

Tax Research UK

Why the tax justice movement needs to move its thinking on

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Background

As has become very apparent in recent months, neither John Christensen nor I feel as though we have a great deal in common with much that many in the tax justice movement are thinking, saying and doing at present. We have had the courage to say so¹. This note seeks to explain the differences in thinking that have arisen.

The reaction

The reaction to what John Christensen and I have had to say from those within the tax justice movement has been interesting.

Almost no one has responded to the substantive issues that we have raised.

Some have instead been quite abusive, but I do not want to portray that as typical. There are many decent people in tax justice.

That said, however, there has been one almost universal reaction, and that is that we should have said nothing, and should shut up now. The reason given is that we are all apparently on the same side in tax justice, and so John Christensen and I are harming a collective cause.

We are not all on the same side

In that one suggestion there is a complete summary of the problem that John and I have been drawing attention to.

Those leading most of the tax justice movement organisations might like to say we are all in the same side when it comes to tax justice, but John Christensen and I, as the people who drove a great deal of the movement's thinking during much of its formative decade, do not agree. In fact, we would go much further. We do not now think that we are on the same side as many in tax justice.

What is more, we think we have a right to say so. And what we see as a major impediment to progress is the collective denial of that right that we think we have on the part of many, if not most, in the tax justice movement.

The right to disagree

I stress that we think that this matters. That denial of our right to raise our concerns is, we think, being used as cover to suppress debate in the tax justice movement. The consequence is that its relevance must now be in doubt. It is precisely because we do care about that relevance and because we think that all the issues that we think it might address now are important that we have raised our concerns. We hope that some might listen and respond to what we have to say, although the pressure to stay silent on anyone inclined to do so from those who wish the movement to stay where it is will, based on our experience, be very great.

A table of differences

I have spent some time musing on what the issues of difference that we have might be. I have discussed those differences with quite a number of people whose opinions I respect. As a result, I felt that the fairest way to make clear what these differences are is to draw up what might best be called a table of differences of opinion, organised under a number of themes. The following is my summary of why John Christensen and I (and he has read this) disagree with most in the tax justice movement now.

We are open to discussing these issues, of course. A willingness to accept that we have the right to raise these issues of concern would be the first indication that the open mindedness to have that debate has arrived. We live in hope that this might happen.

	The tax justice movement says	We say
1. The focus of debate		
	Tax justice issues are to almost entirely be found in international taxation.	As the evidence shows, this is only true if you look at tax haven states. In all other states it is rare for international taxation issues to create more than 20% of the tax losses arising within any jurisdiction. In that case domestic taxation issues are empirically as well as actually more important than international ones ⁱⁱ .
	Tax havens create most of the world's tax losses.	For the reasons noted in the previous paragraph, they do not. They are an issue that still needs to be addressed (although now largely for non-taxation reasons ⁱⁱⁱ) but are only one amongst many. Tax justice initially focussed on them because they were an easy way to get publicity when it began ^{iv} . That does not mean that they are the biggest issue in tax justice.
	Corporation tax is the tax on which tax justice should focus.	Corporation tax is important, of course. But in most developed countries it makes up only 10% or less of tax revenues. In developing countries it is often up to 20%, but is still as a result much less important than taxes like income tax, the almost universally ignored issue of payroll taxes, VAT and in the case of some developing countries, royalties that function as sales taxes. The sole focus on corporation tax is, therefore, inappropriate ^v .
	Tax avoidance is more important than tax evasion when it comes to delivering tax justice.	Tax justice has focussed on the activities of major multinational corporations. Contrary to the claims of some tax justice campaigners these now rarely undertake tax evasion, which is criminal activity. As a result tax justice has focussed on tax avoidance as its issue of priority. However, tax gap analysis shows that across almost (if not) all economies as a whole tax evasion may be five times larger than tax avoidance ^{vi} and that this ratio will be much higher in some taxes such as VAT, and also much higher in developing countries and those with very high tax gaps. The focus of tax justice groups is wrong as a result.

	Offshore and tax havens are all about the abuse of income taxes – whether personal or corporate.	This view of tax havens is no longer true ^{vii} . Much (not all, but much) of this abuse is being tackled by measures already taken, despite which the use of tax havens continues. That is because tax havens are now being very largely used to: <ul style="list-style-type: none"> • provide secrecy, which is a product in its own right with disruptive economic and political consequences that need tackling beyond taxation^{viii}; • for the abuse of inheritance laws, particularly where these prescribe beneficiaries; • To avoid taxes on wealth, whether wealth taxes themselves or taxes on capital gains and inheritance.
2. The role of tax in the economy		
	The tax justice movement says	We say
1	Tax funds public spending.	This is true in countries without their own functioning currency and in sub-national government, but when a government has its own currency and central bank government spending is funded by money creation and tax is one of three mechanisms (along with what is called borrowing and so-called quantitative easing) to reclaim that money to control inflation as part of an overall fiscal cycle ^{ix} . This then liberates tax policy to not just address the quantum of tax recovery but the social impact of the way that the tax recovery in question takes place, giving tax a much bigger role in the overall delivery of government policy than the simple 'tax funds spending' argument permits.
2	Economic multipliers with regard to government spending are not a part of the tax justice debate.	Economic multipliers are a key component in understanding the way tax and government spending works in society, not least with regard to the possibility that appropriate tax policy design can have implications way beyond the apparent sums involved ^x .
3	The role of tax in fiscal policy can be ignored in tax justice debate.	Tax is at the core of fiscal policy. The tax allowances and reliefs that a government can supply are a critical part of the delivery of that fiscal policy but have to be properly designed. A general opposition

