Women's Working Group on Financing for Development

The Women's Working Group's on Financing for Development Submission

To the Report of the Secretary-General to the Economic and Social Council on options for further strengthening the work and operational capacity of the Committee of Experts on International Cooperation in Tax Matters

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The Women's Working Group on Financing for Development welcomes the opportunity to submit a statement regarding the Committee of Experts on International Cooperation in Tax Matters. With 2015 being a critical year for the world, as new sustainable development goals are negotiated and the Financing for Development process is subject to review, there is a unique opportunity to make progress towards improving global tax cooperation.

Tax revenue is the most sustainable and dependable form of finance to support progress towards the realisation of human rights, reduce socio-economic inequality in all countries, redress gender inequalities and contribute to sustainable development through increased public expenditure. However, from a gender equality and women's rights point of view, we would like to highlight that fiscal policies are not gender-neutral. The conceptual frameworks that shape fiscal policies at the national and international levels often fail to recognize:

- That women's contribution to the economy is systematically underestimated;
- The existence of an unpaid care economy in which women are most active undertaking essential work for the good functioning of the market and for social wellbeing[1].

The impacts of tax abuses are not gender-neutral either. For a number of years civil society has highlighted the scandal of tax abuses and illicit financial flows and the inadequacies of the current global tax architecture in respect to the taxation of trans-national corporations, exchange of information between tax jurisdictions, secrecy and the lack of adequate and meaningful participation from developing countries in matters of tax. For example, in 2008 Christian Aid estimated that developing countries lose USD 160 billion each year to tax dodging. In 2013, the Africa Progress report highlighted how Africa lost about 5.7 per cent of GDP to illicit outflows over 10 years, including trade mispricing and shifting of private capital by wealthy individuals. Secrecy jurisdictions enable and facilitate these transfers of wealth outside the reach of tax authorities. Conservative estimates by the Tax Justice Network value this wealth at USD 21 trillion[2].

Tax abuses by trans-national corporations restrict the ability of states to raise adequate levels of tax, violate human rights as they deprive states of development finance and undermine countries' ownership of their own development process. This widens the gap

[1] For further details, please read: AWID Think Piece On Fiscal Policy, Women's Rights And Gender Equality: http://www.awid.org/Library/AWID-Think-Piece-on-Fiscal-Policy-Women-s-Rights-and-Gender-Equality.

[2] See Christian Aid, Taxing Men and Women: why gender is crucial for a fair tax system http://www.christianaid.org.uk/images/taxing-men-and-women-gender-analysis-report-july-2014.pdf

between the global North and the global South and undermines the capacity of the states to ensure wealth redistribution and to provide public services. Furthermore, as stated in the report of the Special UN Rapporteur on Extreme Poverty and Human Rights, "tax abuse by corporations and high net-worth individuals forces Governments to raise revenue from other sources: often through regressive taxes, the burden of which falls hardest on the poor. Therefore, if States do not tackle tax abuse, they are likely to be disproportionately benefiting wealthy individuals to the detriment of the most disadvantaged" (A/HRC/26/28, 2014, p. 15). It is women living in poverty who bear the brunt of this broken and unequal global tax system.

Evidence demonstrates that domestic public finance in areas such as social protection, productive diversification and employment, education, care, sexual and reproductive health is essential to reverse multiple discrimination and structural gender inequalities. Many studies have proven that when the state does not mobilize sufficient resources or provides inaccessible and low quality services, gender inequalities are perpetuated and exacerbated.

Moreover, since regressive tax structures have disproportionate negative impacts on women, states should increase the tax base in a progressive way, based on reviews to identify explicit and implicit gender impacts to ensure they do not reinforce existing gender inequalities, including through their impact on unpaid care, paid work and unpaid labour. This would imply shifting the burden of taxes away from women, people living in poverty and other commonly marginalized groups such as gays, lesbians and trans who often are at the bottom of the income distribution towards highly profitable sectors such as the financial sector and the extractive industries that are benefiting from tax incentives and subsidies and using strategies of tax evasion and avoidance to shift their profits to low-tax jurisdictions. Progressive tax systems should also include taxes on high land and wealth concentration and financial speculation, be fully individualized and not based on household or other income aggregates, exempt low incomes from taxation and ensure that women and men are taxed equally in relation to business, investment, and income security programs.

