

The Taxcast, June 2023: spoiled pets and private jets

Naomi: “Hello and welcome to the Taxcast, the Tax Justice Network podcast. We’re all about fixing our economies so they work for all of us. I’m your host, Naomi Fowler. You can find us on most podcast apps. Our website is www.thetaxcast.com You can subscribe to the Taxcast there, or you can email me on naomi@taxjustice.net and I’ll put you on the subscriber’s list. Get in touch and tell me what you think of the show! OK, on the Taxcast...

[dog sounds and jet sounds]

...spoiled pets and private jets. We can’t afford the rich. But there’s plenty we can do about it. So, come fly with us...yeah, I know it’s cheesy!”

[Music: Sinatra, Come Fly With Me]

Naomi: “Whether you’re *pretty* wealthy, *even wealthier* or *super-stonkingly rich*, if you choose it, there’s no long waits at airport check-ins for you, and no need to expose yourself to *diseases* by mixing with the public – seriously, monkey pox and covid are two of the reported reasons private aviation’s booming. And apparently it’s tough in the private jet business, as this entrepreneur explains. I hope you’re taking notes!”

Entrepreneur: “About a year ago in the beginning of 2022 I started a private jet charter broker company with a partner and here’s the reasons why you should *not* start this business: first off, the customer is very, very specific and very, very hard to market to. The person you’re going after that’s going to spend 20, 30, 40, 50,000 dollars on a private jet flight for a single charter is somebody that makes between 5 and 10 million dollars a year or more. Now how do you acquire these customers? If you have a very good organic network and you know a lot of high net worth individuals that charter jets specifically then this may be a business model for you, but for myself even knowing a lot of people that make a million dollars a year, two, three million dollars a year, even those people in my network often do not travel via private jet, it’s simply not worth the cost. If you’re making a hundred thousand dollars a month net or even gross, whatever it may be, twenty thousand dollars on a trip is quite a lot of money and it really just doesn’t make sense if you can fly first class or whatever, so the customer is very, very hard to go after. My business as a private jet charter broker is over, it’s a failure for me.”

Naomi: “Oh dear! So this guy didn’t *own* any private jets *himself*. What he was doing was connecting up wealthy people to private jet operators for a fee. And he was mainly using google ads to get his leads. In that youtube video, he says he was investing about \$1714 to get enough clients who eventually paid up for private jet flights, and he made an average of \$1837 per flight. You can see why he gave it up!

But a few steps up from that, there are of course big multi-million dollar companies that own, lease and operate entire fleets of private jets. The number of private jets globally has gone up 133% in the last 20 years. But there are some challenges to *their* business model too – listen to this conversation among colleagues in this sector. This is a video made by one of the world’s biggest private jet companies, Luxaviation:”

Interviewer: "Do you get many clients asking for sustainable fuel?"

Colleague 1: "Well, I think we need to work on that as an industry, I think we do a lot, we're starting to look at sustainable aviation fuel to run some of the aeroplanes, er we're starting to look at more efficient engines and I think we can, we can work, you know within our parameters, we've got to do as much as we can to convince people that we're part of the overall transport plan. I think going forward, you know, one of our questions is the perception of business aviation, it's going to be a challenge for us."

Naomi: "Hm. And it's not just *public* perceptions they're worried about:"

Colleague 2: "I mean you only have to look to the US and see you know there are several people who are tracking every aviation flight, you'll see Bernard Arnault has just sold his aircraft based on the tracking and the sort of sustainability pressure, and some of the large pharmaceutical companies have decided to sell up their fleets as well. I think we'd be kidding ourselves to think that they are no longer flying privately, I think they're probably going to less trackable methods."

Naomi: "Yeah, one way to do that is transferring ownership of your jet to a trust so we don't know who owns it, so tracking it's of limited use. Bernard Arnault, by the way, is the second richest man in the world apparently. Actually he's just been told he can't dock his yacht in Naples because it's too big – it's got a glass bottomed swimming pool and outdoor cinema. He's very disappointed apparently."

But back to flying - who is the typical private jet owner? Well, they're overwhelmingly male, over 50, and they're in banking, finance, and real estate. They represent 0.0008% of the global population. Their median net worth is \$190 million. *They* don't bother with *chartering* a private jet from a company, they buy their own. And unlike some wealthy people, *this* guy's not 'private' about it:"

New jet owner: "It's a huge day, I'm shaking, that's how huge a day it is!"

