

BAT proves it's time for companies to out their cards f...

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The [Tax Justice Network](#) has reported this morning that:

For every dollar British American Tobacco (BAT) paid in tax in the countries it operates in, the giant multinational shifted more than half a dollar that would have been taxed locally to a UK subsidiary where BAT paid almost no tax. New analysis by the Tax Justice Network estimates Bangladesh, Indonesia, Kenya, Guyana, Brazil and Trinidad and Tobago together stand to lose a total of nearly \$700 million in tax revenue by 2030 from the financial manoeuvring of just one tobacco company if business continues as usual.

In a report published on the heels of BAT's annual shareholder meeting in London, the Tax Justice Network has revealed a range of mechanisms used by the tobacco company in 2016 to shift income equivalent to over 12 per cent (\$941 million) of its pre-tax profits to BAT Holdings Ltd, a UK-based subsidiary where BAT paid almost no corporate income tax. By charging itself royalties, rerouting loans through tax havens and paying interests fees on loans made between regional offices, BAT shrunk its tax contributions in low and middle income countries where public funding is high in need and short in availability.

And they add:

However, this picture remains incomplete: BAT has over one hundred offshore subsidiaries spread across 19 tax havens and books hundreds of millions of dollars each year to 'other operating charges' without further explanation.

The profit shifting practices fly in the face of tobacco companies' claims to be essential tax providers to low and middle income countries where 80 per cent of the 1.1 billion smokers worldwide live. For every dollar Bangladesh raised in income tax from BAT in 2016, BAT shifted 22 cents out of the local economy into the UK while smoking cost Bangladesh 24 dollars in economic damage.

What's the solution? As TJN's Alex Cobham notes:

At a minimum, governments must require tobacco companies to publish country by country reporting to make sure profits are taxed in the communities where they were raised, not in the tax havens they were syphoned off to.

I agree. BAT do not, of course, agree with TJN's analysis. But the answer is entirely in their hands: they need to put their cards face up on the table. Then the facts could be debated. Right now though they're in denial, as their sector has been for decades.

It really is time for companies to tell it as it is, and country-by-country reporting is part of that. This is an issue the [Corporate Accountability Network](#) will be working on.