

**COMMITTEE OF INQUIRY INTO MONEY LAUNDERING,**

**TAX AVOIDANCE AND TAX EVASION (PANA)**

**TUESDAY 31 JANUARY 2017**

\* \* \*

**Report on the inquiry into Money Laundering, Tax Avoidance and Tax Evasion**

\* \* \*

Exchange of views with National Parliaments  
and Mark Pieth, former Member of the Panamanian Committee of Inquiry

1-002-0000

**IN THE CHAIR:****ROBERTO GUALTIERI***(Chair of the Committee on Economic and Monetary Affairs)**and***WERNER LANGEN***(Chair of the Committee of Inquiry into Money Laundering, Tax Avoidance and Tax Evasion)**(The meeting opened at 9.35)*

1-003-0000

**Roberto Gualtieri (S&D)**, *Chair of the Committee on Economic and Monetary Affairs*. – I welcome again, on this second day of our European Parliamentary Week, all the representatives from national parliaments and the European Parliament and the experts who kindly accepted our invitation. I do not need to restate how extremely important we consider this opportunity for interparliamentary cooperation in order to give input, to improve the quality of our, and hopefully also your, parliamentary work.

Concerning this morning's session, as you know this is the more thematic session. In parallel we are hearing the ECON one and we have divided this session this morning into two sessions. The first one is on the 'Panama Papers, Bahamas leaks: which follow-up did national Parliaments give to the revelations? Which lessons can be learned?' And the second one is on the 'Banking Union, Capital Markets Union and the EU Single Market for financial services.'

I wish to inform you that, given the large number of participants, most probably it will not be possible for everybody to take the floor but we will try to give the floor to as many colleagues as possible. Priority will be given to ensuring that as many chambers as possible which want to participate in the discussion can do so. Each chamber taking the floor will be allocated a two-minute slot for intervention so we expect 20 to 25 interventions per session but this, of course, depends too on the requests we will have.

I inform you that Speaking Cards are available in the meeting room and are to be filled in by national parliamentarians or MEPs willing to take the floor. For the first 'Panama Papers' session it is the pink one, so please fill in the pink ones and give them to the ushers.

And now I would like to give the floor for an introductory statement to my colleague Werner Langen, who is the Chair of the Committee of Inquiry into Money Laundering, Tax Avoidance and Tax Evasion, the PANA Committee.

1-004-0000

**Werner Langen (PPE)**, *Chair of the Committee of Inquiry into Money Laundering, Tax Avoidance and Tax Evasion*. – A warm welcome to you all. Today we are holding a joint meeting with the ECON Committee during which we will be hearing from and holding discussions with four experts. Firstly, we have Professor Mark Pieth, who sat with Professor Stiglitz on the Panama Committee of Inquiry. We are very pleased to have you here today, Professor Pieth, so that you can share your academic experience with us.

We also have three important members of parliament here from national committees of inquiry: first we have Ed Groot from the Netherlands, then we have Ahmed Ahmed Laaouej (Chair of the Belgian Special Committee on the Panama Papers) and lastly Kai Jan Krainer (Vice-Chair of the Committee on Finance of the Austrian National Council).

I believe this will give us a good basis for a debate. To start with, though, I would like to say something very briefly about our work. Parliament convened two special committees in 2014, TAXE 1 and TAXE 2. The main objective of these committees was to investigate, on the basis of the LuxLeaks revelations, tax rulings – in other words arrangements offered by Member States that are not only capable of distorting competition, but which have also resulted in special conditions being granted – in particular to large international firms. There are two reports on this matter that you all know of. The main countries affected were Luxembourg and Ireland, but also the Netherlands. The PANA Committee, set up after the huge volume of Mossack Fonseca documents was made public, 2.8 terabytes to be precise, is investigating a different area. To be precise, it is not investigating potential distortions of competition on the basis of current legislation, but rather everything which has to do with money laundering, the harbouring of drug money, crime, corruption and the tax evasion that goes hand in hand with all this.

We have a different approach, which is why I feel it is especially important that, as part of our work, we shed light on the academic findings, and this is what Professor Mark Pieth will be doing today. We also need to listen to those who have been affected. This does not just mean NGOs, but also advisers, mediators, lawyers, the banks and so on. In particular, we need to look at the possibilities for circumvention on a global scale. Panama is merely a byword for a worldwide movement that involves harbouring, hiding and concealing money in particular offshore locations, which is why transparency is critical. We are not dealing with small sums, but rather billions of euros that have gone untaxed, undermining solidarity and justice.

This is how things stand: we began our work in 2016, and our analysis of the evidence is currently in full swing. The committee of inquiry has a one-year remit which can be extended for up to six months. However, in accordance with the European Parliament's right of inquiry, which is set out in Article 226 of the Treaty of Lisbon, unlike most national parliaments we cannot impose any penalties. This means we rely on the guests we invite being prepared to make statements. We cannot summon anyone and we cannot impose penalties, which is a problem that has not yet been resolved, in that the Member States have refused to enhance the arrangements governing Parliament's right of inquiry. The relevant legislative proposal has been with the Council since 2014.

The report we ultimately deliver will put forward recommendations which will feed into current legislative proceedings. We are planning to make on-the-spot visits. These will start the week after next in the United Kingdom, Malta and Luxembourg, and are also scheduled to take place in the USA because of the special significance of cooperation between Europe and the United States.

We have listened to a whole host of professors, and I would like to list the legislative procedures currently being conducted in the European Parliament that are related to the matter at hand. The first one concerns the fourth modification of the Money Laundering Directive, which is already giving way to the fifth modification. There is country-by-country reporting and the Consolidated Corporate Tax Base, as well as transfer prices, which are all requirements from TAXE 1 and 2. Then there is the single-member company, the Commission proposal. The introduction of letterbox companies (which exist all over the world) in Europe is currently on hold. We have debated tax rulings, patent boxes and local content. Let me add one thing: the national tax authorities say the following about two well-known cases, Apple in Ireland and Amazon in Luxembourg: only the portion of each company's revenue generated in Ireland/Luxembourg – which is part of an overall consolidated revenue for both these major American international companies in Europe – is actually taxed. This has led to the peculiar situation that only 0.5% of Amazon's turnover is taxed in Luxembourg, and the figure for Apple in Ireland is similarly low.

Ms Vestager has already investigated distortions of competition in the case of Apple, and Amazon, Starbucks and other such companies will soon be next. Ms Vestager, the Commissioner for Competition, ruled that Apple must pay Ireland thirteen billion euros in tax. This is only possible because there is a loophole in US legislation. US legislation states that profits generated in other parts of the world that are kept offshore or anywhere else are subject to US tax if they are brought back into the USA. This has allowed Apple to salt away 130 billion euros in various tax havens, and it has only paid the bare minimum in tax, despite the fact that Apple revenue generated in Europe, Russia, North Africa and the Middle East all ends up in Ireland. This has led to major distortions of competition that need to be dealt with.

To do this, cooperation between the relevant authorities and international agreements are vital. We realise we only have limited powers given that tax law is a Member State matter. We do firmly believe, however, that international pressure needs to be increased significantly to secure a greater degree of tax justice.

That is the state of play, and we expect to present our final report in the second half of 2017. It will be compiled by co-rapporteurs, Jeppe Kofod (S&D) from Denmark and Petr Ježek (ALDE) from the Czech Republic. Thank you very much for your attention.

1-005-0000

**Mark Pieth**, *former Member of the Panamanian Committee of Inquiry*. – Chair, thank you very much for this kind invitation.

Like water seeks the lowest point, dirty money on a worldwide basis flows to the lowest or to the least regulated countries. Now, the Panama Papers confirm what we have already known before. One such scenario is lawyers buy shell corporations and organise the investment of dubious funds for them with banks at locations with strong bank secrecy and little likelihood to cooperate with foreign regulators or law enforcement agencies. Trust me, I know what I am talking about, I am Swiss. And yet we tolerate our overseas territories and crown dependencies, the Caribbean islands, the Monacos, the Liechtensteins, and the Delawares and Nevadas, for that.

If you look into those papers – it has already been mentioned by the Chair – you find a wild mix of tax defrauders, companies using offshore locations for tax optimisation, especially through transfer pricing, but also officials, ministers and presidents hiding funds by far in excess of what they could have legitimately earned in their tenure. And then, of course, you find organised criminals, drug runners, traffickers in human beings or even child prostitution rings. Read the book by Obermayer and Obermaier.

