ICRICT

Independent Commission for the Reform of International Corporate Taxation

Who owns what? Making UK wealth ownership more transparent through a national asset register

ABOUT ICRICT

The Independent Commission for the Reform of International Corporate Taxation aims to promote the international corporate tax reform debate through a wider and more inclusive discussion of international tax rules than is possible through any other existing forum; to consider reforms from a perspective of public interest rather than national advantage; and to seek fair, effective and sustainable tax solutions for development.

ICRICT was initiated and is supported by a coalition of the following civil society and labor organizations: Action Aid, Alliance-Sud, the Arab NGO Network for Development, the Center for Economic and Social Rights, Christian Aid, the Council for Global Unions, the Global Alliance for Tax Justice, Oxfam, Public Services International, Tax Justice Network, South Center, Canadians For Tax Fairness and the World Council of Churches. The creation and work of ICRICT is supported by Friedrich-Ebert-Stiftung, The Joffe Charitable Trust, The American Assembly, The Network for Social Change, Friends Provident and The Andrew Wainwright Reform Trust.

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EXECUTIVE SUMMARY

- A global asset register would create a comprehensive international registry of all wealth and assets, along with their real beneficial owners.
- By providing a centralised global resource detailing who owns what, and where they own it, a global asset register would provide a means to record, measure, and understand the distribution of global wealth and thereby empower regulatory authorities with a thorough and detailed understanding of global inequality. This would in turn allow national and international authorities to develop effective taxation policies and regimes so as to redress these inequalities and provide a vital tool against illicit financial flows (e.g., money laundering/corruption).
- A global asset register could take the form of a networked resource linking up national asset registries around the world.
- It is time for the UK to honour its commitment to become a global leader in transparency and this effort should culminate in the creation of a national asset register, which should include publicly available information of ownership and valuation of relevant assets.
- Wealth in the United Kingdom is even more unequally divided than income. Wealth inequality poses serious risks to economies, to societies more broadly, and to the functioning of democracies. And yet publicly available information on who owns most of UK wealth is simply not available.
- Our analysis of existing registries has identified that most assets that could be subject to a national asset registry in the UK are already required to register some ownership information with a government authority government.
- The road to a national asset register should start by increasing transparency on the following classes of assets:

    a) **Property and land register:** the current register should be amended to include identities of beneficial owners and details of the price paid; information should be published in open format so that it is easily accessible to the public. This would make it easier for the private sector and civil society to identify suspicious transactions and money laundering risk in the property market and help prevent corruption and tax avoidance. The register should also be interconnected with the Companies House beneficial ownership register to cross-check information.

    b) **Financial wealth transparency** should start with the creation of a **government debt register** to include identities of beneficial owners of government debt, which could then be replicated to cover remaining financial wealth (including debt). Statistical information on income/wealth inequality of debt ownership and effective taxes paid on income arising from government debt should be published on an annual basis.

- These initial steps towards a national asset register will shed a new light on wealth ownership in the UK and provide a vital tool in the fight against illicit financial flows.

A GLOBAL ASSET REGISTER

Wealth inequality poses serious risks to economies, to societies more broadly, and to the functioning of democracies. And yet the actual magnitude of wealth inequality is unknown because of the deep financial secrecy that surrounds it. The use of 'offshore' structures allows not only the real ownership of wealth to remain hidden, but also its location and perhaps its very existence. This same secrecy also creates fertile ground for tax evasion, avoidance, and for financial crimes.

Around 10% of financial wealth is held offshore, although the fraction of wealth held in tax havens varies considerably by country[1]. Scandinavian countries own the equivalent of only a few percent of GDP in offshore wealth, but this figure rises to about 15% in Continental Europe, and to as much as 60% in Russia, Gulf countries, and a number of Latin American countries[2].

Despite the scale of hidden wealth, however, the existing data-collection infrastructure includes potentially powerful tools for transparency, including the recent adoption of tax transparency measures, such as the automatic, multilateral exchange of bank accounts data at a global level between tax authorities, public registries of beneficial ownerships and exchange between tax authorities of country-by-country reporting from multinational companies.

