Tax Tips from the Rich and Famous

By [Bill Corden] (April 2022)

The Parable of the Rich Fool, Rembrandt, 1627

It's hard to pull up a news site or read a paper these days without coming across an hysterical piece about the seizure of an "oligarch's" assets or a piece about some "Peer of the Realm" stashing away his loot in some tiny island in the Med or the Caribbean.

These articles are, for the most part I would say, written by authors/bloggers who know nothing about the sleazy mechanics of world of offshore finance and secret accounts, written for a general public who know even less.

Me? I worked most of my life in that same business, the first half of my career working for a financial institution helping the rich, famous, and crooked hide their money from rapacious governments and the second half working for an organization that desperately wanted to find it.

Come with me on a journey of revelation as we make our way through that international labyrinth.

Before we get started, let’s look at the substructure.

The basic tools of tax avoidance (tax EVASION is illegal) are:

Stable jurisdictions with favourable tax laws, limited companies, discretionary and irrevocable trusts, financial institutions with the ability to turn a blind eye, tax lawyers, and finally tax accountants.

Stable jurisdictions with favourable tax laws are the *sine qua non* for the profiteer, the carpetbagger, even the great train robber (which I’ll tell you about later). There’s not many of them in the world and so all of the world’s hot money is funneled through these places where a coat of secrecy is applied. The money doesn’t actually stay in these spots, it’s filtered through legal mazes until it turns up clean in the markets of London and New York where it’s converted into property.

The magic of Limited Companies and Trusts is that they are man-made legal persons. They don’t breathe, they don’t eat, they have unlimited life spans and can lay dormant indefinitely. Because they are inanimate, they have no conscience, no moral guidelines (only legal guidelines). They don’t feel pain when punished and they can be killed off as easily as they were created without any murder charges being filed.

A dormant company in a tax haven could have been sitting on a shelf for years before it is activated but once it is activated, it can then be considered as a resident of the jurisdiction since its birth and therefore has the benefits that come with such residency.

Now we turn to the tax lawyers and tax accountants, these are the incubi of the entire movement.

These are the ones who put the laws of EVERY tax collecting administration in the world under the electron scanning microscope. They look for sloppily placed commas, they look for poorly drawn definitions, anything they can interpret to their client’s advantage.

They look for secrecy. They look for places where you can hide your cash and they charge you a lot for finding those places.

Those high-rise office towers you see in City Centers all over the world aren’t peopled by lawyers and accountants who’ve made their money by drawing up your mortgage or preparing your last will and testament, they are run by the best, devious, tax avoiding minds who know how to dance on the edge of what is right and what is wrong.

And so to the actual mechanics and motivations that make these schemes work. There’s any number of sources for tax avoidance money, so let me touch on the ones I saw.

I can only go back to the late sixties as that’s where my experience began, the world was much different back then. Colonial exploitation of the natural resources in Africa was still in high gear. Mining and electrical engineers and other professionals by the thousands were working as expatriates in places like Zambia, Uganda, Namibia.

Wonderful and privileged lives, high salaries on which they paid no taxes either in that country or in their home country. They had servants, beautiful homes; you couldn’t get a better set up. But there were troubling clouds on the horizon as each of the countries got their independence and new governments wanted a piece of those high salaries for themselves.

The expats quickly realized that keeping their money in bank accounts in the newly independent states was a high-risk venture.

The new military style dictatorships had unlimited powers which included going into banks and examining individual records. Once they found out how much money these people had, they got a visit from the militia who told them how much they wanted. Pay or be shot.

The solution? Get money out of the country right now.

The problem? If one transferred his money directly to his home country, then the equally rapacious government taxed you as if you were still living there.

Enter the Tax Haven … Jersey Channel Islands in my case. The wrinkle that the tax experts had discovered was that you could park your money in Jersey, where it wasn’t considered income, and you could still have access to it anywhere in the world you travelled to.

Jersey overflowed with this money and there was a new bank opening almost every month as the word got around the international banking institutions. They didn’t charge exorbitant fees for this service, there were no exchange rate risks and one had the comfort of a major bank holding your savings. The one minor problem that the big banks had in setting up was that they had to have a certain number of local resident directors on their boards.

Simple enough to overcome but you don’t want some rogue local director rocking the boat, so they hired from the legal fraternity. These local resident directors were given some shares for legal purposes but insured against any misbehavior by having a signed, undated resignation letter and a signed, undated transfer of any shares they held. One of my jobs was a weekly check on the custody of these letters and transfers, which were held in the bank's vault.

All of the banks were wholly owned subsidiaries of banking behemoths so they were as safe as houses.

For this, the local directors got an annual (quite modest) stipend and free junkets whenever they were on offer.

It was the best of times, winding down your career in Africa as it transitioned to dictatorships, comfortable in the knowledge that your nest egg was safe.

But the best of times always come to an end.

It began to emerge that the statements we were sending to customers in these far flung countries were being intercepted by the henchmen of the leaders. Once they found out that you were hiding money out of their reach they got angry.

A visit from the military followed and we were hearing harrowing stories of guns being held to temples while the unfortunate client signed a letter under extreme duress. These letters usually requested that any monies held in their name be immediately transferred back to the country where they rightfully belonged. Most of the requests that we saw at the time were from Uganda or Zimbabwe where Idi and Robert held sway.

The immediate fix was to stop sending statements or, in fact, any correspondence to the clients but this only worked for new clients as the existing ones had statements lying around their house which would be discovered by the execution squads.

