Tackling tax avoidance could save lives

by Melissa Wells and Mark Zirnsak
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The world's business leaders are meeting in Sydney this week for the B20 summit to talk about driving global economic growth and job creation in the lead up to the G20 Leaders' Summit in November. One of the areas in which the G20 can have the most impact on helping those in poverty around the world is tax.

Disappointingly, the B20 agenda fails to mention tackling tax avoidance or illicit financial flows – keys to driving growth in developing nations. As a new report [pdf] by Save the Children shows, returning the almost $1 trillion lost to developing countries each year through illicit financial flows could end preventable child deaths by 2030. That's 20 years ahead of a business as usual timeline. This projection is based on some of that illicit money making its way back to households and some of it to governments in the form of tax revenue.

OECD countries collect on average about 35 percent of GDP in tax revenue. The average ratio of tax to GDP for developing countries in sub-Saharan Africa for example is just 17 percent, with many countries much lower than this. In *Tackling Tax and Saving Lives* [pdf], Save the Children projects that increasing tax revenue to 20 per cent of GDP could save almost 287,000 children's lives each year and provide an extra 72 million people with access to clean water. Well-managed taxation systems can also have other important development benefits. Studies from the World Bank and others have demonstrated that governance is better where governments have to earn their incomes by taxing a wide range of citizens and economic activities.

The post-2015 MDGs may include ambitious targets to eradicate poverty and child mortality within a generation. But, finance is critical. Save the Children and Tax Justice Network are calling on business to be part of the solution, which involves:

1. Public disclosure of the true ownership of companies and pushing secrecy jurisdictions to do the same (so called beneficial ownership).
2. Multinational companies disclosing assets, revenue, profits made and taxes paid in every country in which they operate – so that it would be clear when companies are shifting taxable profits to secrecy jurisdictions (also known as country by country reporting).
3. Tax authorities sharing tax information with developing countries automatically and building capacity to help them crack down on offshore tax evasion.

It's a message that is gathering momentum worldwide. Donors such as Norway and the UK have long had a focus on tax for development with considerable success. Norway's Tax for Development and DFID's new capacity building unit are just some examples of how donors can help.

In Australia, the Foreign Minister has made several remarks that tax is a priority for the aid program and also Australia's leadership of the G20. At the Global Partnership meeting in Mexico in April, Australia undertook to increase tax-related official development assistance. The Foreign Minister is seeking to ensure that tax revenue mobilisation is part of the post 2015 MDGs and DFAT is working on a domestic resource mobilisation policy for each country context. Save the Children and Tax Justice Network welcome the increased focus on tax as a development issue.

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Link: https://devpolicy.org/new-report-shows-importance-of-tax-for-development-20140716/