped by colonial rule will recognise the warning about state power which Samuel gives to the people of Israel as they long for a king:

‘These will be the ways of the king who will reign over you: he will take your sons and appoint them to his chariots and to be his horsemen, and to run before his chariots; and he will appoint for himself commanders of thousands and commanders of fifties, and some to plough his ground and to reap his harvest, and to make his implements of war and the equipment of his chariots. He will take your daughters to be perfumers and cooks and bakers. He will take the best of your fields and vineyards and olive orchards and give them to his courtiers. He will take one-tenth of your grain and of your vineyards and give it to his officers and his courtiers. He will take your male and female slaves, and the best of your cattle and donkeys, and put them to his work. He will take one-tenth of your flocks, and you shall be his slaves. And in that day you will cry out because of your king.’ (1 Samuel 8:11-18)

In Christian Aid’s 2010 report *Power and Governance: Lessons and Challenges*, we are cautioned not to assume, particularly in post-colonial states,

that citizens are ‘involved in a social contract with a benevolent and democratically elected state obliged to deliver services to them’. Instead, it observes: ‘The reality in many countries where Christian Aid and its partners work is somewhat more complex.’

The report draws on the argument made by Charles Abugre that:

‘People and cultures that have been shaped by a previous experience of colonial rule, which saw people discriminated against and denied their rights, are unlikely to perceive themselves as principals from which state actors derive their power. They are likely to view their relationships with states in quite different terms. In many instances, they will have been socially conditioned to accept that they are in an inequitable relationship with a powerful state.’⁵²

By the same token, the Old Testament later expresses a positive role for government, which reflects the other threats to citizens – poverty, exploitation and violence – which are far more serious when there is an absence of order and accountability. Psalm 72 expresses the vocation of government, in a form which is much longed for by people who endure the arbitrary violence which occurs in the absence of a robust and accountable state. The king ‘delivers the needy when they call, the poor and those who have no helper. He has pity on the weak and the needy, and saves the lives of the needy. From oppression and violence he redeems their life; and precious is their blood in his sight.’ (Psalm 72:12-14)

In the biblical context, as in our own day, the coercive power of the state, if exercised well, is a bulwark against the arbitrary and unjust exercise of force. For all that state power may be experienced as a mixed blessing, the absence of a robust and accountable state is felt most keenly by those who are most vulnerable. Moreover (as Esther Reed has reminded us), there is more to the role of government than acting as a check on human sinfulness. Some very positive goods cannot be realised by the uncoordinated actions of individuals and voluntary associations.

One significant difference between the biblical context and that of the global South today is the strength of multinational corporations, which often exceed the state in economic power and wealth – and are largely accountable to their shareholders, rather than to any wider conception of the public good. The scale of these institutions makes it all the more important that there are robust governments to hold them to account, and ensure their activities do indeed serve the common good.

The tragedy of so many of such countries is that rich natural resources are extracted with little or

no discernible benefit for the vast majority of citizens. Of course, this is all too often due to *bad* governance – but there is a need for governments to be strong as well as virtuous if the great value of these resources is to be harnessed for the good of the people. There is debate about the extent to which companies engage in trade mispricing (artificially suppressing the income they earn from activities such as resource extraction, to reduce payments to government), but few would doubt that it has a significant impact on the incomes of governments in the global South – and in their capacity to deliver services and develop robust and accountable democratic structures. Transfer mispricing is only one aspect of a wider issue: namely, that the extraction of hugely valuable resources occurs without the vast majority of citizens benefitting. In the global South, many of the countries with the greatest natural resources are the most ravaged by conflict, and have the most disadvantaged citizens. Whether by taxes on profits, or specific charges which recognise the value of the extracted resources, there is an urgent moral issue here – and both governments and multinational corporations must recognise their moral responsibility to act in ways that are for the good of the countries in which they work.⁵³

As the Roman Catholic Bishops of Latin America and the Caribbean remind us, we must recognise that in the contemporary context, the capacity of communities to discern and pursue the common good is often undermined, not by an over-powerful state, but by governments too weak to hold multinational companies to account. As the bishops indicate, there is a need to hold corporations to account both for their activities within Latin America and the Caribbean, and for the ecological impact of their behaviour far beyond its shores:

‘Financial institutions and transnational companies are becoming stronger to the point that local economies are subordinated, especially weakening the local States, which seem ever more powerless to carry out development projects at the service of their populations, especially when it involves long-term investments with no immediate dividends. International extractive industries and agribusiness often do not respect the economic, social, cultural, and environmental rights of the local populations, and do not assume their responsibilities.

‘Preserving nature is very often subordinated to economic development, with damage to biodiversity, exhaustion of water reserves and other natural resources, air pollution, and climate change... Latin America has the most abundant aquifers on the planet, along with vast extensions of forest lands which are humanity’s lungs. The world thus receives free of charge

environmental services, benefits that are not recognized economically. The region is affected by the warming of the earth and climate change caused primarily by the unsustainable way of life of industrialized countries.’⁵⁴

The power of government and the agency of individuals, families and civil society are not, therefore, in direct competition. Government action and citizens’ freedom do not make up a ‘zero-sum’ game. Rather, a robust and accountable state is needed if citizens are to be free from coercion, and able to secure the resources they need to flourish. The state has a vital role in enabling citizens and communities to be genuinely free.

This claim is borne out by the testimony of those voluntary associations. For they frequently call on governments to act, precisely to create and secure the conditions in which families and communities can flourish, and to challenge the structural injustices which prevent such human flourishing.

In Britain, the Citizens UK alliance brings together religious and civic associations in some of the country’s poorest neighbourhoods. While it began with Mead’s ‘small, committed group of thoughtful citizens’, the concerns and aspirations of these organised citizens imply a need for action by government as well as by civil society, businesses and individuals. Drawing on research into young people’s wellbeing conducted by The Children’s Society, I have argued elsewhere that in tackling child poverty, certain goods can only be realised and certain evils tackled in partnership with local and national government. For the state to ‘take civil society seriously’ means something other than the abdication of governmental responsibilities towards those in greatest need. It means placing government at the service of citizens; not only ‘citizens’ as individual voters, but as they come together in voluntary association. On the issue of child poverty, the experience of civil society in the poorest neighbourhoods has two clear messages for politicians. Firstly, when government simply retreats – when it abandons families and children to the unregulated market – the common good is betrayed. Secondly, however, the way government intervenes needs to respect and build upon the existing activities and relationships of inner-city families and communities.⁵⁵

This same point – that families and communities need an active state, but one committed to acting in ways that complement grassroots initiative – is echoed by civil society organisations in the global South. *Power and Governance: Lessons and Challenges* contains testimony from a wide range of non-governmental organisations in Asia, Latin America, Africa and the Caribbean. On one hand, they warn that an overweening and unaccountable

state can undermine the freedom and capacity for action of its citizens. However, they are also very clear that the flourishing of those same citizens and communities requires action by the state. The declaration from the Roman Catholic Bishops of Latin America and the Caribbean also offers us a range of issues where such governmental (and indeed intergovernmental) action is needed to defend the ‘economic, social, cultural, and environmental rights’ of citizens.

A good tax system will have to generate sufficient revenue to sustain the institutions and activities of the state so that it can carry out these functions. This will mean raising more money than covers expenditure in periods of economic growth, so as to enable the government to pursue counter-cyclical policies in periods of recession. Perhaps unsurprisingly, Oxfam’s survey of the impact of the global financial crisis on developing countries shows those who had built up such budget surpluses in the earlier period weathered it best – as they were able to maintain public services, and pursue counter-cyclical economic policies to minimise recession and unemployment.⁵⁶ A broad tax base will be needed, with significant contributions from both individual citizens and companies operating in a country, if such healthy public finances are to be maintained.

Of course, taxation is not the only possible source of governmental revenue, but the evidence suggests that it is the one most likely to deliver a state that is accountable as well as robust. Drawing on evidence from a range of developing countries, Olivia McDonald and Kadi Jamu show that there is a demonstrable link between good tax and good governance – and that states which are over-reliant on other sources of income (primarily international aid and income from natural resources) tend to have less accountable and responsive governance than those whose income is drawn from a broad tax base.⁵⁷

If civil society needs an active and accountable state, what action can citizens take to build good governance? It is evident that good governance does not come about spontaneously. Indeed, powerful interests will be challenged when local and national governments become more active and accountable. We should expect the process of improving governance to meet with active resistance from some of those interest groups.

If we truly believe in the ‘primacy of the social’, we will not simply attempt to convince those currently in positions of political and economic power to act more justly. Rather, we will recognise that the most effective antidote to injustice is to build the power of the poorest and most marginalised. The practice of community organising – strengthening the existing institutions of civil

society and building relationships across diversity among those who feel most keenly the weight of these injustices – is an attempt to do just that. It is those who experience injustice who have the greatest incentive to secure good governance and a more just tax system – and so the process of *organising these communities* is a necessary complement to the development of a *theological vision* of just taxation and good government. Of course, these two processes (building the power of the poorest and developing a compelling theological vision) are intimately connected. Community organising is itself a natural expression of that theological vision, for as we have already observed, the biblical witness shows God acting *with* and not simply *for* those with the most direct experience of injustice.

Compliance as a moral duty: Why citizens and companies need to pay their taxes

If a robust and accountable state is essential to the flourishing of individual citizens and of civil society, it is clearly a public good to which all who can will need to contribute. This argument alone provides a *prima facie* moral duty for citizens to pay tax.

In the next section, I will offer a parallel argument for the duty of corporations to pay tax – namely, that their activities also rely on the existence of a well-functioning state, and in consequence they have a duty to provide the resources which enable the state to function. I will make this argument with particular reference to the global financial sector, and the role of government in enabling it to flourish – but, as I will make clear, the argument applies to businesses more broadly.

The duty of business to pay tax

Often the debate about appropriate levels of taxation makes the mistaken assumption that business quite straightforwardly generates wealth, and governments then confiscate a certain proportion of that wealth. The issue is frequently represented as a simple trade-off, in which free enterprise increases the size of the ‘cake’ and government (through the tax system) then takes a ‘slice’ of the cake to spend on social goods such as education and healthcare. However, the relationship is in fact more complex. In fact, government creates the conditions in which wealth generation is possible. For enterprise and commerce to flourish, there needs to be more than the ‘night-watchman’ state so beloved of libertarians, in which the police and the military ensure people and property are free from violence and theft. For business to flourish, there also needs to be a well-trained workforce and a decent infrastructure (for example, transport) –

both of which 'public goods' are generally thought to be most efficiently provided by government.

Businesses, like individuals, can only exist and flourish because of a wider environment of nurture and support. This generates reciprocal moral obligations. It means that businesses are parasitic if they make use of the resources and infrastructure of a country without contributing to it through taxation. The 'cake' of wealth is not in fact generated by business and partially consumed by the state. Rather, the state and the citizens are coproducers of that wealth in the first place, which already generates a *prima facie* entitlement to a 'slice' in order to continue to provide the environment and the public goods in which enterprise and commerce are possible.

To demonstrate the truth of this assertion, we need look no further than the bail-out of major banks which followed the collapse of Lehman Brothers in 2008. It makes the point extremely vividly. Mervyn King, then Governor of the Bank of England, described the bail-out in the UK in the following terms:

'The sheer scale of support to the banking sector is breathtaking. In the UK, in the form of direct and guaranteed loans and equity investment, it is not far short of a trillion (that is, one thousand billion) pounds, close to two-thirds of the annual output of the entire economy. To paraphrase a great wartime leader, never in the field of financial endeavour has so much money been owed by so few to so many. And one might add, so far, with little real reform.'⁵⁸

If the issues were not so serious, the rationale for the bail-out would have brought a wry smile to the faces of those involved in the Jubilee 2000 campaign. The Jubilee 2000 coalition, in which Christian Aid played a leading role, highlighted the impact of the national debt of developing countries. It called for the cancellation of the crippling debts incurred by many developing nations, pointing out that the annual payments required to service the debt exceeded the flow of aid in the opposite direction. Many bankers and economists resisted the cancellation of the debt on the grounds of 'moral hazard'.

The concept of 'moral hazard' refers to a danger inherent in writing off any debts – namely, that reducing the repayments by someone who is burdened by a large debt may encourage irresponsible borrowing in the future.⁵⁹ As many of those involved in Jubilee 2000 observed at the time, this was an odd argument to make when debts incurred by oppressive dictatorships now burdened newly democratic states. If anything, many argued, the cancellation of the debt would *discourage* the truly immoral behaviour – namely, Western banks' willingness to allow dictators to burden their

nations with unsustainable debt, all too often funding expenditure which was not in the interests of the people.⁶⁰

There is a striking contrast between the treatment of these developing nations – and the resistance among many economists and bankers to the process of lightening their debt burden – with the treatment of the Western financial institutions at the heart of the 2008 crisis. These institutions were bailed out, at huge expense to national governments, without any worry about 'moral hazard'. As King observed, this bail-out was accompanied by very little action to ensure lessons were learned and those who had erred were held to account.

The sheer scale of communal resources which were mobilised by government to support the banking system vindicates the point I have been making about the vital role of government in the production as well as the distribution of wealth. The vast profits made in Britain's financial sector are made in no small part because of the secure environment provided by the state. That 'security' goes far beyond policing and defence, and even beyond the provision of a well-trained and healthy workforce, transport infrastructure and other such public goods.

