Tax dodging by multinational companies costs developing countries at least $100bn (approximately £78bn) a year – money that governments could use to fight poverty. Photo: Allan Gichigi/Oxfam.

MAKING TAX VANISH

How the practices of consumer goods MNC RB show that the international tax system is broken

Big business is able to take advantage of loopholes in global tax laws and avoid tax on a massive scale. This deprives governments around the world of the money they need to tackle poverty and inequality. It means there is less for them to invest in healthcare, education and jobs. This report examines the failings of the global tax system that facilitate mass tax avoidance. It looks at one example of a multinational company (MNC) that Oxfam thinks is not paying its fair share. It calls on governments and business to implement the reforms that are needed to stop MNCs from avoiding paying their fair share of tax in the future.

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SUMMARY

In January 2017, Oxfam revealed that just eight men own the same amount of wealth as the 3.6 billion people who form the poorest half of the world's population.[1] This stark statistic illustrates the scale of an inequality crisis that undermines the fight against poverty around the world. This report examines one of the key drivers of this inequality crisis: the broken tax system that allows multinational companies (MNCs) to systemically avoid tax, robbing countries – rich and poor – of revenue that should rightly be invested to address poverty. Using new research, this report looks at a FTSE 100 MNC, RB (formerly Reckitt Benckiser), the maker of household-name brands such as Vanish, Durex and Dettol, as an example of an MNC that Oxfam thinks is not paying its fair share of tax. This report looks at the impact tax avoidance by MNCs can have on developing countries and identifies clear actions governments and MNCs can take to act in the interest of their citizens and fix the broken tax system.

HITTING THE POOREST HARDEST

Taxing the profits of companies is one of the most progressive forms of taxation. However, MNCs in particular can take advantage of a broken and outdated international tax system to avoid paying their fair share. This deprives governments around the world of the revenue they need to address poverty and invest in healthcare, education and jobs. As a result, tax avoidance hits the poorest the hardest: when public services such as health and education are cut because of low tax revenues, poor people who cannot afford to pay for private services either miss out or are pushed into debt. Reduced quality and accessibility of these essential services means that women and girls often fill the gap through unpaid or low-paid care work. [2] Societies become more unequal, as it becomes harder for those at the bottom to improve their lives and escape poverty. This is especially true in developing countries, where corporate tax revenues account for a higher share of overall revenue. Tax avoidance by MNCs using tax havens[3] is estimated to cost developing countries at least $100bn (approximately £78bn) every year.[4]

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MAKING TAX VANISH

Oxfam identified RB as a case study for this report through research that surveyed publicly available accounts for FTSE 100 companies that matched preliminary search criteria, looking for evidence of international business activities that may have tax implications (see **Appendix 1** for full methodology).

RB is a leading MNC producing products for 'health, hygiene and home'. It is a highly successful FTSE 100 company, generating £10bn of revenues in 2016, and its products are sold in over 200 countries. However, Oxfam's research suggests that RB is not paying its fair share of taxes. Oxfam is not suggesting that RB has done anything illegal in reducing its tax bills, but the impact of the shortfall in tax revenues means that less money is potentially available for governments to spend on essential public services, an impact felt most keenly in developing countries. RB says that it 'pays the right amount of tax in each country where we do business around the world', and that it 'complies with all our legal obligations and seeks to do what is right by all the company's stakeholders' (see **Appendix 2** for RB's full response).

RB restructured its business in 2012 and 2014 to create regional hubs in the Netherlands, Singapore (now closed) and Dubai. In doing so, Oxfam estimates that RB reduced its global tax bills by around £200m from 2014 to 2016, including by up to £60m in developing markets. RB says 'none of its operations are linked to tax avoidance in developing countries', and that these restructures were motivated by a desire to 'be close to our customers' (see **Appendix 2** for full statement). However, Oxfam believes that a significant business reason was to save tax. Oxfam's research suggests that RB restructured its transfer pricing (manipulating the price of transactions between subsidiaries of the same group) model to avoid taxes. This has been done by funnelling intra-company transactions through the low-tax jurisdictions of the Netherlands, Dubai and Singapore, such that more profit accumulates there, rather than in the countries in which the MNC's core business activity takes place – and where tax rates are higher.

Oxfam estimates that RB reduced its global tax bills by around £200m over a period of three years.

Looking in more detail at the financial accounts in individual countries, Oxfam estimates that in the period 2013–15, RB avoided the following amounts of tax: £66.2m in France; £71.3m in Australia; £22.0m in Belgium and £7.4m in New Zealand. Due to a lack of transparency on what profits are made and what taxes paid, Oxfam was unable to get hold of sufficient financial information to identify tax losses in additional countries. It is particularly hard to access company financial data for developing countries, which makes it very difficult for citizens to know how much tax MNCs are paying in their country.

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In addition to restructuring its business model, Oxfam's evidence suggests that RB has taken advantage of specific tax deals agreed with the Luxembourg government. The 'Luxleaks' scandal – which involved the leaking of confidential tax ruling documents – revealed that RB benefited from four individual tax rulings by the Luxembourg government. Looking at just one of the rulings, Oxfam estimates that it helped RB to avoid £17m in tax between 2010 and 2015. Both the global restructurings and taking advantage of the access to tax ruling by the Luxembourg government were carried out following advice by accountancy firm PricewaterhouseCoopers (PwC).

A CLEAN BREAK

RB states that it is 'inspired by a vision of a world where people are healthier and live better'.[6] Its core business is to develop and market consumer products 'for healthier lives and happier homes'.[7] The MNC runs education and hygiene promotion programmes, such as handwashing campaigns in India, Nigeria, Indonesia and Pakistan to prevent diarrhoea. RB states that it is committed to helping deliver the UN Sustainable Development Goals[8] three and six, on 'good health and wellbeing' and 'clean water and sanitation', respectively.[9] These commendable commitments and actions are, however, undermined by the MNC's tax avoidance, which deprives governments of the revenues they need to fund essential public services for their poorest and most vulnerable citizens.

RB is certainly not the only example of an MNC not paying its fair share of tax, and Oxfam does not consider it to be the worst offender.[10] Rather, Oxfam is highlighting the fact that it remains easy for MNCs of many kinds and in many countries to reduce their tax liabilities. A lack of transparency over what profits are made and what taxes are paid by MNCs in every country in which they operate makes it hard to identify abusive tax practices.

RB has an opportunity to put its tax-avoiding ways behind it, and become a champion for fairer tax. As is the case with many issues of corporate responsibility, responsible corporate tax behaviour is not just about regulation, but about values. If RB becomes transparent about its tax strategies and payments, and pays tax in line with where its real economic activity takes place, it can help to tackle poverty and inequality. Likewise, if it becomes a public champion for tax transparency, it could become a leader in international business tax debates, ensuring 'healthier lives and happier homes' for millions. RB has already taken some steps since beginning its engagement with Oxfam. The company has relayed that it supports 'the call on governments to take the necessary steps to accelerate public country by country reporting' (see **Appendix 2** for full statement).

TIME FOR TAX REFORM

While business action is needed, ultimately governments must take responsibility to ensure that all MNCs are transparent about their tax affairs and pay their fair share of tax. Recent years have seen a number of multilateral initiatives aimed at curbing MNC tax avoidance. The most visible of these has been the Base Erosion and Profit Shifting (BEPS) project, led by the Organisation for Economic Co-operation and Development (OECD), which aims to limit the ways in which MNCs can manage their business to avoid taxes. However, its recommendations are a mere sticking plaster on a broken global corporate tax system. In the European Union (EU), more progress has been made, with the Anti-Tax Avoidance Directive adopted in July 2016 and set to be transposed into national laws by the end of 2018. The EU also has plans to introduce common tax rules across member states through the European Commission's proposals on a Common Corporate Tax Base (CCTB) or even a Common Consolidated Corporate Tax Base (CCCTB) proposal.[11] Implementing one of these proposals would end a lot of the harmful tax competition that currently exists within the EU, since member states could no longer offer specific tax incentives for profit shifting.

In addition, some countries have taken individual steps to curb corporate tax abuse. In the UK, the 'Flint Amendment' to the 2016 Finance Bill was accepted, which gave the Treasury the power to introduce public country-by-country reporting (CBCR) – a key tax transparency measure – but no deadline has been given for its implementation. At the EU level, discussions are ongoing to introduce public CBCR. But more must be done. The UK government, and other governments, must commit to introducing mandatory public CBCR for all MNCs by the end of 2019, either multilaterally or unilaterally. Many investors, including a number of RB's,[12] are calling for public CBCR. For example, Legal & General Investment Management Limited – RB's fourth biggest investor – and Norges Bank Investment Management – RB's fifth biggest investor – have called for public CBCR.[13] Many of RB's investors have signed up to the UN Principles for Responsible Investment, which support comprehensive disclosure on corporate tax payments.[14] This reporting must be public to ensure that civil society and developing country governments get access to the reporting information and can hold MNCs to account. MNCs are also less likely to engage in tax avoidance if they know this information will be made public.

RECOMMENDATIONS

RB's apparent tax avoidance – using methods that will remain perfectly legal even once current regulatory reforms are put in place – demonstrates the need for new and substantive tax reform. Oxfam is especially concerned that developing countries have not benefited enough from existing international tax reforms. A new round of tax reforms should therefore prioritize their needs and interests. This will be most easily done through a new, UN-based global tax body, as developing countries will be represented on an equal basis. In the meantime, there are a number of policy changes that the UK and other governments can instigate to tackle corporate tax avoidance, increasing the likelihood that tax revenues will stay in countries where MNCs like RB actually make and sell their products.

Oxfam calls on governments to implement public CBCR for all MNCs:

- EU governments should adopt comprehensive public CBCR legislation that delivers for both European citizens and developing countries by requiring MNCs to report on their activities worldwide.
- The UK government should set out a timeline for when it will introduce public CBCR in the absence of a multilateral agreement, to ensure implementation by the end of 2019.

Oxfam calls on governments to agree a new round of international tax reforms that will prevent MNCs from shifting profits.

The UK and other governments should:

- revise controlled foreign company rules to discourage profit shifting out of both the UK and third countries;
- put a halt to the race to the bottom on corporate tax;
- support the CCCTB proposal[15] in the EU to combat harmful tax competition, and agree a common approach to deciding which country has the right to tax what portion of MNCs' profits; and
- join multilateral efforts to identify tax havens and take actions against them, including through effective 'blacklists' and counter-measures.

Oxfam calls on MNCs, including RB, to be transparent about their tax strategies and payments, and to pay taxes in line with relevant economic activity:

- MNCs should publish a comprehensive tax policy which sets out their approach to tax, and explain how these approaches align with their business purpose and sustainability strategies; and
- publish accounts of all their subsidiaries, including those in developing countries.

1 TAX AND AVOIDANCE

WHAT IS THIS REPORT ABOUT?

MNCs can take advantage of archaic international tax rules to reduce their tax bills. When MNCs structure their operations to reduce the amount of tax they pay, it means that governments have less money to tackle poverty and inequality. Overall, the total global losses due to tax avoidance by MNCs are estimated to be between $500bn[17] and $650bn[18] each year, double the amount needed per year to fund investments that could end world hunger.[19] This represents 2–3 percent of total tax revenue in OECD countries, and 6–13 percent in developing countries.[20]

The ability of MNCs to move parts of their business abroad – including to tax havens – can significantly reduce their tax burden. MNCs shifting their activities to low- or zero-tax jurisdictions is estimated to cost people in developing countries at least $100bn (roughly £78bn) a year.[21] Even if this kind of tax avoidance is usually legal,[22] it is morally dubious. Most taxpayers cannot reduce their tax liability. The effect can mean highly profitable MNCs pay a lower effective tax rate (ETR) than many citizens. MNCs also exert power over developing countries by demanding tax holidays and other incentives as a precondition for investments.[23] When businesses avoid paying their fair share of tax, people living in poverty can end up paying twice: having to pay more taxes to make up shortfalls in national tax revenues, and missing out on quality public services such as hospitals and schools that may otherwise be funded.

MNCs shifting their activities to low- or zero-tax jurisdictions is estimated to cost people in developing countries at least $100bn (roughly £78bn) a year.[16]

This report looks at the example of one UK-based MNC, hygiene product producer RB (formerly Reckitt Benckiser), which research suggests restructured its business in 2012 and 2014 deliberately to reduce the amount of tax it pays on its activities. Oxfam is not suggesting that RB has done anything illegal in reducing its tax bills, but the impact of this reduction in tax revenues can mean less money to fund essential public services, including in developing countries. RB says that it ‘pays the right amount of tax in each country where we do business around the world’, and that it complies with all ‘our legal obligations and seeks to do what is right by all the company’s stakeholders’ (see **Appendix 2** for RB’s full response). Oxfam identified RB as a case study for this report through research that surveyed publicly available accounts for FTSE 100 companies that matched preliminary search criteria, looking for evidence of international business activities that may have tax implications (see **Appendix 1** for full methodology). It is certainly not the only example, and Oxfam does not consider the MNC to be the worst offender. Rather, Oxfam is highlighting the fact that it remains easy for MNCs of many kinds and in many countries to reduce their tax liabilities.

Box 1. Growing evidence of tax avoidance practices around the world

In 2012, Members of the UK Parliament branded the tax practices of Starbucks, Amazon and Google as ‘immoral’ and ‘manipulative’.[24] They also accused all three of ‘practising tax avoidance on an industrial scale’[25] for their EU tax arrangements, through which they were shifting profits from higher-rate subsidiaries such as the UK to lower-rate member states such as the Netherlands and Luxembourg. Technology MNCs appear to have been particularly adept at ensuring low rates of tax are paid in countries like the UK,[26] which led to the enactment of the ‘Diverted Profits Tax’, dubbed the ‘Google tax’. However, this unilateral measure has not raised the expected sums.[27]

More recently, Apple’s tax arrangements in Ireland were investigated by the European Commission, which concluded that the MNC adopted a ‘*transfer pricing method... that do[es] not appear to comply with the arm’s length principle*’,[28] and created a complicated corporate structure in the EU that is ‘*not motivated in economic terms*’.[29] The European Commission has recently ordered Apple to pay up to €13bn (£11bn) to the Irish exchequer in back taxes, because the tax arrangements between the Irish revenue service and Apple were deemed to constitute illegal state aid.[30] The Irish government is appealing the decision.

In 2015, a UK House of Commons select committee found that Shire Pharmaceuticals, a biopharmaceutical MNC, had arranged a complicated network of intra-company loans that diverted $10bn of its global profits to its Luxembourg subsidiary. They found that ‘*the effect is to shift profits from other countries, where tax rates are higher, to Luxembourg*,’[31] where Shire paid an ETR of 0.0156 percent.

These examples of tax avoidance in the UK and EU are merely symptoms of a global issue. For example, Oxfam estimates that in Australia MNCs are avoiding up to AU$6bn annually.[32]

Compounding the problem of tax avoidance is the lack of transparency in reporting. Tax data for MNCs in OECD countries are hard to find, and in many tax havens and developing countries it is near impossible. As Cobham and Jansky conclude, ‘*The real breakthrough [will] come only when multinationals’ country-by-country reporting data is made public, and the full extent and nature of the misalignment between profits and the location of real economic activity is laid bare*’.[34]

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By highlighting the case of RB, Oxfam hopes to demonstrate that more transparency is needed on MNCs’ tax payments, and that further international cooperation is needed to prevent tax avoidance. Oxfam is calling on governments to act to close the tax loopholes used by RB and other MNCs, and for MNCs like RB not only to comply with the letter of the law, but also its spirit, and pay their fair share.

LIMITS OF ANTI-TAX AVOIDANCE INITIATIVES

Recent years have seen a number of international initiatives that have aimed to restrain different forms of corporate tax avoidance. The most visible of these has been the OECD-led Base Erosion and Profit Shifting (BEPS) project.[35] The European Council of the EU adopted an Anti-Tax Avoidance Directive in July 2016, which should be transposed into national laws by the end of 2018.[36] In addition, some countries have taken unilateral steps in their legislation, (for example the Diverted Profits Tax and the Disclosure of Tax Avoidance Schemes in the UK) to address artificial tax arrangements, though large gaps remain.[37]

Box 2. How MNCs shift profits

Corporation tax rates and allowances vary between countries, so there is an incentive for MNCs to record as much profit as possible in jurisdictions where they are subject to the least tax, and minimize the profits that they make in jurisdictions where the tax regime is less generous. There are a variety of tactics employed by MNCs to do this.

Transfer pricing is an important method used by MNCs to shift profits. The ‘transfer price’ is the price of something traded between two subsidiaries of the same company. This price should be set as though the transaction were being conducted with a third party, using the ‘arm’s length principle’.[38] There are two reasons why this allows profit shifting. First of all, MNCs can design the formal corporate structure and the conditions under which the intra-group transactions are made. The structure and conditions define where the profits are generated. For example, the contracts for intra-group transactions could be defined in the head office, which makes it difficult to establish arm’s length prices. The second reason is the lack of suitable benchmarks. Without suitable benchmarks, MNCs can manipulate their transfer prices to shift profits into tax havens. For example, one part of a MNC can sell a product from a low-tax jurisdiction to another part of the MNC based in a high-tax jurisdiction at an inflated cost, so that they increase sales in the former, and increase costs in the latter. Since a lot of intra-group trade occurs within MNCs,[39] it is vital that these transactions are fairly priced and not manipulated to reduce tax liabilities for the group as a whole.

