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TAX LOST IN HAVENS COSTS \$255 BILLION A YEAR

WEALTH HELD IN TAX HAVENS IS COSTING GOVERNMENTS AROUND THE WORLD US\$255 BILLION EACH YEAR IN LOST TAX REVENUE SAYS NEW RESEARCH

According to new research due to be published by the Tax Justice Network, on Thursday 31 March 2005, wealth held in tax havens is costing governments around the world up to US\$255 billion annually in lost tax revenues.

If collected globally US \$255 billion in tax revenues could:

- Fund Gordon Brown's request for an additional US \$50 billion a year in aid to the developing world over the next decade, in just two years
- At US \$30-40 per head, cover what the World Health Organisation classifies minimum financing needs for health services for every single person on the planet.
- If US \$255 billion had been given in aid every year from 2002, by the end of 2015, global poverty would be permanently eradicated, way beyond the goals of the international targets on halving global poverty by 2015, known as the Millennium Development Goals.¹

Overall, the cost of tax havens to the global economy is likely to be considerably higher than US\$ 255 billion because the figure does not include tax losses caused by corporate profits hidden in tax havens and the downwards pressure on tax revenues caused by countries engaging in tax competition to attract or retain investment.

"Gordon Brown and the Commission for Africa are ideally placed to act on offshore tax avoidance since so many of the banks and tax havens that facilitate these processes have British links," said John Christensen, international coordinator of the Tax Justice Network

"For decades governments have failed to act against the system of offshore trusts and banking secrecy, which encourages tax avoidance. If Gordon Brown is serious about wanting to tackle global poverty, he should take a lead in pushing for an end to all aspects of offshore secrecy that makes this possible." added Christensen

The Tax Justice Network is calling for action to

- eliminate cross-border tax evasion and limit the scope for tax avoidance, so that large corporations and wealthy individuals pay tax in line with their ability to do so;
- remove the tax and secrecy incentives that encourage the outward flow of investment capital from countries most in need of economic development;

"The issues of tax havens and tax competition are symptomatic of a much wider malaise at the heart of the international financial system. This is a critical time for development, and particularly for the achievement of the Millennium Development Goals. If we are serious about reducing poverty, one of the first things we need to tackle is an international financial system run by the rich, for the rich, at the expense of the poor. It is time to rethink what the system is for – and dealing with tax havens and tax competition could be an important first step. US \$ 255bn of

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lost public revenues is just one part of the price we pay for our failure" said David Woodward, Director of the Global Economy Programme at **nef** (the new economics foundation)

According to Tax Research Limited who prepared the figure, the estimated value of assets held offshore can be considered as conservative since it does not include corporate profits hidden in tax havens. In addition, Tax Research calculated the final figure on the basis of their assessment of assets held off shore of US \$11.5 trillion. This figure is based solely on the offshore holdings of people falling into the 'high net-worth individual' category (HNWIs). This category only includes people with liquid financial assets exceeding US \$1 million. The assets of smaller net-worth individuals are not included in the wealth estimate, though it is probable that the sums held offshore by people falling into this category are considerable.

"No one has tried to calculate a number like this before. To ensure the credibility of our data we have only used information already in the public domain and produced by some of the most authoritative sources in the world. In addition, we tested our conclusions against three independent sources of information, and all seem to substantially agree, giving us a high degree of confidence in the conclusions we have reached." said Richard Murphy, Director of Tax Research Limited, the independent body commissioned to calculate the figure by the Tax Justice Network.

-ENDS-

Notes to editors:

1. These figures are detailed in the attached sheet 'What could you do with US\$ 255 billion'.
2. A sheet containing the endorsement of the Rt Reverend James Jones, the Bishop of Liverpool, and other supporters of the Tax Justice Network is attached.
3. A briefing sheet produced by the Tax Justice Network UK detailing the calculation of the figure for tax revenue lost from wealth invested offshore is attached.
4. The Tax Justice Network (TJN) was formed in response to harmful trends in global taxation, which threaten states' ability to tax the wealthy beneficiaries of globalisation. The TJN believes that these trends have potentially devastating implications for development, democracy, public services and poverty. The Network arose out of meetings at the European Social Forum in Florence in late 2002, and at the World Social Forum in Porto Alegre in early 2003. The TJN is a global network of NGOs, faith movements, trade unions, professionals and academics. The TJN is active in 27 countries, with affiliated members in a further 15 countries.
www.taxjustice.net
5. The Tax Justice Network UK commissioned analysts at independent body, the Tax Research Institute, to calculate the amount of global tax revenue lost through wealth held in Offshore Accounts. The findings of the Tax Research Institute will be published on Thursday 31 March 2005, in the newsletter of the global Tax Justice Network. The newsletter is free to download from the Tax Justice Network website at **www.taxjustice.net**
6. **nef** (the new economics foundation) is an independent 'think-and-do' tank that inspires and demonstrates real economic well-being. We aim to improve quality of life by promoting innovative solutions that challenge mainstream thinking on economic, environment and social issues. We work in partnership and put people and the planet first. **nef's** Global Economy Programme is developing a programme of work that will tackle the root causes of the inequalities at the heart of the international system head on, to make the global economy work for people and the planet. **www.neweconomics.org**
7. Tax Research Limited exists to supply research data, analysis and objective advice on: a, tax accounting by companies, both in theory and in practice, b, the effect of accounting policies on tax liabilities, c, the impact of corporate and other tax payments on social issues at the centre of the corporate responsibility debate, d, ways of changing taxation systems and laws to encourage effective corporate governance and transparent corporate responsibility. Examples of work undertaken by Tax Research includes preparation of submissions to government departments, commentary on the development of accounting standards and analysis of corporate accounts both individually and by sector. **www.taxresearch.org.uk**

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