Tax Haven Abuse – To Stop or To Treat?

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Will actions to stop tax haven abuse, like the US proposing the Stop Tax Haven Abuse Act since 2007, and recently pressure on the Swiss Banks (including in their territories) to force them to surrender, and enforcing US financial institutions overseas to disclose all US citizens' banking transactions, reduce tax haven abuse?

Or will it treat all those tax avoiders through reforming domestic taxing regimes on offshore income so as to encourage repatriation of income from offshore?

Confucius warns that "tyranny is fiercer than a tiger" and argues against collecting heavy taxes from people. Gupta reports that "Hong Kong investment in New Zealand …a large proportion of this investment is from other countries using Hong Kong as a base – possibly as a tax avoidance measure. Hong Kong investment internationally – both outwards and inwards – is heavily dominated by tax havens".[1]

As part of my PhD research, I have interviewed two chairs of publicly-listed companies in Hong Kong and a tax barrister specializing in international tax planning and tax haven structures. They all agreed that tax haven activities could not be stopped and would continue to flourish despite all the international initiatives against them. They revealed their concerns over these inequitable taxing regimes on offshore income as compared to onshore income.

This paper proposes a comprehensive reform of Australia and New Zealand domestic laws on taxing offshore income by adopting one size does not fit all approach. It is part of ongoing research.

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[1] Gupta, S., "Asian Foreign Direct Investment – Hong Kong" (Working Paper, Wellington, Investment NZ, June 2003).