

# JUSTICE FOR ALL: TRANSPARENCY, TAXES AND REDUCING INEQUALITY



No matter where we live in this world, we all need the same things. We need a secure, warm house to live in, nutritious food to eat, safe water to drink, knowledge and skills to contribute to our communities, and decent work that lets us put food on the table and be home to enjoy it with our families.

For many people, this is not the case. Too many are being left behind. Research by Oxfam (2019) shows that last year, the 3.8 billion poorest people saw their wealth decline by 11 percent, while billionaire fortunes increased by 12 percent.

## **THIS IS A PROBLEM FOR US ALL**

Income inequality is increasing within the majority of countries. Seven out of ten people live in a country where the gap between the incomes of the rich and the poor has increased over the last 30 years. Wealth inequality is high and getting worse at a national and global level. This is a big problem.

Inequality perpetuates poverty, erodes trust, fuels crime, makes us unhappy, negates economic growth, and robs opportunities from people who are struggling to get by. It even cuts short people's lives.

How are poverty and inequality related? A perfect example is our global tax system, which lets wealthy people and multinationals pay less than their fair share of tax. This means less money for governments to invest in crucial public services, like clean water and hospitals.

## **FAIR TAXES ARE AN INVESTMENT IN A FAIR SOCIETY**

Taxes are the best way to invest in the big ticket items that reduce inequality: roads, schools, police, teachers, public libraries, nurses, rubbish collection, safe water, and electricity. These are the public services that everyone makes use of, but that people who are poor rely on.

No country has managed to deliver health and education to all without scaling up public services. For example, in poor countries that are doing the most to stop women dying in childbirth, it is public health services that provide 90 percent of the healthcare (Oxfam 2019). To fund crucial public services, we need tax systems that ensure everyone pays their fair share.

## **WE CAN MAKE OUR GLOBAL TAX SYSTEM FAIRER**

Tax systems across the world, including here in New Zealand, are far from fair. The very wealthiest are currently paying lower taxes than they have in decades. This is not about ideology – it's about common sense. It does not make sense that the tax bills for the very richest have been systematically lowered for years, while vital public services such as healthcare and education – that benefit society as a whole – are struggling for want of funds. To build a flourishing society, we have to fix our global tax system.

## **TRANSPARENCY IS PART OF THE ANSWER**

To tax wealth and profits, you have to know where they are. Multinational corporations and the super-rich are very good at using the loopholes in our global tax system to hide their wealth. The first step in fixing our system is to get more information.

We can do this by making multinational corporations publish key information about their businesses online – assets, employees, profits, taxes paid. Then governments, journalists, academics and others can analyse this information to make sure corporations are paying their fair share.

## **TRANSPARENCY IN NZ WILL HELP DEVELOPING COUNTRIES**

The International Monetary Fund estimates that tax avoidance robs approximately US\$100 billion from developing countries. Drafting and implementing legislation to stop tax avoidance is extremely complex and resource-intensive for governments struggling to make ends meet. Instead, public country-by-country reporting puts the onus on multinational corporations to be transparent – to show they are good global citizens. It becomes their responsibility to make information available that shows they are paying their fair share. Public country-by-country reporting helps to stop tax avoidance, and support government investments in things like roads so farmers can get their goods to market, or teachers so that children can receive an education.

## **WHAT IS NZ CURRENTLY DOING TO STOP TAX AVOIDANCE?**

Our government has passed some good quality legislation clamping down on tax avoidance. The Inland Revenue also surveys many multinational corporations that function in NZ, to gather information on their practices, but this is not made public. The biggest NZ headquartered corporations also have to provide reports to the IRD that are broken down by each country. Again, this information remains confidential.

We celebrate these efforts at information gathering, but they currently make our tax system more complicated while doing nothing to assist governments in developing countries. Public country-by-country reporting will simplify our tax system and support developing countries.

## **IS PUBLIC COUNTRY-BY-COUNTRY REPORTING IN PLACE ANYWHERE ELSE?**

Yes. In 2015 the European banking sector was mandated to provide public country-by-country reports, and several countries, including Canada and Norway, require extractive industries (mining, oil, gas and logging) to provide these reports.

## **WHAT IMPACT DOES PUBLIC REPORTING HAVE?**

Transparency International (2016) examined corporations in Europe and India, to see if public country-by-country reporting had any impact on their business competitiveness and found no negative impact. The European Commission found that public country-by-country reporting was likely to boost economic growth because it gives information for investors to make better decisions. Further research shows that public country-by-country reporting increased the tax take from multinational European banks (Overesch & Wolff 2018).

Transparency is what we are asking members of Parliament to focus on. It is a simple first step to building an economic system where we all have what we need to survive and thrive.  
Ultimately, that's good for everybody.