



# TAX JUSTICE FOCUS

the quarterly newsletter of the tax justice network

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## Tax justice and the major accountancy firms

Richard Murphy

'Tax has changed dramatically in recent years. Its public profile has become much more conspicuous, it has acquired moral, ethical and social dimensions that have never been discussed before and, for these reasons, the business management issues associated with tax have become more complicated, more subtle, more steeped in risk and much more challenging.'

This statement comes from a report called *Tax in the Boardroom* issued by KPMG International in March 2005. KPMG claims that their report is a response to the series of major financial scandals in recent years, but they recognise that there is more to it than that.

'Tax' they say 'is now a reputational issue'. In support of this assertion they refer to a Parliamentary Motion tabled in the UK House of Commons by Austin Mitchell MP, which calls into question the role of accountancy firms in 'devising, marketing, promoting, implementing and concealing aggressive tax avoidance

schemes'. Austin Mitchell hosted the event in the House of Parliament in London at which TJN was launched in March 2003.

But the report also makes it clear that TJN has played a lead role in transforming tax into a reputational issue. According to *Tax in the Boardroom*:

'The emergence of pressure groups such as the Tax Justice Network in the UK is further evidence of the higher profile of tax on the wider business stage. Tax management has been the target of some emotional and, arguably, inaccurate comment in an increasingly heated debate about whether corporations are paying their "fair share" of taxes. The main point is not that the accusations are often unjustified, but the fact they are made at all.

Tax has news value now and, although often unfounded, "naming and shaming" attacks on alleged tax avoiders can damage their reputations in the eyes of important stakeholders, which can lead to sharp short-term share price falls and the unwelcome attention of more than one taxing authority.'

A number of objections can be raised concerning this statement. First, KPMG has not noticed that TJN is an international network. Second, although we have asked KPMG to specify where our approach has been either emotional or inaccurate, they have yet to respond. KPMG has acknowledged, however, that well placed, accurate, and supported criticism of a corporation's tax activities can have significant commercial and regulatory results.

KPMG is not alone in noting that tax is now firmly on the corporate responsibility agenda. One month after the release of *Tax in the Boardroom* rival accounting firm PriceWaterhouseCoopers (PWC) published *Total Tax Contribution Framework – What is your company's overall tax contribution?* which also makes it clear that they are reacting to the challenge posed by TJN.

In their introduction PWC say 'The amount of corporation tax paid by large businesses is coming under increasing scrutiny and public debate'. Like KPMG, PWC suggests that this change has arisen because of world financial scandals, and they also cite Austin Mitchell's Parliamentary Early Day Motion as a significant factor. But they explicitly acknowledge that TJN has taken the lead role in shaping the debate: 'The Tax Justice Network has put the issue firmly in the context of corporate responsibility'.

The PWC report offers advice to their corporate clients on how to counter the TJN position but does not offer guidelines on how corporations can demonstrate their commitment to corporate responsibility in tax payment. The PWC report concludes that:

'At the extreme, campaigning groups such as the Tax Justice Network are claiming that companies must make a "morally acceptable" contribution in taxes in return for the human and physical resources they use.'

This statement completely misrepresents the TJN position on tax and corporate responsibility. Responding to PWC by email I noted that:

'We are firmly of the opinion that "morality" is not the basis for a tax charge. Only law can be the basis for a tax charge... What we are saying is that when given a choice in taxation one is faced with a moral decision. To seek loopholes and to exploit them, to route a transaction through a tax haven or not, to create a corporate structure that benefits shareholders unjustly or to disguise the true nature of a transaction (as I think we should agree is commonplace) are all choices which may take place within a legal environment. But all are value laden.

... when a plan is concocted purely to achieve a tax savings then that is not, in our opinion, ethical (or moral, if you want me to be consistent in the

use of language). This is where the "moral" test is applied and that's quite different from what you imply our position to be in your publications and on your web site.'

PWC have held three seminars in London in May and June 2005, charging £750 (€1100) per person. The sales pitch for each three hour seminar starts with their mis-statement of our position, and attributes it to us. According to PWC the reason for attending these seminars is that

'In this changing landscape, there is a need for Heads of Tax to develop their understanding of corporate responsibility and to consider whether and how corporate responsibility should influence their approach to tax going forward.'

