Q. Why do you call the City of London “the tax haven capital of the world”?  

A. The City of London is at the centre of the global web of tax havens that are aiding and abetting the theft of vast sums of money from the public around the world. More than half of the ‘secrecy jurisdictions’ identified by the Tax Justice Network have supply chain links to the UK. [1]

Crown Dependencies like Jersey and British Overseas Territories like the Cayman and British Virgin Islands rely on the City of London - on its permissive legal structures, tax rules and, crucially, its reputation for stability - for a large part of their business.

The best available evidence puts the total amount hidden from tax authorities around the world at at least £13 trillion. [2] Among those who lose out are some of the poorest countries on earth. It's been estimated that for every US dollar given in foreign aid, developing countries lose ten through illicit financial outflows. [3] This money should be contributing to essential public services: to roads, schools and hospitals.

What happens in London does not stay in London; it has a real impact global levels of inequality and poverty. Right now, the City of London is on the side of tax thieves. In ways large and small, the City greases the wheels of tax theft globally, and makes a lot of its money from doing so.

Q. But London doesn't have low taxes. How can you call it a tax haven?

A. Changes to the UK’s tax rules in 2011 gave multinationals an unfair advantage by letting them off paying tax on profits made overseas - even if they're also avoiding paying the tax elsewhere. The government itself admits that this is a gift to “large financial services companies” at the expense of all the others who pay their fair share. [4]

But there’s more to tax havens than just low tax rates. Even the Economist observes that the City ‘specialises in helping non-residents get around the rules’ and that ‘London is no better than the Cayman Islands when it comes to controls against money laundering.’ [5]

Another feature of a tax haven is that it has a governing body captured by financial interests. The City of London Corporation is the local authority for the city - and it is most certainly in the pockets of the financial industry. It is a public authority that says its job is to “support the world-leading financial services industry”; private companies are allocated more votes in elections than local citizens; state privileges are used to promote private interests; and it enjoys special protections around its financial records (unlike every other Public Authority in the UK). It serves the interests of the finance industry at the expense of local democracy, the national interest and international equality and justice.

Q. What, exactly, do you want?
A. We want to see a fundamental change to the system: a level playing field. The City of London Corporation is a good place to start, and steps taken here can help influence the rest of the world.

Right now, the Corporation lives by special, preferential rules. It has the status of a Public Authority, however in certain respects it acts like a private business and doesn’t have to abide by the same rules as every other Public Authority in the UK.

For example, the Corporation is partially exempt from the Freedom of Information Act, because it misleadingly labels some of its funds as “private”. The Bureau of Investigative Journalism estimates that the Corporation more than £10 million of these ‘private’ funds are spent on political engagement every year - lobbying the UK government and others around the world to adopt their anti-tax, anti-regulatory agenda. [6]

The Prime Minister needs to start proceedings to remove these exemptions immediately.

At the same time, the City of London Corporation should also declare publicly the formal agreements it has with tax havens around the world, including how much taxpayers’ money it has invested in them. [7]

The continuation of this sort of secrecy is unacceptable, especially as we all try to recover from the crisis caused by the financial industries.

Q. But the Corporation published the “City Cash” account before Christmas, didn’t it?

A. No. It just published a summary of the budget that left a lot of unanswered questions. For example, it has a budget of $8 million for “charitable donations”, but it only said actually said were £30,000 went. The point is, it’s not transparent, and so they are not accountable.

No other Local Authority is allowed to publish only their headline figures. They say they spend the money on public services, but that cannot be verified and their electorate cannot hold them to account.

Q. Both David Cameron and George Osborne have said they want to tackle tax evasion here and at the G8. Why isn’t that enough for you?

A. Because they’re saying one thing and doing another. They attack individual companies in one breath and then promote the interests of the City of London the next. Since coming to power they have introduced a range of measures that actively assist in tax theft [8]. Once you look past the populist politics, it’s clear that this government is not as actively seeking to address the issues of tax havens as the rhetoric implies.

Q. The City employs thousands of people and generates huge amounts of money for the British economy. Are you ultimately just hurting the UK with this sort of thing?

A. No. We want a healthy and competitive financial industry. But we don’t accept it has to be immoral as well. What we don’t want is an industry that makes a tiny number of people extremely rich, by accumulating vast profits from hurting and stealing from millions of others.
Notes

[8] E.g. the 'Controlled Foreign Companies' (CFC) rules. If the Bill is approved as it currently stands, the newly relaxed legislation came into effect on 1 January this year. The new rules eliminate a significant deterrent that discourages UK-based companies from shifting profits from developing countries to tax havens. ActionAid estimate that the reforms may cost developing countries as much as £4 billion.
http://www.publications.parliament.uk/pa/cm201213/cmselect/cmintdev/130/13006.htm#a8