My own experience mirrors these findings. As a member of the Financial Action Task Force on money laundering in the early days and then 25 years OECD Working Group on Bribery and also looking into the oil-for-food programme of the United Nations, I have seen this over and over again, thousands of times.

Now the Chair has a moment ago said it is not just about Panama. Panama is just a random example but it is also about Panama. Just a quick note on Panama. I have seen into that country a bit. Panama is making great efforts now, at least it is saying the right things. But frankly last week the investigation into Mossack Fonseca had to be stayed, temporarily at least, on orders of the Supreme Court in Panama.

And the second news that reached us last week was that Panama's Government is not willing to re-examine the orders to the Brazilian construction company Odebrecht even though the company had admitted having paid USD 59 million to decision-takers on contracts with a value of USD 7 billion. But no investigation. It is up to you to discuss whether that country is serious.

Going back to the issue in general, it is a worldwide problem and we are all part of it, be it that it originally starts with us or that our, let us say, legal staff is contributing. If we want to make a definite difference we need to be quite bold.

Now actually we are already on the right track, I must say. You have many times overheard about identification of beneficial owners, a topic that emerged in the first place with financial institutions, and it is very valuable on the tax side. If you want to have an automatic information exchange you need to know whose account it is. And, frankly, it is also valuable for regulators and law enforcement. What I am missing there in the status quo is a certain seriousness of implementation and enforcement by regulators. I will tell you what I mean.

My own country: in Switzerland, for instance, the classic way has been that lawyers, especially in Geneva, have been buying constructions from the Mossack Fonseca subsidiary in Geneva. But it is not only about lawyers. It is also about fiduciaries, tax lawyers, tax advisers and many more such professions which sometimes go beyond classic legal work and actually are organisers in the financial sector, they turn into financial operators. And that is a hot topic for you, especially on your fourth or fifth Directive on Money Laundering. When does it tip? When does a lawyer become a financial operator? It is a very big issue, a very touchy issue.

So this pushes us to the question: what should we be doing? My first suggestion to you would be take a very close look at whom you are actually giving the advantage of professional privilege. In my view, the Mossack FONSECAS, but also the lawyers working with them, buying their products in order to organise financial constructions, so called structures, are not lawyers. They do not deserve professional privilege, at least not professional privilege that withstands law enforcement action. That would be my first point, addressing the status quo if you want.

Now if you look at the report that I wrote with Joe Stiglitz – the report is outside, you can pick it up there, called ‘Overcoming the Shadow Economy’ – we go quite a step further than that, beyond what is actually on the books. We say we would like to see, on a global basis, meaningful company registers. Meaningful means, in my view, that you have real people in those company registers and you do not have stooges. It is not the gardener again or the cleaning lady of Mossack Fonseca that is acting as a nominee director, you have real people in that register. You have the beneficial owners of a company.

Now you will say, hang on, this is a big step and it is complicated and it begs all sorts of technical questions. What is the threshold, from when on and so on? I agree, that is correct. We would have to go into the detail but I am convinced that this type of regulation is feasible. You might then say, well, maybe we will end up having all these stooges, ‘hommes de paille’, in the registers. But the idea would be that if you have a publicly readable register, we invite basically civil society, media and so on, to check whether the correct people are there and it would be very embarrassing if they found out that the person who is actually listed there cannot even read or write.

So I think that would be a very crucial step. That is my second suggestion to you. It is a relatively straightforward suggestion but challenging to implement. And I think, as advice to you from my side, it is absolutely crucial, especially at this time, that you define the bottom line for the world of offshorism, that you stand firm even if populists from across the ocean try to push back.

1-006-0000

**Roberto Gualtieri (S&D)**, *Chair of the Committee on Economic and Monetary Affairs*. – Thank you very much, Professor Pieth, for this very interesting introduction. I think that the two concrete suggestions that you have brought to our attention are very much worth

considering. I am sure we will do our best in our ongoing legislative work to try to achieve those goals, which, I agree, are essential.

Now, the next speaker is Mr Ed Groot, Chair of the Dutch Parliamentary Committee of Inquiry into Tax Structures.

1-007-0000

**Ed Groot**, *Chair of the Netherlands Parliamentary Committee of Inquiry into Tax Structures.* – Chair, dear colleagues, on behalf of the Dutch Parliament and the Parliamentary Committee of Inquiry into Tax Structures, I would like to thank you for inviting me and also my colleague, Arnold Merkies from the Socialist Party, to take part in this meeting. The Panama Papers brought new insight and renewed astonishment at how widespread the problem of tax evasion is. In the Dutch Parliament, the call for more insight into the tax structures that run through the Netherlands was heard well.

In May of last year, the finance committee of the Dutch Parliament formed a working group. The goal was to gather knowledge about tax structures and to decide later about the use of other inquiry instruments. We spoke in September last year in public with 12 experts, such as representatives of the trust sector, scientists, tax advisers and officials of the Dutch IRS. In the meantime, the Dutch Parliament adopted a new and leaner parliamentary inquiry instrument – the so-called mini inquiry. This lean, short-term inquiry does not require a long preparation period of research. Essentially, this new instrument means that called persons are obliged to appear and can be questioned under oath, similarly to the well-known congressional hearings in the USA.

In October last year, the proposal for the inquiry into tax structures was adopted by a majority of our Parliament. The committee is composed of five Members of Parliament. The committee will focus on issues of private trusts and the role of the Netherlands in facilitating so-called letterbox companies. The main goal of the inquiry is to obtain more insight into the way trust offices and tax advisers operate and how tax schemes are set up in practice.

As you all may know, the Netherlands is one of the major hubs of international capital flows. Large amounts of money flow through so-called letterbox entities, often without showing real economic activity in the Netherlands itself. By itself, this can be perfectly legal; the question, however, is whether these activities are also desirable from an economic or social viewpoint, or morally acceptable. By questioning the relevant actors from the sector of trusts and tax advisers, the inquiry committee hopes to deliver some important elements of an answer. We are planning to hold inquiries in spring this year, after the Dutch general elections, and these inquiries will be in public and will be broadcast.

I want to finish my words with the hope that the undesirable aspects of tax structures will be seriously addressed in the coming years. The OECD and the European institutions have already made a lot of progress in this field, but this responsibility rests on all of us, including the national parliaments and therefore the Dutch Parliament. Thank you.

1-008-0000

**Ahmed Laaouej**, *Chair of the Belgian Special Committee on the Panama Papers.* – Colleagues, I would like to begin by thanking you for inviting me here today. It is a pleasure to be able to participate in your work. I would like to remind you of something you know already, which is that Belgium has established a special committee on the Panama Papers and the more general issues surrounding tax havens and the use of offshore structures.

Why was there such a broad consensus within the Belgian Parliament on the need for this special committee? Because every time another international tax fraud network was uncovered in the media, in particular the Offshore Leaks, the Swiss Leaks, the Panama Papers and the

Bahamas Leaks, a large number of Belgian companies, legal entities and natural persons registered or resident in Belgium, were found to be involved in the scandal.

The special committee was established on the basis of a broad consensus, but – and I repeat – it was not set up with a view to launching a parliamentary inquiry. It is therefore not a committee of inquiry, which means to say that it has fewer powers. There is a fundamental reason for that, which is that, parallel to the special committee, inquiries are pending before the courts and the tax authorities on a number of cases. We had to consider the risk of interference, which is why a special committee rather than a committee of inquiry has been set up.

Here are a few figures concerning Belgium: of the more than 700 persons whose names were revealed in the Panama Papers, the Special Tax Inspectorate, the Belgian specialised tax authorities, has opened inquiries against 239 of them. These cases are still being analysed and have also been brought before the courts, in addition to the tax authorities, through a specific department, OCDEFO, responsible more specifically for economic and financial crime.

We have held a considerable number of hearings: of the tax authorities, the police force, the National Bank – the regulator which monitors financial intermediaries –, but also the banks, the Big Four, and a whole range of professionals in the financial sector, not forgetting the investigating judges. I'm thinking in particular of Judge Claise, who I believe attended a hearing as part of your work here, before the European Parliament.

I would like to draw your attention to a few key issues. Our work has already shown that there is a problem with coordination between the different State departments responsible for tackling tax fraud and financial crime. It is clear that the tax authorities, the judiciary, the police, the anti-money laundering unit, the financial regulator – the National Bank in particular – are failing to share information. A number of departments are undoubtedly working on the issue, but information is not being passed on as it should. There is certainly work to be done here.

