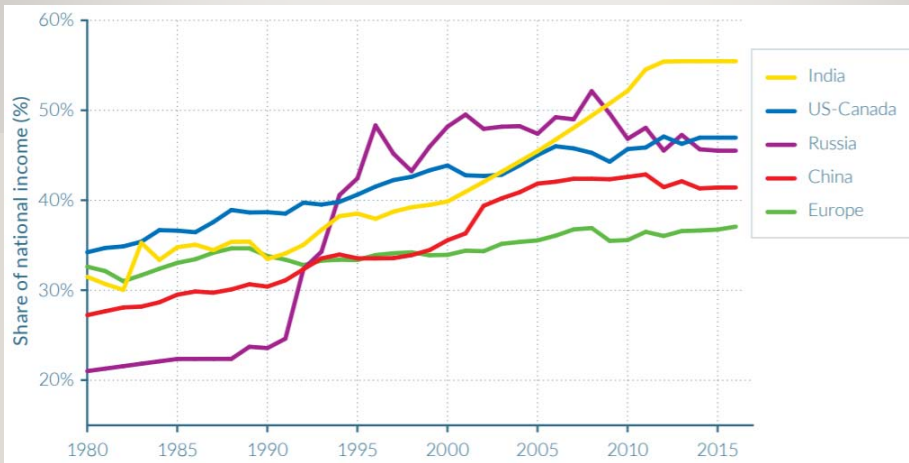


A GLOBAL RACE TO THE BOTTOM ON TAX

A THREAT TO THE NORDIC WELFARE MODEL?

I. WHY DOES IT MATTER?

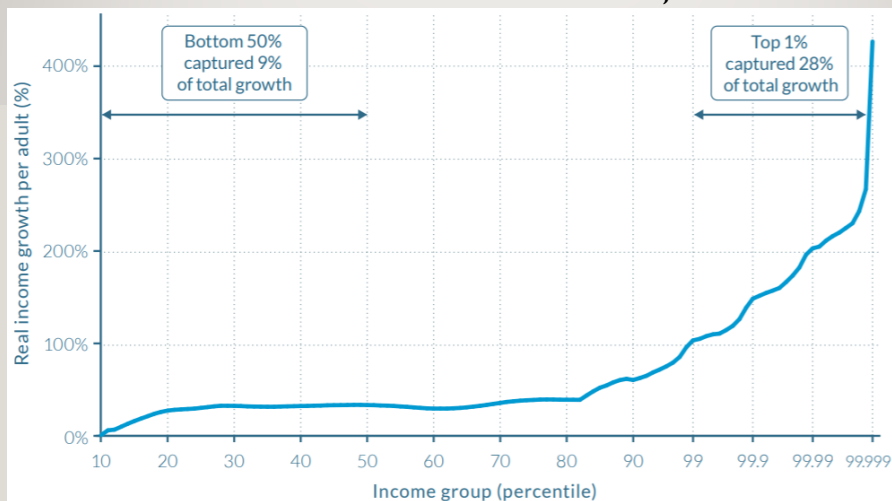
GLOBAL INCOME INEQUALITY



Source: WID.world (2017). See wir2018.wid.world for data series and notes.

In 2016, 47% of national income was received by the top 10% in US-Canada, compared to 34% in 1980.

