

Tax Justice Questions meeting 27 May 20015:

1. Who pays most tax proportionately in Europe?

- a) Companies
- b) Labour
- c) Consumers

Correct answer: labour. Corporate tax revenues make up some 10% of total tax revenues in OECD countries but in developing countries, conservatively measured, they make 15% (tax justice network)

2. What is the average nominal corporate tax in Europe today?

- a) 10 %
- b) 24%
- c) 40 %

Correct answer : 24 %. 10 years it was 34%

3) What is the effective corporate tax in Europe for transnational corporations?

- a) near 0%
- b) 5%
- c) 10%

Correct guess: a) on the basis of numerous tax scandals. The fact is that there are no EU official estimates but we know that the effective tax rates on multinational corporations are being pushed steadily downwards, allowing multinationals increasingly to free-ride on the public services that everyone else pays for when everyone including companies need them. The effective contributions by large transnational companies does not stop at a 0 tax rate, it can turn negative and many receive public subsidies.

3. What is “the tax gap”?

- a) The difference between the amount of tax you pay and you’d like to pay
- b) The difference between the number of tax inspectors employed today compared to 5 years ago
- c) The difference between the money that the government should collect from the taxes owed in this country if everyone complied with the law and the amount of money the government does actually collect in tax

Answer: c) (1 point)

4. What is the total of potential annual tax revenue which remains uncollected due to tax evasion/avoidance and insufficient resources in Europe?

- a) 100 million €
- b) 250 billion €
- c) 1 trillion €

Answer: c) 1 trillion €

Comment: the tax gap is estimated to be 1 trillion euros per year, as a result of tax avoidance (legal manipulations of the tax collection system), tax evasion (illegal) and uncollected tax debt

(1 point)

5. Name three tax havens in Europe?

Answer: Luxembourg, Switzerland, Monaco, Jersey etc.

Comment : There is no common definition of tax haven although the Commission has made a proposal that would combine both the lack of transparency and existence of harmful tax measures such as 0 tax rate. With a restrictive definition, such as the one used by the OECD limited to the issue of bank secrecy, there are ... tax heavens in the EU – correct answer: Cyprus, Luxembourg.... and British channels

With an extensive definition, as called for by EPSU, there are up to ... tax heavens in the EU – Luxembourg, NL, Ireland, UK, Belgium... quite a few in fact! Austria for many years opposed automatic exchange of tax information, it lifted bank secrecy recently. (1 point for each correct answer)

6. Which country pioneered bank secrecy? Was it:

- a) United States
- b) UK
- c) Switzerland
- d) Cayman Islands

Answer: c) Switzerland

Comment: Banking secrecy was pioneered by the Swiss in 1934. It was not created, as the Swiss are inclined to say to protect Jews and trade unionists from the Nazis; they created it to prevent the French tax authorities repeating an exercise they undertook earlier that decade to secure the names of at least 2.000 prominent French citizens who were evading tax by using Swiss bank accounts. That said, the very very early history of bank secrecy was to serve the French aristocracy/

(1 point)

7. What is a tax ruling ?

- a) A penalty when a company doesn't pay its taxes
- b) A secret agreement between the national tax administration and a company to lower taxes
- c) A European tool to boost quality and availability of public services

Answer: b) ... ok it is a bit more complicated than that, but the end result is definitely b)

Comment: tax rulings of the type revealed by the LuxLeaks tax scandals lead to tax dumping in the EU.

8. Name two recent scandals linked to tax rulings and tax evasion in Europe

Answer: LuxLeaks and SwissLeaks

Comment: the LuxLeaks scandal refers to the disclosure of the massive use of secret tax rulings between the Luxembourg government and hundreds of companies with the support of Big-4 accountancy/audit/tax advising firms resulting in 1% corporate tax rate and the Swissleaks are about how the Bank HSBC helped hundreds of wealthy individuals to avoid paying tax.

(1 point for each correct answer)

9. Who are the main accountancy firms which help corporations and individuals to implement complex tax schemes in order to avoid paying taxes

Answer: KPMG, Ernest&Young, Price Waterhouse Coopers, Deloitte

Comment: we call them the Big4. They have a huge responsibility in tax avoidance/evasion in Europe. According to British MP Margaret Hodge, they not only advise on tax avoidance but also sell complex tax schemes to companies and individuals to minimize their taxes.

(1 point for each correct answer)

10. How many tax inspectors less between 2008 and 2012 in Europe due to austerity cuts in tax administrations?

- a) 5603
- b) 24461
- c) 56865

Answer: c) 56865

Comment: 24 out of 30 states (EU28, Iceland and Norway) cut employment in tax authorities between 2008 and 2012. In the countries where comparable figures are available, a total of 56,865 jobs have been lost, or 9.6% of the 593,000 employees at the start of the period.

11. How many financial lobbyists are working at EU level ?

- a) 1 for every financial civil servant
- b) 2
- c) 4

Correct answer: c) according to corporate Europe Observatory

12. True or False: "transfer mispricing" is one of the most common ways big companies can dodge tax.

Answer: True

Comment: transfer mispricing involves artificially manipulating the cost of goods or services transferred between the subsidiaries of a multinational company in different countries. Multinational companies charge themselves huge fees for the use of their own brand name or trademark, or export

goods of poorer countries at knock down prices, in order to shift their profits into countries where they can pay less tax.

(1 point)

13. The European commission is now investigating in light of state aid rules 4 transnational companies who benefit from huge tax rebates. Can you name these companies?

Answer: Apple, Amazon, Fiat and Starbucks

Comment: McDonald's is under EU scrutiny following the publication of the report *Unhappy meal* by EPSU, SEIU, EFFAT and War on Want (2015).

17. Who said “pay your taxes and set your country free”?

- a) Former Luxembourg Prime Minister and EC President Juncker
- b) Michael Waweru, head of Kenya Revenue Authority (Tax justice Network)
- c) EPSU general secretary, Jan Willem Goudriaan

Correct: b)