tax justice network

TAX JUSTICE FOCUS

the quarterly newsletter of the tax justice network

Spring 2005 VOLUME 1, NUMBER 1

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Published by the Tax Justice Network International Secretariat

For free circulation

ISSN 1746-7691

The Africa Question: Where do all the profits go?

By Pierre Guindja and John Christensen

Whilst all eyes are turned this year on how to make better use of development aid flowing into Africa, attention is also turning to the question of what has been happening to the continent's own financial resources in recent decades. And increasingly people are looking to the major companies, banks, oil producers, mining giants and food multinationals and their subsidiaries that dominate the African business scene.

In late February 2005 Chairman of the Nigerian Economic and Financial Crimes Commission (EFCC), Mallam Nuhu Ribadu, announced that his commission had already started investigations into allegations that some of the world's largest oil exploration and production businesses have been engaging in tax evasion and aggressive tax avoidance practices that have defrauded the Nigerian government of billions of dollars.

Ribadu also suggested in his speech to senior managers of the Nigeria National Petroleum Corporation, that un-named oil companies have been evading taxes and excise duties over many years and have connived with Nigerian revenue officials in this process. Evidence of such connivance had previously come to light in 2004 when US construction and oil services giant Halliburton, formerly run by US vice-president Dick Cheney, submitted a filing to the Securities and Exchange Commission which revealed that its subsidiary Kellogg Brown & Root had paid US$2.4 million in bribes to a Nigerian government official in order to reduce its tax bills in 2001 and 2002.

But according to Ribadu the problem of tax avoidance, which is endemic across Africa, goes beyond the extractive industries. EFCC has also initiated investigations into the banking sector, and according to *AllAfrica.Com*, several senior bank officials have been arrested in Nigeria in recent weeks and are expected to face trial on charges of corruption and tax evasion. Ribadu said that EFCC has already recovered some money from banks and that *"bank executives have been directed to make available regular reports on their transactions to the commission."*

Similar concerns have also been raised on the other side of the continent. In January the Kenyan Revenue Authority (KRA) revealed that it is currently owed a staggering US$1.32 billion in unpaid taxes, much of which, according to KRA commissioner-general, Michael Waweru, is probably unrecoverable. US$1.32 billion represents approximately fifty percent of total state revenue in a country which currently has an external debt of around US$6 billion.

According to Waweru some of the tax debts are held by businesses that are no longer trading in Kenya or no longer in operation. KRA has intensified efforts to raise revenue, partially through broadening the tax base and improving tax compliance, but discussions between Tax Justice Network and a senior Kenyan tax official in late 2003 revealed that despite recent institutional improvements in the revenue service, KRA remains under-resourced when it comes to taxing multinational businesses which typically operate their accounts through offshore accounts created to conceal true operational costs and profits.

The problem of how to tackle transfer pricing and overloading of intra-company costs is particularly pressing for African countries, many of which are dominated by extractive industry multinational businesses. Whilst recent initiatives by the governments and NGOs have focused on transparency of revenue flows into government coffers from the oil and mining sectors, little attention seems to have been paid to how much profit has been generated by the oil companies themselves, and what tax is being paid, and where, on those profits.

Charles McPherson of the Policy Division of the World Bank has warned that the expected increase in sub-Saharan African oil revenues arising from production increases in countries such as Nigeria, Angola, Sudan, Chad and Congo-Brazzaville provides a 'lightning rod for corruption' in Africa. Without greater accounting transparency by the major businesses which dominate the African extractive industries, revenue officials are forced into an uneven struggle to obtain the information they need in order to tax the national subsidiaries of multinational businesses that are virtually at liberty to declare whatever profits they choose.

British Prime Minister Tony Blair has taken the political lead in promoting greater revenue transparency through the Extractive Industries Transparency Initiative, but this initiative is at best a partial solution since it focuses on government receipts without considering what sums ought to be being paid on the profits and income flows generated in the private sector.

