

The Taxcast transcript, February 2025: Ending US financial secrecy

Naomi Fowler: Hello and welcome to the Taxcast from the Tax Justice Network. I'm Naomi Fowler. In this episode, tackling corruption through registers of the real owners of companies. There's a new US registry. We'll talk about what can be learned from the UK experience.

Cynthia O'Murchu: You could just set up a company for 12 pounds and say you were Mickey Mouse with a shareholder of Donald Duck and no one asked any questions.

Naomi Fowler: We're gonna tell you the story of the battle to end anonymous ownership in the world's biggest financial secrecy offender, the United States. It's quite a tale. Then we're gonna look at the mistakes the UK's made and what the lessons are.

Various TV presenters: Over the weekend, a massive new document leak showed how the global elite hides its wealth and uncovered previously unknown financial connections between some of the world's most powerful people. Reported business links between... (fade down)

Naomi Fowler: After scandals like the Panama Papers and the Paradise Papers, governments were under pressure to take action and set up beneficial ownership registries or registers of the real flesh and blood owners of companies. By 2018 34 jurisdictions had passed laws to establish registries. By 2022 there were 97.

We need to know who owns what. It's vital for so many reasons. It helps tackle tax evasion, obviously, but it's not just about that. It helps markets function better, so investors actually know who owns what they're investing in for example. It helps us identify who's responsible for things like environmental damage, accidents, resulting in injury and loss of life, climate change. It protects us against threats to national security through economic and political influence by powerful people. When we know who owns what, it gets harder for people to try to escape regulations and laws they don't like. And of course, it helps prevent all sorts of fraud and crime. But if you want to hide what you own, it's still really easy...

Ian Gary: For too long, dirty money has driven a race to the bottom to see which jurisdictions could offer the most attractive financial secrecy package.

Naomi Fowler: This is Ian Gary of the Financial Accountability and Corporate Transparency Coalition in the United States, back in 2022.

Ian Gary: The Treasury Department is implementing reforms to deal with anonymous shell companies and money laundering through real estate. The US should deliver final rules for implementing the Corporate Transparency Act, setting up our beneficial ownership database by the end of this year.

Naomi Fowler: The Corporate Transparency Act seemed to be on track as we got to the end of 2024.

FINCEN staff member: Hello, I am with the U.S. Treasury Department Bureau called the Financial Crimes Enforcement Network, or FINCEN. You may have heard about this new anti-money laundering law, the Corporate Transparency Act, that requires many companies doing business in the United States to report information to the U.S. government about the real people who own or control them. Today I'm going to show you how I would file a beneficial ownership information report. I'm going to start with the website, fincen.gov On the website, I can see... (fade down)

Naomi Fowler: There was a January the 1st 2025 deadline for eligible companies to file information about their owners with FINCEN, the US financial regulator. They needed to file BOI reports, Beneficial Ownership Information reports, pretty simple stuff. But just as anti-corruption activists were winding down ahead of a Christmas New Year break, all hell was breaking loose in the courts.

TV presenter: South Carolina Attorney General Allen Wilson is taking action along with 25 other states to protect small businesses from what they call government overstep. That the Corporate Transparency Act is unconstitutional.

Michael McCall from Buffalo Finances: ...and we have some breaking news, the federal court in Texas just made a ruling. The Corporate Transparency Act has been blocked nationwide by a Texas court. The law is invalidated less than one month before the reporting deadline.

Diane Hagerty from Grass Roots Taxes: Hey, small business owners, do we have to file that BOI report or not? Not yet. The answer is no, until we hear from the court.

Alquincia Selolwane - Strategic Solutionist: Y'all remember that BOI report? Well, a Texas judge has stopped it. As of right now, it is done.

Zorka Milin: Oh, gosh, this has been a long, long campaign. Um, you know, anything worth winning doesn't come easy!

Naomi Fowler: this is Zorka Milin of the Financial Accountability and Corporate Transparency Coalition.

Zorka Milin: You know, the earliest bill that I can recall goes all the way back to Senator Levin. Um, 2008, he introduced a bill together with *then* Senator Barack Obama and some other senators as well. That was the earliest instance of legislative efforts to bring beneficial ownership transparency in the U.S. so this is, actually doing the math here, 16 years later, here we are!

