

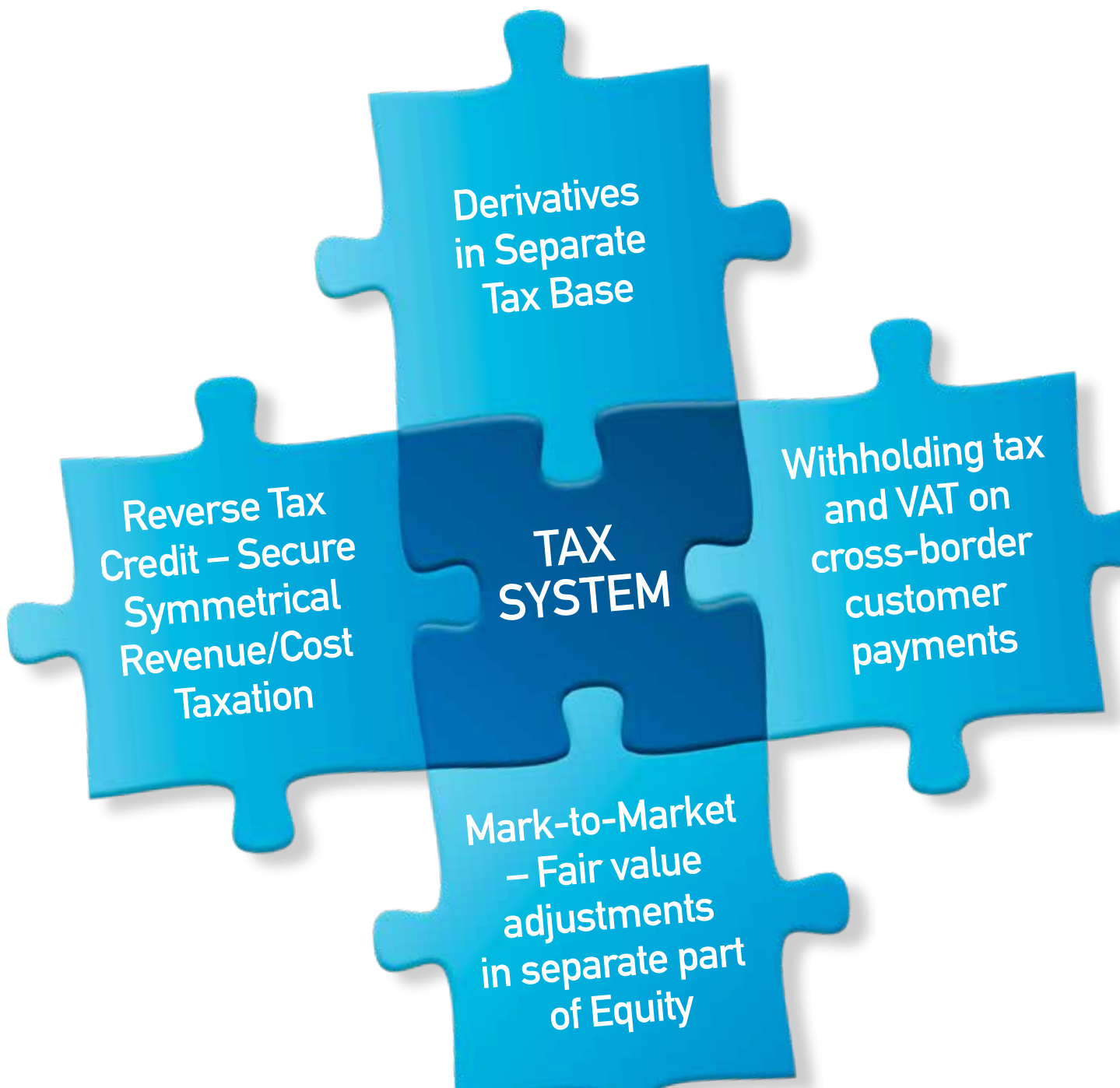


- Three simple tax mechanisms are the only ones needed in order to equate the taxation of multinational companies with national companies
- Any country can enact these mechanisms as they are changes to the internal tax code
- The three mechanisms are precise as they target specific classes of transactions and are not based on parameters or estimates.
- The mechanisms are unique in that no country enacting them will trespass on any other country's tax base

Written by: Frian Aarsnes

# Stop Capital Flight and Promote Equal Competition through Transparency and Taxation

How to use transparency and tax to avoid breakdown of trust, fix fragile financial systems, build sustainable business models, and sustain modern society



# CONTENT

CONTENT .....	3
INTRODUCTION .....	5
WHY TRANSPARENCY MATTER .....	5
WHY TAXES MATTER .....	5
COMPETITION AND SUSTAINABILITY .....	6
THE SOLUTION: TRANSPARENCY AND TAXATION AS KEY ELEMENTS .....	7
A COMPLETE SOLUTION MODEL .....	9
TAXATION MECHANISMS READILY AVAILABLE .....	11
a. Derivatives in a separate tax base .....	11
b. Reverse Tax Credit .....	12
c. VAT and Withholding Tax .....	15
A COMPARISON OF POSSIBLE ALTERNATIVES .....	16
SHORT SUMMARY OF INITIATIVES BY PWYP NORWAY .....	17
INITIATIVES EXPECTED TO WORK AGAINST CRYPTO-CURRENCIES .....	18

Published by: Publish What You Pay Norway (PWYP Norway)  
 Year of publication: 2019  
 ISBN 978-82-93212-89-8

Author: Frian Aarsnes  
 Print: Copy Cat

Legal disclaimer:

This publication is based on information provided to Publish What You Pay Norway ('PWYP Norway') and individuals acting on behalf of PWYP Norway. The conclusions presented herein are based only on information so provided. PWYP Norway and those acting on behalf of PWYP Norway have strived towards acquiring full overview of all relevant information and data to prepare this publication. We do not accept liability whatsoever for any insufficiency or inadequacy of the information and data that this publication is based upon.

While PWYP Norway has taken all reasonable care to ensure that the information contained in this publication is accurate, publicly available information and data has not been verified by the companies or users and neither PWYP Norway nor any person acting on behalf of PWYP Norway in the drafting and preparation of this publication can be held legally responsible for the content or guarantee that it is totally free from errors or inaccuracies.

Any references contained in this publication pertaining to any kind of sources, publications or websites from third parties, are inserted for convenience only and are purely for informative purposes. They do not constitute endorsement of material on those sites, publications or sources. PWYP Norway and those acting on its behalf accept no liability whatsoever for any loss or damage arising from the use of such information.

## INTRODUCTION

PWYP Norway has prioritized specialized knowledge production on financial secrecy in an area that would otherwise not have been covered, with the aim to create policy responses that can be used either at the national, regional or global level. While the focus has been on extractive industries, because these are omnipresent in the countries that traditionally have suffered from lack of transparency and good taxation systems, the resulting policy proposals are just as valid for all multinational companies and all countries.

The extractive industries have long been criticized for corruption, tax evasion, and human right abuses, and for shifting profits from countries with upstream operations to other parts of their corporate structure, often in low-tax jurisdictions. All this is being done under a shield of opacity as contracts are secret, part of the corporate structure is undisclosed and their financial statement information is so aggregated and condensed that even the most interested reader is left uneducated.

