

PAYING OUR DUES: HOW TAX DODGING PUNISHES THE POOR

POVERTY

A Christian Aid report
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FOREWORD



'Dear friends, do you think you'll get anywhere in this if you learn all the right words but never do anything? Does merely talking about faith indicate that a person really has it? For instance,

you come upon an old friend dressed in rags and half-starved and say, 'Good morning, friend! Be clothed in Christ! Be filled with the Holy Spirit!' and walk off without providing so much as a coat or a cup of soup – where does that get you? Isn't it obvious that God-talk without God-acts is outrageous nonsense?' – James 2:14-17¹

Faith and action are inseparable. Jesus' teachings and the inspiration of the Holy Spirit call us to give thanks for what is good and to challenge what is evil. Global poverty is the shame of the world. The eight millennium development goals are some of the noblest aspirations of our time.

However, with just five years to go until the 2015 millennium development goal deadline, many poor countries are still a long way from eradicating absolute poverty.

Rt Rev John Christie
Moderator of the General Assembly of the Church of Scotland

UN Secretary-General Ban Ki-moon says: 'It is clear that improvements in the lives of the poor have been unacceptably slow, and some hard-won gains are being eroded by the climate, food and economic crises.'²

Five years ago the leaders of the G8 nations met here in Scotland, in Gleneagles. Churches and aid agencies joined forces as part of the MAKEPOVERTYHISTORY campaign, calling for more aid, debt relief and fairer global trade practices. Today tax dodging by multinational corporations is seen as a major barrier to development.

The Letter of James challenges us to work against injustice and speak on behalf of the vulnerable, the poorest and the marginalised. I am commending this report to all members and ministers of the Church of Scotland. I welcome this report as a way of setting the context, both in terms of the practical economics as well as the theological underpinning for how we as Christians might approach these issues.

In poor countries where the tax base is very small and millions live on subsistence incomes, it is shameful that companies which make large profits from the resources of these countries should be dodging fair taxes

Introduction

Developed countries like Scotland depend on taxation for the wide range of public services that are essential for a functioning and stable society. There is no developed democracy that does not have a highly developed taxation system. William Pitt the Younger first introduced income tax to Britain in 1798. Before that, rich elites held capital, power and almost all the land, especially after enclosure of the commons. For the poor, the vast majority, life was relentless drudgery, grinding poverty, dependence on charity and utter insecurity. This is what we know about the importance of taxation.

But there is one aspect of taxation that has been called 'the ugliest chapter in global economic affairs since slavery'. It concerns the manner in which businesses, in particular multinational corporations, shift billions of pounds of profits between jurisdictions (countries or regions with tax authority) to reduce, or even dodge completely, their tax bill.

What makes this a matter of particular concern is the impact such tax dodging has on the global economy. Especially in poor countries where the tax base is very small and millions live on subsistence incomes, it is shameful that companies which make large profits from the resources of these countries should be dodging fair taxes. Therefore, the Church and Society Council worked with Christian Aid Scotland to report on these practices to the General Assembly of 2010, which agreed the following deliverances.

The Assembly:

- **Recognises the importance of taxation in poor countries for ensuring sustainable development finance and building accountability between state and citizen**
- **Instructs the Church and Society Council to raise with HM Government the concern regarding the negative impacts of tax evasion and avoidance which are estimated to cost poor countries US\$160 billion each year**
- **Welcomes the commitment from the Organisation for Economic Cooperation and Development (OECD), supported by the UK government, to include a country-by-country reporting standard in their Guidelines for Multinational Corporations by the end of 2010 and seeks to see this extended to an international binding standard for all multinational companies.**

In giving the report, the Convener of the Church and Society Council, Rev Ian Galloway, said: 'The poor of the world need champions who will stand in the face of economic and political powers... We need to stand up and be counted in that confrontation with injustice.'