Naomi Fowler: Wow, it's amazing. Yeah, so it's actually 16 years, I thought it had to be at least 10. It's just amazing how long it takes to get these things passed and active, we always said in the Tax Justice Network, you know, takes 10 years to, to make change from the beginning all the way to seeing it through to the end, so maybe we have to tweak it a bit! Can you summarize for us the arguments being made to stop this act from being implemented?

Zorka Milin: Yeah, there have been a number of legal challenges brought it in different parts of the U.S. I mean, there's a whole bunch of different legal arguments, constitutional arguments that boil down to a few different things. One of them is about kind of the scope of government's authority. And that's been kind of the focus of the decisions that have come down so far. There's also been arguments raised about privacy, you know, that this somehow violates privacy, even though, to be clear, the U.S. financial ownership database is not public. Nonetheless, there are concerns that this is, you know, government intruding into people's privacy. And lastly, there is also another strange argument about how this is a violation of free speech because it's compelling people to speak, to disclose certain information that they would rather *not*. So it's a lot of kind of really perverse arguments, but if I had to boil it down, I would say it all comes down to the classic libertarian sort of mishmash, you know, this is so burdensome, and we want to limit government's power, and we want to have privacy and minimize what the government can do. So, that's how I would characterize the legal and not just legal, but kind of ideological arguments that are driving this. The constitutional arguments that are being raised are, um, just really... I'm trying to find the right term here, a polite term, they're extremely aggressive.

Naomi Fowler: Yeah. And there's always that tension between rights and responsibilities of a citizen that always plays into these discussions. Could you explain a little bit about what's happened on this rollercoaster?

Zorka Milin: Yeah. So there are a lot of twists and turns, as you said, it's been a real roller coaster, that's, uh, really well put. Prior to Christmas, on December

3rd, there was an order that was issued by a lower court in Texas that shocked everyone, even the opponents of Beneficial Ownership transparency who brought the case were surprised that the judge issued this sweeping order called an injunction, so basically pausing the enforcement of the law, not just for the plaintiffs, the plaintiffs in that case, it was a small gun business called Texas Top Cop Shop that brought the case.

Appaloosa film shootout scene: Fellas, I'm the new city marshal. Put it away or lose it.

Hey, Brock. They got a new city marshal.

Put your little contraptions away. I'm gonna walk you down to jailhouse, I don't want to spook the horses.

You ain't walkin' us nowhere.

You pull on me, either one of you, I'll kill you both.

Bullshit!

[Shooting]

I warned him!

Naomi Fowler: Okay, I couldn't resist that little clip from the sheriff shoot-out bar scene from the Western film Appaloosa. So, you heard right - a small company called Texas Top Cop Shop that sells uniforms, combat gear, and weapons brought the case in Texas and they won their case in what's really a local court. The judge there made a ruling that froze the Corporate Transparency Act for the whole country. We were intrigued by what looks like quite a small business taking on the federal government so our Taxcast co-producer Leo, called them up to try and ask them about it,

Leo Schick: One two, one two. Okay, got it. Hi, I make a podcast called the Taxcast, do you mind if I record?

Naomi Fowler: A staff member greeted us really nicely and put us on hold while she looked for the right person to speak to us.

Call waiting music

Naomi Fowler: Sadly, we never got to ask them about this battle that must have really thrust them into the spotlight. It's a shame 'cause we'd have really liked to. I do. I asked Zorka about the case.

Zorka: You know, in America, especially in Texas, people like their guns! So it was a small gun business that brought the case, they were joined by a lobbying organization and they said, you know, this violates all these parts of the constitution and we don't want to have to do it, but the judge went further and said *nobody* has to do it! So a single judge in Texas with a stroke of the pen, put a duly enacted federal law that was passed by Congress, kind of on ice, which is kind of crazy and really controversial actually that judges can have that much authority. But, you know, he was even more, he went further than what the plaintiffs had asked.

Everything is bigger in Texas, that's what they like to say! And so, as we've learned, even court orders are bigger in Texas. The judges are not content to just deal with the case that they have before them, but they want to throw out an entire federal law, so that's one thing that has been made clear in the course of this litigation. Everything's bigger in Texas!

Naomi Fowler: It's just really interesting, the alliances that are going on around this legal action. I was just wondering what you know of how it came to be that they're working with the National Federation of Independent Businesses, how that came about, that kind of alliance and the working together there to bring the case?

