Stemming the spills

Guiding Framework for National Tax Spillover Analyses

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Acknowledgements

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COVER PHOTO: Farida commuted daily to Abuja, Nigeria on city bus service run by a private company. Women, who more commonly either work in the informal sector or do not receive an income, find fares a more significant challenge. CREDIT: WALE ELEKOLUSI/ACTIONAID

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Abbreviations

APA	Advanced Pricing Agreement
ATP	Aggressive Tax Planning
BEPS	Base Erosion and Profit Shifting
CBCR	Country-By-Country Reporting
CEDAW	Convention on the Elimination of all forms of Discrimination Against Women
CFC	Controlled Foreign Corporation(s)
CIT	Corporate Income Tax
CSOs	Civil Society Organisations
DFIs	Development Finance Institutions
DTTs	Double Taxation Treaties
ECAs	Export Credit Agencies
EU	European Union
FfD	Financing for Development
IBFD	International Bureau for Fiscal Documentation
IMF	International Monetary Fund
MNE	Multinational Enterprise
IP	Intellectual Property
OECD	Organisation for Economic Co-operation and Development
ODA	Official Development Assistance
R&D	Research and Development
Spillovers	refers to *spillover* effects
Spillover analysis	refers to *national tax spillover analysis*
USD	US Dollar(s)
VAT	Value Added Tax

Executive summary

The last decade has revealed scandal after scandal[1] exposing how multinational companies use one country's tax system, or a combination of several countries' tax systems, to avoid paying tax in a third country. These are examples of tax spillover effects where tax rules and practices in one country directly or indirectly affect tax revenues, rules and practices in other countries.

It is widely recognised by the IMF, the OECD and other institutions[2] that these spillover effects are significant and sizable, and that spillover effects are especially marked and important for developing countries. In short, developing countries suffer relatively more than rich countries from international tax spillover effects which they did not themselves create.

With so much potential revenue lost in developing countries, tax is central to the financing of the 2030 Agenda for Sustainable Development[3] which all EU member states have committed to. Moreover, EU member states have committed to the concept of *policy coherence for development* (PCD), ensuring that impact on developing countries will be taken into account in all their policies, with taxation as one of the key areas.[4] To make informed policy choices, EU member states need to analyse their tax policies to improve the understanding of their extraterritorial effects. For this reason, a number of actors, including the European Parliament,[5] is calling for EU member states to conduct national tax spillover analyses to honour their international commitments.[6]

ActionAid considers national tax spillover analyses key in achieving fair and responsible tax policies. With this new report we propose a guiding framework for national tax spillover analyses by EU member states and aim at launching a debate on this important topic.

Specifying in advance the precise national mechanisms for spillover effects is difficult due to the country-specific context and dynamic multivariate nature of tax processes.[7] Therefore, instead of presenting an exact model for national tax spillover analyses, this *Guiding Framework* presents recommendations for what elements future national tax spillover analyses should take into account in terms of method, scope and process.

With regard to **methodology** it is recommended that a broad qualitative risk assessment of potential spillover effects should guide both an econometric analysis of financial spillover effects and an interpretive analysis of indirect effects and human rights impacts.

With regard to **scope and content** ActionAid recommends that national tax spillover analyses include all domestic rules and regulations enabling *aggressive tax planning*. These include ring-fencing structures targeting foreign financial flows and rules directly or indirectly affecting the effective tax rate for corporations. Importantly, positive *spillover effects* from international cooperation, transparency measures and anti-abuse measures should also be included in future national tax spillover analyses.

Finally, EU member states' bilateral engagement and engagement abroad should be analysed, including double taxation treaties (DTTs) and the effects of the policies of development finance institutions (DFIs), export credit agencies (ECAs) and states' involvement in companies' overseas investments and exports.

With regard to **process recommendations** ActionAid recommends a design which has an *initiation phase* and *discussion phase* involving ministries of Foreign Affairs, Business and Finance (or their equivalents), the administrative departments responsible for taxation, aid and development policies, and the relevant parliamentary committees. These political stakeholders should agree on the intended objectives of the national tax spillover analysis, and they should define the political values guiding the research. And together with representatives from civil society, academia and the business community they should form a *multi-stakeholder steering group* managing the research including forming the terms of reference (ToR) as well as potentially selecting and hiring an external contractor to do the research. Finally, transparency and public accountability should be ensured in as many steps of a spillover analysis as possible, including public access to working documents of the steering group, drafts and discussions of the research, and the selection and hiring of a contractor.

Women in Ghana protest on the streets of Accra on International Women's Day 2017 demanding tax justice for women's rights.
PHOTO: AIM/ACTIONAID

Introduction

Human rights, democracy and national tax spillover analyses

Why spillover analyses are necessary

The EU member states have been committed to supporting development around the world, most recently through their commitment to the 2030 Agenda for Sustainable Development and the Sustainable Development Goals, including ending poverty and improving health and education.[8] Many developing countries still have a long way to go in terms of improving schools and hospitals and much more, and to pay for this increased tax revenues are urgently needed. Domestic resource mobilisation, including tax, was put at the centre of the Financing for Development (FfD) agenda at the last UN International Conference on Financing for Development, which took place in Addis Ababa in July 2015.[9] However, the last decade has revealed scandal after scandal[10] exposing how companies use discrepancies between the tax systems of different countries to avoid paying tax in yet other countries. For example, research by ActionAid has reported[11] how Malawi over six years lost out on USD43 million in revenue from a single company – the Australian mining company Paladin. The report is illustrative in showing how Australian Paladin chose to use the Dutch tax system to avoid taxes on interest payments and management fees. The DTT between the Netherlands and Malawi (since renegotiated) reduced these withholding taxes to 0%. In Malawi this money could have paid for 431,000 annual HIV/AIDS treatments[12] or 17,000 nurses' salaries for a year.[13] In the LuxLeaks scandal[14] a single leak from a single European country exposed tax rulings drastically reducing effective tax rates of hundreds of multinational companies in Luxembourg, sometimes to single digits.[15] In the SwissLeaks scandal one leak in one bank in one European country laid bare financial information of more than USD100 billion from 106,000 clients of 203 countries,[16] and the Financial Transparency Coalition[17] estimated that the money involved from Sierra Leone could finance roughly 19% of the Sierra Leone's health budget.[18]

Research into global financial flows makes it clear that reducing negative spillover effects from international taxation could make a difference for tens of millions of people in developing countries. For instance, the OECD acknowledges that the impact on developing countries of cross-border tax avoidance is likely to exceed that of total official development assistance (ODA) by a considerable margin.[19] The IMF estimates that developing countries loose 200 billion USD to tax avoidance every year.[20]

Corporate tax avoidance represents one of the areas of international tax spillover effects connected to international tax competition where nation states engage in a "race to the bottom" on corporate taxation, undermining the tax bases of all countries all together as tax competition[21] encourages mobile capital to scour the world in search of tax breaks and subsidies. As a result, tax competition seems to negatively affect public revenue needed for public services.[22] Another spillover from tax competition is tax incentives, where calculations by ActionAid suggest that USD138 billion is lost every year through the tax incentives that developing country governments offer to large businesses.[23]

The IMF's analysis *Spillovers In International Corporate Taxation* from 2014[24] reaffirms that spillovers are especially marked and important for developing countries.[25] The report concludes that tax rules and practices in one country do indeed affect the rules and practices on tax in other countries; that these spillovers can matter for macroeconomic performance; that spillover effects on corporate tax bases and rates are significant and sizable; and that spillovers are especially marked and important for developing countries.

Therefore, improving the understanding of the spillovers is important for EU member states both in protecting their own tax bases and as a way to adopt responsible tax policies in relation to developing countries.

The impacts of the tax policies of EU member states on human rights in developing countries

The fundamental principle of democracy is that the state is an institution governed *by* the people for the people.[26] The intended purpose of taxes is to finance state activities. Central to the Universal Declaration of Human Rights is the right to fundamental living conditions for people in society,[27] for instance article 25 on the rights to housing, medical care and security in the event of sickness and old age, or article 26 on the right to education.[28] Thus, as Dr Waris from the University of Nairobi has pointed out,[29] human rights and taxation in democratic states have the same end purpose, i.e. the improvement of human life. Whereas the first expresses itself universally, the other expresses itself domestically, but the relationship is indeed strong and increasingly recognised by states and international organisations.[30]

In the 2014 *UN Report of the Special Rapporteur on extreme poverty and human rights,*[31] Magdalena Sepúlveda Carmona presents fiscal policy, and particularly taxation policies, as a major determinant in the enjoyment of human rights. The report analyses the questions of how the principles of non-discrimination and equality and the duty of international cooperation and assistance should inform taxation policies at the global and national levels. With regard to international cooperation and extraterritorial impact, the report recommends that each state should refrain from any conduct that impairs the ability of another state to raise revenue as required by their human rights commitments, and cooperate in creating an international environment that enables all states to fulfil their human rights obligations.[32]

In 2016 Switzerland was criticised for breaching its extraterritorial obligations under Article 2[33] of the Convention on the Elimination of all forms of Discrimination against Women (CEDAW). Switzerland was requested to "provide information on the measures taken to ensure that the State party's tax and financial secrecy policies do not contribute to large-scale tax abuse in foreign countries, thereby having a negative impact on resources available to realise women's rights in those countries"[34].

