

PICTORIAL

CONTENTS OF TAXPARENT MARK EXPLAINED



TRANSPARENT – confirms that the company made all its corporate ownership structure public up to ultimate beneficial owners.

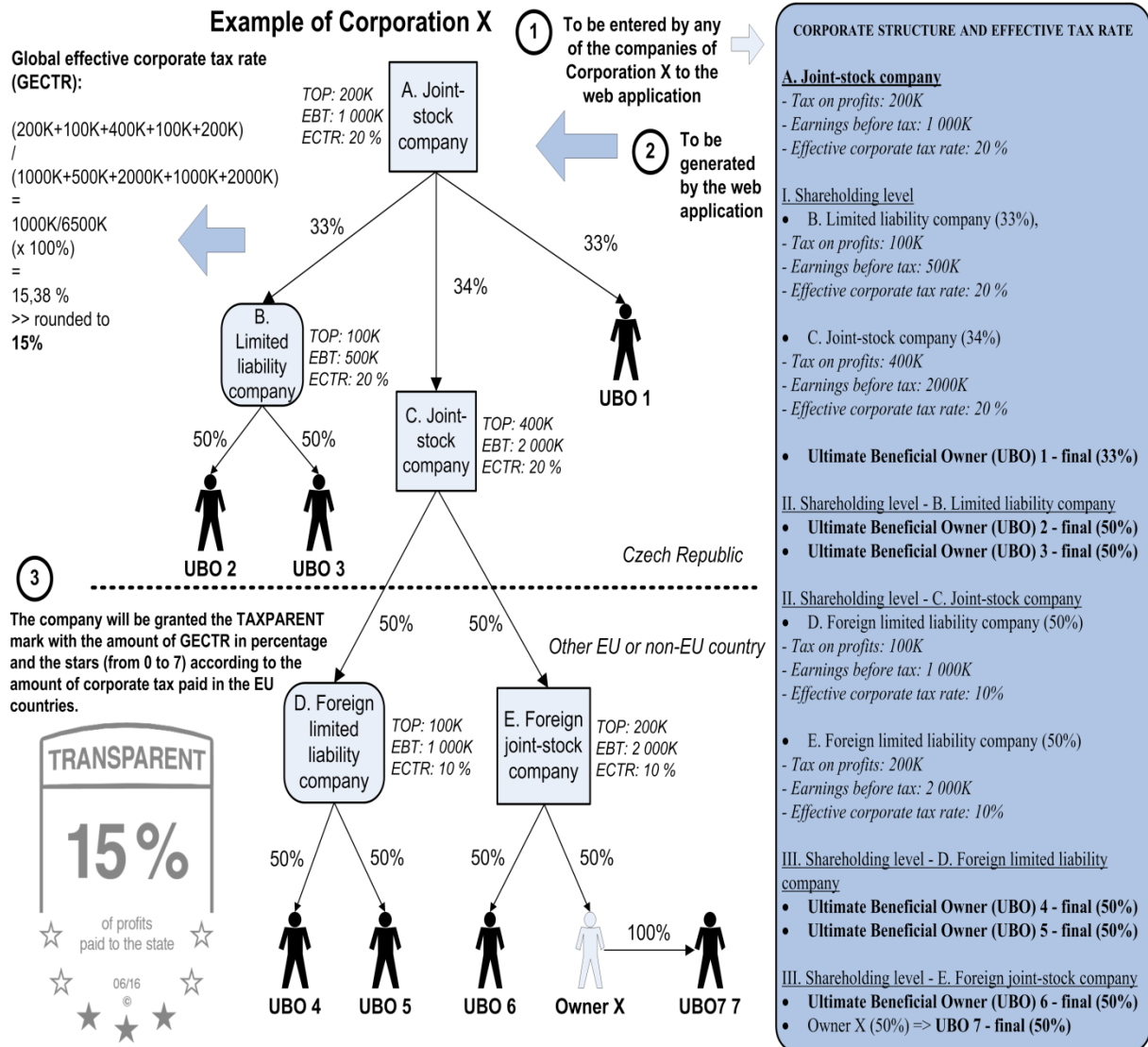
28 % – show that the global effective corporate tax rate of the multinational corporation of which the company is a part is 28 % (i.e. average of effective tax rate of all companies within the multinational corporation controlled by the displayed ultimate beneficial owners paid in all state where it is present (which allows to reveal piling up of profits in offshore tax havens with low or zero tax rate)).

★★★ – indicate that the sum of amounts paid in corporate tax in all EU countries where the multinational corporation of which the company is a part is present is between EUR 100K – 999K (three figures before K (thousand) equal three stars).

06/16 – marks the validity of the TAXPARENT mark (up to June 2016)

© – attests that the TAXPARENT mark was obtained on the basis of proper certification via the abovementioned web-application.

GRANTING OF TAXPARENT MARK EXPLAINED



TAXPARENT GROUP

SCTR 12.5 %* ●

GOP 1000



... TAXPARENT group

● SCTR 25 %*

GOP 500



● SCTR 33 %*



The conglomerate is TAXPARENT since it voluntarily disclosed its entire corporate structure and its GECTR is 19,83% which is above the foreseen minimum threshold of 10%.