This is, of course, the major question facing Africa. Whilst corruption amongst state officials rightly attracts attention, the problem of illicit capital flight, frequently linked to tax evasion and aggressive tax avoidance is of greater consequence to a continent that has seen staggering sums, probably amounting to hundreds of billions of dollars annually, disappear offshore into the western banking system in recent decades.

The role of western banks, many of which operate throughout Africa and offer offshore banking and financial services both to their multinational clients and to the national business elites, remains under-researched and almost beyond scrutiny. A full investigation into how the western banking system encourages and sustains tax evasion, tax avoidance and illicit capital flight might reveal why, despite the huge increase in output of minerals and commodities in recent decades, Africa remains a largely impoverished continent.

Editorial

2005 has been declared the year to tackle the constraints on Africa's development. As governments and campaigners alike focus on the critical issues of trade, debt, aid and corruption, not enough attention is being paid to the damage caused to Africa by tax avoidance and evasion.

Our leader article on pages 1-2 shows how tax evasion and aggressive tax avoidance by multinational companies has resulted in significant tax revenue losses for the continent's governments in recent years.

These tax losses are only part of the story as our special feature *The Price of Offshore* on page 9 shows. Private wealth held in tax havens, beyond the reach of tax authorities, is costing governments around the world US$255bn a year in lost tax revenues.

This figure is particularly shocking when viewed in the context of the financing needs of poor countries.

According to January's UN Millennium Project report, a tripling of the global aid budget to US$195bn a year by 2015 would be enough to halve world poverty within a decade and prevent millions of unnecessary deaths in poor countries. TJN's efforts to bring tax issues into the MDG debate are outlined on page 4.

Campaign Digest

Switzerland: World Economic Forum. 26-30 January

Andreas Missbach

Tax justice issues ranked high at this year's World Economic Forum (WEF). In his video message to the WEF, French president Jacques Chirac called for a tax on countries with banking secrecy, which was a nice little jab at the host country.

Since the Tax Justice Network had already organised a press conference for the following day, Chirac's intervention gave the Swiss TJN members, Berne Declaration and Swisscoalition, an opportunity to support his proposal and add that because Switzerland bites into tax revenues by aiding and abetting tax evasion through its private banking industry, it makes perfect sense to tax some of this wealth for development purposes.

During the WEF the Berne Declaration also placed a spoof job advertisement in the major weekend magazine in Switzerland. The advertisement was to recruit an 'experienced tax evader' to work in a 'major global accountancy firm'. In a discussion at the WEF's Open Forum the moderator confronted the CEO of Ernst & Young Switzerland with this advertisement, but he was knocked completely off track and babbled that his company was not engaged in 'evading' but 'optimising' taxes.

Finally the reaction of the head of KPMG Switzerland was somewhat different from KPMG UK, which had dismissed the award for social irresponsibility as 'misleading and inaccurate'. The former admitted that his company 'especially in the US, had gone hard at the border'. As official sponsors of the World Economic Forum, KPMG will have been hoping for a slightly easier ride and more favourable publicity.

Switzerland: TJN members take part in two key debates on banking secrecy

Jean-Claude Huot

TJN members and representatives of the banking industry in Switzerland took part in a public debate on bank secrecy and tax evasion which took place in Geneva on 15 January. The banking industry position was represented by Steve Bernard from the 'Geneva Financial Centre' foundation and MP Jacques-Simon Eggly , while Martyna Olivet from the Catholic Church in Geneva and Jean-Claude Huot from the Berne Declaration presented the opposing arguments.

The debate presented a rare opportunity to discuss the issue of how Swiss banks would maintain their ability to attract approximately one-third of all international private banking business if tax evasion were to be crimalised under Swiss law.

Jean-Claude Huot also represented the TJN position on tax evasion in a televised debate broadcast on French-speaking Swiss TV. During the debate, the president of the Swiss Bankers' Association – Pierre Mirabaud – agreed that the fact that tax evasion is not a crime in Switzerland does give Swiss banks a competitive advantage. He also stressed that Switzerland is not unique in this regard and that many other financial centres use a variety of legal instruments to attract funds.

