SOUTH CENTRE

# TAX COOPERATION POLICY BRIEF

https://taxinitiative.southcentre.int

No. 24 • 29 July 2022

# A Global Asset Registry to track hidden fortunes and for asset recovery

**By Ricardo Martner ***

Financial opacity and offshore hidden wealth have become a major economic and political problem. In times marked by war, the on-going pandemic, and the increase in poverty and hunger, tax havens continue to exist and provide financial secrecy services that allow the richest individuals in the world to hide their wealth from national tax authorities. This way, they keep avoiding their obligations to society and accumulating more political power to shape institutions to their own benefit.

Offshore wealth has severe macro-relevant fiscal implications. Let's recap them.

First, hidden wealth generates capital income (such as rental income, dividends, interests, and capital gains) which often goes untaxed. At the same time, it impedes countries that tax wealth to be able to effectively collect tax, diminishing along the way the incentives of other countries that are considering the adoption of new wealth taxes. This translates into significant tax revenue losses every year. The State of Tax Justice 2021 report estimates that US$171 billion are lost each year due to offshore tax evasion related to financial wealth.[1] Particularly, for Low- and Middle-Income Countries (LMICs) this could be a very important new source of significant revenues, considering that current losses are huge relative to tax incomes and fiscal capacities.

Second, it is also a matter of tax progressivity and perception of fairness. Offshore wealth is highly concentrated at the top of the distribution of income. This means that the wealthiest individuals are not paying their fair share of taxes. According to some estimates, the top 0.1% of richest households own about 80% of all offshore wealth, and the top 0.01% about 50%.[2] The ability of the super-rich

**Abstract**

Financial opacity and offshore hidden wealth have become a major economic and political problem. Tax havens continue to exist and provide financial secrecy services that allow the richest individuals in the world to hide their wealth from national tax authorities. Implementing a Global Asset Registry could help tax authorities to identify, record and tax all wealth, regardless of where it is held. It would also be a critical tool in efforts to recover stolen assets of countries suffering from widespread corruption.

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*L'opacité financière et la richesse cachée dans des places offshore sont devenues un problème économique et politique majeur. Les paradis fiscaux, qui fournissent des services de secret financier permettant aux individus les plus riches du monde de dissimuler leur patrimoine aux autorités fiscales nationales, restent une réalité. La mise en place d'un registre mondial des actifs pourrait aider les autorités fiscales à recenser, enregistrer et imposer toutes les richesses, quel que soit leur lieu de détention. Il constitue également un outil essentiel dans le cadre des efforts déployés pour récupérer les avoirs volés des pays victimes d'une corruption généralisée.*

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*La opacidad financiera y la riqueza oculta en el extranjero se han convertido en un grave problema económico y político. Los paraísos fiscales continúan existiendo y prestando servicios de secreto financiero que permiten a las personas más ricas del mundo ocultar su riqueza a las autoridades fiscales nacionales. La puesta en marcha de un registro mundial de activos podría ayudar a las autoridades fiscales a identificar, registrar y gravar toda la riqueza, independientemente de donde se encuentre. También sería un instrumento fundamental para la labor de recuperación de activos robados de los países que sufren una corrupción generalizada.*

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to hide wealth offshore worsens inequalities and damages public trust.

Third, offshore wealth fuels instability and undermines governance. Tax havens enable illicit financial flows — which usually are the results of tax abuse practices, cross-border corruption, and transnational financial crime — which drain resources from sustainable development. Consequently, they contribute to States not being able to fulfill their basic human rights obligations.

Extreme wealth concentration is undermining our democratic principles: when some ultra-rich use their power to evade their tax obligations, they deprive States of precious resources, and impoverish the rest of society. This also may help the rise of anti-democratic movements, as many citizens feel that they have been left out of economic progress, while the powerful benefit from impunity.

Given the magnitude and importance of this problem, governments around the world must act together and deal with the structural flaws of today's international financial system. Even though there has been some progress in curbing some of this secrecy, such as the introduction of multilateral, automatic exchange of financial account information of offshore bank accounts between tax authorities, the introduction of national beneficial ownership registries of companies and trusts, and (limited) country-by-country reporting by multinational companies, tax havens continue to exist and are largely tolerated by world political and business leaders.

But there is more than can be done. Implementing a Global Asset Registry (GAR) could help all tax authorities to identify and record all wealth, regardless of where it is held, as well as the real owners of this wealth. As I am going to explain below, a GAR could be a crucial way to track all hidden wealth. It is achievable, and in fact, we have been moving towards this direction in recent years.