Defining spillover analysis

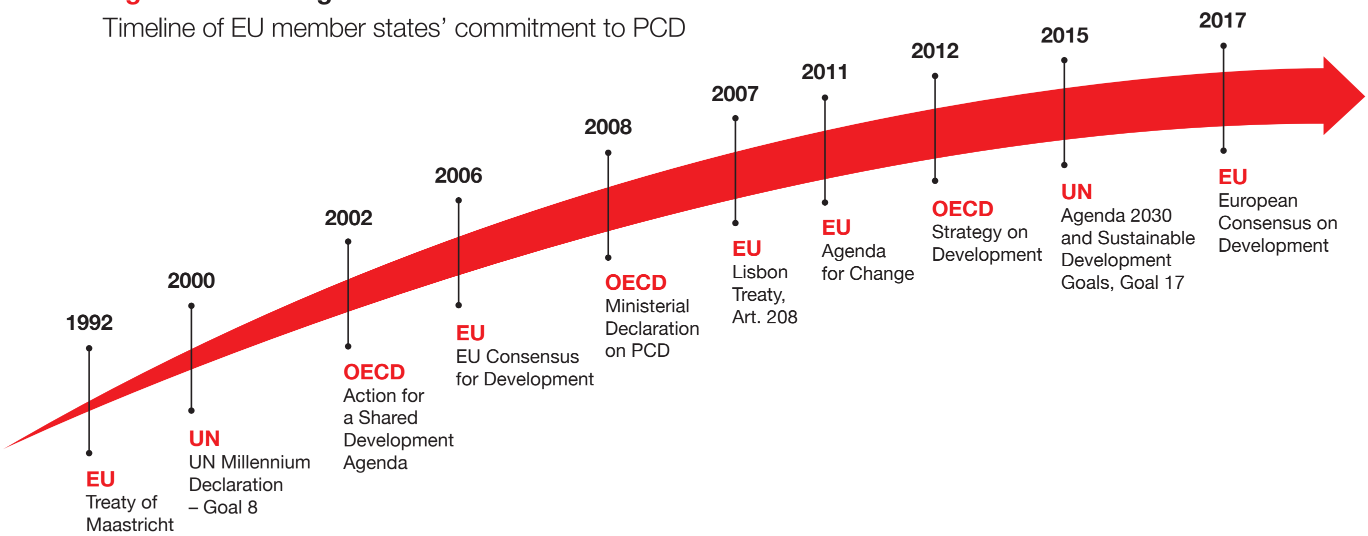
In this report ActionAid defines the term *national tax spillover analysis* (abbreviated as spillover analysis) as an investigation of the effects that the tax system of a given country (country A) has on the capacity to meet sustainable development goals and human rights obligations of another country (country B).

This *Guiding Framework* has been developed with inputs from more than twenty people from across Europe and Africa representing academia, civil society organisations (CSOs), politicians and state officials. It focuses on the interdependencies between EU member states and developing countries. The intended audience are decision makers in EU member states, in particular ministries of Finance, Foreign Affairs, Economy – or their equivalents – as well as the administrative departments responsible for taxation, aid and development policies. The intention is to encourage dialogues, strengthen the implementation of the PCD commitment in EU member states and to offer guidance for decision makers in EU member states interested in undertaking spillover analyses of national tax systems on developing countries. Moreover, the guiding framework can be used by journalists, civil society and developing country governments as a reference when discussing with EU governments which policy areas and key questions a spillover analysis should address.

ActionAid hopes to encourage intergovernmental dialogues about the basic values and principles of taxation. Given that EU countries all share values with regard to human rights, democracy, and a state's rights to sovereignty, there should be a potential for agreeing on a number of fundamental principles for taxation, which could guide interstate tax relations within and beyond the EU. Designing a state's tax system is a deeply political topic and cannot be treated as a purely technical matter. ActionAid sees that agreeing on such principles is both a logical and necessary starting point for any genuine reform of the current international tax system.

A national tax spillover analysis will always be contextual and tailored to the given country and its situation. Different interest groups and businesses all have an interest in shaping the focus of a spillover analysis, especially regarding what to include and exclude. However, in a democracy one would and should expect decision makers to be open about why they choose a given focus and what interests are served by that choice. If spillover analyses are to achieve their aim of protecting the corporate tax base of developing countries, then they need to be rigorous, comprehensive and transparent along the lines suggested in this briefing.

Figure 1: The obligations of EU member states on tax and PCD
Timeline of EU member states' commitment to PCD



With the Lisbon Treaty 2007 article 208 on PCD it became a legal obligation on the EU member states to take into account the impacts of domestic policies on developing countries and to pursue synergies across all policy areas. PCD has since been recognised in all key EU development documents as an important tool in achieving sustainable development results.[35] It has also been recognised in a number of OECD processes, in particular in the aid effectiveness debates, as well as in the UN Millennium Declaration and the UN Agenda 2030.

Since 2010 domestic revenue mobilisation in developing countries has been one of the key priorities in the EU development policy,[36] further strengthened in the 2015 Collect More, Spend Better agenda.[37] Tax policies, given their strong and often direct impact on developing countries' tax revenue generation capacity, have rightly become increasingly central to PCD considerations of EU member states.[38]

The importance of non-aid policies for development was also acknowledged in 2011 at the High Level Forum on Aid Effectiveness in Busan, where the representatives of developing and developed countries agreed to increase developing countries' independence from aid and in this process examine the interdependence and coherence of all public policies – not just development policies.[39]

In 2015, tax issues were also explicitly considered in the EU Commission's EU Report [40] on PCD which lists, among others, the Tax Transparency Package (COM(2015) 135 final) and the Action Plan for fair and efficient tax system in the EU (COM (2015)302) as the EU's actions which were supposed to increase policy coherence for development in this policy area. The European Parliament supported these measures and took an even stronger position on tax and PCD in its resolution on the 2015 EU Report on PCD [41] as well as in its resolution on tax and development,[42] calling on the EU to, among other things:

- conduct an impact assessment and spillover analysis of the new EU tax legislation;
- ensure that corporations pay their fair share of taxes;
- promote and operationalise the principle of PCD in tax matters on a global level; and
- encourage further international cooperation on tax matters.

The 2015 EU Staff Working Document, *Collect More – Spend Better*[43] emphasises the shift that took place at the third Financing for Development Conference in Addis Ababa in 2015[44] – stressing that domestic public finance should be at the heart of all countries' efforts to achieve overriding objectives. Moreover, this was part of the lead-up to the September 2015 UN Summit for the adoption of the 2030 Agenda for Sustainable Development[45] where the European Union (together with development partners) launched the Addis Tax Initiative[46] by which countries declared their commitment to enhancing the mobilisation and effective use of domestic revenues and improving the fairness, transparency, efficiency and effectiveness of their tax systems in order to address inequalities.[47]

A deeper understanding of tax spillovers is needed to translate these political commitments into corresponding policy actions. Spillover analyses are a technical necessity: To meet their PCD commitments EU member states need to analyse their policies and improve the understanding of the extraterritorial effects of their national tax systems.

Patients at the under-funded Nakambala Urban Health Clinic in Mazabuka, Zambia, in the shadow of Zambia Sugar factory, owned by British food giant Associated British Foods, which cost Zambia $27 million in lost tax revenue between 2007 and 2012. The Zambian government looked at ActionAid's investigation into Associated British Foods and renegotiated its tax treaty with Ireland, one of the countries used by Zambia Sugar in its aggressive tax planning. The negotiation later changed one of the clauses that had enabled tax avoidance.
PHOTO: JASON LARKIN/PANOS

Chapter One

Methodological recommendations

This chapter presents recommendations for the analytical steps and methodological elements of future spillover analyses. These recommendations are based on an assessment of two existing country experiences with spillover analyses (the Netherlands and Ireland), and two existing theoretical frameworks.

The Dutch and Irish experience

In 2013 the IBFD and the School of Economics of Utrecht University carried out a research study[48] for the Ministry of Foreign Affairs of the Netherlands into Dutch tax treaties with developing countries. Two years later, in 2015, the IBFD was again contracted by the Irish Department of Finance to produce an analysis on the *Possible Effects of the Irish Tax System on Developing Economies.*[49] Both studies focused on DTTs and concluded with a look at a selected number of developing countries and how these DTTs impact investments and capital flows with those developing countries. The Irish study also includes spillovers from some parts of the domestic tax system.

In both cases the decision to carry out a national spillover analysis was prompted by calls from CSOs. In both cases the responsible ministry and the IBFD bemoaned the lack of prior experiences and models to guide the research process and design. And in both cases the spillover analyses were subsequently criticised for not considering important aspects of spillover effects.

The Dutch study

The Dutch study compared the DTTs between the Netherlands and a selected number of developing countries with the DTTs these developing countries have with other countries and came to the conclusion that Dutch tax treaties were not worse than treaties the selected developing countries had with other countries. It concluded that Dutch DTTs needed to be revised on their anti-abuse provisions, but no changes were needed in terms of their content or their interaction with other aspects of Dutch tax law. The methodology and findings were subsequently criticised,[50] with commentators pointing out little attention paid to tax dodging structures where profits end up largely untaxed in the Netherlands itself, such as structures involving deductions for so-called informal capital, often in combination with Dutch tax rulings providing certainty in advance about the use of aggressive structures.[51]

The Irish study[52]

Like the Dutch study, the Irish study did not present suggestions for revisions to the Irish tax system. It found that the domestic tax system in general did not facilitate conduit structures that lead to loss of revenue for developing countries. The Irish study was broader in scope, but less detailed as the Irish Central Statistics Office did not provide access to unpublished country-level data in the way the Dutch central bank had done. Hence, the question has been raised whether similar data could and should have been made available by the Irish government.[53]

The study was criticised for ignoring Ireland's role in driving down global corporate income tax (CIT) rates, and - like the Dutch study - it has been criticised for having a too narrowly transaction-specific focus, ignoring Ireland's systemic role in relation to other countries' tax systems, especially countries within Europe, as demonstrated by the LuxLeaks episode in 2015.[54]

Two existing theoretical frameworks

IMF's 2014 Staff Report,[55] *Spillovers in International Corporate Taxation*

The IMF's framework builds on literature and on the experiences of the IMF's technical advice projects, and discusses a range of tax policies, including tax treaty networks, and mismatches between different national tax systems. The analysis focuses on general international tax spillovers (not bilateral).[56] It presents a quantitative methodology that distinguishes between three types of spillovers: (1) strategic spillovers, (2) base spillovers due to real activities, and (3) base spillovers due to profit shifting.

