UN calls UK to account over impact of unjust tax laws

A United Nations body has called on the single largest financial secrecy jurisdiction in the world – the United Kingdom and its Overseas Territories and Crown Dependencies – to account for the human rights impacts of its unjust tax policies at home and abroad.

The call was issued by the UN Committee on Economic, Social and Cultural Rights, which oversees compliance with the International Covenant on Economic, Social and Cultural Rights. Drawing on a joint report by the Center for Economic and Social Rights (CESR), the Tax Justice Network (TJN) and the Global Justice Clinic at NYU School of Law (GJC), the Committee voiced concerns that the UK's financial secrecy legislation and permissive rules on corporate tax are undermining the proper resourcing of human rights, thereby affecting the ability of other States to mobilize resources for the implementation of economic, social and cultural rights.

The Committee echoed the joint report's observation that the UK's financial network is draining resources that would otherwise be available to finance human rights, such as health, education, access to justice and social protection. Therefore, the Committee called on the UK government to conduct a human rights impact assessment of its financial secrecy and corporate tax and reporting policies, to "take strict measures to tackle tax abuse, in particular by corporations and high-net-worth individuals" and to "intensify its efforts, in coordination with its Overseas Territories and Crown Dependencies, to address global tax abuse".

"The Committee's intervention is extremely timely," said Niko Lusiani, Director of CESR's Human Rights in Economic Policy program. "Tax abuse presents an ever-increasing threat to all human rights, and is driving historic levels of socioeconomic inequality both within and among countries." To comply with the Committee's recommendations, Niko urged, "the UK government should take immediate steps to ensure that its financial and tax laws do not undermine the human rights of its own citizens or the citizens of other countries."

This first review of the UK since 2009 provided the Committee with a unique opportunity to scrutinize the austerity budgets implemented by successive governments in recent years. Alongside the concerns over financial secrecy, the Committee strongly criticized other areas of UK tax and fiscal policy that it considers adverse to human rights, including recent increases to value added tax (VAT) and the new limit on inheritance tax, both of which further exacerbate inequality.

As explained in the CESR-TJN-GJC report, the exploitation of legal loopholes and arbitrage between national tax authorities—facilitated by the UK and other secrecy jurisdictions—results in the siphoning off of vast flows of revenue, especially from the economies of less-developed countries. The foreseeable result of this conduct is the enrichment of already wealthy individuals and corporations at the expense of low and middle-income households.

The need for corrective measures by the UK is greater now than ever. According to Liz Nelson, Director at Tax Justice Network, "The UK's referendum heralds increased dangers for human rights. The vote for Brexit has reinvigorated the offshore industry and London's financial hub, increasing the likelihood of more unregulated flows of dirty money." She explained, "The government has the power and the duty to close existing legal loopholes, by introducing public registries of company and trust beneficial ownership in the UK and Overseas Territories and Crown Dependencies."

As the report details, the International Monetary Fund reports that developing countries lose $212 billion each year to just one form of tax abuse – base erosion – through which multinational corporations shift profits across their global affiliates in order to lower their tax bills, while the offshoring of private wealth leads to annual revenue losses of $190-$280 billion worldwide.

"By facilitating tax abuse, the UK is shirking its legal obligations to respect and protect human rights," said Nikki Reisch, Legal Director at the Global Justice Clinic. "As a party to the International Covenant on Economic, Social and Cultural Rights, the UN Charter, and other international agreements, the UK has committed to cooperate internationally to create an enabling environment for the fulfillment of economic, social and cultural rights. Its current conduct flies in the face of those commitments."

The UK's appearance before the Committee follows on the heels of another pioneering effort to hold tax havens to account. In response to a groundbreaking submission by CESR, GJC, Tax Justice Network and Berne Declaration, the UN's principal women's rights body – the Committee on the Elimination of Discrimination against Women – called on Switzerland to account for the impacts of *its* financial secrecy and corporate tax policies on women's rights and gender equality, especially in low and middle-income countries. These initiatives by UN treaty bodies to scrutinize the tax policies and practices of member states illustrate the important role of human rights norms, principles and institutions in reshaping the international tax regime.

Related links:

- CESR, TJN, GJC-NYU, UK Responsibility for the Impacts of Cross-border Tax Abuse on Economic, Social and Cultural Rights
- Committee on Economic, Social and Cultural Rights, Concluding observations on the sixth periodic report of the United Kingdom of Great Britain and Northern Ireland
- Switzerland: State Responsibility for the Impacts of Cross-border Tax Abuse on Women's Rights & Gender Equality
- CESR, 'Human Rights in Tax Policy' webpage
- Tax Justice Network human rights webpage

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