The traditional capital flight, introduced by extractive industries, has hampered development in many countries, and has now become the norm for all multinational companies. Hence all countries are now suffering from lack of information and lack of taxation of multinational companies.

All of this is happening while these same multinational companies are seeking funding in transparent financial markets and selling their products in transparent markets. Naturally, these companies should, in turn, be transparent about their production (resource producing industries), investments, revenues, costs, taxes and people employed country by country.

Today, more than 60% of world trade is said to taking place within transnational companies. No government in the world is able to see the whole picture regarding what is taking place within these companies unless the companies are made to report this information on an obligatory country-by-country basis.

Country-by-country (CBC) reporting is not a universal mechanism that will solve all of the world's problems, but it is a large and important step in the right direction. Without being forced to become transparent country by country, multinational companies will always have an information advantage compared to national companies and the countries themselves. CBC reporting ensures that national and multinational companies compete on more equal terms, information-wise.

Transparency is not enough, though, as the information advantage is not the only advantage multinational companies enjoy that national companies do not. Due to the ways in which many multinational companies have organized themselves, they enjoy a huge tax advantage that national companies do not. If the tax burden is to be distributed evenly and fairly among the taxpayers, multinational companies must pay taxes on par with national companies. This should be self-evident when more than 60% of world trade is taking place within these companies themselves.

Contrary to popular belief, there are a few tax mechanisms that can essentially eliminate the tax advantages many multinational companies have over national companies. Any country that experiences massive capital flight should take notice of these tax mechanisms in order to secure a sustainable tax environment for the future where national and multinational companies compete on more equal taxation terms.

## WHY TRANSPARENCY MATTER

Without transparency, companies cannot compete on equal terms. Secrecy favors only the companies that are keeping secrets – not investors, customers, companies or countries. Companies interested in ensuring equal competition between national and international companies should, in their own best interest and that of the markets in which they operate, welcome and promote transparency as a mechanism against such secrecy.

In addition to Country-by-Country reporting (CBCR) of taxes, PWYP Norway has always also promoted the reporting of key financial numbers that put the CBCR into its proper context. This context information is financial information that should be reported in notes to the accounts in order to ensure the availability of financial information that bridges the gap between the aggregated financial accounts and the country-by-country reporting of taxes. PWYP Norway has called this Extended Country-by-Country Reporting (ECBCR), and it entails reporting production by type (resource producing industries), investments, revenues, costs, taxes and people employed, country by country. PWYP Norway and companies have demonstrated that this can easily be done on a single or a double page in the financial statements, even by larger companies.

The "Guide to Extended Country-by-Country Reporting (ECBCR) for Businesses", published by PWYP Norway, explains in greater detail why many companies should be interested in equal competition and why multinational companies need to be transparent on a country by country basis, at least for key financial numbers.

## WHY TAXES MATTER

Everyone should pay attention to current trends in taxation, because it is incredibly damaging to modern society as we know it. Multinational companies that have organized themselves through corporate havens and tax havens to reduce their taxes far below the rates national companies pay, are steadily growing their share of the world trade (which already surpasses 60%). As this happens, national companies that do pay taxes are outcompeted, and politicians are reducing the taxes on the national companies in order for them to compete with the multinational companies instead of putting taxation on the multinational companies to ensure that they will have to compete on equal terms with the national companies. In order to reduce taxes on the national companies, more and more of the tax burden is transferred to taxes on the citizens of each country.

This results in the following:

- (1) each individual has less purchasing power,
- (2) employees seek higher salaries and national companies experience increasing costs as a result and must then take cost cutting measures,
- (3) individuals seek lower cost goods and services which are often sold by multinational companies that are able to avoid taxation through a set of mechanisms that reduce their profits significantly (sometimes to next to nothing) inside the countries where their products are marketed. As a result, they pay significantly less taxes (sometimes next to nothing) to the countries in which their products and services are sold,
- (4) as there is significantly less taxation from the multinational companies than from the comparable national companies, the revenue to the government is gradually diminished (as more and more trade is moving in the direction of the multinationals),
- (5) the government's cost gradually increases as unemployed individuals seek compensation from the government for increased costs. As a result, the governments find themselves in a spiral of costs rising faster than revenues.

- (6) when costs are consistently outgrowing revenues, there is a gradual, but consistent, reduction in available money to support each citizen – resulting in fewer resources available per capita for infrastructure (roads, rails, harbors, airports), education, health and security (fire department, police, coast guard, military) which are the main services provided by government,
- (7) last, but not least, people’s trust in government, media and other institutions are eroding.

Everyone, including individual citizens, companies, investors, financial markets, unions, the media and government alike, should be aware of this gradual erosion of modern society. French politicians are not the real reason why there was a riot starting in France in December 2018. Rather, it is the gradual underfinancing of the French government by the mechanisms above that leads politicians to seek more taxation from the citizens. The real culprit is multinational companies which, through a mix of lack of transparency and reduced taxes, are systematically undercutting the same societies from which they get their revenues. However, there are three easy tax mechanisms that are almost fool-proof for restoring competition between multinational companies and national companies:

- separate the taxation of derivatives from the regular tax base of businesses in order to reduce complexity and eliminate speculation in derivatives,
- introduce VAT and withholding tax on every product and service purchased cross-border (introduced on top of the transaction value and paid by the customer when there is no intermediate company in-country), and
- reduce the tax deduction for internal cross-border transactions within multinational subsidiaries down to the tax level that the multinational company has achieved through its maneuvering.

These three tax mechanisms can be introduced by countries unilaterally, but would be even more effective if introduced across Europe or another larger body of countries.

## COMPETITION AND SUSTAINABILITY

Without fair competition, sustainable business models cannot exist. Without sustainable business models, there can be no sustainable world. Companies are thus an integral part of achieving a more sustainable world, but they need to have the help of fair regulations to ensure that the companies that do not want to behave like the rest of the companies, are forced to do so.

Currently we are in a situation where multinational companies have an unfair information advantage and an unfair tax advantage over domestic companies. The information and tax advantages that multinational companies enjoy must be eliminated if sustainable business models are to be achieved. It is not the only measure that needs to be taken, but it is a critically important one. Unbeknownst and unwittingly, companies that are outcompeting others by using tax havens also have unsustainable business models, over time.

There is currently a debate on how to finance the climate challenge. This is one of the solutions – as long as the products and services of the multinational companies are taxed on the same level as national companies, there will be more than enough funding to finance climate change and other challenges societies face.

There is also a debate about how to ensure that societies are able to handle any upcoming financial crises. With the exception of avoiding the next financial crisis by means of correct regulation as described in the report “The Roller-Coaster Mechanism in the World Economy” by PWYP Norway, it again involves taxing multinational companies at the same level as national companies. Societies would then be more robust and better able to face future financial crises. The list goes on and on – positive development in the world is dependent upon multinational companies being taxed on the same level as national companies.