A global asset registry (GAR) could link the existing data and provide missing wealth data. A GAR would allow wealth inequality to be measured and understood, facilitate well-informed public and policymaker discussions on the desired degree of inequality and support appropriate taxation to reduce the negative consequences of inequality. In addition, a registry would also prove a vital tool against illicit financial flows, by ending impunity for hiding and using the proceeds of crime, and for removing legitimate income and profits from the economy in which they arise for tax purposes.

The aspiration to record wealth inequality should not be seen as radical, as the biggest component of wealth in many countries, land and property, is already subject to recording requirements. It is the status quo that is radical, in allowing some private property to be protected by the law without disclosure of its ownership or of how it was acquired.

Making wealth more transparent will revitalize a broken social contract in which private property received protection from the law, in exchange for disclosure of ownership –and the payment of applicable taxes. Privacy is an important human right. But as with any right, it is not absolute. Its exercise has to be balanced against the exercise of other rights (and obligations) as well as against others' rights. Ultimately, the GAR should include all assets that are "relevant" and could include tangible assets, intangibles (e.g., intellectual property, trademarks, patents, etc.) and financial assets and property of firms and other ownership vehicles (e.g., trusts).

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[1] http://gabriel-zucman.eu/files/AJZ2018.pdf page 2
[2] http://gabriel-zucman.eu/files/AJZ2017bAppendix.pdf Table A3

Information to be included in the global asset registry could come from national asset registries, and these in turn need to gather information on relevant national assets. Countries already collect information on different type of assets under different registries. But often the information is incomplete, private and not centralised.

National asset registries should be created to collect, centralise and make available to the public relevant information on asset ownership. Common criteria need to be developed so that registries can be cross-checked and interlinked.

The implementation of national asset registries should start in countries where assets are already subject to some type of reporting or registration or have the capabilities to establish such registry, such as the United Kingdom.

The United Kingdom is the second global financial centre in the world[3] and many assets are already subject to some form of wealth registration in the UK. But it has also been shown repeatedly to have provided anonymous ownership that have been revealed in international corruption and tax abuse scandals.

For this reason, we have analysed the feasibility and relevance of creating a national asset register in the UK.

WHY SHOULD THE UNITED KINGDOM INTRODUCE A NATIONAL ASSET REGISTER?

The UK is well positioned to establish a national asset register for a number of reasons:

- First, there is political commitment towards becoming a champion in transparency and open data[4], as shown by the UK's leadership in publishing companies' beneficial owners in online public registries where information is available for free and in open data format. The current government has pledged to introduce a register of beneficial owners of overseas entities which own land in the UK by 2021.
- The recent experience with "Unexplained Wealth Orders[5]" (UWOs) demonstrates the UK's intention to take action to fight corruption and illicit financial flows, in response to the information it collects, by freezing and confiscating assets whenever the owner cannot explain how they were acquired.
- The UK already has experience and interest in analysing and measuring wealth, as shown by the Office of National Statistics (ONS[6]) publications based on the Wealth and Assets Survey and wealth statistics published by the UK tax authorities (HMRC) based

[3] https://www.longfinance.net/media/documents/GFCI_28_Full_Report_2020.09.25_v1.1.pdf
[4] https://www.gov.uk/government/speeches/anti-corruption-summit-2016-pms-closing-remarks
[5] https://www.wealthbriefing.com/html/article.php?id=187568#.X5xMiYj7TD6
[6] https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/datasets/earlyindicatorestimatesfromthewealthandassetssurvey

on inheritance tax returns[7].

- The UK has the technology and capabilities to process and apply advance analytics to millions of data from different sources, as exemplified by HMRC's "Connect" software used to detect tax misreporting[8].

The aspiration to record wealth inequality also represents a need for remedy. A national asset register can act as a symbol of reform as well as a critical regulatory intervention. The asset registry can begin to displace a legacy of exploitation by British companies during the UK's colonial rule and, in the subsequent period of decolonisation, the imposition of laws and policies which served to embed a system of extractivism and undermining of democratic institutions.

Finally, our analysis, summarised in Appendix A, clearly shows that most assets that could be subject to a national asset registry are already required to register some ownership information with a government authority government.

But a national or global asset registry is only useful if it contains ownership information at the 'beneficial ownership' level, meaning the individual who ultimately owns and controls or benefits from the assets. By identifying all the (relevant) assets belonging to each individual, it would be possible to measure inequality and to tackle illicit financial flows, by investigating and prosecuting people who acquired assets using funds originated in corruption, drug trafficking or other illegal means.

