



THE SUNDAY TIMES

Tax dodgers hide behind top charities

Millions sheltered offshore

**Jon Ungoed-Thomas,
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and Craig Shaw**

SOME of Britain's best known charities are being used by offshore trusts to shelter hundreds of millions of pounds from the tax authorities.

A cache of 2.5m leaked documents from one of the world's biggest tax havens reveals that rich investors are naming charities as the main beneficiaries of offshore trusts that in reality have been created to benefit themselves.

By naming charities as the purported beneficiaries of a trust, the real owners can avoid scrutiny by the tax authorities.

Cancer Research UK, the NSPCC, the National Trust, Greenpeace and Amnesty International are among organisations whose names have been used by trusts in the British Virgin Islands (BVI), a British overseas territory, and the Cook Islands in the Pacific.

The charities say they were never told of the existence of these trusts and have not received any money.

The investigation by The Sunday Times and the International Consortium of Investigative Journalism reveals:

■ Cancer Research UK and the NSPCC were among four charities that were named as beneficiaries from a BVI trust which was set up to receive profits from property deals. The charities were not told about the

trust and received no money.

■ Paul Hogan, the Crocodile Dundee actor investigated for illegally evading tax, placed \$34m in the offshore Carthage Trust which listed the British Red Cross as the beneficiary. Hogan admits this was a sham to "protect his privacy".

■ A London firm set up trusts for wealthy Italians naming charities for the blind, for mistreated children and for Aids sufferers among beneficiaries. None has received any money and they are considering suing.

Margaret Hodge, chairwoman of the Commons public accounts committee, said: "It is beyond belief that people have stooped so low [as] to name charities in schemes which could be used to avoid tax, conceal identities or launder money. We need to lift the lid on the tax havens to stop this abuse. The problem is the complete lack of transparency."

The leaked documents reveal more than 300 trusts with charities named as the key beneficiaries. The most commonly used charity is the Red Cross.

A nunnery in the US state of Virginia, the international charity World Vision and the Save the Children Fund are among other beneficiaries in the leaked files.

Offshore financial experts say there is no tax advantage in creating elaborate and costly offshore trusts for charities, which are already tax exempt.

"The trick of using charities

is something that we often uncover," said L Burke Files of the Lubrinco Group, a US financial compliance company. "These are sham trusts. They are a very effective money laundering tool."

Experts believe there may be tens of thousands of charity trusts controlling billions of dollars in tax havens. The trust deeds are worded to ensure the concealed owners maintain full control of the funds.

Yesterday George Osborne announced a deal to clamp down on British taxpayers' use of tax havens. The chancellor has signed an agreement with the Cayman Islands under which it will share information about UK taxpayers who have bank accounts on the islands. The Treasury is believed to be working on a similar deal with the BVI.

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Red Cross and Greenpeace

Charities are unwittingly being used to hide the identities of tax avoiders in schemes involving millions of pounds

**Jon Ungoed-Thomas,
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A FEW minutes' walk from Buckingham Palace lies one of London's most exclusive terraces. Apartments in the imposing grade II listed buildings that line Grosvenor Crescent, prestigious even for Belgravia, sell for as much as £50m.

Yet Grosvenor Crescent has had a troubled history in recent years. It is a story that leads more than 4,000 miles to the off-shore tax haven of the British Virgin Islands and to a mysterious charitable trust of which even the charities it was supposedly set up to benefit have never heard.

Five years ago, an ambitious entrepreneur, Raheem Brennerman, then 29, unveiled plans for a development of part of the crescent. Residents would have their own in-house chef, use of a yacht and a Rolls-Royce Phantom to ferry them to shops or restaurants.

The Royal Bank of Scotland (RBS) was impressed, lending £146.5m to the scheme for the "trophy" apartments in June 2007. It was a part of the ill-considered spending and lending splurge that led to the bank announcing the biggest losses in British corporate history the following year.

In June 2009, RBS asked for the return of a large portion of its money — £118m — as the Grosvenor Crescent development was hit by tumbling property prices. In a letter sent to the British Virgin Islands (BVI), a group of islands in the Caribbean where the company behind the scheme was based, a lawyer asked hopefully for the

The actor Paul Hogan, seen with his wife Linda Kozlowski, is taking legal action against a trust based in the British Virgin Islands, below



cash to be paid back "within one hour".

It was, however, a complicated money trail and RBS is still waiting to get all its cash back. The initial loan had been made to Zegna III Holdings, incorporated in the BVI — a British overseas territory that has become notorious as one of the world's most secretive tax havens. It was controlled by a Seychelles company Nuevitas International Holdings.

Brennerman, who is originally from Nigeria, and Nuevitas International Holdings in turn controlled a BVI trust — the Trigon Trust — which could be used to bank the profits from property deals and buy "yachts, boats, motor vehicles [and] works of art".