**A stable, sustainable society can only be created when everyone is treated equally, along with equal opportunities and equal commitments. In the corporate world, that means that the multinational companies must pay taxes at the same level as national companies, not vice versa.**

There is a symbiotic relationship between businesses, societies and environment. The most important contribution of businesses is to create a responsible, profitable and sustainable business model when producing goods and services for which there is a demand. Businesses acquire resources, and apply skills and technology, in order to produce goods and services, and in so doing they create jobs, income and prosperity. This must however be done by integrating societal and environmental responsibility into their business models. This is a part of being economically sustainable businesses.

## THE SOLUTION: TRANSPARENCY AND TAXATION AS KEY ELEMENTS

In order to remove the information advantage multinational companies have, transparency is necessary. In order to remove the tax advantage multinational companies have, fair taxation of cross-border transactions is necessary. It is possible to do one without the other, but doing both would be the best way to create fair competition between multinational companies and national companies. A guide has already been published that explains why transparency is a key element in securing fair competition by removing the information advantage multinational companies enjoy, and why it is in the best interest of most companies to go in the direction of increased transparency.<sup>1</sup>

In this guide we will focus on the necessary changes that existing tax systems need to undergo in order to create fair taxation that promotes sustainable business models, thus leveling the competition between multinational companies and national companies. This is the first step in the process of creating enough funding in the societies that these same multinational companies rely on for selling their products and services, and thus rebuilding trust in the societies we all depend on. This is a positive spiral that builds stable societies. The opposite is hopefully not desirable for any sane person – deteriorating trust in society resulting in increasing frustration, resulting in increasing violence, open conflict and revolt, exemplified amongst others in the French riots that began in December 2018 where citizens demonstrate against higher taxes on individuals (tax hikes that are amongst others instituted because multinationals are not paying fair taxes).

**Why is taxation a key element?** It is because taxation is not only the financing of government administration and bureaucracy, as some viewpoints promote. Taxation has many different positive effects *if the tax burden is distributed evenly and kept as low as possible*.

The positive effects of taxation are that it introduces the lowest possible financing of necessary elements that are difficult for each individual company to cater to. Examples of these elements are, amongst others, health, education, public safety and national security and not the least, infrastructure for citizens and businesses.

The negative effects of taxation are mainly coming from situations in which taxes are not distributed evenly (or a group of companies like multinationals are able to dodge them) or in which taxes are not kept as low as possible (taxes are introduced to finance things that do not have public support).

**Conflict arises** when actions taken by politicians do not have broad support from the public. This is why it is fundamental to have taxes that are high enough to fund tasks that do have public support, while simultaneously keeping the taxes low enough that only tasks that have public support are financed. In Norway we are now seeing growing conflict because politicians are voting through pet projects that do not have broad public support. The projects are financed by increasing the taxation of individuals but citizens see that nothing is being done to distribute the tax burden evenly, including taxing multinational companies at the same level as national companies. Had multinational companies been taxed on par with national companies, Norway would have had significantly higher revenues to handle the main tasks of securing adequate infrastructure, education, health services and security. There should be broad consensus in the political establishment for this to avoid countries going in the direction of more conflict.

<sup>1</sup> “Business Advisor to Country-by-Country Reporting”, Publish What You Pay Norway, December 2018

The same happens in other countries – France has already been mentioned. However, when people do not see that politicians are doing their job, they vote in other people that they hope can “fix the system”. This opens up the possibility that people in government will head toward totalitarianism or that the government may break down, as has happened in many countries already, and the trend is rising. This only happens because the politicians that are in position are unable to create the correct balance between the sources of government revenues and the perceived benefit of government costs financed by these revenues. Again, if multinational companies were taxed at the same level as national companies in the various countries, it would be possible to distribute the tax burden more evenly among the three major taxable groups: citizens, national companies and multinational companies. This would reduce conflict and ensure more stable development of each country – as long as politicians do not vote for, and try to finance, pet projects that do not have broad public support.

If countries head toward totalitarianism or government breakdown, this often creates long periods of time in the countries’ histories during which people’s basic needs are not met and personal security is weak or nearly non-existent. When this happens, it can lead to civil war and/or mass exodus, such as we have seen from some countries in Africa, Asia and Latin America the last few years. Again, the best way to handle this is to secure taxation of multinational companies at the same level as national companies to ensure that governments have enough revenues to cover the costs of their population’s basic needs. This is in everyone’s interest, including the multinational companies, although it will be difficult to change their behavior without regulation – and taxation cannot happen without regulation to ensure that taxes are levied in a fair and equitable way. Taxation is not voluntary.

**Finding the balance between the positive and negative effects of taxation** is thus vital. It is actually not as difficult as it seems. The basis of taxation is the purchasing power the population has over and above the ability to afford the bare necessities. Paying decent salaries is therefore a must in order to create purchasing power. This is also the reason why always seeking the lowest bidders in competitions is not necessarily good if one does not simultaneously question how the lowest bidders were able to become the lowest bidders (i.e. the best bid is not necessarily the lowest bid). If the lowest bid is the best choice due to methodologies or technologies used, then it likely is the best bid, but if it is the lowest because the company pays its workers less than everyone else, it is likely not the best bid because this company is unlikely to have the most motivated employees. Consequently, the population’s purchasing power depends on businesses not competing on salaries within a country. Rather, they should compete with businesses from other countries such as importers or multinational companies. In this equation multinational companies cannot be allowed to pay lower taxes on the products and services they sell within a country than the country’s national companies, nor lower than those paid by companies in the countries from which the goods and services are imported. That taxes have not already become the subject for competition authorities worldwide is therefore incomprehensible.

A country’s politicians can choose to make its population more or less attractive to businesses. The more people are employed, the higher the purchasing power. The more people are educated and available for high-paying jobs, the higher the purchasing power. That means that the more women can enter the workforce, and the more people a country is able to bring into the middle to high income segments, the more purchasing power there will be in the population, and the more revenue a country will have when the tax burden is distributed evenly between employees, companies and multinational companies. **It should thus be in every country’s best interest to provide healthcare, baby care and education to its population and ensure security for its citizens and its businesses in order for taxes to be optimized (when evenly distributed among citizens, national companies and multinational companies).** Uneven distribution, such as paying wages that are too low, will reduce the citizens’ purchasing power and hence reduce the profitability of the businesses and thus also their ability to pay taxes. If the taxation of multinational companies is not calibrated to match the country’s level of taxation of national companies, it should be evident that in such a situation both profits and taxes are likely to become sub-optimal.

If we go back to the question of finding balance between the positive and negative effects of taxes, it should now be clear that this is a balance between

- (1) providing public services such as healthcare, baby care and education,
- (2) enabling a large enough share of the population to seek employment that gives rise to salaries that are above basic subsistence level, thus giving companies a competitive workforce,
- (3) taxing citizens, national companies and multinational companies evenly in order to keep the tax burden as low as possible on all these and
- (4) not financing projects with taxes that are not broadly accepted by the population.

The above create a set of effective policies that provide growth for a country. The opposite is ineffective policies. As Peter H. Schuck<sup>2</sup> explains it, “The most alarming consequence of ineffective policies, in addition to unrealized social goals, is the growing threat to the government’s democratic legitimacy”. Thus, to secure its legitimacy, the government must create effective policies, including effective tax policies that do not favor small groups, coalitions or private actors at the expense of the general public. The general public’s interests, not special interests, must be at the heart of effective policies. This simultaneously provides the best protection for these special interests.