The second issue is one which has been raised time and time again in a number of forums: we do not have a homogeneous list of tax havens at European level. Even in Belgium, the list varies from one chapter of tax legislation to another. But we are in favour of a European list of tax havens which would enable us to tackle this particularly damaging phenomenon. In this connection, Pierre Moscovici, the European Commissioner, attended a hearing as part of our work. He has undertaken to draw up the list as quickly as possible, and to work speedily in a variety of other spheres, too.

It would also appear that although one of the missions of the financial regulator, the National Bank, is to identify specific measures which make tax fraud possible through banks, no meaningful results have been obtained thus far. We therefore wish to strengthen the role of the National Bank. It would appear that there is a broad consensus on this matter, too.

We are also calling for the establishment of a European agency to tackle international tax fraud and tax havens. Tax fraud and its perpetrators do not recognise borders. A strictly national model is therefore ineffective; cooperation needs to be stepped up.

I would like to conclude with another point for consideration. We believe that the legal framework through which intermediaries and facilitators can be punished must be bolstered, whether the perpetrators are banks or legal firms lending assistance and employing their grey matter to orchestrate fraudulent tax operations.

1-009-0000

**Kai Jan Krainer**, *Vice-Chair of the Committee on Finance of the Austrian National Council.* – Chair, dear colleagues, in Austria we had one bank that was prominently mentioned in the Panama Papers. It is a small regional bank owned by a small province of Austria, located on

the border with Switzerland and Liechtenstein. It was already on the radar of the authorities because of its close business connections to Liechtenstein in particular and its trusts and foundations there.

As a result, a special committee was formed in the regional parliament to look into it; the report will be released in some days – I think even this week. The main outcome was that the board of the bank resigned and the business model was changed. In particular, they have two no-goes for the future: one is no business connections to tax swamps, and the second is no connections to letterbox companies in offshore jurisdictions. That is the main outcome for the future of the bank. From discussions within this regional parliament and the national parliament, I personally think that we have to build on three pillars, or rather policies on three pillars.

The first is transparency on important questions like public registers of companies, trust foundations and their beneficial owners. They have to be publicly accessible somehow, as is case with the 'Firmenbuch', for instance, in Germany, where you have the main questions of a company there, as well as of foundations and trusts. The second important thing for transparency is that we need no letterbox companies. They are just here for tax fraud and for being non-transparent. We should just ban them.

The second pillar is cooperation, that is to say cooperation between the governments, the sharing of information on companies and tax rulings, a lot of things that we already have on track through directives of the European Parliament. But also questions of how to protect whistle-blowers and I mean not only journalists, because it is fairly clear, I think, within freedom of speech that we have to protect them, but also whistle-blowers from within.

Of course there is something like business secrecy but business secrecy can never be tax fraud or helping people launder money. That can never be a business secret. Therefore if somebody reveals that information from within a company he should be protected by our states and governments, and not drowning in front of a court.

The third pillar is fair taxation, especially for multinational companies. That includes not only country-by-country reporting and other things that are already on track, but also I think we have to harmonise our tax systems. Companies are working on an international level and therefore we need international regulation, international taxes for companies – that means CCCTB and CCTB – but with minimum taxation or with taxation corridors, so we do not ignite a further tax race to the bottom that is paid by those who cannot use taxation in different countries because they just live in one.

We also have to look at the helpers of multinationals and, of course, of very rich people themselves who try not to pay their fair share. I am talking about banks and tax advisers and I think that we have to make accounting rules public law, at best at European level, and not made by private foundations where they say themselves that their accounting rules cannot be used as a base for taxation. We need accounting rules that are a base for taxation, therefore we should put them in.

At the end of the day, I think we have to say that there are parts of the world that will comply with the three pillars, and then they are in, and if you do not comply you are out. That means if somebody thinks he has to send money to a letterbox company in some offshore destination, then there should be a border tax and the border tax should be about as high as the money a state takes compared to GDP, which means something between 35% and 45%, just to prevent money being laundered or money being moved into tax swamps.

I know that some of these things might sound radical but I think the three pillars are fairly easy. Either you are in and you comply, or you are out, and if you are out, you pay if you move money

out of the in-zone into the out-zone. If you move it out of the good world to Mordor then you pay taxes.

1-010-0000

**Werner Langen, the Chair.** – Many thanks. We can now have a discussion with our four speakers, including Professor Mark Pieth in particular. Professor Pieth recently presented a study he had drawn up with Professor Joseph Stiglitz on the hidden economy, in which he made some very worthwhile suggestions.

I have thirteen people who wish to speak. Of the thirteen, we originally planned to have three interventions from the national parliaments, and then one from the European Parliament – and now I have 14. I have eight national MPs and six MEPs on my list of speakers. Let's start. We are going to be flexible about this discussion, and if you do have a question for one of our four speakers, please can you specify the question as well. Because of time restrictions, we normally allow two minutes for each speaker. We will start with Maltese MP, Jason Azzopardi.

1-011-0000

**Jason Azzopardi, Member of the House of Representatives (MT).** – The Maltese Presidency is a proud moment for my country, and it vindicates the position taken by all those people who stood up to be counted over the years and who defied all the prophets of doom who said that Malta and Gozo could not make a success out of Europe.

It is for this reason that it is so embarrassing to the Maltese that our Presidency is being overshadowed by the Panama Papers scandal, which has given us the dubious honour of being the only EU Member State to have a sitting Minister's secret financial operations exposed. These involved financial structures set up the morning after the oath of office which would have required more resources than the Minister concerned had and more resources than he could ever legally earn whilst Minister. Suffice it to say that more than the equivalent of his annual salary was going to be deposited on a monthly basis.

It is clear to anyone what motivated his decision to avoid EU legislation and set up his operations in offshore havens. So the fact that this Administration continues to defy unprecedented street protests in Malta and has now sent the Minister concerned to act as Chair of the EU Energy Council is not only a slap in the face to common decency, but one that elevates the issue to a European level.

In Malta, at the only debate we had on the issue in our Parliament, we saw Government MP after Government MP, who some say were forced to defend the indefensible. The Government refused to launch any form of parliamentary inquiry or any inquiry at all. We can come to our own conclusions as to why our Minister of Finance refused to attend last week's Panama discussion on money laundering. This is why we will continue to insist on proper follow-up and will insist that the Minister concerned generally cooperates with the PANA inquiry, which will come to Malta to speak to him.

As for lessons learned, and I conclude here, this Administration's refusal to do anything – actually our Police Commissioner was replaced five times in the last three years – sends only one message, and it is a sad one: that corruption and money laundering will simply not be tackled by this Administration in Malta. In actual fact, they are being countenanced by the Administration and allowed to fester.

1-012-0000

**Werner Langen, the Chair.** – On 19/20 February we will be having talks in Malta with members of the government, with the opposition and with lawyers, asset managers, NGOs and journalists. The timetable has essentially been finalised. The Maltese Finance Minister, the current chair of Ecofin, will also be there. So the things you mentioned are being done.

The second person on my list is Ms Michèle André from the French Senate.

1-013-0000

**Michèle André**, *Chair of the French Senate's Finance Committee*. – It is a pleasure to be here this morning to debate this issue. Tackling international tax evasion and tax fraud is an issue that the Finance Committee of the French Senate has been working on for some years.

We responded extremely quickly to the Panama Papers revelations. In May 2016, we held hearings in which financial institutions participated – including one of the big French banks mentioned in the Papers – along with authorities responsible for financial regulation and tax control. The objective was to understand how those fraudulent operations had been possible, despite the new instruments which States have been introducing since 2009.

The leak has shaken confidence in the financial system, as they have proven that national governments can sign all the tax cooperation agreements they like, in line with the latest OECD standards, without it making a bit of difference to the way the system operates.

What have we learnt from our work? First and foremost, we have deepened our understanding of the legal structures used in the Panama Papers, thanks, in particular, to the tax regularisation unit, the STDR, established by the French tax authorities. Since its creation in 2013, the unit has responded to more than 47 000 taxpayer requests, leading to the recovery of more than EUR 6.3 billion.

We have also been alerted to alarming failings in international cooperation between banking regulators. There appears to be no consensus among regulators about the information to be exchanged or the way it is to be used, including at European level.

