

The tax scale – tax holidays for locals or for big companies?



With this tool participants explore the concept of tax holidays in big companies by comparing it to the VAT tool or the tool of the seller on multiple taxation.

Objective:

1. To introduce the concept of 'tax holidays' related to big foreign companies.
2. To compare them to the taxes paid by local people through VAT and/or multiple taxation and to have a discussion on what is 'fair'.

Steps in the process

1. The facilitator asks if there is any local vendor/business person, teacher or farmer in the group. If there is none, pretend you are one. Ask them to volunteer and stand up. You may identify symbols that represent them (for instance, a leaf for a farmer).
2. The facilitator asks – do you pay tax? A list is done as in the tool 'the teacher, the vendor and the farmer'. The facilitator can also recap on the tool 'shopping list' or 'market mountain'. Ask participants what they remember from the shopping list/market mountain tools.
3. The facilitator brings back the role of the big business person (see stones tool). Ask for a volunteer and give her/him a symbol (for instance, soap, soda, mobile phone, beer, sugar, or anything that represents a big company in your area). Put this person close to the other volunteers.

The facilitator introduces/reviews the idea of ‘corporate tax’ which is the tax that companies, national and foreign, pay based on their profits. So big foreign companies also pay tax in the country where they operate. Yet, often, governments allow foreign companies not to pay tax for 5-10 years, something called ‘tax holidays’.

- Discuss why these are called ‘holidays’

[**Optional**] The facilitator explains that governments do this to attract big foreign companies to invest in their countries and help them at the start when things are hard in the business. Yet tax holidays are often given even when these companies are already making benefits. Sometimes tax-free periods get extended several times.

- Discuss – should tax holidays be given when a company begins and has no benefits?
- And when they start making benefits?

4. The facilitator tells the group they are going to play a game called the scale. S/he asks the group to decide which of the next situations is fair:

- Situation 1: The big company pays less tax than the vendor. Here, the facilitator moves the company’s symbol down (as they do not pay tax), and moves the vendor’s (and other local people) symbol/s up (as they are paying tax).
- Situation 2: The big company pays the same amount of tax as the vendor (none received tax holidays). Here the facilitator moves all symbols so that they are at equal height.
- Situation 3: The big company pays more tax than the vendor. Here the facilitator moves the company’s symbol up (as they are paying tax), and the vendor’s (and other local people) symbol/s down (as they now receive tax holidays and do not pay).

Discuss whether ‘tax holidays’ are given to vendors, teachers and farmers in your area. And to big foreign companies?

5. [**Conclusion if you are using this as part of the Tax Power Toolkit process**]: Refresh the idea explained in tool 2 (the stones) that tax systems can make things

worse for poor people, or making things better for poor people. Ask participants what they think of the fact that companies are charged no tax for 5-10 years (they don't give stones at all) while local people are taxed (they give stones).

- Action: How can this situation be changed so that tax benefits people living in poverty?