

CLOSING THE FLOODGATES

John Christensen
Director
Tax Justice Network International Secretariat



Closing the Floodgates

Collecting tax to pay for development



“The most comprehensive review ever published of the nature and scale of the problems, and a series of recommendations for how governments and international agencies might tackle them.”

1st February 2007

Commissioned by
The Norwegian Ministry of
Foreign Affairs

tax justice network



The Price of Offshore

“ . . . Wealth held in tax havens is costing governments around the world US\$255 billion annually in lost tax revenues according to research published in March 2005. This sum is over three and a half times greater than the highest estimate of the additional financial resources required to meet the United Nations' Millennium Development Goals. . .”

TAX JUSTICE FOCUS

the quarterly newsletter of the tax justice network

Spring 2005 VOLUME I, NUMBER I

capital flows ‘uphill’

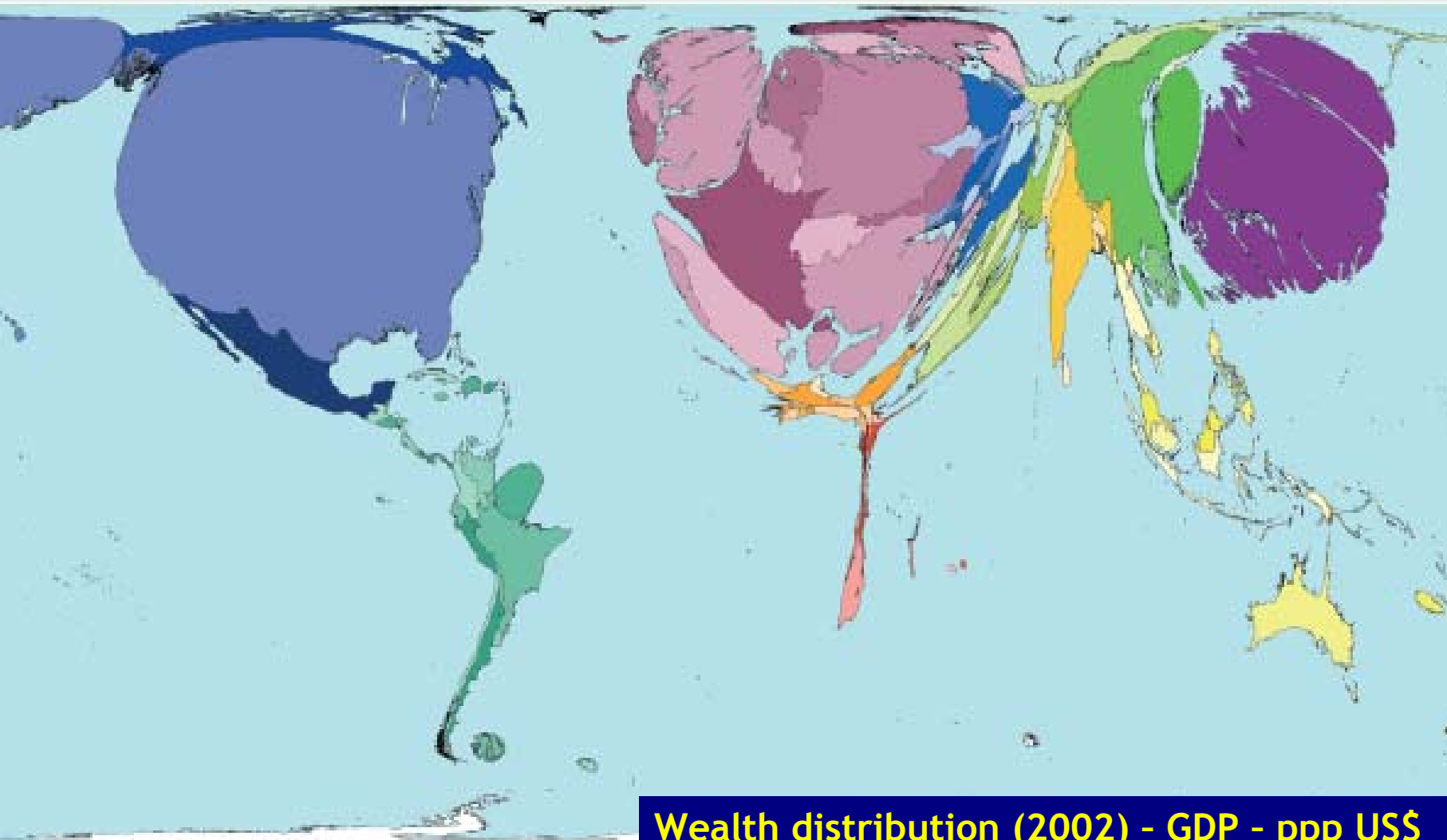
Over 50 per cent of the total holdings of cash and listed securities of rich individuals in Latin America is reckoned to be held Offshore. Capital flight data for Africa as a whole is scarce, but according to the African Union US\$148 billion leaves the continent every year because of corruption. [i]

[i] See UK Africa All Party Parliamentary Group (2006)

The Other Side of the Coin: the UK and Corruption in Africa (p14)

Most analysts agree that the outflows of illicit money originating in Africa tend to be permanent, indicating that between 80 - 90 per cent of such flows remain outside the Continent. [ii]

[ii] Raymond Baker from the Center for International Policy, Washington, quoted from oral evidence given to the UK Africa All Party Parliamentary Group in January 2006.



Wealth distribution (2002) - GDP - ppp US\$
source: www.worldmapper.org



“Utilizing tax haven secrecy laws and practices that limit corporate, bank and financial disclosures, financial professionals often use offshore tax haven jurisdictions as a ‘black box’ to hide assets and transactions from the Internal Revenue Service, other US regulators and law enforcement.”

**TAX HAVEN ABUSES:
THE ENABLERS, THE TOOLS AND SECRECY**

August 1, 2006

Priority issues - tackling capital flight

- Multilateral commitment to automatic information exchange
- Require financial intermediaries to report suspicious transactions which might involve tax evasion
- Introduce banking secrecy over-ride clause to UN Model Convention
- Require IMF to enhance its Reviews of Standards and Codes to identify jurisdictions which fail to support anti capital flight measures
- Allow for sequestration of proceeds from tax evasion

Priority issues - tackling corruption

- Redefine the geography of corruption
- Abolish non-disclosure of beneficial ownership
- Trade pricing matrix for identify mispricing at port of exit / entry
- Identify tax havens which fail to cooperate with tackling capital flight and tax evasion
- International Financial Reporting Standard for country-by-country reporting by multinationals
- Put pressure on professional associations (bankers, lawyers, accountants, tax advisers) to regulate the activities of their members

Priority issues - tackling harmful tax incentives

- What framework is required to regulate tax competition. Is there a case for a World Tax Authority to lay down ground rules and monitor their application?
- What can be done to protect ethical businesses from the predatory tax behaviour of the aggressive tax avoiders?
- Where is the demarcation line between harmful and benign tax competition?

Closing the Floodgates

Collecting tax to pay for development



“Taken in combination, our proposals could go a long way towards achievement of the Millennium Development Goals; towards tackling the harmful inequalities within and between countries; and towards restoring the credibility of the market system itself.”

John Christensen

Commissioned by
The Norwegian Ministry of
Foreign Affairs

tax justice network