

Huge Cost of Tax Evasion Revealed as Campaign to Tackle Tax Havens Launches

New research published by the Tax Justice Network shows that tax evasion costs 145 countries, representing over 98% of world GDP, more than US\$3.1 trillion annually.

In the US for instance, a staggering £337 billion a year is lost to tax evasion in the 'shadow economy' - that is, 15 percent of the country's total healthcare spend.

Tax havens are a major part of the tax evasion problem – and these new findings come as the Tax Justice Network launches **Tackle Tax Havens**, a new campaign aimed at the general public that highlights the critical role that these secretive states play in corrupting the global economy.

The issue of tax collection is rising fast up the political and social agenda, as countries across the world make deep cuts in public spending and increase taxes in ways that hurt the poor and the middle classes the most.

This new research demonstrates how important it is to tackle tax evasion and the tax havens that help wealthy individuals and organisations escape from contributing to the services that directly benefit them - from the health and education systems that support their workforces, to the roads that ship their goods to markets, to the courts of law that enforce their contracts or to the police who protect their property.

But tax havens are not just about tax: they cause colossal damage on many fronts. *Tackle Tax Havens* aims to arm the general public with a solid working knowledge of the offshore system and the problems it causes -- and to show what we can do about it.

Other key findings of the new report include:

- Europe as a whole loses the equivalent of 87% of its total healthcare budget to tax evasion, while Africa loses 98% and South America 139%
- Over the 145 countries surveyed, an unweighted average of 110% of the annual healthcare budget was lost to tax evasion
- 119 of the 145 countries surveyed are losing over half of their healthcare budget to tax evasion
- In 67 countries, tax evasion losses are larger than their entire health budgets
- In Bolivia, tax evasion is more than four times as large as that oil rich country's health spending. In Russia, it is more than three times the size
- More than \$1 in every \$6 earned in the world is not subject to tax because those earning it have deliberately ensured that their income is hidden from the world's tax authorities
- In Greece and Italy, where economic collapse currently looks possible, more than €1 in €4 is hidden in the shadow economy

Quotes:

John Christensen, Director of the Tax Justice Network:

“Tackling tax havens is a crucial part of ending the culture of tax evasion. Tax evasion is crippling public finances across the world but governments aren’t doing nearly enough to end this cancer.”

“Tax havens are engaged in economic warfare against the tax regimes of sovereign countries, and these estimates reveal the human cost in terms of the impact on health services.”

Richard Murphy of Tax Research UK, who undertook the research for the Tax Justice Network:

“New data from the World Bank published last year on the size of countries’ shadow economies let us prepare this estimate of tax lost to criminal tax evasion annually. The findings add a new policy agenda to public debate on the world’s financial crisis. For example, Italy loses €183 billion to tax evasion a year. Its current debt of €1.9 trillion represents just over 10 years tax of tax evasion on this basis. If only more had been done to tackle rampant tax evasion, Europe would not be facing a crisis today.”

“Tax havens can be beaten using three simple measures. First we demand that all tax havens put details of the ownership of all companies and trusts located there, and the accounts of those organisations, on public record. Second we demand that all multinational companies publish accounts that reveal their use of tax havens. Last, we believe that all tax havens should be required to exchange information each year on the income recorded within them belonging to the citizens of other countries with the places where those people really live.”

“These measures would shatter the secrecy of tax havens for good, and that means those committing tax crimes will no longer have places to hide the proceeds of their crimes. Nothing could make a bigger contribution than this to solving the world’s financial crisis right now.”

Please note:

- Tackle Tax Havens website: www.tackletaxhavens.com
- Campaign video: <http://www.youtube.com/watch?v=4d5FZU64Bnw>
- Twitter: @tackletaxhavens
- Facebook: www.facebook.com/tackletaxhavens
- Download full research findings and methodology:
http://www.tackletaxhavens.com/Cost_of_Tax_Abuse_TJN_Research_23rd_Nov_2011.pdf
- To discuss the research findings please contact Richard Murphy of Tax Research UK who undertook the research on behalf of the Tax Justice Network
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