

Virgin on the ridiculous

22nd February 2021

The BVI Virgin Islands are in the news again for all the wrong reasons, as the outgoing British governor Gus Jaspert has blasted the territory as playing host to a ‘plague of corruption’ and accused the government of actively working to facilitate and foment this to their own ends. Denials came swift, as expected, but Jaspert has ensured that the questions of economy and morality surrounding the continued use of the BVI as a tax haven will remain loudly asked – as well as, perhaps, questions over their political future.



To start with the standard disclaimer: there is nothing illegal about owning an offshore company or account. However, the concept is something that by virtue of its very practicalities (taking immense wealth and moving this away from a country where one would be expected to pay tax on it, as well as offering levels of anonymity arguably unnecessary for businesses and individuals keen to be seen to be above board) cannot help but raise questions about the purposes of the firms. Quite apart from the issue of not paying any tax, to establish a company where activities, owners and accounts can be completely obscured speaks of a system that at its best, does nothing to prevent the criminality that could stem from this; and at worst, actively encourages it.

For years, successive BVI governments and biased parties have claimed that, given over 50% of the islands’ revenues are drawn from the financial trade, the offshore industry is an essential one and it is somehow immoral to deny the Islands their only real opportunity to boost their economy all-year-round in a manner that tourism and agriculture cannot. It is true that the economic value provided by the offshore industry plays an important role in the Islands’ self-sufficiency, but this in itself should not be a reason to ignore the problem. The Panama Papers alone proved what people had known for decades: this is a system designed to facilitate and encourage secrecy by the rich and powerful, which is parlayed into a much greater culture of corruption not only globally (in terms of asset hiding, obscured property ownership and so on) but also domestically, with Jaspert’s blistering statement claiming that legal reforms and corruption investigations were deliberately stymied.

Foreign bodies agree: the EU is attempting to have the Virgin Islands added to a tax-haven blacklist (albeit that it was removed the year prior) and back in 2018, legislation was put forward in the UK which would compel crown dependencies to publish the details of those behind shell companies, thereby neatly negating, for many, their point. Such actions are arguably necessary in order to stamp out the potential for corruption that shell companies and the like offer, even if not all of them actively perpetuate it: the system is not fit for purpose and thus only wholesale rebuilding from the ground up will solve the problem, rather than just ignore it.

There would clearly be a responsibility on the part of the UK, the EU and so on to minimise the impact of this industry on the BVI's economy, but all because something is unpalatable does not mean it should be ignored. Tax evasion, money laundering and elite-level secrecy are problems that seriously damage finances and reputations worldwide, to say nothing of the social and moral imperatives, and localised loss should never act as a barrier to taking action for the greater good.

But this is not just about a tax haven at the edge of the world, it is about the fundamental changing relationship between the UK and its former colonies. Inherent in the opposition to the UK's measures in particular has been the idea that the BVI should move towards greater governing independence, an ideal similar to that found across former Commonwealth countries in recent years. Indeed, if the BVI seeks (and gains) more independence in self-governance, halting the permissive system becomes harder and if anything, it is likely to flourish further – debatable how certain elements at the top of British politics and business would view this, given the current circumstances, but unquestionably damaging for the world as whole and emblematic of the UK's further (self-inflicted) decline on the world stage. In the short-term, companies and individuals feeling they have need to understand the 'bigger picture' as related to targets with offshore trusts and the like, should continue to utilise as much discreet due diligence as possible to shed what light can be shone – but in the longer term, only a concerted effort from politics and business sectors both to eradicate the plague of financial crime will have a meaningful effect.

KCS Group Europe - Strategic Intelligence & Corporate Security

A leading provider of security and intelligence services, we operate discreetly in some of the world's most difficult environments on complex cases of fraud, theft, corruption, or market dynamics. We gather intelligence through the discreet use of human sources to level the playing field and help our clients to identify and deal with any risks, weaknesses and threats which could impact on their business financially or reputationally.

Our key areas of expertise include:

- Corporate Intelligence Services
- New market or sector entry research
- Know your customer screening

In addition, through our specialist team at KCS IS, we also offer a unique service in the areas of Cyber Security and Cyber Risk. This covers penetration testing, vulnerability assessments, intelligence gathering and cyber security audits, providing unparalleled, analysis, contingency planning, and implementation for our clients.

**To find out more or to arrange a meeting to discuss your business needs, please...
email the team at info@kcsgroup.com or call (00 44) 2072451191**