ECT paid by A = 99, GOP = 300

ECT paid by B = 125, GOP = 500

ECT paid by C = 125, GOP = 1000

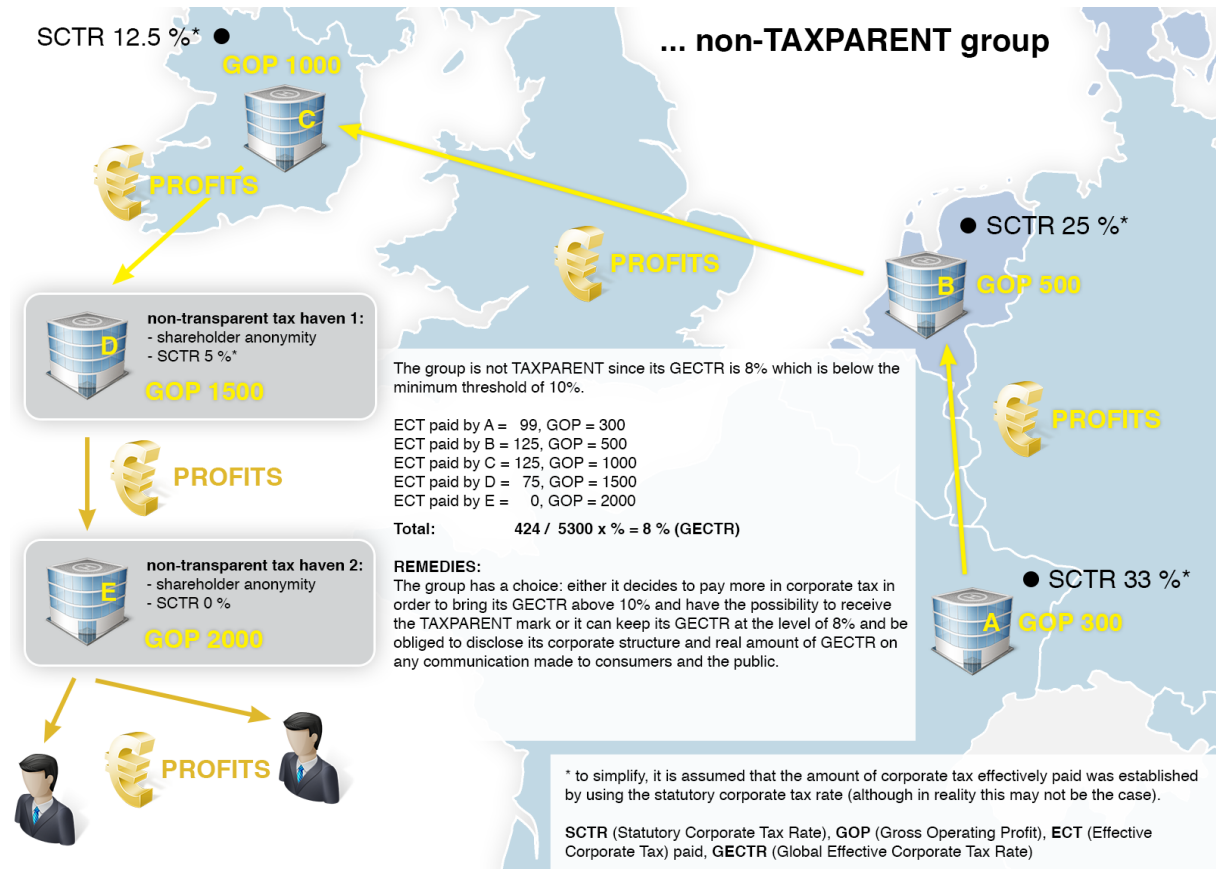
Total: 349 / 1800 x % = 19,83% (GECTR)

NOTE: The undertakings within this group can use the TAXPARENT mark provided that they made their corporate and tax structure public via the TAXPARENT web application.

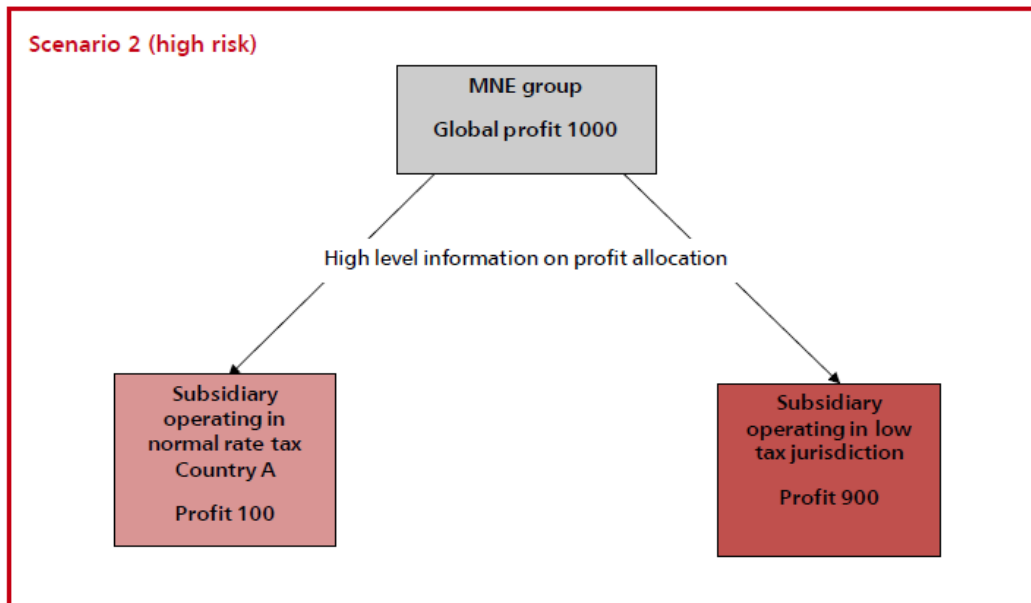
* to simplify, it is assumed that the amount of corporate tax effectively paid was established by using the statutory corporate tax rate (although in reality this may not be the case).

