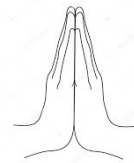


WELCOME

2023



The Paradise And A Tax Haven

By Udaya Kumar Varma

Author is a former IAS Officer of 1976 batch of Madhya Pradesh Cadre. He retired in 2013 from the post of Secretary, Information and Broadcasting, GOI.

Nestling in the captivating Caribbean Sea, south of Cuba and west of Jamaica, stretches a tiny speck of land mass, merely 76 square miles in area and roughly 22 miles long. But this piece of land, an island, is truly special. It is perceived by many as Paradise on earth. This paradise of course, includes two even more tinier islands nearby, of 15 and 10 square miles each, and together they constitute the nation of Cayman Islands comprising of the Grand Cayman, Cayman Brac and Little Cayman.

Cayman is incredibly beautiful

Sitting on the pinnacles of a submerged mountain arising from Cayman Trench, one of the deepest parts of sea (around 25,000 feet) anywhere on earth, they are the uplifted fault-blocks having been pushed up millions of years ago, by the friction between the North American and Caribbean plates. Only the peaks of these submerged mountains are exposed and visible. Since last over 30 million years, nature has been assiduously creating this paradise by putting together and synthesizing corals, algae, shells, other living organisms and forming a crust of carbonates surrounded by green shallows and sounds; and lower down by the fathomless depths of light and dark greens and blues.

Cayman offers all that one can hope to see and experience in paradise. A climate that remains pleasant throughout the year never going below 72-degree F and rarely exceeding 88-degree F, a beach of soft silver sparkling sand surrounded by the most spectacular sea whose changing hues, emerald green to turquoise blue, from sparkling crimson to sombre grey, an azure blue sky with fluffy floating clouds, the feast to eyes is endless and un-exhausting. And the comfort offered is exceptional. Picture post card houses in idyllic verdant setting and a food that never fails to whet your appetite. Indeed, a paradise in all respects.

But the reason why it attracts so many and from all parts of the world, most of all rich and beautiful, mighty and resourceful, men and women of abundant and expensive habits who the island never ceases to indulge and pamper, is that they live a life unwatched and uncensored on a money that they seem to be in a hurry to spend. Because in addition to being a paradise in physical and material terms, it is also a heaven, a tax-haven indeed. Cayman Islands has no income tax, no corporate tax, no estate or inheritance tax, and no gift tax or capital gains tax. making it a pure tax haven. It is one of the five largest offshore financial centres worldwide, and perhaps the most favoured, providing services such as offshore banking, offshore trusts, and the incorporation of offshore companies.

Instead of taxes, offshore corporations pay an annual licensing fee directly to the government. This fee is based on the amount of authorized share capital the company has. Privacy laws are paramount. The Caymans make it easy for individuals and business owners to shield their assets and identities from prying eyes, in other words from the tax authorities of the host countries. Strict laws protect banking privacy.

The other advantages include no requirement to submit financial reports to any Caymans government authority and no exchange controls in the Caymans restricting money transfers in any way. Offshore businesses are not required to pay stamp duty on asset transfers.

Incorporation in the Caymans is a very simple, streamlined process. Locals reveal that there is one address on this Island that is the registered office of over 1000 shell corporations, and several others where scores of such companies are registered.

How They Earn Revenue?

The revenue of the island is raised entirely through indirect taxes, most of it import duties. Practically nothing grows here and therefore every consumable commodity is imported from outside affording hefty revenues. The main industries are financial services, tourism, and real estate sales and development.

Finance and Tourism are commonly referred to as the two pillars of the Cayman Islands economy. Tourism, which the local government will like us to believe as its biggest source of revenue. is usually of the expensive and high-end variety, fetching revenues of great magnitude.

The other major sources of government revenue come from the work-permit fees from the huge expatriate workforce, apart from the transaction fees paid by those active in the financial services sector, and the fees raised from tourists entering through the port on cruise ships or those staying in local hotels.

How Do Tax Havens Work?

Tax Havens provide offshore banking services to foreign individuals and businesses that allow them to avoid paying income taxes in their countries of residence. For example, a large corporation in India might establish an offshore subsidiary in the Cayman Islands and direct all sales through the subsidiary rather than through the parent company based in India.