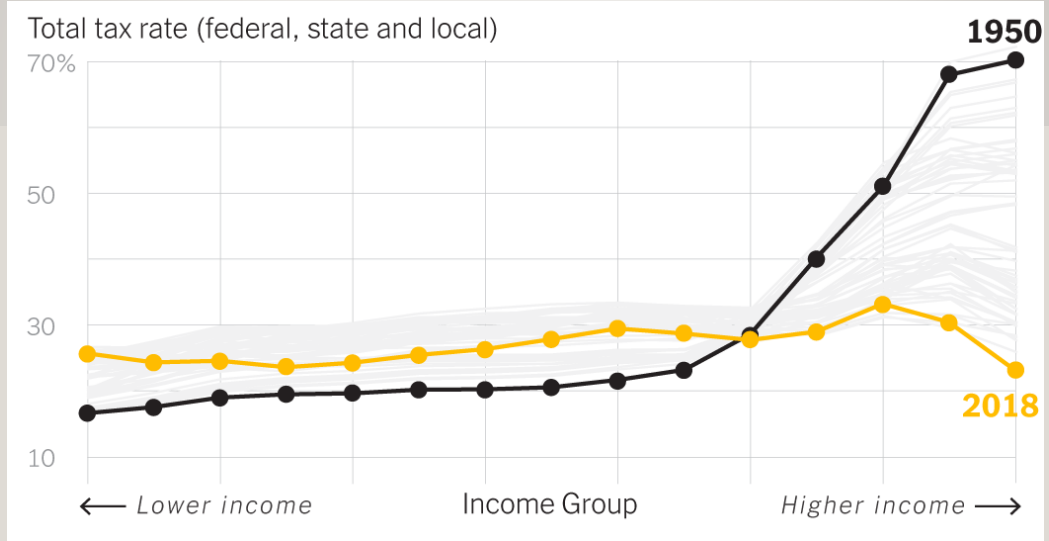
TOTAL INCOME GROWTH BY PERCENTILE IN US-CANADA AND WESTERN EUROPE, 1980-2016



Source: WID.world (2017). See wir2018.wid.world for data series and notes.

On the horizontal axis, the world population is divided into a hundred groups of equal population size and sorted in ascending order from left to right, according to each group's income level. The Top 1% group is divided into ten groups, the richest of these groups is also divided into ten groups, and the very top group is again divided into ten groups of equal population size. The vertical axis shows the total income growth of an average individual in each group between 1980 and 2016. For percentile group p99p99.1 (the poorest 10% among the world's richest 1%) growth was 104% between 1980 and 2016. The Top 1% captured 28% of total growth over this period. Income estimates account for differences in the cost of living between countries. Values are net of inflation.

TAXES PAID (US DATA)

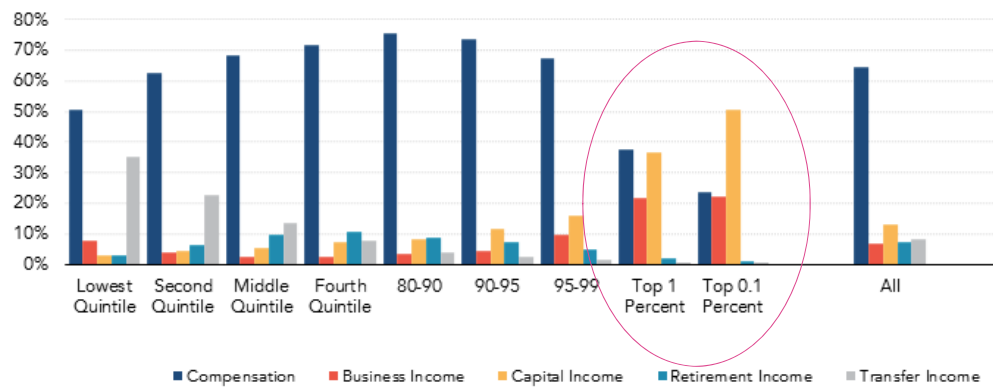


SOURCE OF INCOME

FIGURE 1

Sources of Expanded Cash Income by Expanded Cash Income Percentile, 2019

Percent of income

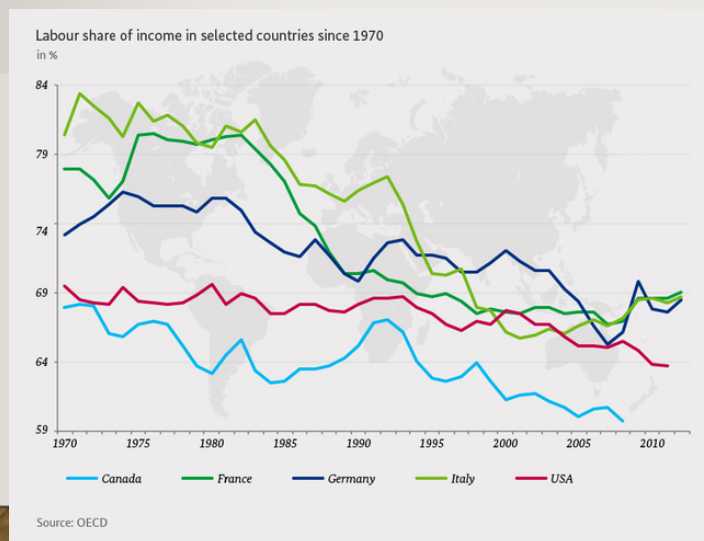


Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0718-1).

