

Creative Compliance

wealth management, taxes and the law

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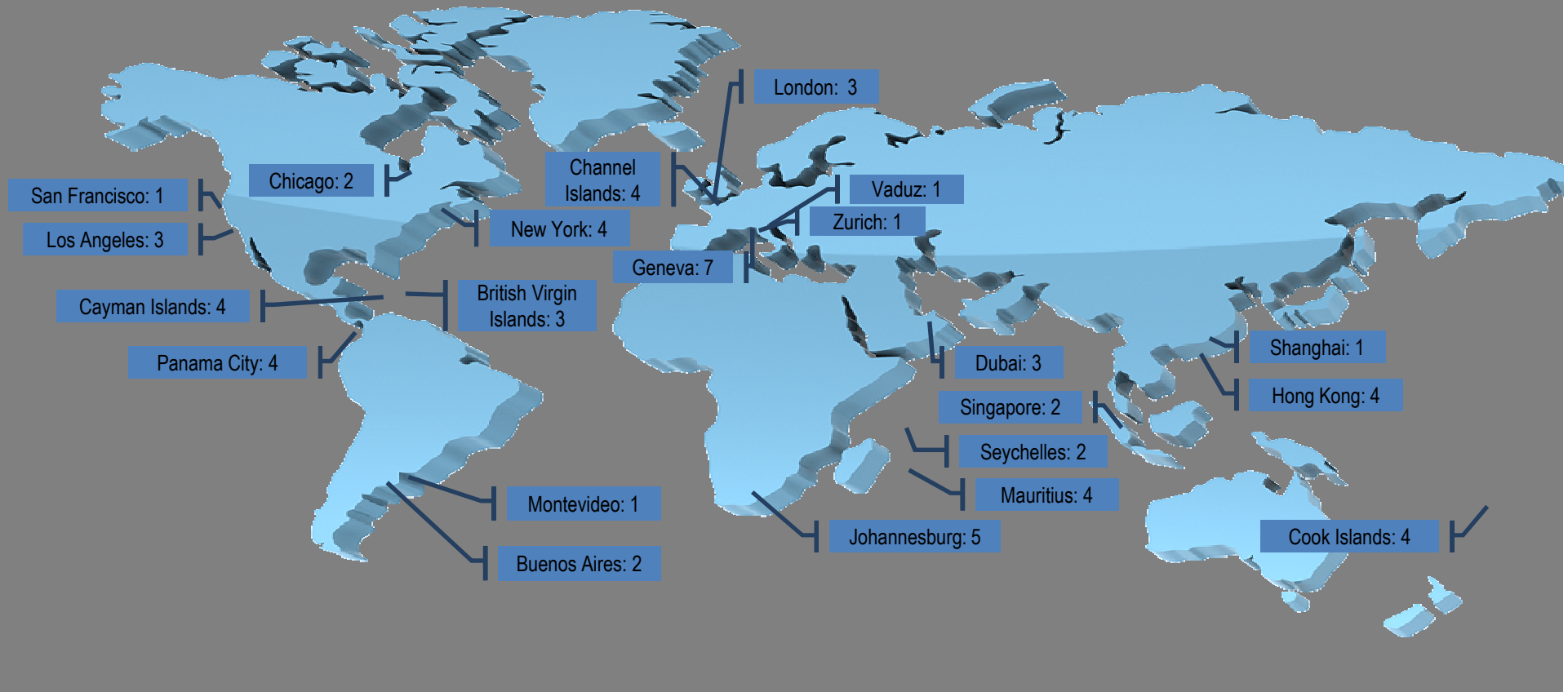
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A brief introduction

- I'm a sociologist who spent 8 years studying wealth managers—the professionals who make offshore tax avoidance possible
 - trained for two years to learn techniques, access practitioners and professional meetings
 - credentialed as wealth manager; didn't practice
 - conducted lengthy, in-depth interviews with 65 wealth managers in 18 countries

Research sites



Result

- **a global look at a global phenomenon**
 - critical to understand how offshore and tax avoidance/evasion work trans-nationally
 - insight into mentality/motives of enablers
- **publications**
 - book came out last year (soon in Danish)
 - articles in popular press and academic journals
 - all at www.brookeharrington.com

What we should be asking

- what can be done about tax *avoidance*?
 - this is the \$200B question
 - a huge amount of tax lost to world governments each year is not due to evasion
 - much is due to professionals working in the “grey areas” of the law

The lesson of the past year

- lack of legal action after the Panama Papers
 - 11.5 million documents, 40 years' worth of records, the whole world digging into the data
 - **...but not a single prosecution**
 - recall what Mossack Fonseca said afterwards: “we didn't break any laws”
 - even if untrue, it has proven practically impossible to *win* a case in court

Why direct attacks often fail

- **focusing on illegal activity like tax evasion**
 - this is trivial for wealth managers to avoid: they specialize in “creative compliance”
 - in other words, they adhere to the letter of the law while violating it in practice
 - and even with questionably legal schemes, professionals know most tax authorities do not have the resources to investigate/prosecute

Examples

- **the European Savings Tax Directive**
 - a policy that showed poor understanding of the tax evasion problem; repealed after 10 years
- **CRS and beneficial ownership registries will likely meet a similar fate**
 - does not even consider broad classes of trusts
 - of those that are considered, many are—or can be made—exempt
 - prediction: trusts will be used *more* to avoid tax

In other words...

- the law may not be your most effective tool to combat the problem
 - that does *not* mean “give up the fight!”
 - it just means: fight smarter
 - know your adversaries and their vulnerabilities: don’t play to *their* strengths!
 - this is where I can help

Can also answer questions on

- **how the 3 basic tools of wealth management are deployed to hide assets from taxation**
 - understanding uses of trusts, firms and foundations
- **the uses of offshore**
 - where wealth moves around the world, and why
 - the specializations of diverse offshore centers
- **problems of policy and legislation**
 - how enablers are likely to respond when efforts are made to stop them

**Looking forward to your
questions...**