

Tax avoidance

Tax evasion

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What Is The Difference Between Tax Avoidance And Tax Evasion?

TAX AVOIDANCE

Minimizing of Taxes.

Example

Using legitimate tax deductions, setting up tax deferral plans, taking tax credits.

TAX EVASION

Not Paying Taxes.

Example

Not reporting income, reporting more expenses than you can, not paying taxes owed, understating your tax amount owed.

Introduction

Global Corporate Tax Haven Index

The Financial Secrecy Index

important means for countries to attract FDI

global issue - “Race to the bottom”

international corporations act as free riders of public services

40% of FDI registered by IMF accounted by 10 countries where tax rate is under 3% (approx. \$ 18bn)

Apple tax avoidance case



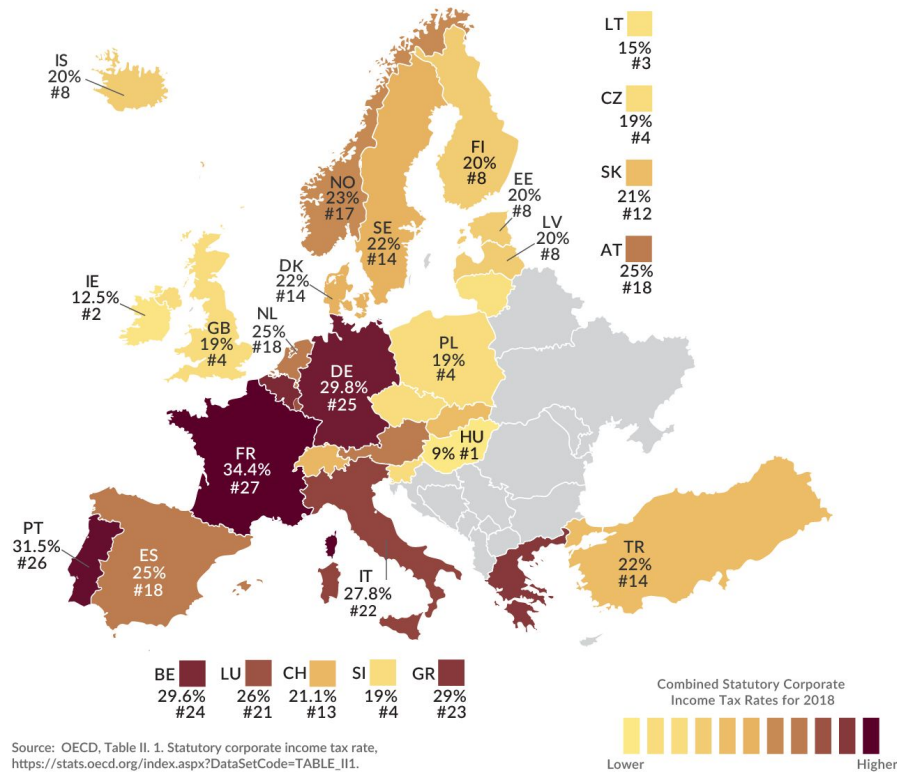
Hungary



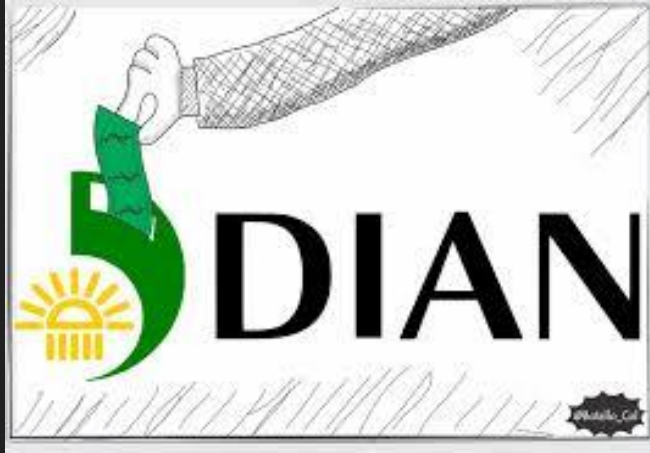
- 20th most important tax haven for companies (Tax Justice Network, CTHI 2019)
- Tax revenue/GDP=36.6% (OECD:34,26%)
- Poorest and richest 10% avoids taxes (more than 30% of their income)
- NAV (National Tax and Customs Administration of Hungary)

Corporate Income Tax Rates in Europe

Combined Statutory Corporate Income Tax Rates for 2018



Colombia

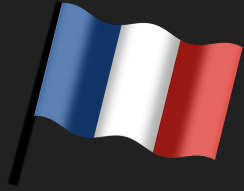


Colombian institution created in
1992



Tax reform

France



- public finance
- tax evasion 50 billion euros per year in France



- Total
- Dassault Aviation
- Panama Papers

Mexico



Article 31, fraction 4 of the Political constitution of Mexico says:

“Every Mexican person or entity has the obligation of: contribute to the public expenditures of the Federation, the Federal District, the States or the Municipalities in which they have residence in the proportional and equity manners that the law has established.”

Main problems:

- Shell companies

- Informal commerce

- Corrupt government officials

New law in progress that makes tax evasion an organized crime.



SHCP



SECRETARÍA
DE HACIENDA Y
CRÉDITO PÚBLICO

LA **EVASIÓN DE IMPUESTOS**
REPRESENTA EL **2.6% DEL PIB**



QUE EQUIVALEN A
510 MIL MILLONES ANUALES

Measures to prevent tax avoidance

1. Require public disclosure of tax affairs

tax transparency

2. Create a register of who benefits
3. Limit some financial products



Recommendations for ESSCAland

Important means for countries to attract FDI

One country cannot solve the problem - need for international communities to cooperate

If ESSCAland is part of EU it gives them a bigger opportunity for economic stability.

International advisors to prevent its citizens from avoiding taxes

Conflict of interest between national governments and the public

Sources

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