

Joyful Tax Havens, Offshore Banking and the “Paradise Papers”

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Theme: [Global Economy](#), [Law and Justice](#)

This was another case of the big and the powerful undercutting the tax systems of the world. But could anyone be genuinely surprised at the revelations to come out of the Paradise Papers on the workings of the tax haven industry?

Of the 13.4 million files revealed by the Süddeutsche Zeitung, the International Consortium of Investigative Journalists and some 90 global media partners, 6.8 million stem from the offshore law firm Appleby. A further half million derive from the Asiaciti Trust based in Singapore, with six million obtained from corporate registries spanning 19 tax havens.[1]

This is a field where denial is followed by qualification, and then, ultimately, a dismissive shrug. Nothing exemplifies this more than the dispute over what a “tax haven” constitutes. The Bermuda minister for finance, Bob Richards, for instance, rejects the suggestion that his country is a joyful tax haven for the stinking rich and robustly powerful.

Language and perception is everything here. A tax haven, according to the Bermuda side of things, suggests terrorism and money laundering. A no-tax or low-tax threshold is an entirely decent incentive. “We didn’t pass a law to say,” disclaimed Richards, “that the Googles of this world don’t get taxed.”[2]

Besides, claimed the evidently irritated finance minister, the UK was itself a tax haven. “You have more billionaires resident in London than any place on earth. They are not here for the weather, they are here for the tax climate. We have a double standard going on here.”[3]

Richards does have a point. In the world of tax havens, countries with a supposedly more keen disposition to netting tax are found wanting. The Netherlands, for instance, is a the place of choice for General Electric, Heinz, Caterpillar, Time Warner, Foot Locker and Nike. In the sharp observation of Jesse Frederik, “The land of tulips and windmills, the home of the International Criminal Court, and the number one tax have for American multinationals.”[4]

Combing through the papers has already revealed the activities of a few big fish, though again, there are few surprises. US President Donald Trump, for instance, is the least surprising of all. Despite railing against the unelected global elites who do boardroom deals, his circle is filled with that very same ilk. The corporate boardroom, in fact, stalks the land and haunts the cabinet.

Take US Secretary of Commerce, Wilbur Ross. His private equity firm W.L. Ross & Co., LLC was a company that became, in time, one of Appleby’s biggest clients. Despite divesting most of his empire, he retained a stake in the shipping company Navigator Holdings, with W.L. Ross being its largest shareholder.[5] Navigating Holdings, in turn, does extensive business with the Russian gas processing and petrochemicals company SIBUR. A resounding

tut-tut has duly followed.

Do these revelations actually matter? The very fact that the Paradise Papers duly followed in the tracks of the enormous documentation in the Panama Papers is evidence that the enterprising accountant is always ahead of the plodding taxman.

Nonetheless, Will Fitzgibbon and Emilia Díaz-Struck would suggest in November 2016 for the ICIJ that the Panama Papers investigation had “produced an almost daily drumbeat of regulatory moves, follow-up stories and calls by politicians and activists for more action to combat offshore financial secrecy.”[6]

The problem with such companies is that they, in a sense, have every right, or, to be more precise, liberty, to exist in an environment teaming with advisors on how best to trick the tax departments. Companies are not in the habit of feeding social consciences or the public good, and have an incentive to obtain the biggest dividends for their shareholders.

The problem is so endemic that even the ICIJ supplies a disclaimer noting how offshore companies and trusts have “legitimate uses”. “We do not intend to suggest or imply that people, companies or other entities included in the ICIJ Offshore Database have broken the law or otherwise acted improperly.” Precisely.

What is easy to ignore is the degree of collusion states afford companies. Some are in the habit of encouraging companies to operate on their territory, the incentive here being a zero tax rate. Capital duly migrates; outsourcing takes place. Tax that would otherwise find its way into coffers is simply not collected. Infrastructure and services duly suffers.

Matt Gardner, senior fellow at the Institute on Taxation and Economic Policy based in Washington sees an inexorable trend, one that threatens to reduce democratic practice to a shell. The tax bases of the globe are shrinking, as is trust in state institutions.

“When its documented as well as it has that companies like Apple and Google and Microsoft – these incredibly profitable companies – are just able to use the tax system like a piñata, that just reinforces the belief that no-one cares about the plight of middle-income families.”[7]

Till a good reason exists to abolish such entities as Mossack Fonseca or Appleby, the world of the tax haven will continue to thrive, however vigorous a prune it might receive from periodic bursts of moral outrage.

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Notes:

[1]

<http://www.abc.net.au/news/2017-11-06/what-are-the-paradise-papers-and-what-is-the-firm-appleby/9075640>

[2] https://www.huffingtonpost.com/2013/06/03/bermuda-tax-haven-finance-minister_n_3378773.html

[3]

<https://www.theguardian.com/business/2017/feb/06/uk-tax-haven-bermuda-financial-secrecy-offshore-c>

[ompanies](#)

[4]

<https://thecorrespondent.com/6942/bermuda-guess-again-turns-out-holland-is-the-tax-haven-of-choice-for-us-companies/417639737658-b85252de>

[5] <https://www.icij.org/investigations/paradise-papers/us-president-donald-trumps-influencers/>

[6] <https://panamapapers.icij.org/20161201-global-impact.html>

[7] <http://www.abc.net.au/news/2017-11-07/paradise-papers-why-tax-avoidance-matters/9123850>

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