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# CORPORATE SECRECY IN THE UK'S TAX HAVENS

- The Paradise Papers have once again shone a light on the role of the UK's secretive tax havens in the dirty offshore system. Anonymously owned companies, many of them formed in the UK's tax havens, can act as getaway cars for terrorists, dictators, money launderers and tax evaders all over the world.
- People around the world pay the price for the corruption these secretive companies enable: whether that's through brutal dictators clinging on to power or citizens of impoverished countries not getting education or healthcare as government budgets are stolen.
- The UK government must end its tax havens' corporate secrecy by getting them to publicly reveal their true owners. Despite previous government commitments, all we've seen are piecemeal reforms and foot dragging. The government's 'wait and see' approach is not good enough – it needs a credible plan to get them to open up.

## THE PROBLEM

Anonymous companies can act as getaway cars for terrorists, dictators, money launderers and tax evaders all over the world. Through hiding the ownership of these companies, they can be used as vehicles to launder dirty money, whilst hiding the identity of the individuals involved.

The British Overseas Territories (OTs), formerly the British Crown Colonies, are 14 island jurisdictions around the world, which make up many of the world's most significant tax havens, such as the British Virgin Islands, the Cayman Islands and Bermuda.

Anonymous companies in the OTs have been used in a range of corruption cases including:<sup>1</sup>

- Teodorin Obiang, the son of the President of Equatorial Guinea, took and spent \$38 million of his country's money on a private jet using an anonymous company based in the **British Virgin Islands**, according to the case against him made by the U.S. Department of Justice.

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<sup>1</sup> See [Global Witness' blog on our top ten corruption cases involving anonymous companies in the UK's tax havens](#)

- As part of an estimated £6 billion arms-dealing corruption scandal, BAE made payments of over £143 million through a **British Virgin Islands** anonymous company, even though it should have been aware that much of this money was likely to be used as bribes to win contracts.
- A subsidiary of Halliburton paid \$132 million to an anonymous **Gibraltar**-based company to be used, in part, for bribes for high-ranking Nigerian officials in exchange for a lucrative contract to build a liquefied natural gas plant.

More than half of the 200,000 companies that appeared in the Panama Papers were registered in just one jurisdiction, the British Virgin Islands – a British Overseas Territory.<sup>2</sup>

## SOLUTIONS

The UK government must produce and publish a roadmap and timeline for getting the OTs to establish public registers of beneficial ownership.

The most effective way to tackle anonymous companies is by revealing their true, beneficial owners. Beneficial ownership refers to the individual people who ultimately own or control companies and trusts. Making beneficial ownership information available to the public would tackle the problems of anonymous companies – helping businesses know who they are doing business with, journalists and investigators detect crime and ensuring law enforcement from other countries can access it.

The UK government is ultimately responsible for the OTs, and the constitutional position with the OTs is clear. A 2012 government White Paper on the OTs said, “As a matter of constitutional law the UK Parliament has unlimited power to legislate for the Overseas Territories.”<sup>3</sup>

Progress on transparency from the OTs has not been fast enough. They were first asked to consider public registers by the Prime Minister in October 2013.<sup>4</sup> He wrote to them again in April 2014 asking them to consult on this.<sup>5</sup> Not all of them even did that. Letters and meeting requests from Foreign Office Ministers went ignored.<sup>6</sup>

The OTs are developing private registers of beneficial ownership – or ‘similarly effective systems’. These fall far short of what is needed, in some cases the information won’t even be held centrally.<sup>7</sup>

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<sup>2</sup> <https://panamapapers.icij.org/graphs/>

<sup>3</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/12249/ot-wp-0612.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/12249/ot-wp-0612.pdf)

<sup>4</sup> <https://www.gov.uk/government/speeches/pm-speech-at-open-government-partnership-2013>

<sup>5</sup> <https://www.gov.uk/government/publications/prime-ministers-letter-on-beneficial-ownership/prime-ministers-letter-to-the-overseas-territories-on-beneficial-ownership>

<sup>6</sup> <http://www.independent.co.uk/news/uk/politics/tax-haven-corporate-tax-avoidance-uk-ministers-humiliated-after-cayman-bvi-british-virgin-islands-a6974956.html>

<sup>7</sup> For example the BVI’s Beneficial Ownership Secure Search (BOSS) System does not create a central register but relies on each registered agent to keep their own isolated database. See: <https://tridenttrust.com/knowledge/news-events/bvi-passes-legislation-to-create-new-private-government-search-system-on-beneficial-ownership-june-2017/>

Currently the UK government is monitoring the implementation of the OT's private registers, or 'similarly effective systems', and has no plans to push for further action until public registers become an 'international standard'.

The UK should not be waiting for other countries to act; it should instead be working to drive up standards in the jurisdictions it is responsible for to ensure they are not centres of corporate secrecy and to help establish public registers as the international standard.

The UK government recently successfully lobbied for a change to international rules to allow it to spend aid money on recovery and reconstruction in the OTs affected by Hurricane Irma – Anguilla, the British Virgin Islands and Turks and Caicos.<sup>8</sup> If UK aid is to be used in these territories, it is vital that doing so not only helps recovery efforts, but helps contribute to tackling poverty around the world as well. This must mean building back better, not using UK aid to finance the rebuilding of a tax haven.

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<sup>8</sup> <http://www.bbc.co.uk/news/uk-41825682>