

## Do tax havens still matter?

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Tax havens - or secrecy jurisdictions - are an abomination on the global economic landscape that should have been consigned to history long ago.

<https://www.youtube.com/watch?v=B7tgBaPIACA?si=cPYbhzRNuUW34pkp>

This is the audio version:

[https://www.podbean.com/player-v2/?i=z6ybh-18d6825-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo\\_link=episode\\_page&btn-skin=c73a3a](https://www.podbean.com/player-v2/?i=z6ybh-18d6825-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a)

This is the transcript:

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Tax havens matter. They threaten the world's economies. They threaten our democracies. They encourage inequality. They undermine fair competition. They permit abuse and illegality. If that isn't what worries you, it does worry me.

I spent a decade of my life, from about 2003 to 2013, working almost entirely on the abuse that tax havens created. As a consequence, I helped co-found the Tax Justice Network, although I am no longer involved with it.

As a result of that work, I promoted changes which have now been enacted in law in up to 80 countries around the world.

The consequence is that we shattered some of the secrecy that these places promote, but the reality is that secrecy remains, abuse is continuing, and tax havens still matter. So we need to talk about this issue.

Tax havens or secrecy jurisdictions are places that go out of their way to help people hide data. Now, before I renamed tax havens as 'secrecy jurisdictions', which is a term now widely used around the world, and for which I think I can claim fair credit, most people thought that tax havens were just about the fact that people hid money from the view of tax authorities in these places. But that wasn't true. There was much more to tax haven activity than that. And by renaming them as secrecy jurisdictions, what I sought to do was to draw out into the open the fact that tax havens hide a whole range of illicit activities from inspection by those who need to know about it.

It's not just income that is hidden from view, of course. It is also wealth that is hidden from view, and that matters when it comes to some taxes, but it also matters with regard to the fair operation of many other areas of law.

For example, divorce settlements require the parties to know exactly how much wealth each person in the marriage has, but tax havens have been used to hide that information.

This has also been the case with regard to inheritances, where money hidden in tax havens has been used to bias one offspring over another, or whatever else it might be.

And of course, tax havens have been used to hide law-breaking from view, whether that be with regard to tax, whether it be with regard to criminal activity, or money laundering; all of those things have taken place in tax havens.

And what this highlights is the fact that tax havens or secrecy jurisdictions, are not just about money. They're about power. They're about people seeking to avoid the power of the state where they really live. And this point is particularly important.

We have to understand that tax havens work by trying to divide reality into silos.

There's the place where the person lives, and the place where the person hides their money, whose regulation they seek to use to prevent the place where they live knowing about what they're really up to, and this is a key idea in the tax haven world. We have degrees of separation from reality that are created by the possibility of using not just one tax haven to hide transactions, but to hold tiers of them, using totally different structures in each one.

So these places are used to threaten democracy, and they're used to threaten transparency.

And, remember that transparency is key to the smooth operation of markets. So, whenever you hear someone saying that tax havens are fundamental to the smooth

operation of international capitalism, they are talking nonsense because international capitalism requires open access to data if it is to work, and tax havens exist to do the exact opposite.

That's why the word tax haven wasn't good enough. In part, that was because the words sound almost like a good thing. In French, it's fiscaux paradis. Who wouldn't want a bit of tax paradise, after all? But, of course, that isn't what tax havens provide. What they permit is abuse by some at cost to many, and that's why I emphasised the role of secrecy when I began to talk about these places.

They literally create legally engineered places for people to hide.

They're not neutral or passive actors as a consequence. They are active agents in the deceit that people undertake, as are the people who populate these places and who provide what I call the 'secrecy services' on which these people who use secrecy jurisdictions depend. And those people are called lawyers, accountants, and bankers. Together they create the 'secrecy space' that a secrecy jurisdiction, together with these 'secrecy providers' creates.

And what does a secrecy jurisdiction do? Basically, it guarantees that a person who is not resident there, but who uses its facilities, is not regulated.

Nor are they taxed.

Nor do they have to disclose their activities in many cases, and sometimes mechanisms are put in place to ensure that even the legally enforced requirement to share data on their activities can be circumvented, and those who make inquiry will have enormous difficulty finding out what is going on.

That, these days, partly because of what I was involved in doing, is harder if the inquiry comes from another government. But if it's from anybody else, you have no chance of finding out what goes on in a tax haven. And all of this is deliberate. None of it is accidental, and the consequence is that secrecy jurisdictions are still fundamental to tax evasion and tax avoidance.

Now, I would agree that there is less tax evasion, particularly from places like the UK, taking place through tax havens these days. And the reason for that is quite simply because tax authorities can now access some information in tax havens that was impossible to secure when I started my work in 2003. Quite simply, it was beyond reach, and now it's within reach, and that has made tax evasion harder, but it has not prevented the use of these places for tax avoidance, and it has not prevented the use of these places by people from developing countries where the chance of making successful inquiries from tax havens is very low indeed.

