

The Senate hearing on tax havens

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I like the report on the Senate Hearings on tax havens yesterday from [Reuters](#).

Take this for example:

Michigan Sen. Carl Levin, senior Democrat on the subcommittee, said the report "blows the lid off tax haven abuses that make use of sham trusts, shell corporations and fake economic transactions to help people dodge taxes."

And the language is pretty unambiguous, which I applaud. For example:

In the latest foray by congressional investigators into the murky world of offshore tax avoidance, the subcommittee heard testimony from New York health care heir Robert Wood Johnson IV and from Hollywood media mogul Haim Saban.

It's pleasing to see such criticism implicit in the reporting.

Of course, those whose activities are being exposed say the findings are biased. But perhaps the best reported question was targeted at the vendor of one scheme, of whose answers it was said that:

members of the committee were skeptical. Republican Sen. Susan Collins, of Maine, said the IRS had concluded the POINT transactions were not legitimate tax shelters and questioned how Greenstein could continue to defend them.

"I don't know how you can sit here today and say that you still view the POINT strategy as a legitimate one when it has been rejected by the IRS," Collins said.

They were right to be sceptical. Like most in the offshore world, the vendors of these schemes are in denial of the truth, hiding behind smokescreens of claimed legitimacy provided by lawyers at a very high price. As is reported of Haim Saban, purchaser of one scheme (who paid \$50 million for it - so you can imagine how much tax was at stake) :

When presented with the POINT deal in 2001, Saban said he relied on a tax adviser as to its propriety. "I just said ... is it kosher and can we get a reputable firm to say so?" Saban told the subcommittee, adding that he did get that assurance.

Some years ago [Prem Sikka](#) of [AABA](#) coined the term 'the pinstripe mafia' to describe the actions of the professional firms who engage in these activities to give them the veneer of legitimacy they require. Here it is being exposed. And the real need is for the supply of such services to be closed down. Then people would stop using tax havens. This is an onshore problem as well as an offshore one.

I'm waiting to hear the UK's professional institutes of accountants and lawyers stand up and say helping offshore structures is not considered ethical conduct. I'm not holding my breath though.