

# Paradis Fiscaux et Judiciaires (PFJ)

## [Tax and Judicial Havens Coalition]

### 1. CONSTITUTION

The Paradis Fiscaux et Judiciaires (PFJ) coalition originates from the activities of the “**2005 - No More Excuses**” coalition.

The PFJ was formed in early 2005 with the following participating organisations:

- Ø Secours Catholique / Caritas France [www.secours-catholique.asso.fr](http://www.secours-catholique.asso.fr)
- Ø ATTAC France [www.france.attac.org](http://www.france.attac.org)
- Ø Comité Catholique Contre la Faim et Pour le Développement [www.ccfid.asso.fr](http://www.ccfid.asso.fr)
- Ø Centre de Recherche et d'Information pour le Développement [www.crid.asso.fr](http://www.crid.asso.fr)
- Ø Eau Vive [www.eau-vive.org](http://www.eau-vive.org)
- Ø Réseau Foi & Justice [www.aefjn.org/fr](http://www.aefjn.org/fr)
- Ø Survie [www.survie-france.org](http://www.survie-france.org)
- Ø Transparence Internationale [www.transparency.org](http://www.transparency.org)

PFJ is a member of the Tax Justice Network [www.taxjustice.net](http://www.taxjustice.net)

### 2. OBJECTIVES

PFJ exists to put an end to the scandal of tax and judicial havens. PFJ uses a broad definition of tax havens, including criteria other than tax, particularly the existence of secrecy arrangements and a degree of judicial impunity.

The cancer of tax and judicial havens threatens the interests of both the South and the North, so the principles and goals outlined in the accompanying Manifesto have been elaborated to provide the basis for our actions in the coming years.

In the medium term the coalition intends to extend its work to consider tax in the broader context with the goal of promoting a fairer distribution of wealth at national and global levels.

### 3. ACTIONS

The general objectives specified in the Manifesto anticipate that our efforts will be focussed on the following themes:

**Expertise** - deepening our analysis of the current situation in terms of rules and regulations and making an attempt to classify tax and judicial havens.

**Education and awareness raising** - increase awareness about the existence and wrongdoings of tax havens amongst decision makers, the activist community and the general public (media campaigns, etc) and call for action to be taken.

**Advocacy** - working with other French and international civil society organisations to promote measures and make recommendations to political and economic decision makers in France and Europe.

A press conference to mark the official launch of the platform will be organised in early 2006 (31<sup>st</sup> January or 1<sup>st</sup> February) with contributions from recognised specialists in this subject.

If you share the concerns outlined in the accompanying Manifesto, JOIN US!

Contact us by emailing Claire Bertucat ([Claire-bertucat@secours-catholique.asso.fr](mailto:Claire-bertucat@secours-catholique.asso.fr)) quoting the reference: *Paradis fiscaux et Judiciaires*.

# Manifesto for the Platform Paradis Fiscaux et Judiciaires

## Let's put an end to tax and judicial havens

How can we ignore the fact that in the mid 1970s there were 25 of them, whilst now they number more than 60 according to the IMF. Over half of world trade is routed on paper through tax havens, and some 11 trillion dollars of private wealth is held in these territories even though they represent a mere 3 per cent of global economic output?

How can we turn a blind eye to the fact that a dozen tax and judicial havens operate in and around Europe, providing, in differing degrees, a mix of zero or minimal tax rates, banking secrecy and legal impunity? Switzerland and Luxembourg, of course, but also the Channel Islands, Gibraltar, Malta, Cyprus, Liechtenstein, Monaco and Andorra.

