

The Impact of Schemes revealed by the Panama Papers on the Economy and Finances of a Sample of Member States



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The Impact of Schemes revealed by the Panama Papers on the Economy and Finances of a Sample of Member States

STUDY

Abstract

Upon request by the European Parliament's Committee of Inquiry to investigate alleged contraventions and maladministration in the application of Union law in relation to money laundering, tax avoidance and tax evasion (PANA Committee), this study assesses the impacts of the schemes revealed by the Panama Papers, a set of documents leaked from the law firm Mossack Fonseca detailing tax evasion and avoidance practices, and published by the International Consortium of Investigative Journalists (ICIJ) in April 2016.

The study explores the concepts and roles of tax havens and offshore financial centres, their budgetary, and the economic and financial impacts in a sample of EU Member States. The research combined previous estimates of tax revenue loss with a microeconomic assessment based on data on companies that are thought to be linked to the Panama Papers schemes. The most significant impacts identified are the negative effects on Member States' budgets, with wider knock-on effects on economic growth and financial markets. It is recommended that further steps are taken at the national, EU and international levels to increase transparency of corporate and individual taxation and to limit the scope for tax evasion and tax avoidance.

This document was requested by the European Parliament's Committee of Inquiry to investigate alleged contraventions and maladministration in the application of Union law in relation to money laundering, tax avoidance and tax evasion.

AUTHORS

Blomeyer and Sanz

Jack Malan, Roland Blomeyer, Jan Smit, Dr William Vlcek, Dr. Petr Jansky, Dr. Danuše Nerudová's, Anna Maria Krarup, Mike Beke, Mark Whittle, Carolin Moeller, Elsa Perreau, Stephan Kreutzer, David Buck.

RESPONSIBLE ADMINISTRATOR

Mr Jean-Jacques Gay

Policy Department on Budgetary Affairs

European Parliament

B-1047 Brussels

E-mail: poldep-budg@europarl.europa.eu

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poldep-budg@europarl.europa.eu

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LIST OF ABBREVIATIONS

Main Report

CY	Cyprus
CZ	Czech Republic
DE	Germany
DK	Denmark
ES	Spain
FR	France
PL	Poland
UK	United Kingdom
AEOI	Automatic Exchange of Information
ATP	Aggressive Tax Planning
BEPS	Base Erosion Profit Shifting
EC	European Commission
EP	European Parliament
FATF	Financial Action Task Force
FDI	Foreign direct investments
FISCALIS	Fiscalis 2020, EU Cooperation Programme, Taxation and Customs Union
HMRC	Her Majesty's Revenue and Customs (UK)
ICIJ	International Consortium of Investigative Journalists
IMF	International Monetary Fund
MNE	Multi-National Enterprise
MONEYVAL	Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
OECD	Organisation for Economic Co-operation and Development
PANA	PANA Committee (Committee of Inquiry to investigate alleged contraventions and maladministration in the application of Union law in relation to money laundering, tax avoidance and tax evasion)
TJN	Tax Justice Network
UNCTAD	United Nations Conference on Trade and Development

Annex A

MOKAS	Financial Intelligence Unit, Cyprus
DTT	Double Tax Treaties
TIEA	Tax Information Exchange Agreement
SKAT	Danish Customs and Tax Administration
CESE	Conseil Économique, Social et environnemental (FR)
NBP	National Bank of Poland
PFSA	Polish Financial Supervision Authority
NIK	Supreme Chamber of Control (PL)
SEPBLAC	Executive Service for the Prevention of Money Laundering
CFATF	Caribbean Financial Action Task Force
GAFILAT	Financial Action Task Force of Latin America
MENAFATF	Middle East and North Africa Financial Action Task Force
HMRC	Her Majesty's
HMT	Her Majesty's Treasury (UK)

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EXECUTIVE SUMMARY

Below we provide a summary of the analytical study undertaken for the European Parliament on 'The Impact of Schemes revealed by the Panama Papers on the Economy and Finances of a Sample of Member States'. The research was carried out by the Centre for Strategy & Evaluation Services and Blomeyer & Sanz in early 2017.

Study Objectives and Scope

The 'Panama Papers' refer to a data-leak of 11.5 million documents held by the Panamanian law firm Mossack Fonseca. The Panama Papers reveal how shell companies have been used to transfer funds between national jurisdictions for both legitimate and illegitimate reasons.

The three broad objectives of this study were to:

- Assess and evaluate the overall impact of tax havens and offshore areas on the European Union (EU) through research in a sample of 8 Member States;
- Estimate the quantifiable budgetary and administrative costs due to tax evasion and the use of offshore financial centres, and the impact of secretive jurisdictions;
- Propose reforms and additional measures to existing agreements at the EU and international levels to discourage the abuse of these schemes.

In relation to the first point above, the terms of reference required that the study should explain the concepts and role of tax havens and offshore financial centres. In relation to the second point, the more specific purpose of this analytical study was to produce an assessment of the impacts of the schemes revealed by the Panama Papers. This includes estimating the quantifiable budgetary costs to eight Member States as well as assessing the economic impact and the impact of financial crime in those countries linked with the schemes.

In terms of scope, the research focused on the following EU Member States: Cyprus, the Czech Republic, Denmark, France, Germany, Poland, Spain, and the United Kingdom. Some of these countries featured heavily in the Panama Papers due to nationals either benefitting from the schemes or the associated intermediary activity.

Key Findings

In order to quantify the impacts, we adopted a three-tiered approach. Firstly, we reviewed previous research. Secondly, an interview programme was carried out with national authorities and other stakeholders in Member States, and thirdly, a microeconomic assessment was undertaken by one of the external experts using company financial data from the Orbis dataset.

Budgetary Impacts

Our findings show **that the schemes revealed by the Panama Papers directly reduce the funds available to national authorities**. In our sample of eight countries approximately EUR 88 billion was lost to the tax base as a result of base erosion and profit shifting from the schemes revealed by the Panama Papers. As a result of this there is likely to be **a revenue loss of approximately EUR 19 billion in our sample of eight EU Member States alone. If this estimate is scaled up, this suggests a cost of the schemes to the EU28 in the range of EUR 109 billion – 237 billion** (inclusive of the Panama Papers and other schemes like it). In the study we also used one of our external experts to produce an econometric estimate of the tax loss which supports our findings that the scale of the tax loss attributable to schemes revealed by the Panama Papers is very considerable.

Economic Impact

Revenue lost to national authorities in turn reduces the spending that could be otherwise made on public services such as education or healthcare but also other areas with job creation potential (e.g. business support, investment in transport infrastructure, regional development measures). Lower investment translates into less infrastructure, fewer jobs and lower long-term development prospects. Furthermore, revenue losses attributable to the schemes revealed by the Panama Papers schemes is likely to contribute to an increase in the inequitable distribution of tax revenues and income inequality both within and between countries.

If it is assumed that these schemes resulted in at least EUR 173 billion of lost tax to the EU28 Member States (the mid-point in the range cited above from the research involving the eight Member States) then using an average of EUR 50,000 as the cost per job would mean that an additional 3.5 million jobs could have been supported across Europe if the lost tax revenue had been available for spending on job creating schemes. It does not of course follow that the tax loss associated with the schemes revealed by the Panama Papers would translate on a 1:1 basis into government expenditure to create jobs. For example, an alternative use could be to reduce national debts. A conservative estimate would therefore be **that around 1.5 million job could have been supported with the money that was lost to national authorities because of the tax loss associated with the schemes revealed by the Panama Papers**. However, irrespective of the precise calculation, it is clear that the scale of the employment effects is very considerable.

During our consultation, it was argued that tax revenue loss may however be incidental, and a greater **impact on the economic productivity of Member States would be caused by the distortion of information available in the financial markets**. The nature of tax havens operating in total secrecy distorts the behaviours of producers and consumers. In the context of the Panama Papers, the effects of capital losses have been researched and one estimate found that **USD 135 billion was erased across 397 public firms due to their offshore vehicles being exposed in the Panama Papers**.¹

¹ https://papers.ssrn.com/sol3/papers2.cfm?abstract_id=2771095

Impact of Financial Crime

This study did not identify comprehensive information on the impacts of financial crime arising from the schemes revealed by the Panama leaks since in most cases estimations includes schemes with legal and illegal purposes and no separate statistics focus on the impact of illegal schemes only.

However, Europol has compared the Panama Papers published by the ICIJ with its own databases and found 1,722 names in the Panama Papers that match with entities that had been reported by EU Member States as having been involved in potential money-laundering transactions. The fact that the **Panama Papers potentially only concern 0.6% (i.e. 1,722 matches) of the total number of yearly cases reported on money laundering** suggests an only marginal impact on the status quo. However, this quantification has to be treated with extreme caution given that Europol data related to the matches might not be comprehensive. Furthermore, this does not rule out other tax haven schemes having more prominent links to money laundering.

Recommendations

Our research affirms that the existence of tax havens and offshore financial centres reduces the income revenue available to Member States and caused both direct economic harm by hampering public spending but also more widely in increasing the inequality divide and distorting free markets. In curbing the adverse effects of tax havens and offshore financial centres, we make the following recommendations in the report:

Summary of Recommendations

- **Promoting the establishment of registers that publicise beneficial ownership** to prevent schemes revealed by the Panama Papers from remaining undetected. Additionally, sustain and monitor the **Common Reporting Standard** that came into force at the beginning of this year.
- **Encouraging higher tax good governance standards** by ensuring that the EU's international partners implement higher standards of tax good governance. The EU itself must intensify the pressure in global fora – particularly the G20 – to achieve this.
- In seeking to promote greater international cooperation, it is also crucial to **retain the political neutrality of the definition of a tax haven**. The idea that only non-cooperative jurisdictions qualify as tax haven disregards that some jurisdictions may only appear cooperative while remaining operatively a tax haven. In the interest of neutrality, a grey-list or black-list should be established based on more nuanced criteria.
- **More closely relating information on Anti Money Laundering and Tax Transparency rules**. This is already reflected in the Commission's proposed amendments to the Fourth Anti Money Laundering Directive which includes the widening of the scope of the information accessible to Financial Intelligence Units. Furthermore, the establishment of the European Public Prosecutors office (EPPO) will be beneficial as the EPPO can investigate and prosecute EU-fraud and other crimes affecting the EU's financial interests.
- **Introducing measures to guarantee the protection of whistle-blowers** - this will improve the availability of the data and act as a driver against the use of tax haven schemes.
- **Developing methodologies that can be used to generate publicly available, reliable and comparable data on the magnitude of tax avoidance and evasion**, and methods to quantifying the impact of these incidents on countries' public finances and economic activities. This would mean exploring data collection methods on corporate tax avoidance and evasion, on which most research seems to focus to date, and tax evasion by individuals on the other.
- **Promoting the integrity and transparency in the financial sector within the framework of the European Semester**. In more concrete terms this could translate into the EU monitoring and preventing the use of Panama Papers schemes, which could jeopardise macroeconomic stability (i.e. linked to real estate bubbles, banking crises, etc.), and fostering adjustment by means of appropriate policies.

ZUSAMMENFASSUNG

Im Nachfolgenden wird eine Zusammenfassung der analytischen Studie über „Die Auswirkungen der durch die Panama Papiere aufgedeckten Praktiken auf Wirtschaft und Finanzen in ausgewählten EU Mitgliedstaaten“ gegeben, die für das Europäische Parlament ausgearbeitet wurde. Die Analyse wurde vom Centre for Strategy & Evaluation Services (CSES) und von Blomeyer & Sanz (B&S) Anfang 2017 durchgeführt.

Ziele und Rahmen der Studie

Als „Panama-Papiere“ werden circa 11,5 Mio. Dokumente bezeichnet, die der in Panama ansässigen Anwaltskanzlei Mossack Fonseca entstammen und die 2015 aufgrund eines Datenlecks an die Öffentlichkeit gelangt sind. Die Papiere legen dar, wie Briefkastenfirmen benutzt werden, um Vermögen zwischen verschiedenen Ländern zu transferieren. Dies basiert sowohl auf rechtmäßigen als auch auf unerlaubten Motiven.

Die Studie verfolgt drei verschiedene Ziele:

- Die Studie analysiert die Auswirkungen von Steueroasen und Offshore-Zentren auf die Europäische Union anhand von Untersuchungen in acht Mitgliedstaaten;
- Die Studie bewertet die quantifizierbaren Haushalts- und Verwaltungskosten, die durch Steuervermeidung und Offshore-Zentren entstehen sowie die Auswirkungen intransparenter Rechtsauslegung;
- Die Studie macht Vorschläge für Reformen bestehender EU- und internationaler Abkommen, um dem Missbrauch von Steueroasen und Offshore-Zentren vorzubeugen.

In Bezug auf den ersten Punkt erfordern die Vorgaben des Parlaments, dass die Studie die Bedeutung und Rolle von Steueroasen und Offshore-Zentren erklären soll. Bezüglich des zweiten Punkts ist es notwendig, eine Bewertung der Auswirkungen der Praktiken, die durch die Panama-Papiere ans Licht gebracht wurden, durchzuführen. Das beinhaltet eine Schätzung der quantifizierbaren Haushaltskosten in acht Mitgliedstaaten sowie eine Bewertung der wirtschaftlichen Auswirkungen. Schließlich beinhaltet die Studie auch eine Bewertung der Auswirkungen der durch die Panama-Papiere enthüllten Wirtschaftskriminalität.

Die Analysen dieser Studie beziehen sich auf eine Auswahl von acht Mitgliedstaaten: Zypern, Tschechien, Dänemark, Frankreich, Deutschland, Polen, Spanien und das Vereinte Königreich. Einige dieser Länder wurden häufig in den Panama-Papieren erwähnt, da entweder Bürger dieser Länder von den Praktiken profitierten oder da in diesen Ländern Vermittler solcher Praktiken ansässig sind.

Die Untersuchungsergebnisse

Um die Auswirkungen zu quantifizieren, wurde ein dreistufiger Ansatz gewählt. Erstens wurden frühere Analysen ausgewertet. Zweitens wurde ein Interview-Programm mit nationalen Behörden und anderen Akteuren in Mitgliedstaaten durchgeführt. Drittens hat unsere externe Expertin eine mikro-ökonomische Berechnung mit Hilfe der Orbis Datenbank durchgeführt.

Auswirkungen auf den Haushalt

Die Studie hat ergeben, **dass die Praktiken, die durch die Panama-Papiere aufgedeckt wurden, die Haushaltseinnahmen der Staaten reduzieren.** In den acht Mitgliedstaaten haben die Behörden ca. EUR 88 Mrd. auf Grund von Verminderung steuerlicher Bemessungsgrundlagen und Gewinnverlagerung verloren. Darauf basierend kann **ein Einnahmenverlust von ca. EUR 19 Mrd. in den acht Mitgliedstaaten geschätzt werden. Wenn diese Schätzung auf die gesamte EU hochgerechnet wird, kann insgesamt mit Verlusten von zwischen EUR 109 und 237 Mrd. (Mittelwert: 173 Mrd.) durch solche und andere Praktiken gerechnet werden.** Das ökonometrische Modell zum Steuerverlust, das von unserer Expertin angefertigt wurde, bestätigt unsere Schätzungen.

Wirtschaftliche Auswirkungen

Einnahmenverluste der Staaten führen zu einer Verminderung der Staatsausgaben, die ansonsten in Bildung, ins Gesundheitssystem oder in andere Bereiche mit dem Potenzial von Arbeitsplatzschaffung (z.B. Unternehmensförderung, Investitionen in Verkehrsinfrastruktur, regionale Entwicklung) gemacht werden könnten. Weniger Investitionen führen zu schlechterer Infrastruktur, weniger Jobs und langsameren langfristigen Entwicklungsaussichten. Darüber hinaus können die Einnahmenverluste, die aus den Praktiken der Panama-Papiere resultieren, die ungleiche Verteilung von Steueraufkommen und Einkommensungleichheiten in und zwischen Ländern verstärken.

In der Annahme, dass die „Panama-Papier“-Praktiken zu einem mittleren geschätzten Steuerverlust von EUR 173 Mrd. in der gesamten EU geführt haben, und in der Annahme, dass die Schaffung eines Arbeitsplatzes ca. EUR 50.000 kostet, kann man davon ausgehen, dass 3,5 Mio. Arbeitsplätze hätten geschaffen werden können, wenn die Steuereinnahmen vorhanden gewesen wären. Diese Annahme ist natürlich mit Vorsicht zu betrachten, da nicht alle zusätzlichen Steuereinnahmen in Arbeitsplatzschaffung investiert worden wären. Zum Beispiel könnte das zusätzliche Einkommen alternativ dazu genutzt werden, Staatsschulden zu begleichen. Eine konservative Schätzung wäre deshalb, **dass ca. 1,5 Mio. Arbeitsplätze hätten geschaffen werden können, falls das Geld, das durch die „Panama-Papier“-Praktiken verloren gegangen ist, dem Staat zur Verfügung gestanden hätte.** Obwohl diese Zahl nur eine grobe Schätzung darstellt, ist sie dennoch erheblich.

Unser Interview-Programm hat ergeben, dass viele Akteure Steuerverlust als nebensächlich einstufen. **Als weitaus größeres Problem werden die Auswirkungen auf die wirtschaftliche Produktivität der Mitgliedstaaten durch eine Verzerrung der den Finanzmärkten zugänglichen Informationen dargestellt.** Da Steueroasen im Geheimen agieren, wird das Verhalten der Erzeuger und Verbraucher beeinflusst. Im Fall der Panama-Papiere wurde geschätzt, **dass 397 Firmen zusammen ca. 135 Mrd. US Dollar Kapitalverluste erlitten haben, weil ihre Offshore-Praktiken in den Panama-Papieren enthüllt wurden.**²

² https://papers.ssrn.com/sol3/papers2.cfm?abstract_id=2771095

Auswirkungen von Wirtschaftskriminalität

Die Studie konnte keine aussagekräftigen Informationen bezüglich Wirtschaftskriminalität identifizieren, da in den meisten Fällen die Auswirkungen ganzheitlich geschätzt werden und keine separaten Statistiken über die Auswirkungen illegaler „Panama-Papier“-Praktiken vorliegen.

Es ist allerdings erwähnenswert, dass Europol die Daten, die durch die Panama-Papiere aufgedeckt wurden, mit der eigenen Datenbank verglichen hat. Der Vergleich ergab, dass 1.722 Namen, die in den Panama-Papieren genannt wurden, ebenfalls in Berichten der EU-Mitgliedstaaten wegen des Verdacht auf Geldwäsche auftauchten. **Da diese 1.722 Fälle schätzungsweise nur 0,6% aller jährlich registrierten Fälle von Geldwäsche ausmachen**, zeigt, dass die Auswirkungen der Enthüllungen der „Panama-Papier“-Praktiken auf die gesamte Wirtschaftskriminalität nur geringfügig sind. Allerdings muss diese Aussage mit Vorsicht betrachtet werden, da die Europol-Datenbank nicht vollständig ist. Darüber hinaus kann es auch sein, dass andere Steueroasen engere Verbindungen zu Geldwäsche-Praktiken unterhalten.

Empfehlungen

Unsere Recherchen bestätigen, dass Steueroasen und Offshore-Finanzzentren das Einkommen der Mitgliedstaaten reduzieren. Zusätzlich fügen sie Staaten direkten wirtschaftlichen Schaden zu, indem sie Staatsausgaben verhindern und indem sie zu größerer Ungleichheit und Verzerrung des freien Marktes beitragen. Um die negativen Folgen von Steueroasen und Offshore-Finanzzentren einzudämmen, machen wir in unserem Bericht die folgenden Empfehlungen:

Zusammenfassung der Empfehlungen

- Der Bericht empfiehlt, **dass Register erstellt werden, die die Namen wirtschaftlicher Eigentümer veröffentlichen**. Das dient dazu, dass Praktiken, die durch die Panama-Papiere aufgedeckt wurden, zukünftig nicht mehr unentdeckt bleiben. Darüber hinaus sollte der **'Common Reporting Standard'**, der Anfang dieses Jahres eingeführt wurde, beibehalten und regelmäßig evaluiert werden.
- **Es sollten höhere Good Governance Standards in Bezug auf Steuern existieren**. Die EU sollte zum einen sicher stellen, dass die internationalen Partner der EU höhere Standards umsetzen, und zum anderen sollte die EU diesbezüglich den Druck in internationalen Foren – besonders bei der G20 - erhöhen.
- Um die internationale Zusammenarbeit zu verstärken, ist es wichtig, **dass die Definition von Steueroasen politisch neutral ist**. Die Idee, dass nur nicht-kooperative Rechtssysteme als Steueroasen gelten, missachtet, dass manche Staaten zwar scheinbar kooperieren, aber dennoch weiterhin als Steueroasen fungieren. Im Interesse der Neutralität wäre es hilfreich, eine graue oder schwarze Liste mit differenzierten Kriterien einzuführen.
- **Es ist nötig, Informationen über Geldwäsche und Steuertransparenz miteinander zu verbinden**. Dieser Vorschlag ist schon in der von der Kommission vorgeschlagenen Vierten Geldwäsche-Richtlinie reflektiert. Die vorgeschlagene Richtlinie sieht vor, dass die zentralen Meldestellen der EU Zugriff auf mehr Informationen haben. Darüber hinaus wird die Einführung der europäischen Staatsanwaltschaft nützlich sein, um Betrug und andere Verbrechen gegen die finanziellen Interessen der EU zu untersuchen und zu verfolgen.
- **Es sollten wirksamere Gesetze eingeführt werden, um Whistleblower zu schützen**, weil damit die Bereitstellung von Daten unterstützt und von der Nutzung von Steueroasen abgeschreckt wird.
- **Einheitliche Ansätze zur Berechnung von öffentlich zugänglichen, verlässlichen und vergleichbaren Daten sollten entwickelt werden**, um das Ausmaß von Steuerumgehung und Steuervermeidung zu verdeutlichen und seine Auswirkungen auf Staatsfinanzen und Wirtschaftsaktivitäten. Das bedeutet, dass Methoden entwickelt werden müssen, um Daten über Steuervermeidung und Steuerumgehung von großen Firmen und auch Einzelpersonen zu sammeln.
- **im Rahmen des Europäischen Semesters sollten Integrität und Transparenz im Finanzsektor gestärkt werden**. Das könnte der EU dabei helfen, die Nutzung von „Panama-Papier“-Praktiken, die die makro-ökonomische Stabilität gefährden könnten (z.B. Immobilienblasen, Bankkrisen), zu überwachen und ihren Gebrauch zu verhindern. Darüber hinaus sollten Veränderungen durch entsprechende politische Maßnahmen unterstützt werden.

SYNTHÈSE

Nous fournissons ci-dessous un résumé de l'étude analytique entreprise pour le Parlement européen portant sur «L'impact des systèmes révélés par les documents de Panama sur l'économie et les finances sur un échantillon de pays membres». La recherche a été réalisée par le Centre for Strategy & Evaluation Services et Blomeyer & Sanz au début de l'année 2017.

Objectifs et portée de l'étude

Les «Panama Papers» font référence à une fuite de données de 11,5 millions de documents détenus par le cabinet d'avocats panaméen Mossack Fonseca. Les documents des « Panama papers » révèlent comment des sociétés écrans ont été utilisées pour transférer des fonds entre les juridictions nationales pour des raisons légitimes et illégitimes.

Les grands objectifs de cette étude étaient les suivants:

- Évaluer l'impact général des paradis fiscaux et des zones offshore sur l'Union européenne (UE) grâce à des études de cas sur un échantillon de 8 États membres;
- Estimer les coûts budgétaires et administratifs quantifiables de l'évasion fiscale et de l'utilisation des centres financiers offshore et l'impact des juridictions confidentielles;
- Proposer des réformes et des mesures supplémentaires aux accords existants au niveau européen et international, afin de décourager l'abus de ces procédés.

En ce qui concerne le premier point ci-dessus, les termes de référence exigeaient que l'étude explique les concepts et les rôles des paradis fiscaux et des centres financiers offshore. En ce qui concerne le deuxième point, l'objectif spécifique de cette étude analytique était de produire une évaluation des impacts induits par les procédés révélés par les « Panama papers ». Cela comprend l'estimation des coûts budgétaires quantifiables pour huit États membres, ainsi que l'évaluation de l'impact économique et de l'impact de la délinquance financière dans les pays liés à ces procédés.

La recherche s'est concentrée sur les États membres suivants: Chypre, la République tchèque, le Danemark, la France, l'Allemagne, la Pologne, l'Espagne et le Royaume-Uni. Certains de ces pays figuraient à de nombreuses surprises dans les « Panama papers » parce que leurs ressortissants bénéficiaient des procédés révélés ou des activités intermédiaires associées.

Conclusions principales

Afin de quantifier les impacts, nous avons adopté une approche en trois étapes. Tout d'abord, nous avons examiné les recherches antérieures. Deuxièmement, des entretiens ont été menés avec les autorités nationales et d'autres parties prenantes dans les États membres et troisièmement, l'un de nos experts externes a effectué une évaluation microéconomique utilisant les données financières des entreprises contenues dans la base de données Orbis.

Impacts budgétaires

Nos résultats montrent que **les procédés révélés par les « Panama papers » réduisent directement les fonds disponibles pour les autorités nationales**. Dans notre échantillon de huit pays, nous avons observé une réduction d'environ 88 milliards d'euros dans l'assiette fiscale résultant des transferts de bénéficiaires permis par les procédés révélés dans les « Panama papers ». **La perte de recette pour ces 8 Etats est estimée à 19 milliards d'euros. Si cette estimation est mise à l'échelle de l'Union à 28, cela suggère que le coût de procédés tels que ceux révélés par les « Panama papers » se situe entre 109 et 237 milliards d'euros.** Un de nos experts externes a produit une estimation économétrique de la perte fiscale qui confirme que l'ampleur de la perte fiscale attribuable aux procédés tels que ceux révélés par les « Panama papers » est considérable.

