A Global Tax Plan for a Global Pandemic

Dr Justin Thacker
Church Action for Tax Justice

May 2021

About Church Action for Tax Justice

Church Action for Tax Justice (CATJ) is a programme of the registered charity, the Ecumenical Council for Corporate Responsibility (Charity number: 1139618).

It is an ecumenical, collaborative movement united by the belief that we, as individuals and churches, have a faith-derived imperative to challenge economic injustice. We stand for a fairer and more effective tax system, where democratic governments set taxes to reflect the Common Good, and
individuals and corporations pay their share. Working as part of the wider UK and global tax justice movement, we aim to:

- Raise awareness throughout churches and faith communities of the fundamental relationship between taxation, equality and public services, and the urgent need for tax justice at national and international level
- Campaign for transparency and an end to tax dodging by both corporations and individuals
- Stimulate a conversation about the society we want to live in and the tax system that could deliver that
- Encourage Christian and all faith organisations to promote tax justice through their education and mission work, and their financial and investment policies.

@Churchaction fortaxjustice | @Churchaction fortaxjustice | @ChuActTaxJust

www.catj.org.uk / www.eccr.org.uk

Acknowledgements:

This report was prepared with funding from Christian Aid, the Joffe Trust and London Methodists. It was researched and written by Dr Justin Thacker, Director of Church Action for Tax Justice,[1] and designed by Bryn Lauder. I am grateful for input from Sue Richardson, Sarah Edwards, Bernadette O'Hare, Joseph Kraus and Paul Hebden. All errors remain my own.

Executive Summary:

This report draws attention to the financial challenges facing a range of lower income countries as they seek to achieve an adequate amount of Covid-19 vaccine coverage for their populations. It points out that if Biden's proposal for a global corporate minimum tax rate of 21% was implemented as part of a new proposal for how the profits of global corporations are taxed across different countries then many lower income countries would have sufficient financial resources to significantly reduce the impact of Covid-19 in their countries.

Specifically, we show how implementation of these taxation measures would provide sufficient funds for 34 of the poorest countries in the world to vaccinate the core targets groups in their population that are at risk of death or severe disease from Covid-19. This would represent a real game-changer for these countries and would reduce the global risk of new vaccine-resistant mutations arising. It would also ensure that our largest corporations are paying their fair share towards solving a crisis that affects us all.

