

**THE POCKET  
GUIDE TO  
TAX JUSTICE**  
How tax can help  
end poverty



# Why campaign?

Poverty and hunger robs people of dignity, freedom and hope, of power over their own lives.

Christian Aid insists the world can and must be swiftly changed to one where everyone can live a full life, free from poverty.

We know that tackling the symptoms is not enough. To end the scandal of poverty we need to challenge and change the systems and structures that keep people poor and hungry.

Throughout history people have stood up and spoken out against injustice – people like Martin Luther King, William Wilberforce and, supremely, Jesus, have all challenged the injustices of their day.

Christian Aid is called to speak out too: to offer hope, to help heal a broken world – that's why we campaign for tax justice.



Christian Aid/Matthew Gonzalez-Noda

**Christian Aid challenges the systems and structures that keep people poor and powerless, be it by lobbying our government for policy change (above) or running literacy classes for women, such as in this community in northern Senegal (left)**



Valvina Hernandez and her family live in Guatemala. Valvina gave birth to 10 children, only seven of whom survived. Infant mortality and chronic malnutrition rates are high in Guatemala, which is a middle-income country but has one of the lowest levels of tax collection in the world



## What's the problem?

In a world of bountiful resources it is a scandal that chronic hunger still exists; across the world 1 in 8 people go to bed hungry every night.

Tackling poverty, hunger and malnutrition is a complex issue and, above all, it costs money – money that poor countries do not have. In wealthier countries problems such as these have been tackled, thanks to public services provided by tax revenue.

Tax dodging on a massive scale by some unscrupulous large global companies is depriving poor countries of the revenues that could fund these public services. Christian Aid estimates tax dodging costs poor countries US\$160bn every year. That's more than one-and-a-half times the entire global aid budget.

Imagine what a difference US\$160bn could make to the fight against poverty and hunger! Ending tax dodging would help give poor countries the means to lift themselves out of poverty and, eventually, help them to end their reliance on aid.

**Christian Aid estimates tax dodging costs poor countries US\$160bn every year**

# How tax dodging works

There are a number of reasons why large global companies are able to dodge paying their taxes, but a key reason is the lack of transparency in the global financial system.

This financial secrecy makes it easy for large global companies to shift money between different parts of their business around the world. Sometimes these transfers are for legitimate reasons, but in many cases they are designed to dodge taxes in the country where the profits are generated.

One common method of tax dodging is for a large global company to manipulate its profits and revenues through tax havens, which combine high levels of secrecy with very low or even zero tax rates. Many tax dodgers keep their money in phantom firms – concealing the real owners, the profits they are making and the taxes they owe.

There are many other methods used by unscrupulous companies to avoid paying tax in poor countries, but the common theme in all of them is the use of financial secrecy to hide what they are doing from tax authorities.

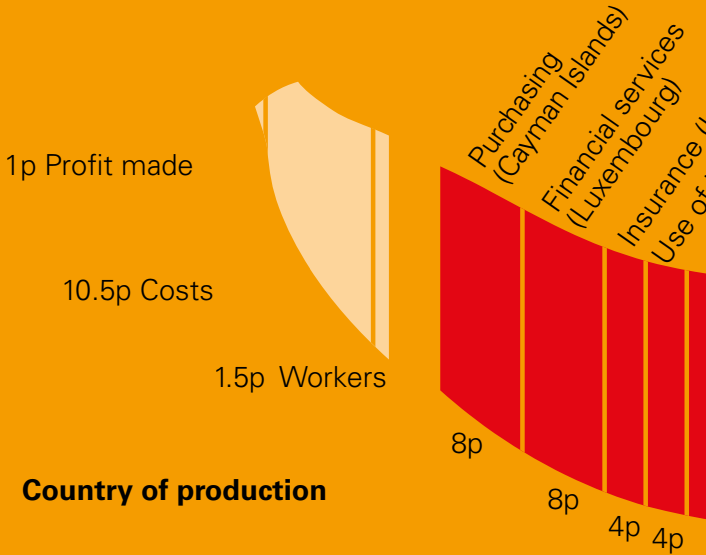
That's why Christian Aid believes greater transparency is key to ending tax dodging and ensuring poor countries receive the tax revenues they are due.



Lack of transparency is a key reason  
why large global companies are  
able to dodge their taxes



# How tax havens hide costs



## Country of production

Some unscrupulous companies exploit the financial secrecy allowed by tax havens. Costs are artificially created in a tax haven in order to hide the profits made and dodge the taxes owed. This enables them to dodge taxes in both the country of production and the country of sale. Above is an example of how a banana can travel through a tax haven on paper, but this can happen to any commodity or service.