Impact économique

Les revenus perdus pour les autorités nationales réduisent les dépenses qui pourraient être réalisées sur les services publics tels que l'éducation ou les soins de santé, mais aussi dans d'autres domaines ayant un potentiel de création d'emplois (soutien des entreprises, investissements dans les infrastructures de transport, mesures de développement régional). Une diminution des investissements se traduit par moins d'infrastructures, moins d'emplois et moins de perspectives de développement à long terme. En outre, les pertes de revenus imputables aux procédés révélés par les « Panama papers » contribuent vraisemblablement à une répartition plus inéquitable des recettes fiscales et à l'inégalité des revenus dans et entre les pays.

Si l'on suppose que ces procédés ont entraîné au moins 173 milliards d'euros d'impôts perdus pour les États membres de l'UE28 (le point médian dans la fourchette citée ci-dessus impliquant les huit États membres), 3,5 millions d'emplois supplémentaires auraient pu être soutenus en Europe si ces dépenses avaient été consacrées aux programmes de création d'emplois (à raison d'un coût moyen de 50 000 euros par emplois). Cependant, les pertes fiscales associées aux procédés révélés par les « Panama papers » ne seraient pas nécessairement transformées en dépenses publiques pour créer des emplois. Par exemple, une autre utilisation pourrait être de réduire les dettes nationales. **Une estimation prudente serait donc qu'environ 1,5 million d'emplois auraient pu être soutenus avec l'argent perdu par les autorités nationales en raison de la perte fiscale associée aux procédés révélés par les « Panama papers ».** Indépendamment de tout calcul précis, il est clair que l'ampleur des effets sur l'emploi est considérable.

Au cours de notre consultation, il a été soutenu que la perte de recettes fiscales pourrait cependant être mineure et que **la distorsion des informations disponibles sur les marchés financiers aurait plus d'impact**. La nature des paradis fiscaux fonctionnant dans le secret total déforme les comportements des producteurs et des consommateurs. Dans le contexte des « Panama papers », il y a eu des recherches sur les effets des pertes en capitaux et une estimation a révélé que 135 milliards de dollars américains ont disparu de 397 entreprises publiques en raison de la présence de leurs véhicules offshore dans les « Panama papers ».³

³ https://papers.ssrn.com/sol3/papers2.cfm?abstract_id=2771095

Impact de la délinquance financière

Cette étude n'a pas permis d'identifier des informations détaillées sur les répercussions de la criminalité financière découlant des procédés révélés par les « Panama papers ». Dans la plupart des cas, les estimations incluent à la fois les procédés utilisés à des fins légales et illégales et aucune statistique ne se concentre uniquement sur l'impact des procédés illégaux.

Cependant, Europol a comparé les « Panama papers » publiés par l'ICIJ avec ses propres bases de données et a trouvé 1 722 noms dans les documents correspondant à des entités qui avaient été signalées par les États membres de l'UE comme ayant potentiellement participé à des opérations de blanchiment d'argent. **Le fait que potentiellement les « Panama papers » ne concernent que 0,6% (c.-à-d. 1 722 correspondances) du nombre total de cas annuels signalés sur le blanchiment d'argent** n'entraîne qu'un impact marginal sur le statu quo. Cependant, cette quantification doit être traitée avec une extrême prudence étant donné que les données d'Europol relatives aux correspondances pourraient ne pas être exhaustives. En outre, cela n'exclut pas d'autres procédés ayant cours dans les paradis fiscaux et ayant des liens plus importants avec le blanchiment d'argent.

Recommandations

Notre recherche confirme que l'existence de paradis fiscaux et de centres financiers offshore réduit les revenus disponibles aux États membres et cause des dommages économiques directs en entravant les dépenses publiques, mais aussi plus largement en augmentant les inégalités et en faussant les marchés. Pour diminuer les effets négatifs des paradis fiscaux et des centres financiers offshore, nous formulons les recommandations suivantes dans le rapport:

Résumé des Recommandations :

- **Promouvoir la mise en place de registres qui rendent publique la propriété effective** pour empêcher que les procédés révélés par les « Panama papers » ne soient pas détectés. De plus il faut soutenir et surveiller les « **Common Reporting Standard** » qui sont entrés en vigueur au début de cette année.
- **Encourager de meilleures normes fiscales de bonne gouvernance** en prévoyant que les partenaires internationaux de l'UE mettent en œuvre des standards plus élevées de bonne gouvernance fiscale. L'UE elle-même doit intensifier la pression dans les forums mondiaux, en particulier celui des G20.
- En cherchant à promouvoir une plus grande coopération internationale, il est également crucial de **conserver la neutralité politique de la définition d'un paradis fiscal**. L'idée selon laquelle seules les juridictions non coopératives sont qualifiées de paradis fiscal ne tient pas compte du fait que certaines juridictions peuvent apparaître coopératives tout en restant un paradis fiscal opérationnel. Dans l'intérêt de la neutralité, une liste grise ou une liste noire devrait être établie en fonction de critères plus nuancés.
- **Il faut relier de manière plus étroite les informations sur les règles anti-blanchiment et les règles sur la transparence fiscale**. Cela se reflète déjà dans les modifications proposées par la Commission sur la quatrième directive anti-blanchiment qui comprend l'élargissement de la portée de l'information accessible aux unités de renseignements financiers. En outre, la création du bureau des procureurs européens (EPPO) sera bénéfique car l'EPPO peut enquêter et poursuivre les fraudes dans l'UE et les autres crimes affectant les intérêts financiers de l'UE.
- **Mettre en place des mesures pour garantir la protection des lanceurs d'alerte** améliorera la disponibilité des données et servira de moteur contre l'utilisation des procédés ayant cours dans les paradis fiscaux.
- **Développer des méthodologies qui peuvent être utilisées pour générer des données publiques, fiables et comparables sur l'ampleur de l'évitement et de l'évasion fiscale**, ainsi que des méthodes pour quantifier l'impact de ces incidents sur les finances publiques et les activités économiques des pays. Cela impliquerait d'explorer les méthodes de collecte de données sur d'une part, l'évitement et l'évasion fiscales des entreprises, sujet sur lequel la plupart des recherches semblent se concentrer à ce jour et l'évasion fiscale des particuliers d'autre part.
- **Promouvoir l'intégrité et la transparence dans le secteur financier dans le cadre du semestre européen**. D'une manière plus concrète, cela pourrait se traduire par le suivi de l'UE et la prévention de l'utilisation des procédés révélés par les « Panama papers » qui pourraient compromettre la stabilité macroéconomique (c'est-à-dire les procédés liés à des bulles immobilières, des crises bancaires, etc.) et favoriser l'ajustement au moyen de politiques appropriées.

INTRODUCTION

This document contains the final report on 'The Impact of Schemes revealed by the Panama Papers on the Economy and Finances of a Sample of Member States' (IP/D/ALL/FWC/2015-001/LOT1). The assignment was carried out for the European Parliament in the first half of 2016 by the Centre for Strategy & Evaluation Services LLP (CSES) in collaboration with Blomeyer & Sanz.

1.1. RESUME OF STUDY OBJECTIVES

The objectives of the study were to:

- Assess and evaluate the overall impact of tax havens and offshore areas on the European Union (EU) through research in a sample of eight Member States;
- Estimate the quantifiable budgetary and administrative costs due to tax evasion and the use of offshore financial centres, and the impact of secretive jurisdictions.

The terms of reference stipulated that the study should explain the concepts and role of tax havens and offshore financial centres, evaluate their impact on EU Member States, assess the potential impact of financial crime including money laundering, and propose reforms and additional measures to existing agreements at the EU and international levels to discourage the abuse of these schemes.

In looking at the impact of the schemes, the study focused on a sample of eight Member States: Cyprus, the Czech Republic, Denmark, France, Germany, Poland, Spain, and the United Kingdom. Some of these countries featured heavily in the Panama Papers as well as in other leaks such as the 2014 Luxembourg leaks.

1.2. REPORT OVERVIEW

Below, we outline the report structure:

Report Structure

- **Section 1** - summarises previous research and the methodology for this study;
- **Section 2** - examines the concepts of tax havens and offshore financial centres;
- **Section 3** - explains the role of tax havens and offshore financial centres, giving an overview of how they are used for legitimate and illegitimate purposes, as well as explaining the role of 'shell companies' and 'secrecy jurisdictions';
- **Section 4** – examines the budgetary, economic, and fiscal impact of tax havens, offshore financial centres and secretive jurisdictions on EU Member States;
- **Section 5** – provides an overview of existing cooperation measures in the EU and internationally, and presents recommendations based on the study's conclusions.

The study distinguishes between three types of potential impacts of the schemes revealed by the Panama Papers, namely budgetary, economic, and fiscal. Assessing the various impacts of the schemes

revealed by the Panama Papers involves estimating the tax gap, i.e. the difference between the amount of tax the government should collect if tax payers did what was required or expected of them by them by law and the amount of tax the government actually collects.⁴ Two basic methods have been used to estimate these impacts:

- An **empirical approach** that involved consultations in the sample of eight EU Member States to examine how authorities in these countries have assessed (and quantified) the impacts;
- A **micro-econometric method** which involved comparing datasets for companies with/without links to schemes revealed in the Panama Papers.

The first approach for this assignment involved desk research and an interview programme involving the sample of eight EU Member States. The research focused on asking national authorities and other key stakeholders to provide information on if and how they were assessing the impact of the Panama Papers and any data on the quantification of these impacts. The second approach involved using an econometric method developed by one of our external experts, comparing the financials of companies listed in a private database against the information revealed by the Panama Papers on these companies.

Based on estimates of the tax lost to the authorities in the eight EU Member States covered by the research we have then provided an indication of the economic and other impacts of the schemes revealed by the Panama Papers (Section 4). Last but not least, we have considered measures that could be taken by the EU to tackle the practices revealed by the Panama Papers (Section 5).

Below, we present an overview of existing research on the impact of tax havens, before moving on to outlining the methodology adopted for this study in more detail.

1.3. BACKGROUND - THE 'PANAMA PAPERS'

The term '**Panama Papers**' refers to a leak of some 11.5 million documents held by the Panamanian law firm Mossack Fonseca.

The data was published on the website of the **International Consortium of Investigative Journalists' (ICIJ)** in April 2016. The Panama Papers detail how shell companies have been used to transfer funds between national jurisdictions for both legitimate and illegitimate reasons. The degree to which this took place was confirmed by the revelations, with wide-ranging implications for national authorities' tax revenues. The European Commission has cited previous estimates according to which the **annual revenue losses due to tax evasion and tax fraud amount to at least EUR 1 trillion**.⁵ In a financial secrecy index published by the Tax Justice Network, many EU Member States and overseas territories feature in the top 100. The same report estimated the **annual revenue loss due to tax evasion at EUR 956 billion for the EU28** (see Table 5 in Section 4).

⁴ Tax Research UK, *What is the Tax Gap?*, <http://www.taxresearch.org.uk/Documents/FAQ1TaxGap.pdf>

⁵ https://ec.europa.eu/taxation_customs/fight-against-tax-fraud-tax-evasion/a-huge-problem_en

In June 2016, the European Parliament responded to the Panama Papers by setting up the **Committee of Inquiry to investigate alleged contraventions and maladministration in the application of Union law in relation to money laundering, tax avoidance and tax evasion (PANA)**. The Committee's mandate is to investigate alleged contraventions and maladministration in the application by the European Commission or Member States of EU laws on money laundering, tax avoidance and tax evasion. The Committee is holding a series of public hearings on anti-money laundering and tax evasion and the enforcement and assurance of compliance with tax laws.

1.4. OVERVIEW OF PREVIOUS RESEARCH

There is a considerable amount of existing research that is relevant to this study. Below we provide a brief overview of some of the more relevant and recent material.

In 2013, a study for the European Parliament on **“European initiatives on eliminating tax havens and offshore financial transactions and the impact of these constructions on the Union's own resources and budget”**⁶ concluded that the existence of tax haven schemes had negative impacts on the EU budget, EU Member States, and macro-economic stability. The study also recommended the development of criteria to identify and categorise high-risk jurisdictions. In the same year, the European Commission reaffirmed its commitment to curbing tax evasion and fraud when it launched its **Platform for Tax Good Governance**. The Commission also published a working paper in 2015 developing indicators that can help identify aggressive tax planning structures, pertaining mainly to corporate tax rates and policies.⁷

At international level, there are several **estimates of the budgetary impact of international corporate tax avoidance**. However, these studies often rely on assumptions and counterfactuals, i.e. what the tax base would be in the absence of profit shifting. The studies focusing on how much governments lose because of international corporate tax avoidance include estimates by the OECD (2015), IMF (Crivelli et al., 2015), UNCTAD (2015), and EPRS (2015) and most recently Alex Cobham and Petr Jansky (2017). In most cases these studies provided world-wide estimates although the EPRS study focused on the EU.

At the **European level**, Eurostat currently collects data on tax revenue based on the European system of national and regional accounts (EAS, 2010)⁸. This system is used to report on actual data on tax revenue, but does not extend to estimating tax revenue losses due to tax evasion or avoidance, nor does it collect Member State data on additional tax revenue gained from successful investigations of cases of tax fraud or avoidance (such data is reported, for example, by the German Ministry of Finance on a regular basis).

The importance of improving data availability on the incidence, scale and impact of tax evasion and

⁶ Authored by Blomeyer & Sanz

⁷ European Commission. Study on Structures of Aggressive Tax Planning and Indicators. Final Report. Working Paper N. 61 – 2015. http://ec.europa.eu/taxation_customs/sites/taxation/files/resources/documents/taxation/gen_info/economic_analysis/tax_papers/taxation_paper_61.pdf

⁸ [http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:European_system_of_national_and_regional_accounts_\(ESA_2010\)](http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:European_system_of_national_and_regional_accounts_(ESA_2010))

avoidance has been acknowledged by the European Commission. The argument is that such data could allow for more targeted policy measures and provide a benchmark for measuring their success. For this reason, the Commission began to work with Member States and Eurostat in 2015 to explore ways of compiling more comparable and reliable data and estimates on the scale and economic impact of tax evasion and avoidance on the EU.

To this end, the **FISCALIS project group** was launched with a view to encouraging greater transparency between Member States on their national tax gap data. Until now only a few Member States have developed a way of estimating the tax gap (e.g. Denmark, Estonia, Italy, The Netherlands, Slovakia, and the UK).⁹ The group plans to prepare a map and guide on methodologies for tax gap estimations. In March 2016, one month prior to the Panama leaks, the FISCALIS Tax Gap Project Group published a first report on VAT gap estimations¹⁰. The report reviewed methodologies used in different Member States to estimate this gap, their limitations, and shortcomings, and concluded that there is no one-size-fits-all methodology or indicator for estimating this gap but that the choice of methodology depends on the purposes of the estimation and available sources. The work to estimate tax gaps is on-going as of March 2017 in most countries.

There are also two relevant Horizon 2020 research programmes, the **Fair Tax project (2015-2019)** and the **COFFERS project** (2016-2019).¹¹ These are considering options for expanding EU legislative competences. Additionally, the project is considering reform options for Member States, i.e. strategies for increased effectiveness and harmonisation of tax administration and compliance structures.

The **Organisation for Economic Co-Operation and Development** (OECD) literature on the subject includes papers on aggressive tax planning which recommend measures to address base erosion and profit shifting. In November 2016, Panama joined the Base Erosion and Profit Shifting (BEPS) project framework, an on-going reporting project run by the OECD. The OECD also maintains a directory of more than 400 aggressive tax planning schemes which can be consulted by governments. A review undertaken in 2012 pointed to an estimated EUR 1.5 billion potential tax revenue loss for governments that highlighted in this directory.¹² The **United Nations Conference on Trade and Development** (UNCTAD) (2015) estimated the cost to national authorities of offshore finance schemes at approximately 30% of cross-border corporate investment stocks. The **International Monetary Fund** (IMF) and the **European Parliamentary Research Service** (EPRS) have also produced reports on the impact of tax havens and the spill over effects of secretive jurisdictions.

Overall, research on the revenue implications for EU Member States of tax avoidance, specifically schemes such as those revealed by the Panama Papers is rather limited. While there is extensive literature on international tax avoidance, whether by individuals or companies and MNEs, the focus on revenue loss is much more limited. The existing material provides, however, some useful guidance on what can be quantified as well as several broad indications of the cost of tax avoidance.

⁹ <http://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupDetail&groupID=3260>

¹⁰ https://ec.europa.eu/taxation_customs/sites/taxation/files/docs/body/tqpg_report_en.pdf

¹¹ FairTax, Umea University, <http://www.org.umu.se/fairtax/english/>; COFFERS, Utrecht University, <http://coffers.eu/>

¹² ATP Database, OECD, Co-operation and exchange of information on ATP, <http://www.oecd.org/ctp/aggressive/co-operation-and-exchange-of-information-on-atp.htm>

The existing material can be divided into academic and policy studies. The research that provides quantitative estimates of tax avoidance usually does not extend to estimates of the budgetary impacts. Recent exceptions are Clausing (2009) and Zucman (2014) with their estimates for the United States, and Clausing (2016) for the United States with the speculative extension to the rest of the world. Much of the discourse lends weight to the activities of MNEs and profit-shifting, which as we will explain in this report, is distinct from the kind of activity seen in the Panama Papers. Where there is literature on revenue loss, corporate income tax evasion takes precedence over, for example, evasion of personal income tax or capital gains tax.

Similarly, there is no material that we are aware of examining the **economic impacts on the EU**, although some literature exists on the economic harm of tax havens to developing countries, including Reuter (2012) and Fuest et al. (2011).

CONCEPTS OF TAX HAVENS, OFFSHORE FINANCIAL CENTRES, AND SECRECY JURISDICTIONS

An important aim of the study involved examining the concepts of tax havens, off-shore financial centres and secrecy jurisdictions. This provides a framework for then examining the impact of the types of schemes revealed by the Panama Papers.

There is considerable overlap between the concepts tax havens, off-shore financial centres and secrecy jurisdictions. Indeed, they seem to sometimes get confused. Despite these overlaps, there are also key distinctions. For example, it is not necessarily the case that a jurisdiction¹³ can be described as both a tax haven and an offshore financial centre. There are also differences between different tax havens or offshore financial centres in terms of the extent to which they constitute a tax haven or offshore financial centre and how secretive banking activity and the regulatory environment is.

1.5. KEY CHARACTERISTICS OF TAX HAVENS

There are differing views on what constitutes a tax haven.¹⁴ The widely accepted and maintained definition was articulated by the OECD in 1998 which set the following criteria for a jurisdiction being a tax haven¹⁵:

- Applying **no, or nominal taxes, such as inheritance, income, or corporate tax, to non-residents** (individuals and corporations) primarily with a view to the avoidance of taxation in their home jurisdictions;
- Having **laws or measures which prevent the effective exchange of relevant information with other governments on tax payers** benefitting from the low or no tax jurisdiction;
- **Lacking in tax transparency**, making it harder for home countries to take defensive measures which usually involves a favourable regulatory environment for tax evasion and avoidance.

The Tax Justice Network accepts this definition and argues that structurally, tax havens rely on laws or other measures to ensure secrecy, and a lack of tax transparency in the jurisdiction both regarding banking systems and legal entities used.¹⁶

For the purposes of this study, we have adopted the OECD's definition of a tax haven. However, various governments and institutions have adopted additions and/or variations pertaining to cooperation, secrecy, and the proportionality of financial services in a jurisdiction.

¹³ A territory with its own legal system, whether independent or a sovereign state, or part of federal or confederal state, overseas territory, dependent or internal zone to which a legal regime has been applied. See also definition of "Jurisdiction" used by the Tax Justice Network, *Identifying Tax Havens and Offshore Finance Centres*, http://www.taxjustice.net/cms/upload/pdf/Identifying_Tax_Havens_Jul_07.pdf, 2007

¹⁴ Palan, R., Murphy, R., and Chavagneux, C. 2009. *Tax havens: How globalization really works* Ithaca, NY: Cornell University Press.

¹⁵ OECD, "Harmful Tax Competition Tax Competition - An Emerging Global Issue", 1998.

¹⁶ Tax Justice Network, *Identifying Tax Havens and Offshore Finance Centres*, http://www.taxjustice.net/cms/upload/pdf/Identifying_Tax_Havens_Jul_07.pdf, 2007

The **European Parliament's resolution of 19 April 2012** incorporates the OECD position on tax transparency, describing tax havens as "... foreign non-cooperative jurisdictions characterised in particular by no or nominal taxes, a lack of effective exchange of information with foreign tax authorities and a lack of transparency in legislative, legal or administrative provisions".¹⁷

A definition adopted by the Parliament in the same year¹⁸ stated that further to the OECD definition, a jurisdiction is considered a tax haven by necessity if it is listed as a 'non-cooperative' country by the **Financial Action Task Force (FATF)**. The European Parliament's definition is not minimalist and restricted to the blacklist published by FATF. The mission of the FATF involves combatting money laundering, terrorist finance and the financing of weapons of mass destruction. Jurisdictions are identified as failing to support this objective (e.g. North Korea and Iran) completely independently of any government policy on taxation, foreign investment, exchange of information, etc. An additional criterion is if the jurisdiction has not signed an agreement with the home Member State of the investor and with each other Member State in which units or shares of the investment are intended to be marketed, so that it is ensured that the third country fully complies with the standards laid down in **Article 26 of the OECD Model Tax Convention on Income and on Capital** and ensures an effective exchange of information in tax matters, including any multilateral tax agreements.¹⁹

The use of a list to help define tax havens is useful for identifying the scale of the problem worldwide. The **Financial Action Task Force (FATF)** has issued lists since 2000 of countries which are non-cooperative in the global fight against money laundering and terrorist financing. The initial list consisted of 15 countries²⁰, including Panama and Liechtenstein. In 2016, however, the list of 'non-cooperative' countries consisted of only North Korea and Iran. The FATF removed Panama from its grey-list in February 2016, determining that the country had the legal, regulatory, and institutional framework in place for combatting money laundering and the financing of terrorism. This decision was put into question only two months later by the release of the Panama Papers.

The European Commission and the European Parliament are currently developing a '**Common EU List of Non-Cooperative Jurisdictions**' as part of the Commission's anti-tax avoidance package which was launched in 2016. This list will provide a common EU system for assessing, screening and listing third tax jurisdictions, allowing Member States to identify jurisdictions playing a role in tax avoidance and evasion. The utility of such an overview extends to other taxation initiatives, mainly in countering corporate income tax avoidance and aggressive tax planning. A provisional scoreboard of third country jurisdictions was published in September 2016. Two sets of indicators were used to determine third country jurisdictions that posed a risk to EU Member States. The first was a series of selection indicators,

¹⁷ European Parliament resolution of 19 April 2012 on the call for concrete ways to combat tax fraud and tax evasion, <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P7-TA-2012-0137&language=EN&ring=B7-2012-0203>

¹⁸ 28 June 2012, EU-wide Venture Capital Regime, referenced here: http://europa.eu/rapid/press-release_IP-11-1513_en.htm?locale=en, Rules incorporated this definition, as seen in Blomeyer & Sanz, *European Initiatives on eliminating tax havens and offshore financial transactions and the impact of these constructions on the Union's own resources and budget*, 2013,

¹⁹ See also, Blomeyer & Sanz, *European Initiatives on eliminating tax havens and offshore financial transactions and the impact of these constructions on the Union's own resources and budget*, 2013, pp. 35-36 for DG Internal Polices, Policy Department D: Budgetary Affairs

²⁰ FATF 2000 Country list included: Bahamas Cayman Islands Cook Islands Dominica Israel Lebanon Liechtenstein Marshall Islands Nauru Niue Panama Philippines Russia St. Kitts and Nevis St. Vincent and the Grenadines, found at NCCT Review, 06/2000, FATF, <http://www.fatf-gafi.org/media/fatf/documents/reports/1999%202000%20NCCT%20ENG.pdf>

including assessments of a jurisdiction's economic ties with the EU, the magnitude of financial services activity as well as financial stability factors. The second set of indicators assessed the risk the jurisdiction posed, identifying whether jurisdictions were sufficiently transparent, had favourable corporate income tax regimes, or zero corporate income tax rates.

From the perspective of the schemes revealed by the Panama Papers, this provisional scoreboard focuses more on corporate income tax evasion, and not the other streams of taxation that are avoided or evaded by individuals. Additionally, on the revelations of several EU Member States featuring in the Panama Papers, third jurisdictions may expect the scope, and therein the scrutiny, be extended to not just third countries but all EU Member States.

1.6. KEY CHARACTERISTICS OF OFFSHORE FINANCIAL CENTRES

Offshore financial centres have many of the characteristics of tax havens, and also operate in secrecy.²¹ In 2000, the **Financial Stability Forum** (FSF) published a list of jurisdictions it considered to be offshore financial centres, and determined their criteria. The main difference in the definition of an offshore financial centre is the lack of the need for financial institutions or corporate structures to have a physical presence. Examples include companies or shell companies established by an intermediary, registering their operations at an empty and unused building.

The **IMF** concurs with this, defining an offshore financial centre as "(...) a country or jurisdiction that provides financial services to non-residents on a scale that is incommensurate with the size and the financing of its domestic economy".²² It is the disproportionality that is most striking, as a very small territory, such as the British Virgin Islands, with a population of 28,000 (according to the 2010 Census) delivers financial services on a scale comparable to a large EU Member State. Of the companies appearing in the Mossack Fonseca files, one in two (over 113,000 in total) were incorporated in the British Virgin Islands. The unavailability of similar tax incentives to residents in the British Virgin Islands meets another criterion adopted by the FSF.

