



University of
St Andrews



Policy Brief - #1.2

Case study – Cayman Islands

The impact of the Cayman Islands' tax policies on
Determinants of Health and Mortality rates



The consequences of tax abuse

Tax abuse is increasingly being recognised as a significant barrier to development. Government revenue in low-income-countries relies more heavily on corporate tax than in high-income-countries, and tax abuses by international players can have a much more significant impact on their ability to accrue government revenue and invest in healthcare and education ([Moore, 2015](#)). Our [peer-reviewed research on Government Revenue and Development \(GRADE\)](#) has demonstrated that an increase in government revenue in low-income-countries can have a significant impact on its ability to provide Determinants of Health (e.g. sanitation and drinking water) and reduce under-5 (U5) and maternal mortality rates.

Tax policies on the Cayman Islands

The Cayman Islands have been widely recognised as the worst enablers of tax abuse. In 2020, the Tax Justice Network released [a report on the State of Tax Justice \(SOTJ\)](#). For the first time, the report revealed an account of how much each country loses annually to tax evasion and corporate tax abuse. In this report, Cayman Islands is rated as the “world's greatest enabler of financial secrecy”. They are listed as the highest contributor to other countries tax losses and rank 3rd on the Corporate Tax Haven Index (CTHI) score, in which “each country's tax and financial systems [is given] a score based on how intensely they've been programmed to enable corporations to abuse tax”. The IMF released [a report in 2019](#) in which the Cayman Islands were listed as being one of ten economies that host more than 85% of all phantom investments, which the report estimates to lie at around \$15 US trillion.

Despite an abundance of data highlighting the extensive tax abuses on the Cayman Islands, they were removed from the [EU blacklist of non-cooperative tax jurisdictions](#) in October 2020. This has caused controversy, particularly amongst tax justice and children's advocacy groups. Oxfam released a statement calling for a reconsideration of the EU's definition of “harmful tax regimes” during its scheduled review in July 2021. Our data demonstrates that action is necessary to ensure that fundamental human rights will no longer be undermined through tax abuses.

Harm caused by the Cayman Islands' tax policies

We used the figure provided by the SOTJ to demonstrate the Cayman Islands' role in total harm caused to other countries through tax abuses, see figure 1. Additionally, we calculated the Cayman Islands' share in global harm caused through corporate tax avoidance and tax evasion.

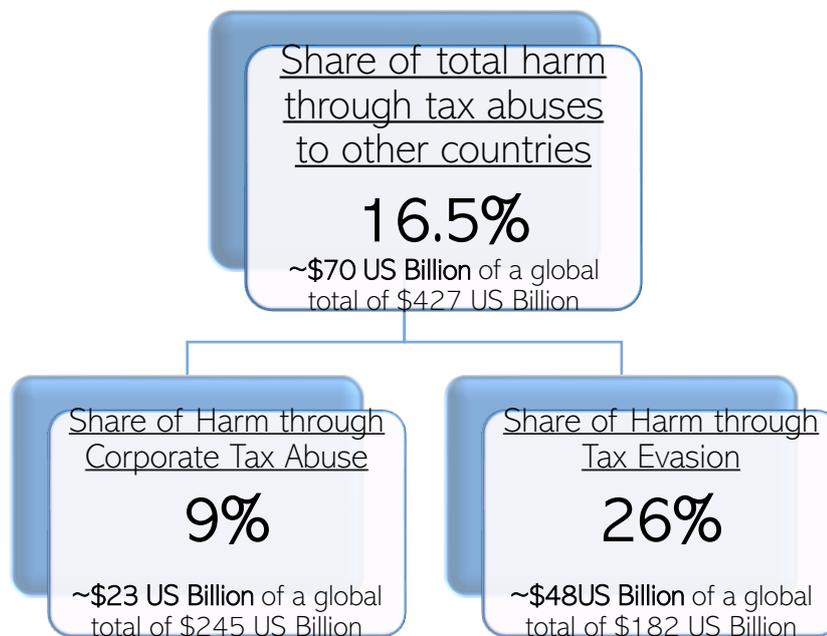


Figure 1 Harm caused by the Cayman Islands' tax policies

These figures demonstrate that the Cayman Islands play a significant part in the harm caused to other countries through tax abuses. At 16.5% of the global total, 9% of global corporate tax abuse and 26% of global tax evasion, the Cayman Islands play the largest role of any country in the world in the harm done to other countries through tax abuses. The impact of curtailing these losses in low-income-countries could make a great difference in their ability to provide healthcare and education and reduce mortality rates. If only a small amount of the \$70 billion lost to tax abuse by the Cayman Islands were available to governments in these countries, it could potentially have a significant and long-lasting impact. If the total tax abuse were to be distributed equally across all 7.6 billion global citizens, it could increase government revenue per capita by \$9.8. Considering that the average government revenue per capita in low-income-countries lies at \$116, this would amount to an increase of 8.4%. Previous studies have demonstrated noticeable long-term impacts, with an increase of only 10% in national tax revenue leading to a 17% increase in public health expenditure in low-income- countries ([Tamarapoo et al., 2016](#)). A minor increase in government revenue within low-income- countries will assist in the promotion of fundamental human rights, a condition of treaties such as the Universal Declaration of Human Rights and the United Nations Convention for the Rights of the Child. Therefore, it is vital that the impact of tax abuses is recognised.

