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Sustainable Architecture for Finance in Europe (<https://safe-frankfurt.de/>)

SAFE Finance Blog

Expectations on Others

12/08/2017

Alfons Weichenrieder: “Black list” of tax havens could become a boomerang for EU



It was nearly like in an exciting presentation of the Oscars. The “winners” are: American Samoa, Bahrain, Barbados, Grenada, Guam, South Korea, Macau...

On 5 December, the EU Commission released the names of 17 countries that, from the perspective of the EU member states, fail to meet the minimum requirements regarding fair tax competition, tax transparency (international exchange of information) and restrictions to profit shifting. Countries and overseas territories that sufficiently reliably promised improvements to their tax systems were spared from the black list and put on a so called grey list, including noticeable many British overseas territories. Going forward, the 47 countries “on probation” have one or two years from now to correct for the denounced shortcomings and

avoid an entry into the black list.

One can certainly complain that only countries outside the European Union were considered and listed. Not just since the recent “information leaks” disclosures including the Paradise Papers, it is widely known that several EU countries also offer numerous specially designed tax constructions that helps multinational firms to make tax-free profits. An entry into the black would have only been a logical consequence.

However, even if countries like the Netherlands, Luxemburg and Malta were not among the “winners”, one can still hope that the list will also help inside the EU by increasing the pressure onto European tax havens. Through the commission’s approach, the difference between the EU taxation requirements for countries outside the EU and the tax conduct within the EU becomes apparent. The pressure to justify increases. In this context, it could be a blessing that South Korea, a rather important industrial nation appears on the list as well. Particularly, as South Korea seems at best like an apprentice compared to the Netherlands, concerning the invitation to avoid taxes. In this respect, the expectations on others can easily become a foreign policy boomerang, which may help to also change the current situation within the EU.

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