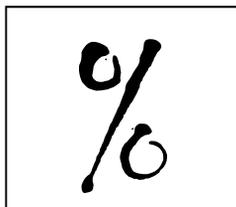


# We stand for fair taxation



## **New Labour Sleaze and Tax Havens**

I have been following the "cash for honours" stories for a few months and what is apparent already is that there is, quite predictably, a Jersey angle. We hear already that Lords Sainsbury and Levy have been interviewed or arrested. Both, as well as Lord Simon, and many of the donors involved in this story, have tax avoidance accounts in Jersey.

Lord Levy raised up to £7 million pounds for Tony Blair in the 1997/8 period and his "blind trust" is also believed to be in Jersey. New Labour is up to its armpits in sleaze and corruption - see today's Independent newspaper, for example - but is also complicit in safeguarding the tax havens in British dependent territories - New Labour figures often utilising tax dodges and having business friends/donors who do the same. Perhaps this explains (despite encouraging early signs when Offshore Watch was first established - eg Ed Balls then in Brown's office taking a keen interest) why the New Labour Government has done next to nothing to 'rock the boat'.

Keep a close eye on the papers in the next two weeks or so, as the Levy arrest and connected stories (including corruption within the Tories) develop, because the Jersey tax haven is likely to raise its ugly head more than a few times.

Interesting too, re the Nat West 3/Enron 3. Whilst much debate is taking place about human rights/extradition and reciprocity between the US and UK, it is a fact that the Natwest 3 are under suspicion for possibly assisting Enron executives to siphon off some \$7 million US dollars. Where to? So far, the media have hinted only at a British offshore centre. Aren't Islanders proud that every scandal, every scam, every whiff of corruption, from Enron to Levy, from Pinochet to Abacha, seems to feature our lovely little tax haven ?

*Kropotkin*

### **Letter from the Editor.**

It's time for all of us to open our eyes, look around and see for ourselves what is going on here in Jersey and the wider world. If we do not then we will continue to be taken in by smokescreens and shadows while we and our Island are bled white by the exploiters who make themselves ever wealthier at our expense.

So what are we expected to believe?

1. That the good reputation of Jersey's well regulated finance centre is celebrated round the world.
2. That our comfortable standard of living is beyond question.
3. That constantly handing over our beautiful Island to developers is for the good of us all.
4. That the construction of skyscrapers and higher and higher buildings is the way forward as long as we stick the word "iconic" on to them.

I could find lots more that we are expected to believe but I'm sure you've got the general idea by now.

How true is all this?

1. See Chris Steel's article in this Newsletter entitled "Flouting the Law"

2. Whose comfortable standard of living?

Jersey spends 35% of its social protection on pensioners. The EU 15 average of social protection spent on pensioners is 41%. Jersey spends 10% of its social protection on disability. The EU 15 average of social protection spent on disability is 11%. There is relative poverty in our Island caused partly by the high cost of property and rents and the cost of essentials such as food and clothing. This will only get worse when GST kicks in.

3. Who do you think benefits from constant development? The finance companies? The developers? You?

4. What is your opinion? Could the word "iconic" be changed to "good little earner"? Might that be nearer the truth?

Is refusing to be fooled by shadows or opening our eyes and speaking up for ourselves a problem? Will we be accused of spreading conspiracy theories? Does it matter what the "thought police" might make of it? I don't think so.

Plato's Cave is a story about prisoners chained at the mouth of a cave.

For them reality is what they see happening on the wall inside the cave - shapes and shadows dancing on the rock face. A big beautiful fire burns behind them and puppeteers walk along a low wall casting shadows. The prisoners can't see the fire or the puppets or any of the real objects behind them. What they see and hear are mere shadows and echoes. They are forbidden to get up or turn round. After a length of time they have become docile, submissive and afraid.

How easy it is to mistake appearance for reality. What might happen if one or more of them stood up, turned round and saw what was really going on behind them? Quite fun to speculate isn't it! So why don't more of us try it? Afraid to be ridiculed? Don't we look a lot more ridiculous being too brainwashed to move?

Look behind the appearances. Find out what's real.

This view of reality is well expressed by Philip K. Dick's statement that "Reality is that which, when you stop believing in it, doesn't go away."

*Pat Lucas.*

If you would like to write to us and tell us about your own experiences we'd love to hear from you. Or you might want to write a short article for our Newsletter or News Sheet. We also need volunteers to distribute Newsletters and News Sheets to friends and neighbours. If you can help us in any way please contact me by e-mail, phone or letter.

**Our next meeting will be on Thursday at 7.30  
14th September at Saint Paul's Centre, Dumaresq Street.**

Thank you.