Andrew Haldane, Executive Director for Financial Stability at the Bank of England, has estimated that the security provided to the top five UK banks by the fact they were 'too big to fail' (that is, the effective subsidy involved in their ability to take risks knowing the government would intervene if the consequences were life-threatening for the company) averaged £30bn per year between 2007 and 2009. In an address to the Institute of Regulation and Risk in Hong Kong, Haldane offered a number of reasons why this requires some kind of governmental intervention. Not only is this governmental activity artificially depressing these banks' costs, but the knowledge that they are regarded by the state as too big to fail contributed significantly to their excessive risk-taking:

'First, measures of the costs of [the financial] crisis, or the implicit subsidy from the state, suggest banking pollution [that is, damage to the wider economy generated by the excessive risks taken by these banks] is a real and large social problem. Second, those entities perceived to be "too big to fail" appear to account for the lion's share of this risk pollution. The public policy question, then, is how best to tackle these twin evils.'⁶¹

The experience of the bail-out reinforces the two arguments I have already advanced – firstly, that the flourishing of individuals and communities, and the existence and flourishing of businesses, requires a state which far exceeds the 'night-watchman' of libertarian theory, and, secondly,

that the ways in which individuals, communities and businesses benefit from the ‘public goods’ provided by business generate an obligation to fund them.

The cost to Britain’s poorest communities and the even greater cost to the global South of the mistakes which led to the financial crash might well be thought to generate some further obligations upon those who benefitted most from the activities of the financial services industries in the boom years. Haldane’s address talked of ‘banking pollution’, drawing an interesting analogy with the pollution a car exhaust might make. His argument is that, just as we might tax or regulate the car industry because of exhaust fumes, so intervention is needed because of the damage done by the banking sector. It is worth noting that, if part of the *raison d’être* for taxing the financial sector is the damage caused by irresponsible risk-taking, this implies a significant transfer of wealth to citizens of the global South, who have borne a considerable part of the cost of the global recession which followed the events of 2008-9.⁶²

We need to recognise that some states with less robust systems of governance are therefore less able to deliver ‘public goods’. It will not be possible to understand all legitimate taxation in such contexts simply as a charge for a services provided to the companies and individuals engaged in economic activity. In these situations, tax is being paid, not to fund governments *already* delivering public goods, but in order to *enable* governments to do so. Such tax revenue helps to build the capacity of the government – something which we have already argued is a contribution to the good of the citizens. The moral case for companies and individuals to pay taxes in this case comes from the fact that their use of the natural resources of a nation and the labour its citizens generates ethical obligations towards that country and its people. In this case, tax is to be understood not simply as a *payment for a service received but as a contribution to the wellbeing of those with whom individuals and companies engage*. In the next section, I will consider in more detail the obligations to pay tax which come from the needs of our neighbours, rather than simply the services the specific taxpayer receives.

Taxation, need and human freedom

So far, the case I have made for taxation relies on the specific benefits individuals and corporations gain from the activities of government – or the particular obligations incurred by the harm their own activities may have caused. However, Christian social thought goes well beyond this. It is not only because I benefit from an arrangement that I can legitimately be asked to fund it. As Esther Reed reminded us,

for Christians, our ownership of any portion of creation is greatly qualified by the fact that the ultimate owner of all things is God.

In consequence, my property rights are constrained, not just by an obligation to fund the services of the state from which I benefit, but by the needs of my neighbour. Because all things are ultimately God’s, we cannot allow human property rights to deprive the most vulnerable humans of their basic necessities. As Esther Reed has shown, this is a consistent theme of both Patristic and Thomist theology.

Of course, the fact that all things are ultimately God’s does not mean they are endlessly open to requisition by government. It is important to be clear that rates of taxation can be too high as well as too low! For, as I have argued above, governments are themselves morally ambiguous. The organs of the state are as vulnerable to ‘structural sin’ as the operations of the unfettered market.

One of the reasons private property is of value is because of (in Hannah Arendt’s words) ‘the sanctity of the hearth’ – the human need to have a space with some privacy and autonomy from which to engage with the public world. Far more than many thinkers, Arendt offers a nuanced account of the relationship between the private and the communal, arguing that it is precisely in order to engage well in the public sphere that individuals and families need a realm of ‘exclusiveness’ where they ‘choose those with whom [they] wish to spend [their] lives, personal friends and those whom [they] love’. For Arendt, some realm of private property and possession – which citizens may choose to share in more communal living, but in which such communal living is not compelled – is an essential bastion against totalitarianism.

While all this might point towards some form of small-state libertarianism, the logical consequences of Arendt’s arguments are in fact very different. If this kind of private space is necessary to enable citizens to be free, if some personal space is essential to a life of dignity, creativity and freedom, then (as Jeremy Waldron argues in *The Right to Private Property*) there must be a corporate obligation to ensure all citizens have some such property.⁶⁴ Waldron’s argument implies that genuine freedom requires some actual resources.

This same insight – that private property is a guarantor against both the excessive power of the state and the excessive power of other people – is at the heart of Catholic social teaching. In the late nineteenth century, Pope Leo XIII’s encyclical *Rerum Novarum (On the Rights and Duties of Capital and Labour)* made the point that a property-less worker is not free, but may well be coerced into accepting work at a deeply unjust rate of pay:

‘Were we to consider labour merely in so far as it is personal, doubtless it would be within the workman’s right to accept any rate of wages whatsoever; for in the same way as he is free to work or not, so is he free to accept a small wage or even none at all. But our conclusion must be very different if, together with the personal element in a man’s work, we consider the fact that work is also necessary for him to live: these two aspects of his work are separable in thought, but not in reality... Let the working man and the employer make free agreements, and in particular let them agree freely as to the wages; nevertheless, there underlies a dictate of natural justice more imperious and ancient than any bargain between man and man, namely, that wages ought not to be insufficient to support a frugal and well-behaved wage-earner. If through necessity or fear of a worse evil, the workman accepts harder conditions because an employer or contractor will afford him no better, he is made the victim of force and injustice.’⁶⁵

In Leo XIII’s view, private property is an essential institution. It allows individuals and families a space free from the dictates of others and of the State. This leads him to conclude that the very fact private property is valuable makes it right that such property should be available to as wide a group of people as possible.

If private property is essential to human freedom, it is a right of every person. The very reasons why we all need some independent property in order to have a space of freedom from the State is a reason for redistributive taxation. As ‘the earth is the Lord’s and all that is in it,’ Christian theology requires us to make every effort to ensure the good gifts of creation are used so as to make such freedom available to all – and also to promote those common, public goods that neither uncoordinated individual activity nor voluntary associations can deliver.

What makes a good tax system?

Biblical perspectives

So far, I have been making a fairly general case for an active role for government – both by drawing on the witness of Scripture and Tradition, and by considering what state action might be required to enable both civil society and commerce to flourish. It is always challenging to move from the level of general principles to specific policy recommendations, and there is an understandable temptation for Christian teaching to remain at the level of generalities.

However, biblical teaching is rather more specific. In the Torah, we are given some quite detailed

economic regulations, designed for an agrarian economy in a very different age. A key challenge in engaging with this body of Scripture today is to avoid two opposite temptations – *either* to focus too literally on injunctions designed for a very different context *or* to assume that, because those contexts are so different, the passages have little or nothing to say to the contemporary debate.

The usury law is a case in point, where for the first 1,300 years of Christian history, the church sought to uphold the principle that money should not be lent at interest. As economic developments made that position increasingly untenable, wholesale opposition to usury shaded in practice into a much more dubious position: that, while Christians should not lend money, they should be allowed to behave in ways that were parasitic on others doing so.

The financial crisis has led Christians to pay renewed attention to these texts – and to recognise that, while they cannot be applied literally in a very different economic system, they still have something to say to it. As I have argued in more detail elsewhere, the usury laws need to be understood as a restriction on the abuse of economic power. They assert (in direct opposition to libertarianism) that a transaction which is on the surface voluntary may be morally unacceptable, because of the imbalance in power between the two parties.⁶⁶ (This is, of course, the same point Leo XIII makes with respect to wage levels in *Rerum Novarum*.)

Esther Reed’s essay has already explored some of the Gospel passages relating to taxation. In the Old Testament, the Torah contains provision for the (theocratic) state to levy tithes on all its citizens, and commands a much more radical redistribution of wealth every 50 years in the Jubilee Year – where all inequalities of wealth and land among the people of Israel were to be reversed.

The system of tithing in the Hebrew state, and that of voluntary giving in the early Church, both involve the collection of money on the basis of ability to pay and its distribution on the basis of need. In the book of Deuteronomy, the Israelites are told:

‘At the end of every three years you shall bring out all the tithe of your produce in the same year and lay it up within your towns. And the Levite, because he has no portion or inheritance with you, and the sojourner, the fatherless, and the widow, who are within your towns, shall come and eat and be filled, that the Lord your God may bless you in all the work of your hands that you do.’ (Deuteronomy 14:28-29, English Standard Version)

There is a more radical, voluntary sharing of property – again to ensure the needs of those in poverty are met – in Acts 4:34-5. Paul repeatedly

instructs the Corinthians about giving in accordance to ability to meet the needs of their brothers and sisters in Macedonia (1 Corinthians 16:2; 2 Corinthians 8:3). These New Testament texts are clearly not about taxation; indeed Paul tells the Corinthians that:

‘Each one must give as he has decided in his heart, not reluctantly or under compulsion, for God loves a cheerful giver.’ (2 Corinthians 9:7, English Standard Version).

But these texts do reinforce the message of the Torah that giving should be related to ability to pay. Given the arguments made above about the need for taxation to fund government alongside the voluntary contributions citizens may choose to make to good causes, it seems legitimate to read the testimony of both Old and New Testaments and argue for a system of taxation which is redistributive – collecting resources on the basis of ability to pay, and giving in relation to need.

The year of Jubilee offers us a much more radical redistribution of resources. As with the tithe, this is enforced rather than voluntary. Like the usury law, the year of Jubilee only applied within the community of Israel. It was an intensification of the sabbatical every seventh year, in which the earth was to be left fallow, slaves were to be set free and debts were to be cancelled (Exodus 23:10-11, Leviticus 25:1-28, Deuteronomy 15:1-6).

As we read in Leviticus: ‘You shall hallow the fiftieth year, and proclaim liberty throughout the land to all its inhabitants; it shall be a jubilee for you, when each of you shall return to his property and each of you shall return to his family’ (25:10, Revised Standard Version). In the Jubilee year, every Israelite regained possession of his ancestral land, if he had sold it or had lost it by falling into slavery.

As Walter Brueggemann observes, scholars have devoted a great deal of energy to asking if the Jubilee Year actually took place:

‘No other teaching in the Bible is questioned as this one is about its historicity. I believe the question is asked because we recognise intuitively that of all the commands of YHWH, this Torah teaching is the most dangerous and demanding, for it subverts and undermines all our conventional assumptions about the organisation of community life.’

As he observes, this question is often a diversion from the implications of the inclusion of the practice in the Torah, and indeed Jesus’ reference to it at the start of his public ministry (Luke 4:18-19):

‘In the end, what counts is that the Torah has preserved this radical act of social imagination, which is said to be rooted in YHWH’s deepest

covenantal commitment. Whether “historical” or not, the command stands as the most extreme ethical vision of Israel’s covenantal memory, endlessly inviting reconsideration, even in economies which have become complex and post-industrial... That old text of Leviticus poses the contemporary question of whether economic power is to be curbed in the interest of maintaining and enhancing the human fabric of society.’⁶⁷

The sabbatical and Jubilee years in the Old Testament offer an inspiring – if largely unrealised – vision of a Creation stewarded for the common good. This egalitarian vision goes beyond simply ensuring that the richest contribute more to the costs of the activities of government – but that there is a legitimate role for government in acting to mitigate economic inequality more generally. Our discussion of private property has shown that the value of such property (in giving individuals and families some autonomy and privacy, and the capacity to engage more fully in social and economic life) implies it is needed by *all* citizens if they are to flourish. As I observed, that provides a *raison d’être* for explicitly redistributive taxation, which enables the state to transfer wealth from the richest to the poorest.

An increasing body of empirical research suggests that – as well as its theological and ethical merits – such redistribution increases the wellbeing of rich and poor alike.⁶⁸ Contrary to the dominant message of our media and politics, wellbeing is not a zero-sum game. This should not surprise Christians, for the reasons given at the outset of this essay. A social and economic order in which *all* can fully participate enriches every citizen.

At the heart of the Christian faith is the conviction that God himself is a communion of love, and that our material, physical lives – not least the way wealth and power are shared or hoarded – can help us either to enter into that communion, or to estrange ourselves from it. Of course, such generous self-offering cannot be imposed by government. Political and economic transformation cannot be a substitute for the transformation of the human heart. Rather, there is a reciprocal process: structural injustices have an impact on the state of the human heart, and the conversion of the human heart motivates us both to build more just economic structures and to live generously and well within them. We need to hold these two realities in tension: the recognition of the ‘primacy of the social’ (that is, of free association and the generous, mutual relationships which cannot be legislated into existence) and the recognition of structural injustices (which are an obstacle to such free association, and which will only be addressed by an active state, which is accountable to all its citizens).

Five principles for a good tax system

I now want to draw these threads of discussion together – both our consideration of the biblical texts on taxation and the wider-ranging arguments about the legitimacy and scope of the state – and propose five practical principles for good taxation systems.

In summary, I suggest that a nation's system of taxation should be:

- **sustainable**, enabling a robust and accountable state, which can create the environment in which free association and commerce can flourish
- **simple and transparent**, so that it is easy to work out what different citizens and corporations should pay, and hard to evade
- **responsible** in its impact on the global economic system
- **equitable**, so that contributions are made in proportion to the ability of citizens and corporations to pay
- **redistributive**, to militate against growing inequalities in wealth and power within and between nations.

Sustainability

The earlier sections of this essay argued that individuals, civil society and businesses all benefit from the existence of a robust and accountable state, and that over-reliance on sources of revenue other than taxation tends to undermine good governance. Such a state will do much more than keep the peace. It has to provide decent education and healthcare to its citizens, and maintain and develop the country's physical and economic infrastructure. It needs sufficient capital to sustain the economy through financial shocks such as the global crisis of 2008-9. While the overall levels of taxation need to yield these resources, levels of taxation in any given sector need to be such that they do not deter economic activity (a factor whose implications is of course a matter of lively debate among economists). Sustainability requires tax to promote, and not deter, commerce and enterprise.