Increased coverage of the determinants of health and the number of child deaths averted associated with an increase in government revenue equivalent to the proportion of global tax abuse attributable to the Cayman Islands (10-year projection)

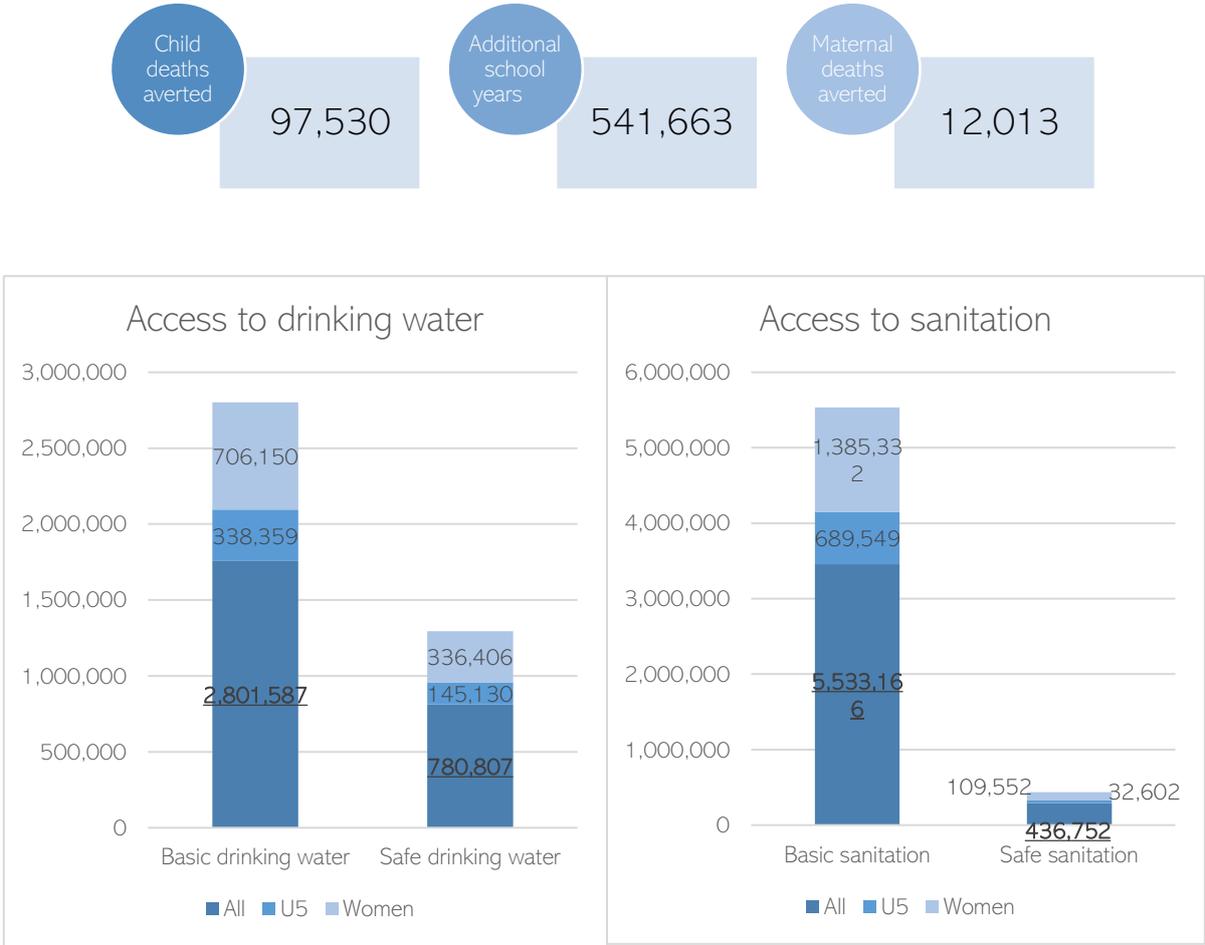


Figure 1 The potential of reconsidering the Cayman Islands' tax policies

We used our [GRADE tool](#) to calculate the effect of the Cayman Islands' tax abuses on DOH and mortality rates of other countries. The Cayman Islands contributes 16.5% of the total harm through tax abuses to other countries, if they did not enable these tax losses annually (\$70 US Billion), we estimate that over a ten-year period, almost 100,000 Under-5 deaths and around 12,000 maternal deaths would be averted, children would attend school for an extra half million years, 2.8 million people (of which around 340,000 are children and around 700,000 are women) would access basic drinking water and 5.5 million people (of which almost 690,000 are children and 1.4 million are women) would access basic sanitation, see figure 2. These figures demonstrate that the Cayman Islands' tax policies have significant human consequences and must be carefully reconsidered. Equally they demonstrate the huge potential for children if these policies are reviewed.

Call for Action

These figures demonstrate that the Cayman Islands' tax policies come with a serious human cost and impact the right to health for many children. It is essential that governments worldwide recognise the impact tax abuses have on Determinants of Health and mortality rates, particularly within low-income-countries. Allowing tax abuses to continue actively undermines fundamental human rights, which stands in direct opposition to the Universal Declaration of Human Rights and the United Nations Convention for the Rights of the Child. We are calling for action from the Cayman Islands and leaders worldwide to take measures to prevent policies which allow tax abuses to continue.

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