This short report has been produced by Christian Aid Scotland to assist presbyteries and congregations in exploring and understanding the sometimes complex issues involved in tax evasion and avoidance. It also offers some biblical and theological reflection on taxation and is one of a number of resources for thinking, reflecting and praying on the issue of tax and international development. Tax justice is a key area of campaigning and advocacy for Christian Aid and we hope that the report will support Church of Scotland congregations and individual members in taking appropriate action.

The importance of taxation

For Christian Aid, the ability of a state to generate revenue through an effective tax system has many benefits. It provides much-needed revenue which can be spent on public services, and reduces state dependency on overseas aid, placing the ownership of a country's development back in the hands of its government. Tax also promotes good governance, active citizenship and mutual accountability between state and citizen.³ It is important that the citizens know how much their country is receiving in revenue – so that the government can be held to account for how those revenues are spent. Taxes are the vital link between governments and societies.

Investors often consider strong tax administrations to be an indication of good governance and stability,⁴ which, in turn, creates an environment in which society can fulfil its potential. In addition for businesses, it is preferable to be located in countries where investments are protected by stable judicial systems, where there are good roads, an educated population and where the electricity doesn't cut out every other hour.

There is now a heightened awareness and deeper appreciation of the dangers of unregulated financial operations of banks and companies, and a growing demand that financial institutions be subject to more stringent standards of transparency and oversight.

Yet, while tax is considered to be the lifeblood of stable economies, many developing countries face significant challenges in raising revenues. A large informal sector makes it difficult to collect tax, while weak revenue authorities and a lack of trust in government together mean that many developing countries raise less than 15 per cent of their gross domestic product (GDP) in tax – compared with around 30 per cent in OECD countries. In addition to these domestic challenges, globalisation has resulted in significant challenges for developing countries, particularly when seeking to tax multinational companies.

Approximately 60 per cent of all world trade now takes place within, rather than between, multinational corporations through trading between related subsidiaries

The cost of tax dodging

Christian Aid estimates that just two forms of tax dodging, transfer mispricing and false invoicing, cost developing countries **US\$160 billion every year**. That is roughly **one and half times the world's annual aid budget**.

In the short term, aid still has a role to play in ensuring the world's poorest people are protected from the worst effects of the financial crisis and in addressing capacity gaps in developing countries. The Scottish government made a commitment to play its part in helping to achieve the UN's millennium development goals (MDGs) through establishing the International Development Fund. In 2008, £13 million was committed to support projects in five of the poorest countries in the world: Malawi, Zambia, Tanzania, Rwanda and the Darfur region of Sudan. A further £2 million was added to the fund in 2010 for projects in Bangladesh, India, Pakistan and Sri Lanka. However, the scale of the money lost to these countries between 2005 and 2008 through tax dodging by unscrupulous businesses operating internationally – over £4 billion – clearly demonstrates it is crucial in the longer term for governments to address the secrecy of the global financial system which prevents developing countries accessing the tax revenue they are due.

The Scottish government is to be commended for stating in 2008 that despite budgetary pressures it would not renege on its aid budget. However, in the words of the former South African finance minister, Trevor Manuel: 'It is a contradiction to support increased development assistance, yet turn a blind eye to actions by multinationals and others that undermine the tax base of a developing country.'

Table 1- Estimated lost tax revenue from bilateral trade to EU and US (million £) to countries supported by the Scottish Government as a result of trade mispricing⁸

Countries	2005	2006	2007	Totals
Bangladesh	35.56	40.37	108.32	184.25
India	675.57	2111.28	815.20	3602.05
Pakistan	124.00	85.59	95.40	304.99
Sri Lanka	51.03	45.45	42.78	139.26
Malawi	1.14	0.55	0.83	2.52
Rwanda	0.19	0.25	0.20	0.64
Sudan	4.55	5.16	3.23	12.94
Tanzania	3.08	5.27	9.07	17.42
Zambia	0.54	1.20	1.15	2.89
Total	895.66	2295.12	1076.18	4,266.96

Tax dodging practices

Approximately 60 per cent of all world trade now takes place within, rather than between, multinational corporations through trading between related subsidiaries.⁵ 'Transfer pricing' is the sale of goods and services between branches of the same transnational company. International guidelines suggest that as long as the company's subsidiaries charge each other a fair market price (known as an 'arm's length price') then the transactions are legitimate.