**Introducing the three tax measures mentioned in the introduction is thus all about creating more effective tax policies and distributing the tax burden more evenly among the three major tax groups – citizens, national companies and multinational companies.**

However, even if the three tax measures can take away much of the tax advantage that multinational companies currently enjoy, it is important to note that the introduction of these tax measures alone cannot create the enduring level playing field between national and multinational companies that is needed. A more complete solution is needed which incorporates these tax measures into more comprehensive changes to the system.

The important take-away is that when policies are enacted, politicians must always look for the solutions that are in the general public’s best interests. This is also true when looking at which measures that promote the most sustainable business models, which again will help towards creating a more sustainable world.

## A COMPLETE SOLUTION MODEL

An orchestrated and coordinated effort is needed in order to achieve any desired targets in restricting capital flight and protecting each country’s tax base. It is not too complicated to reduce most of the capital flight to next to nothing, though. It simply entails combining the right instruments.

The background for identifying measures or policy recommendations, is a careful weighing of existing fiscal mechanisms against each other in order to see which mechanisms will likely result in the greatest reduction in un-taxed capital flight.

The research<sup>3</sup>, based on careful analyses of available information, identified the following top measures against untaxed capital flight:

- (1) transparency (unambiguous, standardized country-by-country information),
- (2) competence-building,
- (3) unambiguous legislation, and
- (4) three simple, but extremely efficient, fiscal mechanisms:
  - i. Separate the taxation of derivatives (and internal contracts with derivative elements) from the regular business tax base to reduce complexity and ensure that derivatives cannot be used for capital flight,
  - ii. Reverse the tax credit principle used to avoid double taxation on revenues and apply it to internal cross-border transactions. Utilize this reverse tax credit on cost transactions across borders (into a country) to secure equal treatment of the cost and revenue sides of internal transactions

<sup>2</sup> Author of “Why Government Fails So Often”, Princeton University Press, 2014

<sup>3</sup> The cumulative research done and published by Publish What You Pay Norway from 2007 to 2018, see [www.pwyp.no](http://www.pwyp.no).

within multinational companies (just as tax credits are used to avoid double taxation of revenues, reversing the tax credit principle and using it on internal cross border cost transactions will ensure that cross-border cost transactions do not give higher tax deductions than the revenues have been taxed in the multinational corporation),

- iii. Utilize withholding taxes and VAT on transactions across borders directly from multinationals to in-country customers to ensure that taxes are not affecting the pricing of the transactions, and to ensure a more level playing field between national and multinational companies.

Again, it is important to emphasize that **the mechanisms recommended are an orchestrated system**, which should be introduced as a comprehensive package in order to avoid loopholes that might otherwise be utilized to keep un-taxed capital flights flowing. For each element not introduced, the effectiveness of the laws is reduced. For example, if the legislation introduced is not unambiguous, the law becomes open to interpretation which could result in companies not adhering uniformly to the law. It is not only tax law that needs to be unambiguous; the same is the case with competition law, accounting law, business law, banking law, etc.

The take away message is that it is actually fairly easy to fix most of the problems, *if states would only use the tools they have at their disposal*. But heavy lobbying deliberately confuses the matter, by redirecting the focus of governments toward mechanisms that are obviously difficult, obviously unfair (and therefore difficult to enact) or obviously demand collective actions by a large number of countries. The goal of lobbying is equally obvious – to keep attention away from the easy fixes that works as long as lobbying is unable to destroy them.

**National companies** are already transparent, as they deliver financial statements to open access repositories like the Company Registry in Norway (or other countries with taxation). The legislation they are facing is usually unambiguous as the national laws have been formed unilaterally by the country over many years. The only relevant measure that should also be introduced to national companies is separating the taxation of derivatives from the regular tax base. This is to ensure that this particular tax legislation will be universally applicable across national companies and multinational companies alike, and the change will not matter for national companies.

**Multinational companies** are less transparent, and as they do not deliver unambiguous information in the form of financial statements broken down by individual countries. It is important that these companies start reporting at least key numbers country by country. However, in order for multinational companies to compete on a fair basis with national companies, it is also important to take away the tax advantage that these companies currently enjoy. This must be done by a combination of

- Ensuring that internal cross-border cost transactions do not enjoy a higher deduction within a country than the overall taxation that the multinational company has been able to achieve worldwide
- Ensuring that cross-border revenue transactions directed at consumers are taxed, at the customer level (not at the company level), with VAT and withholding tax.

These three fiscal mechanisms, one (derivatives in a separate tax base) covering both national and multinational companies and two covering multinational companies only, are tailored directly at removing the tax advantage that the multinational companies currently enjoy, and they are highly effective and almost impossible to get around if all the three measures are introduced in a country.

Adjusting the existing tax system with these three fiscal mechanisms allows for the following taxation models to be fitted to the economy of any given situation, as exemplified by taxation in Norway:

- a. **Fully national company** (traditional company with imports and exports, not part of a multinational company):

→ Profit taxes, VAT, employment taxes, property taxes, derivatives taxed separately from other business profits

- b. **Partly national company** (subsidiary of a multinational company)

→ Profit taxes, Reverse Tax Credit, VAT, employment taxes, property taxes, derivatives taxed separately from other business profits

- c. **Only “employees” national** (delivery of services in-country but paid for abroad)

This is the AirBnB and Uber of the world. Local people offer services, but customer’s payment leaves the country. There is then a return payment to the person offering the service in-country. Here a radically different taxation model is needed, as the people rendering the service do not consider themselves employees, but are more like self-employed persons. This requires a profound change to the taxation model to ensure the same services are paid for.

→ Withholding tax, VAT, employees share of employment taxes, property taxes as applicable to personal ownership

- d. **No national elements** (delivery of goods and services as well as payment abroad)

→ Withholding tax and VAT only

Further justification for the tax mechanisms and the combination of them can be found in the following reports on the Publish What You Pay Norway website ([www.pwyp.no](http://www.pwyp.no)):

- The Roller-Coaster Mechanism in the World Economy – Mark-to-Market and transactions outside the market. PWYP Norway December 2017
- Taking Away the Tax Effect of Tax Havens – Cross-Border Taxation Methods and Reverse Tax Credit. PWYP Norway May 2017
- Protection From Derivative Abuse. PWYP Norway December 2011

## TAXATION MECHANISMS THAT ARE READILY AVAILABLE

### a. Derivatives in a separate tax base

**It is absolutely critical to move derivatives and internal contracts with derivative elements into a separate tax base in order to reduce the complexity of taxing normal business profits. An added benefit is that derivatives can still be used within the country, but they can no longer lead to capital flight.**

Derivatives and derivative elements go through an entirely separate line of decision-making, implementation, and accounting, so it is only natural that they also have an entirely separate line of taxation.

Moving derivatives into a separate tax base will still allow companies to do hedging, which is the original reasoning behind introducing derivatives to companies outside the financing sector. The reason is that the economic expectation of hedging is zero or slightly positive over longer periods of time. Hence hedging is useful to do without a tax deduction as an additional argument to do it. Hedging can also be done on an after-tax basis, and there are thus several ways of ensuring that hedging is unaffected when derivatives are taxed separately from regular business profits.