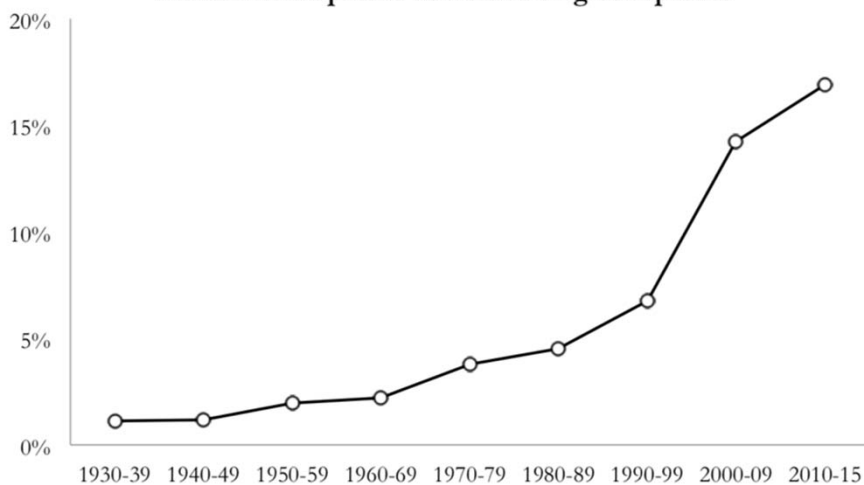
<https://www.taxpolicycenter.org/briefing/let-me-all-you-know-very-rich-they-are-different-you-and-me>

2. HOW CHANGES IN THE ORGANIZATION OF MULTINATIONAL COMPANIES IS FUELLING INEQUALITY

LABOUR SHARE OF NATIONAL ECONOMIES

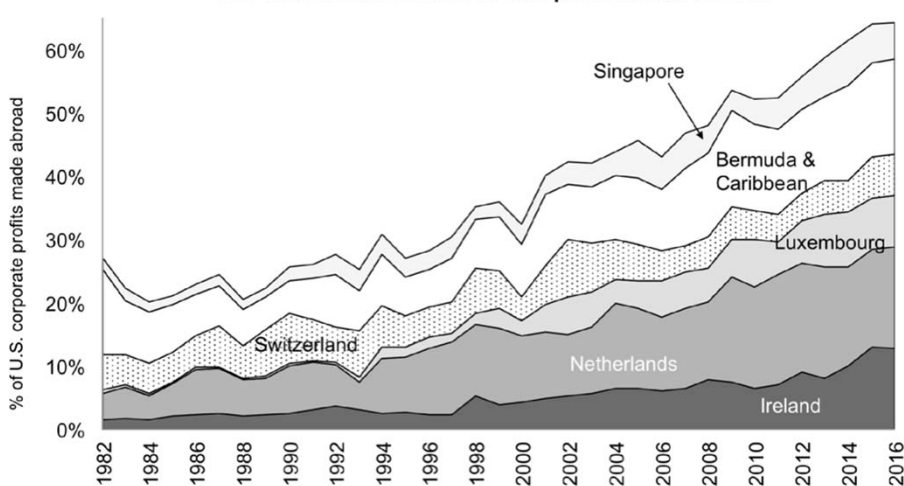


Multinational profits as a share of global profits



Notes: This figure charts the share of global corporate profits made by multinational corporations. Multinational profits are defined as profits accruing to foreigners, that is portfolio equity and FDI equity income. We subtract profits accruing to residents in tax havens to avoid double counting. The multinational profits in 2015 were roughly €1.4 trillion while global corporate profits were roughly €7.9 trillion.