Illegitimacy arises when multinational corporations manipulate the price of exports and imports traded between their subsidiaries – sometimes inflating, sometimes deflating prices. For example, a consignment of hairdryers was exported to Nigeria at a cost of US\$3,800 per hairdryer when the market price of that model was US\$25.⁶ Such practices can have the effect of reducing a company's profits in specific countries and thus their tax liability. Often developing countries lack the relevant legislation, as well as the capacity and expertise to monitor transfer pricing and call companies to account for abusive behaviour.

Tax havens offer low or zero tax rates as well as secrecy for companies which wish to conceal their profits, particularly where the rate applies to individuals or companies with minimal presence within the country. This impedes other jurisdictions from imposing appropriate taxes. **Fifty percent of world trade is now reported to take place through tax havens.**⁷

International tax dodging gives an unfair advantage to multinational companies, leaving domestic businesses unable to compete on a level playing field and discouraging growth

Supporting local business

One of the most damaging effects of large-scale tax dodging in developing economies is the negative effect it has on the progression of small domestic enterprises into mid-sized enterprises. As the opportunity to dodge tax internationally is effectively only open to companies with cross-border trade, tax dodging introduces a systematic bias in national economies in favour of large multinational companies, working against broad-based, pro-poor economic growth.

In developing countries this often leads to a phenomenon known as the 'missing middle', whereby the private sector is mainly made up of large, international companies and smaller businesses in the informal sector. The important category of formal sector small and medium-sized enterprises (SMEs)⁹ is disproportionately small – in other words, the middle of business distribution is missing. This is in no small part because the tax burden falls here.

In effect, international tax dodging gives an unfair advantage to multinational companies, leaving domestic businesses unable to compete on a level playing field and discouraging the growth of SMEs. While there is widespread agreement that a vibrant domestic private sector is necessary for countries to obtain the level and the type of economic growth that can make a major contribution to the eradication of poverty, less attention is given to the distortion of the domestic private sector by tax dodging.

Working to find a solution

Enabling developing countries to raise more revenue is a complex problem. However, when it comes to increasing the accountability of companies for the tax they pay in developing countries, Christian Aid recommends three possible solutions to the situation: country-by-country reporting; automatic information exchange; and capacity building for developing country tax administrations.

Country-by-country reporting

If introduced, this international accounting standard would oblige multinational corporations to report on their profits and other financial details in each of the countries or jurisdictions in which they operate.¹⁰ Such information would be invaluable to tax authorities in identifying where possible cases of profit shifting have occurred. Under current international accounting rules, these companies are only required to produce global consolidated accounts – one set of accounts produced in one country covering all of their international operations – rather than reporting where they make their profits.

The obscure but powerful International Accounting Standards Board (IASB), based in London, has the authority to introduce country-by-country reporting as an international accounting standard. More than 100 governments worldwide, including EU member states, tend to rubber-stamp IASB recommendations into law. However, the IASB is a private body which defines its stakeholders as only shareholders and providers of capital.

Millennium development goals

In 2000, 189 countries signed the UN Millennium Declaration, a historic commitment to pursue the eradication of poverty, and set eight millennium development goals (MDGs) which required progress in specific areas by 2015. The MDGs are:

- 1 Eradicate extreme poverty and hunger
- 2 Achieve universal primary education
- 3 Promote gender equality and empower women
- 4 Reduce child mortality
- 5 Improve maternal health
- 6 Combat HIV/AIDS, malaria and other diseases
- 7 Ensure environmental sustainability
- 8 Develop a global partnership for development.

But the worst global financial crisis in decades has battered the economies of developing countries, which have seen their exports tumble, foreign investors withdraw, unemployment rise, and remittances from relatives working overseas decline. For individuals in these countries with no safety net to fall back on, the loss of a job or regular remittances can be devastating.