Introduction

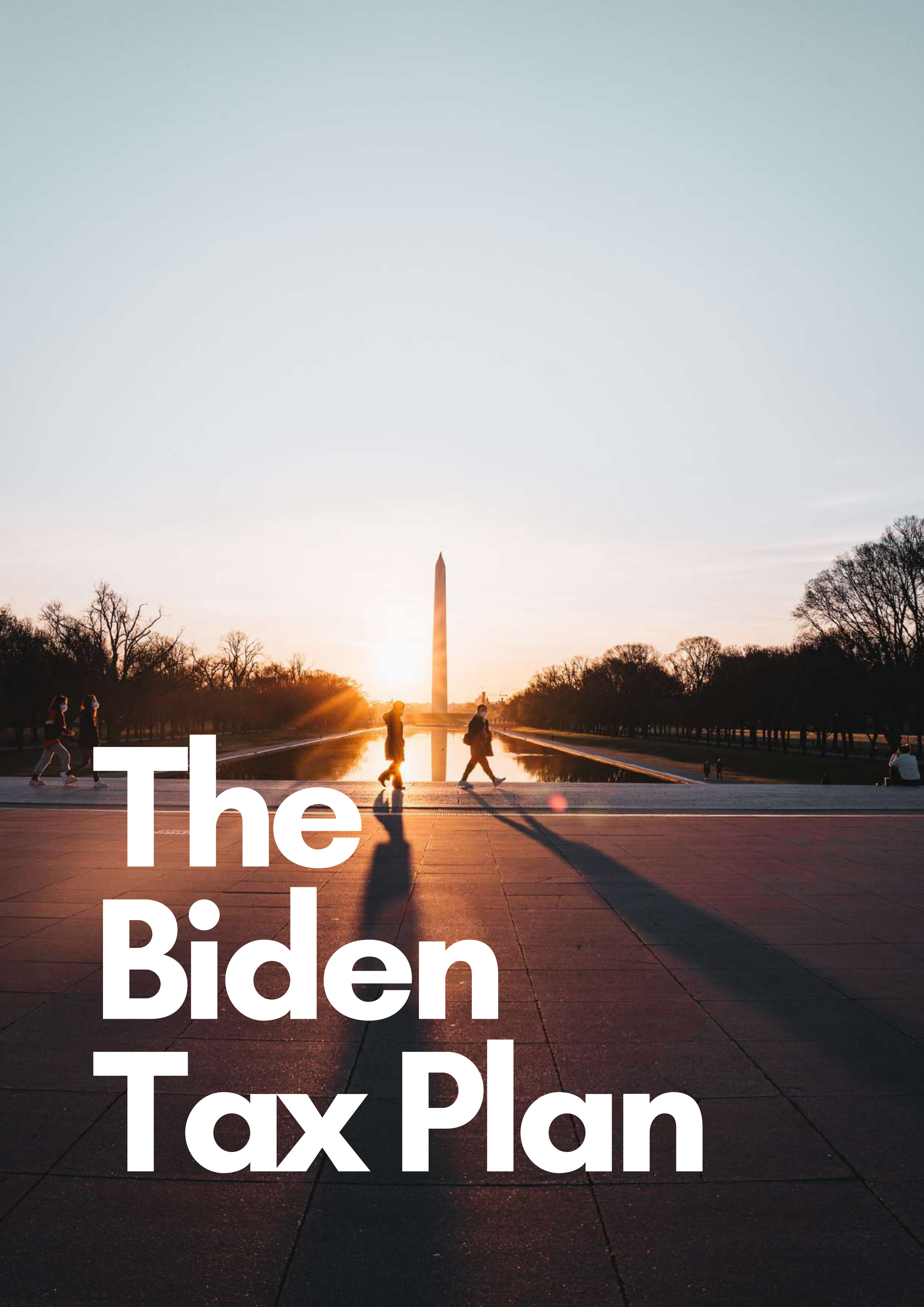
In April 2021, the 46th President of the United States released The Made in America Tax Plan, commonly known as the Biden Tax Plan. The document contained a series of proposals for reform of US domestic taxation, but the one we are focusing on in this report is his support for a global minimum corporate tax rate of 21%.

If enacted, and if combined with a new proposal for how global corporations are taxed, that rate would generate an additional $640 billion per year for the global economy, more than 27 times that which is required to vaccinate the whole of the world's population against Covid-19. [2]

Crucially, however, the Biden Tax Plan on its own continues to deprive lower income countries of the resources they both require and which they are owed. It is only in combination with the newly described METR (Minimum Effective Tax Rate) proposal [3] that fairer revenue gains for lower income countries will be realised. [4]

In this report, we look at 34 lower income countries and detail how much revenue each country could gain from the Biden proposal if enacted in combination with METR, and we also then show the impact these funds could have on Covid-19 vaccinations in those countries.

What we demonstrate is that for the poorest countries in the world, implementation of Biden's 21% global minimum corporate tax rate in combination with METR could make a major contribution to the reduction of severe Covid-19 in the poorest parts of the world.



The Biden Tax Plan

President Joseph Biden released his plan in April 2021. It had two clear goals – the first was to increase corporate tax revenues for the US; the second was to curtail the culture of profit-shifting that remains prevalent among multi-national companies. In order to achieve this, the most significant aspect of his plan was his proposal for a 21% global minimum corporate tax rate.

While the primary target for this proposal was to increase the amount of profit collected by the US government through preventing US based multinationals from shifting their profits to tax havens, its impact will be felt globally as these corporations are required to pay taxes in every country where they do business. It is for that reason that the proposals have global significance.