It will also be possible to use derivatives for speculative purposes as long as both sides, or both instruments, are inside the country. However, moving derivatives into a separate tax base ensures that it will be impossible to utilize a country’s tax system for speculative use of derivatives cross-borders. Amongst other things, such speculative use makes it possible to place losses in one country in order to create tax deductions, while the opposite revenues are placed in low- or no-tax jurisdictions, creating a

tax arbitrage that only benefits the company carrying out the derivative transaction(s). Separate taxation means that a company has to have revenues from derivatives to take losses from derivatives against. This means that it will no longer be logical to carry out derivatives transactions when tax arbitrage is the only reason behind them.

Many companies have internal contracts similar to derivative contracts or which at least include derivative elements. These elements should also be seen as a separate business with its own contracts, its own accounting and its own decision-making processes, and it is thus important to treat them distinctly from the rest of the business for tax purposes just as derivative contracts entered into with external parties. This is because this type of contract can be combined with any other type of transaction or other derivative to create virtually anything. Segregating them into a separate tax base ensures that the company will only engage in healthy derivative activities. Otherwise the desire to use derivatives to “save” on taxes may become irresistible.

Does it have any negative consequences outside of companies not getting a tax deduction for losses from speculative derivative transactions? It is difficult to see any, other than a reduction in the trading of derivatives in the financial markets. Preventing derivative gains and losses from being taxed together with other business profits (de-linking) does not prohibit any company from entering into derivative transactions they believe will result in derivative gains. Therefore, the only effect seems to be that they will no longer have the ability to create a tax arbitrage using deliberate derivative losses.

The positive effects of delinking are, however, indubitable:

- Financial institutions will have to find derivative instruments that are beneficial for businesses without the tax arbitrage. This is a very positive outcome, as it will ensure derivative products that are helping companies, such as hedging is.
- It will be easier for the finance industry to evaluate the risk associated with derivatives, and hence the possibility of building up large, uncovered positions in derivatives should be much more difficult. This should ensure a healthier finance sector, and reduce the likelihood of future financial crises.
- The complexity of business goes down significantly, as speculative derivatives will be a much smaller part in the future price changes of commodities.
- It should be easier to develop insurance products for businesses where there is a more direct link between the payment for the insurance and the coverage that is taken out.

The treatment of derivatives is analyzed in the report “Protection from Derivative Abuse” which was published by PWYP Norway in December 2011. See [www.pwyp.no](http://www.pwyp.no) for the report. The report is up to date and is still the only known report to present a fail-safe method for treating derivatives in a tax system.

## b. Reverse Tax Credit

**It is similarly critical to ensure subsidiaries of multinational companies do not get higher tax deductions for internal cross-border transactions than their affiliated organizations have been taxed overall on their business profits worldwide.**

In order to ensure that national companies and subsidiaries of multinational companies are competitive on the same level, i.e. unaffected by any differences in taxation between countries, it is important to negate the effect multinational companies have by organizing part of their activities in low- or no-tax jurisdictions. This can be done by utilizing the same principle that is used to avoid double taxation – tax credits. By reversing the tax credit principle, the deductibility of internal cross-border cost transactions can be reduced, so that the taxation of the multinational company is returned to what it would have been if it was a national company. The mechanism follows the OECD’s suggestion that countries need to start looking at how to regulate the cost deductions given to (subsidiaries of) multinational companies in the internal law.

The Reverse Tax Credit-method is a method which unilaterally takes care of adjusting the effects when the deduction of costs is disproportionate to the taxation of the opposite revenue in cross-border transactions. The Reverse Tax Credit-method can be enacted unilaterally in a country’s tax system, the same way as the Tax Credit-method is enacted in a country’s tax system, or agreed in a tax treaty. The Reverse Tax Credit-method does not need to be included in tax treaties, though, and does not affect existing tax treaties as it only applies to the deductibility of costs according to the internal tax code in a country. The method also applies on globally available information, and is thus not dependent on additional information from the company.

The Reverse Tax Credit-method is an alternative to having to adjust the revenue up to match actual sales to the market in-country. Adjusting the revenue would be in potential conflict with tax treaties on the taxation of revenues between countries. Today the tax authorities have very little information about what goes on in the various parts of the multinational companies. Most of the information that the tax authorities collect, or that is given through automatic information exchange agreements, is about individual citizens, not multinational companies. Adjusting the revenues would thus include collecting a lot more information from the company.

**The reverse tax credit method allows tax authorities to perform nearly theoretically correct taxation of a multinational company/subsidiary without having to speculate on what is happening in low-tax or no-tax jurisdictions.** The multinational company/subsidiary is given the benefit of the average tax rate that the multinational company had achieved prior to the application of the reverse tax credit principle. Accordingly, a company that is more aggressive in their approach to reducing taxes, is then simultaneously and automatically reducing the tax rate applied to cross-border cost transactions and non-transactional cash flow for cost deduction purposes. The Reverse Tax Credit principle would utilize an auditor-approved globally consolidated financial statement, but in case of a lack of such, it is possible to set the tax as low as zero until the corporation provides the documentation needed to secure the correct tax deduction for internal cross-border cost transactions.

OECD has recognized the problem of “double non-taxation”, i.e. the problem where a cost is acknowledged as a deduction in a subsidiary in a tax-paying country, while the opposite revenue within a multinational company is not taxed because it is placed in a company registered in a low- or no-tax jurisdiction (a tax haven).

On March 14, 2014 OECD presented a report on how to prevent abuse of the double taxation treaties (called the Treaty Report). On March 19 of the same year, OECD presented an additional discussion note on how to neutralize the effects of hybrid, unsymmetrical arrangements as seen from the double taxation treaty viewpoint (called the Treaty Hybrid Report). The suggestions in the reports were offered in connection with the deliveries under the OECD’s Action Plan on Base Erosion and Profit Shifting (BEPS).

The Hybrid Treaty Report’s third key area is the most interesting in this connection:

*“3. Interaction between OECD’s domestic law recommendations to neutralize the effects of hybrid mismatch arrangements and the provisions of double-tax treaties. This includes: recognition that, depending on how states decide (if at all) to amend their domestic rules to deal with hybrid mismatches (for example, denying deductions in the payee state, forcing inclusion in the recipient state or taxing the recipient in the payee state), states may need to amend their double-tax treaties.”*

Reverse Tax Credit is a universally applicable method to deny deduction that give close to theoretically correct taxation, which is possible to implement in every country’s internal tax code and can therefore be applied unilaterally by any country or group of countries. It is also a method which does not include any adjustments to double-tax treaties, only changes to domestic tax law (level of tax deduction for internal, cross-border cost transactions). The method is more correct than any of the currently applied methods, including the method enacted in the UK which would lead multinationals to pay higher tax than national companies if the UK method were universally applied. If all countries introduced reverse

tax credit, the result would be a taxation that would average the tax rate of the countries where the products or services were sold, i.e. as if the low- or no tax jurisdictions that were added as pass-through countries in the organization did not exist.

