

Guiding sentences

- *The church can be a powerful actor in bringing the issue of tax justice to the local communities and raise awareness that their politicians needs to be convinced to change the current regime.*
- *In framing the issue of tax evasion in the social ethics based on theology, the movement against tax injustice and global inequality can be enriched and strengthened.*

The Jesuits' research project comparing Kenya, Zambia and Bavaria is a welcome, innovative and worthy contribution to the debate about fairness and justice. Pushing for more tax justice in a globalised world has been the driving force since my very first professional and political steps. I therefore personally regret that despite the efforts of civil society, churches, academia and politics we haven't managed to reverse the trend of corporate profits flowing into tax havens. It was only possible to freeze the profit shifting at a high level.

Christian social ethics widely agrees that the support for an economic order based on the market economy with capital markets rests on certain conditions alone if we want to respect the commandment for sister- and brotherhood. This has been demonstrated by papal encyclicals such as *Rerum Novarum* and *Laborem Exercens* as well as the Vatican's recent contribution *Oeconomicae et Pecuniariae Quaestiones*.

My own family of Churches - the Protestant church of Germany - comes to very similar conclusions: When it comes to the tax system in a globalising economy it cannot be acceptable that those who profit most from global competition such as wealthy elites in richer and poorer countries as well as multinational corporations shift their capital to low tax jurisdictions. This violates the principle that any legitimate economic system must be benefit first and foremost the weakest of our brothers and sisters.

Therefore, it is critical to rebuild the effective sovereignty of states to tax the wealth and income of the most affluent as well as the profits of transnational corporations. While we have seen recently a lot of progress when it comes to the taxability of cross border financial accounts progress when it comes to corporations and shell companies is very limited.

As the global financial system is still largely under the control of the major Western economies, we have a particular responsibility in this regard.

The European Parliament has been a driving force for curbing tax evasion, tax avoidance and financial crimes. The European Union has made significant progress under the Juncker Commission. However, key challenges remain:

First, public tax transparency of big multinationals becomes an inevitable necessity. The privileged countries have the moral obligation to provide tax authorities in developing countries with the information they need to effectively tax profits generated in or shifted to their jurisdiction. In particular in countries with weak

public institutions it is imperative that this information is accessible for media and civil society as well. It is disappointing that several member states including Germany, Austria, Sweden and many tax havens have contributed to block the EU Commission's proposal for public country-by-country reporting of multinational companies.

Second, when it comes to curbing tax avoidance, fraud and money laundering, the EU should lead by example and apply the highest standards also to its own Member States. However, too often the opposite is true. The blacklisting process for the EU list of tax havens is highly opaque and some of the biggest tax havens are not third countries but EU Member States. EU governments regularly give in to pressure from jurisdictions that are economically speaking not negligible. We all know that through FATCA the US do not exchange the same amount of information as they receive from their European counterparts. Nevertheless, EU governments have qualified FATCA as equivalent to the Common Reporting Standard CRS. The US is thus not on the EU blacklist of tax havens although foreigners can create shell companies in the US without revealing their beneficial owners to the authorities which renders effective automatic information exchange impossible. But if you name a black cat white, this harms your credibility.

Third, in the medium term the corporate taxation system has to be reformed fundamentally moving from complex transfer pricing systems to formula apportionment with minimum tax rates. While the EU Commission has made progress by suggesting the harmonization of corporate tax bases through a CCCTB minimum tax rates are still a taboo for most liberal and Christian-democratic parties in Europe.

Against this backdrop, it becomes clear that there is a role to play for the churches. the real power of our Church rests in theology. Obviously, tax justice can also be a subject for diakonia and caritas including in their modern forms of political advocacy and campaigning. But, even more important is to contribute to the debate on the need for global tax justice by theologically founded contribution. This is why I would like to invite the churches to sit together and write a manifesto calling on European politicians and lawmakers to prioritize the work against illicit financial flows and for curbing international tax competition. Such a joint statement would be a powerful contribution to the European policy debate. The church can be a powerful actor in bringing the issue of tax justice to the local communities and raise awareness there. But as much as the work of the churches is needed at local level, they have the potential to also contribute to the bigger discussions by framing the issue of tax justice in Christian social ethics based on our shared theological foundations.