Zorka Milin: Well, I don't want to speculate, I'm not really on the inside there so I'm not sure how exactly the plaintiff was identified but I can speak more generally, you know, I think that it's no coincidence that the case was filed in Texas. I mean, I think that really, there is a bit of, you know, picking the court, picking the court where you want to file, it's well known that judges in Texas are, um, I'm trying to find another polite way to say this, but they look at things differently than other federal judges in other parts of the country. So, and we've seen not just not just with beneficial ownership, but on all sorts of other issues on climate on, you know, a lot of other litigation is being brought in Texas, where there are people who are challenging Biden's climate policies, they know that they will have favorable judges who are more likely to agree with them so I imagine that that was a part of the dynamic here as well that, you know, you know, select the court first and then let's look for a plaintiff that is based in Texas. People call this kind of litigation forum shopping where you're basically picking the forum where you want your case to be heard and then you recruit the plaintiffs. But you know, to be clear, it's not just Texas, there's some other

cases in other parts. There was one in Alabama last year where we were involved in that case and submitted a brief together with some anti-corruption allies, Transparency International and small business allies who support the law. Because it's important, I think it's important to remind that, you know, yes, there are some so-called small business lobby groups like the National Federation of Independent Businesses who claim to be speaking for all small businesses, but actually they don't. I mean, we at the FACT coalition, we have a number of small business groups, Main Street Alliance, small business majority that are supportive of this. They recognize that having secrecy, which breeds fraud, is not good for businesses and is something that disadvantages honest businesses. So, so actually a lot of small businesses are supportive of beneficial ownership transparency. So we're trying to really, to team up with those voices to counter really negative rhetoric that we're hearing from groups like National Federation of Independent Businesses and various other libertarian leaning groups that have filed briefs in these cases.

Naomi Fowler: It's important to understand I think that in the US Supreme Court judges are political appointees. And at the state level, many judges are elected and have political affiliations. In Texas, the rules often allow plaintiffs those bringing a case to choose which judge will hear their case, nice, eh? And Texas judges have a history of issuing injunctions to stop the national government from enacting policies Republicans don't like. These injunctions can be appealed in a higher court, *but* guess what? Cases out of Texas appeal to the US Court of Appeals for the Fifth Circuit, which is dominated by far right judges.

So, we don't know this for sure at all, but it does smell a bit like this case that froze the Corporate Transparency Act across the nation is more than just one small business, the Texas Top Cop Shop, objecting to telling the government who their owners are. And they didn't just win their case, they got the judge to pass an injunction nationwide. So, no transparency for *any* businesses. Zorka Milin again.

Zorka Milin: The government wasted no time. They went to the appellate court and said, this is crazy, please put a stop to this. We want to stay this order or, or pause it. And they were successful. At first they were successful on December 23rd, the appellate panel said, you're right, this is pretty crazy. So we're going to lift the stay and the law is now back in effect. And then we all breathed a sigh of relief and we went and, you know, had Christmas with our families, but then on December 26th, so just three days later, a different composition of the appellate court, so three other judges said, no, no, we disagree with what those judges said, we're going to bring back the order, you know, freezing the law. And so

they did that. So on December 26th, the law was once again paused. And because this is all so extraordinary and it was happening during the holidays, the federal government lawyers, they decided to take the case to the Supreme Court, so on December 31st evening, so New Year's Eve, they went to the Supreme Court and they asked the Supreme Court to kind of undo that harmful injunction order and there was a bunch of different briefs filed in the Supreme Court and this was part of the Supreme Court's emergency docket, so they were able to move really quickly and we had a favorable decision from the Supreme Court just on this procedural point, should the enforcement be frozen or not? So the Supreme Court thought, you know, this is really going too far, you know, we are going to lift that injunction and it was real significant because, I mean, it's the Supreme Court, you know, they're supreme, so we were relieved to see that even the Supreme Court, as it is, obviously, not favorable on a lot of other issues, to say the least, but, you know, even *they* recognized that this was overreach, and they overturned that initial injunction. But that's not even the end of the story because meanwhile, while the Supreme Court was considering this, there was a *different* judge in Texas, here is Texas again, a different judge who didn't want to be outdone, you know, so he also issued his own injunction that was similarly sweeping in scope. And because technically the government had only appealed the Texas Top Cop Shop and not the other case, that other injunction was in effect.

