

The Taxcast, January 2023: the making of tax haven Mauritius

Naomi: “Hello and welcome to the Taxcast, the Tax Justice Network podcast. We’re all about fixing our economies so they work for all of us. I’m your host, Naomi Fowler. You can find us on most podcast apps. Our website is www.thetaxcast.com You can subscribe to the Taxcast there, or you can email me on naomi@taxjustice.net and I’ll put you on the subscriber’s list. Let me know what you think of the show.

OK, so, this month on the Taxcast – the making of the tax haven of Mauritius. Small islands are particularly well suited to become tax havens and secrecy jurisdictions. Because in small islands, elite groups of people are *also* small. And the financial and political engineering to set these things up almost always comes from *outside*, in partnership with these few island elites. What they do together may benefit *them*, but their actions have a disproportionate and harmful effect on *millions* of people across the world. That’s certainly the case with the island nation of Mauritius.

[Mauritian music]

Mauritius is far from a big *global* player in terms of financial secrecy compared to other jurisdictions like the United States, Switzerland, Britain and Singapore, for example. I mean, it’s ranked #51 in our Financial Secrecy Index – although don’t get me wrong, it definitely offers some high levels of secrecy. But it’s a *much* more significant global player in terms of helping multinationals underpay corporate income tax – it’s ranked 15th in our Corporate Tax Haven Index. It’s got tonnes of tax exemptions *and almost non-existent* transparency requirements for corporate reporting. The consequences really are deadly for ordinary people worldwide – particularly Indians and Africans.

[Mauritian music]

When you look at Mauritius, the state capture that’s usually a strong feature of small island nations that go down this route isn’t immediately obvious. I mean, Mauritius has long been praised for being Africa’s shining star when it comes to its economy and its democracy. The Economist’s Intelligence Unit has ranked Mauritius highly for years. This is youtube news channel the Rooster Report:”

“After Mauritius gained independence from Britain in 1968, the situation there looked pretty dire. After all, it had been reliant on sugar for economic growth for most of the colonial period, and many predicted that along with overpopulation this would cause the country to fall into economic despair. For a while, these critics were right, as Mauritius was quite poor well into the 1980s. However, it was in the 1990s that Mauritius was able to pull off an economic miracle and become one of the wealthiest nations in Africa.”

Naomi: “Many put the Mauritian so-called ‘economic miracle’ down to two main things, early on. Free education for everyone from pre-school to university, obviously that’s *always* a good investment. And the establishing of special export processing zones:”

Rooster Report: “Almost no import duties, low energy costs, and the free repatriation of capital, profits and dividends to an investor’s country of origin. It is because of this that a tonne of foreign investment is continuously poured into Mauritius.”

Naomi: “Hmmm. But, as you’re going to hear – there’s a LOT more to the so-called Mauritian ‘economic miracle’ than that. Foreign investment is very often not what it seems, and can in fact be money laundering on a massive scale. The Mauritian tax havenry and financial secrecy model is really hurting Africans and Indians. That’s because it’s swallowing up billions in tax revenue. Here’s Tax Justice Network researcher Rachel Etter-Phoya in Malawi:”

Rachel: “It’s shocking! Mauritius inflicts an estimated two and a half billion dollars of lost taxes on other countries every single year. India is affected and so are so many African countries. And the irony here is that Mauritius markets itself as the gateway to Africa for investment. But really, I think we should be calling it the ‘getaway from Africa’ and for the amount of profits that are shifted out to the rest of the continent as a result of tax haven Mauritius. Of course, Mauritius is also losing out thanks to the setup of tax havens and plundered states that is our global financial system. Mauritius does get a taste of its own medicine. Mauritius is losing an estimated 450 million each year to tax havens.”

