

## What tax havens do in 2015?

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I took part in [a BBC programme entitled](#) 'Why do Tax Havens Still Exist?', broadcast this week.

My argument was that tax was not the primary reason for their existence anymore and that, to some extent, measures designed to tackle this issue, in no small part designed by and introduced under pressure from civil society, have already had some impact on this aspect of their existence. What I instead argued was this ([taken from the BBC web site for the programme](#)):

*"Tax havens are now serving a different purpose from tax abuse. The tax abuse is to some degree, in some of them certainly, virtually history, and it certainly isn't why large companies are now using them.*

*"Regulation is still stacking up in favour of large companies hiding away from view in these places, so they can get away, commercially, with lower costs than they could otherwise achieve.*

*"Let's be clear about what tax havens or secrecy jurisdictions mean when they say they have complied with regulation. The regulation that takes place in a tax haven is different from the regulation that might, for example, take place in the UK or Germany.*

*"In countries like the UK, if we say something is regulated, it takes place here and is regulated here. The characteristic of a tax haven is the transactions that are recorded there take place elsewhere. That means that whilst the tax havens are very good at regulating what takes place within them, the truth is that almost nothing takes place within them.*

*"Suppose we have a company that is registered in the Cayman Islands, but which trades in the UK. If the UK wanted to ask a question about that company, first of all it has to find a good reason why it needs the information, and secondly the Cayman Islands have to have a good reason to link that company to the UK.*

*"But if you're trying to actually open up the fact that there is a trade recorded in*

*Cayman but happening [in the UK], you've got to be able to identify both ends, but the whole structure of it is designed not to. And also Cayman, when it undertakes its regulation, only asks about what happens in Cayman.*

*"Successive governments have believed it worthwhile for the City of London - and, bluntly, Wall Street - to have the advantage of having part of their activity beyond regulation, so that they could compete in ways which are considered to be innovative and which make money for the world financial markets beyond the regulatory environment.*

*"It is down to politicians to decide: is that a risk still worth taking? They've got to take on the vested interests in their own jurisdictions, the large companies and so on who still use tax havens."*

What the quote does not make clear is that the risk of not taking action is, of course, that 2008 repeats itself.

Margaret Hodge also took part in the programme, also suggesting use would decline for tax reasons in the face of pressure already taking place.

The other participants were Anthony Travers from the Cayman Islands Monetary Authority and Jamie Whyte from the pro-market fundamentalist ACT party in New Zealand.

Travers talked predictable nonsense coupled with an admission of what I was saying. He said:

*The reason why corporations go to the Cayman Islands is not necessarily to avoid tax. [They] will pay taxes in the jurisdictions in which taxes are due to be paid. Corporations, particularly hedge funds, that trade out of the Cayman Islands domicile there for various other reasons relating to quality of the legislation, stability, absence of intrusive regulation.*

First, there is no guarantee at all that tax haven companies will pay tax elsewhere: Google continues to prove the point, so that claim is wrong.

Second, he agreed that it is now the absence of regulation that matters. Tax havens are creating the wild west for finance, not by chance, but entirely deliberately.

Jamie Whyte admitted the key point in their reason for doing so, saying:

*I celebrate the anti-democratic aspects of tax havens.*

Explained contextually as:

*Of course it's not democratic: the mob far outnumbers you. But until quite recently, no*

*theorists of democracy ever believed that it should be untrammelled, that simply because a majority of people want your money they have a right to it.*

I think you have to admire his honesty. At least he says what those who provide services via these places - including all the big banks and big four firms of accountants - will not admit, which is that they are seeking to undermine the choices made by democratic states and take capital out of their regulation so it can roam free as it pleases, ignoring the will of the world's people as it does so.

This is where the frontier of this debate now is. Tax may have been the starting point but now it's a fight for democracy, the rule of law, the power to regulate and the survival of society as we know it.

The cards are face up on the table.