New jet owner's friend: "Tell everyone!"

New jet owner: "I am going to get to see my new jet today for the very first time! You're going to see it with me for the very first time! It is *ridiculously* exciting and I don't know what to do with myself so...!" [laughs]

Naomi: "A private plane will cost you millions – aviation experts say to justify buying your own jet you'd need to be burning through 350 to 400 hours of flight time a year."

New jet owner: "And here we go! Ha ha haaa!"

New jet owner's friend: "What?! Get out of here!"

New jet owner: "How about this?!"

New jet owner's friend: "Mate, that is gorgeous!"

New jet owner: "Is that wicked? Wait till you see inside it! I am so ridiculously excited!"

New jet owner's friend: "Oh my god!"

New jet owner: "Alright, let's do it!!"

[plane noise]

Air crew member: "Your Freighter 600!"

New jet owner: "Oh my god! I'm going in! Oh my god this is wicked! It's *exactly* the way it's supposed to be! The only one in the world!" [fade out]

Naomi: "And *this* guy's purchase is relative small fry – here's Kim Kardashian checking out *her* new jet:"

Kim Kardashian: "I wanted it to feel like an extension of me and an extension of my home. I had a bathroom put in the front, a bathroom in the back, every seat has its own phone charger. The best most exciting part of the plane is it's all cashmere, the ceilings, pillows, headrests. I feel like I'm doing an MTV Cribs for planes, like oh what a dream!"

Naomi: "Ha! A cashmere-lined plane interior! Never a clearer example of why we need wealth taxes!! On the subject of taxes, Donald Trump's 2017 Tax Cuts and Jobs Act (remember that?) allowed jet owners to write off the cost of a new plane used for business purposes in its first year. His most recent plane cost him a reported 100 million dollars and it's got gold plating everywhere. There's no doubt governments need to implement a *whole range* of wealth taxes, urgently. And check this out...from jets, to pets..."

[Dogs barking, music]

Dog owner and dog mansion owner, Paris Hilton and reporter: "Hi guys! Hi guys! Hi everyone! Hello little angels!"

Reporter: "Paris designed the doggy mansion as a copy of her own home. So who's who? Point out which dog is which!"

Paris Hilton: "Prada and Dolce, that's her daughter, that's Marilyn Monroe, and this is Harajuku!"

Reporter: "Look at his jumper! Check this out! You are one trendy doggy aren't you?! You're so cool, you're so cool and trendy! That's ridiculous, you're so adorable! And this house, I mean I'd happily live in there! Let me have a little look. It's got stairs!"

Paris Hilton: "Yeah, some furniture and a chandelier!"

Reporter: "You've got a mezzanine level and a sofa, haven't you?!"

Paris Hilton: "A closet..."

Reporter: "They've got a closet! And it's actually got clothes in!"

Paris Hilton: "I just designed it sort of like my house with like mouldings and put the chandelier and the heater and air conditioning..."

Reporter: "We've got air conditioning, this is just genius!"

Paris Hilton: "I love animals! They're very spoiled!"

Reporter: "And rightly so, they're little princesses!"

Naomi: "Yeah, really! Spoiled pets like these seem to have as many 'needs' as their private jet owners have – back to that Luxaviation video:"

Colleague: "Some of the maybe special things you might want – are you traveling with pets, are you going to be having your dogs, do you want them loose in the cabin. We have a regular flyer who's a budgie that comes in his cage and he occasionally brings his love bird mate with him, so there's a lot of little sort of small

questions that might be the kind of icing on the cake to ensure that you get the aircraft that makes it the most kind of pleasurable and easy experience for you.”

Naomi: “Budgies and their love mates! *Of course!* Anyway, Luxaviation’s CEO *really* caught the world’s attention at the recent Financial Times’s Business of Luxury conference in Monte Carlo, Monaco. The Guest of Honour was His Serene Highness Prince Albert II of Monaco. Luxaviation was a ‘gold sponsor’ for the conference, so - maximum PR potential to pitch this private jet company. And that’s just what the CEO of Luxaviation did. He used an unusual and eye catching angle...”

Patrick Hansen: “Now what you do not know but I think is important to put in perspective – a cat is responsible for possibly 700 kilos of CO2 every year – so three cats is one passenger.”