Spain: Attac Madrid conference on tax havens

Juan H Vigueras

Attac Madrid has set up a watching brief on Tax Havens and a National Commission to coordinate all activities and to denounce the harmful social effects of these phenomena. Among recent events, on 20 January this year a joint public conference organised by Attac with the main Tax Inspectors Professional Association (APIHE) took place in Madrid.

Juan Vigueras also spoke about tax havens and the TJN network at the Attac-PV Assembly (in the Valencia region, Spain) on 23 February.

TJN nominated KPMG for 'Public Eye on Davos Award' at World Economic Forum

John Christensen

During this year's World Economic Forum in Davos, TJN nominated accountancy firm KPMG for a *Public Eye on Davos* award for corporate social irresponsibility based on their marketing of tax avoidance schemes.

KPMG's public relations team in the UK denounced the award – but unfortunately for them, as they did so the European Court of Justice issued an advisory opinion calling the firm's tax practices 'unacceptable'.

For more information on the KPMG award see page 8.

World Social Forum (Porto Alegre, Brazil). 26-31 January 2005

Lucy Komisar

The 2005 World Social Forum in Porto Alegre was a vast improvement on previous years – offering not only a wide variety of meetings but also the chance to make contacts and build movements. We now have contacts and experience working together that we can call on as we build the movement to counter the toxic aspects of the world financial system – including international tax evasion.

Sponsoring groups and sessions were posted online in time for groups to contact each other and propose to combine meetings. Before the forum, Antonio Martins of Liberdade Brasil and ATTAC Brasil set up a listserve – *Otrosistemafinanceiro* – which established contacts between groups dealing with financial issues, and organized the main joint plenary.

For TJN, Lucy Komisar (New York) and Sony Kapoor (London) spoke at the day-long session, 'For a new international financial order' which was also co-sponsored by TJN and various NGOs. Lucy and Oscar Ugarteche (formerly Lima, now Mexico City) spoke at a session sponsored by Bank Track (Netherlands) entitled 'How to campaign on private banks'.

Several of us participated in 'International campaigns against the financial dictatorship', a workshop organized by the *Otrosistemafinanceiro* consortium. We also held our own workshops: Lucy led 'Tax evasion of multinational corporations continues to impoverish developing countries'. Sony and Marcelo Ramos Oliveira (Porto Alegre, Brazil) ran 'Strategies for ending tax evasion'.

Germany: Attac initiates launch of TJN Germany

Sven Giegold

After helping to start the international TJN, Attac Germany initiated the launch of a German branch of TJN. TJN Germany started on the 3 & 4 November 2004 with two public events in Berlin and Frankfurt which were covered in the national media. A number of national organisations signed the international TJN declaration including BUND (Friends of the Earth Germany), GEW (national teachers' union), IGmetall (metal workers' union), KDA (Service "Church in the Working World" of the Protestant Church in Germany –EKD), Share, ver.di (united service sector union). Moreover over 300 individuals including, for example, Hansjörg Elshorst, the president of the German chapter of Transparency International, signed up. The federation of German trade unions (DGB) supports the activities of the network and is part of its national steering committee. All signatories and interested organisations and individuals are linked via a national mailing list.

Over the following months the network plans to coordinate public education activities in order to put pressure on the government as well as political parties to take effective measures against tax evasion and aggressive tax avoidance rather than getting into a race to bottom concerning the taxation of capital income. Furthermore, a seminar on national and international tax policy will be organised before the summer in order to widen our support base.

Belgian Parliament: Special Committee on Globalisation. 14 February 2005

Richard Murphy

Representatives of TJN contributed to the Belgian Parliament's Special Committee on Globalisation. This is the committee that gave rise to Belgium's Tobin Tax legislation. Ably led by Dirk van der Maelen, it has now turned its attention to tax havens as its next topic of interest.

The Committee operates on the basis of 'hearings' where experts first present their case and then take questions from Parliamentarians, members of formal civil society groups, and any members of the public who wish to attend.

About 70 people attended on 14 February to hear Bruno Gurtner from Switzerland, and a founding member of TJN, make the general case against tax havens and for me to present an assessment on the impact they have on development. This was the first in a series of hearings and TJN will also be represented at future sessions.