For this reason, a registry that only contained asset ownership information at the 'legal ownership' level (e.g., the entity with title over the asset or on whose name the asset is registered) would not be enough. In this case, the beneficial owner of assets would be able to hide their identity behind a secretive company or trust. If criminals can enjoy their assets without identifying themselves, it is not possible to bring justice. There are existing 'best cases' of asset registration that could serve as an example for other types of assets. These include cases where the register is centralised and information is publicly available online and for free: Companies House, the British Aviation Authority and the British Horseracing Authority. In each of them it is possible to search by owner. The Intellectual Property Office also offers the above benefits, but there are different registries depending on the type of intellectual property: trademarks, designs and patents. HM Land Register and HMRC's trust register are also good examples because they collect price or value information.

However, registries are not always centralised, or they may have incomplete information, or they may not allow public access to ownership information. In addition, for some types of assets there is no registry at all, or even a private actor centralising ownership information system.

These problems are not insurmountable and can be addressed by expanding the scope of assets, details and access to information in order to create a comprehensive national asset register bringing together relevant information (beneficial ownership and valuation) for all relevant assets. A comprehensive asset register will require the registration of relevant currently unregistered assets, beneficial ownership information and price and valuation

[7] https://www.gov.uk/government/collections/inheritance-tax-statistics
[8] https://www.gov.uk/government/publications/no-safe-havens-2019/no-safe-havens-2019-responding-appropriately

information for all assets. This information, currently incomplete and scattered across different registers will need to be centralised and published online, for free, in open data format and in a structured way.

The ability to do so does not depend on legal, technical or technological constraints, but rather on political will. But this important work must commence.

WEALTH IN THE UK

UK aggregate wealth stood at £14.6 trillion in 2018, with property wealth, financial wealth, physical wealth, private pension wealth, representing 35%, 15%, 9% and 42% of wealth respectively[9]. The UK is home to 5% of the world's USD millionaires (2.4 million people), 3,900 ultra-high net worth adults (those with net worth exceeding $50 million), and 24 USD billionaires[10]. Wealth ownership is highly concentrated, and inequality is high. Figure 1 and Figure 2 below show how wealth distribution has changed since the last century for the top 10% of the population and the percentage of wealth owned by the top 1% in the UK compares with other countries.

Figure 1. Top wealth shares in the UK 1895–2013[11]

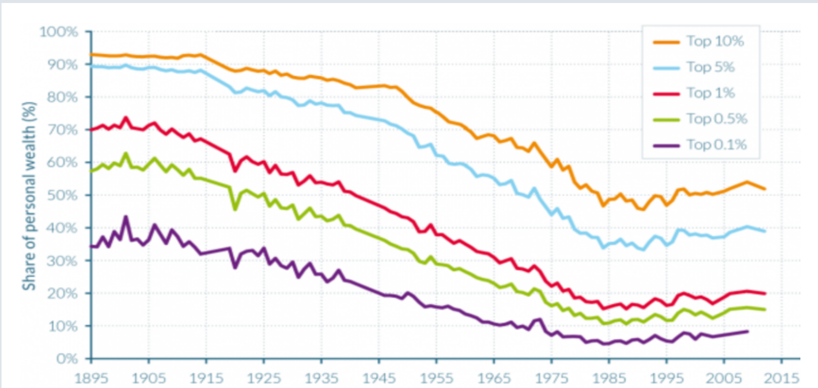
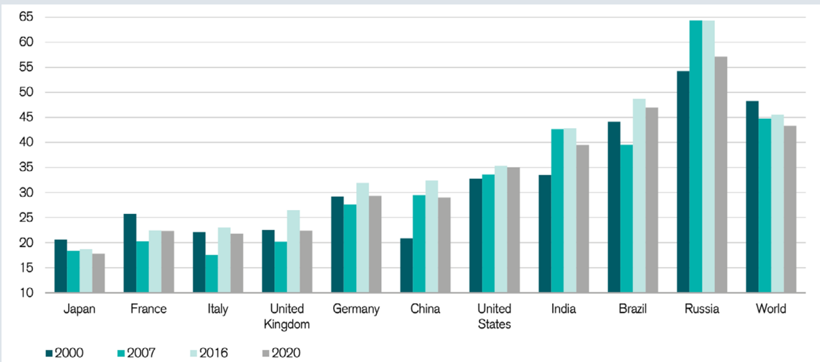


