The IFC and responsible corporate tax behaviour

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Context

- International tax system that is broken
- 100 billion USD escapes poor countries through tax havens
- Enormous financing gap
- An increased focus on private sector in development

World Bank Group

"In too many countries, the rich evade paying their fair share. Some companies use elaborate strategies to not pay taxes in countries in which they work, a form of corruption that hurts the poor." - World Bank Group President Jim Yong Kim, Oct 2015

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IFC investments in SSA in 2015 in multinational companies

2010 97%

2015: 97%

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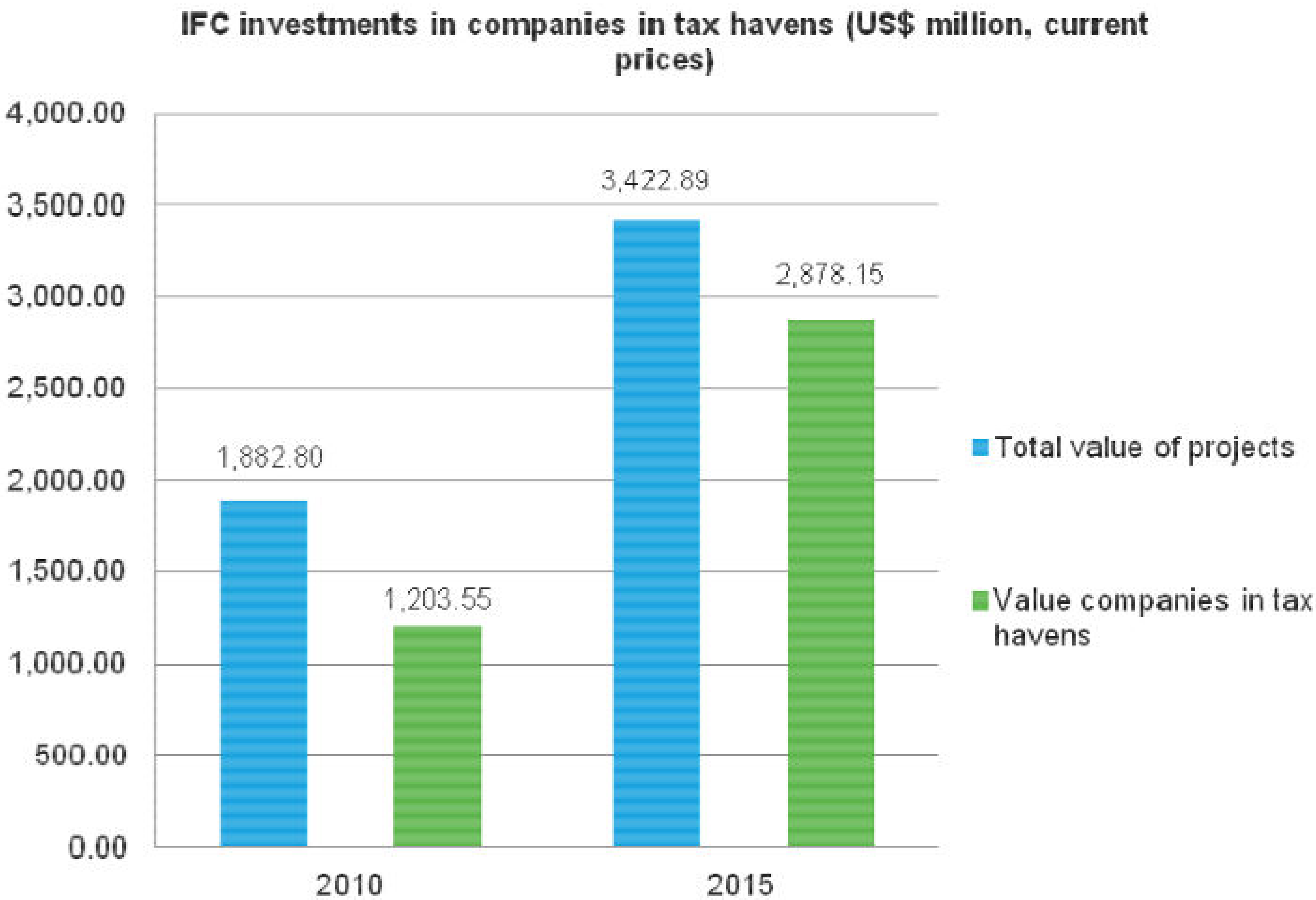
IFC investments in SSA in 2015 in multinational companies with structures in Tax Havens

2010 64%

2015: 84%


IFC investments in companies in tax havens (US$ million, current prices)
4,000.00
3,500.00
3,000.00
2,500.00
2,000.00
1,500.00
1,000.00
500.00
0.00
1,882.80
1,203.55
3,422.89
2,878.15
2010
2015
Total value of projects
Value companies in tax havens

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Tax Haven features:

- Fiscal advantages to non residents, without requirements of real economic activity
- Low or zero corporate tax rate
- Fail to effective exchange information with other countries

Tax Havens considered

11 of the most aggressive tax havens:

Bermuda, Cayman Islands, British Virgin Islands, Luxembourg, Switzerland, Ireland, The Netherlands, Singapore, Jersey, Panama and Mauritius

IFC's policy

- OFC's are defined from Global Forum's list
- Due dilligence centres on legal compliance

=> No effective way to ensure IFC clients pay their fair share

Recommendations

- Ensures due dilligence in companies with cross-border structures to ensure clients pay their fair share
- Encourages responsible corporate tax practice from clients incl. more transparency and commitment to continuous progress