ICRICT

Independent Commission for the Reform of International Corporate Taxation

PRESS RELEASE

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"AN EMERGENCY TAX PLAN TO CONFRONT THE INFLATION CRISIS"

ICRICT Declaration – September 2022

The battle against the global pandemic, and the war in Ukraine, have left the world on the threshold of recession, with skyrocketing poverty and inequality. Once again, the effects of the cost-of-living crisis, growth slowdown and high debt levels are disproportionately falling on the most vulnerable households. At the same time, most countries need to face urgently the exacerbated climate crisis, as it is clearly an existential issue.

The question is now: who should foot the bill? The Independent Commission for the Reform of International Corporate Taxation (ICRICT) is **launching a new report, "An Emergency tax plan to confront the inflation crisis" calling on governments to implement emergency tax measures, especially on companies profiting from the crisis,** to avoid economic downturns and counter unacceptable levels of hunger, extreme poverty, and inequality.

While inflation ravages the whole planet, some companies are on record profits. **Taxing corporate super profits, and especially windfall profits driven by the pandemic and the war**, could help social cohesion and generate additional revenues that could partially mitigate the adverse effect of inflation on the poorest.

What was supposed to be "the historic deal", led by the G20 and OECD, already lacked ambition and fell short of both requirement and possibility. But shockingly, even this limited effort is now blocked in a political impasse at the rich country level (US and EU). **ICRICT strongly encourages countries not to wait. Rather they should move forward and consider their own alternative measures**, formulated where possible in a coordinated manner, to be actively implemented without any delay.

These measures will both deliver desperately needed resources now and create the necessary pressure to force change towards a genuinely fair international tax architecture, which will require multilateral discussions extending well beyond the current process.

- **Download here the report with the executive summary**

This ICRICT declaration was presented on September 16 in Paris by Jayati Ghosh, Joseph Stiglitz, Eva Joly, and Léonce Ndikumana, all members of ICRICT, at a press conference. **You can watch it here.**

Here are some 5 short excerpts from this conference, feel free to use them in written, sound, or video form on your media outlet, website or social media.

ABOUT SUPER PROFITS:

Joseph Stiglitz, Professor of Economics at Columbia University and ICRICT co-chair explains that there are huge windfall profits, which are not legitimate and must be taxed.
Watch him here

Jayati Ghosh, Professor of Economics at the University of Massachusetts at Amherst and ICRICT co-chair, explains that super profits are not only in energy sectors and gives examples.
Watch her here

ABOUT THE OECD DEAL:

Joseph Stiglitz, Professor of Economics at Columbia University and ICRICT co-chair raises the question of governance, saying the international tax system negotiations must be REALLY inclusive.
Watch him here

Jayati Ghosh, Professor of Economics at the University of Massachusetts at Amherst and ICRICT co-chair, explains that the OECD deal has good principles, but they're not good enough for developing countries. They should implement their own fiscal measures.
[Watch her here]

Léonce Ndikumana, Professor of Economics at the University of Massachusetts at Amherst and ICRICT commissioner explains that "when developing countries are not really at the negotiation table, it means they are on the menu".
[Watch him here.]

KEY FIGURES:

- Globally, tax evasion diverts 40% of multinationals' foreign profits to tax havens, according to ICRICT member Gabriel Zucman. You can explore the world map to see how much profit and tax revenue your country is losing (or attracting) here.
- The IMF's Fiscal Affairs Department estimates that total annual corporate tax losses associated with profit shifting are more than $600 billion, including $400 billion for OECD member states and about $200 billion for developing countries per year.
- Since 2000, average statutory tax rates have declined in OECD member states and in most jurisdictions. (See OECD corporate tax statistics (p. 10) and current global corporate tax rates here).
- A global effective minimum tax on corporate profits of 15% would generate only about $150 billion in additional tax revenue, while the 25% rate advocated by ICRICT could provide the world with over $500 billion in additional revenue.
- Developing countries are relatively more dependent on corporate taxes as a source of revenue. Corporate taxes account for 15% of total tax revenues in Africa and Latin America, compared to 9 percent in OECD countries.
- A recent UN study shows that Africa loses nearly $89 billion a year in illicit financial flows, equivalent to 3.7% of the continent's GDP, which is more than it receives in development aid.

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ABOUT ICRICT:
The Independent Commission for the Reform of International Corporate Taxation (ICRICT) aims to promote the international corporate tax reform debate through a wider and more inclusive discussion of international tax rules than is possible through any other existing forum; to consider reforms from a perspective of public interest rather than national advantage; and to seek fair, effective and sustainable tax solutions for development.