*Tax in the Boardroom*, March 2005, KPMG International. This paper can be downloaded from the KPMG website ([www.kpmg.co.uk](http://www.kpmg.co.uk)) and contributions to the debate can be emailed to: [taxintheboardroom@kpmg.com](mailto:taxintheboardroom@kpmg.com)

*Total Tax Contribution Framework: what is your company's overall tax contribution?*, PriceWaterhouseCoopers ([www.pwcglobal.com](http://www.pwcglobal.com))

## Editorial

The Tax Justice Network has observed a momentous shift in attitudes on taxation and Corporate Responsibility (CR) over the last year.

As two of our articles demonstrate – those by Donna Kennedy-Glans and Michael

Solomon on pages 8 and 9 respectively – taxation issues are fast becoming a crucial element of the CR agenda.

And as our leader articles shows, key players in the tax planning industry are responding seriously

to TJN advocacy on questions of ethical tax policy.

Our Campaign Digest profiles a selection of the innovative campaigns and actions that are playing an essential role in shifting attitudes and raising the profile of tax justice issues.

## Campaign Digest

### Austria: campaign for tax justice

Nonno Breuss

On 18 May, Attac Austria launched a *Tax Justice* campaign with simultaneous press conferences and direct action in four of Austria's main cities. Over the preceding months, local groups had been campaigning on the link between budget restraints in local communities and the global issue of tax justice.

A 15 minute animated film on tax justice issues has proved very popular, and the video has already sold out. Since the campaign on tax justice began, Attac Austria has been invited to appear on the principal TV station twice to discuss the 'race to the bottom' in European tax legislation with former EU commissioner Franz Fischler.

On the same day that Prime Minister Dr. Schüssel was awarded a 'silver bear' by the European Tax Payers Association, Attac Austria met Minister Molterer, representative of his cabinet, to award him a 'silver dagger'. Although the minister declined to take his trophy home, he was confronted by groups concerned over the recent tax cuts introduced for TNCs.

Attac Austria has since been planning for the next direct action: a live showing of the 'race to the bottom' in the centre of Vienna on 27 June. The group will continue working, at both the academic and grassroots levels, to encourage a proper public debate on tax policy.

### Belgium: demonstration against tax havens

Jean Merckaert

On 17 June, dozens of demonstrators gathered in front of the Stock Exchange in Brussels, where the European Council of Heads of State meeting was taking place, to demand that they take urgent measures against tax and judicial havens.

The demonstrators – including representatives from the Belgian coalition for tax justice, Attac, and the French coalition *2005 : plus d'excuses !* – claimed that tackling tax dumping, tax evasion, trusts and banking secrecy were all essential if the EU is serious about delivering on the Millennium Development Goals.

Demonstrators drew attention to the role of tax havens in facilitating corruption and the misuse of aid, and stated that developing countries lose at least US\$70 billion every year because of havens – which exceeds the figure needed to halve extreme poverty by 2015.

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### Finland: the rise and fall of the Töölolahti tax haven

Jorma Penttinen

On 11 June, Finland joined the tax haven family when the Töölolahti tax haven was opened in the heart of Helsinki. Around a small fake island, Attac Finland organised an action where the tax haven companies and wealthy individuals presented their views on Finland's tax policy and explained what facilities a tax haven can offer.

The parody succeeded beautifully. The media interest was great before the event, the major Finnish television network filmed the event for one whole day (there will be a special programme on tax havens), and hundreds of passers-by listened to the tax haven promoters. The Attac film crew was also documenting the event.

Töölolahti offered fake academic titles, perplexing book-keeping services, and extremely creative tax counselling. For those with a limited sense of humour, there were facts and figures on how tax havens impact on the world economy and what it means to those 'little people' who still pay taxes.

On 12 June, the Töölolahti tax haven disappeared in a mysterious way and the assets of 460,000 companies and wealthy individuals vanished into the waves of Töölolahti Bay. The webpages of the Töölolahti tax haven at <http://www.attac.fi/toololahti> are still functioning if you want to know more, and those pages will be updated regularly. Later there will be video clips and pictures of the event.

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### Spain: tax haven campaign a media and advocacy success

Juan Viguera

Attac Spain has continued running a busy campaign against tax havens, with lots of events taking place throughout the country organised mainly by local groups.

On 3 March, the national coordinator of the tax havens campaign was on a panel of leading activists at a meeting on the International Social Forum at the Ateneo de Madrid, speaking on 'the abolition of tax havens' and the TJN Declaration.

