## Confused? Complex Tax Justice Terms Explained!

Tax havens- Tax havens are countries that maintain low tax rates and require little or no reporting of financial information to foreign tax authorities. Foreign individuals and businesses take advantage of these conditions in order to evade higher tax rates at home. Multi-nationals set up secondary companies, and filter profits from the parent company through the secondary in order to avoid taxation on their profits. In the US alone, tax revenue that could be generated by capital that is currently stashed in tax havens around the world amounts to nearly \$100 billion per year. Collectively, developing nations lose \$160 billion per year in tax revenues, which if secured, would offset the cost of all development assistance combined.

**Tax loopholes-** Loopholes in domestic and international tax codes allow the global finance sector to pay a lower tax rate than the rate applied to average workers. Individuals and small businesses bear a greater tax burden while corporate elites get a tax break on profits that often amount to millions of dollars per year. Eliminating these loopholes would generate billions of dollars over ten years that could otherwise be applied to development and help fund social spending programs that protect the world's most marginalized.

**Repatriation-** Repatriation is what allows multinationals to bring home trillions of dollars in profits they have parked offshore in order to evade taxation. These tax holidays enable corporations to avoid taxation – they give only minimal amounts to federal governments, while bringing massive profits back home. Eliminating tax holidays is an important step in addressing gaping holes in domestic tax codes.

## Country-By-Country Reporting – towards transparency and accountability

In general, tax evasion occur when multi-national corporations manipulate loopholes in domestic and international law by shifting profits from one country to another in order to reduce the tax they pay on some or all of their profits. This large-scale evasion is *facilitated by a lack of transparency in the way these companies publish their accounts*. Information is broken down along product or division lines instead of production, sale, and capital gained in geographic location.

Ensuring **Country by Country reporting** would make records more transparent by requiring corporations to publish accounts on a country-by-country basis, allowing for taxation to be more possible. Requiring global corporations to report sales made, profits generated and taxes paid by each company annually would provide information to a diverse range of stakeholder groups, strengthening the capacity of local governments to enforce equitable taxation. Country-by-country reporting would enable citizens of the Global South to monitor and regulate domestic economic activity more effectively.

**Domestic Front Companies-** Domestic Front Companies are another form of tax evasion. Established in jurisdictions like the US states of Delaware, Nevada, Wyoming, these faux-companies are able to maximize profits because of pro-business tax benefits and drastically reduced tax liabilities in these locations.

Corporations get preferential treatment in such areas where franchise and business taxes are minimal or non-existent while legal and financial regulations are limited. Just as profits are often filtered through offshore tax havens in order to maximize profit margins, corporations also use domestic tax shelters to filter profits through front-companies where strong taxation can be avoided. Establishing transparency by requiring corporations to publicly disclose ownership, or what is called **beneficial ownership**, of all business entities, trusts, foundations, and charities would help eliminate such abusive practices. These companies often come in the form of **shelf corporations**.

Jubilee USA Network is an alliance of more than 75 religious denominations and faith communities, human rights, environmental, labor and community groups working for the cancellation of crushing debt and global economic transformation to eradicate poverty.

Help us in our efforts towards working in solidarity with the world's poorest! Join the Jubilee USA movement for Tax Justice today by visiting us at <a href="http://www.jubileeusa.org">http://www.jubileeusa.org</a>.



