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The role of middlemen in the Panama Papers

PANA investigation confirms Greens' findings

The PANA committee's findings support those outlined by the Greens earlier this year, namely that so-called intermediaries such as banks, law firms and accounting firms help clients to set up offshore structures for dodging taxes or laundering dirty money.

The Prime Minister of Malta's call on Tuesday for snap elections comes in the wake of recent revelations that mention him in what is possibly one of the biggest tax scandals to face Malta, the smallest EU country and current holder of the presidency.

The Maltese blogger Daphne Caruana Galizia [reported in April](#) that she had information showing that Michelle Muscat, the Prime Minister's wife, owned a shell company mentioned in the Panama Papers. According to Caruana Galizia, this company received a bank transfer of one million US dollars from Azerbaijan. While the Maltese Prime Minister Joseph Muscat has denied the allegations, he has called for early elections, which will take place before the end of the official investigation into the issue.

It's not the first time Maltese officials have appeared in the news in connection with the Panama Papers scandal. And every time, we find the same intermediaries involved: Nexia BT, a corporate service provider who helped set up the schemes, Mossack Fonseca, the law firm that registered the offshore companies and took care of their maintenance, as well as the banks that created bank accounts for the companies.

PANA committee findings

The European Parliament Panama Papers inquiry committee, or PANA committee for short, decided to have a closer look at the middlemen who help their clients to dodge taxes or launder dirty money. [Its findings](#) support [what the Greens published in January this year](#).

- There are several types of intermediaries, be it banks, law firms, accounting firms or other tax advisers that can help clients and usually it takes several of them to establish offshore structures, each of them having a specific role.
- Intermediaries can provide advice upon request but also pro-actively approach clients to offer them offshore schemes to avoid paying taxes, for example.
- Intermediaries can intervene at different stages: they can provide advice to customers, they can

support the creation of offshore structures (registering and domiciliating them for example), and/or they can assist with maintenance work (managing the daily paperwork or providing nominee directors).

A key difficulty pointed out by the study is that many of the intermediaries advising European citizens are located outside of Europe, which may make it harder to regulate them. As the European Commission prepares to present [a legislative proposal on future rules to deter promoters of aggressive tax planning schemes](#), the Greens have a few ideas to suggest.

How to discourage aggressive tax planning

One idea is simply to consider these middlemen as co-perpetrators of the infraction if the offshore structure is deemed to have breached the law. We already oblige these intermediaries to check that their clients' assets are clean and are not the proceeds of crimes (e.g. drug trafficking, corruption, tax evasion). In the same way, we can request bankers, lawyers and accountants not to get involved in setting up offshore structures that aim at breaking the law. If they do, they could then be prosecuted for the same crimes as their clients. This would have a tremendous deterrent effect and reduce the role of intermediaries in the illegal offshore business.

The good news is that Commissioner for taxation, Pierre Moscovici, in charge of this future legislative proposal on intermediaries will be visiting the PANA committee in the Parliament on Thursday 4 May. It will be a perfect opportunity to ask him whether the Commission's proposal is going to live up to expectations.

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