Payments between subsidiaries for the use of the MNC’s brands and other royalty payments can also be inflated or otherwise manipulated. As there is no market for these particular brands outside of the MNC group, it is difficult to establish the most appropriate price that should be charged.[40]

Loans provided by one subsidiary to another can also be used to divert profits. Subsidiaries in a high-tax country may face payments on internal ‘loans’ with inflated interest rates in order to shift profits from that subsidiary to the subsidiary that provided the loan, which tends to be based in a country with preferential tax rates.[41]

There are other methods of profit shifting, such as risk transfers, operating as contractors in high-tax jurisdictions to reduce profits, and exploiting mismatches between tax regimes to situate more business activity in low-tax jurisdictions.[42] Some MNCs have also been shown to benefit from 'sweetheart deals' arranged directly with tax authorities.[43] These include confidential tax settlements arranged between national revenue services and individual MNCs that have been found to have paid insufficient tax, which enable undisclosed underpayments. Advanced pricing agreements in some countries enable MNCs to pay lower rates of tax on their profits or other assets.[44]

None of these initiatives have adequately tackled profit shifting. This is when a MNC moves profits to a jurisdiction with lower tax rates to reduce their overall tax bill (see **Box 2**). This is possible because the parts of a multinational company based in different countries (its 'subsidiaries') are taxed as if they are independent entities, as opposed to part of the same company.

International tax competition

Tax competition between countries seeking to offer the best deal to corporations[45] is helping to drive a global trend of falling corporate income tax (CIT) rates.[46] Powerful corporate lobbies advocate publicly and privately for lower tax rates.[47] The average statutory CIT rate in OECD countries in 1980 was nearly 50 percent; it is now half that.[48] This trend means that corporate profits are rising, while governments need to look for alternative taxes to plug gaps in their revenues. Although governments claim that they reduce corporate tax rates to attract investment, tax rates are not actually the main consideration for MNCs deciding where to invest. In fact, tax competition has not been about attracting real investment. The tax incentives granted by corporate tax havens such as Luxembourg have largely attracted profit shifting from investments made in other countries, not real investment.[49] According to the World Economic Forum, there are 12 main reasons that MNCs choose to invest in a country.[50] The most important are the quality of the country's infrastructure; the availability of an educated, healthy workforce; and social stability. Thus, corporate tax revenues are vital to ensuring funds are available to pay for the very things on which MNCs rely (see **Box 4**).

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The latest tax reforms have not put an end to questionable tax decisions and loopholes allowed by governments, such as those highlighted in documents released in the LuxLeaks scandal of 2014.[51] Some tax incentives, such as the UK Patent Box[52] or the Dutch Innovation Box regimes,[53] grant a lower tax rate for profits generated through intellectual property (IP), such as patents and copyrights. Established IP can be relocated through corporate restructuring without incentives for any new socially or economically beneficial research to be carried out in the location where the preferential rate is offered.[54] While the OECD's 'nexus approach' to IP has brought some standardization, governments have still been free to determine certain incentives and application of rules in this area, providing scope for possible avoidance within the new rules.[55]

A new generation of tax reforms is needed to tackle tax avoidance via legally restructuring businesses to minimize tax payments. Furthermore, tax policy and its implementation should be aimed at building a 'human economy' that puts tackling poverty and inequality at its heart.[56]

This report also looks at the role of tax advisory firms in facilitating tax avoidance. Evidence revealed in the 'LuxLeaks' and the 'Panama Papers' investigations details the role played by some banks, legal firms and other professional services companies.[57] These intermediaries can help their clients find ways to reduce their tax liabilities legally and also make it hard for revenue authorities to identify such techniques, for example by basing subsidiaries in tax havens.

FINANCIAL REPORTING REQUIREMENTS

Another pressing issue highlighted by this report is financial and tax secrecy, which in some jurisdictions is facilitated by law. It is a major problem that the accounts of subsidiaries outside the EU are generally not accessible, especially those in developing countries. Oxfam's research underlines the need for comprehensive, public CBCR on tax.

The complex way in which many MNCs are structured means that citizens and governments often have limited insight into the taxes paid by large corporations. A MNC's reporting rules depend on where it is registered, and whether and where it is listed on stock exchanges. Most countries require publicly listed companies (i.e. those listed on a stock exchange) to publish audited annual reports and accounts, although these are often on a consolidated basis for the entire group, rather than separating out individual subsidiaries. However, for private companies, there are often no public reporting requirements at all.[58] The structure of MNCs – with a parent company and multiple subsidiaries (often tens, sometimes hundreds and occasionally thousands) – makes collecting and assessing all relevant information hard, especially when subsidiaries are based in tax havens that do not require the publication of financial information.[59]

As part of its BEPS project, the OECD requires that large MNCs provide accounting information on a country-by-country basis to tax authorities so that they can assess whether an MNC is meeting its obligations.[60] However, all forthcoming reports will be accessible only to tax authorities, not the public.[61] Campaigners are calling for these reports to be published so that everyone can see what taxes MNCs pay where. This data would help people hold MNCs to account, ensuring that transfer pricing is not openly abused, and help governments improve tax rules to prevent avoidance in the first place.

Some sectors in some countries are now required to be more transparent on tax data. For example, since 2014, financial companies in the EU have been required to make public their CBCR on key financial data, including taxes paid.[62] There are already some transparency requirements in the extractives sector in Europe, Canada, the USA and Hong Kong.[63] The UK government has taken the initiative on some tax transparency issues, leading the process in the extractives sector and championing wider adoption of public CBCR. In September 2016, it agreed the 'Flint Amendment' to the 2016 Finance Bill, which gave the Treasury the power to introduce public CBCR, but no deadline has been given for its implementation.[64]

The EU is considering expanding public CBCR requirements to all large companies which operate within it.[65] The UK government has championed public CBCR, yet its Members of the European Parliament (MEPs) from the governing Conservative party have voted against their government's position in the European Parliament, and have even voted against the resolution that tax avoidance and tax evasion are challenges in developing countries.[66] Expanding public CBCR would make it much easier to identify possible cases of corporate tax avoidance, and to analyze the techniques and extent of such activity. Radical and proactive transparency is actually good for businesses, because responsible tax behaviour helps mitigate risk and is in companies' own long-term interests.[67]

The lack of transparency on tax is considered by some investors to be a good proxy for aggressive tax practices.[68] MNCs should be transparent about their business structure and operations, their tax affairs and their tax decision making. Increasing awareness among the public and investors about tax avoidance is resulting in some MNCs making progress in this area. Many investors, including a number of RB's,[69] are calling for public CBCR. For example, Legal & General Investment Management Limited – RB's fourth biggest investor – and Norges Bank Investment Management – RB's fifth biggest investor – have called for public CBCR.[70] Many of RB's investors have signed up to the UN Principles for Responsible Investment, which support comprehensive disclosure on corporate tax payments.[71] Lush Cosmetics and SSE are two MNCs that have been accredited by the Fair Tax Mark scheme in the UK,[72] which considers various aspects of corporate tax transparency, including transparency about corporate structure and ownership, accounts, tax policy and public CBCR.[73]

Box 3. Examples of MNCs being more transparent

MNCs such as Vodafone, AngloAmerican, Unilever and SABMiller (prior to its merger with AB Inbev) publish detailed tax strategies, and report some tax-related information on a regional or per-country basis.[74] Barclays, which publishes country-by-country data, as required by Capital Requirements Directive IV,[75] also goes beyond legal compliance and publishes explanatory information alongside its country data (although it still groups 19 countries together as 'others' where turnover totals under £10m).[76]

Oxfam and others are calling for more publicly available tax information, so that governments in developing countries, campaigners, customers and others can scrutinize the data.

CORPORATE TAXES IN DEVELOPING COUNTRIES

Wealthier countries have more options for raising taxes than developing countries, and therefore tend to have a higher tax/gross domestic product (GDP) ratio. Tax bases in developing countries are more fragile. Their governments tend to be more dependent on a few types of tax since there is a smaller middle class from which to raise income and consumption taxes.[77] CIT is particularly important for developing countries, from both MNCs and domestic companies: it contributes an average of 16 percent of their GDP,[78] compared with around eight percent in wealthy countries.[79]

This is not because of very high headline rates of CIT in developing countries, nor is it likely due to stricter enforcement of corporate tax compliance: indeed, many developing countries offer generous tax incentives that are often redundant, since investment would have happened anyway.[80] Rather it shows that profits generated by companies in developing countries constitute a relatively high proportion of the income available to tax. In lower income countries, more income is generated in the informal economy – which should be progressively and fairly brought into the formal economy – and fewer individuals make sufficient income to attract personal income tax. So even though taxes like value-added tax (VAT) may be making up a growing part of developing countries' revenue, CIT remains important in absolute terms, and because it tends to be more progressive than many other kinds of taxes.

Statutory corporate tax rates vary between countries. However, even within a country, the tax rate that a company actually pays – the ETR – can also vary considerably across sectors over time. Much of the difference between statutory and effective rates can be accounted for through allowances explicitly provided for in national laws and tax treaties. Evidence suggests that lower ETRs are more common in developing countries, where there are more incentives on offer and lower administrative capacity.[81] Some of the differences not explained by allowances may be due to tax avoidance. When MNCs avoid tax, developing countries are disproportionately affected.

Box 4. Why paying tax is in MNCs' interests

The best MNCs – and their investors – recognize that their success is inseparable from the success of the societies in which they operate.[82] Therefore, paying tax should be seen as an investment by MNCs into peaceful, stable societies that have functioning transport networks and power systems; educated, gender-balanced, healthy and productive workforces; prosperous economies and strong consumer bases with purchasing power. By promoting effective governance, responsible tax behaviour also helps to tackle corruption, which is harmful to businesses' interests. Together, Oxfam, ActionAid and Christian Aid have developed detailed analysis and recommendations for MNCs that recognize the importance of responsible tax behaviour and want to improve their policies and practices and go beyond legal compliance, captured in *Getting to Good: Towards responsible corporate tax behaviour*.[83]

Making up the shortfall

Decisions to lower corporation tax rates and offer exemptions create gaps in governments' finances. This can have a major impact on their ability to deliver public services, which affects the poorest people the most – and women in particular. The lack of investment in essential services can reduce the quality and accessibility of healthcare, childcare, schools and basic infrastructure, which means that women and girls often fill the gap through unpaid or low-paid care work.[84]

Gender inequality often cuts across other inequalities in a way that aggravates poverty. Women and girls from the poorest castes, ethnic and/or racial groups often have poorer health, nutrition and education; suffer higher levels of violence and have higher levels of poverty than men and boys from similar backgrounds.[85] Globally, women do an average of 23 years' more unpaid work than men over their lifetimes:[86] mostly caring for children, the sick and elderly, and performing domestic chores such as fetching water, cooking and cleaning. This work is worth an estimated $10tn to the global economy each year.[87] For many women, this reduces the time available to earn an income or participate in public life, and for essential rest and leisure time. Public services – such as health, education and social care – can provide a lifeline for women by reducing and redistributing their unpaid work. Oxfam is therefore calling for governments to invest in public services and infrastructure that reduce and redistribute unpaid care work, including universal free public healthcare; social care; child care; water, sanitation and hygiene (WASH); and education services.[88] MNCs doing business in developing countries must ensure that they are paying their fair share of tax in order to fund such services.

In the absence of a robust and sustainable tax or other domestic revenue base to fund public services,[89] many developing countries have been persuaded to make up shortfalls in tax revenue through indirect taxes, particularly VAT.[90]

VAT can raise significant sums in many countries and can be relatively easy to administer, but has failed to compensate for the erosion of trade taxes in many countries.[91] VAT is often popular with governments because it can be hidden from those who pay it (e.g. by including it in final sale prices). However, it tends to be regressive, thereby perpetuating existing inequalities, because poorer people spend a greater proportion of their income on basic goods; thus, increasing VAT has a much bigger impact on them than it does someone with more disposable income.

VAT can also entrench gender inequality. Gender biases are embedded in VAT design and implementation, because it ignores key gender differences between the economic lives of women and men. In particular, it ignores the fact that household expenditures are gendered: women spend a higher proportion of income under their control on goods such as food, school resources and healthcare products, many of which are subject to VAT.[92] Because women also bear a disproportionately high burden of unpaid care work, they can also be disproportionately affected by VAT on goods that are essential to carrying out this work.[93] Female-headed households may also bear a higher final VAT burden relative to their income, because women in general earn less than men.

2 TAX AVOIDANCE BY RB

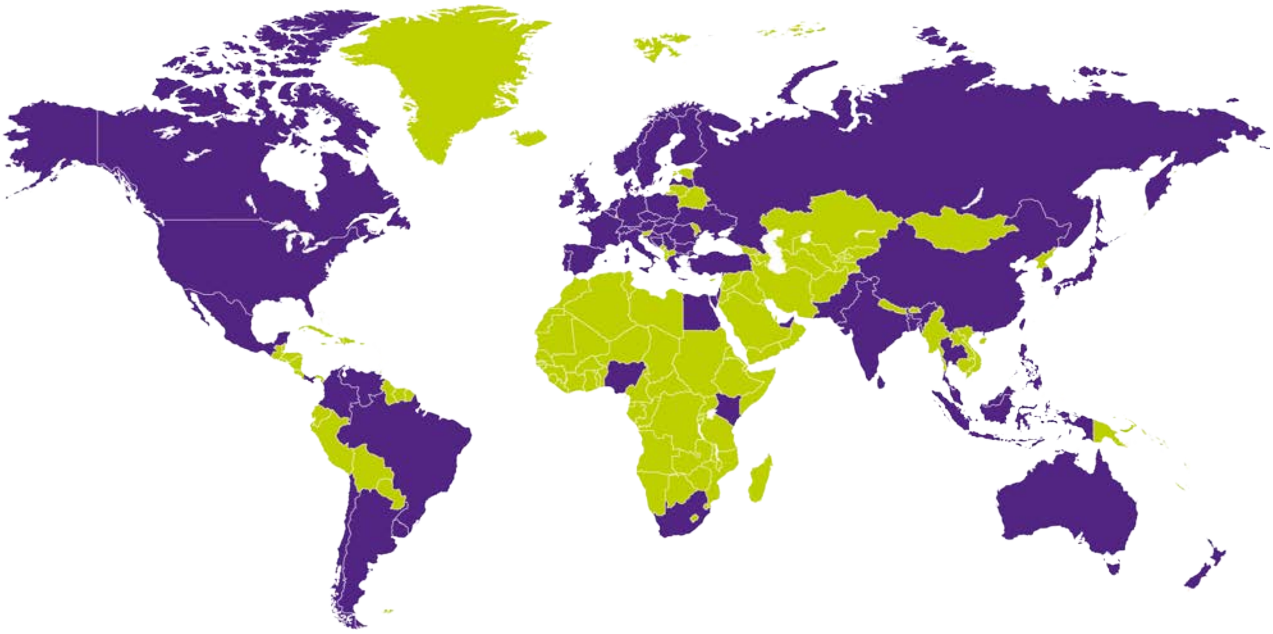
RB GROUP

RB – formerly known as Reckitt Benckiser until a rebranding in 2014 – is a UK-based consumer goods enterprise. With operating profits of £2.4bn from sales of nearly £10bn in 2016, RB is a highly profitable enterprise. It is listed on the London and Frankfurt stock exchanges, and has been a very sound investment option for its shareholders, outperforming average FTSE 100 shares (often generating returns twice as high) and regularly paying high dividends.[94]

RB's stated purpose is 'to make a difference, by giving people innovative solutions for healthier lives and happier homes'.[95] Its portfolio includes 19 globally known consumer brands under its 'health, hygiene and home' banner, including Vanish, Durex, Veet, Dettol, Scholl, Nurofen and Clearasil.[96]

RB sells its products globally with Europe, North America, Australia and New Zealand responsible for around two thirds of its global revenues. The remainder is generated in Africa, Asia and Latin America.[97] It has a corporate presence in over 60 countries, as shown in Figure 1.[98]

Figure 1. Countries in which RB has a corporate presence (purple)



Source: Country list taken from RB website. *About Us*. Retrieved 21 March 2017. Available at: http://www.rb.com/about-us/.

Note: The map is consistent with the list of countries of operation on RB's website with the exception of Zimbabwe and Zambia, which have been removed due to further enquiries by Oxfam in July 2017 suggesting that RB has no active operations there.

