

ICRICT 

Independent Commission for the Reform
of International Corporate Taxation

**IT IS TIME FOR A
GLOBAL ASSET REGISTRY
TO TACKLE HIDDEN
WEALTH**

ABOUT ICRICT

The Independent Commission for the Reform of International Corporate Taxation aims to promote the international corporate tax reform debate through a wider and more inclusive discussion of international tax rules than is possible through any other existing forum; to consider reforms from a perspective of public interest rather than national advantage; and to seek fair, effective and sustainable tax solutions for development.

ICRICT was initiated and is supported by a coalition of the following civil society and labor organizations: Action Aid, Alliance-Sud, the Arab NGO Network for Development, the Center for Economic and Social Rights, Christian Aid, the Council for Global Unions, the Global Alliance for Tax Justice, Oxfam, Public Services International, Tax Justice Network, South Center, Canadians For Tax Fairness and the World Council of Churches. The creation and work of ICRICT is supported by Friedrich-Ebert-Stiftung, Luminare and Norad.

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IT IS TIME FOR A GLOBAL ASSET REGISTRY TO TACKLE HIDDEN WEALTH

Introduction

COVID-19 has pushed millions of people into poverty, families on the cusp of escaping poverty have been pulled back in, while others are experiencing levels of deprivation they have never seen before.

And now, Russia's invasion of Ukraine has roiled the markets and geopolitics of energy, driving oil and gas prices to their highest levels in nearly a decade and forcing many countries to reconsider their energy supplies. Rising energy prices and the potential loss of grain supplies from Ukraine and Russia are reinforcing inflationary effects and driving up prices for food and other commodities, with the increasing risk of imminent famine and starvation in more places around the world.

The resulting socio-economic impact of these conflating crises is disproportionately affecting the poor and vulnerable and has already highlighted the need for stronger social safety networks. The strain on the balance sheets of governments translates into countries' reduced capacity in facing future challenges, with implications for countries' long-term ability to deliver social goals, a greener and more sustainable recovery, and, more broadly, meeting the Sustainable Development Goals. Making matter worse is the real possibility of debt crises in many developing countries and emerging markets.

In the challenging search for additional revenues to secure reactive social packages to contain inflation and avoid social disruptions, governments must ensure everyone—including the super-rich—pay all the taxes they owe. The money needed is actually close at hand, hidden away in tax havens and we are decades late in implementing the mechanisms to unveil it. Governments and global institutions can no longer turn a blind eye to the scale of offshore hidden and tax-avoiding/tax-evading wealth.

Why offshore wealth is the problem and full transparency the solution

The “Panama Papers”, the “Pandora Papers”, the “Paradise Papers”, and the “Suisse Secrets” revelation have all made clear the magnitude of what is going on. The world is now used to the leakage of millions of documents and data on the offshore activities of wealthy individuals, companies, and politicians around the globe.

These have shed light on the systemic failures of the international financial system that has enabled up to 10% of global GDP –literally trillions of dollars--to be hidden away in tax havens, with the wealthiest one percent (who own up to 40 percent of the wealth in some countries) able to evade up to 25 percent of their income taxes using offshore structures.

The real owners of this wealth are undetectable due to sophisticated practices established in specific jurisdictions around the world. In addition, the location of different types of assets or in some cases even their very existence is hidden. Supported by an infrastructure of bankers, accountants, and lawyers, for decades tax havens have allowed individuals and corporations to amass tremendous fortunes sheltered from taxation, and hidden money obtained through corruption and illegal activities. These illicit financial flows drain resources for sustainable development and offshore wealth has exacerbated social and political problems around the world. The channels of harm extend from the gross human costs of lost public revenues in lower-income countries to excessive inequalities associated with the boom in high-income countries' stock markets and real estate, where offshore money is reinvested.

The pervasiveness of those wealth-hiding mechanisms is also undermining the ability of governments to impose effective sanctions on Russian oligarchs (freezing their assets and blocking their properties from being used), as much of the hidden wealth cannot be traced back to their beneficial owners. Without complete information about the assets held by Russian oligarchs, sanctions cannot be well-targeted, and this inability undermines the international rule of law.