Reverse Tax Credit is thus intended to be used only in countries where the transaction goes out of the group, i.e. that pass-through countries does not utilize the Reverse Tax Credit method. Only four pieces of information is needed to make the Reverse Tax Credit method applicable:

- Profit margin of the group (profits in % of external cost in the group)
- Effective tax rate of the group
- Profit margin of the local company (profits in % of external and internal cost)
- Internal cross-border cost

This information is found either in the group financial statement of the multinational company or in the subsidiary company in Norway (or any other country that wants to apply the Reverse Tax Credit principle).

Reverse Tax Credit is calculated in three steps:

- (1) Reverse Cost is calculated as:
  - (a) Sales price = Internal cross-border cost \* (1 + profit margin locally)
  - (b) Reverse Cost = Sales Price – (Sales Price/(1+profit margin group))
- (2) Reverse Tax Credit is calculated as:
  - (c) Reverse Cost \* (average tax rate of the group excluding local tax)

The Reverse Tax Credit is applied by reversing the cross-border cost transactions in the tax calculation and deducting the calculated Reverse Tax Credit as a cost. Example:

Taxable profit before tax .....	10.000.000
Reversed Cost (as calculated in step (a) and (b)) .....	+ 2.000.000
Taxable profit before reverse tax credit .....	12.000.000
25% tax (2017) .....	3.000.000
Reversed Tax Credit:	
Multiplied with tax rate of the group.....	2.000.000 * 5% ..... - 100.000
Assessed tax after Reverse Tax Credit .....	2.900.000

In order to get the full tax deduction in Norway in this example, the tax rate for the group (exclusive of taxes paid in Norway) would have to be 25% (2.000.000 \* 25% = 500.000).

In addition to that, a symmetrical tax treatment between countries is restored. Reverse Tax Credit has the following positive effects:

- It is applicable on all cross-border cost elements internally within a corporation (not income elements), i.e. it is universal and does not require redefinition
- It is aligned with internationally accepted tax sharing principles by utilizing the established tax credit principle
- It allows a country to set its own tax rate – independent of other countries, for activities that take place within its borders
- It does not affect, trespass on, or in any other way conflict with the taxation of other countries
- It does not lead to double taxation – and remains unaffected by companies between the home country and the local country – and the use of pass-through countries thus becomes much less interesting (which means that companies can simplify their organizational structure significantly, saving costs instead of reducing taxes).

- Reverse Tax Credit does not affect companies that do not use tax havens – these are taxed in their respective countries and get a deduction based on the higher tax rate they then have. The only thing that happens is that companies that use low- or no-tax jurisdiction no longer get a tax arbitrage for doing so.
- And best of all: it reduces inefficient work by the tax administrations to a minimum

Can Reverse Tax Credit be carried out without any acceptance from other countries? Yes, it can, as tax credits were first initiated in internal law before it became a principle in double taxation treaties (first in the US and thereafter in other countries).

If Reverse Tax Credit is enacted and implemented, with the result that companies pay more tax in this country than in other countries – can the companies circumvent the regulation? As the companies must present costs in their tax return in order to get a deduction, there is essentially no way companies can circumvent this type of regulation internally in the country. They can start asking customers to pay for transactions outside the country, but that is why it is important to have a system of VAT and withholding tax on transactions (money transfers) directly from customers to abroad (see the next section).

If Reverse Tax Credit is enacted – which reactions can come from the multinational companies? As Reverse Tax Credit brings the multinationals tax up at the same level as the national companies, they do not pay more taxes than other companies. They only pay the taxes they would have paid if they had not utilized tax havens in their organization worldwide, and the tax deduction is not lower than the company overall has strived to achieve as tax rate for their profits (outside of the country applying the Reverse Tax Credit).

Can implementing Reverse Tax Credit mean that multinational companies will stay away from the country implementing the RTC entirely? Reverse Tax Credit essentially makes the countries enacting RTC more attractive to companies that do not use tax havens (because competition becomes more level), and less attractive to companies that do utilize tax havens. Starbucks is an example: If Starbucks has large transfers abroad, then Starbucks would be affected by Starbucks' low tax rate for the group as a whole. Reverse Tax Credit will, however, not mean that Starbucks will not earn money in the country enacting RTC, only that a larger share of their profits will be taxed in that country through lower deductions for cross-border cost transactions. If Starbucks makes few cross-border cost transactions, then the effect is close to zero when RTC is implemented. It is hence the behavior of each multinational company (the tax rate they have achieved globally and the amount of internal, cross-border cost transactions together) that together determine the deduction. There are, however, many alternatives to and among multinational companies, so countries enacting RTC are unlikely to suffer by introducing the Reverse Tax Credit method on internal cross-border cost transactions. **The good thing with Reverse Tax Credits is that companies that do not use tax havens are unaffected and do not pay more taxes than they already do, whether they are multinationals or not.**

**c. VAT and Withholding Tax**

Last but not least, it is critical to make sure that companies organized so that revenues that are collected in a country other than the country in which the buyer is located (including digital business models), do not gain a competitive advantage in comparison to taxes levied on the profits of national companies and subsidiaries of multinational companies (when reverse credit is used on the subsidiary's internal cross-border cost-transactions). Consequently, it is necessary to tax cross-border revenue transactions on par with the taxation that companies would have had if they had a sales operation inside the country in question. The main taxation of a domestic company, whether national or subsidiary of a multinational company, is VAT on the transactions and taxation of the profits. It is important that VAT and withholding tax paid by the end user emulate this in-country taxation.



With VAT it is easy; simply apply the VAT to cross-border revenue transactions directly towards consumers. The easiest way to emulate profit taxes is to levy a withholding tax on the cross-border revenue transaction whether the transactions are directed towards companies or end users.

These two taxes are very precise as they are only applied to the actual transactions, rather than trying to tax the corporation or adjust the corporation's revenues.

The main difference from other taxes is that the end-user/buyer in-country is made responsible for paying these taxes, instead of deducting them from the amount going to the multinational company. Instead of paying a higher amount to the multinational company, and then deducting the taxes from this amount, the end-user/buyer in-country pays the amount due to the multinational and at the same time pays the withholding tax and the VAT to the Norwegian tax authorities. In this way, there is no ambiguity as to whether or not companies outside of Norway will attempt to evade paying the taxes, and avoids authorities having endless arguments with multinationals regarding withholding tax levels. In today's digital society this can easily be regulated by having the bank or credit card company deduct from the account or credit card the withholding tax and the VAT when the customer authorizes a payment to a company abroad. The main point is (1) to increase the total price of the international transaction up to the level where national companies, including subsidiaries of multinational companies, are competitive so that the tax level does not influence where a customer buy goods and services, and (2) that taxes are paid whichever company a customer buys goods or services from.

It is important that the withholding tax be set at a level that creates equal competitive conditions between national companies/subsidiaries of international companies and companies which have their entire business outside of the borders of the country in question. The reason for this is that the withholding tax level is not set for purely tax purposes, as is the case with internal tax law, but rather to secure level competition between all companies. This is thus a method by which cross-border transactions are made competitive against in-country transactions, by taking away the tax arbitrage only. It is in this connection that it becomes important that the withholding tax and the VAT be paid by the buyer in-country, and not deducted from the amount paid to the seller outside of the country. This ensures that the withholding tax and VAT do not introduce price distortions between countries over and above neutralizing the tax arbitrage.

