U.S. a top haven for tax cheats

WASHINGTON (AP) — The U.S. lambastes and strong-arms countries that help drug lords and millionaire investors hide their money from tax collectors. Critics say it should look closer to home.

America itself is emerging as a top tax haven alongside the likes of Switzerland, the Cayman Islands and Panama, those seeking reform of the international tax system say. And states such as Delaware, Nevada, South Dakota and Wyoming, in particular, are competing with each other to provide foreigners with the secrecy they crave.

"There's a big neon sign saying the U.S. is open to tax cheats," says John Christensen, executive director of the Tax Justice Network.

America's openness to foreign tax evaders is coming under new scrutiny after the leak this week of 11.5 million confidential documents from a Panamanian law firm. The Panama Papers show how some of the world's richest people hide assets in shell companies to avoid paying taxes.

Christensen's group, which campaigns for a global crackdown on tax evaders, says the United States ranks third in the world in financial secrecy, behind Switzerland and Hong Kong but ahead of notorious tax havens such as the Cayman Islands and Luxembourg.

Under a 2010 law, passed after it was learned that the Swiss bank UBS helped thousands of Americans evade U.S. taxes, the United States demands that banks and other financial institutions disclose information on Americans abroad to make sure they pay their U.S. taxes.

But the U.S. doesn't automatically return the favor.

More than 90 countries have signed on to a 2014 information-sharing agreement set up by the Organization for Economic Cooperation and Development; the U.S. is among the few that haven't joined. American banks don't even collect the kind of information foreign countries would need to identify tax dodgers.

"The banking lobby has resisted changes in the law that would allow more sharing of data," says Peter Cotorceanu, a Zurich-based lawyer who specializes in private banking.

In a report last year, the Tax Justice Network complained that "Washington's independent-minded approach risks tearing a giant hole in international efforts to crack down on tax evasion, money laundering and financial crime." It said foreign elites have "used the United States as a bolt-hole for looted wealth."

Pascal Saint-Amans, head of the OECD's Center for Tax Policy and Administration, says the U.S. often makes information available to other countries upon request. But that means countries can get details only on those they already suspect of tax evasion.

Christensen says Swiss banks report that "many of their tax-dodging clients are talking about moving to the U.S. You go to Switzerland, and that's all they're talking about."

Individual states, including Nevada, Wyoming and South Dakota, are making things worse, critics say.

They compete with each other to make it easier to set up corporations — few questions asked about who's behind the business. "We have states that set up corporations where there's no information about ownership," says Jack Blum, a Washington lawyer who specializes in financial crime. "The states make a lot of money doing that."

Nevada, for instance, makes it easy to incorporate secretly and charges a $500 annual business license fee for corporations and $200 for other businesses. Lawmakers granted business entities greater protection against lawsuits in 2001, hoping to attract more of them and use incorporation filing revenue to raise teacher salaries.

"Nevadans will continue to see nefarious business practices like those reported in the Panama Papers if state officials don't change the laws of incorporation," says Rep. Dina Titus, D-Nevada. "It is time for the state to tighten its disclosure and liability laws and remove the sign from our front yard that says: 'Sleazeballs and rip-off artists welcome.'"

Politicians, celebs in spotlight over offshore accounts

By FRANK JORDANS and KEN MORITSUGU
Associated Press

AP Photo/David Keyton

People hold banners and protest in front of Parliament building in Reykjavik, Iceland, Tuesday. The leak of millions of records on offshore accounts claims its first high-profile victim as Iceland's prime minister Sigmundur David Gunnlaugsson resigns amid outrage over revelations he used such a shell company to conceal a conflict of interest.

BERLIN — The fallout from a massive leak of records on offshore accounts dragged a growing number of leaders and celebrities into the spotlight Wednesday, with a Bollywood actor, a race car driver and Ukraine's president among those denying they evaded taxes.

The reports center on millions of documents detailing how the rich and powerful use shell companies in low-tax states like Panama or the Cayman Islands, sometimes giving them fanciful names like "Goldfinger" or "SkyFall."

The suspicion that such accounts are used to skirt taxes prompted a rush of denials, statements and, in some cases, media blackouts.

Ukrainian President Petro Poroshenko was the latest high-profile politician to face scrutiny over the issue, denying he had meant to evade taxes by putting his candy company offshore.

Poroshenko had promised voters he would sell his business when he ran for office in 2014. But according to the reports, he merely moved it secretively offshore.

On Wednesday, he said he had done nothing illegal when he created the offshore holding company to put his business in a blind trust when he became president.

"This is absolutely normal procedure," Poroshenko said during a visit to Tokyo. "If we have anything to be investigated, I am happy to do that. But this is absolutely transparent from the very beginning. No hidden account, no associated management, no nothing."

Ukrainian opposition groups maintained the move could have cost the war-torn country millions of dollars in desperately needed tax revenues. But analysts said the Ukrainian leader does not appear to have broken the law — just suffered a blow to his image.

"You can believe the explanations of Poroshenko or not believe them, but from a formal point of view, he did not violate the law," said Volodymyr Fesenko of the Penta think-tank in Kiev.

The data leaked from the Panama-based law firm Mossack Fonseca was reported on this week by an international group of media companies with the coordination of the Washington-based International Consortium of Investigative Journalists.

The leak has revived a global debate over the use of offshore accounts and companies.