Naomi Fowler: Happily, the injunction has just been thrown out again, so for now it's on again. So, the United States is now joining the 90 plus other countries with a beneficial ownership register. Unless things change again, there's now a new deadline of March the 21st, 2025 for each of the beneficial owners of businesses to be filing their unique number and issuing jurisdiction from a passport driver's license or state ID, plus an image of the document. So, there's been a lot of fuss about a pretty straightforward thing that shouldn't take anyone more than a few minutes. Only authorized authorities can access that information for the purposes of national security, intelligence and law enforcement purposes. It's not even a *public* registry.

In the UK we have what's called a People with Significant Control Register. A government agency called Companies House is responsible for it. It was set up in 2016 and it's one of the world's first public registers. Fun fact: Ukraine was the first due to their brilliant anti-corruption campaigners there. The UK's public register *sounds* good, but - and we have reported on this before - the UK Register isn't what it's cracked up to be. This is campaigner Oliver Bullough, author of Moneyland and Butler to the World.

Oliver Bullough: Adolf Hitler could be found on the UK corporate registry. It's actually Adolf Tooth Fairy Hitler, those are his middle names, Tooth Fairy. Um, it's a company called Spy Priest Limited. You can look it up. It's apparently owned by a person called Lord Truman Michael Spy Priest. I'm guessing he's fictional too. Um, yeah, however you do the Beneficial Ownership Registry in the U.S, please don't do it like we do it.

Naomi Fowler: Yeah don't, because for years anyone in the world has been able to invent whatever names they like and register them as a beneficial owner in the UK. The rules are finally changing this year in 2025. Before the changes you didn't need to provide id and it only cost you 12 pounds, that's about 15 US dollars. The fees going up to 50 pounds, that's about 62 US dollars, and proof of ID is now required. So things are getting better, but it's from a very low starting point. There's also a register of overseas entities that's supposed to force people using corporate structures to buy property, land, real estate to identify themselves.

Lord Callanan: It was Rahm Emanuel, I think, who said, never waste a good crisis.

Naomi Fowler: This is politician Lord Callanan, making a speech in the UK back in 2022.

Lord Callanan: Following Putin's terrible, unconscionable invasion of Ukraine, that gave us a great opportunity to crack down on dirty money in the UK by passing the Economic Crime Transparency and Enforcement Act that that created the new register of overseas entities requiring overseas companies owning or buying property in the UK to give information about their beneficial ownership to companies house. The register was successfully launched on the 1st of August and it's already rolling out well. Several thousand have now registered. Um, they've got until February next year with a six month period for all existing, uh, overseas entities that own any property, land in the UK to get themselves on the public register, which is available, searchable to all members of the public, and of course, law enforcement, and they will have to register who the beneficial owner of that particular property is.

Naomi Fowler: The register of overseas entities does contribute towards greater transparency, but in the first year of this register, nearly half the entities that were supposed to declare their ownership *hadn't*. Here's Oliver Bullough again:

Oliver Bullough: Oligarchs love owning property in London behind shell companies, shell companies and tax havens to disguise their ownership. And it

has been a longstanding demand of campaigners that the ownership of these shell companies be revealed. So in the Economic Crime Act, that is designed to create a register of the ownership of these shell companies, we'll finally be able to see what oligarchs own, who owns what in London, this major market for kleptocratic wealth. However, there is no resources been made available for this law to be enforced. And this is something we've seen again and again.

So we end up with a sort of performative enforcement mechanisms being created by the British government that never actually amount to anything. We saw this with the passage of the unexplained wealth order, at the time, heralded as a silver bullet to end kleptocracy and to end the oligarchs but really, again, it didn't really amount to anything because no extra resources came with it.

When the National Crime Agency tried to use an unexplained wealth order against a significant oligarch from the former Soviet Union, the daughter of the former president of Kazakhstan, Doriga Nazarbayeva, and her son, Nurali Aliyev, who owned substantial property in London, they were able to retain some extremely powerful and well-resourced London law firm who destroyed the National Crime Agency's argument. The mismatch in resources between the two sides could be described as being a bit like watching me trying to play tennis against Rafael Nadal. The defeat was total and embarrassing. And the other side's costs, which the National Crime Agency was left having to bear, 1.5 million pounds, was the entire budget they'd had for using unexplained wealth holders for an entire decade. Quite naturally, we haven't seen any being used against kleptocrats since then.