1. *Strategic spillovers.* These refer to the effect of changes in one country's tax rate on the tax rates of other countries. The IMF's methodology uses annual data on CIT rates in 103 countries, excluding oil-dependent ones, for the period 1980–2013. It uses statutory CIT rates and looks at country-specific responses modelled as a function of last year's tax rates in all other countries. The analysis finds a substantial country response. For OECD countries a one percentage point decrease in the statutory CIT rates of other countries generates, on average, a cut of 0.7 percentage points in response, and for developing countries, too, there is evidence that a race to the bottom is taking place among special regimes.

2. *Base spillovers due to real activities* concern the effect of changes in a country's tax rate on the tax bases of other countries due to shifts in real economic activity. The methodology used here is more complex[57] and relates changes in a country's corporate tax base to the average tax rate of all other countries one year before. Again, the analysis shows a substantial spillover where the average country's corporate tax base is reduced by 3.7% if the average tax rate of all other countries falls by 1 percentage point. This amounts to quite substantial spillovers, considering that CIT rates worldwide have fallen by some 5 points over the last decade.

3. *Base spillovers due to profit shifting* refer to the effect of changes in a country's tax rate on the tax bases of other countries due to profit shifting. Analytically the main difference from the above base spillovers due to real activities is that now the analysis relates to changes in a country's tax base to the tax rates of a list of tax havens, assuming that profits are mainly shifted into tax havens. The chosen list of tax havens[58] is much more narrow than empirically based lists such as the financial secrecy index.[59] However, IMF analysis still finds that the base erosion effect due to profit shifting is as large as that of real activities.

The 2017 APPG/SPERI, "Tax Spillover: A New Framework", by **Andrew Baker** and **Richard Murphy**[60]

Relative to the IMF framework the APPG/SPERI framework favours a broader scope to allow for a more comprehensive assessment of both the vulnerabilities a national tax system faces from international spillover effects, and the spillover risks it generates for other countries. Baker and Murphy stress that their model is provisional and the aim is to address the challenges of the IMF-inspired quantitative approach that both the Netherlands and Ireland applied.

Methodologically it recommends a model using qualitative survey inputs and perception data. To address the inherent weakness of perception indices the APPG/SPERI framework suggests using complementary assessment questionnaires completed multiple times across a representative sample of informed respondents from across stakeholder groups. This would enable the construction of an index that is intended to rank states in isolation but which also, by allowing scores to be compared, ranks the relative risk that one country poses to other countries. It suggests a comparative international benchmarking exercise producing a scorecard system that would be a prototype for ranking countries' tax systems.

Methodological considerations

The indirect nature of tax spillovers

The experts interviewed for this report all emphasised how important indirect spillovers are, because corporate tax planning often involves the exploitation of tax rules and treaties in multiple jurisdictions, not just the home country of the corporation and the destination country for its investment. Indirect spillovers are also important because, as the IMF points out, tax rules and practices in one country can have a systemic effect in helping to drive down effective tax rates in all other countries – an effect which is distinct from the direct effect of those rules or practices on any specific country. There is an indirect dimension both in the *origin* and in the *impact* of tax spillovers.

The origin of many tax spillovers is tax avoidance, which by definition uses legal regulations in unintended ways.[61] Thus, merely looking at the intended objectives of any tax rule will not point out how it can be (mis-)used for tax avoidance purposes. This means that a spillover analysis needs to rely not only on an objective approach when assessing national legislation, but it also requires an interpretive approach.

The *impacts* of tax spillovers on human lives are also complex and indirect. Different types of taxes affect different parts of society in different ways. International tax spillovers influence both the total financial volume, the composition and relative financial contributions of different types of taxes, and the nominal and effective rate of different types of taxes.[62] Developing countries have often responded to international tax spillovers by offering tax incentives to foreign companies, and introduced or increased tax revenues from indirect regressive taxes like value added tax (VAT). It should be noted that there is evidence the VAT is not always regressive given that certain basic goods may be exempt from tax.[63] Effects are also felt by people because the tax system influences fiscal transparency, public accountability and public expenditure, which again impacts basic democratic rights as well as the fulfilment of human rights such as health and education.[64]

The Dutch and Irish studies both use a quantitative analysis linked to direct investments and capital flows with selected developing countries. Thus, they implicitly assume that these are the only places where spillovers occur.[65] If data can only point to direct effects,[66] the indirect systemic effects like the "Dutch Sandwich"[67] or "Double Irish",[68] which involve an interaction between these countries and other jurisdictions, not just between them and the destination countries of corporate investment, will be ignored, illustrating one of the weaknesses of the methodology applied in these two analyses.

Tax spillover analyses must be country-specific

Specifying in advance the precise mechanisms through which spillovers can occur is difficult due to the potentially dynamic multivariate nature of tax processes.[69] Instead of a one-size-fits-all recipe, spillover analyses must adapt to the country-specific interplay between rules, regulations and policy objectives of both developed and developing countries.[70]

Benchmarking should not be used to assess tax spillover effects

The Dutch and Irish studies compare the national tax system in question relative to that of similar countries. ActionAid argues that spillover effects should not be assessed by benchmarking to "similar countries" or to an international average.[71] Spillovers need to be assessed in absolute terms, otherwise any tax rule or treaty following an international norm would be deemed as not having any spillovers on developing countries. This would be highly problematic because certain harmful practices which can encourage tax avoidance, such as tax treaties that severely limit withholding taxes or the offer of ultra-low tax rates for certain types of corporate income (such as "patent box" regimes for income from intellectual property (IP), are so common as to amount to international norms, as indeed is the relentless cutting of corporate tax rates in many countries.

Limitations with a purely quantitative methodology

For a number of reasons many spillovers are difficult to measure quantitatively.

1. By definition, tax avoidance uses legal regulations in unintended ways. Thus, analyses cannot only be built directly on the "letter of the law" but need an interpretive approach.

2. Data limitations due to the inherent complexity of taxation, and/or institutional limitations preventing data from being collected or shared even where it is technically possible to obtain them.

3. Many important dimensions of tax are of a moral/societal construct and are thus inherently subjective. An example of such a subjective construct is the value of the democratic prerogative for a society to decide its own policies within society.

4. Practical constraints including available resources: Given the nuanced nature of tax spillovers, pursuing a quantitative method will on many questions require sizable human and institutional resources. And reaching a complete conclusion is far from assured. Thus, resources are often better spent with a method using quantitative analysis in combination with case studies and/or qualitative methods.

Limitations with a purely qualitative methodology

A purely qualitative approach has weaknesses that include:

1. Being subject to the subjectivity of the experts and informants who conduct the analysis and/or respond in surveys.

2. Increased risk of diverting attention and discussion away from the substance of the analysis towards a discussion about who should conduct it, and who is a credible, objective expert.

3. Risk of focusing too much on qualitatively harmful rules and regulations without knowing the practical relevance of those same rules and regulations, i.e. how much they are actually exploited by companies and individuals.

Recommendations for an analytical framework for national tax spillover analyses

This *Guiding Framework* does not prescribe an exact methodology (a cookbook) for how EU member states should conduct their spillover analyses. However, drawing on both the IMF's quantitative framework and the APPG/SPERI's qualitative framework, ActionAid recommends a holistic research design with the following elements.

First: formulation of the intended objectives of the spillover analysis. This would strengthen accountability, and also enable a clearer evaluation of the outcome. Clear objectives will also reduce the inclination to choose a limited methodology with limited available data in order to reach a politically convenient conclusion.

Second: a broad qualitative analysis of all policy areas (listed in Chapter 2) most likely to have spillover effects on developing countries' tax revenues and capacity to meet sustainable development goals and human rights obligations.

Third: quantitative methods should be employed when possible so as to make the findings as objective as possible. The quantitative analyses should focus on those policy areas identified by the qualitative analysis as the most risky. The types of effects analysed should include the financial volume, rate and composition effects[72] in developing countries. It could include having dummy variables developed so as to inform and guide an interpretive analysis of more indirect impacts on human rights and democracy in developing countries.

Fourth: an interpretive and comparative analysis of the qualitative and quantitative findings should provide the basis for a PCD analysis and discussion addressing questions like:

- What international commitments and national policy objectives does the member state have in terms of development areas, targets and measurable indicators?
- What are the national policy objectives' parallel targets and indicators in developing countries?
- What is the influence of the member state's tax policies in these areas?

This part of the analysis should include inputs from different stakeholders[73] to ensure that different perspectives go into the analysis.

Fifth: identifying one or more case studies that subsequently can be conducted so as to qualify policy choices as well as possible.

Harriet Bwanali, Executive Director for National Organisation of Nurses and Midwives of Malawi (NONM) at NONM Headquarters in Malawi's capital, Lilongwe.
PHOTO: ACTIONAID

Chapter Two

Recommended scope and content for national tax spillover analyses

If an EU member state decides to make a spillover analysis it follows logically that it should direct the focus and methodology towards analysing those policy areas that have the greatest potential impacts on developing countries' tax systems and not prematurely restrict the scope to areas that may not be of much relevance. This chapter provides a guiding framework with key questions that, if answered, will mitigate the risk that an analysis may become a political window-dressing exercise captured by special interests.[74]

The chapter first presents questions about potential spillovers from EU member states' domestic activities, and then questions about EU member states' bilateral activities and activities abroad. All questions are listed only once, even though some could apply to several of the categorised areas; i.e. the categories are not mutually excluding.

Domestic activities of EU member states – aggressive tax planning structures

In 2012, the European Commission's Directorate-General for Taxation and Customs Union put forward a recommendation[75] on aggressive tax planning (ATP) noting that the EU Commission "sees a strong need to obtain increased knowledge of the tax laws and practices of all 28 EU Member States…".[76] Here the term "aggressive tax planning" was defined as "taking advantage of the technicalities of a tax system or of mismatches between two or more tax systems for the purpose of reducing tax liability. It may result in double deductions (e.g. the same cost is deducted both in the state of source and residence) and double non-taxation (e.g. income which is not taxed in the source state is exempt in the state of residence)."

