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BRIEF 8



Fixing

Corporate

Tax

UNION DEMANDS

MAKING BENEFICIAL OWNERSHIP PUBLIC

MAKING BENEFICIAL OWNERS PUBLIC

THE PROBLEM: HIDDEN OWNERS, HIDDEN WEALTH

Some jurisdictions around the world do not require companies or other legal vehicles, such as trusts or foundations, to publicly disclose the identities of the people who ultimately own them or control their assets. This means that such vehicles can be used to evade tax or hide criminal assets or corrupt payments.

KEY POINT:

**TRADE UNIONS SHOULD
CALL ON GOVERNMENTS TO:**

- **CREATE PUBLIC REGISTERS OF THE TRUE OWNERS OF COMPANIES, TRUSTS AND FOUNDATIONS**

The ultimate beneficial owner of a company, trust or foundation is not necessarily the shareholder because he or she may own it through other companies. Corruption and fraud schemes often use strings of anonymous legal vehicles, each in a different jurisdiction, to make it as hard as possible for law enforcement agencies to catch up.

The Panama Papers and other leaks of confidential records from tax havens have shown that many hundreds of politicians, businesspeople and other prominent figures around the world have made use of anonymous companies to hide their wealth offshore. The result is that their own countries are prevented from taxing this wealth and using the funds to pay for public services which workers and their families rely on, such as education and health.

Anonymous companies can also be used by corrupt executives or controlling shareholders to siphon money out of businesses, potentially putting these businesses in danger of failure and workers in danger of losing their jobs. As well as corrupt politicians, anonymous companies can be used by organised crime and even by terrorists to hide the movement of money.



**“THERE’S NO GOOD REASON
FOR SOMEONE TO HAVE AN
ANONYMOUS SHELL
COMPANY”**

**MO IBRAHIM
INVESTOR**

To curb this problem, the ultimate beneficial owners of companies – the people who really own or control them – need to be made public as a matter of course, not only via leaks or whistle-blowers. The same rule needs to apply to trusts and foundations, which can also be used to hide the ultimate owners of assets.

The tax justice movement has campaigned for years for all countries and jurisdictions to create registers of the beneficial owners of companies, trusts and foundations and make these registers public. Public registers of this kind will make it much harder for the corrupt to hide their wealth behind corporate secrecy.

There has been some progress, though the problem is still very far from being solved. The Extractive Industries Transparency Initiative (EITI), a global initiative for the oil, gas and mining industries, will require all of its nearly 50 implementing countries to adopt public registers of beneficial ownership by 2020. The United Kingdom has already adopted its own public register and in May 2018 passed legislation which requires its overseas territories – including notorious tax havens like the Cayman Islands and British Virgin Islands – to adopt these registers in future.

Other countries are resistant, however, including the United States which is now one of the world’s biggest tax havens and offers high levels of secrecy. The United States has agreed in principle that its states should end anonymous ownership of companies, but no US administration has made this into a requirement, so states go on competing with each other to attract people who want to hide funds and assets. This, in turn, gives political cover to smaller jurisdictions outside the United States to resist greater openness.

European Union countries have agreed to create registers of the beneficial owners of companies and trusts, but the latter will only be accessible to people with a “legitimate interest.” In the UK the register is widely used but its quality is weakened by a lack of resources to verify the information and a lack of sanctions for non-compliance.



MORE TRANSPARENCY NEEDED

The Independent Commission for the Reform of International Corporate Taxation ([ICRICT](#)), which PSI supports, has recently begun to explore the feasibility of a Global Asset Register, linking information on the beneficial ownership of companies, trusts and other legal vehicles with data on the ownership of financial securities, property and other assets. The idea is that a global register could be used against financial crime and make fairer taxation of wealth possible.

Taxation cannot be fair for workers and other citizens until wealthy people and corporations are obliged to be open about what they own and where. In many countries workers are required to register the ownership of their homes, cars and even their dogs. It should not be possible for the rich and powerful to avoid transparency.

Further measures are needed. Jurisdictions which offer hidden ownership of companies and trusts are a key part of the offshore system, which is also used by multinationals to avoid tax, though usually by playing accounting games with their profits rather than by hiding their ownership.

So, governments also need to adopt measures to deter corporations and the super-rich from moving their money into tax havens (see Briefing 3. Measures against tax havens).

WHAT NEEDS TO HAPPEN

1. Trade unions should insist that every country and jurisdiction introduces a register of the ultimate beneficial ownership of companies, trusts and foundations incorporated or registered in that jurisdiction. The register should be comprehensive, public and free to use and all the information in it should be up-to-date and verified.
 - In some countries, this means making an existing register open to the public or improving its quality. In others, this will mean the creation of such a register, including legal requirements on companies to identify their ultimate beneficial owners which are backed by meaningful sanctions for those who do not comply.
2. Trade unions should also insist that governments give national tax authorities the resources and political support they need to go after assets which are hidden by wealthy citizens in overseas tax havens (See Briefings 3 and 6)



FURTHER INFORMATION



TAX JUSTICE NETWORK

The Tax Justice Network's page on the mechanics of offshore secrecy.

Accessible at: <https://www.taxjustice.net/topics/secrecy/the-mechanics-of-secrecy/>

ICRICT

An international body supported by Public Services International as well as civil society groups, ICRICT has published its briefing on a Global Asset Register.

Accessible at: psishort.link/gar



THE FINANCIAL TRANSPARENCY COALITION

This civil society coalition has its own resource page on ownership secrecy

Accessible at: <https://financialtransparency.org/issues/beneficial-ownership/>





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