STATE RESPONSIBILITY FOR THE IMPACT OF DOMESTIC AND EXTRATERRITORIAL TAX ABUSE ON WOMEN:

LIECHTENSTEIN

Background Memorandum

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I EXECUTIVE SUMMARY AND PROPOSED QUESTIONS

This background memorandum outlines how Liechtenstein's domestic entity and tax laws combined with extremely low or zero tax rates for special entities, high levels of financial secrecy, and governance structures jeopardize women's human and gender equality rights in Liechtenstein (i) at the domestic level, (ii) in 'upstream' countries from which extremely high net worth individuals, businesses, and investment entities transfer assets and income to Liechtenstein in order to reduce taxes they would otherwise have to pay to their countries of origin, and (iii) in 'downstream' countries in which local Liechtenstein branches and tax laws permit overseas investors and businesses to operate on low or tax free basis or to transfer lightly-taxed proceeds to no- or low-tax entities in Liechtenstein.

This first section of this memorandum provides an overview of the context within which information pertaining to domestic entity and tax laws can affect women in Liechtenstein and in other countries involved in financial practices and flows, and poses key questions that may help assess the State party's progress toward reducing the negative effects these legal, financial, and fiscal policies have on the status of women in Liechtenstein, as well as women in other countries affected by the domestic and extraterritorial impact of Liechtenstein laws. The remaining sections provide detailed background information.

Overview of concerns about Liechtenstein's Taxation and Financial Laws

As financial, corporate, and development activities have become increasingly transnational, tax cuts and tax havens have been used by countries at all levels of development to retain domestic and attract foreign investment to increase GDP growth. Private capital is increasingly quick to follow paths to the lowest levels of taxes and the highest levels of financial secrecy. Concentrating low-taxed capital in the hands of very high net worth individuals and entities contributes to increasing income inequality, both within and between countries.[1] Because women are concentrated in lower income groups and have much less ownership and authority in capital, finance, and governance, tax avoidance also makes it even more difficult to reduce gender income and wealth gaps and gender inequalities generally.[2]

Liechtenstein is one of the very smallest countries in the world in terms of population and size. On a global level, however, its tax avoidance footprint is disproportionately large. Even though there are only fifteen banks in the entire country, it plays an outsized role due to its very high levels of banking secrecy and its zero to very low business and investment income tax rates. As of 2013, it was ranked 17th among the top 40 'strongest magnets for foreign capital,' outstripping larger tax havens such as Ireland and Switzerland.[3] In 2018, it was ranked 46th out of 112 countries listed in the Financial Secrecy Index, by which time its foreign bank assets under management alone had reached an all-time high.[4]

In July 2017, the United Nations Committee on the Elimination of Discrimination against Women (CEDAW Committee) requested that Liechtenstein 'provide information on the measures taken for the economic empowerment of women' and 'the participation of women in the design and implementation of strategies for sustainable development,'[5] and also noted that the State party would be 'expected to respond to additional questions posed by the Committee within the framework of the Convention.'[6]

The State party responded to the CEDAW Committee requests when filing its Feb. 12, 2018 Fifth periodic report to the Committee. In that document, it outlined in three paragraphs information that was responsive to concerns about illicit financial flows and affirmed its acceptance of the wide range of international obligations to which it has acceded:

Par. 56: Information on how the Round Table on Human Trafficking addresses international developments, including its commitment to combat illicit financial flows, particularly in relation to human trafficking;

Par. 59: Steps taken by the Round Table to observe developments pertaining to dancers from third countries potentially affected by trafficking; and

Par. 128: Affirmation that 'together with the international human rights conventions to which Liechtenstein is a party, there is a dense network of international obligations which Liechtenstein has entered into in the field of economic, social, and cultural rights.[7]

On Dec. 5, 2017, the Council of the European Union had included Liechtenstein on the EU list of non-cooperative jurisdictions for tax purposes. The Council took this step because it found that Liechtenstein did not meet the standard of Fair Taxation due to 'Existence of harmful tax regimes.'[8] It will remain on this list until it satisfies two criteria demonstrating that it can be considered to be compliant on fair taxation:

> [H]ave no preferential tax measures that could be regarded as harmful… on [the 1997] code of conduct for business taxation; and
>
> [Does] not facilitate offshore structures or arrangements aimed at attracting profits which do not reflect real economic activity in the jurisdiction.[9]

