

Why are so many well known firms of accountants still o...

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The Pandora Papers continue to draw attention to tax abuse. As [I mentioned yesterday](#), the real need is to mention solutions though.

We have known what these are for a long time. In January 2007 I wrote a series of blogs on key issues in tax justice that were published whilst I was on a trip to Santiago - the furthest I have ever been to discuss tax justice. The [first was on the need for transparency and said](#):

Tax justice means being in favour of transparency. This requires that:

- a. All company details are available for inspection free of charge, wherever the company is incorporated in the world. This would include details of its constitution, ownership, management and accounts. This requirement would extend to all other entities created by law including charities, foundations, trusts, partnerships with limited liability as well as material entities run by individuals and partnerships without limited liability;*
- b. The use of all nominee arrangements whether for ownership or management to be banned;*
- c. All groups of companies to disclose the accounting information referred to later in this paper;*
- d. All tax accounting to be made available to tax authorities;*
- e. All tax disclosure to be consistent and to be made on the basis that all 'cards are face up on the table'.*

Being in favour of transparency means that we are opposed to secrecy. Secrecy includes:

- a. Tax havens;*
- b. Unpublished accounts, constitutions, membership information and management details for all entities created using statute law;*
- c. The use of nominee;*
- d. Banking secrecy when used to prevent tax disclosure;*
- e. Trusts when used to create tax advantages or to recreate the effects of banking secrecy laws;*
- f. Inconsistent or incomplete tax disclosure;*
- g. Non-disclosure of tax accounting by legal entities;*
- h. The use of consolidated group accounts to hide offshore and other transactions of which the group may not wish its shareholders and others to be aware.*

Another was on the curse of tax competition, [which still enables tax abuse](#):

Tax justice means being in favour of tax cooperation. This requires that:

- a. Automatic information exchange on income earned in one country attributable to a taxpayer in another country;*
- c. An assumption that all income is taxable giving rise to cooperation to tackle tax arbitrage;*
- d. Confidential intolerance of states that will not cooperate on taxation matters;*
- f. Development, where appropriate, of international bases of taxation to assist mutual tax collection.*

Being in favour of tax cooperation means that we are opposed to tax competition. Tax competition includes:

- a. Offering incentives to encourage the artificial relocation of transactions to a territory;*
- b. The ring-fencing of taxation benefits from local populations;*
- d. Refusal to share tax information in taxation rates;*
- e. Refusal to recognise tax evasion as a crime;*
- f. Non-cooperation on the recovery of tax debt;*
- g. Encouraging the non-taxation of capital.*

And perhaps the last worth sharing was published after the series of blogs was complete but explained who the enablers of abuse were, [who I called the corruption service providers](#):

Having mentioned 'suppliers of corruption services' in my blog ['Pause for thought: Santiago'](#) I guess I should be explicit as to what I mean.

Current definitions of corruption, largely promoted by Transparency International and heavily used by the World Bank as it suits Paul Wolfowitz's style to focus on a definition of corruption that highlights only those who use such services, are demand focused. In other words they look at those, particularly in the public sector, who abuse the trust placed in them by the public.

The supply side of the corruption debate focuses on those who let this happen. These include:

1. Those governments who supply the secrecy spaces in which corruption can take place, which include (but by no means exclusively) the recognised tax havens;
2. Those who supply the services that allows such corruption to happen including the bankers, lawyers, accountants and trust companies who set up and operate such arrangements;
3. Those who undertake illicit transactions related to capital flight and tax abuse;
4. Those who ignore such transactions in the course of their duties.

I do not for one minute condone the petty (and no so petty) demand side corruption which dominates the current world view of corruption. But an abuse of public trust need not take place only in the public sector. It can extend to the private sector, where the public are as much a stakeholder as they are in the public domain, and pay a higher price as a result of that corruption, just as they do when tax revenues are stolen. In addition, all tax evasion and (I think) all tax avoidance is corrupt, the latter precisely

because it seeks to avoid the obligations of the law.

Part of my reason for being in Chile is to deliver this message. When we redefine corruption we'll change its geography and will recognise that within our own communities as well as that which takes place elsewhere. Corruption is a cancer eating the credibility not just of governments, but the credibility of the market system as well. If you believe in either, or as I do in both, then to accept a definition of corruption that extends to the supply side as well as the demand side is essential.

I share these three blogs for good reason. They show that we have known what facilitates tax abuse for some time. It is a lack of transparency.

We have known too that this is chosen: a political philosophy enables opacity.

But third, this does not happen by chance. Tax abuse happens because people set out to sell it, and the gullible then buy it. As I said in 2007, we need to cut off the supply.

I think that the argument for transparency has been won, although the delivery is incomplete.

I also think that the argument against tax competition has been won, which is why I support the OECD's latest global tax deal that helps deliver on this issue, although again the delivery is far from complete as yet.

What has not been won is the issue with the suppliers of corruption services. The banks and [big firms of accountants are all still in tax havens](#), still providing what I would still describe as corruption services.

As [I noted yesterday](#), what the Pandora papers refer to is essentially old news: we know this stuff is happening. What would make a difference would be if the highlighting of this issue led to many more questions as to why the Big 4 accountants, their smaller competitors in that profession and so many banks whose names also appear on the UK High Street still think it acceptable to work in the places that themselves supply corruption. That is the question to ask on this issue, but so far it is hardly hitting the media, who are concentrating on the users and not the suppliers of these services, which I think to be the wrong focus. These firms:

- * Aid and abet tax haven governments in the creation of the secrecy space in which tax havens operate;
- * Exploit that secrecy space for gain;
- * Turn a blind eye to the consequences of doing so, because they would not be there otherwise.

It's time that they were held to account for this.