The shell corporation earns the company's profits and is subject to the tax laws of the Cayman Islands rather than India. Instead of being subject to the Indian corporate tax rate, which stands at 40% as of now, and a host of other taxes as well. The company's profits are subject to

corporate, or income taxes apply in the Caymans, which do not exist. This also includes interest or dividends earned on investments, making the Caymans especially popular among hedge fund managers.

Genesis of Policy

There are not many countries in the world who can afford to have a tax-free regime. There is a very interesting story, surely apocryphal in parts, behind this island becoming a tax-free territory.

Legend has it that one stormy night in November 1788, the Cordelia, the lead ship of a convoy of ten merchant ships returning to Britain from Jamaica went aground off East End's shallow reef. The Ships manifest confirmed she was carrying exotic coffee beans, sugar and barrels of rum when she ran off course during a turbulent storm, which left her marooned on the reef over 220 years ago.

The Cordelia gave off a signal to warn off the other ships in the convoy, but it was misunderstood as a call to follow closer and nine more ships sailed haplessly to their fate upon the reef. The seafaring people of East End are reported to have shown great valour and bravery in ensuring that no lives were lost and legend further states that one of the lives saved was one of royalty, although no one can corroborate this. In reward King George III is said to have granted the islands freedom from conscription, while many other claims that freedom from taxation was bestowed on the people of the islands as recognition of their great efforts.

Apocryphal or real, the legend has built up an aura around this island, that is getting stronger and brighter rendering it foolish to alter this fascinating and fanciful narrative.

Tax Haven to Paradise

This tax neutral environment has given rise to a hugely successful and significant offshore financial industry, which has made Cayman one of the wealthiest places in the world. With a Gross Domestic Product of 5.61 billion US\$ that translates to US\$85,350 per capita and a life expectancy of 82 years, Cayman is wealthier than most developed countries including the US, Canada, Hong Kong and the UK. It has in the past few decades developed a world class infrastructure and became a niche location for opulence, luxury and style.

A country of only about 70,000 people, many of them immigrants, politically very stable and still a British Overseas Territory, its excellent law and order as well as the strict protection of assets by local government, have all played their part in creating a place offering the finest quality of life. Countless individuals who come to invest in Cayman choose to make the islands their home as well.

While a school of economists strongly disapprove of state imposing any taxes, the arguments for a tax-free regime are putatively sound but questionable in the larger context. The two most vocal arguments include the ethical propriety of the state to appropriate and extort from the legitimate earnings of citizens. The other argument is an articulation of the usual 'laissez faire' philosophy blaming taxes for stunting enterprise and initiative.

Notwithstanding, tax havens are still an extreme form of economic system viable, possible and successful only to a particular set of circumstances

The India Connection

How has this tax haven impacted India and so many of them is a fascinating tale. The mention of Cayman Island may not ring a bell to an average Indian, but it is very well regarded by the rich and influential, particularly of the shady and unscrupulous varieties. Among its visitors are businessmen and middlemen, politicians, bureaucrats and professionals, mostly on private visits.

It is intriguing and complex and a challenge to the government in many ways.

But more about it in the next article.

China Limits How It Defines COVID-19 Deaths In Official Count

By Huizhong Wu and Dake Kang

Authors Huizhong Wu and Dake Kang reported for the Associated Press from Zhuozhou, China. Associated Press news researcher Caroline Chen and science writer Aniruddha Ghosal in New Delhi contributed to this report.

Unlike in most countries' official reporting, deaths that occur in patients with pre-existing illnesses are not counted among China's COVID-19 deaths.

China only counts deaths from pneumonia or respiratory failure in its official COVID-19 death toll, a Chinese health official said, a narrow definition that limits the number of deaths being reported as the virus surges following the easing of pandemic-related restrictions.

Deaths that occur in patients with pre-existing illnesses are not counted as COVID-19 deaths, said Wang Guiqiang, the head of infectious disease at Peking University's No. 1 Hospital.

China has always been conservative in how it counts illnesses, whether the flu or COVID-19. In most countries, including the United States, guidelines stipulate that any death in which COVID-19 is a factor or contributor is counted as a COVID-19-related death.

In effect, Wang's comments on Tuesday clarified publicly what the country has been doing throughout the pandemic.

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On Wednesday, China reported no new COVID-19 deaths and subtracted one death from its overall toll, lowering it to 5,241, according to a daily tally issued by the National Health Commission, which did not explain the decrease.