The economic challenges facing developing countries are being compounded by a fall in overseas aid with governments (though not, so far, the UK) reneging on their aid commitments as they try to shore up their own economies following bailouts to financial institutions and falling revenue.

There is serious concern that the goals will not be met by 2015. However, 2010 offers a major opportunity for the world to refocus its effort on poverty and to look beyond aid for sustainable and predictable income sources for developing countries – the most obvious of which is tax.

Automatic information exchange

Ending massive tax dodging will require effective exchange of tax information between all jurisdictions. Existing bilateral tax information exchange agreements have failed to achieve the transparency needed to identify those companies and individuals who hide money in offshore tax havens. The burden of proof that these bilateral agreements impose on those requesting information is so great that even wealthy countries have found them ineffective.

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Winds of change: steps towards stamping out tax dodging on the international stage

The Church of Scotland has joined growing calls from civil society across the world for greater transparency from multinational companies. The issue of tax and development has shot up the international agenda and the initiatives outlined below are important steps in the right direction:

- In April 2009 the G20 heads of state committed to 'developing proposals to make it easier for developing countries to secure the benefits of a new cooperative tax environment.'¹¹
- In January 2010, the OECD committed to exploring a non-binding model standard on country-by-country reporting by the end of 2010 in their guidelines for multinational enterprises.¹²
- In January 2010 the former UK government announced its intention to pursue a multilateral agreement for tax information exchange agreements between low-income countries and OECD member states.
- In the US, which loses US\$100 billion every year through tax evasion,¹³ President Barak Obama announced his intention to crack down on tax dodging. While the Stop Tax Haven Abuse Act will go some way to combating this, it has also had the effect of focusing attention on the subject of tax dodging by unscrupulous multinationals.
- The IASB has responded to calls for greater transparency in financial accounting by consulting on an accounting standard on country-by-country reporting for the mining industries.
- The European Parliament published a resolution in March 2010 which expressed grave concern about the impact of tax evasion and avoidance on development and called for country-by-country reporting, automatic exchange of information and increased support for developing countries in building capacity to collect tax.¹⁴
- In April 2010, the European Commission published a communication on tax and development. This communication, which was subsequently approved by the European Council, clearly acknowledged that tax is essential for financing the MDGs and called for further investigation into country-by-country reporting and automatic exchange of information as well as support for revenue authorities.¹⁵

- In July 2010, the US passed legislation requiring energy and mining companies registered in the US to disclose how much tax they pay in each country in which they operate.¹⁶

Building the capacity of national tax administrations

It is clear that many developing countries lack the administrative capacity and expertise they need to raise taxes effectively. This is particularly the case when it comes to complex multinational companies. It is hard, therefore, to imagine a better investment of foreign aid money than equipping developing countries to raise their own revenue in the long term. It is also important that developing countries can share information and learn from other, more experienced revenue authorities.

Recommendations

To get the IASB to introduce an international country-by-country accounting standard, support is needed from multinational companies doing business in developing countries. Christian Aid is calling on four companies in the FTSE 100 – Unilever, Vodafone, TUI Travel and Intercontinental Hotels Group – to publicly support country-by-country reporting.

Church actions

In order to support Christian Aid's campaign for greater tax transparency, churches can:

- Write to the four FTSE 100 companies – Unilever, Vodafone, TUI Travel and the Intercontinental Hotels Group – to ask them to publicly support Christian Aid's call for a country-by-country international standard.
- Use the power of their investment funds to influence the companies in which they invest – and ultimately the IASB – to support an international country-by-country accounting standard.
- Order the following resources from Christian Aid:
 - Trace the Tax action pack
 - worship resources
 - campaign leaflets containing postcards to send to our FTSE Four companies
 - Trace the Tax fact sheet
 - a poster to display locally
 - Trace the Tax DVD.

These resources are available from Glasgow@christian-aid.org or www.christianaid.org.uk/tax

The impact of tax dodging in Bangladesh

Access to clean drinking water remains a major problem in Bangladesh. Yet the money Bangladesh lost between 2005 and 2007 as a result of trade mispricing with the EU and US¹⁷ – an estimated £184 million – could have been spent on establishing safe drinking water for much of the population.



