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Panama Papers: This should not be another missed opportunity to eliminate Tax Havens and to effectively regulate tax administration and the financial market

The African Regional Organisation of the International Trade Union Confederation is sad to note, but not surprised that yet another financial scandal- *Panama Papers*- dealing with tax avoidance schemes has been exposed again after the *Luxembourg Leaks* that was unearthed by the International Consortium of Journalists (ICJ) in November 2014.

Investigative journalism exposed this scam as perpetrated by the corporate service provider Mossack Fonseca domiciled in Panama. The report revealed the identities of shareholders and directors of the companies. The documents show how wealthy individuals, including public officials, hide their money from public knowledge and scrutiny. The scheme has been on since the 1970s.

While the use of offshore business entities is not seen as illegal in the jurisdictions in which they are registered, though a practice that ITUC-Africa thinks should be otherwise, nevertheless, during their investigation, reporters found that some of the shell companies in the *Panama Papers* may have been used for illegal purposes, including fraud, drug trafficking, and tax evasion.

This present shameful, yet very old scheme as represented by this now infamous *Panama Papers* once again points to the urgency and necessity to aggressively reform the financial sector, as well as review global tax governance architecture.

Clearly, the use of Tax Havens is not and should not be seen as a smart way of doing business. The same applies to the practice where corporate entities hire armies of lawyers with the intent to circumvent and undercut national tax laws so as to shore up profit and shareholders value whilst undermining the revenue base of the economies that the same profits are made from.

No doubt, Tax Havens encourage, shield and facilitate elite and corporate corruption. Few extracts and analyses from the *Panama Papers* show that public- elected and appointed government officials, as well as corporate entities and the elite have consciously and shamelessly availed themselves of the use of Tax Havens for public assets theft, hide their wealth and also massively avoid making real and actual tax returns to government coffers.

ITUC-Africa will continue to reiterate the fact that Tax Haven and the use of other tax avoidance schemes are bleeding Africa. The effect of this is that chances of fighting and defeating endemic poverty and widening inequality are further eroded as long as these immoral, unethical and scandalous practices of tax avoidance, tax dumping and tax dodging by the rich and businesses continue.

This much was confirmed by the African Union- United Nations Economic Commission High Level Panel, now fondly referred to as the *Mbeki Panel Report on IFF* revealed that a very conservative, yet whopping figure of \$50 Billion is siphoned from Africa annually through various Illicit Financial Flows (IFFs) schemes.

It is in the same logic, premised on the need to calibrate internal resources mobilisation drives that informs ITUC-Africa's continuous clamour and campaign for the effective implementation of the Mbeki Panel Report on IFFs. We are strongly persuaded that the elimination of Illicit Financial Flows schemes will secure ample revenues for African governments needed to advance social services provisions that can aid in the fight to defeat poverty, want and misery on our continent.

ITUC-Africa therefore calls on African governments to move without further delay to implement the recommendations contained in the Mbeki Panel report, which include: cessation of needless tax competition amongst African economies that leads to the race to the bottom; tax law and administration reforms to ensure effective and progressive taxation regime; aggressive review of [needless] tax concessions; and, global collaboration to end tax haven through the strengthening of global financial governance and regulation.

Furthermore, ITUC-Africa calls on the global community of conscience and goodwill to refuse to be dazed and deafened by this new scandal as observed with the Luxembourg Leaks. Rather, we ask that governments and businesses respond responsibly to this revelation by committing to urgent and comprehensive tax and financial transaction reforms aimed at ridding the global economy of tax havens and tax avoidance schemes.


It is in the same vein that we once again call for the upgrading of the United Nations' Tax Body to a global one that will govern and regulate tax administration outside the present arrangement managed by the Organisation for Economic Cooperation and Development (OECD). The time to move against all manners of tax avoidance schemes is NOW!

ITUC-Africa equally urges the global civil society communities to remain vigilant and to effectively mobilise their constituencies to demand that governments and businesses act now to stop tax avoidance, tax dodging and similar Illicit Financial Flows schemes. It is in this regard that we commend the action of the Icelandic people for their demand for public accountability and the quest to maintain the sanctity of public trust.

Lastly, we want to commend the whistleblowers for their courage, foresight, vigilance and commitment to social justice. We ask that rather than attempt to gag and criminalise the actions of these heroic journalists as we have witnessed from experiences suffered by

similar other whistleblowers, we ask that they be given adequate protection and their rights to continue to inform the global public be guaranteed.

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A handwritten signature in black ink, appearing to read 'KMS' with a stylized flourish extending to the right.

Kwasi ADU-AMANKWAH
General Secretary