

Offshore Tax Evasion: File Leaks Expose Secrets of the Rich

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On April 4, 2013 the Digital Journal, The Guardian and Spiegel online reported that an informational network of journalists (15 month research project), 86 journalists from 46 countries, working with a nonprofit organization, [The International Consortium of Investigative Journalists](#) (including media firms: UK: The Guardian and the BBC; France: Le Monde; U.S.: Washington Post) reported a total of 2.5 million secret bank accounts of companies and nationals in 170 countries, including 140,000 individuals who placed their money in tax havens (documents investigated over a period of close to thirty years).

In the "largest data leak in history", the data exposed 120,000 letterbox entities, offshore accounts for politicians, celebrities, weapons dealers, oligarchs and financiers.

The ICIJ study estimated:

1. \$1.6 Trillion a year from global proceeds of financial crimes flows to offshore havens;
2. Up to \$32 Trillion is stashed away in offshore havens (roughly equivalent to the size of the U.S. and Japan's economies combined);
3. Assets managed by the world's 50 largest 'private banks', which provide access to offshore financial services for high net-worth clients, grew from \$5.4 Trillion in 2005 to more than \$12 Trillion in 2010.

According to the ICIJ report, the names revealed include: American professionals, relatives and friends of African and Asian depositors (including Ferdinand Marcos in the Philippines and Robert Mugabe in Zimbabwe), Wall Street swindlers, global arms dealers and Eastern European, Russian and Asian billionaires. The offshore financial institutions provide financial secrecy to help rich people dodge taxes, facilitate official corruption to exacerbate the

widening gap between the poor and rich world-wide.

The offshore financial providers and their clients hide funds through multi-layered global structures consisting of multiple companies, foundations and financial products.

Offshore financial services' appoint "sham" officers, directors and shareholders, proxies who serve as stand-ins when the real company owners don't want their identities known. The report identified a cluster of 28 "sham directors" who served as on-paper representatives of more than 21,000 companies, with individual directors representing as many as 4,000 companies each. These "nominees" rent out their names for the real owners to hide behind.

The report stated: "A well-paid industry of accountants, middlemen and other operatives has helped offshore patrons shroud their identities and business interests, providing shelter in many cases to money laundering or other misconduct...this involves many of the world's top banks including UBS, Clariden and Deutsche Bank who aggressively worked to provide their customers with secrecy-cloaked companies in offshore hideaways."

Offshore tax evaders include an array of government officials and rich families from the UK, Canada, U.S., India, Pakistan, Indonesia, Iran, China, Thailand and former Communist states.

The data seen by The Guardian shows that their secret companies are based mainly in the British Virgin Islands.

Sample offshore owners named in the leaked files include:

- Jean-Jacques Augier, Francois Hollande's 2012 election campaign co-treasurer, launched a Cayman Islands-based distributor in China with a 25% partner in a BVI company. Augier says his partner was Xi Shu, a Chinese businessman.
- Mongolia's former finance minister, Bayartsogt Sangajav,

set up "Legend Plus Capital Ltd." with a Swiss bank account, while he served as finance minister of the impoverished state from 2008 to 2012. He says it was "a mistake" not to declare it, and says "I probably should consider resigning from my position".

- The president of Azerbaijan and his family. A local construction magnate, Hassan Gozal, controls entities set up in the names of President Ilham Aliyev's two daughters.

- The wife of Russia's deputy prime minister, Olga Shuvalova's husband, businessman and politician Igor Shuvalov, has denied allegations of wrongdoing about her offshore interests.

- A senator's husband in Canada, lawyer Tony Merchant, deposited more than [U.S.] \$800,000 into an offshore trust. He paid fees in cash and ordered written communications to be "kept to a minimum".

- A dictator's child in the Philippines: Maria Imelda Marcos Manotoc, a provincial governor, is the eldest daughter of former President Ferdinand Marcos, notorious for corruption.

- Spain's wealthiest art collector, Baroness Carmen Thyssen-Bornemisza, a former beauty queen and widow of a Thyssen steel billionaire, who uses offshore entities to buy pictures.

- U.S.: Offshore clients include Denise Rich, ex-wife of notorious oil trader Marc Rich, who was controversially pardoned by President Clinton on tax evasion charges. She put \$144M into the Dry Trust, set up in the Cook Islands.

- It is estimated that up to \$32 Trillion acquired by wealthy individuals could lie in offshore accounts. The UK-controlled BVI has been the most successful among the mushrooming secrecy havens that cater for them.