The clarification of how China officially records COVID-19 deaths comes as cases have soared across the country amid the loosening of restrictions. Yet the overall count remains blurry, as China has stopped requiring daily PCR tests and many people are testing at home. Anecdotally, many people have fallen ill in cities such as Beijing and Shanghai.

Earlier this year, Shanghai was hit by an Omicron-driven outbreak. Multiple people told the AP then that their elderly family members who tested positive for COVID-19 and died were not counted in the city's official death toll. When patients had underlying diseases, the deaths were attributed to those.

An AP investigation then showed that numbers have been clouded by the way health authorities tally COVID-19 statistics, applying a much narrower, less transparent, and at times shifting standard, as Shanghai changed how it defined positive cases.

That narrower criteria means that China's COVID-19 death toll will always be significantly lower than those of many other nations.

An Associated Press reporter saw multiple bodies being wheeled out of funeral homes in Beijing last week, and two relatives said their loved ones had died after testing positive for COVID-19. Last week, however, the country did not report any deaths due to COVID-19.

Medical resources in smaller cities and rural communities, which are home to about 500 million of China's 1.4 billion people, lag far behind those of large cities such as Beijing and Shanghai. The rural medical infrastructure includes 17,000 county-level hospitals, many of which lack even a single ICU bed, 35,000 township health centres and 599,000 village clinics.

To Beijing's southwest, hospital emergency wards in smaller cities are being overwhelmed. On Wednesday, AP journalists witnessed dozens of elderly patients in critical condition being wheeled into crowded wards in Zhuozhou, in China's industrial Hebei province.

Two funeral shop keepers and one crematorium worker in Zhuozhou said deaths have been spiking since the government loosened COVID-19 restrictions. One of the shopkeepers, who didn't give his name because of the sensitivity of the issue, added that the city's crematorium was burning 20 to 30 bodies a day, up from three to four before COVID-19 restrictions were lifted.

Different countries count cases and deaths differently, and patchy testing means that direct comparisons are often misleading.

But experts have repeatedly advised that authorities should err on the side of caution while counting deaths. The World Health Organization states in guidelines that "probable" COVID-19 cases and deaths where COVID-19 was a contributing factor should also be counted as COVID-19 deaths. Problems in death counts have raised questions in countries ranging from South Africa to Russia.

The WHO estimated in May that nearly 15 million people died from COVID-19 or due to overwhelmed health systems in the first two years of the pandemic. That is significantly more than the official death toll of over 6 million for that period.

[Read complete article on website thediplomat.com](https://www.thediplomat.com)

Carrying Your Own World

By Sanjay Sahay

Author is former Police Officer of Karnataka. Now he is Founder & Director of TechConPro Pvt Ltd., Bengaluru

What does carrying your own world means? It means managing the world with same knowledge, skills, expertise and world view, both in the professional and personal life, while the world has been changed beyond recognition. The harsh reality is that we want to manage with the skills sets which we picked while we were leaving or at the very best in the first few years of your job. The world changes nearly 80% every five years, and corresponding change needs to happen with every individual engaging with the changes in whatever sphere. And the same things apply to institutions, government, defence and the like.

Not being aware of the changes does not bring changelessness to the world, it's just that you would be left out of the race. That is precisely what has been happening with large part of our existence. We even refuse to acknowledge the change, as if it can wish away, and it keeps coming biting on our face and fate second time round. There are two other ways of handling this change, so as to give a feeling to all the stakeholders that things are moving on the right track, when the actually the opposite is the case.

What are these two options which have been in full display in our ecosystem? The first being to make noise in the public domain of all the changes that have been happening around us, and make some grandstanding, which gives a feeling to the masses and even professionals that things are moving the right direction. The second approach, might be a continuation to the first one or at times independent, would be have some superficial projects and schemes, which would give most of us a feeling that things are happening. In reality, this option is even worse, while things don't change at the commensurate level, it is supposed to have been done.

Our tryst with technology and variety of other changes, if you give it a serious thought it would become crystal clear. What is forced upon cannot be treated as an effort to make change; it has actually happened in spite of your changelessness. Unfortunately, the pace of the change is iterative in nature which means if you miss out a few times, it becomes extremely difficult to catch up. Professionals just displaying that they are picking up the new skills / expertise / knowledge and are making necessary changes to usher in the iterative world continuously are doing immense

disservice to our current existence and forestalling our future. Brownie points can't take us anywhere. Governments has specialized in doing this. When innovation, tech changes and disruptive management / governance practices are the order of the day, how far can we reach with our famed effortless timelessness. Fake claims of change cannot take us anywhere.

