

Tax havens hinder the mobilization of domestic resources for development

Multinational companies, in particular in the extractive industry, make substantial use of secrecy jurisdictions and tax havens. Numerous sophisticated strategies allow company profits to be transferred out of producer countries to tax havens, often entirely legally and out of public sight.

In 2011, "Bread for All" and "The Swiss Catholic Lenten Fund" carried out a research about the activities of Glencore in the Democratic Republic of Congo (DRC), in collaboration with Congolese nongovernmental organisations. The research showed not only that Glencore was involved in severe environmental damages and social conflicts, but also that a large part of the profits made were shifted to tax havens. Subsidiaries of the commodity company pay only minimal taxes in the DRC, resulting in million dollar losses for the Congolese State.

Transparency in corporate reporting, in particular a disclosure of profits and losses made in each country, would help to fight tax abuse. Tax havens deprive poor countries of important resources for their development. According to estimations, a correct taxation of the extractive sector in the DRC could yield more money than the country receives in development aid.

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