Where Are Tax Havens Really Located?

Comparing OECD, IMF, BIS, Tax Justice Network and EU Tax Observatory methodologies.

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Despite its centrality to the discussion on tax evasion and tax avoidance, there is no uniform definition of a "tax haven".

Two approaches co-exist:

(i) **A legal approach**, focussed on tax evasion, aiming at "non-cooperative jurisdictions" regarding exchange of information and transparency;

(ii) **An economic significance approach**, focussed on tax avoidance, aiming at "abnormal" financial flows and stocks in Offshore Financial Centres (OFCs).

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Tax evasion

- About dissimulating profits & fraud;
- Rated by the OECD Global Forum & EU official list (Black & Grey lists).

Tax avoidance

- About regulatory arbitrage & Base Erosion & Profit Shifting (BEPS);
- OFCs identified by IMF, BIS & OECD research, Tax Justice Network Index & EU Tax Observatory (Tørsløv, Wier & Zucman).

Most “non-cooperative” jurisdictions on exchange of information & transparency have a marginal impact on tax avoidance flows.

Conversely, around half of tax avoidance flows benefit OFCs that otherwise are “fully cooperative” in curbing tax evasion.

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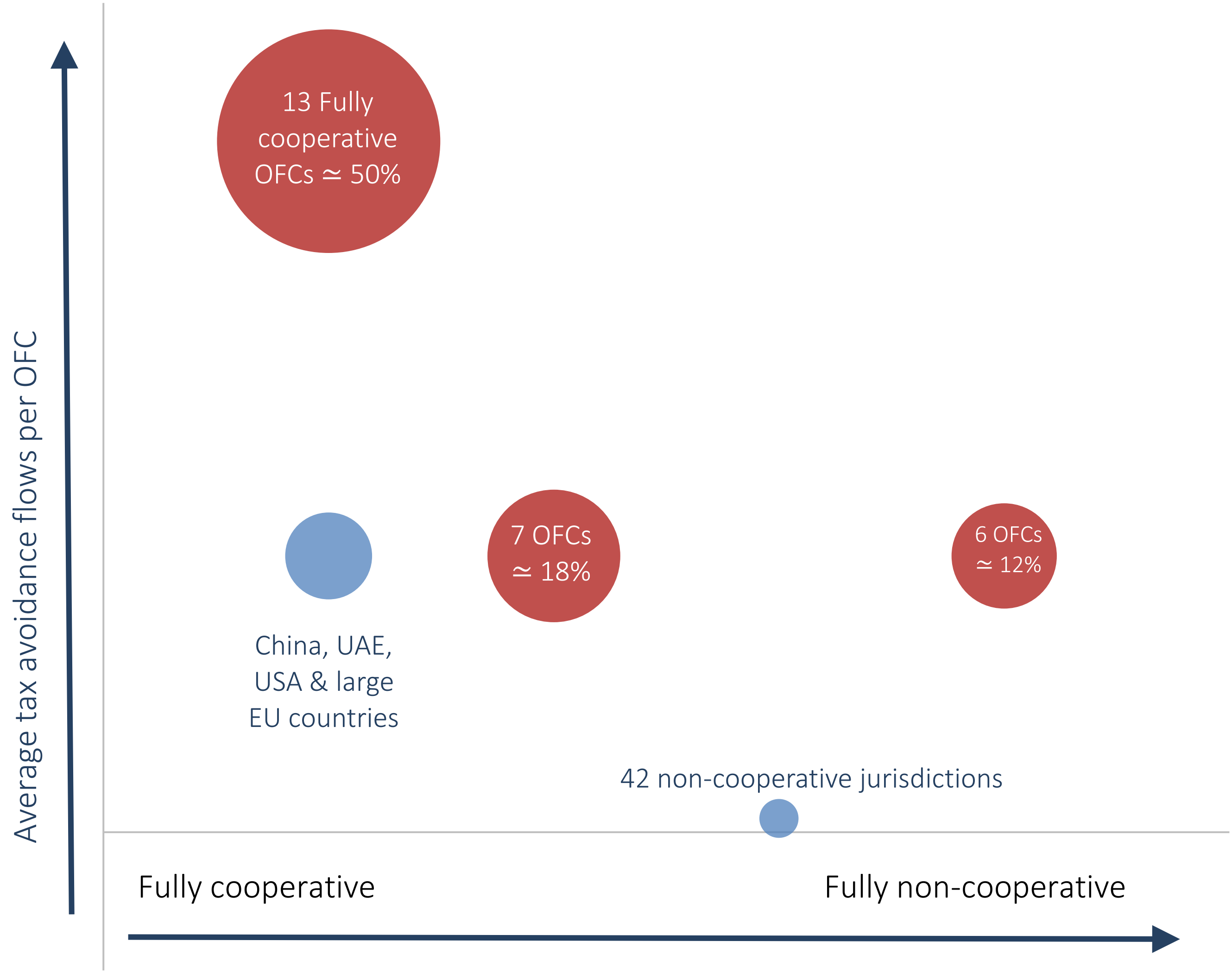
Tax evasion - The worst performers