This essay has not considered the kinds of taxes that should be levied – and there is an important technical debate to be had here. What is clear is that citizens and corporations have a duty to contribute to the financing of the state through the taxation system, but the precise mix of taxes which will be most sustainable (and, indeed, transparent and equitable) is a matter for further exploration.

Another area which lies beyond the scope of this essay is the use of taxation to encourage and discourage activities which, though neither mandatory nor forbidden, either contribute

to or diminish the good of the individual or the community. Reduced taxes on healthy foods or energy-efficient products, and increased taxes on smoking or gambling, are cases in point. In an essay focused on the legitimate need of the state to raise money through taxation, I have not focused on this, behaviour-influencing aspect of taxation. It would be unwise for any state to rely too heavily on activities it is seeking to discourage as a source of revenue, for it is a source that will hopefully diminish as the activity is discouraged.

Simplicity and transparency

The value of simplicity and transparency need not be laboured, as it is a fairly obvious point, and one which has been the basis for a great deal of campaigning and advocacy work. Simplicity is hard to achieve in a tax system which needs to cope with, and respond equitably to, the complexities of many financial transactions. Indeed, sometimes the desire to be fair to individuals and businesses in specific and nuanced circumstances will pull in the opposite direction, and lead to a more complex tax code. But, where possible, simplicity both increases efficiency and eases transparency.

Transparency in tax affairs enables citizens to hold their governments accountable – which is vital if the final three values on this list are to be realised. Of course, it is not only governments which are susceptible to popular pressure. Campaigning by organisations such as Christian Aid, and its partners and allies around the world, can persuade companies to bear a more equitable share of the burden of taxation in the countries where they operate – if not for altruistic reasons, then because reputational damage has an impact on sales and therefore profits.

Global responsibility

So far, we have considered tax policy largely from the perspective of individual nations. I have argued that national government has an important and God-given role to play, in maintaining security, administering justice, and enabling civil society and commerce to flourish. At best, the distinctive character and narrative of each nation state can create a sense of common purpose and identity, and present an opportunity to look outward. This mirrors the best in family life, where the relationships of care and nurture within the household provide the possibility of offering hospitality and service to the wider community. And yet, like the family, the nation state is (from the perspective of the Gospels) a potential idol. That is to say, it is good in itself, but it can usurp God's place in our loyalties and affections – closing our hearts upon a tightly knit and inhospitable community.

A nation's taxation policy is a case in point. Tax policy must be about more than promoting

that nation's prosperity and interests. Governments have a responsibility for the impact of their activities on the wider family of nations.

The global dimensions of a nation's taxation policies are threefold:

- Firstly, and most obviously, nations can provide material support (for example, through international aid programmes) for those in greater need in other countries. There is no reason why the arguments made in the next two sections regarding equity and redistribution should be limited to those within a particular nation. Christian theology points in precisely the opposite direction – as the New Testament broadens the area of concern of economic teaching from one particular people to the whole family of nations.
- Secondly, nations need to take responsibility for the effect of their tax regimes on other countries. This applies most obviously, but by no means exclusively, to tax havens – where one country's financial services industry profits precisely by undermining the transparency and equity of taxation in another. This issue is one of particular salience in the UK, both in terms of the regulation of our own financial services industry, and our role in enabling our Crown Dependencies and British Overseas Territories to act as tax havens.
- Thirdly, nations need to avoid a 'race to the bottom' in income and corporation tax regimes. As I indicated above, there are legitimate grounds for worrying about the sustainability of high tax rates within an economy – for at some point they will disincentivise work and enterprise. However, in a globalised economy, there will always be a temptation for governments to engage in competition to offer lower tax rates, attracting companies and individuals to relocate from higher tax regimes (even if the taxes in those nations are not otherwise acting as a disincentive to work and enterprise). Equitable and sustainable tax regimes require countries to resist the temptation to outbid one another in that way – and realistically, that probably requires some framework of transnational agreements on these issues.

Equity

The discussions of the principles of tithing in the Old Testament, and the principles for giving in the early Church, have already indicated the theological foundation for a progressive taxation system. The burden of taxation, both on individuals and on corporations, needs to reflect their ability to pay.

Addressing corporate practices such as complex tax avoidance takes us beyond the realm of tax policy into the legal framework for corporations.

Currently, in the UK at least, the obligation to maximise shareholder value takes priority over the rather vague responsibilities of the firm to its wider set of stakeholders. While the threat of reputational damage (through the kinds of campaigning Christian Aid is undertaking) may provide some check on companies' tax avoidance, thought should also be given to reforming the legal framework of companies, and the incentives the current structure so often gives to company managers to reduce their corporate tax burden to the lowest level possible – even when the consequences are obviously unethical.

Redistributive impact

Drawing on the biblical principle of Jubilee, and on empirical research that suggests excessive inequality diminishes the wellbeing of the wealthy as well as the poor, I have argued that redistribution of wealth is a legitimate goal of taxation policy, alongside the raising of money for the other necessary activities of government,

The arguments I advanced for a more equal distribution of wealth bring us back to the ambiguity we discussed earlier in the word 'charity'. If the economic order is indeed seen as a zero-sum game and the interests of individuals, communities and nations are conceived as inevitably atomised and antagonistic, the only sense we can make of 'charity' is as a transfer of resources (and ultimately wellbeing) from the wealthy to the poor. By contrast, if we recognise the potential of our economic exchanges to 'promote a charity which is a participation in the life of God,' then we can begin to imagine a different kind of 'charity' which has the potential to enhance the wellbeing of all.

Conclusion

The Bible and the teaching of the Church over two millennia have a great deal to say about wealth and possessions. Indeed, as we have seen, the Bible offers us a number of quite specific teachings about how wealth is to be redistributed, in some cases voluntarily and in some by the action of government. While these teachings are addressed to very different societies from our own, I have argued that a common theme underlies them all. This theme has enduring relevance: the belief that our economic exchanges can indeed 'promote a charity which is a participation in the life of God.'

The promise of a good tax system is that it stops 'charity' from being a set of one-way transfers ameliorating an otherwise unjust economic order. Rather, a tax system which promotes good governance, which enables the state to provide a robust, accountable framework in which civil society and commerce can flourish, and which shares the fruits of creation more equitably, can help every citizen to participate more fully in the true 'charity' for which we were created.

Unfair tax demands in Brazil: *A Christian Aid story*

In the Brazilian Amazon, quilombola communities – the descendents of runaway slaves – live close to nature, alongside tributaries of the great river. Some 1,200 families grow much of their own food and make a small income selling forest products such as Brazil nuts and açai berries, as well as cassava flour, which they make themselves.

Their main possession is their land, to which they gained a collective title in 2002 – something unusual among Brazil's 3,500 quilombola communities. Having legal ownership gives them some protection against the country's agribusiness, mining and logging companies, which all too often invade the places where poor people live and farm.

Gaining the legal title to their land, situated near the town of Abaetetuba in Pará state in the far north of the country, has had a potentially catastrophic consequence. In 2006, the people received a letter from Brazil's tax authority demanding land tax of £4.3m for 2003 to 2006, including interest.

If they had not gained collective ownership of their land, then the quilombola would not have been liable to the tax. Surprisingly, they received the tax bill because they left the trees intact – harvesting the fruits and nuts instead of chopping them down – which is good for the environment and better than the huge acres of soya grown by agribusiness farms. But in Brazilian tax law, land that is not farmed or otherwise commercially exploited is classed as 'unproductive' and therefore hit with an especially high rate of land tax.

In 2014, the quilombola communities in the Amazonian state of Pará face a land tax bill of £4m, which they have no hope of paying. This case means huge insecurity for 1,000 families in this region and could affect more than 8,500 others. It exemplifies a wider injustice: that the poor pay dramatically more of their incomes in tax than do the rich. The poorest households pay almost half their income in tax (much of it indirect, included in the prices of goods and services), while the richest pay barely a quarter of theirs.



Bebe Albenize uses her ancestral knowledge for the wellbeing of her community.

Chapter 3:

Tax and morality: Challenges and opportunities

Francisco da Silva

Taxes for what? Taxes for whom?

Written by a group chaired by Most Rev Francisco de Assis da Silva⁶⁹

Biblical/theological approach in a Christian perspective

There are many different theological starting points with which to begin a discussion about the question of taxation. Regardless of which starting point is chosen, we need to consider the state and its interaction with society as a whole, as well as its interaction with individuals as citizens. It is a non-negotiable principle that the state is required in order to maintain the social structure that enables individuals to live together with civility, dignity and mutual respect.

Clearly, the way in which each state is structured depends on the political and cultural conditions in that country, but this does not alter the primary function of the state as a structure that ensures justice and dignity for all. To diverge from that premise risks disrupting the stability needed for society to function. Biblical texts provide us with the basic principles needed for a healthy relationship between God and humanity and between the individuals within a social structure. The Old Testament presents God as the author of creation from which the relationship with humanity evolves that affirms the dignity of all people (each being the image and likeness of God). Values such as justice and love are essential to maintain such an understanding. Each time that understanding is disrupted the relationship with God and relationships between individuals become confused and need to be restored.

One of the clearest images of God in Christian Scriptures is the divine relationship with humanity: God (Yahweh) is a God who will not permit injustice and the oppression of individuals. As a result liberation movements, throughout history, have always affirmed the character of God in situations where the values that assert the dignity of the individual have been broken and where the social structure is based on oppression, injustice,

corruption and a lack of respect for life. Similarly, the prophetic tradition has always emphasised that God's alliance with Israel was not intended to establish the supremacy of the state – there are various passages in the Bible which highlight this (Deuteronomy 17:14-20, 1 Samuel 8) – but once a state exists, the way in which it operates should be closely monitored. Any deviation from the values which affirm the dignity of the individual should be emphatically denounced.

In the New Testament, the political understanding of the state requires careful examination. In Jesus' teaching the legitimacy of the state is clearly recognised, but also contains profound criticisms of the way in which the state relates to 'society' at that time (a concept not specifically referred to in the New Testament). In Matthew 20:25-27, Jesus clearly criticises the Romans' method of ruling through domination and authoritarianism, and when considering the legitimacy of Caesar's taxes, Jesus contrasted law and ethics: although the Roman emperor claimed to be divine, he was not greater than God and so one should 'give to Caesar that which is Caesar's and to God that which is God's' (Mark 12:17).

The First Letter of Peter (2:13, 16) raises the subject of obedience to the state. The writer encourages acceptance of the authority of the emperor, who is 'sent [by God] to punish those who do wrong'. Paul provides a similar view of the state as a legitimate authority for the common good in Romans 13:1, 7,⁷⁰ where he describes the legitimacy of the state and of the relationship which Christians should cultivate with it. The state is not only necessary, but it represents a divine instrument for the regulation of society, focused on the common good, and so should be respected. According to this text, respecting the rules laid down by the authorities guarantees the dignity of the individual, the dignity of society and the fight against evil.

Thus the biblical mandate for the state, as the most complex of social structures, is to preserve the dignity of all individuals by establishing a just order, using all processes and institutions available to it to achieve that purpose.

The authorities need tools to implement the objectives agreed with and by the citizens of the state, including the power to tax citizens; the tax revenues being used to enable the state to fulfil its public and social responsibilities. Of course, this presupposes an ethically and politically upright approach, for history reveals a strong temptation to use taxation as a means of imposing the state's authority (whether personalised or not).

Psalms 72 gives us a picture of the king as the focus of justice and the common good.

'For he delivers the needy when they call,
the poor and those who have no helper.

'He has pity on the weak and the needy,
and saves the lives of the needy.

'From oppression and violence he redeems
their life; and precious is their blood in his sight.'
(72:12-14)

In a society where there is an unequal distribution of income and capital among citizens, the function of the state from a theological perspective should be to eliminate that inequality whenever it affects the dignity of the individual and creates injustice.

It is worth considering the relationship between the state and society from a theological perspective. One of the oldest texts in the Old Testament highlights the hermeneutical turning point in Hebrew society when the people opted for a monarchy rather than continuing the tribal system, led by judges. The famous dialogue between the leaders of the people and the priest Samuel represents their rejection of God as the ruling authority and a demand for a king, similar to the monarchies of other nations (1 Samuel 8). Samuel warned them that such a king would control all aspects of their society; he would have authority to take their sons and daughters for his service and impose taxes.

This is set in the ideological conflict between the two politico-religious movements in ancient Israel: the sacerdotal and the prophetic. The choice of the people represents the transition from a theocracy to a monarchy, as if they were discarding the supremacy of God over the state as a whole. It is important to note that at Saul's coronation, Samuel sets out the criteria which should inspire the new order: propriety, ethics and social justice (1 Samuel 12:1-5; Isaiah 33:15-16).

If the state is to be based on a foundation comprised of ethical and moral values, it must ensure that these values extend throughout its institutions and its processes in order to fulfil its purpose. In this sense, if taxation is the state's main source of income, the distribution of the funds raised through taxation will always depend on the understanding of the

different authorities within the state. Tax revenues could be used to reinforce domination, or could be directed by ethical and political criteria of service to society, particularly in the vulnerable or excluded sectors (in the Bible, these are represented by the poor, foreigners, orphans and widows).

In Brazil, from the 1960s onwards, parts of the church developed profound thinking on structural inequality within the states. This model of theological reflection, called Liberation Theology, questioned the concentration of wealth and the institutionalisation of social injustice and, although it was not specifically limited to the question of taxes, it brought a prophetic voice which demanded that the state fulfil its role as the champion of social justice.

The question of taxation and the ethical implications of its administration: Taxes for what?

As the ability to raise taxes is one of the legitimate prerogatives of the state, the imposition of taxes, the administration of tax receipts and the application of them need to be implemented in an open transparent and accountable manner. Such an ethical approach will guarantee that the resources are used in support of social policies that oppose all forms of inequality, and the authorities will welcome the scrutiny of its citizens. Society has the right to know from whom the state raises tax revenue, how they raise it, what mechanisms are used to distribute the funds and to whom they are distributed.