Although there has been some progress in recent years in curbing some of this secrecy, including the introduction of multilateral, automatic exchange of financial account information of offshore bank accounts, the introduction of national beneficial ownership registries of companies, and trusts and the limited country-by-country reporting by multinational companies, the existence of tax havens has been largely tolerated by current and former political and business leaders. Clearly, in addressing hidden wealth, not enough has been done.

The core business model of tax havens, and financial secrecy needs to be tackled. The world needs a centralized and comprehensive asset registry, a Global Asset Registry ("GAR"), to link all the existing data already being collected at a national level and provide missing wealth data. Such a registry would also prove a vital tool against illicit financial flows, by ending impunity for hiding and using the proceeds of crime, and for removing legitimate income and profits from the economy in which they arise for tax purposes.

Additionally, a GAR would allow wealth inequality to be measured and understood, facilitate well-informed public and policymaker discussions on the desired degree of inequality and support appropriate taxation to reduce the negative consequences of inequality, including through the taxation of offshore wealth.

Accordingly, ICRICT makes an urgent call for a Global Asset Registry. It is technically simple, revenue-wise efficient, and politically disruptive.

What is a Global Asset Registry?

The GAR is a comprehensive global registry that links all types of assets, companies, and other legal vehicles used to own assets, to the persons that really own or controls -or benefits from- them, the so-called "beneficial owners" (which can be different from the legal owners). This registry would take the form of a database containing details of all beneficial owners around the world, a registry that authorities could consult in their efforts to fight tax avoidance, corruption, and international crime. The GAR has three main characteristics.

Firstly, the GAR should include all types of relevant assets and structures created to legally own assets. Although today there are different types of assets and beneficial ownership registers in several jurisdictions, these registers do not include all the different forms of wealth nor all legal vehicles that an individual can possess. A GAR should include, in addition to real estate, bank accounts, safe deposit boxes, trusts, and other types of legal arrangements used to own assets, other important types of wealth like financial securities, crypto assets, artworks, jewelry, yachts, planes, and other luxury items.

Secondly, the information deposited in the GAR should come through interconnecting all national beneficial ownership registries in the world. This will require the creation of national beneficial ownership registries which will systematically gather beneficial ownership information across all asset types at the national level.

Most assets that could be subject to a national asset registry are already required to register some ownership information with a government authority in many countries.

But a national or global asset registry is only useful if it contains ownership information at the 'beneficial ownership' level, meaning the individual who ultimately owns, controls, or benefits from the assets. By identifying all the (relevant) assets belonging to each individual, it would be possible to measure inequality and tackle illicit financial flows, by investigating and prosecuting people who acquired assets using funds originated in corruption, drug trafficking, or other illegal means.

Thirdly, the GAR should be public and in an open data format. For this tool to achieve its maximum potential, the information that would be on this registry should be accessible to national and international governmental institutions, but also the general public.

The progress so far

National asset and beneficial ownership registers have been implemented in a number of countries. The most significant advances in this matter have been in the European Union, where Anti-Money Laundering Directives (AMLD) have forced the Member States to establish beneficial ownership registers for companies and trusts. Plans for the connection of these national beneficial ownership registers at the regional level within the European Union are in place.

In the US, measures such as the 2019 Corporate Transparency Act (CTA) will force existing small corporations and limited liability companies to disclose information about their beneficial owners.

Last month, in response to the Russian invasion of Ukraine, the UK introduced a legislation to create a new register of beneficial owners of overseas entities owning UK property.

Although progress has been made in the creation of beneficial ownership registers, in 2020 only 81 jurisdictions and only 20% of East Asia and Pacific, and 21% of Sub-Saharan African countries had laws requiring beneficial ownership information for companies and trusts to be filed with a government authority.

In Europe, several member states have not yet complied with AMLD5 and have not adopted yet national beneficial ownership registers for companies and trusts.