Naomi: “And at the Tax Justice Network we’ve seen many times - as the money flows start to rise through places like this, internal strains and conflicts are never far behind. What goes on in a small island democracy starts to become very important to other bigger outside actors. And the *international* harm the tax havenry model is inflicting on ordinary people elsewhere, can become *self-harm*. Back to the Economist Intelligence Unit’s rankings of Mauritius – here’s the Rooster Report again:”

Rooster Report: “In the past few years the country has been in a downwards spiral. While Mauritius does well on almost every indicator, it has faced some criticism in regards to political leadership, as almost every prime minister has come from one of a handful of elite families. The country has also passed a few questionable bills into law, widespread accusations of voter fraud and foreign influence in the 2019 elections, multiple suspensions of parliament and, quite recently, the deployment of military police on protestors who were peacefully protesting. Therefore, we think it’s fair to say that while Mauritius *was* a model for the African continent a year ago, if it doesn’t fix up some major issues, it may soon lose its full democracy status.”

Naomi: “To understand what’s happening in Mauritius, we need to go back in time a bit, and take a look at external events and actors. And fly about 5,000 kilometres to India:”

Whistleblower: “You know, we tend to believe that tax havens are actually made in tax havens. But the reality is that it’s actually the victim countries or the victim jurisdictions where these tax havens are really made. And it’s all the illegal stuff, all the sort of evil stuff actually happens in the victim countries to enable formation of these tax havens and to sort of enable the abuse of various treaties and various loopholes.”

Naomi: “This is a whistleblower in India who leaked data which exposed the underbelly of the Mauritian economic miracle, its swallowing up of the tax revenue of nations who can least afford it, and the key role played by Indian law firm Nishith Desai Associates, going back decades. Here’s the journalist who broke the story of the so-called ‘Desai Papers’, Mr J Gopikrishnan of the Pioneer newspaper:”

J Gopikrishnan: “It is just like the Panama Papers or something like that. A tax firm owned by one Nishith Desai, Nishith Desai's firm was advising firms how to avoid the taxes from India by floating companies in London, Cayman island and Mauritius, and *how to* - telling a thief how to steal things! So we come out in July 2021, big front page coverage, we gave a title 'India's Panama Papers,' 'Desai Papers'. It’s a 1.5 GB documents of legal advises how to avoid taxes.”

Naomi: “The 1.5GB of leaked data reveals tax-related correspondence between Nishith Desai Associates and 33 of India’s biggest corporations and several high-net-worth individuals. Nishith Desai Associates deny that they, or their clients, have ever broken any laws. The whistleblower worked as a software engineer. He says he leaked the data in the public interest:”

Whistleblower: “Sometime back I had worked on some software solutions to detect money laundering and financial fraud, right? Especially like you know, with the aim to identify terror cells and other sort of money laundering fraud activities that happen, especially across jurisdictions. So, you know, I had started understanding what goes on. These documents really basically show what goes behind the curtains. Because these documents clearly provide advice to the clients that, you know, do this, do that, you know, that way the tax authority will not know that you've got a permanent establishment in India. Create a structure over there, you know, have these kind of board members over there, dummy board members in Mauritius. Don't give that person the signing authorities, you know, make the key people in India as your advisors, but not the general partners, right? Then sort of create more structures in Cayman Islands or like other jurisdictions where you will have holding companies or the beneficial owners would be over there, right? Even like how to sort of issue press releases, you know, what should be the wordings of the press releases? What should you put on the business cards? How long should your personnel stay in one office in India, you know, how to keep shifting places, you know, all that stuff.”

Naomi: “This whistleblower, his lawyers and journalists *claim* these leaked files contain incriminating evidence of tax abuse. Again, Nishith Desai Associates deny any illegality in their, or their client’s actions, although I’m sure they certainly *wouldn’t* deny how central they are in terms of business that uses Mauritius. And, all of this goes far beyond what’s demonstrably legal or not. The so-called ‘Mauritius route’ is causing serious tax losses to many nations. The whistleblower and his lawyer made this data available to the enforcement directorate at the central board of direct taxes in India, and later to the Black Money Commission.”

Whistleblower: “Uh, nothing happened because you know the statutory authorities as well as the government, they are very reluctant to investigate these things or to take any action. Then my house was raided and all my devices were taken away, and I'm a software

engineer. Even during the covid times when you know, we were working from home and we were pretty much having a digital existence, you know, I did not have access to devices, which were very, very critical for my profession. Their intention was, you know, possibly to intimidate me, but also they wanted to recover all the evidence which would be in my possession. And perhaps also to figure out if I have sort of approached authorities or who I have shared this thing with.”