The 2012 recommendation came together with the EU Commission's *Action Plan to strengthen the fight against tax fraud and tax evasion*[77] *and its Recommendation regarding measures intended to encourage third countries to apply minimum standards of good governance in tax matters.*[78]

In 2015 the Commission commissioned a study[79] which identified 33 indicators of ATP)structures. The indicators that have relevance in relation to developing countries are included in the policy measures listed below. The policy measures are divided into those with potential negative spillovers and those with potential positive spillovers. Appendix 1 offers a "one glance" overview.

Negative spillovers

Has the analysis considered potential negative spillovers from the policy areas and measures listed below? If not, why not?

Table 1: Negative spillovers in relation to specific policy areas

<table>
<tr><td>Capital Gains tax</td><td rowspan="2" colspan="2">• The headline tax rate for cit or capital gains.
• Rules decreasing the tax base of cit or capital gains.
• The signalling effect (tax competition) of recent or planned changes in tax rates.
• Group taxation with acquisition holding company allowed.
• Excess profits rulings.</td></tr>
<tr><td>Corporate Income Tax</td></tr>
<tr><td>Residence Rules</td><td colspan="2">• Permitting non-resident companies.
• Having nationally incorporated companies deemed not tax-resident if management or company control is in another state.</td></tr>
<tr><td>Intellectual property rules and Research and Development rules</td><td colspan="2">• Minimal/negligible taxation of capital gain (fair market value) upon transfer of ip.
• Patent box or other preferential tax treatment of income from IP.
• R&D tax incentive obtainable also for costs that are reimbursed.</td></tr>
<tr><td>Transfer Pricing rules (TP)</td><td>• Ineffective TP rules or ineffective enforcement of these.</td><td rowspan="2">• Non-arm's-length transactions, including no deemed income from interest-free loans as well as transactions related to other types of interest, royalties and dividends.</td></tr>
<tr><td>Interests, Royalties and Dividends</td><td>• Special tax treatment for dividends, royalties, service fees, and interest earnings (thin capitalisation).
• Generous tax exemptions or deductions for dividends received.
• Generous tax exemptions or deductions for dividends paid.
• Tax deduction from intra-group interest costs.
• Tax deduction allowed for deemed interest costs on debt with low or no interest.
• Notional interest deduction for share capital.</td></tr>
<tr><td>Withholding Taxes (WHT)</td><td colspan="2">• Low or no WHT on royalties, interests, dividends paid and on their various equivalents e.g. buy-back of shares.
• Non-uniform WHT rates on different types of payments.</td></tr>
</table>

Table 2: General negative spillovers across various policy areas arising from

General	• Rules likely to favour income arising outside the member state (ring-fencing of domestic economy). • Any rule, regulation or administrative practice directly or indirectly affecting the effective tax rate for CIT, capital gains or other type of income including income from royalties, interests or dividends. • Punishing developing countries for having low administrative capacity, for instance by demanding reciprocity or full implementation of OECD's BEPS actions as a requirement for bilateral or international information exchange arrangements.

Positive spillovers

Many policy measures can have substantial positive spillovers in developing countries.

In the section below these policy measures are divided into three areas. The first area encompasses specific anti-abuse measures that can be applied to specific policies, followed by general anti-abuse measures. The two remaining areas are transparency measures, and international cooperation.

Has the analysis considered potential positive spillovers from the policy areas and measures listed below? If not, why not?

Table 3: Positive spillovers in relation to specific policy areas

Residence Rules	• Rules for controlled foreign corporations (CFC).
Interests, Royalties and Dividends	• Taxation of benefits from no/low interest on debt. • Interest-limitation rules.
Withholding Taxes	• Beneficial-owner test for reduction of withholding tax on dividends.

Table 4: General positive spillovers across multiple policy areas (capital gains tax, CIT, residence rules, IP rules, R&D rules, TP rules, interests, royalties and dividends, WHT) arising from

Transparency measures	• Implementing country-by-country reporting (CBCR) and making it available to the public. • Publishing core elements of advanced pricing agreements (APAs) and other tax rulings including annual overviews of how many have been made with what companies, and how many have been exchanged with what countries. • Require financial accounts of all limited liability entities to be on public record, including trusts and foundations recorded on a central register which discloses the trust accounts, donors, trustees and beneficiaries. • Provisions for the identification of beneficial ownership, i.e. who has the benefit of ownership of an asset (for example, bank account, trust, property) and yet nominally does not own the asset because it is registered under another name. • Features of the member state's tax system, if any, that have been negatively reviewed in the financial secrecy index (FSI), www.financialsecrecyindex.com • Having the country's ministry of finance or treasury collect the data and publish the yearly expenses for tax reliefs to corporations, as well as the data needed for international automatic information sharing.
International cooperation	• Sharing CBCR data with other countries' tax authorities, including developing countries. • Automatically exchange relevant financial account information with other countries' tax authorities, including developing countries. • Immediate exchange advanced APAs and other tax rulings related to preferential regimes, i.e. not only complying with OECD's BEPS action 5, but also going beyond it and sharing data with developing countries. • Allow and invite developing countries with low administrative capacity to enjoy benefits arising from OECD's BEPS actions without requiring them to reciprocate or fully implement BEPS. • Having routine dialogues with tax authorities in developing countries and inviting them to suggest areas of concern in relation to spillovers.
General anti-abuse measures	• General anti-avoidance rules to counter hybrid structures and other ATP structures. • No tax deductions independent of tax treatment in developing countries. • Rules to counter a mismatch in tax qualification of a domestic company or business partnership between own state and a foreign state. • CFC rules on income received from investment or passive sources including interest, dividends, rents and royalties from unrelated parties; from purchasing goods from related parties or selling goods to related parties where the goods are both produced for and used outside the CFC country; from performing services outside the CFC country for related parties; from non-operating, insubstantial, or passive businesses.

EU member states' bilateral activities and activities abroad

Tax policies made in international organisations like the EU and OECD have bigger impacts on developing countries than the domestic policy choices of any individual EU country. Hence, taking a progressive position to defend developing countries' interests in the EU and OECD and supporting the formation of a truly global intergovernmental body on tax[80] (e.g. a UN tax body) should be perceived as being of the utmost importance for all EU member states. However, the scope of this Guiding Framework concerns policy areas where spillovers can be changed due to unilateral or bilateral policy decisions. Below are listed three areas where EU member states, unilaterally or bilaterally, can change policies to improve spillovers in developing countries. The three areas are: DTTs, DFIs, and state involvement in companies' overseas investments and exports (Appendix 3 presents these in a matrix format).

Spillovers from Double Taxation Treaties

DTTs are agreements between countries that divide the taxing rights of the countries that have signed. They are so called because of the ostensible initial intent to eliminate double taxation of individuals/companies operating in more than one country. However, they have also played a facilitating role in tax avoidance schemes, as seen in well-known cases such as Google's[81] and Amazon's[82] tax schemes. DTTs determine when, how and even if developing countries can tax foreign-owned corporations that are making money within their borders. Like most treaties DTTs commonly override national laws. Based on research on more than 500 binding treaties signed by lower-income countries,[83] a 2016 ActionAid report[84] argues that EU member states should invite developing country treaty partners to renegotiate or cancel existing DTTs. Some spillovers arise from DTTs being abused, but others come about because DTTs do what many analysts suggest they are intended to do: reduce source taxation in developing countries.[85] Nevertheless the result is negative spillovers. All too often financial resources are transferred untaxed from poor to rich countries, making the world more unequal and exacerbating poverty.

National spillover analysis of DTTs can help to scrutinise the problem or even create positive spillovers. For instance, when the DTT between Kenya and Denmark allowed withholding taxes on management fees this subsequently gave Kenya leverage to ask for the same in negotiations with the UK.

Having the Dutch and Irish spillover analyses in mind, it is important to stress that even though spillovers from DTTs are important they should not be mistaken for the full spillover picture. Often spillovers arise from DTTs in their interactions with ATP measures of domestic tax systems,[86] typically some of those listed above. Moreover, many developing countries have no or only few DTTs, but still suffer from various types of spillovers.

Has the analysis considered potential spillovers from the policy areas and measures listed below? If not, why not?

Table 5: Negative spillovers in relation to Double Taxation Treaties

Negative spillovers	• The possible abuse of DTTs by investors from the member state itself as well as investors from other developed (residence) countries using the member state as a conduit (a problem also stressed under BEPS action 6 in the multilateral instrument). • The possible abuse by developing country businesses using DTTs to "roundtrip" and disguising their domestic investments as FDI. • Treating OECD's model tax treaty as the starting point in negotiations, and requiring a quid pro quo if developing countries want any content resembling UN's model tax treaty. • Automatic adjustment of transfer pricing described in OECD's model convention article 9. • Differentiated withholding taxes in DTTs causing potential composition effects on companies' income and expenses in developing countries. • The 26 elements in DTTs that the ActionAid Tax Treaties Dataset identifies as crucial for developing countries, including rules on: - permanent establishment of services, delivery exceptions, stock agent, insurance, construction length and supervisory activities, - WHT on dividends, royalties, interests, threshold for shareholding qualification, management and technical fees, - source taxation of capital gains, earnings on top-level managerial officials, social security pensions and other income, - other elements such as "force of attraction", office payments, shipping rights, assistance in tax collection.

Table 6: Positive spillovers in relation to rules concerning Double Taxation Treaties

Positive spillovers	• Anti-abuse clauses for DTT shopping. • Having a national code of conduct ensuring: - publication of the policy objectives of upcoming DTTs; - an impact assessment prior to negotiating DTTs; - a consultation with experts and an open discussion of the overall rationale for developing countries to sign DTTs (to date empirical studies are inconclusive on the question of whether concluding a tax treaty increases FDI into a developing country); - the national legislature debates and formally ratifies any DTT; - publication of a draft version prior to signature.