		to these allowances and reliefs is inappropriate. The issue is their design, and not their existence.
4	Government deficits are not an issue for debate in tax justice.	The relationship between tax, deficits and broader issues within economic policy is key to the tax justice debate ^{xi} .
5	Tax gaps are not an issue of concern, and do not require attention from tax justice campaigners.	Tax gap analysis ^{xii} , and related tax spillover analysis ^{xiii} , is the way we hold governments to account for the management of their tax systems and is as such key to the understanding of those systems, the priorities that governments have within them, and so to the routes to reform that both exist and can be most easily pursued.
6	Tax within government accounting is not an issue of concern.	If tax is about the role of tax within society a government's overall accounting for tax, from setting policy, to tax and budget design, to means of implementation through to on the ground delivery of tax services and subsequent accounting, together with the appropriate representations and appeals systems within these processes, are all key to the delivery of tax justice ^{xiv} .
	The delivery of tax justice within jurisdictions is not our concern	The degradation of tax authorities, whether it be by defunding, deskilling, politicisation or straightforward corruption is a key issue of concern within tax justice ^{xv} .
3. The focus of campaigning		
	The tax justice movement says	We say
	We should not engage with the OECD as it is a club of the global elite.	We should be a critical friend of the OECD, seeking to provide it with reasons to act; counterbalancing the attacks on it from the right wing think tanks who promote tax competition and tax havens; offering policy to it for it to adopt and seeking to push it as hard as we can in the direction of tax justice whilst recognising that the political economy of this will require that it will make compromises with which we do not agree.
	We should replace the OECD with the UN now because of	There is a logic to replacing the OECD with the UN because the latter is a more representative body, but only when and if the UN has the capacity to do

	<p>the former's lack of legitimacy as an agent for a global elite .</p>	<p>so. At present it has not got that capacity and creating it would realistically take a decade or more. In the meantime any progress on tax issues for the benefit of developing countries would be foregone and we cannot see the benefit from that. In addition, the UN has its own credibility issues that cannot be ignored and it is hard to see how the political economic power games played out at the OECD would not simply be reproduced at the UN if the focus of attention moved there, and no one has answered how that issue will be addressed as yet.</p>
	<p>We should campaign from outside organisations and not seek to engage with them unless their goals align with our own</p>	<p>The job of tax justice is to engage (but not necessarily agree) with all those engaged in the tax arena whether we agree with them or not, including:</p> <ul style="list-style-type: none"> • Governments • Tax authorities • International agencies • Tax advisers, whether accountants, lawyers, trust advisers or within the financial services sector • NGOs from across the political spectrum • The media <p>The object is to take our message to them and to learn from what they are saying so that we might better innovate solutions to the problems that they are creating.</p>
<p>4. Campaigning methods and demands</p>		
	<p>The tax justice movement says</p>	<p>We say</p>
	<p>Tax justice should create data to show that there is a tax justice problem in the world but it is for others to act on it.</p>	<p>Data is important but can only to be used to illustrate a solution to a problem that tax justice has both identified and found a technical answer to, which is what the real focus of tax justice should be. Data should also be right, and capable of verification^{xvi}.</p>
	<p>Tax justice has found the solutions to the tax problems that we face and no further innovation is required. We just</p>	<p>Tax justice has only scratched the surface of the tax problems that we face, and then only with regard to some aspects of large company and international taxation. In particular tax justice has not promoted</p>

<p>need to push for the delivery of automatic information exchange, beneficial ownership registers and country-by-country reporting plus, maybe unitary taxation based on country-by-country reporting and the problems will very largely be solved.</p>	<p>effective solutions to many of the real issues in tax, including:</p> <ul style="list-style-type: none"> • The interaction of tax with fiscal policy; • The accountability of tax design; • Government accountability for tax revenues; • The effective taxation of incorporated entities and trusts and the interaction of those taxes with personal tax liabilities; • The creation of genuinely progressive taxation; • The measurement of taxable profit; • The taxation of capital gains; • The taxation of income from wealth; • The taxation of wealth; • Financial transactions taxes; • Land value taxation; • How to address the regressive nature of taxes such as VAT; • The interaction of taxes with benefits systems; • The proper integration of payroll taxes into progressive tax agendas; • The delivery of tax justice to individuals who feel abused by tax systems; • Removing the bias against women within tax systems; • Green taxation; • How to design proper systems of tax reliefs and allowances; • The measurement of tax gaps; • The measurement of tax spillovers.
<p>We need unitary taxation of multinational corporations</p>	<p>We agree, but demanding it without also demanding the appropriate accounting data to make sure that it would make sense, which as yet we do not have, makes little or no sense at all. Existing country-by-country reporting does not meet this criteria.</p>
<p>Tax justice should focus on tax issues and not the accounting</p>	<p>Since without accounting, or come to that money, there would be no tax base to charge to tax, no</p>