Throughout 2005, Attac-Seville has organised a series of monthly conferences in the University of Seville on the theme *Citizenship facing Political Power*; on 17 March, Juan Viguera (national coordinator for the tax havens commission and TJN Spain) spoke on 'why tax havens are harmful to economy and democracy'. On 22-23 April, the NGO SETEM organised a series of conferences in Madrid on *Ethical Finance and Alternatives*; the Attac representative spoke on 'can offshore finance be ethical?'

In April in Getafe, an industrial town in the outskirts of Madrid, the local Attac group ran a workshop on Financial Crime and Tax Havens which was attended by many trade unionists. In May, the local Attac group in Albacete organised a public event on Financial Globalization and Tax Havens.

Rounding off the national campaign, the first interdisciplinary conference on The Abolition of Tax Havens took place on 26 May. Speakers included the former Special Anti-corruption Prosecutor Carlos Jimenez Villarejo; Juan Hdez. Viguera from Attac-Spain and TJN Steering committee member; Pere Moles, Tax Inspector; and Nuria Almidón, University lecturer on Communication and author of the book 'Juicio al Poder, el pulso de la justicia con el BSCH'.

Media interest in the national campaign has been very encouraging. In April, a press conference with three representatives of Attac Spain and the President of Professional Tax Inspector Association was well attended by leading journalists from Spanish newspapers (such as *Expansion* and *Cinco Días*) as well as the Madrid correspondents from the *Wall Street Journal* and the *Financial Times*.

In April, Attac Spain presented the Ministry of Economy with a pack of documents which included four thousand signatures protesting against tax havens, a manifesto based on the Attac campaign signed by around one hundred well-known Spanish-speaking writers and artists, and a set of proposals which would effectively ban offshore companies from operating within Spain. CNN-Canal Plus covered the story with a five minute TV report. The business supplement of *El País* (one of Spain's leading newspapers) carried a long comment by its leading economics correspondent on tax havens and money laundering. The article mentioned the Attac campaign and outlined some of the negative consequences of tax havens such as damage to national taxation systems and enabling the laundering of proceeds from drug trafficking and other crimes.

Looking ahead, Attac Spain will continue to build a dialogue with high-ranking officials from the Economy Ministry and will keep a watching brief on the government's response to the issues raised by the campaign.

### Spanish language TJN email distribution list up and running

A Spanish language TJN email distribution list (*Red por la Justicia Fiscal*) has been in operation since 30 April. Already more than eighty academics, Spanish and Argentinean MPs, tax inspectors, university professors, experts and activists are subscribed to the moderated list. One of the first documents to be sent to the list was the Spanish translation of *The Price of Offshore* (*El Precio de la Extraterritorialidad*).

Anyone who would like to subscribe to the Spanish language list, please send a message to: [intertax-e@listen.attac.de](mailto:intertax-e@listen.attac.de) (*Red por la Justicia Fiscal*).

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### International: the Mediterranean Social Forum, Barcelona, 16-18 June 2005 John Christensen

Speaking at the Mediterranean Social Forum in mid June retired senior anti-corruption prosecutor Carlos Jiménez Villarejo said that the Spanish government should regard all tax havens as centres of economic and reputational risk and called on the Bank of Spain 'to apply stricter controls to offshore accounts to prevent perpetual capital flight from developing countries.' He was speaking at the first of two tax justice seminars held at the Forum, which attracted over 5,000 people from across the Mediterranean region.

Opening the first seminar, economist John Christensen outlined the scene for the Mediterranean rim countries,

which have the highest regional rate of capital flight in the world according to recent data from the European Investment Bank. One regional expert on the Maghreb has said that capital flight from North Africa and under-investment in public services and in the private sector has created "a climate of entrenched resentment, unemployment, poor quality of education and training, and a general lack of opportunity, which combine to undermine the security of the region." The first seminar also included an intervention from Lebanese economist Charbel Nahas, who concluded that Lebanon's historical role as an offshore banking centre for the Middle East has convinced many Lebanese that their tax haven activity is more secure than the state.

In the second seminar François Houtart (Centre TriContinental, Belgium), who gave an overview of the emerging political pressure for global taxes, was followed by a case study from Tunisian law professor Amor Boubarki of how pressure from the multilateral

finance institutions has led to an increasingly regressive tax regime in Tunisia accompanied by significant drops in government revenues.

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### International: White Band Day (1 July) and Millennium Summit +5

Bruno Gurtner

The White Band Day mobilisation on 1 July will see people across the world wearing white bands as a symbol of their demand for an end to global poverty.