In determining criteria for offshore financial centres, there is no universal agreement, but the **IMF Statistics Department** has made some suggestions. In 2002 it was argued that "a jurisdiction in which international investment position assets, including as resident all entities that have legal domicile in that jurisdiction, are close to or more than 50% of GDP and in absolute terms more than USD 1 billion."²³

A **2007 IMF Working Paper** revised this, focusing explicitly on the ratio of net financial services exports to GDP. Of the 104 countries examined, 16 of 40 high-income countries were identified as offshore financial centres, as were six of the 64 middle/low-income jurisdictions. To test the effectiveness of this methodology, the filter was applied to some of the offshore financial centres identified by the IMF in a separate Offshore Financial Centre Programme database consisting of 104 countries. The filter correctly

²¹ Hampton, M. P. 1996. *The offshore interface: Tax havens in the global economy*. Basingstoke, UK: Palgrave Macmillan. Haberly, D., and Wójcik, D. 2014. Tax havens and the production of offshore FDI: an empirical analysis. *Journal of Economic Geography*, 15:75–101. Hudson, Alan C. 1998a. Offshore Onshore: Re-Shaping the Financial Regulatory Landscape, in: Martin, Ron (Ed.): *Money and the Space Economy*, London, 139-145.

²² IMF, Working Paper, *Concept of Offshore Financial Centers: In Search of an Operational Definition*, Ahmed Zorome, 2007, <http://www.imf.org/external/pubs/ft/wp/2007/wp0787.pdf>

²³ <http://www.imf.org/external/np/pp/eng/2008/050808.pdf>

identified 19 countries in the database. The study did not identify Costa Rica Lebanon, Macao SAR, and Malaysia but did recognise Latvia, the United Kingdom and Uruguay which were outside of the original study sample.²⁴

On the basis of this methodology, three distinct characteristics were set out, allowing for an objective assessment of which jurisdictions were offshore financial centres. These are:

- The primary orientation of business toward non-residents;
- The favourable regulatory environment (low supervisory requirements and minimal information disclosure);
- The existence of low (unspecified) or zero taxation schemes.

As seen with the **OECD and European Parliament's criteria for tax havens**, both low or zero taxation and secrecy are fundamental to the model of offshore financial centres. The overlap here has led to the terms being used interchangeably. For some, the definition offered above for tax havens is too narrow. Calls have been made to widen the scope to include jurisdictions modifying tax rates or laws to attract inward capital investment.²⁵

The schemes revealed by the Panama Papers include offshore firms being set up in Offshore Financial Centres that meet the above criteria, with shell companies appearing in Mossack Fonseca's files being registered in small jurisdictions that under normal circumstances would not support the scale of financial services being offered, or in jurisdictions that can do so (proportionate to the country's financial services and GDP) but still offer low or zero taxation rates. The Panama Papers themselves make the case for extending the scope of the definition, citing the United Kingdom (distinct from its dependencies or territories) as the tenth most popular tax haven identified in the leaked data. Of the 41 countries identified by the OECD as tax havens in 2007, the United Kingdom was not one of them.

In 2009, the OECD was mandated to develop an **internationally agreed tax standard on the exchange of information**, endorsed by the UN and G20.²⁶ A progress report citing countries that had and had not committed to an internationally agreed tax standard was also published at the G20 summit in 2009.²⁷ The OECD's Global Forum annually publishes monitoring reports and peer reviews of jurisdictions, in both OECD and non-OECD countries, meeting this agreed standard.

Of the tax havens identified by the OECD in 2000 (and reviewed in 2009), many were not subsequently identified as offshore financial centres by the IMF in 2007. A list of these countries is presented below:

²⁴ The 19 Countries correctly identified were, Bahamas, Bahrain, Barbados, Bermuda, Cayman Islands, Hong Kong, Cyprus, Guernsey, Ireland, Isle of Man, Jersey, Luxembourg, Malta, Mauritius, Netherlands Antilles, Panama, Singapore, Switzerland and Vanuatu.

See also, IMF, Working Paper, Concept of Offshore Financial Centers: In Search of an Operational Definition, Ahmed Zorome, 2007, <http://www.imf.org/external/pubs/ft/wp/2007/wp0787.pdf>, p. 19

²⁵ Tax Justice Network, *Identifying Tax Havens and Offshore Finance Centres*, http://www.taxjustice.net/cms/upload/pdf/Identifying_Tax_Havens_Jul_07.pdf, 2007, see listed Tax Havens at p. 8

See also Austrian Press, Sinclair Davidson, <http://www.theage.com.au/news/business/here-is-the-truth-about-tax-havens/2007/10/15/1192300685572.html>

²⁶ OECD, Countering Offshore Tax Evasion: Some questions and answers

²⁷ A Progress Report on The Jurisdictions Surveyed by The OECD Global Forum in implementing the Internationally agreed Tax Standard, OECD, <http://www.oecd.org/ctp/42497950.pdf>

Table 1 : Offshore financial centres not identified as tax havens by the OECD in 2000 or 2009

Jurisdiction	IMF OFC List 2007	OECD Tax Haven List (2000)	Status (2009 OECD Progress Report)
Bermuda	X	Identified as a tax haven but removed from list due to agreement to commit to international standard.	Tax haven committed to international standard
Cayman Islands	X	Identified as a tax haven but removed from list due to agreement to commit to international standard.	Tax haven committed to international standard
Cyprus	X	Identified as a tax haven but removed from list due to agreement to commit to international standard.	Substantially implementing international tax standard
Hong Kong	X		Tax haven committed to international standard
Ireland	X		Substantially implementing international tax standard
Latvia	X		Not identified in Progress report.
Luxembourg	X		Other financial centre committed to international standard
Malta	X	Identified as a tax haven but removed from list due to agreement to commit to international standard.	Substantially implementing international tax standard
Mauritius	X	Identified as a tax haven but removed from list due to agreement to commit to international standard.	Substantially implementing international tax standard
Singapore	X		Other financial centre committed to international standard
Switzerland	X		Other financial centre committed to international standard
United Kingdom	X		Substantially implementing international tax standard
Uruguay	X		Tax haven not committed to the standard

Source: OECD and IMF, from Blomeyer & Sanz, European Initiatives on eliminating tax havens and offshore financial transactions and the impact of these constructions on the Union's own resources and budget, 2013, p. 120.

The above table demonstrates that offshore financial centres are not necessarily perceived as tax havens and vice versa. Many of the countries identified above were removed from 'non-cooperative' lists once they committed themselves to upholding international tax standards. Nonetheless, they were still identified as offshore financial centres by the IMF, and were mentioned in the Luxembourg and Panama papers' leaks in a way that would suggest that they still meet the criteria to be considered tax havens. Uniquely, Latvia was not identified either in 2000 or 2009. Whether a jurisdiction is cooperative or non-cooperative seems to have real implications for companies.²⁸

²⁸ Caruana-Galizia & Caruana-Galizia (2016) observe the substitution of cooperative for non-cooperative offshore jurisdictions as well as the substitution of EU ownership for non-EU ownership. Caruana-Galizia & Caruana-Galizia (2016) used a leaked data set to show that the growth of EU-owned entities declined, in contrast with a control group of non-EU-owned entities, after

1.7. KEY CHARACTERISTICS OF SECRECY JURISDICTIONS

The term 'secrecy jurisdiction' has been used interchangeably with tax havens and offshore financial centres.²⁹ Secrecy jurisdictions share many of the same characteristics, and can be used interchangeably when contextualised.

A useful consideration, however, is that the term specifically refers to a favourable regulatory environment that allow two mechanisms for individuals or companies wishing to benefit from the schemes like those seen in the Panama Papers. The first, coined by the **Tax Justice Network**, is the 'escape' concept. Secrecy jurisdictions offer the ability to evade scrutiny, tax, financial regulations, and criminal laws. The second mechanism is the 'elsewhere' function. Secrecy jurisdictions enable offshore financing and allow non-resident financing. The secrecy adopts many forms, some of which have been explored but it in part suggests why publicly available information is so limited, and why there is a reliance on data leaks such as the Luxembourg leaks (2014) or the Panama Papers as the primary source of information.

Below is the **Financial Secrecy Index** for 2015 of the top 10 countries which has not yet been revised in light of the Panama Papers but has been used by numerous researchers.³⁰ This index is politically neutral and developed by the Tax Justice Network. Each jurisdiction has an individual report. It should be noted the scores for secrecy are weighted to reflect financial services exports. The top 10 raw scores³¹ do not match any European Member States or any of the top 10 jurisdictions featured below:

the 2005 Tax and Savings Directive's implementation that obliges cooperating jurisdictions to withhold tax or report on interest income earned by entities whose beneficial owner is an EU resident. Similarly, Johannesen and Zucman (2014) assess the impact of G20 policy crackdown on tax havens and find that tax evaders tend to shift deposits to havens not covered by a treaty with their home country. Caruana-Galizia, P., & Caruana-Galizia, M. (2016). Offshore financial activity and tax policy: evidence from a leaked data set. *Journal of Public Policy* <https://doi.org/10.1017/S0143814X16000027> Johannesen, N., & Zucman, G. (2014). The End of Bank Secrecy? An Evaluation of the G20 Tax Haven Crackdown. *American Economic Journal: Economic Policy*, 6(1), 65–91.

²⁹ Tax Justice Network, "What is a secrecy jurisdiction?", <http://www.financialsecrecyindex.com/faq/what-is-a-secrecy-jurisdiction> and Cobham, A., Janský, P., & Meinzer, M. (2015). The Financial Secrecy Index: Shedding New Light on the Geography of Secrecy. *Economic Geography*, 91(3), 281–303. <https://doi.org/10.1111/ecge.12094>

³⁰ Cobham, A., Janský, P., & Meinzer, M. (2015). The Financial Secrecy Index: Shedding New Light on the Geography of Secrecy. *Economic Geography*, 91(3), 281–303. <https://doi.org/10.1111/ecge.12094>; Cassetta, Alessia/Pauselli, Claudio/Rizzica, Lucia/Tonello, Marco 2014: Financial Flows to Tax Havens: Determinants and Anomalies (Banca D'Italia - Quaderni dell'antiriciclaggio - No.1), Rome, in: http://www.bancaditalia.it/UIF/pubblicazioni-uif/quaderni_analisi_studi/Financial_Flows_Tax_1/Quaderno_Analisi_studi_1.pdf; 20.10.2014.

³¹ Vanuatu (87), Samoa (86), St Lucia (83), Liberia (83), Brunei Darussalam (83), Antigua and Barbuda (83), Marshall Islands (81), Bahamas (79), Nauru (79), Belize (79)

Table 2: Financial Secrecy Index 2015, Top 10 Countries³²

Rank	Secrecy Jurisdiction	FSI – Value ³	Secrecy Score ⁴	Global Scale Weight ⁵
1	<u>Switzerland</u> ²	<u>1,466.1</u>	73	5.625
2	<u>Hong Kong</u> ²	<u>1,259.4</u>	72	3.842
3	<u>USA</u> ²	<u>1,254.7</u>	60	19.603
4	<u>Singapore</u> ²	<u>1,147.1</u>	69	4.280
5	<u>Cayman Islands</u> ^{1,2}	<u>1,013.1</u>	65	4.857
6	<u>Luxembourg</u> ²	<u>816.9</u>	55	11.630
7	<u>Lebanon</u> ²	<u>760.2</u>	79	0.377
8	<u>Germany</u> ²	<u>701.8</u>	56	6.026
9	<u>Bahrain</u> ²	<u>471.3</u>	74	0.164
10	<u>United Arab Emirates (Dubai)</u> ²	<u>440.7</u>	77	0.085

Source: Financial Secrecy Index, Tax Justice Network

By comparison, those countries deemed highly secretive jurisdictions do not appear consistently across tax haven lists or in the Panama Papers.

Below we present the 10 most popular tax havens where offshore companies and trusts facilitated by Mossack Fonseca were incorporated. It is important to note that the ‘popularity’ of a particular jurisdiction in the Panama Papers is determined by the fact that the reputation of some jurisdictions involves their specialisation in a particular market segment. Thus, the British Virgin Islands are recognised for company formation (for many of the same reasons that Delaware is recognised for its company formation regime), the Cayman Islands are recognised for supporting hedge funds and the mutual fund industry more generally, and Bermuda is recognised for its legislation supporting insurance and re-insurance firms.

³² Financial Secrecy Index, Tax Justice Network, <http://www.financialsecrecyindex.com/introduction/fsi-2015-results>

Note 1: Territories that are Overseas Territories (OTs) and Crown Dependencies (CDs) where the Queen is head of state; powers to appoint key government officials rests with the British Crown; laws must be approved in London; and the UK government holds various other powers

Note 2: For these jurisdictions, we provide special narrative reports exploring the history and politics of their offshore sectors. You can read and download these reports by clicking on the country name.

Note 3: The FSI is calculated by multiplying the cube of the Secrecy Score with the cube root of the Global Scale Weight. The final result is divided through by one hundred for presentational clarity.

Note 4: The Secrecy Scores are calculated based on 15 indicators. For full explanation of the methodology and data sources, please refer to the FSI-methodology document: [FSI-Methodology](#)

Note 5: The Global Scale Weight represent a jurisdiction's share in global financial services exports.

Table 3: Ten Most Popular Tax Havens in the Panama Papers

Rank	Tax Haven	No. of Shell Companies Incorporated	Financial Secrecy Index Ranking
1	British Virgin Islands	113,648	21
2	Panama	48,360	13
3	Bahamas	15,915	25
4	Seychelles	15,182	72
5	Niue	9,611	Not ranked.
6	Samoa	5,307	51
7	British Anguilla	3,253	63
8	Nevada	1,260	3
9	Hong Kong	452	2
10	United Kingdom	148	15

Source: ICIJ Panama Papers Database

As can be seen from the tables, some of the most popular tax havens are simply not ranked on the Financial Secrecy Index, while others rank lower than their proportionate presence in the Panama Papers.³³ The question for our research is whether the Panama Papers have shed new light on the dynamics of secrecy employed both in jurisdictions and in their banking systems. Although outside the scope of this study, this secrecy, and the reason for the mismatch in rankings above, is linked to the involvement of intermediaries (accountants, banks, etc.) in enabling Mossack Fonseca to service the beneficiaries of the schemes.

1.8. SUMMARY

As has been described in this section, **there is considerable overlap between the concepts of tax havens and offshore financial centre.** The perception of tax havens being simply offshore financial centres, where individuals hide their assets, is limited because the definition of tax haven can apply to EU Member States with a high ratio of net financial services exports to GDP (as is argued by the IMF). This does, however, raise issues concerning aggressive tax planning and tax competition which are outside the scope of the study.

There is a case for distinguishing in tax haven lists between cooperative jurisdictions and known tax havens. The European Parliament and the European Commission may run the risk of failing to acknowledge EU Member States as tax havens if, in the pursuit of publishing an EU-inclusive blacklist, Member States are removed by agreement. Defining tax havens and offshore financial centres is a contentious practice, as definitions can be used to list jurisdictions. Not wishing to be implicated in these lists, there is a tendency for jurisdictions to commit to new cooperation agreements to avoid being identified (an example of this is highlighted in Table 1).³⁴ Based on the research feedback from national authorities and other stakeholder groups, the acknowledgement of jurisdictions as tax havens is perceived as a crucial first step to creating a level playing field for taxation. If cooperation is a

³³ Still, Matt Collin finds that one of the most reliable predictors of a country's dealings with Mossack Fonseca is how it scores on the Financial Secrecy Index. <https://www.cgdev.org/blog/panama-papers-and-correlates-hidden-activity>.

³⁴ This claim has been levied by the Tax Justice Network, criticising OECD and IMF positions.

distorting criterion for listing tax havens, it will undermine the very purpose of identifying them.

Given the recent activity of the schemes revealed by the Panama Papers and in light of previous cooperative agreements, there is also a case to be made to **widen the definition of a tax haven**. A narrower definition involves using the OECD criterion, while a more broad-ranging definition would adopt the Tax Justice Network’s position which led to 70 countries being listed as tax havens in 2005. The provisional scoreboard for the Common EU List of Non-Cooperative Jurisdictions is an example of a holistic approach adopted by the European Commission.

Below we provide a summary overview of the key characteristics of tax havens, financial offshore centres, and secrecy jurisdictions. The examples we provide are not an exhaustive list.

Table 4: Key Characteristics of Tax Havens, Financial Offshore Centres, and Secrecy Jurisdictions

Concept	Key Characteristics	Examples of Countries
Tax havens	<ul style="list-style-type: none"> No or Low Taxation Laws or measures preventing exchange of information. Lacking Tax Transparency 	British Virgin Islands, Panama, Bahamas, United Kingdom
Financial Offshore Centres	<ul style="list-style-type: none"> No or low taxation Favourable regulatory environment (low supervision, minimal information disclosure) Financial services provision is disproportionate with domestic economy 	Bermuda, Cayman Islands, Hong Kong, Ireland, Luxembourg, Malta, United Kingdom
Secrecy Jurisdictions	<ul style="list-style-type: none"> Favourable regulatory environment (low supervision, minimal information disclosure) Laws or measures preventing exchange of information. Lacking Tax Transparency Banking Secrecy 	British Virgin Islands, Hong Kong, Cayman Islands, USA

Sources: ICIJ Panama Database, Financial Secrecy Index – Tax Justice Network, OECD, and IMF.

In the examples provided above, the countries may be described by each term but to varying extents. For instance, the Cayman Islands have been identified as an offshore financial centre and a secrecy jurisdiction, but not as a tax haven by the OECD or the Panama Papers.

ROLE OF TAX HAVENS AND OFFSHORE FINANCIAL CENTRES

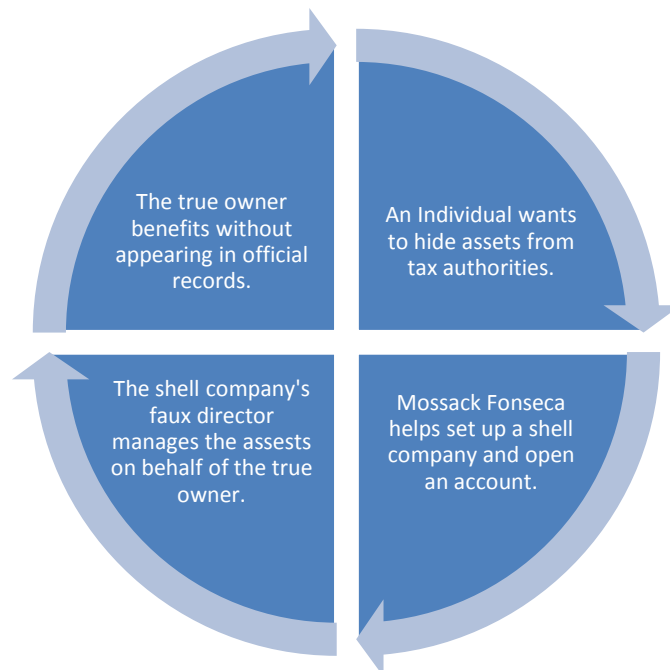
In this section the concepts of tax havens and offshore financial centres will be used to give an overview of the part they play in tax evasion and avoidance and their knock-on effects on financial crime. The types of shell companies, trusts and similar financial arrangements will be considered, and their legitimate and illegitimate uses.

As noted by the Parliamentary Assembly of the Council of Europe, Member States lose billions every year due to tax avoidance, tax evasion and tax fraud that are facilitated by the offshore financial system including tax havens and secrecy jurisdictions. This massive tax avoidance by wealthy individuals and enterprises not only penalises ordinary tax payers, public finances, and social spending, but also threatens good governance, macro-economic stability, and social cohesion.³⁵

1.9. MODEL OF THE SCHEMES REVEALED BY THE PANAMA PAPERS

The schemes revealed by the Panama Papers implicated political leaders, individual citizens, and companies worldwide. Below we present a model demonstrating how an individual operates and benefits from the schemes.

Figure 1: Model of Schemes Revealed by the Panama Papers



Source: Süddeutsche Zeitung

As shown in the above diagram, individuals wishing to avoid taxation by using schemes revealed by the Panama Papers, whether in general or in relation to particular types of tax such as personal income

³⁵ <http://assembly.coe.int/nw/xml/XRef/Xref-XML2HTML-en.asp?fileid=18151&lang=en>

tax, used intermediaries to deal with Mossack Fonseca. Their motivation could have been to illegally evade tax or to legally avoid tax, or to launder money obtained from criminal proceeds. The issue of the legality of these schemes is complex and addressed below (see Section 3.3). Once approached, Mossack Fonseca helped to establish a shell company and to open an account, often providing sufficient cover staff in the form of a 'faux' director to manage the assets working on behalf of the true beneficiary. The result meant that the true owner could benefit from this revenue and any proceeds without appearing in the records of tax authorities. Often the ownership of a firm was only certified through a paper shareholder note. There were no digital records so as to leave as few traces as possible.

Implied by the **cyclical model of the schemes** shown above, and important when considering the impact of such schemes (see Section 4), is that there is little or no return of the initial investment to the real economy either in the original jurisdiction or another. Where there is a return to the real economy, this is either superficial in the case of private property, or more productively in revenue generating enterprises (businesses) that may, for instance, employ people. The return on the investment in either of these cases is likely small and if so, economically unjustified.

Individuals and organisations use tax havens for legal and illegal purposes. Individuals and corporations use tax havens to hide assets and income from the authorities in which they are located in order to evade tax. In the Panama Papers, more than 140 politicians from more than 50 countries were implicated. This included heads of state, their associates, ministers and politicians, as well as celebrities and, in some cases, corporations. The heads of state included Iceland's Prime Minister, who resigned following the Panama Papers revelations. A full overview can be found on the ICIJ website. A 2013 OECD study concluded that "... some multinationals use strategies that allow them to pay as little as 5% in corporate taxes when smaller businesses are paying up to 30% with "...some small jurisdictions act as conduits, receiving disproportionately large amounts of Foreign Direct Investment compared to large industrialised countries and investing disproportionately large amounts in major developed and emerging economies".³⁶

1.10. TYPES OF SHELL COMPANIES, TRUSTS, AND SIMILAR FINANCIAL ARRANGEMENTS

As shown in the earlier model of the schemes (Figure 1), the shell companies revealed by the Panama Papers were a critical component that allowed individuals and companies to conceal their assets. This section considers definitions of shell companies and where they sit alongside other financial arrangements such as trusts or special purpose entities (SPEs).

As the OECD defines it, a **shell company** is a company that is formally registered, incorporated or otherwise legally organised in an economy but which does not conduct any operations in that economy other than in pass-through capacity.³⁷ In the schemes previously described, shell companies can be used as a means to transfer assets from an individual or company onto a new company without having the liabilities of the former. A shell company may be operated through an office building with

³⁶ OECD, 2013, OECD urges stronger international co-operation on corporate tax [online], <http://www.oecd.org/newsroom/oecd-urges-stronger-international-co-operation-on-corporate-tax.htm> from Blomeyer & Sanz, *European Initiatives on eliminating tax havens and offshore financial transactions and the impact of these constructions on the Union's own resources and budget*, 2013

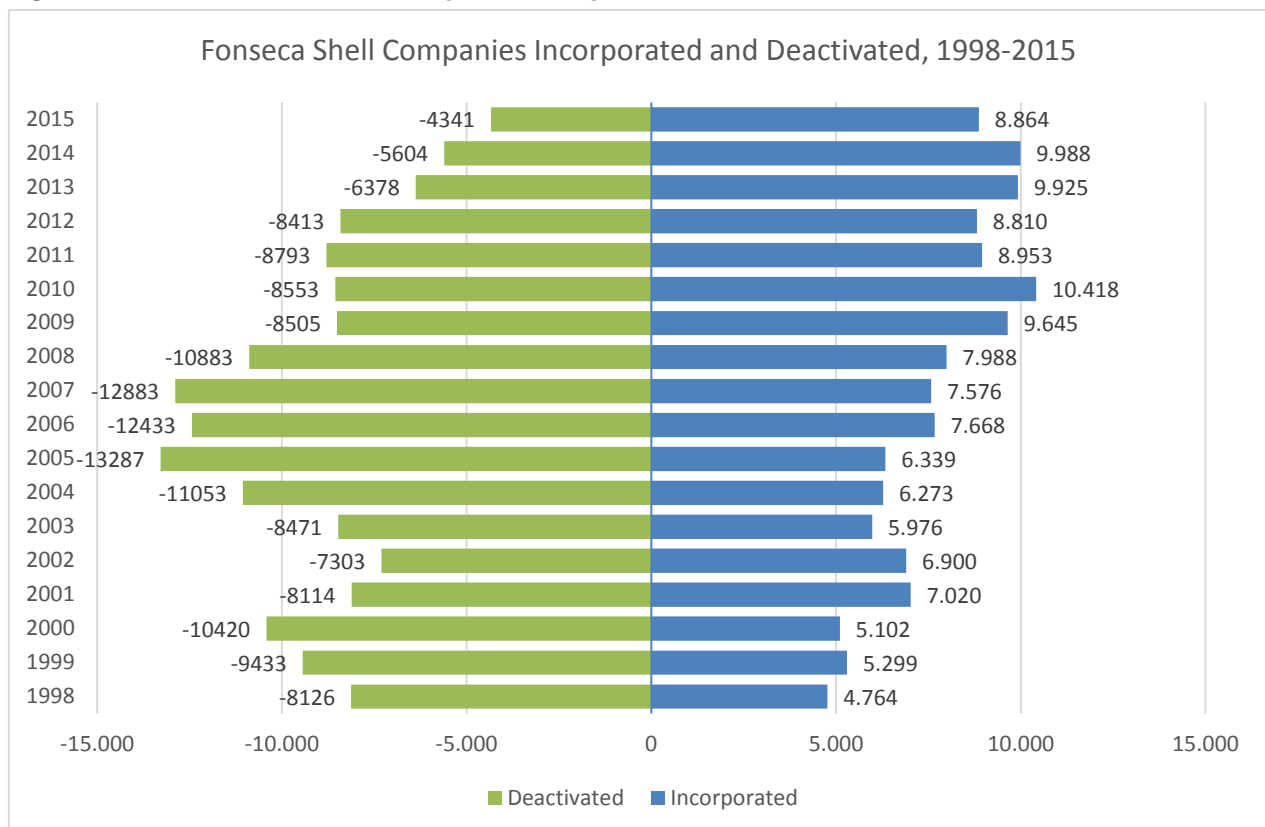
³⁷ <https://www.oecd.org/daf/inv/investment-policy/2487495.pdf>

a faux director, as described in the model. That same office building could be empty. Other shell companies may have little or no physical presence, and there is no requirement for operations or for the entity to be trading. Shell companies have been shown to be common in transnational crime and terrorism.³⁸

Shell companies tend to be conduits or holding companies. Conduits are defined by their function, while holding companies are defined by their structure. Conduits are enterprises that obtain funds, often from unaffiliated enterprises, and redirect those funds to investors or shareholders or another affiliated enterprise.³⁹ Conduit companies are used to avoid paying tax on income in two different countries, both in the country where the parent firm is located but additionally in the jurisdiction where the conduit company is registered. Holding companies are established to hold participation interests (i.e. buy shares) in other enterprises or own subsidiaries on behalf of its owner.⁴⁰ Like conduit companies, holding companies have no requirement for a physical presence or to be trading.