### Why should we take action?

- Ø Tax and judicial havens are draining the revenues of countries in the North as well as the South. Due to their tiny size and miniscule populations they can offer minimal tax rates whilst major countries of both North and South are increasingly forced to compete on tax rates and exemptions to attract investment. According to very conservative estimates, which don't take account of illicit capital flows, the cost to the countries of the South of this cancer amount to \$50 billion<sup>1</sup> or \$70 billion.<sup>2</sup>
- Ø Tax and judicial havens are a black box for dirty money transactions, providing the means for disguising the origins of capital flows whilst putting barriers in the way of cooperation between national authorities on tax and criminal investigations. As such they provide an offshore interface between the world of legitimate financial activity and the world of dirty money. Their existence contributes to the growth of corruption and the development of criminal networks, terrorism, and mafioso.
- Ø Tax and judicial havens stimulate harmful tax competition and increase the risk of global financial crisis by enabling multinational companies to falsify their accounting records and engage in aggressive tax planning which distorts their financial value.

### How should we take action?

The measures taken against tax and judicial havens by the Organisation for Economic Cooperation and Development, the Financial Action Task Force, and the Financial Stability Forum, are clearly insufficient because these havens now play a totally disproportionate role in the globalised economy. Our coalition therefore demands new vision and new action.

The Council of Europe should demand of the European Commission that it prepares legal measures to tackle the problem of tax and judicial havens in a global sense and at three levels:

Firstly, in respect of the tax and judicial havens:

- Ø Relations with non-cooperating jurisdictions, namely those which refuse or only pay lip service to supporting international judicial cooperation by hiding behind secrecy arrangements, should be suspended. France should promote the adoption of a European directive forbidding European banks from installing branches or subsidiaries or maintaining financial ties with these jurisdictions. With immediate

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<sup>1</sup> Oxfam GB (2000), *Releasing the Hidden Billions for Development*, June

<sup>2</sup> According to Evelyn Herfkens, speaking as Minister of the Dutch Government in 2002 (she is now responsible for the United Nations' Millennium Development Campaign)

effect, France can lead the way by opening negotiations with Andorra and Monaco, and the United Kingdom can do the same with its dependent territories.

- Ø There should be guaranteed and systematic procedures for automatic information exchange between an offshore bank or financial institution which holds assets yielding income or capital gains and the relevant tax authorities of the country where the beneficial owner of those assets ordinarily resides.
- Ø Offshore jurisdictions should be required to maintain and publish a register of offshore trusts and foundations giving the names of settlors, beneficiaries and trustees. These registration details should be made available to the relevant tax authorities with accompanying audited financial accounts published on an annual basis.
- Ø An aid programme should be mounted to assist offshore centres to make the necessary structural adjustments to reduce their economic dependence on tax haven activity.
- Ø Steps should be taken to identify the proceeds of crime which have been placed offshore and repatriate them to their rightful owners.

In respect of international financial transactions:

- Ø Systems should be developed to guarantee the traceability of movements of funds and strengthen regulation of clearing houses. In line with the proposals of the Declaration of Paris, the confidentiality that can reasonably be expected in financial transactions should not be used to impede the provision of information relating to the identity of those who instructed the transaction and those who received the funds, to magistrates, police, customs officials and tax officials.
- Ø The means for verifying information and the systems for judicial cooperation should be strengthened.

In respect of multinational companies:

- Ø The relevant authorities of the major international finance centres should not accept consolidated accounts for multinational companies which have not previously been subjected to audit scrutiny in each and every country where they operate. Listed companies should be required to declare transactions with subsidiaries in tax havens in their consolidated accounts and to explain their purpose. Tax authorities should be authorised to require the provision of information relating to how consolidated accounts of multinational companies have been prepared, and particularly the treatment of inter company transactions (i.e. transactions between the different entities of the group)
- Ø To prevent the use of profit laundering techniques involving companies located in tax havens, the tax authorities of European countries should be empowered to ignore transactions undertaken primarily to secure a tax advantage. Transactions should be subject to analysis to determine their true economic purpose (which might be hidden in an offshore arrangement) and companies should be required to demonstrate that their transactions have a genuine economic purpose.

If you share the concerns outlined in this Manifesto, JOIN US!

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