So corruption and kleptocracy are encouraged by tax havens.

Ownership is also hidden by the use of tax havens, where it is very commonplace for something like a trust, which has no settlor and no named beneficiaries, to own a company, which is then operated by a person who lives in another country to disguise the fact that they have any association with the activity that the company in question undertakes.

This allows profits to be artificially relocated from what is called onshore - that is a regulated country - to offshore, which is an unregulated country.

Don't think offshore has anything, by the way, to do with small islands with lapping seashores against palm trees, or anything like it; Lichtenstein is a tax haven, and it is double landlocked. So the term offshore simply relates to the fact that transactions in tax havens are not regulated onshore.

The consequence of the existence of secrecy jurisdictions is pernicious.

They deliberately set out to undermine public trust and the rule of law.

They intend to rob countries of the taxation revenues they need, and remember that in the case of developing countries, taxation is fundamental to funding the supply of most public services because they cannot work in the way that most developed countries can by funding their own activities through money creation. The consequence is that public services suffer everywhere in some way or other.

And corporate competition is also distorted. Those companies who are best at using tax havens secure an unnatural economic advantage from the abuse of law, which gives them the opportunity to make a profit that is not available to their competitors. This unethical distortion of the terms of trade destroys fair competition.

We also see growth in illicit financial flows as a consequence, and they are exceedingly destabilising for the world economy, not least by creating hot money that flows quickly around the world to wherever interest rates are highest and that destabilises the financial systems of countries as a consequence.

In the meantime, legal systems are bypassed entirely and therefore undermined, and secrecy fuels global inequality.

Now, I'm not pretending we haven't made progress. Let's be clear, we have. Automatic information exchange from tax havens to countries like the UK now happens, even though I was told in June 2009, in a meeting at the UK Treasury, that it would not happen in my lifetime. The work that I undertook after that meeting did help produce that outcome, and in 2017, automatic information exchange from tax havens to countries like the UK, and France, and Germany, and the USA, and so on became a norm.

In the meantime, leaks of things like the Panama Papers have helped expose what is

going on in these places.

And the work that I and others did in NGOs clearly shifted debate, most particularly at the 2013 G8 Summit in Northern Ireland, at which I was present.

Public awareness is now higher than ever, and that helps. So there is some gain in transparency as a consequence of everything that has happened, but let's not pretend that the issues have gone away.

Trusts are now used more commonly than companies, because trusts remain heavily under-regulated around the world.

New forms of corporate structure are being created all the time to hide who the genuine owners of legal entities are.

More secrecy tools, as a consequence, are available for people to choose from, to create layer upon layer of secrecy that is impermeable to tax authorities and those who need to know about what is going on.

And, let's not forget the fact that in some ways the world's major economies, and in particular the USA and the UK have gone backwards. Since 2016, it has become harder to discover who owns a UK company than it ever was before that date, even though, supposedly, the law makes it easier. The reality is the exact opposite of what the law intended.

And we still have a situation where the accounts on public record in the UK are far too weak, and we have no enforcement of company law in the UK, meaning that hundreds of thousands of companies a year fail to comply with their obligations to file accounts in the UK, meaning that we might as well be a tax haven in all but name, because frankly that's the thing that we supply to people. You can form a company in the UK and get all the advantages of secrecy, and there's lower cost here too.

So, secrecy has gone mainstream. We still enable this. The UK tolerates it. The US blocks global information sharing from tax havens by refusing to participate itself by supplying data on what happens in US states, which are effectively tax havens, like Nevada and Delaware.

And the EU also offers some very silent regimes. Remember Malta, Cyprus, Luxembourg, the Netherlands, to some degree, Ireland, in part with regard to corporations; all of these are tax havens within the EU, and nowhere are their full registers of trust ownership, so opacity remains very high with regard to that activity.

Meanwhile, the sanctions on secrecy are far too weak. We are seeing a situation where we, as a consequence, are suffering the costs that flow from these places.

What do we need to do? We need to publish on public record the beneficial ownership

of all legally created structures, whether they be companies, or trusts, or foundations, whatever they might be called.

We need to apply strict reporting standards for all these entities worldwide, with all of them being required to put their accounts on public record. If you use an artificial structure created by law to undertake your transactions, you must return the privilege of having that facility made available to you by being accountable for its use. It is as simple and straightforward as that.

We must penalise jurisdictions who enable continuing abuse, and we must impose sanctions on them, in my opinion, including tax withholding on payments made into those places.

And we need to make corporate reporting fairer as well, including by incorporating country-by-country reporting, the accounting system that I created in 2003, and which became a legal requirement in most of the world's leading countries, for tax reporting alone, from 2017 onwards.

This fight is about delivering justice.

This fight is about breaking the secrecy that enables the powerful to abuse most of us.

It's about ensuring that there is accountability and information to understand markets.

It's about ending the secrecy that harms us all. It's time. We closed down tax haven abuse once and for all. The fight is not over. It's worth continuing because the gain would be enormous.