The 1997 code of conduct for business taxation classifies as harmful or potentially harmful 'measures that may affect…the location of business activity in the Community' and 'a significantly lower effective level of taxation, including zero taxation.'[10]

Consistent with the CEDAW Committee's recommendations to Luxembourg[11]and Switzerland[12] regarding CEDAW Article 2 and the Committee's 2010 General Recommendation No. 28 on the Core Obligations of States Parties, this memorandum outlines information suggesting that Liechtenstein should receive recommendations similar to those made to Luxembourg and Switzerland involving the following steps:

> Undertake independent, participatory and periodic impact assessments of the domestic and extraterritorial effects of its financial secrecy and tax policies, as well as of its commercial activities, on women's rights and the substantive equality of women and men in affected States, ensuring that those assessments are conducted impartially, with public disclosure of the methodology used and the findings, and further reviewing its corporate, financial and tax legislation, policies and practices with a view to compliance with women's enjoyment of their rights, domestically and abroad, under the Convention.

Questions on the Gender Impact of Liechtenstein's Tax and Financial Laws

1. What steps has the State party taken to be removed from the European Union list of jurisdictions that engage in harmful tax and financial secrecy practices by 2018, particularly as the Government provides extremely low tax rates to attract high levels of investment from extraterritorial sources not otherwise connected with Liechtenstein?

2. Can the Committee be provided with a detailed update on the status, timelines, and copies of all Government action plans, reports, draft legislation, and schedule of consultations and steps to implement tax, entity, and public disclosure measures sufficient to meets its commitment to the EU to end its harmful tax practices by 2018?

3. Given concerns over the impact of tax avoidance and illicit financial flows on national and developing country revenues, has the State party undertaken detailed study of how its own financial, tax, and other laws affect women in Liechtenstein and in other countries in light of its obligation to promote women's gender equality?

4. Has the State party established guidelines for complaints relating to the gender impact of the financial secrecy and tax laws and rates applied to revenues arising from transnational operations of Liechtenstein banks and other entities as they affect women's rights in Liechtenstein and elsewhere, particularly in low income regions?

5. What steps has the State party implemented to restore cuts to domestic budget spending and tax rates that were made in 2011, so that it can secure revenues adequate to meet the needs of women, single parents, and those with low incomes and/or care needs?

6. What steps are being taken to introduce gender budgeting laws and procedures together with gender disaggregated and intersectional data in order to bench mark and monitor the impact of its taxation, spending, and budgetary practices on the economic status of women residents and commuters in Liechtenstein?

II LIECHTENSTEIN LAWS FACILITATE HARMFUL TAX PRACTICES

Over its history, the Principality of Liechtenstein has used its unique governance structure to devise entity, secrecy, and tax laws enabling its heads of State, residents, and foreign individuals and entities to accumulate wealth at low or zero tax rates. As a result, Liechtenstein was ranked as the 17th 'strongest magnet' for foreign investment in 2013 as it attracted global finance cumulatively worth 520% of its GDP despite its very small size.[13]

Governance Structure

Liechtenstein is classed as an independent semi-democratic state[14] because constitutionally, State powers are exercised by both the male hereditary Prince Regnant of the Princely House of Liechtenstein and the people. However, the Prince is the Head of the State, is not subject to the courts, has final vetoes over new laws, judicial appointments, and constitutional amendments, can dismiss other governing bodies, and can issue emergency decrees.[15] Although voters can under the constitution abolish the monarchy, at least one Prince has threatened to leave the country taking Princely House assets with him if such a referendum passed.[16]

The Princely House owns very substantial real, personal, and financial assets in Liechtenstein and twenty other countries. It has used its governance role to maintain entity, financial secrecy, and tax laws that support accumulation of the Princely House's own domestic and overseas assets and that also enable it to profit from supporting wealth accumulation by third parties. These laws can only be changed if the Prince Regnant agrees with legislative amendments, or at least does not veto amending legislation brought by other members of the Government.

