TJN USA reaction to G20

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TJN USA has issued a statement following the G20:

*We are heartened by the G-20's renewed commitment to cleaning up tax havens, building on the progress that it made at the London summit last April. However, we are concerned that the G-20 really needs to do much more to translate this commitment into reform. *

While the G-20 communiqu?© states (para. 15) that its "commitment to fight non-cooperative jurisdictions has produced impressive results," in our view, it relies excessively on the OECD's Global Forum on Transparency and Exchange of Information. That program, while helpful, has so far been limited to requiring tax havens to agree to provide information "upon-request." As experience has shown, this approach is costly, time-consuming, and a very poor deterrent.

We would like to see the G-20 apply more fundamental solutions. As discussed in our September 5, 2009 letter to the G-20's Working Group Two, these include:

Ã”Ã‰º Automatic information exchange;
Ã”Ã‰º Stricter reporting requirements for the ultimate beneficial owners of trusts and corporate accounts;
Ã”Ã‰º Country-by-country financial reporting, to curb the massive global corporate transfer pricing abuses that are occurring through havens;
Ã”Ã‰º Stricter codes of conduct for the "global haven industry" — the banks, law firms, and accounting firms that profit handsomely by actively enabling their clients to evade taxes

*We welcome the fact (para. 42) that the G-20 recognizes the importance of dealing with illicit financial flows of all kinds from developing countries. The global haven industry provides the platform for all these flows. *

*It is important to emphasize just how large and profitable this industry is — even in these hard times. By our estimates, at least $11 to $15 trillion of private assets are sitting offshore, invested by way of tax havens, and paying little or no tax back home. *

*The recent UBS case in the U.S. demonstrated that wealthy countries are being victimized by the use of offshore havens. But the victims of this under-regulated system also include developing countries, which account for more than half of all untaxed offshore assets — almost all of which have been invested in First World banks and stock markets. This costs developing countries at least $100 billion of lost tax revenue per year. *

*James S. Henry, Board Member of Tax Justice Network, commented: *

“Unfortunately, so far, the G-20’s bold rhetoric on the tax haven issue — “ending bank secrecy” (4/09) and “fighting non-cooperative jurisdictions” (9/09) — hasn’t been matched by its actions. Especially at a time when we are asking developing countries to spend tens of billions a year to reduce their CO2 emissions and mitigate the impact of global warming, we should be seeing much stronger leadership on this issue. So long as the global haven industry is permitted to continue business as usual, the G-20’s business with respect to tax havens will remain unfinished.”