Spillovers from development finance institutions

DFIs are bilateral or multilateral institutions that are supported by states. DFIs generally have a mandate to provide finance to the private sector for investments that promote development.[87] The purpose of DFIs is to promote investments where otherwise the commercial markets would not invest, and in this way bridge private financing and public policy by encouraging investments that yield development impacts. Thus, DFIs influence developing countries and should promote responsible tax practices and safeguard against harmful ones.[88]

Has the analysis considered potential spillovers from the policy areas and measures listed below? If not, why not?

Table 7: Negative spillovers in relation to development finance institutions

Negative spillovers	DFIs ignoring the recommendations given on pages 21–23 of the 2016 joint CSO briefing paper *Development Finance Institutions and Responsible Corporate Tax Behaviour.*

Table 8: Positive spillovers in relation to rules concerning development finance institutions

Positive spillovers	Having DFIs take an active role in promoting responsible tax practices and having indicators measuring investments' effect on tax payments and human rights, and giving these issues a prominent place in annual reports Having DFIs implement an effective tax haven policy that triggers appropriate action and discourages partner companies from using tax havens, including having due diligence requirements when tax havens appear in the corporate structure of a partner. Having a code of conduct that requires DFIs to have safeguard policies for the companies they partner with or give funding to (including financial intermediaries), including demanding public CBCR and transparency about beneficial ownership.

Spillovers from states' involvement in companies' overseas investments and exports

EU member state representatives (embassies, diplomats, ministers and top officials) can be directly involved in forming tax policies in developing countries in connection with export promotion for "national champions"[89] or "home companies".

When a company from an EU member state wants to make a new investment in a developing country, it is routine for many EU member states' diplomatic representations to assist their "home company" with contacts, market information, political briefs, etc. This is all rational and legitimate. Where the activity of a EU member state becomes unethical is if state employees enter into negotiations with a developing country government on behalf of the "home company". EU member states should never be involved in negotiating fiscal terms in APAs or other types of contracts between a "home company" and a developing country government. Putting the weight of an entire state behind a single company is inappropriate.

An EU member state can create positive spillovers not only from ensuring ethical behaviour of staff employed overseas but also from demanding ethical fiscal behaviour from their ECA.[90]

Has the analysis considered potential spillovers from the policy areas and measures listed below? If not, why not?

Table 9: Negative spillovers from state involvement in companies' investments and exports

Negative spillovers	Lacking knowledge about the size and nature of the problem, e.g. having no analyses of past cases of export promotion for "home companies". Lacking clear policies and procedures for prosecuting state employees acting as lobbyists for national companies. Lacking transparency clauses for state involvement in national "home companies" overseas investments and exports.

Table 10: Positive spillovers from state involvement in companies' investments and exports

Positive spillovers	Having clear codes of conduct delineating the mandate of employees of embassies, ECA, DFIs and other governmental or quasi-governmental institutions. Having ECAs and DFIs requiring contracts between companies and developing country governments to be made public.

Residents of Balchour Village in India collect drinking water.
PHOTO: SRIKANTH KOLARI/ACTIONAID

Chapter Three

Process recommendations

This chapter presents a list of principles recommended for the political process and practical arrangements surrounding a national tax spillover analysis. This can be pivotal not only to the analysis itself but also to the end goal of turning improved knowledge into improved policy decisions. Therefore it is important to engage the relevant stakeholders right from the beginning and to have a good process design.

1. The member state concerned should ensure that the scope of the spillover analysis covers all of its tax rules and practices which may give rise to spillovers into developing countries, including those which have indirect or systemic effects.

2. All the relevant government departments should be included in preparation of the analysis, including the ministries of Foreign Affairs, Business and Finance, and the administrative departments responsible for taxation, aid and development policies. All should agree on the objectives of the spillover analysis as well as on the values that guide it, and they should commit themselves to providing the necessary data.

3. The discussion should also actively involve relevant parliamentary committees, civil society groups, academia and the business community, for example through a multi-stakeholder group.

4. A period for public consultations and written submissions should be ensured, and these inputs explicitly considered in the final report.

5. An external party should be contracted to conduct the spillover analysis, and be given access to all the necessary official data to
 conduct a comprehensive and rigorous analysis,
 on a confidential or anonymised basis if necessary.
6. The government should make a commitment to publishing the analysis in full and where there is a risk of negative spillovers on to
 developing countries, to taking prompt action to curb this risk.

Actions needed independent of any spillover analysis

Independent from any concrete spillover analysis, all EU member states should ensure there is an adequate institutional setup for proper data collection. All EU member states can make sure that their data collection at least matches that of the Netherlands.[91]

Also, some EU member states have tax measures that very obviously have negative spillovers on developing countries. In these cases, a spillover analysis should not provide an excuse for governments to delay taking action and address harmful policies.

Conclusions

In this *Guiding Framework* ActionAid presents recommendations for the method, content and process of conducting future spillover analyses. It has been developed with inputs from people from across Europe and Africa and argues that EU member states need to conduct national tax spillover analyses to comply with their commitments on policy coherence for development (PCD), human rights and democracy. Moreover, it argues that future spillover analyses need to adopt a broader scope than the Dutch and Irish analyses did, and take into account human rights impacts, transparency measures, international cooperation, and potential positive spillover effects.

To reach the end goal of turning improved knowledge into improved policy decisions more dialogue is needed both across national borders and across ministries and institutional "silos" within the individual EU member states. ActionAid hopes that the recommendations will motivate such dialogues.

Methodological recommendations

Chapter 1 recommends that the analytical setup of a national tax spillover analysis includes:

- A formulation of the intended objectives, enabling a clear evaluation of the outcome.
- A broad qualitative analysis of policy areas that have the most impact on developing countries' tax revenues and their capacity to meet sustainable development goals and human rights obligations.
- Quantitative methods employed where possible including analyses of the financial volume, rate and composition effects[92] in developing countries.
- An interpretive and comparative analysis providing the basis for a PCD analysis of the member state's commitments, policy targets and indicators in relevant development areas as well as the parallel policy targets and indicators in relevant developing countries.
- A discussion pointing towards needed policy adjustments as well as additional research.

Dalitso from Tanzania wears a bracelet of Tax Justice Network Africa.
PHOTO: ACTIONAID

Scope and content recommendations

Chapter 2 lists the most important policy measure a national tax spillover analysis should take into account. These include domestic rules enabling ATP, for instance "ring-fencing" structures, rules indirectly affecting the effective tax rate for corporate income, capital gains, royalties, interest, dividends, as well as IP rules, R&D rules and transfer pricing rules.

Importantly a spillover analysis should also consider the many potential positive spillover effects from: *Transparency measures* including publishing financial accounts of all limited liability entities, core elements of tax rulings, companies' CBCR filings and the identity of beneficial ownership of bank account, trust, and property. A spillover analysis should also rectify features of the national tax system, if any, that has been negatively reviewed in the financial secrecy index.[93]

Anti-abuse measures including CFC rules, beneficial-ownership rules, and general anti-avoidance rules.

International cooperation including sharing of CBCR data, and automatic exchange of information about financial accounts, APAs and other tax rulings.

Moreover, a spillover analysis should address EU member states' bilateral activities and activities abroad including DTTs, DFIs, and state involvement in national companies' overseas investments and exports.

Process recommendations

Chapter 3 presents a list of principles recommended for the process surrounding a spillover analysis. The member state concerned should ensure that:

- A comprehensive analytical scope covers all tax rules which may give rise to spillovers, including those which have indirect or systemic effects.
- All the relevant government departments are included in the process and agree on the objectives and guiding values of spillover analysis, and commit themselves to provide the necessary data.
- Relevant parliamentary committees, civil society groups, academia and the business community are included, and that external submissions are considered in the final report.
- The contracted party is given access to all the necessary official data.
- That the analysis is published in full, and where there is a risk of negative spillovers onto developing countries, to taking prompt action to curb this risk.

Note of caution: No spillover analyses should delay changing policies already known to be harmful.

Endnotes

1. To illustrate the numerous scandals, take a single 12-month period starting December 2014. It included the following scandals:
   # Two separate studies on the mining industry published in 2015 showed that the Netherlands had been used to minimise tax payments in Malawi and Greece. See SOMO (2015): https://www.somo.nl/fools-gold-eldorado-gold/; and ActionAid (2015),"An Extractive Affair: How one Australian mining company's tax dealings are costing the world's poorest country millions": www.actionaid.se/sites/files/actionaid/malawi_tax_report_updated_ table_16_june.pdf
   # The LuxLeaks dossier exposed tax rulings with hundreds of multinational companies in Luxembourg. See ICIJ (2014), Luxembourg Leaks: global companies' secrets exposed: https://www.icij.org/project/luxembourg-leaks
   # The SwissLeaks laid bare the financial information of more than 100,000 bank clients in a Swiss bank. See ICIJ (2014), Swiss Leaks: Murky cash sheltered by bank secrecy: https://www.icij.org/project/swiss-leaks
   # A report showed that McDonald's reported a turnover of more than €3.7 billion in one subsidiary with 13 employees in Luxembourg from 2009–13. See EPSU et al. (2015), Unhappy meal: €1 billion in tax avoidance on the menu at McDonald's, p. 11. Published 24 February 2015: http://www.notaxfraud.eu/sites/default/files/reports/enUNHAPPYMEAL_final.pdf)
   # A report detailed some of the tax saving effects Walmart achieved through subsidiaries in Ireland, the Netherlands, Luxembourg, Spain, Cyprus and Switzerland, despite not having any stores there. See Americans for Tax Fairness (2015), The Walmart Web: How the world's biggest corporation secretly uses tax havens to dodge taxes, p. 2. Published June 2015: https://americansfortaxfairness.org/files/TheWalmartWeb-June-2015-FINAL1.pdf

2. See IMF (2014), Staff Report, Spillovers in international corporate taxation, pp. 1–3, 9–5: http://www.imf.org/~/media/Websites/IMF/Imported/external/np/pp/eng/2014/_050914pdf.ashx
   The OECD acknowledges that the impact on developing countries of cross-border tax avoidance exceeds that of official development assistance (ODA) by a considerable margin. See OECD (2015), Tax Inspectors Without Borders, An OECD–UNDP partnership to tackle domestic resource mobilisation with a practical hands-on approach: https://www.oecd.org/dac/financing-sustainable-development/third-UN-conference-on-financing-for-development-addis-tax-inspectors-flyer.pdf
   See Global Financial Integrity (GFI) (2017): http://www.gfintegrity.org/ Global Financial Integrity (GFI) is a non-profit, Washington DC-based research and advisory organisation which in its latest report estimates that the fraudulent mis-invoicing of trade transactions is the largest component of illicit financial flows from developing countries, accounting for 83.4% of all illicit flows – highlighting that any effort to significantly curtail illicit financial flows must address trade mis-invoicing. Moreover, as a percentage of GDP, sub-Saharan Africa suffers the biggest loss of illicit capital. Illicit outflows from the region averaged 6.1% of GDP annually. Globally, illicit financial outflows averaged 4.0% of GDP.