According to its 2016 annual report, RB Group has 344 subsidiaries.[99] The financial statements of most of these are not publicly available, due to a lack of local legislation requiring them to be. A number of subsidiaries are based in tax havens, such as Luxembourg (16 subsidiaries), Jersey (six), Guernsey (four), British Virgin Islands (four), Switzerland (three), and the Cayman Islands, the Bahamas and Bermuda (one each).[100] In addition to these countries, the financial statements of subsidiaries in many other countries are confidential, so no party can verify what business operations occur there. However, having ten percent of subsidiaries in recognized tax havens suggests that RB may be deliberately reducing its tax liabilities; this report focuses on the pieces of the jigsaw that Oxfam has been able to access. Until governments mandate MNCs to publish CBCRs it will remain very difficult to uncover the full picture of each MNC's tax 'footprint'.

RESTRUCTURING FOR TAX

RB has restructured its business model twice this decade. Prior to the restructurings, RB organized itself according to geographic areas known as 'clusters' but it did not have 'regional hubs' to manage these regions. In 2012, it reorganized its central business operations into three regions:

- Europe and North America (ENA);
- Latin America, North Asia, South East Asia, Australia and New Zealand (LAPAC); and
- Russia, the Commonwealth of Independent States (CIS) countries, Turkey, the Middle East and Africa (RUMEA).

In 2014, a further restructuring reduced this to two regions:

- Developing markets – mostly also developing countries, plus Argentina, Japan, South Korea, Taiwan and United Arab Emirates (UAE);[101] and
- Europe, North America, Russia/CIS, Israel, Australia and New Zealand (ENA).

The main feature of the first restructuring in 2012 was the establishment of regional 'hubs' in the Netherlands, Singapore (subsequently closed in 2014) and Dubai – all countries either recognized as tax havens or with tax-free zones. These hubs are essentially regional headquarters (HQs) from which RB oversees its business. The hubs are similar to holding companies, responsible for collecting revenue from country subsidiaries. Executives for these hubs are based in the countries that host them, but beyond this, the role of the hubs in RB's actual business seems marginal. For example, RB Group's annual reports do not report any investments or other business activity in these regional HQ companies.[103] RB says that these restructures were motivated by a desire to 'be close to our customers' (see Appendix 2 for full statement).

Oxfam's research estimates that RB has reduced its tax bills across the world by an estimated £200m over a period of three years, including by up to £60m in developing markets.[102]

However, in financial terms Oxfam cannot find significant business reasons for basing these companies and executives in these countries other than to save tax. The restructurings appear to have resulted in lower tax bills for RB. Oxfam's research estimates that RB has reduced its tax bills across the world by an estimated £200m from 2014 to 2016, including by up to £60m in developing markets[104]. Sales revenue is a reasonable proxy for taxable business for a company like RB that sells products as its primary business, so data from its annual reports were used to calculate the proportion for developing markets. [105]

Using the hubs, which are based in countries with low corporate tax rates, to channel much of the profit derived from countries where tax rates are higher (see **Box 2**), means that the tax rate for the MNC as a whole is reduced. While it is not possible to establish exact cause and effect due to the lack of financial transparency, this trend is confirmed by RB's own data on its global ETR, which declined from 26.5 percent in 2011 to 21 percent in 2015 and 23 percent in 2016.[106] During the same period, statutory tax rates decreased globally by less than 1 percentage point.[107] RB's annual reports do not discuss any significant changes in its actual business locations that could have caused the reduction in tax costs, or other factors such as the impact of new laws, allowances or favourable rulings.[108] Therefore, it can be assumed that the drop in ETR was likely a result of the RB's restructurings.

RB Group's annual reports show that the restructurings have had very little impact on the group's operating profitability. Its gross margin and operating margin have remained fairly stable.[109] However, the hub companies have generated high levels of profit, most likely by supplying RB products from manufacturing group companies to distributing companies, or by charging other group companies for their services. Use of the regional HQs is often artificial, as products appear not to have been physically transferred through them.[110] RB could have arranged its distribution without these hubs, and therefore we suggest that the biggest financial impact has been the reduction in its tax burden. It is very difficult to discern the precise transactions between the regional hubs and the country subsidiaries, or what the fair price for each such transaction should be. However, it appears that the greatly increased 'business' flowing through the hubs has led to lower profits in a number of country subsidiaries, reducing tax for RB overall. The revenue and operating profits accounted in the Netherlands hub are a third of the size of the RB Group's total. In both Dubai and Singapore (when operational) the hubs oversaw hugely increased revenues after 2012.

The way that RB has remodelled its business around regional hubs exemplifies a wider global trend. For example, there is evidence to suggest that many US MNCs, especially technology companies, have been engaged in profit-shifting to low-tax hubs like Ireland.[111]

RB's tax structure could be replicated by practically any major business taking advantage of incentives provided by certain countries to attract taxable profits away from other countries. By attracting major businesses

through low tax rates and incentives, countries like Luxembourg, the Netherlands, the UAE and Singapore distort competition. This can cause other governments to feel compelled to reduce tax rates or offer incentives in order to compete. Such practices encourage an international 'race to the bottom', in which developing countries lose out disproportionately.

Tax savings through the Dutch hub

The Dutch subsidiary, Reckitt Benckiser (ENA) B.V., has been by far the most significant of the hubs in terms of contribution to RB's business, based on available data. The Netherlands' extensive tax treaty network[112] and its membership of the EU, conferring benefits of EU Directives such as the Parent-Subsidiary Directive,[113] make it a favourable location to be a hub. With pre-tax profits of £779m in 2014, it accounts for 31 percent of the pre-tax profits of the whole RB Group. This subsidiary initially served Europe and North America, but following the 2014 restructure also serves Russia/CIS, Israel, Australia and New Zealand. According to its financial statements, the subsidiary has received a tax ruling from the Dutch authorities that exempts 75 percent of its profits from tax from 2013 onwards, when the structure took effect.[114] This ruling appears to go a long way in explaining why RB's ETR in the Netherlands hub has been roughly one quarter of the Dutch CIT rate of 25 percent.

With pre-tax profits of £779m in 2014, the Dutch hub accounts for 31 percent of the pre-tax profits of the whole RB Group.

Tax savings through the Singapore hub

Reckitt Benckiser (Singapore) Pte Ltd began serving as the HQ of the LAPAC area in 2011, after it had been granted a Development and Expansion Incentive from the Singapore Economic Development Board. Singapore levied a concessionary tax rate of five percent on income qualifying for the incentive between 2011 and 2013, compared to the normal rate of 17 percent.[115] According to its financial statements, RB did not expect the incentive to continue beyond 2014. The Singapore regional HQ was abandoned in 2014, when its functions were transferred to the Netherlands and Dubai. The reason for the transfer is not described in the financial accounts.[116]

Tax savings through the Dubai hub

The Dubai branch of UK-registered Reckitt Benckiser (RUMEA) Ltd manages the RUMEA segment of RB's business. According to its financial statements, the Dubai subsidiary paid no tax on profits of nearly £30m in 2013–14.[118] The subsidiary is not liable for tax in the UK, since all of its operations are based in branches in the tax-free zone of Dubai.

According to its financial statements, the Dubai subsidiary paid no tax on profits of nearly £30m in 2013–14.[117]

ESTIMATING TAX AVOIDANCE: THREE APPROACHES

Despite not having access to financial accounts for most of RB's subsidiaries, it is still possible to piece together some of the tax losses to governments resulting from its restructurings. Oxfam has used three different approaches to estimate the tax losses:

- estimated global tax losses using the group's consolidated accounts;
- estimated tax losses based on the profits and taxes paid by the RB subsidiaries nominated as regional HQs; and
- estimated tax losses for particular countries where sufficient information is available.

These approaches produce different estimates of the potential tax losses because they use different parameters to assess revenues and taxes. While two are based on smaller data sets (for regional and national figures), it is not possible to directly add up the sums or compare the approaches. The differences between these estimates underscore how important it is that full information is made available about the business that MNCs like RB conduct, especially in countries where they pay taxes.

Estimating tax losses from global consolidated data

RB's revenues have remained fairly constant since 2011 (see **Table 1**). Its operational costs have not increased, as its gross margin and operating margin have remained stable. It is therefore possible to estimate the global tax losses to governments likely caused by RB's restructurings by comparing the ETR with a conservative estimate of the tax rate that RB would have paid without them (set at a rate of 25 percent of pre-tax profits).[119]

RB's estimated global tax savings were £200m over three years: £71m in 2014, £89m in 2015 and £41m in 2016.

Based on this formula, RB's estimated global tax savings were £200m over three years: £71m in 2014, £89m in 2015 and £41m in 2016. Developing markets generated 30 percent of RB's global sales in 2015. By using this ratio to estimate their share of tax losses, Oxfam estimates that developing markets would have lost up to £21m in 2014, £27m in 2015 and £12m in 2016.

Table 1. RB Group sales and tax figures, 2009–16

Group	2009	2010	2011	2012	2013	2014	2015	2016
Employees	24900	27200	37800	35900	37100	37200	34700	34700
Operating revenue (£m)	7771	8491	9553	9580	10048	9527	8882	9891
Gross profit (£m)	4779	5263	5836	5699	6211	5964	5424	6026
Gross margin (%)	61%	62%	61%	59%	62%	63%	61%	61%
Operating profit (£m)	1891	2098	2386	2397	2664	2800	2241	2410
Operating margin (%)	24%	25%	25%	25%	27%	29%	25%	24%
Profit before tax (£m)	1892	2136	2376	2408	2314	2495	2208	2394
Tax (£m)	474	566	622	583	574	553	463	558
ETR (%)	25%	26%	26%	24%	25%	22%	21%	23%
Net profit after tax (£m)	1418	1568	1745	1821	1739	3223	1743	1832
Effect of lower rates (£m)	-55	-9	-9	11	-67	-177	-145	-45
Taxation advisory services (£m)	0.9	1.4	1.4	4.3	1.7	2.1	1.2	1
Theoretical tax bill on profit before tax at 25% (£m)	473	534	594	602	579	623.8	552.0	598.5
Tax savings of effective rate vs. 25% (£m)	-1	-32	-28	19	5	**70.8**	**89.0**	**40.5**
TOTAL TAX SAVINGS 2014–16 (£m)								**200.3**

Note: The ETRs for 2011–16 are reported in RB's annual reports. The 2009 and 2010 ETRs were calculated by Oxfam based on RB's reported income tax costs and pre-tax profits. There might be minor differences in the formulae used. The tax services were not specified between compliance and advisory in 2009 and 2010; the figures in the table represent the sum total for both of these years. From 2011, the figures for tax advisory were available.

Source: RB annual reports. Available at: https://www.rb.com/investors/investor-information/. The researchers' own calculations and numbers are shown in red.

Table 1 includes data from RB's annual reports that indicate why its tax rate is lower than our benchmark rate of 25 percent. (We have selected 25 percent as a global benchmark rate because the average CIT rate in OECD countries, where RB does most of its business, in 2016 was 24.86 percent,[120] and 25 percent is a conservative average of RB's ETR prior to restructure.) In the 'effect of lower tax rates' row, RB's own figures focus on the savings from taxes on profits in jurisdictions with rates lower than those in the UK.[121] These tax savings amounted to an estimated £145m in 2015 and £177m in 2014. According to RB's annual report, the tax savings were only £9m in 2011. (Between 2011 and 2015, the UK's statutory corporate tax rate dropped from 26 percent to 20 percent; however, as only around 13 percent of RB's profits are registered in the UK, this cannot explain the overall fall in RB's ETR.)[122] The tax savings we have calculated suggest that the 'effect of lower rates' is likely to include the effect of channelling more group profits through low-tax jurisdictions following the restructures.

Oxfam estimates that developing markets would have lost up to £21m in 2014, £27m in 2015 and £12m in 2016.

Estimating tax losses from regional hub data

RB's subsidiary accounts show that the regional HQs in the Netherlands and Dubai started to generate significant profits after the 2012 restructure. Similar effects began to appear in Singapore in 2012, but this hub was closed in 2014. The other two structures – Dubai and the Netherlands – appear to still be operational, assuming that there have been no significant changes since the latest filed accounts.[123]

The Netherlands hub has been by far the most significant of the three, with pre-tax profits of £779m in 2014 and a similar amount in 2015. This accounted for 31 percent of the whole of RB Group's pre-tax profits (£2.3bn). The profits generated by the regional hubs in Singapore (3.5 percent in 2013) and Dubai (0.5 percent in 2014) were substantially smaller. However, it is likely that the profits of Reckitt Benckiser (RUMEA) Ltd do not represent all the profits made in Dubai, as Oxfam's researchers were not able to retrieve the financial accounts of another larger subsidiary, Reckitt Benckiser Arabia FZE, which is registered in the UAE. All three regional hub subsidiaries have paid low levels of tax, with ETRs ranging from 0–10 percent.

Oxfam calculated RB's tax savings in each of the HQs[124] by comparing the actual taxes the MNC paid with the taxes that Oxfam thinks it would have paid on pre-tax profits, using the 25 percent benchmark tax rate.[125] The figures were taken from the original financial statements and converted into pounds sterling at the year-end exchange rate. Based on this, the estimated total saving across the regional hubs was £399m over the four years from 2012–15. Applying this formula to the data from the financial statements of the three regional hubs, the figures for each of the subsidiaries were:

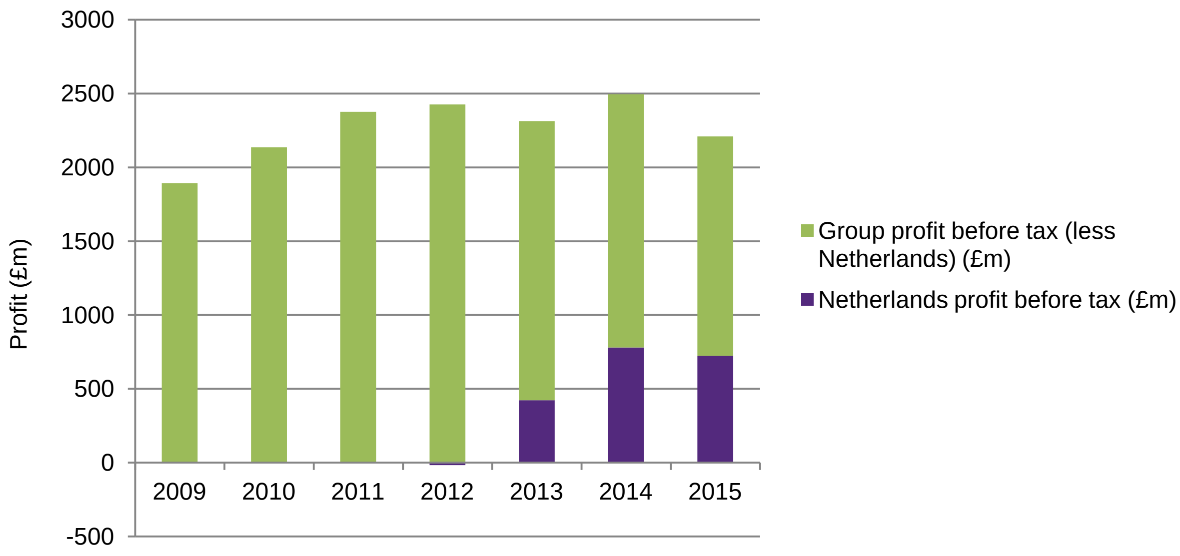
The estimated total saving across the regional hubs was £399m over the four years from 2012–15.

- The Netherlands: £340.9m in 2012–15.
- Singapore: £55.8m in 2011–14.
- Dubai: £2.2m in 2013–14.

Between 2011 and 2013, RB's ETR in Singapore was under ten percent on profits between £18m and £153m a year. The ETR was higher in 2014 at 17.3 percent, and therefore the tax saving against the 25 percent benchmark is smaller. The revenues (under £60m a year) and profits (under £20m a year) in Dubai have been smaller, so despite the zero percent CIT rate, the estimated tax savings have been lower. In addition, the Dubai hub made a loss in 2015.

The effect of the Netherlands hub is particularly large and merits further explanation. Between 2012 and 2015, RB increased its revenue in the Netherlands from £0 to £3.5bn, revenues which were turning profits of almost 50 percent in 2014. Figure 2 below shows the change in the Netherlands hub contribution to RB Group profit over time.

Figure 2. The Netherlands hub contribution to RB Group profit (2009–15)



These profits were subject to an ETR of just seven percent. The apparent misalignment between the business conducted in the Netherlands hub and the high levels of revenue and profits are stark. Using employees as a proxy for business activity, the average RB employee generated £258,000 revenue in 2015, while those in the Netherlands hub generated on average £33m, 128 times as much. Similarly, the Netherlands hub's employees were much more profitable than their counterparts, delivering on average £7m of profit each, over 100 times the average for RB as a whole (around £60,000 per employee), see Figure 3 below.

Figure 3. Returns per employee, Group vs. the Netherlands hub (2015)

Other countries were on the losing side of the arrangement too: for example, our research suggests that profits from Belgium and France were shifted to the Netherlands. These losses are estimated in the following sub-section.