SCTR (Statutory Corporate Tax Rate), GOP (Gross Operating Profit), ECT (Effective Corporate Tax) paid, GECTR (Global Effective Corporate Tax Rate)

NON-TAXPARENT GROUP



SIMPLE CORPORATE TAX AVOIDANCE SCHEME¹



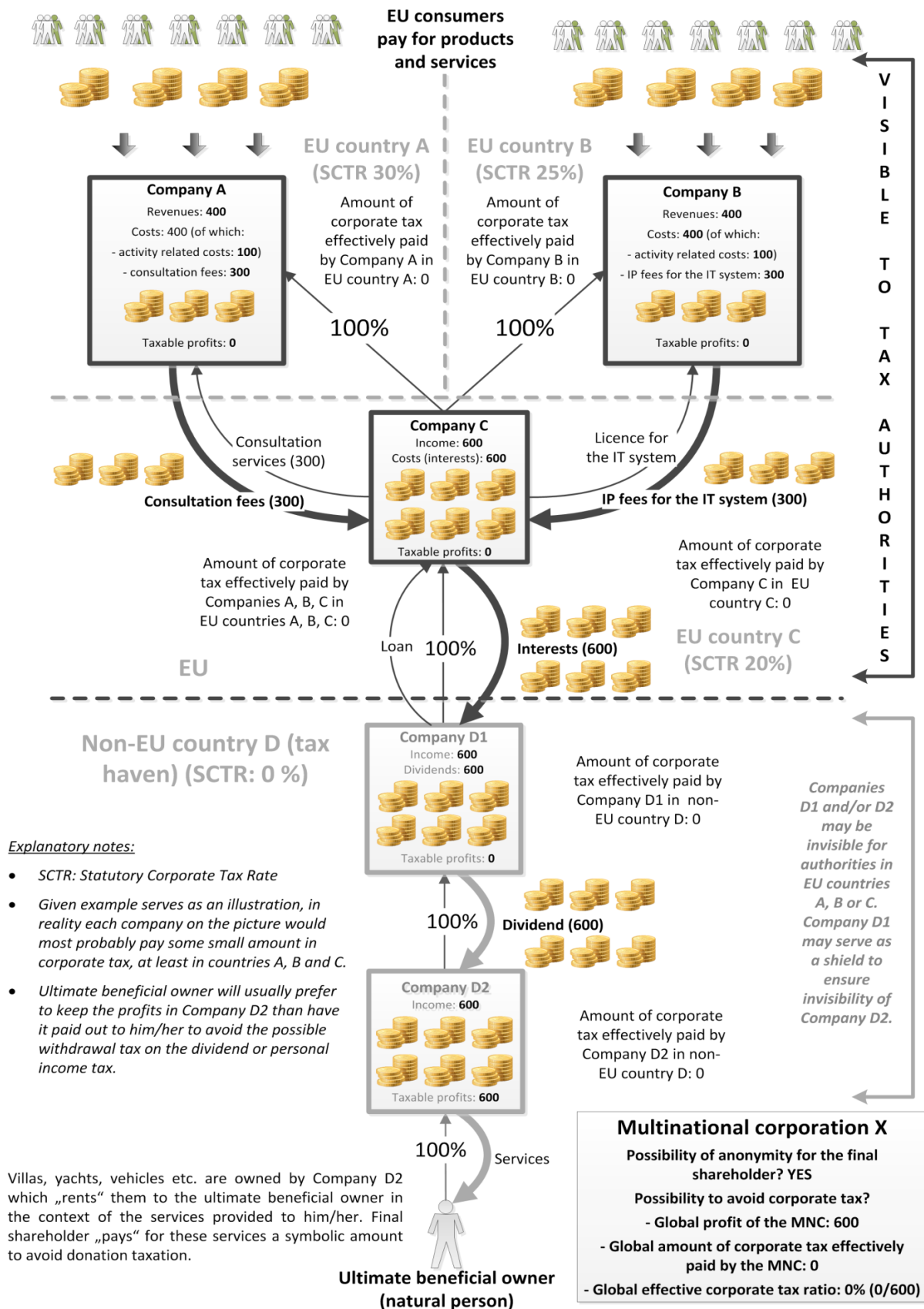
Example 1: “Consider a multinational group operating in a normal rate Country A that has global publicly reported profits of 1000 but only a small portion (100) of this is reported in that country. Currently, Country A does not know where the remaining profit is reported so does not know if there is anything untoward taking place, typically until well into an audit”².

- PROBLEM TO BE RESOLVED BY TAXPARENT MARK SCHEME -

1 [□]Tackling aggressive tax planning in the global economy: UK priorities for the G20-OECD project for countering Base Erosion and Profit Shifting, HM Treasury (HM Customs & Revenues), March 2014, p. 21.

2 [□]ibid.

