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

UNITED KINGDOM OF GREAT BRITAIN

AND NORTHERN IRELAND

Background Memorandum

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I EXECUTIVE SUMMARY AND PROPOSED QUESTIONS

This background memorandum outlines how the United Kingdom of Great Britain and Northern Ireland's (UK) domestic entity, tax, and benefit laws, combined with the UK's extended influence effected through the network of its Crown Dependencies (CDs) and Overseas Territories (OTs), when combined with low corporate and other income tax rates for selected items, particularly for trusts and multinational corporations that can take advantage of profit shifting accounting practices, jeopardise women's human and gender equality rights in the UK and NI, CDs, and OTs despite the UK's ratification of the Convention:

(i) at the domestic level, particularly with respect to women,
(ii) as 'upstream' countries from which profits and productive assets are funneled in the form of income, land, and property assets through and to countries that tax accumulated after-tax incomes very lightly, and
(iii) as 'downstream' countries that direct low- or zero-taxed profits to the UK and its network.

This first section of the memorandum provides an overview of the historical and constitutional relationship between the UK and the CDs and OTs. The second section describes how the domestic entity, tax, benefit, and welfare laws of the UK and its network of CDs and OTs affect women in those and other countries. It also poses key questions arising from lack of progress toward implementing the Convention to reduce the negative effects these legal, financial, and fiscal policies have on the status of women in the UK as well as on women in other countries affected by their domestic and extraterritorial effects. The remaining sections provide detailed background information on how these laws affect women and other vulnerable groups in light of the State party's responses to the Committee LOI's.

Overview of United Kingdom and Northern Ireland's Tax and Secrecy Laws:
The United Kingdom accounts for 17% of the global market in offshore financial services, an impact that is intensified because of its influence over the fiscal policies of its network of CDs and OTs. In fact, Tax Justice Network regards the UK as one of the biggest, if not the biggest, single player in the global offshore system of tax havens (or secrecy jurisdictions) today. It is ranked 23rd on the 2018 Financial Secrecy Index [FSI].[1]

There are two reasons for the significance of the UK in offshore financial services and tax reduction and avoidance practices. First, the City of London, or 'the City,' the UK's financial services industry centered in London, is on some measures the world's largest financial centre. The City is described as being 'built substantially on "offshore" characteristics,' is well known for its lax financial regulation, and is also considered to be a stable and accessible destination for those seeking those types of services.[2]

Second, the UK is connected to a large network of British secrecy jurisdictions around the world, including three Crown Dependencies (Jersey, Guernsey, and the Isle of Man), and fourteen Overseas Territories, including tax havens such as the Cayman Islands, the British Virgin Islands, and Bermuda. These jurisdictions have a measure of independence on internal political matters, but Britain still provides considerable support and a great deal of control over them: The Queen appoints many of their top officials, is featured on their currencies, and, as is the case in many Commonwealth countries, the last court of appeal continues to be the Privy Council of the UK.[3]

Illustrating the fact that these links are above all financial, Jersey Finance, the official marketing arm of the Jersey offshore financial centre, states that 'Jersey represents an extension of the City of London.'[4] Overall, the City of London and these offshore satellites constitute by far the most important part of the global offshore world of secrecy jurisdictions.

The UK's status as both a key financial centre and a key player in a global web of secrecy that extends to other jurisdictions results in the creation of an interconnected tax avoidance and criminogenic environment both at home and abroad. The Panama Papers and Paradise Papers[5] have shed an increasingly strong light on the antisocial and crime-fueling activities of the Overseas Territories, while illicit financial flows continue unchecked in the UK as well as in the Crown Dependencies. The UK is the second biggest centre for wealth management after Switzerland,[6] and, at the same time, its own National Crime Agency acknowledges that 'hundreds of billions of pounds of international criminal money is laundered through its banks every year.'[7]

As financial, corporate, trust, production, and development activities have become increasingly transnational, tax cuts and tax reduction policies have been used by countries at all levels of development to attract foreign investment and increase GDP growth. Corporate operations and private capital are increasingly quick to follow paths to the lowest levels of taxes and the highest levels of financial secrecy. Concentrating low-taxed corporate and private capital in the hands of large corporations and high net worth individuals and entities contributes to increasing income inequality, both within and between countries.[8]

Because women are usually concentrated in lower income groups and have much less ownership and authority in relation to corporations, capital, finance, and governance, the fact that the UK Government tolerates high levels of tax avoidance facilitated domestically and offshore also makes it even more difficult to reduce gender income and wealth gaps, poverty levels, and overall income inequalities in both the UK and in its CDs and OTs.[9]

Issues arising from the Concluding observations on the seventh periodic report of the United Kingdom of Great Britain and Northern Ireland:

In July 2013**,** the United Nations Committee on the Elimination of All Forms of Discrimination against Women (CEDAW Committee) expressed concern that the State party's ratification of the CEDAW has not yet been extended to include the Crown Dependencies of Guernsey and Jersey. The Committee urged 'the State party to extend its ratification of the Convention to include all its territories, including Guernsey and Jersey.'[10] The State party has stated that its 'ambition' is to increase the territorial application of the Convention to the remaining Crown Dependencies.[11] Failure to extend ratification of the Convention to all UK territories creates advantageous loopholes for individuals and corporate entities to avoid tax obligations, and potentially offers sources of low or zero tax rates.

When multinational companies and individuals continue to use UK territories to minimize taxes and use them as 'bolt holes' to benefit from illicit finance practices, the rights of women in the UK as well as in countries 'upstream' and 'downstream' the UK and in its CDs and OTs continue to be harmed. Thus the Committee also urged the State party to 'mitigate the impact of austerity measures on women' and to ensure 'that spending reviews continuously focus on measuring and balancing the impact of austerity measures on women's rights.'[12]

Since that last review, a number of factors have negatively impacted on the social, economic, and cultural rights of women in the UK, not least the macroeconomic policy choices (monetary and fiscal policy) made by the UK Government to service the UK's budget deficit. As discussed in this report, the UK has pursued an aggressive restructuring of the welfare system to trim spending on social assistance in the name of reducing budgetary deficits. The net effect of these welfare changes has been to remove more and more women and children who cannot afford the basic necessities of living from the welfare roles through benefit clawback caps and limiting welfare support to no more than two children per claimant or family.[13]

In addition, the UK has developed an intractable 'tax gap' as the result of successive years of underfunding the revenue authority enforcement system, resulting in reduced budgetary resources. The 'tax gap' in the UK was estimated at £122 billion in 2014,[14] and is increasingly used to justify aggressive austerity policies that have disproportionately reduced spending on public services used for and by women and for women-specific social protection services.

