



Education International  
Internationale de l'Éducation  
Internacional de la Educación

# TAX JUSTICE

€ A Resource Guide for Education Unions \$

MAY 2014

Around the world, tax avoidance by corporations is robbing governments of desperately needed funds to pay for schools, materials and teachers. According to various estimates, countries are potentially losing hundreds of billions of dollars every year because big companies are not paying their fair share of tax.

When multinationals avoid paying tax, ordinary citizens either end up paying more, or essential public services like education receive less funding or get cut, affecting the world's poorest populations the most.

Education International believes it is time for international action to close tax loopholes. Multinational companies must pay their fair share of tax so that governments have the resources they need to fund quality public services, including education.

## DID YOU KNOW?

In order to achieve the Millennium Development Goals (MDGs) and the Education for All (EFA) goals, it is estimated that all countries need to raise 20% of their GDP in taxes. Out of 67 low and middle income countries, only seven currently meet this target. If low and middle income countries increased their tax-raising efforts and devoted a fifth of their budget to education, they could raise an additional \$153bn for education in 2015, filling over half of the annual funding gap for primary and lower secondary education.

Nigeria for example, which spends just 1.5% of GDP and 6% of its budget on education, has more children out of school than any other country in the world (10.5 million of the 57 million out of school worldwide). On both these indicators Nigeria could more than triple its spending on education.

Source: *Education for All Global Monitoring Report*, Policy Paper 12, March 2014.

## DID YOU KNOW?

In Tanzania, the Global Campaign for Education observed that the amount of money lost to tax dodging by big companies could have paid for the training of all Tanzania's untrained primary school teachers, as well as the training and salaries for more than 70,000 additional teachers needed at the primary level for class sizes with a pupil-teacher ratio of 35:1. It could also fund the building of 97,000 new classrooms and ensure that every primary school-aged child has a reading and mathematics textbook.

Source: "*A Taxing Business: Financing Education for All through Domestic Resources*", Global Campaign for Education, p. 10

## HOW DO MULTINATIONALS AVOID PAYING THEIR FAIR SHARE?

Multinationals use various strategies to avoid paying their fair share of taxes. Common sources of unpaid tax include 'tax breaks' or 'holidays' that countries give to companies, and tax dodging that companies carry out both legally, by exploiting loopholes (called 'tax avoidance') and illegally, called 'tax evasion'.

Below are the most common strategies used by companies to avoid paying their fair share of tax:

- ★ **TAX HAVENS:** Tax havens are characterized by low or no corporate tax rates, strict banking privacy laws and simple incorporation rules that allow corporations to set up so-called "shell companies" that have no real assets or operations but are used to siphon profits out of countries where tax should be paid.
- ★ **TAX ARBITRAGE:** Multinationals routinely engage in tax planning strategies that take advantage of gaps and loopholes in tax rules between different jurisdictions. One common strategy involves the use of a "double dip lease." This occurs when a multinational group based in one country leases a property to a subsidiary group in another country in order to claim tax credits in two jurisdictions for the same property.
- ★ **TRANSFER PRICING:** Multinational companies often manipulate the prices of transactions for goods and services within their company's global holdings. This often involves a company over-charging a subsidiary for a product or fee that allows profits to be shifted to lower-taxed locations.
- ★ **HARMFUL TAX INCENTIVES:** Some tax incentives involve special deals given to a multi-national company by a government, purportedly to attract foreign investment- but there is a lot of evidence that they are not fit to meet that purpose, particularly in developing countries. Incentives are rarely subject to parliamentary or public scrutiny, often granted by those without proper authority to do so, or contain stability agreements that prevent future governments from revising them. 'Tax holidays' which exempt companies from income tax often for long periods are particularly harmful.

### DID YOU KNOW?

In a 2010 report, the US Congressional Research Service estimated that the use of tax havens by companies to hide profits cost the United States Treasury alone between \$USD 10 billion and 60 billion per year.

Source: **Tax Havens: International Tax Avoidance and Evasion**, Washington: Congressional Research Service, June 4, 2010

## DID YOU KNOW?

Developing countries are estimated to lose between US\$120 and US\$160 billion a year in revenue owing to money hidden in tax havens – more money than they receive in aid.

Source: <http://www.oecd.org/dac/stats>

“THERE IS ENOUGH MONEY TO PROVIDE QUALITY PUBLIC SERVICES, INCLUDING QUALITY EDUCATION FOR ALL, IN ALL COUNTRIES. THAT MONEY IS SIMPLY BEING DENIED TO PUBLIC BUDGETS BECAUSE THE TAX AVOIDANCE INDUSTRY, WITH ITS LEGIONS OF ACCOUNTANTS, LAWYERS, AND BANKERS, IS VERY SUCCESSFUL.”

