



Economical & Financial Committee PRAMUN 2017 Synopsis

Topic #2: Are offshore tax havens ethical, should they be banned globally, or do individuals have a right to deposit money in offshore bank accounts

I. Background information

Tax havens have a valuable role in today's world. By tax haven's we mean states or jurisdictions, where particular taxes are low rated or don't exist at all. There are actually three factors to be considered a tax haven:

- Whether there is a lack of transparency
- Whether there are laws or administrative practices that prevent the effective exchange of information for tax purposes with other governments on taxpayers benefiting from the no or nominal taxation.
- Whether there is an absence of a requirement that the activity be substantial

If taxes are paid in the offshore jurisdiction companies or individuals are able to avoid paying taxes in their home, which is advantageous, especially when you live in a high-taxed country. These tax havens then seem attractive for new companies to place their capitals abroad for being able to establish themselves quickly. The problem begins, when a developed company has still its capital placed in a tax havens and commit a tax evasion.

Tax havens also guarantee a financial secrecy, which enables foreigners to hide their personal data. This help people suffering from high taxes and their country regime, where government uses its power to exploit on its citizens. It is not surprising then that Switzerland has an admirable policy that helped German Jew to guard their assets from the Nazis. In Russia people tend to keep their money somewhere political lite can't seize it. Other nations might on the other hand suffer from a hostility of their neighbors. All of them have a big incentive to trust tax havens.

Nowadays, tax havens are viewed as a danger. Because this help that tax havens provide causes what we call a tax competition. Developed and high-taxed countries are put in a pressure to low their taxes, because of an enormous amount of money leaving their economic system. The financial secrecy hides how much money is owned by individuals and then not allowed to be used for general prosperity. European Union has started a program by establishing a black list. United Nations

Some key-terms

Tax competition: It exists, when governments compete each other. The politicians then feel the pressure to low the taxes, otherwise companies move their monopolies abroad. Without the tax competition, taxes would be risen continuously for self-improvement of the country.

Financial secrecy: In countries/tax havens, where is the financial secrecy applied, individuals are legally prevented from the possibility of finding their personal data and financial information.

II. United Nations Involvement

United Nations acknowledges the offshore tax havens issues and the need of elimination of the tax evasions. Because of the latest disclosure of Bahama's tax havens data, when we've discovered an

actual amount of money hidden in offshore tax havens, UN urges all the nations to liquidate offshore tax avoidance and establish new financial regulations.

The reason is simple – in tax havens countries loses billions every year while individuals keep in tax havens between \$7 and \$25 trillion of funds. This amount of money can and should be used for public prosperity such as health care, schools, public security etc.

UN demands an elimination of the financial secrecy and establishing transparency, cooperation among the states, forming a minimum taxation floor, sharing information between the countries.

“This all would lift the veil of secrecy and anonymity that shrouds these offshore accounts and return money to the public,” proclaims the UN Independent Expert.

III. Block positions

As an often discussed topic, many blocks there have formed on different levels. However because tax havens are and international problem, the groups are not strictly divided and many exceptions are visible. It is reasonable divide the countries according to the views on the tax havens problems.

Pro-tax havens reasons

They facilitate the efficient allocation of capital and they encourage the investment. They are considered as an advantageous starting point for new companies. But the economy efficiency isn't the only reasons they are wanted to be preserved; they are defended on a moral base as well. People are safe from a persecution which makes offshore tax havens beneficial for those who suffer from high taxes or their country regime.

Anti-tax havens reasons

They cause the tax competition, which unable developed countries to economically grow and benefit their own citizens, and tax avoidance, which unable the developing countries to establish stable economy and start their way to prosperity. Also the money hidden in tax havens by individuals are counted to trillions of dollars and should be used in public services, apart from being locked somewhere and not being efficient.

Delegates will be either for or against the offshore tax havens. With a deeper understanding of the topic and considering the fact on economical and moral/ethical level, they are encouraged to find a solution according to their country policy. During lobbying session they will get together in groups of delegates with the similar opinion and make a resolution acceptable for their policies.

IV. Questions to consider

When writing the policy papers, delegates should focus on the following questions.

- Does your country's economy suffer from tax havens?
- Is safe to preserve the tax havens?
 - What are the consequences?
- Do you find the secrecy possibilities provided by tax havens ethical?
 - Have you considered its total disclosure?
 - Will it stop individuals from saving their money offshore?
 - How it will affect those under the pressure of their regimes?
 - What should be done with the money deposited in offshore tax havens?
- Is your country a member of OECD?
 - How does your membership affect your view on tax havens?
- Are you ready to cooperate with other nations on the new UN conditions?
 - Can those conditions help to find an economical balance?

V. Helpful and useful resources

A good starting point for understanding the topic

<http://www.tackletaxhavens.com/the-problems/>

A deeper analysis

<http://www.globalissues.org/article/54/tax-avoidance-and-havens-undermining-democracy>

A totally different view to be noticed

<http://www.internationalman.com/articles/the-moral-case-for-tax-havens>

UN opinion

<https://www.quora.com/What-can-the-UN-do-about-tax-havens>

<http://www.ngosonffd.org/wp-content/uploads/2010/11/UN-Role-in-International-Tax-Policy-2012.pdf>

<http://www.publicfinanceinternational.org/news/2016/10/un-expert-set-out-demands-tackle-offshore-tax-abuses>