

How to Get Corporations to Pay Their Taxes

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Let me ask you one question
Is your money that good
Will it buy you forgiveness
Do you think that it could
I think you will find
When your death takes its toll
All the money you made
Will never buy back your soul. – Bob Dylan

Those souls who are attached to this world and its wealth are deprived of spiritual advancement. – Abdu'l-Baha, *Star of the West*, Volume 4, p. 122.

Many countries around the world have systems of financial secrecy. Switzerland, with its confidential banking laws and its numbered accounts, is probably the best-known. But within the past few decades, as the recent release of the Panama Papers proves, many more countries have become secretive “tax havens,” where wealthy individuals, shell companies and corporations can surreptitiously move money, hide their assets and avoid paying taxes in their native countries. Places like the British Virgin Islands, the Cayman Islands, St. Kitts and Nevis, Vanuatu and Luxembourg all have functioned as tax havens, and many more small and medium-sized nations also hide wealth with opaque banking laws, no-tax regulations and rigid secrecy policies. About 75% of the world’s hedge funds park their billions in the Cayman Islands, for example. The Organisation for Economic Co-operation and Development (OECD) defines a tax haven as having three major characteristics: No taxes, or only nominal taxes; confidentiality of personal financial information—meaning no transmission of financial data to other governments; and a lack of transparency.

How does it work? Well, let's say you have a substantial sum of money that you don't want to pay taxes on. If you incorporated as a "shell" company in The Cayman Islands or another tax haven, you could circumvent the tax laws of your own country by stashing your funds in that corporate entity.



Billionaires, criminals and their syndicates, multinational corporations and corrupt politicians have all learned that the world's unregulated and disparate tax laws in various nations can be used to their financial advantage. Despite the attempts of several nations to force others to reveal the true wealth of people and companies, the world still has many unscrupulous banks, financial institutions and countries willing to hide wealth, shelter assets and avoid legitimate taxation. In many places, these kinds of practices aren't even illegal. Multinational companies have an enormous advantage in this regard, because they can exploit the loopholes and differing tax laws of various countries by opening subsidiaries in tax havens and routing their profits through those nations.

The tax avoidance strategies of the American company Google are a good example. Google licenses its technologies—mainly its search engine and the advertising revenue it generates—to subsidiaries in low- or no-tax nations like Bermuda, the Bahamas, the Netherlands and Ireland. This means that Google pays very little in taxes in its home country, the United States—in fact, less than any other large tech company. Apple and other multinational tech companies operate in similar ways, and even though they generate enormous profits, they have figured out how to largely avoid paying taxes on those profits. As a result, governmental hearings and investigations into these companies and their practices have proliferated, with France, the UK and the United States actively trying to force both companies to pay their fair share of taxes—but so far meeting with little success.

In fact, in 2014 the Reuters News Agency ran a series of stories about the tax avoidance strategies of American multinational companies like Apple, Microsoft and General Electric. Those strategies have included an accounting technique known as the “Double Irish with a Dutch sandwich,” which dramatically reduces taxes by routing profits through Irish subsidiaries and the Netherlands and then to the Caribbean. Reuters reported that Apple, according to its own figures, had off-shore earnings in 2013 of \$54.4 billion—and yet, they paid no U.S. taxes on that revenue. Under U.S. law, corporations are not required to pay income tax on overseas profits, unless and until the profits actually physically enter the United States. In total, Reuters reported that American corporations had sequestered \$2.1 trillion in profits in 2013, and paid no U.S. taxes on those profits.

Only one potential solution to this sort of tax dodging can effectively stop such rampant yet sometimes legal corruption: a uniform global tax code.

From a Baha’i perspective, that global tax code, administered by a democratic international governmental body, would apply fairly and equitably across the world. With a universal code in place, no individual or corporation could dodge legitimate taxes, because an international tax code would apply everywhere. No multinational corporation, banking institution or nation could “game the system” by setting up shell companies or routing funds to different places. The world would truly be one country, especially for tax purposes, and everyone would be expected to contribute their fair share.

When this happens, of course, overall taxes would not go up—they would drop considerably, perhaps even precipitously. Why? Because the trillions of dollars now sheltered in havens would be equitably taxed, reducing the tax burden on everyone else. The superrich would have nowhere to hide their funds, and would pay taxes like the rest of us. Multinational corporations would face a multinational taxing authority, with no tax haven nations as possible escape hatches. The spiritual principle here—a universally equitable, proportional and fair tax law, impartially and internationally applied—would rid the world of much corruption, ensure sufficient government revenue to take care of the basic needs of all people, and bring about a world everyone can live in with dignity:

All must be producers. Each person in the community whose need is equal to his individual producing capacity shall be exempt from taxation. But if his income is greater than his needs, he must pay a tax until an adjustment is effected. That is to say, a man’s capacity for production and his needs will be equalized and reconciled through taxation. If his production exceeds, he will pay a tax; if his necessities exceed his production, he shall receive an amount sufficient to equalize or adjust. Therefore, taxation will be proportionate to capacity and production, and there will be no poor in the community. – Abdu’l-Baha, *The Promulgation of Universal Peace*, p. 217.