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## Fighting tax havens

The Rise-up campaign, developed at the European scale and denouncing the austerity policy, notably dealt with the fight against tax evasion and the multiplication of tax haven. Unfortunately, three years later, this matter is still important regarding the latest revelation made by the European press about the hidden money by HSBC- one of the multiple banks suspected by the European justice to help tax evasion through some shell companies located in tax havens.

Tax evasion is one of the major problems of the European Union. It is a way to escape taxes by moving all or a part of a patrimony or an activity to another state. The consequence is an important lack of money for the states' budget and a rising inequality among the population.

### I / Tax evasion, an obstacle to alternative policies

#### A / The system of tax evasion

Tax evasion can be organised in different ways. It can be tax fraud, that is to say an illegal mean to escape tax payment or to reduce its amount. It can also be a simple shifting of the tax base to a state with a softer legislation. Some big companies are also adepts of tax optimization in tax havens. They create subsidiaries in states where income taxes are very low. Those subsidiaries officially make most of the profits. Thus, they use the legislation in various states in order to reduce to the minimum the amount of tax they have to pay.

#### B / The consequences on the economy and the democratic freedoms

According to the European Parliament, the public money which disappears every year from the European Union can be evaluated at 1000 billions of Euros. It represents twice the deficit of European countries and six times its annual budget. These few examples show how much taxes are an important source for the state's budget and allow them to finance public policies.

This huge amount of money that is little or not at all taxed feeds the feeling that a minority of individuals is above the law and do not have to support social policies. Today, tax evasion enables the implementation of austerity policies and legitimizes the liberal economic theories. Indeed, the absence of regulation reinforces the idea according to which there would be "no alternative": Only one kind of policy would be possible to get away from the budgetary crisis, making huge savings in the public sector.

Therefore, this paradox feeds the democratic gap between the policy people expect, which have been democratically chosen by the citizens, and the one led by the governments. The hidden money, every

year, is an obstacle to investment policies, which could not only revive the consumption, but also allow a better access to education, jobs, health or culture. Moreover, tax evasion is a drag for the green transition, which could allow to create jobs and prepare the future.

So, the fight against tax evasion appears to be essential nowadays. Governments sometimes seem without any solution, especially when the president of the European Commission, and former Prime Minister of his country, is himself involved in a tax evasion scandal. The European Union must play its role and assume an ambitious policy against tax evasion.

## II / Some suggestion to dismantle tax evasion

### A / Revive a political will

Tax evasion only exists because neither the European states, nor the European Union itself have built the legal and coercive means to fight it effectively. It is primordial to show a political will from the European Union against tax evasion. An institution such as a “high authority” could be created to fight tax evasion.

To show a real political will at the European scale, data exchanges on this point could also be improved. The implementation of a similar policy than FACTA (Foreign Account Tax Compliance Act) is a necessity. This policy would obligate European banks to communicate to the countries involved, the names of the European citizens who have bank accounts there and who would be guilty of tax evasion. This would help states to get back in their national budget the amount of money that was hidden illegally or illegitimately.

In addition to that, the implementation of a financial transaction tax would also help to limit certain capital flows and increase the European budget.

### B / strengthen the legal ways to fight against tax evasion

A political will won't be enough. The European Union must also build a real legal and coercive framework to efficiently fight against tax evasion.

First, governments have to recover the huge amount of lost money that escaped. For that, the European Union needs to create a register in which would be kept the name and owner of shell companies to dismantle these legal structures and entities.

It is also very important to create a European differential taxation of the European citizens. This kind of taxation is already apply in the USA. The goal of this kind of tax is to make tax evasion ineffective.

Tax evasion is probably one of the most important problems for the States. The answer can not be found without a real European political will and ambitious solutions. But this change will only be possible if we are very careful and supportive of it. As a youth political organisation, it would be our role to organise a European wide campaign on this subject. Another way to act as an organisation, could be to push our MEPs to improve the current European legislation.