Richard Murphy's arguments are summarised in ***Fiscal Paradise or Tax on Development***? available as a free download from the TJN website.

TJN sets-up a working group on the Millennium Development Goals

Bruno Gurtner

TJN has formed a small working group on Financing for Development and the Millennium Development Goals campaign (MDG+5). Our objective is to bring the issue of tax evasion into the global discussion about new and innovative resources for the financing of development.

In the latest report from the United Nations Millennium Project (published in January this year) – *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals* – author Professor Jeffrey Sachs argued that with a substantial increase in aid, world poverty could be halved by 2015 and millions of unnecessary deaths in poor countries could be prevented. In order to achieve this global aid would need to double to US$135 billion next year and triple to US$195 billion by the year 2015.

The UN's Financing for Development (FfD) process, which was set-up to explore possible innovative sources of funding for development, has touched on the issue of tax avoidance and tax havens. In 2004, a study commissioned by the UN General Assembly to examine innovative ways in which resources could be mobilised for development (the Atkinson Report) discussed mechanisms such as currency transactions taxes and the creation of new SDRs. The Landau Report, commissioned by France's President Chirac to examine international taxation and released in 2004, also identifies a number of possibilities including currency transaction taxes, environmental taxes and surtax on the profits of multinationals.

These and other similar initiatives highlight the world's recognition of the pressing need to find new and innovative ways of financing global public goods. Despite the fact that some of these reports have addressed the issue of tax avoidance and tax evasion, there is currently little political momentum to carry these issues forward onto the international agenda.

Aggressive tax avoidance, unregulated international tax competition, and non-payment of tax on flight capital are particularly disastrous for the developing world. If poor countries could stem the considerable loss of revenue from tax avoidance and evasion they would be better able to finance investment in social infrastructure from domestic resources.

The TJN MDG working group aims to attend all important international meetings, including the high-level ECOSOC meeting with the Bretton Woods Institutions; the WTO meeting in mid-April; the high-level meeting on MDGs in July; and, of course, the MDG+5 Summit in New York in September.

The TJN MDG working group will be coordinating its efforts with other international MDG-focused campaigns such as *Global Call to Action against Poverty* (G-Cap) and *Make Poverty History*. National TJN campaigns are under way in Belgium, France, Germany, Switzerland and the UK.

For further information on the activities of the MDG working group, please contact:
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Research Roundup

Henderson publishes survey on attitudes of UK firms to tax and CSR

The way in which companies manage tax matters is becoming an increasingly important part of the corporate social responsibility (CSR) agenda. Even in cases where corporate approaches to tax management – such as using tax havens – may be legal, they can be viewed by many as unethical. Companies need to recognise this and take a strategic view of their tax policy.

To assess the extent to which UK companies are doing just this, Henderson Global Investors recently surveyed the Chairmen of the UK's leading companies. Henderson points out that the challenge for companies on tax matters is to simultaneously achieve the goals of legal compliance, shareholder return, and corporate responsibility. The results of the Henderson survey were published in February 2005 in ***Tax, risk and corporate governance***. Some of the key findings were:

- Less than half of the companies that responded had reviewed tax strategically in the last year or adopted a formal tax policy.

- Firms confirmed that the likelihood of being challenged by tax authorities on their transfer pricing, use of tax havens, or other activities conducted primarily or exclusively to reduce tax was increasing.

- With some exceptions, the majority of companies do not appear to have considered seriously the relationship between their tax management and their approach to corporate responsibility.

(w) www.henderson.com/sri
Henderson Global Investors is an international investment management company with an established track record in socially responsible investment. The full survey findings can be downloaded from their website.

Globalisation and taxation: what impact European tax policies?

New research by Alessandro Santoro of the Università degli studi di Milano-Bicocca examines the relationship between globalisation and taxation, with a focus on European companies and tax policies.

According to the race to the bottom hypothesis, globalisation should induce nation states to reduce taxation on mobile factors.