Liechtenstein Entity Laws

Most entities in Liechtenstein can be set up either to conduct commercial activities or to be registered as noneconomic private asset structures (PAS) that do not have to file tax returns if they do not have commercial activities. This is true of the Liechtenstein company forms – the Aktiengesellschaft (AG) and the Gesellschaft mit beschränker Haftung (GmbH) – which permit appointment of corporate directors, issue of shares, limitation of liability to actual entity assets.[17] Although the GmbH must be publicly registered,[18] the AG does not have to register legal or beneficial owners; unregistered bearer shares will still be available and eligible to receive dividends until 2024; and some bearer shares can still be registered by non-resident private custodians.[19]

The Anstalt ('establishment') form was created in the 1920s to attract foreign capital. It is a civil law entity with no parallel in common law systems: Legally it is a separate person, can be structured to have the same features as either a company or a foundation (Stiftung, below), but need not be registered, have shareholders, beneficiaries, or directors. The Anstalt can be used for all types of businesses, can have either commercial purposes or be used as a PAS, and has often been used as holding companies for overseas operations.[20]

The foundation (Stiftung) also has separate legal personality and is known only to civil law.[21] The Stiftung can be used for commercial purposes or for non-commercial private benefit purposes. When used for non-commercial purposes, it can also be registered as a PAS, in which case it does not have to register at all.[22] This structure must have a founder, a foundation council, and beneficiaries, but it cannot have shareholders.[23] Depending on the purpose for which the foundation is used, the rights of beneficiaries can be made discretionary or merely prospective.[24]

Foundations uniquely provide comprehensive legal protection of the founder's assets against any liability and access by third parties under domestic and international law. These asset protection laws are applied strictly by the Liechtenstein State, fiduciaries, and courts. Not even the founder can surmount this protection without making specific reservations in the founding documents that make it possible to revoke, amend, or terminate a foundation that takes advantage of these narrow rights as defined in 2008 laws.[25] Not surprisingly, foundations are frequently used in global wealth chains by both high net worth individuals and multinational businesses.

Although Liechtenstein is a civil law jurisdiction, it is also unique in having adopted the common law trust structure. This is an extremely private entity form that can be created using either Liechtenstein or third country laws, and can also use either trustees who are resident elsewhere or those residing in Liechtenstein. Liechtenstein has not yet agreed to publish beneficial ownership information for all trusts, and, as potentially perpetual entities, they can be used to give much wider discretion to trustees than might be attainable with other entities.

Financial Secrecy Laws

Historically, Liechtenstein has had extremely strong financial secrecy laws, particularly in relation to foundations. This factor accounts for its quite high ranking as the 17th 'strongest magnet' for foreign investment, and, even after relaxing some of its secrecy laws recently, its Secrecy Score of 78 (highest level of secrecy is 100) is still higher than Switzerland's. Only eleven other countries have the same or higher Secrecy Scores, and, despite the small size of its economy, as of 2018, it is still ranked at 46th on the overall Financial Secrecy Index (FSI).[26]

While Liechtenstein went down in the FSI ranking from place 36th to 46th in 2018, its Secrecy Score actually went up from 76 in 2015 to 78 in 2018. The main reason for its better position in the ranking this year is therefore not an improvement in its financial transparency, but rather changes in the FSI methodology and the addition of 10 countries to the index in 2018.[27] Liechtenstein has been under pressure to reform its secrecy practices since numerous tax evasion scandals involving Liechtenstein received widespread publicity in 2008.[28] The 2018 FSI has moderately credited Liechtenstein for joining the Multilateral Competent Authority Agreement on automatic exchange of financial information[29] and the amended OECD Convention on Mutual Administrative Assistance in Tax Matters.[30]

Nonetheless, Liechtenstein is far from attaining financial transparency. The 2018 FSI found that Liechtenstein still fell far short because it does not publish beneficial ownership, trust, foundation, limited partnership, company, or other wealth ownership registries; does not require publication of public company owners, accounts, country-by-country reports, or legal entity identifiers; does not avoid promoting tax evasion; continues to maintain harmful tax structures; and does not require statistics and tax court decisions to be made public.[31]

Tax Rates

After Liechtenstein's secrecy and tax practices were exposed in Germany in 2008, tax rates and laws were reset to keep it competitive internationally while taking steps to comply with new antiavoidance OECD and EEA standards.[32]

Prior to the new 2011 tax provisions, business entities paid a 0.2% tax on equity plus corporate income taxes at rates ranging from 7.5% to 20%. Both taxes permitted deductions for participations and distributions, but a 4% coupon tax was imposed on dividends. Since 2011, all entities now have tax choices that are among the lowest in the world: Active trading businesses will usually pay a 12.5% tax on net profits, may qualify for a 4% reduction, and holding companies that do not operate businesses pay no tax on capital gains and dividends. Entities that are registered as private asset structures (PAS) do not pay the corporate income tax at all; they are liable only for the annual fixed tax of 1,800 CHF (2017).[33] Trusts are taxed at the rate of 0.1% with a minimum tax of 1,000 CHF on net assets.