COMPLEX CORPORATE TAX AVOIDANCE SCHEME



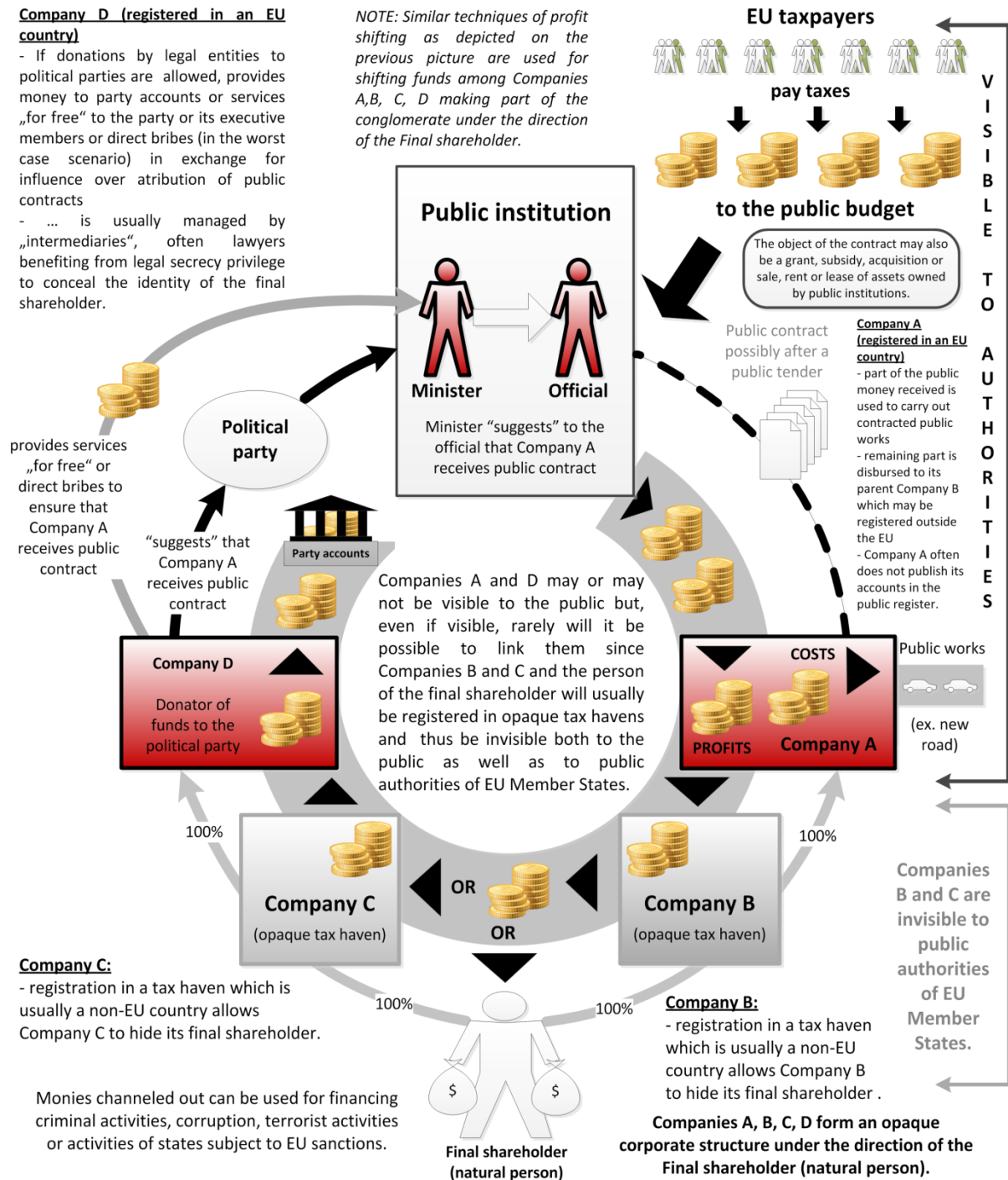
- PROBLEM TO BE RESOLVED BY TAXPARENT MARK SCHEME -

FINANCING OF CORRUPTION BY PUBLIC MONEY

Company D (registered in an EU country)

- If donations by legal entities to political parties are allowed, provides money to party accounts or services „for free“ to the party or its executive members or direct bribes (in the worst case scenario) in exchange for influence over attribution of public contracts
- ... is usually managed by „intermediaries“, often lawyers benefiting from legal secrecy privilege to conceal the identity of the final shareholder.

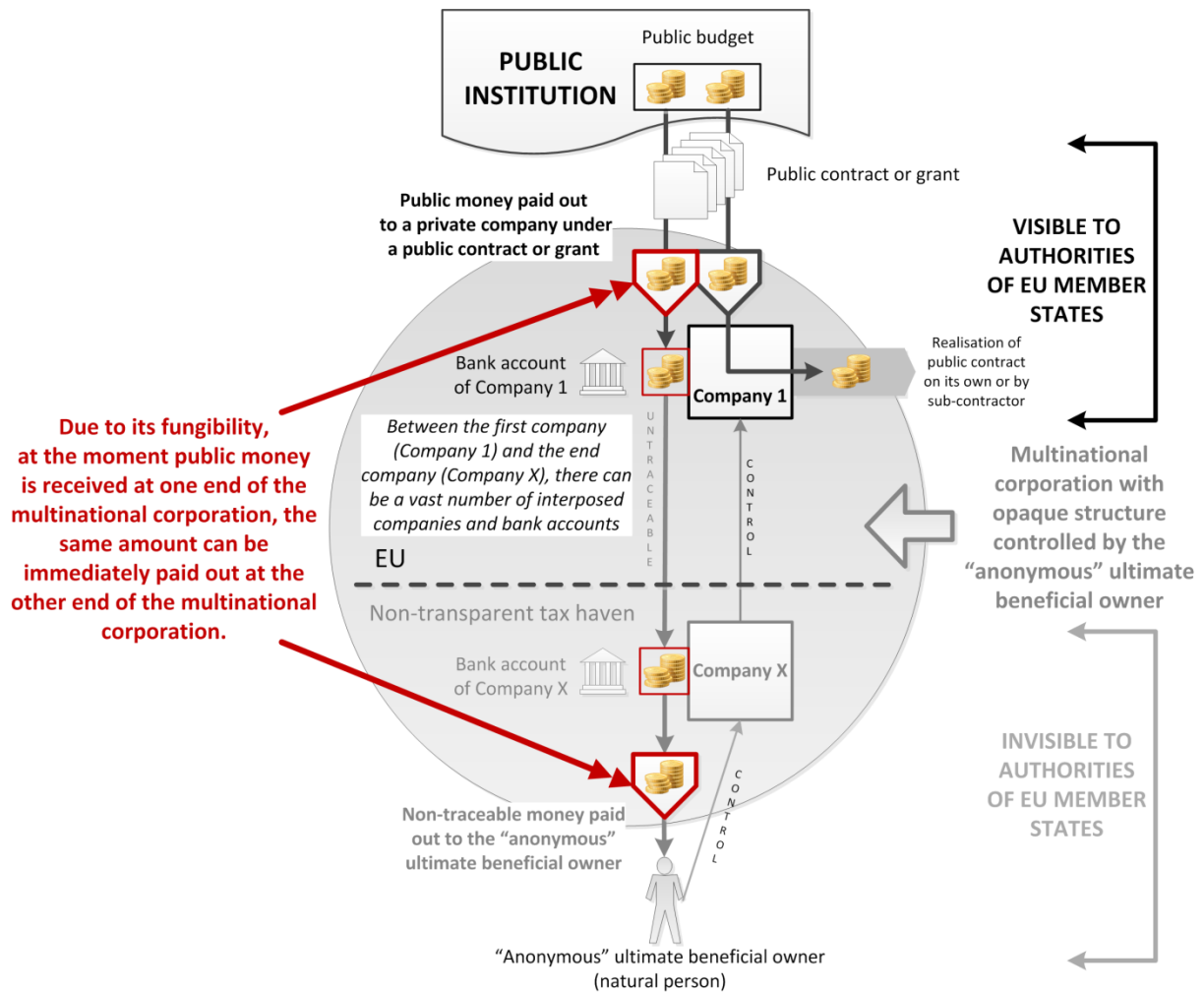
NOTE: Similar techniques of profit shifting as depicted on the previous picture are used for shifting funds among Companies A, B, C, D making part of the conglomerate under the direction of the Final shareholder.