Below we present an overview of the number of companies incorporated and deactivated by year, from 1998 to 2015. Though the Panama Papers detail incorporations and deactivations as far back as the 1970s, there were limitations in extracting the data from the ICIJ.

Figure 2: Mossack Fonseca Shell Companies Incorporated and Deactivated, 1998-2015



Source: ICIJ Panama Papers Database

³⁸ Findley, Michael G., Daniel L. Nielson, and Jason Campbell Sharman. Global shell games: Experiments in transnational relations, crime, and terrorism. Vol. 128. Cambridge University Press, 2014.

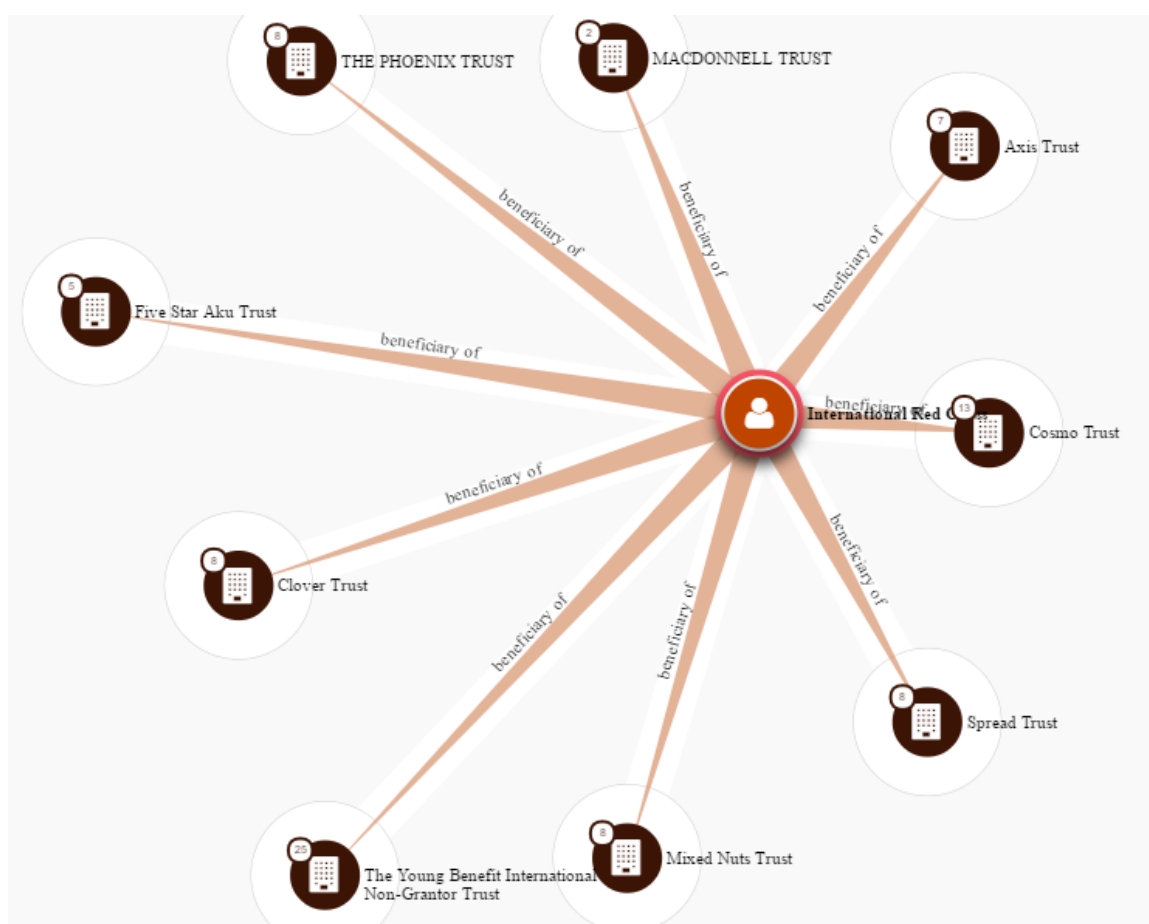
³⁹ <https://www.oecd.org/daf/inv/investment-policy/2487495.pdf>

⁴⁰ IMF definition of holding company, <https://www.imf.org/External/NP/sta/bop/pdf/bopteg9.pdf>

The above diagram suggests that Mossack Fonseca’s activities involving the formation of offshore companies increased from 4,764 in 1998 to 9,988 offshore companies in 2014. Although there appears to be a decline from 1998-2008, deactivated companies included any preceding incorporated companies, stretching back a further twenty years. The growth in activities occurred despite increased public scrutiny of tax havens and offshore financial centres following the global financial crisis that started in 2008.

Another means to engage in tax avoidance seen in the Panama Papers were **trusts**. Trusts are another means of managing assets.

Figure 3: Example of Trusts seen in the Panama Papers



Source : ICIJ Panama Papers Database, <https://offshoreleaks.icij.org/nodes/102164>

Trusts involve three actors: the *settlor*, who puts assets into a trust, the *trustee* who manages the trust and the *beneficiary* who benefits from the trust. Typically, individuals will set up trusts to control or protect family assets, often as a mechanism for inheritance, or when beneficiaries are too young or are incapacitated. However, illegitimate purposes include tax avoidance and this was prevalent in the Panama Papers. As an example, Mossack Fonseca’s faux beneficiary company, “International Red

Cross”, not to be mistaken for the very legitimate International Committee of the Red Cross (ICRC)⁴¹, benefitted from nine different trusts across the Cook Islands and British Virgin Islands.⁴² These included the Cosmo Trust, Five Star Aku Trust, Axis Trust, and others. A diagram illustrating their relationships is displayed below.

At the centre of this set-up was the anonymous beneficiary, “International Red Cross” and the various trusts where assets were placed through Mossack Fonseca and intermediaries. If these trusts were registered in tax havens, as it appears in this case they were, general taxation is avoided.

The country level research and interviews with ICIJ members for this study who have analysed the Panama Papers (including privately held materials) did not reveal any mechanisms other than shell companies or trusts (and subsidiary arrangements, for example trusts of trusts).

1.11. THE LEGALITY OF THE SCHEMES AND THE LEGITIMATE AND ILLEGITIMATE USES OF TRUSTS AND OFFSHORE COMPANIES

The schemes revealed by the Panama Papers are not in their entirety illegal: while some were linked to financial crime and money laundering, other schemes exploited legal entities and existing rules. This section reviews the distinction between **tax evasion** (which is illegal) and **tax avoidance** (which is legal). Further, it will consider the legitimate and illegitimate uses of the shell companies and trusts.

1.11.1. Tax avoidance, tax evasion and aggressive tax planning

Tax evasion is a term to describe illegal arrangements where tax liabilities are hidden or ignored. Tax evaders either:

- Fail to declare all or part of their income;
- Make a claim to deduct an expense from their taxable income that they did not incur or which they were not entitled to deduct, or;
- Submit a tax return that appears to be legal but only because relevant facts are not disclosed to the tax authorities.⁴³

However, tax avoidance, as defined by the OECD, is a term to describe the arrangement of a taxpayer’s affairs (whether an individual or a company) that is intended to reduce his tax liability and although the arrangement could be in the strictest sense legal, it is usually in contradiction with the intention of the laws it purports to follow.⁴⁴ When avoiding tax, one of the following occurs:

- Less tax is paid than might be required by a reasonable interpretation of the law of a country;
- Tax is paid on profits declared in a country which does not appear to be that in which they were earned;
- Tax is paid later than the profits to which it relates were earned;

⁴¹ A leaked email in the Panama Papers from 2009, authored by a Mossack Fonseca, explains International Red Cross was created to withhold the identity of the beneficiary. As reported by Reuters, ICIJ partner, <http://www.reuters.com/article/us-panama-tax-charities-idUSKCN0X828W>

⁴² ICIJ Database, “International Red Cross” entities. <https://offshoreleaks.icij.org/nodes/102164>

⁴³ As summarised in Touchstone’s “The Missing Billions: The UK Tax Gap”, authored by Richard Murphy

⁴⁴ OECD, Glossary of Terms, <http://www.oecd.org/ctp/glossaryoftaxterms.htm>

- Tax is paid by a person who did not really generate the income that they declare (e.g. transferred between family members).

Individuals or companies evading tax are paying less tax than they are legally obliged to pay by hiding income and assets or information from the tax authorities. **Taken together, tax evasion and tax avoidance make up the gross tax gap, i.e. the difference between what a government is meant to collect in tax and what it actually collects.** Only those who are termed to be tax compliant can claim to be legal beyond doubt. Tax avoidance relies on the invocation and existence of doubt for its validity.

Another term used in the context of tax avoidance generally is **Aggressive Tax Planning (ATP)**. ATP refers to avoidance as defined above but mainly regarding base erosion and profit-shifting enacted by multinational enterprises. The OECD defines these notions as the “tax planning strategies that exploit gaps in the architecture of the international tax system to artificially shift profits to places where there is little or no economic activity or taxation”.⁴⁵ The European Commission has previously carried out studies and assessments on ATP⁴⁶. In 2015, a total of seven ATP structures were identified. Four as listed by the OECD are below⁴⁷:

- A hybrid financing structure;
- A two-tiered IP structure with a cost-contribution arrangement;
- A one-tiered IP with a cost-contribution arrangement;
- An offshore loan structure.

A further three were identified in the study - a hybrid entity structure, an interest-free-loan structure, and a patent-box ATP structure. These structures, and their user groups, are different from the user-base of the schemes revealed by the Panama Papers which were predominantly individuals or small companies.

1.11.2. Legitimate and illegitimate uses of shell companies

Analysis by the ICIJ on the Panama Papers revealed both tax avoidance and tax evasion schemes, and therein legitimate uses of offshore companies and trusts. Individuals and corporations use tax havens to minimise tax liabilities (tax avoidance) through so-called ‘aggressive tax planning’ and, in the case of corporations, shell companies to facilitate transfer pricing.

An example seen in the Panama Papers of minimising tax liabilities was highlighted by the Guardian newspaper in the UK, a consortium member of the ICIJ: the case of Stanley Kubrick’s property.⁴⁸ Stanley Kubrick, a film director, died in 1999 and passed the ownership of his property, an eighteenth-century manor in Hertfordshire, to three companies registered in the British Virgin Islands. The transfer of assets saved Kubrick from taxation in both the US and UK, and potentially could have saved Kubrick’s family

⁴⁵ OECD, *Aggressive Tax Planning*, <http://www.oecd.org/tax/aggressive/>

⁴⁶ European Commission, *Study on Structures of Aggressive Tax Planning and Indicators*, Ramboll Management Consulting and Corit Advisory, pp. 7-8, http://ec.europa.eu/taxation_customs/sites/taxation/files/resources/documents/taxation/gen_info/economic_analysis/tax_papers/taxation_paper_61.pdf

⁴⁷ See OECD: *Addressing Base Erosion and Profit Shifting*, 2013, OECD Publishing, Paris, Annex C, p. 73 et seq.

⁴⁸ <https://www.theguardian.com/news/2016/apr/06/panama-papers-reveal-offshore-dealings-stars>

hundreds of thousands of pounds in inheritance tax and helped the family to avoid selling the manor to raise the liquid assets to pay the tax. The Panama Papers show a complex web of three shell companies with investments distributed to subsidiary trusts. Based on the information, available, nothing indicates the model adopted by Kubrick was illegal, despite the loss of tax revenue for both the US and the UK.

Other legitimate reasons for establishing offshore firms include protecting assets from currency fluctuations. A retiree, for example, wishing to move abroad could see his quality of life depreciate with the local currency and so places assets in an offshore fund. Whether, in such an example, income tax or other streams of taxation including property transfer or inheritance are avoided is not always clear.

There are **other legitimate and illegitimate uses of shell companies**, though not directly relevant to the schemes revealed by the Panama Papers. Offshore finance can be used to instigate a hostile takeover of a company for a beneficiary in another jurisdiction. Another use highlighted by Friederike Welter and David Smallbone shows how in emerging markets, shell companies can help protect the finances of small companies or individual entrepreneurs against arbitrariness and corruption, thus ensuring the survival of the business.⁴⁹ This usage appears less relevant to the use of shell companies for purposes relating to tax havens and offshore financial centres, such as the British Virgin Islands, where the concerns over emerging markets are not applicable.

Another illegitimate use of shell companies, and not relevant to the schemes revealed by the Panama Papers, are crudely **termed ‘pump and dump’ (P&D) schemes**. P&D refers to stock fraud in which shell companies are created to imitate other legitimate companies, therein artificially inflate their stock in order to sell originally cheap stock at a higher price. A hypothetical example would be a faux “Microsoft Inc.” being established, drawing investments online or through cold calling and exploiting Microsoft’s brand and the orchestrators then selling that stock for a profit. P&D was not a concern with the Panama Papers, even if some Mossack Fonseca’s faux beneficiaries share similar names to real companies, such as the “International Red Cross” example in Section 3.2.

Mossack Fonseca had denied any wrong doing with regard to the activities described in the Panama Papers, deeming the ICIJ’s coverage as a misrepresentation, and claimed to carry out due diligence on potential clients. The use of intermediaries here obscures the legality of the Fonseca schemes, as officially the intermediaries constitute Mossack’s clientele. While some of the examples provided here highlight some of the strictly legal uses of the schemes revealed by the Panama Papers, the ICIJ, during its analysis uncovered substantial criminal activity in financial crime, both in money laundering and in financing terrorism. These links are explored in Section 3.4 below.

⁴⁹ <http://onlinelibrary.wiley.com/doi/10.1111/j.1540-627X.2010.00317.x/abstract>

IMPACT OF TAX HAVENS AND OFFSHORE FINANCIAL CENTRES

Having examined the role of tax havens and offshore financial centres, and their legitimate and illegitimate purposes in the previous section we now assess the impact of such schemes on EU Member States.

Typology of impacts

Tax evasion and avoidance pose serious problems to Member States. Three types of negative impact can be distinguished:

- **Budgetary impact:** on Member States and the EU as a whole and involving reduced tax revenue and public spending.⁵⁰
- **Economic impact:** these wider effects are linked to budgetary impacts and the degradation of public finances, but include other effects such as fiscal competition between different tax jurisdictions and risk a 'race to the bottom' on corporate taxes, impacts on economic growth and consequently on employment;
- **Financial system impact:** this includes an undermining of confidence and reputational damage, and effects on financial market stability brought about by money laundering and related activities.

The research for this study suggests that there is not much new in terms of the nature of the schemes revealed by the Panama papers as it had already been known that offshore firms and tax havens are used by wealthy individuals for the purposes of tax evasion and money laundering. What the research here suggests, however, is that the novelty of the Panama Papers lies in the sheer scale of potential tax evasion linked to such schemes. However, it is still too early to estimate the full impact as investigations by the authorities in various countries are still on-going.

Below, we focus on the impacts specific to schemes akin to those revealed by the Panama Papers which were mostly used by individuals, and operated through tax havens and offshore financial centres.

1.12. BUDGETARY IMPACT

While, as mentioned above, specific estimates related to the tax revenue impact of the Panama schemes do not yet exist, our research leads to three estimates that are relevant to assessing impacts:

- The amount of tax revenue lost to national authorities in the EU28 due to schemes such as the ones highlighted in the Panama Papers used by individuals is estimated through our research in the eight sample countries to be between EUR 109 billion and EUR 237 billion in 2015 with a midpoint of **EUR 173 billion**.
- A previous comprehensive study estimated the tax evasion loss to the EU28 Member States in 2011 at **EUR 956 billion**. However, this includes corporate tax avoidance and evasion, which is likely to be much larger in scale than tax evasion by individuals.

⁵⁰ The direct impact on the EU budget due to the Panama Papers is limited since the EU does not levy taxes on its own. But tax revenue losses at the Member State level could, in theory, lead national authorities to push for a reduction in the EU budget in the future.

- The assumed volume of tax base that has been shifted by companies in our eight sample countries⁵¹ in the year 2015 to tax havens mentioned in the Panama papers is estimated to be EUR 8.8 billion. This is the amount of profit shifted by companies headquartered in one of the eight sample countries and which have: (i) at least one shareholder implicated in the Panama papers; and (ii) have shifted these profits by using one of the tax haven destinations mentioned in the Panama Papers. This estimate is based, however, on a database containing information only in relation to one tenth of the number of individuals implicated in the Panama Papers so the actual figure of profit shifting could potentially be ten times higher, i.e. around **EUR 88 billion**. Moreover, it should be noted that the database only includes anonymised information on the individuals implicated in the Panama papers.

It is important to note that these figures provide estimates of different aspects of the problems associated with the Panama schemes. The EUR 173 billion figure is purely based on estimates of schemes such as the ones revealed by the Panama Papers being used by *individuals* whereas the EUR 956 billion estimate takes into account *all* tax evasion in one year, including corporate tax evasion. The EUR 8.8 billion estimate relates to a sample of eight countries and represents the tax base erosion. The tax base erosion identified is the amount of company income that could not be taxed by authorities in the eight countries, the profit shifted benefitting 1,121 individuals as majority and minority shareholders.

In Section 4.2.1 we examine **the economic impact of the tax loss to national authorities associated with the practices revealed by the Panama Papers**. In employment terms, a conservative estimate would be that over 1.5 million jobs could have been supported with the money that was lost to national authorities. There are also other negative economic impacts that cannot be estimated in quantitative terms.

1.12.1. Estimate of tax evasion based on sample country research and previous estimates

The Panama Papers has resulted in **79 countries so far (one-third of all nations) announcing a total of 150 inquiries, audits or investigations** by police, customs, financial crime and mafia prosecutors, judges and courts, tax authorities, parliaments and corporate reviews, according to global media reports and official statements. Thousands of taxpayers and companies are under investigation. Over the past eight months this has led to national authorities having already recovered tens of millions of dollars in **taxes** of previously undeclared funds.⁵²

Overall, national authorities are investigating or reviewing more than 6,500 taxpayers and companies, but are yet to bring forward any prosecutions according to the ICIJ. In the EU Member States covered by this study many cases are being investigated. Thus:

- In **Cyprus**, the Ministry of Finance's Tax Department contacted 700 taxpayers in order to obtain specific details regarding their relation with foreign entities and/or their income/assets abroad

⁵¹ Cyprus, Czech Republic, Denmark, France, Germany, Poland, Spain, United Kingdom.

⁵² This includes more than USD 80 million in Colombia, USD 1 million in Slovenia and 375 pounds of silver bullion in Australia. Billions more are being traced for potential tax evasion. The amount that is recovered by governments worldwide is very unlikely to match the gross tax revenue loss as a result of these schemes. <https://www.publicintegrity.org/2016/12/01/20500/panama-papers-have-had-historic-global-effects-and-impacts-keep-coming>.

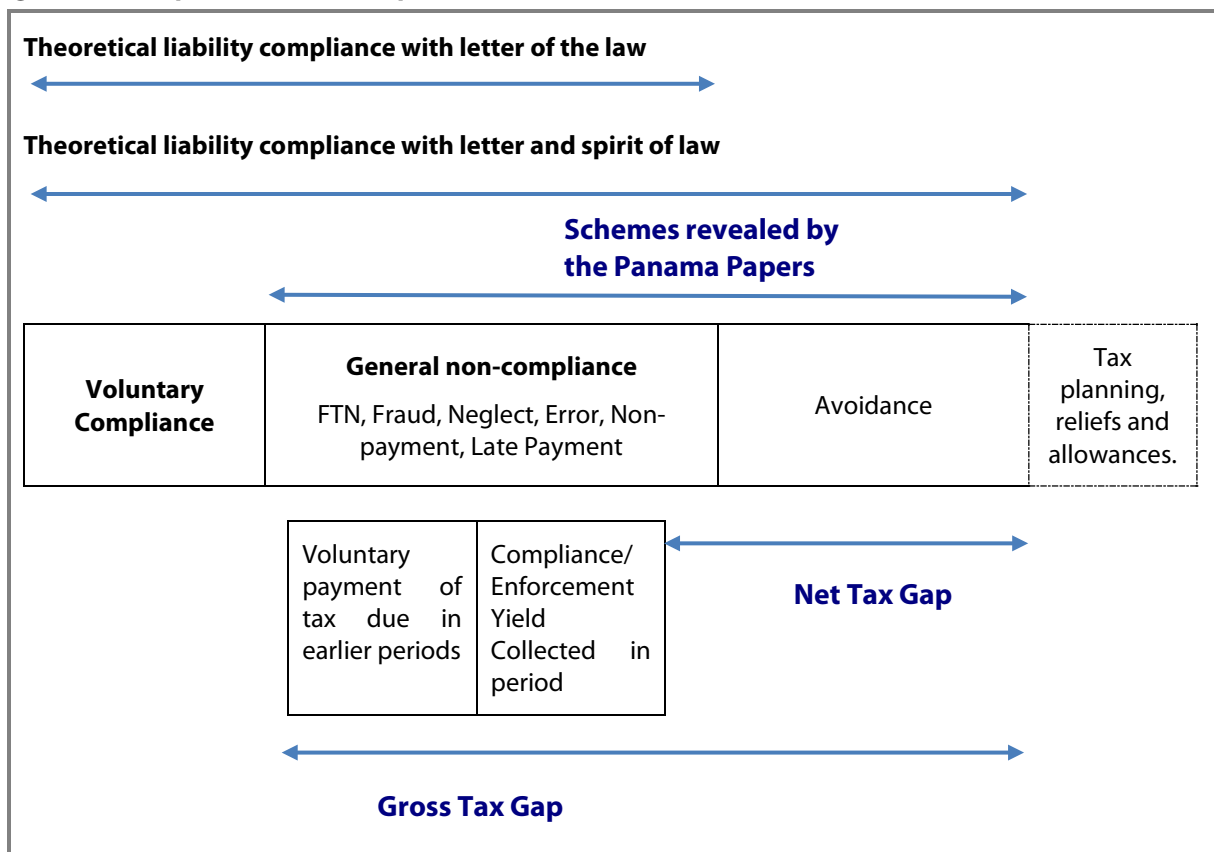
and/or their tax returns. Any subsequent prosecutions are yet to be launched.

- **France’s** Ministry of Finance announced it was auditing 560 taxpayers.⁵³
- In **Spain** the government noted that the Panama Paper revelations allowed the authorities to investigate 209 entities from the Mossack Fonseca database and draw up 14 reports on possible money laundering and financing of terrorism.⁵⁴
- In the **UK**, the Taskforce has opened civil and criminal investigations into 22 individuals for suspected tax evasion and has placed 43 high net worth individuals under special review while their links to Panama are further investigated.

The scope of the investigations is of course far wider than the sample of EU Member States covered by our research. In November 2016 alone, the authorities in Canada, France, Iceland, India, Pakistan and the UK announced probes involving nearly 1,300 taxpayers for potential tax evasion.

Before presenting findings relating to potential tax revenue loss, we outline below the nature of the tax gap, demonstrating where the schemes revealed by the Panama Papers sit within the various streams of taxation and compliance.

Figure 4: Concept model of Tax Gap Source (HMRC, 2005)



⁵³ <https://www.publicintegrity.org/2016/12/01/20500/panama-papers-have-had-historic-global-effects-and-impacts-keep-coming>

⁵⁴ http://www.lasexta.com/noticias/papeles-panama/gracias-a-los-papeles-de-panama-ofrecidos-por-lasexta-se-han-investigado-mas-de-200-sociedades-que-tenian-que-pagar-en-espana_2017032158d13ecd0cf2453280cd1aae.html

As summarised in Figure 4, estimates of **the tax gap broadly cover tax evasion (general non-compliance) and avoidance**. In some estimates, this is not always clear and estimates may refer to the tax gap that includes costs of neglect or late payment, and may not consider what has been recovered by governments. Additionally, our research does not focus on multinational companies and large corporations. In some cases, however, notably the UK, national authority estimates breakdown costs by behaviour, type of tax and customer group.