Liechtenstein has some of the lowest business and investment tax rates globally. A dozen countries have corporate tax rates of zero (predominantly Commonwealth countries), and another eighteen have rates that range from 5% to 12.5%. Globally, the average corporate tax rate is 24% -- almost double that of Liechtenstein.[34] Personal and consumption (VAT) tax rates are also much lower than global averages, topping out at maximums of 24% and 8%. Liechtenstein's low tax regime is all the more notable because it is ranked as having the highest GDP per capita (PPP) in the world.[35]

III BUDGETARY AND GENDER EFFECTS OF LIECHTENSTEIN'S ECONOMIC AND TAX STRUCTURES

As the result of the governance and tax laws outlined above, Liechtenstein has a very unusual economic and fiscal structure. The Prince Regent owns total assets that have most recently been valued at US$4.4 billion.[36] Most of these assets – hereditary lands, water rights, businesses, real estate, art works, and after tax annual profits of the largest bank in Liechtenstein (LGT) – are held in the LGT Foundation/ Stiftung. These assets are not likely to contribute any revenue to the national budget other than the fixed annual 1,800 CHF tax payable each year by foundations.[37]

At the same time, the Prince Regent has constitutional authority to veto any bills that might reduce the levels of secrecy or increase the levels of taxes that make the national foundation rules so profitable for the Princely House itself – and that are also extremely profitable for customers of both its own bank and of other domestic and subsidiary international banks as well.

Liechtenstein's governance, fiscal, and tax structures negatively affect its women residents, women living in countries whose residents funnel wealth into Liechtenstein asset protection structures, and women working in multinational supply chains that have been carefully designed to take advantage of all available tax reduction opportunities.

Gender Impact on Women in Liechtenstein

The gender effects of Liechtenstein's governance and tax structures operate through several channels. Social stereotypes in Liechtenstein still cast women as family-centred to such an extent that nearly 74% of women with earned incomes work only part-time,[38] only 12% of those elected in a recent election were women,[39] only men can hold the position of Head of the State under the constitution,[40] and it is still a criminal offence to provide abortion services.[41]

The gender 'finance curse'

Because the financial sector, with very few women in ownership and top management positions, is such a significant component of the country's economy, Liechtenstein illustrates the developmental features of a country affected by a variant of the 'resource curse'[42] – the 'finance curse.'[43] Karl uses 'resource curse' to describe governance structures that rely so heavily on resource revenues that they can offer residents low tax burdens, thus eventually refocusing government attentions on the needs of extractive industries instead of on the needs of voters Resource industries become a 'curse' when volatile resource prices plunge, often causing unexpected revenue drops that plunge governments into deep deficits and inadequate tax systems.

Christensen et al. have demonstrated that overreliance on the finance sector can also become a fiscal 'curse' when unexpected financial shifts leave narrow tax bases and low tax rates unable to provide adequate revenues during such periods. Because both the resource and finance sectors are dominated by large domestic and multinational corporations owned and operated predominantly by men, during periods of economic stability, men's relatively greater wealth and incomes as compared with women reinforces women's economic dependency.[44] Thus women's economic vulnerability when faced with loss of government safety net, social protection, and gender equality programs when the 'finance curse' strikes, produces the 'gendered finance curse' in which the needs of women, those with low incomes, and the most vulnerable lose government supports when government revenues suddenly shrink.[45]

Increasing domestic revenues during financial and their attending fiscal crises is doubly difficult because dominant industries resist tax increases, particularly during economic downturns. Indeed, many countries during the global financial crisis responded by cutting taxes to incentivise consumer spending. So too did Liechtenstein, which reshaped its entire tax system and in particular made deep cuts to corporate and investment tax rates.[46]

Although the Liechtenstein financial sector only has fifteen domestic banks, dominated by the Princely House LGT Bank and the State controlled LLB, its financial sector accounts for 25% of national GDP, 9.1% of direct employment, 16% of employment when including lawyers, auditors, etc., and 60% of all corporate tax revenues.[47] Thus not surprisingly, the 2008 global financial crisis and widespread adverse publicity focusing on Liechtenstein's tax haven policies after 2008 has affected women in gender-specific ways that follow the pattern of the 'gender finance curse.'