Table 2. Figures for RB's regional hub in the Netherlands, 2009–15

RB (ENA) B.V.	2009	2010	2011	2012	2013	2014	2015
Exchange rate: EUR/GBP	0.88953	0.85428	0.83688	0.83612	0.83744	0.73466	0.73466
Operating revenue (£m)				0	940	1571	3512
Operating profit (£m)				-17	428	762	719
Operating margin (%)					45%	49%	20%
Profit before tax (£m)				-17	423	779	724
Tax (£m)				-1	30	54	54
ETR (%)				6.2%	7.2%	6.9%	7.4%
Net profit after tax (£m)				-15	393	726	670
Theoretical tax bill on profit before tax at 25% (£m)				-4.1	105.7	194.8	180.9
Tax savings of effective rate vs. 25% (£m)				**-3.1**	**75.5**	**141.1**	**127.4**
TOTAL TAX SAVINGS 2012–15 (£m)							**340.9**

Note: The full name of the subsidiary is Reckitt Benckiser (ENA) B.V.

Sources: The figures are based on Orbis data and RB's original financial statements from Reckitt Benckiser (ENA) B.V.

Table 3. Figures for RB's Singapore regional hub, 2009–14

RB (Singapore) Pte Ltd.	2009	2010	2011	2012	2013	2014
Exchange rate: SGD/GBP			0.49726	0.51795	0.47992	0.48490
Operating revenue (£m)			148.1	398.6	494.8	540.2
Operating profit (£m)						
Profit before tax (£m)			18.3	88.1	125.1	153.0
Tax (£m)			1.8	4.9	7.2	26.4
ETR (%)			9.9%	5.6%	5.8%	17.3%
Theoretical tax bill on profit before tax at 25% (£m)			4.6	22.0	31.3	38.2
Tax savings of effective rate vs. 25% (£m)			2.8	17.1	24.0	11.9
TOTAL TAX SAVINGS 2011–14 (£m)						**55.8**

Note: The full name of the subsidiary is Reckitt Benckiser (Singapore) Pte Ltd. Non-taxable income and non-deductible costs were excluded. Tax deal with Singapore not exploited in 2014.

Sources: The figures are based on Orbis data and RB's original financial statements from Reckitt Benckiser (Singapore) Pte Ltd.

Table 4. Figures for RB's Dubai regional hub, 2009–15

RB (RUMEA) Ltd UK	2009	2010	2011	2012	2013	2014	2015
Operating revenue (£m)					33.0	59.5	55.3
Operating profit (£m)					18.2	18.3	-21.0
Profit before tax (£m)					16.9	12.2	-20.4
Tax (£m)					0.0	0.0	0.0
ETR (%)					0%	0%	0%
Theoretical tax bill on profit before tax at 25% (£m)					4.2	3.1	-5.1
Tax savings of effective rate vs. 25% (£m)					4.2	3.1	-5.1
TOTAL TAX SAVINGS 2013–15 (£m)							**2.2**

Note: The full name of the subsidiary is RB (RUMEA) Ltd UK

Sources: The figures are based on Orbis data and RB's original financial statements from Reckitt Benckiser (Singapore) Pte Ltd

Estimating tax losses from national data

A third approach to estimating the tax losses caused by RB's new corporate structure is to analyse the financial accounts of individual countries where it conducts business.

Oxfam has been able to make estimates for the following countries: Australia, Belgium, France and New Zealand.[126] Profits from French subsidiaries were shifted to the Netherlands according to financial statements. Australia and New Zealand were previously covered by the Singapore hub, but this function was transferred to the Netherlands in 2014.

France

France has long been a major market for RB. However, the reported profits of RB's two French subsidiaries collapsed after the 2012 restructuring, which appeared to shift profits to its regional HQ in the Netherlands, even as economic activity in France remained the same. In 2009–11, RB France made revenues of £1.7bn in France, of which £296m was net profit. An average of 17 percent of revenue went to profit. In 2013–15, it made revenues of £1.6bn, but appeared to make just £105m in net profit, with an average operating profit margin of seven percent during this time. The net profit margin of another subsidiary, Reckitt Benckiser Healthcare France, dropped from 24 percent to 8–11 percent over the same period. Yet the revenue and number of employees in France remained broadly the same before and after the restructure. It seems unlikely that RB's business suddenly became half as profitable in France.

Oxfam estimates that the French government lost a total of £66.2m in 2013–15 due to RB's restructurings.

Oxfam estimated the tax losses for France based on the differences between the actual net profit before tax and a benchmark net profit before tax calculated from RB's net profit margin prior to restructure (17 percent for RB France and 24 percent for RB France Healthcare) and applying the French statutory corporate tax rate of 33.3 percent.[127] Based on this formula, Oxfam estimates that the French government lost a total of £66.2m in 2013–15 due to RB's restructurings.

Table 5. RB France and RB France Healthcare revenues and taxes, 2009–15

RB France	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Exchange rate: EUR/GBP	0.88953	0.85428	0.83688	0.83612	0.83744	0.73466	0.73466
Operating revenue (£m)	552.4	584.2	620.9	654.8	596.3	524.3	509.8
Operating profit (£m)	101.6	111.9	94.7	93.2	47.5	36.3	31.9
Operating margin %	18.4%	19.2%	15.2%	14.2%	8.0%	6.9%	6.3%
Average operating profit margin 2009–12 (%)	17%						
Tax (£m)	30.0	34.1	34.6	28.4	15.0	10.8	9.3
France tax rate (%)	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
Theoretical operating profit at 17% margin (£m)	91.9	97.2	103.3	109.0	99.2	87.3	84.8
Difference in operating profit (£m)	-9.7	-14.7	8.6	15.7	51.7	51.0	52.9
Tax savings on actual operating profit vs. 17% margin (£m)	-3.2	-4.9	2.9	5.2	**17.2**	**17.0**	**17.6**
TOTAL TAX SAVINGS 2013–15 (£m)							**51.8**
RB France Healthcare	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Exchange rate: EUR/GBP	0.88953	0.85428	0.83688	0.83612	0.83744	0.73466	0.73466
Operating revenue (£m)	72.9	75.6	96.0	103.0	101.0	92.9	95.2
Operating profit (£m)	15.8	15.5	20.3	32.0	10.7	8.0	7.8
Operating margin (%)	21.7%	20.5%	21.1%	31.1%	10.6%	8.6%	8.2%
Average operating profit margin 2009–12 (%)	24%						
Tax (£m)	5.6	5.6	6.9	11.1	3.8	3.0	2.7
France tax rate (%)	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
Theoretical operating profit at 24% margin (£m)	17.5	18.2	23.1	24.8	24.3	22.4	22.9
Difference in operating profit (£m)	1.8	2.7	2.8	-7.3	13.6	14.4	15.1
Tax savings on actual operating profit vs. 24% margin (£m)	0.6	0.9	0.9	-2.4	**4.5**	**4.8**	**5.0**
TOTAL TAX SAVINGS 2013–15 (£m)							**14.4**

Note: The full names of the subsidiaries are Reckitt Benckiser France and Reckitt Benckiser Healthcare France.

Sources: The figures are based on Orbis data and RB's original financial statements from Reckitt Benckiser France and Reckitt Benckiser Healthcare France.

Belgium

The net profit margin and tax costs of the Belgian subsidiary Reckitt Benckiser (Belgium) SA/NV similarly collapsed after 2012. Based on the same formula as above, Oxfam estimates that Belgium lost a total of £22m in 2013–15 due to the restructurings.

Oxfam estimates that Belgium lost a total of £22m in 2013–15 due to RB's restructurings.

Table 6. RB Belgium revenues and taxes, 2009–15

RB Belgium	2009	2010	2011	2012	2013	2014	2015
Exchange rate: EUR/GBP	0.88953	0.85428	0.83688	0.83612	0.83744	0.73466	0.73466
Operating revenue (£m)	146.4	141.1	140.3	123.2	152.5	173.0	173.5
Operating profit (£m)	17.1	18.1	21.4	25.7	1.7	4.9	3.2
Operating margin (%)	11.7%	12.8%	15.3%	20.8%	1.1%	2.8%	1.9%
Average operating profit margin 2009–12 (%)	15%						
Tax (£m)	8.4	8.3	7.9	9.1	1.4	1.9	1.7
Belgium tax rate (%)	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
Theoretical operating profit at 15% margin (£m)	21.9	21.1	21.0	18.4	22.8	25.9	25.9
Difference in operating profit (£m)	4.7	3.0	-0.5	-7.3	21.1	21.0	22.7
Tax savings on actual operating profit vs. 15% margin (£m)	1.6	1.0	-0.2	-2.5	**7.2**	**7.1**	**7.7**
TOTAL TAX SAVINGS 2013–15 (£m)							**22.0**

Note: The full name of the subsidiary is Reckitt Benckiser (Belgium) SA/NV.

Sources: The figures are based on Orbis data and the original financial statements from Reckitt Benckiser (Belgium) SA/NV.

Australia

The consolidated operating margin and tax costs of Australian subsidiary Reckitt Benckiser Healthcare Australia PTY Limited also dropped after 2012. Based on the same formula as above, Oxfam estimates that Australia lost a total of £71.3m in 2013–15 due to the restructurings. The impact of the New Zealand subsidiary included in the consolidated accounts has been excluded by deducting tax savings accountable to New Zealand (see **Table 8**).

Oxfam estimates that Australia lost a total of £71.3m in 2013–15 due to the restructurings.

Table 7. RB Australia revenues and taxes, 2009–15

RB Australia	2009	2010	2011	2012	2013	2014	2015
Exchange rate: AUD/GBP	0.553810	0.649390	0.656880	0.659380	0.538320	0.525500	0.493020
Operating revenue (£m)	412.0	515.2	539.2	599.8	448.4	450.1	431.9
Operating profit (£m)	116.8	177.1	159.2	118.3	47.3	56.9	26.2
Operating margin (%)	28.4%	34.4%	29.5%	19.7%	10.6%	12.6%	6.1%
Average operating profit margin 2009–12 (%)	28%						
Tax (£m)	29.4	39.4	38.8	24.9	8.9	12.1	6.7
Australia tax rate (%)	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Theoretical operating profit at 28% margin (£m)	114.0	142.5	149.1	165.9	124.0	124.5	119.4
Difference in operating profit (£m)	-2.9	-34.6	-10.1	47.6	76.7	67.6	93.3
Tax savings on actual operating profit vs. 28% margin (£m)	-0.9	-10.4	-3.0	14.3	**23.0**	**20.3**	**28.0**
TOTAL TAX SAVINGS 2013–15 (£m)							**71.3**

Notes: The full name of the subsidiary is Reckitt Benckiser Healthcare Australia PTY Limited. Non-deductible impairment expenses are excluded from the operating profit. Sources: The figures are based on Orbis data and the original financial statements from Reckitt Benckiser Healthcare Australia PTY Limited.

New Zealand

The operating margin and tax costs of New Zealand subsidiary Reckitt Benckiser (New Zealand) Limited also dropped after 2012. Based on the same formula as above, Oxfam estimates that New Zealand lost a total of £7.4m in 2013–15 due to the restructurings.

Table 8. RB New Zealand revenues and taxes, 2009–15

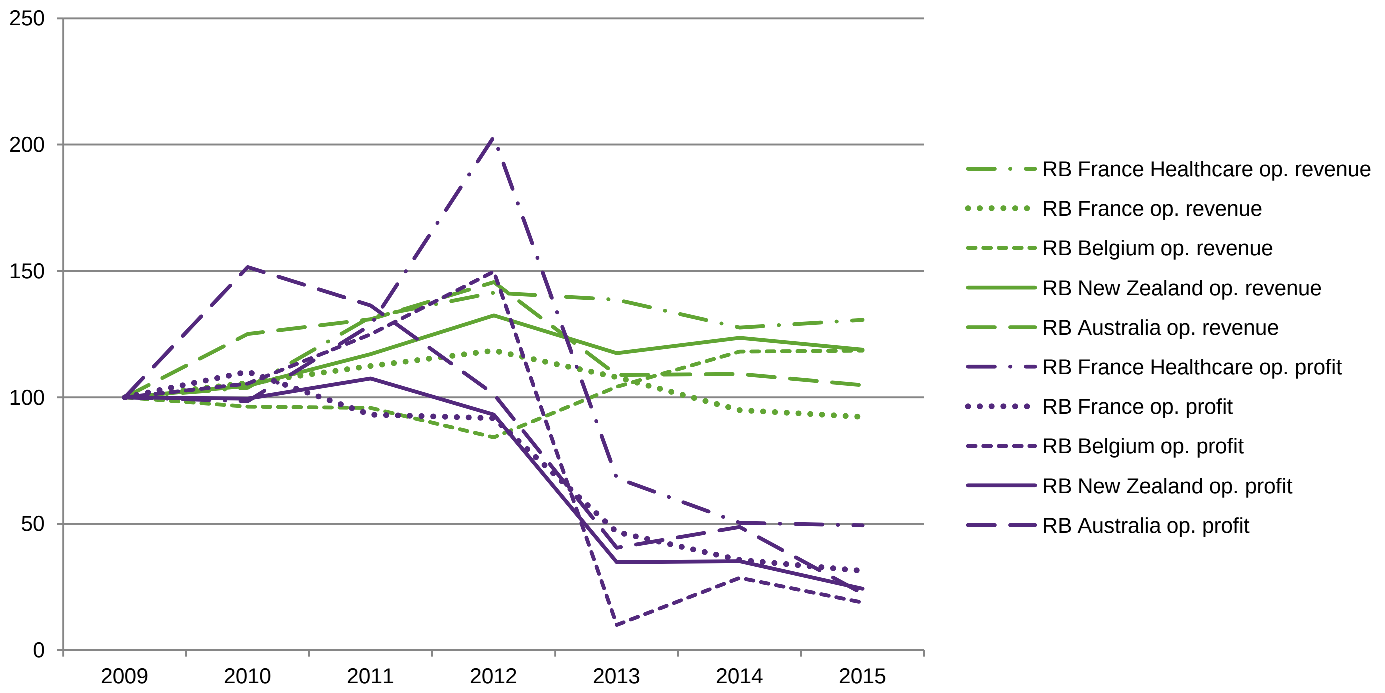
RB New Zealand	2009	2010	2011	2012	2013	2014	2015
Exchange rate: NZD/GBP	0.445630	0.492300	0.498870	0.519800	0.498060	0.501600	0.463430
Operating revenue	49.4	51.7	57.9	65.4	58.1	61.1	58.8
Operating profit	11.9	11.8	12.8	11.1	4.1	4.2	2.9
Operating margin	24.0%	22.8%	22.1%	16.9%	7.1%	6.8%	4.9%
Average operating profit margin 2009–12 (%)	21%						
Tax (£m)	2.8	2.8	3.5	2.5	0.6	0.6	0.5
New Zealand tax rate (%)	30.0%	30.0%	28.0%	28.0%	28.0%	28.0%	28.0%
Theoretical operating profit at 21% margin (£m)	10.5	10.9	12.2	13.8	12.3	12.9	12.4
Difference in operating profit (£m)	-1.4	-0.9	-0.5	2.8	8.2	8.7	9.5
Tax savings on actual operating profit vs. 21% margin (£m)	-0.4	-0.3	-0.1	0.8	**2.3**	**2.4**	**2.7**
TOTAL TAX SAVINGS 2013–15 (£m)							**7.4**

Note: The full name of the subsidiary is Reckitt Benckiser (New Zealand) Limited. Non-deductible impairment expenses excluded from operating profit. Sources: Figures are based on Orbis data and the original financial statements from Reckitt Benckiser (New Zealand) Limited.

Overview

For the countries Oxfam has made estimates for, **Figure 4** below shows the change in operating revenue and operating profit for the RB subsidiaries from 2009 to 2015.

Figure 4. Operating revenue (£m) and operating profit (£m) of RB subsidiaries 2009–15



Note: 2009 baseline = £100m.

LUXEMBOURG TAX RULINGS

In addition to the restructurings of its business model, RB appears to have avoided taxes by benefiting from at least one of four different tax rulings that were exposed in the so-called ‘LuxLeaks’ scandal.[128]

The leaked documents revealed that RB benefited from four different individual tax rulings. Oxfam looked into how one of these rulings allowed RB to shift profits across borders to low-tax Luxembourg by using internal debts.

Box 5. LuxLeaks

The 2014 ‘LuxLeaks’ release showed that a number of MNCs had reduced their tax bills by agreeing specific deals with Luxembourg’s government – all facilitated at least in part by advice from the accounting firm PwC. These tax rulings grant MNCs advanced consent to engage in complex tax arrangements that can result in profits being reallocated to an MNC’s subsidiary in Luxembourg and attracting little tax, enabling MNCs to significantly reduce their tax bills in other parts of the world. LuxLeaks showed that Luxembourg had offered questionable Advance Tax Rulings to MNCs, giving them a tax rate of less than one percent in a country with a nominal tax rate of 29 percent.