Figure 2. Percentage of wealth share of top 1%, selected countries and years[12]



[9] Source: Office for National Statistics – wealth and asset survey (2018) https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/totalwealthingreatbritain/april2016tomarch2018
[10] https://www.credit-suisse.com/about-us/en/reports-research/global-wealth-report.html Pages 32-34
[11] Alvaredo, F, Atkinson, A.B. Morelli, S. (2018) Top wealth shares in the UK over more than a century. J. Publ. Econ 162 (C) Page 34
[12] https://www.credit-suisse.com/about-us/en/reports-research/global-wealth-report.html Page 38

UK ASSET REGISTER - WHERE TO START?

As the top 1% of the population holds most of its wealth in property and financial wealth[13], in our view the work to increase transparency of UK wealth should start here.

LAND AND PROPERTY

Property wealth represents 35% of aggregate wealth in the UK. The UK's property market, and London in particular, is a prime destination for corrupt individuals and other criminals to launder their stolen wealth, and the current lack of transparency provides "ideal mechanisms by which illicit finance could be recycled through what has been referred to as the London "laundromat""[14].

And yet, no beneficial ownership information is available in the register of ownership for properties and land, the Land Registry[15].[16] Trusts allows assets to be held by trustees on behalf of beneficiaries and to hide the ownership of property from public scrutiny. The UK Trusts Register, whose purpose is to maintain information on the beneficial ownership and assets held in registrable trusts, to assist with combating money laundering and terrorist financing was implemented in 2017 but is also not public. If land and properties are owned by UK companies, then the beneficial ownership information can be found in the Companies House register[17]. However, through the use of anonymous shell companies registered overseas, individuals can purchase luxury property in the UK with the proceeds of their crimes and away from the prying eyes of businesses, politicians, law enforcement and the wider public.

This enables them to enjoy their ill-gotten gains with impunity and use much needed housing as their own personal safety-deposit box. In 2019 properties worth £5 billion were identified as being bought with suspicious wealth and more than 87,000 properties in England and Wales were owned by companies registered in tax havens[18].

Offshore ownership structures have historically also been used to avoid taxation in the UK on the disposal of UK property, although recent changes in the legislation have widen the application of UK taxes to ensure gains on disposals of UK property by non-residents do not escape UK taxation[19].

The current government have pledged in 2018 to introduce a register of beneficial owners of overseas entities which own land in the UK by 2021[20].

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[13] https://www.bristol.ac.uk/media-library/sites/geography/pfrc/pfrc1506-wealthy-was.pdf page 16 We exclude pension wealth, as pension wealth is a form of deferred, rather than actual current, wealth and can be seen as representing the amount of money someone would have needed to have put aside to provide the income stream their current pension rights entitle them to.
[14] "Russia report" published 21 July 2020 http://isc.independent.gov.uk/ available here: https://docs.google.com/a/independent.gov.uk/viewer?a=v&pid=sites&srcid=aW5kZXBlbmRlbnQuZ292LnVrfGlzY3xneDo1Y2RhMGEyN2Y3NjM0OWFl p15
[15] https://www.gov.uk/government/organisations/land-registry
[16] https://commonslibrary.parliament.uk/research-briefings/cbp-8259/
[17] https://www.gov.uk/government/organisations/companies-house
[18] https://www.transparency.org.uk/sites/default/files/pdf/publications/TIUK_AtYourService_WEB.pdf
[19] https://www.gov.uk/guidance/capital-gains-tax-for-non-residents-calculating-taxable-gain-or-loss#extension-of-non-resident-capital-gains-tax-from-6-april-2019
[20] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/818112/Draft_Registration_of_overseas_entities_bill_government_reponse_to_joint_committee_report.pdf

This is a welcomed step, but to improve transparency in ownership of land and properties we believe that the property and land register should:

1. Include identities of beneficial owners for all properties and land, including details of the beneficial owners of corporate bodies that own properties and land (and of properties and trusts where this is held via trust structures). This would make it easier for the regulated entities (banks, solicitors, real estate brokers) to identify suspicious transactions and money laundering risk in the property market and help prevent corruption and tax avoidance.

