Creative Compliance

*wealth management, taxes and the law*

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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
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  – a policy that showed poor understanding of the tax evasion problem; repealed after 10 years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...