

# T12P05 / Corporate Tax Avoidance and the New Politics of Tax Justice

**Topic :** T12 / Policy, Business and Interest Groups

**Chair :** Richard Eccleston (University of Tasmania)

## GENERAL OBJECTIVES, RESEARCH QUESTIONS AND SCIENTIFIC RELEVANCE

The financial crisis continues to cast a long shadow as governments the world over grapple with significant budget challenges arising from high levels of public debt combined with tepid economic growth. Given these fiscal challenges, the issue of multinational tax avoidance has become increasingly salient.

This open panel seeks innovative perspectives on the 'new' political economy of multi-national tax avoidance. Whereas international tax governance was hitherto a technical regulatory issue arena, as a result of unprecedented activist campaigns, media exposés and high-profile scandals, MNC tax avoidance has become a main-stream social justice issue highlighting the limits of democratic governance. At the international level, regulatory reforms have been made through inter-governmental organisations such as the OECD while the EU is engaged in unprecedented litigation against some of the world's largest and most powerful firms. These reforms represent a systematic campaign to address international tax evasion and avoidance, and in turn a potential solution to states' fiscal challenges. However, as vocal tax justice NGOs argue, such initiatives have done little to address corporate tax avoidance and, as a result, the fairness and integrity of the international tax system remains under threat.

The challenge of MNC tax avoidance represents a threshold test of global governance and the panel aims to attract papers offering innovative analyses of this policy challenge including but not limited to the civil society campaign for tax justice; national political and policy responses; the role of intergovernmental organisations in the policy process and corporate strategy and compliance in response to international tax reform proposals.

## CALL FOR PAPERS

This panel will be used to report the key findings from the 'Paying Their Fair Share? Activists, multi-national corporations and the campaign for international tax justice' project launched by IPSA RC38 at ICPP2 in Milan in 2014 but is open to any scholars engaged in research on the political economy of multi-national tax avoidance. As with ICPP in Milan, the meeting will be used to plan future research and build new international research collaborations.

# T12P05 / Corporate Tax Avoidance and the New Politics of Tax Justice

Chair : Richard Eccleston (University of Tasmania)

## Session 1

Thursday, June 29th 10:30 to 12:30 (Block B 4 - 2)

### **Paying a Fair Share? Business, civil society and the 'new' politics of corporate tax justice**

Richard Eccleston (University of Tasmania)

Ainsley Elbra (University of Sydney)

The aggressive tax practices of the world's largest and most powerful firms has become a touchstone issue, emblematic of the political and economic challenges facing capitalism in the early 21st century. Amid growing political resistance to post-financial crisis budget cuts, austerity and rising inequality, revelations that many of the world's largest and most profitable firms are successfully avoiding their tax obligations are particularly galling. This confluence of political and economic factors has precipitated a 'new' more politicised and contested politics of international taxation. Whereas the politics of international corporate taxation has traditionally been a 'quiet' affair dominated by treasury officials and tax professionals in the cloisters of intergovernmental forums such as the OECD, increasingly the debate about corporate tax justice has burst onto the mainstream political agenda, attracting headlines and a new prominence in national and international political debates.

This paper reports the findings of a collaborative study which provides a detailed account of the transformation of the international tax arena over the past five years, including the rise of the tax justice movement and its use of strategies previously developed by activist groups in other issue arenas. We argue that the taxation of transnational corporations represents a threshold test of global governance, and while progress has been made on the long road to establishing a more sustainable and just regime for taxing transnational corporations, significant challenges remain.

### **Multinational Corporations' Perspectives on Taxation**

John Mikler (The University of Sydney)

There has been increasing scrutiny of the effectiveness of national corporate taxation regimes. Given global economic integration, multinational corporations (MNCs) are able to legally shift profits to states where they pay little tax. However, what is legal is not necessarily legitimate. Global corporate tax avoidance is estimated to cost governments US\$240 billion in foregone revenues each year. Putting this figure in the context of the uncertain economic environment since the 2008 financial crisis, including high levels of public debt as a result of bailing out the British banking system, and the protracted Eurozone sovereign debt crisis thereafter, and it is no wonder that corporate tax avoidance has emerged as a major political issue. MNCs that minimise their tax payments while the tax burden is shifted to ordinary citizens has led global civil society and the media to wage a campaign against the 'unfair' nature of the global corporate tax system. Although MNCs' structural power would seem to give them the ability to ignore the concerns raised, nevertheless they understand that their reputations are precious assets that they may jeopardise by their actions. Furthermore, recent G20 discussions suggest they risk the imposition of unwanted regulation if they are not seen to be upstanding corporate citizens. Has this affected corporate perspectives of their strategies? We answer this question by first considering the reality that there are actually very few 'placeless' MNCs. The world's MNCs are still based in the world's largest advanced industrialised economies, and most are headquartered in the US. All those that have attracted the most attention for their aggressive tax avoidance strategies are also based there. We demonstrate that their strategic motivations are a reflection of their institutional embedding in the US as the emblematic example of Anglo-Saxon shareholder capitalism. Secondly, we analyse indices of corporate reputation constructed by industry insiders to demonstrate that a liberal preoccupation with shareholder value seems to still dominate the interests of corporate leaders. Thirdly, we consider the discursive leveraging of MNCs' interests through responses to recent public inquiries. Whether a result of their institutional embedding in their home state of the US, or the perceptions of corporate leaders expressed through responses to surveys or public inquiries, we find that a liberal ideological belief in free markets, and a related focus on shareholder value, dominate MNCs' perspectives on paying their fair share of tax.

We therefore conclude it is unlikely MNCs will voluntarily pay their fair share of tax, but also that in declaring their right not to do so they have opened the way to national and international re-regulation.

## **Whistleblowing as a New Regulatory Instrument in Global Governance: The Case of Tax Evasion**

Tony Porter (McMaster University)

Karsten Ronit (Department of Political Science)

Whistleblowing and the leaking of confidential information have become dramatically more visible and impactful internationally in recent years, including names and cases such as Edward Snowden, Wikileaks, and the Panama Papers. Whistleblowing and leaking are very controversial, with supporters arguing that they are courageous acts that make immoral or illegal activity visible, and critics arguing that they undermine privacy, trust, security, and the law, and should be punished. Often whistleblowing seems to have a random and unpredictable quality. In this paper we argue instead that whistleblowing is best seen as involving a system which includes mechanisms for protecting whistleblowers, creating channels for the whistleblower's release of information, and ways for this to have impacts on the organization on which the whistle is blown. Whistleblowing systems are becoming increasingly institutionalized and numerous internationally, and thus are a new regulatory instrument in global governance. Whistleblowing systems share many characteristics with other similar new global governance instruments, including complex public-private interactions, and the constitution of regulatory processes by the assembly of otherwise disparate organizations and functions. The paper identifies the features of whistleblowing systems and their global dissemination, and develops criteria for assessing the degree to which they serve a public interest. A distinctive advantage of whistleblowing as a regulatory instrument is its ability to hold actors accountable in transactions that otherwise would be too secret for public regulators to monitor. This includes transactions associated with tax evasion. The second part of the paper then applies these concepts and analysis to the case of global taxation. It concludes by arguing that whistleblowing has inadequately recognized potential and its use in taxation and elsewhere should be further institutionalized and expanded internationally, as long as criteria for knowing when it is harmful or helpful to the public interest, such as the ones we have developed, are also recognized and used.