Below we present our findings for tax revenue loss for in the eight sample Member States. This analysis is based on an interview programme with the authorities in the various countries, supplementary information provided by the authorities and by other contact (e.g. journalists) and other desk research. Our estimates of the tax loss arising from the schemes revealed by the Panama Papers lie in the range 10% – 24% (EUR 109 billion – EUR 237 billion) of the EUR 956.2 billion estimated overall cost of tax evasion to the EU Member States. A more detailed explanation of the calculations shown below is provided after the table.

Table 5: Estimated Tax Revenue Loss to Sample Member States

Member State	Tax Revenue Loss to authorities (billion EUR)	Total Government Expenditure, 2015 (billion EUR)	% of Government Expenditure (2015) ⁵⁵	Revenue Loss to Shadow Economy 2011 (billion EUR) Tax ⁵⁶	Total Government Expenditure, 2011 (billion EUR)	% of Government Expenditure (2011)
CY	n/a.	7.08	n/a	2.1	8.31	25
CZ	2.10 ⁵⁷ – 5.55 ⁵⁸	70.08	2.99 - 7.92	9.73	70.59	14
DE	n/a	1,333.86	n/a	165.6	1,208.57	14
DK	n/a	149.01	n/a	20.7	139.88	15
ES	n/a	470.70	n/a	82.7	490.26	17
FR	17 ⁵⁹ - 19 ⁶⁰	1,242.79	1.37 - 1.53	131.9	1,151.54	12
PL	n/a	178.37	n/a	34.9	166.44	21
UK	3.99 ⁶¹ - 8.66	1,106.04	0.36 - 0.78	79.4	871.33	9
Total / Average	For CZ, FR, UK: 23.09 – 33.21	4,223.47	1.57 - 3.41	528.9	3,896.44	16
EU28	109 – 237	6,951.80	1.57 - 3.41	956.2	6,407.66	15

Source: Multiple: Country Level Research by CSES, Tax Justice Network, Eurostat

⁵⁵ Eurostat, [gov_10a_main]

⁵⁶ Tax Justice Network, 2011

⁵⁷ Prague Daily Monitor (2016), Think tank Glopolis: Czech Republic losing 57 bln in tax havens annually, 6 April 2016. Available from: Prague Daily Monitor: <http://praguemonitor.com/2016/04/06/think-tank-czech-republic-losing-57-bln-tax-havens-annually>

⁵⁸ LAZAROVA Daniela (2016), "Czech PM calls for probe into activities of Czechs on Panama papers files", Radio Praha, 5 April 2016. Available from Radio Praha: <http://www.radio.cz/en/section/curraffrs/czech-pm-calls-for-probe-into-activities-of-czechs-on-panama-papers-files>

⁵⁹ MATHIEU Clothilde (2013), Entretien avec Gabriel Zucman, L'Humanité, 2 décembre 2013. Available from: l'Humanité <http://www.humanite.fr/gabriel-zucman-non-lutter-contre-levasion-fiscale-nest-pas-une-utopie>

⁶⁰ Solidaires Finances Publiques, Evasion et fraude fiscales, contrôle fiscal, 2013.

⁶¹ GBP 3.4 billion at exchange rate of 1:1.17 (Sterling:euro), 28/02/2017. Individuals only, not including criminals, large businesses and SMEs. UK tax gap is estimated by HMRC as 6.5% of tax liabilities (GBP 36 billion)

In the above table:

- **Column 1** lists the sample Member States on which our estimates of budgetary impact are based.
- **Column 2** provides estimates based on our research in the sample of eight Member States of the tax revenue lost per annum due to individuals using schemes such as the ones revealed by the Panama Papers. Data is limited since most countries either do not systematically or publically make estimates of such revenue loss, or, when they do, they focus on loss of corporate tax revenue due to profit shifting and tax avoidance. Currently, the only data that is available is for the Czech Republic, France and the UK.
- **Column 3** provides the total government expenditure for 2015 which is used to determine the proportion of government expenditure that is equivalent to the amount of tax evaded (see Point 4 below).
- **Column 4** expresses the figures from Column 2 as a percentage of total government expenditure (Column 3) based on Eurostat data for those Member States. This is then used to calculate the EU average of tax revenue loss as a share of government expenditure. By determining the average lower and upper limits as a percentage of government spending, using the sample Member States, we averaged an EU-level percentage (1.57% - 3.41%) and applied this to total government expenditure across the EU28. These are estimates only and should be treated with caution. The arithmetic can be expressed as follows: Tax revenue loss as a percentage of Government Expenditure (where TRL = Tax Revenue Loss and TGE = Total Government Expenditure): $TRL / TGE * 100 = \text{Tax Revenue Loss as \% of Total Government Expenditure}$. To scale up to the EU28 level, a range is then averaged for both the lower and upper estimates. With this estimate, the above formula applies to estimate the tax revenue loss to the EU28. The EU28 tax revenue loss is therefore calculated from the estimated average percentage of government expenditure in our sample countries. We also provide a median total, calculating the mid-point of this range.
- **Column 5** provides the Tax Justice Network's estimation of the total cost of tax evasion, inclusive of multinationals and large businesses evading and avoiding tax. Local currency estimates were provided and these have been converted at historical exchange rates (June, 2011) into euros. Since these data are available for the EU28 from a single dataset, it is a useful comparator for our own estimates.
- **Column 6** provides the total government expenditure for the EU Member States in 2011, used to determine the proportion of government expenditure that is equivalent to the amount of tax evaded as estimated by the Tax Justice Network (see Point 7 below).
- **Column 7** then expresses the Tax Justice Network figures as a percentage of total government expenditure in 2011.

It should be noted that the figures in Column 2 are more robust for some countries than others. Many countries have failed to identify and calculate the tax gaps. Where estimates are not published or disclosed by national authorities, we have relied on desk research and other consultations instead.⁶²

⁶² The difficulty in comparing Member State data on the budgetary impact of tax avoidance and tax evasion is evident from the on-going work at European level, for example by the FISCALIS Tax Gap Data Project Group described in Section 1.3. The lack of reliable and comparable data on these issues has implications for measures that could be taken to combat tax havens, explored in Section 5.

Findings for the Sample of Member States

Below, we provide an overview of the results for the eight EU Member States covered by the research:

Cyprus – the Ministry of Finance stated that no national assessments have yet been carried out. Assessments by the Financial Intelligence Unit, MOKAS, are on-going. There is no overall monitoring framework in place and investigations are launched on a case by case basis.

Czech Republic – the NGO Glopolis and an academic source estimated the amount of the tax loss as being up to EUR 2.1 billion (this is, however, based on VAT and corporate tax fraud). The higher estimate is drawn from press coverage following the release of the Panama Papers. No assessment carried out by the national authorities was made available to us.

Denmark – no national assessments have been made public. The Minister for Taxation has announced that through purchasing data from the ICIJ, they were able to recover financial sums exceeding the expenditure of creating SKAT taskforce assigned to investigate the Panama Papers (EUR 0.8m). It is unknown if this amount relates to tax revenues or the recovery in the tax base (i.e. recovering on-shore, the amount of taxable income).

Spain – while GESTHA, a national body of professionals working for tax authorities in Spain, estimates that 75% of tax evasion goes undetected, and makes further estimates on the extent of evasion in corporate, VAT and special taxes, there are no clear assessments of the impact linked to individuals using these schemes. Recent data estimates are also further complicated by the Income Tax Amnesty issued in 2012 as part of an effort to recover unpaid tax.

France – the lower estimate of EUR 17 billion was produced by the economist Gabriel Zucman, cited in this study and known for his book, *The Hidden Wealth of Nations*. The upper estimate of EUR 19 billion was the loss of income tax revenues as identified by *Solidaires Finances Publiques* in a 2013 report. The total tax gap *Solidaires Finances Publiques* reports on is EUR 60–80 billion, inclusive of corporate tax, VAT and other tax evasion types and this was reaffirmed by the Parliament in 2015. No data was provided by the national authorities in the course of our research.

Germany - our research suggests that no data has yet been published on the extent of tax revenue loss due to the schemes revealed by the Panama Papers, and it may indeed take at least another year for such data to become available. Other relevant data do exist, such as that relating to the annual financial loss due to tax evasion overall (EUR 30 billion), and the amount of additional tax revenue generated thanks to investigations of cases of tax fraud (EUR 3 billion in 2015). However, since these estimates not only include, but are usually largely based on, corporate taxation, they cannot be directly applied to the Panama schemes.

Poland – The national authorities in Poland have not carried out a specific impact assessment of the schemes revealed by the Panama Papers and have not published estimates on the tax gap in Poland. Other estimates pertaining to corporate income tax evasion have been made but do not include the schemes revealed by the Panama Papers. Although the number of Polish nationals implicated in the Panama Papers is low, this does not account for all schemes of this type.

United Kingdom – the HMRC does not publish a separate offshore tax gap estimate. The relevant data is captured under evasion, categorised as undeclared foreign income that would normally be part of the income tax and corporation tax regimes. HMRC has however published a detailed breakdown of the UK tax gap for different taxation streams and customer groups. The lower estimate of EUR 3.99 billion is a euro conversion of the 2015 estimates of the revenue losses due to individual tax avoidance and does not include tax losses attributable to corporate tax avoidance. The higher estimate is based on research by Tax Research UK. This originally reported on the tax gap in 2011 for Touchstone. Tax Research UK has been critical of HMRC’s reporting of the tax gap, citing its estimates as being too modest and inconsistent with HMRC’s own publicly available data.

As noted earlier, when the Panama Papers were leaked, the European Commission provided estimates to the press that up to EUR 1 trillion was lost to tax evasion involving these schemes.⁶³ This appears to be based on the Tax Justice Network’s work *The Cost of Tax Abuse: A briefing paper on the cost of tax evasion worldwide* (2011). Their estimate for the cost to public finances in Europe (inclusive of EU28 and six other countries) is EUR 1.05 trillion. Our research does not conflict with this finding on the total cost of tax evasion and avoidance in Europe. We do however, distinguish between individuals using the schemes, and in some cases companies, hiding money offshore or in tax havens and the practice of companies profit shifting, including debt shifting, relocating intangible assets and intellectual property and strategic transfer pricing.

1.12.2. Estimate of tax avoidance based on company data

In addition to the estimates above based on secondary literature and interviews, we also applied an econometric method to help quantify the impact of the schemes revealed by the Panama Papers.⁶⁴ The approach described below is based on micro data as in the methodology developed by Fuest/Riedel (2012).⁶⁵

The approach provides an estimate of the corporate tax base erosion of companies using tax havens listed in the Panama Papers to evade taxes and who have individuals as ultimate owners. To the extent that these companies are able to keep a higher profit through tax evasion, the individual owners can then extract income from this larger profit. In this sense, the estimate provides a proxy for the amount of additional income individuals may generate using the tax havens mentioned in the Panama Papers.

⁶³ Reported by Politico, <http://www.politico.eu/article/pierre-moscovici-european-union-must-act-quickly-on-panama-papers/>, affirmed by European Commission website, ‘A Huge Problem’

⁶⁴ This approach is consistent with the methods for the measurement of tax avoidance in the current literature which are generally based on macro data. Thus, UNCTAD (2015) uses the amount of FDI flowing through the offshore investment centres for their estimation. Zucman (2013) estimated that globally, 8% of the wealth of the households is held in tax havens. However, with respect to the EU he estimates that it is around 10% in comparison with the US where only 4 % of financial wealth is held in tax havens. A similar result can be found in the studies by Gravelle (2015) or Crivelli et al. (2015). The study of the Gravelle (2015) combines macro and micro data to measure the scale of tax avoidance (for the measurement of the magnitude the ratio of US foreign company profits to GDP is used).

⁶⁵ Fuest, C. and Riedel, N., 2012. Tax evasion and tax avoidance: the role of international profit shifting. In: P. Reuter, ed. Draining development? Controlling flows of illicit funds from developing countries, 109–142, [online]. Available from: <https://openknowledge.worldbank.org/handle/10986/2242>.

The estimation involved a number of steps:

Key Steps in Econometric Estimation

- **Step 1:** Data was retrieved from the Orbis databases on companies headquartered in the sample of EU Member States. This database includes information on the individual shareholders of these companies, and the number (not names) of individual shareholders (not exclusive owners, also including minority shareholders) that are ultimate owners of the companies.
- **Step 2:** The data set for the companies within each of the selected countries was divided into two sub-datasets.
 - In the first sub-dataset only the companies *without any link* to tax havens revealed in Panama Papers⁶⁶ were covered.
 - The second sub-dataset comprised the companies *having a link* to the tax havens identified in the Panama Papers.

For each sub-set the number of individual ultimate owners was extracted from the database. including data on the number of individuals that are shareholders (including minority shareholders). The figures are 1,121 such individual shareholders of companies headquartered in the one of the eight sample countries and with a link to one of the tax havens identified in the Panama papers were identified, and 237,097 individuals who are shareholders in companies without a link to tax havens.

- **Step 3:** To reflect sectoral differences, all the companies within each dataset were clustered according to the NACE sectors.
- **Step 4:** The data on tax, asset and profit was extracted from the data sets for the two groups of companies. Data gaps were addressed by as outlined in Annex B.
- **Step 5:** Finally, the indicators from the first sub-set (companies without any link to tax havens) was compared with the second sub-set, making it possible to estimate the real amount (range) of profit without shifting (or without employing tax havens) companies in the second sub-group would have reported on in the 8 sample countries and would have had to pay corporate tax on without using such schemes.

The econometric research revealed that shifting of profit takes place in all jurisdictions. The table below shows which indicators (“Yes”) suggest that profit-shifting is taking place in each country, and which indicators (“No”) do not suggest that. In general terms it can be said that profit shifting within the structure of the entities owned by shareholders-individuals with the link to tax havens is done through the shift of operating revenues or the costs.

However, in Cyprus, Germany, France and United Kingdom, profit shifting is done through debt financing within the structure of entities owned by shareholders-individuals with the link to tax havens.

⁶⁶ These are: British Virgin Islands, Panama, Bahamas, Seychelles, Samoa and British Anguilla.

Table 6: Summary of identified profit shifting channels across the countries*

Indicators	CY	CZ	DE	DK	ES	FR	UK	PL	All
Tax on Assets	no	yes	no	no	no	no	no	yes	yes
Profit before taxation	yes	yes	yes	yes	yes	yes	yes	yes	yes
Tax on Profit	yes	yes	yes	yes	yes	yes	yes	yes	yes
Operating Costs/ Operating Revenue	no	yes	yes	yes	yes	yes	no	yes	yes
Operating Revenue/Profit	yes	yes	yes	yes	yes	yes	yes	yes	yes
Long-term debt/Assets	yes	no	yes	no**	no**	yes	yes	no	yes
Loan / Assets	yes	no	yes	no**	no**	yes	yes	no	yes
Long-term debt/ Shareholders Fund	yes	no	yes	no**	no**	yes	yes	no	yes
Loan / Assets/ Shareholders Fund	yes	no	yes	no**	no**	yes	no	no	yes

Note: *profit shifting proved at least once from the following values: mean, 1p, 25p, 50p, 75p and 99p. Only dataset of entities with known shareholders-individuals from the analysed jurisdictions was applied, except of the case of Cyprus and Poland.

Note: **the data for the calculation were not available

Overall, it is possible to arrive at an estimate of the volume of tax base erosion for all the sample countries with the exception of France, in relation to entities (companies) owned by shareholders-individuals with a link to the tax havens highlighted in the Panama papers. The table below presents the figures for each of the sample countries, as well as an aggregate estimate. With the exception of the Czech Republic, where the figures are marginal, all figures are rounded. **As can be seen from the following table, the econometric-based research suggested that the total volume of tax base erosion in the eight sample countries amounts to EUR 8.8 billion.**

Table 7: Determination of possible loss in tax liability through tax planning channels

Country	Profit before tax <i>million EUR</i>	Indicator tax divided by profit <i>%</i>	Adjusted profit before tax*** <i>million EUR</i>	Assumed volume of base erosion <i>million EUR</i>
CY	0	23%	0	0
CZ	216	74%	375	159
DE	4 760	5%	5 000	-238
DK	106	49%	158	-52
ES	4 680	40%	6 560	-1 870
FR*	1 070	-	-	-
UK	7 390	88%	13 900	-6 510
PL**	1 850	7%	1 970	-129
Total in Million EUR				-8 798.78

Note: * The volume of base erosion is not possible to assume due to the fact that the value of the indicator T/P could not be determined. For details see sub. chapter Determination of profit shifting – case of France above.

Note: ** No shareholder-individual was identified in Orbis database in case of Poland. For details see sub. Chapter Determination of profit shifting.

Note: ***profit before tax adjusted by the T/P indicator.

The table can be read as follows:

- **Column 2** (Profit before tax) shows the profit base of companies with a link to tax havens and with individual shareholders in each country in a year that forms the basis of corporate taxation. For example, in Germany, EUR 4.76 billion is the profit base for taxation of such companies.
- **Column 3** (Indicator tax divided by profit) shows the degree in percentage by which companies were able to increase their profit due to evading tax in their home countries. The exact calculation of this indicator is explained in Annex B. In the case of Germany, the ratio of tax to profit is 5% lower for the sub-set of companies with a link to the Panama Papers than for the sub-set of companies without such a link.
- **Column 4** applies the percentage from Column 3 to the tax base figure in Column 2. This produces the estimate in Column 5. For example, in case of Germany, 5% are applied to the figure EUR 4.76 billion which produces a figure of approximately EUR 5 billion. The difference in tax base erosion is therefore EUR 238 million.

The results shows that the highest amount of tax base erosion took place in case of the United Kingdom. It is worth highlighting that no tax base erosion was identified in case of Cyprus, for the sum of profits before tax of the entities owned by shareholders-individuals with the link to tax haven was negative.

An important limitation to these findings is that the ORBIS database only contains entries related to shareholder-individuals in the order of a tenth of the total number of individuals implicated in the Panama papers, meaning that the figures presented above are likely to greatly underrepresent the actual magnitude of profit shifting taking place. Since there is no database available solely focusing on tax evasion by individuals, this was the only way to arrive at an estimate, however. The table shows the number of shareholders-individuals identified in the dataset with the link to the tax haven and the number of individuals mentioned in the Panama Papers.

Table 8: Number of shareholders-individuals found

Country	No. of entities	Entities without link No. of shareholders - individuals	Entities with the link No. of shareholders - individuals	Panama Papers No. of mentioned individuals
Cyprus	94	12	23	3,669
Czech Republic	76,503	64,436	7	269
Germany	11,226	14,907	107	484
Denmark	202,722	58,976	24	65
Spain	330,001	79,909	727	821
France	666,850	3,781	15	928
United Kingdom	69,706	2,191	218	5,620
Poland	19,797	12,885	0	143
Total	1,376,899	237,097	1,121	11,999

1.12.3. Summary of findings on budgetary impact

Below we summarise our findings from both the interview programme and the micro-econometric assessment. The table shows the total base erosion of the eight sample Member States as a result of the schemes revealed by the Panama Papers and compares them both with the estimates of revenue loss suffered by national authorities and other stakeholders.

For the purposes of comparison, we have applied corporate income tax rates (CIT) in each country to give an indication of the tax revenues lost. In doing so we have not taken into account other possible taxation streams (personal income, capital gains, property etc) for the sake of simplicity.

Table 9: Summary of Findings

Member State	Volume of Base Erosion (billion EUR)	Corporate Income Tax Rate ⁶⁷ (%)	Assumed Tax Revenues Lost from Panama schemes (CIT only) (billion EUR)	Estimates of Tax Revenue Loss from all tax haven schemes to authorities (billion EUR) ⁶⁸
CY	0	12.5	0	-
CZ	0 ⁶⁹	19	0	2.10 – 5.55
DE	0.24	29.65	0.07	-
DK	0.05	23.5	0.012	-
ES	1.87	28	0.52	-
FR	-	33.3	-	17 - 19
PL	0.13	19	0.03	-
UK	6.51	20	1.30	3.99 - 8.66
Total / Average	0	12.5	0	-
Scaled up on assumed factors⁷⁰	87.9878	Not applicable.	19.3	Not applicable.
EU28	351.96⁷¹	23.12	81.37	109 – 237

The microeconomic assessment estimated that EUR 8.8 billion was lost from the tax base due to profit shifting in the sample of 8 Member States. In order to generate estimates for revenue loss in the eight sample countries and compare with the findings from our interview programme, some assumptions have been made. Orbis only identified 10% of the individuals listed in the Panama Papers in the sample countries. Therefore, a multiplier of 10 allows us to generate an upper estimate of the base erosion and total revenue loss totals (see penultimate row in the above table).

On this basis, the total loss to the tax base, or profit shifted, is estimated to be EUR 88 billion from the

⁶⁷ KPMG, Corporate Tax Rates Table, 2015, <https://home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/corporate-tax-rates-table.html>

⁶⁸ See table 5.

⁶⁹ Negligible (EUR 159.84)

⁷⁰ Multiplier of 10 to give an upper estimate of the volume of base erosion and revenue loss amounts, on the basis Orbis only identified 10th of individuals listed in the Panama Papers.

⁷¹ Sample volume of base erosion averaged and multiplied by 10 to include all individuals and multiplied by 28 Member States.

Panama schemes in the eight sample Member States alone. When an EU average CIT rate is applied⁷², this amounts to EUR 19.3 billion in tax revenue losses in 2015 to the sample countries. While this figure may seem smaller than some national estimates, it must be born in mind that only one actor, Mossack Fonseca, is being examined and that other schemes almost certainly exist. The other consideration is that we have based the estimate on corporate income tax only, and tax rates for personal income, property, capital gains and inheritance may also be relevant. Nevertheless, the figures reached in the above table are consistent and reaffirm previous estimates as to the scale of the problem.

Scaling the microeconomic estimates up to the EU28 level is very difficult owing to the range of values in our sample, and the limitations of the Orbis dataset, and the small size of the sample of countries. We have included a EU28-level estimate of revenue loss based on two multipliers. The first, as described above, reflects the fact we only identified 10% of the individuals in the Panama Papers in the respective Member States. The second is a sample average (EUR 1.25 billion) multiplied by 28. This approach allows us to reach an estimate a volume of EUR 352 billion eroded in the tax base. If applying an average EU CIT (with the same limitations as described above), we can estimate the schemes revealed by the Panama Papers resulted in a loss of EUR 81 billion in tax revenues. While short of our estimates at the national level, as described above, this is in consideration of Mossack Fonseca's files only. A more precise measure of the EU28 is possible, and would follow the country by country methodology used in our microeconomic assessment (Annex B to this report).

1.13. ECONOMIC IMPACT

1.13.1. Direct economic impacts

As demonstrated above, **the schemes revealed by the Panama Papers directly reduce the funds available to national authorities** (budgetary impact). This in turn reduces the spending that could be otherwise be made on public services such as education or healthcare but also other areas with substantial job creation potential (e.g. business support, investment in transport infrastructure, regional development measures). Furthermore, the Panama Papers schemes might contribute to the increase in the inequitable distribution of tax revenues and income inequality both within and between countries (economic impact).

Our estimates based on research in the sample of eight EU Member States indicate a possible tax loss of **up to EUR 237 billion in tax revenues to EU28**. The knock-on effects on a Member States lie in the reduced public expenditure on schemes that contribute to economic growth, job and wealth creation. Lower investment of public monies translates into less infrastructure, fewer jobs and lower long-term development prospects.

It is extremely difficult to estimate the **impact of the schemes revealed by the Panama Papers on employment**. If it is assumed that these schemes resulted in at least EUR 173 billion of lost tax to the EU28 Member States (the mid-estimate in our range from the research involving the same of eight Member States – see Section 4.1), then using an average of EUR 50,000 as the cost per job would mean that an additional 3.5 million jobs could have been supported across Europe if the lost tax revenue had

⁷² EU average CIT Rate, KPMG, Corporate Tax Rates Table, 2015, <https://home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/corporate-tax-rates-table.html>

been available for spending on job creating schemes. It does not of course follow that the tax loss associated with the schemes revealed by the Panama Papers would translate on a 1:1 basis into government expenditure to create jobs. For example, an alternative use could be to reduce national debts. **A conservative estimate would be that around 1.5 million jobs could have been supported with the money that was lost to national authorities.** However, irrespective of the precise calculation, it is clear that the scale of the employment effects is very considerable.

When considering that the EU28 Member States spend on a yearly basis more than EUR 200 billion on labour market policy (LMP) interventions to support the unemployed, working people at risk of involuntary job loss, and those needing help to make the transition into work, it is clear that there is likely to be a very considerable potential impact arising from the tax revenue lost to national authorities.⁷³ The lost tax revenue could, for example, been used to help ensure higher levels of expenditure on measures to help unemployed citizens. Between 2005 and 2008, the EU's economic growth led to a decrease of almost 20% in the number of unemployed people between the ages of 15-64. Expenditure on labour market measures declined over the same period by 10%. When the financial crisis started in 2007, the number of unemployed increased by 28% compared with the previous year and as a result expenditure on labour market measures rose by around 26%. However, this changed in 2010 while the number of employed continued growing. In 2011 the expenditure on labour market measures dropped by EUR 23 billion compared with 2010 while the number of unemployed stabilised. The lost tax revenue could have helped governments to maintain levels of labour market policy interventions and in this way would have supported some 139,000 EU citizens who lost their jobs during the period 2010-2011.

1.13.2. Wider economic Impacts

In terms of **wider economic impact the existence of tax havens undermines productivity in the public and private sectors** with companies and individuals extracting money from an economy without actually adding to economic growth (Olken and Pande, 2012; OECD, 2016; Lambsdorff, 2003). Corruption (and money laundering through the tax havens) reduces public sector productivity by undermining public spending programmes, affecting the productivity of the civil service and having negative impacts on public revenues (Purhohit, (2007), (Fjeldstad and Tungodden, 2003) or Aghion and others, (2016)).