– Fred van Leeuwen,  
General Secretary,  
Education International

## WHAT CAN BE DONE?

Governments need to take action first through their national tax rules to stop harmful incentives and tax treaties, especially treaties negotiated with tax havens. They should also use their tax powers to ensure that when companies transfer profits to other jurisdictions, they pay a fair share of that to local authorities – this is commonly referred to as a “withholding tax”.

Multinational companies also have a responsibility to stop using corporate structures like “shell companies” and transactions like transfer pricing that allow them to artificially lower their tax liabilities. Companies must also be more transparent about their tax policies and practices.

Ultimately, a coordinated international response is needed. Tax avoidance strategies take advantage of tax havens and loopholes arising from the different tax rules of different countries. This makes it difficult for any single country alone to fully address the issue.

That’s why Education International is encouraging its affiliates to get involved in the campaign for tax justice. We need to pressure each country and key international institutions to act together to shut down tax havens, close loopholes, and end transfer pricing.

“CLOSING LOOPHOLES IN INTERNATIONAL TAX LEGISLATION WILL REQUIRE CHANGING ATTITUDES, AND CALLS FOR STRONG POLITICAL WILL. THE WIDESPREAD ACCEPTANCE OF TAX AVOIDANCE AS A LEGITIMATE GOAL OF LARGE CORPORATIONS MUST CHANGE. UNLESS THIS APPALLING AND UNJUSTIFIED TAX EVASION IS STOPPED, QUALITY PUBLIC EDUCATION AND OTHER SERVICES WILL CONTINUE TO BE PUT AT RISK BY CUTS IN PUBLIC SPENDING.”

– Susan Hopgood, Education International President

## HOW TO GET INVOLVED

Education unions have an important role to play in the campaign for tax justice. We know that when big companies avoid paying taxes, teachers and students are the ones who pay the price, through lower teachers' wages, under-resourced schools and poorer education quality.

To get involved in the campaign for tax justice, your organisation can:

- ★ **GET INFORMED.** Find out more about corporate tax avoidance and what it means for education and other public services. Check out the [\*resources\*](#) section of this guide.
- ★ **GET CONNECTED.** Tax justice networks have sprung up around the world, bringing together trade unions, NGOs, and citizens concerned about tax avoidance. Consult the *Tax Justice Networks* list below to find a network in your region to join.
- ★ **GET ORGANIZED.** Join one of the many tax justice campaigns that have been launched or find out how to start your own campaign by referring to the campaign toolkits below.
- ★ **GET CAMPAIGNING.** Call on Ministers of Finance to commit to increasing the amount of corporate tax raised by closing tax loopholes, and to devote at least 20% of funds raised to Ministries of Education to increase spending on education. Demonstrate support and get the public involved by asking teachers, students and parents to say what more tax could pay for in their school.

### DID YOU KNOW?

Developing countries lose more to tax avoidance than they receive in aid each year.

The amount lost to corporate income tax breaks given by developing governments is enough money to:

- ★ end the HIV/AIDS epidemic;
- ★ give a basic education to the 72 million children that currently miss out; and
- ★ end global hunger, twice over.

Source: [\*ActionAid International\*](#)

## RESOURCES

### ★ GLOBAL CORPORATE TAXATION AND RESOURCES FOR QUALITY PUBLIC SERVICES

Commissioned by the EI Research Institute on behalf of the Council of Global Unions, this study underlines the shocking extent of tax avoidance by multinational companies and provides concrete ways the global community can respond.

Read/download the study on [http://download.ei-ie.org/Docs/WebDepot/Study\\_Global%20Corporation%20Taxation\\_Press%20copy.pdf](http://download.ei-ie.org/Docs/WebDepot/Study_Global%20Corporation%20Taxation_Press%20copy.pdf)

### ★ FIXING THE CRACKS IN TAX

This policy brief, supported by 34 organisations working on tax justice from all over the world, sets a number of recommendations for how countries can tackle tax dodging by multinational corporations.

Read/download the policy brief on <http://www.christianaid.org.uk/images/policy-brief-g20-fixing-the-cracks-in-tax.pdf>

### ★ EXPOSING THE LOST BILLIONS: HOW FINANCIAL TRANSPARENCY BY MULTINATIONALS ON A COUNTRY BY COUNTRY BASIS CAN AID DEVELOPMENT

An overview of how the cross border nature of multinational companies' operations combined with the absence of adequate transparency regulations have very damaging implications for a country's ability to mobilize domestic resources.

Read/download the report on [http://eurodad.org/uploadedfiles/whats\\_new/reports/cbc\\_report.pdf](http://eurodad.org/uploadedfiles/whats_new/reports/cbc_report.pdf)

### ★ THE PRICE OF OFFSHORE REVISITED

This 2012 research report from the Tax Justice Network estimates that \$USD 21 to 32 trillion of global private financial wealth has been invested tax free through the world's secrecy jurisdictions as of 2010. This is equivalent to the annual output of the US and Japan combined.