The day of action has been coordinated by the worldwide alliance Global Call to Action against Poverty (GCAP), which is calling on world leaders to deliver on trade justice, debt cancellation, more and better aid, and support for national efforts to eliminate poverty and achieve the Millennium goals. On 2 July, as the leaders of the world's richest countries prepare to gather in Scotland for the G8 Summit, tens of thousands of demonstrators will be in Edinburgh to demand a

better deal for the world's poorest countries. For more information see: [www.whiteband.org](http://www.whiteband.org)

In the lead up to the Millennium Summit+5 that will take place in New York this September, hundreds of organisations – including TJN – have signed the *Civil Society Benchmark for the 5-year Review of the Millennium Declaration*. This document provides a common platform for a wide range of diverse groups concerned with poverty eradication and equality, and will be used as an advocacy tool in the Summit process. Among many other demands, the document calls for: redistributive tax policies at the national level, the setting-up of mechanisms for international taxation, increased information sharing on tax matters globally, and the abolition of all tax havens.

For more information see: [www.socwatch.org](http://www.socwatch.org)

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## Research Roundup

**Tax havens: how offshore centres undermine democracy**  
(*Los paraísos fiscales: como los centros financieros offshore socavan las democracias*)  
(Editorial Akal, Spain, 2005)  
Juan Hdez. Viguera

This new book by an active member of TJN presents an important and timely critical evaluation of tax havens and their negative impacts. The first book on this subject in the Spanish language, it provides a technically

rigorous yet accessible critique for all readers interested in international politics and economics and concerned by the inequity of current global governance arrangements.

The book begins by setting tax havens in their context as a by-product of the increasing globalisation of financial markets and then describes how tax havens and offshore financial centres (OFCs) can be defined and identified. The mechanics of offshore financial operations and banking secrecy are explored, showing how banks, large

multinational firms and wealthy individuals make use of the system. This leads to a discussion on some of the many negative effects of tax havens including international financial instability, tax evasion and tax fraud, money laundering and corruption, and the detrimental impact on developing countries. The book ends with a comprehensive evaluation of the various responses to offshore at the global, European and Spanish levels.

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### The washing machine: how money laundering and terrorist financing soils us

(Texere, 2005)

Nick Kochan

*The washing machine* explores the world of money laundering, revealing the scale and mechanics of the offshore world. Written by investigative journalist Nick Kochan, the book shows how money laundering is a highly sophisticated global business that poses a serious threat to the world's financial institutions as well as to the global economy.

Kochan profiles both the perpetrators and the investigators of the offshore world. Money laundering is carried out by four main groups: global corporations engaged in fraud; corrupt governments and their politicians who accept bribes; organised criminals who trade in drugs and other illegal goods; and terrorists. The book explains the methods employed by these groups to turn their 'dirty money' into untraceable wealth. It also shows how increasing financial globalisation together with the lack of effective international cooperation on tax matters are undermining efforts to stamp these practices out.

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### Taxation policy and development

Alex Cobham, The Oxford Council on Good Governance, April 2005

This paper sets out the broad facts of taxation in different regions and countries of the world and assesses how they have developed over time. It shows how over the last thirty years, rich countries have generally maintained or extended their overall tax take (as a share of gross domestic product).

At the same time, poorer regions have sought to increase revenues, starting from much lower bases. With little positive contribution from direct tax, and the pressure for trade liberalisation resulting in an overall fall in trade taxes, there has been an increasing reliance on tax on the sales of goods and services in these regions.

The paper outlines the four main goals of taxation: revenue, redistribution, (political) representation, and re-pricing economic alternatives. It then looks at the needs of different countries in terms of these factors, with an emphasis on informing tax policy. The paper considers the particular challenges faced by three groups of countries: low-income (particularly sub-Saharan Africa and south Asia), middle-income (with a focus on Latin America and the Caribbean), and countries rich in sources of non-tax revenue, primarily from oil and diamonds. The paper concludes by examining the policy implications.

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### Shifting modes of governance: the case of international direct taxation

Claudio Radaelli and Ulrike Kraemer, Department of Politics, University of Exeter, June 2005

This paper looks at the evolution of governance in international and EU direct taxation. It focuses on shifting modes of governance, using a continuum from formal to informal modes.