Trust documents seen by The Sunday Times reveal the unlikely beneficiaries supposed to enjoy such trappings of huge wealth: Cancer Research UK, the National Society for the Prevention of Cruelty to Children, the National Trust and a diabetes charity.

Last week, the charities in-

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**THE CHARITIES
MIGHT NOW
HAVE A CLAIM
OVER THE
HIDDEN FUNDS**

involved said they had never given permission for their names to be used and had not received any money from the Trigon Trust.

The London firm Bloomsbury Management Services, which helped create the trust, said it had advised its clients that the charities should be informed about the Trigon Trust. According to the charities, that never happened.

sucked into tax black hole

Brennerman insists Trigon was formed in good faith and it was initially intended that the charities would benefit. In the event, a source close to Brennerman says no money was distributed.

Whatever the intention of the Trigon Trust, experts say tens of thousands of similar charity-fronted trusts have been quietly formed in tax havens. They say such structures are used to conceal the ultimate beneficiaries.

Naming a charity as the main beneficiary of a trust reduces the requirements for identity and anti-money-laundering checks and they can be removed from trust documents shortly before any funds are distributed without the charity knowing anything about it.

Robert Peach, a trust recovery law specialist at Coffin Mew solicitors in Portsmouth, said: "We call [these trusts] 'black holes' because you never normally know who is really intended to benefit.

"They are mainly offshore, taking advantage of lax laws. Billions [of dollars] could be out there."

A leak of 2.5m records relating to more than 120,000 offshore companies and trusts to the International Consortium of Investigative Journalists (ICIJ) has lifted the lid on this practice. Hundreds list charities and campaign groups as beneficiaries of tax haven trusts, including Greenpeace, Amnesty International and the British Red Cross.

Last week charities and campaign groups expressed their anger at the way they had been exploited. John Sauven, executive director of Greenpeace, which has been named as a beneficiary of a trust in the Cook Islands in the south Pacific, said: "It looks like our name has been exploited by somebody operating from an island notorious for facilitating tax avoidance.

"Global tax loopholes are costing governments trillions, setting back the fight against poverty and environmental destruction. The fact that tax avoiders may be using the names of campaign groups to pull it off is a distasteful irony."

Many foreign charities are also on the list. Some are now investigating whether they can take legal action to stake a claim on these hidden offshore assets.

One of the financial advisers who has honed the use of trusts for tax avoidance is Philip Eglishaw, known at "the Bowler Hat Englishman". He is subject of an international arrest warrant after allegedly masterminding one of Australia's biggest tax evasion schemes. He denies wrongdoing.

In November 2003, investigators in Operation Wickenby, Australia's biggest tax evasion crackdown, found documents Eglishaw had unwittingly left behind at the Sheraton On the Park hotel in Sydney.

The documents revealed how trusts could be set up without disclosing any link between the trustees and beneficiaries. The documents stated: "Trusts are typically used to avoid the following forms of taxation: income tax; capital gains tax; death duties; gift taxes; wealth taxes."

Eglishaw helped devise a trust scheme for Paul Hogan, the Crocodile Dundee actor who has been investigated in Australia for unpaid tax. Hogan, who moved to America, has since settled his case with the tax authorities.

Eglishaw formed the Carthage Trust, which was run from the British Virgin Islands. About \$34m was kept in the Corner Bank in Lausanne, Switzerland, for the benefit of the trust. The trust documents, however, listed the beneficiary as the British Red Cross.

A legal action was filed on Hogan's behalf in a Californian court last year, revealing that this trust structure was bogus and that the British charity was never the intended beneficiary.

"The sole intended beneficiary of the Carthage Trust is Hogan, and this structure was adopted to maintain his privacy," the documents say.

The action states Hogan had correctly declared his interest in the Carthage Trust to the US authorities. Hogan now accuses Eglishaw of stealing the



The Red Cross was unaware it was being used by tax avoiders. Right, Grosvenor Crescent, which a British Virgin Islands trust hoped to redevelop

Glimpse into secret world

The leaking of 2.5m documents, mainly from the offshore tax haven of the British Virgin Islands, has lifted the lid on the secretive world of offshore finance, writes Peter Newlands.

The material comes from two finance firms that specialise in offshore trusts: Commonwealth Trust Limited, based in the BVI, and Portcullis Trustnet, which has offices in many tax havens, including the BVI and the Cook Islands.

The material reveals how business leaders, politicians and other prominent figures around the world have benefited from moving money into offshore trusts.

Although the documents detail 122,000 offshore

1,000 miles



entities, most of the BVI's 600,000 companies are still cloaked in secrecy and about 5,000 more are registered each month.

In a statement Portcullis Trustnet Group said it considered the leaked information to have been stolen: "We are taking this theft . . . very seriously."