SKILLS / COMPETENCE / KNOWLEDGE AUDIT COMMENSURATE TO THE CHANGES HAPPENING AROUND IS THE NEED OF THE HOUR.

Sanctions On Russia Can Be Suicidal For G7

By Uttam Gupta

Author is a policy analyst

G7 needs to recognise that actions that restrict flow of goods and services are bound to be counter-productive

In a bid to punish Russia for its military action against Ukraine, leaders of G7 viz., the United States, Germany, France, Britain, Italy, Canada and Japan in June this year vowed to explore the feasibility of measures to bar imports of Russian oil above a certain level. In September 2022, their finance ministers (FMs) said: "They confirm our joint political intention to finalise and implement a comprehensive prohibition of services, which enable maritime transportation of Russian-origin crude oil and petroleum products globally. Providing those services would only be allowed if the oil and petroleum products are purchased at or below a price (the price cap) determined by the broad coalition of countries adhering to and implementing the price cap."

With big brothers Germany and France ensuring that all members of the European Union (EU) are on board, the G7 coalition has also been working relentlessly to rope in China and India, the two major importers of oil. Even as those efforts haven't paid off, they have gone ahead implementing their plan from December 5, 2022, fixing the price ceiling at \$60 per barrel.

The plan requires the participating countries to deny Western-dominated services, including insurance, finance, brokering and navigation to oil cargoes priced above the cap. To secure those services, petroleum buyers would make "attestations" to service providers, saying they bought Russian petroleum at or below the cap. However, services providers will not be held liable for false pricing information provided by buyers and sellers of Russian petroleum.

The G7 action is driven by its intent to weaken Russia financially by undermining its ability to generate revenue from export of petroleum products, while ensuring that supplies to them (read: G7/EU) are not impacted. They want to achieve this goal by 'forcing Russia to sell oil at less than or equal to the ceiling price without reducing the quantum of exports'. This is a fallacious premise. Russia is a dominant player on the global oil landscape.

It is the third-largest producer of crude oil with over 12 per cent share in global crude production and the second largest exporter. As regards, natural gas (NG), it is the world's second-largest producer with a share of 10 per cent. In world export, its contribution is even higher at 25 per cent. The dependence of EU countries on Russia is even higher with the former drawing 40 per cent of their NG supplies and 25 per cent of crude from the latter.

Some countries in the bloc viz. Germany, the Netherlands and Poland, depend much more. Ignoring the fundamentals of global demand-supply which are strongly pitted against them, they expect the very country which is placed in a vantage position and has the capacity to deliver and supply (namely, Russia) at a price of their choice. This is anomalous.

The G7/EU intends to achieve the stated objective by ordering the 'service providers' involved in maritime transportation not to provide those services if any sale and purchase of Russian petroleum is happening at a price above the cap. Its confidence stems from the fact that most of these companies are headquartered in EU/UK jurisdictions and the London-based International Group of Protection & Indemnity Clubs provides marine liability cover for about 95 per cent of the global oil shipping fleet.

Things are not as simple as they are presumed to be. Seeing a big dent on their revenue due to avoiding Russian petroleum (that won't be easy to make up by extra business from other sources), they will try every tactic to circumvent the diktat.

That would involve joining hands with the sellers and buyers in adopting deceptive shipping practices, refusal to provide requested price information, falsifying documentation (to hide the true origin or price of Russian oil), etc.

This apart, there are umpteen parallel fleets and insurance companies - under non-Western ownership - which can be used for handling, shipping and insuring Russian oil. The G7 intent of securing the desired quantity of oil from Russia at the price of their choice (read: cap) will remain on paper. This is because the latter has buyers especially India and China as well as the means to deliver.

Already, Putin has threatened to withhold exports to countries that enforce the cap. So, G7/EU won't even get the oil from this major supplier, forget the lower price.

Attempts to draw all their requirements (including supplies denied by Russia) from middle east, Africa, etc., would lead to further spike in price as well as shortage. Russia has assets in other producing countries such as Libya, Iraq etc. In a hostile environment, the former can take action which could impact the latter's ability to maintain supplies thereby exacerbating the price scenario.