The paper examines how informal modes of governance in relation

to direct taxation were institutionalised by the OECD with the model treaty convention and guidelines for transfer pricing between the 1960s and the 1980s. It shows that this approach was quite successful both in terms of diffusion and legitimacy. In the 1990s, the OECD launched more ambitious, multilateral plans aimed at cracking down on harmful tax practices in member states and in non-OECD jurisdictions.

The paper observes that while the OECD-promoted international tax order is more formal than in the past, in the EU there is now more interest in informal governance. The paper also looks at the social legitimacy of international tax governance, which it notes has declined over the last 80 years or so. The rise of interest in tax matters by international NGOs (including TJN) is examined and TJN's success at gaining media coverage on tax avoidance issues is acknowledged.

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### International taxation: regulating globalisation, financing development

WEED (World Economy, Ecology & Development), June 2005  
Peter Wahl

This new paper from the Berlin based group WEED examines the background, context and legitimacy of international taxation. The discussion is situated within the context of the pressing need for innovative ways of financing development, in particular in order to meet the UN's Millennium Development Goals (MDGs).

The paper argues that increasing economic globalisation has produced the need for international taxes – an important departure from the traditional link between tax and the nation state. It examines the feasibility of a number of specific proposals for international taxation, with a focus on currency transaction

taxes (such as the Tobin tax) and environmental taxes.

International taxation is presented in the paper as a means to redistribute some of the profits of globalisation in order to compensate losers, as well as a way to temper globalisation by internalising the ecological costs of economic activity and help

regulate international financial markets.

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## MEDIA DIGEST

### 2005 (second quarter)

**UK. Bloomberg News Wire, 30 June.** 'EU may fail to stamp out offshore tax evasion with new rules', Jonathan Rosenthal

This article on the limited impact that the EU savings tax directive, which takes effect on 1 July, is likely to have includes quotes from Prem Sikka, Richard Murphy and John Christensen (all TJN UK).

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**UK. The Independent, 11 May.** 'The mass tax avoidance of the rich is one of the great scandals of our time', Johann Hari

Set against the UK election result, with 59 per cent of people voting for parties they believed would work towards a more fair and equal society, this article questions the UK government's lack of resolve in tackling the problem of tax avoidance by the super-rich. The UK's role in enabling the corruption that devastates the economies of many poor countries is also highlighted, supported by quotes from John Christensen.

**UK. The Financial Times, 11 May.** 'Clamping down on tax avoidance', Vanessa Houlder

Richard Murphy is quoted in this article on the UK government's determination to put a stop to the more aggressive tax avoidance schemes offered by the tax planning industry.

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**US. The Christian Science Monitor, 25 April.** 'Secretly, tiny nations hold much wealth', David Francis

This article on the growing concern at the extent of global wealth held offshore reproduces the TJN estimate for annual lost revenues to governments world-wide (US\$255) because of tax havens. The article also mentions a meeting organised by Lucy Komisar (TJN US) in Washington in April this year, and uses quotes from John Christensen (TJN UK) and Lucy Komisar throughout.

**US. Columbus Free Press, 12 April.** 'Technical violations: oh, they're all related', Molly Ivins (syndicated widely in US press)

TJN research is cited in this article looking at the opposition to the US administration's efforts to uncover terrorist financing and other financial crimes. John Christensen is quoted on the issue of how the increasing ability of the wealthy to avoid paying taxes has caused a fundamental change in our society.

## Directors beware: the finish line for business integrity is on the move

Donna Kennedy-Glans

Already disquieted by landmines lurking within complicated financial structures, tax justice is an emerging integrity dilemma that is beginning to niggle at the conscience of corporate directors. Tax justice advocacy, following on the heels of social justice and transparency campaigns, is confronting directors with questions about corporations' use of tax havens to maximise profits for shareholders.

When public opinion is in the midst of change, managing emerging integrity expectations can be tricky for corporate directors.

If a company shifts its integrity management tactics too far ahead of the 'tipping point', it can become a lightning rod for critics, even uncompetitive. Conversely, if a company's leadership team fails to observe this tipping point, it will be judged greedy or naive. The resulting condemnations by key corporate stakeholders can impact bottom-line risks and top-line revenues for companies.

The finish line in business integrity does move. We've observed massive shifts in public opinion that trigger direct knock-on

impacts to corporate integrity practices.