[Record scratch sound effect]

Naomi: “Pardon, *what?!* Someone from the company clarified afterwards that he meant to say *dogs*, not cats. What he’s saying is that having three dogs is as bad for putting out carbon dioxide as a year’s private jet flying for one person. (It’s not). The private jet industry does have an image problem, it’s got a *moral* problem, and it knows it. And it’s not just the general public. Here’s a millionaire telling the BBC why he’s getting rid of his jet:”

Millionaire: “The ten times the amount of carbon input into the environment versus commercial travel, that did it, it threw me over the edge, it’s like I’m taking up 10 seats in a 737 when I’m flying, instead of the one that I do. It just struck me – how incredibly selfish!”

Naomi: “Well, yeah! According to estimates, just 1% of people are responsible for about *half* of all aviation carbon emissions. Going back to that bizarre dog statistic from the CEO of Luxaviation – he got that from a book on carbon footprints by Professor Mike Berners Lee. And here’s the Professor himself talking to the BBC:”

Professor Mike Berners Lee: “I was pretty disappointed to see my book being as a justification for luxury private jets which is what Luxaviation were using it for. In my book I do talk about the carbon footprint of an average dog being 700 kilograms per year - rough estimate, and Luxaviation estimated that I think it’s a single short flight on one of their smaller jets would be 2.1 tonnes, so that does work out at three dogs per single one-way flight. Those numbers from Luxaviation look suspiciously low to me, they don’t tally with sums I’ve done elsewhere. If you took five return short-haul flights on a private jet in a year, that would be like having 60 dogs!”

Naomi: “It starts to get mind boggling when you try calculating dog per long haul flight. Apparently it does depend on what you feed the dogs, the size of them and all sorts of other stuff – but that’s not for this podcast! Anyway, the professor is very clear:”

Professor Mike Berners Lee: “Cutting out private jets, we absolutely should reduce them by a long way, they’re something like ten times more carbon intensive than normal commercial flying. All of us need to ask any time we think about taking an

aeroplane we have to understand that's a high carbon thing to do and we have to ask ourselves – can we justify it? And if you're taking a private jet we have to ask ourselves ten times as hard.”

Naomi: “Yeah, I know - it's really the *system* and *governance* we need to focus on and tax has a huge role to play in that. By the way, the professor's not impressed by all the world summits we've had, the so-called 'COPS' to tackle carbon emissions and climate crisis:”

Professor Mike Berners Lee: “I think we have to recognise that we've now had 27 – that's 27 *COPS* – to try to cut the world's carbon footprint and if you look at the global carbon curve, it's still going up – at the global level – it's still going up exactly as if humans had never noticed that climate change might be an issue, so we have to recognise the COPs are absolutely *not* doing it for us!”

Naomi: “Hm. *Taxes* really are a superpower for tackling the climate and inequality crisis. At the Tax Justice Network, we'll be covering that in more detail soon – I'm putting some further reading on that in the show notes, so look out for that. But, back to the world of the super-wealthy and Luxaviation, the private jet company. That company's CEO is interesting because he recently played a *key role* in protecting the secrecy of the wealthy and powerful. If we rewind a good few years, there was a breakthrough in Europe when it came to identifying the real flesh and blood owners of companies. After all the leaks and scandals – like the Panama Papers - exposing the dangers of financial secrecy, the fourth European Anti-Money Laundering Directive came along – implementing beneficial ownership registers, or UBO registers in the EU. Yes, the *very same* registers the Tax Justice Network was laughed at for proposing – we were told they'd never happen:”

Dun & Bradstreet: “However, many states made this only accessible to law enforcement authorities which made it not very effective. The fifth directive then went further and stipulated that they must be publicly accessible, although even with this many countries dragged their feet in terms of creating them and they weren't necessarily easy to access or even free.”

Naomi: “This is business advisory firm Dun & Bradstreet:”

Dun & Bradstreet: “Luxembourg was one of the first to introduce one and it did make it completely free to access. However a couple of individuals then challenged the Luxembourg business registers, saying that their ownership interests would open them up to disproportionate risks and also infringe their rights to private life.”