Naomi: “According to him, during the raid on his house, armed police were accompanied by personnel from Nishith Desai Associates, as well as from the big accountancy firm PwC. Now I find that interesting because a number of years ago now, in Luxembourg, staff from PwC were also present during a police raid on another whistleblower’s house, *their own employee* during the now infamous Luxleaks scandal. That was Raphaël Halet, who spent years in Luxembourg courts defending his right to have leaked in the public interest. With this raid in India, the court ordered that all the expenses of the raid be paid by Nishith Desai Associates, including the Court Commissioner and his assistant. Now according to the whistleblower, the court commissioner was a friend of Nishith Desai. Nishith Desai Associates accuse the whistleblower of accessing this data illegally and their civil case against him is ongoing and so he’s unable to speak specifically about the case. But he stands by his decision:”

Whistleblower: “The public in India needs to know the scale at which this fraud is happening, and *how* it's happening. The evil consequences of tax avoidance, you know results in a substantial loss of revenue. It results in creation of a lot of black money, right? It sort of shifts the burden of taxation to law abiding, you know, simple citizens. And people with artful advisors are able to escape taxation, it results in a lot of inequality, injustice, right? It also results in a perpetual war waged between the tax avoider and his expert team of advisors, lawyers, and accountants on the side, and the tax gatherer and his perhaps not so skillful advisors on the other side. You know, we are hoping that the authorities take some action because there is a wealth of data available to them now.”

Naomi: “There’s no sign of that happening, yet. And this wasn’t journalist Mr Gopikrishnan’s first time writing about Mauritius and its financial services:”

J Gopikrishnan: “Some 15 years ago, also, I wrote an article looking, going to the Mauritius registry. There are two, three buildings in Mauritius where hundreds of companies have the same address at same office, and same cubicle. And these are pretended or covered in the garb of foreign direct investments into the country, but actually are India's own black money coming back to make it as a white money through these small small countries. Nothing is happening there, just money laundering and money parking and money diverting through just a address. There is no staffers, nothing. I always say these tax havens are the red streets in the cities.”

Naomi: “They're the what, sorry?”

J Gopikrishnan: “You know, what is Red Streets? Red Street is in every city, red street means there's a prostitution street is there.”

Naomi: "Ah, right. Yeah. Like red zones."

J Gopikrishnan: "Uh, you go, you go to particular street and do the prostitution and other things, activities don't come to these areas. You do that area, where police will not come. So these tax havens are the red streets in cities, in this world. I think all nations and the United Nations should come together and come out against these tax havens and finish these tax havens, for the betterment of the entire world. If they simply cancel all these things, the matter is over."

Naomi: "When it comes to the making of Mauritius as a tax haven, we need to go back to some pivotal moments in that journey. Here's the whistleblower again:"

Whistleblower: "The Indo-Mauritius Double Taxation Avoidance Treaty, it was actually signed in 1982. At that time the Prime Minister of India was Mrs. Indira Gandhi, and the finance minister was Mr Pranab Mukherjee. So, they were visiting Mauritius in 1982. And they signed this agreement with Mauritius, and it was finally notified by the government of India in 1983. This was a purely an executive action. This was never tabled before the parliament. This had never been debated by the legislature. It has not been passed by the legislature. It has for the last several decades, it has stayed like an executive action. This treaty was pretty dormant till, I would say, early nineties. And the reasons were twofold. One was that the Indian economy till '91, was highly regulated and a closed economy. Similarly, like Mauritius, was also a very sleepy economy. So there was very little trade, or very little investment that could have happened between the two countries. But that started changing towards the late eighties, 1980s. In 1989, Mauritius attempted to become an offshore banking centre, was not very successful, but it tried to sort of become an offshore banking centre. In 1991 in India there were economic reforms, which were initiated in 1991, and the Indian economy was liberalised. It became an open economy and the Indian government started encouraging foreign investment into India. So right after that, right after these reforms and liberalisation, Mr. Nishith Desai, who's the founder of Nishith Desai Associates, a boutique international taxation law firm in India, he somehow stumbled upon this Indo-Mauritius double taxation agreement, and he reached out to the Mauritius government. He actually went to Mauritius. He spent some time in Mauritius. He became close to the government of Mauritius, and he helped them become an offshore tax haven."