2. Include full details of the price paid for all property.

3. This information should be published in open format to make it easily accessible to the public.

4. Interconnect the property and land register with Companies House beneficial ownership register to cross-check information.

FINANCIAL WEALTH: GOVERNMENT DEBT

Financial wealth represents 15% of aggregate UK wealth. There is huge variation in the distribution of net financial wealth of households in Great Britain. Some households may be in net financial debt (their debts exceed their assets), many will have relatively modest amounts in savings accounts, while others have many millions in financial investments[21]. Yet, there is little information on who owns it. Globalized finance is characterized by a disconnect between the issuers of securities (i.e., enterprises that need capital for their business projects), government gilts and at the other end investors. Investors include firms and finance professionals, but they also include individuals and households who wish to invest their savings.

The chain of financial intermediation both enables and obscures the connection between these layers of the economy so that public companies that issue securities no longer know who their small shareholders or bondholders are and are often unable to obtain this information when they ask for it. Even financial intermediaries do not hold this information on a consistent basis and the ownership of financial wealth is surrounded by anonymity. We believe it is time to start making financial wealth ownership more transparent so that ultimately all financial assets (including debt) are covered. This process should, in in our view, start with government debt. Government debt exceeded £2 trillion for the first time at the end of July 2020[22] and is likely to rise in the coming years as a result of the pandemic.

The majority of UK debt used to be held by the UK private sector, in particular UK insurance and pension funds, as shown by Figure 3 below. In recent years, the Bank of England has bought gilts taking its holding to 25% of UK public sector debt. But information on the ultimate owner of most of the government debt is not public.

This information should be made available because it is in the interest of the general public

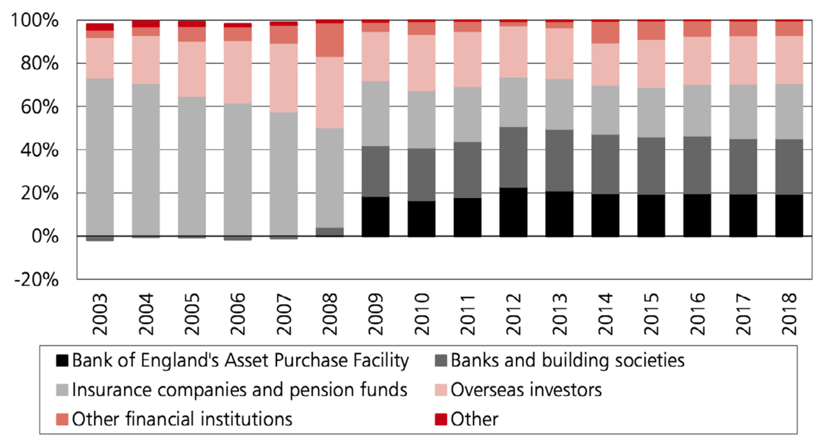
[21] https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/totalwealthingreat-britain/april2016tomarch2018
[22] https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/bulletins/publicsectorfinances/july2020

to know who owns the country's debt. To improve transparency in ownership of financial wealth, a debt register should therefore be created to:

1. Include identities of the end-investor of government debt at the beneficial ownership level (e.g., the individual who invests in a fund or financial institution which in turn holds interests in government debt).

2. Provide statistical information on income/wealth inequality of debt ownership and effective taxes paid on income arising from government debt.

Figure 3. UK gilt holding by sector (% of total market value gilt holdings)[23]



[1] All end-December, except 2018 for which data is only available until end-September. The Bank of England's holdings of gilts not related to the Asset Purchase Facility are included in the 'Banks and building societies' category.

OTHER COUNTRIES

Our analysis has identified that the UK current registers provide a platform to create a national asset register, and this should start with improving the transparency of property, land and financial wealth. Other countries could benefit from similar proposals, based on feasibility and relevance, in particular countries which already have individual asset registers and technological capacity to develop a national asset register, or countries that already have a wealth tax or that are considering introducing it (e.g., Spain, Norway, Argentina, Peru, Colombia, South Africa). International institutions (e.g. the United Nations, OECD, IMF) should draw up a clear methodology to coordinate data collection efforts at country level, supported by Financial Action Task Force (FATF) and The High Level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda (FACTI) initiatives.