Naomi: “One of these individuals was the CEO of Luxaviation. The case ended up in the European Court of Justice, which ruled in his favour. That ruling rolled back one of the most powerful measures against financial secrecy of the past decade, taking away the requirement for EU nations to have a *public* beneficial ownership register. It meant European governments who wanted to, could return to the dark ages of dirty money. At the time of recording, only a *third* of member states kept their registers public *after* the ruling. You won't be surprised to learn that the ones that *ended* public access tend to be countries that were already offering higher levels of financial

secrecy. All this just as governments were showing off about seizing the assets of Russian oligarchs. Well, good luck with that! Back to Dun and Bradstreet:"

Dun & Bradstreet: "So onto the ruling itself. Essentially it boils down to weighing up the objectives: ie combating financial crime and preventing money laundering versus the interference with article 7 and 8 of the EU Charter in respect to the rights to personal and family life and the protection of personal data. Some of the concerns that came out of the ruling suggest that it is not suitably clear that public access actually advances the objective. The court however *did* point out that articles 7 and 8 are not *absolute* rights, so they do not simply override everything, but they must be shown that the level of interference is proportionate to the objective."

Naomi: "Yep, all rights are subject to reasonable restrictions that also serve society. And financial secrecy doesn't just offer *criminal* opportunities to people potentially, it undermines an accountable economic system. Florencia Lorenzo of the Tax Justice Network:"

Florencia: "Legal vehicles in general, and especially those that grant limited liability, are a specific type of a social pact between individual societies and the state where those individuals that create the legal vehicles and the corporate vehicles, they benefit from some privilege that must be followed by some duties and accountabilities, right? So if societies agree to that fact, it is only fair that they know who are they actually protecting and guaranteeing the rights, because those rights are not a fruit of nature, it's not something that is kind of *given*, like this is a pact which comes with some accountability. And then there is this issue that if you are an investor or a potential commercial partner, you might not be investing and you're gonna trade with someone and you want to know who is the person behind the company, because I mean, how can you trust it? So from the point of view of the investors or the commercial partners, this is obviously a big issue. Transparency is fundamental."

Naomi: "It is. Here's Mark Bou Mansour of the Tax Justice Network:"

Mark: "It's worth highlighting here that the European Court of Justice has based its decisions on principles of privacy and human rights, which are meant to be universally applicable. But the ruling only really applies to a very narrow group of people. For most companies, at least in most parts of Europe, when they incorporate, they need to *publicly* register their legal owners. And for most companies, their legal owners are their beneficial owners. If I legally own a company on paper, I'm a shareholder, you know, I make the big decisions for the company. I benefit financially from the company, I'm its legal owner and its beneficial owner. But if you've got the means and maybe the incentive to hire a team of accountants and lawyers and financial service providers, structures can be put in place to separate you from the company as a legal owner, but keep you in place as a beneficial owner. So you know, you can put in place legal nominees, shell companies and tax havens that hide any paper trail of your legal ownership of the company, but you still get to call the big shots of the company, you still get to financially reap the rewards from the company, but hiding your legal ownership of it. And that is a form of financial secrecy and that's what this ruling has done really, it's upheld the supposed privacy not of *all* business owners, but of a very narrow group of business owners who want

to remain in secrecy, who want to remain hidden while they continue to benefit and control companies.”

Naomi: “It is *indeed* a small group of people - the vast majority of us just don’t have the money to purchase financial secrecy, this kind of ‘escape’ to a sort of nowhere-land where we can potentially buy our way out of accountability, taxes and laws that apply to everyone else.

Back when nations first made ownership registers public, journalists were able to build on the good work from leaks like the Panama Papers and expose even more corruption, conflicts of interest, tax cheating and money laundering. All very much in the public interest. So, what was the Luxaviation boss worried about? Florencia Lorenzo again:”

Florencia: “There is no evidence whatsoever that making beneficial ownership information public leads to an increase in crimes against the wealthy. This sort of information, so the name, the nationality, the country where the person lives, I mean, you didn’t have even the address of that person in the register, you know, it’s not like you would go to a BO register to find this information. And I think that the most ridiculous part of that is the premise that anyone might need beneficial ownership information to know who the wealthy are in societies, when everyone already knows that by the neighbourhoods they live in, the cars they drive, etc.”

Naomi: “Yes, the Michelin star restaurants and five star hotel suites are a much better bet if you’re into kidnapping, blackmail or extortion! But, as you’ve heard from the Luxaviation CEO’s rather eye-catching dogs per flight comparisons, he’s no shrinking violet. And his desire for privacy seems to be *selective*. This is Mark Bou Mansour of the Tax Justice Network.”