42 Clubley Estate, Saint John's Road, Saint Helier. JE2 3LF

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**We are members of the Association for the Taxation of financial Transactions for the Benefit of Citizens (Attac) & the Tax Justice Network (TJN).**

**The aims of both organisations are to research, educate and campaign to further public awareness. We are seeking to alleviate poverty through the creation of just taxation systems to fund social goods.**

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[www.aabaglobal.org/](http://www.aabaglobal.org/)  
[www.taxjustice.net/](http://www.taxjustice.net/)  
[www.attac.org/indexfla.htm](http://www.attac.org/indexfla.htm)

## Flouting the law!

On the 14<sup>th</sup> June John Boothman wrote in his column in the Jersey Evening Post that there is no real evidence that Jersey's finance industry flouts international law.

Let us look at some evidence then:

1. A Jersey based accountant, Philip Egglshaw who works for Strachans, is under investigation by the Australian Crime Commission for aiding his clients in avoiding \$300 million tax<sup>1</sup>.
2. Caversham Fiduciary Services, Caversham Trustees Limited and Nicholas Bell were fined £65,000 for failing to comply with money laundering rules<sup>2</sup>.
3. The relatives of the late Nigerian dictator Sani Abacha had at least \$200 million hidden in Jersey. Although this sum was repatriated to Nigeria, the loophole that allows Jersey to facilitate bribery payments involving African countries remains, despite a promise to the Organisation for Economic Cooperation and Development that they would close said loophole<sup>3</sup>.
4. Daniel Speak whilst working for Citibank stole £350,000 from his employees and has been subsequently jailed<sup>4</sup>.
5. Abbey National paid Jersey £10 million to settle a lawsuit after it had been found operating a currency transaction fund through Cater Allen Trust Company<sup>5</sup>.
6. Orb, a Jersey based company, is under investigation by the Serious Fraud Office regarding £30 million belonging to a dotcom firm called Izodia<sup>6</sup>.
7. In 2002 British Aerospace was under investigation for their part in a money laundering fraud involving the Qatar government. At least £100 million seems to have passed through three Jersey registered trusts at ANZ Grindlay Trust Bank<sup>7</sup>.
8. Money given to Russia by the International Monetary Fund (IMF) turned up in a management company in Jersey. It is

argued that this was done to restructure its \$150 billion overseas debt, of which \$50 million was held in Jersey, and renegotiate its deal with the IMF <sup>8</sup>.

9. Paulo Maluf, the former Mayor of Sao Paulo, Brazil has had his bank accounts frozen at Citibank Jersey whilst an investigation that the \$200 million in said accounts may have come from the public revenue of Sao Paulo<sup>9</sup>.

10. A former energy minister from Trinidad, Finbar Gangar, has been charged with failing to declare offshore bank accounts, including two in Jersey at Barclays Bank<sup>10</sup>.

11. The Accident Group, a company who chased accident compensation for its clients on a no win no fee basis, collapsed in 2003 with a debt of £48 million, although they had declared a profit of £4.5 million just nine months earlier. Investigations have found that the directors of said company set up an offshore Employment Benefits Trust (EBT) for themselves two years before the collapse of the company. The EBT is held in Jersey<sup>11</sup>.

12. Sonangol, Angola's state owned oil company, siphoned off \$1 billion of public revenue into offshore accounts including Jersey during 2000 alone. Sonangol's chief executive, Manuel Vicente, says that one of the company's offshore accounts is based at Lloyds TSB in Jersey, which has seen at least \$78 million pass through its accounts. Sonangol seem to have used some of this money to make financial inducements to foreign companies that Angola needs to help with modernising its infrastructure. These payments are kept quiet and usually off the company's accounts by using offshore accounts. The British Foreign Office is supposed to be looking into the use of such inducements as a way of finding out how much of Angola's public revenue is being used in government corruption<sup>12</sup>.

When companies and rich individuals use offshore companies to hide or launder money they are evading and/or avoiding their codified tax liabilities from the countries of origin. In the age of

globalisation this tends to make countries try to recoup their lost public tax revenue through taxing low and middle earners. Indeed, Jersey will soon be implementing the zero-ten corporate tax changes that will create a “black hole” in excess of £100 million that will be filled by increased income tax for low and middle earners and a regressive goods and services tax that will impact most on low earners and those who are economically inactive.

Jersey is one of seventy or so tax havens in the world that have in excess of \$11.5 trillion hidden in the form of ‘companies’, ‘trusts’ and ‘funds’. If this sum was taxed at a moderate rate at least \$250 billion could be recouped in a year. Just imagine what could be done for global poverty with that kind of money!

Chris Steel — Treasurer Attac Jersey

Endnotes:

<sup>1</sup> [www.smh.com.au/news/business/jersey-home-of-the-tax-dodge](http://www.smh.com.au/news/business/jersey-home-of-the-tax-dodge), accessed 16 June 2006.