## What is a Global Asset Registry and why is it important?

The idea of a GAR has come up today again in the public debate thanks to the interest of some developed countries to impose penalties on Russian "oligarchs" as media and governments from western countries call on political targets of their countries to impose sanctions. It has become clear to these countries that it is impossible to track all the oligarchs' wealth as it is hidden, and therefore implement effective targeted sanctions. At the Independent Commission for the Reform of International Corporate Taxation (ICRICT, of which I am a member), the GAR has been part of our agenda for a few years now, and it is a very important proposal that has to be designed not only for Russian oligarchs' wealth. It is about targeting *all* oligarchs, and all forms of wealth hidden in jurisdictions with high levels of financial opacity.

What the international community has achieved so far falls short of a true mechanism to track, disclose, and reveal wealth everywhere. Too much wealth is hidden in tax havens, using bank accounts, companies, and trusts that aim to keep their true beneficiaries unidentifiable. It is now clear that illicit finance is a global problem that can only be addressed effectively through collective action.

The GAR is a comprehensive global registry that could link all types of assets, companies, and other legal vehicles used to own assets, to the persons that really own or control -or benefit from- them, the so-called "beneficial owners" (which can be different from the legal owners). It should include all types of relevant assets and structures created to legally own assets.

Although today there are different types of assets and beneficial ownership registries in several jurisdictions, these registries do not cover all the different forms of modern wealth, nor all legal vehicles that an individual can use. This means that the GAR should include, in addition to real estate, bank accounts, safe deposit boxes, trusts, and other types of legal arrangements used to own assets, other important types of wealth like financial securities, crypto assets, artworks, jewelry, yachts, planes, and other luxury items.

It also should come through interconnecting all national beneficial ownership registries in the world. This will require the creation of national beneficial ownership registries which will systematically gather beneficial ownership information across all asset types at the national level. Finally, the GAR should be public and in an open data format. For this tool to achieve its maximum potential, the information that would be on this register should be accessible to all national and international governmental institutions, but also to the general public.

A GAR will also be a critical tool in efforts to recover stolen assets in countries suffering from widespread corruption. This would help to increase public revenues and to restore citizens' trust in State institutions.

## Why is it achievable, particularly at this moment?

The global asset registry is not that revolutionary. Today we have land registries and real estate registries, and countries have had these registries for centuries. For instance, in France, the French Revolution created land and real estate registries in the 18th century. At that time, the bulk of wealth was indeed in real estate and land, so by creating these registries to record the ownership of assets, what countries did was in effect record ownership of almost all wealth.

What has happened since then is that financial wealth plays a much more important role than before. Today, more than half of households' total wealth is in the form of financial wealth, and yet the registries that we have now have not kept up with the changes in the nature of wealth that has happened over the last century. So, the idea of a financial registry is to modernize these existing institutions and tools, in order to do two things.

First, to identify beneficial ownership of assets: today real estate and land are owned through shell companies, so in the existing registries it is not possible to identify the beneficial owner of those assets. But this identity is known because intermediaries must know who are the beneficial owners of the wealth that they manage.

Second, to extend these registries to financial assets and other forms of modern wealth. Registries need to get back to their original intention, that is to cover and record all forms of wealth that individuals can own.

We don't need to reinvent the wheel; we just need to update these tools to the reality of 21st-century wealth.

## Why now?

There is a legitimate public interest in the collection and publication of this information. The Russian invasion and western countries' intentions to sanction their oligarchs is a gamechanger. This is showing developed countries' political leaders that the inability to expose beneficial owners potentially could hurt all countries, even the richest.

It also has given more public attention to the magnitude and importance of the problem and the different kinds of wealth that need to be recorded. These all are resulting in more political willingness to the possibility and need for this kind of a record.

Political challenges exist. There is going to be pressure from interest groups in blocking this type of information to be recorded. Particularly, because global powers play a major role in financial opacity. The latest edition of the Financial Secrecy Index reminds us that those responsible for the plundering of resources are not the tropical islands that the world is used to associating with tax havens, but jurisdictions in Europe and North America, and many other advanced economies.[3]

## The roadmap to getting to a Global Asset Registry

The logical starting point is with the registries that we currently have, land and real estate registries in addition to beneficial ownership registries of companies and trusts.