Naomi: "We'll get back to the forward-thinking Mr Nishith Desai who spotted the potential of this Double Tax Avoidance treaty. Around the same time India's economy was liberalised, Mauritius enacted the Mauritius Offshore Business Activity Act."

Whistleblower: "Mauritius Offshore Business Activity Act, or like MOBAA that actually made it into a tax haven. In 1992, Mauritius actually became a tax haven. And as part of this MOBAA act, Mauritius allowed foreign entities, foreign players who were not even citizens or residents of Mauritius, to set up entities in Mauritius, which would basically provide them Mauritius Tax Residency Certificate. You know, so by setting up what was known as a GBC1 company, you could actually become a Mauritius tax resident. And these shell companies did not attract any kind of taxation, you know, even if there was some taxation, it was nominal."

Naomi: “By layering your GBC1 company with a GBC2 company and shifting your profits between them you could virtually arrive at a zero taxation rate. So, the Double Tax Avoidance treaty, combined with the Mauritius Offshore Business Activity Act, made double trouble for the tax revenues of other nations. The Mauritius Offshore Business Activity Act meant foreign entities could incorporate companies with limited public disclosure – so, some quite high levels of secrecy. And also there were some quite high levels of asset protection promised. The door was opened to all kinds of *potential* illicit activities and abuses.”

Whistleblower: “And this became like the most popular route to invest in India for the foreign investment. This became like the route that all the foreign investors in the West were using to enter India. So these were like, you know, public market funds, private equity funds, VC funds, corporates, high net worth individuals, right?”

Naomi: “As you can imagine, these are big players. And bigger and bigger players piled in on the action:”

Whistleblower: “The investment in India was definitely growing at that point of time, I mean, from virtually zero, it was now several billion dollars of investment every year, which was coming into India, but it was also resulting in a big loss of tax revenue to the Indian exchequer because, you know, all the sort of capital gains and everything that was, getting generated through these investments were not being taxed in India. And very soon, some Indians also started using this Mauritius route to roundtrip their funds.”

Naomi: “Round-tripping, as the name suggests, is a circular activity, and for no good reason! Here’s the Tax Justice Network’s Rachel Etter-Phoya:”

Rachel: “Round tripping! Sounds like a dance, doesn't it? I like to think of it as more of a disguise. So you take your money out of India to another country, in this case Mauritius, then you bring it back into India and now it's suddenly dressed up as foreign money, foreign investment. What's the point of this disguise? Well, many countries try to attract foreign investment by providing all sorts of special incentives, tax breaks, tax holidays, and these aren't offered to local investors. So domestic investors get away with dodging tax and exploiting rules that are not meant for them. And eventually this ends up harming the very government systems and public infrastructure that they are relying on to make their money and do business. And of course, another reason for the disguise is the good old fashioned money laundering, trying to clean dirty money.”

Whistleblower: “All these structures, or all these investments that were flowing into India through the Mauritius route were actually structured by Nishith Desai associates. Almost like, you know, I would say 99% of these investments were structured by Mr Nishith Desai and his firm Nishith Desai Associates.”

Naomi: “In a statement responding to the data leak, Nishith Desai Associates say there are good, practical reasons why firms use a jurisdiction like Mauritius. Quote:

‘They need a neutral jurisdiction for pooling vehicles which provides flexibility in terms of enforceability of contracts, simplified corporate laws, robust bilateral investment protection

treaty with India, etc. There is absolutely no illegality in anything we or our clients have done.'

Now I've not seen this leaked data. The Indian authorities are the ones who should be looking at that. But let's take a look at Mr Nishith Desai, because his role is really interesting in the development of this business around Mauritius. His legal and tax consulting firm Nishith Desai Associates has offices now in Mumbai, Singapore, Munich, New York and elsewhere. They've definitely hit the big time, over decades. Meanwhile, Mr Desai seems very admired in the business world. Here's entrepreneur Lakshmi Pratury introducing him for her interview series, the Lakshmi Leadership Lounge:"

Lakshmi Pratury: "Today with us we have Nishith Desai. Nishith's interest spans many things way beyond law. He's someone who thinks about the strategy, the future trends. He's a writer, he's a lecturer, he's a researcher and most importantly he's a constant learner. Nishith himself is regarded as the father of international tax in India and as a true pioneer in the field of international tax law. Soon after India opened its economy in 1991, that's when he really kind of pioneered the roots of asset management industry in India. He has assisted the governments of Mauritius and India in launching their offshore financial centres and much much more, and today you'll see the pivotal role he's playing in defining the future of finance."