Minu Basar (right) has learned how to safely harvest rainwater

In Bangladesh, water is simply not on tap. One quarter of the population live without sustainable access to improved water. Millions of women and children spend hours travelling just to quench their families' thirst. As a result, children lose out on education because, rather than filling their brains, they are filling up buckets.

Minu Basar crossed a wide and sometimes dangerous river travelling up to 10 kilometres to buy fresh water at vast expense for her family. 'I used to feel so scared going to fetch the water because it was often windy and it was frightening because of the waves.'

Christian Aid partner Bangladesh Centre for Advanced Studies has worked in villages across South Western Bangladesh like Minu's to establish Pani Parishad, or village water councils, which provide community-based approaches to delivering sustainable water solutions.

Minu did not know she had the power or the voice to change things until she joined the village Pani Parishad. Through the Pani Parishad, Minu has learned how to safely gather and store rainwater and how to inspire others to do the same.

There is widespread anger about tax dodging by those individuals and companies who are wealthy enough both to wish to do it and to find the regulatory loopholes that make it possible

Tax evasion – a challenge to citizenship and discipleship

The conviction that God is sovereign over every part of life, not just our religious or church life, is central to Reformed theology. There is no division into 'sacred' and 'secular', no 'no-go areas' for discipleship. The Church of Scotland has always held that our politics and economics are as much legitimate arenas for our Christian faith and practice as our prayer lives.

Our citizenship is one of the most important areas into which we seek to bring the values of Jesus. So, 'Christians are and have been deeply suspicious of the maxim that the invisible hand of the market is always to be trusted in preference to the visible hand of government. Such a maxim has a look of idolatry. The principle that only God, and never a human institution, should be relied on absolutely suggests a far more flexible and pragmatic approach to the issue.'¹⁸

A key principle of the free market economy is that companies and investors bear both the risks and the rewards; that is, when share prices are high they are rewarded with good returns, but when these fall, they carry the losses. In the wake of the most recent economic crisis, those who have profited have not had to bear the losses, and they are not even paying the taxes. The costs have been borne by those who do pay their taxes and felt most keenly by the world's poorest, who are most vulnerable to crises because they have no safety net. Of nearly 100 banking crises that have occurred in the last 25 years, according to the World Bank, all were resolved by bailouts at taxpayer expense.¹⁹

Widescale tax dodging, whether legal or not, is problematic from a Christian perspective. In a democracy, citizens enter into an unspoken contract with regard to taxation. Complain about it as we do, debate appropriate levels as we should, there is an implicit understanding that paying our taxes is part of our civic duty.

There is widespread anger about tax dodging by those individuals and companies who are wealthy enough both to wish to do it and to find the regulatory loopholes that make it possible. It is because a fundamental principle of democracy, a social contract, is being profoundly violated: that everyone who enjoys the rights of citizenship should also bear the responsibilities of citizenship.

Tax evasion and aggressive tax avoidance undermines the spirit of democracy, a rejection of values of citizenship which are dear to the Church of Scotland. But it is also a violation of the citizenship that belongs to God, which invites us into a community of mutual care and reciprocity, for which the model is the Trinity, the community of God.

Jesus asked hard questions about taxation. He challenged

Tax evasion and aggressive tax avoidance undermines the spirit of democracy, a rejection of values of citizenship which are dear to the Church of Scotland



Susan Chisunka works to fund her two siblings through school

The impact of tax dodging in Zambia

Tax dodging, as a result of trade mispricing with the EU and US, cost Zambia just under £3 million between 2005 and 2007. With more than 600,000 children in the country orphaned by HIV-related illnesses, that money could have gone a long way in funding much-needed healthcare.

At 17 years of age, Susan Chisunka lost her mother to HIV-related illness. 'I will not enter the New Year,' she told Susan on Christmas Day. 'I want you to take care of your siblings.' The next day she passed away. Susan was now an orphan, with a two-year-old brother and a newborn baby sister (Natasha, pictured) whose survival depended on her actions. Emotionally distraught and abandoned by their relatives, the children often went for days without any food.

