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Nominated for the Public Eye Award 2005  
in the category:

**T A X E S**

Nomination by: Tax Justice Network

## KPMG International

Headquarters:	Amsterdam, 715 offices in 148 countries
Turnover:	US\$12,16 billion (2003)
Branch of trade:	audit, tax accountancy, monitoring of transactions and reorganisation measures and services for the enhancement of corporate performance
Owned by:	cooperative of legally independent national member companies
No. of employees:	more than 100,000
CEO:	Robert W. Alspaugh
Member to the WEF:	YES (in January 2004)

### **Outline**

*For many years, the accountancy and consulting corporate KPMG has been developing new tax saving models and has been animating its clients to engage in aggressive tax avoidance. The Tax Justice Network demands more responsibility for society from KPMG and that it stops its state-damaging tax avoidance business.*

### **General Information on the Case**

In 2003, the US Senate Permanent Committee on Investigations (a sub-committee of the US Senate Committee on Governmental Affairs) investigated the role of auditors, lawyers and finance experts in the tax optimisation business. The Senate's report concludes that KPMG invested much in the development and marketing of potentially abusive and illegal tax avoidance models. The company thus generated considerable revenues in fees. In total, KPMG developed more than 500 tax products. Taking into account only 4 of these products, the US Treasury's annual losses amount to US\$85 billions.

KPMG undermines the national tax systems. Its role in this business is at best unethical and unsocial. This is contrary to good corporate governance and against the shareholders' interest. For instance, the final report of the Bankruptcy Court on the collapse of the telecom multinational WorldCom accuses KPMG of malpractice and negligence in its advice on tax evading strategies.

KPMG now claims to no longer be selling the products that were criticised in particular by the Senate's Committee. However, in August 2004, the „New York Times“ revealed that KPMG's tax avoidance advisers are still busy developing yet newer versions of the same abusive tax shelters.

## **Characteristics of irresponsible corporate behaviour**

Abetment of tax evasion and tax frauds: By encouraging its clients to engage in systematical tax avoidance, KPMG has been operating at the cutting edge of corporate social irresponsibility. According to the Association for Accountancy & Business Affairs, no other consultancy company is more active in as many tax havens as KPMG. In 2003, KPMG had offices in 18 of the OECD's initial list of blacklisted tax havens.

## **Consequences**

Through encouraging tax avoidance worldwide, consultancy companies like KPMG, deprive states and their citizens of tens of billions of tax revenue every year. The national tax systems are undermined and less and less money is available for welfare, education, health or public transport. The tax burden is transferred from multinational companies and the rich upper class to the less wealthy citizens and the small and medium sized businesses.

## **Current status and demands**

The Tax Justice Network demands that the accountancy and consulting companies and multinational corporate groups such as KPMG:

- Introduce clear standards of social corporate accountability for the tax sector.
- Stop their aggressive tax avoidance practices.
- List tax payments in the companies' annual reports. This includes the complete display of the profits earned by the company in every country. In addition, there should be data on the place where the profits for tax purposes enter the books as well as information on the purpose of special fiscal vehicles. The corporate groups should also publish the full extent of tax savings due to new tax savings models.

## **Link to the details of the nomination: [www.evb.ch/nominations.htm](http://www.evb.ch/nominations.htm)**

Further information and links:

- Browning, L, A tax shelter factory bared in KPMG memos, New York Times, 26 August 2004.
- Christensen, J. and Murphy, R (2004), The Social Irresponsibility of Corporate Tax Avoidance: Taking CSR to the Bottom Line, Development Journal, Society for International Development, 47 (3) pp. 37-44.
- Sikka et al (2004), Race to the Bottom, the Case of the Accountancy Firms, AABA, Basildon, England.
- US Senate Permanent Committee on Investigations (2003), The Tax Shelter Industry: the Role of Accountants, Lawyers and Financial Professionals, Washington DC, US Senate.
- [www.taxjustice.net](http://www.taxjustice.net)