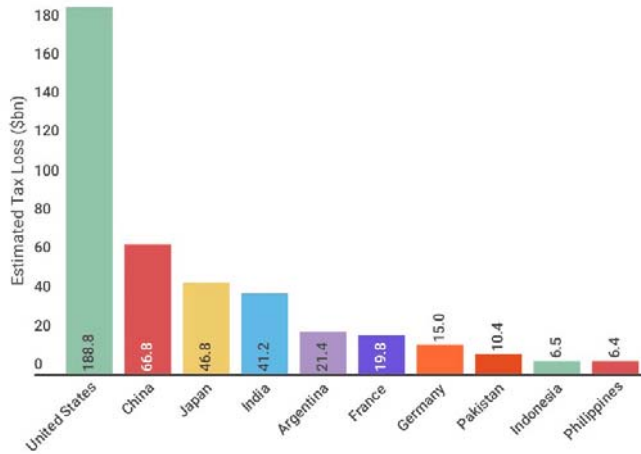
The share of tax havens in U.S. profits made abroad



Notes: This figure charts the share of income on U.S. direct investment equity income made in the main tax havens. In 2016, total equity income on U.S. DI abroad was about \$420bn. 16% came from the Netherlands, 8% from Luxembourg, etc. Source: author's computations using balance of payments data.

ESTIMATED TAX LOSS DUE TO PROFIT SHIFTING OF MULTINATIONAL COMPANIES (\$500 BN/YEAR)

Estimated Tax Loss (\$bn)

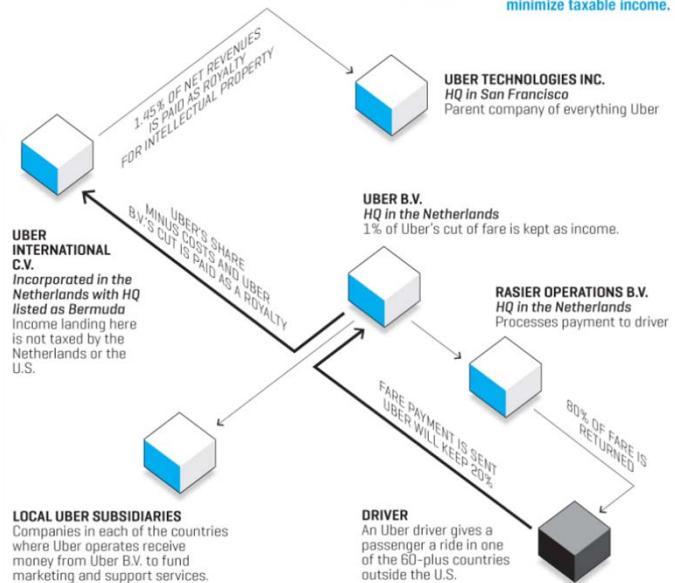


<https://www.wider.unu.edu/publication/global-distribution-revenue-loss-tax-avoidance>

HOW IS IT DONE?

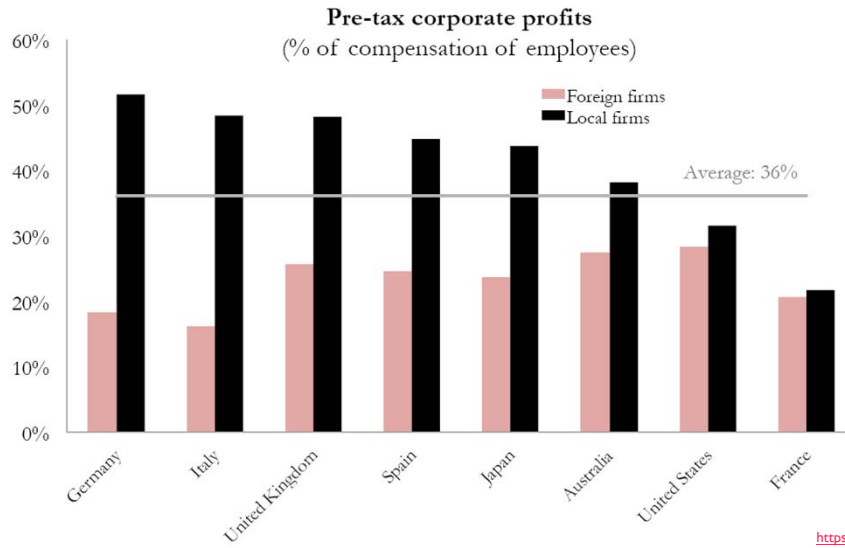
REVENUE DO-SI-DO

Beyond America's borders, Uber has set up a string of subsidiaries, many in the Netherlands, that effectively minimize taxable income.