To date, the highest court in the UK, which has found that such cuts to welfare benefits do 'indirectly' discriminate against women because they differentially impact women,[15] such discrimination is justifiable because it pertains to economic and social laws, not to civil laws. In short, states are given a 'wide margin of appreciation' in deciding whether such differential economic treatment of women living in poverty is should be considered to be illegal discrimination. As one member of the UK court stated, disproportional differential treatment of women on welfare does not violate gender equality guarantees under the European Convention on Human Rights unless such outcomes are found to be 'manifestly without reasonable foundation.'[16]

Consistent with the CEDAW Committee's recommendations to Luxembourg[17] and Switzerland[18] 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 United Kingdom and Northern Ireland should receive recommendations similar to those made in recent reports on Luxembourg and Switzerland involving the following steps:

> Undertake independent, participatory, and periodic impact assessments of the domestic and extraterritorial effects of its own and its Crown Dependencies and Overseas Territories gender equality laws and financial secrecy, trust, and tax laws and 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 gender equality standards and corporate, trust, 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 United Kingdom and Northern Ireland's gender equality, tax, and financial transparency standards:

1. Please provide full details on the steps the Government has taken to examine how the UK and NI's domestic revenue losses resulting from use of offshore tax avoidance facilities have impacted domestic progress toward gender equality.

2. What steps has the Government taken to ensure that its domestic financial and professional services industries are not involved in transnational tax avoidance?

3. The State party implemented a public registry of beneficial owners of companies in 2017 and amended legislation in May 2018 to impose public registers of beneficial ownership of companies on the UK's Overseas Territories.[19] Please provide the Committee with a detailed update on the status, timelines, and copies of all Government action plans, reports, draft legislation, and schedules of consultations and steps to implement those disclosure laws.

4. What steps will the State party take to fully implement the recommendation of the Global Forum on Transparency and Exchange of Information for Tax Purposes that the State party take action when implementing its new tax disclosure and identification rules to ensure that 'beneficial ownership information is **publicly available** for **all legal entities** and partnerships,' and that its new rules regarding identification of all those receiving trustee and nominee services and tax reporting rules for offshore persons are adequately implemented across its Crown Dependencies?

5. What is the State party doing to prevent any trust governed by UK laws and foreign law trusts managed by UK trustees from being used to engage in illicit activities within the UK itself or within the UK's Overseas Territories and Crown Dependencies?

6. Please provide the Committee with a detailed update on the status, timelines, and copies of all Government action plans, reports, draft legislation, and schedules of consultations and steps to implement tax, entity, and public disclosure measures to become fully compliant with the Global Forum's requirements by 2019.

7. Noting that the State party has recently amended legislation, given the negative impact of tax avoidance and illicit financial flows on national and developing country revenues, has it undertaken detailed study of how its own financial and tax laws, and the laws of its CDs and OTs, affect women in the UK, its dependent territories, and other countries, in light of its obligation to promote women's gender equality?

8. Has the State party established legal guidelines that accord with its CEDAW commitments for complaints relating to the gender impact of cuts to essential services and welfare programs and resulting from financial secrecy and tax avoidance practices using the UK's multinational corporations, domestic and foreign trusts, and other entities as they affect women's rights in the UK and elsewhere, especially in low income regions?

9. Given the current size of the UK's 'tax gap,' the resulting losses to the tax base, and the continued implementation of austerity policies that profoundly impact income support services and housing security for women, what commitments will the State party make to restore cuts made to the HMRC to secure revenues lost to tax avoidance and challenge the legitimacy of tax planning schemes be they corporate or personal?

10. Given the ease with which base erosion and profit shifting can be used to reduce domestic taxes and increase the 'tax gap' facilitated by the established network of secrecy 'offshored' and extending to the UK's Crown Dependencies and Overseas Territories, can the State party commit to increasing its tax audit and enforcement (HMRC) capacity in order to monitor all multinational corporate accounts?

II SPHERES OF INFLUENCE: UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND, OVERSEAS TERRITORIES, AND CROWN DEPENDENCIES

Context

Tax justice issues and especially financial transparency laws create a formidable legal and financial policy architecture supported by networks of financial centres[20] that trade in secrecy on an industrial scale. A study published in 2017 estimated global tax losses of around $500 billion every year. This 're-estimate' of an earlier International Monetary Fund estimate indicates that 'the greatest intensity of losses occurs in low- and lower middle-income countries, and across sub-Saharan Africa, Latin America and the Caribbean, and South Asia.'[21]

Tax Justice Network has argued that it is was not simply chance that the growth of the offshore financial centres, so closely intertwined with the City of London, coincided with the collapse of the British Empire. Following the disintegration of the empire's power base was a new type of imperial influence: 'a path of seeking "competitive" advantage essentially in "light-touch" (or lax) financial regulation: offering offshore escape routes and bolt-holes in London for financial interests elsewhere.'[22]

There is ample evidence that the United Kingdom's government 'controls' its Overseas Territories and Crown Dependencies while acknowledging that the 'precise nature of the relationship with the UK differs from jurisdiction to jurisdiction too. The CD relationships are managed through the UK Ministry of Justice, while those with OTs are managed through the Foreign Office.[23] A number of recent examples underline the nature of the United Kingdom's powers over the Overseas Territories and Crown Dependencies -- not least the UK's extension of the CEDAW Convention to the Cayman Islands in March 2016,[24] and to Bermuda in March 2017.[25] In the case of the Crown Dependencies, in 2014 the Supreme Court confirmed that 'the UK Parliament has power to legislate for the [Channel] Islands.'[26]

Enforcing the UK's Obligations to Implement the Convention

The United Kingdom has both the obligation and the authority to realise the rights of women under the CEDAW Convention within the UK itself, and within the OTs and CDs. To date, only a limited number of judges on the highest UK court agree that CEDAW applies fully to domestic UK law, and that the same justificatory standard is to be applied equally to all laws, policies, and practices regardless of whether they are economic or welfare laws or civil laws.