This view is challenged by the fact that the ratio between taxes on capital and GDP actually increased in the period 1980-2000 in most advanced capitalist countries. The European Commission seems to draw from this the idea that, with regard to corporate taxation, the race to the bottom hypothesis is not consistent with the data. However, ratios of taxes on a specific source of income to GDP depend upon two distinct variables: the ratio of the tax base to GDP and unitary taxation on each base.

Therefore, the paper focuses on income distribution as a driving factor of recent trends in revenues. Using a sample of 140 European multinational enterprises (MNEs) during the 1990s it is shown that, in general, pre-tax profits have *increased* while effective tax rates have *decreased* during the last decade.

Globalisation also affects the overall structure of taxation systems which were traditionally built on the idea that people pay taxes. In a globalised capital market the identity of the shareholder is much less relevant. What matters for MNEs is corporate taxation, driving decisions on which countries to invest in. This is key to interpreting recent developments in European tax systems, in particular the abandonment of the full imputation system in dividend taxation, which may have a perverse impact on the degree of inequality of (post-tax) income distribution.

Moreover tax harmonisation of corporate taxation at the European level may lead in the future to less revenues and to a more unequal post-tax income distribution since it is purported to establish a common tax base without setting any minimum level for the tax rate.

From ***Globalisation and Taxation: Much Ado About Nothing*** by Alessandro Santoro, Università degli studi di Milano-Bicocca, alessandro.santoro@unimib.it

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The WTO: a natural home for a global tax enforcer?

Why do we have a World Health Organisation and a World Trade Organisation but no World Tax Organisation? The explanation may lie in the desire of individual countries to retain national sovereignty over tax matters, but there are agreements on double taxation and on exchange of information.

Some have proposed, as in the Zedillo Report, establishing a World Tax to help meet the world's needs. However, millions of dollars are currently lost every year due to the inability or ineffectiveness of governments to collect taxes, particularly from multinational corporations. This money could be partly used to contribute towards much needed global public goods, such as health and education in poor countries.

There is a general recognition of the need for an international regulation of corporate taxation. However, political agendas, corporate agendas and other economic issues have all played a role in ensuring that real commitment to such regulation hasn't materialized.

To create a tax organisation with powers of enforcement would take many years. However, if regulation on global corporate taxation could be agreed upon in an already established organisation with powers of enforcement such as the WTO, adoption should be smoother.

The WTO would appear to be the most appropriate body for the creation and enforcement of regulation on global corporate taxation. Such an agreement would not only permit countries to become more effective tax collectors, with some of the revenue being used to increase aid flows to poor countries, but also companies who have been harassed over tax issues by governments would have more protection.

From ***International regulation of corporate taxation: a new prospect for the WTO?*** by Maricela Robles, University of Essex.
For further information please contact: (e) maricelarg@go.com

Attac Finland publishes book on global taxation

What is the difference between different currency transaction tax models? What should be the main principles of CTT - global or national, unilateral or multilateral, regulative or not forex market-affecting? What are the roles of offshore finance, cross-border tax evasion and international tax competition in economic globalisation?

What kind of taxation matters should the global financial regulation movement keep in mind? What kind of grey economy is there? How can tax evasion and avoidance be tackled with national measures? What is the global tax justice movement?

Attac Finland's new book *More Taxes - Promoting Strategies for Global Taxation* explores the debates around these themes and puts forward a range of proposals that financial regulation and tax justice movements should be promoting in the coming months and years. We recommend this book to people from Attac, Tax Justice Network and all other social movements working with financial regulation or global tax matters.

More Taxes - Promoting Strategies for Global Taxation, Edited by Jorma Penttinen, Ville-Pekka Sorsa and Matti Ylönen. Published by ATTAC Finland. Includes articles from Kavaljit Singh, Heikki Patomäki, Mikael Böök, John Christensen, Pete Coleman, Sony Kapoor, Markku Hirvonen, Ville-Pekka Sorsa, Matti Ylönen and Richard Murphy.

(w) Available in PDF-format at http://www.attac.fi/moretaxes

New insights on corporate integrity

'Corporate leaders are in a Catch-22: damned if they do, and damned if they don't**,** says Donna Kennedy-Glans in her new book ***Corporate Integrity: a Toolkit for Managing Beyond Compliance***.

