

The five part test companies need to pass on tax havens...

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Some fairly simplistic calls for the government to not give bailouts to companies using tax havens are continuing. I wholly understand the sentiments but the issues are complex, not least because just what a tax haven is has been an issue subject to much dispute. I have written two books on the issue and can honestly say the answer is 'complicated'. The rights of employees have also to be respected as well: there is no one issue in play here.

The Tax Justice Network has recognized this and has written a good five-part test on bailouts for companies using tax havens. [This is it:](#)

*** Does the corporate group have one or more subsidiaries in one of the top 10 ranking jurisdictions[2] on the Financial Secrecy Index or the Corporate Tax Haven Index?**

If so, the corporate group must publish full country by country reporting by the end of 2020 in line with the Global Reporting Initiative's standard[3] to demonstrate presence in the jurisdiction is for legitimate business activity and not for the purpose of reducing tax obligations elsewhere. Otherwise, the corporate group should be disqualified from receiving a bailout. If not, policymakers can proceed to the second check.

The Tax Justice Network has urged governments to rely on the Financial Secrecy Index and the Corporate Tax Haven Index instead of national or regional tax haven lists like the EU's non-cooperative blacklist as the latter have repeatedly proven to be too political and weak to be effective in tackling tax abuse. All iterations of the EU's blacklist since the first list in 2017 have never covered as much as 10 per cent of the world's financial secrecy services.

*** Has the corporate group participated in any financial scandals or tax scandals such as the LuxLeaks, Cum-ex or been judged to have received illegal state aid?**

If so, the corporate group should be disqualified from receiving a bailout.

*** Has the corporate group published online its most recent accounts for all legal entities in the group, including full country by country reporting in line**

with the Global Reporting Initiative's standard?

If not, governments must make it a condition for bailout recipients to do so by the end of 2020. If the condition is unmet by the deadline, the bailout money should be returned.

*** Has the corporate group published information on who the beneficial owners and legal owners are of all its legal vehicles and the complete corporate structure of the group?**

If not, governments must make it a condition for bailout recipients to do so by the end of 2020. If the condition is unmet by the deadline, the bailout money should be returned.

*** Has the corporate group committed to employee protection and to no shareholder extraction until rescue loans have been paid back in full and corporate group has returned to profitability or become insolvent?**

If not, the corporate group should be disqualified from receiving a bailout. Bailed out companies, at the very least, must commit to not firing employees that need to be self-quarantined or hospitalised and to pay all staff a living wage at minimum until full repayment of bailout funds or insolvency of the company. Bailed out companies must not distribute any dividends, buying back their own share capital and converting other shareholder equity reserves, such as share premiums, into bonuses for shareholders until the company has paid back in full its rescue loans and returned to profitability.

I think that building a test for bailouts around these ideas, which include programmes for positive reform as well as simple blanket bans, makes sense.