For example, Lady Hale (as she then was) has taken the position that CEDAW and the Convention on the Rights of the Child both apply to discrimination in welfare laws, but hers is still a minority view: '[P]rotection against discrimination, even in an area of social and economic policy, falls within the constitutional responsibility of the courts.'[27] Thus 'the only question is whether the reasons for enacting such laws that differentially impact women and men can justify the sex discrimination involved….' [28]

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In addition, the Convention requires that the UK Government can and should exercise control of the 'financial secrecy network' operating among the City of London, the Overseas Territories, and the Crown Dependencies, and their impact on women in the UK, OTs, and CDs, by means of 'Acts of Parliament, Orders in Council, letters of entrustment, delegated authorities and consultation requirements, which are unique to each.'[29]

Policies for Fiscal Transparency

In 2003, the Tax Justice Network began developing policy proposals to counter the financial opacity in the global network of secrecy jurisdictions. TJN's proposal was that there would be a set of policies, which by addressing a myriad of legal financial loopholes, would provide a level playing field of transparency.

These policies, known collectively as the 'ABC of financial Transparency,' are now widely acknowledged as providing an important rebalancing of the unequal distribution of global taxing rights. In creating greater financial transparency, the ABC policies support a state's ability to prevent the erosion of its tax bases and to generate increased government revenues that will enable countries to fulfill their obligations to implement gender equality as well as meeting other objectives.

***A*utomatic exchange of tax information**[30]

The initial mechanism for exchange of financial information between jurisdictions (for example, information about the bank deposits of a suspected criminal) used to be 'upon request,' which only enable government officials to ask a country with which it has a relevant international agreement for information on a specific person. This process is cumbersome and very little information was provided - especially by those secrecy jurisdictions where criminal assets were often to be found. TJN proposed the **automatic exchange of such information between jurisdictions** so that each year a country would provide authorities in other countries with a list of their residents with bank accounts there, and the relevant tax information. It is noteworthy that tax compliance is around seven times higher when taxpayers know that information on their incomes is automatically provided in this way[31] – to say nothing of the impact on corrupt payments and other criminal transactions.

***B*eneficial ownership of companies and other arrangements (public registry)**[32]

Historically, it has been easy to hide the identities of the real owners of companies, trusts, and other legal vehicles in most countries. This ability to hide ownership not only allows tax evasion through the failure to declare, but also facilitates corrupt payments and transfers of ownership (directly enabling money laundering and terrorism), and the obscuring of corporate structures with implications for tax but also for market regulation (e.g. hidden monopolies). TJN proposed the establishment of public registers of the ultimate beneficial ownership of legal entities and arrangements (that is, to identify publicly the human beings who stand behind any given entity). Again, this is a technical proposal involving a significant shift of power, and it was fiercely resisted by many.

***C*ountry by country reporting of multinational companies' profits**[33]

Multinational companies often 'shift their profits' artificially to low-tax jurisdictions to minimise their tax liabilities. TJN is a proponent of an accounting standard for public country-by-country reporting by multinationals. This requires the annual publication of the locations of companies' economic activities, assets, profits, and taxes paid. Such reporting makes multinationals accountable to the public as well as to tax authorities for any misalignment between their profits and the locations of their real activities, and at the same time makes it possible to hold tax authorities accountable to the public for their tolerance (or support) of such arrangements. This technical accounting exercise entails a powerful political shift – hence the resistance of multinationals and of the 'big 4' accounting firms that work for them.

Financial Transparency Assessment of the UK, OTs, and CDs

Tax Justice Network has re-assessed the United Kingdom and its offshore satellites against the three key policy planks described above. Each policy plank represents a new standard for international financial transparency aimed at rebalancing a set of major, unequal power relationships.

The table below shows the levels of secrecy across eleven of the Crown Dependencies and Overseas Jurisdictions, and including the United Kingdom itself, using the secrecy methodology developed and applied in the Financial Secrecy Index 2018[34] (based on the legal framework in those jurisdictions as of 30 September 2017). The table uses colour coding based on a traffic light (red = secrecy, green = transparency), referring to the secrecy score for its three policy recommendations comprising the ABC of Fiscal Transparency: **A**utomatic exchange of information, **B**eneficial ownership registration, and **C**ountry-by-Country reporting.

ABC of Fiscal Transparency:
United Kingdom, Crown Dependencies, and Overseas Territories

	A	B			C	
Country Name	**Automatic Exchange of Information**	**Beneficial Ownership Registration (including Legal Ownership Registration and Online access)**			**Country-by-Country Reporting**	**AVERAGE ABC**
		Companies	**Trusts & Private Foundations**	**Partnerships with Limited Liability**		
Anguilla	0.32	1	1	1	0.75	0.81
Bermuda	0.24	0.875	0.5	1	0.75	0.67
British Virgin Islands	0.25	0.875	0.5	1	0.75	0.68
Cayman Islands	0.1	0.875	1	1	0.75	0.75
Gibraltar	0.07	0.875	1	1	0.5	0.69
Guernsey	0.07	0.875	1	1	0.75	0.74
Isle of Man	0.08	0.75	1	0.9	0.75	0.70
Jersey	0.07	0.65	1	1	0.5	0.64
Montserrat	0.28	1	0.5	1	0.75	0.71
Turks & Caicos Islands	0.27		0.5			0.68
United Kingdom	0	0.5	0.5		0.25	0.45

TRANSPARENCY (0) **(1) SECRECY**

Details included in the Secrecy Score

Automatic Exchange of Information

Start date of CRS obligations; Number of CRS relations with other jurisdictions; Restrictions (e.g. refusal, postponement, Annex A, additional conditions)

Beneficial Ownership Registration	Companies: Registration and/or Online Access of either Legal Ownership and/or Beneficial Ownership Trusts and Private Foundations: Registration & Online Access Partnerships: Registration & Online Access
Country by Country Reporting	Reporting and publication of (general) CBCR; and whether countries ensure access to BEPS Action 13's CBCR (beyond OECD rule)

The overall secrecy scores of British Overseas Territories and Crown Dependencies in relation to the ABC of Fiscal Transparency denote high levels of secrecy (most have an orange or red secrecy score above 0.5, sometimes even closer to 1), with only the UK having a (yellow) secrecy score slightly below 0.5, but still far from a green 0 that would indicate full transparency. The only area where there is a positive move towards transparency (indicated by shades of green) refers to Automatic Exchange of Information. With regard to Public Country-by- Country reporting, transparency is also hardly the case, except for the UK.