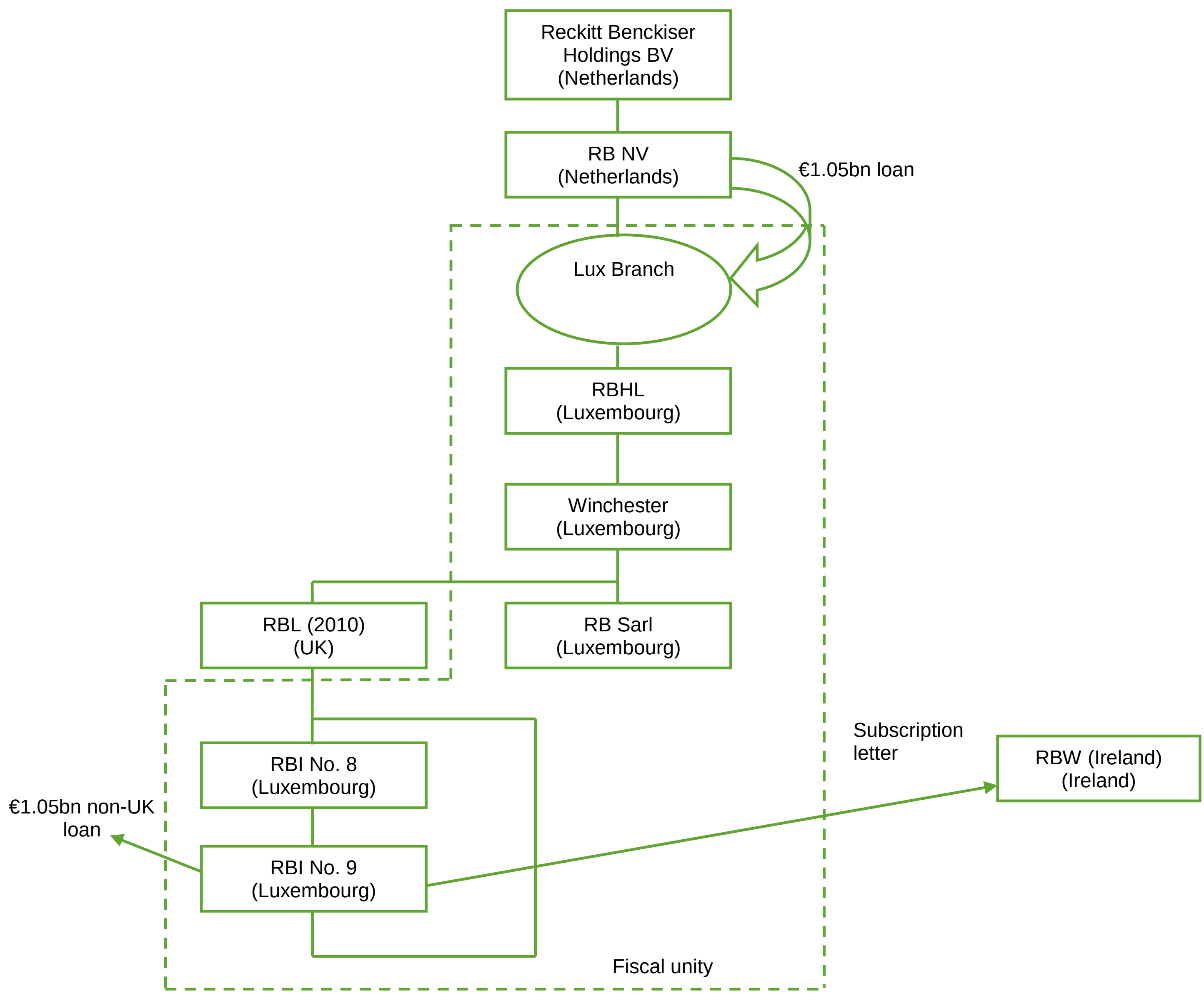
Even so, Luxembourg benefited from these deals by effectively ‘poaching’ tax from other countries. Total tax losses globally from the rulings revealed in LuxLeaks are estimated to run to billions of euro annually.[129] There have been efforts to prevent the kind of tax treatment highlighted by LuxLeaks, mostly led by the EU, including the special committee (TAXE) of the European Parliament and the European Commission’s Tax Transparency Package.[130] For example, governments will now exchange information on cross-border tax rulings,[131] but it is not clear what effect this will have on tax policy at a national level. The European Commission’s proposals to introduce a unified approach to measuring the tax base of MNCs through either its CCTB or CCCTB[132] proposals were also developed partly in response to LuxLeaks. These proposals have proved quite contentious and it is not yet clear if either will be adopted.

Figure 5 shows the financing structure approved by a 2010 tax ruling in Luxembourg. As shown by documents from the ruling, a Luxembourg subsidiary of RB, Reckitt Benckiser Investments (No 9) Sarl, issued a loan of €1.05bn (about £900m[133] at the time) to another group company based in another country. At the same time, the Luxembourg branch of the Dutch subsidiary Reckitt Benckiser NV borrowed the same amount from its head office.

From the Dutch perspective, this loan was ‘fictional’, since Reckitt Benckiser NV borrowed it from itself – a branch is not regarded as a separate taxpayer from its head office. The loan was not included in RB’s accounts for the Netherlands, since it was an arrangement between two parts of the same Dutch entity, and these annul each other for accounting purposes. Therefore, the subsequent interest income was not taxed in the Netherlands, yet the capital had been loaned from the Netherlands to Luxembourg.

Meanwhile, in Luxembourg, the interest costs incurred by the Reckitt Benckiser NV branch could be used to offset the income earned by Reckitt Benckiser (No9) Sarl, since the Luxembourg subsidiaries were considered part of the same company group for taxation purposes (denoted as ‘fiscal unity’ in the figure below). Under the terms of the ruling, Luxembourg taxed only 0.0625 percent of the interest income it earned from the loan to the subsidiary in the third country, as the interest was considered deductible in Luxembourg.[134]

Figure 5. Luxembourg tax structure (redrawn from original)



Source: Tax ruling for stock loan transaction (file released as part of LuxLeaks).

The 2010 financial statement of Reckitt Benckiser Investments (No 9) Sarl confirms the debt arrangement. The Luxembourg subsidiary paid only £70,000 in tax on pre-tax profits of £4.5m, which constitutes an ETR of 1.5 percent. The profits were generated by the interest income from the €1.05bn loan made to the group company in the third country. It is likely that RB benefited from the arrangement, since the group company paying the interest could have deducted it from its taxable income, effectively shifting profits from this country to the low-tax Luxembourg business. Using a 25 percent tax rate as a benchmark, the estimated tax saving for RB in 2010 as a result of using this system is £1.1m.

In 2011, Reckitt Benckiser Investments (No 9) Sarl merged with its Luxembourg parent company, Reckitt Benckiser Investments (No 8) Sarl. Looking at the latter's financial accounts, it is clear that it also inherited a debt arrangement. However, the profit and loss accounts of the Luxembourg subsidiary are not available from 2011, so it is not possible to verify whether taxes have been paid on the interest income. If the annual profits of the Luxembourg business are based purely on interest income, it is possible to estimate that the annual interest income was £16–24m in the period 2011–15. Assuming that the Luxembourg tax ruling continued to limit RB's ETR to 1.5 percent throughout the period, its total tax savings between 2010 and 2015 from its arrangement in Luxembourg can be estimated at £24m.[135]

RB's total tax savings between 2010 and 2015 from its arrangement in Luxembourg can be estimated at £24m

Table 9. RB in Luxembourg, 2009–15

RB Luxembourg No. 8/9	2009	2010	2011	2012	2013	2014	2015
Exchange rate: EUR/GBP		0.85428	0.83688	0.83612	0.83744	0.73466	0.73466
Profit before tax (£m)		4.518	23.758	19.802	20.044	17.543	16.645
Tax (£m)		0.070	0.356	0.297	0.301	0.263	0.250
ETR (%)		1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Theoretical tax bill on profit before tax at 25% (£m)		1.1	5.9	5.0	5.0	4.4	4.2
Tax savings of effective rate vs. 25% (£m)		**1.1**	**5.6**	**4.7**	**4.7**	**4.1**	**3.9**
TOTAL TAX SAVINGS 2010–15 (£m)							**24.0**

Note: Profit before tax for 2011–15 estimated based on annual net profits on balance sheet and 2010 ETR of 1.5 percent. Tax for 2011–15 estimated based on 2010 ETR.

Sources: RB Luxembourg financial accounts for Reckitt Benckiser Investments No. 8 and No.9 Sarl 2010–15.

Box 6: How a big accountancy firm helped RB avoid tax

Accountancy giant PwC provided RB with advice on changing its group structure and business arrangements in Luxembourg, after a tender process across the 'Big Four' accountancy firms.[136] PwC already had long-standing contracts with RB to conduct its audit. According to RB's annual report, its tax advisory costs tripled in 2012 (the year of RB's first restructure) from £1.4m to £4.3m, before decreasing to £1.7m in 2013.[137] RB's annual report notes that, in 2012, it exceeded its own internal thresholds, which dictate that tax advisory fees should not exceed 50 percent of the Group's external audit fees, by over £1m.[138] This appears highly unusual for RB – as it is for any MNC.

3 HOW TAX AVOIDANCE COSTS COUNTRIES LIKE BANGLADESH

RB has operations in a number of developing countries whose governments need revenues from taxation to fund public services. As explained in section one, developing countries are more reliant on corporate taxes to fund public services than developed countries and therefore tax avoidance by MNCs hits them hardest. A number of developing countries simply do not raise sufficient taxes to fund decent public services, so tackling corporate tax avoidance should be a high priority. Whilst one MNC avoiding tax in one country may make only a relatively small difference to the national tax revenues, the systemic nature of corporate tax avoidance means that some countries have very significant tax shortfalls. One example is Bangladesh, where Oxfam has worked for more than 45 years. With a population of 160 million people, cheap labour and a growing middle class, it offers huge potential to businesses looking to expand. Yet despite economic growth, almost 40 million people are still living below the national poverty line, and more than 20 million people are living in extreme poverty.[139] A third of Bangladeshis do not have a decent toilet.[140]

A lack of tax revenue is fundamental in holding back the country's development. Oxfam's research has found that Bangladesh is collecting much less tax than it could be.[141] This helps to explain why the amount that Bangladesh raises in taxes is one of the lowest in the world – just 10 percent of GDP, the 14th lowest percentage globally.[142] There is a clear need and potential for Bangladesh to raise more tax revenue.

Box 7. Poor sanitation and healthcare in Bangladesh

Rasheda Begum washing clothes in her yard beside an open sewer in Chittagong, Bangladesh. Photo: GMB Akash/Oxfam

Rasheda Begum, 24, a young mother-of-two, lives in Chittagong, south-eastern Bangladesh, sharing two cramped rooms with her children, husband and mother-in-law. Their home is a tin-roofed cement shack, squeezed onto a tiny plot surrounded by factories and other shacks.

Up to 25 people from several families share a single toilet and a water tap, which is regularly cut off. A channel of filthy polluted water, including human waste, runs through the narrow yard where they bathe, prepare meals and wash their clothes. In the rainy season it overflows, flooding their homes.

An estimated seven million people live below the poverty line in urban areas like Chittagong in Bangladesh[143] and, like more than 80 percent of women in Bangladesh, Rasheeda does not have a paid job.[144]

Rasheda's husband, Abdul, is a truck driver, working from 7am to 10pm six days a week delivering goods around the city. He earns around 10,000 taka (£100) a month – but in the rainy season this can be less than £80. This barely covers the household essentials.

The whole family, especially her five-year-old son Mohammed* and 18-month-old daughter Farhana*, are often ill with diarrhoea, which Rasheda believes is linked to their unhygienic living conditions.

'I spend sleepless nights worrying about the children getting sick,' she says. '*The treatment is so expensive. We don't have that kind of money.10,000 taka (£100) a month is not enough for a family of five to live on. Should I buy medicine for my children, or should I buy food to feed my family?'*

To cover medical expenses, the family had to borrow money from neighbours and is now in debt.

Rasheda says that creating a hygienic living environment for the family is impossible where they live. She dreams of one day moving to a clean place and building a house, where the children can stay healthy and get a good education.

*Names have been changed.
Source: Based on original interview for this report.

Some of the missing revenue should come from MNCs that are currently avoiding taxes in Bangladesh. A 2014 study, citing evidence from the National Revenue Board, said that Bangladesh loses around $310m (approx £190m in 2014) each year due to tax avoidance and evasion by MNCs.[145] This avoidance is partly due to weak monitoring of their transfer prices. This 2014 estimate could have covered one fifth of the primary education budget in Bangladesh: vital resources where there is only one teacher for every 75 primary school-aged children.[146]

Bangladesh loses around $310m (approx £190m in 2014) each year due to tax avoidance by MNCs.[147]

Due to the relatively and absolutely low amounts of revenue derived from tax, the financial resources available to the government of Bangladesh are small. Government spending on healthcare and education is extremely low – just 0.6 percent and 1.8 percent of GDP, respectively.[148] There may be scope to increase funding in these key areas even within the very low overall tax base. Although the expert-recommended target of spending five percent of GDP on health to help achieve universal health coverage is unrealistic on current revenues,[149] it is vital to examine how more health spending can be attained and also how the size of tax revenues can be increased. MNCs operating in countries like Bangladesh can make the decision to be responsible taxpayers, and use their influence to press for more government investment in areas such as health and education.

The World Bank calculates that poor sanitation costs Bangladesh $4.2bn[150] – that's over five times more than its health budget. Diarrhoea is a big killer, with children under five the most vulnerable.

Collecting more taxes to fund public services is especially important because foreign aid is reducing over time. The government of Bangladesh warns that the country may not be able to capitalize on its economic potential unless it is able to collect the tax revenue it is owed.[152] Oxfam is working with SUPRO, a Bangladeshi network of civil society organizations, to call for a fairer tax system and a crackdown on corporate tax avoidance.

The World Bank calculates that poor sanitation costs Bangladesh $4.2bn – that's over five times more than its health budget. [151]

Tax avoidance by multinationals is also unfair on individual Bangladeshis, who are likely to be paying more tax as a proportion of their income than those MNCs. It is a simple question: why should rich MNCs generating sizeable profits be able to reduce their tax rates when poor citizens do not have a choice about the direct or indirect taxes they pay? Such choices fuel inequality: poor people end up paying a higher proportion of tax and bear the brunt of underfunded public services.

Box 8. Oxfam's work on WASH in Bangladesh

Bangladesh has been hit by 11 major floods over the last 33 years. Conversely, 45 million Bangladeshis suffer the effects of drought every year. Oxfam's work focuses mostly on the provision of resilient WASH facilities for vulnerable communities: pond sand filters for areas where only surface water is available for drinking; elevated latrines and hand pumps for flood-prone areas; and women's washing areas in rural areas. In urban areas, Oxfam in Bangladesh is piloting the use of water vending machines that are run by community-based organizations and located in shops in poor residential areas. They are simple to operate and provide filtered water via direct coin payments; this helps to prevent corruption and ensure that women can access water directly.

Source: Oxfam in Bangladesh. *ATM Water: Connecting technology to the urban poor*. Available at: http://water.oxfam.org.uk/en/blog-en/atm-water-connecting-technology-to-the-urban-poor/

GIVING WITH ONE HAND, TAKING WITH THE OTHER

RB does a lot of good work to further its vision of a world in which people are healthier and live better lives.[153] This includes hygiene and handwashing campaigns to prevent diarrhoea in India, Indonesia, Pakistan and Nigeria. RB states that it is committed to helping deliver the UN Sustainable Development Goals[154] three and six, on 'good health and wellbeing' and 'clean water and sanitation', respectively.[155] These commendable commitments and actions are, however, undermined by its tax avoidance. When governments have lower revenues due to tax avoidance, it is harder for them to fund essential public services for their poorest and most vulnerable citizens. RB makes billions of dollars a year from the sale of domestic cleaning and hygiene products. While giving money with one hand, it withholds revenue from governments with the other through tax avoidance – revenue that should be used to fund essential services, redistribute unpaid care work and improve sanitation and healthcare.

4 CONCLUSION AND RECOMMENDATIONS

Governments in the UK and abroad must act to remedy the broken tax system. Tax avoidance is not a victimless act: when governments do not have the money to pay for decent public services, it is the poorest people who lose out. Some progress has been made in curtailing the ability of MNCs to do this, but too many loopholes remain. Concerted action is needed to restore trust in national and international tax systems. Many MNCs like RB can continue to avoid tax while it is legal to do so and hard to expose, although a growing number are taking a more responsible approach to tax. People in developing countries need transparency about what taxes MNCs pay and where, so that avoidance can be better detected and understood, and better rules agreed. This should lead to fairer tax systems and greater confidence in them. Research shows that public scrutiny has a positive effect on curbing tax avoidance by MNCs.[156]

THE NEED FOR TRANSPARENCY FROM MNCS

Transparency is vital to restore trust in tax systems. Information is limited on the extent to which MNCs are deliberately avoiding tax, but a number of prominent cases demonstrate that well-known MNCs are successfully reducing their tax liabilities contrary to the intention of laws. As the RB case shows, it is possible for MNCs to avoid taxes, despite the actions currently being taken by governments. However, we simply do not know the scale and precise nature of avoidance because of a lack of publicly available information.