When used legally, they can reduce a person or company's tax bill. A company, for example, might route its revenue from multiple countries to one low-tax base. Critics argue that while that's not illegal, companies and people should not be allowed to do so, but instead pay taxes where they earn their money.

Because offshore accounts can obscure the identity of the owner, they are often used illegally to hide money from the taxman or launder ill-gotten gains.

In a case of life imitating art, the leaked data showed a fondness for naming shell companies after James Bond films. Mossack Fonseca reportedly incorporated companies named Goldfinger, SkyFall, GoldenEye and Moonraker and was asked to set up a firm called Octopussy.

The Organized Crime and Corruption Reporting Project, one of the media companies with access to the leaks, said the law firm also incorporated companies named Blofeld and Spectre, after the classic Bond villain and his organization.

For politicians, using offshore accounts even in a strictly legal sense can be problematic because they are expected to be transparent about their interests and contribute to the country's economy.

That's what fueled outrage against Iceland's prime minister, who became the first casualty of the so-called Panama Papers case on Tuesday.

Sigmundur David Gunnlaugsson had faced opposition calls to resign over revelations he used a shell company to shelter large sums while Iceland's economy was in crisis. He denied wrongdoing but after days of street protests he stepped aside, recommending that his deputy take over as prime minister for an unspecified period of time. A third day of demonstrations was called Wednesday to demand a new government.

Also dragged into the spotlight were:

- Formula One driver Nico Rosberg, whose lawyer said an offshore firm linked to him was created solely for liability reasons and to enable him to operate internationally.

German public broadcaster NDR reported that Mossack Fonseca set up a company called Ambitious Group Ltd that has a contract with Mercedes for Rosberg's "driver services."

Rosberg's lawyer, Christian Schertz, said Ambitious Group, which is registered in the British Virgin Islands, wasn't used for tax avoidance. Rosberg, who won Sunday's Bahrain Grand Prix, is registered in Monaco for tax purposes and receives all payments there, he said.

- Prominent Bollywood actor Amitabh Bachchan denied reports by The Indian Express newspaper that he was connected to four shipping companies registered in tax havens. "It is possible that my name has been misused," Bachchan tweeted late Tuesday, adding that he has paid all the taxes he owed.

- Spanish movie director Pedro Almodovar was reported to have canceled publicity events for his new movie "Julieta" following intense interest in the offshore company he owned with his brother years ago.

The Europa Press news agency said Almodovar canceled an appearance at a photo shoot and interviews ahead of the movie's premiere in Madrid on Wednesday night.

- France's far-right National Front party said it was filing law suits for defamation against media who imply that it or leader Marine Le Pen — who plans to run in the 2017 presidential race — may be implicated in the Panama Papers scandal.

The Paris daily Le Monde reported Tuesday on the offshore dealings of a longtime Le Pen acquaintance whose company provides publicity for electoral campaigns. The paper also examined potential but unproven offshore interests of Le Pen's father, Jean-Marie Le Pen, via a former employee.

BRIEFLY

Allergan, Pfizer call off proposed $160B merger

Top U.S. drugmaker Pfizer and Irish rival Allergan are charting independent futures after scrapping a record $160 billion deal torpedoed by new Treasury Department rules meant to block American companies from moving their corporate addresses overseas — on paper — to avoid U.S. taxes.

The rules issued Monday, aimed at stopping the companies' "tax inversion" deal, wiped out its financial incentives and rationale for Pfizer Inc., though they had no impact on Allergan PLC.

That led Pfizer and Allergan to walk away "by mutual agreement" on Wednesday. Pfizer, which is based in New York, will pay Allergan $150 million as reimbursement for its deal-related expenses.

It was Pfizer's third, and most expensive, failed attempt at an inversion, leaving analysts to speculate Pfizer will drop the strategy for good. The merger would have moved Pfizer's address, but not its operations or headquarters, to Ireland, where it would have paid hundreds of millions of dollars less in annual U.S. corporate taxes.

Tax inversions, in which a big U.S. company buys a smaller one in another country with a lower tax rate, and then moves the combined company's address there on paper, are a hot issue in the presidential race. President Obama on Tuesday called them "one of the most insidious tax loopholes out there," adding that Treasury's new rules are meant to make wealthy corporations shoulder their tax responsibility like working-class Americans.

WHO: Diabetes rises fourfold over last quarter-century

GENEVA (AP) — Excessive weight, obesity, aging and population growth drove a nearly four-fold increase in worldwide cases of diabetes over the last quarter-century, affecting 422 million people in 2014, the World Health Organization reported Wednesday.

In a new report on diabetes, the U.N. health agency called for stepped-up measures to reduce risk factors for diabetes and improve treatment and care that has ballooned in recent years alongside an increase in obesity rates. WHO said 8.5 percent of the world population had diabetes two years ago, up from 108 million, or 4.7 percent, in 1980.

On Wednesday, WHO Director-General Margaret Chan said:

"We need to rethink our daily lives: to eat healthily, be physically active and avoid excessive weight gain."

The Geneva-based agency blamed growing consumption of food and beverages high in sugar. Diabetes increased around the world but affects lower- and middle-income people more often than wealthier populations. The rates rose most in Africa, the Middle East and Asia — with the "Eastern Mediterranean" region more than doubling its prevalence to 13.7 percent of the population, the only world region with a double-digit percentage.