And this is essentially the situation that we have, the British government pretends to enforce economic crime laws, international economic crime norms. The actual laws look good. They are regularly assessed as being excellent by the Financial Action Task Force. But when the rubber hits the road, they don't really amount to anything. The enforcement is appalling. And we've seen this again and again, there was this incredibly telling quote from the director of the National Crime Agency when she was giving evidence to a parliamentary intelligence and security committee a couple of years ago. When asked why she didn't do more, or her officers didn't do more to take on the oligarchs, she replied that she was bluntly concerned about the impact on her budget. That was *her* words, which is a pretty shocking indictment. It's hard to imagine the head of the FBI saying that he would struggle, that he wouldn't want to take on an oligarch because he was concerned about the impact on his budget.

Naomi Fowler: That could well change now as we are seeing a kind of mass undoing by the Trump administration of all sorts of anti-corruption measures.

Back in the UK a London mansion once described by the BBC in the eighties as possibly the world's most expensive home has come under the spotlight again, here's that BBC clip.

BBC presenter: It's the ultimate desirable residence, set in four and a half acres of a royal park, across the lake from a mosque, close enough to the zoo to hear the lions roar, Within a six of lords, and directly opposite Regent's Park's open air theatre. There's a luxurious indoor swimming pool. The garage is big enough for eight cars. When it was sold four years ago, it went for only five million pounds. The current owner is believed to be a member of the Kuwaiti royal family.

Naomi Fowler: The Holme in Regents Park was recently sold for 139 million pounds, but we don't know who bought it. That's not supposed to happen anymore.

Cynthia O'Murchu: I'm Cynthia O'Murchu from the Financial Times, I'm on the investigations team.

It's a huge mansion. It is one of the most expensive residences in London. It was at one point referred to by the agent as a mini-Buckingham Palace. My colleague Josh Oliver had a tip that the home had been sold. It was disclosed in the corporate registry. What was not disclosed was who the new owner was. And I was able to track that down via corporate records or land registry records, directly from the land registry, which indicated that a company called Zedra, had taken over the property. So we were able to confirm that, but it wasn't easily accessible, you know, via an online database at the click of a finger. Zedra is a wealth management and corporate service provider, one of many such companies.

Naomi Fowler: The fact that we don't know who's bought this mansion shows there's still a way to go, despite the improvements that have been made after years of stories about nonsense data on company owners with names like Adolf Tooth Fairy Hitler, and Mickey Mouse.

Cynthia O'Murchu: The fact is that while there is a lot more transparency than there used to be in the corporate registry and in the land registry, there are still gaping holes. A lot of property was owned via companies and also owned by offshore jurisdictions where you might not be able to find the owner or the person who controls the property. That has changed. So in 2016, the government introduced the PSC register on the company's house, which is our registry of companies. And you were able to then find out who controls

effectively or who's the beneficial owner of that company. There are loopholes there too, but it was a big step forward. The government, after the invasion of Ukraine introduced a long promised registry that would show the owners of offshore companies that own property in in England and Wales and what was became apparent quite soon was that to a certain extent, some companies just simply did not register the owner. There was a number of reasons, but the big gaping loophole was the fact that a whole number of properties that were owned through trust structures, and the beneficiaries of trust structures are not in the public domain. Trusts work different than companies and you don't technically have an owner, you have a settler, someone who is in charge of it nominally. But also you have the beneficiaries and they could be a family, it could be lots of different people, so ultimately that information is not in the public domain, and that created a problem. properties that are owned via a trust, often an offshore trust are to a large part, impenetrable.

There was a gaping loophole which is that trusts are exempt from providing the names of the beneficiaries to the the land registry or to the register of property ownership in England and Wales. The government has acknowledged that, and they are in the process of deciding, or introducing a regulation that would start allowing some information about beneficiaries of trust to come into the public domain.