Public policies are used to determine how taxes are distributed; therefore the way they are designed is crucial. Some public policies will have a negative impact, in that they collect from those who have least and distribute to those who have most, thus increasing the concentration of wealth. In Brazil, for example, the policy of high interest rates is a form of reverse distribution of wealth.

The collection of taxes is not an end in itself and should never be used to support the structures of the state to the detriment of its citizens, and certainly should not be used as a mechanism for maintaining privileges among an elite. Taxes used for the wellbeing of society will enable the redistribution of wealth and the reduction of inequalities. The revenues provided by taxation should promote the common good, equity and social justice. By extension, the obligation to pay tax is enshrined in law so that the state can raise funds as a taxing authority.

Taxes and democracy

Clearly the capacity to raise taxes is not absolute, as we have already said – it is regulated by institutions which are subject to the scrutiny of representatives of society and follow principles which have been set down in the past. Normally this scrutiny is enabled by the principles of law, which are part of a democratic constitutional structure. The national structure and scope of taxation is not a power attributed to a particular ruler, but it is a power which must be regulated and mediated judicially and politically.

Can a tax system, like that of Brazil, which is approved by Parliament – where various groups are represented – be considered legitimate? Figure 1 indicates the variety of backgrounds of the members of parliament, clearly showing that the vast majority are linked to the business sector.

This, we believe, has an important influence on the mechanism of tax collection. It is no coincidence that every attempt at tax reform, which aims to confront the perversity of our system, is rejected. It is worth pointing out that the category ‘Education’ in the graph below includes not just teachers but also educational businessmen, and the same goes for health and other sectors.

In Brazil, in order to confront the flaws in our tax system, we need first to reform the political system.

A renewed political structure should strengthen democracy, ban the private financing of political campaigns and parties and redress the underrepresentation of various groups of society in places of power. Without this, the tax system will continue to take from the poor to give to the rich.

The state’s public policy should be designed to promote social wellbeing, fair taxation being a fundamental tool to accomplish this. Social wellbeing will use social, political, economic and cultural policies as a united, common strategy for fighting inequality as well as valuing diversity.

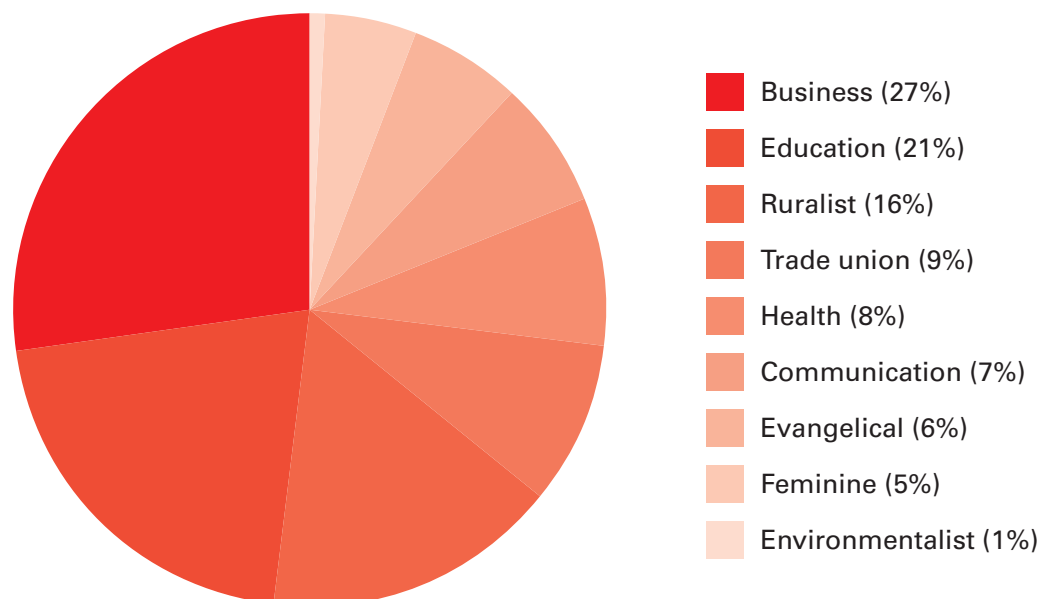
The third article of the Federal Constitution of Brazil declares that the fundamental objectives of the Brazilian State are the building of a society that is free, just and in solidarity with its people; the guarantee of national development; the elimination of poverty and marginalisation, and the reduction of social and regional inequality, promoting the common good.⁷²

All of the above should guarantee that taxation is a mechanism used to guarantee social justice.

In unequal societies, where wealth is concentrated in the hands of a few and there is unequal access to basic rights, the state must apply the principle of redistributive justice. Seen like this, social wellbeing will only be considered as achieved when it is universal, that is, when it has become a reality in the lives of all citizens.

Figure 1. Representation in Congress

Businessmen have three times as many representatives as trade unions.



To enable the common good, the state needs the power to regulate economic activity in order to ensure that through taxation, one of the tools of that economic regulation, social inequality is prevented by eliminating the unjust concentration of wealth. At the same time society needs mechanisms of supervision, social control, participation and accountability so that this power may be used for the common good and not to gain privileges.

Economic power and the concentration of wealth

The political discussion on the interaction between ethics and the economy has gone on for centuries. Among the marks of a capitalist system, the conflict between the state and the market is now at an important hermeneutical turning point. On the one hand there are those who defend the absolutely free market economy, on the principle that a capitalist system has the capacity to regulate itself and produce wealth which benefits all. On the other hand, there are those who consider that the market needs to be more strongly regulated by the state to ensure that the most economically vulnerable citizens do not lose their competitive capacity and are not excluded. In this sense, the tax authority functions as a legitimate tool (among others) to ensure that all parts of society can be guaranteed dignity and wellbeing.

Based on the concentration of capital, the capitalist system gives bargaining power over the state to businesses and financial markets – and more so to the large corporations – subjecting the state to their own interests.

Capitalism has perfected this phenomenon, allowing multinational corporations to accumulate huge amounts of capital, to work on a global platform and use an elaborate network of subsidiaries. They have been allowed to create a dominant, paternalistic approach that gives them the financial, political, cultural and media power through which to impose their agenda.

This increasing power has implications for economic and social regulation within societies. There are a number of reasons for this: on the one hand, states need to stimulate development, employment and their social policies; on the other, multinationals utilise their economic power to extract from the state advantages which maximise their profits. This creates a vicious cycle which results in the cumulative accumulation of wealth in the hands of the few while at the same time as ever-increasing inequality.

The individual taxpayer is the weakest party in this cycle, being the most vulnerable and certainly the least able to influence the tax system. The result of this in Brazil is a tax structure that targets consumption rather than wealth, profits and income.

Neo-liberalism and the impossibility of guaranteeing rights

It is clear that the advent of neo-liberalism imposed on states a model of administration that is more concerned with the macro-economy – recognising here the prevalence of the financial aspect of the economy – than with a society that guarantees basic rights and sovereignty. An example of this is the adoption of the control of interest, where society has no power whatsoever to avoid the consequences of certain decisions that affect not only the contributor's pocket, but the whole of the economy.

Some theories affirm that the state today is no more than an economic administrator, sustained by political representation financed by large capital. Any initiative to control the flow of capital or the rules of the free market is looked at with profound suspicion.

Representative democracies are building more and more on economic criteria and this weakens society. The large multinationals are increasingly imposing their agenda, which has serious consequences on the quality of life of the people. As pointed out by the People's Summit in Rio de Janeiro in 2012:

‘Capitalism also leads to loss of social, democratic and community control of natural resources and strategic services, which continue to be privatized, turning rights into commodities and limiting the access of people to goods and services that are necessary for survival.’⁷³

In the face of dominant economic power, states are weakened – caught in the tension between internal economics and social wellbeing versus the global economy. They frequently try to conciliate interests which invariably end up favouring the global economy; thus the states lose their capacity to provide their citizens with services and basic rights. Their only recourse is the imposition of high taxes on their citizens, or to raise funds from abroad, thereby further increasing their economic vulnerability.

Obstacles to a fair tax system

Multinationals have many ways to avoid paying tax, particularly in less economically developed countries, for example through the use of fictitious addresses. In Brazil, this has been a common practice, through what is called ‘fiscal war’, with a corporation's fiscal domicile chosen on the basis of the low tax rates offered by certain towns and states, under the pretext of generating employment. This fiscal war, even though it takes place within legal parameters, is clearly perverse in that it justifies the maximisation of profit, taking no account of the social functions of economic activity. It is seen as a game of competing

interests: attracting and utilising productive capital, while reducing or eliminating taxation.

Another obstacle to be faced is the existence of tax havens. These exist, generally, to facilitate the movement of speculative financial capital, which may have dubious origins, to a 'safe' place, which is affordable and has little or no taxes. Inevitably investments, with no commitment to social issues, are attracted to these havens.

The only requirement on multinational corporations (or fiscal bodies) is to have their legal identity in a particular location, without the necessity of having their physical and operational base there. Through outsourcing, they guarantee productivity from their physical base, while enjoying the benefits of low or no taxes from their legal headquarters. In other words, a legal sleight of hand is being used to hide an immoral practice.

The effectiveness of a country's taxation structure to promote the common good is also challenged by the tax evasion of some large corporations. A lack of effective tools to control the movement of capital at international levels enables the legal remittance of profits and dividends to tax havens.

A report from the Tax Justice Network in 2012 pointed out that tax havens held US\$21-32 trillion of hidden investments, outside the scope of tax. The report estimates that, if those investments were taxed normally, the tax revenues generated would be around US\$190-280bn.⁷⁴

Internationally, financial management in different tax jurisdictions allows multinational corporations to establish themselves physically in a particular country while avoiding paying tax there. This increases their profits, which can then be transferred to a tax haven. This has the effect of limiting their socio-economic contribution to the country in which they acquire those profits. A similar reduction in social contribution also arises where service contracts or employment contracts are drafted subject to the laws in the country where the business has its legal presence, rather than the laws in the country where the activity of the business actually takes place.

This practice is immoral because in less-economically developed countries it avoids the promotion of social justice. In Brazil, for example, since the Regional Development Offices were set up, it has been common practice for industrial enterprises to receive financial incentives, and even land on which to build. When the incentives run out, they shut down their activities in the area, claiming that costs have risen to unsustainable levels. Over the years, this practice has resulted in the migration of manual labour, with the social implications associated with the closure of factories

and resulting unemployment. In the north-east of Brazil, businesses also benefited from the low cost of raw materials and cheap labour, with wages substantially lower than those in other regions of the country.

Another technique often used by businesses is that of outsourcing activities, transferring the costs of manual labour and social obligations to a third party, thus increasing turnover and, at the same time, increasing profits. Although this is legal, we know that the purpose is to increase profits to the detriment of social and fiscal obligations – a practice which ignores the sovereignty of the people.

An example of where this practice has had a terribly damaging effect was recently revealed when an increase in labour inspections resulted in an increase in the number of identified cases of slave labour, usually involving parties to whom large companies have outsourced manufacturing.

The Brazilian tax system and inequality

Criticism of the Brazilian tax system is not new. It is well known that it includes a large number of taxes and complex regulations which make tax administration and control difficult. The more complex a system becomes, the greater the risk of it becoming inefficient and incapable of achieving its purpose.

It is also important to note that, proportionally, the impact of tax on the income and consumption of the individual is always greater, and subject to greater control, than taxes imposed on businesses, financial transactions and accumulated wealth. This is illustrated in Table 1.

Considering this table, it is possible to deduce that the taxation policies are profoundly unequal because those with least spending power are affected more than those who have most wealth. And yet, on the question of consumption, the rich and poor pay the

Table 1. Tax burden by reserve base – 2009

Type of base	Percentage of total tax burden
Consumption	47.36
Income	19.88
Employment income	26.05
Property and finance transactions	4.91

Source: Ministry of Finance; IRS

Table 2. The weight of taxes by income

Income	% of commitment	Days worked during the year to pay the taxes
R\$724 (£191) (minimum salary)	37%	153 days
R\$6,000 (£1,585)	23%	115 days
R\$22,000 (£5,810)	17%	106 days

Source: OBGE/POF

exactly same amount. It is a totally unjust equation. Table 2 shows the perversity of the Brazilian tax system.

Over and above this, the Brazilian model reinforces:

- regional inequality, privileging the central and southern states to the detriment of those in the north and north-east
- gender inequality – since women are the majority of those carrying out informal and voluntary work.

The taxes have a regressive character, contributing to a concentration of income and perpetuating the structural and multifaceted inequality of Brazil.

The great challenge to the Brazil government and its tax structure is to reverse the situation where money is taken from those who have least and distributed it among those who have most. This requires constitutional changes and changes in the infra-constitutional laws.

Members of Parliament have the responsibility to effect this change, but it is precisely these people who are dominated by companies that are abusing the system to gain increased profits and power. It is a vicious circle that can only be broken with reform at the heart of the political system, promoted by an articulate civil society on the platform of social movements.

Businesses and fair taxation

The majority of individual taxpayers approach their responsibilities with integrity, but the same does not always apply to businesses. Recently a number of NGOs and governments have called for greater regulation of the economic activity of businesses and large corporations. The tax demands within different jurisdictions on profits and capital gain is very inconsistent, not to mention the opportunities for the transfer of profits and the use of legal structures to avoid paying taxes.

In Brazil, according to data from the IRS, in 2013 alone approximately R\$415bn (£109.61bn) of tax was evaded, representing more than 15 years of funding

for the Family Grant Program which, in the same year, had a budget of R\$24bn. Brazilian tax evasion is estimated to account for around 13.4% of GDP, second only to Russia.⁷⁵

These problems could be avoided if there were a better regulation of the ethics of tax secrecy of large corporations. Hiding behind contractual regulations in their countries of registration, the subsidiaries protect themselves from disclosing detailed information on the parent corporation.