The worst policy area relates to beneficial ownership registration. For partnerships with limited liability, trusts, and private foundations, almost all jurisdictions are rated with full secrecy. The exceptions are mainly those jurisdictions where private foundations cannot be created under the law. As regards companies, there are some better legal frameworks such as the UK, and, to a lesser extent, Jersey. However, in most cases there is a high level of secrecy and or even full secrecy, indicating that both legal and beneficial ownership information is not available online and thus not accessible for public scrutiny, and, even worse, that legal and beneficial ownership information does not have to be registered with government authorities under all circumstances.

In May 2018, the UK Government amended legislation[35] to impose public registers of beneficial ownership of companies on UK Overseas Territories. However, the UK Government's intention to impose any meaningful level of transparency across its network of overseas territories was already being called into question in the weeks after the passing of the amendment to the Sanctions and Anti-Money Laundering Act 2018 (c. 13), an amendment that intends to impose public registers of beneficial ownership of companies on UK Overseas Territories.

Recent investigations undertaken by *Private Eye* have revealed that the UK Government's 'capitulation' to the amendment was born from a confidence that 'the amendment was so loosely drafted that Bermuda, the British Virgin Islands (BVI), Cayman and other territories would be able to challenge it.' *Private Eye* also reports a seeming 'deficiency of the amendment' in that 'it does not grant a specific power to legislate for Bermuda' and it fails 'to specify who in the territories would be responsible for introducing the new open registries.'[36] In the meantime, the British Virgin Islands, one of the most opaque of the Overseas Territories and arguably with most to lose from open registers, has engaged the international law firm Withers LLP to challenge the amendment: 'We are confident there are constitutional grounds for challenging the imposition of a public register,' said partner Hussein Haeri, also citing 'human rights issues raised by public access to the register.'[37]

III GENDER AND BUDGETARY EFFECTS OF UK DOMESTIC AND CROWN DEPENDENCIES/OVERSEAS TERRITORIES TAX AND SECRECY LAWS

The current constitutional and transnational structure of the United Kingdom and Northern Ireland affects the status of women living within the boundaries of the State party itself as well as those in living in former territories that are members of the Commonwealth of Nations, its Crown Dependencies, or its Overseas Territories. At the present time, 41 of the 112 countries listed in the 2018 Financial Secrecy Index are current or former dependencies or territories. Jointly, these 41 countries plus the UK and NI itself have a global scale weight of 22.57% on the 2018 Financial Secrecy Index. This exceeds even the global scale weight of the US, which is currently 22.30%.[38]

In the evolution of the UK, it is clear that tax and disclosure laws in force in the UK as well as those that the UK in turn has permitted to its dependencies and territories and embedded in the legal systems of former territories that are now members of the Commonwealth of Nations all have negative gender, poverty, and income inequality effects. Because the domestic effects in the UK and the 'chained' upstream/downstream effects of tax avoidance services in each of these jurisdictions are so diverse, this discussion focuses on three jurisdictions: The UK, the originator and the hub of its massive global secrecy network; Guernsey, the Crown Dependency with the highest FSI score; and the Cayman Islands, the Overseas Territory with the highest FSI score.

As an overall characterisation of the gender effects of these complex structures, it is evident that the status of women in all of these groups of countries have been markedly affected by the gender 'finance curse' as multinational corporations and wealthy individuals enabled by the legal and accounting professions have ruthlessly exploited the UK's network of secrecy jurisdictions.[39]

Qualified self-governance of tax shelter countries have produced weak governments that prioritise the needs of dominant economic actors – leaving women without enjoyment of their rights to development and gender equality. As Christensen et al. have noted,[40] the countries in the UK's network are similar to the so-called 'resource curse' jurisdictions with bloated financial centres, and experience many of the same damaging effects, do more harm than good, and have disproportionately negative impacts on women in those countries with 'crowding out, reduced economic diversity, lost entrepreneurialism, unemployment, economic instability, inequality, conflict, rent-seeking and corruption.'[41]

Gender Effects in the United Kingdom

Welfare benefit caps and cuts:
Beginning in the 1970s, the Thatcher government began rearranging the UK domestic tax system. Major changes included cutting personal income tax rates on top incomes, increasing the share of revenue raised with consumption taxes, mainly the VAT, and cutting corporate and business tax rates over time. At the same time, great emphasis was placed on reducing social spending, privatisation of state assets, and discouraging labour unions. The total tax ratio did not change significantly, but between the global financial crisis in 2007/8, growing support for budgetary austerity,[42] and loose corporate and trust offshore residency rules, the UK has the fourth highest level of economic inequality among OECD countries in Europe.[43]

This problem continues to grow. In 2013, the UK began linking maximum total amounts of social welfare and housing assistance to an abstract 'average' income, imposed a 'two child' limit on maximum child benefits no matter how many children a parent actually supports, and placed benefit caps on housing allowances to reduce housing benefits for those exceeding the abstract 'average' income benefit ceiling. These changes were said to ensure that those receiving welfare benefits would be motivated to learn and use the same budgeting and economising skills that those in paid work had to use to make ends meet, and to ensure that the country's resources were not taxed any more heavily than necessary.[44] Over the four years 2014 through 2017, the benefit cap has reduced maximum levels of welfare and housing benefits overall each year, particularly for single mothers.

Benefit cap reductions,
by gender and family status, UK, 2014-2017

	Benefits reduced Total #	Women (%)	Men (%)	Benefits reduced Total (£)	Women (%)	Men (%)
2014	**25,236**	**57.4% (81-100)**	**42.6%**	**£6.0m**	**£3.5m (58.3%)**	**£2.5m**
2015	**29,481**	**68.6% (86-100)**	**27.2%**	**£7.0m**	**£4.1m (58.6%)**	**£2.9m**
2016	**41,004**	**69.8% (90-100)**	**30.2%**	**£13.3m**	**£8.4m (63.2%)**	**£4.9 m**
2017	**155,767**	**61.6% (76-100)**	**38.9%**	**£47.9 m**	**£29.7m (62.0%)**	**£18.2m**

Source: Microsimulation using EUROMOD UK (authors).