The registration of Company B in an opaque tax haven, usually without anti-money laundering rules similar to those in the EU, will allow to pay out dividends in cash to the final shareholder. These monies will thus get out of the interconnected system of bank accounts where they are traceable. Once the monies get outside this system they become non-traceable and able to serve to finance quasi legal or illegal activities. The same holds true although vice versa for the monies injected into Company C.

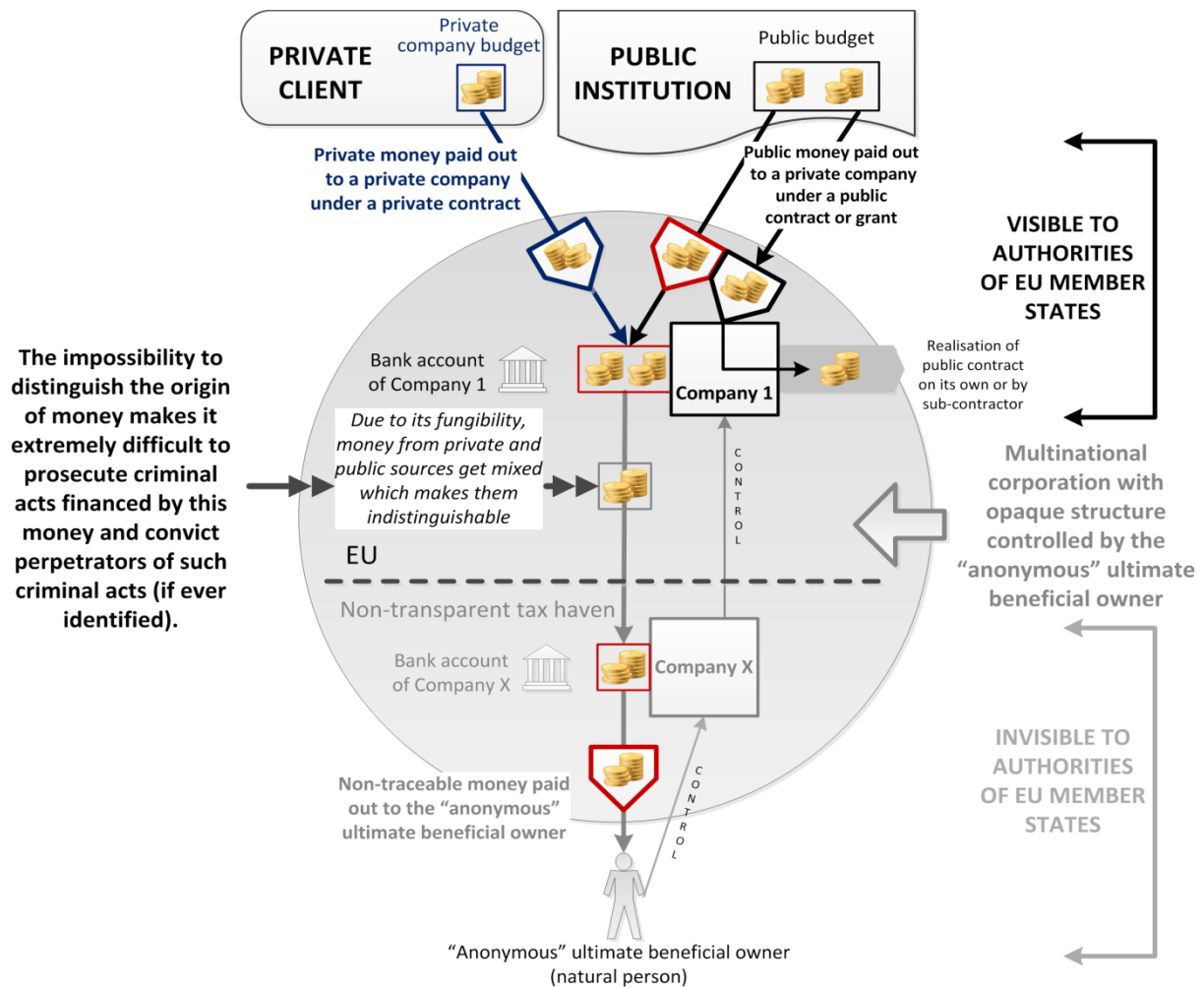
- PROBLEM TO BE RESOLVED BY TAXPARENT MARK SCHEME -

