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News | 19.09.2016

Who wants to be a tax haven?

A blog from our Tax Justice Campaign

Imagine being on the TV show *Who Wants to Be a Millionaire.* You've reached the last stage and you hope to win the one million Euro prize. All you need to do is answer the following question...

What is a tax haven? Is it a country:

A. That has issues with tax transparency?

B. That provides preferential harmful tax breaks?

C. That has a very low or non-existent corporate tax rate?

D. A mixture of the above?

You might have some difficulty answering the question, which would be understandable given there is no internationally agreed definition of what a tax haven is. But remember you have the right to call a friend! That friend could well be the European Commission.

They have just released a tax scoreboard of 213 "third countries" (that is, countries outside the EU). This is the first step towards creating a common European blacklist of tax havens. This EU listing process is part of the EU's campaign to clamp down on tax evasion and avoidance and promote fairer taxation, within the EU and globally.

This pre-analysis of all non-EU tax jurisdictions will help Member States decide which countries they will start political tax dialogue with, based on the following criteria:

- their economic ties with the EU,
- their financial activity,
- their legal and institutional stability, and
- their level of tax good governance.

This second step will take until 2017. If some of these countries do not meet the required standards, they risk ending up on the future European common blacklist, which is foreseen for mid-2017.

While this scoreboard is welcome for identifying the countries most at risk of behaving like tax havens, it is regrettable that a similar exercise hasn't been done for European Member States. Given the role played by some European countries in recent tax scandals (like Ireland with Apple or the Netherlands and Belgium with IKEA), it is nonsense to only focus on third countries when attempting to clamp down tax evasion and avoidance.

Our advice to the Member States is to make the most of this scoreboard now. 81 countries are listed quite high in all selection indicators, meaning they have strong economic ties with the EU, they have a disproportionally high level of financial activities (compared to their real economy) and can be considered a safe place for tax evaders (e.g. low corruption, stable financial system...). All these countries also have loopholes when it comes to tax standards: either lack of transparency legislation, no corporate income tax or providing harmful tax breaks to companies. Therefore, all these countries should be examined further during the political tax dialogue.

If Member States decide to shorten the list, **we suggest that at least the following 15 countries figure on the list of countries with whom political tax dialogue will be established.** The United States, Hong Kong, Singapore, Panama, Cayman Islands, British Virgin Islands, Mauritius, Bermuda, Anguilla, Bahamas, Antigua, Jersey, Guernsey and Isle of Man should be considered priority countries. Switzerland is another third jurisdiction which deserves special attention.

The European common blacklist can be a useful tool in the future if it is accompanied with appropriate sanctions against the listed countries. However, there is a huge risk that the whole process is turned into a highly political and diplomatic exercise, leading to only a few small countries being blacklisted. Will the European common blacklist be a useful tool to fight tax havens? This is the real one million euro question, but the Commission is going to make us hold our breath until mid-2017 before we get an answer.

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