Evolution of thinking on what is acceptable does not happen in a linear fashion. Looking back over the transparency and allocation of benefits advocacy of the last decade, we can recognise some of the building blocks of tax justice advocacy:

- The *Publish What You Pay* transparency campaign championed by George Soros encouraged companies to disclose taxes and royalties paid to host governments
- The *Jubilee Debt Campaign* persuaded companies to drop their compensation claims against poor host governments
- *Trade Justice* and *Fair Trade* movements elevated public awareness of the beneficiaries of investment

Disclosure of tax information is sensitive for most companies. Many, perhaps most, corporate directors would feel uncomfortable about being required to mandate the disclosure of special purpose tax vehicles used by an organization, or to endorse the corporation's reporting of the countries in which it trades, profit derived

from activities in each of these countries, and the jurisdictions where profits are booked for tax purposes.

As tax justice advocacy becomes more mainstream, public awareness of the arising integrity dilemmas - including impacts to citizens and governments as an outcome of reductions in the tax bases of developed and developing countries - will be enhanced. When the 'tipping point' in this advocacy campaign is reached, accountability and transparency expectations of corporate stakeholders will change. Corporate directors would be wise to keep their fingers on the pulse of their organization's internal and external business drivers to assure proactive management of this evolving integrity dilemma.

Donna Kennedy-Glans, LL.B., Calgary, Canada, Integrity Advisor to Companies and Not-for-Profit Organizations, is the lead author of a book on corporate integrity published by John Wiley & Sons, March 2005, *Corporate Integrity: A Toolkit for Managing beyond Compliance*. See [www.integritybridges.com](http://www.integritybridges.com).

## SEecompanies.com: a window on corporate responsibility

Michael Solomon

SEecompanies.com is a new interactive website for people and businesses who want to raise social, environmental and ethical (SEE) issues to the top of the public agenda.

The website is aimed at a broad public audience. We want people to consider a world where all companies are expected to make public their ACTUAL impacts on society and the environment.

A world where companies can benefit from building real trust with stakeholders by sharing basic information on 50 issues ranging from their effects on local communities, to employee relations to tax.

We urge people to raise their expectations of business and we

enable the most ethically minded companies to start a race to the top.

To list on SEecompanies.com, companies answer a challenging listing questionnaire. They detail their policies, practices - or sometimes simply their position - on a range of SEE issues. The Tax Justice Network is a SEecompanies.com partner on the Donations & Payments section and in particular advised on the question: has your company paid tax at a minimum rate of 23% of profits over the last 2 financial years?

Visitors to SEecompanies.com can then make up their own minds as to whether a company takes these matters seriously and whether it tries to leave a positive footprint on the world in

which it operates. All the answers companies provide are available for public comment, scrutiny and rating. The site provides a clear insight on the values and culture of each participating business.

Few of these issues are simple but people do not have unrealistic expectations of companies. Civil society should not expect businesses to be perfect but should expect them to be truly accountable for their actions and credible in their claims of corporate responsibility.

SEecompanies.com will help to bring a welcome clarity. For the first time companies, NGOs and people can come together on SEE issues in an empathetic and constructive way.

## SPECIAL FEATURE: Buenos Aires bans investment from offshore shell companies

Marcus Meinzer, Buenos Aires

The city of Buenos Aires has taken the bold step of banning investments from shell companies located in offshore financial centres (OFCs). These new regulations have been issued by the General Inspectorate of Justice (*Inspección General Jurídica* or IGJ) which has regulatory force within the capital district of Buenos Aires.

Over the last few years, the IGJ has issued several resolutions prohibiting investments from shell companies located in OFCs. These state that every company situated in a wide range of low- or no tax jurisdictions must either prove they have genuine economic activity there (similar to that which they wish to undertake in Buenos Aires) or they have to transform into a national Argentinean company.

Additionally, every anonymous company and company with limited-responsibility whose stocks are not traded in the local stock market must provide detailed information about their shareholders, ultimate owners and amounts of shares in order to obtain business accreditation from the IGJ.

These developments began in February 2003 and were strengthened after Ricardo Nissen, the General Inspector of the IGJ and a fervent opponent of the offshore system, had to deal with the aftermath of the Cromañon tragedy. Cromañon was a discotheque which burnt down during a concert in December 2004. 200 people were killed by the fire. In the ensuing investigation it transpired that this discotheque was operated from an offshore company and attempts to identify the responsible owners took more than 5 months. Public outrage at the tragedy meant that Nissen had the support of both public opinion and presidential backing to take strong action against offshore investments.

