

Progressive Economics Group (PEG)
Policy Brief

Hurricane Irma & Tax Havens

Richard Murphyⁱ
8 September 2017

Policy Issue

As the National Audit Office confirmed in their last report on the British Overseas Territories, the UK has the backstop financial responsibility for ensuring that these quasi-autonomous and self-governing locations are financially solvent. As they noted in that report:

The UK bears the ultimate risk of potential liabilities from its overseas territories such as Anguilla, Montserrat and the Falkland Islands.

It is important that the UK should reinforce its close working with Territories to manage risks in government finances, disaster and crisis management.

This has particular significance in the context of the devastating impact of Hurricane Irma. Although it will take time for the full impact of that hurricane to become apparent it is clear that it will create significant damage in the British Overseas Territories of Anguilla, The British Virgin Islands and Turks and Caicos Islandsⁱⁱ. It has already done that on Antigua and Barbuda and may also do so to The Bahamas, both of which are Commonwealth states to which the UK has at least a moral obligation. There is also risk to Bermuda and St Kitts and Nevis, which are also British Overseas Territories. It is thought that well over half of all buildings in Barbuda have been subject to substantial hurricane inflicted damage.

The scale of support caused by the hurricane is likely to be substantial and an appropriate response is urgently needed.

Analysis

It is beholden on the UK to provide all aid necessary to restore normal life in its Overseas Territories, without delay. There are good reasons for suggesting that it should provide similar assistance to affected Commonwealth States. That said, there is no reason why this support should be supplied unconditionally.

All the places mentioned are secrecy jurisdictions (tax havens) as indicated by the Tax Justice Network's influential Financial Secrecy Indexⁱⁱⁱ. What this means is that these places, without exception, have deliberately created regulation for the primary benefit and use of people who are not resident in those islands, and knowing that that regulation in question will be used to undermine the legislation or regulation of another jurisdiction.

Some of that regulation has to do with tax but it also covers other issues, such as commercial secrecy, as well. To ensure that those using this regulation cannot be identified these places have also created a deliberate, legally backed, veil of secrecy surrounding the identity of those people. Whether, in the light of the support they will need from the UK, it is appropriate for them to continue with such conduct is an issue now open to question.

Policy Framework

It would seem appropriate that in the light of the aid on which these islands will now depend that the UK government should provide this subject to two conditions.

The first is that these places end the secrecy that surrounds those that run operations from these islands^{iv}. This would mean that these places should now provide free, online and publicly accessible registers of all companies and trusts located in these places. That with regard to companies should identify:

- Those who own more than ten per cent of the shares in each company registered in the location;
- The directors of these companies;
- The locations where the companies trade or have offices.

These governments should also ensure that the companies the register disclose:

- Their constitutions;
- Their full annual accounts prepared in accordance with a recognisable set of accounting standards.

Equivalent disclosures for trusts should be required.

Secondly, each of these governments should be required to raise taxes from the companies that trade from those places to match fund the aid supplied by the UK to manage the cost of hurricane damage now and in the future. These taxes should include:

- Increases in fees charged for company and other offshore registrations;
- Targeted taxation on those who supply services to tax haven clients including bankers, lawyers, accountants, company formation agents, trust service suppliers and insurance companies; and
- Taxes on the profits of all registered companies and trusts.

Unless the governments in question agree to take these actions and supply an action plan for their delivery, the UK government should only provide emergency aid to the islands whose officials do not cooperate.

It is entirely appropriate that local populations should not suffer as a result of immediate circumstances that are beyond their control that Hurricane Irma has created. It is, however, in turn beholden upon those seeking assistance to ensure that their politicians now take appropriate steps to ensure that these islands become responsible members of the international community, which has not been the case to date. In that way they can reciprocate the support that they will now be given.

ⁱ Richard Murphy is Professor of Practice in International Political Economy, City, University of London

ⁱⁱ <https://www.theguardian.com/world/2017/sep/07/death-toll-from-hurricane-irma-rises-as-floridians-on-coast-are-urged-to-leave>

ⁱⁱⁱ <http://www.financialsecrecyindex.com/introduction/fsi-2015-results>

^{iv} This information was demanded by David Cameron when prime minister in May 2016. See, for example, <https://www.theguardian.com/politics/live/2016/may/12/david-cameron-london-anti-corruption-summit-live>