## Tax havens



... (Isle of Man)  
... brand (British Virgin Islands)  
... Management (Switzerland)  
... Distribution (Bermuda)



6p 17p



1p 39p

...ens

Country of sale



Four-year-old Isabel received treatment for acute malnutrition at a clinic run by Christian Aid partner Bethania. Fifty per cent of all Guatemalan children are malnourished. The government – which has one of the lowest tax collection levels in the world – doesn't have the resources to bring levels of malnutrition down

## The worst kind of poverty

'To have a malnourished child, that is the worst kind of poverty there is,' says Cresencia Hernandez from her home in the Guatemalan highlands. Here, almost half of children under five don't get enough to eat. Four-year-old Isabel is one of them. When she arrived for treatment at a clinic run by Christian Aid partner Bethania, she was suffering with acute malnourishment. Although she was treated and survived, Isabel's mental and physical growth will still be stunted: one of the effects of the ongoing lack of food.

'It is incredibly important the international community cooperate to fight tax evasion... What is for certain is that our fellow Guatemalans, people who don't even have the basics to live by, are waiting for us.'

**Manfredo Chocano, representative from SAT, Guatemala's tax authority**

The fact that this happens in a middle-income country like Guatemala is an absolute scandal. Guatemala's economy minister, Erick Coyoy, says: 'Guatemala has one of the lowest tax takes in the whole world' – the government doesn't have the resources for a long-term comprehensive programme to bring levels of malnutrition down. This is due to a weak and unequal tax system and widespread tax dodging by wealthy elites and businesses. Until the structures that enable tax dodging are changed, children like Isabel and mothers like Cresencia will continue to pay the price.

Christian Aid/Hannah Richards



# What's the solution?

Unjust financial systems were created by people. That means people can change them.

Christian Aid believes the key to ending tax dodging is financial transparency. We need governments and large global companies to be more transparent.

Tax havens often do not require companies to show who really owns the assets held there and they are not legally obliged to share the information they do have about the companies that use them.

Governments in developing countries face particular challenges in accessing this information, which they need to collect the taxes they are owed. We want all countries to maintain proper and public registries of who owns companies and enable developing countries to have automatic access to tax information held by all governments, including tax havens.

We need to know who owns what, where and for whose benefit. If large global companies were obliged to publish the profits they make and the taxes they pay in each country in which they operate, governments in poor countries could see more easily where tax dodging is occurring. Our government has the power to ensure that these requirements are put in place.



Christian Aid



## Tax revenue changes lives

Nine-year-old Omar (pictured above) shines shoes every morning in El Alto, Bolivia, earning £1 a day if he's lucky. In the afternoons, he goes to school.

Before the Juancito Pinto grant – paid for with new tax revenue – Omar's mum, Eugenia Barrera, used to have to make tough decisions between food for the family or school books and uniforms: 'Sometimes he needed shoes or clothes and I didn't have enough,' she says.

Mass demonstrations by the Bolivian people – including

Christian Aid-supported organisations – brought about big changes to the hydrocarbons industry.

Fifty per cent of the value of the oil and gas now stays in Bolivia (compared to as little as 18 per cent before 2005), providing a massive boost in social spending.

Families like Omar's now receive the Juancito Pinto grant to buy books, stationery and uniforms. School attendance is up, and free school breakfasts have cut anaemia levels in La Paz from 37 per cent to seven per cent.

# What's Christian Aid doing?



**As part of the Tax Justice Bus Tour in Oxford, Christian Aid partner Savior Mwambwa, from Zambia, joins supporters to call for tax justice**

Christian Aid has been campaigning for tax justice since 2008. In recent years we have seen public anger at tax dodging grow, here in Britain and Ireland, with more and more people calling for urgent action.

In 2012 we took our campaign across Britain and Ireland in a Tax Justice Bus. We met over 60 MPs, MSPs and TDs, dozens of church leaders and thousands of people like you. It is clear that the movement for tax justice is growing.

Change happens because individuals, like you, speak out where there is injustice. Whether you speak in your church, meet your local politician, sign an action card or join a rally, your voice can make change happen.

In 2013 we joined with other charities in the ENOUGH FOOD FOR EVERYONE IF campaign to tell our leaders to take action to address the structural causes of poverty and hunger. Tax justice was at the very heart of this campaign and we saw some progress made at the G8 meeting in Northern Ireland. We now need to see words turned into action.

To find out how you can get involved visit  
[christianaid.org.uk/tax](http://christianaid.org.uk/tax)  
[christianaid.ie/tax](http://christianaid.ie/tax)



‘Truly I tell you, whatever you did for one of the least of these brothers and sisters of mine, you did for me.’ Matthew 25:40

Poverty is an outrage. 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.

[christianaid.org.uk](http://christianaid.org.uk)  
[christianaid.ie](http://christianaid.ie)

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