How to make it harder for multinational businesses to dodge paying tax

The Problem

- Huge
  - Lost revenues of $160bn a year to developing countries through just one type of tax dodge
    - Bangladesh lost tax of over $450m in three years on textiles alone
  - MNCs in India with links to tax havens paying 30% less tax

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The legal, illegal and everything in-between

- Legal
  - Use of Double Tax Treaties (Mauritius – India has led to Mauritius being largest provider of FDI to India)
  - Tax incentives – forgone revenue in India equivalent to 5% of GDP
  - Legal – but should it be?
- Illegal
  - Transfer mispricing and false invoicing
    - Deliberately falsifying prices of international trade to shift money and profits out of one (high tax) country into another (low tax) jurisdiction
- Everything in-between
  - Lines can be blurry on both
  - E.g. Round-tripping through DTAs, centralising MNC functions in tax havens

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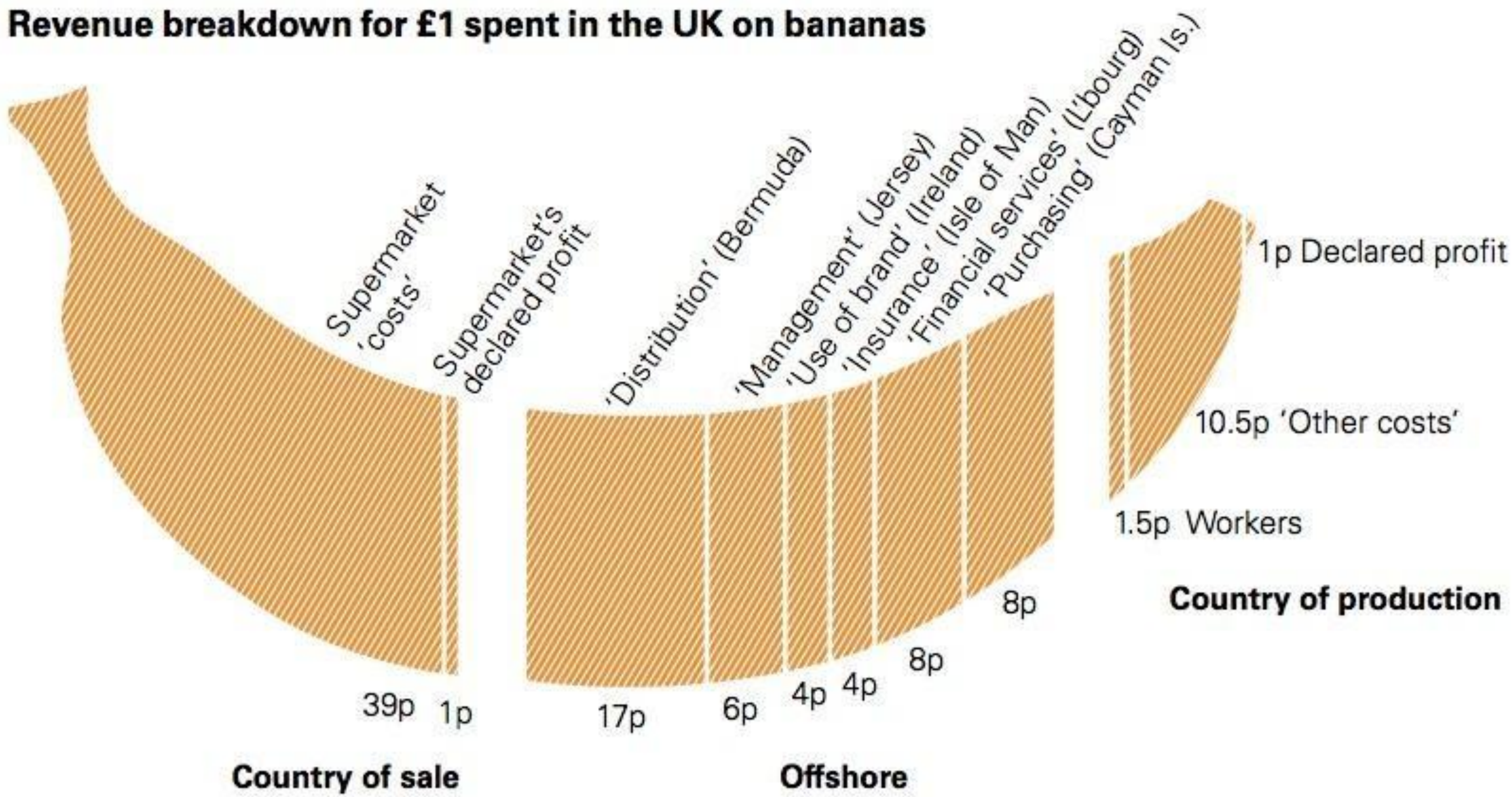
How?

Revenue breakdown for £1 spent in the UK on bananas



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Challenges

- Applying international rules and norms
  - Lack of data to determine 'Arms Length' Price
- Are international rules fair to developing countries? Will they stay fair?
  - OECD makes and sets rules
  - Rules being revised due to lack of revenues in Europe and US
- Transparency of MNCs
  - Authorities lack the complete picture of MNC operations to identify abuse
  - Public lack the information to hold companies and governments to account
- Transparency of governments
  - How much are tax incentives costing

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