Enter the discretionary trust.

Instead of depositing your money in the bank, why not give it to them so they can hold it as a trustee. That way the money can only be accessed if both you and the bank agree to release it. So the letter you signed with a gun to your head was now ineffective because the bank had to agree to release it too.

And the banks soon cottoned on to the fact that this was a service that commanded a lot in the way of fees. Discretionary trusts exploded and the fees ramped up to reflect the demand.

It wasn't just the miners and engineers of this world who had money to protect, there were limitless numbers of crooks in high government positions, any number of bribe takers, entrepreneurs, bank robbers—you name it—who needed to get their money out of harm's way *tout de suite*.

We got money in from the Great Train Robbery. A man walked in with a brown attaché case, opened it up and it was full of old banknotes. He wanted to put it into a term deposit but he didn't know how much was in the case so he asked us to count it. He was as cockney as they come and said, "I fink there's about twenty five fousand in there but if it's short I'll make it up." Account opened without a question being asked.

We got money in from Bangladesh . Money given to charity from the "Concert for Bangladesh" that ended up in the wrong hands. I can still remember the linen-suited Indians opening the suitcase like that same great train robber, the only difference being that they were much more sophisticated and their gold jewelry glistened under the teller's light.

We got massive amounts in from Saudi Arabia and the Emirates but it wasn't for tax avoidance, it was because they didn't have anything to spend it on in the desert so some bright spark suggested that they store it offshore and then start to buy Shopping Malls, Office Towers and mega projects all around the world.

All of that money that the dictators had raped and pillaged? Well it wasn't safe to keep it in the country they rule so it had to be moved as quickly as possible. This poured in like milk from a jug. The banks couldn’t hire staff fast enough and even local directors were getting hard to find. Their remuneration went from modest to princely over the space of 18 months. The only ones who didn’t seem to benefit were the frontline staff (of which I was one) processing all of this cash.

In terms of real hard cash, this was just peanuts compared to what was coming, for a sea tide of change was on its way with the collapse of the Soviet Union, the rise of China and the expansion of the EU. The absolute explosion of the US dollar as a means of payment meant that money was more fluid and easier to move about than at any other time in history. A click of the mouse could transfer uncountable amounts from one jurisdiction to another without even a question asked.

What was just millions before now became hundreds of millions, then billions and then hundreds of billions as the looters in the most vulnerable of places dug their hands into the till at a voracious pace. They all understood that the most important step was to get their ill-gotten gains out of the victim country as quickly as possible. They all knew that the game would be up once their respective governments found out what was being stolen.

Enter the spider’s web of numbered companies, secret numbered bank accounts, gangster cash washing and mega property purchases. From your country to the offshore bank and then into London and New York via phony invoices for management fees or services rendered.

So that’s how it’s hidden away. How does the other side get it back?

Well, as I said, I spent the first half of my life in finance helping them hide it and then the second half saw me as a Tax Investigator, and what a world that opened up for me.

Any ruse you can think of is employed by the lawyers and accountants, they set up companies that are supposed to be at arm’s length from the taxpayer but are in effect their own checking accounts.

Valuation of assets? An art unsurpassed by any magician.

We’ve seen wheelbarrows valued at millions of dollars; we’ve seen household items soar in value just because they were touched by a famous hand. A painting costing hundreds of thousands of dollars appraised as worthless, every move designed to reduce the amount of tax that should be payable.

Land being revalued for the supposed resources lying beneath it is especially popular for sandbaggers trying to raise money on their balance sheets.

It has been mentioned that governments in general turn a blind eye to all of this skullduggery but never forget that the monetary affairs of man are always subject to the scrutiny of the Revenue Service and they have many traps laid for the unwary oligarch.

They study property purchases, they monitor the movement of large amounts of cash, they study acquisitions made by well-heeled interlopers and, if they don’t get full disclosure from them, then they issue “net worth” assessments. These assessments are based on the logic “well if you own this much in the way of assets, you must have earned the money to buy them so we’re going to conjure up a figure that reflects those earnings.”

This process is where the fun starts because it triggers an early warning system for the miscreants. If they get even a hint of something going down, then they start moving things out of reach. They do this by transferring ownership to any of the numbered companies or to Trusts I mentioned, or by physically transferring the items in peril to get them out of reach of seizure range. Sometimes they only manage it with minutes to spare, as has been the case recently with the mega yachts we have seen on the run.

The next stage for the collectors is to get court orders seizing properties or bank accounts but this is a heavily burdensome process and incurs millions of dollars in legal fees. It's burdensome but it's also highly ineffective because court orders issued in one country have no powers in another country. Serving them to a bank or a legal entity in a tax haven confers no obligation on the receiving party. They have to get a similar order from the tax haven's court system and those systems don't like to give such orders out.

The custodians simply phone up their clients and tell them to move their stuff asap and before the day is out, the money is halfway around the world in another jurisdiction.

Occasionally Revenue Services will catch one of the lower level dodgers, usually because the dodgers have been too cheap to pay their protectors but even when they do catch them, there's nothing in it for us as taxpayers. You won't see a dime in reduction of your own personal taxes even if they recover millions upon millions of dollars because it costs millions upon millions to catch them.

Don't believe ii when the press tells us that it's being reined in, it's worse than it ever was and continues to grow—even more so with the international crises running full current.

Table of Contents

Bill Corden is a happily retired sports columnist living in Vancouver, British Columbia. Now he writes, plays music and makes people laugh.