

Deloitte advises big business on how to avoid tax in so...

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Action Aid issued [this press release concerning a story featured in the Observer today](#):

One of the world's Big Four accountancy firms, Deloitte, offered advice to large companies on how to avoid potentially hundreds of millions of dollars of tax in some of the poorest countries in Africa, according to an ActionAid investigation released today.

ActionAid has uncovered a 2013 Deloitte document called "Investing in Africa through Mauritius" which details how tax can be avoided in African countries by structuring business through Mauritius.

The strategy, which is entirely legal, could potentially be used to deprive African countries of vitally needed tax revenue.

As part of the presentation the document illustrates how tax can be avoided by giving the example of Mozambique. It shows how withholding tax can potentially be reduced by 60 per cent and capital gains tax by 100 per cent for companies that operate in Mozambique.

Mozambique is one of the poorest countries on the planet, where over 50 percent of people live below the poverty line and average life expectancy is only 49.

The document was part of a presentation given by Deloitte in China in June this year at a conference attended by more than 80 major UK, western and Chinese companies with interests in Africa.

The document also reveals how Mauritius is being promoted as a favoured tax haven for use by big businesses operating in Africa.

Amade Suca Country Director of ActionAid Mozambique said: "When big companies avoid tax in Mozambique they are taking money out of the hands of the poor.

"Mozambique desperately needs increased tax revenues to lift people out of poverty, build schools for our children and hospitals for the sick, and reduce the need for foreign

aid.

"But as long as wealthy companies continue to avoid tax in our country — none of this will happen.

"The people and government of Mozambique have a right to expect big companies making big profits in our country to pay their fair share of tax.

"We must also close the tax loopholes that allow big companies to behave in this way."

Last year Deloitte generated more than \$32 billion in revenue — more than any other Big Four company.

The document was presented at the conference two weeks before the G8 summit when David Cameron condemned tax avoidance both in the UK and in developing countries.

ActionAid Tax Policy Adviser Toby Quantrill said: "This document helps lift the lid on the tax avoidance techniques that are being used to deprive poor countries of hundreds of millions of dollars in tax.

"These techniques may be legal, but that does not mean they are moral. Tax revenues are desperately needed to meet peoples most basic needs and to move countries away from aid dependency.

"Big businesses have an important role to play in economic development in poor countries. But they also have to act in a socially responsible way. Deloitte is failing Africa for as long as it continues to advise on tax avoidance strategies in the way they have been doing."

According to the Organisation of Economic Co-operation and Development developing countries lose more than three times more money to tax havens than they receive in aid.

A Deloitte spokesperson responded to ActionAid's investigation by saying: "*It is wrong to describe applying double tax treaties, such as the treaty between Mauritius and Mozambique, as tax avoidance. Such treaties are freely negotiated between the Governments of the countries involved.*

"Double tax treaties exist to enable the countries concerned to strike a balance between the need to encourage investment, including cross-border investment, to raise tax revenue, and to work together with other countries who have the same legitimate concerns to raise revenue and promote business.

"The absence of such treaties could result in a reduction of investment, and less profit subject to normal business taxes in the countries concerned. Any discussion of tax treaties by tax professionals would typically be around the technical and administrative

aspects of the Treaties and not an expression of favour of any particular country at the expense of any other country."

It's another case where my own profession should hand their heads in shame.