Mark: “You’ve got the highest court in the European Union shutting down transparency measures that took years to put in place. These measures are a response to the Panama Papers, they’re there to protect against tax evasion, corruption, money laundering, sanctions-busting, you name it. And they’re shutting these measures down because they’re accepting and upholding the argument of a plaintiff who’s saying these measures expose me to kidnapping when I’m traveling abroad by revealing my wealth. But throughout the whole course of this case, the plaintiff is on Facebook, on Instagram, publicly posting about their travels abroad, demonstrating their wealth, posting about their luxurious private jet business, they’re using Facebook geo-tagging services. They’re, they’re tagging, you know, publicly accessible, identifiable places, identifiable places they’re visiting. It’s unbelievable!”

Naomi: “That sounds all too familiar to Brooke Harrington, who’s done groundbreaking private wealth management research.”

Brooke Harrington: “When you’re wealthy enough to afford a wealth manager and to use offshore finance, often what you really want is simply to protect what you have from the various forces that might diminish your assets, which include taxation, debts. So the same people who don’t like to pay their taxes also don’t like to pay their debts and there are hired bounty hunters who chase these people around. Wealthy folks who don’t like paying their debts also have a bad habit of bragging

about their locations on Instagram. A few years ago the Wall Street Journal ran a really interesting article on a friend of mine who is a very high powered lawyer who was based in London at the time and basically all he did was follow the Instagram accounts of oligarchs, and as soon as they came to the UK or particularly to London, they would post some photo of themselves at Claridges or something and he'd be like 'right!' to his team and he'd send them to Claridges to the smoking room to serve these individuals with the legal papers necessary to start the lawsuits to reclaim whatever it was they owed to my friend's clients, so taxes and debts threaten a person's fortune."

Naomi: "When you take a closer look at the Luxaviation CEO, Patrick Hansen, there certainly *are* things he might indeed prefer to keep secret, as Luxembourg journalist Luc Caregari of reporter.lu and colleagues reported:"

Luc: "Why he went to such trouble to protect his privacy? That's very simple. I mean, he is known for two big companies. One is Luxaviation, that's a private jet company, and the other one is Saphir Capital Partners, which is a private equity firm, and we have discovered that Luxaviation has received massive loans from a Russian businessman called Alexander Kolikov, who is close to close to Putin and who has a firm in Russia that worked on pipelines, even on the North Stream Two pipeline. And in the same moment, the private equity firm Saphir Capital Partners holds tons of money from the same Kolikov, I mean generally, they are working on his investments."

Naomi: "There's a lot of other connections they dug up, but those kind of connections have become *more* controversial since the invasion of Ukraine. But some of those oligarchic connections have long raised eyebrows because of the ways many of Russia's wealthy *got* wealthy. And that's not all. Patrick Hansen's been owner or director of more than 117 companies registered around the world, including in well-known secrecy havens like Belize and the British Virgin Islands. There may well be more. Many of the companies he's directed had Russian beneficial owners. Not illegal, *but* according to experts, unnecessary complexity in corporate structures, and so many directorships often raise red flags for further investigation. The Luxaviation CEO Patrick Hansen says he's just a hard worker. He also says he's been fully transparent about the financing of Luxaviation; none of his Russian business partners have been sanctioned; and, any loans he's had went through banks that did compliance checks. With this privacy case that began in Luxembourg and ended up in the European Court of Justice, we didn't even know, initially, who was behind it. Journalist Luc Caregari again:"

Luc: "How did we discover Patrick Hansen's identity? Well, that's a simple one. We went to court, simply because he was there! A colleague of mine knew that there was a case against the UBO registry and she went there and recognised him because he's a very public figure and he's very well known, he likes to give interviews and boast about his businesses, but he doesn't like to be investigated, it seems."

