Short Session Report

**Session Title:** How Tax Havens Foster Corruption, Why Tax is a Relatively Minor Part of it, and How to Move Forwards

**Date & Time:** 1 December 2016, 17.30-19.00

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PLEASE INCLUDE BEST QUOTES!

**Experts:**

- **Andres Knobel**, Tax Justice Network
- **Porter McConnell**, Director, Financial Transparency Coalition
- **Nick Shaxson**, Tax Justice Network

**Moderated by:** Nick Shaxson

**Session coordinated by:** Nick Shaxson, Tax Justice Network

**Main issues raised in kick off remarks. What’s the focus of the session?**

The focus of the session was tax havens and how they fuel and contribute to corruption. On the one hand, they facilitate individual acts of corruption: bribery, embezzlement and so on. But also, they contribute to grand systemic corruption, which involves undermining the rules, systems and institutions that promote the public good, both at a national level and on a global level. Experts and activists working on this issue are calling the anti-corruption community to focus beyond the poorer ‘victim’ countries and towards a more economic, less geographical
understanding, which will implicate the rich countries as central players. In this terrain, it’s a battle between and an alliance of the rich and powerful (in rich, middle and poor countries) versus the poorer folk (in all countries.) If we can further promote the idea that tax havens are corrupting rich countries, and that tax havens are mostly either rich countries or dependencies of rich countries, we can gain political momentum to help the victims in poorer countries too.

As a next step, the session provided a brief info on fast-emerging global initiatives to tackle illicit financial flows and tax heavens.

Finally, the session touched on such structures as trusts, foundations and their like, which are creating tax haven-like refuges from laws and rules of society, feeding corruption and corrupting societies. Tax havens are about so much more than tax.

Tax heaven can be explained in two words: ESCAPE and ELSEWHERE. You take your money elsewhere to escape the rules of civilized society. However, this is not only about tax, but also about such notions as secrecy, impunity, crime, monopolies, inheritance rules, corporate governance, financial regulation, hiding risks off-balance sheet, etc. etc.

Campaigners aim to steer clear of the evasion/avoidance distinction and focus on the political and economic effects, as well as inequality. Systemic corruption happens when people lose faith in the queue, in the social order.

What initiatives have been showcased? Briefly describe the Game Changing strategies/ ideas (if applicable)

One of the good things to come out of Panama Papers is the global response by many governments to commit to new initiatives. Since the investigation, we’ve seen a number of governments come out in support of important transparency measures, like public beneficial ownership registers, so you know who is really behind a company, and public country by country reporting so that we can track where and how multinational corporations operate and whether or not they are paying the right amount of tax in the right place. But the difficult part is translating those commitments into actual legislative action. That’s why it’s so important to not only have global watchdogs like Transparency International and my organization, the FTC, but movements at the national level that pressure governments to follow through on commitments they make on the international stage.

Know the people behind the company:
- Public registries of company beneficial ownership

Get the full picture:
- Public country-by-country reporting by multinationals

Get one step ahead:
- Automatic exchange of financial information between governments

Revisit who’s making the rules:
Briefly describe the highlights including the thematically interesting questions and ideas that were generated from the discussion or from the floor, and session quotes.

Some of the interesting questions raised touched on the difference between offshore and overseas. Overseas is fine, offshore is illegal.

Do we actually show the incredible challenge of stopping illicit financial flows? There is a problem around beneficial ownership registries, that is, we see it as a challenge for poor countries, where tax administrations often do not have capacities to implement these measures. We have the challenge of weak capacity in poor countries to implement beneficial ownership regulation in practice.

One of the questions raised was about Brexit and its impact on illicit financial flows and tax heavens. Competitive economy is key for the British government, and it means race to the bottom. We also know that Great Britain is now facing an economic decline. Brexit could unleash this race to the bottom. London has a great grip on political life and society. Hard to predict where it will be going.

What are the key recommendations, follow-up Actions (200 words narrative form)

We need something that has impact, so that people realise how bad these things are, what the objectives should be, so that we convince journalists to write about these issues and the public to know how harmful and dangerous illicit flows are and how it hits us with consequences.

Revisit who’s making the rules: institutional architecture
The OECD is certainly one part of the global fight against tax evasion and tax avoidance, but it’s not well-positioned to be the sole standard bearer for the globe. Having its members speak on behalf of the rest of the world’s countries is patronizing and it’s ultimately ineffective. We’re seeing an attempt by the OECD to get global buy-in for a system that was designed by the few. The G77, a group of 134 developing countries, have for years been demanding a stronger voice and a true seat at the table, and proposals have been raised, but they were overruled by a small number of rich countries.
Ask who makes it possible: gatekeepers
Lawyers, bankers, accountants, luxury goods sectors, all lack regulatory oversight, and lack implementation where there are regulations. Lawyers and accountants in G20 countries face very few regulations, and those that exist aren’t enforced. In luxury goods, there were virtually no suspicious activity reports filed in Belgium last year, even though Antwerp is the diamond capital of the world and diamonds have been identified as a laundering risk.

Letting the public in:
And one thing we can’t underestimate is the power of data. Technology has the power to change the way we understand the world, and this is no different with tax, corruption or illicit financial flows. While more and more data is making its way to the public, due to new transparency requirements, it’s important that the data is delivered in open data formats that make it easy to analyze and comprehend so that it can be useful for campaigners, researchers, journalists and the general public.

Key Insights that could be included in the IACC Declaration

Rapporteur’s name and date submitted

Svetlana Savitskaya 01 Dec2016
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