The only men who had their benefits reduced were married men; all single, divorced, bereaved, and separated mothers faced much higher levels of clawbacks, ranging, for example, from 90% of separated women to 100% of divorced women.

Domestic gender impact of UK tax jurisdiction laws:
The UK was one of the first countries to insert 'offshore' tax haven-like rules into the tax rules regarding its tax jurisdiction over persons who are actually present 'onshore' in the UK. The tax jurisdiction rules include the non-domiciliary rules pertaining to individuals and the tests of domicile for corporations and trusts recognized as having separate legal personality in UK law.[45] These rules have been criticized heavily for years, but are still in effect.[46]

The UK tax rules for individuals residing in the UK who are **'non-domiciles'** of the UK are exempt from paying UK taxes on incomes and capital gains held outside the UK. Despite repeated tightening of these rules, those who can prove that they continue to spend sufficient time outside the UK can continue to avoid vast amounts of tax liability in the UK. Paradoxically, the

UK government emphasizes how much new revenue is now being produced by tightening these rules – but has not yet produced any estimates of how much revenue is still being lost as the result of them.[47] One estimate suggests that for 54 ‘non-domiciled’ individuals alone, the revenue lost for one year from these rules was at least £3.78 billion.[48] There may be more than 100,000 non-domiciled individuals in the UK.

Weak **corporate and trust domicile** requirements have similar effects. Corporations and trusts can channel profits and gains to UK financial institutions from zero or low-tax Crown Dependencies politically ‘inside’ the UK, as well as from the more removed Overseas Territories and Commonwealth countries. But most recently, methods of re-basing businesses directly inside the UK itself is being combined with leaving the profits of those businesses to be taxed at lower rates ‘outside’ the UK in production and investment chains.

The concept that components of businesses based in the UK are themselves ‘outside’ the UK is most obviously a contradiction in terms in the case of Crown Dependencies, but whenever profits are predominantly booked in low tax locations, UK effective tax rates can be far less than their legal rates. For example, one multinational corporation was able to reduce its effective tax rate from 34.6% in 2008 to 3.3% in 2013 by simply re-basing it in the UK, even though none of its business operations or management offices moved with it.[49]

As with the domiciliary rules, the erosion of the UK domestic tax base caused by falling levels of corporate income taxes is apparently not being calibrated by the Government. The focus is squarely on showing how offshoring can be justified – even when it occurs onshore. The main justification is that increased demand for UK-based professional and financial services grows the UK economy by creating new jobs, economic output, and trade surpluses, and by increasing total tax revenues generated by that sector. As a recent government briefing paper reported, financial services accounted for 6.5% of total economic output, 3.2% of all jobs, a surplus in financial services trade of £51 billion, and tax revenues of £27.3 billion in 2016/17. It is worth noting, however, that very little of that revenue came from corporate taxation, and that the bulk of tax receipts came from employee income and national insurance taxes.[50]

Domestic gender impact of falling UK revenues:

As 'taxing for growth' and budgetary austerity policies have gained acceptance among high income countries, most of the countries ranked as having the highest levels of both human and gender development fell in the UN indices that track these measures. In the UK, however, while it maintained its Human Development Index (HDI) ranking of 14th, its gender rankings fell further and lower than those of almost every other OECD country.

In 1995, while the UK was ranked 14th on the HDI, it had actually been ranked at 11th on the Gender Development Index (GDI) – demonstrating that it was devoting some additional funding and governance effort to promoting gender equality. By 2015, however, while remaining 14th on the HDI, the UK had fallen to Group 2 on the GDI. Based on the new ranking method used by the GDI in that year, falling into Group 2 means that the UK had at best fallen from 11th on the GDI in 1995 to 43rd. And, because Group 2 contained 42 countries that year, it had possibly fallen as low as 85th.

The UN Gender Inequality Index (GII), a new gender index recently included in the annual *Human Development Report*, confirms that gender equality in the UK has deteriorated dramatically. In the 2015 *Report*, it was ranked just 39th on the new Gender Inequality Index, far below other countries that had engaged in even more dramatic budgetary austerities.[51]

Continued emphasis on budgetary austerity in social spending in the UK during the period from 1995 to 2015 has rendered its social support system for childcare, low income security, and gender equality programming inadequate to maintain the levels of gender equality that had been achieved by 1995.[52] In 2015, the overall gender income gap in the UK was 47%, even though the female labour force participation rate was 82% of men's.

Recent gestures in the direction of increasing childcare funding may not be sufficient to enable women in the UK to overcome the high childcare costs they have to incur in order to engage in paid work. As of 2012, second earners in the UK had to spend an average of 67% of their gross earnings on childcare costs, plus average taxes of 21% on those earnings, leaving them with, in effect, just 12% of their earnings as net aftercare/after tax spendable incomes. At the same time, lone parents with childcare costs were left with only 21% of earnings as net aftercare/after tax spendable incomes.[53]

This situation had worsened by 2015: Second earners were found to have to pay, on average, combined taxes and childcare fees that came to 102.6% of their actual earnings, and lone parents total taxes plus childcare costs came to 94.8% of total earnings. Clearly, reducing childcare barriers to women's paid work in the UK has not been a high priority, leaving them with constrained access to adequate incomes due to high levels of unpaid care work. Recent increases in childcare allowances do not sufficiently reduce those barriers to paid work.

The extent to which the UK financial sector contributes to increasing employment rates and economic outputs is an important feature of the UK economy. However, the growth of the UK financial sector has not even supported or improved the status of women in that sector. A recent study found that women in the UK still face substantial pay gaps even at top management levels in the finance sector – approximately 17% at the vice president level in European-owned London banks – and even greater gaps in bonuses. Perhaps even more significant, only 17% of UK corporate executive committee members are women.[54]

Instead of providing special tax breaks to the corporate sector, the government should devote more revenue to improving the economic status of women.

