Legalizing Theft: A Short Guide to Tax Haven – by Alain Deneault (2018)

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According to Alain Deneault's book, "Legalizing Theft: A Short Guide to Tax Haven," affluent individuals and significant organisations have been frequently evading taxes on a large scale. In this book, the author discusses the origin of tax dodging and how banks and corporations employ what appear to be legal tax avoidance methods. He further describes the repercussions of tax evasion at both the individual and global levels. At the end, the author further offers some recommendations that countries should adhere to in order to eradicate tax havens.

First off, he defines tax havens as "companies, accounts, or individuals that have a tax rate of zero or almost zero in certain countries." The author further describes how this idea began in the past. He relates the history of tax havens to the growth of the dollar. He explains that in 1971, the American dollar was introduced to replace gold (which was primarily used as a means of trade). Across time, the dollar became a freely used and widely distributed currency all over the world. As a result, the global economy became chaotic. In an effort to raise more money, countries started luring firms and corporations with free trade agreements and the lowest tax rates which have now been lowered to around zero. To increase their profits, businesses and organisations also started to use certain methods and legal systems that could make it possible for them to avoid taxes in a legitimate way.

The common methods of tax evasion mostly used in Canada are discussed in this book, which includes trust deeds or mortgage deeds, banking discretion, transfer pricing, special purpose vehicles, and foreign direct investments. The author further explains these methods in detail. He claims that because trust deeds or mortgage deeds are not obligated to provide any information about the depositor, they benefit tax havens. Additionally, investigations of businesses and people who are not citizens of the country are prohibited under banking laws, which paves the way for tax rejection. Transfer pricing is another tool that makes the situation worse. Businesses exchange goods at market value, but the concept of "transfer pricing" is used when businesses let one another use their brands (which are, by definition, priceless, but more valuable than the infrastructure of a business) for any given price in a country that doesn't tax its citizens much. Companies adopted this approach and started locating their assets in certain countries to avoid taxes. For instance, Google did this in 2011 when it placed around $10 billion in the accounts of a Bermudan corporation.

Even after a long history of tax havens, no significant legal action has been taken yet due to the existence of the odd legal systems discussed above which give tax havens the appearance of being legitimate. Moreover, countries also resist adopting strict measures against these corporations and individuals out of concern that their economies would suffer as a result of lower money circulation, poor investment, and fewer employment opportunities, if wealthy businesses and individuals relocated elsewhere. However, they ignore the negative impacts of tax evasion on the economic state of the country.

The effects of tax evasion are further covered in detail in this book. According to the author, Canada's middle class pays higher taxes than do the affluent business owners and corporations, which has contributed to the country's long-term trend of growing income inequality. Additionally, since rich business owners pay less in taxes, government expenses outweigh earnings. According to an OECD report from 2010, tax haven countries cost from $100 to $240 billion annually. Therefore, to meet its obligations, the government borrows from less-taxed private companies, which further decreases the tax rate.

Other than these, due to high debt, government investment in public goods and services, such as hospitals, education, and social benefits, declines. To have a better quality of goods and services, the public is drawn to the private sector. Beside these, increased government borrowing from the private sector also decreases the amount of money available for private investment, resulting in fewer job prospects and a worsening of economic austerity. The author further contends that issues brought on by tax evasion are worse because the government would not be aware of the assets and wealth of these wealthy business owners, allowing them to engage in any illegal activity like fraud, drug trafficking, high-risk finance, and financial abuse. Now, one might wonder that after all the harmful effects of tax havens, why they still exist today. Therefore, the author states that because of ideological bias, economists believe that tax havens benefit the lower class by spurring businesses to compete and invest more, which in turn increases job opportunities. Money would flow from rich to poor due to high investment and more consumption, making everyone prosperous. However, in practice, this does not happen since investors prefer to invest in luxury goods for people with greater purchasing power, which does not help the poor. Another factor that contributes to the existence of tax avoidance today is globalization. Companies don't always operate at the same location. Instead, they frequently relocate in order to escape the country's tax regulations, which make it hard to track down and outlaw tax evasion.

Because tax evasion has disastrous effects on both the intellectual and global levels, the author recommends that we must conduct critical discussions to solve this problem. The author further suggests that the term "accommodating jurisdiction" is more appropriate. Authorities are powerless to intervene because tax havens appear to be more legal. A more inclusive and precise term is "accommodating jurisdiction," which enables authorities to look into all potential infractions against tax havens. It allows for actions against businesses in any country, regardless of whether the owner is a resident of the country or not. Additionally, he advises that taxes must be applied to the joint accounts of the corporation rather than the separate accounts for each structure. For instance, a worldwide tax system run by the United Nations would levy taxes on major multinational firms and transfer the money to the governments where the corporations are already operating. For this, public organisations will need to have access to global transaction records. However, there is no assurance that all countries will pass this legislation in their countries.

This book is recommended to the researchers who are interested in the topic of tax evasion, its history, effects, and techniques employed in the legal system. It is also crucial for decision-makers to have a thorough understanding of tax havens in order to develop effective solutions to the problem. The book is also accurate and academically renowned since it includes reliable citations, up-to-date material, and practical recommendations. Alain Deneault initially wrote the book in French. However, translator "Catherine Browne" has ensured that the translated version of the book is free of any mistakes.