

# FILTHY LUCRE & NOBLE LEAKERS - TAX DODGING IN EUROPE

An explainer

## Background

Tax evasion is nothing new - it's been around for at least 4000 years when [ancient traders tried to do business outside ports](#) to avoid existing levies and taxes.

Public awareness of the severe impact tax evasion and tax avoidance have upon our society has increased. Revelations that multinationals - including household names like Google, Apple and McDonald's - have systematically been cheating EU member states out of billions of euros have caused consternation amongst citizens.

Money that could have been spent on public services like schools, hospitals and public transport, have instead been hidden offshore through legal loopholes that exist in the EU. Similarly, individuals with wealth to hide have deployed similar tricks to stash away their money in tax havens - many of which exist within the EU.

## What the EU isn't doing about tax evasion?

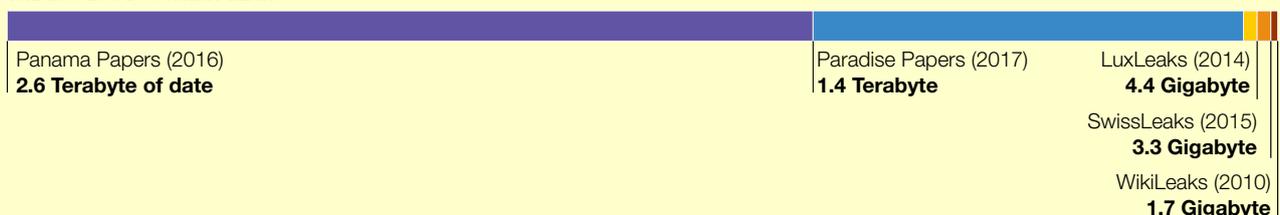
Firstly, it should introduce progressive taxes! Taxes that help with the redistribution from the rich to the middle and lower classes! This can be through taxation on capital, corporate, wealth and transaction-based.

However, the EU is more interested in regressive taxation as governments rely upon consumption tax like VAT and income. They hit the lower income brackets and women the hardest.

Successive inquiry committees have also been set up in the European Parliament to look into the problem of tax injustice.

## A UNION FOR THE MILLIONAIRES OR THE MILLIONS?

### THE BIGGEST DOCUMENT LEAKS



According to Oxfam,  
**5 EU countries**  
should be on EU blacklist  
of **tax havens**

in the meantime  
Europe loses up to  
**€1 Trillion**  
to tax dodging every year.



## What our MEP say

A vote in March 2019 marked the first proper report that the European Parliament has looked into tax dodging and financial crime in the EU. Although structural problems that currently exist in the EU which facilitate tax evasion were not fully addressed in the final proposals, critical references on the protection of whistleblowers and journalists – so crucial to our understanding of the issues at heart – have been included.

Furthermore, the report contains references to the damage caused by regressive taxes over the past 20 years and its gender impact, especially on women.

*'The TAX3 committee has produced the most powerful text on tax evasion and tax fraud to date,'* said Miguel Urbán (Podemos, Spain):

*'Critically, it's pleasing that the text kept its call for severe sanctions on enablers such as banks and tax advice offices, and that it highlights that tax havens exist inside the EU.'*

However, what they have exposed is that the EU is slow in tackling money laundering, tax evasion, tax avoidance, and that corporate whistleblowers and investigative journalists are denied rightful protection for performing a valuable public duty.

A [2018 Eurobarometer survey](#) found that 75% of EU citizens would like the EU to intervene more in the fight against tax evasion.

## 'LuxLeaks' 2014

The LuxLeaks scandal was arguably the first exposé on systemic corporate tax avoidance that gained international notoriety - and it was made all the more galling that the whistleblowers and journalists at the centre of the investigation were threatened with prosecution and prison terms by EU member states. LuxLeaks revealed that over 340 companies including Pepsi, IKEA and Deutsche Bank - with the help of accountancy firms like PriceWaterhouseCoopers - obtained secret special deals from Luxembourg. This let them set up subsidiaries in the country to reduce their global tax bills via complex financial structures, resulting in many firms paying just 1% in tax. The leaks also brought public attention to the rogue states operating within the EU that enable such activities to take place - chief amongst them Luxembourg, under then Prime Minister and current President of the European Commission, Jean-Claude Juncker.

## 'Swiss Leaks' 2015

In 2015, the Swiss branch of HSBC was exposed to have been profiting from doing business with tax dodgers and international criminals. Almost €90 billion was found to have been deposited in bank accounts at the branch. Its clients included those linked to Arab despots like Mubarak, Assad and Tunisia's Ben Ali, arms traffickers and others involved in blood diamonds. HSBC subsequently acknowledged its failure in compliance and control - with employees found to have been advising their clients of ways to dodge taxes and hide their assets.

## 'Panama Papers' 2016 and 'Paradise Papers' 2017

Credited for being the turning point in bringing worldwide attention the international problem of tax evasion in 2016, the 'Panama Papers' came about after [the ICIJ](#) leaked files from the Panamanian law firm, Mossack Fonseca. The documents revealed how rich and powerful politicians, celebrities and criminals used offshore corporations to evade taxes. Mossack Fonseca was at the centre of the global offshore industry with about 300,000 companies as clients, and created shell companies to hide the assets. A subsequent leak of 13.4 million files from Bermuda-based offshore law firm, Appleby, and corporate services provider Eстера became known as the 'Paradise Papers' which also generated headlines worldwide.

## Whistleblowers

The seminal exposés listed above would not have come to light if it wasn't for the courageous whistleblowers who risked their careers - and lives - by leaking secretive documents and files to investigators. However, due to inadequate EU legislation that offer next to no protection, Swiss Leaks' Hervé Falciani, ex-PriceWaterhouseCoopers employees and LuxLeaks' whistleblowers Antoine Deltour and Raphaël Halet have been relentlessly hounded by the authorities even though they had acted in the public interest. Meanwhile, the murders of EU-based investigative journalists like Daphne Caruana Galizia, Ján Kuciak and his partner Martina Kušnířova, as well as Viktoria Marinova in their home countries mean it is now a matter of urgency for legislation to be enacted to protect all whistleblowers and investigative journalists.