

How do tax havens work?

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In this third video in [a series on tax havens](#) I look at how tax havens work.

As I explained in [the first video](#) in the series, the key to understanding tax havens is to understand that their primary product is not now tax abuse, but a more general abuse of the regulation of other countries. Key to that process is secrecy.

This understanding gave rise to my theory, first published in 2009, of how tax havens really work. That understanding has underpinned much change in regulation since then and is reflected in the work of a number of authors, including that of Nick Shaxson, who wrote the best-selling 'Treasure Islands'.

My theory is based around how the users of tax havens try to get around regulation by moving the recording of transactions from the place where they really are, and might usually be regulated, ('here', as I describe it), to either another identifiable place that should regulate them ('somewhere', as I call it), or to a place that does purposely not disclose that it may be regulating the transaction ('elsewhere' in my description, which refers to most tax haven activity), or to the ultimate goal of the tax haven user - which is 'nowhere', meaning that the transaction is knowingly not regulated anywhere at all.

Understanding these stages of separation is key to understanding how tax havens work. I explain how in this video. [The paper in which the thinking was first explored is here.](#)

https://youtu.be/jL__2onIVYI