• damned in the media as insincere or naive if they do voluntarily adopt 'beyond compliance' integrity strategies responsive to the expectations of key stakeholders

• damned by press and public as greedy or uncaring if they don't spend corporate profits on 'beyond compliance' integrity undertakings that exceed legal requirements

Business leaders have two choices when setting their corporation's integrity course; they can either:

• *Reactively* relinquish control of the corporate direction to external business drivers, or focus on strict compliance with rules and regulations to 'assure' integrity; or

• *Proactively* consider both internal and external business drivers in the setting of the corporation's integrity course, and strategically manage integrity 'beyond compliance'.

This new book makes a business case and provides practical tools for corporate leaders to get back in the driver's seat, and get back to the business of leading corporations.

(w) www.integritybridges.com has details. The next issue of Tax Justice Focus will feature an article by Donna Kennedy-Glans.

MEDIA DIGEST
2005 (first quarter)

US **The Village Voice**, March 29
'Like Manna From Havens'
A very influential opinion former in the United States, Village Voice was one of many newspapers around the world to pick up on the issues raised by TJN briefing paper *The price of offshore*

UK. **The Guardian**. March 29. Editorial Comment: 'The tax iceberg'.
This Guardian editorial discusses the issues raised by the TJN briefing paper *The price of offshore* and concludes that given the urgent need to find more sources of public revenue 'international tax avoidance is the obvious place to start'.

UK. **The Observer**. March 27. 'Super-rich hide trillions offshore' and 'Where the rich stash their cash'.
The business section of The Observer contained extensive coverage of the issues raised by the TJN briefing paper *The price of offshore*. The article explains what TJN is campaigning for, presents the findings of the briefing and, together with quotes from John Christensen and Richard Murphy (TJN UK), includes supportive comments from representatives of UK-based NGOs Cafod, New Economics Foundation, and Christian Aid as well as from the Anglican Bishop of Liverpool, James Jones.

Spain. **Cambio16.info** . March 7. 'Gibraltar: from naval base to tax haven'
An opinion piece by Juan Hdez. Vigueras (Attac-Spain and TJN) on Gibraltar's increasing reliance on providing offshore financial services.

UK. **Ethical Corporation**. February 3. 'Tax policy and corporate governance increasingly connected, says major investor'.
The TJN position is represented in this article examining the findings and implications of the Henderson survey on corporate social responsibility (CSR) and corporate tax policies (see Research Roundup). John

Christensen's views on the ethical and economic case for including tax in the corporate responsibility debate are presented.

UK. **The Guardian**. February 1. 'Cut off corruption'.
Letter from John Christensen and Richard Murphy (TJN UK) published in The Guardian. Following arguments put forward during the World Economic Forum in Davos on the need to address corruption in Africa, the TJN letter points out that many of business leaders attending the WEF provide the very services upon which corruption depends – the bankers, accountants and lawyers that work within the offshore industry.

The Cayman Islands. **Cayman NetNews**. February 28. 'Cayman Islands used for "profit laundering"'.
This piece on the World Social Forum highlights the discussion that took place on transfer pricing and mentions TJN. Lucy Komisar (TJN US) is quoted as describing transfer pricing as 'profit laundering'.

Europe. **The Wall Street Journal Europe**. January 28. 'UK tax shelter is considered as an effort to avoid VAT'.
In this article looking at the tax practices of KPMG, the company's nomination by TJN for the *Public Eye on Davos* award is mentioned and a comment from Richard Murphy (TJN UK) is included.

UK. **The Observer**. January 30. 'KPMG pushed illegal tax dodge'.
This article on the European Court of Justice's finding that KPMG's marketing of a VAT-avoidance scheme was 'unacceptable' includes a quote from Richard Murphy (TJN UK) questioning the company's ethics at exactly the time its chairman was pushing socially responsible behaviour (see below).