Gender effects in Crown Dependencies: Guernsey

The UK continues to have three Crown Dependencies – Guernsey, Jersey, and the Isle of Man. Each is loosely governed by the Crown of the UK but not by the UK Parliament. This governance system appears to leave all matters to the CDs except those expressly made subject to UK law. This status is claimed to be the justification for treating the CDs as being located 'offshore' for UK fiscal purposes, and for treating Guernsey as being 'inside' the European customs union. Technically, Guernsey is made up of the three separate dependencies of Guernsey, Alderney, and Sark, and all of their laws must be approved by the UK Privy Council.

The UK has kept Guernsey outside the scope of the CEDAW Convention:
Unlike women living in the rest of the UK, women in the Crown Dependencies have been treated as lying outside the obligations the UK has under the CEDAW Convention. Thus, addressing the gender impact of the UK's domestic and extraterritorial tax and expenditure laws as they exist in the Baliwick of Guernsey is complicated by three unusual factors:

> First, the UK has not yet extended the Convention to Guernsey, and it is not clear whether the people living there currently have any role in what the UK Government describes as its 'ambition' to extend its ratification of CEDAW to Guernsey.[55]
>
> Second, in its 2009 response to earlier recommendations by the CEDAW Committee that it extend the Convention to the UK CDs, the UK Government stated that Guernsey 'has requested a reservation with regards to tax.'[56]
>
> Third, in just the last three years, Guernsey has risen from the rank of 17th on the 2015 Financial Secrecy Index to 10th in the 2018 FSI; holds assets under management valued at £255 billion despite its small GDP (£2.9 billion in 2016); and is host to 0.5% of total global offshore financial trade.[57]

The UK did extend its ratification of the Convention to the Isle of Man (42nd on the 2018 FSI) in 1986, but little attention is paid to women there in the UK periodic reports. Jersey (ranked 18th) also remains outside CEDAW, but the UK has not sought any tax reservations for it.

Guernsey budgetary revenues and expenditures:
Guernsey has no VAT, capital gains tax, inheritance or other wealth taxes, council taxes, or road taxes. Corporate income is taxed at the rate of zero, and interest, dividend, and royalty incomes received from companies formed in Guernsey are not taxable at all. Incomes from banking businesses are taxed at a rate of 10% and income from Guernsey real estate is taxed at 20%. The Guernsey Foundation is also tax exempt and can be formed to give founders powers to appoint guardians and terminate the foundation, making it somewhat less restrictive than Luxembourg foundations, for example. Guernsey protected cell companies enable activities and accounts to be segmented for tax planning purposes, and trusts are not registrable nor taxed.[58]

While the business and investment sector is virtually tax exempt in Guernsey, residents pay personal income taxes (PIT) at the rate of 20%, but PIT on foreign incomes received by residents is capped at £250,000 per year. In addition, social security taxes are payable at the rate of 6% by employees, 6.5% by employers, and 10.5% by those self-employed, subject to lower and upper earnings limits, and residents also pay small local, import, excise, and vehicle taxes. Income taxes produced 76% of total revenues in 2015, and the tax ratio for that year was 17%.[59]

Aggregate budgetary revenues in 2015 came to £573 million, and expenditures were £615 million, producing a deficit of £42 million. Clearly, offshore investments contribute little to the total budget, as demonstrated by seven years of aggregate deficits. The majority of spending is on health, community services, old age pensions, education, and welfare benefits.[60] With median annual earnings by employees at £30,953, the highest wages are found in the financial sector

(£44,000) and the lowest in domestic services, hostelry, and sales (£18-22,000).[61] Very little is spent on arts, sport, and culture.[62]

The status of women in Guernsey:
The biggest anomaly in Guernsey is the relative size of its economy – £2.9 billion in 2016 – as contrasted with total assets under management – £255 billion. In contrast, the Guernsey's Women Development Forum found that more than twice as many men than women earn over £70,000 per year,[63] despite the value of the Guernsey financial services sector. As of early 2018, however, the government had only progressed to the point of holding a workshop on how a statutory equality rights body could promote 'fairness.'[64]

Given the virtual absence of detailed data on the status of women in Guernsey, it is difficult to identify specific gender effects caused by its heavy reliance on international financial services. However, the very lack of information, and the very long time it has taken the UK to extend its CEDAW ratification to Guernsey, evidence the deep need for accountability by the Guernsey government to its residents. Quite apart from any other consideration, the corporate and wealth sectors benefitted by Guernsey's tax and entity laws are themselves predominantly managed by men and involve assets predominantly owned by men. As a minimum, while evaluating the long-term sustainability of such heavy reliance on the financial sector, ensuring gender equality in that sector is an urgent priority.

In addition, because the CEDAW Convention is still not applicable to Guernsey, there is as yet no evidence of gender-based analysis in policy processes, nor of gender budgeting approaches to the formation of annual budgets or the design of revenue instruments. These are fundamental tools that are essential to promoting gender equality in all countries. And their implementation in Guernsey (as well as in Jersey) is significantly overdue.

Guernsey's responsibilities for the gender impact of its international financial services:
By providing a 'tax neutral' conduit for upstream and downstream financial flows, Guernsey provides a crucial component of lightly taxed production and investment chains. Inward funds consisting of profits originating in downstream production activities in low tax or tax exempt special economic zones (SEZs) can remain insulated from taxation as they are delivered to Guernsey for zero-taxed investments or are sent onward for long-term holding in tax- favoured funds located in European low tax jurisdictions such as Luxembourg or Liechtenstein. Conversely, funds originating in upstream taxable jurisdictions can be delivered to businesses operating in SEZs or similar locations. Such low tax conduits also do not discourage base-erosion and profit shifting planning either.

Between the proliferation of public-private infrastructure partnerships and special export zones, which increasingly overlap, countries at all levels of development are using both types of financing and investment structures to promote economic growth. Concentrating ownership of what ought to be public infrastructure projects and ownership in predominantly male hands, while concentrating production in SEZs, which have historically relied heavily on women's lower wages and employment rights,[65] deprives the countries in which they operate revenues worth an estimated 0.5% to 6% of GDP[66] at the same time that they perpetuate gender inequalities.[67]

In 2013, Guernsey financial institutions provided conduits for £24.6 billion from global investors into the UK and for £51.4 billion into Europe, as well as providing conduits for UK investors to move £26.5 billion into investments elsewhere.[68] Without any accountability by Guernsey financial managers or the government itself for the gender effects of such massive investment flows, Guernsey as well as the UK are failing to address the massive extraterritorial gender effects of their financial sectors.