FINANCING OF CRIMINAL ACTIVITIES THROUGH PUBLIC MONEY



- PROBLEM TO BE RESOLVED BY TAXPARENT MARK SCHEME -

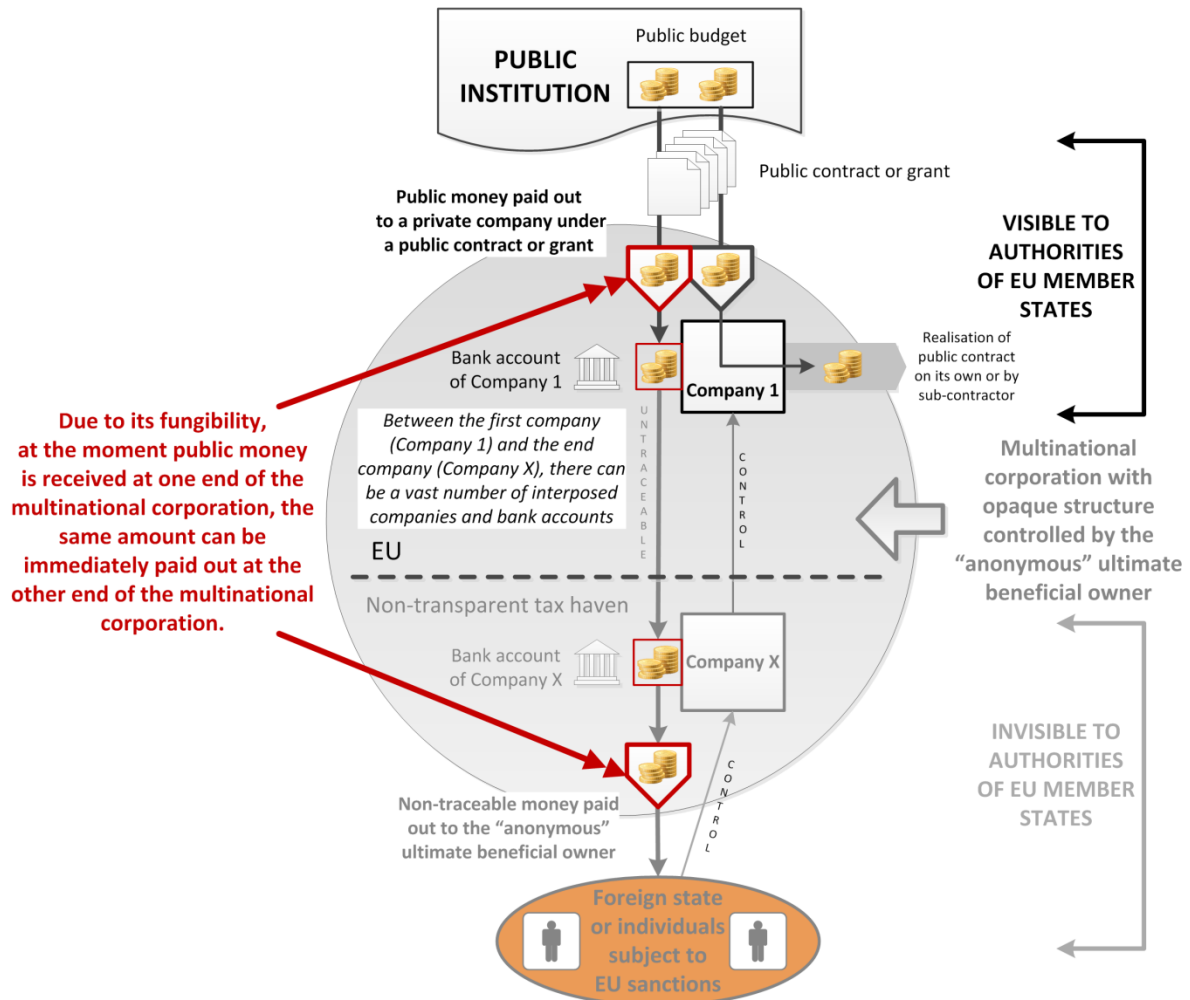
MECHANISM TO MAKE PUBLIC MONEY UNTRACEABLE



