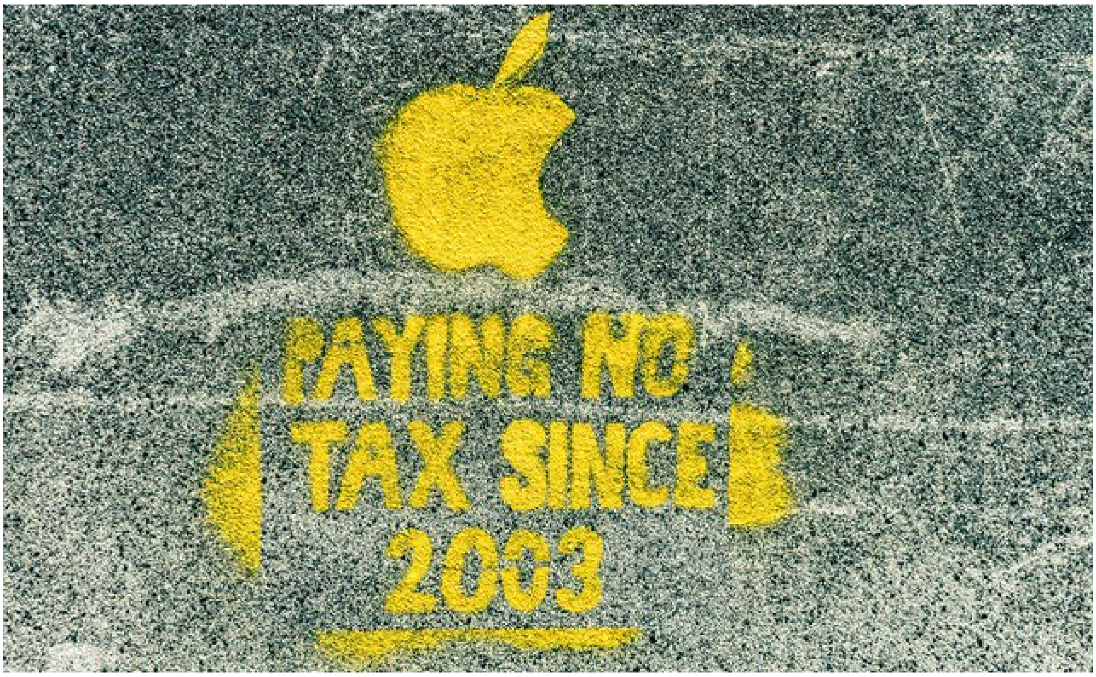
Tax evasion, crime of the rich at the expense of the poor

22 November 2016 by **Jérôme Duval**



Nearly 800 million people suffer from hunger in the world, mainly in the so-called "developing" countries. Now, in these countries, every year at least 250 billion Euros in tax revenues disappear to tax havens - that's 6 times the amount needed annually to fight and conquer hunger by 2025 [1].

"It is estimated that 85% to 90% of these assets [private funds invested in tax havens] belong to less than 10 million people - or 0.014% of the world population - and at least a third of those assets belong to the 100,000 richest families in the world, with each having at least 30 million dollars" writes US economist James S. Henry. It's the wealthy who profit most from the reduction of tax revenues to fraud, which perpetuates and exacerbates inequalities.

Logic leads to conclude that the rich, who enjoy the benefits of their companies should contribute to redistribution to the poor via the income tax of these companies. However, the added value thus generated by the exploitation of labour, evaporates in paradisiacal territories governed and legislated by oligarchies. We're talking about organised theft on a large scale - illegitimate and contrary to any notion of human development - a wealth that belongs to those who created it through their work and who should be funding public services. Indeed, tax on profits, which are not redistributed to the common good due to tax avoidment, allows the capitalist to maximise the surplus value extracted from the working class, whether illegally or not, by seeking to privatise everything.

Fraud hinders development

Fraud and tax evasion, practiced especially by multinationals helped by large auditing firms (the famous “Big Four”: Deloitte Touche Tohmatsu, Ernst & Young, KPMG and Price Water House Coopers), are a scourge that impedes the progress of real development for the people impoverished by these policies. This outflow of capital prevents the construction of hospitals and the hiring of doctors who can be paid decent wages; the buying of school equipment and recruitment of more teachers to reduce the number of students per class; the implementation of drinking water supply systems, etc.

For the period 2008-2012, Global Financial Integrity considers that, in 31 developing countries, illicit outflows were greater than public spending in health and, in 35 developing countries, they were superior to public expenditure in education |2|. In its report, “Illicit Financial Flows from Developing Countries: 2004-2013” the same organisation found that the so-called developing countries and emerging economies have lost 7800 billion dollars (7,002,450,000,000 Euros) in illicit financial flows from 2004 to 2013, with greater and greater illicit outflows, increasing by 6.5% per year on average, almost twice as fast as global GDP (!).

Growing inequality

So many pressing needs, which are essential to the progress of real development, are abandoned in favour of an oligarchic class that continues to grow. The United Nations Development Programme (UNDP) reported that 8% of the richest world population cash half of total revenue, the other half being for the remaining 92% |3|. The wealth concentrated in the hands of the richest 1% increased from 44% of global wealth in 2010 to 48% in 2014. Over the past two decades, income inequality has increased in developing countries |4|.

Tax evasion merits being serious about, and above all for a just system to be created, which will punish the guilty. Taxes should go to the development of countries which have been impoverished by the “debt system”. In his report, the independent expert on UN debt, Juan Pablo Bohoslavsky, stresses the need to combat illicit financial flows which “contribute to the accumulation of unsustainable debt, since the shortfall in public revenues may push governments to turn to foreign loans”. Instead of going into debt to cope with the outflow of capital due to tax evasion, these illicit flows rob the State of resources that could fund activities critical to the eradication of poverty and the fulfilment of economic, social, cultural, civil and political rights.

Following this report, a resolution on tax evasion and the need to return the stolen assets to the so-called "developing" countries was adopted at the UN Council of Human Rights. In the vote on 24 March 2016, no European state voted in favour. Belgium, France, Germany, the Netherlands, Switzerland, the United Kingdom, Portugal, Albania, Slovenia, Latvia, Georgia, the Republic of Korea, the former Yugoslav Republic of Macedonia, Mexico and Panama abstained.

Translation by Jenny Bright for Tlaxcala

http://www.cadtm.org/Tax-evasion-crime-of-the-rich-at