

Bloomberg

Billionaires Suffer as Tax Shelters Go Away

By: Peter Coy – April 29, 2013

It's hard out there for a tax-sheltering billionaire. Bloomberg News reports today that some of the wealthiest people in the world are scrambling to rearrange their financial affairs as international tax shelters become less accommodating.

- Liechtenstein began in 2009 to require its financial institutions to gather details about the beneficial (i.e. real) owners of all accounts held there. Andorra and Switzerland made their own concessions within a day of Liechtenstein.
- Singapore will make laundering of profits from tax evasion a crime under a law taking effect on July 1.
- Luxembourg announced on April 10 that it would end its bank secrecy policy in 2015.
- Cyprus has been required by the European Union to impose a tax on bank deposits of more than €100,000.
- Jersey, the island in the English Channel that's a Crown dependency of Britain, is under pressure to change its tax-secrecy laws. In response, it has threatened to sever its ties with Britain.

Libertarians argue that these crackdowns could be a bad thing. They say international tax shelters are good for economic growth worldwide because they discourage growth-destroying overtaxation. "Simply stated, it is very difficult for governments to impose and enforce confiscatory tax rates when investors and entrepreneurs can shift their economic activity to jurisdictions with better tax policy," Dan Mitchell, an economist and senior fellow at the Cato Institute, wrote in a Room for Debate column at nytimes.com earlier this month.

Other economists support cracking down on small nations that attract rich people and companies with low tax rates and bank secrecy. They argue that tax-shelter countries are parasites. "The full or partial elimination of tax havens would improve welfare in non-haven countries, in part because countries would be induced to increase their tax rates, which they have set at inefficiently low levels in an attempt to attract mobile capital," wrote University of Michigan economist Joel Slemrod and Michigan State University economist John Wilson in a 2006 working paper.

While the debate swirls, billionaires keep looking for places to hide their money. Mario Gassner, chief executive officer of Liechtenstein's Financial Market Authority, rattled off for Bloomberg several reasons the wealthy seek discretion, aside from saving on taxes.

"If you are married and have a girlfriend in another country, you may have a lot of assets that perhaps you don't want your wife to know about," he said. "Or perhaps you are looking for a solution for your children to finance university studies, or you're not in

good relations with them and you don't know what is going to happen to your fortune in the future.”

As the trend toward transparency continues, life may get even harder for Gassner's billionaires.