Brussels Notebook

by James Fontanella Khan

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WAR ON TAX HAVENS

The veil of secrecy that has protected tax evaders for decades is slowly being lifted leaving their bank accounts more vulnerable than ever. Brussels has finally managed to impose its will over EU member states reluctance to take part in the war against tax havens.

For more than three years Algirdas Šemeta, the EU's taxation commissioner, tried to turn the fight against tax evasion into a priority for the 27 countries forming the union.

But EU leaders would simply not take him seriously.

Then, earlier this year as austerity programmes (adopted to reduce countries' fiscal debt through a series of painful cost cutting measures and higher taxes) grew increasingly unpopular, finding alternative solutions to bolster national coffers became of the essence.

"These playgrounds of the rich and powerful were largely hidden from the public's view during the long financial boom," wrote Jeffery Sachs, the eminent American economist and director of the Earth Institute at Columbia University, in the Financial Times. "In the new world of austerity following the 2008 crash, however, they are increasingly seen as a cancer on the global financial system that must be excised."

Suddenly, Šemeta saw an opportunity to bring his anti-tax fraud plan back on the table, sharing all banking details related to financial and income revenues of EU citizens across all countries. Essentially, the EU wants to give tax authorities in any given member state the right to verify whether its citizens are hiding their money illegally in another EU country.

The Commissioner was aided even further in his quest by a series of political and business scandals that brought the war against tax cheats further at the fore of the European agenda.

Tax avoiders came under increasing scrutiny after the International Consortium of Investigative Journalism published the names of thousands of tax cheats around the world.

The CIJ's 'leaks' unmasked the names of 130,000 individuals hiding cash in tax havens and revealed that as much as $31,000 billion, the equivalent of the US and Japanese economies combined, were being hidden in tax havens.

The drive for greater transparency was also fuelled by the explosive admission by Jérôme Cahuzac, France's now former budget minister, that he had lied about holding €600,000 in a Swiss account opened 20 years ago.

Finally, news that several multinationals such as Starbucks, Amazon and Google paid close to no

Semeta the fraud-buster

Algirdas Semeta is a Lithuanian economist appointed European Commissioner for Taxation and Customs Union, Audit and Anti-Fraud in 2009. Born in Vilnius, he graduated in 1985 from the Economic Cybernetics and Finance Faculty of Vilnius University with a degree in economics and maths. Between 2008 and 2009 he was Lithuania's Finance Minister, a post he had held ten years earlier between February 1997 and June 1999. He has always worked as a civil servant and is a member of the European People's Party (EPP).

taxes in EU countries where most of their revenues were being generated angered the public opinion. Especially in the UK, prime minister David Cameron attacked Starbucks for having paid pretty much zero taxes: "Companies need to wake up and smell the coffee, because the customers who buy from them have had enough."

Mr Cameron contested the legality of aggressive tax planning schemes, which entail shifting profits from high taxation regimes to lower ones, used by multinationals, as it erodes vast portions of a country's tax revenues.

As part of the UK's commitment to the anti-tax fraud campaign Cameron announced that Britain's Overseas Territories would also partly be lifting banking secrecy rules.

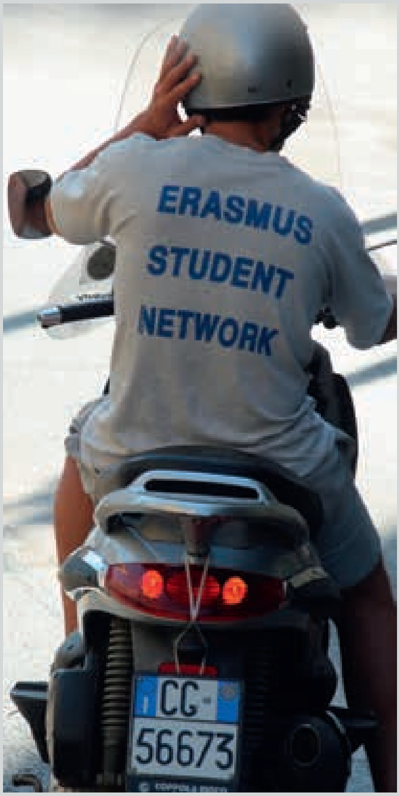
All this pushed Europe's largest countries, including Italy, Spain, Germany, France and the UK to form a coalition at the European level to convince all member states to unite forces against tax fraudsters.

Luxembourg and Austria have traditionally been opposed to sharing financial information on individuals with other EU states but given the pressure coming from the bigger boys they are likely to conform soon.

The tide has changed. It is unclear how fast things will change but the days when rich people and companies easily shifted cash from one place to another without getting caught are over. Tax havens, obviously, will continue to exist, but it will be much harder to reach them.

EURO CITIZENSHIP PUB QUIZ

How many EU citizens live in an EU member states outside their country of origin? An Erasmus student boozing in Salamanca and spending every second weekend in either Paris, London or Berlin (thanks to Ryanair) says confidently: "At least 50 per cent but I'm being conservative". The London banker, a guy who thinks he has the pulse of the global economy in his pocket, laughs out loud at the 'guestimate' made by the student and says: "it's more like 20 per cent, tops 25 per cent". Then you ask a worker France's Lille he answers: "I don't know anybody living abroad, so I'd say 2 or 3 per cent." Guess who is the winner? No, it's the working class bloke. Yes, it might come as a shock but the number of people who move for long periods to another EU country are very small. To be exact: 13.6m out of more than 500m. Brussels is now determined to change this by making it easier for anybody to move in search for work, especially during tough times of economic stagnation in certain regions of the bloc. As part of an EU citizenship proposal Viviane Reding, EU commissioner for justice, proposed that jobseekers should receive unemployment benefits for 6 instead of just 3 months from their home country while scouting for work abroad; citizens should be allowed to vote in their home countries when abroad; a common EU documents should be made readily available and a unified EU disability card should be granted.



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These are small steps. Some will be opposed by some more conservative countries (see UK and France) but overall they should go down well. After all in order to build a truly united Europe greater mobility is needed.

A BANK ACCOUNT FOR ALL!

If the Commission's new effort to bolster EU citizenship convinces you to leave your home country and settle in another member state you'll soon find out that setting up a new bank account is a nightmare. But luckily this might change too! Michel Barnier, the eclectic French EU commissioner for financial services, has made it his personal mission to provide every citizen in the EU with a bank account. At the moment there are 56m people above the age of 15 that apparently prefer their mattress to the vaults of European banks. Why? Well, often banks are not that welcoming and fees make it impossible for poorer individuals to open an account. Under a new plan, each government will have to guarantee its citizens at least one account in a bank where they can save their money, irrespective of their financial conditions. Banking for all!