[23] Source: HM Treasury UK debt report 2019/20 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/785550/debt_management_report_2019-20_final_web.pdf Page 21

CONCLUSION

Inequality continues to grow in the UK, and the distribution of wealth is even more uneven than the distribution of income, restricting social mobility. The economic power of those who benefit from this disparity translates into political power, compromising democracy. Economic instability caused by inflating asset values threatens periodic financial crises. And yet there is little information on who owns much of UK wealth. Tackling economic inequality is not easy, but ignoring it is extremely undesirable from a public perspective. The last 10 years we have seen a sharp rise in the introduction of transparency measurements at global level and collection of taxpayers' income and wealth information to detect illegal activities. This has been facilitated by the availability of new technology which has allowed the collection and sharing of financial information in large amounts on a global basis in a cost-effective and secure manner. It is time to start making wealth ownership more transparent and the UK can lead this process, by developing new standards and methodologies for registration of land and property and government debt.

APPENDIX A

Table 1. Availability of asset ownership information by type of asset

Asset type	Central register (one for the whole UK)?	Public, Online and/or Free?	Legal ownership or beneficial ownership?	Price/Value?
Interests in (non-listed) legal persons (eg companies)	Central	Public, Online and Free	LO and BO (exceptions for some limited partnerships)	No, but accounts are public[1]
Private jets	Central	Public, Online and Free	LO	No
Race Horses	Central	Public, Online and Free	LO	No
IP (patent, design, trademark)	Central, but for each type of IP	Public, Online and Free	LO	No
Land and property	Not Central	Public and Online	LO	Yes
Extractive industry's licences	Not Central	Public, Online and Free (Oil and Gas). Public but not online (Coal)	LO	No
Interests in (non-listed) trusts	Central (not all trusts are covered)	Not Public[2]	LO and BO (not all trusts are covered)	Yes
Yachts	Central	Not Public	LO (Part I) and BO (Part III, for small vessels)	No
Rural Land	Not Central	Not public	Recipient of payments (not necessarily the landowner)	Unknown
Cars	Central	Not public	LO ("keeper")	No
Listed and traded securities	Central (considering Euroclear/ CREST and HMRC (HMRC covers only data subject to automatic exchange of info)	Not Public	Euroclear: most likely under intermediary's name (not even LO of the end-investor)	Yes
Livestock	Not Central (except for cattle)	Not Public	LO ("keeper")	No
Bank Accounts	Central, but only for non-residents covered by automatic exchange of information	Not Public	LO (and sometimes BO)	Yes
Gold and precious metals	No Register, but information on total holdings	No Register	No Register	Market price known
Art & Antiques	No Register, but some information if considered National Heritage	No Register, but list of objects considered National Heritage is Public, Online and Free	Neither, but "contact person" probably refers to LO	No
Jewellery	No Register, but some information if considered National Heritage	No Register, but list of objects considered National Heritage is Public, Online and Free	Neither, but "contact person" probably refers to LO	No
Cash	No Register	No Register	No Register	Market price known
Crypto-assets (bitcoins)	No Register	No Register	No Register	Market price known

[24] Small companies may file abridged accounts (less information than full balance sheet and no need to file copy of the directors' report or the profit and loss account to Companies House). Small companies are those that meet at least two of the following: annual turnover must be not more than £10.2 million; the balance sheet total must be not more than £5.1 million; or the average number of employees must be not more than 50 (https://www.gov.uk/government/publications/life-of-a-company-annual-requirements/life-of-a-company-part-1-accounts#small-companies; 11.9.2019).

[25] For information on trusts covered by the AMLD 5 (if the UK transposes AMLD 5), there will be access to information if a legitimate interest is proven. However, it appears that the UK will apply a very narrow approach to the term "legitimate interest", allowing only civil society organisations and journalists that can prove a money laundering or financing of terrorism interest to make a case that they have a legitimate interest.

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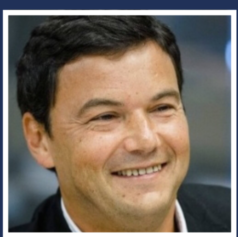

Thomas Piketty, is Professor of Economics at the Paris School of Economics and at EHESS. He has done major historical and theoretical work on the interplay between economic development and the distribution of income and wealth.

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