- PROBLEM TO BE RESOLVED BY TAXPARENT MARK SCHEME -

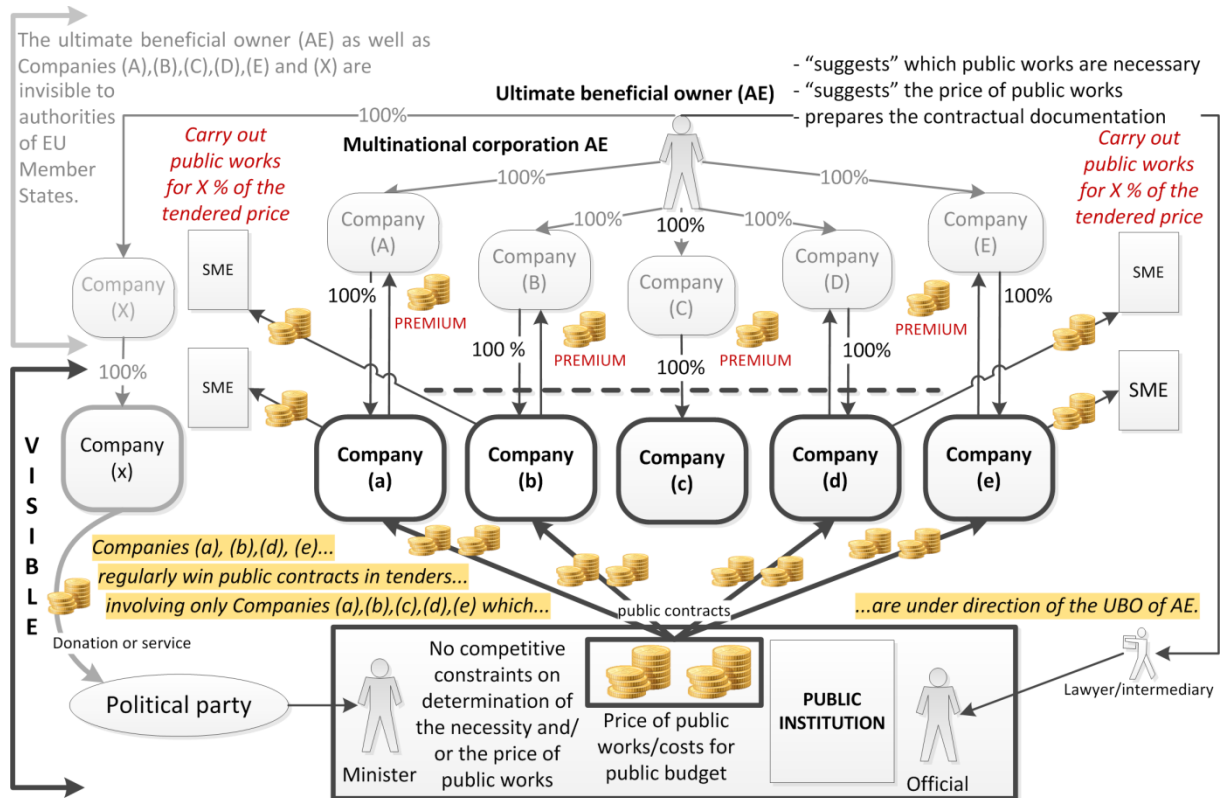
FINANCING OF ACTIVITIES OF INDIVIDUALS OF THIRD STATES THROUGH PUBLIC FUNDS

- LACK OF ENFORCEABILITY OF INTERNATIONAL SANCTIONS -



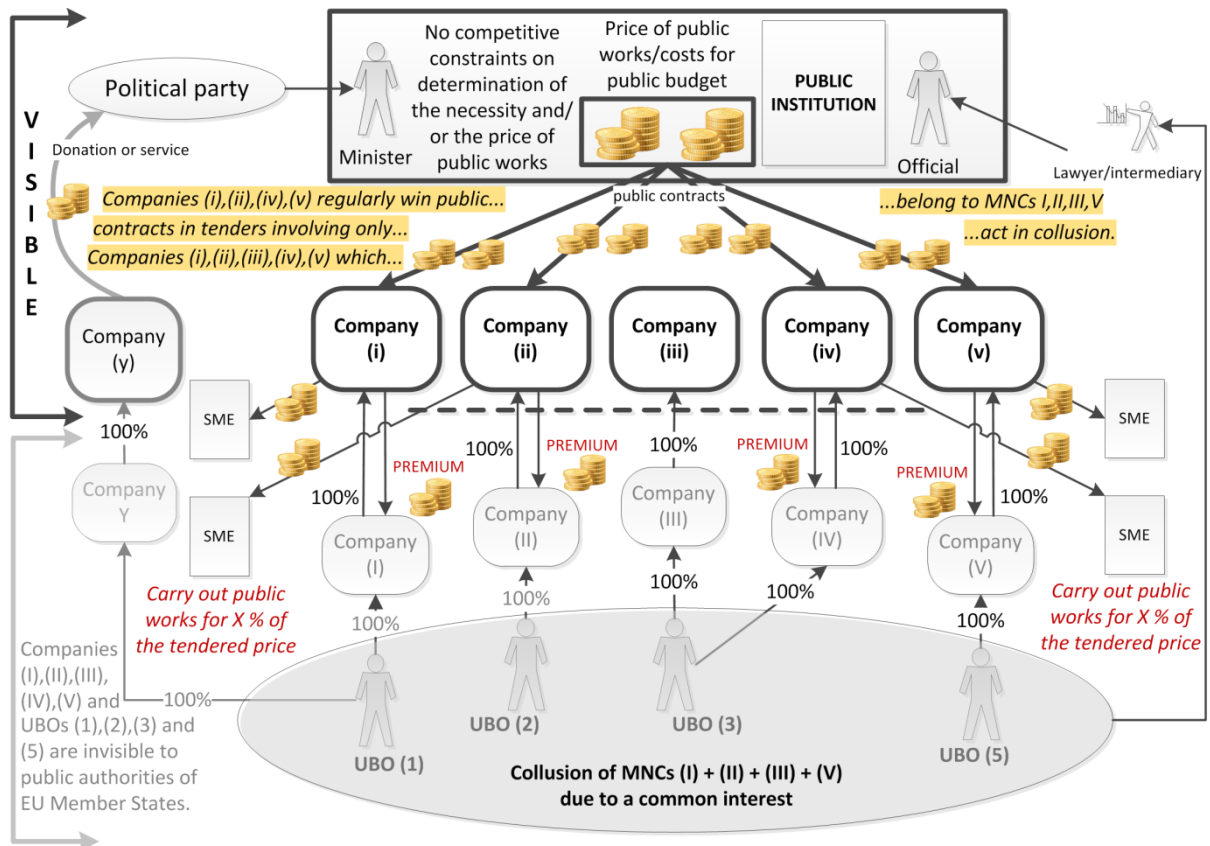
- PROBLEM TO BE RESOLVED BY TAXPARENT MARK SCHEME -