Therefore, MNCs must publish their tax data so that it can be seen where they may be avoiding taxes, which in turn will help governments to introduce better tax rules. A number of stakeholders are already calling for this. For example, RB 'supports the calls on governments to take the necessary steps to accelerate public country by country reporting' (see Appendix 2 for full statement). Oxfam acknowledges the leadership and progress made in some aspects of tax transparency by the UK government to date, including the 'Flint Amendment', which in September 2016 gave the UK government the power to require public CBCR.[157]

Oxfam calls on governments to implement public CBCR for all large MNCs. The reports from each country should detail the ratios necessary to assess tax avoidance, including revenue, operating profit, finance costs and income, royalty income and costs, profit before tax, tax, tangible and intangible assets, number of employees, and costs per employee.

EU governments should:

- adopt comprehensive public CBCR legislation that delivers for both European citizens and developing countries by requiring MNCs to report on their activities worldwide;
- require all MNCs to report their accounts of local subsidiaries to public trade registries; and
- close the loopholes that remain in the EU Anti-Tax Avoidance Directive. For example, the General Anti-Avoidance Rule should be specific enough to tackle MNCs' tax avoidance and allow treaty benefits only to beneficial owners.

The UK government should:

- set out a timeline for when it will introduce public CBCR in the absence of a multilateral agreement, to ensure implementation by the end of 2019; and
- win support from potential allies for public CBCR in Europe and beyond.

Developing country governments should:

- require subsidiaries of reporting MNCs to share their group's data on a country-by-country basis.

THE NEED FOR NEW INTERNATIONAL TAX RULES

It is up to national governments to strengthen domestic tax policies, and work together to establish effective international rules. Governments must legislate to make MNCs' tax practices transparent, and tax rules fair and consistently applied. Given how vital corporate tax revenue is in fighting poverty and inequality, governments must stop undercutting one another on corporate tax rates and exemptions.

As this case study shows, there are various loopholes MNCs can use to shift profits to low-tax jurisdictions. While the BEPS actions tackle some of these, loopholes will remain for as long as transfer pricing calculations leave scope for reducing liabilities. It is also important that governments have consistent rules concerning what types of MNC should be taxed and how.

Oxfam calls on governments to agree a new round of international tax reforms that will prevent MNCs from shifting profits.

The UK and other governments should:

- revise controlled foreign company rules to discourage profit shifting out of both the UK and third countries;
- put a halt to the race to the bottom on corporate tax, and ensure that corporate tax rates are set at a level that is fair, progressive and helps contribute to the collective good;
- support the CCCTB proposal[158] in the EU to combat harmful tax competition, and agree a common approach to deciding which country has the right to tax what portion of MNCs' profits;
- conduct a holistic 'spillover analysis'[159] of existing national tax policy, to identify impacts on developing countries; and
- join multilateral efforts to identify tax havens and take actions against them, including through effective 'blacklists' and counter-measures.

All governments should work internationally to:

- ensure that tax rules are fair, transparent and consistently applied, identifying and preventing harmful tax measures, particularly so that developing countries can claim the tax revenues they are due in line with their tax capacity;
- update international tax rules, based on decision making by a legitimate global body – for example, by updating the mandate of the UN Tax Committee to become a UN tax body; and
- agree to provide full, public, transparency and exchange information on advance tax rulings and advance pricing agreements, including for third countries, so that they know what taxes MNCs should be paying.

THE NEED FOR MNCS TO PAY FAIR TAXES

Achieving fairer tax outcomes also requires a change in the attitudes and approaches that MNCs take to taxation. As is the case with many issues of corporate responsibility, it is not just regulation, but values that must shape tax behaviour. Oxfam calls this 'responsibility beyond legal compliance', which reflects companies' broader duties to contribute to the public goods that help to sustain their production, environment, workforce and consumer base. Companies should also be transparent about all attempts to influence public policy, and use their influence to advocate for a fairer, more transparent and more equitable tax system, rather than fighting to preserve existing loopholes and an unequal status quo. **Oxfam calls on MNCs, including RB, to be transparent about their tax strategies and payments, and to pay taxes in line with relevant economic activity.**

MNCs should:

- publish comprehensive tax strategies which set out their approaches to issues such as IP, transfer pricing, tax incentives and the use of tax havens, and explain how these approaches align with their business purpose and sustainability strategies;
- publish CBCR of tax relevant information and join efforts to press governments to introduce mandatory public reporting on a consistent basis;
- publish accounts of all their subsidiaries, including those in developing countries;
- explain their global ETRs and why they may be different from relevant statutory tax rates; and
- use the framework developed for how MNCs can go beyond legal compliance, *Getting to Good*: *Towards responsible corporate tax behaviour,*[160] developed by Oxfam, ActionAid and Christian Aid.

THE NEED FOR TAX ADVISORS TO CHANGE THEIR BEHAVIOUR

MNCs are often advised by accountancy firms and other intermediaries on how to play governments off against each other in order to make use of loopholes in national and international laws. Often, these intermediaries may have a direct or indirect role in helping MNCs to avoid tax. Oxfam calls on such intermediaries to stop helping clients to minimize tax bills, and instead uphold a legal and ethical code that promotes the payment of fair taxes, based on the principle of MNCs being taxed according to their actual economic activity. While relevant UK accountancy and tax advisory bodies have signed up to a code of conduct on tax,[161] it is not yet clear whether this will prevent UK firms facilitating tax avoidance.

All governments should:

- in the absence of a multilateral agreement, pass legislation on the role of intermediaries and advisors that requires both the users and the intermediaries of potentially aggressive tax planning schemes to disclose information to their relevant tax authorities;
- all governments and tax policy-making bodies should introduce and abide by a code of conduct that ensures that businesses and accountancy firms, and their personnel, avoid any conflicts of interests when being paid or hired by decision makers to ‘provide intelligence and innovation’, and ensure that commercial interests do not take precedence over the interests of the public.

The UK government should:

- extend the ‘hallmarks’ (indicators) of the Disclosure of Tax Avoidance Schemes (DOTAS)[162] to include the type of restructuring identified in the case of RB;
- create an additional tax abuse hallmark to highlight schemes that show signs of possible ‘abusive tax behaviour’ outside the UK. Under this, UK-resident taxpayers and UK-based tax advisors would be required to disclose transactions and arrangements displaying such a hallmark.

APPENDIX 1: METHODOLOGY

Oxfam hired three independent researchers to find evidence of UK-headquartered MNCs that might be deliberately reducing their tax bills in developing countries. The researchers looked at publicly available information between May and November 2016. Some updated data relating to RB has been accessed more recently.

The researchers began by looking at the basic financial data available for FTSE 100 MNCs, assessing them on the following criteria:

1. Presence in a tax haven.[163]
2. Presence in developing countries where Oxfam works.
3. Evidence of the use of a mechanism of tax avoidance that will not be addressed by implementation of the OECD BEPS recommendations.
4. No practice of CBCR.
5. Tax avoidance structure/activities that appear to be ongoing (not in the past).

The researchers considered a short list of FTSE 100 MNCs that satisfied these five criteria, and sought more detailed information from publicly available sources, such as financial accounts for other countries.

The researchers pieced together information from the remaining MNCs to identify the likelihood that they were practising tax avoidance, and having a negative effect on developing countries. From the available information, the accounts of RB were identified as providing evidence of tax avoidance practices which would not be covered by the implementation of OECD BEPS.

Data sources

The research was conducted between May and November 2016 using data from:

- Publicly available information on company websites.
- Registers of company information in different countries. In some cases, the researchers paid administration fees to access company accounts.
- The global Orbis database, which provides data on many MNCs.
- Additional information sources as referenced throughout the report.

The researchers analysed the main subsidiaries for the countries where they could access data. Data from financial statements was cross-checked with data in Orbis. The approach and estimates used were based on previous analyses of the tax practices of MNCs, including estimates of potential tax avoidance. This involved analysing group accounting information alongside analysis of subsidiaries within the context of changing business practices, including restructurings. The hypothesis being tested was that MNCs could lower their tax liabilities, particularly in developing countries, by using techniques that are likely to remain legal under tax reforms such as BEPS. This is similar to case studies already in the public domain.

This case study seeks to identify evidence of profit shifting. In order to estimate where profits were shifted from, it was necessary to assign total group profit to the countries in which the business activity took place. Due to patchy data availability, the researchers used sales figures as a proxy for activity. This is reasonable for MNCs that, like RB, sell products as their primary business. The research also assumed that the restructures had no impact on financial profit or loss on the operations in RB subsidiaries.

Oxfam and its researchers emphasize that, in presenting evidence on RB, they are simply highlighting one example of an MNC that is making use of national and international tax rules to reduce their tax bill. Oxfam reached out to RB to share the findings of the research prior to publication and to provide them with the opportunity to respond. The company's full response is contained in **Appendix 2**, and, where relevant, the company's response has been incorporated into the report. Oxfam is continuing to engage with RB to understand its tax policies and practices. Oxfam also gave PwC the opportunity to respond prior to publication; PwC stated that it was unable to comment on client matters.

APPENDIX 2: RB'S RESPONSE

RB supports Oxfam's call for greater corporate tax transparency

'RB pays the right amount of tax in each country where we do business around the world. The taxes we pay are in accordance with where the value is created, taking into account internationally agreed transfer pricing principles.

'As Oxfam recognises, RB's tax policy is totally legal and the norm for the majority of global businesses. We comply with all our legal obligations and seek to do what is right by all the company's stakeholders.

'In fact, relative to other multinational corporations domiciled in the UK, RB's effective tax rate of 23% (in 2016) compares favourably with our peer group companies whose tax contributions range from 18-26%. In 2016, our UK corporation tax contribution was £61m which represented just short of 12% our total tax charge. Given our UK turnover was only 8% of global turnover we clearly pay proportionately more corporation tax in the UK.

'We strongly refute the assertion made by Oxfam that RB's decision made in 2012 to locate its regional 'business headquarters' in the Netherlands, Dubai and Singapore was driven principally by tax avoidance. Rather this re-structuring was motivated by our desire to ensure that our business was organised to be close to our customers and consumers by combining geographies of Europe and North America (located in Netherlands); Russia, Middle East and Africa (located in Dubai); and Asia Pacific (located in Singapore).

'These locations are important drivers of our business operations employing several hundred people. Each of these regional headquarters is chaired by an Executive Vice President that is a member of RB's Executive Committee.

'We share Oxfam's belief that it is important for governments, particularly the poorest nations, to have access to sufficient tax receipts to be able to invest in the provision of adequate public services and infrastructure. However, we similarly strongly refute any link between our tax structure and the assertion that we seek to avoid taxes in developing countries that could otherwise have been invested in public health and education. None of our business operations are in any way linked to tax avoidance in developing countries.

'Indeed, RB has had longstanding partnerships on the ground in developing countries to promote improvements in child and infant mortality, health and hygiene. This is core to the purpose of many of our brands like Dettol, Lysol, Harpic and Durex.

‘RB recognises the growing complexity of tax regulation around the world and supports efforts to increase levels of trust and understanding of the tax system through greater transparency. We support the OECD guidelines on tax and transparency and will fully comply.

‘We support efforts to ensure that the rules are clear and are the same for all companies around the world. This is in all our interests.

‘We have published our RB Tax Principles (www.rb.com/responsibility) which outline our approach to managing our tax affairs. We are always open to dialogue with all those who seek to better understand our business. As a first step, will be consulting with Oxfam prior to publishing our UK tax strategy document in December 2017.

‘RB will be filing its first ‘country by country’ (CBCR) tax return to the UK’s HMRC by December 2017. This report will be shared by HMRC with all relevant tax authorities in countries where RB operates around the globe.

‘The CBCR return will disclose key components of our profit and loss accounts, including revenues earned, the taxes paid, and the number of employees we have in all the markets in which we do business. We believe that such CBCR reports will enable tax authorities to have a better understanding of the individual tax contributions made by multi-national companies like RB.

‘It is important, however, to recognise that some of this data is commercially sensitive as it will provide our competitors with information about how we are focusing our resources. We believe that compromising RB’s competitiveness to be against the interests of our stakeholders – most notably our more than 40,000 employees. Of course if all companies would be legally required to publish this data publicly, we would fully comply.

‘This is why RB supports the call on governments to take the necessary steps to accelerate public country by country reporting and to create a level playing field for all businesses irrespective of where they are headquartered. We would encourage the UK Government to play a leading role in this respect.’

NOTES

All links were last accessed June 2017.

1 D. Hardoon. (2017). *An Economy for the 99%: It's time to build a human economy that benefits everyone, not just the privileged few*. Available at: https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/bp-economy-for-99-percent-160117-en.pdf

2 K. Donald and R. Moussie. (2016). Redistributing Unpaid Care Work: Why Tax Matters for Women's Rights. Available at: https://opendocs.ids.ac.uk/opendocs/bitstream/handle/123456789/7996/PB109_AGID320_UnpaidCare_Online.pdf;jsessionid=5C00113FCEA177205B0CB4F86053535D?sequence=1

3 Tax havens are jurisdictions or territories that have intentionally adopted fiscal and legal frameworks allowing non-residents (physical persons or legal entities) to minimize the amount of taxes they pay where they undertake substantial economic activity. Oxfam's list of tax havens can be found in the report: E. Berkhout. (2016). *Tax Battles: The dangerous global race to the bottom on corporate tax*. Available at: https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/bp-race-to-bottom-corporate-tax-121216-en.pdf

4 United Nations Conference on Trade and Development (UNCTAD). (2015). *World Investment Report 2015*. Available at: http://unctad.org/en/PublicationsLibrary/wir2015_en.pdf

5 Ibid.

6 RB. *About Us.* Available at: http://www.rb.com/about-us/

7 RB. (2016). *Healthier Lives, Happier Homes*. Factsheet. Available at: https://www.healthier-lives.com/media/1074/rb_factsheet_2256_eng.pdf

8 United Nations. (2015). *Sustainable Development Goals*. Available at: http://www.un.org/sustainabledevelopment/sustainable-development-goals/

9 RB. (2016). *Purpose with a Passion: Annual Report and Financial Statements 2016*. Available at: http://annualreport2016.rb.com/

10 See Appendix 1 for an explanation of how RB was identified for this case study.

11 European Commission. (2016). *Common Consolidated Corporate Tax Base (CCCTB)*. Available at: https://ec.europa.eu/taxation_customs/business/company-tax/common-consolidated-corporate-tax-base-ccctb_en

12 Information on RB's investors was accessed from S&P Capital IQ on 30 May 2017: www.capitaliq.com. RB's UK share register as of register date 3/1/2017.

13 Norges Bank Investment Management. (2017). *Tax and Transparency: Expectations towards companies.* Available at: https://www.nbim.no/en/responsibility/risk-management/tax-and-transparency/

Legal and General Investment Management. (2015). *Active Ownership: Positive engagement to enhance long-term value*. Corporate governance report. Available at: http://www.lgim.com/library/capabilities/CG_Annual_Report_2015.pdf

14 A. Karananou and A. Guha. (2015). *Engagement Guidance on Corporate Tax Responsibility: Why and how to engage with your investee companies.* Available at: https://www.unpri.org/download_report/8531

15 G. Gimdal. (2017). *Common Corporate Tax Base (CCTB).* Briefing: EU Legislation in Progress. Available at: http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI(2017)595907

16 UNCTAD. (2015). *World Investment Report 2015*. Available at: http://unctad.org/en/PublicationsLibrary/wir2015_en.pdf

17 A. Cobham and P. Jansky. (2017). *Global Distribution of Revenue Loss From Tax Avoidance: Re-estimation and country results.* UNU-WIDER working paper 2017/55. Available at: https://www.wider.unu.edu/sites/default/files/wp2017-55.pdf

18 E. Crivelli, R. De Mooij and M. Keen. (2015). *Base Erosion, Profit Shifting and Developing Countries*. IMF Working Paper. Available at; https://www.imf.org/external/pubs/ft/wp/2015/wp15118.pdf

19 Investments amounting to an annual average of $265bn per year during 2016–30 are needed to end world hunger (i.e. 0.3 percent of the average projected world income for that period), covering additional investments in social protection and additional targeted pro-poor investments in productive activities. See: FAO, IFAD and WFP. (2015).

Achieving Zero Hunger: The critical role of investments in social protection and agriculture. Rome, FAO. Available at: http://www.fao.org/3/a-i4951e.pdf

20 Tax revenues in developing countries are more reliant on corporate tax than in developed countries. This estimate is based on E. Crivelli, R. De Mooij and M. Keen. (2015). *Base Erosion, Profit Shifting and Developing Countries*. IMF Working Paper. Available at: https://www.imf.org/external/pubs/ft/wp/2015/wp15118.pdf

21 UNCTAD. (2015). *World Investment Report 2015*. Available at: http://unctad.org/en/PublicationsLibrary/wir2015_en.pdf

22 In certain cases, governments (including the EU) have retrospectively ruled that certain actions that were previously considered legal were, and are, in fact illegal.