The obligations of European regulators must be clarified as a matter of absolute necessity, and I support Commissioner Moscovici's call for a list of tax havens to be drawn up at European level.

We have sent reports of our proceedings to the European Parliament's committee of inquiry on the Panama Papers. For the sake of transparency, they have also been published on the Senate's website.

Lastly, what we have learned from this affair is that national parliaments need to be extra vigilant when examining tax treaties drawn up between countries. Here the French Senate was on the right lines, in 2011, when it rejected the tax treaty drawn up between France and Panama.

1-014-0000

**Joachim Poß**, *Member of the German Bundestag, the Committee on European Union Affairs*. – Good morning everybody. Even though we occupy a central position in the battle against tax avoidance and tax evasion, we cannot act because Europe is divided on this issue. We have the 'patron saints' of tax evasion and tax planning here in Europe, and they are very prominent individuals: Theresa May, Dijsselbloem, or, as one of my colleagues correctly stated, Joseph Muscat, a social democrat - or at least that's what he calls himself. These people are defending tax avoidance and tax fraud. And so, until this situation is tackled here in Europe, and until the Member States mentioned here, i.e. the Benelux countries, Malta and Cyprus, actually change, we won't make any progress. Populists in Europe are gaining more and more support, and we are not getting our act together. That is the long and the short of it. We each have a personal responsibility here, and it is a responsibility not even members of my own political family are fulfilling.

As for my second point, I agree with Jan Krainer: there are no reasonable legal grounds for forming a letterbox company. So we must do everything within our power to ban this practice across the board.

Thirdly: a black list of tax havens is being rejected by EU-Member States such as Malta, but also by Luxembourg and the Netherlands - founding members of the EU. Needless to say, the EU can only fulfil its responsibility if these black lists are created, with EU Member States listed on it. If we fail to make progress in this area - I need say no more, though I could give you further examples - we will not be effective in the battle against tax evasion, money laundering and so on, and we will be unable to act in the interests of honest European taxpayers, and this includes companies, medium-sized companies and private companies, etc. We are playing into the hands of companies that are running another business model that's worth billions. This needs to stop.

1-015-0000

**Werner Langen, the Chair.** – Many thanks, Mr Poß. The delegated act on lists of tax havens that the Commission has put forward was rejected at the last part-session in Strasbourg by a qualified majority. So, we are going in the same direction.

According to our own internal rules, an MEP comes next. The first person to come forward was Peter Simon, an MEP from Germany.

1-016-0000

**Peter Simon (S&D)** – Thank you, Chair. I would like to take up the point which the speaker before me, Mr Poß from the German Bundestag, made.

The problem we have in Europe is not merely that others are getting away with stealing our taxes and in turn causing us problems. At a meeting of the TAXE Special Committee of Inquiry, it was the Finance Minister for the Bahamas who said to us: the problem is you Europeans yourselves because you are failing to ensure that money is taxed properly at least once before it leaves EU borders. And the problem is: he's right! And our problem is this: there are a fair number of people in this room who come from countries which have made stealing tax revenues from other countries their business model.

And this has nothing to do with political families whatsoever! So I have this to say to our Maltese colleague from the National Party: please, all you are doing is campaigning for the Maltese elections. If you want to do that, stay in Malta!

We're talking about the ways Member States are structured. We're not talking about minor details, this thing or that. No. We're talking about the fact that Europe will fall apart before our eyes if we don't manage to get back on to the path of solidarity. Not wanting tax competition is neither here nor there. But if Member States are letting multinational companies get away with paying less than one percent of the tax they owe, with everyone else footing the bill, then something's wrong in Europe.

As MPs from all over Europe, therefore, if we want to keep Europe together and if we really want it to progress, our job is to put pressure on each Member State here so that they work more constructively here in Brussels than in the past. To achieve this, the first thing we need to do is ensure that information about tax rulings is shared automatically with the European Commission as well. Member States have been reluctant to do this so far, and are refusing to give the 'Guardian of the Treaties' - the tax police, you might say - the information it needs to take decisive action against organised tax avoidance.

Please help us with this battle here in Brussels by ensuring that the European Commission has access to all the information! That way we might be able to do our homework here in Europe before we turn our attention to third parties outside Europe that we quite rightly criticise.

1-017-0000

**Werner Langen, the Chair.** – Thank you for that impassioned plea. It's something we heard in the PANA Committee. Before I continue down the list, I'd like to ask the speakers up here, that's Professor Pieth and the three national MPs, whether you have any comments on these first four interventions. Professor Pieth, go ahead.

1-018-0000

**Mark Pieth, former Member of the Panamanian Committee of Inquiry.** – Very briefly, if you ask me, I find it quite impressive that this assembly is not merely pointing fingers at others. The issue is really worldwide; it starts here and we are helping people, but we are using these places and we are allowing these places to exist. That is the common denominator of what you are saying.

I agree that the European Union does not seem to be on track. There are differences here but, on the other hand, I think there are some quite substantial convergences. If you go back to this question of identification of beneficial owners, both in financial institutions and in company registers, you are a big step ahead. I would not go as far as forbidding such structures, because what you want is transparency in the first place. We could discuss that, but once you have transparency they are not attractive anymore. That is, in itself, forbidding them.

1-019-0000

**Ed Groot, Chair of the Dutch Parliamentary Committee of Inquiry into Tax structures.** – I believe that the Netherlands was indeed part of the tax evasion problem in the past, as our Minister Jeroen Dijsselbloem has also pointed out: the Netherlands was part of the problem, and in the future it must become part of the solution. I think that the Netherlands' attitude in this respect has changed considerably in recent years.

I also think that more measures have been taken in the Netherlands against tax evasion than in the previous ten years. A number of motions have been adopted in Parliament, for instance, one to make life more difficult for letterbox companies, and the most recent motion is on stepping up substance requirements. Several policy proposals have been put forward in an effort to expose aggressive tax structures, address the 'legal privilege' of tax lawyers, increase fines, and tighten penalties for undeclared savings. But there is still a long way to go.

1-020-0000

**Ahmed Laaouej, Chair of the Belgian Special Committee on the Panama Papers.** – I completely agree with what has been said about the need to tighten things up within the European Union before we can claim to be defending individual Member States' tax territories, and therefore their public finances, against, for example, external threats, tax havens and banking havens, which represent black holes in global finance.

Secondly, something that we have not yet spoken about: Lux Leaks. 'We are not involved in tax fraud', say some. But, at the same time, mechanisms designed to empty the public coffers of neighbouring States are currently in place. National tax measures which are completely out of line with what exists elsewhere are being used to engineer aggressive tax regimes. We also need to make progress on BEPS, European tax harmonisation and, above all, the extremely important issue of corporation tax, or else the Member States will be drawn towards tax competition which will ruin all our public finances.

I therefore think that there is plenty of work to be done in all spheres – tax fraud, tax optimisation – to ensure that all the Member States can reassert their tax sovereignty and therefore their sovereignty over public policy.

1-021-0000

**Kai Jan Krainer, Vice-Chair of the Committee on Finance of the Austrian National Council.** – Two sentences: first of all, blacklists are good. Grey lists helped Austria; we were threatened with being put on the grey list because of our banking secrecy, and it helped us become a more

civilised country. We are now participating in the automatic information transfer, so they are good.

The second thing is that I do not always agree with Joachim Poß, but today I do 100%.

1-022-0000

**Miguel Tiago**, *Member, Committee on Budget, Finance and Administrative Modernisation (Assembleia da República)*. – Chair, I would also like to share my thoughts on the matter. I am Miguel Tiago, a member of the Portuguese Communist Party and Portuguese Parliament, and I have participated in three committees of inquiry into the financial system. There is a clear common denominator in the collapse of banks, in the decapitalisation of banks, which forms part of this debate, and that is tax havens, also known as offshore locations. These countries have far less stringent tax systems that companies use, or rather, that big business uses, for money laundering, tax evasion and a number of transactions which generally harm the interests of the other countries involved, as we are here to discuss today.

Firstly, it should be noted that while some approaches make offshore centres out to be a kind of body that is wholly separate from capitalism, the truth of the matter is that they are an integral part of capitalism; they, essentially, form part of how the capitalist system is run. It is no use moralising in the hope that capitalism itself will put an end to offshore centres. The idea of leaving the banks to monitor transfers to offshore centres and identify the final beneficiaries of accounts with offshore registered offices would almost be like expecting thieves to turn into police officers. The Portuguese financial system is also full of cases where banks are failing to declare transfers to offshore centres, either properly or at all.

