

World Sustainable Economy Forum, LILLE 19th November 2009

**HOW TO ELIMINATE THE BLACK HOLES OF GLOBAL FINANCE:
corruption, tax havens and opaque operations**



John Christensen
director, tax justice network



Tax Havens: Creating Turmoil
Submission by TJN-UK to the Treasury
Inquiry into Offshore Financial Centres
and their role in causing market instability
– June 2008

“ Tax havens
undermine effective
democratic government and
deny the supply of
information that markets
need if they are to operate
properly. So significant is the
challenge they pose to global
economic and social stability
that the risk cannot be
assessed within the financial
domain alone; it permeates
the infrastructure of our
society . . . ”



**“*We have allowed
the word avoidance
to gain too much
respectability. It is
just a smarter form
of evasion.*”**

**Pravin Gordhan
South African Minister of Finance
9th November 2009**



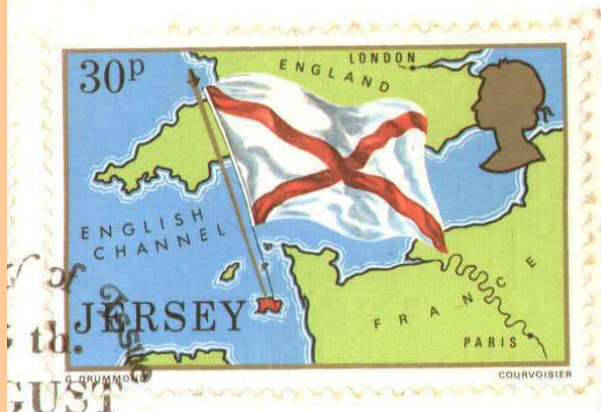
FALSE PROFITS: robbing the poor to keep the rich tax-free

March 2009

“

Poor countries in particular are deprived of badly needed tax revenues – Christian Aid has estimated to the tune of US\$160 billion a year.

If that money was available to allocate according to current spending patterns, the amount going into health services could save the lives of 350,000 children under the age of five every year”



insider trading
market rigging
avoiding disclosure of
conflicts of interest
illicit arms trading
illicit political donations
contract kickbacks
bribery
fraudulent invoicing, trade
mispricing and tax evasion

Germany, Switzerland, The United Kingdom and Belgium

* *Offshore Hazard* Isle of Jersey Proves Less Than a Haven To Currency Investors

A Fund's Suspicious Losses
Draw Minimal Scrutiny
From Local Authorities

No Safety

By M

*“living of lax
regulation”*

Wall Street Journal
17th September 1996



Harming development

- Higher risk premium on financial markets
- Undermining tax systems and public finance
- Increase the inequitable distribution of tax charges and enable economic free-riding
- Reduced efficiency of resource allocation
- Make economic crime more profitable
- Encourage rent-seeking and reduce private incomes
- Damage institutional quality and growth in developing countries

Economie

Paradis fiscaux : des ONG épinglent le Royaume-Uni et les Etats-Unis

LEMONDE.FR avec AFP | 02.11.09 | 12h39 • Mis à jour le 02.11.09 | 14h14

Un réseau d'organisations non gouvernementales a publié, lundi 2 novembre, une liste alternative de paradis fiscaux prenant en compte le degré d'"opacité financière" et incluant soixante "juridictions", dont l'Etat américain du Delaware, la City de Londres ou Hongkong



INFOGRAPHIE La liste de paradis fiscaux établie par l'OCDE
ARTICLE INTERACTIF Haro sur les paradis fiscaux





























































2009 Financial Secrecy Index

- USA (Delaware)
- Luxembourg
- Switzerland
- Cayman Islands
- UK (City of London)

source: www.financialsecrecyindex.com

Mapping the Faultlines

The sun never sets on the British Empire of secrecy jurisdictions

Andorra		Costa Rica		Liechtenstein		Madeira (Portugal)	
Anguilla		Cyprus		Luxembourg		Samoa	
Antigua & Barbuda		Dominica		Macao		Seychelles	
Aruba		Gibraltar		Labuan		Singapore	
Austria		Grenada		Maldives		St Kitts & Nevis	
Bahamas		Guernsey		Malta		St Lucia	
Bahrain		Hong Kong		Marshall Islands		St Vincent & Grenadine	
Barbados		Hungary		Mauritius		Switzerland	
Belgium		Ireland		Monaco		Turks & Caicos Islands	
Belize		Isle of Man		Montserrat		Dubai (UAE)	
Bermuda		Israel		Nauru		City of London (UK)	
British Virgin Isles		Jersey		Netherlands		Uruguay	
Brunei		Latvia		Nether Antilles		US Virgin Islands	
Cayman Islands		Lebanon		Panama		Delaware (USA)	
Cook Islands		Liberia		Philippines		Vanuatu	

“ “ *The expanding credit crisis has helped underline the dangers of a lack of transparency in international finance, poor regulation and insufficient cooperation . . . Yet the world risks wasting political capital on the wrong targets. We are pursuing the timorous policies of a past age to tackle tax havens.* ” ”

Comment: Stop this timidity in ending tax haven abuse

John Christensen and David Spencer, 5th March 2008



TJN recommendations

Adopt automatic information exchange as a multilateral standard, and sanction non-cooperative jurisdictions

Radically enhance transparency of multinational company accounting: adopt an International Financial Reporting Standard on country-by-country reporting

Require full public disclosure of beneficial ownership of trusts, companies, foundations and similar legal entities

Remove 'beggar-thy-neighbour' tax and regulatory practices, e.g. the UK tax treatment of non-domiciles

Adopt a General Anti-Avoidance Provision accompanied by purposive legislation

Enhanced global cooperation

Strengthen international cooperation with a primary objective of ensuring that national tax systems do not have negative external impacts on tax sovereignty elsewhere (UN Tax Committee proposals under Monterrey Consensus)

Convert the International Accounting Standards Board into a democratic body accountable to the United Nations

Negotiate a multilateral framework to allow states to tax multinationals on a global unitary basis (using formulary apportionment) with appropriate mechanisms to allocate tax revenues across borders



“ On the campaign, I used to talk about the outrage of a building in the Cayman Islands that had over 12,000 business — businesses claim this building as their headquarters. And I’ve said before, either this is the largest building in the world or the largest tax scam in the world. And I think the American people know which it is. It’s the kind of tax scam that we need to end. ”

4 May 2009