

Taxing Ghosts

Closing Residency Loopholes to Fund
Post-Pandemic Recovery Efforts

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From Our Statement of Significance....

“This project focuses on the international tax reform agenda **that illuminates the systemic problem of ghosting and demonstrates the procedural and substantive reforms needed to address it.** The significance of our research lies in our **holistic, system-based approach, drawing on research and expertise from law, sociology, international migration studies, and African development studies** to examine relevant legal and geo-political factors comprehensively.”

Goals:

- To uncover the national and international factors that facilitate tax ghosting by wealthy individuals and corporations
- To demonstrate the disparate economic threats created by such tax ghosting
- To analyze why states have failed to recognize the threats to date
- To propose novel yet feasible policy solutions based on our findings.

General Research Question:

How can the commodification of residency affect the future of global regulations designed to tax individuals and corporations who become ghost residents, thus defeating post COVID-19 recovery efforts?

Key Sub-Questions:

- What does it mean to leverage borders in a post-pandemic world?
- How do countries leverage borders to either gain advantages or exclude others in negotiations of cross- border regulations?
- How have traditional regulatory regimes failed to reform the tax system based on interactions between enactment and implementation?

Objectives:

Demonstrate how high net worth individuals and corporations ghost using changes in residence, technology tools, and finance

Show why regulatory regimes have attempted and failed to prevent such ghosting to-date and the mechanisms through which service providers work around it.

Establish a new path by shifting institutional focus through the use African countries as the lynchpin around which new patterns can be created.

Four Strands of Taxing Ghosts

Strand 1: “Follow the Agenda” (Allison Christians, McGill)

Investigates how taxpayers and countries exploit weaknesses in rules around legal residence to flout the international tax system

Strand 2: “The Future of Offshore” (Allison Christians, May Hen McGill; Kristin Surak, LSE)

Investigates the strategies that companies and service providers use to avoid tax and navigate new rules and regulations

Strand 3: “Follow the Residence” (Kristin Surak, LSE)

Investigates how wealthy people manipulate residence to avoid tax and the role of residence programs

Strand 4: “Follow the Tax Vulnerability and African Economic Development” (Afton Titus, Cape Town; Precious Ndlovu, Western Cape)

Investigates the particular vulnerabilities of African countries to ghosting practices

Preliminary Results: Papers

Allison Christians, “Who Should Tax Multinationals?” *Journal of Social Philosophy & Policy* 39:1 (2023) [peer reviewed]

Allison Christians, “Can Canada Tax Digital Services if the United States Disagrees?” *Perspectives on Tax Law & Policy* 4:2, June 2023 [peer reviewed]

Allison Christians & Werner Haslehner, “Implications of Citizenship by Investment from a Tax Perspective,” *Journal of Ethnic and Migration Studies* [peer reviewed]

Afton Titus, ‘Decision-Making In A Proposed African Union Tax Governance Structure’ in *Redefining Global Governance*, I.J. Mosquera Valderrama, ed. (Springer, forthcoming).

Afton Titus, ‘Proposing A Tax Governance Structure Embracing The African Union, ATAF And Regional Economic Communities’ in *Taxing People: The Next 100 Years*, Tsilly Dagan and Ruth Mason, eds. (Cambridge University Press, forthcoming)

Afton Titus, *COVID-19 and the Taxation of Individuals in Africa: Proposals for Reform*, submitted to Bulletin for International Taxation (IBFD) in September 2023.

Kristin Surak, “Do Passports Pay Off? Assessing the Economic Outcomes of Investment Migration Programs,” *Journal of Ethnic and Migration Studies* [peer reviewed].

Precious Ndlovu, “Using the African Continental Free Trade Area as a Springboard for Post-Pandemic Intra-African Trade”

Allison Christians and Afton Titus, *In-progress book manuscript on corporate residence and the tax jurisdiction*

Preliminary Results: Presentations

Afton Titus. “Digital Services Taxes in Africa: A Possible Model?”. UCT/University of Amsterdam conference on Designing fair, efficient and fraud-proof tax systems in a cashless, platform-based and technology driven African society (Cape Town, SA): March 2023.

Afton Titus. “Proposing A Tax Governance Structure Embracing The African Union, ATAF And Regional Economic Communities,” at the University of Oxford/University of Virginia international tax conference (Oxford, UK): May/June 2023.

Afton Titus. “Decision-Making In A Proposed African Union Tax Governance Structure,” at an international tax conference hosted by Leiden University (Leiden, Netherlands): June 2023

Kristin Surak. “Inside the Citizenship Industry: How the Market in Golden Passport Works.” American Sociological Association Annual Meeting. Philadelphia, US. August 2023.

Kristin Surak. “Do Passports Pay Off? Assessing the Economic Outcomes of Investment Migration Programs.” Presented at the workshop Offshore Finance in the International Political Economy. Free University, Germany. September 2023.

Kristin Surak. “Investment Migration: Empirical Developments in the Field.” Program in Contemporary European Politics and Society. Princeton University, US. May 2023.

Allison Christians. “Integrity and the offshore dimension,” Cambridge Symposium on Economic Crime. September 2023

Allison Christians. “Tax the elephant in the room!”, Tax Think Tank Session led by May Hen-Smith at Cambridge Symposium on Economic Crime, September 2023.

Allison Christians. “Taxing Ghosts: residency and its loopholes in the digital economy”, Minderoo Centre for Technology and Democracy. November 2023.

Some Preliminary Findings

- Digital service taxes are a logical response to the failure of the residence principle as it applies to companies.
- African VAT systems have been especially vulnerable during the pandemic as corporations operated within African countries without having to pay VAT.
- Africa's personal income tax systems have been relatively stable, with some exceptions.
- The success of Digital Nomad Programs turns on the explicit creation of relevant tax regulation
- Investment migration programs can be a more significant source of government revenue than tax in post-pandemic microstates

Challenges.....