<sup>2</sup> [www.newsvote.bbc.co.uk/mpapps/pagetools/print/news.bbc.co.uk](http://www.newsvote.bbc.co.uk/mpapps/pagetools/print/news.bbc.co.uk), accessed 16 June 2006.

<sup>3</sup> [www.business.guardian.co.uk](http://www.business.guardian.co.uk), accessed 16 June 2006.

<sup>4</sup> [www.observer.guardian.co.uk/business/story](http://www.observer.guardian.co.uk/business/story), accessed 16 June 2006

<sup>5</sup> [www.telegraph.co.uk/money/main](http://www.telegraph.co.uk/money/main), accessed 16 June 2006.

<sup>6</sup> [www.observer.guardian.co.uk/business/story](http://www.observer.guardian.co.uk/business/story), accessed 16 June 2006.

<sup>7</sup> [www.observer.guardian.co.uk/business/story](http://www.observer.guardian.co.uk/business/story), accessed 16 June 2006.

<sup>8</sup> [www.cnnmoney.printthis.clickability.com](http://www.cnnmoney.printthis.clickability.com), accessed 16 June 2006.

<sup>9</sup> [www.ipsnews.net/news.asp](http://www.ipsnews.net/news.asp), accessed 16 June 2006.

<sup>10</sup> [www.trinidadexpress.com/index.pl/article](http://www.trinidadexpress.com/index.pl/article), accessed 16 June 2006.

<sup>11</sup> [www.manchestereveningnews.co.uk/news](http://www.manchestereveningnews.co.uk/news), accessed 16 June 2006.

<sup>12</sup> [www.publicintegrity.org/bow/printer-friendly.aspx](http://www.publicintegrity.org/bow/printer-friendly.aspx), accessed 4 April 2006.

# A better world is possible

## **Five Jersey representatives at Essex Workshop 2006.**

Five members of Attac&TJN Jersey were present at this year's Conference which was held at Essex University over two days. Chris Steel, Sabrina Le Bourgeois, Michael Amy, Montfort Tadier and Luke Williams all made it to the Conference. There were approximately 50 representatives from various organisations, some of whom had travelled from as far away as Australia, Nigeria, and the USA. It was good to meet representatives from other branches of Attac and TJN, as this will hopefully strengthen our links with them and strengthen our position in Jersey. We are not alone!

There were talks not only on the issues facing particularly the developing world, but also some ideas for possible solutions, and new ways of analysing the problems. Miranda Stewart from the University of Melbourne discussed the importance of local 'ownership' of tax policy reforms in the developing worlds to counter the antagonistic pressure of international and national influences. Jack Ranguma talked of the problems facing Kenya, where rampant corruption, understaffing, lack of information and tax avoidance by multinational corporations made life difficult for the Kenyan Revenue Authority. A powerful performance by Owalabi Bakre over the situation in Nigeria, where oil companies such as Shell and Chevron pollute the environment whilst avoiding taxes and compensation claims, and indirectly funding violence and corruption, made sure everyone was wide awake! There was a presentation of an interesting and long term study, involving several court cases, made by Simon Pak of Penn State University into transfer pricing, where we found out that kitchen sinks bought for a few dollars could be sold for almost \$9000 in order to move capital out of the country, launder money or evade tax. The situation is worsening for Africa, where capital outflows to the U.S. grew from \$1.9 billion to \$4.9 billion between 1996 and 2005.

There were also two papers on the perception of tax in Africa, one from Kenya presented by Rose Otieno and one from South Africa presented by Ruanda Oberholzer. It was interesting to note the general level of scepticism about taxation in the African people surveyed, but not surprising given the infamy of several major corruption cases (Goldberg and Anglo-leasing) and the lack of knowledge about tax, combined with the general level of corruption and tax avoidance that pervades African society.

Valpy Fitzgerald gave a talk on the 'Plato index', which shows how much the rich contribute to development in their country, as a way of assessing tax progressivity. He also talked about the relationship between tax rates and economic growth, with evidence that shows that high tax does not slow growth, in fact it probably does the opposite. Alex Cobham presented an interesting paper on how domestic tax revenue is crucial for development and also a simplified model of tax leakage that showed that offshore asset holding costs \$255 Billion worldwide each year, and \$51 Billion in developing countries.