Anti-corruption activists argue that businesses should be required to disclose their profits, income and tax payments in each country in which they operate. This would prevent their tax advisers from creating complex schemes to reduce the taxes paid by business. Business representatives continue to oppose such measures and continue to invest in what they describe as tax management policies, which are nothing more than schemes to pay less tax.

The principles of maximising profits and implementing aggressive fiscal policies are an essential part of the financially driven spirit of modern capitalism. We live within a paradigm that considers economic efficiency to be having more money than goods and services.

Looking at this from a theological perspective, the system is objectionable precisely because it accentuates the vulnerability of the poor. Even given that the mindset of the biblical world predates capitalism, the Bible contains clear social and economic principles which condemn greed and the accumulation of wealth.

For example, consider what the Jubilee Year in the Hebrew Scriptures represented (Leviticus 25:10ff and 27). There are two directives with specific relevance to the use of the land and the return of this land to the original owner. This is required to avoid accumulation by creditors and to guarantee the liberation of slaves – both ending the economic submission of debtors to lenders.

When you look at the economic history of Brazil, you can see that the concentration of land and money in the hands of the few has increased inexorably, despite affirmative policies that were in place during the last decade. One understanding of this is that the policies did not have the scale and scope needed to change the reality. As a result, the country has one of the most unequal patterns of land ownership in the world, with just 8.1% of all agricultural establishments owning 84.8% of the total value of production.⁷⁶

Fair taxes – the social responsibility of businesses

In Brazil, the principle of social responsibility is enshrined in the Constitution – not just in respect of property rights, but for all types of economic activity. For this to happen, and in accordance with principles established through legal precedents, businesses should respect the rights of the individuals with whom they interact, both as employees and consumers.

Businesses are obliged to respect tax laws, which connect not only tax and the state, but also connect businesses with all society, as the ultimate beneficiary of public policy. Tax avoidance, even though legal, shows a lack of respect for that society.

Social responsibility cannot be limited to the marketing initiatives and desires of businesses that wish to promote their brand names. We know that the investment in corporate social responsibility (CSR) can be a strategy to avoid tax and has often been used as such. The difference is that the resources given to this type of social action remain under the control of the business; some of those actions interfere with the state because they impact on areas that should be within the remit of public policy.

There would be no need for CSR strategies in a fair tax system because this would give the state the power to fulfil its responsibilities properly.

Transparency and social commitment are two efficient weapons that can prevent the use of tricks and legal loopholes. They are a real antidote against corruption, which is considered to be a systemic problem, resulting from the convergence of corporative interests that involve public agents, businesses and individuals. The result of this collusion is always prejudicial to society as a whole.

It is not a coincidence that one of the reforms of the Brazilian political system demanded by civil society is the suppression of private financing (mainly through businesses) of political campaigns. It is more than evident that the financing by businesses of political parties and candidates is prejudicial to society and to public policies

since those who benefit are always guaranteed a return through substantial contracts with the government.

Taxes for whom?

The problems of poverty and inequality cannot be successfully tackled without the tax system taking into account the relationship between capital and labour and, thanks to the financialisation of the economy, taking a stricter approach to the regulation of the movement of capital. There is no concrete evidence that an increase in the amount of money circulating in the market has a corresponding impact on improvements in social justice.

Tackling social inequality requires redistributive policies. Taking a Brazilian example, the budgets for the family allowance, unemployment benefits and the Minha Casa Minha Vida ('my house, my life') social housing programme represent a tiny proportion of tax revenues. Meanwhile, to manage the burden of the national debt, the government has run a budget surplus (the primary surplus) of between R\$64bn (in 2009; £16.9bn) and R\$104bn (in 2012; £27.4bn), reducing to R\$91bn (£24bn) in 2013. These self-imposed surpluses have substantially affected the social policies of the Brazilian state. This shows just one impact of unfair tax policies.

The shortcomings of the Brazilian tax system, in terms of its failure to allocate specific tax revenues to social policies, are even recognised by CDES,⁷⁷ the Council for Economic and Social Development – a body responsible for advising the President of the Republic on policy matters – which has stated:

'The system is unfair because the social benefit is low in comparison to the tax burden. The tax system collected revenues amounting to 34.9% of GDP in 2008, but only returned 10.4% to society in the form of public investment in education, health, security, housing, and sanitation.'

Fair taxation is as important as democracy. The classic principle of demanding from each individual what is fair and giving to each of them what is needed should be the basis of any tax system. The great challenge of capitalism is its high degree of financialisation: proof of this came in the international crisis in 2008. To ensure that the international financial system did not break down, governments and financial institutions introduced around US\$3 trillion into the global economy. Even given that this is not real money, but bonds and future securities, it is odd that such ability to create capital from nothing exists, which then leads to the question: how is there social inequality in the world?

The immoral practice of corporations keeping profits outside the reach of the tax authorities of less economically developed countries only adds to financialisation. These practices need to be challenged vigorously. There needs to be international consensus between governments and civil society to address the resulting distortion, which only increases the concentration of capital and maintains indefinitely the perverse cycle of exclusion and poverty.

In Brazilian society, there has been an increasing call from local groups, social organisations, NGOs, and regional associations, for tax reform that follows the principal of progressive tax (those who have more, pay more). Its proponents firmly believe that redistribution should be used to confront inequality; they recognise that such a tax structure increases the efficacy of taxes and enables a fair application of the funds raised by the state, within its social purpose.

Among the proposals advocated by these organisations are:

- Institute progressive tax.
- Increase transparency in relation to taxation. Brazil recently put in place regulations that all receipts should include the amount of tax deducted.
- Remove the tax burden from the '*cesta basica*' (the minimum amount of food needed to feed a typical family) to alleviate the poverty of a large part of the population. Taxing basic foodstuffs creates a greater tax burden on the poor; each should be subject to tax in proportion to their income.
- Increase the tax charged on luxury goods.
- Rebalance the scale on which income tax for individuals is charged to ensure that it is properly progressive. One example of unfair taxation: in 1996, an individual did not pay income tax until they had earned at least nine times the minimum wage. The scale now imposes income tax on individuals earning only 2.52 times the minimum wage.
- Collect tax on profits and distributed dividends.
- Improve the collection of tax on inheritances and donations.
- Increase taxes on the ownership of land. This could provide an opportunity to overcome one of the key problems of Brazilian society: the extreme concentration of the ownership of land, often unproductive, at the expense of millions of families who lack the means to sustain themselves.

- Impose tax on the overseas distribution of Brazilian profits overseas: data from the Central Bank indicates that, in 2012, the net export of profits and dividends from Brazil amounted to approximately US\$28.6bn (around R\$66bn).⁷⁸
- Introduce a tax on high net wealth, as provided for in Article 153, Section VII, of the Constitution. This is a common tax in developed countries around the world.

The main objective of these proposals is not to increase taxes, but to make them fairer and ensure that those who should pay them do pay.

On top of these improvements, there is a need for political reform that provides the government with socially agreed priorities for the expenditure of tax revenues. Public scrutiny of their taxation policies and expenditure would ensure that national policies are implemented and not party interests.

The starting point for this would be the adoption of the principle of fiscal citizenship. The payment of tax is a requirement imposed by the state for the common good. Alongside this the citizen has the duty to hold their government to account by monitoring how taxes are managed. In order to fulfil that duty, people must be made aware of their responsibility and of the importance of taxation as a statutory means of providing the state with the resources needed to fulfil its duties.

Citizens should exercise adequate social control and oversight of the implementation of those aims, thereby reducing the risk that national resources are wasted. An important tool for the citizen is increased transparency in tax administration. A shared vision, on the part of citizens, society and the state on the use of funds collected through taxation would go a long way to improving social control over taxpayers, businesses and the state itself.

Finally, we must stress the fundamental importance of understanding this transparency in the context of a demand for social control on the part of civil society in more and more areas of state action. In Brazil, a discussion about taxation must always emphasise the need for citizens in society to monitor and control who pays, who collects, how taxes are used and who benefits from them.

Tax for social spending in South Africa: A Christian Aid story

Christian Aid partner Studies in Poverty and Inequality Institute (SPII) has initiated a campaign for the introduction of a universal cash transfer called the Basic Income Grant in South Africa and the other 14 countries of the Southern African Development Community (SADC), including Malawi, Zambia and Zimbabwe.

Mises took in her two grandchildren after their parents died from AIDS. In South Africa, levels of poverty remain high and many older people are struggling without the additional costs of caring for relatives. A basic income grant would reduce the worry of providing essentials like food and clothing.

SPII proposes that this cash transfer grant would be substantially funded by a tax on extractive industries. Most countries within the SADC have high levels of mineral resources, but also extreme inequality. Creating a special revenue stream from extractives income would counter the usual rhetoric that African countries cannot afford a social cash

transfer scheme due to poor revenue reserves and lack of capacity.

However, campaigners also believe that the introduction of this tax is compelling because a lot of revenue is leaving the region through illicit flows and price manipulation by multinationals. A new tax would go some way to correcting this economic injustice.

Other countries, such as India, have shown that social cash transfers have the ability to help alleviate the worst destitution currently faced by millions of poor people.

SPII has established a network of organisations that share a commitment to economic justice in the sub-region. Currently SPII coordinates a network of more than 50 partner organisations from 12 SADC member countries, covering issues around tax justice, the extractive sector, social protection, cross-border migration and food security.



Mises Dukumbana, left, took in her orphaned grandchildren Thulani and Ayanda.

Chapter 4: In the world but not of it: A voice from South Africa⁷⁹

Edited by Geoff Daintree

Jesus prayed: 'I am not asking you to take them out of the world, but I ask you to protect them from the evil one. They do not belong to the world, just as I do not belong to the world.' (John 17:15-16)

When we talk about the payment of taxes, we need a framework in which to place it. Why do we need to pay taxes? Why should I not avoid paying taxes? What is my role in shaping how taxes are used?

This publication is called *Tax for the Common Good*, which suggests that there is an agreed vision that will determine the answers to these questions. But there remains outstanding the question of who benefits from the 'good' which is to be held in common? Whether you are an individual, or a corporation, serving the common good implies that you do not focus upon personal enrichment. Taxes are paid in order that everyone in society may prosper and benefit. We have a shared corporate responsibility towards the people (society) among whom we live and work. In his essay, Angus Ritchie reminds us that both individuals and multinational corporations benefit from the common good.

It takes only a brief examination of our contemporary world to realise that the common good is not infrequently expropriated by a certain class for their own benefit. This is linked into the unspoken view that there is a common good for the wealthy and a common good for those who live in poverty. These two common goods rarely meet or serve each other.

If we make the assumption that it is a government's responsibility to use tax revenues for the common good, this leads us to question their role. A fair and representative government will not favour one group in society over another, and yet it might convincingly be argued that in the 21st century, many countries have governments which promote economic growth over the welfare of all citizens.

Although some argue that growth is a necessary condition for every member of society to benefit, the evidence strongly indicates that those who are wealthy benefit most. In past decades this has led to a growing divide between rich and poor, which militates against the flourishing of society, and even against the happiness of the richest. Angus Ritchie makes reference to the publication *The Spirit Level: Why Equality is Better for Everyone* by Richard Wilkinson and Kate Pickett, in which they present a compelling argument that a more equal society benefits the wealthy as well as poor people.

Unequal development has been exacerbated in countries where the government is corrupt, and it is made worse when we include racism. In South Africa there is a black government, which – in the eyes of some of the wealthiest – is assumed to be less efficient and more corrupt than a white government would be. That is, of course, a stereotype, but stereotypes are powerful influences and one consequence has been a growing resistance to the payment of taxes.

Between 1980 and 1993, illicit financial flows from South Africa were estimated at an average 5.4% of GDP. They rose steadily from then – the first democratic elections were held in 1994 – until reaching a staggering 20% of GDP in 2007. In line with global trends, 'South African research has confirmed that the vast majority of illicit financial flows arise from trade mispricing on international trade, including by multinationals, particularly those operating in the mining sector.'⁸⁰

Our response to this may be twofold. First, where a government is deemed to be corrupt, the country's citizens have a responsibility to challenge it, holding it to account for its use of public monies. Secondly, we are left with the question of how public finances should be distributed.

If we hold that the common good is a priority, then tax revenues will be used in a redistributive way, ensuring that government policies actively promote the common good. Some may see this as socialism versus capitalism, but there is no logical reason why any government should not work for the wellbeing or flourishing of all.

What happens when as a society we face the reality that some have and some do not; some live in extreme luxury and comfort while others live with struggle and great discomfort? With eyes open, can society continue to accept such gross inequalities? Can a government continue to ignore the grinding poverty of some of its citizens?

Even if people believe that a government could address this challenge and bring about change, it seems unlikely that current international tax rules could be used to bring about greater equality.

Esther Reed argued that everything belongs to God, when addressing Jesus' statement 'Give to Caesar that which is Caesar's and to God that which is God's' (Mark 12:17). Within that demand lurks the question, 'Where does *your* allegiance lie?' Mark's Gospel portrays a choice. It is either Caesar or God. In context, it was about the nature of Jesus' mission in this world, in respect to public expectations and the religious authorities of the time. If we assume that allegiance to God includes compassion for the poor (following Jesus' example), then the way we answer the question of allegiance will determine our attitude towards taxation.

If we are to give to God that which is God's, then we have an obligation to our society to make resources available to assist those who do not have sufficient to live comfortably and flourish. This will unfold as an obligation to be in solidarity with the whole of society. When we look to the example of Jesus, we might explore the theological implications of the miracle of the loaves and fishes (Luke 9:16). The gospel story tells us that at least 5,000 people were listening to Jesus in a remote rural place. There was nowhere to buy food to feed the crowd, so Jesus took what little they had, blessed it and shared it out.

