Global Multinational Business Standard

- Treatment of tax haven presence

November 2021

Background

The use of low tax jurisdictions (more commonly referred to as 'tax havens') has been an area of high concern for civil society, institutional investors and the public in general for many years.

The growth of tax havens and unethical corporate tax conduct have become prominent concerns across the world. With aggressive avoidance negatively distorting national economies and undermining the ability of business to compete fairly, both domestically and internationally.

Close to 40% of multinational profits (some $950bn) are artificially shifted to tax havens each year, leading to a $240bn reduction in corporate income tax revenue, or 10% of global corporate tax receipts.[i]

Sometimes a business will use a combination of tax havens to shuffle money around the globe and exploit loopholes in the bilateral tax treaties between particular countries. So, for example, Google has in the past combined a 'Double Irish' and a 'Dutch Sandwich', with a zero-tax haven such as Bermuda as the final destination. There have even been instances of corporate profits becoming 'stateless' from a tax perspective: as was revealed in the Paradise Papers and with Apple's income flowing through Ireland.[ii]

On the other hand, business should not be condemned for their presence in a tax haven if there is evidential economic substance in that jurisdiction (demonstrable via public Country-by-Country reporting). Economic substance might be indicated by the presence of a significant number of staff or substantial third party sales.

Definition

The Fair Tax Foundation's Global Multinational Business Standard includes the following question:

> *"Does the business utilise tax havens as locations for either registration, subsidiaries or operations?"*

Four points are awarded if the business does not utilise tax havens as locations for either registration, subsidiaries or operations.

Alternatively, four points are awarded if it is clear (from public Country-by-Country Reporting) that the use of tax havens reflects the economic substance of transactions located in the territories, and that these transactions are taxed where value is added.

The Fair Tax Foundation's identification of tax havens is informed by the work of the Tax Justice Network and their Corporate Tax Haven and Financial Secrecy Indexes.[iii] The determination of tax havens is periodically reviewed and a current listing is provided to businesses as they begin assessment and accreditation (see below).

Tax haven listing (at November 2021)

Angola	Gibraltar	Netherlands
Anguilla	Guam	Palau
Antigua and Barbuda	Guernsey	Panama
Aruba	Hong Kong	Puerto Rico
Bahamas	Hungary	Qatar
Barbados	Ireland	Saint Kitts and Nevis
Belarus	Isle of Man	Samoa
Belgium	Jersey	Seychelles
Bermuda	Jordan	Singapore
British Virgin Islands	Latvia	Switzerland
Brunei	Lebanon	Thailand
Cayman Islands	Liberia	Trinidad & Tobago
Curacao	Liechtenstein	Turks and Caicos Islands
Cyprus	Luxembourg	United Arab Emirates
Dominica	Maldives	US Virgin Islands
Estonia	Malta	Vanuatu
Fiji	Mauritius	

[i] See Thomas Tørsløv, Ludvig Wier and Gabriel Zucman (2021). "The Missing Profits of Nations." Amounts are in current US$ and relate to 2018. Available online at https://missingprofits.world/

[ii] The Irish Times (7th November 2017). Irish-based structure may still help Apple avoid billions in tax. https://www.irishtimes.com/business/irish-based-structure-may-still-help-apple-avoid-billions-in-tax-1.3282270

[iii] For example, see Tax Justice Network's Corporate Tax Haven Index 2021. https://cthi.taxjustice.net/en/cthi/cthi-2021-results