All of this comes at a time when the OECD is trying to reach an agreement on its own negotiations on the problem of profit-shifting. It continues to develop a BEPS 2.0 (Base Erosion and Profit Shifting) suite of proposals which are centred on two pillars. The first of these – Pillar One – details precisely how multinational corporations are taxed including which parts of their profits are taxed on a global basis. Pillar Two is focused on setting a global minimum corporate tax rate. Prior to Biden's plan, many commentators were suggesting that the global minimum rate might be as low as 12.5%, the current Republic of Ireland corporate tax rate.

That would have meant business as usual with the continuation of hundreds of billions of dollars each year being sequestered in tax havens. Understandably, many low-income countries have been disappointed with the direction of travel of the OECD and so have been calling for a UN Tax Body to take over the negotiations.

At the same time, however, a group of tax experts have developed an alternative model to the current OECD proposal. This alternative model – the METR (Minimum Effective Tax Rate) proposal – creates a fairer distribution of profits between high and lower income countries. Under the OECD model, and the Biden plan as it stands, the vast bulk of profit would have been taxed in so-called residence countries, that is the country where the multi-national was based. In contrast, the METR proposal creates a fairer split with a higher proportion of the profit being taxed in 'source' countries, that is the country where the economic activity actually takes place. To a large extent, source countries are lower income countries.

The authors of the METR option have analysed the revenue that would be gained by a range of countries if their proposal was enacted in combination with Biden's 21% minimum corporate tax rate. The result of this are shown in the table below for a range of lower income countries and the revenue gains are contrasted with those that would be achieved under the current OECD proposal.

TABLE 1 – Annual revenue gain for a series of low and middle income countries under two proposals if the global minimum corporate tax rate was set at 21% [5]

	Revenue gain per year $m at 21%		% increase in total government expenditure (METR at 21%)[vi]
Country	OECD	METR	
Algeria	300	494	16.4%
Angola	159	326	30.7%
Bangladesh	195	334	19.2%
Bolivia	30	51	7.2%
Burkina Faso	9	17	5.6%
Cambodia	8	11	9.2%
Cote d'Ivoire	28	47	7.9%
Egypt	523	802	38.5%
El Salvador	50	99	23.8%
Eswatini	7	13	14.1%
Ethiopia	176	353	40.9%
Ghana	45	75	12.7%
Guinea	5	12	6.6%
Honduras	73	137	41.9%
India	8329	18,034	52.3%
Lesotho	57	96	96.1%
Madagascar	7	9	4.5%
Malawi	9	18	16.9%
Mali	6	14	5.2%
Morocco	288	577	25.7%
Myanmar	12	20	1.4%
Nicaragua	23	46	23.2%
Nigeria	810	1617	72.6%
Pakistan	501	1068	29.0%
Philippines	1263	2452	58.7%
Papua New Guinea	70	141	28.8%
Senegal	36	66	20.7%
Sri Lanka	80	137	17.0%
Tanzania	26	52	11.5%
Tunisia	35	58	7.3%
Uganda	20	40	12.9%
Vietnam	2483	3525	222.1%
Zambia	43	101	30.3%
Zimbabwe	24	41	6.6%
TOTAL	15,730	30,883	

The significant point of this table is simply that for these countries – and they are the ones for whom sufficient data was available to make predictions – an extra $30 bn per year is available if Biden's 21% rate plus the METR methodology were to be implemented. [7] This represents substantial revenue gains for these countries. In the next part of this report, we analyse the impact such revenue could have on vaccine coverage in those countries.

Vaccine Coverage

At the time of writing, the world has experienced over 3 million deaths due to Covid-19. More than 150 million people have been infected. While the USA continues to top the list of countries with the most deaths, it is closely followed by Brazil, India and Mexico. In India, in particular, it has been widely reported that the official death toll is a significant underestimate, and that the real number of deaths may even exceed the current US toll of more than half a million.