There are many interpretations of this miracle, but whatever the mechanism, we are told that the crowd were all fed and had sufficient for their needs *and* that there was food left over. There was a sense of mutuality, affirming the equality of all and that when each is treated fairly there is abundance.

When we give primacy to the social, as argued in the essay by Angus Ritchie, we are following the example of Christ. We are living with values that promote equality for all and that turns away from the privatisation of wealth and personal enrichment.

Christian Aid has expressed its vision of the eradication of poverty, and is promoting tax justice as one of the tools to bring this about. However, tax alone is not sufficient to eradicate poverty. It needs to be placed within the context of structural change. Redistribution of wealth is crucial in addressing inequality and redistribution requires a change of politics.

This has long been recognised, for example by the International Covenant on Economic, Social and Cultural Rights (1966/76).⁸¹ This refers to the concept of progressive realisation, placing on states the obligation to make available (to the maximum of their resources) income for attaining these rights. Most states are signatories (including South Africa – although the country has not ratified it), recognising that taxes need to be raised in order to achieve this. The Covenant says:

'Recognizing that, in accordance with the Universal Declaration of Human Rights, the ideal of free human beings enjoying freedom from fear and want can only be achieved if conditions are created whereby everyone may enjoy his economic, social and cultural rights, as well as his civil and political rights.'

We must be under no illusion that tax reforms will eradicate poverty. Tax reforms function within the current political terrain and structures. A reform of tax laws, national and international, will have limited effect if they are not accompanied by reframed politics.

The reality is that many international bodies serve the interests of the elites and until you have a different form of politics you will not stop them from serving those interests. Changing mechanisms is not sufficient; we need to change the politics that sustain it. Perpetuating a political system that favours the elite while limiting the marginalised to poverty does not promote the common good.

Acquiescing to the dominance of Caesar reinforces an injustice that Jesus constantly challenged. It suggests a way of life that is both 'in the world' and 'of the world'. Using another image from the teaching of Jesus, we are called to act as salt in the world (Matthew 5:13). Just as salt brings out the flavour of food, and acts as a preservative, so Christian values will enhance the flourishing of a society and preserve it from innate destructive forces. Holding alternative values, we are required to use whatever influence we may have to champion the cause of justice and equality for all.

A new form of politics would not be designed to produce good obedient citizens *per se*. It would be designed to produce a system in which all citizens have the freedom to prosper, and the responsibility to hold their government to account. In the context of tax revenues, the responsibility is to ensure that public revenues are well used.

There is an idealistic political policy suggested by Leviticus 25:8-10, which states that on the Day of Atonement of the fiftieth year, each family is to return to their property. The underlying principle is that the land belongs to God, and is entrusted to an individual family. It reminds us that we hold all

things in trust, and not as private goods for personal privilege and greed. The Jubilee rejects privatised ownership and militates against the private accumulation of wealth and economic inequality.

As Walter Brueggemann points out (quoted by Angus Ritchie), it is unlikely that the Jubilee was ever fully implemented; nevertheless, it provides us with an ideal to which we can aspire. Reaching out to that aspiration will involve the creation of a new form of politics. It will entail working within the current structures – how could we do otherwise? – and functioning from different values. Those values flow from the teaching and example of Christ, who called us to live in the world while remaining separate from it.

The Torah concept of the Jubilee suggests an idealised political and financial structure and experience would suggest that idealised systems are unlikely to succeed in practice. So, for example, the ANC led South Africa to independence in 1994 with an idealist vision of the future which has never been realised. This is spoken about in the book *The Fall of the ANC: What Next?* by Prince Mashele and Mzukisi Qobo. The ANC charter from 1955 declared: *'The rights of the people shall be the same, regardless of race, colour or sex.'* A wonderful vision which has yet to be fulfilled.

In 1994, the ANC produced its first economic policy, the Reconstruction and Development Programme (RDP), in which it said:

'The RDP is an integrated, coherent socio-economic policy framework. It seeks to mobilise all our people and our country's resources toward the final eradication of apartheid and the building of a democratic, non-racial and non-sexist future.'

Mashele and Qobo wrote:

'The RDP was crafted as though the document would have magical powers instantaneously to undo the damage created by more than three centuries of colonialism and apartheid. The ideological mood was that of instant revolution, propelled by an all-powerful political bulldozer that could crush any neo-liberal attempt to project the RDP promises as unrealistic.'

Just as the Jubilee could not work as a political tool, so the ideological vision of the ANC did not work. The two authors suggest that:

'The real character of the ANC could not be discovered until the party gained and became entrenched in power... The aphorism of the British historian Lord Acton is well known: "All power tends to corrupt; absolute power corrupts absolutely". ... The ANC has in our view been corrupted beyond repair by the seductions of power.'⁸²

Christian Aid and other tax justice campaigners have a prophetic vision which also faces the risk of being little more than an idealised dream. The vision has to be tempered by an understanding of reality. We live and work within a system that is imperfect and open to abuse. Reformed international and national tax rules and financial structures are required to counter the danger of the governments of individual countries acting corruptly, for the benefit of local elites and individual politicians.

Returning to the proposition of Jesus, 'Give to Caesar', we recognise that this is a requirement of all citizens and corporations, because a healthy government is essential for the prosperity of all within a nation. But this is to be implemented under the proposition 'Give to God', which translates as support your government with a critical voice that reflects godly values.

Citizens are to work with and lobby their government in order that their perspectives, values and views are changed in sympathy with those promoted and taught by Christ. It takes little examination of the Jubilee principle from the Hebrew Scriptures to appreciate that there is synergy between these two.

Our conclusions include the requirement for citizens to express their mutuality by engaging with their government on these socio-economic issues. We believe that we must affirm the dignity and worth of all people, no matter what their race, colour or class. In order that this is upheld, we must challenge those with power, for they will – if left to their own devices – produce and reproduce inequality. So the political and economic framework must be monitored, challenged and changed.

When, during the fight against apartheid, Dutch Reformed Church minister Allan Boesak described it as 'sin', this became a catalyst for the churches to see apartheid for what it really was. It introduced a biblical and theological word. In this discussion about tax, we must not shy away from such a description of inequality. It is wrong, it is sin, for an individual or corporation to act against the common good, and act for the increase of their own wealth in such a way that the marginalised are kept in poverty.

Today, we call upon the churches to be the answer to the prayer of Jesus (with which this thought-piece began), that they must live in the world, and deal with all the systems and structures of this world, but at all times behave with values that are godly – not of this world. The churches can provide a lead to the society in which they live by challenging the political and financial structures that are used to deprive the poor of their rightful power and which subject them to continued poverty.

Chapter 5: Tax and the private sector

Edited by Joseph Stead

‘God’s relationality is one that is also characterised by innovation and creativity, bringing forth new patterns of existence and new forms of wealth.’⁸³

**‘The rich and the poor have this in common: the Lord is the maker of them all.’
(Proverbs 22:2)**

Introduction

As the other papers in this publication show, a discussion about tax and morality covers much more than the activities of corporations; the state and individuals, and their role in society, are all significant actors. It is also apparent, however, both from the other papers and from the nature of discussions on tax in many countries around the world, that the tax affairs of corporations are an area of particular interest and debate.

Christian Aid has been engaged in discussions with a number of multinational companies over several years. In this more reflective paper, we draw on the essays above and from relational theology as we look at the role the private sector plays in society. We want to affirm that it has an essential role in the fight to eradicate global poverty, while recognising that there is much progress still to be made. This paper is a reflection of where we are today, with the hope that it will open up a number of further conversations.

By private sector, we mean businesses of all sizes from micro-enterprises through small and medium sized enterprises to large national corporations and multinational corporation. We include businesses employing individuals who sell their labour which operate in the informal as well as the formal economy and we include social enterprises and collectively owned businesses such as co-operatives.

The emphasis of this publication is that we share responsibility for how we use the resources of our world, and for the way individuals are treated within it. As Esther Reed has argued in her paper, God is the author and owner of all things, therefore how we treat the resources of the earth and the wealth we receive from them must be influenced by

a shared sense of responsibility toward them, including the flourishing of others.

The other papers have spoken both of the necessity of tax to enable states to fulfil their functions, and the responsibility to pay taxes which flow from that necessity. The private sector shares this responsibility as much as any individual although the complexity of the private sector may make it more difficult to identify how that responsibility can be both exercised and accounted for. Businesses would argue that they must remain competitive, while the use of tax havens to disguise ownership is also a problem.

This paper does not suggest there are any easy answers, or that enabling businesses to take an ethical approach is entirely in the gift of CEOs to deliver. What it does seek to do is to identify areas for further reflection and potential action by all, regardless of our relationship with the private sector.

Relational theology

The theology outlined in Christian Aid’s *Theology and International Development* paper stresses the divine relationality that is revealed in Scripture and discussed by biblical theologians. It draws attention to God’s being as relationship (Father, Son and Holy Spirit) and emphasises the consequent significance of two basic relationships: that between God and human beings and the relationship (which takes a variety of forms) between human beings themselves.⁸⁴ The essential biblical command, to love God and love our neighbour (Mark 12:30-31), reflects these relationships and the need to keep them in good order.

Some of the major problems to which international development responds emerge from the damage done to human relationships by our failure to love our neighbour, in particular the relationship

between rich and poor people and communities. There is a knock-on effect, in that if we fail to love our neighbour fully, we cannot claim to love God properly:

‘Those who do not love a brother or sister whom they have seen, cannot love God whom they have not seen.’ (1 John 4:20).

In working to eradicate poverty, Christian Aid interprets relationships in the widest possible sense. To challenge tax dodging includes a consideration of the relationship between rich and poor – including between multinational companies and people in the poor countries where they work. This leads to the challenge of some causes of poverty which spring from what theologically might be called ‘structural sin’, something of which we are all guilty – in one way or another.

This institutionalised, social, dimension of sin is not easily recognised, given that it refers to types of behaviour that have become the norm. An example of this failure to understand is the case of the rich man described in Mark 10:17-22. In reply to his question, ‘What must I do to inherit eternal life?’, Jesus says: ‘You know the commandments: “You shall not murder ... You shall not steal”’. The man protests that he has always obeyed these laws, but, as Gerald West has pointed out, he cannot see that he is part of a system that does commit murder, steal, defraud and so on.⁸⁵

Exposing structural sin is an important contribution to putting right the relationship between rich and poor. And it is worth bearing in mind that while the man in Mark’s Gospel was called to leave the financial world behind, Zacchaeus, the repentant tax collector, stayed inside it (Luke 19:1-10). Change is brought about by those within as well as those outside.

This also indicates corporate responsibility, which includes that of individuals. In his paper, Angus Ritchie points out that although we relate to God on a personal basis – as individual members of the Body of Christ – nevertheless the Body of Christ is formed from the free association of individuals. An individual citizen has a responsibility to hold his government to account, and an individual businessman has the responsibility to act for the common good.

The role of the private sector in society

Many African intellectuals are highly critical of the traditional growth model which has been widely promoted under the Washington consensus.⁸⁶ They see it as a system based on centuries of exploitation of African economies and an inherently unequal exchange between Africa and developed countries. They conclude that under such a system,

the pursuit of growth can only lead to further concentration of wealth and growing inequality.

For example, Yash Tandon argues:

‘One would have to be blind also not to acknowledge that the capitalist system is inherently polarising – the rich become richer and the poor poorer... In developed capitalist countries this polarising tendency is countered by state intervention through the provision of, for example, welfare support and state subsidies. In African ... countries these safety valves do not exist, or cannot reach out to the masses.’⁸⁷

Again, many African intellectuals and campaigners have long argued for systemic change. This demand will become ever stronger as the global growth model leads to a progressive concentration of wealth and assets and the emergence of an increasingly unstable ‘financialised’ economy.

Samir Amin, director of the Third World Forum in Dakar, Senegal, connects these developments with growing social and political turmoil:⁸⁸

‘The policies that accompany the domination of high finance of necessity lead to an indefinite growing inequality in the distribution of income. Beyond the strictly economic consequences of an evolution in that direction that is steady and permanent – ie, the tendency to stagnation of growth from lack of effective demand – the model of oligopoly-finance capital is socially intolerable and will probably be politically intolerable as well.’

The recent global financial crisis has led to a much wider questioning of the global economic structures and what has gone wrong. As Esther Reed’s paper shows, however, identifying just what has gone wrong can be difficult.

It is important to start by saying that not all business has gone wrong. While there is a strong critique of neoliberalism – especially from developing countries – that can appear as anti-private sector, there is every reason to acknowledge that the private sector can have a positive role to play in societies. However, it is essential that the companies – like governments – are held accountable for their actions wherever they are functioning. Without careful monitoring of multinational companies there is a real danger of them abusing their power.

‘The concentration of wealth also translates into the concentration of political power which translates further into the level of influence elites have on the tax system.’

Charles Abugre, Africa Director, UN Millennium Campaign

Some Christians who argue for a positive view of business tend to start with the Genesis accounts of creation and the Fall. For example, Charles Green roots the legitimacy of business in Genesis 1:28, where human beings are given dominion over everything on earth, an idea echoed in Hebrews 2:8, 'Now in subjecting all things to them [humans], God left nothing outside their control'. For Green, this dominion brings together power and stewardship: 'Business people are called upon to *add value* to God's creation, helping to exercise that dominion over it of which Genesis speaks, to keep it in order.'⁸⁹

The creation of wealth is a result of human resourcefulness and therefore something to be celebrated, but this does not mean it is immune from danger. There is wealth that is to be deplored – and regularly is in the Hebrew Scriptures – which results from the exploitation of the poor. In today's world we might also add wealth which results from despoliation of the environment.

The Wisdom literature in the Hebrew Scriptures is very clear on this, for example: 'Oppressing the poor in order to enrich oneself, and giving to the rich, will lead only to loss' (Proverbs 22:16). On the other hand, wealth justly obtained is a cause of celebration: 'All to whom God gives wealth and possessions and whom he enables to enjoy them, and to accept their lot and find enjoyment in their toil – this is the gift of God' (Ecclesiastes 5:19).