In economics and general equilibrium theory, free markets are defined by several conditions enabling perfect competition between market users. One of these conditions is the notion of perfect information where all consumers and producers know the prices of products and utilities each person would get from owning each product. During our consultation, it was argued that tax revenue loss was incidental, and a greater **impact on the economic productivity of Member States would be caused by the distortion of information available in the financial markets.** As described in Section 2 the nature of tax havens operating in total secrecy distorts the behaviours of producers and consumers. In the context of the Panama Papers, the effects of capital losses has been researched and O'Donovan et. al (2017) found that **USD 135 billion across 397 public firms was erased due to their offshore vehicles**

⁷³ http://ec.europa.eu/eurostat/statistics-explained/index.php/Archive:Labour_market_policy_expenditure

being exposed in the Panama Papers.⁷⁴

For companies or individuals to invest in companies with an association with a known tax haven creates an asymmetrical risk in their tax future, therefore requiring a higher rate of return on their investment, and the investment itself is likely to be lower. If the quantity of this investment is lower, investment into actual productivity is reduced and consequently there is less employment. The existence of tax havens, therefore, undermines productivity in the public and private sectors with companies and individuals extracting money from an economy without actually adding to economic growth (Olken and Pande, 2012; OECD, 2016; Lambsdorff, 2003).

This volatility would have had a negative impact not only for these firms' shareholders in countries in which these firms have a substantial presence. The distortion effects on financial markets would not have only occurred at the revelation of a company's offshore vehicles, but will occur at the point of investment and prior to this revelation during operations. This is dependent on the financial intelligence of the investor for instance, and to what extent they are either aware of these offshore vehicles, or to what extent their risk analysis permits the investment anyway. Tax havens therefore create inefficiencies in free markets by obscuring the behaviours of their users. Additionally, individuals or companies that operate in tax havens can grow their profits disproportionately to companies that are taxed in the origin state, creating unfair advantages and hence further distortions. Companies using tax havens therefore have a greater access to capital, so argues Richard Murphy (2017).

O'Donovan et al. (2017) reached the conclusion that the Panama leaks reduced the net benefits of using offshore vehicles to evade taxes. The risks of these investments were highlighted in the meeting notes analysed by the ICIJ of Mossack Fonseca, the users of the schemes and their intermediaries, as increasingly the traditionally low risk assets of offshore financing have been subject to more public scrutiny.⁷⁵

The (unknown) existence of the offshore investments seen in the Panama Papers have, over the last four decades, undoubtedly had a negative impact **on the flow of capital, to the detriment of those Member States in which the implicated firms are headquartered and/or focus their operations.** The investments, whether in shell companies or trusts, are unproductive and generate little interest or return on the investment. Richard Murphy (2017) argues further and in more detail that the assets seen in the Panama Papers increase the concentration of both income and wealth around the world, making the Mossack Fonseca schemes a driver of global inequality.

Another more specific concern relates to the **use of offshore companies to purchase real estate.** The money laundering aspect becomes prominent when buyers or their agent pay for the property in cash. Large cash payments when purchasing real estate are a recognised weakness in the implementation of international money laundering standards, and in particular when the buyer of record is an offshore entity. It is not simply that it conceals the beneficial owner, but it is the use of illicit money to complete the transaction. It is the concern that these flows of money are distorting the housing market by encouraging a willingness to pay any asking price, including a price that could not be met by those

⁷⁴ https://papers.ssrn.com/sol3/papers2.cfm?abstract_id=2771095

⁷⁵ Interview with Will Fitzgibbon, ICIJ

without access to such illicit money.

A similar concern exists where **the offshore entity may be used to purchase and own company shares, businesses, and other forms of property**. Again, the belief is that the purchaser is willing to pay more than otherwise, as part of the cost for getting the money cleaned and into the aboveground economy. The investigation of the company 1Malaysia Development Bhd (1MDB) over allegations of corruption, bribery and money laundering is wide-ranging and complex, crossing numerous international borders. And as a result it contains an example for the use of an offshore company with a name very similar to another company and the movement of suspicious funds through these offshore companies into aboveground investments. The *Wall Street Journal* has been particularly active in pursuing this story, reporting on the flow of money into a firm that invested in the production of the film, 'Wolf of Wall Street', and the purchase and subsequent sale, at a loss, of some works of fine art.⁷⁶

The **use of subsidiary firms by large multinational corporations that are registered in an offshore jurisdiction** is widely recognised after receiving intense media and government scrutiny over the past few years (see for example Apple and Starbucks, Enron and Parmalat). The explicit revelations of the Panama Papers may not include cases involving large publicly-traded multinational corporations but their business practices certainly may be replicated by smaller corporations to achieve similar effects. One concern arising from this involves market distortions. Many states have laws requiring an individual shareholder to be identified when they own more than a specified amount of shares, for example, five percent. A large quantity of shares represents a potential controlling interest in the company with influence over company business and policies. If someone desired to acquire a controlling interest without the activity being recognised until the necessary number of shares had been purchased, they could do so by using offshore companies. The offshore company could purchase shares without revealing the beneficial owner behind it. Multiple offshore companies could together build up the stake in the target company until the beneficial owner had the total quantity desired and chose to make that controlling interest public knowledge.⁷⁷

Another wider economic problem relates to the challenges faced by the companies that evade/avoid taxes themselves. Their involvement in schemes used to avoid or evade taxes can cause a reputational damage, and may lead investors and shareholder to divest. This, in turn, may reduce profitability and employment among these firms, and hence negatively affect economic production in countries in which these firms have a substantial presence. One example relates to the revelations following the collapse of ENRON in 2001 which demonstrated another form of market distorting effects involving the use of offshore entities. In that case, they were used to perpetuate a fraud and conceal the true state of corporate finances from public view.⁷⁸ Several years later a similar case emerged in

⁷⁶ Bradley Hope, John R. Emshwiller and Ben Fritz, 'The Secret Money Behind "The Wolf of Wall Street"', *Wall Street Journal*, 1 April 2016, <http://www.wsj.com/articles/malysias-1mdb-the-secret-money-behind-the-wolf-of-wall-street-1459531987>, see in particular the graphic depicting the flow of money from 1MDB to the film production company; Kelly Crow and Bradley Hope, '1MDB Figure Who Made a Splash in Art Market Becomes a Seller', *Wall Street Journal*, 19 May 2016, <https://www.wsj.com/articles/1mdb-figure-who-made-a-splash-in-art-market-becomes-a-seller-1463695018>.

⁷⁷ Another explanation for this strategy would be for the purchase of a large number of shares without the scale of the purchase activity being recognised and as a result influencing the share price. This approach might be taken, for example, by a hedge fund.

⁷⁸ One summary of the case is 'The ENRON Affair', BBC News, 17 February 2003, http://news.bbc.co.uk/1/hi/in_depth/business/2002/enron/default.stm.

Europe involving the Italian firm Parmalat. It also had used offshore companies to perpetuate financial fraud ultimately leading to the collapse of the company.⁷⁹ The dilemma for policy-makers reflected here involves how to allow companies sufficient privacy to conduct business successfully, while at the same time enforce sufficient transparency on companies in order to prevent these forms of financial fraud.

1.14. FINANCIAL SYSTEM IMPACTS: TAX HAVENS, OFFSHORE FINANCIAL CENTRES AND CRIME

The schemes revealed by the Panama Papers may catalyse illegal activities. This includes not only tax evasion but in some instances the schemes are used to launder the proceeds of corruption and bribery, terrorism, drug trafficking, human trafficking, illegal immigration, and cybercrime.⁸⁰ The Panama Papers “include the names of at least **33 people and companies** blacklisted by the U.S. government because of evidence that they’d been involved in wrongdoing, such as doing business with Mexican drug lords, terrorist organizations like Hezbollah or rogue nations like North Korea and Iran.”⁸¹

The Panama papers exposed activities of both legal entities and individuals pointing to suspicions of fraud, evasion of sanctions, money laundering, financing of corruption and tax evasion. The response to the leak has been significant with many authorities launching civil and criminal tax evasion investigations. This includes: Australia, Canada, Denmark, France, Germany, India, Israel, Malta, Norway, Pakistan, Singapore, Spain, Sri Lanka, Sweden, Thailand and the USA.

The United Nations Development Programme’s 1999 Human Development Report estimated that organised crime grossed USD 1.5 trillion per year.⁸² As the United Nations Office on Drugs and Crime (UNODC) website notes: “Due to the secrecy of tax havens, and their lack of cooperation with other countries, the use of tax havens facilitates crime, such as tax evasion, money laundering, financing of terrorism, trafficking, and other types of transnational crime”. The use of corporate entities and shell companies previously described allows beneficiaries of these schemes to obscure their identity, and enable them to carry out money laundering activities, or financial activities pertinent to the financing of terrorism.⁸³

Europol’s 2011 EU Organised Crime Threat Assessment highlighted the role of offshore jurisdictions. According to the assessment, these “...regularly appear in [money laundering] investigations featuring the use of shell companies. These hubs provide a number of benefits to criminals, most notably strict secrecy laws which facilitate the concealment of beneficial ownership of assets.”⁸⁴ The Assessment also noted that there is a clear preference for offshore banking locations (and

⁷⁹ See, e.g., Sophie Arie, ‘Parmalat dream goes sour’, *The Observer*, 4 January 2004, <https://www.theguardian.com/business/2004/jan/04/corporatefraud.parmalat2>.

⁸⁰ <https://www.publicintegrity.org/2016/12/01/20500/panama-papers-have-had-historic-global-effects-and-impacts-keep-coming>

⁸¹ <https://panamapapers.icij.org/blog/20160403-key-findings.html>

⁸² United Nations Development Programme, Human Development Report 1999, 1999, p.42

⁸³ United Nations Office on Drugs and Crime,

⁸⁴ European Police Office, EU Organised Crime Threat Assessment, 2011, p.43. from Blomeyer & Sanz, European Initiatives on eliminating tax havens and offshore financial transactions and the impact of these constructions on the Union’s own resources and budget, 2013, p.39

major financial centres) when it comes to handling criminal proceeds.⁸⁵ The **Fourth Directive on Money Laundering, Directive (EU) 2015/849** recognises that “flows of illicit money can damage the integrity, stability and reputation of the financial sector, and threaten the internal market of the Union as well as international development. Money laundering, terrorism financing and organised crime remain significant problems which should be addressed at Union level.”⁸⁶ The US State Department in 2014 officially listed 66 countries as countries where money is often laundered, or countries of ‘primary concern’.⁸⁷ This list includes some EU Member States, as well as the tax havens listed in the Panama Papers.

The link between the use of offshore areas and financial crime is particularly relevant when looking at enforcement. For example, companies can use offshore vehicles to finance bribery and this way to acquire large public contracts. Transaction costs can determine whether companies resort to bribing corrupt officials. The likelihood of being prosecuted for violating anti-bribery regulation can weigh in when resorting to corrupt practices through offshore vehicles. The impact of the Panama papers could have an effect on stronger enforcement and this way encouraging companies to stop using offshore entities for bribery.

1.14.1. Money laundering at EU level and estimated extend of the Panama Papers

In past years, **fighting money laundering, tax evasion and corruption has become an important topic at both European and global level.** The Financial Action Task Force (FATF) revised its standards in 2012, by increasing the prominence of application of the so-called “risk-based approach” in mitigating the ML/TF risks and by moving towards assessing countries’ effectiveness of anti-money laundering and combating financing of terrorist (AML/CFT) regimes. Amongst other changes, the FATF strengthened its standards on beneficial ownership and expanded the list of designated predicate offenses (i.e. underlying crimes that give rise to money laundering) to tax crimes.

The European Commission’s 2013 impact assessment of the EU anti-money laundering/counter terrorist financing legislative framework points to global criminal proceeds potentially amounting to approximately 3.6% of global GDP; around USD 2.1 trillion in 2009.⁸⁸ This falls within the widely quoted estimate by the International Monetary Fund, which stated in 1998 that the aggregate size of money laundering in the world could be somewhere between two and five percent of the world’s gross domestic product. Using 1998 statistics, these percentages would indicate that money laundering ranged between USD 590 billion and USD 1.5 trillion. At the time, the lower figure was roughly equivalent to the value of the total output of an economy the size of Spain. As stated earlier, money laundering is also a key enabler of serious and organised crime, the social and economic costs of which

⁸⁵ Ibid., p.44.

⁸⁶ Article 1, Directive (EU) 2015/849 Of The European Parliament And Of The Council, 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC

⁸⁷ <https://www.state.gov/j/inl/rls/nrcrpt/2014/vol2/222471.htm>

⁸⁸ ‘Impact Assessment accompanying the document Proposal for a Directive of the European Parliament and of the Council on the prevention of the use of the financial system for the purpose of money laundering, including terrorist financing and Proposal for a Regulation of the European Parliament and of the Council on information accompanying transfers of funds’, European Commission, February 2013. See also: http://www.unodc.org/unodc/en/frontpage/2011/October/illicit-money_-_how-much-is-out-there.html. See also: <http://www.fatf-gafi.org/faq/moneylaundering/>

are estimated to be GBP 24 billion a year.⁸⁹

It needs to be noted though that it is very difficult to grasp the extent of money-laundering with meaningful statistics. This is because money laundering is in many cases not detected. Therefore, statistics on detected cases does not necessarily show the full extent of money laundering. In addition to that, in those cases where investigations/prosecutions take place the ultimate conviction mostly refers to the predicate offence (i.e. the crime that money laundering tries to hide instead of money laundering itself). Nonetheless, in 2013 Eurostat analysed current statistical information available within the Member States in order to provide an overview of the extent of money laundering on the EU level. The data on EU level differentiates between the intelligence phase (reporting), the investigation phase and the judicial phase.

According to the latest Eurostat data, in 2010 nearly **250,000 cases of money laundering were prosecuted in the EU**.⁹⁰ The statistics have to be treated with caution since it is based only on 14 Member States (Belgium, Bulgaria, Czech Republic, Germany, Italy, Latvia, Lithuania, Luxembourg, Hungary, Portugal, Romania, Slovenia, Spain and Finland). It should also be noted that the observed fluctuations are mainly due to the German cases as they represent between 73 % and 83 % of the total number of cases every year. In addition to the total number of cases, Eurostat data revealed the number of persons/legal entities convicted for money laundering offences. The data shows that **the number of convictions dropped steadily over the years starting from nearly 5000 in 2006 to 3000 cases in 2010**.⁹¹ The report mentions that the gradual decrease in the number of persons convicted for money laundering offences can be explained by the fact that final prosecution for a money laundering case may take three to five years, from the time when a STR may have first triggered investigation and prosecution (and many cases may be pending). Therefore, it is advisable to avoid making comparisons between years.

It is necessary to **compare the number of total cases prosecuted in the EU each year due to money laundering (nearly 250,000) with those numbers revealed by the Panama Papers**. In a public hearing to the European Parliament in November 2016, Europol, revealed that it had found 3,469 probable matches to organized crime, tax fraud and other criminality from the Panama Papers database to information in its own files.⁹² One of the “main schemes” identified by the Europol analysis of the Panama Papers involves the abuse of trusts which has been explained in Section 3 of this report. In terms of methodology Europol compared the publicly available versions of the Panama Papers published by the ICIJ with its own databases of individuals and companies suspected of criminal involvement and with this methodology it came up with 3,469 probable matches. Out of those cases 1,722 names in the Panama Papers match with entities that had been reported by EU member states as having been involved in potential money-laundering transactions. The majority of matches originated from the UK, although this could be related to the country’s status as Europe’s core financial centre. The fact that the Panama Papers potentially only concern 0.6% (i.e. 1,722 Europol matches of the total number of yearly cases reported on money laundering) suggests an only marginal impact on the status quo. However, this quantification has to be treated with caution given that Europol data related to the matches might not be comprehensive.

⁸⁹ ‘Understanding organised crime: estimating the scale and the social and economic costs’, Home Office, October 2013

⁹⁰ Eurostat Money laundering in Europe - 2013 edition, p.63

⁹¹ *ibid*, p. 67.

⁹² <http://www.europarl.europa.eu/committees/en/pana/events-hearings.html?id=20161026CHE00121>

1.14.2. Other financial crime at EU level as revealed by the Panama Papers

The remaining entries mentioned by Europol relate to crimes other than money laundering.

- 516 names of the 3469 entries were connected to Eastern European **organised criminal gangs** (to understand the dimensions it has to be mentioned that in 2013, 36000 criminal groups were active in the EU);⁹³
- 388 were connected to **VAT fraud operations** (it should be noted that the EU is yearly losing an estimated 100 billion Euros of VAT income);⁹⁴
- 116 of the names were connected to a Europol operation against Islamist terrorism (which is around 15% of annually arrested persons for **suspicion of terrorist activities** in the EU);⁹⁵

Here different conclusions have to be drawn depending on which crime is concerned. In general terms one has to consider this figures with extreme caution due to the fact that the 'probable matches' as detected by Europol have not yet been properly investigated and thus the correlation between actual matches is far from clear. Furthermore, Europol's data might not be exhaustive.

1.14.3. Extent of financial crime linked to Panama Papers schemes in Member States

While more general data on the impacts of offshore financial centres and tax havens has been discussed in the previous section, our research in the eight EU Member States under investigation in this study did not reveal robust information with respect to the specific impacts of financial crime in correlation to the Panama leaks since in most cases estimation includes schemes with legal and illegal purposes and no separate statistics focus on impacts of illegal schemes only.

Some estimates of the **impact exclusively relating to financial crime (not to tax avoidance and aggressive tax planning)** are provided in the following bullet points for Cyprus, the Czech Republic, Spain, and the United Kingdom.⁹⁶ It should be noted that the estimated figures mentioned below are not based on the same sources as Sections 4.1 and 4.2 and are based on rather anecdotal evidence. Thus, they only provide idea general indication of the impact of financial crime and are not robust enough to be used to calculate an EU-wide impact of financial crime as revealed by the Panama Papers.

According to the 2015 Annual Report of the **Cypriot FIU MOKAS**, there were 524 of cases of information requested from MOKAS including 34 formal requests from other countries and 56 cases of spontaneous reports sent to other countries. The FIU has compared the data in the Panama Papers with its database, and has identified only one case involving monies of the order of around EUR 15m. However, these assets have already been frozen by a court order due to a conviction on money laundering relating to foreign companies and UBOs mentioned in the Panama Papers.

⁹³ Europol EU Serious and Organised Crime Threat Assessment 2013.

⁹⁴ Ibid, p. 26.

⁹⁵ According to the 2015 Europol Terrorism and Trend report, 774 individuals were arrested due to suspicion of being involved in terrorism (p. 8).

⁹⁶ Note that no data was available for the remaining countries which are subject to this study.

In the **Czech Republic** it is suggested that Czech Republic could be losing CZK 150 billion (EUR 5.5 billion) due to tax evasion alone per year (this does not include tax avoidance).⁹⁷ Without going into more depth (e.g. providing statistics) other sources have mentioned that financial crime is not as problematic as for example aggressive tax planning. This is because international instruments have been very effective in tackling financial crimes.⁹⁸

In **Spain**, Gestha (a collective of 8,000 professionals working in the Ministry of Finance and the Spanish Tax authorities) estimated that in 2015 only 25.42% of estimated tax evasion was detected by the tax authorities through control and prevention. This corresponded roughly to EUR 15.5 billion, leaving almost three quarters of the estimated tax evasion undetected.⁹⁹ Gestha further highlights that more taxpayers were investigated in 2015 compared to 2010. However, a smaller amount of fraud was detected. The average trend from 2012-14 shows that investigations focused on smaller taxpayers such as SMEs, self-employed and employed individuals which represent a smaller amount of fraud compared to larger companies and wealthy individuals which represent an estimated 70% of tax fraud in Spain. Gestha also pointed out that there has been a steep drop in number of violations detected, 57% in the last decade. In 2015, 341 reports were made for fiscal crime compared to 793 in 2005 and 1014 in 2011. In total EUR 442.6m have been defrauded in 2015. This number of tax fraud does not specifically refer to the leaks of the Panama Papers but also includes cases which resulted from investigations unrelated to the Panama leaks. It is also worth pointing out that these numbers do not account for other criminal activity such as money laundering or other serious crimes but they seem to exclude aggressive tax planning which is included in the numbers mentioned in Section 4.1.

In the **United Kingdom**, the Panama Taskforce has opened civil and criminal investigations into 22 individuals for suspected tax evasion and identified a number of leads relevant to a major insider-trading operation led by the Financial Conduct Authority and supported by the NCA. Furthermore the Taskforce identified nine potential professional enablers of economic crime – all of whom have links with known criminals and established links to eight active Serious Fraud Office investigations.

⁹⁷ LAZAROVA Daniela (2016), "Czech PM calls for probe into activities of Czechs on Panama papers files", Radio Praha, 5 April 2016. Available from Radio Praha: <http://www.radio.cz/en/section/curraffrs/czech-pm-calls-for-probe-into-activities-of-czechs-on-panama-papers-files> [accessed 16.02.2017]

⁹⁸ Interview feedback

⁹⁹ ION COMUNICACIÓN (2017). Gestha denuncia que el 75% de la evasión fiscal no fue detectada por Hacienda en 2015 [WWW]. Available from: <http://www.ioncomunicacion.es/noticia.php?id=%2017753> [accessed 28.02.2017].

CURBING THE ADVERSE EFFECTS OF TAX HAVENS

1.15. OVERVIEW OF NATIONAL, EU AND INTERNATIONAL TAX MEASURES ADOPTED AS RESULT OF THE PANAMA REVELATIONS

Due to the far-reaching nature of the Panama Papers, many governments have already decided to strengthen their national laws in order to combat tax havens and financial offshore centres and their negative effects. Below we outline existing measures before putting forward recommendations on how these and other measures could be strengthened.

1.15.1. National level

Below we outline measures already being taken by some of EU Member States covered by this research.

In **Germany** the Parliament adopted recently the ‘transparency register’ (Transparenzregister).¹⁰⁰ The aim of the register is to publish the names of the ultimate beneficiaries of companies. The idea is to not only provide details of companies but also information on the final beneficiary of companies. In this way it should become easier to detect whether a person involved in money laundering or other offences is “hiding” behind a company name.

In an interview we undertook it was mentioned that the “Transparenzregister” has been ‘watered down’. The main concessions refer to the fact that the “Transparenzregister” is only accessible to a limited group of users such as journalists and not the wider public and there is now a fee for accessing it. The limitations have been explained as being necessary because of data protection rights. Another measure taken in Germany is the development of a law enhancing cooperation duties of tax payers vis-à-vis the tax authorities, information duties of banks, and expanding investigation competences for financial administration in the country, including lifting bank secrecy rules.

In the **Czech Republic** the extent of transparency of beneficial ownership is ambiguous.¹⁰¹ Czech law is very restrictive in terms of access to information, but the government seems to support the idea of public registers of effective beneficiaries at the EU level. The Czech Republic has adopted a law to establish a register of beneficial owners. However, public access is likely to be very limited and access is only granted to the authorities dealing with taxes, such as the FIU, police and courts.

In **Spain**, collaboration with the Panamanian public prosecutor office is slowly taking place.¹⁰² Contact with the Panamanian authorities is being undertaken by the *Audiencia Nacional* through official requests (*comisiones rogatorias*). The strategy is to gradually request information to clarify the activities of those exposed in the papers. The agreement to collaborate between the authorities is partially facilitated due to the Spanish efforts to provide the Panamanian authorities with information on funds

¹⁰⁰ <http://www.stuttgarter-nachrichten.de/inhalt.deutschland-einigung-ueber-transparenzregister.dfe080b2-6459-42a4-8b3b-249df401a8c3.html>

¹⁰¹ Survival of the richest, Europe’s role in supporting an unjust global tax system 2016, 7 December 2016. Available from Glopolis: <http://glopolis.org/en/articles/survival-richest-europes-role-supporting-unjust-global-tax-system-2016/> [accessed 17.02.2017]

¹⁰² OKDIARIO (2017). La Fiscalía de Panamá entregará datos para confirmar delitos de blanqueo y fraude de VIP españoles <https://okdiario.com/investigacion/2017/02/24/papeles-panama-fiscalia-confirmar-delitos-blanqueo-fraude-773253> [accessed 28.02.2017].

in the country linked to offshore entities and drug trafficking. In return it is envisaged that the Panamanian authorities will provide information to the Spanish prosecutor on possible tax crimes and money laundering in the country. Interview feedback from civil society organisations and journalists pointed to the need to be more transparent on company registers.¹⁰³ As is the case with the German transparency register, it is not possible to access the register without paying fees and only if a specific company is searched for. The tax authorities also made a number of suggestions on how current laws could be updated.¹⁰⁴ For example, the competences of experts of the Ministry of Economy could be extended and/or there could be closer joint working between state, regional and local tax administrations and a tax database could be set up.

In **France**, plans were announced to set up a trust register in May 2016.¹⁰⁵ This register was supposed to increase transparency as in the case of those registers in previously mentioned countries. Trusts for which at least one beneficiary resides in France would have to be registered in this public database. When the register was published online, the *Conseil d'Etat* suspended its implementation following a complaint by a US citizen residing in France claiming the register was a violation of her privacy. The Constitutional Court (*Conseil Constitutionnel*) decided in October 2016 that the creation of the register was violating privacy disproportionately with regard to the objective pursued.¹⁰⁶ France is currently trying to establish a register of effective beneficiaries but this is proving to be challenging.

In the **UK**, the authorities have announced the intention of introducing additional controls on tax haven operations. The Criminal Finances Bill introduced to the UK Parliament in September 2016 will significantly improve the UK's capabilities to tackle money laundering and recover the proceeds of crime, including proceeds of corruption. The UK's Finance Act 2016 introduced a new package of measures which increase civil penalties for offshore tax evasion, including the introduction of a new asset based penalty of up to 10% of the value of the underlying asset and enhanced naming powers for offshore evaders.