	that creates the tax bases on which tax is charged	<p>measure of tax liabilities and no means of settlement for the resulting sums owing these two issues are key to tax justice and in particular:</p> <ul style="list-style-type: none"> • We need all limited liability entities to account on public record for their activities; • We need better accounting for tax within the accounts of those entities so that we can really understand the tax contribution that they are making • We need to better understand the relationship between tax and money • We need to understand that relationship in periods of inflation • We need to understand the consequence for society of enforcing payment of tax in cash and the structures that this places on society
5. The role of the tax justice movement		
	The tax justice movement says	We say
	The role of the tax justice movement is to deliver on existing policy initiatives.	The role of the tax justice movement is to perpetually develop and innovate around new ideas that might enhance tax justice leaving others more able to deliver policy within the social, campaigning and political arenas to deliver these ideas, whilst providing support for them to do so.
	The focus of tax justice should be within the NGO communities with a focus on the Global South	<p>The focus of tax justice should be outward looking so that it can identify the risks to those to whom it thinks it has a duty of care as a result the funding with which it is supplied, including:</p> <ul style="list-style-type: none"> • Those in the Global South • Those on relatively low incomes anywhere • Those who are prejudiced by a tax system largely created by, and so biased towards, those with wealth • Those who are unable to access tax justice, including at a personal level, wherever they might be because of their own lack of resources • Those whose interests are excluded from account because politics largely or entirely removes them from view when it comes to the

		design of tax, economic and justice systems for whatever the reason, and whether as a result of conscious or unconscious bias.
	The tax justice movement is accountable to its membership	The tax justice movement is accountable to society.
	The tax justice movement has a duty to its staff to perpetuate its existence and their roles	The duty of the tax justice movement is to solve problems and move on to tackle the next issue. The aim of tax justice is to solve the problems it addresses. Its own redundancy has to be its aim.

Notes

ⁱ See <https://www.taxresearch.org.uk/Blog/2021/08/05/i-resign-from-association-with-the-tax-justice-network/> and <https://www.taxresearch.org.uk/Blog/2021/08/03/john-christensen-quits-the-tax-justice-network/>

ⁱⁱ <https://www.taxresearch.org.uk/Blog/wp-content/uploads/2021/07/TJN-SOTJ-721.pdf>

ⁱⁱⁱ <https://www.taxresearch.org.uk/Blog/2021/10/07/the-real-message-from-the-pandora-papers-is-that-it-is-the-fight-to-save-democracy-that-is-the-big-offshore-issue-now/>

^{iv} This was a policy decision made by John Christensen and me.

^v It is notable that the recent Pandora Papers make almost no reference to corporation tax issues.

^{vi} <https://www.gov.uk/government/statistics/measuring-tax-gaps>

^{vii} It is notable that the Pandora Papers made almost no reference to these issues.

^{viii} See <https://www.taxresearch.org.uk/Blog/2021/10/07/the-real-message-from-the-pandora-papers-is-that-it-is-the-fight-to-save-democracy-that-is-the-big-offshore-issue-now/>

^{ix} See

https://eprints.whiterose.ac.uk/153627/10/modern_monetary_theory_and_the_changing_role_of_tax_in_society.pdf

^x See, for example, <https://www.taxresearch.org.uk/Blog/2021/08/15/the-multiplier-shows-that-not-all-government-spending-is-equal/>

^{xi} See <http://www.paecon.net/PAEReview/issue89/Murphy89.pdf>

^{xii} See <https://oxford.universitypressscholarship.com/view/10.1093/oso/9780198854722.001.0001/oso-9780198854722-chapter-4>

^{xiii} See <https://onlinelibrary.wiley.com/doi/full/10.1111/1758-5899.12655>

^{xiv} <https://www.fiscaltransparency.net/making-tax-work/>

^{xv} When the accounting profession agrees with this it is time to take note <https://www.icaew.com/insights/tax-news/2021/jul-2021/hmrc-needs-more-resource-to-rebuild-the-uk-tax-system>

^{xvi} <https://www.taxresearch.org.uk/Blog/2021/07/14/the-tax-justice-networks-review-of-the-state-of-tax-justice-is-not-credible/>