Susan, forced to abandon her own education, used her initiative to raise money to meet her sibling's needs. With support from Christian Aid partner the Archdiocese of Lusaka, she attended training in business management to help increase her income. 'I have a skill at plaiting hair and continued to do this to make money to support them. I also sew. From this money I paid for my siblings to go to school and to feed them.'

Sam Bwalya is director of Research and Planning at the Zambia Revenue Authority. He knows that tax dodging by multinationals in his country deprives the state of millions in much-needed revenue every year: 'Zambian people know, whether they have been to school or not, that they are not benefiting from the minerals in their own country. We are not benefiting from the mining companies in our country, both because the right taxation regime is not in place, and because we lack the capacity to carry out comprehensive audits.'

people to make difficult moral decisions, and then live them out as adults who had the capacity for free will. How shall we live? Whom shall we serve? You decide. He asks the same questions of us today.

Tax collectors are routinely referred to in the gospels as among the greatest of sinners. But those who work for the Inland Revenue today are safe from this kind of designation. The gospel resistance to taxation was not to the principle. Rather, it was based on two realities.

First, the taxation system weighed particularly heavily and unjustly on the people who could least afford it. Jesus' concern for the poor is central to the gospels; in Matthew 21, we read that he overturned the tables of the moneylenders in the temple, where the very poorest were subjected to a kind of loansharking in order to be able to make their temple offerings. To fulfil the requirements of the law, it was necessary to make sacrifices of small animals, birds or money. A brisk business trading in these went on, right inside the temple courtyard. But the poor, the majority, had either to borrow the money to buy the offerings, or couldn't afford them at all. If you borrowed, you weren't in a position to bargain – you just had to take the rate you got and stand a good chance of being fleeced. So the only choice was either to get into debt to fulfil your obligations, or default on them, find yourself classified among the sinners, and be excluded from the number of the righteous. You didn't have to do anything we might consider morally wrong to be a sinner, you just had to be poor.

This was a brutal kind of transaction. It effectively commodified people's whole belonging and identity within the Jewish community. It made a mockery of the justice and faithfulness of God. It put huge numbers of people outside holiness. Jesus' action in overturning the tables of the moneylenders was a great shout of protest on behalf of the poor, an alternative vision of holiness. This was profoundly threatening to the authorities in Jerusalem, whose temporal power, exercised on licence, so to speak, from the Roman Empire, depended on their being able to demonstrate that they had not just the spiritual power that stemmed from their religious roles but the moral authority to ensure that the populace did not upset this balance of powers.

A question of power

The second reality was that the taxes were being collected on behalf of an occupying power, the Roman Empire. Tax collectors were not hated because they collected taxes, but because they were considered to be traitors by doing so for a foreign power. And they were despised because they were also often engaged in malpractice and extortion. Tax collecting was franchised – the tax collector paid an amount to the authorities for the contract to collect money. Whatever

he collected over and above the due amount was up to him. Corruption was built into the system.

In Matthew 22, a loaded question about taxes was posed to Jesus. It was not just about money, it was about power. Jesus was being confronted here by a rather unlikely alliance. The Pharisees were nationalistic Jews, middle-class anti-Romans. Those of Herod's party were collaborators with Rome, urbane upper-class people who knew and played the system well, and were adept at managing the compromises involved in sharing power with Rome. The two groups were traditional enemies. But even more than they despised each other, they feared the challenge presented by Jesus, the rural upstart who proclaimed the rule of God, which they purported to represent, and championed the poor. So they put aside their differences in another attempt to trap Jesus and make him stumble before their political power.