The impact of the gender finance curse on Liechtenstein is confirmed by a 2015 EU study, which found that the global financial crisis and the Liechtenstein tax publicity crises led directly to substantial tax cuts designed to assist the financial sector and to spending cuts to programs crucial to promoting women's economic equality in Liechtenstein:

> Overall, state revenue has been foregone mainly because of the global financial crisis, an extensive expenditure policy and the new tax system. This…led to cost cutting measures and investment changes in many areas, including…social policy. [T]he main focus is on fiscal consolidation since 2010.
>
> Promising investments in modern family policy (e.g. enlargement and flexible structures of child care facilities), installed under the previous government, have not been prolonged or have been superseded due to state cost cutting measures and lower tax income. This lack of state support most severely hit families with children and single parent households. So basically in Liechtenstein women who try to manage both job and family are most affected.
>
> Child care is still costly in Liechtenstein, and the increasing demand cannot… be covered by profit oriented private organisations.[48]

Labour market data demonstrate that women's economic inequalities in Liechtenstein continue to be substantial – notwithstanding that country's great wealth. Over the last half-century, women's labour force participation rates in Liechtenstein have grown by less than 20 percentage points in total – from 35.8% in 1960 to just 53.3% in 2016.[49] This is substantially lower than women's labour force participation rates in Liechtenstein's two closest neighbors (Switzerland, 64%; Austria, 70%), and in fact is one of the lowest participation rates in the entire EU, with the exception of just three countries (Malta, Greece, and Netherlands).[50]

While men also appear to have been affected by the extent of Liechtenstein's reliance on its financial sector, the 22.5% gender gaps between men's vs women's labour force participation rates in 2015 confirm that women remain uniquely unequal as compared with Liechtenstein's many wealthy neighbors. Liechtenstein's participation rate gender gap is more than twice as large as in Switzerland (8.5%), Austria (8.0%), and the EU 28 overall (12%), and it is one of the very largest in the whole of Europe, exceeded only by Malta, which is ranked 20th on the FSI 2018.[51] In addition, Liechtenstein women's high levels of part time status severely reduce their incomes and their access to both employment and government social benefits.

Failure to mainstream and fund gender equality

As the CEDAW Committee pointed out in addressing the fiscal impact of Switzerland's tax haven financial environment, all State parties require sufficient public funding to realize women's human rights and rights to substantive gender equality. Revenue shortfalls shrink public budgets for government programs ranging from health, education, and workplace programs, to income support and poverty reduction initiatives.

When revenue shortfalls result in spending cuts, they increasingly tend to disproportionately affect low-income populations, which are predominantly comprised of women,[52] lead to chronic under-funding of key institutions and programs that promote substantive gender equality and combat gender-based violence, and reduce State capabilities of advancing women's rights to adequate and gender equal healthcare, paid work, childcare, eldercare, and political voice.[53]

Although financial sector profits have increased substantially in Liechtenstein in the last few years, the tax and spending cuts enacted in 2010 remain unchanged. Indeed, some subsequent changes, such as higher premiums for health insurance and cuts to government funding for unemployment,[54] can only deepen women's economic inequalities. In addition, government funding for care was withdrawn at a time when shortages of child care and longterm family member care resources blocks women's increased participation in paid work.[55]

New childcare resources appear to be mainly private sector initiatives, the government having decided on 'forcing employers to set up company-based/in-house child care centres.'[56] This approach appears to be producing limited numbers of childcare spaces possibly only for the use of employees in the relevant sector. The Liechtenstein Bankers Association renovated a leased municipal building where care services are provided by the Liechtenstein Day Care Association. The centre provides spaces for just 25 children in the main financial district, but could add room for 5 to 11 more.[57] Similar initiatives are being provided by a dental company[58] and other private sector entities. It is not clear whether private initiatives alone can close the gap. By the end of 2103, 23.8% of documented childcare needs remained unmet.[59]

Despite having the highest global GDP per capita, Liechtenstein has done relatively little to support gender equality despite the massive resources that flow through both government-owned and private financial institutions. The question of revenue adequacy is compounded by the fact that of the 321.4 CHF billion total assets under management in the domestic and overseas branches of the Liechtenstein financial sector,[60] US$4.4 billion are owned directly by the Princely House, the Hereditary Prince of which is the Head of State.

