

TAX HAVENS:

SUPER-RICH 'HIDING' AT LEAST \$21tn

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by

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A global super-rich elite had at least \$21 trillion (£13tn) hidden in secret tax havens by the end of 2010, according to a major study.

The figure is equivalent to the size of the US and Japanese economies combined.

The Price of Offshore Revisited was written by James Henry, a former chief economist at the consultancy McKinsey, for the Tax Justice Network.



James Henry says his \$21tn figure is a conservative estimate

Tax expert and UK government adviser John Whiting said he was sceptical that the amount hidden was so large.

Mr Whiting, director of the Office of Tax Simplification, said: "There clearly are some significant amounts hidden away, but if it really is that size what is being done with it all?"

Mr Henry said his \$21tn is actually a conservative figure and the true scale could be \$32tn. A trillion is 1,000 billion.

Mr Henry used data from the Bank of International Settlements, International Monetary Fund, World Bank, and national governments.

His study deals only with financial wealth deposited in bank and investment accounts, and not other assets such as property and yachts.

The report comes amid growing public and political concern about tax avoidance and evasion. Some authorities, including in Germany, have even paid for information on alleged tax evaders stolen from banks.

The group that commissioned the report, Tax Justice Network, campaigns against tax havens.

Mr Henry said that the super-rich move money around the globe through an "industrious bevy of professional enablers in private banking, legal, accounting and investment industries.

"The lost tax revenues implied by our estimates is huge. It is large enough to make a significant difference to the finances of many countries.

"From another angle, this study is really good news. The world has just located a huge pile of financial wealth that might be called upon to contribute to the solution of our most pressing global problems," he said.

The report highlights the impact on the balance sheets of 139 developing countries of money held in tax havens that is put beyond the reach of local tax authorities.

Mr Henry estimates that since the 1970s, the richest citizens of these 139 countries had amassed \$7.3tn to \$9.3tn of "unrecorded offshore wealth" by 2010.

Private wealth held offshore represents "a huge black hole in the world economy," Mr Henry said.

Mr Whiting, though, urged caution. "I cannot disprove the figures at all, but they do seem staggering. If the suggestion is that such amounts are actively hidden and never accessed, that seems odd - not least in terms of what the tax authorities are doing. In fact, the US, UK and German authorities are doing a lot."

He also pointed out that if tax havens were stuffed with such sizeable amounts, "you would expect the havens to be more conspicuously wealthy than they are".

Other findings in Mr Henry's report include:

- At the end of 2010, the 50 leading private banks alone collectively managed more than \$12.1tn in cross-border invested assets for private clients
- The three private banks handling the most assets offshore are UBS, Credit Suisse and Goldman Sachs
- Less than 100,000 people worldwide own about \$9.8tn of the wealth held offshore.

Mr Henry told the BBC that it was difficult to detail hidden assets in some individual countries, including the UK, because of restrictions on getting access to data.

A spokesman for the Treasury said great strides were being made in cracking down on people hiding assets.

He said that in 2011-12 HM Revenue & Customs' High Net Worth Unit secured £200m in additional tax through its compliance work with the very wealthy.

He said that agreements reached with Liechtenstein and Switzerland will bring in £3bn and between £4bn and £7bn respectively.

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