23 ActionAid. (2013). *Give Us a Break: How big companies are getting tax-free deals*. Available at: http://www.actionaid.org/sites/files/actionaid/give_us_a_break_-_how_big_companies_are_getting_tax-free_deals_2.pdf

24 H. Ebrahimi. (2012, 12 November). *Starbucks, Amazon and Google Accused of Being 'Immoral'*. The Telegraph. Available at http://www.telegraph.co.uk/finance/personal finance/tax/9673358/Starbucks-Amazon-and-Google-accused-of-being-immoral.html

25 Ibid.

26 V. Houlder and J. Pickard. (2014, 3 January). *More Evidence of Low Tax Payments by US Tech Groups.* Financial Times. Available at: https://www.ft.com/content/28e15a82-7230-11e3-9c5c-00144feabdc0 [paywall]

27 The UK government expected to raise £3.1bn between 2015/16 and 2019/20. However, the Institute for Fiscal Studies predicted that the tax would raise £270m in the first year and £350m thereafter (£1.67bn over five years): H. Miller and T. Pope. (2015, 26 February). *£8 billion Giveaway Used to Boost Corporate Tax Competitiveness.* Institute for Fiscal Studies. Available at: https://www.ifs.org.uk/publications/7609. Actual data on the success of the measure is hard to find.

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29 Ibid. p18.

30 The Economist. (2016, 3 September). *The €13bn Bite.* Available at http://www.economist.com/news/business/21706238-european-commissions-huge-penalty-against-apple-opens-up-new-front-war-tax

31 House of Commons. (2015). *Tax Avoidance: The role of large accountancy firms (follow–up).* Committee of Public Accounts. Thirty-eighth Report of Session 2014–15. Available at: https://www.publications.parliament.uk/pa/cm201415/cmselect/cmpubacc/1057/1057.pdf

32 M. Jamaldeen. (2016). *The Hidden Billions: How tax havens impact lives at home and abroad*. Available at: https://www.oxfam.org.au/wp-content/uploads/2016/06/OXF003-Tax-Havens-Report-FA2-WEB.pdf

The latest data from the Australian Tax Office show that one in three large companies in Australia paid no tax at all in both 2014 and 2015. See:

Australian Taxation Office. *Corporate Tax Transparency Report for 2014–15*. Media release. Available at: https://www.ato.gov.au/Media-centre/Media-releases/Corporate-tax-transparency-report-for-2014-15/, and

Australian Taxation Office. *Corporate Tax Transparency Report for the 2013–14 Income Year.* Available at: https://www.ato.gov.au/Business/Large-business/In-detail/Tax-transparency/Corporate-tax-transparency-report-for-the-2013-14-income-year/

33 A. Cobham and P. Jansky. (2017). *Global Distribution of Revenue Loss From Tax Avoidance: Re-estimation and country results.* UNU-WIDER working paper 2017/55. Available at: https://www.wider.unu.edu/sites/default/files/wp2017-55.pdf

34 Ibid.

35 OECD. *Base Erosion and Profit Shifting*. Available at: http://www.oecd.org/tax/beps/

36 European Council. (2016, 12 July). *Corporate Tax Avoidance: New Rules Adopted*. Available at: http://www.consilium.europa.eu/en/press/press-releases/2016/07/12-corporate-tax-avoidance/

37 European Commission. (2015). *Study on Structures of Aggressive Tax Planning and Indicators*. Available at: http://ec.europa.eu/taxation_customs/sites/taxation/files/resources/documents/taxation/gen_info/economic_analysis/tax_papers/taxation_paper_61.pdf

38 'This valuation principle is commonly applied to commercial and financial transactions between related companies. It says that transactions should be valued as if they had been carried out between unrelated parties, each acting in his own best interest.' OECD. *Glossary of Statistical Terms. Arm's length principle.* Available at: https://stats.oecd.org/glossary/detail.asp?ID=7245

39 Estimates of intra-group trade are patchy due to scarce data, but P. Folfas (2009) cites a figure of 35 percent and references a World Trade Organization estimate that it may be as high as 50 percent in P. Folfas. (2009). *Intra-Firm Trade and Non-Trade Intercompany Transactions: Changes in volume and structure during 1990-2007.* Available at: http://www.etsg.org/ETSG2009/papers/folfas.pdf

40 European Commission. (2015). *Study on Structures of Aggressive Tax Planning and Indicators.* Available at: http://ec.europa.eu/taxation_customs/sites/taxation/files/resources/documents/taxation/gen_info/economic_analysis/tax_papers/taxation_paper_61.pdf

41 International Monetary Fund. (2014). *Spillovers in International Corporate Taxation.* 1st ed. Available at: https://www.imf.org/external/np/pp/eng/2014/050914.pdf.

42 Ibid.

43 E.Berkhout. (2016). *Tax Battles: The dangerous global race to the bottom on corporate tax.* Available at: https://www.oxfam.de/system/files/bp-race-to-bottom-corporate-tax-121216-en.pdf.

44 Ibid.

45 Some commentators instead refer to 'tax wars', since undercutting a competitor's tax policy is designed to attract business and thus taxable income from elsewhere, albeit with a shrinking base. See, for example, N. Shaxson and J. Christensen. (2016). *Tax Competitiveness: A Dangerous Obsession*, in T. Pogge and K. Mehta (eds). (2016). *Global Tax Fairness*. https://doi.org/10.1093/acprof:oso/9780198725343.003.0013

46 E.Berkhout. (2016). *Tax Battles: The dangerous global race to the bottom on corporate tax*. Available at: http://policy-practice.oxfam.org.uk/publications/tax-battles-the-dangerous-global-race-to-the-bottom-on-corporate-tax-620159

47 See, for example, Oxfam America. (2016). *Broken at the Top: How America's dysfunctional tax system costs billions in corporate tax dodging.* Available at: https://www.oxfamamerica.org/static/media/files/Broken_at_the_Top_4.14.2016.pdf

48 OECD. (2011). *Tax Reform Trends in OECD Countries*. Available at: https://www.oecd.org/ctp/48193734.pdf

49 L.Finér and M.Ylönen. (2017). *Tax-Driven Wealth Chains: A multiple case study of tax avoidance in the Finnish mining sector.* Critical Perspectives on Accounting. Available at: https://doi.org/10.1016/j.cpa.2017.01.002

50 World Economic Forum. (2016). *Global Competitiveness Report 2016–2017.* Available at: https://www.weforum.org/reports/the-global-competitiveness-report-2016-2017-1/

51 L. Wayne *et al*. (2014, 5 November). *Leaked Documents Expose Global Companies' Secret Tax Deals in Luxembourg.* Available at: https://www.icij.org/project/luxembourg-leaks/leaked-documents-expose-global-companies-secret-tax-deals-luxembourg

52 The Patent Box enables companies to apply a lower rate of corporation tax to profits earned after 1 April 2013 from patented inventions. There is concern that this relief has not encouraged innovation, but instead has allowed some companies to reduce their ETR.

53 Deloitte. (2016, 8 December). *Innovation Box Changes*. Available at: https://www2.deloitte.com/nl/nl/pages/tax/articles/2017-tax-plan-budget-day-innovation-box-changes.html

54 A. Alstadsæter *et al*. (2015). *Patent Boxes Design, Patents Location and Local R&D*. Available at: http://ec.europa.eu/taxation_customs/sites/taxation/files/resources/documents/taxation/gen_info/economic_analysis/tax_papers/taxation_paper_57.pdf

55 The 'nexus approach' is a departure from the transfer pricing method used to assess real economic activity, allowing companies and countries to use more subjective criteria to determine which expenditures may qualify for tax relief. This could lead to 'sweetheart deals' in the area of IP. The UK and Germany proposed such a nexus approach on IP to the OECD, see: *Germany-UK Joint Statement: Proposals for new rules for preferential IP regimes*. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/373135/GERMANY_UK_STATEMENT.pdf

56 D. Hardoon. (2017). *An Economy for the 99%: It's time to build a human economy that benefits everyone, not just the privileged few*. Available at: https://www.oxfam.org /sites/www.oxfam.org/files/file_attachments/bp-economy-for-99-percent-160117-en.pdf

57 See, for example, the PANA committee of the European Parliament, which has investigated the role of intermediaries in the *Panama Papers*: https://medium.com/investigating-the-panama-papers/first-meeting-of-the-pana-committee-we-need-to-investigate-intermediares-of-the-offshore-industry-ec54d8722282

58 Listed companies typically need to publish their consolidated accounts publicly in the place where they are listed. However, in many countries it is hard to get much information on unlisted companies, or on the individual companies that form a listed company—a category relevant to this research.

59 The International Monetary Fund (IMF) and others have pushed an increasing number of developing countries to adopt the International Financial Reporting Standards (IFRS) for accounting. These standards advocate detailed reporting requirements for consolidated reports of listed companies, but are not very helpful in understanding what is happening inside companies in terms of tax planning.

60 The OECD requirement is being implemented by countries which have signed up to the BEPS project. Since the data will not be made public, it is difficult to assess how national tax authorities will make use of the information to identify potential tax avoidance.

61 OECD. (2015). *Action 13: Country-by-Country Reporting Implementation Package*. Available at: https://www.oecd.org/ctp/transfer-pricing/beps-action-13-country-by-country-reporting-implementation-package.pdf

62 Oxfam's analysis of the first public CBCR data in the banking sector highlighted major gaps and omissions in the published information; see Oxfam Novib. (2017). *Opening the Vaults: The Use of Tax Havens by Europe's Biggest Banks*. Available at: http://www.oxfamnovib.nl/Redactie/Downloads/Rapporten/20170327 Opening the vaults—2203—Final English_22.03.pdf. This highlights the importance of getting the details of reporting requirements right, as well as the importance of enforcement mechanisms.

63 See, for example, M. Perry Danziger. (2010, 3 June). *New Reporting Rules for Hong Kong Stock Exchange Will Improve Investment Climate, Transparency.* Available at: http://www.gfintegrity.org/press-release/new-reporting-rules-hong-kong-stock-exchange-will-improve-investment-climate-transparency/

64 J. May. (2016, 6 September). *Government Backs Public Country by Country Tax Reporting Amendment*. Politics Home. Available at: https://www.politicshome.com/news/uk/economy/taxation/news/78703/government-backs-country-country-tax-reporting-amendment

65 The EU has not yet agreed on a public CBCR mechanism. The European Commission proposed a mechanism in mid 2016 (see http://ec.europa.eu/finance/company-reporting/country-by-country-reporting/index_en.htm#cbcr-tax) and the European Parliament drafted a modified version in early 2017 (see C. Remeur. (2017). *Public Country-by-Country Reporting by Multinational Enterprises*. Available at: http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/595867/EPRS_BRI(2017)595867_EN.pdf). A final version is expected to be agreed within the EU in late 2017 or early 2018.

66 Vote Watch Europe. (2017). *Vote Details for European Parliament Resolution: Tax avoidance and tax evasion as challenges in developing countries.* Available at: http://www.votewatch.eu/en/term8-tax-avoidance-and-tax-evasion-as-challenges-in-developing-countries-motion-for-resolution-vote-resol.html. The statistics show that 11 Conservative MEPs voted against the resolution, seven did not vote, two were absent and one voted in favour.

67 Oxfam, Christian Aid and ActionAid. (2015). *Getting to Good: Towards responsible corporate tax behaviour*. Available at: http://policy-practice.oxfam.org.uk/publications/getting-to-good-towards-responsible-corporate-tax-behaviour-582243

68 A. Karananou and A. Guha. (2015). *Engagement Guidance on Corporate Tax Responsibility: Why and how to engage with your investee companies.* Available at: https://www.unpri.org/download_report/8531

69 Information on RB's investors was accessed from S&P Capital IQ on 30 May 2017: www.capitaliq.com. RB's UK share register as of register date 3/1/2017.

70 Norges Bank Investment Management. (2017). *Tax and Transparency: Expectations towards companies.* Available at: https://www.nbim.no/en/responsibility/risk-management/tax-and-transparency/

Legal and General Investment Management. (2015). *Active Ownership: Positive engagement to enhance long-term value*. Corporate governance report. Available at: http://www.lgim.com/library/capabilities/CG_Annual_Report_2015.pdf

71 A. Karananou and A. Guha. (2015). *Engagement Guidance on Corporate Tax Responsibility: Why and how to engage with your investee companies.* Available at: https://www.unpri.org/download_report/8531

72 For a full list of companies and other organizations accredited with the Fair Tax Mark, see https://fairtaxmark.net/our-businesses/

73 MNCs and their lobbyists often oppose public CBCR by saying that it would expose essential business or trade secrets. However, most of the key data on sales figures can already be obtained from many of the major markets, and a major MNC could easily commission an external assessment of its competitors based on this data. The biggest problem is the unavailability or poor quality of data from many jurisdictions that corporations typically use for their financing and tax structures. These artificial tax structures are typically designed by external tax advisory companies and can hardly be counted as trade secrets.

74 Vodafone Group plc. *Tax and Our Total Contribution to Public Finances 2015–16*. Available at: http://www.vodafone.com/content/dam/sustainability/pdfs/vodafone_2016_tax.pdf. AngloAmerican. *Tax And Economic Contribution Report 2015*. Available at: http://www.angloamerican.com/~/media/Files/A/Anglo-American-PLC-V2/documents/tax-report-2015/aa-2015-tec-report-21-04-16-final.pdf. Unilever. Webpage on tax. Available at: https://www.unilever.com/sustainable-living/what-matters-to-you/tax.html. SABMiller plc. *Our Approach to Tax 2016*. Available at: http://www.ab-inbev.com/content/dam/universaltemplate/ab-inbev/investors/sabmiller/reports/our-approach-to-tax-reports/tax-report-2016.pdf

75 The Capital Requirements Directive (IV) mandates financial companies based in EU member states to publish country-by-country reports. The main requirements are consistent across member states, but some banks have provided additional details, which analysts find useful. For example, Barclays provides notes alongside each country it provides data on, see for example its 2016 CBCR report: Barclays Bank plc. (2017). *Barclays PLC Country Snapshot 2016*. Available at: https://www.home.barclays/content/dam/barclayspublic/docs/InvestorRelations/AnnualReports/AR2016/Barclays%20PLC%20Country%20Snapshot%202016.pdf

76 Barclays Bank PLC. (2017). *Barclays PLC Country Snapshot 2016*. Available at: https://www.home.barclays/content/dam/barclayspublic/docs/InvestorRelations/ResultAnnouncements/2016FYResults/20170223_Barclays_PLC_Country_Snapshot_2016.pdf

77 Rich countries have arguable contributed to this fragility through loan conditionalities imposed by the International Monetary Fund (IMF), the World Bank and other development banks, as these organizations have advocated for cuts in trade taxes in favour of the VAT. See, for example, A. Cobham. (2007). *The Tax Consensus Has Failed! Recommendation to policymakers and donors, researchers and civil society.* Oxford Council on Good Governance. Available at: https://www.files.ethz.ch/isn/128263/Recommendation8_Tax_Concensus_Has_Failed.pdf

78 In some resource-rich developing countries, non-tax revenue from resources may contribute a significant proportion of government revenues.

79 CIT accounts for around 20 percent of the tax base in developing countries compared with around nine percent in rich countries, according to R. Gordon and W. Li. (2005). *Tax Structures in Developing Countries: Many Puzzles and a Possible Explanation*. Available at: http://www.nber.org/papers/w11267. These figures are in line with more recent IMF research which found that CIT accounted for around 16 percent of GDP in low and low-middle income countries, compared with around 8 percent in higher income countries: IMF. (2014). *Spillovers in International Corporate Taxation*. Available at: https://www.imf.org/external/np/pp/eng/2014/050914.pdf. While CIT rates have fallen in recent years, developing countries are likely to still be roughly twice as dependent on CIT for tax revenues compared with developed countries.

