Press release – EU tax haven blacklist not catching worst offenders

The EU's list of tax havens, set up in 2017, has had a "positive impact" so far but has failed to "live up to its full potential, [with] jurisdictions currently on the list covering less than 2% of worldwide tax revenue losses", MEPs said. In the resolution prepared by the Subcommittee on Tax Matters and adopted by the Economic and Monetary Affairs Committee on Thursday 43 votes in favour, 6 against and 5 abstentions, MEPs go on to call the current system "confusing and ineffective".

The resolution proposes changes that would make the process of listing or delisting a country more transparent, consistent and impartial. It also proposes adding criteria to ensure that more countries are considered a tax haven and prevent countries from being removed from the blacklist too hastily. Finally, the resolution says that EU member states should also be screened to see if they display any characteristics of a tax haven, and those falling foul should be regarded as tax havens too.

Quote

After the vote, the Chair of the Subcommittee on Tax Matters, Paul Tang (S&D, NL) said:
"By calling the EU list of tax havens "confusing and inefficient", the European Parliament tells it like it is. While the list can be a good tool, it is currently lacking an essential element: actual tax havens. Countries on the list account for just 2% of corporate tax avoidance! EU member states currently decide in secret which countries are tax havens, and do so based on vague criteria with no public or parliamentary scrutiny. This needs to change. If we focus on others, we also need to look ourselves in the mirror. And what we see is not pretty. EU countries are responsible for 36% of tax havens. The tax subcommittee commits itself to investigate and scrutinise all

member states that are responsible for tax avoidance. Our work is only just starting."

Widen the scope

MEPs say that the criterion for judging if a country's tax system is fair or not needs to be widened to include more practices and not only preferential tax rates. The fact that the Cayman Islands has just been removed from the black list, while running a 0% tax rate policy, is proof enough of this, MEPs say. Among other measures proposed, the resolution therefore says that all jurisdictions with a 0% corporate tax rate or with no taxes on companies' profits should be automatically placed on the blacklist.

Toughen the requirements

Being removed from the blacklist should not be the result of only token tweaks to that jurisdiction's tax system, MEPs say, arguing that the Cayman Islands and Bermuda for example were delisted after "very minimal" changes and "weak enforcement measures". The resolution therefore calls for screening criteria to be more stringent.

Fairness and transparency

The resolution says that all third countries need to be treated and screened fairly using the same criteria. The current list indicates that this is not the case and the lack of transparency with which it is drawn up and updated adds to these misgivings, the resolution says. MEPs call for the process of establishing the list to be formalised through a legally binding instrument. They question the ability and suitability of an informal body such as the Code of Conduct Group to carry out the mission of updating the blacklist. The resolution also sets out what type of disclosure is necessary.