Naomi: "After the European Court of Justice ruling, not all, but some European countries were super-fast to shut their registries to public eyes. Patrick Hansen says that was not *his* aim, and he was only ever trying to protect his *own* privacy. But,

leaving aside these individuals who brought the case, achieving this European Court of Justice ruling is a real feather in the cap of the *lawyers* who represented them. And, Brooke Harrington says this is *exactly* the point that governments are *missing* with all their big words about tackling oligarchs, financial crime and corruption:”

Brooke Harrington: “The real centre of the offshore system was not the wealthy clients everyone talks about in the newspapers, it was the grey bureaucratic people called wealth managers, the attorneys, bankers, accountants, tax advisors etc who are the brains of the system. Because billionaires are not sitting on their yachts trying to master the tax code of the Cayman Islands or the BVI, or what have you. They don’t have time for that, it’s too complex, and it’s ever changing. So they outsource it to professionals and those professionals are known as wealth managers and they’re like the brain trust of the whole system, they construct the offshore system for individual clients and they manage it in a dynamic way. The centre is the wealth managers. One implication of that is if you want to sanction wealthy people, what you actually need to do is knock their wealth managers out of the system, or disable their wealth manager’s ability to serve those oligarch clients.”

Naomi: “These are *the enablers*, and they escape the attention they deserve. Brooke has recently released another groundbreaking report working with mathematicians and experts in network and complex systems analysis. The International Consortium of Investigative Journalists’ Offshore Leaks Database offered possibilities to study offshore that didn’t exist before, thanks to five massive leaks: the Pandora Papers, Paradise Papers, Bahamas Leaks, Panama Papers and Offshore Leaks. Here she is, explaining the study at a recent Tax Justice Norway event:”

Brooke: “Our objectives were to map the structure of this semi-invisible system. You know, aristocrats and criminals have a lot in common – they use the same structures to hide their dirty work, and both of them depend for their power on dirty work. So what we found was not just a network of offshore finance, we found a very unusual kind of network, it’s called a ‘scale-free’ network. Very few networks are made like this – the world wide web, gene editing networks, airline networks. You know, they’re organised around a hub? So if you’ve ever like flown through bad weather – like, my home town of Chicago notoriously gets terrible winter storms. If Chicago O’Hare airport shuts down, pretty much the entire US airline network shuts down. So that’s the kind of network we’re talking about. It’s very robust, *except* if you attack those hubs. Now imagine that transposed to the offshore system. If you’ve ever wondered why sanctions and blacklisting haven’t worked so well, the implication here is that those efforts haven’t attacked the hubs, they’ve attacked the spokes. So if you shut down the airport in Wichita, Kansas you wouldn’t even notice if you’re flying anywhere else in the US. But you shut down one of the hubs – Newark airport, Atlanta, Chicago, you’re stuck. You’re stuck even if you’re in Los Angeles, you’re not going anywhere. That’s the kind of structure we’re talking about. You can break the whole network simply by intelligently targeted attack.

Because in this data set, clients come from everywhere. These are the countries that produce the highest proportion of billionaires in the world: Russia, China, the US and Hong Kong. This starts to show us the shape of these secrecy networks. One of the things that is very pronounced - oligarchs operate a lot like mafiosi - that means that they want to keep the number of people who know their business, know what their

wealth is and where it is, to an absolute minimum, so that means they work with a very, very, very limited number of wealth managers. That creates a hub and spoke kind of system, it creates a vulnerability. Compartmentalising, concealing information is the name of the game here. We call these places tax havens, offshore but what they *really* are is *secrecy havens* and secrecy of course is about information control. One of the ways you control information is tightly limit the number of people who know the big picture.

What happens when you disrupt the networks of Russian, Chinese, Hong Kong and US oligarchs, the people who use the offshore financial system? We used a methodology common in network analysis called The Knockout Experiment. What happens there is you look at someone's network and you just say 'let's take out one person in the network,' sort of like - are you familiar with the game called Jenga? You know, like a little pile of sticks and then you take one or two out at a time? Well this is like a very special game of Jenga where you target which stick you take out, and just like you'd expect in the web, or with airline networks, or gene editing networks, not all sticks in that system are created equal. If you take out the stick labelled 'wealth manager,' *especially* in the Jenga piles for Russian and Chinese oligarchs, the whole tower comes down. *That* is a very important piece of information if you're a policy maker, because it means - *don't waste your time* sanctioning the wealthy people.