80 IMF, OECD, UN and World Bank for the G20. (2015). *Options for Low Income Countries' Effective and Efficient Use of Tax Incentives for Investment*. Available at: https://www.oecd.org/tax/tax-global/options-for-low-income-countries-effective-and-efficient-use-of-tax-incentives-for-investment.pdf

81 There is some evidence that developing countries have higher gaps between statutory and effective rates, which may be accounted for by incentives and tax administration capacity. See, for example, M.E. Schaffer and G. Turley. (2001). *Effective Versus Statutory Taxation: Measuring effective tax administration in transition economies.* European Bank for Reconstruction and Development. Available at: http://www.ebrd.com/downloads/research/economics/workingpapers/wp0062.pdf

82 Oxfam, Christian Aid and ActionAid. (2015). *Getting to Good: Towards responsible corporate tax behaviour*. Available at: http://policy-practice.oxfam.org.uk/publications/getting-to-good-towards-responsible-corporate-tax-behaviour-582243

83 Ibid.

84 K. Donald and R. Moussie. (2016). *Redistributing Unpaid Care Work: Why Tax Matters for Women's Rights*. Available at: https://opendocs.ids.ac.uk/opendocs/bitstream/handle/123456789/7996/PB109_AGID320_UnpaidCare_Online.pdf;jsessionid=5C00113FCEA177205B0CB4F86053535D?sequence=1

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86 ActionAid (2016). *Making Tax Work for Women's Rights*. Available at: http://www.actionaid.org/2016/11/making-tax-work-womens-rights

87 McKinsey and Company cited in F. Rhodes, A. Parvez, and R. Harvey. (2017). *An Economy That Works for Women: Achieving women's economic empowerment in an increasingly unequal world*. Available at: http://policy-practice.oxfam.org.uk/publications/an-economy-that-works-for-women-achieving-womens-economic-empowerment-in-an-inc-620195

88 F. Rhodes, A. Parvez, and R. Harvey. (2017). *An Economy That Works for Women: Achieving women's economic empowerment in an increasingly unequal world*. Available at: http://policy-practice.oxfam.org.uk/publications/an-economy-that-works-for-women-achieving-womens-economic-empowerment-in-an-inc-620195

89 Developing countries' tax bases have been further eroded due to trade-related taxes and tariffs being driven down, in part due to advice from international organizations such as the IMF.

90 See, for example, IMF. (2011). *Revenue Mobilization in Developing Countries.* Available at: https://www.imf.org/external/np/pp/eng/2011/030811.pdf

91 European Parliament. (2014). *Tax Revenue Mobilisation in Developing Countries: Issues and challenges.* Directorate general for External Policies. Available at: http://www.europarl.europa.eu/RegData/etudes/etudes/join/2014/433849/EXPO-DEVE_ET(2014)433849_EN.pdf

92 Grown and Valodia. (2010). T*axation and Gender Equity: A comparative analysis of direct and indirect taxes in developing and developed countries*. Available at: https://www.idrc.ca/en/book/taxation-and-gender-equity-comparative-analysis-direct-and-indirect-taxes-developing-and, p. 5-6

93 Bretton Woods Project. (2017). *The IMF and Gender Equality*. Available at: http://www.brettonwoodsproject.org/wp-content/uploads/2017/04/IMF-and-Gender-Equality-VAT.pdf

94 RB. (2015). *Better Business: Reckitt Benckiser Group plc Annual Report and Financial Statements 2015*, p.11. Available at: https://www.rb.com/media/1598/rb-annual-report-2015_final.pdf

95 RB. (2016). *Purpose with a Passion: Annual Report and Financial Statements 2016*. Available at: http://annualreport2016.rb.com/

96 RB. *Brands*. Available at: http://www.rb.com/brands/

97 RB. (2016). *Purpose with a Passion: Annual Report and Financial Statements 2016*. Available at: http://annualreport2016.rb.com/

98 RB. *About Us*. Available at: http://www.rb.com/about-us/

99 RB. (2016). *Purpose with a Passion: Annual Report and Financial Statements 2016*. Available at: http://annualreport2016.rb.com/. Due to a separate transparency measure, the UK's public register of beneficial ownership, it is possible to gain a greater understanding of the network of RB subsidiaries and who ultimately controls them. There is some analysis in this *Global Witness* blog: R. Palmer and S. Leon. (2016, 22 November). *What Does the UK Beneficial Ownership Data Show Us?* Available at:

https://www.globalwitness.org/en/blog/what-does-uk-beneficial-ownership-data-show-us/

100 Ibid.

101 In the absence of a full list of countries included in 'developing markets', we assume it to include 23 developing countries plus another five countries (Argentina, Japan, South Korea, Taiwan and UAE).

102 We are not assuming that taxes are paid on sales. We are using the sales metric as a proxy indicator of the share of global taxes liable in developing markets, assuming a consistent global operating margin.

103 See RB annual reports 2012–16. Available at: https://www.rb.com/investors/investor-information/

104 RB states that its business is not linked to tax avoidance in developing countries (see **Appendix 2** for full statement)

105 We are not assuming that taxes are paid on sales. We are using the sales metric as a proxy indicator of the share of global taxes liable in developing markets, assuming a consistent global operating margin.

106 See RB Annual Reports 2012–16. Available at: https://www.rb.com/investors/investor-information/

107 The average OECD CIT rate was 25.4 percent in 2011, and 24.86 percent in 2015. The global average CIT rate was 24.5 percent in 2011 and 23.87 percent in 2015, according to KPMG's corporate tax rate analysis: KPMG. *Corporate tax rates table*. Available at: https://home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/corporate-tax-rates-table.html. During this time, the UK corporate tax rate fell from 26 percent to 20 percent, but the impact of this on RB's ETR is less than 1 percent, since only 16 percent of its global tax was paid in the UK in 2015.

108 However, some other factors – such as differences in accounting principles between RB consolidated accounts and accounts in different countries – might have had a minor impact on the ETR.

109 See RB Annual Reports 2012–16. Available at: https://www.rb.com/investors/investor-information/

110 In our research, Oxfam could not find evidence that significant trading or related processes involving RB products were directly channelled through regional HQs.

111 European Commission. (2016). *State Aid: Ireland gave illegal tax benefits to Apple worth up to €13bn*. Available at: http://europa.eu/rapid/press-release_IP-16-2923_en.htm; G. Wheelwright. (2016). *After Apple: Will other tech companies face Irish tax bills of their own? The Guardian*. Available at: https://www.theguardian.com/technology/2016/aug/31/google-microsoft-facebook-apple-europe-ireland-taxes; A. Ting. (2014). *iTax—Apple's International Tax Structure and the Double Non-Taxation Issue*. *British Tax Review 2014 No. 1.* Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2411297

112 Government of the Netherlands. (2017). *Tax treaties in the Netherlands.* Available at: https://www.government.nl/topics/tax-treaties/contents/tax-treaties-in-the-netherlands

113 European Commission. (2003). *Parent companies and their subsidiaries in the European Union.* Available at http://ec.europa.eu/taxation_customs/business/company-tax/parent-companies-their-subsidiaries-eu-union_en

114 Reckitt Benckiser (ENA) B.V., Financial Statement 2013–14. Available to Oxfam during research from Dutch authorities.

115 According to its financial statement, RB's Singapore company did not fulfil the conditions of the incentive in 2014 and instead paid the general Singapore tax rate of 17 percent on its taxable profits.

116 Reckitt Benckiser (Singapore) Pte Ltd, Financial Statements 2012–14. Available to Oxfam during research from Singapore authorities.

117 The subsidiary was loss-making in 2015. Reckitt Benckiser (RUMEA) Limited Financial Statements 2013–15. Available to Oxfam during research from Dubai authorities.

118 Ibid.

119 Formula: pre-tax profit*25% – actual tax paid. The figures are from RB Group annual reports. The 25 percent benchmark is used since it is a cautious average of global ETRs in countries other than low-tax jurisdictions. The average statutory corporate tax rate in OECD countries was 24.86 percent in 2015 (KPMG. *Corporate Tax Rates*

Table. Available at: https://home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/corporate-tax-rates-table.html). The figure of 25 percent is also realistic based on RB's own ETR before the restructurings, which was 26.5 percent. For the estimates at the global level and for the regional hubs, Oxfam calculated hypothetical tax paid at a rate of 25 percent compared to actual tax paid to estimate 'savings', since the restructure appears to have reduced RB's group and hub level ETR. For the estimates at the national level, Oxfam used the prevailing tax rate and calculated the hypothetical tax paid on an average operating margin in years preceding the restructure for 2013–15. Oxfam did this because the restructure appears to have reduced the profit margin at the national level.

In addition to tax avoidance, the decrease in the ETR could be reflected by a decrease of tax rates in operating countries or the transfer of real business operations to low-tax countries. However, the average corporate tax rate in OECD countries and globally has decreased by less than one percent since 2011.

120 KPMG. *Corporate tax rates table*. Available at: https://home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/corporate-tax-rates-table.html

121 Corporate income tax is generally paid in the country where the profits are generated—for example, RB's profits generated in the Netherlands are taxed there. Since the ETR in the Netherlands is lower than the UK income tax rate, this difference is accounted for in these figures.

122 The fall in the UK CIT rate would therefore account for at most around one percentage point of the company's ETR since the total UK rate fall is six percentage points and the UK profits and taxes represent around one eighth of the company's total.

123 During the research, RB's financial accounts available for the Netherlands were only up until 2014, while the accounts of another key Dubai subsidiary were not available.

124 The estimates based on individual accounts are more reliable, since they reflect the actual tax avoidance structure more directly. However, the deficiency of this approach is that it does not necessarily capture all the global effects of tax avoidance, since not all the accounts of subsidiaries affected by tax avoidance can be retrieved and analyzed (due to secrecy jurisdictions, etc.).

125 Formula: pre-tax profit*25% – actual tax paid. See note 119 above.

126 At the same time, the Belgian subsidiary is used as an intercompany financing entity in order to benefit from the Notional Interest Deduction. This deduction allows all companies subject to Belgian corporate tax to deduct from their taxable income a fictitious interest calculated on the basis of their shareholder's equity (net assets). This is a harmful corporate tax advantage and RB has been using it for years. Between 2013–15 alone, RB could deduct around €6m from its already low tax base due to the 2012 restructuring.

127 Formula: (operating revenue*16.6% – operating profit)*33.3%.

128 ICIJ. (2014). *Luxembourg Leaks: Global Companies' Secrets Exposed*. Available at: https://www.icij.org/project/luxembourg-leaks

129 Ibid.

130 See, for example, European Commission. (2015). *European Commission Staff Working Document*. Accompanying the proposal for a new directive on exchange of information on tax rulings. Available at: http://ec.europa.eu/taxation_customs/sites/taxation/files/resources/documents/taxation/company_tax/transparency/swd_2015_60.pdf

131 European Commission. (2015, 6 October). *Tax transparency: Commission welcomes agreement reached by Member States on the automatic exchange of information on tax rulings.* Available at: http://europa.eu/rapid/press-release_IP-15-5780_en.htm

132 European Commission. (2016). *Common Consolidated Corporate Tax Base (CCCTB)*. Available at: https://ec.europa.eu/taxation_customs/business/company-tax/common-consolidated-corporate-tax-base-ccctb_en

133 This figure is calculated based on an approximate average exchange rate for 2010 (EUR/GBP of 0.86).

134 It is highly likely that this interpretation of the subsidiaries involved in the loan is contrary to the OECD guidelines on the arm's length principle.

135 Formula: profit before tax*(25%–1.5%).

136 The 'Big Four' are Deloitte, Ernst & Young, KPMG and PwC; together they audit over 95 percent of FTSE 100 companies.

137 Tax service payments to accounting firms are divided into two types in RB's annual reports: compliance and tax advisory. Tax advisory payments generally mean tax planning services, while compliance refers to formal reporting obligations.

138 RB annual reports 2009–15. From RB. (2012). *Healthier Happier Stronger: Reckitt Benckiser Group plc Annual Report and Financial Statements 2012*. Available at: https://www.rb.com/media/1454/rb-annual-report-2012.pdf: *'During the year, the Company exceeded its published policy that, on an annual basis, non-audit fees are not in excess of 50 percent of the Group's external audit fees on an aggregate basis. The Board would like to emphasise that this is not a change in policy. The breach was a consequence of seeking PwC's tax advice as part of the Group's organizational and operational restructuring necessary to implement RB's new strategy announced earlier in the year to refocus the business into three key areas—health, hygiene and home.'*

139 General Economics Division, Government of Bangladesh. (2015). *Seventh Five Year Plan*. Available at: http://www.plancomm.gov.bd/wp-content/uploads/2015/11/7FYP_after-NEC_11_11_2015.pdf

140 Only 61 percent of Bangladeshis had access to improved sanitation in 2015. UNDP. (2015). *Progress on Sanitation and Drinking Water*. Available at: http://files.unicef.org/publications/files/Progress_on_Sanitation_and_Drinking_Water_2015_Update_.pdf

141 Oxfam. (2017 forthcoming). *Commitment to Reducing Inequality Index*.

142 Ibid.

143 Urban population = 35 million (in 2011). Bangladesh Bureau of Statistics. (2014). *Bangladesh Population and Housing Census 2011*. Available at: http://203.112.218.65/WebTestApplication/userfiles/Image/National%20Reports/Population%20%20Housing%20Census%202011.pdf

Urban population below the (upper) poverty line = 21.3 percent (in 2010) = 7 million people. Ministry of Finance. *Poverty and Inequality in Bangladesh: Journey toward progress*. 2014–15. Available at: https://www.mof.gov.bd/en/budget/14_15/poverty/poverty14-15EN.pdf

144 Refined activity rate (female) = 15 percent (in 2011). Bangladesh Bureau of Statistics. (2014). *Bangladesh Population and Housing Census 2011*. Available at: http://203.112.218.65/WebTestApplication/userfiles/Image/National%20Reports/Population%20%20Housing%20Census%202011.pdf

145 Equity BD. (2014). *Who Will Bell the Cat? Revenue Mobilization, Capital Flight and MNC's Tax Evasion in Bangladesh.* Available at: http://www.equitybd.net/wp-content/uploads/2015/10/MNC-Tax-Dodge_English-Position-Paper_Design.pdf

146 C. Godfrey. (2014). *Business Among Friends: Why corporate tax dodgers are not yet losing sleep over global tax reform.* Available at: https://www.oxfam.org/sites/www.oxfam.org/files/bp185-business-among-friends-corporate-tax-reform-120514-en_0.pdf

147 Equity BD. (2014). *Who Will Bell the Cat? Revenue Mobilization, Capital Flight and MNC's Tax Evasion in Bangladesh.* Available at http://www.equitybd.net/wp-content/uploads/2015/10/MNC-Tax-Dodge_English-Position-Paper_Design.pdf

148 Data taken from Oxfam. (2017 forthcoming). *Commitment to Reducing Inequality Index*.

149 London School of Hygiene and Tropical Medicine. (2017, 8 May). *A Target for UHC: How much should governments spend on health?* Available at: http://resyst.lshtm.ac.uk/news-and-blogs/target-uhc-how-much-should-governments-spend-health

150 M. P. DeFrancis. (2012). *Economic Impacts of Inadequate Sanitation in Bangladesh*. Water and Sanitation Program. World Bank: Washington, DC. Available at: https://openknowledge.worldbank.org/handle/10986/17349

151 Ibid.

152 See Bangladesh's critique of the BEPS process in response to a UN survey. Available at: http://www.un.org/esa/ffd/wp-content/uploads/2015/04/ta-BEPS-CommentsBangladesh.pdf

153 RB. (2016). *Healthier Lives, Happier Homes*. Factsheet. Available at: https://www.healthier-lives.com/media/1074/rb_factsheet_2256_eng.pdf

154 United Nations. (2015). *Sustainable Development Goals*. Available at: http://www.un.org/sustainabledevelopment/sustainable-development-goals/

155 RB. (2017). *Purpose with a Passion*: *Annual Report and Financial Statements 2016.* Available at: http://annualreport2016.rb.com/

156 For instance, Dyreng et al. (2016) find that firms that are subject to public scrutiny engage less in tax avoidance, indicating that public pressure can exert some influence on MNCs. In a similar vein, Herbert et al. (2015) contend that reduced public disclosure is positively correlated with international tax avoidance.

157 J. May. (2016, 6 September). *Government Backs Public Country by Country Tax Reporting Amendment*. Politics Home. Available at: https://www.politicshome.com/news/uk/economy/taxation/news/78703/government-backs-country-country-tax-reporting-amendment

158 G. Gimdal. (2017). *Common Corporate Tax Base (CCTB).* Briefing: EU Legislation in Progress. Available at: http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI(2017)595907

159 Oxfam is working with the Sheffield Political Economy Research Institute (SPERI) – a University of Sheffield group and Secretariat to the APPG on Inclusive Growth – to develop a holistic methodology to conduct spillover analyses. It proposes that the UK government should conduct such an analysis, particularly in light of the range of policy options open as a result of Brexit, to understand the impact of tax policies on other countries.

160 Oxfam, Christian Aid and ActionAid. (2015). *Getting to Good: Towards responsible corporate tax behaviour*. Available at: http://policy-practice.oxfam.org.uk/publications/getting-to-good-towards-responsible-corporate-tax-behaviour-582243

161 The Professional Conduct in Relation to Taxation came into force in the UK in March 2017: Chartered Institute of Taxation. *Professional Conduct in Relation to Taxation*. Available at: https://www.tax.org.uk/professional-standards/professional-rules/professional-conduct-relation-taxation

162 HM Revenue & Customs. (2016). *Disclosure of Tax Avoidance Schemes* guidance. Available at: https://www.gov.uk/guidance/disclosure-of-tax-avoidance-schemes-overview

163 Oxfam's list of tax havens can be found in the report: E. Berkhout. (2016). *Tax Battles: The dangerous global race to the bottom on corporate tax*. Available at: https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/bp-race-to-bottom-corporate-tax-121216-en.pdf

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