

Tax revenue is a self-reliant nation's most important way to finance the country's sustainable development. It is, for that reason, of the greatest importance to us that our portfolio companies pay tax in the countries in which they operate.

Financing is essential if we are to achieve the Sustainable Development goals of Agenda 2030. An important source of development finance is countries' tax bases. Tax revenues should be used for investments in infrastructure and the public sector, which helps alleviate unfairness, reduce property and give every person a dignified life. Paying tax is a matter of development and fairness.

A broad tax base and an active state which invests in its citizens' welfare, strengthens the bond between the state and the population, and increases solidarity within society – and creates a virtuous spiral of willingness to pay tax. A high level of domestic financing also decreases dependence on aid in developing countries and increases the degree of self-determination.

Transparent tax accounting is vital both at national level and at company level. Not least in that it allows people to see how much is going into the public coffers and what this is used to finance. Swedfund reports taxation on a country by country basis; which was the most important message from the Addis Abeba Action Agenda (the framework for financing Agenda 2030).

Illegal financial flows out of developing countries are a serious matter given the major impact they have on development issues. This could involve amounts which are twice as high, as what Africa for example receives in aid. Up to USD 100 billion is lost to developing countries through corporate tax evasion. The lost development effects of this are estimated at USD 250–300 billion.<sup>1</sup>

In developing and transition countries, with limited capital supply, funds are an important source of longer-term financing. Funds enable local businesses, which Swedfund would not otherwise have been able to invest in, to receive the necessary financing for sustainable and profitable growth.



MULTINATIONAL COMPANIES' CONTRIBUTION TO THE TAX BASE IS:

**5%** IN INDUSTRIALISED COUNTRIES.<sup>3</sup>

**10%** IN DEVELOPING COUNTRIES.<sup>4</sup>

**14%** IN AFRICA.<sup>5</sup>



WHAT SWEDFUND DOES

**THROUGH INVESTMENT:**

- ▼ Tax is part of Swedfund's Due Diligence. This means that, in preparation for an investment, we review the project and its structure from a tax perspective. Swedfund will not, for example, invest in corporate structures which lead to unjustified profit transfers from the operating country to another country, leading to an unbalanced tax situation.
- ▼ We also require that our portfolio companies submit information on their tax situation. In the course of its normal activities, Swedfund will encourage its portfolio companies to act responsibly on taxation matters.
- ▼ Swedfund publishes the portfolio companies' domicile on the website.
- ▼ Swedfund invests in funds to reach more countries and companies. It is important to set up the fund in a country with, for example, tax transparency and an effective judiciary. Swedfund has separate information about tax and funds on its website.

**WE MEASURE RESULTS:**

- ▼ Swedfund reports the taxes reported by its portfolio companies in their annual report. Swedfund gather information on the amount of tax paid by the companies, using a harmonised definition.
- ▼ We also report the amount of tax which our portfolio companies declare in their annual reports on aggregated country-by-country.

**GOVERNING POLICY & RESPONSIBILITY:**

- ▼ Swedfund's Owner's instruction
- ▼ Swedfund's Tax policy
- ▼ The Chief legal Counsel and Investment Manager are responsible for tax issues in portfolio companies.

FOOTNOTES THE ENVIRONMENT AND CLIMATE

1 [http://unctad.org/en/PublicationsLibrary/ldcr2017overview\\_en.pdf](http://unctad.org/en/PublicationsLibrary/ldcr2017overview_en.pdf). 2017, page 49.  
 2 <https://data.worldbank.org/indicator/EG.FEC.RNEW.ZS>. 2014 Downloaded 20 February 2018.  
 3 <https://www.bp.com/en/global/corporate/energy-economics/statistical-review-of-world-energy/renewable-energy.html>. Downloaded 20 February 2018.  
 4 <https://news.nationalgeographic.com/2017/11/climate-change-carbon-emissions-rising-environment/>. Downloaded 20 February 2018.  
 5 <https://twitter.com/antonioguterres/>. 2017 Downloaded 20 February 2018.  
 6 Task Force on Climate-related Financial Disclosures – TCFD. 2017, page ii.  
 7 FAO, State of Food and Agriculture Report. 2016, page 8.

FOOTNOTES TAX

1 <https://www.taxjustice.net/2015/03/26/unctad-multinational-tax-avoidance-costs-developing-countries-100-billion/>. Downloaded 20 February 2018.  
 2 Illicit Financial Flows and the Problem of Net Resource Transfers from Africa: 1980-2009. 2009, page 1.  
 3 UNCTAD: World Investment Report 2015, page 184.4 UNCTAD: World Investment Report 2015, page 184.5 UNCTAD: World Investment Report 2015, page 184.