These countries have 2 or more failures on transparency and exchange with the Global forum standards and/or on the EU lists:

- **OECD/Europe:** Chile, Costa Rica, Croatia, Israel
- **UK overseas territories:** Anguilla, British Virgin Islands, Dominica, Montserrat, Turks & Caicos Islands
- **Dutch overseas territories:** Aruba, Curaçao, Sint Maarten
- **Other:** Antigua & Barbuda, Bahamas, Belize, Panama, Seychelles, St Vincent & Grenadines, Trinidad & Tobago, Vanuatu

Tax avoidance: the three kinds of OFCs that matter



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The 6 “fully non-cooperative” OFCs

Malta, Anguilla (UK), Bahamas, British Virgin Islands (UK), Curaçao (NL), Panama

Exchange of information & transparency

2 or more failures to the Global Forum standards

and/or on the EU “black list”

Impact on tax avoidance flows

13.7% of “global contribution to tax abuses (TJN’s index)

9.6% of “global shifted profits” (EU Tax Observatory)

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The 7 “moderately non-cooperative” OFCs

OECD/EU: Belgium, Hungary, Switzerland

Other: Barbados, Gibraltar (UK), Hong Kong (CN), Marshall Islands

Exchange of information & transparency

1 failure to the Global Forum standards

and/or on the EU “grey list”

Impact on tax avoidance flows

14% of “global contribution to tax abuses (TJN’s index)

23.1% of “global shifted profits” (EU Tax Observatory)

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The 13 "fully cooperative" OFCs

OECD/EU: Cyprus, Ireland, Luxembourg, Netherlands

Other: Bermuda (UK), Cayman Islands (UK), Guernsey (UK), Isle of Man (UK), Jersey (UK), Macau (CN), Mauritius, Puerto Rico (US), Singapore

Exchange of information & transparency

Fully complying with the Global Forum

Impact on tax avoidance flows

42% of "global contribution to tax abuses (TJN's index)

63% of "global shifted profits" (EU Tax Observatory)

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Summing up

- Listing “non-cooperative jurisdictions” matters but is insufficient to account for the broader problem of tax avoidance (which requires deeper tax reforms at the OECD, the UN etc.).
- OECD- and European-based OFCs play a crucial role in fueling tax avoidance flows. The ‘NILS’ group – Netherlands, Ireland, Luxembourg and Switzerland – could well account for approx. 40% of global tax avoidance flows.

Read the full paper here

Key sources

- OECD: Global Forum on Transparency and Exchange of Information for Tax Purposes / Forum on Harmful tax practices / OECD list of "investment hubs" / Corporate Tax Statistics (2022)
- EU: Council list of non-cooperative jurisdictions
- IMF & BIS staff papers: Zoromé (2007) / Damgaard & Elkjær (2018) / Pogliani & Wooldridge (2022)
- EU Tax Observatory & related: Tørsløv, Wier & Zucman (2019) / Wier & Zucman (2022)
- Tax Justice Network Corporate Tax Haven Index

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