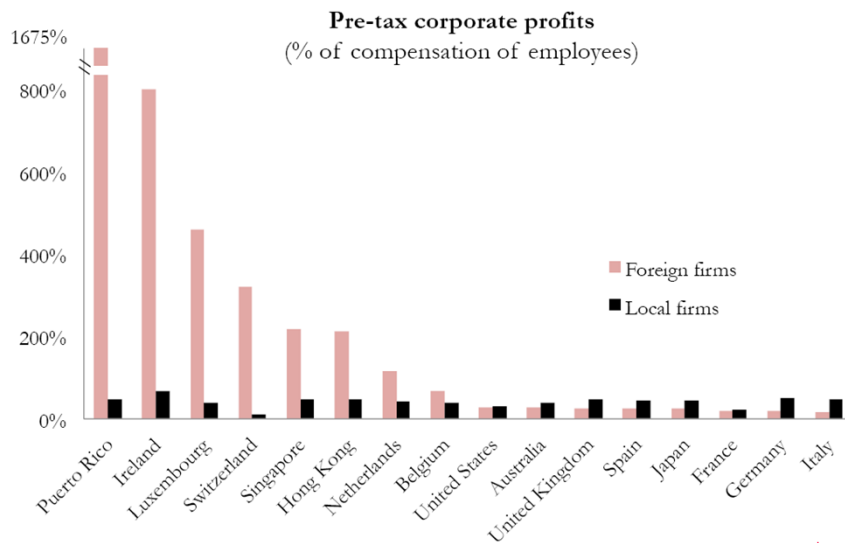


FORTUNE

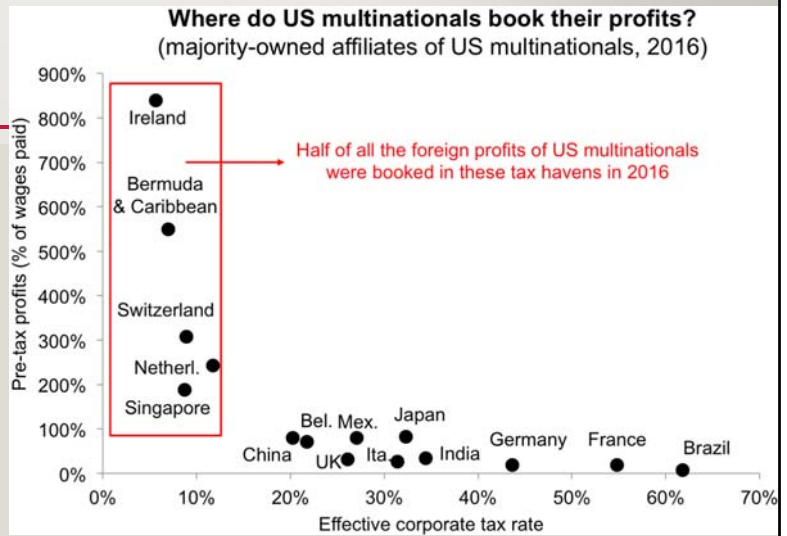
In non-havens, foreign firms are less profitable than local firms



In tax havens, foreign firms are much more profitable than local firms



WHERE ARE THE PROFITS GOING?



Finland loses 13% of its corporate tax revenue because of these tax havens:

	Profits lost (\$, Millions)	Tax revenue lost (\$, Millions)	Tax revenue lost (% of corp. tax revenue)
All havens	3,352	670	13%
EU havens	2,538	508	10%
Belgium	259	52	1%
Cyprus	1	0	0%
Ireland	905	181	3%
Luxembourg	664	133	3%
Malta	100	20	0%
Netherlands	609	122	2%
Non-EU tax havens:	814	163	3%
Switzerland	508	102	2%
Bermuda, Caribbean, Puerto Rico, Hong Kong, Singapore and others	306	61	1%

3. WHY SHOULD LABOR UNIONS CARE?

- Undermines the funding for the welfare state
- Disturbs the progressiveness and the balance of the tax system
- Under-reporting of profits in non-havens means there is less money to negotiate wages
- National and local firms are losing out to multinationals due to unfair tax competition – often resulting in less influence for workers.

THANK YOU!

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