Part of the reason for the very high death rate in India is the impossibility of social distancing in urban slums and the inadequate healthcare provision, especially for the poorest members of their society. There is then a clear link between poverty and Covid deaths, especially in lower income countries. Rampant spread of the virus in these countries also creates a very real risk for wealthier parts of the world. The more virus transmission there is, the more likely it is that a variant will emerge that is immune to the current vaccines available. **The current Indian-variant that is circulating in parts of the UK appears not to be resistant to our vaccines, but if left unchecked it is only a matter of time before a vaccine-resistant mutation does arise. In other words, it is in everyone's interests to eliminate or at least control the virus in every part of the world.**

In order to achieve this, the COVAX facility has been created. [8] This is a joint initiative of a number of global health bodies, including the WHO, GAVI and UNICEF, whose aim is to ensure a more equitable distribution of Covid vaccines globally. In particular, it seeks to provide the vaccine free of charge to the poorest countries in the world as the vaccines are funded by a combination of private foundations and wealthier countries.

This ambition is being hampered however by two financial challenges. The first of these is that COVAX remains significantly underfunded. As a whole, the wealthier countries have not to date provided sufficient funds for the vaccine to be provided free of charge in every country that requires it and that is eligible to receive it on those terms. COVAX has so far been pledged $6.3bn, received about $4bn but needs a further $3 billion in 2021 in order to achieve its vaccine procurement goals this year. The second problem is that providing a vaccine to a poor country does not ensure that vaccine is actually administered in the arm of one of its citizens. In every country, a whole system of delivery needs to be established with appropriate storage facilities, cold chains and distribution procedures. Gian Gandhi, UNICEF's COVAX coordinator, has noted how some African countries "have found it difficult to muster the resources needed to divide up doses and distribute them throughout their territory to the towns and villages where they're needed. This means that, in many poorer countries, most doses are being distributed in large urban centres". [9] While some funding has been provided to support such delivery mechanisms in poorer countries, the bulk of these costs have been left up to the individual countries as the assumption is that they can use their own existing healthcare infrastructure to ensure appropriate delivery of vaccine from port of entry to the arm of the recipient. [10]

As is clear many of these countries have weak healthcare infrastructure and so even when vaccine is delivered in country, there can be significant challenges in getting it to the people that need it. The WHO have conducted a robust assessment of how much such delivery infrastructure costs and their estimate is that in poorer countries it costs on average $3.7 per person to deliver two doses of the vaccine. This at least is the cost when the aim is to vaccinate the most vulnerable 20% of the population.[11]

The contention of this report is that were we to implement the METR proposals at the 21% global minimum corporate tax rate that Biden has suggested then the world would have more than sufficient resources to fund both the provision of vaccine to poorer countries and the internal healthcare infrastructure to deliver the vaccine within those countries. At the very least, **there would be sufficient resources to do this at a level which would significantly reduce severe disease in those countries. [12]**

Who to Prioritise

According to a recent article in the British Medical Journal, Covid vaccination strategies should be framed in terms of three specific target groups. [13] The first of these groups is concerned with maintaining "essential core societal services". As part of this, the vaccine would be offered to healthcare workers, police and military personnel and those working in energy, food and transportation sector. The second targeted group focuses on reducing severe Covid-19 disease, that is disease which is associated with mortality or significant morbidity. During this phase, vaccine distribution is prioritised for those over 60 years of age and those under 60 years with at least one underlying health condition. As such, it targets those most likely to die from covid or those most likely to suffer from severe disease. The final grouping is focused on the rest of the population: those under 60 without underlying health conditions. We know that the mortality rates in this population are very low indeed. In other words, if a particular country were able to vaccinate everyone within groups one and two, then severe disease in the country would be significant reduced if not nearly eliminated. More recent guidance from the WHO has updated these groupings so that the first two groups are combined into a single tier 1, and is defined as frontline workers in health or social care settings, people over the age of 65 and those under 65 who have underlying health conditions. [14] For most countries, these groups comprise approximately 20% of the population and **a vaccination programme that covered them could help "prevent numerous deaths, reduce the societal and economic consequences, and potentially change the course of the pandemic." [15]**