3. For more information see United Nation's Sustainable Development Knowledge Platform (Accessed May 2017): https://sustainabledevelopment.un.org/post2015/summit

4. See European Commission (2015), Commission Staff Working Document, Policy Coherence for Development 2015 EU Report: http://ec.europa.eu/europeaid/sites/devco/files/policy-coherence-for-development-2015-eu-report_en.pdf

5. The European Parliament supported these measures and took an even stronger position on tax issues in its resolution on the 2015 EU Report on PCD4 (points n. 33 and 34).

6. To qualify their policies for PCD, EU member states need a better understanding of their national tax systems' extraterritorial effects. This could ensure better alignment and coherence between national tax policies and national development objectives.

7. Richard Murphy & Andrew Baker, 2017, "Tax Spillover: A New Framework" published in a partnership between the All-Party Parliamentary Group on Inclusive Growth (APPG) and the Sheffield Political Economy Research Institute (SPERI), written by Andrew Baker (University of Sheffield) and Richard Murphy (City University) 2017, see https://www.inclusivegrowth.co.uk/appg_publications/tax-spillover-new-framework/

8. See EU Commission (2015), Staff working document Collect more – Spend better: https://ec.europa.eu/europeaid/staff-working-document-collect-more-spend-better_en

9. See Resolution adopted by the General Assembly on 27 July 2015: Addis Ababa Action Agenda of the Third International Conference on Financing for Development (Addis Ababa Action Agenda) (A/RES/69/313): https://documents-dds-ny.un.org/doc/UNDOC/GEN/N15/232/22/PDF/N1523222.pdf?OpenElement

10. See above note 1.

11. See Action Aid (2015). "An Extractive Affair: How one Australian mining company's tax dealings are costing the world's poorest country millions". Published 17 June 2015: http://www.actionaid.org/publications/extractive-affair-how-one-australian-mining-companys-tax-dealings-are-costing-worlds-po

12. Based on front line HIV/AIDS treatment costing USD100 per year: http://www.unaids.org/en/%20resources/presscentre/pressreleaseandstatementarchive/2012/%20july/20120706prafricatreatment

13. Calculation assumes an annual salary of USD2,500. See e.g. https://www.theguardian.com/world/2007/aug/19/1

14. See ICIJ (2014), Luxembourg Leaks: global companies' secrets exposed: https://www.icij.org/project/luxembourg-leaks

15. Ibid.

16. Read more about the SwissLeaks scandal at https://projects.icij.org/swiss-leaks/

17. The members of the Financial Transparency Coalition are listed at: https://financialtransparency.org/
18. See the Financial Transparency Coalition, "SwissLeaks Through a Different Lens". Accessed May 2018: http://www.swissleaksreviewed.org/#viewing-swissleaks-differently

19. See OECD (2015), Tax Inspectors Without Borders: An OECD–UNDP partnership to tackle domestic resource mobilisation with a practical hands-on approach: https://www.oecd.org/dac/financing-sustainable-development/third-UN-conference-on-financing-for-development-addis-tax-inspectors-flyer.pdf

20. IMF, Working Paper: Base Erosion, Profit Shifting and Developing Countrie, p. 21, Figure 3. Illustrative Revenue Loss Calculations: https://www.imf.org/external/pubs/ft/wp/2015/wp15118.pdf

21. For further information about how states compete for mobile tax bases in a globalised economy, and how this tax competition undermines the fiscal self-determination of states and exacerbates inequalities of income and wealth both within countries and across borders, see Dietsch, P. and Rixen, T. (2012), "Tax Competition and Inequality – The Case for Global Tax Governance": http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1488066

22. For an introduction to tax competition see Tax Justice Network (2012), "Tax us if you can", 2nd edition, p. 8: "Nation states are not in competition with each other in the same way that firms compete for clients. Competition can only exist in that way when consumers (in this case entire populations) can choose between competing suppliers. Trying to apply the microeconomic theory of the firm to nation states is therefore false in theory and dangerous in practice; in microeconomic theory, if a company fails it will be replaced by another company. That is not true when nation states fail; then the international community must intervene to prevent social and economic meltdown.
"What this suggests is that the notion of tax competition is based on political ideology rather than economic theory, and it promotes economic injustice. In practice, it favours the interests of the tiny number of people who own the majority of the world's businesses. Far from promoting the efficient allocation of the financial capital, tax competition encourages mobile capital to scour the world in search of tax breaks and subsidies, which negates the entire basis of globalisation theory. As a result tax competition invariably results in social harm and has to be curtailed." See https://www.taxjustice.net/cms/upload/pdf/TUIYC_2012_FINAL.pdf

23. See Hearson, M. (2013), "Tax incentives cost $138 billion…?" (accessed May 2017): http://www.actionaid.org/2013/07/tax-incentives-cost-138-billion

24. See IMF (2014), Staff Report, Spillovers in international corporate taxation, pp. 1–3, 9–5: http://www.imf.org/~/media/Websites/IMF/Imported/external/np/pp/eng/2014/_050914pdf.ashx

25. The executive summary of the IMF 2014 Staff Report notes in summary that "The analysis also finds that spillovers are especially marked and important for developing countries. These countries typically derive a greater proportion of their revenue from corporate tax; TA experience provides many examples in which the sums at stake in international tax issues are large relative to their overall revenues; and the empirics reported here suggest that spillovers are especially strong for them." See IMF (2014), Staff Report, Spillovers in international corporate taxation, pp. 1–3, 9–5: http://www.imf.org/~/media/Websites/IMF/Imported/external/np/pp/eng/2014/_050914pdf.ashx
See UN (2014), "Report of the Special Rapporteur on extreme poverty and human rights, Magdalena Sepúlveda Carmona", p. 21: http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session26/Documents/A_HRC_26_28_ENG.doc

26. The declaration that "government of the people, by the people, for the people, shall not perish from the earth" is from the Gettysburg Address, a speech by US President Abraham Lincoln delivered during the American Civil War, on the afternoon of Thursday 19 November 1863.

27. See the Universal Declaration of Human Rights including Article 25 and Article 26 about the rights to fundamental living conditions for people in society. Universal Declaration of Human Rights (1948): http://www.un.org/en/universal-declaration-human-rights/
Article 25. (1) Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.
(2) Motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, shall enjoy the same social protection.
Article 26. (1) Everyone has the right to education. Education shall be free, at least in the elementary and fundamental stages. Elementary education shall be compulsory. Technical and professional education shall be made generally available and higher education shall be equally accessible to all on the basis of merit.
(2) Education shall be directed to the full development of the human personality and to the strengthening of respect for human rights and fundamental freedoms. It shall promote understanding, tolerance and friendship among all nations, racial or religious groups, and shall further the activities of the United Nations for the maintenance of peace.
(3) Parents have a prior right to choose the kind of education that shall be given to their children.

28. Ibid.

29. See Dr Attiya Waris, Senior Lecturer at Commercial Law Department, School of Law, University of Nairobi, in CONCORD (2015), "Spotlight 2015: The Role of the EU in ensuring Global Tax Justice." by Newsroom, 30 April 2015, p. 3: http://library.concordeurope.org/record/1632/files/DEEEP-PAPER-2016-001.pdf

30. Ibid.

31. See the United Nations General Assembly Human Rights Council, Twenty-sixth session, Agenda item 3, Promotion and protection of all human rights, civil, political, economic, social and cultural rights, including the right to development (2014). "Report of the Special Rapporteur on extreme poverty and human rights": http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session26/Documents/A_HRC_26_28_ENG.doc

32. Further the UN 2014 "Report of the Special Rapporteur on extreme poverty and human rights" recommends that:
80. With regard to international cooperation and extraterritorial impact, each State should refrain from any conduct that impairs the ability of another State to raise revenue as required by their human rights commitments, and cooperate in creating an international environment that enables all States to fulfil their human rights obligations.
81. For the above-mentioned purpose, States should:
(a) Actively pursue international cooperation in tax matters, working towards a multilateral regime for tax transparency that tackles tax abuse;
(b) Enact clear legislation and regulations to ensure that companies domiciled in their territory respect human rights in their operations everywhere, including in tax planning practices;
(d) Develop a system for more systematic and regular exchange of information between tax authorities, laying the foundations for an eventual multilateral, global system of automatic tax information exchange;
(e) Promote and engage in forums for tax cooperation that guarantee participation by developing countries; in particular, commit more resources to the Committee of Experts on International Cooperation in Tax Matters, support its upgrade to intergovernmental status, and support the implementation of its Model Tax Convention and the Code of Conduct on Cooperation in Combating International Tax Evasion and Avoidance;
(f) Adopt country-by-country reporting standards for all transnational corporations; in the case of extractive industries, also enforce project by-project disclosure standards, such as those embodied in the Dodd-Frank Wall Street Reform and Consumer Protection Act and comparable European Union legislation, and apply them to all extractive industry companies listed on their stock exchanges;
(g) Adopt a framework that commits it to full disclosure of beneficial ownership of registered companies through national public registries;