KPMG wins Davos award for Corporate Irresponsibility

Timing is everything, especially for campaigners. While KPMG International chair Michael Rake was at the World Economic Forum in Davos at the end of January promoting his vision of corporate social responsibility (CSR), his company was declared winner of an award for the very opposite.

KPMG is a global accountancy and consultancy firm which operates in 148 countries across the world. It offers audit, tax and advisory services to some of the world's largest multinational companies. Tax planning is a key part of what KPMG does.

KPMG has been working hard in recent years to merit its award for corporate irresponsibility. Not only does the company operate in more tax havens than any of its rival *big four* accountancy giants, it has also been industrious in devising and marketing new tax avoidance schemes.

In 2003 the US Senate Committee of Investigations found that KPMG has devised over 500 'active tax products'; some of which may have been illegal. United States Senator Carl Levin commented that the investigations 'revealed a culture of deception inside KPMG's tax practice'.

The company has since argued that it no longer sells the type of tax avoidance shelters that were under investigation. However, last year the *New York Times* reported that the firm was simply marketing newer versions of virtually identical shelters. This revelation provided the basis for TJN's nomination of KPMG for the Davos award.

Not surprisingly, KPMG's pubic relations team were quick to denounce the nomination as 'misleading and inaccurate'. Unfortunately for them, just as they were doing so the European Court of Justice released an advisory opinion that a tax shelter designed by KPMG was an improper attempt to avoid tax.

For press coverage of investigations into KPMG's practices as well as of the TJN nomination, see the media digest.
(w) www.evb.ch/publiceye.htm
(w) www.kpmg.com

SPECIAL FEATURE: 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 far greater than the highest estimate of the additional financial resources required to meet the United Nations' Millennium Development Goals.

But the overall cost of tax havens to the global economy is likely to be considerably higher because this tax loss figure does not include losses caused by corporate profits laundering through tax havens and the downwards pressure on tax revenues caused by countries engaging in tax competition to attract or retain investment.

Comparing data from a variety of sources, economists and financial analysts have computed that approximately US$11.5 trillion of assets are currently held offshore by the world's wealthiest people. This wealth figure includes all types of financial assets such as cash deposits, stocks, shares and bonds, as well as other assets held in the form of real estate and gold. The value of assets held offshore by wealthy individuals is estimated to have increased at a rate of US$600 billion per year during the second half of the 1990s and the growth rate has shown a significant upwards trend.

Based on the estimate of US$11.5 trillion held offshore, and on the expectation that in current market conditions wealth-holders will be expecting an average 7.5% return annually on a balanced portfolio, analysts calculate that the investment income of assets held offshore amounts to some US$862.5 billion annually. If this income was taxed onshore at an average rate of 30% the tax yield would amount to US$258.8 billion per year.

According to Tax Research Limited who prepared this figure, the estimated value of assets held offshore can be considered as conservative. This is largely because the figure of US$11.5 trillion has been calculated solely on the offshore holdings of persons falling into the 'high net-worth individual' category (HNWIs). This category only includes people with liquid financial assets exceeding US$1 million and the assets of smaller net-worth individuals are not included in the wealth estimate. However, it is probable that the sums held offshore by people falling into this category are also considerable.

Since the mid1990s western banks have focused their efforts on transferring the assets of their HNWI clients into offshore accounts. Private banking services for HNWIs are a highly profitable part of banking activity and according to Cap Gemini in 2003 some 7.7 million people worldwide fall into this category. Swiss banking giant UBS alone manages funds for at least 250,000 clients through its offshore banking business.

Whilst western banks have been posting record profit levels in the first quarter of 2005, governments around the world are coming under increasing pressure to either increase the tax burden on middle and lower income earners or cut back on public services. The case for cracking down on tax havens has never been more urgent.

The Essex Workshop Series

Richard Murphy

For the last two years the Tax Justice Network has joined with the UK Association for Accountancy and Business Affairs (AABA) to host a conference on themes relating to tax avoidance, the offshore world and development. This has been hosted at Essex University by Prof Prem Sikka, who is Professor of Accounting and director of AABA.

The reason for holding these conferences has been straightforward. Until we began to do so there was no conference that looked at these issues. As a result many of the academics working in this area had not even met, and there was no forum in which they could promote their ideas.