Naomi: "And here's the man himself, Nishith Desai, speaking to Lakshmi Pratury:"

Nishith Desai: "I learned that actually I have to change the model to put in a place a principle – must do highest quality work in shortest possible time with least amount of people - always anticipate, prepare and deliver. The best thing is to look to the future, and prepare and visualise future strategic legal tax or ethical issues today, and try to find solutions okay? So for example every new technology, every new business model, every new social political economic development brings along with it a new strategic legal tax or ethical issue. The future may be uncertain but it's not unthinkable. If I start doing research on the subject that are going to come in the future, then we have not only understood the technology, we have understood the business models which could be, so we started looking at what will the future technologies that will appear next five, ten, fifteen, twenty, thirty years as well."

Naomi: "Nishith Desai. Investigative journalist J Gopikrishnan, who broke the Desai papers story for the Pioneer newspaper has a very different take on Nishith Desai and his firm doing business through Mauritius:"

J Gopikrishnan: "He is a key player, mixed with his legal background as a lawyer and his accounting firm, but he's not a big lawyer in India at all. Legally, he's nothing in India, but he's only doing this legal plus tax activities, helping out, because all the corporate players want somebody to operate these things. So he's doing as the service agent, like Panama Papers, that legal firm, he was doing this because he was not a legal firm in strictly big legal firm or something, and he himself is not a man seen in the courts or other things but he was doing all these things."

Naomi: "There have been various attempts during previous government administrations in India to tackle the so-called 'Mauritius route' because of worries about the damage it was doing to Indian tax revenues, not to mention the money laundering risks. Here's the whistleblower again:"

Whistleblower: "It boils down to the fact that the economic interest kind of dominates the political interest or the social interest. The government of India obviously doesn't want to take any action against the large corporations, large sort of financial institutions, high net worth individuals who are actually benefiting because of this tax treaty or these offshore structures. And of course, people like Mr. Nishith Desai and other people who have now come into this industry, they have excellent relationships with both the government of India as well as the tax department, right? So, for example, Mr. Nishith Desai was very, very close to the previous government from 2004 to 2014. So he had very, very close connections over there. He obviously has like very good connections with the tax department. In fact it's quite common to see some of like very senior tax officers socialising with Mr. Nishith Desai quite openly, right? So, you know, so that way the government itself is not very serious about prosecution.

Now what happens is that every now and then, there was a whisper that the government of India would want to renegotiate this agreement with Mauritius, may repeal it. But the moment any such whisper would be made public, there would be like a lot of pressure, very stiff opposition from government of Mauritius and the Mauritius route lobby. And, you know, the stock market would crash the very next day, the investors would threaten a pull out, and you know, immediately the government would come out with a clarification that they were *not* thinking of renegotiating or making any amendments to this tax treaty.

Now, another question is - is this Mauritius route *legal* as per the Indian law, right? And the answer to that is it's not, so I'm not talking about the legality of the treaty, but I'm talking about the legality of this Mauritius route through which the majority of the investment into India was flowing in. In 1985, there was a landmark judgment by a constitutional bench of the Supreme Court of India which had five judges. And in that judgment, the Supreme Court of India had taken a very dim view of sham transactions which are done for the sole purpose of avoiding tax. The judgment make it very clear that as per the Indian law, what was happening through this Mauritius tax treaty was actually not permissible. Any structure or any transaction which is done, the sole purpose of avoiding tax is illegal and has to be struck down because if the person is a resident of India, then obviously all the income, all the capital gains accruing in India will be taxed in India, you will not be able to avail the benefits of the double taxation agreement. In case the person is deemed to be resident of both Mauritius and India, the place where you have effective management and the place of effective management will determine where this person is going to be the resident of. And most of these investments or these funds, or these businesses who were investing in India, they were actually operating out of India. Their key managements were professionals were in India. Their decision making was happening in India. All the management decisions were being taken in India, so their place of effective management *was* India. The government of India has been turning a blind eye to the treaty abuse. This is not something that we can

blame just the Mauritius government, you know, the Indian government. The Indian sort of corporate lobby, the economic interest - they have been the driving force behind such a route to have been created and have prospered.”