I would also like to point out that a number of solutions have already been put forward – for example, countries are now drawing up their own blacklists – including some proposed solutions that would not be all that difficult to carry out.

However, what is lacking is the political will to implement these solutions, in particular: taxing companies, as already mentioned, on the basis of where their wealth is created, i.e. the place of operation, rather than where their offices for tax purposes are located; banning or heavily taxing transfers to offshore centres or financial transactions with offshore centres – this option is open to all, as any country can ban or heavily tax transfers to offshore locations; and putting a stop to outsourcing audits of the financial system to private companies, given that we have found that auditors are essentially helping to hide problems rather than actually reporting them.

Thank you, Chair, for your time.

1-023-0000

**Nasos Athanasiou**, *Member, Committee on European Affairs (Greek Parliament)*. – Chair, I was prepared to talk about the Panama papers. While I could not improve on what has already been said by Joachim Poß, a member of the German Bundestag, it was just two words uttered by Professor Mark Pieth that convinced me that we are making an unintentional mistake. We use one truth to hide another truth. And what are Professor Pieth's two words that convinced me of that fact? The words are: 'dirty money'.

If our topic today was 'dirty money' rather than the Panama Papers, see what could have happened: Apple and Amazon, both American companies, have so far been the subject of our deliberations. I have checked that they are indeed implicated in the Panama Papers. I have been a journalist for 40 years and have also investigated the matter personally. However, if the title of this discussion had been 'dirty money', then we could also have mentioned, for example, Deutsche Bank, which is currently on trial in Milan. Our Italian colleagues might be able to tell us something relevant. The review Business Bloomberg published something on that topic last week. Therefore, I cannot now talk about the Panama Papers without talking about what was

revealed in Milan last week, as published in Bloomberg Businessweek: an amount of USD 10 billion never turned up in Deutsche Bank's books! When a large bank, the largest in Europe, the continent's standard setter, does not enter 10 billion dollars in its books, and this is published in Bloomberg Business, I cannot keep quiet.

Professor Pieth, if our topic was 'dirty money', we could even discuss Volkswagen, an employee of which has been arrested in the United States. And indeed, I would not be off-topic if I say: 'Are we in Europe environmentally inferior to the United States?', as we do not punish companies failing on the emissions front in Europe although they are punished in the United States? Is that acceptable for the largest single market in the world?

Chair, I am the Chair of the Greek-German Friendship Group in the Greek Parliament. I love Germany and I do not say all this out of malice, nor do I have any such intention but, ending here, Mr Pieth, you met with Joseph Stiglitz and talked about the shadow economy. I hope you also discussed the public debt of European countries – I use the plural advisedly - because yesterday I mentioned Joseph Stiglitz and Paul Krugman. I had set out and presented their arguments to Mr Dombrowski, who rejected them.. Thank you very much and I apologise for exceeding my speaking time.

1-024-0000

**Werner Langen, the Chair.** – Many thanks. We agreed on two minutes, and most people have kept to this. Everyone may go over a bit. On the 9 February, at the next PANA meeting, we will hear from banking associations as well as a number of individual banks that have been particularly prominent, so we're heading in the right direction. Deutsche Bank isn't going to be there as of yet, but the Association of German Private Banks will be there with its Managing Director.

I'd now like to move on to our next speaker, Mart Van den Ven, from the Dutch Senate. Please go ahead.

1-025-0000

**Mart van De Ven, Committee on Finance, Netherlands Senate.** – I listened to the experts' presentations with great interest, and I would like to compliment them on what they said. Nevertheless, I missed one recent development. On 11 October 2016, the Parliamentary Assembly of the Council of Europe accepted Resolution 2130 on lessons from the Panama Papers. On behalf of the Committee on Legal Affairs of the PACE, I rendered a legal opinion on the draft resolution. My advice was included in that resolution (5.12.): The Council of Europe should draft international rules jointly with the OECD to enable direct taxation of the income and assets of tax haven companies, thus bypassing the individuals and companies that set them up and overruling existing legal impediments to such direct taxation.

What is the view of the experts on the PACE proposal for this next step to combat tax evasion and aggressive tax avoidance?

1-026-0000

**Louis Michel (ALDE).** – First of all, I would like to thank today's speakers. I would like to bring the discussion back to more specific issues. I share the indignation expressed at these unacceptable phenomena. I would even go so far as to say that the greatest indignation should be directed towards the lack of political will shown in all the Member States, because, in the end, it all comes down to political will.

I would therefore like to ask the speakers the following questions: firstly, what information have you obtained with regard to due diligence criteria established by intermediaries? Is there a national authority in your respective countries which monitors how effective they are? Do they pursue monitoring measures upstream or solely if there is a confirmed instance of fraud?

Secondly, what is your view of, for example, the setting-up of a European Financial Intelligence Unit? In theory, such a unit would make it easier to monitor suspicious financial flows at European level when they cross national borders. I would also like your opinion on the way in which FATCA functions in the United States, that is to say the obligation imposed on American citizens to inform the US authorities of all their financial assets abroad. Do you think it might be possible to introduced a similar instrument at European level?

Mr Pieth, in your answers you mention – and other speakers have already spoken about this issue – the frequent reliance on Swiss lawyers. Could you tell me more specifically why excessive use is made of these lawyers? It would be interesting to learn a bit more about the matter.

Finally, and I have already asked this question to speakers a number of times, I would like you to give me your definition of tax optimisation, tax evasion and tax fraud – Mr Laaouej rightly addressed this question, and he was the only one. Mr Laaouej may be surprised at this, but to a large extent I share his view: the line between optimisation, fraud and evasion is very often non-existent; excessive optimisation paves the way for tax fraud – something illegal is born out of something legal. It is absolutely scandalous and I would therefore like us to explore these ideas a bit further.

1-027-0000

**Werner Langen, Vorsitzender.** – Thank you, Mr Michel. The last two speakers both asked specific questions. Please go ahead, Professor Pieth. Who would like to go first? You can decide that amongst yourselves. Please go ahead.

1-028-0000

**Mark Pieth, former Member of the Panamanian Committee of Inquiry.** – First of all, I think one question was very specific. It pertains to this question 13 that you put to me regarding those Swiss lawyers in Geneva. How come there is such a concentration of Swiss lawyers that have been actually the entry point into the Panama Papers? We have to remember that the Panama Papers are a random example, sort of a cut into this world of the shadow economy. There is a lot more around it, but it is interesting to see what their *modus operandi* was.

What it relates to is exactly what I meant about the differentiation between traditional legal work, on the one hand, and lawyers turning into financial operators, on the other hand. There is a very delicate grey zone in between. You know, if you are doing desk duties, you might have to keep some money for a while as a lawyer. That is still considered traditional work, even though it has to do with money. But if you start creating structures with offshore companies and opening bank accounts, my point would be that that definitely belongs to the financial operator sector. However, under the current Swiss interpretation it does not. It was actually raised in the Swiss Parliament, and the Swiss Parliament refused to change anything at this point. That is exactly what this question 13 is about. What I would like to do, though, is to encourage you to give it a very close look to see whether it is so different in your countries and whether the EU directive is so clear about that differentiation.

If you would allow me, I would like just very briefly to make two very short remarks. First of all, I agree with the Greek colleague that the topic is broad and it is just as much about tax as about anti-money laundering, and maybe even about other issues.

A last comment: blacklisting has been mentioned all over, and you are in a bit of a difficult situation because you are constantly realising that you yourselves are part of the problem. Rather, I must say that we are all part of the problem, and blacklisting is difficult if you are part of the problem. So I have a suggestion: in my experience in the OECD in those 25 years when I chaired the anti-corruption work, what we did is we agreed on a common denominator. Then, of course, it is a question of whether you then hand it back to nations and say that they should

implement it, or whether we have, for instance, a supranational financial intelligence unit. That is an open question. But what they are doing is something that you know from your House as well. They went into the monitoring of compliance of the countries vis-à-vis the international standards. Then, when you are actually at the point that you all agree and you monitor the implementation, you can turn around and say ‘oh, there are these non-cooperative countries and territories’. That is what the FATF did. Then you blacklist. I think that would be credible.

