

Union key asks

Ministerial Tax Summit for Latin America and the Caribbean - July 2023



Who we are

A ministerial-level Latin American and Caribbean Summit for an Inclusive, Sustainable, and Equitable Global Tax Order is scheduled to take place in Cartagena on 27-28 July 2023. The main objective of this high-level event is to address common challenges that arise in the region in terms of tax policies.

The labour movement strongly supports more and better coordination between Latin American and Caribbean countries. Such cooperation can help foster progressive tax reforms across the region and increase influence on global tax decision-making.

Public Services International and the ITUC-TUCA wish to bring to the attention of Latin American and Caribbean Leaders union key asks for the Summit. We call on our governments to commit to an effective and solution-oriented regional cooperation.

[Public Services International](#) (hereafter PSI) is a Global Union Federation that represents public service workers and private sector workers who work in public services. We represent 140 labor organisations in 35 Latin American and Caribbean countries, with a total membership of over 3 million workers. We are dedicated to promoting quality public services.

[ITUC-TUCA](#) affiliates 48 national organisations from 21 countries in the Americas, representing 55 million workers. ITUC-TUCA is the regional organisation of the International Trade Union Confederation (ITUC).

A permanent tax cooperation between Latin America and Caribbean countries is of fundamental importance

Illicit financial flows, tax avoidance and evasion by corporations and wealthy people reduce the tax revenues which countries need to invest in schools, healthcare and other public services that workers and their families rely on. The 2020 State of Tax Justice report, which was backed by civil society and trade union organisations, estimated that Latin America may have lost US\$40 billion a year to corporate tax abuse.^[1]

The result is that vital public services are deprived of funding which they could have had or that more revenue has to be raised from taxes borne by workers, such as consumption taxes. This is unjust and undermines the sustainable development of society.

Illicit financial flows, including tax avoidance and evasion, strip capital out of the countries of Latin America and the Caribbean, where it could be invested to create more and better-paid jobs, and move it into offshore bank accounts. When profits are hidden offshore and out of public sight, it is even harder for workers to negotiate fair wages for their labour.

The bigger picture is that structural inequality in the region is among the highest in the world. In Latin America, the richest 10 per cent of people are estimated to make 55 per cent of total income while the poorest half of society only earns 10 per cent of the income. In human terms, this means that a small part of society lives in great affluence, alongside huge numbers of workers and their families who struggle daily.^[2]

For wealth, the picture is even more extreme. The wealthiest one per cent of people in Latin America are estimated to own 46 per cent of total household wealth, while the wealthiest 10 per cent of people own 77 per cent. At the same time, the poorest 50 per cent own only one per cent of the wealth.^[3] In other words, half the people of Latin America have almost no stake in the wealth of their countries.

Inequalities are also high in some Caribbean countries. Overall, the shift to indirect taxation (especially VAT), eliminating income and corporation taxes, the promotion of citizenship by investment programmes maintain, and in some cases, increase the concentration of top incomes.

We consider that the recently reactivated CELAC (Community of Latin American and Caribbean States) is a positive sign of rapprochement between Latin America and the Caribbeans. In this process, the Ministerial tax summit in Colombia can exert a relevant role.

High debt and the climate crisis increase pressures on national budgets. While the expenditures on health, education and social services maintain a relatively stable percentage of GDP, austerity has grown, especially after the height of the COVID-19 pandemic. Wage and hiring freezes as well as lay-offs, introduction of user fees, pension reforms and other “reforms” have a devastating impact on workers, their families and the general population seeking quality public services. And these practices have also been mimicked by the private sector – especially on low-wage earners.

Progressive taxation offers a means to redress this injustice by fairly taxing the profits of corporations and the wealthiest people in society and using the resulting public revenues to invest in public services which improve the living standards and job prospects of the majority of citizens. Regressive taxation and illicit financial flows, including tax dodging, have the opposite effect. They further enrich those who are already wealthy, while making it harder for countries to meet the needs of their citizens for good public services.

Importantly, considerable financing is necessary to mitigate the impact of climate change. Under the leadership of Barbados, the Bridgetown initiative seeks to encourage private investment to unlock climate cash for developing economies. We consider that the first and most important contribution that must be made by private sector is the paying of their fair share of corporate tax. We recall that ‘environment’ was one of the first objectives of the Ministerial tax summit, taking into account workers’ vulnerabilities to climate change and the role of the Amazon rainforest, itself composed of eight countries.

So regional tax cooperation is necessary to agree minimum standards and deter tax competition within the region which deprives countries of badly-needed revenues and only shifts private investment from one country to another, without increasing the total investment available to all.

Regional cooperation is also necessary to coordinate positions in international tax negotiations which reflect the needs and concerns of Latin America and the Caribbean.

Union demands ahead of the Ministerial tax Summit

The Ministerial Summit in July can create the basis for permanent regional cooperation which leads to more progressive taxation across the region, at the same time as shaping global norms in the interests of equity and sustainability. Trade unions in Latin America and the Caribbean call on their governments to:

1. Publicly recognise that their goal is to work together for well-designed tax reforms which lead to more public revenues being raised in a more progressive way.
2. Turn this first Summit into a permanent platform for high-level tax cooperation between Latin American and Caribbean countries. Ministers should meet at least once a year from now on and there must be regular and meaningful consultations from the start with the labour movement and civil society.

A successful Summit will put in place the necessary mechanisms for much needed regional conversations on reforms that matters for workers, including:

- Higher taxes on large corporations and the wealthy and more effective tax collection;
- Alternative development models that focus on innovation and domestic resource mobilisation especially in low-tax countries in the Caribbean;
- Greater transparency, an asset register and automatic exchange of tax information within the region;
- Fairer and more effective taxation of digital profits;
- Linking tax reform to more transparency in the use of public budgets, ensuring more funding of public services and sustainable investments in line with economic, social, environmental and cultural rights;
- A greater role for the region in shaping international tax norms.

[1] *Tax Justice Network and others. State of Tax Justice report for 2020. Page 21.*

[2] *World Inequality Report 2022. Page 11.*

[3] *Ibid. Page 12.*