Source: KPMG, *Guernsey International Capital Flows* (2015), 4.

Examples of the types of issues posed by such lack of accountability are numerous. Using funds held by offshore investment companies to purchase valuable real estate in desirable regions of the UK means that capital gains on such properties will be taxed at the rate applied in the country in which title is held, and reductions in property taxes can also be obtained. Guernsey leads other offshore locations in facilitating these arrangements due to its zero tax rate on capital gains.[69] For example, a giant Australian childcare company owned by a Swiss private equity firm and three upstream Australian holding companies registered in Guernsey attracted coverage when it increased fees for its childcare services just as new Australian government childcare subsidies for working parents came into effect.[70] In another situation, at least one wealthy financier simply moved from the UK to Guernsey to take advantage of capped worldwide income taxes.[71]

Guernsey has taken some steps recently to discourage local companies from using BEPS practices to reduce their local corporate income tax liabilities under the 20% rate that it just extended to large retail operations.[72] Whether this will be enough to keep it off the European union ‘grey’ and ‘black’ tax avoidance lists in the future, however, remains to be seen. Both the Isle of Man and Jersey are currently on the EU ‘black’ list.

Gender effects in Overseas Territories: Cayman Islands
The UK has a total of fourteen Overseas Territories, seven of which are identified as financial secrecy jurisdictions by the 2018 FSI. Cayman Islands (Cayman) is presently ranked as the third largest offender on the entire FSI list. The other six are British Virgin Isl., ranked 16th; Bermuda, 36th; Anguilla, 56th; Gibraltar, 83rd; Turks and Caicos Isl., 87th; and Montserrat, 112th. Territories are considered to govern themselves unless the UK officially steps in. As with Crown Dependencies, this status of Overseas Territories is said to justify treating them as offshore jurisdictions for UK fiscal purposes.

The UK kept Cayman outside the scope of the CEDAW Convention until 2017:
The UK has taken the position until fairly recently that it has no CEDAW obligations to women in the Overseas Territories. However, it has now taken steps to extend its CEDAW ratification to a total of seven territories. It took this step in relation to Cayman, Anguilla, Bermuda, and the St. Helena group as of 2017. Despite its high profile as a tax haven, no reservations regarding tax were requested for Cayman.

While its CEDAW extension was in process, Cayman rose from 5th on the 2015 FSI to 3rd in just three years – exceeded only by Switzerland and the US. It is the world's eighth largest banking centre, with banking assets of US$1.026 trillion and hosting funds with net asset value of $3.57 trillion. It also plays a key role in multinational profit shifting, with reports that at least 6% of all corporate foreign profits were received by Cayman companies in 2010. Its global scale weighting is nearly 4%.[73]

By every measure, Cayman undermines fiscal systems around the world. Cayman is the largest offshore destination for US and Japanese funds, and the fifth largest destination for German funds. Cayman is the second most used destination for funds from countries at all levels of development, from lower middle income to high income countries, and the third most used for high income OECD countries.[74] Cayman is the top secrecy jurisdiction for EU states, and is on two of the EU 'black' lists for noncooperative jurisdictions.[75] And it is the 'most potentially harmful' relationship for the US, Japan, and Hong Kong, as well as for both the East Asia and Pacific region and for North American countries while ranking between second and seventh most harmful for every other region.[76]

Cayman Islands' tax system and budgetary balance:
Cayman does not have any VAT, capital gains, corporate income, dividend, interest, branch taxes, or capital duties. Stamp duty rates range from 7.5% to 9%. Trusts do not have to be registered, bear no tax, and have a perpetuities period of 150 years.[77] Nor are there any personal income, wealth, or transfer taxes.[78]

The annual budgets for 2018 and 2019 project revenues of $730 million annually, with surpluses between $59 and $81 million each year.[79] Instead of generating revenues through taxation, however, revenues are obtained by collecting a wide range of fees, duties, and licenses. Those working in Cayman have to pay annual fees ranging from US$1,280 to $33,750, customs duties average 22%, and business licence fees range from $2,500 to $1 million annually. Individuals are legally required to maintain their own pension and health plans, with government revenues coming solely from service, utility, transportation, postal, and other fees paid by residents.

The status of women in Cayman:

In 2012, gender equality legislation prohibiting direct and indirect discrimination on the basis of sex, marital status, pregnancy, and gender in employment and other contexts was enacted. Lack of recent data makes it difficult to assess the impact of this law. As of 2010, occupational stratification was marked in Cayman, with women making up the vast majority of private household workers while men held virtually all construction, technical, and manufacturing positions. Income gender gaps increased with education levels, with a 23% gender gap among those with university degrees, and an average gender wage gap of 17% overall.[80]

Given the virtual absence of recent detailed data on the status of women in Cayman, it is difficult to assess the extent to which heavy reliance on the financial services sector affects women's life chances. However, as with Guernsey, late admission to CEDAW and the lack of discernable emphasis on eliminating gender gaps in Cayman suggest that there is little accountability for women's existing inequalities. When CEDAW was extended to Cayman, the government initially expected that it would be participating in the UK's next periodic review. However, there is no mention of it in those documents to date.

Cayman's responsibilities for the gender impact of its international financial services:

Worldwide, women are underrepresented in the financial services sector. However, it does not appear that growth of the financial sector and related professions and services in Cayman have contributed to reducing gender income inequalities. The 2009 Labour Force Survey found that the majority of those earning in the two lowest income brackets were women. It was reported that 83.3% of those earning less than $800 per month were women and 63.5% of those with less than $1,600 a month were women, while men received 65.5% of incomes over $7,200 monthly.[81]

In addition to promoting the development of the financial sector in Cayman, the government is also establishing a special economic zone (SEZ) with unique features. Because Cayman collects no taxes at all, the incentives available to those investing in the Cayman SEZ include exemptions from import duties, fees, and work permit payments.[82] The expectation is that this special zone will be able to take advantage of low cost labour and retain profits in untaxed entities in the same jurisdiction.