A working committee of Prof Prem Sikka, Prof Sol Picciotto (Lancaster University), Prof Ronen Palan (Sussex University), Dr Mark Hampton (Kent University), John Christensen (TJN) and myself have run the event. The diversity of this committee does, in itself, show the breadth of the subject we are looking at. It includes accountants, lawyers, geographers and political economists.

The conference has attracted about 40 people each year from a wide range of backgrounds including academics, campaigners, taxation officials, investment companies, and professional practitioners. Some of the papers from the conferences will be published in 2005.

The 2005 event 'Tax, Governance and the Globalisation of Wealth' will take place at Essex University on the 7 and 8 July. This year's themes for consideration are:

- the differing bases of taxation available to a state, including the source, residence and unitary bases

- the role of trusts in a global economy and what role they can be allowed to play in view of the demand for increasing transparency

- supra national regulation including the role of bilateral and multilateral treaty arrangements, the EU and other international bodies, and the scope for their development

- the impact of tax avoidance and tax competition on governance, how they can be tackled and the issues it raises for global relationships, and especially those related to development.

Papers tend to be of a high academic standard, but they are presented accessibly. Anyone with a serious interest in the problems our current taxations systems create should benefit from attending and is welcome to apply to me at richard_murphy@btconnect.com

Tax, Governance and the Globalisation of Wealth
Essex University, 7-8 July 2005

The third in a series of workshops organised by the Association for Accountancy & Business Affairs and the Tax Justice Network

In a globalised world the institutions of tax have remained firmly rooted at the national level. So too have concepts of residence for the individual, corporation and trusts. This creates conflicts:

- who has the right to tax what income or gain?
- how does a state obtain the information required to ensure income and gains are taxed?
- what obligations do, and should, fall upon individuals, companies and trustees to declare their liabilities?
- what duty does each state have to another, and the global community of which it is a part?
- how do these issues interact with related concerns in accountancy, the investment community, financial services regulation, money laundering and the war on terror?

These are complex issues at the forefront of current debates on taxation, accountancy, governance, the role of the state, regulation and globalisation. They will be explored at the workshop which aims to facilitate research through open-minded debate and discussion and to generate ideas and proposals to inform and shape the political initiatives and campaigns already under way.

CALENDAR OF EVENTS

2005	Tax Justice Network	General
April 7	Briefing on offshore tax evasion at the US Senate sponsored by Senator Carl Levin and Representative Lloyd Doggett. For further details contact Lucy Komisar (e) LKomisar@msn.com	
April 11-12		Meeting of EU Finance Ministers
April 11-17	Spain. Attac Madrid is running a week of protest against tax havens. (w) www.attacmadrid.org	
April 16-17		Spring Meetings of the World Bank and the IMF, Washington DC
April 16	Canada. Attac Quebec is staging a one-day study session titled 'Where does the money go?'. Contact : Odile Rochon (e) journeedetudes@hotmail.com or visit (w) www.quebec.attac.org	
June 10-11		Pre-Summit Meeting of G7 Finance Ministers
June 16-19	Spain. Mediterranean Social Forum, Barcelona Seminar on tax justice organised by Attac Catalunya /Spain. For further details: (w) www.fsmed.info	
June 17	France. Comite Catholique contre la faim et pour le Developpement (CCFD) is organising a 'Tax Haven Day'. (w) www.ccfd.asso.fr	
June 27-28		High Level Dialogue on Financing for Development
July 1		UK assumes Presidency of the EU
July 6-7		G8 Summit - Gleneagles Hotel, Scotland
July 7-8	UK. Essex Workshop on 'Tax, Governance and the Globalisation of Wealth'. See page 10 for details.	
September 14-16		UN Millennium Summit New York, United Nations
September	Launch of ***Tax Us If You Can*** in various locations across the world	
September 26-27		Annual Meetings of the World Bank and the IMF, Washington DC
Autumn	Germany. Attac Germany will organise a seminar on corporate taxation and TNCs, in cooperation with the Germany Ministry for Development.	