Although progress has been made in the creation of beneficial ownership registries, there are still many countries missing to adopt this type of measure. In 2020, 81 jurisdictions had laws requiring beneficial ownership information with a government authority,[4] and only 20% of East Asia and the Pacific and 21% of Sub-Saharan African countries currently ask companies to submit information on beneficial owners.[5]

In the developing countries that have taken steps to create national beneficial ownership registries, there are a lot of differences in the design of these registries, in terms of identifying beneficial ownership and subjects obliged to report. For example, while Argentina, Botswana, and Ecuador established a threshold of at least owning one share of a company to be a "beneficial owner", other States such as Colombia, India, or Kenya require between one share up to 10% of the total shares, and others require more than 10% of shares (Costa Rica, Dominican Republic, Malaysia, Panama, Philippines, Tunisia & Uruguay). Countries such as Brazil established the same threshold as the European Union, with a requirement of owning more than 25% of total shares or voting rights. At the same time, some countries exclude legal vehicles such as trusts, investments funds or Limited Liability Partnerships (LLPs), or even foreign companies, whilst in other countries, the beneficial ownership registries cover some or all these entities. Finally, although these registries are private in most cases, countries like Ecuador have beneficial ownership registries with public online access.

After this, it is imperative to start incorporating financial assets and other forms of wealth that are not currently included. For countries that still do not have national registries that link all types of assets at a beneficial owner level, the first step is to start creating these registries.

In a globalized world, these different registries must start to connect and share information, so we can have a comprehensive picture of the wealth owned by people. We can start with two countries connecting their registries, and then the natural step will be to start connecting entire regions' registries.

The European Union (EU) could be a leader in improving financial transparency by the adopting of an EU Asset Registry,[6] but other regions can start creating their regional registries, and then, ultimately, connect these regional registries to achieve the goal of having a global registry.

We should see this as a building block process, starting with what we already have and gradually start extending and connecting registries to arrive at the ultimate goal. Nevertheless, the first and more important step is to start building national registries.

Even without a global body, jurisdictions can start gathering and sharing beneficial ownership information. There can be a system based on a global agreement for the exchange of information coming from beneficial ownership asset registries between tax authorities. But this system needs to include mechanisms to make tax havens share information. It is crucial to think about how to control tax havens, so this agreement can work. One way is avoiding financial transactions if there is no transparency on the information provided by tax havens. Other could be to impose concrete economic sanctions. This is what the United States did after the 2008 financial crisis when it threatened Switzerland with economic sanctions in order to make them share information about bank accounts.

Finally, it is important to mention some key players that could help this process to become quicker. Especially, we need national-level efforts to be directed at building beneficial ownership registries that include all the forms of wealth. Notwithstanding, there should be also a global coordinated effort. The Group of Twenty (G20) can initially lead this effort, by deploying immediately a plan for taking the necessary steps to move towards a GAR and showing a global commitment to move this forward with a sense of urgency.

Multilateral institutions such as the United Nations (UN), the Organisation for Economic Co-operation and Development (OECD), or the International Monetary Fund (IMF) could have an important role to play in supporting this process, as was the case with the Base Erosion and Profit Shifting (BEPS) process where multilateral institutions provided the platform for negotiating the process. If we want to build a system like the one previously mentioned, it is important to have forums to do it.

## Conclusion

Rising global inequality, the fight against COVID-19, poverty, and climate change, have shown that the world can no longer afford tax havens. There is an urgent need to start thinking outside of the box for measures that can act decisively against global tax injustice. The GAR is a golden tool that can pave the road for a more inclusive and transparent system.

In establishing the GAR caution should be taken to avoid its use by big powers for political purposes. This would de-legitimize it. If properly designed and utilized, however, GAR can become a critical tool to fight against offshore tax evasion, contribute to curb illicit financial flows globally and, importantly, to the recovery of assets.

**Endnotes:**

[1] See https://taxjustice.net/wp-content/uploads/2021/11/State_of_Tax_Justice_Report_2021_ENGLISH.pdf.

[2] Annette Alstadsæter, Niels Johannesen, Gabriel Zucman, "Who Owns the Wealth in Tax Havens? Macro Evidence and Implications for Global Inequality", December 27, 2017. Available from https://gabriel-zucman.eu/files/AJZ2017b.pdf.

[3] See https://fsi.taxjustice.net/.

[4] Moran Harari, Andres Knobel, Markus Meinzer, Miroslav Palanský, "Ownership registration of different types of legal structures from an international comparative perspective", State of play of beneficial ownership - Update 2020 (Tax Justice Network, 1 June 2020). Available from https://taxjustice.net/reports/the-state-of-play-of-beneficial-ownership-registration-in-2020/.

[5] See https://blogs.worldbank.org/developmenttalk/beneficial-ownership-increasing-transparency-simple-way-entrepreneurs.

[6] See https://wid.world/document/effective-sanctions-against-russian-oligarchs-and-the-role-of-a-european-asset-registry/.

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**Efforts to reform international cooperation in tax matters are exhibiting a distinct acceleration. The direction of change must recognize and incorporate innovations in developing country policies and approaches, otherwise the outcomes will obstruct practical paths to development.**

**The policy brief series is intended as a tool to assist in further dialogue on needed reforms.**

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