

Pandora Leak

A. Pandora Papers

The latest leak of files and documents pertaining to the financial information of the ultra-rich have been termed the 'Pandora Papers'. Similar to previous leaks such as the Panama Papers in 2016 and the Paradise Papers in 2017, the data points to the extent of tax avoidance and other financial misdeeds that the world's richest individuals seem to routinely engage in. The main takeaway, of course, is the simple fact that people can legally and easily use offshore companies to successfully hide their enormous fortunes.

B. Whose names came out :

Some of the more prominent names from around the world include the King of Jordan, the ruling family of Azerbaijan, the Czech Prime Minister, and the Kenyan President. There are also a reported 380 Indian names and 700 Pakistani names revealed in the files. Thus far, the likes of Anil Ambani, Nirav Modi, Sachin Tendulkar, and Kiran Mazumdar-Shaw have allegedly been identified in the leak.

Ambani and Modi have been mired in controversy off late, with the former having declared bankruptcy in London upon a failure to pay back Chinese lenders the \$700 million that he owed, and the latter being on the run for his involvement in the Rs. 13,500 crore Punjab National Bank Scam. Tendulkar and Mazumdar-Shaw have had their respective attorneys claim that the investments their clients made are legitimate.

C. Offshore accounts and companies:

The most common ways through which people avoid paying taxes are via offshore accounts and companies. People or organisations set up shell companies in regions which have minimum regulatory oversight and where the corporate tax rate is zero or near zero. The most common destinations are the Cayman Islands, the British Virgin Islands, and Switzerland. Since the requirements to set up a firm are so low, it is usually very difficult to find out who the actual owner is. There is also no physical office or staff associated with this firm, as it exists in name only. Countries like the UK, Switzerland, and the Netherlands have come under criticism especially from developing nations as they provide the services that help people set up these offshore companies. The UK itself allows anonymous foreign individuals/companies to buy property within the country and while a draft legislation was introduced to put a stop to this, it has not yet been discussed in parliament.

D. Way forward:

To undo such a legacy will take decades of appropriate policy and sustained economic development. It will also need acknowledgement of the root causes, which in this case is colonisation. Identifying the source of the problem might help unlearn certain practices which at this point in time appear to be embedded into the collective behavior of a country.

Source : Bclindia