

# UK government moves to prop up super-rich tax haven operations in British Virgin Islands

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Hurricane Maria and Hurricane Irma, both category 5 storms, hurtled through the Caribbean causing mass devastation.

The high winds, heavy rains and storm surges devastated many of the islands, destroying the shacks that are home to tens of thousands of islanders, as well as damaging schools, health centres, sanitation and basic infrastructure and ripping up power lines.

The human cost of the hurricane has been made worse by the lack of any serious government preparations and the already inadequate state of the physical and social infrastructure.

With many roads impassable, islanders are in desperate need of food, water and other basic necessities. Thousands are without power and communication, with reports suggesting that it will take several months for electricity and water to be restored.

According to disaster risk experts, the cost of the damage caused by Hurricane Irma across the Caribbean is likely to total a massive \$10 billion.

The US, British, Dutch and French governments have all sent officials to visit their territories in the Caribbean, with the Dutch and British dispatching naval vessels and military personnel to protect their territorial possessions.

Britain's Foreign Secretary Boris Johnson visited Barbados, promising to put the island "back on its feet again." He also went to Anguilla and the British Virgin Islands (BVI). Irma killed at least 37 people in the Caribbean, including four people in the BVI. Irma's winds were accompanied by flooding resulted in the loss of electricity and critical communications infrastructure throughout the BVI.

Despite their responsibility for these island territories, with a population of 35,000, the British government has promised a miserly £32 million, of which £28 million has already been spent.

Johnson said that Britain had sent more than 1,100

military personnel and 50 police to support the BVI government, which imposed a 6 p.m. to 9 a.m. curfew (still in effect but reduced from Saturday to 8 p.m. to 6 a.m.) following reports of looting.

Last Friday, the dilapidated amphibious HMS Ocean—which is to be soon sold or scrapped—dropped anchor off the British Virgin Islands with 650 personnel on board. Its arrival was the occasion for the British government to trumpet its contribution to a "humanitarian" effort. However, with what was described as just "60 tonnes of aid" on board, the HMS Ocean's presence was largely for PR purposes.

This was confirmed as the billionaire Sir Richard Branson, who has one of his many luxury homes on the 30-hectare nearby island of Necker—that he owns—made sure to arrange a photo op. The *Daily Mail* cited Nick Wood, executive officer of HMS Ocean, who reported that "Sir Richard toured the ship on Saturday—taking a look at the engineering spaces, the bridge, the ops room, the hangar and the aid stores—and had time for a word with everybody... Today was him coming on board pressing the flesh with all the sailors and just saying thank you—posing for 150 selfies..."

Although Necker was hit directly by Irma, which devastated everything in its path, Branson escaped unscathed as he was able to take refuge in his own words in the concrete "strong [wine] cellar built into Necker's Great House..."

While the house above the cellar was largely wrecked, Branson, with a fortune estimated at \$5 billion, will be able to rebuild it without any problems.

The BVI is known as a tourist location, but the island's *raison d'être* for the ruling elite in Britain and globally is as the site for financial swindling on a vast scale. The BVI government derives 60 percent of its revenues from its financial sector. It is home to more than one million registered companies, according to the Financial Secrecy

Index, with assets of more than \$1.5 trillion—double their value as estimated by the International Monetary Fund in 2010.

The *Financial Times* reported in 2012 that the British Virgin Islands were the fifth largest recipient of foreign direct investment globally, “with inflows at \$72 billion, higher than those of the UK, which has an economy almost 3,000 times larger.”

These are nothing more than shell companies that have little physical presence and employ few local people. BVI’s protective regime ensures anonymity, secrecy and a complete absence of wealth or corporate taxation.

Two thirds of these companies are used for “corporate structuring,” and tax “planning,” aka tax avoidance. More than 140 stock market-listed companies in London, New York and Hong Kong have at least one subsidiary in the BVI. According to the Action Aid charity, in 2013, 98 of the companies in the FTSE 100 had BVI subsidiaries.

About one-quarter of the companies represent funds and investment vehicles, with property holdings and family wealth accounting for a further 10 percent. Many of the purchases of large commercial properties in central London, accounting for 10 percent of deals by value, are routed through BVI-registered companies.

The release last year of the Panama Papers, detailing over 200,000 offshore companies listed by the Panamanian law firm Mossack Fonseca, provided a glimpse into the shady world of tax avoidance, with the BVI at its centre, carried out by the world’s elite.

Such are the broader concerns for the City of London’s profit interests that the Foreign Office said it was arranging for the military to assist “eligible” persons to leave the BVI and other affected islands for other offshore locations such as Bermuda and the Cayman Islands.

Those eligible are not, of course, the impoverished islanders without homes, electricity or water. Instead, they are the accountants, lawyers and other professional staff employed by the major international accountancy firms, PwC, KPMG, Deloittes, EY and Grant Thornton, offshore law firms such as Harneys, Conyers Dill & Pearman, and wealth management firms, to the extent that these companies had not organised private planes for their evacuation. They have all closed their offices for the near future.

The concern of the ruling elite at the wellbeing of its Caribbean financial swindling operations were summed up in articles in the *Financial Times*, headlined respectively on September 10 and 12, “British Virgin Islands financial centre hit hard by Irma,” and

“International firms evacuate British Virgin Islands.”

With the evacuations completed, the BVI government moved quickly to restore the tax haven on behalf of the financial aristocracy. In a celebratory article on September 15, headlined “Caribbean Tax Haven Begins to Bounce Back After Irma,” *Bloomberg* noted, “It took two days after Hurricane Irma ripped through the British Virgin Islands, damaging or destroying an estimated 70 percent of the territory’s buildings, for the Caribbean tax haven to start piecing back together its lucrative corporate-registry business.”

The super-rich could be reassured that their ill-gotten wealth could remain safe from any tax liability. The article continued, “Running off a giant backup generator, the registry’s government buildings, mostly unscathed by the storm, opened shop on Monday, days after the costliest storm in the region’s history, said Lorna Smith, interim executive director of BVI Finance.”

It added, “Some key functions were moved to offices in Hong Kong and London, Smith said. The online system to incorporate new businesses, VIRGIN, was reopened. And court business will be shifted to a temporary location in nearby Saint Lucia within two weeks due to damage to court buildings...”

While the British government’s aid is a mere drop in the bucket in relation to the billions needed to make good the devastation, it is in marked contrast to the paltry £5 million offered to the survivors of the Grenfell Tower inferno. The disparity stems entirely from the value of these offshore tax havens for London’s financial parasites and swindlers, whose establishment the British government supported for the benefit of the City of London.



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