This report focusses on the BMJ publication because the authors of that research also published on a country by country basis their estimates for the number of people within each grouping. In Table 2 below, we replicate the data from Table 1 focusing on the impact of the METR proposal plus Biden's 21% global minimum corporate tax rate. We also show the number of people this revenue could vaccinate assuming that the vaccine is provided to these countries via the COVAX mechanism and that the country is required to fund the internal distribution costs of $3.7 per person. [16] Finally, we also show the number of people that need to be vaccinated if groups 1 and 2 of a vaccination programme were to be completed (tier 1 of the WHO categorisation). The final column indicates whether or not the extra revenue is sufficient for these purposes. It is important to note that the table assumes that the vaccine cost itself is covered by the COVAX facility. However, as we have noted the $640 billion additional revenue from implementation of the METR proposal plus the 21% Biden rate is more than enough to fully fund COVAX should the political will exist to do this.

The current Indian-variant that is circulating in parts of the UK appears not to be resistant to our vaccines, but if left unchecked it is only a matter of time before a vaccine-resistant mutation does arise. In other words, it is in everyone's interests to eliminate or at least control the virus in every part of the world.

TABLE 2: Vaccine coverage that can be financed through METR plus 21% global minimum corporate tax rate

Country	Extra revenue generated by METR plus Biden's 21% global minimum corporate tax rate[xvii]	Proportion of population that could be vaccinated with this extra revenue[xviii]	Proportion of population that need to be vaccinated to cover groups 1 and 2 in each country[xix]	Extra revenue more than covers amount needed to vaccinate targeted groups
Algeria	494	304.8%	29.5%	✓
Angola	326	276.8%	25.3%	✓
Bangladesh	334	54.8%	24.3%	✓
Bolivia	51	117.8%	28.5%	✓
Burkina Faso	17	22.6%	20.0%	✓
Cambodia	11	17.8%	26.6%	X
Cote d'Ivoire	47	49.4%	22.9%	✓
Egypt	802	211.9%	31.5%	✓
El Salvador	99	152.0%	11.6%	✓
Eswatini	13	306.1%	35.4%	✓
Ethiopia	353	85.1%	21.0%	✓
Ghana	75	66.6%	25.0%	✓
Guinea	12	25.4%	21.2%	✓
Honduras	137	374.0%	24.0%	✓
India	18034	353.2%	30.7%	✓
Lesotho	96	1221.0%	36.1%	✓
Madagascar	9	9.0%	20.5%	X
Malawi	18	26.1%	22.8%	✓
Mali	14	19.2%	20.5%	X
Morocco	577	422.6%	32.1%	✓
Myanmar	20	9.9%	32.7%	X
Nicaragua	46	188.4%	26.0%	✓
Nigeria	1617	217.4%	22.3%	✓
Pakistan	1068	130.7%	25.0%	✓
Philippines	2452	605.2%	29.9%	✓
Papua New Guinea	141	428.2%	29.0%	✓
Senegal	66	109.4%	21.4%	✓
Sri Lanka	137	173.0%	41.9%	✓
Tanzania	52	24.2%	23.9%	✓
Tunisia	58	132.8%	33.9%	✓
Uganda	40	24.4%	23.7%	✓
Vietnam	3525	979.1%	34.7%	✓
Zambia	101	152.8%	23.0%	✓
Zimbabwe	41	75.6%	26.9%	✓

Paying their fair share

The conclusion to this analysis is simple. If the METR proposal was implemented alongside Biden's plan for a global minimum corporate tax rate of at least 21% then there would exist more than sufficient funds for the vast majority of lower income countries to vaccinate all of tier 1 priority groups in their countries. In short, these proposals could help significantly reduce severe Covid on a global scale. In saying this, it is also worth noting that if the 21% rate was implemented as part of the current OECD proposals rather than under METR at least 5 additional countries would not have sufficient funds to vaccinate tier 1 of their populations.