Naomi: “Interestingly, the Indian-Mauritius Double Tax Avoidance Agreement formed the template for extraction from many African countries, as the whistleblower explains:”

Whistleblower: “Right after the Mauritius route became the most popular route for investing into India, several countries in Africa, they also signed a double taxation avoidance agreement with Mauritius. And these agreements were identical to what was signed by the Indian government. The only thing that was different was the government of India was replaced by a different country. That's it. But you know, the terms, the language, everything of these agreements that were signed with the multiple African countries was identical to what was signed with India.”

Naomi: “Mauritius has signed double tax avoidance agreements with at least 46 states worldwide, 18 of them African. Imagine the money flows! Here’s Rachel Etter-Phoya again:”

Rachel: “A third of African countries, more or less have signed double tax agreements with Mauritius. And if that wasn't bad enough, another third are negotiating or awaiting ratification. We've seen some really interesting action taken by civil society allies and governments across the continent in the face of these highly problematic treaties. Tax Justice Network Africa took the tax treaty that had been signed between the Kenyan and Mauritian government to the Kenyan high court because of risks the treaty posed, they said to the Kenya's revenue and, and for procedural reasons. So it was amazing, because in 2019 the court actually ruled in their favour that the government hadn't followed the correct procedure of tabling in parliament, so the double tax duty was voided and declared unconstitutional. What was a bit disappointing though, was that the court dismissed the substantive argument that the treaty would cause colossal damage and lost to the Kenyan economy or revenue. But, just a year later in 2020, both Senegal and Zambia tore up their treaties with Mauritius, and Senegal said that the treaty had caused the country to lose over 250 million US dollars over 17 years. And Zambia said the move was necessary because the treaty wasn't balanced or fair. And according to one tax official that spoke with the International Consortium for Investigative Journalists, companies were just using the treaty to reduce taxes paid in Zambia, and they didn't actually have any commercial activity in Mauritius.”

Naomi: “If you’re wondering why the so called Desai Papers leak didn’t make a bigger splash, even in India, I asked Pioneer newspaper journalist Mr Gopikrishnan who broke the story why he thinks that is:”

J Gopikrishnan: “None of the Indian media take it up or followed it up. Why? Because it was a report against the tax evasion of biggest companies in India who is advertising in every media. No media took it up. So this is the power of the corporates, power of the tax evaders, that's it. But the sad part of this is government is not jumping into this, agencies

are not jumping into this, this thing because these 33 files is a good document for the income tax and enforcement directorate to launch a prosecution and that's the saddest part happening in India. The government has not cracked down. I published the report in 2020 on the government sitting on the whistleblower's data, more than two years. But nothing happened. The company is still there. They're still on this job because there's no action came against them. Normally after our publication of this huge data, next day onwards income tax and enforcement directors who should have jumped into the company and interrogate and other things, that has not happened."

Naomi: "Are you surprised?"

J Gopikrishnan: "I'm not surprised but I know this is how these big activities are going on when it comes to big, big companies, these things will happen. And even if the legal cases somewhere it goes to arbitration, legal arbitration is also some sort of settlement and arbitration means we decided to sit over a coffee or drinks. So there will be a compromise, just saying that you pay such and such, or I pay you such and such, you pay such and such, the issue is settled. This is how the financial crimes are settled."

Naomi: "Time's moving on and the Indian authorities have not yet taken any action that we know about on this leaked data. So far, the only legal action has been a civil case against the whistleblower, by Nishith Desai Associates. That case itself has some oddities about it, according to the defending lawyers involved. But, whether the so-called Desai Papers leak *does* demonstrate tax abuse *or not*, we already know that business transacted through Mauritius is resulting in serious tax losses to nations who can least afford it. We already know as well that Mauritius is exposing many nations to money laundering risks.

