Multinational companies cheat Africa out of billions of dollars

Africa was cheated out of US$11bn in 2010 through just one of the tricks used by multinational companies to reduce tax bills, according to new Oxfam report, 'Africa: Rising for the few.' This is equivalent to more than six times the amount needed to deliver universal primary healthcare in the Ebola affected countries of Sierra Leone Liberia, Guinea and Guinea Bissau.

Oxfam's findings come as African political and business leaders attend the 25th World Economic Forum Africa in South Africa. The main theme of the meeting will be how to secure Africa's economic rise and deliver sustainable development. Reforming global tax rules so that Africa can claim the money it is due - and which is needed to tackle extreme poverty an inequality - is critical if the continent is to continue its economic rise.

Oxfam is calling for all governments to send their Head of State and Finance Ministers to the Financing for Development Conference in Ethiopia, in July. The Addis conference will set out how the world will finance development for the next two decades and is an opportunity for governments to start developing a more democratic and fairer global tax system.

Image via 123RF

Winnie Byanyima, Oxfam International's Executive Director said: "Africa is haemorrhaging billions of dollars because multinational companies are cheating African governments out of vital revenues by not paying their fair share in taxes. If tl tax revenue were invested in education and healthcare, societies and economies would further flourish across the contine

In 2010, the last year for which data is available, multinational companies avoided paying tax on US$40bn of income throu a practice called trade mispricing - where a company artificially sets the prices for goods or services sold between its subsidiaries to avoid taxation. With corporate tax rates averaging out at 28 percent in Africa this equates to $US11bn in lo tax revenues.

Trade mispricing is just one of the ways multinational companies avoid paying their fair share of taxes. According to UNCTAD, developing countries as a whole lose an estimated US$100bn a year through another set of tax avoidance schemes involving tax havens.

Companies also lobby hard for tax breaks as a reward for basing or retaining their business in African countries. Tax brea provided to the six largest foreign mining companies in Sierra Leone add up to 59 per cent of the total budget of the count or eight times the country's health budget.

Existing international efforts to tackle corporate tax dodging such as the BEPS (Base Erosion and Profit Shifting) process led by the Organisation for Economic Cooperation (OECD) for the G20, will leave gaping tax loopholes that multinational

companies can continue to exploit across the developing world. Many African nations have been shut out of discussions o
BEPS reform and will not benefit from them as a result.