Read/download the report on [http://www.taxjustice.net/cms/upload/pdf/Price\\_of\\_Offshore\\_Revisited\\_120722.pdf](http://www.taxjustice.net/cms/upload/pdf/Price_of_Offshore_Revisited_120722.pdf)

### ★ TAX POWER - ACTIONAID'S CAMPAIGN EXPLAINED

Tax Power is ActionAid's response to this global scandal: a coordinated campaign across 20 countries. This campaign will serve to harness the Tax Power of people and governments by working on the local, national and international levels to bring an end to harmful tax incentives, tax avoidance of all kinds, and the tax havens and lack of transparency that make tax avoidance possible.

Read/download the overview on [http://www.actionaid.org/sites/files/actionaid/tax\\_power\\_-\\_actionaids\\_campaign\\_explained.pdf](http://www.actionaid.org/sites/files/actionaid/tax_power_-_actionaids_campaign_explained.pdf)

## ★ TAX HAVENS: EXPLORING “TREASURE ISLANDS”

This article from Journalist’s Resource gathers different academic reports and reflects on the evolution in scholarly approaches to tax havens.

Read/download the article on [http://journalistsresource.org/studies/economics/banks/tax-havens-exploring-treasure-islands?utm\\_source=feedburner&utm\\_medium=feed&utm\\_campaign=Feed:+journalistsresource+%28Journalist%27s+Resource%29](http://journalistsresource.org/studies/economics/banks/tax-havens-exploring-treasure-islands?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed:+journalistsresource+%28Journalist%27s+Resource%29)

## ★ GIVE US A BREAK: HOW BIG COMPANIES ARE GETTING TAX-FREE DEALS

This 2013 research shows how much developing countries are giving away in tax incentives to multinational companies, and the essential public services the lost money could have paid for.

Read/download the report on [http://www.actionaid.org/sites/files/actionaid/give\\_us\\_a\\_break\\_-\\_how\\_big\\_companies\\_are\\_getting\\_tax-free\\_deals\\_2.pdf](http://www.actionaid.org/sites/files/actionaid/give_us_a_break_-_how_big_companies_are_getting_tax-free_deals_2.pdf)

## ★ A TAXING BUSINESS: FINANCING EDUCATION FOR ALL THROUGH DOMESTIC RESOURCES

This report by the Global Campaign for Education identifies four major steps towards achieving increased domestic resources in low- and middle-income countries, including the Implementation of a fair tax system, and the vast impact this could make on increasing education budgets and ensuring quality, public education for all.

Read/download the report on [http://www.campaignforeducation.org/docs/reports/GCE\\_A%20TAXING%20BUSINESS.pdf](http://www.campaignforeducation.org/docs/reports/GCE_A%20TAXING%20BUSINESS.pdf)

## ★ SWEET NOTHINGS

This 2013 research calculates how British sugar giant Associated British Foods dodges a Zambian tax bill big enough to put 48,000 children in school a year, through aggressive tax practices, weak international tax rules, and poor government tax control.

Read/download the report on [http://www.actionaid.org/sites/files/actionaid/sweet\\_nothings.pdf](http://www.actionaid.org/sites/files/actionaid/sweet_nothings.pdf)

YOU CAN ALSO VISIT EI’S EDUCATION IN CRISIS WEBSITE  
FOR BLOGS AND OTHER RESOURCES ON TAX JUSTICE

<http://www.educationincrisis.net>



## TAX JUSTICE NETWORKS

### ★ GLOBAL

The **Global Alliance for Tax Justice** campaigns and advocates for a world with fair and equitable tax systems that fund vital public services for all.

<http://gatj.org>

### ★ REGIONAL

**Tax Justice Network-Africa (TJN-A)** is a Pan-African initiative established in 2007 and a member of the global Tax Justice Network. TJN-A seeks to promote socially just, democratic and progressive taxation systems in Africa, advocating for pro-poor tax regimes and the strengthening of tax regimes to promote domestic resource mobilization.

<http://www.taxjusticeafrica.net>

**The European Network on Debt and Development (Eurodad)** is a network of 58 non-governmental organisations from 19 countries that work on issues related to debt, development finance and poverty reduction. The network advocates for greater transparency and enhanced coordination of taxation systems worldwide.

<http://www.eurodad.org/sites/tax>

**The Nordic Tax Justice Network** is an independent coalition of researchers and activists with a shared concern about the harmful impacts of tax avoidance, tax competition and tax havens to Nordic welfare societies.

