



IMPACT OF TAX EVASION AND MONEY LAUNDERING ON LOCAL REAL ESTATE MARKETS IN PARTICULAR IN EUROPEAN CITIES

European Parliament TAX3 committee Hearing
5th February 2019
Brussels



Structure of Presentation

- Problem Statement
- Existing Regulatory Framework
- Challenges
- Suggested Way Forward



Problem Statement

- Infusion of illicit funds in European Real Estate Market
- Local problem with Global Dimension
- Offshore Funds used
- Manifestation of 'Banking Without Borders'
- Multi-jurisdictional complex legal structures used
- Transactors invisible & virtual



Problem Statement

- Predicate Offences precede Money Laundering
- Strong linkages between Financial Crimes
- Acquisition of Real Estate final stage of ML Cycle
- Placement & Layering provide critical link to Integration phase
- Money Trail holds the key
- Presence of Professional Money Launderers



Current Regulatory Framework: AML Tools

- FATF 2012 Recommendations & Interpretive Notes
- EU ML Directives
- Financial & Non-financial gatekeepers
- Risk-based assessment & Client Due Diligence
- Triggering Suspicious Transaction Reports



Current Regulatory Framework: Tax Tools

- Exchange of Information on Request (EOIR) standard
- Automatic Exchange of Information (AEOI)
- Common Reporting Standard (CRS) for Financial Accounts
- Bilateral & Multilateral Treaties/Conventions



Challenges: AML Regime

- Gaps in implementation of FATF Recommendations
- Ineffective Client Due Diligence by non-finance professionals
- Less than optimal Risk based assessment
- Vulnerabilities of Non-financial gatekeepers
- Substantial cash component in RE Transactions



Challenges: Tax Regime

- For EOIR prior knowledge of existence of property & foreseeable relevance required
- CRS covers only Financial Assets, not Real Estate
- Confidentiality of taxpayer information & restriction on wider use of Tax Information
- Substantial cash component in RE Transactions



Suggested Way Forward

- Operationalizing Whole of Government Approach
- Establishing Gateways for Inter-agency collaboration
 - Joint Fusion Center
- Engage with Treaty Partner for wider use
- Overcoming shortcomings in AML & Tax Framework



Suggested Way Forward

- Strengthening availability of Beneficial ownership Framework
 - Through standardized format
- Enhancing Transparency in Real Estate Sector
 - Building consensus for Automatic exchange of property information



THANK YOU