33. See more in CEDAW (1979), Article 2 of the Convention on the Elimination of all forms of Discrimination against Women (CEDAW): http://www.un.org/womenwatch/daw/cedaw/text/econvention.htm#article2

34. Read more about State responsibility for the extraterritorial impacts of tax abuse on women's rights in Switzerland (2016). (Accessed May 2017): https://www.yumpu.com/en/document/view/56280936/switzerland

35. The EU seeks to use policy coherence for development to take account of development objectives in all of its policies that are likely to affect developing countries. It aims at minimising contradictions and building synergies between different EU policies to benefit developing countries and increase the effectiveness of development cooperation. See EU Commission, "International Cooperation – Building partnerships for change in developing countries" (Accessed June 2017): https://ec.europa.eu/europeaid/policies/policy-coherence-development_en

36. See European Commission (2010), Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee: Tax and Development. COM, Vol. 163, final: http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A52010DC0163

37. See EU Commission (2015), Staff working document Collect more – Spend better: https://ec.europa.eu/europeaid/sites/devco/files/swd-collect-more-spend-better.pdf and see the 2016 Spring Meetings of the International Monetary Fund (IMF) and World Bank Group: http://www.imf.org/external/POS_Meetings/SeminarDetails.aspx?SeminarId=119

38. See EU Commission (2015), "Policy Coherence for Development (PCD) 2015 EU Report": https://ec.europa.eu/europeaid/sites/devco/files/pcd-report-2015_en.pdf

39. See UNDP's Strengthening the Governance of Climate Change Finance (GCCF) (2011), Busan Partnership for Effective Development Cooperation, Outcome Document, paragraph 9: https://www.oecd.org/development/effectiveness/49650173.pdf

40. Source: EU Commission (2015), EU Commission's 2015 EU Report on PCD: http://ec.europa.eu/europeaid/sites/devco/files/policy-coherence-for-development-2015-eu-report_en.pdf

41. See European Parliament (2016), "European Parliament resolution of 7 June 2016 on the EU 2015 Report on Policy Coherence for Development", points n. 33 and 34: http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P8-TA-2016-0246+0+DOC+XML+V0//EN

42. See European Parliament (2015), "Report on tax avoidance and tax evasion as challenges for governance, social protection and development in developing countries", Committee on Development Rapporteur: Elly Schlein: http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A8-2015-0184+0+DOC+XML+V0//EN

43. Source: 2015 EU Staff Working Document, Collect More – Spend Better https://ec.europa.eu/europeaid/staff-working-document-collect-more-spend-better_en

44. For further information visit the homepage of the Financing for Development Conference in Addis Ababa in 2015. (Accessed May 2017): http://www.un.org/esa/ffd/ffd3/

45. For further information visit the homepage for the 2030 Agenda for Sustainable Development. (Accessed May 2017): https://sustainabledevelopment.un.org/post2015/summit

46. For further information visit the homepage for the Addis Tax Initiative (Accessed May 2017): https://www.addistaxinitiative.net/

47. Ibid.

48. See the full report of the Dutch Spillover Analysis (IBFD) (2013), Onderzoek belastingverdragen met ontwikkelingslanden. FEZ/IM-354/DDE: https://www.rijksoverheid.nl/binaries/rijksoverheid/documenten/brieven/2013/08/30/onderzoek-belastingverdragen/onderzoek-belastingverdragen.pdf

49. See the full report of the Irish Spillover Analysis (IBFD) (2015), Possible Effects of the Irish Tax System on Developing Economies: http://www.budget.gov.ie/Budgets/2016/Documents/IBFD_Irish_Spillover_Analysis_Report_pub.pdf

50. Read more about Martin Hearson's reflections and critique of Irish and Dutch spillover analyses in "Is it or isn't it a spillover?", 16 April 2015 (Accessed May 2017): https://martinhearson.wordpress.com/tag/spillover-analysis/ and read more on the methodological reflections in Murphy & Baker (2017), "Tax Spillover: A New Framework": https://www.inclusivegrowth.co.uk/appg_publications/tax-spillover-new-framework/

51. See above note 13

52. See the full report of the Irish Spillover Analysis (IBFD) (2015), Possible Effects of the Irish Tax System on Developing Economies: http://www.budget.gov.ie/Budgets/2016/Documents/IBFD_Irish_Spillover_Analysis_Report_pub.pdf

53. Weyzig, F. (2015), Spillover analysis of Irish tax policy: https://francisweyzig.com/2015/10/14/spillover-analysis-of-irish-tax-policy/

54. Martin Hearson (2014) elaborates: "A fundamental weakness of the report therefore, seems to be unwillingness to look at Ireland's role in combination with other countries. The LuxLeaks episode in 2015, for example, highlights that Ireland's interaction with Luxembourg is an important part of aggressive tax planning by some companies, some of which may have operations in developing countries. The most likely damaging spillover takes the form of hiding the profits not necessarily straight from e.g. Zambia, but from a global value chain that includes Zambia and others – including Ireland. It is Ireland's systemic rather than transaction-specific role that is likely to have greatest costs for developing countries. Closer examination of this aspect therefore is a significant omission from the analysis."
Read more in Hearson (2014), "Ireland does spillover analysis: the proof of the pudding will be in the eating": https://martinhearson.wordpress.com/2014/05/01/ireland-does-spillover-analysis-the-proof-of-the-pudding-will-be-in-the-eating/

55. See above note 2.

56. As Martin Hearson has noted, the IMF's traditional use of the term "spillover" invites an interpretation where the affected country is a passive victim. But the fact that a developing country is active in signing a treaty or granting tax exemptions to foreign companies does not diminish the impact on it of doing so. Follow Martin Hearson's work on spillover and double taxation treaties on his blog (Accessed May 2017): https://martinhearson.wordpress.com/tag/spillover-analysis/

57. As summarised in IBFD Spillover Analysis: Possible Effects of the Irish Tax System for Developing Economies:
"b. Base erosion due to real activities
The analysis of base erosion due to real activities is more complex. It relates changes in a country's corporate tax base to the average tax rate of all other countries one year before. The main specification finds that if the tax rates of all other countries fall by 1 point, the average country's corporate tax base is reduced by 3.7% because real activities are shifted abroad. Considering that corporate tax rates have fallen by some 5 points worldwide over the last decade, this spillover effect is quite large.

The analysis uses an implied tax base, which is estimated by taking the ratio of corporate tax revenues to GDP (from IMF country reports) and dividing it by the statutory corporate tax rate. This is because comprehensive country data on the size of the corporate tax base are not available. A simple calculation illustrates the approach. If a country's corporate tax revenues are 5% of GDP and the tax rate is 25%, then the implied tax base is 5% of GDP / 25% = 20% of GDP. The authors point out that statutory tax rates and average effective tax rates are strongly related. As mentioned above, a later extension of the analysis also used average effective tax rates for a sub-group of developing countries. The results are similar to the original analysis, which shows that the findings for tax competition among developing countries themselves are robust. (…) The main specification models base spillovers as a function of GDP-weighted tax rates of all other countries worldwide. (…) To summarise, the econometric analysis finds large spillover effects due to shifts in real activity. However, because the main specification uses GDP weights, it does not focus on tax policy in relatively small countries. The analysis provides a global estimate of spillover effects and provides little information about spillover effects caused by Ireland's tax policy in particular."
Source: Kosters, Lambert; Kool, C.J.M.; Groenewegen, J.; Weyzig, Francis; Bardadin, Anna (2015), Utrecht University Repository https://dspace.library.uu.nl/handle/1874/327640

58. Gravelle, J.G. (2013), Tax Havens: International Tax Avoidance and Evasion. Congressional Research Service Report for Congress (Washington: Congressional Research Service): https://fas.org/sgp/crs/misc/R40623.pdf

59. An updated edition of the financial secrecy index (FSI) will be released in the fall of 2017; see http://www.financialsecrecyindex.com/ .

60. See above note 13.

61. For a good introduction to tax avoidance see the homepage for the Tax Justice Network (Accessed May 2017): http://www.taxjustice.net/faq/tax-avoidance/

62. Volume effect on total investments into developing countries, and total revenue collected.
Rate effect, i.e. changes in the applicable rates of various taxes in developing countries.
Composition effect one changing the composition of expenses and income of companies operating in developing countries.
Composition effect two changing the head rates of and/or revenue obtained from different tax types in developing countries.
Read more in Weyzig, Francis (2013), "Evaluation issues in financing for development. Analysing effects of Dutch corporate tax policy on developing countries", pp. 13–14 (commissioned by the Policy and Operation Evaluation Department (IOB) of the Ministry of Foreign Affairs): https://www.government.nl/binaries/government/documents/reports/2013/11/14/iob-study-evaluation-issues-in-financing-for-development-analysing-effects-of-dutch-corporate-tax-policy-on-developing-countries/iob-study-evaluation-issues-in-financing-for-development.pdf

63. See Itriago, Deborah. Oxfam (2011), "Owning Development Taxation to fight poverty": https://www.oxfam.org/sites/www.oxfam.org/files/rr-owning-development-domestic-resources-tax-260911-en.pdf

64. For more information about tax, fiscal transparency and public accountability, see ActionAid, (2013), "Bringing taxation into the post-2015 development framework", p. 7: https://www.actionaid.org.uk/sites/default/files/doc_lib/post_2015_-_tax.pdf and see Keen, Michael (2012), "Taxation and Development – Again", IMF Working Paper 12/220, p. 21: https://www.imf.org/external/pubs/ft/wp/2012/wp12220.pdf