Turns out also, not only do Chinese and Russian oligarchs concentrate their secrets among one or two wealth managers, they concentrate geographically for a variety of reasons, so if you just pull out the 26 sanctioned oligarchs who appear in the ICIJ database, you get some very interesting pictures. Most of those 26 sanctioned Russian oligarchs have already been sanctioned multiple times but were able to evade the effect of sanctions, they moved themselves around or they moved their assets around. And of course when I say 'they' I mean their wealth managers, so one of the problems for public policy is it's really hard to sanction the ultra-wealthy. Just like it's hard to shut down or sanction offshore financial centres that abuse the law. Well, one of the reasons for that that we've discovered is that the sanctions are targeting the wrong thing, they're targeting the oligarchs. You can take out oligarchs' access to one or two offshore piles of money, but if you really want to shut them down, what our work shows is you've got to get their wealth managers and those wealth managers are named in the Panama Papers and the Paradise Papers and the Pandora Papers, so we know who they are.

So if what you really want to do is cut off bad guys from their offshore wealth, what we're showing quantitatively is the way to do it is make it so the wealth managers can't serve them. There's a very long history of doing this in the law and starting at the end of the second world war there were rules about which experts could share information about nuclear biological and chemical weapons with whom, so that's the model that we're suggesting can be applied to wealth managers. The message from governments – and this is already being done in the US, the UK and the EU – the message to wealth managers is 'go ahead, practice your profession, you're not constrained, *except that* you can't work with these sanctioned individuals!' That sounds pretty reasonable right? But *that* would have a *massive* impact and that's what we've demonstrated in this work. Sanctions against elites may be ineffective,

but sanctioning their wealth managers is likely to be extremely effective. If there's a political will to do it.”

Naomi: “Yes. Brooke Harrington there. What she’s saying about wealth managers could potentially be applied to other enablers, like lawyers. In fact, there’s a surprisingly small elite group of legal firms that serve oligarchs and the super wealthy. Big lawyer company Mishcon de Reya represented the Luxaviation CEO, managing to end public access to registers of beneficial owners. While Mishcon de Reya may also take on many worthy and good cases, until recently they ran a specifically named ‘VIP Russia Service’ specialising in “reputation protection,” wealth structuring and asset protection for high net worth Russians. They’ve removed that page from their website and they’ve said they don’t serve any *sanctioned* Russians. Mishcon de Reya was also hired, by the way, to defend the reputation of a wealthy client doing business in Malta against investigations by the Maltese journalist Daphne Caruana Galizia, who was sadly assassinated. According to her sons, that legal action ‘sought to cripple her financially with libel action in UK courts.’

Even if journalists *weren’t* once again so constrained in many jurisdictions in accessing information on beneficial ownership registers, leaks like the Panama Papers will continue to be inevitable. Because the system for the extremely wealthy and powerful is *still* so secretive. And there are people working within that system that understand the damage, no doubt about it.

Political will really is key. Governments could stop a lot of crime and corruption in its tracks very quickly if they really wanted to. The question is how close *they are* to those who benefit from financial secrecy, and how much they *themselves* use it. Governments are failing on financial transparency and they don’t properly fund enforcement that we *know* would make corruption much more difficult. Last word goes to the Tax Justice Network’s Florencia Lorenzo:”

Florencia: “It’s a very hypocritical thing that the wealthy do not care about identifying when this is like a social distinction, when you want to make sure people *know* that you have more power, but when you should be kept accountable, you do not allow authorities to make any information public, so I think that this is ridiculous. And I think that maybe that’s one of the most outrageous elements of the ruling, for those that are concerned with social justice, is that it tries to embed the decision within the context of human rights language. Because I mean, how can you actually guarantee human rights are being respected within the context of opacity?! This ruling is undermining transparency and accountability, which is a core element of any framework that seeks to guarantee human rights. Civil society organisations and journalists make hugely important work in terms of keeping companies and other legal vehicles accountable. Some local groups might also be interested in keeping track of some entities, and they won’t be able to do that or they will have to make like a huge effort to access this information. So if for instance now if you’re talking about environmental crimes that some community might be dealing with, a lot of those crimes are actually protected by corporate opacity. So if local communities want to access who is the person that is actually committing those crimes, they’re going to have to fight a very upwards battle. It’s not going to be simple.”

Naomi: “That’s it for now on the Taxcast, thanks for listening. There’s *lots* of further reading on this episode in the show notes and on our website www.thetaxcast.com, so take a look. We’ll cover in more detail soon the role of taxes in the climate crisis. We’ll be back with you next month. Bye for now.”