Chris Bratcher gave the interesting story of a tax treaty between Mauritius and India, which served as an example of how tax havens and such practices as treaty shopping serve to deprive governments of tax revenue. James Henry from the USA gave a talk on measuring capital flight, foreign debt and debt relief where we learned that the World Bank does not have a tax department and that the 78,000 richest people own as much (23% of the world's wealth) as the 6,000,000,000 poorest (that is, a 'rich' person generally owns about 77 thousand times what a 'poor' person owns). He also discussed ways to even out the imbalance with the developing world, such as codes of conduct, global tax co-operation and the need for a global asset recovery institution. Alan Robb looked at the arcane world of financialisation where harmful tax practices are hidden behind such terms as shareholder value added (SVATM), market value added (MVATM), using New Zealand Telecom and its ups and downs as

an example. Jim Stewart from Trinity College, Dublin looked at Treasury Management Firms using the examples of Cadbury Schweppes and Eurofood, which have subsidiaries in Ireland (Eurofood with no employees and zero assets!) for the sole purpose of tax avoidance.

Last, but by no means least, Stephen Spratt presented one of the most interesting papers in the workshop, on the Tobin Tax in various forms, including as in-depth a look as you could really fit in 10 minutes, as to how it could be implemented technically and how it could fit the purpose it was designed for. The conclusion? A mere 0.01% (1p in £100) currency transaction tax could be fairly readily implemented, and could raise \$50 Billion dollars a year, which could go a long way towards meeting the Millennium Development Goals shortfall.

Richard Murphy, Prem Sikka, John Christensen and Ronen Palan did excellent jobs of leading the workshop and keeping speakers on time, and it was good to finally meet Richard in person for those of us who had not already done so. The general atmosphere was that the workshop had been well worthwhile, the attendees leaving with a sense of informed hope.

*Mike Amy.*

### **More Precious than Gold?**

I went to see a film yesterday - "Choropampa" The Price of Gold. It was being shown as part of the Jersey Amnesty International Human Rights Film Festival. Briefly, the film documented the effects of a mercury spill in a small village in the Peruvian Andes. The company mining gold was big and strong; the villagers were poor, with little formal education but with the intelligence and courage to stand up to the company.

"Our children are sick, we are sick and you have done nothing."  
Same old story.

At the end of the film a single uninvited voice rang out from the audience. "This was all very emotional," he criticised. And it was. A people whose lives had been impoverished even further by sickness, largely ignored by the company that had caused the deadly spill - a people whose beautiful land had been hacked at. Of course the people were emotional. This was their lives.

The evening was stifling hot. Helpful to catch the atmosphere of the film, the speaker commented. Much of the story I saw unfolding that evening was so reminiscent of my experience in Chile in 1971 during the times of Salvador Allende where a people struggled to extricate themselves from their subjugation.

Facts and figures for those who want are provided below on relevant websites. Suffice it to say here that CAFOD in its May document 'Unearth Justice: Counting the Cost of Gold' spells out its aim to "Campaign for our natural wealth to be shared fairly, and not at the expense of people or the environment".

Do we care? Can we drag ourselves out of our apathy to say this should not happen to another human being? The words of Shylock echoing down the years must never stay within the confines of the theatre. He makes his case that as a Jew living in a predominantly Christian society he too is a human being.

***" fed with the same food, hurt with the same weapons, subject to the same diseases, healed by the same means, warmed and cooled by the same summer and winter.... If you prick us, do we not bleed? If you tickle us, do we not laugh? If you poison us, do we not die?"***

(The Merchant of Venice Act 3. Scene 1)

The common humanity expressed so eloquently here must become a reality in the theatre of our lives.

Have we in the western world the will to do something about the seemingly absolute power of the multi-nationals? Alone, of course, it can't work. But corporate irresponsibility must be met with corporate responsibility - together something can be done. So, groups and professionals who know how it is done are already getting on with the job. They need the likes of you and me to help.

Do something today! Be a small but essential cog in a very big wheel. This wheel is already turning. Don't miss out. Find a group that is fighting for what you believe in. Look at the list below, find what's right for you and go for it.

Life is really short. It's not just a cliché. So, it's good to ask what is really precious to us in our lives? We need to know before our span is up. Shakespeare puts it well in Jacques' speech from 'As you Like it'.

***" Last scene of all,  
That ends this strange eventful history  
Is second childishness and mere oblivion  
Sans teeth, sans eyes, sans taste, sans everything "***

( 'sans' as in French meaning 'without' )

*Jean Andersson  
Secretary Attac&TJN*

**Website information:**

For further information please go to **www.jersey.attac.org**  
Click on the **Links** page to find easy access to the websites below and more.

<b>www.cafod.org.uk</b>	Unearth Justice (gold)
<b>www.globalwitness.org</b>	(forests,oil,diamonds)
<b>www.oxfamamerica.org</b>	Latest Publications Spring 2006
<b>www.christianaid.org</b>	(climate change)
<b>www.alliancesud.ch</b>	(water)