The Impact of Ireland's Tax Policy on Countries of the Global South: Add your voice to the 'Spillover Analysis' consultation by Friday 20th June 2014

What is the 'spillover analysis': The Department of Finance is carrying out a 'spillover analysis' of Ireland's tax policy, researching what impact, both positive and negative, Ireland's tax system has on countries of the global South. There is a consultation in advance of this analysis, with a deadline of this Friday, 20th June. The consultants doing the analysis will review all of the submissions made as part of this consultation and consider them in the writing of the final report.

What you can do: Tax is a global justice issue; illicit financial flows, including tax dodging, costs people in Europe €1 trillion per year, and countries of the global south up to €870 billion. These are resources that could be put to use for vital public services. Tax transparency should be central to this analysis as the current lack of transparency facilitates the shifting of profits across borders around the world to avoid tax liabilities.

Debt and Development Ireland welcomes the spillover analysis, and you as a DDCI supporter can ask the Department of Finance to consider the following points in carrying it out. Please send these key points to spilloveranalysis@finance.gov.ie by this **Friday 20th June.**

Automatic Information Exchange: The automatic sharing of tax information between countries is a vital tool in global tax transparency. While the OECD's *Standard for Automatic Exchange of Financial Account Information* published in February 2014 contains many positive elements, it sets an information sharing standard that is too difficult for gobal South countries to meet. Global South countries need a transition period where they can ask other tax jurisdictions for information, but are not required to give the same level of information back. This would give them time to improve their information systems on tax but also allow them to take action against potential tax dodgers who are denying their country vital financial resources. There is currently no provision for this 'non-reciprocal information exchange' with countries of the global South.

The spillover analysis should identify clearly which countries are being excluded by the new standard and assess the current cost to countries which do not have the capacity to participate on an equal footing in the new AIE arrangements with Ireland.

Transparency about Beneficial Ownership of Companies: Having a public register of the beneficial owners of companies, trusts and foundations in every country would give the public access to the names of the real owners of companies. *Ireland's International Tax Strategy* (2013) highlights Ireland's efforts to improve global tax transparency. The establishment of a public register of the beneficial owners of companies, trusts and foundations in Ireland would be a major contribution to this objective.
The spillover analysis should assess the impact of the lack of transparency about company ownership on countries of the global South, and the impacts on countries of the global South if Ireland fails to establish a public register of the benficial owners of companies, trusts and foundations in Ireland.

Country-by-Country Reporting (CBC): Under CBC, multinational corporations would need to report certain financial data - such as sales, profits, losses, number of employees, taxes paid and tax obligations - for each country in which they operate. This would allow the public to know how much profit is earned and how much tax is paid by corporations in each country. Progress has been made on CBC for companies in the extractive industries and the financial sector, but this now needs urgently to be extended to cover multinational companies in all sectors. The proposal from the European Parliament to move forward so-called non-financial CBC reporting was blocked by the European Council, and CBC is now to be dealt with in a review scheduled for 2018. However, the growing recognition that CBC is a necessity may push this agenda forward sooner. The latest OECD draft on CBC contained some positive elements, including that small countries are not excluded, which businesses wanted to see, and intra-group transactions are required to be disclosed.

The spillover analysis should assess the current consequences of the lack of CBC reporting in Ireland for countries of the global South, and specifically look at the profile of multinational companies present in Ireland and their linkages to global South countries.

A Focus on the Impact of Global Decision-Making on Taxation on Countries of the Global South:

- **Capacity to participate:** Countries of the global South are sorely disadvantaged when it comes to equal participation in global tax rule-making, and in their capacity to negotiate the existing tax rules. The new rules on the Automatic Exchange of Information on tax, as discussed above, is one example of their exclusion. This participation issue is clearly linked to lack of resources. For example, according to a recent Oxfam report, in El Salvador the government's international tax department only has one member of staff. The spillover analysis should examine these issues of capacity and inclusion to assess how they currently impact on countries of the global South and assess whether Ireland is helping or hindering equal participation and inclusion of global South countries.

- **Inclusion in decision-making on global tax reform:** There is widespread recognition that the global tax rules need to change. The current decision-making forum is the OECD tax reform process, where only the voices of the OECD and G20 countries are heard. The spillover analysis should address the impacts of this exclusion, and examine the proposals for more meaningful ways to include these countries in decisions on global tax policy, including the strengthening of the UN Tax Committee's role in global tax dialogue, and greater financial resources from Ireland to support this.

STOP tax dodging

DDCI is part of a pan-European project to stop tax dodging.