In announcing his plan in a joint session of congress, Biden commented that "it's time for corporates to pay their fair share." We couldn't agree more. The fact is that multinational corporations have been avoiding their social responsibilities for decades. Current estimates are that the amount of tax abuse that takes place globally is in the region of $600 billion per year. At least $200 billion of this is owed to poorer countries. This is money that should be paid by large corporations to national governments in poorer countries, but which instead ends up in the bank accounts of wealthy shareholders. Moreover, **the system which has enabled corporates to avoid their moral and social responsibilities in this way has led to a race to the bottom in corporate taxation in which the inevitable result is the zero rate tax havens that are spread around the globe, and which facilitate the fraudulent transfer of funds away from the people and nations that need them most.**

The OECD and its inclusive framework of 135 countries have recognised these problems but have so far failed to generate a fair and workable solution. While Biden's proposal of a 21% global minimum tax rate may not be high enough, and the impact of many of his proposals remains unfair to lower income countries, **the combination of the METR proposal plus a 21% rate would certainly represent a step in the right direction to end the scourge of tax havens.**

Of course, we recognise that the current Covid crisis is immediate and that METR and the Biden plan would take time to implement. A range of technical procedural matters need to be worked out and the additional revenue would need to be collected. Nevertheless, the swift creation of Covid vaccines shows what is possible to achieve at speed when there is the will and subsequent investment. We do not know how long the Covid crisis will last and this report shows what could be achieved if these ideas were implemented.

Conclusion

In a recent meeting of the ECOSOC forum on Financing for Development, the Prime Minister of Pakistan, Imran Khan said this:

> **The international community must ensure that the vaccine is available to everyone, everywhere as soon as possible…The FACTI panel has proposed 14 recommendations to halt the outflow of trillions of dollars from developing countries…** [These] stolen assets of developing countries must be returned immediately… While speaking to the FACTI Panel, I proposed the imposition of a global minimum corporate tax to avoid profit-shifting and tax avoidance by large corporations. I endorse the recent US proposal for such a global minimum corporate tax… **We must seize this opportunity to transform the world economy into one that is development orientated and environmentally sustainable. [20]**

He was followed by António Guterres, the United Nations Secretary-General. He lamented the failure of the global community, especially the wealthier countries, to respond adequately to the global pandemic stating that the crisis had put "multilateralism to the test", but that it was a test "we have failed". He the continued:

> The vaccination effort is one example. Just 10 countries across the world account for around 75 percent of global vaccinations. Many countries have yet to start vaccinating their healthcare workers and most vulnerable citizens. **A global vaccine gap threatens everyone's health and wellbeing. The virus is dangerous everywhere if it spreads unchecked anywhere.** And global value chains do not function if one link is broken… vaccines must be available to all countries in need. **We must close the funding gap of the COVAX Facility. To end the pandemic for good, we need equitable access to vaccines for everyone, everywhere. [21]**

In the unprecedented crisis of the Covid-19 pandemic, the world is facing a crisis that is affecting all of us, taking lives and destroying livelihoods. This crisis has shown how interconnected we all are and it cannot be defeated by taking a narrow, nationalistic perspective. We can only win this fight if we work together to curtail the virus everywhere for everyone. We need to rediscover the fact that whether we like it or not we are in an interdependent global community who need each other. Global problems require global solutions. Biden's global minimum corporate tax rate is one such solution. It is far from perfect, but if combined with the METR proposal it could represent a genuine step forward in the fight against this disease. We hope these ideas will see the light of day.