Again, generosity brings its own reward: 'Some give freely, yet grow all the richer; others withhold what is due, and only suffer want' (Proverbs 11:24).

The challenge of this for many multinational corporations is that:

- a successful business will be 'pro-poor' – a business that will resist exploiting the poor – which may not be as easy as it sounds, and
- they will actively seek to benefit the poor.

The ethical commands in Deuteronomy 24 include details about paying poor labourers promptly, being moderate in the demands made of poor debtors and deliberately leaving enough olives on the trees and enough grapes in the vineyard for the benefit of 'the alien, the orphan and the widow' (24:20) – a warning perhaps against excessive or exploitative profits. In today's world, such gifts might be seen as investing in everyone's futures as would, say, the provision of business education for people who would otherwise be unable to access it.

When considering business and taxation, many argue that companies should follow the law and nothing more. Put simply, companies have a legal requirement to obey the law and a fiduciary

duty to maximise profits for shareholders. So long as the activity is legal, the fiduciary duty means that companies should take all possible actions to minimise tax payments and so maximise profits. Perhaps an even simpler way to express this is: 'render to Caesar the things that are Caesar's'. Though as Esther Reed reminds us, Jesus expects more than mere adherence to the law; his answer to the question of the lawfulness of taxes goes beyond mere adherence to the law to its fulfilment in love.

These Christian values require that we follow the spirit of the law and not just the letter of the law. Exactly how businesses (especially multinational businesses operating across many different, sometimes conflicting and occasionally contradictory tax systems) can discern the spirit of the law is another question, to which we shall return.

Having suggested the obligations of 'rendering to Caesar' as the starting point for business tax affairs, we are left with a question that does not come so naturally: what is the responsibility of businesses to 'render to God that which is God's'?

Elsewhere in this publication, Archbishop Francisco talks of the 'non-negotiable principle that the state is needed in order to maintain a social structure that enables individuals to live together with civility, dignity and mutual respect'. Angus Ritchie similarly says that 'a robust, accountable state is needed if citizens are to be free from coercion and able to secure the resources they need to flourish. The state has a vital role in enabling citizens and communities to be genuinely free.'

In the crudest terms Christian Aid's view is that:

- businesses need flourishing societies if they are to have a long-term future
- businesses need flourishing societies if they are to have customers for their goods
- businesses need healthy, educated employees and a robust infrastructure (physical, legal and increasingly virtual) to allow their businesses to grow and prosper.

Taxes are necessary for all of these, and it is clear that the long-term viability of most businesses relies on functioning, financially viable states.

As Angus Ritchie makes clear, in his section on taxation, need and human freedom, it is simplistic to suggest that businesses see the infrastructures of society as a means to their individual end that is the maximising of their profits.

Esther Reed points out in her paper that 'the end (*telos*) of trade is to supply useful products or services to individuals and communities, thus furthering the common good'. If this is turned on its head and the maximising of profit becomes

the goal, then it is likely to corrupt the common project of living together for the good of all. Simply put: people matter more than profit.

In terms of rendering to God that which is God's the starting place for businesses would seem to be an acknowledgment of their role in society, the primacy of creating a good society (in *all* the societies in which a company operates) and their vision of how their business helps to achieve this.

Or again, as Esther Reed puts it 'the common good is humanity's shared project of living together', which takes different forms at different times and places. Such a starting point should help guard against the potential for an approach to slip from utility-maximisation to profit-maximisation and, given the extent to which this has already happened, enable a shift back. Taking such an approach should also encourage the question 'why?' to be asked more.

In tax, as in many areas, there is significant attention focused on 'how' but much less on 'why'. By encouraging companies as a whole, and the individuals within them, to question why certain decisions are being made, or approaches taken, greater attention can be paid to the purpose of actions rather than focussing merely or overly on the details.

The conclusion of Esther Reed's essay challenges us to act responsibly in all aspects of our life, professional and personal. Wherever we work we should be willing to question and challenge the decisions and approaches being taken by the institutions we are part of.

Richard Rohr talks about living on the 'edge of the inside', being a part of the institution but not blindly accepting everything that it entails.⁹⁰ Such a questioning approach is necessary to help avoid or at least challenge, structural sin. It can be a part of shifting business (and other institutions) away from a legal and mechanistic approach to tax, to something deeper and reflective of the understanding of the common good.

The environments in which businesses function provide further challenges when we consider the payment of taxes. Businesses normally work in competitive environments. For many, this takes us back to the opening argument that companies have a duty to maximise profits because if they do not, they will go out of business and then they can do nothing, no matter how good the intentions.

The first response to this is that there is a difference between maximising profits at all costs and being profitable – even the oft-quoted fiduciary duty is clear on this – for the duty of directors is not to maximise profits but 'to act in the way he considers, in good faith, would be most likely to promote the

success of the company for the benefit of its members as a whole'.⁹¹ In doing so they must consider the impact of the company's operation on the community and environment, and the desirability of the company maintaining a reputation for high standards of business conduct.⁹² This is clearly not a duty to maximise profits at all costs, but to run a company responsibly. Legal opinion confirms that a fiduciary duty to avoid tax does not exist.⁹³

The competitiveness of a company should flow from the skill and creativity of its employees and the products and services it creates to serve the common good. The key to long-term success is excellence, and businesses that lose sight of this, and seek to become competitive on the back of short-term returns, such as new ways to avoid tax, are likely to become instantly uncompetitive when tax laws are changed. So there is no barrier *per se* to an ethical approach to tax, and in the long term it is likely to be beneficial not to rely upon an aggressive approach.

That does not deal with the problem entirely and we have to acknowledge that in some aspects of tax (and other areas where structural sin may have arisen) progress will take time. As well as individuals looking at the challenge from the edge of the inside of their companies, it will be necessary for companies to challenge from the edge of inside of their position in globalisation.

Archbishop Francisco looks at the situation where: 'States are powerless and caught between, on the one hand, the internal economy and the common good and, on the other hand, the global economy, trying to balance interests that always tilt in favour of the global economy'. In many states, companies have significant lobbying power and it is often used to influence the tax system, either tax policy as a whole or to obtain specific tax incentives. The impact of this can be huge. In the Caribbean, for example, tax incentives were estimated to cost between 9.5% and 16% of GDP,⁹⁴ with at best a modest impact on investment.

Angus Ritchie reminds us that the state needs active engagement with the society it governs; businesses are a part of that society and should be able to express views, but there are clear concerns that the power of the corporate lobby may have become too great. Archbishop Francisco describes the view of many: 'On the one hand, states need to stimulate development, employment and their social policies; on the other, multinationals utilise their economic power to extract from the state advantages which maximise their profits. This creates a vicious cycle which results in the increasing accumulation of wealth in the hands of a few at the same time as ever-increasing poverty. The individual taxpayer is the weakest party in this cycle, being the most

vulnerable, and certainly least able to influence the tax system’.

This view appears to suggest that the reality is far removed from the situation Esther Reed posits, that ‘politically, economically and otherwise advantaged parties are under the higher obligation, within their means, to ensure the sustainability of conditions required for the practice of good trade, including appropriate taxation’. Businesses that are asking not just ‘how’ but ‘why’ – those that consist of individuals on the edge of the inside – should be in a better place to fulfil this obligation, though it will still require a conscious effort.

We cannot rely on this alone however, for ‘the realities of human sinfulness mean that coercive measures in both the nation state and international community are necessary to prevent tax evasion, restrain tax avoidance, and prevent serious dereliction with respect to the practices of good, sustainable trade’.

Finding the balance between obligation and regulation is a difficult task, in tax as in other areas of life, but there is potential for a virtuous circle to emerge. The more seriously companies take their obligations to the common good, the more trust there will be in them and the less regulation will be demanded and required.

It has been clear from this and the other papers that businesses as well as individuals have a responsibility to support effective and just tax systems and that those responsibilities lie not just with paying taxes (rendering to Caesar), but also in supporting the common good (rendering to God). However, many multinational corporations have not only been seen to use loopholes to avoid paying taxes but have been unwilling to set aside individual gain for the sake of long-term flourishing of society.

Challenging accepted ways of working and encouraging others to do the same is costly (in non-monetary terms) but it is also a necessary part of bringing about transformation. The many business people who are faithful members of the Christian churches will surely welcome the opportunity to be a prophetic voice in the business community and to enable their companies to engage in prophetic action, by taking an ever-greater role in eliminating poverty.

A community working for the common good: A Christian Aid story

The Dhankhali Village Forum, in south-west Bangladesh has 17 members – 10 men and 7 women, each representing their family.

They meet fortnightly to share information and learning. Christian Aid partner Shushilan provides training and organises research to improve their lives. The forum plans to help the whole community become aware of the problems related to climate change, and support each other.

Shushilan provided the first worms for permaculture from another area. The members shared them and received training on what to mix with them,

for example vegetable peelings and manure. This means they do not have to buy fertiliser. This has become a women's project and they are developing it further. The men are pleased with the results and the women are gaining in confidence.

Hindu and Muslim families in this community are living side by side and in harmony. There is a sense of working together to share and build the common good.



Pumima Gain (centre) welcomes members of her village forum by blowing a shell, which signifies the sound of joy.

Conclusion

The papers in this collection challenge us both to think and ask questions of ourselves and our societies. The authors have brought fresh ways to approach taxation and the common good, which challenge us to confront not only our own behaviour but also that of all the actors in our societies. The papers require us to take responsibility for what we do, for what is being done in our name and for the wellbeing of our neighbour.

The essays offer no easy solutions; on the contrary they encourage us to be wary of the simple response. Exercising our responsibilities is not something that can be taken lightly – it requires continued engagement. To that end, the essays offer guidance on what we should take into consideration as we contemplate and fulfil our responsibilities.

All the papers engage with the well-known saying of Jesus: ‘render to Caesar that which is Caesar’s, and to God that which is God’s’. This confronts the perennial question of whether the only important measure of tax behaviour is the legal one. While for some ‘render to Caesar that which is Caesar’s’ might suggest the approach: ‘whatever I can get away with under the law is endorsed’, the authors make clear that even without the second part of the sentence (‘render to God’), there is a moral obligation to do more than merely meet the minimum standards required.

Esther Reed states:

‘It is clear that Jesus expects more than mere adherence to the law’ for, ‘the demand [is] to consider what is owed to Caesar in the light of basic convictions about obligations to God and neighbour.’

In other words, we must take account of the spirit of the law, and not simply follow the letter of the law.

Archbishop Francisco writes: ‘Tax avoidance, even though legal: it shows a lack of respect for that society.’ To show respect, we must ensure that we act in accordance with both the spirit and letter of the law, the latter of which is important, but does not go far enough. The letter of the law would appear to be too narrow a lens through which to focus our engagement on tax.

Angus Ritchie examines a potentially narrow, self-interested, interpretation of the need to pay taxes which could be one way to show ‘respect’ to society:

‘Businesses, like individuals, can only exist and flourish because of a wider environment of nurture and support. This generates reciprocal moral obligations... The “cake” of wealth is not in fact generated by business and partially consumed by the state. Rather, the state and citizens are coproducers of that wealth in the first place, which already generates a *prima facie* entitlement to a “slice” in order to continue to provide the environment and the public goods in which enterprise and commerce are possible’.

However he goes further, saying: ‘Christian social thought goes well beyond this. It is not only because I benefit from an arrangement that I can legitimately be asked to fund it.’

Our obligations to God and neighbour cannot be fulfilled merely by seeking to determine the cost benefit to myself, or the spirit in which any single law is intended; there is a broader picture that needs to be considered.

As Esther Reed suggests, global corporations (and indeed individuals):

‘May properly be expected to exceed minimal compliance standards on taxation, where failure to do so undercuts the conditions required for the flourishing of all, and to engage proactively with what’s required for true wealth (decent wages but also health provision, education, human rights, infrastructure, a healthy environment, the rule of law and more) in the communities and nations in which they trade.’ Or perhaps more simply, ‘people matter more than profit’.

We need to consider not just the spirit of the law in its narrow sense, but in its broader sense: the spirit in which taxes are paid to help enrich our societies in more than just financial terms: Tax *for* the common good.

Archbishop Francisco makes clear that taxes are necessary for this societal enrichment, speaking of the ‘non-negotiable principle that the state is needed in order to maintain a social structure that enables individuals to live together with civility, dignity and mutual respect’. He adds: ‘If a robust and accountable state is essential to the flourishing of individual citizens and of civil society, it is clearly a public good to which all

who can will need to contribute. This argument alone provides a prima facie moral duty for citizens to pay tax.'

This duty is not fulfilled merely by the paying of taxes, for the state must also be held accountable for how taxes are spent. Tax revenues are publicly owned, and must be collected and used by the state for agreed and transparent purposes, on which governments are monitored by its citizens.

Angus Ritchie argues that monitoring is necessary because of sin: 'A large part of *both* our need for government *and* of its attendant dangers flows from human sinfulness. When power is unequally distributed we have a tendency to abuse it.'

We must be alert to the risk that states can become corrupt. The solution to this is not the elimination of the state but rather active engagement of citizens with their government. The authors make it clear that the state is necessary both to provide 'goods' and to restrict opportunities for sinfulness.

'The common good does not just happen... the "common good" is not an idea or thing whose substance may be defined but a set of responsibilities pertaining to a shared project of which all are part.' (Esther Reed)

There is also risk in thinking of the common good solely in financial terms, for individuals can become corrupt, says Esther Reed.

'Profit should never be the end but only the means of economic endeavour. The end (*telos*) of trade is to supply useful products or services to individuals and communities, thus furthering the common good.' There is the risk that 'many disordered loves, including the love of money, threaten to corrupt every person's relationship with God and neighbour, and the common project of living together for the good of all.'