1-029-0000

**Ed Groot**, *Chair of the Dutch Parliamentary Committee of Inquiry into Tax structures.* – Two short points. The first concerns the direct taxation of financial flows to tax havens. There is consensus in the Dutch Parliament that it would be good to have this regulated at European level. We have also tried to convince the government to do this unilaterally in the Netherlands, but motions to this effect have so far not succeeded in our Parliament. However, there is support for direct taxation at European level.

My second point pertains to FATCA, and I would like to stress this in particular. What could the Netherlands do that would be comparable to FATCA? We feel that the Netherlands and Europe are not being assertive enough. If the Americans are able to impose their will on the entire world through FATCA, then it should also be possible for Europe, for example, with regard to reporting in each country. As Europe you can impose tough sanctions on multinationals that refuse to comply with tax evasion legislation, as no multinational can afford not to do business in Europe. In this respect, I ask Europe not to take on a more unassuming stance than necessary.

1-030-0000

**Ahmed Laaouej**, *Chair of the Belgian Special Committee on the Panama Papers.* – To provide more specific answers to the questions asked by our esteemed colleague, Mr Michel, we asked for input from the main banks in Belgium: BNP Paribas Fortis, Belfius, ING, KBC, Dexia, along with several banks specialising in asset management.

They all explained to us that they were no longer involved in any way in major international tax fraud, that everything was going well and that they had cleaned up their act – the majority of them had previously had subsidiaries in tax havens.

We asked them about their internal procedures. I established a data room as, according to them – or in any case from what I understand –, these internal procedures concern their proprietary expertise. We received information on their internal procedures. They are now accessible to all commissioners. The general feeling is that we don’t really trust them. For the rest, we must ensure that, whatever happens, they resist the temptation to fall back into practices all too often seen in the sector.

Our belief, Mr Michel, is that major international tax fraud cannot exist without two key elements: grey matter – a brain which plans the operations – and a financial circuit. That is why, you are right, we need to ensure that the two financial regulators play a greater role. While a regulatory framework does exist – enabling regulators to go further in detecting the specific mechanisms used to commit organised tax fraud – it has never actually been introduced. I think that they are aware of that, given that they have put forward proposals for improving the regulatory framework, and even the legal framework.

I won’t say any more, apart from that I am, of course, in favour of the establishment of an institution at European level to improve monitoring of the financial sector when it comes to combating tax fraud, and tax havens in particular.

1-032-0000

**Kai Jan Krainer**, *Vice-Chair, Financial Committee of the Austrian National Council.* – Yes indeed, but I still have one more thing to say. If we’re saying that Europe shouldn’t become any

smaller than it is right now, I agree, but Europe will only become big if we cooperate and work together, and if one of us isn't trying to benefit at the expense of others. In other words, cooperation between States, not competition between EU Member States, will enable us to grow. Otherwise, we'll remain really small, and we will never grow.

1-033-0000

**Werner Langen, the Chair.** – Many thanks for this appeal. I have three more national speakers. First we have Arnold Merkies from the Netherlands, from the Tweede Kamer.

1-034-0000

**Arnold Merkies, Committee on Finance, Netherlands House of Representatives.** – Thank you, Chair, and thank you for pronouncing 'Tweede Kamer' very well. I am also on the Committee of Inquiry, together with Ed Groot.

I heard some criticism of the role of the Netherlands and I think people have reason to criticise it. Mind you, in the Dutch Parliament we also criticise this role. For example, our government tried to postpone the solution proposed by the European Commission for hybrid mismatches.

Hybrid mismatches make large-scale tax avoidance possible. Our government tried to postpone this solution until 2024 but our Parliament rejected that and said they did not want it to be postponed. It is good for you all to know that the Dutch Parliament does not want to postpone it. That is also why we have to learn from each other because we are here to keep them sharp and to ask our own governments the right questions.

There is a lot to say about all of this. I think we are having two discussions at the same time here, about tax evasion and tax avoidance. It makes it a little bit complicated but let me focus on the blacklist. The problem is that we have to have a good definition for a blacklist. If, for example, the European Commission were to say that a country which does not have any taxes, or which has very low taxes, is not a tax haven, then we have a problem. So we should have at least a minimum tariff. I would like to hear if you agree with that. Also, they should not give any tax holidays, for example, or have economic zones, preferential regimes, etc.

So we should focus on what the definition is, otherwise we will have the same as we had in the past with the OECD, when, after some time, they had a blacklist but there were zero tax havens on this blacklist.

1-035-0000

**Werner Langen, the Chair.** – Many thanks. We still have nine more speakers to come, which should take another 25 minutes or so, and I would then like to allow our experts to conclude the meeting. Next we have Inesis Bo is from the Latvian Parliament, the Saeima.

1-036-0000

**Inesis Bo is, Committee on Economic, Agricultural, Environmental and Regional Development (Latvian Saeima).** – I would like to stress that Latvia supports international and European Union initiatives on tax evasion and to combat money laundering, as we also have an issue with offshore companies. We estimate that in Latvia 700-800 offshore companies operate, a very large number in view of our small economy.

A fair form of regulation for tax burden allocation is very important in Latvia too, and in particular from the point of view of business owners, as they are the main creators of this added value. We are working very hard to bring such a regulation about, both in the Saeima and in the Cabinet, and, of course, we are working very closely with business owners. However, at the same time, their interests are very varied, as we can see.

We recently joined the OECD, and the guidelines and recommendations in that organisation will also, we hope, be of assistance in combating money laundering. As we all know, one of the main demands is one that many of the speakers have highlighted, namely that tax must be paid in the location where profits are generated. Following on from this, my question for the panel

– and I would like to highlight it once again – is how far have we come with the automatic exchange of information, and the exchange of documents and decisions concerning tax? This exchange must take place, as a minimum, between EU Member States. It must be made a reality as quickly as possible; I would like to stress the fact that it is very important, firstly to our Union, and also, of course, to our individual Member States. If we just talk about it but put off actually developing such a system quickly and in full, in practice we are just standing still.

1-037-0000

**Owen Bonnici**, *Maltese Minister for Justice, Culture and Local Government*. –Thank you, Chair and I would like to thank all of you for being here. I happen to be a Cabinet Minister and a Member of the Parliament of Malta, and as a Minister I am chairing two Councils of the European Union in this Presidency, one regarding justice and the other regarding culture. I have taken note of most of the comments which have been said here. I would like to split my intervention into three parts.

The first part – I will be very brief – relates to the work done by the European Union institutions following the Panama revelations. I would like to listen to what the experts have to say about the three-pronged approach: number one, the anti-money laundering directive where, hopefully, Malta will be able to engage in dialogue discussions and reach political agreement before summer. Second, regarding the directive on countering money laundering by means of criminal law, which the Ministers of Justice have discussed and reached broad agreement upon in Malta last week when we had the informal summit, the informal Council of Justice Ministers. And third, the regulation on the mutual recognition of freezing and confiscation orders, which, again, has been reached quite positively by the Ministers who met in Malta last week.

The second point relates to some comments which have been said by my colleague from the opposition; my colleague decided to be partisan in nature. I will not be partisan as he chose to be. I will only say that he is the last person who can preach about good governance and he would be better replying to some burning questions at home about things he did when he was a Minister.

My third and last point, regarding some words I heard about Malta and about our financial services sector by some MEPs here. Rest assured that Malta has an efficient, healthy, and strong and compliant financial services sector and I will not take any arguments in the sense that Malta is some sort of offshore haven. All subsequent governments of Malta, throughout the years, have made sure to be compliant, to have a strong and serious financial services sector, and I will not take any argumentation to the contrary.

1-038-0000

**Werner Langen**, *Chair of the Committee of Inquiry into Money Laundering, Tax Avoidance and Tax Evasion*. Ok. We not going to start campaigning here. We'll clarify that in Malta. You're all invited.

I have lots of speaking requests from colleagues and I would be grateful – as we want to keep the final round for the experts and we only have 20 minutes left – if everyone could do their best to stick to the rules. First of all we have Dariusz Rosati, then Fabio De Masi, then the rapporteur, Jeppe Kofod, and then other colleagues. Dariusz, Coordinator for the EPP in PANA, please go ahead.

1-039-0000

**Dariusz Rosati (PPE)**. – I would like to thank our panellists for giving us interesting insights into this very burning issue of tax avoidance and tax evasion. I have two questions. I address the question primarily to Mr Pieth, but of course the other panellists are welcome to respond to it.