As Taxcasters will know, for the last 60 years, it's been the OECD that's been setting international tax rules, largely in the interests of their member states. Those same member states tend to be the nations sucking the most out of what are often former colonies.

As you heard earlier, some nations *have* now torn up their tax agreements with Mauritius, like Senegal and Zambia. And now it's going to take some superhuman efforts by countries like these, united, in the United Nations to reform the global rules that are allowing all this extraction. Rachel Etter-Phoya again:"

Rachel: "It's a bit like whack-a-mole. One tax haven reins in its ways, becomes more transparent and offers less corrosive tax deals. But then what do you know? Another one springs up. That's why it's so important that decisions on international tax take place at the United Nations, and why we're still celebrating what happened last year when the African group put forward a resolution to start negotiations on international tax at the UN, and it was adopted by consensus, although of course there were efforts by some of the richest nations to thwart the resolution in its path. And up until then and for the last 60 years, the international tax system was decided by the Club of the Rich at the OECD. And you could tell because it worked for them and it worked in their favour and they protected tax havens in their midst. No African country had a seat at the table and neither did India, and now they do at the UN."

Naomi: “The extent to which the most affected nations can remain united in the forum of the UN is critical now. And the financial secrecy space *is* being squeezed, slowly. But the role of whistleblowers continues to be critical because it brings what’s happening in the shadows into the sunlight. That’s why people like this whistleblower we’ve been speaking to, and the media willing to report on them need our support, and they do need strong public interest legal protections.

Just as I was about to release this podcast, a fresh scandal involving Mauritius has been exposed by Hindenburg Research – they do forensic financial research to aid investment decision-making – their own, and that of others. They’ve spent the last two years looking at Indian conglomerate Adani Group’s – quote - *‘brazen stock manipulation and accounting fraud scheme over the course of decades.’* By downloading and cataloguing the entire Mauritius corporate registry, Hindenburg Research claims to have uncovered all sorts of stuff about the Adani Group.

Adani family members dominate the business, apparently with a vast network of offshore shell entities in all sorts of jurisdictions with, Hindenburg says – quote: *‘no obvious signs of operations, including no reported employees, no independent addresses or phone numbers and no meaningful online presence. Despite this, they have collectively moved billions of dollars into Indian Adani publicly listed and private entities, often without required disclosure of the related party nature of the deals.’* Hindenburg Research says they’ve found funds – quote - *‘intentionally structured to conceal their ultimate beneficial ownership’* and – quote - *‘obvious accounting irregularities and sketchy dealings seem to be enabled by virtually nonexistent financial controls.’*

Now this is big because the Adani Group founder and chair Gautam Adani is Asia’s richest person. Now I have no idea whether Nishith Desai Associates has ever worked with the Adani Group, but they’re both like planets that have turned around the same Mauritian sun. Like Nishith Desai, Gautam Adani is also from Gujarat. Many Adani companies were incorporated decades ago when Nishith Desai Associates had a near monopoly on the so-called ‘Mauritius route’. Lots of these Adani structures look to be GBC1 entities, which enjoy low or no taxation through the Indian-Mauritius Double Taxation Avoidance Agreement. And, whether any of these business transactions have been illegal or not, whether or not there’s ever been a working relationship between the Adani Group and Nishith Desai Associates, these two stories confirm just how deeply offshore opacity has become embedded in the Indian economy, like so many others. And that’s a threat to people, and to societies.

[Music from Mauritius]

So, Mauritius has now become infamous. Businesses that choose to use it really should think about the reputational risks. The Adani Group had more than \$50bn wiped off its stock market value in the days following the Hindenburg Research report and its allegations. The Adani Group wrote a 400 page response, claiming it’s been in compliance with all laws. Hindenburg Research says the Adani Group hasn’t addressed - quote - “a single substantive issue we had raised”.

I'll leave you with this final quote from Hindenburg Research - quote - *'We believe the Adani Group has been able to operate a large fraud in broad daylight in large part because investors, journalists, citizens and even politicians have been afraid to speak out for fear of reprisal.'*

You've been listening to the Taxcast from the Tax Justice Network. We'll be back with you next month. Bye for now."