Funding the Future

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Oxfam has published a new report this morning on a survey it has done on the country-by-country reporting of Europe's twenty biggest banks. I welcome the fact that it has done the report, but do think there are comments to make. These will be in a separate blog. This is what Oxfam has to say of its own work.

Europe’s 20 biggest banks are registering over a quarter of their profits in tax havens — well out of proportion to the level of real economic activity that occurs there, according to a new report by Oxfam and the Fair Finance Guide International today.

*The report, ‘**Opening the Vaults**,’* suggests the discrepancy may have arisen because some banks are using tax havens to avoid paying their fair share of tax, to facilitate tax dodging for their clients, or to circumvent regulations and legal requirements.

The research was made possible by new EU transparency rules that require European banks to publish information on the profits they make and the tax they pay in every country they operate. The report finds:

* ***Tax havens account for 26 percent of the profits made by the 20 biggest European banks - an estimated â‚¬25 billion - but only 12 percent of banks’ turnover and 7 percent of the banks’ employees.***
* ***Subsidiaries in tax havens are on average twice as lucrative for banks as those elsewhere. For every â‚¬100 of activity, banks make â‚¬42 of profit in tax havens compared to a global average of â‚¬19.***
* ***Bank employees in tax havens appear to be 4 times more productive than the average bank employee — generating an average profit of â‚¬171,000 per year compared to just â‚¬45,000 a year for an average employee.***
* ***In 2015 European banks posted at least â‚¬628 million in profits in tax havens where they employ nobody. For example, the French bank BNP Paribas made â‚¬134 million tax-free profit in the Cayman Islands despite having no staff based there.***
* ***Some banks are reporting profits in tax havens while reporting losses elsewhere. For example, Germany’s Deutsche Bank registered low profits or losses in many major markets in 2015 while booking almost â‚¬2 billion in profits in tax havens.***
* ***Luxembourg and Ireland are the most favored tax havens, accounting for***

29 percent of the profits banks posted in tax havens in 2015. The 20 biggest banks posted â‚¬4.9 billion of profits in the tiny tax haven of Luxembourg in 2015 — more than they did in the UK, Sweden and Germany combined.
* ***Banks often pay little or no tax on the profits they post in tax havens. European banks paid no tax on â‚¬383 million of profit they posted in seven tax havens in 2015. In Ireland, European banks paid an effective tax rate of no more than 6 percent — half the statutory rate — with three banks (Barclays, RBS and CrÃ©dit Agricole) paying no more than 2 percent.***

And, these are amongst its recommendations:

This analysis of the country-by-country reporting of the top 20 EU-based banks provides vital information on their activities and identifies significant discrepancies between their reported profits and their real economic activities in certain countries. EU states should extend this transparency requirement to all multinational companies, following these criteria:

* Data should be broken down on a country-by-country basis for each country and jurisdiction of operation, both inside and outside the EU.
* Information should include the following elements: turnover, number of employees, physical assets, sales, profits and taxes (due and paid), public subsidies received, information on the nature of activities and a full list of subsidiaries.
* A threshold of â‚¬40m in turnover should be applied, above which all companies should be required to report.
* Challenges in interpreting the current CBCR for banks are analysed in the methodology section and recommendations are made to improve CBCR formats. (see Appendices 1 and 2). These recommendations are all the more important in light of the current EU discussions around extending public CBCR to all multinationals. In the meantime, all companies should voluntarily publish full CBCR data to signal to regulatory bodies, policy makers, investors, civil society organisations and other stakeholders that their financial reporting is complete and transparent, and that they are not artificially shifting profits to tax havens.

This is good work by Oxfam, with minor reservations on some issues to come from me.