Meanwhile, the much-touted plan of the EU bloc to cut purchase of NG from Russia by 2/3rd and substitute it with LNG supplies from other sources (besides a ban on 90 per cent of Russian oil that comes by sea) is to take effect before this year's end. These moves aim at building alternative and sustainable sources of supply, thereby reducing their vulnerability to imports from Russia. These efforts could bear fruit only in the medium to long-run but for now, they have to face the music.

The EU will be looking to source gas not taken from Russia (around 100 billion cubic meter or 70 million tons of LNG representing nearly 18 per cent of its global trade) from the middle - East and the USA. This will further escalate the gas price, perhaps touching \$100 per million British thermal unit (mmBtu) - from the current high of above \$50 per mmBtu that has already led to skyrocketing energy bills for EU countries.

The execution of a cap on NG price could make it happen much faster than the EU would have imagined. No wonder, members of the bloc haven't yet announced a cap. Ever since the start of the war, the USA and EU countries have set on a dangerous course of imposing economic sanctions on Russia. Far from hurting, their acts have ended up bolstering its coffers. From February to August 2022, Russia received about 158 billion euros in revenue for the sale of oil, NG and coal, more than half of which - some 85 billion euros worth - was from the EU bloc. Russia's revenue increased even as overall export volumes dropped by 18 per cent compared with the corresponding period prior to invasion of Ukraine.

Now, their decision to impose a cap on Russian oil (and NG) is a major leap forward on this course. This is bound to bring more miseries to the people in these countries due to soaring energy bills, high inflation and economic slowdown.

The G7/EU should shun this path. They need to recognise that in a globally interdependent world, actions that severely restrict flow of goods and services across national boundaries are bound to be counterproductive. The damage will be much more when a crucial commodity such as oil and gas is the target and the quantum involved is huge (prior to February 2022, the EU bloc was getting 40 per cent of its NG requirement and 25 per cent of crude oil from Russia).

Let them not mix up security issues with economics.

[Read complete article on website dailypioneer.com](http://dailypioneer.com)

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Nation is Indebted to:

Sujit Chattopadhyay

Padma Shri awardee 'Master Moshai'



Padma Shri Sujit Chattopadhyay, 78, is a retired school teacher from West Bengal who has been teaching around 350 children, mostly from indigenous communities, for just Rs. Two. In a world where people struggle to get by living alone, it sounds like something straight out of a folk tale to run into altruistic people who are giving back to the community in return for nothing.

But just 3 hours away from Kolkata, a real-life hero Chattopadhyay, affectionately called Master Moshai by his students, runs a one-of-its-kind school in the Ausgram village of West Bengal's Purba Bardhaman district.

Chattopadhyay is a former principal of Ramnagar Ucha Madhyamik Vidyalaya, who devoted his post-retirement life to the empowerment of underprivileged children. His unique school, called the 'Sadai Fakirer Pathshala' (the Eternal Fakir's School), has been running since 2004 in his Ausgram home.

It starts in the morning at 6.30 AM and typically lasts until 6 PM. A remarkable 80% of the attendance is from girls of lower-middle-class families in the Pathshala that teaches social sciences to secondary levels and degree course in Bengali to undergraduate students.

Chattopadhyay found himself with a lot of spare time after retirement and was trying to figure out what to do in those 'long hours' when, one day, three girls showed up at his door and expressed their intent to learn from the retired teacher despite living 20 kms away.

Thus, solely through word-of-mouth, began the journey of the Sadai Fakirer Pathshala that has come to enrol 350 students, complete with an attendance-keeping system and periodic PTA meetings.

However, the fee has nowhere increased like the number of students, with the addition of just a single rupee since Master Moshai's Pathshala began, upon the insistence of past students who volunteered at the school - no less.

“The fees mainly serve as a token of respect for the teacher. These students come from low-income families. Many are even first-generation learners in their families. They cannot afford to commute for hours daily to attend a good school. So, I try my best to help them as much as I can”, says Chattopadhyay.

The Padma Shri awardee's career as a teacher lasted three decades as the long timer remained a favourite among students for his passionate pedagogy that goes beyond pure teaching.

Besides, he is a strong advocate of socio-environmental awareness and has worked to preach concepts of social equality and a sustainable, environmental-friendly lifestyle to communities in the hinterland.

His efforts were recognised by the Indian government as Chattopadhyay was conferred upon the Padma Shri award by President of India in November 2021.

Master Moshai remains a go-to person in his village for a multitude of reasons. He has campaigned to raise funds for Thalassemic patients and even appealed to the government to make education and mobility accessible for young students.

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