

*Patron, Sir Don McKinnon*

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Transparency International New Zealand

## **"Tax Haven" structures risk damage to New Zealanders' well being**

Transparency International New Zealand (TINZ) has been warning the government about weaknesses in corporate ownership and trust legislation for over fifteen years. The [\*Integrity Plus 2013 New Zealand National Integrity System Assessment\*](#) (NIS) clearly described the concerns. It also recommended straight-forward improvements to Trust structures which to date have been ignored, according to TINZ Chair Suzanne Snively. These loopholes allow people to hide money gained through crime and/or money laundering using Trusts registered in New Zealand.

The Panama Papers are an unprecedented leak of 11.5 million files from the world's 4th biggest offshore law firm, Mossack Fonseca. They indicate that weaknesses in New Zealand business ownership structures are being exploited.

According to The International Consortium of Investigative Journalists (ICIJ) who analysed the document trove, Mossack Fonseca's services have been used to "facilitate massive money laundering, tax avoidance and criminal activity, including drugs and arms dealing". New Zealand is named by the ICIJ as a "tax haven" used by Mossack Fonseca. According to reports, New Zealand is mentioned over 60,000 times in the documents.

The 2013 NIS analysed good business practice and then looked at the causes and the extent of possible corruption.

It noted that the creation of a new company in New Zealand is simple, low cost and can be completed in 30 minutes online. This is a positive competitive advantage designed to attract good business to our shores.

Related to this current tax haven scandal the NIS also reported that there is:

- no requirement for permission to register or operate a private company in New Zealand, opening the door to criminal behaviour
- a lack of requirement for companies to identify their beneficial owners
- no trust registry and weak controls on trusts, allowing them to hide beneficial owners, bank accounts and other property which in many cases is not held in New Zealand.

“We have repeatedly warned that these factors are being exploited by overseas interests. They are setting up shell companies and trusts for those involved in corrupt and illegal activities, including tax evasion and money laundering.” says Snively. “The recent amendment to the Companies Act of 1993, while strengthening requirements to have a New Zealand Director, fails to require companies to identify all their beneficial owners”.

She further notes that Trusts in New Zealand often do not come to the attention of tax authorities or law enforcement agencies because there is no transparent mechanism for reporting them. They have no presence in measurements of funds held in New Zealand and are often hidden in solicitors’ trust accounts.

“The picture of New Zealand that emerges from the Panama Papers is another huge blow to its reputation as one of the least corrupt countries in the world,” says Snively. “New Zealand’s trade – essential to our prosperity and the well being of our country’s residents – relies on our reputation for integrity”.

“Immediate and substantial action must be taken by the Government to demonstrate world leadership in restricting the flow of ill-gotten funds and assets”.

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## **Background information for journalists**

### **1. Media contact:**

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## 2. **Transparency International**

Transparency International is a global civil society coalition leading the fight against corruption. It compiles a number of measures of different aspects of corruption including the Corruption Perceptions Index, the Global Corruption Barometer, and the Bribe Payers Index. Information on Transparency International can be found at [www.transparency.org](http://www.transparency.org) and detailed information on the Corruption Perceptions Index can be found at [www.transparency.org/cpi](http://www.transparency.org/cpi).

## 3. **About TINZ**

Transparency International New Zealand (TINZ) is the local chapter of the global organisation - <http://www.transparency.org.nz/>. TINZ works to actively promote the highest levels of transparency, accountability, integrity and public participation in government and civil society in New Zealand and the Pacific Islands.

Transparency International New Zealand provides a free [Anti-Corruption Training Tool](http://transparency.org.nz/Anti-Corruption-Training) ([transparency.org.nz/Anti-Corruption-Training](http://transparency.org.nz/Anti-Corruption-Training)) designed by leading experts in the field, and enables organisations to provide training for their personnel. This was developed in partnership with the Serious Fraud Office and BusinessNZ.

Transparency International New Zealand published the [\*Integrity Plus 2013 New Zealand National Integrity System Assessment\*](#) and is actively engaged in the implementation of its recommendations.