All the speakers have underlined the role of the so-called ‘intermediaries’ in this procedure of avoiding taxes or evading taxes. These intermediaries include law firms, tax advisers, accountants and, of course, banks. However, apart from banks, which are regulated from outside, all other groups – if they are regulated – are self-regulated by codes of conduct and so on. To what extent, in your opinion, is this kind of self-regulation sufficient to disincentivise these intermediaries from engaging in, helping and facilitating the illicit flows of funds and opening offshore accounts, and so on? To what extent should we perhaps think about external regulation of those professions by the state, or at least some of the activities of those professions?

The second question relates to the experience of the United States. In the course of our work in the PANA Committee, we have heard from our experts invited here that the United States has managed to reduce the scope of tax evasion and tax fraud through the introduction of the so-called FATCA (Foreign Account Tax Compliance Act) legislation. There have been some suggestions here to think about a European equivalent of FATCA. To what extent do you think it would be a good step in countering these bad practices?

1-040-0000

**Fabio De Masi (GUE/NGL).** – Mr Chair. I don’t have anything major to say about Malta. Usually, whenever a representative from a government says ‘my country isn’t a tax haven’, this means it is a tax haven, though that is by the by I share many of the views expressed by my colleagues, and I’m pleased we’ve been able to let off a decent amount of steam. We have tax cartel godfathers here in Europe. We have banks that are more akin to criminal organisations that are connected to banking, and it is in fact the case that offshore banking is the *modus operandi* of our economy. What’s crucial, however, is what we do here.

Let me first come to the representative from Austria: I can endorse a lot of what you’ve said. It is, however, true that the Austrian Government and indeed the German Government are refusing to accept public country-by-country reporting, citing the competitiveness of firms as the reason. What’s your own view of this?

Two questions to Mr Pieth: in the European Parliament we’re once again debating whether certain inheritance trusts should be exempt from disclosure obligations seeing as these trusts only deal with inheritance titles, they don’t take in any money. What’s your view on this? Should title bearers in fact be public too?

Secondly, seeing as you have experience with the Financial Action Task Force: as a Parliament, we recently rejected the black list of high-risk money laundering countries because the usual suspects like Panama and the Bahamas were not on it. The Commission simply copied this list from the Financial Action Task Force, and it seems to me that the Financial Action Task Force just checks to see if a law has been implemented, ticks it off and then they have a cup of tea. So my question to you is this: do you think the Financial Action Task Force is keeping a close enough eye on this constructive non-compliance - in other words where you comply with laws on paper, but undermine them in real life? Do you also think that we should do our own independent analyses here in Europe, and do you think that ultimately we need to be able to impose sanctions if a fund, for instance, is operating from these countries?

1-041-0000

**Jeppe Kofod (S&D).** – Thank you, Chair, and thank you so much to the panel also for their interesting insights. Just a brief comment first of all. This is, I think, very much about giving powers back to our Member States in the areas of taxation, money laundering and also terrorist finance, and so on. Today we see that globalisation, including our single market, is giving some of the bad guys as well tools they can utilise for a lot of criminal activities. Therefore I think that we have a common fight here.

Even today you saw that we have a problem in Europe; Deutsche Bank was just fined a historically huge amount for not fulfilling anti-money-laundering rules: half a billion US dollars because they helped Russian money, 10 billion from 2011 to 2015, to be laundered. Things like that are happening all the time so we need to strengthen our legislation at home.

Now first of all the idea, which was also raised by Louis Michel, of having a European financial intelligence unit, a true one that can cooperate. Because we have had hearings with law enforcement here in this Parliament; we see that there is a lack of efficient cooperation between our Member States, between our law enforcement agencies. Could we do that at a European level first of all?

Secondly, we talk about tax avoidance and so on. We had the Code of Conduct Group for business taxation in Europe, which was built up as part of the single market, but it does not work because our Member States work in secrecy, in unanimity and they are not able to phase out or ban harmful cross-border tax regimes. That is why we discussed the patent box issue, for example, all the time. So what can we do in our Member States to hold our representatives sitting on the Code of Conduct Group responsible for opening up for more transparency and outfacing these regimes that are actually stealing tax money that should be used for our societies. I think that is something we can do together.

And finally, I agree with my Austrian colleague: transparency, efficient cooperation, fair taxation, on these issues we need to come together around an agenda.

1-042-0000

**Hugues Bayet (S&D).** – I would like to thank the speakers for their explanations, along with our three Members, because I think that the conclusions drawn by the committee of inquiry along with your proactive approach to making proposals will be very useful to us in attempting to secure a change in approach in the Council.

I would like to ask the parliamentarians the following questions. Firstly, can you tell me how many files have been opened by the tax inspectorate in your countries since the Panama Papers revelations? Have they or have they not been followed up?

Secondly, we have talked a lot about financial intermediaries, banks, etc., but of course we also have the Big Four, which I see as both judge and accused, as they are advisers to governments, the Commission, the banks, the owners of offshore structures, and so on, all at once. Have they appeared before your committee? Would you not say that we need to put a stop to this conflict of interests once and for all?

Thirdly, you have spoken a lot about European cooperation. Can you tell me what the next stage is in each of your three countries? What measures do you propose for adoption in the very near future so that we can make progress together?

1-043-0000

**Miguel Viegas (GUE/NGL).** – First of all, I'd like to ask Mr Ahmed Laaouej a question on notional interest systems that enable companies to deduct part of their capital from their taxable income. It is a feature of the Belgian tax system which essentially distorts the rules and brings significant benefits for multinational companies that have set up there to enjoy this tax advantage. At European level and in the context of the fight against tax fraud and tax evasion, what is your opinion of this measure? Do you think it is possible to eliminate this tax advantage in Belgium, and what view do you take of the growing use of this instrument in other jurisdictions?

Next, I'd like to ask Mr Mark Pieth two questions. Firstly, how are the EU directives to be incorporated into national law? There is a lot of leeway in this regard, particularly in

Switzerland, where it is allegedly only necessary to report transactions in liquid assets, transactions in kind, higher than CHF 100 000. That gives us an idea of the broad manner in which the directives and standards are being incorporated into national law. And finally, a question regarding beneficial owners: there has been talk of the threshold requiring institutions to report the identity of beneficial owners. Possibly 25%, possibly 10%. We know that, in certain institutions, it is possible to control a company with just 5%. What alternative or complementary solutions could make that measure more effective?

1-044-0000

**Elly Schlein (S&D).** – Chair, it is a pleasure to have this exchange of views with our colleagues today, but I do not think that one exchange is enough. We will have to work closely together because the fight against tax avoidance and tax evasion is clearly one of those issues that shows the necessity of the European Union. When you can easily move huge amounts of money from one place of the world to another you have to scale up your answers to a higher level, a more adequate one.

I agree with what Mr Krainer said. How can the EU be sustainable if it is based on a race to the bottom in terms of high fiscal competition? It is a lose-lose game for everyone. Getting to the point where a multinational company pays a tax rate of 0.005% shows you that the next step is the failure of the whole system. So how can we accept our governments shaking hands at a table not far from this House and, at the same time, trying to fool each other and trying to steal resources from each other that are very important for our citizens?

Let me also stress that the European dimension is not enough; we need to scale up to a global one. That is why this Parliament was asking, for example, to transform the UN Taxation Committee into a true intergovernmental body to deal with this reform at global level.

1-045-0000

**Ana Gomes (S&D).** – What is the point of being very specific about the CDD and the ‘Know Your Customer’ rule for lower-level officials in the financial institutions if, at the top level, banking supervision at the national level and at the European level allows PEPs to actually control banks in the EU?

I would just call your attention to a letter that I received recently from Mr Andrea Enria from the EBA on the control by Ms dos Santos, the daughter of the President of Angola, of Portuguese banks, and I am sure this is not only happening in Portugal. My question to you is about the race to the bottom that we have seen in the tax rulings among Member States, but we have also seen it in the so-called ‘Golden Visas’ investment programmes, with their sale of nationality. Is this not the opposite of what we are trying to do when we call for a European FATCA? Is this not a race to the bottom in outdoing each other in inviting the corrupt, the money-launderers, and the criminals into the EU?

1-046-0000

**David Coburn (EFDD).** – We do not want to encourage tax evasion – nobody wants that – or corruption. But there is nothing wrong with tax efficiency. The idea that governments are all good, financially fair or efficient is pure and utter nonsense. People have the right to protect their assets from inefficient, financially incompetent, corrupt, socialist or unjust governments. Not everyone inherits wealth. Some people have to work hard to earn it and want to pass it on to their children, and why should they not? It is their money, they earned it.