Using the 2016 tax year as an example, the LGT Foundation, which is a PAS, was able to take possession of 150 CHF million out of the LGT Bank net aftertax profit of 283 CHF million. Once held in the LGT Foundation, no further taxes beyond the annual minimum fixed tax of 1,800 CHF is likely to be paid on the total value of all the Foundation's assets (unless they are in separate foundations). In recent years, it appears that LGT Bank had appropriated 100 CHF million annually to the LGT Foundation before 2016. These funds can remain there indefinitely if used according to Foundation rules,[61] as do all other assets added to the Foundation holdings over previous decades. Accumulating in ultra-low tax environments enables wealth to accumulate faster than when higher tax rates apply.

'Upstream' Gender Impact of Liechtenstein's Entity and Tax Laws

The same governance and tax laws that produce accelerated accumulation of wealth for Liechtenstein residents also attract use of Liechtenstein banking and asset management services by individuals and businesses located in other countries. An estimated 101.3 CHF billion in banking and asset management funds held in Liechtenstein in 2013 originated from other countries.[62] It is not clear whether the $10.3 million transferred to Liechtenstein via the 'Russian Laundromat' shell company system between 2011 and 2014 might be included in this total.[63]

The loss of 101.3 CHF billion in capital to countries whose residents have invested it in Liechtenstein has two negative gender effects on those 'upstream' source countries. First, whether motivated by tax avoidance or not, moving assets offshore is often intended to or will have the effect of placing those assets beyond the reach of family members, particularly women, who may have claims to them. Especially when financial secrecy laws are in place, women face significant barriers in gaining access to separation, divorce, or inheritance assets located in offshore institutions, often hidden behind layers of entities.[64]

Second, moving substantial assets offshore is likely to impair the tax revenues of the upstream source country even more than Liechtenstein's low- and no-tax rates impair its own tax revenues. For example, assume that 101.3 CHF billion in foreign assets located in Liechtenstein financial institutions produces 4% income each year, 4.06 CHF billion. If those funds are all received by 50,000 PAS entities, no corporate tax need be paid, and the total 1,800 fixed annual fee to be paid by each entity will produce total revenue of at least 1,800 CHR annually. If at the other extreme, all those funds arise from business activities, then this 4.06 CHF billion profit will be taxed at the corporate rate of 12.5%, producing total revenue of 508 CHF million that year.

Tax harms to other countries' fiscal systems

Liechtenstein may be satisfied with these revenues. But Liechtenstein is harming third country tax bases by using its low tax rates to induce their residents to lodge their assets in its entities.

The magnitude of this harm is illustrated by the tax benefits to IKEA of forming its Interego Foundation as a Liechtenstein PAS.[65] Assuming a 4% income on Interogo Foundation's assets of 15 CHF billion, the PAS tax rate of 1,800 CHF per year would give the Foundation an effective tax rate of 0.000003% in Liechtenstein. If that 600 CHF million were taxed in IKEA's original home country Sweden, then the tax on 600 CHF million investment income would be 180 CHF million[66] instead of 1,800 CHF – 100,000% higher than the Liechtenstein tax payable.

If Interogo were a business, not a PAS, in Liechtenstein, its 12.5% business tax on 600 CHF million income would be 75 CHF million. The 22% Swedish tax would be 132 CHF million.[67]

The cumulative annual and international effects of Liechtenstein's tax policies harm tax bases around the world. If the 4% return on the total 101.3 CHF billion held in Liechtenstein (4.05 CHF billion) were taxed in their home countries at the average global corporate income of 24%, total revenues of 972.5 CHF billion would be generated annually.

Negative gender effects on women in upstream countries

The upstream effects of Liechtenstein's governance, entity, and tax laws negatively impact women to a greater extent than men because women have substantially less economic security than men. Thus by drawing tax revenues away from third countries to Liechtenstein, reduced revenues in those third countries cause them to reduce their public spending as well. Because of longstanding and intractable gender income differences, women rely on public services more heavily than men in all countries.