Endnotes

[1] Dr Justin Thacker, Director of Church Action for Tax Justice, has both a PhD in Theology and graduate and postgraduate medical qualifications including MRCP and DTM&H. He previously worked in Kenya as a paediatrician.
[2] https://www.taxjustice.net/press/biden-tax-plan-can-recover-640bn-but-oecd-proposal-would-shrink-gains-and-reward-worst-perpetrators/
[3] Cobham A., Faccio T., Garcia-Bernardo J., Jansky P., Kadet J., Picciotto S. (2021): 'A Practical Proposal to End Corporate Tax Abuse: METR, a Minimum Effective Tax Rate for Multinationals' IES Working Papers 8/2021. IES FSV. Charles University. Available at: https://ies.fsv.cuni.cz/sci/publication/show/id/6412/lang/en
[4] https://www.taxjustice.net/press/biden-tax-plan-can-recover-640bn-but-oecd-proposal-would-shrink-gains-and-reward-worst-perpetrators/; Biden's global tax plan could leave developing nations 'next to nothing'. Financial Times 10th May 2021.
[5] Source: Cobham et al, 'A Practical Proposal', https://datawrapper.dwcdn.net/2BhFm/5/
[6] Source: World Bank, the most recent year for which data is available
[7] It is important to note that the Biden plan has not yet passed congress, and it is possible that in its passage through the legislature the 21% global minimum tax proposal will be watered down.
[8] https://www.gavi.org/vaccineswork/covax-explained
[9] See Table 3 of https://www.who.int/docs/default-source/coronaviruse/act-accelerator/covax/costs-of-covid-19-vaccine-delivery-in-92amc_08.02.21.pdf; https://news.un.org/en/story/2021/04/1088932
[10] https://www.who.int/docs/defa https://www.who.int/docs/default-source/coronaviruse/act-accelerator/covax/costs-of-covid-19-vaccine-delivery-in-92amc_08.02.21.pdf
[11] https://www.who.int/docs/defa https://www.who.int/docs/default-source/coronaviruse/act-accelerator/covax/costs-of-covid-19-vaccine-delivery-in-92amc_08.02.21.pdf
[12] In saying this, we recognise that financial barriers are not the only challenge in vaccinating the most vulnerable in the poorer countries of the world. Other barriers include delays in vaccine production, trade barriers such as export bans, and limitations on patent rights. All of these also contribute to delays in production and distribution of the vaccine. This report though is focussed on the financial barriers that currently prevent global vaccine distribution. The other barriers listed have especially been a focus of the People's Vaccine Alliance, a campaign which we support: https://peoplesvaccine.org/
[13] Wang W, Wu Q, Yang J, Dong K, Chen X, Bai X et al. (2020), 'Global, regional, and national estimates of target population sizes for covid-19 vaccination: descriptive study', British Medical Journal 371:m4704 Available at: https://www.bmj.com/content/371/bmj.m4704
[14] https://www.who.int/docs/default-source/coronaviruse/who-covid19-vaccine-allocation-final-working-version-9sept.pdf
[15] https://www.who.int/docs/default-source/coronaviruse/who-covid19-vaccine-allocation-final-working-version-9sept.pdf
[16] Additional funding is provided via COVAX for this purpose, but it is unclear currently how much additional funding will be provided on a country by country basis, and it is certainly clear that the additional funding would not cover all internal distribution costs. It is also important to recognise that the figure of $3.7 per person only applies to the first 20% of the population. This is approximately the proportion required in each country to cover groups 1 and 2.
[17] See Table 1: Source: Cobham et al, 'A Practical Proposal', https://datawrapper.dwcdn.net/2BhFm/5/
[18] These figures are calculated using this formula: (Column 1 / $3.7)/Population
[19] Data taken from Table 4 of appendices in Wang W et al, 'Global, regional', Available at: https://www.bmj.com/content/bmj/suppl/2020/12/15/bmj.m4704.DC1/wanw062749.ww.pdf
[20] https://www.youtube.com/watch?v=VjfEADVjE2M
[21] Remarks to the 2021 Economic and Social Council Forum on Financing for Development, 12th April 2021. Available at: https://www.un.org/sg/en/content/sg/speeches/2021-04-12/remarks-2021-ecosoc-forum-financing-for-development%C2%A0