While Cayman women wait for their government to take meaningful steps to promote gender equality more effectively, however, the use of offshore tax havens appears to be increasing. In 2016, it was reported that 73% of all Fortune 500 companies used tax havens, collectively operating 10,366 subsidiaries among them. Some 58% of those companies had subsidiaries registered in either Cayman or Bermuda, and booked profits there at 'impossible' levels.[83]

Gender Effects of UK Overseas Territories: Bermuda:

In the case of the UK and N. Ireland, as explained in the above, the impact of secrecy is exacerbated by the collective depth and strength of secrecy laws and practices provided across the network of Overseas Territories and Crown Dependencies, another of which is Bermuda.

Bermuda too suffers from the 'finance curse.'[84] A recent report by the Bermudian economist Robert Stubbs, the former Head of Research for the Bank of Bermuda, has noted that 'Bermuda's income inequality has escalated to amongst the highest in the world.'[85] A 2011 report noted that many Bermudans must hold down several low paid jobs to earn a basic income, while at the other end of the income distribution “'there are significant numbers making astronomical sums.'[86]

The status of women in Bermuda:
As in the Cayman Islands, gender equality data and specific data measuring gender gaps are scarce. Thus Government accountability to Bermudan women appears to be extremely limited.

Bermuda’s responsibilities for the gender impact of its international financial services:
Women account for well over half of the Bermudan adult population. Women’s economic opportunities are disproportionately harmed by the impact of Bermuda’s financial secrecy policies and by weak commitment to meeting its human rights obligations. This is clearly illustrated in the Overseas Territories Joint Ministerial Council 2016 Communique, which incorporates Bermuda’s position in its statement on the nature of the Overseas Territories commitment to Human Rights. It notes that the parties 'discussed our resolve to continue to promote respect for human rights' and agreed 'to work together to achieve progress in the extension of core Human Rights conventions where these have not been extended and to conduct a review of reservations against core UN human rights treaties ahead of the UN Periodic Review of the UK in Geneva in 2017.'[87]

However, the commitment to human rights -- including to CEDAW – appears to lack resolve, particularly given the level of financial secrecy offered in the Territory. The ABC of Transparency table above illustrates Bermuda’s continuing high level of financial secrecy, especially in the case of the provision of online access to information on beneficial owners of Companies and of Partnerships with Limited Liability. The Bermudan deputy premier defended their position in 2016, saying that there is 'no public right to know anybody’s private business.'[88] The absence of online access to a beneficial ownership registry makes it impossible for regulatory and law enforcement agencies to identify the beneficiaries of illicit financial flows, thereby preventing them from tackling loss of government revenues at their point of origin.

The UK and NI ‘Tax Gap”: Persistent tax compliance and enforcement problems:
The Tax Justice Network and the BEPS Monitoring Group have written extensively on the OECD’s so-called 'Base Erosion and Profit Shifting'(BEPS) project to tackle tax cheating by multinational companies. It has also discussed alternative approaches, including the United Nations approach,[89] which is technical in style and cautious in approach, but identifies a range of issues in which the BEPS process has failed to protect lower-income countries from an estimated $500 billion of annual revenue losses due to multinational corporate tax abuse. The mechanisms to avoid taxes, including the creation of multiple subsidiary companies held offshore and the use of offshore bank accounts, are also used by money launderers and traffickers.

The Conservative and Unionist Party launched its 2017 Election Manifesto in May 2018 with the goal of ‘Stopping tax evasion’: 'We have taken vigorous action against tax avoidance and evasion, closing the tax gap -- the difference between the amount of tax due and the amount collected – to one of the lowest in the world.’[90] It is not clear how this can be done, given the persistent under-resourcing of Her Majesty’s Revenue and Customs (HMRC).

In 2016, Tax Justice Network and the Public and Commercial Services Union (PCS) launched a report which charts the series of internal reorganisations and restructuring programmes undertaken since 2005. The 2016 proposals formulated by HMRC management, *Building our Future*, which will introduce a new digital system, are the most radical and far reaching changes proposed so far.[91] The report found that the resource implications of the changes would see redundancy for thousands of employees as 170 HMRC offices are closed and moved further away from those they serve. This in itself has significant implications for taxpayers who need to attend HMRC offices and rely on public transport, have child or other care responsibilities, or have other specific needs.

Of more significance is meeting the Conservative manifesto pledge in tackling tax avoidance and evasion. As the TJN/PCS report notes, '[y]ears of austerity, coupled with several high-profile tax avoidance scandals have put tax collection high on the political agenda.' It begs the question why HMRC and the UK Government would inflict such 'self-harm' upon its ability to secure increase tax revenue.

HMRC claim that their performance on corporate income tax is 'uniquely good' because revenues lost to corporate tax avoidance in 2016 are estimated at £3.7bn, less than '1% of the UK's actual tax due from all sources.'[92] This estimate is radically lower than in an earlier tax gap report, which had calculated estimated annual revenue losses on the order of £120bn using established estimation methods.[93] In contrast, however, the 2016 estimation started 'from the assumption that companies are declaring the correct amount of tax.'[94] and only counted as evidence of tax avoidance information 'found…on those tax returns.' But as HMRC itself admits, 'most tax avoidance is hidden' and thus is not easy to discover with reduced staffing and loss of HMRC institutional knowledge and expertise. This approach to monitoring the 'tax gap' in turn appears to have contributed to the UK Government's decision to reduce spending on social protection services – services that are disproportionately relied upon by women.

IV 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 complete at the present time. But it is clear that countries that provide financial secrecy and legal tax reduction services to wealthy individuals and entities on the terms associated with the UK and its Overseas Territories and Crown Dependencies and due to profit shifting directly harm women in the UK as the domestic tax base is eroded. In addition, the trust as a legal entity and profit shifting standards substantively harm women and economically vulnerable populations living in countries affected by 'upstream' and 'downstream' investor, multinational, and investor operations designed to take advantage of their trust and corporate accounting laws.

Both UK resident high net-worth individuals and multinational corporations exploit the availability of low or zero tax rates in the Overseas Territories and Crown Dependencies, and both the constitutional and historical financial sector links ensure easy access to financial secrecy and low tax rates which are to the detriment of the rights of women and to the State party's obligations under CEDAW.

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