Withholding Tax and VAT on cross-border revenue transactions is also important to secure that subsidiaries in-country, which get Reverse Tax Credit, do not start using cross-border revenue transactions in order to evade taxation. Reverse Tax Credit on internal cross-border cost transactions and Withholding Tax/VAT on cross-border revenue transactions are thus tax mechanisms that work in tandem to secure that there are no loopholes in the taxing of cross-border transactions.

Cross-border revenue transactions are those in which companies outside of a country invoice individual customers in-country directly. This does not include transactions where an independent (non-affiliated) company in-country imports products & services from a company outside the country. This is normal importation, and as this company would be able to deduct VAT, introducing VAT on such transactions would not have any fiscal effects because the VAT would be zeroed out. It is also not relevant to levy a withholding tax on the payment of such imports as the independent (non-affiliated) company in-country has the possibility to import from different vendors outside the country, and hence the underlying assumption is that normal competition between vendors should ensure a low import price so that there is profit both for the seller that sells the goods from abroad to an importer in the country and profit for the buyer who resells the goods internally in the country. This means that the taxable profit in this case is with the importing company in-country when they sell onwards to end-user customers.

## A COMPARISON OF POSSIBLE ALTERNATIVES

The table below summarizes alternative ways to tax multinational companies when revenues are disproportionate to cost (revenue or cost manipulation). Currently, Norway utilizes tax mechanisms (1), (2) and (4), i.e. fixing the revenues and the cost during the assessment of the tax return, and take into account potential tax credits that have been accrued through paying taxes in other countries to avoid double taxation.

Table: Alternatives ways to tax multinational companies when revenues are disproportionate to cost

	Revenues	Cost	Profit
In-country mechanisms	1. Adjust revenues up → difficult to estimate	2. Adjust cost down → difficult to estimate	
Multilateral mechanisms			3. Global taxation of multinational profits (requires global coordination)
Tax Credit/ Reverse Tax Credit	4. Tax based on global income, allow for global costs and allow tax credit for taxes paid in other countries (works for companies with home base in country)	5. Tax based on local income, allow for local costs and allow for reverse tax credits for taxes paid globally (works for companies with only subsidiary in country)	
End-user mechanisms	6. VAT and Withholding Tax (destination taxes)		

What is suggested here is that the tax system be supplemented with tax mechanisms (5) and (6), i.e. Reverse Tax Credit to avoid double non-taxation and VAT/Withholding Tax to ensure taxation of cross-border revenue directly from customers to multinational companies abroad. That will automatically reduce the need for mechanisms (1) and (2), and that is good as tax mechanisms (4) and (5) are theoretically more correct than (1) and (2) can ever become, as (1) and (2) are based on benchmarks and estimates while (4) and (5) are based on actual transactions, to a higher degree.

The only remaining tax mechanism available as an alternative is (3) Global taxation of multinational profits. This method is also called Unitary Taxation or Formulary Apportionment.

There are advocates for this tax solution for multinational companies, but there are several draw-backs when going in this direction:

- The method is dependent on multi-country agreements on the taxation of multinational companies and that countries experience a fair and equitable tax apportionment. Continued unfair treatment of non-OECD countries will result in such agreement to become fragile and unsustainable.
- The Global Taxation Method is dependent on more information from the multinational companies than is needed in the Reverse Tax Credit method, which only needs publicly available numbers from the financial statements of the local company and the group financial statements.
- There is a risk that weak countries will lose in the competition for taxes against stronger countries when it comes to the Global Taxation Method. The reason for this is that there is never one tax base – there are always several reasons for taxation. This will be explored in more depth below.
- The method may lead to arbitrary taxation as it will have to depend on (many) different parameters to distribute taxes between countries

- Ensuring that the parameters given by the companies are correct worldwide is problematic, and thus the method makes it possible for some companies to try to lower taxes through disinformation.

There are three major reasons for taxation of company revenues or profits:

- production of a natural resources (renewable or non-renewable),
- the place(s) where goods and services are put together
- and the markets where goods and services are actually bought and/or consumed by end-user customers.

Different countries are usually involved in each of these phases. In addition, there are other reasons for taxation that do not have anything to do with ordinary company taxes: resource taxes, property taxes and taxation of personal income and wealth. These taxes are normally tied to a single geographical location such as a license to exploit a resource, property located on owned or leased land, and residency of citizens. It is thus a unique aspect of company taxes that there are possible overlapping tax bases, and hence the need for ensuring that the taxation, along the value chain of extraction, production/assembly and sale, are distributed fairly. This means that the tax mechanisms that countries enact to capture fiscal revenues should produce a result that is as close to theoretically correct as possible without trespassing on other countries' tax bases. The main challenge of a Global Taxation Method agreed among all countries, in addition to the issue of reaching an agreement at all, is that any methods for distributing the taxes on the global profits have to be based on schematic distribution, which in turn is based on a few easy to use parameters or many, more complicated parameters. This is likely to create a distribution of taxes that easily can move quite far from the theoretically correct taxation and thus can be criticized for being too arbitrary, as discussed above.

The Reverse Tax Credit method is a far more direct method that (1) is only applied on the actual cross-border transactions that a subsidiary of a multinational presents to a tax administration as tax deductible costs, and (2) only applies parameters of the multinational company that the multinational company has actually achieved through its transactions.

Likewise, in countries where a multinational sells to customers directly across a border and not through a subsidiary, withholding tax and VAT applied directly on the transaction, and paid by the customer, are again a far more direct method that (1) only applies to the actual cross-border transactions that are paid by the customer directly to a multinational company abroad and (2) only applies tax rates that are either enacted (VAT) or can be benchmarked against the proxy company taxes that would have been paid on the company's profits in-country, had the same transactions been carried out through a subsidiary or through an importer.

## SHORT SUMMARY OF INITIATIVES BY PWYP NORWAY

The tax mechanisms mentioned above cover 6 out of 8 large areas that constitute the vast majority of harmful capital flight. Please see the individual reports published at [www.pwyp.no](http://www.pwyp.no) for analyses, references and more detailed explanations.

The capital flight areas and the available counter-mechanism(s) published by PWYP Norway can thus be summarized as follows:

- 1 Derivative abuse
  - counter-mechanism: move derivatives into a separate tax basket
- 2 Capital Gains abuse
  - counter-mechanism: move derivatives into a separate tax basket and always ensure symmetrical treatment of investments and depreciation.
- 3 Transfer mispricing
  - counter-mechanism: Reverse Tax Credit will eliminate tax effects of abuse

### 4 Tax regulation abuse

- counter-mechanism: Reverse Tax Credit will eliminate tax effects of abuse

### 5 Mark-to-Market mechanisms

- counter-mechanisms: Reverse Tax Credit will eliminate tax effects of abuse. Having fair value adjustments not affecting the profit & loss account, and having the fair value adjustments in a separate part of equity that cannot be divided, will eliminate unfair competition

### 6 Redirected income

- counter-mechanisms: Withholding tax and VAT can be used on redirected income, paid by the customer, and this will level the competition between companies

### 7 Corrupt Practices

- counter-mechanisms: criminal law, banking regulations etc. (not part of reports)

### 8 Criminal Practices

- counter-mechanisms: Transparency, criminal law, audits etc. (not part of reports)

A general counter-mechanism against all of these 8 areas is transparency, and there are two types of transparency that are more important than others:

- Extended Country-by-Country Reporting (ECBCR) which ensure that taxes paid are published in the context of the number of employees, production (by type), investments, revenues, costs, accrued taxes together with taxes payable 1.1. and 31.12.