Living with and for the common good, we share a responsibility to challenge the love of money and the sole pursuit of profit for profit's sake where we see it; to challenge the individuals, the businesses and the governments who put profit and self-interest before people. Every citizen will approach this from a different position and with different opportunities to act. Each individual, business and government will need to recognise the power they have and satisfy themselves that they are using that power to create the common good, and not abusing it for their own selfish ends.

As Esther Reed said: 'Politically, economically, and otherwise advantaged parties, are under the higher obligation, within their means.'

At its most basic the question is: are we seeking to take out more than our fair share? Are we fulfilling our moral obligation to others – who may be more vulnerable than we are, and are we holding others to account for their actions and behaviour?

With regard to tax, this can be particularly difficult because so much is kept secret. Therefore the demands that many, including Christian Aid, make for greater transparency (for instance for country-by-country reporting) can be seen as part of the process which enables communities to ensure accountability. It is encouraging to see recognition of this issue in work such as the OECD's proposals on Base Erosion and Profit Shifting.⁹⁵

The authors do not underestimate the size of this challenge; they all seek to grapple with the way globalisation has made accountability more difficult, and increased the opportunities for the abuse of power.

Archbishop Francisco talks of the increasing power of multinationals and how they can use this power to impose an agenda on the state, while Angus Ritchie talks of the power of states and argues that 'nations need to take responsibility for the effect of their tax regimes on other countries', as well as avoiding the temptation of the race to the bottom on tax.

Esther Reed encourages us not to draw back from the challenge of responding to globalisation, but to realise that: 'Christian people have both the resources and reasons to think about the "who?" question of tax justice in dynamic, interactive terms that take account of the many ways in which humans (and other creatures) belong to one another.'

There may be a range of institutions through which our responses are mediated, but we must never lose sight of the end for which we are striving: our duty to the common good, to allow all people to flourish.

Put together then, the papers gathered here provide a thoughtful reflection, encouraging us all to think deeply about tax and the impact it can have. They also encourage us to do more than think, for we are required:

- to recognise that tax revenues are essential if governments are to provide for and protect the dignity and justice of citizens
- to acknowledge that the letter of the law is not the bar for responsible behaviour
- to know that we must think of tax beyond our own costs and benefits and also reflect on its impact for the common good
- to know that states, businesses and individuals are all liable to sin and to abuse their power
- to know that tax justice does not stop at the border, any more than does love for our neighbour.

There is also clearly a call to action; the common good does not just happen. While 'few of us can act significantly on the international stage, this is not the extent of responsibility' – we all have a responsibility to help bring about tax justice.

Recommendations

The authors have drawn their own conclusions and recommendations, looking at the purpose of tax and the responsibilities of governments, companies and individuals. They have suggested both bottom-up and top-down approaches.

Tax IS for the common good

A tax system has the potential to help create the societies to which we aspire; this is a message emphasised in all the papers. Tax is one of the tools available to governments to create greater equality, not least through the redistribution of wealth.

The authors acknowledge that sinful attitudes have undermined the just tax system required for this in the past, and may do so in the future. Nevertheless we should not allow this to prevent us from exercising our responsibilities to all as we strive to achieve the common good.

The fulfilment of international responsibilities

There is a clear duty for countries to act for the common good of all their citizens, to ensure their actions are not predatory, in design or effect, on others.

We are reminded of the moral requirement for international leaders to fulfil their ambitious agreement at the Lough Erne meeting of the G8 in 2013. This committed their countries to:

- sharing information
- revising rules on how companies are taxed
- reviewing how they report their finances and ownership.

The declaration also made clear that rich countries have a duty to help developing countries.

Much of this is in line with the policies Christian Aid has been advocating for many years. If implemented, there is huge potential for good. The 'if' looms large though; at the time of writing there are concerns that the international negotiations are not paying sufficient regard to the needs of developing countries, which until very recently have felt excluded from them.

There is a real risk that political leaders will fall short of their duty to make the system work for all.

We all have a responsibility to hold leaders to account in whatever way we can and if the current international structures are not working, then we are encouraged to seek alternatives. Even though the structures are subject to criticism (such as Pope Benedict's call for a global public authority), they remain a means of moving the debate towards 'the development of national and international infrastructures to ensure just and equitable trade that can be beneficial to everyone'.

The fulfilment of individual responsibilities

We need moral leadership from individuals, from CEOs, from shareholders, politicians and more.

Esther Reed provides a list of 12 concepts we should all bear in mind and gain strength and resolve from in our engagements on tax and Angus Ritchie suggests five principles we should be striving towards in our tax systems. Combining these gives us a sustainable, simple, transparent, responsible, equitable and redistributive tax system.

The voice from South Africa challenges the political status quo, suggesting that to achieve the common good we will require a new political approach, in which every person has the freedom to express their views and work together for an equal, flourishing and cohesive society.

These ideas present huge challenges to today's world but also a powerful combination which, if pursued, has the potential to refocus the debates on tax. Frequently these become stuck around the minutiae of detail, when really 'a discussion about taxation must always emphasise the need for society to monitor and control who pays, who collects, how taxes are used and who benefits from their use'.

Discussing the challenges arising from these issues will stimulate action and help reinstate tax as the powerful force for the common good that it is clearly it can and should be.

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The diversity of their views means that the content and conclusions of the final document do not necessarily represent the opinions and beliefs of all who worked on it with us.

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Glossary

Base erosion and profit shifting (BEPS) – this describes various activities used by multinational companies which have the effect of reducing their tax payments outside of tax havens.

Country by country reporting – an accounting standard for multinational companies, under which they report data such as their taxes paid, profits made, revenues and assets separately for each country in which they operate. This form of reporting can help governments to detect when a company is artificially shifting its profits from one country to another.

False invoicing – this is when unrelated companies sell goods or services to each other at manipulated prices, for the benefit of the companies concerned. This is similar to transfer mispricing but it involves companies that are not part of the same multinational.

Progressive taxation – imposing higher tax rates on people with higher incomes, rather than the same rate of tax on everyone regardless of their income. Progressive taxation can help to redistribute wealth from rich to poor.

Race to the bottom – this is a reference to the idea of countries all progressively cutting their taxes in order to undercut competitor countries and attract foreign investment by offering low tax rates.

Sacerdotal – Refers to the activity of priests; priestly.

Tax avoidance – this is when companies and individuals take advantage of loopholes in the law in order to reduce their tax bills. Tax avoidance is not illegal but can be deemed harmful, because it reduces funding for important public services and/or increases the tax burden on other taxpayers.

Aggressive tax avoidance pushes the boundary of legality and many schemes are devised and marketed by the tax industry with a less than 50% chance of being declared legal, were they to face challenge in court.

In addition, there are tax-efficient activities, for example investing in a tax-free Individual Savings Account (ISA) in the UK. These are entirely legitimate, in that Parliament deliberately passed the law underpinning such accounts to encourage people to save money. Another way of looking at an ISA is to say that they are 'within the spirit of the law'.

Tax evasion – this is criminal activity and involves companies and individuals using deceptive and illegal means to evade tax. For instance, they may evade tax by hiding money in a foreign tax haven where their own tax authority cannot detect it. A company could evade tax by deliberately overstating its costs in order to make its taxable profits appear lower than they are.

Transfer pricing and mispricing – transfer prices are the prices that companies attribute to the goods and services that they sell to another part of the same multinational company. There is nothing wrong with transfer pricing in itself – it is an almost inevitable business activity for multinational companies. What is wrong is when companies deliberately manipulate their transfer prices – transfer mispricing – in order artificially to shift profits from one country to another.

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29. This conclusion is reached by other ethical approaches too. Onora O'Neill argues that a Kantian approach to the morality of business is not satisfied by conformity to the law and restraint from coercion or deception, especially in those situations where people live close to the margins of existence: 'mere "noninterfering" conformity to ordinary standards of commercial honesty and political bargaining is not enough for justice toward the destitute. If the demands of the powerful constitute "offers that cannot be refused" by the government or by the citizens of a poor country, or if the concessions required for investment by a transnational corporation of a development project reflect the desperation of recipients rather than an appropriate contribution to the project, then (however benevolent the motives of some parties) the weaker party to such agreements is used by the stronger.' Onora O'Neill, 'Ending World Hunger', in Tom Regan, *Matters of Life and Death*, McGraw Hill, 1993, p265. Her point is that Kantians will act to support the possibility of autonomous action, including where it is most vulnerable, which means not precluding the autonomous action of others and not failing to promote the conditions wherein people currently enduring severe poverty can establish indigenous capacities and trading practices – even if the law does not require this.
30. Aristotle, *Politics* 3. 6-7, 12. Cited in BJ Diggs, 'The Common Good as Reason for Political Action', *Ethics*, 83, 1973, pp283-293.
31. Thomas Aquinas, *Summa Contra Gentiles*, University of Notre Dame Press, 1975, bk III, ch 17.
32. Aristotle, *Nicomachean Ethics*, NE 1162a28-9.
33. Plato, *The Republic* 2.359a–2.360d. 6.31.
34. Frank J Garcia, *Global Justice and International Economic Law*, Cambridge University Press, 2013, p21.
35. David Scheffer, 'The ethical imperative of curbing corporate tax avoidance', *Ethics & International Affairs*, 27, 2013, pp361-9.
36. See *Black's Law Dictionary* 1496, 8th ed, 2004. See further Susan Pace Hamill, 'The potential of applying Judeo-Christian ethics to tax policy in foreign countries', *Journal of Education Finance*, 34, 2008, pp.139-155.
37. Elsewhere Paul places the corrupt Roman imperial order under the judgment of God in ways that attracted opposition and imprisonment (Acts 17:7, 1 Corinthians 2:6-8, 6:1-4, 15:24, Philippians 1:7, 2:17, 1 Thessalonians 1:10, 2:2, 2:12, 5:23). This appears to echo Jesus' teaching in Mark 12:13-17 that tax is to be paid to whom it is due.
38. For example, Peter Singer (along with Charles Beitz and Thomas Pogge) argues that a concept of global distributive justice is necessary if global economic benefits are to be realized. Beitz wants to extend Rawls's 'justice as fairness' model to the global realm urging governments to seek interdependence rather than independence upon the world stage. Charles Beitz, *Political Theory and International Relations*, Princeton University Press, 1979. See also Thomas Pogge, 'Recognized and Violated by International Law: The Human Rights of the Global Poor', Delivered on 17 October 2005 at the School of Public Policy, University College London, www2.ohchr.org/english/issues/poverty/expert/docs/Thomas_Pogge_new.pdf

39. Thus John Rawls does not reproduce the famous contractualist procedure associated with the first 'Original Position' thought experiment where participants debate with reference to familiar principles of domestic justice. Instead he suggests a 'Second Original Position' where the principles and norms of international law and practice are to be negotiated by the political representatives of peoples. Responsibility for tax justice internationally would be mediated, we may suppose, through the political representatives of peoples on the international stage'. John Rawls, *The Law of Peoples*, Harvard University Press, 2001, p40.
40. Aristotle, *Nicomachean Ethics* 1094b.
41. Gorringer, *The Common Good*, p26.
42. Acknowledge Joan Lockwood O'Donovan's paper on Franciscan ethics.
43. *Caritas in Veritate*, §6. See also Pontifical Council for Justice and Peace, Towards Reforming the International Financial and Monetary Systems in the Context of a Global Public Authority, 2011.
44. Michael Novak, quoted in Rachel Donadio, Laurie Goodstein, 'Pope urges forming new world economic order to work for the "common good"', *New York Times*, 7 July 2009, www.nytimes.com/2009/07/08/world/europe/08pope.html
45. *Caritas in Veritate*, §57.
46. See note 7.
47. Simon Critchely, *Infinitely Demanding*, Verso, 2007, p132.
48. John Milbank, 'What a Christian view of society says about poverty', in Angus Ritchie, *The Heart of the Kingdom: Christian theology and the children who live in poverty*, The Children's Society, 2013, p28.
49. D Stephen Long, *Divine Economy: Theology and the Market*, Routledge, 2000, p269.
50. Jesse NK Mugambi, contribution to the 15th Conference of Parties of the UN Convention on Climate Change, Copenhagen, December 2009, cited in Paula Clifford, *Theology from the Global South: Perspectives on Christian Aid's Work*, Christian Aid, 2012.
51. Cathy Shutt, *Power and Governance: Lessons and Challenges*, Christian Aid, 2010.
52. See note 51, p11.
53. See, for example, *False Profits: Robbing the Poor to keep the Rich Tax-free*, Christian Aid, 2009.
54. Concluding Document of the Fifth General Conference of the Latin American and Caribbean Roman Catholic Bishops' Conferences, 2007, paragraph 66, www.celam.org/aparecida/Ingles.pdf
55. Angus Ritchie, 'Child poverty and the vocation of government', in *The Heart of the Kingdom: Christian theology and children who live in poverty*, The Children's Society, 2013.
56. Duncan Green, Richard King, May Miller-Dawkins, *The Global Economic Crisis and Developing Countries*, Oxfam, 2010, p54-5.
57. Olivia McDonald, Kadi Jamu, *Can tax challenge bad governance? Christian Aid Occasional Paper No 1*, Christian Aid, 2008, christianaid.org.uk/images/OPS_one.pdf
Further evidence for this is provided in the more recent report *Africa Rising: Inequalities and the essential role of fair taxation*, Christian Aid, Tax Justice Network Africa, 2014, christianaid.org.uk/images/Africa-tax-and-inequality-report-Feb2014.pdf
58. Quoted by Maurice Glasman in 'Taking Responsibility at a Time of Economic Crisis', in Angus Ritchie (ed), *Crunch Time: A Call to Action*, Contextual Theology Centre, 2010, p88.
59. The role of 'moral hazard' in the Jubilee 2000 campaign, and its success in meeting the objection, is discussed in Joshua William Busby, 'Bono Made Jesse Helms Cry: Jubilee 2000, Debt Relief, and Moral Action in International Politics', *International Studies Quarterly*, 2007, 51, pp247-275.
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