At the present time, globally, the average gender pay gap is 24%. This is due to a great extent to women's unpaid work burdens: Globally, women spend on average 250% more time in unpaid work than men,[68] literally leaving women with much less time and energy to engage in paid work than men. Despite advances in education and political representation, lack of access to paid work and adequate incomes keeps women economically disadvantaged everywhere.[69] And, in addition, even women who have equal wages still have to pay for childcare and household services that free their time from unpaid work responsibilities, costs typically not borne by many men. Lower revenues mean fewer public services women need.

Economic gender gaps are not closing – they are actually increasing in size. In its 2016 Global Gender Gap report, the World Economic Forum estimated that overall global gender gaps would be closed in 83 years; in its 2017 report, that estimate is now 100 years. The most intractable of the gender gaps are economic; the WEF estimated in 2017 that global economic gender gaps will not be closed for another 217 years.[70]

Even rich countries whose residents take advantage of Liechtenstein's governance and taxation laws are making little progress in closing these gender gaps. This is not just a low-income country challenge. For example, the loss of 75 CHF million to Swedish revenues dates back to at least 2006. This relatively small component of the cost to Sweden of IKEA's total capital flight, which began in 1973, when added together with the level of capital flight by many other large businesses and wealthy individuals from Sweden over the decades, cumulatively have cost Swedish governments staggering amounts of revenue that would otherwise have been available to sustain gender equality in that country more effectively.

Instead, between 1995 and 2014, Sweden's tax ratio fell by nearly 3% of GDP – a substantial drop affected by both capital flight and domestic tax cuts designed to 'compete' to retain its tax base. And, not surprisingly, over that same period, its rankings on the UN Human Development Index fell from 10th highest level of overall human development to 14th, and, on the UN Gender Development Index, which Sweden had dominated for many years, fell from 3rd highest levels of gender equal development to 6th as care and other government programs were cut over time.

'Downstream' Gender Impact of Liechtenstein's Entity and Tax Laws

Wealthy individuals and multinational businesses also make use of Liechtenstein's no and low tax rates by moving gains earned in business operations in 'downstream' countries 'up' through tax-driven global wealth chains involving Liechtenstein.[71] These tax avoidance processes are designed to take advantage of the unique advantages of different types of tax havens. Liechtenstein is implicated when the search is for passive holding of shares, debt, intellectual property, or other assets to pinpoint where various types of taxes will be paid.

Production and extractive industries are able to produce lightly-taxed business profits in operating countries. But, once they have taken full advantage of tax exemptions at the profit production level, those downstream profits can be 'upscaled' through global wealth chains via Liechtenstein entities.

Liechtenstein domestic foreign clients and overseas branches

The Liechtenstein financial sector offers numerous gateways to accommodate the movement of lightly taxed production profits to no or low taxed holding companies or trusts located either in Liechtenstein or in third countries. In 2013, Liechtenstein financial institutions held an estimated 101.3 CHF billion in assets in Liechtenstein that originated via third countries.[72] In addition, their overseas branches held nearly 80 CHF billion, consisting of 72 CHF billion in assets under management plus 7.6 CHF billion in asset management companies.

Production profits that originate in 'production tax havens' -- no or low tax countries or special economic zones (SEZs) -- can be effectively insulated from further taxation by taking advantage of Liechtenstein tax rates and PAS rules, which offers 'upscaling' income and wealth accumulation tax havens.

SEZs in particular are of growing significance globally. Expressly designed to promote economic development in areas that can provide low cost input resources, including low cost labour, host governments justify the costs of setting up SEZs by expecting them to employ large numbers of local residents who will gain new skills, earn higher incomes, pay more taxes, and increase human capabilities capable of support increased economic development.

