#MauritiusLeaks shows the urgent need to combat profit shifting

According to a recent expose, Mauritius (ranked in the top 15 corporate tax havens, with a statutory corporate tax rate of 3%) is another favourite destination of transnational companies (TNCs), which use secrecy (tax) havens to hide unsavoury and, what ought to be illicit activities, that siphon of huge amounts of capital at the expense of the majority ordinary people particularly in emerging economies, including Mauritians.

Mauritius is a popular tax haven. Image source: Getty/Gallo

The effects of profits shifting extends way beyond the erosion of the tax base; it also results in wage evasion and declining resources for investment. Putting a stop to profit shifting is therefore critical in a context where we see growing inequality, the desperate need for increased social spending and greater investment.

To this end, immediate steps need to be taken to ensure greater transparency through the implementation of the ABCDs of transparency. These include:

- Automatic exchange of information
- Beneficial ownership information disclosure in public registries
- Country-by-country, subsidiary-by-subsidiary reporting standard (implemented but information not public yet)
- Disclosure of the tax returns of every South African

In addition it is critical that South Africa implements the General Anti-Tax Avoidance (GATA) Act. This will go a long way towards addressing the structural problem of tax under collection; a crucial step in addressing the problems of wage and tax evasion.

Moreover, it is essential that the South African government shows strong commitment to the long-term solution of a unitary tax system, while working on pragmatic medium-term solutions, such as the introduction of a global minimum effective corporate tax rate.

The Alternative Information and Development Centre (AIDC) has compiled a comprehensive study investigating the current state of tax and wage evasion in South Africa.

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