<http://blogi.kaapeli.fi/tjnnordic>

**The Latin America Network for Debt, Development and Rights (LATINDADD)** is a network of 17 members in 10 countries: Argentina, Bolivia, Brazil, Colombia, Ecuador, Honduras, Costa Rica, Nicaragua, Peru and Uruguay. Through capacity building and campaigns, LATINDADD work towards a long-lasting solution to external debt problems, and to create conditions for the establishment of an economy that benefits people, in which their economic, social and cultural rights are respected and implemented.

<http://www.latindadd.org>

**The East Africa Tax and Governance Network (EATGN)** is a network of 16 member organisations specialised in taxation, governance, public policy, research and capacity building. EATGN aims to increase stakeholder engagement and public debate on tax and governance issues in Kenya and across east Africa.

<http://www.eatgn.org>

Coordinator: Luckystar Miyandazi- [azreestar@gmail.com](mailto:azreestar@gmail.com)

## ★ NATIONAL

### **Australia**

Tax Justice Network Australia - <http://taxjustice.org.au>

### **Belgium**

Het Grote Geld - [http://www.hetgrotegeld.be/index.php/het\\_grote\\_geld/Nieuws](http://www.hetgrotegeld.be/index.php/het_grote_geld/Nieuws)

### **Canada**

Canadians for Tax Fairness- <http://www.taxfairness.ca>

### **Germany**

Netzwerk Steuergerechtigkeit Deutschland arbeiten Gewerkschaften -  
<http://steuergerechtigkeit.blogspot.de>

### **Indonesia**

Taxation Advocacy Group - <http://www.taxag.org>

### **Netherlands**

Tax Justice Network Netherlands - <http://www.taxjustice.nl>  
Centre for Research on Multinational Corporations (SOMO) - <http://somo.nl>

### **Norway**

Tax Justice Network Norway - <http://taxjustice.no>

### **Sierra Leone**

Budget Advocacy Network (BAN)  
Contact: Abu Bakarr Kamara, Coordinator  
Email: [bansecretariate@gmail.com](mailto:bansecretariate@gmail.com) or [bubakaysl@yahoo.com](mailto:bubakaysl@yahoo.com)  
Phone: +232- 33-354955 / +232-88-884367 / +232-78-120086

### **Spain**

Impuesto a las Transacciones Financieras - <http://www.itfya.org/web/guest/home>

### **Uganda**

Tax Justice Alliance (CSOs)  
Tax Justice Taskforce (CSOs, private sector / government institutions)  
Contact for both:  
Nelly Busingye, Program Officer, SEATINI-Uganda: [nbusingye@seatiniuganda.org](mailto:nbusingye@seatiniuganda.org)  
Phone: +256 789 193 934 / +256 713 353 597

### **United States**

Tax Justice Network USA - <http://tjn-usa.org>  
Citizens for Tax Justice - <http://www.ctj.org>

### **Zambia**

Zambia Tax Platform- Centre for Trade Policy and Development (CTPD)  
Contact, Isabel Mukelabai, Executive Director: [isabelmukelabai@ctpd.org.zm](mailto:isabelmukelabai@ctpd.org.zm)  
Phone: +260 21 126 4409

## ★ CAMPAIGNS

**Tackle Tax Havens**, launched in 2011, is designed to raise public awareness of tax havens: what they are, the damage they do and how we can tackle them together.  
<http://www.tackletaxhavens.com>

**The Robin Hood Tax Campaign** is a global campaign pressing for a tax on financial transactions that would give billions to help the poor and the planet.  
<http://robinhoodtax.org.uk/whos-behind-it/around-the-world>

Active since 2008, the **ActionAid Tax Power Campaign** focuses on making big companies pay their fair share of tax in poor countries.  
<http://www.actionaid.org/tax-power/actionaid-tax-campaign-highlights-so-far>

## ★ TAX JUSTICE TOOLKITS

Produced by Christian Aid and SOMO (Centre for Research on Multinational Corporations), the **Tax Justice Advocacy Toolkit** provides detailed guidance, tips and tools on how to develop an advocacy strategy on tax; conduct tax-focused research; and lobby, communicate and campaign on tax.  
<http://taxjusticetoolkit.org>

**A Guide to Tax Work for NGOs** is a good overview of how trade unions and NGOs can be involved in monitoring government tax policies and administration.  
<http://internationalbudget.org/wp-content/uploads/A-Guide-to-Tax-Work-for-NGOs.pdf>

# TAX JUSTICE

A Resource Guide for Education Unions



Education International  
Internationale de l'Éducation  
Internacional de la Educación

Education International is the voice of teachers and other education employees across the globe. A global federation of about 400 unions in more than 170 countries and territories, it represents 30 million teachers and other employees in education from early childhood to university.

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