




To read this content please select one of the options below:

Add to cart 

32.00€ (excl. tax)
30 days to view and download

 Access through your institution

 Access and purchase options ▾

Tax havens: conduits for corporate tax malfeasance

[Akanksha Jalan, R. Vaidyanathan](#) ▾

[Journal of Financial Regulation and Compliance](#)

DOWNLOADS

 4547

ISSN: 1358-1988
(International
Article publication date: 13 February 2017
Standard
Serial
Number.)

[Permissions](#) 

Abstract

Purpose

This paper is an effort to demystify tax havens – what they mean, what they offer and why they are harmful. It offers a detailed analysis of abusive tax planning by multinational corporations, involving the use of tax havens, shedding light on how corporations use “egregious” tax-sheltering techniques right from their incorporation to avoid payment of income taxes. The paper also discusses global efforts against the phenomenon and policy recommendations.

Design/methodology/approach

The paper brings together definitions from various sources to accurately define and identify tax haven economies. The key contribution of the paper is to diagrammatically explain the use of tax havens by MNCs right from the time they are incorporated. It explains how every big and small corporate decision is motivated by the desire to save taxes and how tax havens come in handy for such corporations.

Findings

This paper finds that base erosion and profit shifting (BEPS) is a pervasive phenomenon, largely due to the suppliers of tax haven operations. Here, corporate decisions are divided into strategic and operational and further subdivided into investing, operating and financing activities, and provide real-life corporate examples of how tax havens fit into almost every corporate decision. This is the key contribution

interesting to see empirically whether MNCs with greater tax haven operations actually have lower effective tax rates.

Practical implications

The paper can provide a framework for designing tax policies in a manner that geographical arbitrage can be minimized. It can enable formulation of the necessary incentive structures in the form of penalties, rewards and the like for both the users and providers of tax haven services to curb massive base and profit shifting out of high-tax countries.

Social implications

The paper is one small step in the direction of bringing about equality in tax payments, i.e. to align real tax systems with the canon of equality that Adam Smith once dreamt of. Taxes should be progressive in nature, implying that the amount of taxes paid should increase with one’s income. However, with the advent of offshore financial centres and egregious tax planning techniques, only the smaller corporations and middle-class individuals end up paying taxes, while the rich and bigger corporations get away easily.

Originality/value

The paper explores in detail the manner in which MNCs use, rather exploit, regulatory loopholes in tax systems of different countries to save on tax payments. By shifting their tax base from one country to another, MNCs not only hamper Treasury collections but also breed disrespect for the global tax system. The paper can help in designing tax laws in tune with such corporate motives.

Keywords

- Corruption
- Tax evasion
- Anti-money laundering
- Financial regulation
- Compliance and regulation
- Corporate compliance

Acknowledgements

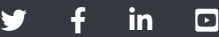
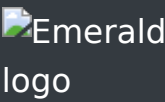
This paper is an effort to demystify tax havens – what they mean, what they offer and why they are harmful. Tax havens are secrecy jurisdictions that enable wilful tax planning by multinational corporations worldwide. In the light of the global corporate tax misbehaviour, these have come under policy glare. Starting with explaining the meaning and relevance of taxes in general, the paper offers a detailed analysis of aggressive tax planning by MNCs, involving the use of tax havens. By highlighting the various mechanisms through which corporations push the envelope of the tax laws, the paper goes on to show how such mechanisms obey the word but defeat the spirit of tax laws. In fact, careful tax planning starts much before a corporation is even born. This issue is important because not only does it shift the tax burden to the ordinary citizens of a country, but also breeds disrespect for tax laws across the globe. Finally, the paper talks about policy issues and global effort in curbing tax misdemeanour.

Citation

Jalan, A. and Vaidyanathan, R. (2017), "Tax havens: conduits for corporate tax malfeasance", [Journal of Financial Regulation and Compliance](#), Vol. 25 No. 1, pp. 86-104.
<https://doi.org/10.1108/JFRC-04-2016-0039>

 Download as .RIS

Publisher: Emerald Publishing Limited
Copyright © 2017, Emerald Publishing Limited



© 2024 Emerald Publishing Limited

Services

- [Authors](#)
- [Editors](#)
- [Librarians](#)
- [Researchers](#)
- [Reviewers](#)

About

- [About Emerald](#)
- [Working for Emerald](#)
- [Contact us](#)
- [Publication sitemap](#)

Policies and information

- [Privacy notice](#)
- [Site policies](#)
- [Modern Slavery Act](#)
- [Chair of Trustees governance statement](#)
- [Accessibility](#)