The tax and regulatory regimes provided by SEZs are extensive. Special zones either grant permanent tax holidays for operations within their boundaries, or negotiate blanket tax exemptions for 5 to 20 years per operation. They typically include income tax exemptions for businesses and top managers, as well as duty-free import of raw materials, construction materials, equipment, and machinery, and sometimes vehicles; duty-free export of finished goods; relief from double taxation and taxation of dividends; accelerated tax depreciation; rights of full repatriation of capital and dividends; and remittance of royalty and service fees.[73]

Negative gender effects in downstream countries

Historically, up to 90% of SEZ employees have been women, precisely because longstanding gender wage gaps have made it profitable to employ them at very low wages. As of 2006, 66 million workers were employed by SEZs in 130 countries, with more being added each year as the numbers and locations of SEZs have continued to increase.[74]

It has become clear that the negative gender effects of SEZs can outweigh longterm positive economic and social development effects. Government revenue losses associated with SEZs are substantial. Estimates of income tax revenues foregone in South America are in the range of 0.5 to 6% of GDP.[75]

Multiple SEZ tax exemptions do increase privatized corporate profits. However, these profits accrue mainly to shareholders of overseas corporations, not to the host country, because SEZs appeal to MNCs seeking lucrative foreign development investment opportunities.[76] In addition, those living in host countries do not usually benefit from low-cost goods produced in their SEZs. Such goods are often too costly for host country residents to purchase. Even if residents of host countries can purchase SEZ goods in their local markets, purchasers – including SEZ workers themselves -- often have to pay VAT on goods produced with the benefit of their own government's tax exemptions and other investments. In addition, SEZ workers will pay that VAT as well as paying income taxes on wages earned while working for tax-exempt employers.

All of these effects are more burdensome for women than men working in low tax and SEZ operations because women have less job security, lower incomes, and less opportunity for advancement in MNC production companies.

Although regulation of some SEZs has improved, approximately 28% of SEZ workers worldwide have less protection in terms of overtime, leave, temporary contracts, retirement security, or occupational safety than under domestic laws. Initially hired specifically for their low wages, women may benefit initially by earning higher wages in SEZs than are available in the domestic economy. However, shrinking gender wage gaps and upskilling production methods have been found to result in 'defeminizing' SEZ workforces: As men's wages become not much higher than women's wages, men are seen as providing more value for employers.[77]

These are not minor concerns. A 2016 study of eight large MNCs found that they had a total of 31.6 million 'hidden' workers located in overseas production and supply chains.[78] The risks to these workers can be high. In a 2012 fire in a Bangladesh SEZ, over 100 workers were killed, and many more were injured.[79] A detailed study of SEZ working conditions in Bangladesh and Viet Nam found large numbers of violations of workplace and legal rules, ranging from 'very disturbing' violations and workers fearful of speaking with outsiders to violations of piece work, overtime, pay schedule, break time, freedom of movement, safety, and gender equality rules. [80]

III Conclusions

Calibrating the actual gender impact of corporate and investment tax havens, tax avoidance, tax fraud, illicit financial flows, corporate business practices, and tax cuts/budgetary austerity regimes in every country is far from being complete at the present time. However, it is clear that countries that provide financial secrecy and legal tax reduction services to wealthy individuals and entities on the industrial scale of Liechtenstein directly harm women living in Liechtenstein, particularly given that country's move toward tax cuts and budgetary austerity in recent years. In addition, Liechtenstein's financial secrecy and tax reduction policies substantively harm women and economically vulnerable populations living in countries affected by 'upstream' and 'downstream' MNC and investor operations designed to take advantage of Liechtenstein's governance, entity, and tax laws:

- Tax shelter and secrecy laws harm women living in tax shelter countries by treating the fiscal needs of MNCs and wealthy investors as being more compelling than those of the women and all who need good governance, effective public programs, and revenues adequate to secure women's rights and substantive gender equality;
- Tax shelter and secrecy laws harm women in countries that lose domestic tax revenues when their own businesses and investors are able to physically or legally relocate their assets to tax shelter countries;
- Tax shelter and secrecy laws harm women in virtually all countries that reward multinational business and investment owners for seeking out the most vulnerable workers to work for the lowest possible pay under the least decent and sustainable working conditions in locations that also offer those businesses and investors further tax exemptions for operations inside their own borders; and
- All countries involved in any aspect of manufacturing and production, investment, management, or other types of commercial activities in and through tax havens and low- or no-tax zones or countries contribute to the increasingly rapid concentration of extreme wealth in the hands of small numbers of individuals at the same time that these tax haven and secrecy chains continue to allocate disproportionate shares of poverty and inequality to women and those living in low income countries.

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