They began by trying to flatter Jesus into giving himself away. The question was: 'Is it against our law to pay taxes to the Roman Emperor or not?' If Jesus said, 'pay', then he would reveal himself as a collaborator, a traitor, and discredit himself in the eyes of most Jews. If he said, 'don't pay', then he was open to charges of lawlessness and criminality. Jesus knew they were trying to trap him, so he answered their question with another question. He asked for a coin. The unspoken implication was that he did not have one himself, and if he had no money, then he wouldn't be paying any taxes. But he never actually said so.

When the coin was produced, he asked them to describe it. The face was the Roman Emperor, the inscription underneath 'Son of the Divine', blasphemy to any devout Jew. The claims of Caesar, depicted on his money, were not only economically and politically oppressive, they were idolatrous, claiming an authority which belonged only to God. But Jesus would not be constrained within the limits of the question he was being asked. By calling for the coin, Jesus sprung the trap set for him. And by turning the question back to them, he caught them in their own trap. Now they were the ones who had to declare themselves.

In his final statement, 'render to Caesar the things which are Caesar's and to God the things that are God's', Jesus drew another distinction between himself and the Pharisees. They talked of paying taxes. Jesus spoke of 'giving back' (and the Greek makes it clear these are different things). What Jesus referred to was a submission to authority.

This text has sometimes been used to justify a rigid separation of faith and politics, to assert that God and money have nothing to do with each other, that the things of God belong in a spiritual realm while money belongs to a material realm from which faith must keep its difference and its distance. But Jesus demonstrated that people's values and motivations, their spirituality, showed up

Jesus asked hard questions about taxation. He challenged people to make difficult moral decisions, and then live them out as adults who had the capacity for free will

precisely in how they used their money. And no Jew in Jesus' audience would divide reality between the power of God and the power of Caesar. On the contrary, many believed that Caesar had usurped God's authority and must be driven out by armed revolt.

A spiritual challenge

Jesus' words presented a huge challenge to his listeners, and they still do to us today. Were the Pharisees, in their opposition to paying taxes, driven not just by nationalistic fervour but by their own love of money and indifference to the plight of the poor, whom they subjected to religious exclusion? Were the Herodians really motivated by concern for good order and the safety of their fellow Jews, or rather by the power and influence their collaboration gave them? Were the onlookers looking for easy answers from the party that would tell them what to do and save them having to make hard moral choices themselves?

Jesus' words and actions depict a very subtle position. He accepted neither the authority of the Sanhedrin, the religious power, nor that of Rome, the military power. But neither did he sanction open, and certainly not armed, revolution. He changed the terms of reference, and questioned the very nature and legitimacy of authority. Money, good order, political influence – all have a claim and a role. But all are subject to the authority of God, to God's justice and mercy, and that meant a radical reordering in favour of the poor and dispossessed. If money was your god, you needed to be liberated from that attachment; if power, then that too was a chain. And in the face of all these competing claims, no one was going to allow you to shake off your responsibility and hide behind others. You had to decide for yourself as to the weighting you gave each of these claims. And your choices would show up what your spirituality really was.

In the context of deep poverty and insecurity for the vast majority of the peasant population, disturbance and dissatisfaction were rife. As Kenneth Leech writes: 'The climate of colonial rule, oppressive taxation, accumulating debt and bankruptcy, forced migration and revolutionary uprisings, formed the background to Jesus' proclamation of the Kingdom of God.'²⁰

For further reading, available from Christian Aid

The Gospel and the Rich: Theological Views of Tax

How theology informs our perspective on the issue of taxation
www.christianaid.org.uk/images/the-gospel-and-the-rich.pdf

Death and Taxes: The True Toll of Tax Dodging

Details how young children are dying in poor countries because of illegal trade-related tax evasion
www.christianaid.org.uk/images/deathandtaxes.pdf

The Morning After the Night Before: The Impact of the Financial Crisis on the Developing World

Looks at how poor countries have suffered from the same combination of secrecy and lax regulation that triggered the current international crisis
www.christianaid.org.uk/images/the-morning-after-the-night-before.pdf

False Profits: Robbing the Poor to Keep the Rich Tax-free

Details country by country the amount of money lost through trade mispricing
www.christianaid.org.uk/images/false-profits.pdf