Finally, there are no asset registers of financial wealth (e.g., financial securities and crypto assets) and luxury items such as art collections, jewelry, luxury yachts, and cars. In many countries, where assets are registered at the national level (e.g., from yachts, planes to real estate), the information is not consistently recorded in one national register and no beneficial ownership information is required. 5

The practical road towards a Global Asset Registry

Existing asset ownership information, if combined with consistent beneficial ownership information, would provide a powerful core of the information needed to be included in a Global Asset Registry. To fill the missing gaps in ownership data, governments should:

1. Introduce beneficial ownership requirements for companies, trusts, and all types of legal vehicles (e.g., investment funds, private foundations, etc.) and on “classic” types of wealth such as real estate.
2. Connect registers of individual asset classes at the national level with existing beneficial ownership registers.
3. Extend beneficial ownership registration to all types of legal vehicles available and classes of assets.
4. Begin centralizing the national beneficial ownership data into a one-point source, a National Asset Registry.
5. Existing information at the national level could be gathered at the regional level, for example through the creation of a Taskforce for Asset Ownership, as recently proposed by the EU Tax Observatory, that could collect, crosscheck and analyse all available information on wealth and assets held in the EU Member States by wealthy individuals (above a given threshold). This task force could pave the way for establishing a permanent European Asset Registry, tasked with systematically gathering and linking wealth information across all asset types.

A global asset registry would ultimately collect all existing data by providing the necessary linkages between one and another of the underlying transparency national mechanisms. The ultimate objective then is to link up this information across borders.

What next? How to turn utopia into reality

The impacts of offshore wealth on lost fiscal resources and resulting impunity for kleptocrats and criminal organizations is clear for everyone to see. Russia’s invasion of Ukraine has given leaders a final chance to learn from their mistakes and finally tackle the scourge of tax havens.

This journey will require a combination of political will and concerted global pressure, but it must start with increased transparency on offshore wealth, and governments working towards the creation of a Global Asset Registry.

Tracking offshore wealth is also crucial for strengthening the social contract and interclass solidarity that current regressive tax systems have weakened. As governments have been unable to generate tax revenues from the rich, welfare-state institutions and services have been cut back, and existing inequalities have deepened. Wealth concentration and the lack of mechanisms to tax offshore wealth fairly have given rise to populism and nationalism. Fiscal consent is a key element for the legitimacy of democratic institutions, as it represents the fair contract between citizens and the state. Therefore, tracking offshore wealth is also an urgent measure to protect democracies.

As long as there are places in the global financial system where illicit financial flows can find a safe harbor and there are people to help hide these funds, there will be –millions more around the world who suffer. We must act now by shutting down the tax havens that threaten the future of many for the benefit of the few.

As a Commission, we call on governments and international institutions to activate an urgent summit to address offshore wealth, the toxic role of tax havens, and deploy a fast plan to implement a Global Asset Registry. No more excuses, no more pandemics, no more wars to justify a lack of action. We must act now to preserve democracy, end spiraling inequality, and rebuild the social contract.

ICRICT COMMISSIONERS



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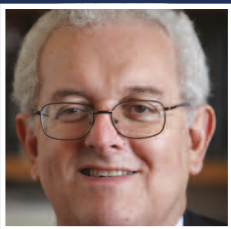
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José Antonio Ocampo (Chairman), former United Nations Under-Secretary General and former Minister of Finance of Colombia. He is currently a Professor at Columbia University. He is the author of "Resetting the International Monetary (Non)System".



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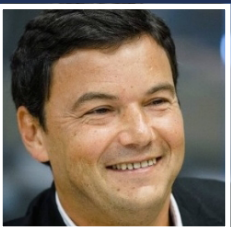
Ms. Magdalena Sepúlveda Carmona is the Executive Director of the Global Initiative for Economic, Social and Cultural Rights. She served as the United Nations Special Rapporteur on Extreme Poverty and Human Rights (2008-2014).



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Ricardo Martner, is now an independent economist, after serving in the United Nations for more than 30 years. As Chief of the Fiscal Affairs Unit of ECLAC, he was in charge of the discussion of the Addis Ababa Action Agenda in Latin American and Caribbean Countries.



Thomas Piketty, is professor of economics at the Paris School of Economics and at EHESS. He has done major historical and theoretical work on the interplay between economic development and the distribution of income and wealth.



Wayne Swan, served as the Treasurer of Australia (2007-2013) including three years as Deputy Prime Minister.

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