STATE CAPTURE OF A PUBLIC INSTITUTION BY A COMPANY RECEIVING PUBLIC FUNDS WITH ANONYMOUS ULTIMATE BENEFICIAL OWNER



- PROBLEM TO BE RESOLVED BY TAXPARENT MARK SCHEME -

STATE CAPTURE OF A PUBLIC INSTITUTION BY COLLUSION OF COMPANIES RECEIVING PUBLIC FUNDS WITH INVISIBLE OWNERSHIP STRUCTURE



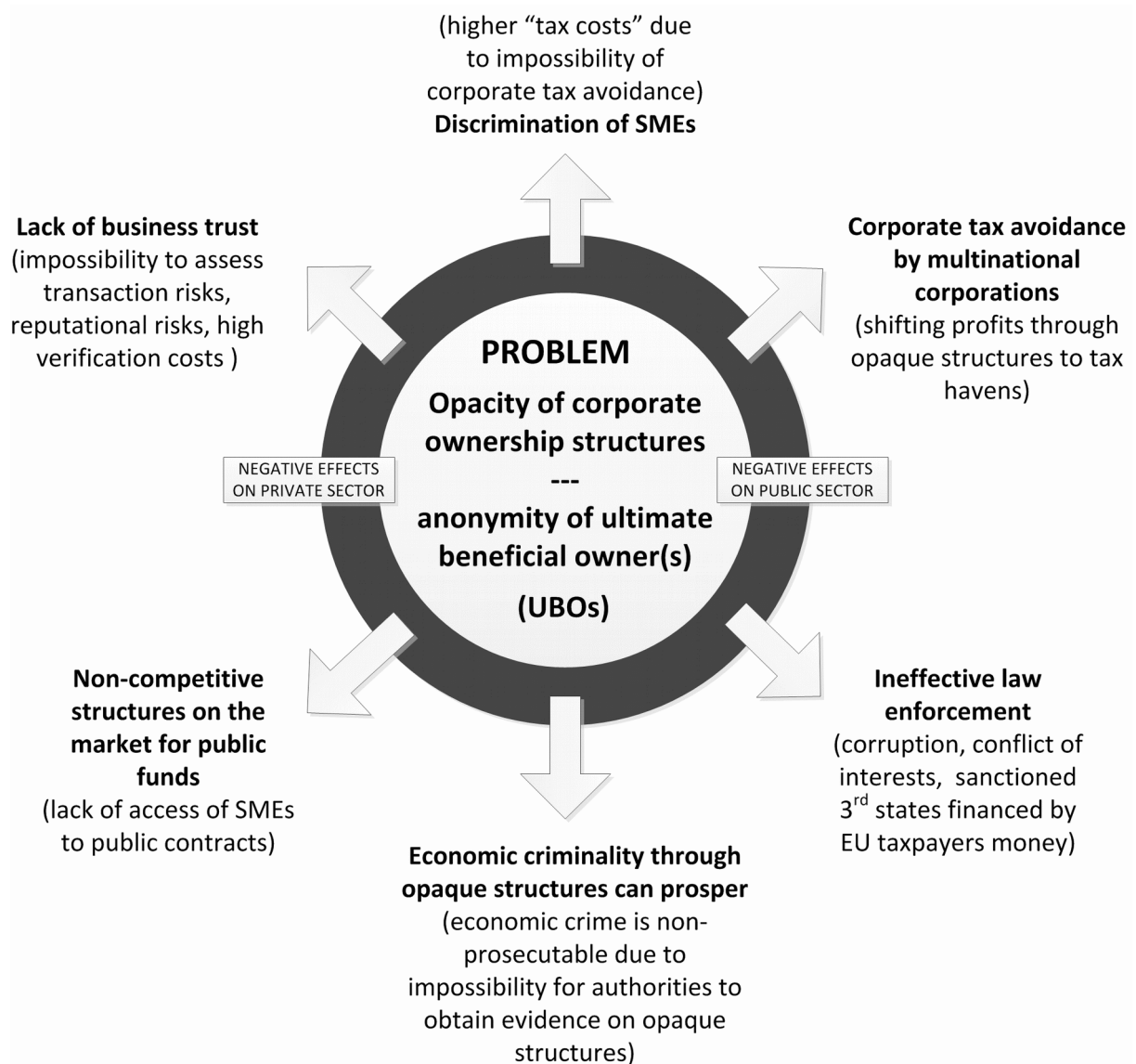
- Companies (i) + (I) and UBO 1 form **MNC I**
- Companies (ii) + (II) with UBO 2 form **MNC II**,
- Companies (iii) + (iv) + (III) + (IV) and UBO 3 form **MNC III**,
- Companies (v) + (V) and UBO 5 form **MNC V**

Problem: cartel or abuse of collective dominant position will not be discovered, if it is discovered it will pass the competition rules since not enough share on the market, repression will not work as proof extremely difficult to obtain **Common interest in not letting others win and keep institutions in information capture.**

MNC: Multinational corporation, **UBO:** Ultimate beneficial owner

- PROBLEM TO BE RESOLVED BY TAXPARENT MARK SCHEME -

NEGATIVE EFFECTS OF OPAQUE CORPORATE OWNERSHIP STRUCTURES



- PROBLEM TO BE RESOLVED BY TAXPARENT MARK SCHEME -