The Missing Millions

Contrasts the amount of money given in aid by the Scottish government to five sub-Saharan African countries with the amount of money these countries lost in tax
www.christianaid.org.uk/images/missing-millions.pdf

Endnotes

- 1 James 2:14-17, translated by Eugene Peterson, *The Message*, 2002.
- 2 United Nations, *The Millennium Development Goals Report 2010*, p3.
- 3 Olivia McDonald and Kadi Jumu, *Can Tax Challenge Bad Governance?*, Christian Aid, June 2008.
- 4 Max Everest-Phillips, Business tax as state-building in developing countries: applying governance principles in private sector development, *International Journal of Regulation and Governance* 8(2), pp 123-154, 2008.
- 5 John Neighbour, 'Transfer pricing: Keeping it at arm's length', *OECD Observer*, 2002, www.oecdobserver.org/news/fullstory.php/aid/670/Transfer_p
- 6 Simon Pak, 'Estimates of Capital Movements from African Countries to the US through Trade Mispricing', Presentation, Workshop on Tax, Poverty and Finance for Development, Association for Accountancy and Business Affairs/Tax Justice Network, 2006, www.rrojasdatabank.info/Pak2006.pdf
- 7 Andrew Hogg, Alex Cobham, Judith Melby, et al, *Death and Taxes: The True Toll of Tax Dodging*, Christian Aid, 2008.
- 8 David McNair and Andrew Hogg, *False Profits: Robbing the Poor to Keep the Rich Tax Free*, Christian Aid, 2009.
- 9 While no universal definition exists for what constitutes small and medium enterprises, the EU, World Bank and United Nations generally agree on the following: micro<10 employees, small<50 employees, medium<250 employees.
- 10 The information would also include: the names of the countries in which the company operates, the names under which it trades, sales, purchases, finance costs, labour costs, employee numbers, and pre-tax profit.
- 11 G20 Leaders, 'Declaration on Strengthening the Financial System', 2009, www.g20.org/Documents/Fin_Deps_Fin_Reg_Annex_020409_-_1615_final.pdf
- 12 The OECD has also set up a taskforce on tax and development, which Christian Aid has been invited to join.
- 13 US Senate Committee Press Release, 'Levin, Coleman, Obama Introduce Stop Tax Haven Abuse Act', 17 February 2007.
- 14 European Parliament, 'Motion for a European Parliament Resolution on the effects of the global financial and economic crisis on developing countries and on development', www.europarl.europa.eu/sides/getDoc.do?type=REPORT&reference=A7-2010-0034&language=EN
- 15 'Tax and Development: Cooperating with Developing Countries on Promoting Good Governance in Tax Matters', Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee, April 2010.
- 16 The Dodd-Frank Wall Street Reform and Consumer Protection Act 2010.
- 17 See note 9.
- 18 Glenn Tinder, *The Political Meaning of Christianity*, Louisiana State University Press, 1989.
- 19 Bernard Lietaer, Robert Ulanowicz and Sally Goerner, 'Options for Managing a Systemic Bank Crisis', *S.A.P.I.EN.S.*, 2(1), 2009, <http://sapiens.revues.org/index747.html>
- 20 Kenneth Leech, *We Preach Christ Crucified*, Darton, Longman & Todd, 2006, pp 39-40.



Poverty is an outrage against humanity. It robs people of dignity, freedom and hope, of power over their own lives.

Christian Aid has a vision – an end to poverty – and we believe that vision can become a reality. We urge you to join us.

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Cover image: Migrant workers in Dhaka can earn up to a £1 a day as produce porters in the local market. Employment like this is relatively regular and a year-round affair, unlike the seasonal nature of work in the increasingly stressed countryside. One of the most damaging effects of tax dodging in developing economies is the negative effect it has on the progression of small domestic enterprises and mid-sized enterprises. As the opportunity to dodge tax internationally is effectively only open to companies with cross-border trade, tax dodging introduces a systematic bias in national economies in favour of large multinational companies, working against broad-based and pro-poor economic growth.

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