CENTER FOR ECONOMIC AND SOCIAL RIGHTS
SOCIAL JUSTICE THROUGH HUMAN RIGHTS

"Economic Empowerment of Women through Tax Justice"

Side event organized by the Permanent Mission of Ecuador to the UN and the Global Alliance for Tax Justice

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Conference Room B - Conference Building
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1:15 PM - 2:30 PM

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I. Insufficient and unbalanced public financing affect women's human rights

Drawing on our experience with partners around the world – from Peru to Palestine, Spain to Brazil, Egypt to the US – the way taxes are raised and spent plays a significant role in driving gender inequalities within, and between countries. Regressive tax structures with high levels of tax evasion and avoidance create gaps in government revenue, and government services. Women, especially lower-income women, are left plugging the revenue gap by paying the costs of tax abuse with disproportionate taxes on consumption and labor – receiving even less equal pay as a result. And women are also often left plugging the care and service gaps created by the lack of state funding for healthcare, early childhood education, disability and elderly care, water and fuel infrastructure, and other key under-funded public services such as programs to counter violence against women or to ensure reproductive rights. By contrast, well-financed, equitable and accountable public financing is essential to achieving substantive equality of women in all aspects of life.

II. Broken international tax regime economically disempower women

Domestic tax systems can reproduce unequal burdens on women within countries. The broken **international** tax regime – based on antiquated views and unjust norms – are only reinforcing these gender inequalities, and in the process economically disempowering women.

How?

The broken international tax system, and the financial secrecy jurisdictions which sustain it, represent an important structural barrier for governments to raise revenue in a manner that respects and promotes gender equality. States lose significant public resources when corporations and individuals avoid paying their fair share by shifting their profits and income to countries where they can be held in secret, taxed at very low rates, or exempt from taxation altogether.

While all countries lose out, the States hit hardest by this cross-border tax abuse are those low- and middle-income countries with the fewest resources overall, weakened tax administrations and the greater dependence on corporate taxes for their national revenues. Women are amongst the first and most acutely affected when the loss of tax revenues in those poorer countries cripples public budgets, weakens public services, and increases the tax burden on lower-income households.

The result is a sort of **"reverse Robin Hood" effect**, in which money is transferred out of poorer countries, such as Zambia, and into financial secrecy jurisdictions like Switzerland.

This system benefits a select-few wealthy shareholders, tax attorneys, wealth managers and CEOs at the top, who happen to be predominantly white, rich older men in rich countries. Those those who bear the brunt of regressive taxation and under-funded public services produced by tax abuse are largely poor women of color in low and middle-income countries.

III. The outsized role of tax havens

Cross-border tax abuses do not happen in a vacuum, but are enabled and encouraged by laws and policies in particular countries that offer financial secrecy and lax corporate taxation rules and preferential regimes.

Cross-border tax abuse is, in other words, decidedly not a natural phenomenon but a political choice.

While it might be impolite at the United Nations to name responsible parties, we are never going to come to grips with the devastating effects of cross-border tax abuse unless we identify and hold accountable those most responsible for this corrosive phenomenon. The Panamas and the Cayman Islands of this world get a lot of the international attention for being tax havens. Yet, a deeper look shows that untaxed income and profits are only booked there, but actually banked elsewhere – in wealthy countries in the global North.

Take Switzerland – an avowed champion of women's rights globally. As we've shown in our parallel reporting to CEDAW last years, Switzerland also has a darker side of its international diplomacy. This country—ranked number one on the Financial Secrecy Index—effectively encourages tax abuse in other countries through its banking secrecy laws, as well as its weak reporting standards and unfair tax incentives for corporations. In India, the famous "Swiss Leaks" data has shown that the Indian government lost out on between US $**492 million and $1.2 billion** in direct tax revenue from the funds held in just **one bank branch in Switzerland**. This is comparable to as much as **44% of the expenditure on** women's rights in the country, and **6% of total social spending** in the country in 2016.

Some reforms are at play now finally, but there are doubts that these changes will alter the incentives individuals and multi-national companies have to engage in abusive profit-shifting via Switzerland. And the perennial losers will continue to be low- and middle-income countries like India and Zambia.

Switzerland is certainly not the only major economy encouraging cross-border tax abuses. We've documented how the **United Kingdom** is a big player, contrary to its human rights obligations. The **United States** is threatening to 'leap-frog' over its competition to become the world's largest tax haven, with outsized effects on women's rights inside and outside the country. Called by experts the "ultimate move in the tax competition game," a new corporate income tax being debated heavily in DC at the moment - the Destination-Based Cash Flow Tax - is designed specifically to poach the tax base and economic vibrancy of other countries. In the interests of time, its safe to say plainly that the DBCFT – alongside existing deficits in tax and financial transparency – would transform the US into the world's favorite tax haven for multinationals.

The much lower effective tax on sales in the US would likely force other countries, especially low-income countries which rely more heavily on corporate taxes, to **reduce their rates even further** – super-charging the race to the bottom and forcing governments to increase regressive consumption taxes even more, while further undermine financing of public services. Since women around the world pay more proportionally in consumption taxes and depend on these public services more than men, it is women who will bear a disproportionate burden of the US emerging as the world's Number 1 Tax Haven.

As if this were not enough, the unilateral US embrace of the DBCFT could lead to **a new debt crisis**. The new tax could lead the dollar to appreciate as much as 15-25% over time. Low- and middle-income countries holding sovereign debt in dollars would be forced to pay that much more in debt servicing - posing stark challenges to many low- and middle-income governments who are already facing increasing debt overhangs partly as a result of US monetary policy. US corporate tax reform could lead to another, perhaps deeper round of fiscal consolidation cuts in the global South. As we know, this would once again force women, especially poor women, to pay the social and fiscal costs of servicing a sovereign debt crisis spawned by US tax reforms. The stakes could not be higher!

IV. What can be done?

The antiquated and broken international tax system which only really benefits the select few is desperately in need of a fundamental re-wiring in ways which combat gender and economic inequality in line with the SDGs and human rights. As it stands, cross-border tax abuse represents a textbook case of collective action problem. Besides a tiny group of beneficiaries, we all suffer from this tax competition race to the bottom.

So, first, we need to replace the flurry of unilateral and nationalist tax reforms with an **empowered tax multilateralism** – embodied in an inclusive inter-governmental body on tax cooperation under the auspices of the UN, where all people in all countries have a voice and the space to determine their fiscal future.

Second, we will need – together and step-by-step - to **re-write the rules of the international tax regime**. Rather than competition and secrecy being the norm, the 21st Century international tax system will be built upon the international public and human rights law norms of do-no-harm, non-discrimination, cooperation, the duty to protect against business tax abuses, and accountability.

In these turbulent times, we have a choice as an international community.

We can take the low-road by succumbing to the passing fads of cheap tax nationalism and politically-expedient chauvinism.

Or we can take the high-road by protecting and re-asserting as guiding principles in international taxation the long-enshrined norms and fundamental pillars of the United Nations: human rights and gender equality.

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