



Rare glimpse into offshore world of big money and low taxes

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One of the more fascinating sets of records disclosed by Rudolf Elmer is, he says, the confidential investor list of an offshore fund run by the Carlyle Group.

This prominent private equity operation in Washington DC counts presidents and prime ministers among its advisers, and Elmer's list opens the door to a rarely seen offshore world of big money and low taxes.

Carlyle sources did not challenge the authenticity of the list when we showed it them. They emphasised instead that all their activities in the Caymans were perfectly legal and normal.

The fund bought and sold shares in US start-up firms from its offices in Washington DC. But an offshore paper entity in the Caymans, TCG Ventures Ltd, was nominally running the show.

TCG's correspondence was administered by Swiss bank officials actually living on the islands, in return for a fee. This helped the foreign investors to minimise their tax bills and protected them from the American courts.

US tax authorities accepted this legal fiction, although the set of rules which allowed it has since been changed.

Carlyle emphasises that the American tax authorities lost nothing from this arrangement. What seems clear, however, is that such an offshore structure makes it in effect a voluntary matter for some foreign investors to disclose their profits to tax authorities in their home countries.

The fund, Carlyle Venture Partners, put together 67 wealthy companies and individuals to invest approximately \$230m.

According to the documents, investors included the Saudi prince Talal bin Abdul-Aziz (\$1m); two companies advised by Prinz Michael von und zu Liechtenstein (\$7m); the late Akram Ojeh, who earned a fortune brokering arms deals in the Middle East (\$2m); the Kuwaiti state's sovereign wealth fund (\$10m); and London-based Saudi companies linked to the Bin Laden family construction group (\$2m).

There are American names on the list. Felix Smolka, a hotelier in Boca Raton, Florida, was listed as the contact point for two anonymous entities who tipped in \$1m each, Durant Trading LC and Milestone Development Corporation. Smolka told the Guardian that both were offshore companies which he did not own: he was merely an "investment adviser" to one and a "contact" for the other.

The list of investors also includes anonymous companies and trusts from Panama, Liechtenstein, the British Virgin Islands and the Channel Islands, each with its own secrecy laws that conceal the real owners.

In an extreme example of offshore "layering", one person invested his Carlyle Group \$1m into the Caymans through an anonymous company in Panama. The contact name given to Carlyle transpires in turn to be merely that of a firm of administrators in Liechtenstein, most notoriously secretive of all havens.

The Caymans host more than 9,000 private equity funds and about 80% of the world's hedge funds.

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