The UK has also produced a public register of beneficial ownership information and the National Crime Agency is working to get the new International Anti-Corruption Coordination Centre operational by April 2017. The public registry of beneficial ownership has been criticised due to the alleged ease of falsifying personal information, requiring only a valid postcode to register. The requirement for more than 25% shareholders to register has also allowed for companies to manoeuvre shareholders out of this bracket. The UK is also introducing a new legal requirement to correct past offshore non-compliance with significantly tougher new sanctions for those who fail to do so. Other legal measures include the introduction of a new criminal offence for tax evasion removing the need to prove intent for serious cases of failure to declare offshore income and gains. New civil sanctions for those who enable offshore tax evasion have been introduced, including penalties of up to 100% of the tax evasion.

Within the EU, France, Germany, Italy, Spain and the UK have come together in the format of the G5.

¹⁰³ ACCES INFO EUROPE (2016) It's none of your business! – Report on Europe's Closed Company Registers [WWW]. Available from: <https://www.access-info.org/cos/22520> [accessed 28.02.2017].

¹⁰⁴ <http://www.ioncomunicacion.es/noticia.php?id=10723>

¹⁰⁵ ROGER Patrick, "Evasion fiscale: le Conseil Constitutionnel retoque le registre public des bénéficiaires des trusts », Le Monde, 21.10.2016. Available from Le Monde: http://www.lemonde.fr/economie/article/2016/10/21/evasion-fiscale-le-conseil-constitutionnel-retoque-le-registre-public-des-beneficiaires-des-trusts_5018034_3234.html [accessed 14.02.2017]

¹⁰⁶ Ibid

Immediately in response to the Panama leaks, they sent a letter to the rest of the G20 nations stressing the importance of the fight against tax evasion and money laundering. One measure that should be implemented soon is the **Common Reporting Standard** which provides for the automatic exchange of information between over 90 countries and jurisdictions on offshore accounts as of this year. Panama has agreed to implement the standard on a bilateral and reciprocal basis from 2018. The G5 also commit to establishing registers requiring that beneficial owners of companies, trusts, foundations, shell companies and other relevant entities can be properly taxed. They also launched a pilot initiative for automatic exchange of information on beneficial ownership, building on the Common Reporting Standard. In the letter, signatories expressed their hope that this may lead to another global standard built in cooperation with the OECD and FATF on information exchange covering beneficial ownership.

1.15.2. EU and international levels

At the EU level the Panama Papers led to discussions on appropriate legislative measures. Thus, in July 2016 the European Commission published the **Proposal for a Council Directive amending Directive 2011/16/EU** as regards access to anti-money-laundering information by tax authorities.

The proposal can be regarded as reacting to the need of tax authorities to have greater access to information on the beneficial owners of intermediary entities and other relevant customer due diligence information. Consequently the objective of the initiative is to enable tax authorities to consistently access the anti-money laundering information for the performance of their duties in monitoring the proper application of the Directive on Administrative Cooperation by Financial Institutions.

The European Commission has also published a “**Communication on further measures to enhance transparency and the fight against tax evasion and avoidance.**” This initiative provides an overview of five areas where current practices need to be improved:

- Harnessing the link between anti money laundering and tax transparency rules including by strengthening the Fourth Anti-Money Laundering Directive;
- Improving information exchange on beneficial ownership;¹⁰⁷
- Increased oversight of enablers and promoters of aggressive tax planning, in line with recommendations made by the OECD on how to best tackle the tax avoidance strategies of base erosion and profit shifting – this tackles mainly corporate tax avoidance and less tax evasion by individuals which is the focus of this study;
- Promoting higher tax good governance standards worldwide;
- Improving the protection of whistle-blowers. These five suggestions are broadly aligned with suggestions made during our interview feedback where experts highlighted these areas as those that need to be improved in light of the Panama revelations.

The approach of the EU to dealing with tax havens has been generally consistent with the initiatives of the OECD under the guidance of the G20 since 2009. As noted in Section 2.1.1, the **Global Forum on Transparency and Exchange of Information for Tax Purposes at the OECD** is reporting annually on

¹⁰⁷ This was also confirmed in a EP Parliament hearing: <http://www.europarl.europa.eu/news/en/news-room/20161114IPR51018/beneficial-company-owners-register-vital-to-combat-money-laundering-experts-say>

the implementation progress of the internationally agreed standard on the exchange of information for tax purposes.¹⁰⁸ This standard for the exchange of taxpayer data is known as the **Common Reporting Standard (CRS)**. The first exchange of taxpayer data among the jurisdictions implementing the standard is scheduled to occur in 2017.

The OECD introduced the CRS at the February 2014 meeting of the G20 Finance Ministers and the Global Forum declares in its 2016 annual report that 101 jurisdictions have now committed to the automatic exchange of taxpayer information under CRS.¹⁰⁹ This timing was beneficial to the EU, which had been working on revising the information reporting requirements of the Directive '**on taxation of savings income in the form of interest payments**' in order to 'look through' corporate vehicles and report the details on the beneficial owner.¹¹⁰ Following the announcement of the CRS the Commission revisited this Directive and its reporting requirements. It determined that the implementation of CRS would satisfy the reporting requirements in the Savings Tax Directive and would therefore replace those reporting requirements.¹¹¹

The OECD's Global Forum itself dates from 2000 but progress toward an agreed standard for information exchange had been slow until 2010.¹¹² In 2010, the US Congress passed a law, the **Foreign Account Tax Compliance Act (FATCA)**, requiring non-US financial institutions to provide account information to the US Internal Revenue Service (IRS) on all the accounts held for a US citizen.¹¹³ As part of the implementation process the US Treasury introduced an intergovernmental agreement (IGA) to facilitate information reporting, whereby the financial institution provides the account data to their national government which in turn provides this data to the US government. Over the next few years **many jurisdictions signed an IGA with the US, and this widespread compliance with FATCA offered the Global Forum with the precedent and a template for the CRS.**¹¹⁴

By following the information requirements of FATCA in the CRS **the OECD made sharing taxpayer information with other jurisdictions cost effective and consistent with any procedures in place to satisfy FATCA information reporting.** The fact that a jurisdiction was already providing taxpayer data to the US served to overcome any remaining resistance to providing taxpayer data to other countries.¹¹⁵ The diffusion of this international standard promoting transparency and the *automatic* exchange of taxpayer information overcomes the recognised limitations present in previous efforts to address the problems created by tax havens. At the same time, the diffusion is incomplete in some crucial aspects with the US not having fully committed to implementing the CRS.

¹⁰⁸ The annual report for 2016 is available at <http://www.oecd.org/tax/transparency/GF-annual-report-2016.pdf>.

¹⁰⁹ Global Forum, 'Tax Transparency 2016 Report on Progress', p. 9.

¹¹⁰ Council Directive 2014/48/EU of 24 March 2014 amending Directive 2003/48/EC on taxation of savings income in the form of interest payments, *Official Journal of the European Communities L series* 111.

¹¹¹ Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation, *Official Journal of the European Communities L series* 359.

¹¹² 'About the Global Forum', <http://www.oecd.org/tax/transparency/about-the-global-forum/>.

¹¹³ 'Foreign Account Tax Compliance Act', <https://www.irs.gov/businesses/corporations/foreign-account-tax-compliance-act-fatca>.

¹¹⁴ The current list of FATCA IGAs is at <https://www.treasury.gov/resource-center/tax-policy/treaties/Pages/FATCA.aspx>; note the presence of many tax havens on this list.

¹¹⁵ An analysis of FATCA and its role behind the OECD's CRS is provided in William Vlcek, *Offshore Finance and Global Governance* (Palgrave 2017), pp. 97 – 153.

The **effectiveness for the CRS with regards to most jurisdictions commonly recognised as tax havens should be rather high**. As seen from the Global Forum's current list on the status of commitments, many tax havens already have committed to the automatic exchange of information.¹¹⁶ For the European Union this bodes well for transparency and the ability to overcome the issues with offshore entities revealed by the Panama Papers. Yet this list, and the CRS, addresses only those commonly named tax havens, because the nature of US cooperation with the Global Forum effectively recreates the US as a tax haven, vis-à-vis the rest of the world. Not all IGAs between the US and other jurisdictions include a reciprocity clause, and for those IGAs with a *commitment* to reciprocity, if and when any information is exchanged it may not be as complete and as comprehensive as the information to be exchanged under CRS. This situation has already been brought to the attention of the European Parliament and the public at large by the Greens/EFA Group with the publication in May 2016 of its report, 'The Role of the U.S. as a Tax Haven – Implications for Europe'.¹¹⁷

Wider international initiatives

Beyond the EU, initiatives have also been taken in response to the Panama papers.

In the **United States**, the Obama administration presented in May 2016 a series of new administrative actions as well as legislative proposals to tackle offshore secrecy and illicit financial transactions.¹¹⁸ In respect to the administrative actions, the Obama Administration introduced new rules to increase transparency and disclosure requirements that will enhance law enforcement's ability to detect, deter, and disrupt money laundering, terrorist finance, and tax evasion. This includes final Treasury regulations on "Customer Due Diligence" enhancing transparency and protecting the integrity of the financial system by requiring financial institutions to know and keep records on who in fact owns the companies that use their services. It also includes new Treasury tax rules closing a loophole allowing foreigners to hide assets or financial activity behind anonymous entities established in the United States.¹¹⁹

In respect to the US legislative proposals, the proposals acknowledge that the U.S. itself is a key player in the system of offshore secrecy, through such states as Delaware, Nevada and Wyoming allowing the creation of shell companies that hide their owners' identities and activities.¹²⁰ More specifically, one proposal relates to increase transparency into the "beneficial ownership" of companies formed in the United States by requiring that companies know and report their true owners.¹²¹ Another proposal relates to enhancing and strengthening efforts to combat transnational corruption. This legislation would enhance law enforcement's ability to prevent criminals from concealing and laundering illegal proceeds of transnational corruption. It would also allow U.S. prosecutors to more effectively pursue kleptocracy cases and prosecute money laundering as part of foreign corruption, and reinforce the US

¹¹⁶ Global Forum, 'Status of Commitments', <http://www.oecd.org/tax/transparency/AEOI-commitments.pdf>.

¹¹⁷ Andres Knobel, 'The Role of the U.S. as a Tax Haven – Implications for Europe', A study commissioned by the Greens/EFA Group in the European Parliament, 11 May 2016, <http://www.greens-efa.eu/en/article/the-role-of-the-united-states-as-a-tax-haven/>.

¹¹⁸ https://panamapapers.icij.org/20160505-obama-admin-announces-reform-bid.html#_ga=1.208966674.1870475413.1487673024

¹¹⁹ <https://obamawhitehouse.archives.gov/the-press-office/2016/05/05/fact-sheet-obama-administration-announces-steps-strengthen-financial>

¹²⁰ *ibid.*

¹²¹ H.R.3331 - Incorporation Transparency and Law Enforcement Assistance Act

role in the international community as a model for others in anti-corruption matters.¹²²

While the proposals have not been enacted yet it is unclear whether they are likely to pass under the Trump administration. On the one hand, it has been suggested that the new Trump Administration will maintain the tough regulatory money laundering standards, despite the new president's pledge to ease burdens to businesses where possible. The reason is the strong anti-terror stance of the Trump Administration and the close link between money laundering and terrorist financing.¹²³ On the other hand, the economist Joseph Stiglitz, doubts this view. In a presentation to the EP PANA Committee he mentioned "When your president is avoider-in-chief, it's hard to have confidence in where we are going to."¹²⁴ Furthermore, just recently important legislation on fighting corruption in the oil and gas industry has been scrapped.¹²⁵

To take some other countries outside Europe, in **Taiwan** new tax avoidance rules have been adopted imposing restrictions on benefits enjoyed by Taiwanese companies that keep profits offshore.¹²⁶ In **New Zealand**, rules on foreign trusts have been tightened after numerous documents in the Panama Papers leak referenced the country.¹²⁷ In **Mongolia**, the Parliament debated a bill to penalize politicians and public servants who do not declare offshore financial interests.¹²⁸ In **Panama**, the Parliament passed laws to tighten bookkeeping requirements for offshore companies and to allow Panama to share tax information with other countries.¹²⁹ In **Lebanon**, new rules were adopted to facilitate the exchange of tax information with other countries in an effort to avoid international blacklisting in the post-Panama Papers world.¹³⁰

¹²² <https://www.justice.gov/opa/file/849986/download>

¹²³ US banks warn Trump will stick with tough money laundering stance, <https://www.ft.com/content/fdf88c84-e89a-11e6-893c-082c54a7f539>

¹²⁴ <http://economia.icaew.com/news/november-2016/stiglitz-concerned-about-us-role-in-fighting-tax-secrecy-under-donald-trump-panama-papers>

¹²⁵ <http://www.centurionlawfirm.com/trump-administration-scrap-anti-corruption-legislation/>

¹²⁶ <http://glin.ly.gov.tw/web/nationalLegal.do?isChinese=false&method=legalSummary&id=5698&fromWhere=legalHistory>

¹²⁷ <http://www.abc.net.au/news/2016-07-13/new-zealand-tightens-trust-laws-after-panama-papers/7625250>

¹²⁸ <https://www.publicintegrity.org/2016/12/01/20500/panama-papers-have-had-historic-global-effects-and-impacts-keep-coming>

¹²⁹ *ibid.*

¹³⁰ http://www.lemonde.fr/economie/article/2016/10/20/le-liban-vote-la-levee-de-son-secret-bancaire_5017493_3234.html

1.16. RECOMMENDATIONS

In this section we set out recommendations. These involve a combination of reinforcing existing measures or those that are already planned and several new initiatives.

Summary of Recommendations

- **Promoting the establishment of registers that publicise beneficial ownership** to prevent schemes revealed by the Panama Papers from remaining undetected. Additionally, sustain and monitor the **Common Reporting Standard** that came into force at the beginning of this year.
- **Encouraging higher tax good governance standards** by ensuring that the EU's international partners implement higher standards of tax good governance. The EU itself must intensify the pressure in global fora – particularly the G20 – to achieve this.
- In seeking to promote greater international cooperation, it is also crucial to **retain the political neutrality of the definition of a tax haven**. The idea that only non-cooperative jurisdictions qualify as tax haven disregards that some jurisdictions may only appear cooperative while remaining operatively a tax haven. In the interest of neutrality, a grey-list or black-list should be established based on more nuanced criteria.
- **More closely relating information on Anti Money Laundering and Tax Transparency rules**. This is already reflected in the Commission's proposed amendments to the Fourth Anti Money Laundering Directive which includes the widening of the scope of the information accessible to Financial Intelligence Units. Furthermore, the establishment of the European Public Prosecutors office (EPPO) will be beneficial as the EPPO can investigate and prosecute EU-fraud and other crimes affecting the EU's financial interests.
- **Introducing measures to guarantee the protection of whistle-blowers** - this will improve the availability of the data and act as a driver against the use of tax haven schemes.
- **Developing methodologies that can be used to generate publicly available, reliable and comparable data on the magnitude of tax avoidance and evasion**, and methods to quantifying the impact of these incidents on countries' public finances and economic activities. This would mean exploring data collection methods on corporate tax avoidance and evasion, on which most research seems to focus to date, and tax evasion by individuals on the other.
- **Promoting the integrity and transparency in the financial sector within the framework of the European Semester**. In more concrete terms this could translate into the EU monitoring and preventing the use of Panama Papers schemes, which could jeopardise macroeconomic stability (i.e. linked to real estate bubbles, banking crises, etc.), and fostering adjustment by means of appropriate policies.

Taking the first point above, our research shows that several Member States as well as third countries have already started to take actions due to the revelations of the Panama Papers in line with the points raised in the European Commission Communication (see Section 5.1). One prominent measure taken by many authorities is the **establishment of registers that require firms to share information on**

beneficial ownership. This has often been deemed to be a good solution to help prevent schemes revealed by the Panama Papers remaining undetected. While more transparency is definitely a step in the right direction, counter-arguments such as risks in relation to privacy, risks in relation to inaccurate information in the registers or the potential misuse of this information should not be neglected. A compromise solution has already been found by many Member States. For example, in some cases registers can only be accessed after the payment of a fee and are only accessible by journalists and prosecutors. This addresses legitimate transparency concerns such as the protection of privacy. Setting up the registers can be complemented by other measures.

Another measure relating to improving information exchange on beneficial ownership is the creation of a **Common Reporting Standard** that came into force beginning of this year and which 90 countries have signed up to. It will be important to monitor the effect this has on the detection, investigation, and prosecution of cases of tax evasion. Furthermore, national authorities should make efforts to decrease the possibility to use straw men in financial crime schemes (e.g. by increasing the level of identification measures).

Another recommendation relates to promoting **higher tax good governance standards internationally.** This is crucial given that many tax avoidance and tax evasion schemes make use of different standards and tax laws across different countries. The OECD's efforts to ensure worldwide implementation of higher tax good governance standards are crucial as are automatic exchange of information on financial accounts (Common Reporting Standard), as well as key BEPS measures, through which binding legislation takes place. Furthermore, a high priority is also to ensure that the EU's international partners implement these higher standards of tax good governance, and the EU itself must intensify the pressure in global fora – particularly the G20 – to achieve this. These efforts would certainly be more effective if Western countries were to fully comply with these measures themselves.

In relation to the second recommendation above, **promoting tax good governance standards** is only a first step. One issue identified in mutual evaluation reports on the implementation of the FATF's Forty Recommendations concerned the extent and quality of the evaluated country's implementation procedures. The laws put in place against money laundering, and by extension the automatic exchange of information and beneficial ownership registries need to be supported by government action to be effective in practice. Establishing and maintaining the capability to gather account and beneficial ownership data, and the effective enforcement of the data reporting obligation on local financial firms and company services firms are critical further steps. Third party countries may have national budget priorities that leave little funding for FIUs or tax authorities to carry out their commitment to implement CRS and Automatic Exchange of Information (AEOI) and maintain beneficial ownership registries.

Consequently, the EU should consider **enhancing capacity building mechanisms for developing countries with a special focus on the implementation of CRS in order to help ensure EU Member States in the future receive quality financial account data through the AEOI process.** The EU also should consider enhancing its support to the capacity building initiatives of the OECD's Tax and Development Programme and similar international initiatives with the same objective in mind, to enhance the receipt of quality data through the CRS information exchange mechanism from third party

countries.¹³¹

In seeking to promote greater international cooperation, it is also crucial to **ensure the political neutrality of the definition of a tax haven**. As has been pointed out in Section 2, a cooperation criterion determining which jurisdictions are listed may draw criticism of bias or favouritism, undermining the legitimacy of any published blacklists. Though it is productive for jurisdictions to be cleared on the basis of meeting internationally agreed tax standards, some jurisdictions may only appear cooperative while remaining operatively a tax haven. In addition, in the interest of neutrality, the EU should publish a black-list inclusive of its own Member States, not just third-country jurisdictions, as the list stands presently.

Another priority is to **more closely relate information on anti-money laundering and tax transparency rules**. This is already reflected in the Commission's proposed amendments to the Fourth Anti Money Laundering Directive which includes the widening of the scope of the information accessible to Financial Intelligence Units, introducing due diligence requirements for the exchange of virtual currencies and strengthening the verifications and controls on pre-paid instruments.

Furthermore, another relevant instrument at the EU level will be the establishment of a European Public Prosecutors Office (EPPO). The EPPO will be an independent body with the authority to investigate and prosecute EU-fraud and other crimes affecting the EU's financial interests. The establishment of the EPPO will bring about substantial changes in the way the EU's financial interests are protected. It should combine European and national law-enforcement efforts in a unified, seamless and efficient approach to counter EU-fraud. However, it is important to maintain a distinction between money laundering and tax evasion since the former is a criminal offence whereas the latter is a less grave offence. From a legal point of view, it is thus problematic to use data generated for the purpose of combatting money laundering, for example, to detect and investigate incidents of tax evasion.

The research highlights **the need to guarantee the protection of whistle-blowers**. There are two benefits in doing this. The first is the availability of information and better quality of data on off-shore activities that are otherwise shrouded in secrecy. The second benefit is that the protection of whistle-blowers acts as a driver against individuals or companies using tax havens or offshore financial centres, knowing that the possibility of leaks or their information being shared with national authorities is higher. Although difficult to assess, a behavioural change would be expected. The OECD has made the case for increased protection of whistle-blowers as part of its Anti-Corruption Plan¹³² but EU Member States vary in the appliance of whistle-blower protection laws.¹³³ There are significant implications for other sectors, including defence, that need to be considered.

One separate issue that emerges from the research is the **lack of publically available, reliable and comparable data** on the magnitude of tax avoidance and evasion, and the lack of comparable

¹³¹ On the OECD programme see, http://ec.europa.eu/taxation_customs/business/company-tax/tax-good-governance/platform-tax-good-governance_en.

¹³² OECD, Anti-Corruption Action Plan: Protection of Whistleblowers, 2011, <https://www.oecd.org/g20/topics/anti-corruption/48972967.pdf>

¹³³ Wolfe, Simon et al. "Whistleblower Protection Laws in G20 Countries: Priorities for Action", 2014, <https://www.transparency.de/fileadmin/pdfs/Themen/Hinweisgebersysteme/Whistleblower-Protection-Laws-in-G20-Countries-Priorities-for-Action.pdf>

methods to quantifying the impact of these incidents on countries' public finances and economic activities. The European Commission seems to have recognised this in 2015 when it began to work with Member States and Eurostat on exploring ways to improve data collection on the scale and economic impact of tax evasion and avoidance in the EU (see Section 1.3). So far the results of these efforts, including the work of the FISCALIS Project Group, have been fairly limited. This study suggests it is important to further pursue such efforts, highlighting the difference between data (collection) on corporate tax avoidance and evasion on the one hand, on which most research seems to focus to date, and tax evasion by individuals on the other hand, where data is particularly patchy. One source worth exploring in this context is data from tax authorities in Member States on the amount of additional tax revenue generated as a result of investigations of tax fraud. The Germany Ministry of Finance reports such data at least on an annual basis.

Last but not least, the European Semester provides a framework for the coordination of economic policies across the European Union. It allows EU countries to discuss their economic and budget plans and monitor progress at specific times throughout the year. In light of the findings of our study, in particular on the use of the Panama Paper schemes and the impact on EU and national budget, we recommend **discussing the integrity and transparency of the financial sector in different Member States within the framework of the European Semester**. In more concrete terms this could translate into the EU monitoring and preventing the use of Panama Papers schemes, which could jeopardise macroeconomic stability (i.e. linked to real estate bubbles, banking crises, etc.), and fostering adjustment by means of appropriate policies.

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ANNEXES

List of Interviews

Below we table the individuals, organisations and national authorities we interviewed or had written replies from. This is not an exhaustive list of those we contacted as some of those we interviewed wanted to do so under conditions of anonymity.