ECBCR must not be confused with CBCR which is reporting of taxes only without context. Nor should it be confused with BEPS-pCBCR which is the reporting of taxes to the tax authorities only and which, in its form, is inadequate for publication due to missing information in the reporting compared with the information that the greater society needs.

- Contract transparency which ensures insight into the contracts entered into between government and companies.

In addition, there is a 9th area which could become a problem for tax authorities. It has yet to become widespread in company transactions within multinational companies, but this can change:

### 9 Cryptocurrencies

- counter-mechanisms: Combination of (1) having these in a separate tax basket, (2) including them in Reverse Tax Credit to eliminate the tax effects of abuse, and (3) having fair value adjustments to unrealized crypto-currency in a separate part of equity that cannot be divided will eliminate unfair competition caused by the introduction of cryptocurrencies into business. Preferably cryptocurrencies should be prohibited due to the lack of sustainability with regards to power use related to the activity.

## INITIATIVES EXPECTED TO WORK AGAINST CRYPTO-CURRENCIES

Crypto-currencies have already been around for some years, but have yet to become widely used within (multinational) corporations. This could change, and tax authorities should develop strategies for how to deal with the inclusion of these tools that can be used for capital flight. The issue with crypto-currencies, as compared to "normal" currencies, is the potential for low trading in these currencies, and hence (1) the problem of measuring value at any point in time and (2) the problem of extreme fluctuations in value, possibly driven by the corporation itself.

With regards to measuring value and controlling the negative effects of extreme fluctuations, a tax administration is likely in need of help from the regulator. Due to the possible highly erratic value changes in a currency with low trading, it is necessary for a tax administration to find a secure, standardized

and predictable way of measuring the value of a crypto-currency until the crypto-currency has reach acceptable levels of trading on par with regular currencies. As it is likely that multinational companies will continue to have a regular currency as their functional currency (the currency all other currencies are converted into), it is useful to think of a crypto-currency as just another currency in the basket of currencies, and that the crypto-currency is replacing another currency. Instead of accepting wildly fluctuating crypto-currencies, tax administrations can thus have the legislator allow for the creation of a basket of regular currencies which act as a proxy for the value of the crypto-currency as long as the crypto-currency is unrealized.

In addition, for tax deduction purposes, it is possible to include the proxy value in the Reverse Tax Credit calculation, if the company presents a tax deduction which is originally valued in a crypto-currency. In this way, the tax administration ensures that it does not help to have a transaction in a crypto-currency compared to a regular currency.

Last, but not least, any registered changes in the crypto-currency between transaction and realization of the crypto-currency should follow the treatment of other fair value adjustments to unrealized assets (as a receivable or payable in crypto-currency would be). Unrealized crypto-currency changes should thus be registered in a separate part of equity that cannot be dividended just as it is suggested that other fair value adjustments be treated (see mark-to-market and treatment of unrealized fair value adjustments).

Losses in crypto-currency should, if they are in a separate tax base for tax purposes, not be a part of the taxation of the company's regular tax base. Rather, any losses are carried forward against future revenues in the same crypto-currency (assuming that in a "real" crypto-currency the fluctuations will go both ways over time and nullify each other).

**These measures taken against crypto-currencies in the tax base should protect the tax administration from the abuse of crypto-currencies, protect the tax base from extreme fluctuations in valuation, and ensure that the use of crypto-currencies is based on sound business principles and not tax advantages due to ineffective or inadequate regulation.**

## 2015 UN SUSTAINABLE DEVELOPMENT GOALS AND THIS REPORT

**Goal 1:** End poverty in all its forms everywhere – this paper argues that this is not possible before amongst other *transparency* and *taxation* are properly addressed.

**Goal 2:** Zero hunger – this paper argues that this is not possible without properly addressing amongst other *taxation*.

**Goal 3:** Ensure healthy lives and promote well-being for all at all ages – this paper argues that this is not possible without properly addressing amongst other *taxation*.

**Goal 4:** Quality education – this paper argues that the societies delivering quality education will not be possible before amongst other *transparency* in and *taxation* of businesses are properly addressed.

**Goal 5:** Gender equality – this paper argues that the societies based on gender equality will not be possible before amongst other *transparency* in and *taxation* of businesses are properly addressed.

**Goal 6:** Ensure access to water and sanitation for all – this paper argues that this is not possible without properly addressing amongst other *taxation*.

**Goal 7:** Ensure access to affordable, reliable, sustainable and modern energy – this paper argues that this is not possible without properly addressing amongst other *transparency* and *taxation*.

**Goal 8:** Promote inclusive and sustainable economic growth, employment and decent work for all – this paper argues that societies delivering this is not possible without amongst other addressing *transparency* and *taxation*.

**Goal 9:** Build resilient infrastructure, promote sustainable industrialization and foster innovation – this paper argues that societies delivering this is not possible without amongst other addressing *transparency* and *taxation*.

**Goal 10:** Reduce inequality within and among countries – this paper argues strongly that it is impossible to achieve this goal without addressing amongst other the questions raised around *transparency* and *taxation* in this paper in an adequate way.

**Goal 11:** Make cities inclusive, safe, resilient and sustainable – this paper argues that without sustainable business models, no sustainable society, and addressing amongst other *transparency* in and *taxation* of business is critical success factors in getting sustainable business models.

**Goal 12:** Ensure sustainable consumption and production patterns – this paper argues that this is not possible without addressing amongst other the issues in *taxation* discussed herein.

**Goal 13:** Take urgent action to combat climate change and its impacts – this paper argues that these challenges can best be dealt with if the issues in *taxation* discussed herein is properly and adequately dealt with.

**Goal 14:** Conserve and sustainably use the oceans, seas and marine resources – this paper argues that societies that are capable of doing this has to address the issues of *transparency* and *taxation* discussed herein.

**Goal 15:** Sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss – this paper will argue that societies that are capable of doing this has to address the issues of *transparency* and *taxation* discussed herein.

**Goal 16:** Promote just, peaceful and inclusive societies – this paper argues that such societies are fundamentally sustained by addressing the issues of *transparency* and *taxation* discussed herein.

---

 @PWYPNorway  facebook.com/PWYPNorway  YouTube PublishWhatYouPay Norway

---

PWYP Norway is the Norwegian chapter in a network of 800 organisations from more than 70 countries worldwide. We work for financial transparency in the extractive industry to promote sustainable societies.

---

ISBN 978-82-93212-89-8

---

**PWYP**   
NORWAY

---

Making Transparency Possible