Tax competition between countries encourages efficiency and frugality. Otherwise, governments just waste taxpayers’ money more than usual, and we all know that. We all see the waste. There seems to be some strange idea in the EU that governments are always right or good; they are not. People have the right to protect their assets, so let us not forget that. There may be a witch-hunt for those – and quite rightly so – who are corrupt or who dodge their taxes or whatever; quite right too. But it must not be used against people who are just trying to protect

themselves. Remember in the last century, when people's assets were seized in the 1940s, that was a very unpleasant experience. People have the right to protect it from corrupt, unjust governments.

1-047-0000

**Werner Langen**, *Chair of the Committee of Inquiry into Money Laundering, Tax Avoidance and Tax Evasion*. – Mr Coburn is of course the coordinator of the EFDD Group, not the ECR Group, as well as an ardent Brexit-supporter – just so the others know. That's why he's already bracing himself for tax competition.

Ladies and gentlemen, thank you very much for all your excellent interventions, questions and ideas. We only have a few minutes left. Professor Pieth, go ahead. And the rest of you will follow.

1-048-0000

**Mark Pieth**, *former Member of the Panamanian Committee of Inquiry*. – Thank you very much. I will be short, even though I have a lot of questions here on hand. A general comment to start with. I think you have got two issues on the table which are not exactly the same. One is: is one tax honest and how do we prevent money laundering? This is the transparency issue. Are we transparent? The other issue is about tax harmonisation. Now it is up to you in what political sequence to take those issues, because that is really delicate. It might be that if you overload the cart, you get stuck. Anyway, that is a general comment.

Now starting with the issue, or the issues, related to tax honesty and preventing money laundering, frankly with this automatic information exchange, the Global Forum and the OECD's role there, we have achieved quite a lot. The cart is rolling, the train has left the station. Of course, those of you who think 'are these bodies really efficient enough?' They are right. FATF is somewhat formalistic from the point of view of the neighbouring institution, the anti-corruption unit. We went into cases. We did not just tick the boxes on the laws. We wanted to know are they actually living it. That is perfectly right.

Then there is the question that has been raised about self-regulation. I have my personal doubts at home as to whether that is a good idea. We have extensive self-regulation in Switzerland relating to banks, fiduciaries and lawyers. I have cases where I see that it has not worked, because the information has gone to the culprits – so there is a big question mark. That is a good point.

Now turning to the central issue there on that chapter – transparency. Okay, beneficial owners, that is an issue where there was a lot of sub-topics and they are quite technical. The question of intermediaries fits in there. I have said my thing on how to treat lawyers. You really have something to do there when you discuss that directive.

The politically exposed person (PEP) issue that our friend from Portugal raised: is that genuine? I have seen the dos Santos accounts, and of course if you get over a certain time 400 million from Sonangol and then distribute it to your friends, it does not look very good. But the rules are there. It is about implementation. You have to apply the rules. I do not think you need new laws. Portugal has the laws and the international dimension has the laws.

There is a question about national freedom of movement and the margin of appreciation. This is a topic that permeates all the institutions in Europe. We tend to allow a nation state a certain leeway. Sometimes this is wise, but what happens over time is that you can reduce the leeway and say 'well, this is not really going to be helpful'. I am, therefore, a firm believer in this monitoring mechanism, and then after three or four rounds in a group, you gradually focus. So I think that should not be the biggest topic.

Another sub-issue that has been raised is what exactly you think about that 25% threshold on companies in identifying beneficial owners. It is question number 14 that has been put to me. I think it is too high, you are right. It is easy to have a 25% threshold and to fly under the radar.

I think there is one last question within this framework which is a very specific one, this question about the succession rules. The problem is that we have different succession rules in Europe. In some countries we have sort of a minimum that you have to pass on to your offspring, and of course if somebody then uses one of these offshore constructions to circumvent those rules that is unfair; that is wronging your successors. Other countries do not have those rules, and then of course it is easier and probably also allowed to have a trust that says who should be a successor. I think I will stop here.

1-049-0000

**Werner Langen**, *Chair of the Committee of Inquiry into Money Laundering, Tax Avoidance and Tax Evasion*. – Thank you. Professor Perth has also answered a list of questions in writing, and this is also being looked at. Once again, thank you very much.

1-050-0000

**Ed Groot**, *Chair of the Dutch Parliamentary Committee of Inquiry into Tax structures*. – Two remarks. There was a question about the number of Panama cases that have been dealt with in the Netherlands. Off the top of my head I would say that some 700 cases have been identified and that the Tax Office will deal with about 150 of them and take further steps. In the Netherlands we are also facing the problem that protection levels, for instance, for tax advisers are relatively high. Legislative measures have just been announced that will shorten non-disclosure terms and address, among other issues, lawyers' legal privilege.

My last remark pertains to the 25% limit for ultimate beneficial owners. We have tabled a private member's bill in the Dutch Parliament called the *Wet centraal aandeelhoudersregister* (Central Shareholders' Register Act), under which all equity interests – including those below 25% – will be registered, and the register will be accessible to investigative authorities. We hope and trust that it will obtain a majority in Parliament.

1-051-0000

**Ahmed Laaouej**, *Chair of the Belgian Special Committee on the Panama Papers*. – I will answer the questions asked by Mr Bayet and our Portuguese colleague.

Very specifically, 239 cases were opened before the Special Tax Inspectorate, of the 700 names which appeared in the Panama Papers and were passed on by the ICIJ. The files are still being analysed; we have not yet received the results of the investigations.

With regard to financial intermediaries and, in particular, consultancy firms, the Big Four undertake auditing activities, while at the same time they provide tax consultancy services. It is clear that it is here that the problem lies. We asked them whether they 'fished' for clients for their financial services through their auditing departments. I must confess that their response was not particularly clear. It is a matter of concern for us and we have to ask ourselves the question. Perhaps it is the case that we need the most effective regulatory framework possible at European level, the most important level.

With regard to Europe, and I have said so already, we need to establish as a matter of urgency a homogeneous list of tax havens, a European agency to tackle tax fraud and tax havens, shared databases – and that's very important – and a system for the completely automatic exchange of information.

On the subject of notional interest, my Portuguese colleague is absolutely right. Belgium is currently pursuing a corporation tax reform which would see notional interest phased out, but there is not a broad consensus on this matter. I am in favour of the abolition of notional interest, which is not advantageous either for Belgium or for its neighbouring countries.

1-052-0000

**Kai Jan Krainer**, *Vice-Chair of the Committee on Finance of the Austrian National Council*. – I wanted to say that the last address shocked me in the tone and the content, but otherwise, comparing Apple with victims of the Holocaust, on the one hand, and, on the other hand, comparing all governments of the European Union, without Ireland, with the Nazi regime actually speaks for itself. But it is still shocking to hear it in a public forum like this.

Now to the questions. Should country-by-country reporting be public? Yes, I think so. It is not like a striptease. I think the local file contains nine numbers, so it is not like a striptease of the entire cooperation. Actually, I think most of the numbers have to be made public in Germany and in Austria in the ‘Firmenbuch’ anyway, so it would be a more transparent part for those parts that do not have a public ‘Firmenbuch’. I do not think that it is such a question of secrecy for the corporation to not make these public.

What I think is the most important, and I think I have already said it, is transparency, cooperation and fair taxation.

One last comment: I always hear words like ‘Steuerose’, tax paradise, tax haven; I think that sounds so positive. I do not think those are positive things. I think we should call them what they are: they are swamps and we have to let them dry, which I would never do with an oasis or a haven. So I would just call them what they are: they are swamps because money is lost there, somewhere in the morass.

1-053-0000

**Werner Langen**, *Chair of the Committee of Inquiry into Money Laundering, Tax Avoidance and Tax Evasion*. – Thank you very much, Mr Krainer! The whole meeting - both the questions and the answers - has been recorded in the minutes, which we will of course be able to review. I didn’t understand Mr Coburn’s intervention seeing as he was speaking so loudly in his native tongue that I didn’t understand what he himself said, or the interpretation. We will check it, but we’re all familiar with etiquette here.

Thank you very much to everyone who participated and who came today. I feel it was a good meeting. Because of time constraints, we won’t be able to have any closing remarks. A big thank you to you all, and I would now like to hand back over to the Chair of the ECON Committee.

*(The meeting closed at 11:25.)*