Implementation of the new regulations, however, has been rather slow. On 9 June 2005, a report on channel 7 television in Argentina revealed that companies located in OFCs were continuing to offer supposedly prohibited services to the public, as if nothing had changed.

Difficulties are also arising because the current IGJ legislation only covers the capital district of Buenos Aires. In Neuquén, a province which has a governor who is very supportive of the interests of private capital, companies located in OFCs appear to be thriving. Despite plans for a national law extending the regulatory power of the IGJ of Buenos Aires to all provinces, such free-riding problems may well continue as each province's parliament will have to ratify the new law – which is unlikely to happen.

A further possibility would be to ban companies registered in OFCs from Argentina altogether. An opposition deputy in the country's House of Congress, Mario Cafiero, is working on a law similar to the regulations of the IGJ which would circumvent the need for the agreement of provincial parliaments.

The September 2005 issue of *Tax Justice Focus* will have a Latin American theme.

## NEWS IN BRIEF

### Swiss reject savings tax agreement for developing countries

The Swiss Government does not want to extend its Saving Tax Agreement with the European Union to developing countries. The Government has turned down a proposal from a Green member of parliament that development assistance to poor countries should be financed by taxing income on deposits held in Swiss bank accounts by wealthy non-residents.

The Swiss Government said that the EU Saving Tax Agreement has been tailored to European circumstances and that no developing country has asked for a similar agreement. The government also claims that a withholding tax on capital originating from developing countries would not solve the problem of capital flight, which, they argue, will only be stemmed by providing macroeconomic stability and the rule of law, and through tackling the problems of inflation and corruption.

The Government also claims that the EU agreement will not generate significant extra tax revenues because of loopholes and its restriction to individual foreign tax payers. The Swiss Government has not published projections of how much additional revenue it expects to

earn from implementation of the withholding tax, nor how much tax revenue is expected to be payable to EU countries.

### UK investigators to support African states in recovering stolen assets

The UK is setting up a team of investigators to help countries in Africa to recover funds that were stolen by corrupt officials and hidden in offshore bank accounts. In an interview with The Observer newspaper (19 June), Lord Goldsmith, Britain's chief legal adviser, talked of a 'rapid reaction force' of trained financial detectives who will support African governments trying to recover stolen assets. The Kenya Anti-Corruption Commission welcomed the team's formation.

### KPMG apologises for 'unlawful' conduct over tax shelters

In June, KPMG, one of the world's big four accountancy firms, issued a public apology for 'unlawful' conduct by former partners in providing advice relating to the sale of tax shelters in the US.

### Australia investigates Jersey accountants

The Australia Tax Office and Crimes Commission have launched joint investigations into what is allegedly the largest tax

evasion scandal ever uncovered in Australia. According to the Sydney Morning Herald (27 June), the British tax haven of Jersey is at the centre of investigations which involve some of Australia's biggest names.

### Transparency International called upon to focus on Swiss corruption

While Nigeria and Switzerland continue to disagree over the repatriation of the funds stolen by former President Sani Abacha, Lagos based *This Day* (6 June) reported that former Education Minister, Professor Aliya Babs Fafunwa, has called on Transparency International to rank Switzerland as the most corrupt nation in the world.

'It is rather ironical that the European based Transparency International does not think it proper to list Switzerland as the first or second most corrupt nation in the world for harbouring, encouraging and enticing all robbers of public treasuries around the world to bring their loot for safe keeping in their dirty vaults' he said.

## CALENDAR OF EVENTS

2005	Tax Justice Network	General
July 1		UK assumes Presidency of the EU
July 1		White Band Day International mobilisation against poverty organised by GCAP
July 2		Edinburgh. Demonstrations planned to call on G8 governments to end global poverty. Action organised by Make Poverty History campaign.
July 6-7		G8 Summit Gleneagles Hotel, Scotland
July 7-8	UK. Essex Workshop on 'Tax, Governance and the Globalisation of Wealth'.	
September 14-16		UN Millennium Review Summit New York, United Nations
September	Launch of <i>Tax Us If You Can</i> in various locations across the world	
September 26-27		Annual Meetings of the World Bank and the IMF, Washington DC
October 14-16 2005		Central and Eastern European Social Forum, preparatory assembly, Budapest, Hungary
December 13-18		6 <sup>th</sup> WTO Ministerial Conference Hong Kong, China
January 2006		Social Forum of the Americas in Caracas, Venezuela
April 2006		European Social Forum, Athens, Greece