So in some ways, the UK has come a really, really long, long way. Because I remember the days where you couldn't even search the database, the corporate registry by director, and then eventually Companies House made their data set a lot more accessible, and that was hugely beneficial. There's still problems with it, as we know, with a lot of nonsense being put into the record, fake data, fake companies. So there are drawbacks and the obvious big drawback is the lack of checking. Companies House new law is coming into force where they do have to do some checking and verifications. It's still a problem that the government is looking to address.

Naomi Fowler: The fact we don't know who owns that London Mansion may not be a *criminal* matter, but the fact that the owner can buy and use that opacity is also what still makes Britain so attractive to dirty money. And people who are setting up companies for criminal purposes will take full advantage of any loopholes. Financial Crime sleuth Graham Barrow of the Dark Money Files:

Graham Barrow: The opening up of the UK register since 2016 has been something of a mixed bag, I suppose. It's actually brought about a revolution in how we understand suspicious company incorporations, but it's also revealed

that if you don't have the right rules in place, those suspicious company incorporations are really easy to create .

Allowing free access to the register has meant people like me who have the time and the inclination to go diving into the details, can extract connections and signals from the register, which help us to understand better the way that organized crime and criminals work. But because it's also revealed a sensational lack in proper due diligence on the details that are provided, and has really underlined the requirement for robust verification of all those details.

So I would say to our friends in America, when you do this, be very clear about how you validate and what you validate because criminal elements will be looking very closely to see how they can bend or break the rules. Having said that, while it's essential that companies are set up with robust and comprehensive verification of details, it really won't deter organized criminal networks from creating companies because they will have to go through those hoops in order to access the financial system. But what it should not be is a reason to not do it because all the friction that we can add to company incorporations, the better.

Naomi Fowler: Cynthia O'Murchu again.

Cynthia O'Murchu: I think with beneficial ownership, what's important to note, transparency is really important especially when it comes to criminal dealings or suspect dealings such as money laundering or suspected money laundering, and just generally to close that gap between the people who have to declare and the people who don't have to declare.

The government has acknowledged that journalists, civil society, and other people in the public domain or in the public should have access. You know, as a journalist, we are trying to inform the public of major changes that are happening. Transparency, it's an extremely important tool in research and in understanding money flows in and out of the country.

Naomi Fowler: In the end, secrecy around ownership can also be a major security threat. The world is seeing more and more why registers are so important, why the data must be good quality, and verified, why it should be public, and why it must be properly financed. Here's Oliver Bullough on sanctions after the Russian. Here's Oliver Bullough on sanctions after the Russian invasion of Ukraine:

Oliver Bullough: This is not only a British problem. We've seen the European Union has also sanctioned a huge number of Russian oligarchs following the invasion of Ukraine, and a very large number of them have challenged their designations in court. I did actually look up which oligarchs have challenged designation in court. The list as far as I can see, and they're listed by surname, so I'm guessing that these people are all Russian oligarchs, certainly most of them are, includes Pyotr Avin, Roman Abramovich, Mikhail Friedman, and then Konov, Berezkin, Zubitsky, Pompiansky, Mashkovich, Mazepin, Pompianskaya, Melichenko, Khan, Timchenko, Mordashov, Ponomarenko, Usmanov, Nazeeva, Ismailova, Prigozhina, I mean it's a who's who of very wealthy Russians owning tens of billions of pounds between them. The resources, the legal resources they'll be able to bring to bear to challenge the European Union will, I fear, swamp those of the European Union's legal action service, and that is going to be the case for a very long time. Few Western countries resource the battle against kleptocrats adequately, even the United States, which has always been the gold standard of resourcing the battle against financial crime is struggling to provide the resources.

So yeah, what it would be wonderful to see would be somehow to transform the race to the bottom dynamic that Britain has always been part of, to a race to the top. How do we somehow manage to encourage each other to do the right thing and provide more resources to our law enforcement agencies to provide even better laws that can be enforced to provide better frameworks within which the professional enablers can operate so that accountants and lawyers don't see moving kleptocrats money as a pathway to great wealth, but instead would see it as a pathway to going to prison? That's the challenge in front of all of us.

Naomi Fowler: That's it for this month. You've been listening to the Taxcast from the Tax Justice Network. There's lots of further reading in the show notes. The Taxcast was produced with Leo Schick. Special thanks from us to Cynthia O'Murchu. Thanks for listening. We'll be back with you next month.