Today the OECD, an organisation that represents the interests of rich countries and secrecy jurisdictions, sets the global tax rules that are perpetuating such inequality and injustice. Analysis of the Base Erosion and Profit Shifting (BEPS) process shows that the pace of progress has been skewed in favour of those issues most relevant to richer countries[3], and the specific issues faced by developing countries such as source and residence taxation and tax competition are not addressed. It is estimated that developing countries lose USD138 billion per year through tax competition.[4] The OECD itself admitted that 'the risks faced by many developing countries may differ from those faced by more advanced economies", yet developing countries are not adequately present in these discussions.

Therefore an inclusive intergovernmental tax body under the UN is necessary to respond to the challenges faced by developing countries and address the power inequalities in global tax coordination and regulation. Action is needed to:

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[3] See Christian Aid, We still haven't found what we are looking for: why global efforts to tackle tax avoidance will not work for developing countries, http://www.christianaid.org.uk/Images/we-still-havent-found-what-were-looking-for-november-2014.pdf

[4] See Action Aid, Give us a break: how big companies are getting free tax deals http://www.actionaid.org/sites/files/actionaid/give_us_a_break_-_how_big_companies_are_getting_tax_free_deals_-_aug_2013.pdf

- Strengthen the role of human rights frameworks in fiscal policy decision-making. Human right instruments and mechanisms should be the basis for ethical and accountability frameworks, challenging a narrow focus on efficiency and growth, when designing fiscal policies;
- Limit corporate tax avoidance and evasion to ensure higher domestic resource mobilisation in the global South
- Increase financial transparency, accountability and coordination of national, regional and international fiscal policy including participatory mechanisms in the design, implementation, financing and monitoring of of fiscal policies;
- Assessment of impacts of fiscal policy —with data disaggregated by sex and social group—is essential to ensuring these and other economic policies do no harm but rather even have positive impacts across the board, including on women of diverse backgrounds;
- Change the global tax system to ensure a fair and more appropriate distribution of the global tax base through enhanced use of progressive taxation on income and wealth.
- Create a more inclusive and democratic institutional framework for the governance of the global tax system;
- Strengthen tax capacity in developing countries to build progressive tax systems and tackle tax avoidance and evasion;
- Promote and ensure the use of gender-sensitive indicators that take into account women's unpaid work to evaluate the impact of fiscal policies in the advancement of human rights and gender equality;
- Move away from fiscal policies requiring that countries cut public expenditure to reduce balance deficits. Countercyclical fiscal policies are key to protecting people, and notably so in times of crisis, by providing social protection and social security programs to sustain livelihoods. This is especially true in the case of women given their participation in the unpaid care economy;
- Develop new ways of bringing non-financial costs (like toll and costs on the health and wellbeing of women) into the frameworks that are used to set the rules for fiscal and monetary policy. Financial criteria alone will not ensure the fulfillment of human rights and wellbeing;
- Explore innovative forms of capital control such as comprehensive tax reform at the international level that aim to regulate and generate revenues from financial transaction taxes;
- Increase participation in designing and monitoring fiscal policies. People, and particularly women, continue to play little role in deciding how the burdens of a crisis should be shared though they are the most affected;
- Cancel the debts of low-income countries, immediate debt relief for severely indebted middle-income countries, and cancellation of the illegitimate debts of all Southern countries so that foreign debt is no longer an obstacle for governments to fulfil human rights obligations and design development-focused fiscal policies.

We believe that this can be achieved through a new intergovernmental tax body that should be resourced adequately, including with gender expertise, to review the human rights and gender equality impacts of tax policy. This will move us towards a global tax system that can promote development justice and be more responsive and accountable to human rights, all people and the environment.