65. Read more in Murphy, R. and Baker, A. (2017), "Tax Spillover: A New Framework". "Irish companies, one resident in that state and the other not (the so called 'Double Irish'). In that situation, the loss arose to third states that did not ever enjoy the taxes that might have been due on transactions that most would have expected to be recorded in their domains. Such transactions were not recorded as a result of the use of these abusive Dutch and Irish structures, data with regard to which never appeared in the trading relationships between those places and the countries that lost out." https://www.inclusivegrowth.co.uk/appg_publications/tax-spillover-new-framework/

66. While the dividend and interest flows that are subject to withholding taxes can be estimated from widely available datasets, the volume of royalties and service fees, also affected by treaties' WHT provisions, is much harder to quantify, see more in Hearson, M., International Centre for Tax and Development (ICTD) (2016), Measuring Tax Treaty Negotiation Outcomes: ActionAid's dataset: http://www.ictd.ac/ju-download/2-working-papers/99-measuring-tax-treaty-negotiation-outcomes-the-actionaid-tax-treaties-dataset

67. The notorious "Dutch Sandwich" tax abuse structure where royalties are routed between two Irish companies with different residence status (also called "Double Irish"). This creates a situation where the loss arises to third states that do not enjoy the taxes that might have been due on transactions that most would have expected to be recorded in their domains. See Wood, R.W., Forbes (2016): https://www.forbes.com/sites/robertwood/2016/12/22/how-google-saved-3-6-billion-taxes-from-paper-dutch-sandwich/#40edf5721c19

68. The double Irish arrangement is a tax strategy that some multinational corporations use to lower their corporate tax liability. See for instance Hakim, D. (2014): https://www.nytimes.com/2014/11/15/business/international/the-tax-attraction-between-starbucks-and-the-netherlands.html?_r=0 or The Tax Justice Network (2014): https://www.taxjustice.net/2014/10/21/offshore-wrapper-week-tax-justice-36/

69. See above note 13.

70. Dutch Government (2013), Annex 5, result chains, Assessing the Impact of PCD in Developing Countries: https://www.rijksoverheid.nl/binaries/rijksoverheid/documenten/rapporten/2013/10/22/result-chains-to-assess-the-impact-of-policy-coherence-for-development-in-selected-partner-countries/result-chains-to-assess-the-impact-of-policy-coherence-for-development-in-selected-partner-countries.pdf

71. An analysis should not build on benchmarking. However, after an analysis has been completed the results may be compared to those of other countries after the fact.

72. See note 70 above for further information on volume, rate and composition effects.

73. These stakeholders should include a business perspective, a human rights perspective and developing countries' perspective.

74. By definition a tax spillover analysis concerns the effects that the policy choices of country A have on country B. Thus, it defeats the purpose if the analysis is used to draw attention away from exactly these effects.

75. Read more in the EU Commission's recommendation of 6.12.2012 on aggressive tax planning, C(2012) 8806 final, Brussels, p. 16: https://ec.europa.eu/taxation_customs/publications/taxation-services-papers/taxation-papers_en

76. Ibid.

77. See EU Commission (2012), An Action Plan to strengthen the fight against tax fraud and tax evasion: https://ec.europa.eu/taxation_customs/sites/taxation/files/com_2012_722_en.pdf

78. See EU Commission (2012), Recommendation regarding measures intended to encourage third countries to apply minimum standards of good governance in tax matters (C(2012) 8805): http://ec.europa.eu/taxation_customs/sites/taxation/files/resources/documents/taxation/tax_fraud_evasion/c_2012_8805_en.pdf

79. Source: EU Commission (2015), The EU Commission's Taxation Papers, Working Paper No. 61. Study on Structures of Aggressive Tax Planning and Indicators:
https://ec.europa.eu/taxation_customs/publications/taxation-services-papers/taxation-papers_en

80. Read more in the position signed by more than 30 CSOs: "10 Reasons Why an Intergovernmental UN Tax Body Will Benefit Everyone". Source: GlobalTaxJustice (2015): http://www.globaltaxjustice.org/sites/default/files/10%20Reasons%20Why%20an%20Intergovernmental%20UN%20Tax%20Body%20Will%20Benefit%20Everyone.pdf

81. See Zucman, G. (2014), Taxing across borders: tracking personal wealth and corporate profits. The Journal of Economic Perspectives, 28(4), pp. 121–148; in relation to tax paid by Google in the UK, see House of Commons Committee of Public Accounts, Tax avoidance – Google, Ninth Report of Session 2013–14, http:// www.publications.parliament.uk/pa/cm201314/cmselect/cmpubacc/112/112.pdf , p 7.

82. It is alleged that the UK's treaty with Luxembourg allowed Amazon to reduce its taxable presence in the UK. (Bergin, T., "After Google, Amazon to be grilled on UK tax presence".) Read more in Reuters 17 May 2013: http://uk.reuters.com/article/uk-britain-tax-amazon-idUKBRE94G06320130517 ; and in Reuters 15 May 2013: http://uk.reuters.com/article/uk-amazon-britain-tax-idUKBRE94E0GE20130515
and read more in The Guardian (2013), "Questions for Amazon over pittance it pays in tax", 16 May 2013, https://www.theguardian.com/technology/2013/may/15/amazon-tax-bill-new-questions
The Guardian 23 May 2015: https://www.theguardian.com/technology/2015/may/23/amazon-to-begin-paying-corporation-tax-on-uk-retail-sales.

83. Those countries classified as low and lower-middle income by the World Bank. The analysis of each of these treaties is freely available on the websites of ActionAid and the ICTD. For further detail on the research See Hearson, M. (2016), Measuring Tax Treaty Negotiation Outcomes: The ActionAid Tax Treaties Dataset. Brighton Institute of Development Studies. Available at: http://www.ictd.ac/datasets/action-aid-tax-treaties-datasets

84. The research paper and dataset analysing 519 tax treaties signed by low- and lower-middle-income countries in Africa and Asia. See Hearson, M. (2016), Measuring Tax Treaty Negotiation Outcomes: The ActionAid Tax Treaties Dataset. Brighton Institute of Development Studies. Available at: http://www.ictd.ac/datasets/action-aid-tax-treaties-datasets ; see also report from ActionAid (2016), "Mistreated": http://www.actionaid.org/2016/02/mistreated-how-shady-tax-treaties-are-fuelling-inequality-and-poverty

85. See Martin Hearson's PhD and blog on international tax treaties (accessed June 2017): https://martinhearson.wordpress.com/category/the-politics-of-international-tax/tax-treaties/

86. ActionAid's report "Sweet Nothings" tells of how an old treaty between Ireland and Zambia signed in 1971 decades later results in Zambia losing millions of dollars. Lewis, Mike (2013), ActionAid. "Sweet nothings. The human cost of a British sugar giant avoiding taxes in southern Africa": https://www.actionaid.org.uk/sites/default/files/publications/sweet_nothings.pdf or more on ActionAid homepage (Accessed May 2017): https://www.actionaid.org.uk/blog/campaigns/2013/03/13/an-irish-stew

87. Read more about DFIs under "Investors in Infrastructure in Developing Countries" at the homepage of the World Bank (Accessed May 2017): http://ppp.worldbank.org/ppp/financing/investors-developing-countries

88. OXFAM (2016), Joint Agency Briefing Paper 10 November: Development Finance Institutions and Responsible Corporate Tax Behaviour: Where we are and The Road Ahead: https://www.oxfam.org/sites/www.oxfam.org/files/bp-dfis-responsible-corporate-tax101116-en.pdf

89. For more information on "National Champions" companies read Michael E. Porter (1990), the Harvard Business Review, "The Competitive Advantage of Nations" https://hbr.org/1990/03/the-competitive-advantage-of-nations

90. An ECA is a private or quasi-governmental institution that acts as an intermediary between national governments and exporters to issue export financing. ECAs offer loans and insurance to companies to help limit the risk of uncertainty of exporting to other countries and underwrite political risks and commercial risks of overseas investments, thus encouraging exportation and international trade. ECAs intend to limit the risk companies face when investing in developing countries and other "risky countries"; read more at homepage of the World Bank (Accessed May 2017): http://ppp.worldbank.org/ppp/financing/investors-developing-countries

91. The data and resources available for most EU countries will probably limit the quantitative possibilities for national spillover analyses. Every year the Dutch Central Statistics Bureau (CBS) reports how much capital income the Netherlands receives from its FDI stock abroad from withholding taxes on incoming interest and dividend payments. Moreover, it distinguishes between interest and dividends, and classifies income that can be attributed to special financial institutions (mailbox companies) separately. Using this information together with data from the OECD and the IMF, the Dutch Centre for Research on Multinational Corporations (SOMO) has made rough calculations on how much a Dutch tax treaty partner loses as a result of lower (or gains as a result of higher) treaty withholding tax rates on dividend and interest income.
For tax spillover analyses in most EU member states it will be relevant to collect the data on capital income received from FDI stock abroad, and to record and distinguish between the flows coming from withholding taxes on incoming interest and dividend payments, as well as classifying the flows attributed to different types financial entities, e.g. mailbox companies.
But the data is useful for many other purposes than tax spillover analyses on developing countries. See more in SOMO (2013). Should the Netherlands Sign Tax Treaties with Developing Countries? p. 59, https://www.somo.nl/should-the-netherlands-sign-tax-treaties-with-developing-countries/

92. See note 70 above for further information on volume, rate and composition effects.

93. An updated edition of the financial secrecy index (FSI) will be released in the fall of 2017; see http://www.financialsecrecyindex.com/

ActionAid is a global movement of people working together to achieve greater human rights for all and defeat poverty. We believe people in poverty have the power within them to create change for themselves, their families and communities. ActionAid is a catalyst for that change.

International Registration number: 27264198

Website: **www.actionaid.org**
Telephone: **+27 11 731 4500**
Fax: **+27 11 880 8082**
Email: **mailjhb@actionaid.org**

ActionAid International Secretariat,
Postnet Suite 248, Private Bag X31, Saxonwold 2132,
Johannesburg, South Africa.

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