Member States	Organisations	Contact Name and Position
International	International Consortium of Investigative Journalists (ICIJ)	Marina Walker
		Minna Knus-Galan
		Oliver Zihlmann
		Will Fitzgibbon
		Frederik Obermaier
		Kristof Clerix
	CEPS	Willem Pieter de Groen
CY	Ministry of Finance	George Panteli, Director of Economic Affairs
		Kikis Paphites, Economics Officer
		Nayia Syrimi, Economics Officer
		Andreas Charalambous, Director of Financial Stability
		Avgi Lapathiotis, Officer in Directorate of Investment and Finance
CZ	Office of Government of the Czech Republic	Ales Chmelar, Chief Economist
	Academic (CZ)	Lukas Moravec
	Independent expert, Ministry of Finance	Milena Hrdinkova
	Investigative Journalist (CZ)	Pavla Holcová
DE	Mannheim University	Dr. Bulte
	ICIJ	Frederik Obermaier
DK	SKAT (Danish Customs and Tax Administration)	Written reply in accordance with Ministry of Industry, Business and Financial Affairs
FR	Anti-Corruption Network (FR)	Sacha Raoult
	Transparency International France	Jacques Fabre Jacques Terray
ES	Sepblac International Cooperation Area	Alvaro Pinilla
	Access Info Europe	Helen Darbishire (written feedback)
	Journalist	Joaquín Castellón
	Local politician	Juan Loboto
PL	Journalist	Daniele Grasso
	Institute of Journalism	Vadim Makarenko
	Warsaw Chamber of Legal Advisors	Marlena Wach
UK	ePaństwo Foundation	Krzysztof Izdebski, Policy Director
	Panama Task Force (Inter-agency task force)	
	Her Majesty's Treasury	
	Her Majesty's Revenue and Customs	
	National Crime Agency	
Tax Research UK	Prof. Richard Murphy	

Annex A: Country Fiches

Cyprus

<p>Name of Member State: Cyprus</p> <p>Organisations interviewed/ to be interviewed</p> <p>Ministry of Finance / Treasury Interviewed: Y /N</p> <p>Financial Intelligence Unit Interviewed (if applicable): Y/N</p> <p>Central Bank interviewed: Y / N</p> <p>Other Interviews? No. (Tax Associations, Accountancy Groups, NGOs and other):</p> <p>(Please save interview responses in questionnaire files separately).</p> <p>Members of Transparency International Cyprus and the University of Cyprus declined to interview, referring to rulings and claims that the "so-called Panama Papers" are a product of cyber crime, and as such would not interview on the matter.</p>
<p>1. What organisation(s) is/ are tasked with investigating the nature, scope and impacts of the Panama Papers' revelations in the country? What are they doing – the work programme, reporting, etc. Who are they collaborating with domestically and at cross-border level? E.g.:</p> <p>(i) the Financial Action Task Force (FATF);</p> <p>Cyprus is a member of MONEYVAL but not a member of FATF. Although not a member of FATF, there are working relationships and in practice the FIU (MOKAS) communicates with other EU and International FIUs.</p> <p>The Ministry of Finance made the following statement on FATF:</p> <div style="border: 1px solid black; padding: 5px;"> <p>FATF – The FATF has been instrumental in setting up standards (Recommendations), issuing guidance notes and setting a common framework upon which jurisdictions are being assessed, on money laundering and terrorist financing. At the same time, FATF is assessing directly a number of countries on their setting of an appropriate legal framework and its implementation. As an example we note that, in its 2012 update of its Recommendations, the FATF has changed the standard, prompting countries to treat serious tax offences as money laundering offences. Without the general framework and the monitoring of its implementation, we feel that the international work on Money Laundering and terrorist financing would have not been as advanced. We also note that the expertise of FATF on money laundering and terrorist financing is put to good use on related issues. For instance, The Global Forum on Tax Transparency and Exchange of Information for Tax Purposes, is working with the FATF in setting a common framework for defining the Ultimate Beneficial Owners – UBOs currently being included in its standards. Also we can see that the work of the FATF is not static and irrelevant. We see that for the 5th round evaluations, added emphasis is given to implementation evidence, which is expected to put added incentives/pressure on jurisdictions on this aspect.</p> </div> <p>(ii) the Global Forum on Transparency and Exchange of Information for Tax Purposes;</p> <p>Interviewees stated that the Global Forum has increased its effectiveness over recent years, moving from discussion and campaigning into policy implementation, providing technical assistance to EU Member States.</p> <p>(iii) the European Commission's Platform for Tax Good Governance,</p> <p>EU level and international cooperation is comprehensive and effective in the view of the Ministry of Finance, Cyprus. (Interview 07/03). The Ministry of Finance made the following comments on European Institutions:</p>

The European Institutions have been extensively promoting policy initiatives in line with the workings of the OECD. In particular the EU has adopted a series of EU Directives that are embedding the abovementioned global initiatives within the European Framework. These are related to:

- (a) the Administrative Cooperation in the field of Taxation Directive (DAC 2), whereas MS are required to automatically exchange in 2017 financial account information for tax purposes, fully in line with the provisions under the CRS. Cyprus has transposed into national Law both the provisions of DAC2, as well as of the CRS and has signed the MCAA in 2014, committing as an early adopter to automatically exchange information in 2017.
- (b) the adoption of DAC 3 which provides for the automatic exchange of MS' cross border tax rulings and Advanced Pricing Arrangements which will provide to EU authorities with an insight on aggressive tax planning. Cyprus is expected to embed the provisions of DAC 3 by April 2017.
- (c) the adoption of DAC 4 which provides for the automatic exchange of Country-by Country Reporting, which is based on Action 13 under BEPS Action Plan, where Multinational (MNE) Groups located in the EU or with operations in the EU (with consolidated revenue of €750 mil and above) will be obliged to file to Tax authorities information on their global allocation of the income, economic activity and taxes paid. This will enable the tax authorities to identify and prevent tax avoidance schemes, safeguarding that profits are taxed where income is generated.
- (d) the DAC5 provides the legal tools to the MS Tax Authorities to allow timely and unrestricted access to beneficial ownership and customer due diligence implementation measures, documentation and information pursuant to Directive 2015/849/EU.
- (e) The EC's platform of tax good governance has developed a series of initiatives to promote good governance in tax matters in third countries, tackling aggressive tax planning and to address double taxation. The Anti-tax avoidance package is consisted of a series of anti-abuse measures against aggressive tax planning which we envision that will create a minimum level of protection against corporate tax avoidance throughout the EU MS. Cyprus is in the process of introducing in its legal framework the provisions of the ATAD Directive.

Another fundamental of this package is the revision of the Administrative Cooperation Directive (DAC4) which was mentioned above. Cyprus is in the process of transposing the provisions of the said Directive, which we believe will offer the tools to the Tax Authorities to content the above objective. This European initiative goes in line with BEPS Action 13 whereas our commitment is also apparent at the global level via the signing of the OECD Multilateral Competent Authority Agreement for CbCR.

The same applies to the initiative to addressing double taxation which is in alignment with BEPS Actions 6 (preventing the granting of treaty benefits in inappropriate circumstances and 7(preventing artificial avoidance for permanent establishment status) which advises MS how to reinforce their tax treaties against abuse by aggressive tax planning.

The fourth pillar of this strategy is namely an ambitious one which presents a coherent approach at the EU level to working with third countries on tax good governance matters. The third jurisdictions are to be screened based on a set of criteria revolved around Tax Transparency (AEOL, EOI, Multilateral Convention on Mutual Administrative Assistance (MAC)), Fair Taxation (should not facilitate offshore structures or arrangements aimed at attracting profits which do not reflect real economic activity in the jurisdiction), Implementation of Anti-BEPS measures (committed to the min standards and to BEPS Inclusive Framework). We believe that this will boost MS success in tackling tax avoidance collectively, ensure effective taxation and create a stable environment in the single market.

- (f) The creation of UBO registers under the 4th EU AML/CFT Directive (Directive 2015/849/EU) for legal entities and trusts and similar legal arrangements, is expected to enhance the timely access of the competent authorities and the FIUs to this information, thus the effectiveness of their actions. The access to this information is currently being discussed under the amending proposal of the 4th AML/CFT Directive with a view to broaden it. With this amending directive, a new register is being introduced as well that of UBOs and bank/payment accounts.

The Ministry of Finance also commented that many of these measures have not been fully implemented if not at all. In their view, adequate time needs to elapse in order to be in apposition to perform a meaningful evaluation of their effectiveness.

(iv) MONEYVAL.

Cyprus is a member. Last assessment was carried out in 2011.¹³⁴ The Ministry of Finance made the following statement:

Moneyval's role is similar to that of the FATF's. As FATF's associate member, it conducts the same assessments as FATF based on the same standards in 47 member states. We believe that the role of Moneyval on its assessed jurisdictions is again of particular importance as in the case of FATF, because it provides an assessment on the legal framework and its implementation, thus directing countries on where to improve. Cyprus has completed its 4th round of evaluations and expected to embark on the 5th round of evaluations in 2019¹³⁵. Such evaluations procedures we have found to be pivotal in identifying deficiencies and areas of improvement. One could see from these evaluations how the framework and its implementation has evolved. New requirements and emphases, is what directs countries for improvement.

(v) any others (OECD, G20)

Under the OECD, Cyprus is listed as committed to improving transparency and establishing effective exchange of information in tax matters.

The Ministry of Finance in Cyprus made the following statement on OECD:

OECD has paved the way via its BEPS action plan which encompasses 15 Actions. They establish a comprehensive set of measures that refer to tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations.

Complementary to the above the OECD is promoting transparency and exchange of information in tax matters in order to deal with tax avoidance. In this context its members were called to become signatories of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAC). Along the same lines the Common Reporting Standard (CRS) has been developed under the mandate of the Global Forum, which provides for the automatic exchange of financial account information in order to provide further transparency on tax avoidance practices. To that respect the Global Forum has invited its members to commit via the signing of the Multilateral Competent Authority Agreement (MCAA) for the automatic exchange of financial information, namely to put into effect the CRS.

Furthermore, the Ministry of Finance stressed the importance of the existence of international conventions in this area, making the following statement:

The existence of international conventions, which apart from the general standards, constitute hard law enhancing international cooperation. The most recent and comprehensive in its field is the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime. The aim of this convention is to facilitate international co-operation and mutual assistance in investigating crime and tracking down, seizing and confiscating the proceeds thereof. The Convention is intended to assist States in attaining a similar degree of efficiency even in the absence of full legislative harmony. A positive policy action in our view, would be for European countries that have not signed or ratified such conventions (as the one mentioned) to move forward and ratify such conventions, enabling closer and more effective cooperation between countries.

¹³⁴ [http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round4/CYP4_MER_MONEYVAL\(2011\)2_en.pdf](http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round4/CYP4_MER_MONEYVAL(2011)2_en.pdf)

¹³⁵ http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Cyprus_en.asp

2. MONEYVAL assessment of Cyprus, Summary.¹³⁶

According to its assessment, the main risks of money laundering emanate from the international business activities at the layering stage, money laundering activities usually taking place through banking or real estate transactions, while it is considered that risks at the placement stage are being mitigated by legal requirements in place regarding dealers in foreign currency, restrictions on foreign ownership of property and the limited role of cash transactions.

Money laundering and the financing of terrorism are criminalised largely in line with the FATF standard and the legal framework provides an ability to freeze and confiscate assets in appropriate circumstances, with minor deficiencies relating to the scope of criminalisation of the FT offence. As of the assessment date, there have been no prosecutions or convictions for terrorism financing.

Cyprus has developed as a regional business and financial centre, mainly due to the existence of a wide network of treaties with other countries for the avoidance of double taxation. As a result of the country's development as a financial centre, apart from domestic criminal activities, Cyprus is also affected to some extent by criminal acts committed abroad, proceeds of which may be laundered through Cyprus. Money laundering activities take place usually through financial banking transactions and through the purchase of immovable property in Cyprus. Cypriot legislation restricts foreign ownership of property except for EU citizens.

Table 1: Cases reported – breakdown per FATF designated categories of offences (2006-2010)

FATF designated categories of offences					
	2006	2007	2008	2009	2010
	Reported Cases	Reported Cases	Reported Cases	Reported Cases	Reported Cases
Participation in organized criminal group and racketeering	N/A	N/A	N/A	N/A	N/A
Terrorism and terrorist financing	0	0	0	0	0
Trafficking in human beings and migrant smuggling	68	73	91	47	38
Sexual exploitation and sexual exploitation of children					
Sexual violence (including rape, sexual assault and sexual offences against children)	120	96	93	78	79
Illicit trafficking in narcotic drugs and psychotropic substances *1	200	177	136	104	163
Illicit arms trafficking	0	0	0	0	0
Illicit trafficking in stolen and other goods					
Receiving property fraudulently obtained	53	33	24	18	21
Corruption and bribery	14	7	7	16	9
Fraud	173	169	177	180	254

¹³⁶ No specific money laundering /financing of terrorism risk assessment was undertaken.

Counterfeiting currency	3	12	9	20	16
Counterfeiting and piracy of products	111	188	240	371	168
Environmental crimes	N/A	28	21	22	39
Murder, grievous bodily injury	118	122	139	196	129
Kidnapping, illegal restraint and hostage-taking	15	10	12	26	27
Robbery or theft ^{*2}					
Theft	1607	1667	1405	1285	1670
Smuggling	N/A	N/A	N/A	N/A	N/A
Extortion					
Robbery and Extortion	80	74	71	142	156
Forgery ^{*3}	1179	946	1037	843	872
Piracy	0	0	0	0	0
Insider trading and market manipulation	3	0	0	1	0

*1 Mainly users in the vast majority of cases

*2 Majority of cases refer to minor thefts-small amounts involved

*3 Not necessarily predicate offences

3. Which schemes/ types of schemes have been identified as prevalent with regard to the member state in question? What is the key difference between the schemes revealed by the Panama Papers and other schemes that already existed? Is it largely a matter of the scale of such operations or are they different in nature compared to other schemes?

In the Panama Papers, 6374 offshore entities were linked to beneficiaries registered in Cyprus, and 79 Offshore entities were incorporated in Cyprus with true owners/ beneficiaries being from mainly other EU Member States.¹³⁷

So while the number of actual offshore companies in Cyprus is limited (as revealed by the Panama Papers), the number of beneficiaries is far greater, and is not addressed in MONEYVAL's assessment.

The Cyprus Tax Department went through a risk management process after the identification of most of the CY taxpayers (included in the tax base, irrespective of their tax residency). Based on the risk management analysis and the capacity of the Tax Department, about 700 taxpayers have been contacted in order to submit specific details regarding their relation with foreign entities and/or their income/assets abroad and/or their tax returns. The responses will be examined and the tax department will act accordingly. It is noted that the request of information and its subsequent analysis is expected to be quite time consuming, as it entails a lot of taxpayers' activities for a number of years.

Interviews with ICIJ Journalists indicate Cyprus' banking sector is a prominent intermediary of international tax haven activity, including Russian and EU financing. It has long been speculated that in Cyprus' commercial banks there are substantial Russian assets both in and outside of the Russian Commercial Bank (RCB) based in Cyprus. President Putin's associates were named in the Panama Papers with offshore companies in Cyprus (and the UK).

¹³⁷ <https://offshoreleaks.icij.org/search?utf8=%E2%9C%93&q=&c=CYP&j=&e=&commit=Search>

<p>4. Which Member State individuals/ organisations have been identified as being involved in Panama schemes by the authorities undertaking investigation (if information is available) or through the Panama Papers?</p> <p>RCB bank was implicated and is being investigated by the Central Bank of Cyprus. Some 700 Cypriot taxpayers were identified as being non-compliant and have been issued a notice to declare their tax returns. It is still unclear where prosecutions will be pursued and to what amounts total this involves.</p>
<p>5. What action is being taken with regard to those individuals and institutions identified? Investigations to date. Judicial action unknown.</p> <p>Notices have been issued to individuals or corporations implicated, the determination of whether those implicated are cleared or prosecuted has not yet occurred.</p>
<p>6. What are the implications of tax havens and financial offshore centres revealed by the Panama Papers for your country in terms of:</p> <p>(i) tax revenues;</p> <p>VAT GAP (Theoretical): €198,222,000 (2010) or and €223,686,000(2011) or 1,1% of GDP and 1.24% of GDP respectively</p> <p>Also, based on various studies and assessments that have been conducted on the size of the grey/black economy of Cyprus, a reasonable estimate would be between 10%-15% of GDP. This however is not related to offshore areas or what is referred to, as tax heavens. It corresponds to the size of the economy that is undeclared.</p> <p>The Tax Gap in Cyprus is not measured by national authorities with regards to individuals and corporations.</p> <p>(ii) capital flight;</p> <p>No data provided.</p> <p>(iii) economic growth and development?</p> <p>N/A.</p> <p>Have any quantified estimates been produced? (Please provide quantified estimates where available (in EUR)).</p> <p>No.</p> <p>If yes, what were the methodologies for calculating/ estimating the numbers in question?</p> <p>N/A</p> <p>How is this monitored?</p> <p>Monitored on a case by case basis only. There is no monitoring framework in place.</p>
<p>7. Are there other socio-economic impacts revealed by the Panama Papers not previously discovered or researched?</p> <p>The impact on privacy was highlighted by interviewees. It was argued that whistleblowing practices have the potential to infringe on privacy rights and evade formal reporting channels. The impact on public opinion was highlighted as unaddressed by our questionnaire. They cited the fallout would inevitably result in increased scrutiny in the public eye and public sector.</p>
<p>8. What are the effects of the (potential) use of tax havens and offshore financial centres for the purpose of tax evasion and financial crime, in particular money laundering, and what is the impact on:</p> <p>The Ministry of Finance issued the following response:</p> <p>The Cypriot FIU – MOKAS has been exchanging information with its counterparts abroad every year. According to the latest Annual Report of MOKAS of 2015, there were 524 of cases of</p>

information requested by counterparts and supplied by MOKAS, 34 cases of formal requests from other countries, 56 cases of spontaneous reports sent to other countries. We do not have information on the follow up of these cases and whether they have resulted in money laundering cases, investigated and convicted in these countries. As far as Cyprus is concerned, it is mentioned in this Annual Report of MOKAS that according to statistics provided by the Police for the period 2011-2015, there were 403 prosecutions and 90 convictions for Money Laundering offences.

We also note, that the competent supervisory authorities for money laundering (CySEC, Institute of Certified Public Accountants - ICPAC, Cyprus Bar Association-CBA), have acted upon the information of Panama Papers, prompting their regulated entities to report any links with the Panama Papers and conducting also on-site audits. Through the audits, some deficiencies in a number of regulated entities have been identified, for which some disciplinary action might be taken by the regulators, though no specific ML case has been identified.

The FIU has analysed the Panama Papers data with its database, and has identified one case for which monies of the order of around EUR 15m, had already been frozen by a court order on a money laundering case relating a number of foreign companies and UBOs mentioned in the Panama Papers.

Moreover, the FIU has received a number of STRs from banking institutions relating to Panama Papers which are currently analysed. On certain instances the FIU has provided some relevant information to the TAX Department and following the analysis it will provide spontaneous information to its counterparts in other countries if deemed necessary.

9. How can existing EU or national legislation be strengthened to better combat tax havens and financial offshore centres and their negative effects?

The Ministry of Finance cited Tax Treaties and international conventions as very important to development of tax measures and described CRS and Country by Country reporting as game changers, as well as the information exchange network that exists. The Ministry stressed the need to assure the data quality is high and consistent across Member States and emphasised that in data exchanges, sometimes unique identifiers are lost due to linguistics or differences in methodology. The IT infrastructure also needs to be very robust and could be a potential problem for some Member States. Some technical assistance in these areas may help incentivise tax cooperation.

The Ministry concluded however that some time needs to elapse to allow the implementation of existing measures before they can be fully evaluated.

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Czech Republic

Name of Member State:

Organisations interviewed/ to be interviewed

Ministry of Finance / Treasury Interviewed: Yes

Financial Intelligence Unit Interviewed (if applicable): No

Central Bank interviewed: No

Other Interviews? (Tax Associations, Accountancy Groups, NGOs and other):

Total: 4 interviews

Academia (1 interview)

Public authority (2 interviews – 1 on personal capacity)

Journalist (1 interview)

1. What organisation(s) is/ are tasked with investigating the nature, scope and impacts of the Panama Papers' revelations in the country? What are they doing – the work programme, reporting, etc.

In the aftermath of the publication of the Panama Papers, the Czech Prime Minister declared that there should be an investigation.¹³⁸ There is little information publicly available regarding the investigation and its scope. It is also unclear who is investigating.

Who are they collaborating with domestically and at cross-border level? E.g.:

- (i) the Financial Action Task Force (FATF);

The Czech Republic is not a member of the FATF but is member of MONEYVAL. The rest of its international cooperation result from international multilateral agreements or bilateral agreements.

- (ii) the Global Forum on Transparency and Exchange of Information for Tax Purposes;

Czech Republic was rated largely compliant in the last peer review of the Global Forum on Transparency and Exchange of Information for Tax Purposes.¹³⁹ The last review took place in 2015.

- (iii) the European Commission's Platform for Tax Good Governance,

No specific relevance in relation to case-study

- (iv) MONEYVAL.

Czech Republic is a member of MONEYVAL. Its last mutual evaluation was in 2011.

- (v) any others (OECD, G20)

What has been their experience with them, how effective are they? How could collaboration be improved?

National cooperation between the financial administration and authorities active in criminal proceedings has increased over the past years. In 2014, *Tax Cobra* was created as a special tax force engaged in identifying, detecting and combating tax evasion cases.¹⁴⁰ *Tax Cobra* is composed of members from the police unit for combating corruption and financial crimes, the general financial directorate and the general directorate of customs. The annual report 2015 of the financial administration reports that "based on feedback from the public, the publicized results

¹³⁸ LAZAROVA Daniela (2016), "Czech PM calls for probe into activities of Czechs on Panama papers files", Radio Praha, 5 April 2016. Available from Radio Praha: <http://www.radio.cz/en/section/curraffrs/czech-pm-calls-for-probe-into-activities-of-czechs-on-panama-papers-files> [accessed 16.02.2017]

¹³⁹ OECD Global Forum on Transparency and Exchange of Information for Tax Purposes website: <http://www.oecd.org/tax/transparency/exchange-of-information-on-request/ratings/> [accessed 27.02.2017]

¹⁴⁰ Finanční Správa, Tax "Cobra" has launched its activity, 20 June 2014. <http://www.financnisprava.cz/en/financial-administration/news/2014/tax-cobra-has-launched-its-activity-5074> [accessed 16.02.2017]

of the Tax Cobra have preventive effects".¹⁴¹ In 2015, following the positive effects of *Tax Cobra*, the Czech authorities decided to create regional Cobra task forces with the participation of regional police units and regional authorities of financial administration and customs.

International cooperation takes place at the bilateral level through Double Tax Treaties (DTT) and Tax Information Exchange Agreement (TIEA). Those agreements provide for tax information exchange and reduce secrecy. Some offshore companies may therefore leave the country. The observed consequence of those types of agreement is an increase in Foreign Direct Investments. The Czech Republic will apply a penalty rate of 35% on transfers from countries with which no agreement was signed. The rate drops to 15% for countries with which an agreement was signed. In exchange, Czech Republic has the possibility to request information. These agreements create a trade-off between having lower taxes and keeping secrecy. If the scheme is legal, it is more advantageous to invest in countries that have signed these types of agreements. The Czech Republic has about 87 DTT and 11 TIEA. With TIEA, the largest cooperation in 2015 took place with the BVI.¹⁴²

Regarding international cooperation, Czech Republic has concluded 15 Memoranda of Understanding on mutual administrative cooperation between tax administration. These involve exchanging information and simultaneous tax audits.

Regarding further international cooperation, the Czech Republic does not support the establishment of a UN tax body.¹⁴³ A report co-written by several NGOs notes that "*The Ministry of Finance does not consider international tax avoidance a key issue for the Czech Republic or the international community, and thus they do not see any need to support more ambitious proposals regarding corporate tax transparency than those contains within OECD BEPS.*"¹⁴⁴

The initiatives of the BEPS are being implemented and it is too soon to assess whether they are effective. The same goes with the country by country reporting because those initiatives are not fully functional just yet. According to stakeholders interviewed, international cooperation can be very effective depending on the objectives followed. For example, the measures pushing for automatic exchange of information create a huge administrative burden on some developing countries, as well as on some MS. The tax administration capacity is not the same in the UK and in Romania. Adopting measures does not guarantee its smooth implementation and there are needs for more capacity building activities.

Interview feedback suggests that the measures regarding money laundering are much more effective than the ones on aggressive tax policy because not all the MS want to get rid of aggressive tax planning. It is politically very attractive for a Minister to publicly say that all taxes need to be collected fairly. However, when looking at details, many politicians see tax policy as a tool to attract investors. While there is nothing wrong with that, there is a gap between the discourses and the actual measures taken regarding aggressive tax planning.

¹⁴¹ Finanční Správa (2016), Annual Report 2015. Available from Finanční Správa : http://www.financnisprava.cz/assets/en/attachments/fa-financial-administration/vz_fs_2015_eng.pdf [accessed 16.02.2017]

¹⁴² Interview feedback

¹⁴³ Survival of the richest, Europe's role in supporting an unjust global tax system 2016, 7 December 2016. Available from Glopolis: <http://glopolis.org/en/articles/survival-richest-europes-role-supporting-unjust-global-tax-system-2016/> [accessed 17.02.2017]

¹⁴⁴ Ibid

2. Which schemes/ types of schemes have been identified as prevalent with regard to the member state in question? What is the key difference between the schemes revealed by the Panama Papers and other schemes that already existed? Is it largely a matter of the scale of such operations or are they different in nature compared to other schemes?

More than a quarter million documents of the Panama Papers concern the Czech Republic. About 300 Czech clients and shareholders appear in the Panama Papers. The schemes revealed by the are not new or unusual and concern mainly the possession of offshore companies by Czech nationals. Having an offshore company is not illegal, but its purpose might be. Most of the offshore companies revealed in the Panama Papers may as well be legal companies. The main location for Czech owned offshore companies was the Seychelles (more than 800 companies), the British Virgin Islands, Bahamas, Niue and Panama.¹⁴⁵

The specificity of the Czech involvement in the Panama Paper is that the Czech branch of Mossack Fonseca did not share the data of beneficial ownership with the headquarters of the company. As a result, the information is difficult to analyse because some information is missing (beneficial ownership for example).¹⁴⁶

The Panama papers did not bring anything new for the experts. The only difference is that it was made public. The main difference concerns the scale of the revelation. The Czech Republic was much more involved in the Panama Papers than in the previous leaks. This is likely to be a consequence of the size of the leak.¹⁴⁷ Some stakeholders noted that it was quite surprising to see the concentration of such activities in only one company (and only one share of the data of that company). This is likely to lead to a revision to higher estimates on the scale of the phenomena.

Interview feedback points out that one of the problems with that kind of schemes is that they would not exist without intermediaries. This then becomes an extremely sensitive issue because you do not need to go to Panama to have intermediaries. There are such facilitators within the European Union, such as countries allowing to create holding schemes. This is extremely politically sensitive and this problem is not addressed by the current EU measures framework.

3. Which Member State individuals/ organisations have been identified as being involved in Panama schemes by the authorities undertaking investigation (if information is available) or through the Panama Papers?

There are about 300 Czech names in the Panama Papers. However, as noted earlier, the name of the effective beneficiary was often not available. The relatively high profile individuals identified as having offshore societies were mainly business men, some criminals and a couple lawyers.¹⁴⁸ The papers do not contain names of highly placed politicians.¹⁴⁹ The relative absence of big personalities in the Panama Papers may also be explained by the fact that there are easier ways to hide the beneficial owner of a company or avoid taxes closer to the Czech Republic.

4. What action is being taken with regard to those individuals and institutions identified?

Prime Minister Bohuslav Sobotka called on the tax authorities to launch an investigation following the Panama Papers. He declared in a visit to the US: *"The tax authorities must react to this data leak*

¹⁴⁵ HOLCOVA Pavla (2016), Panama papers: the Czech Republic, Organised Crime and Corruption Reporting Project, 11 April 2016. Available from OCCRP: <https://www.occrp.org/en/panamapapers/the-czech-republic/> [accessed 17.02.2017]

¹⁴⁶ Interview feedback

¹⁴⁷ Interview feedback

¹⁴⁸ HOLCOVA Pavla (2016), Panama papers: the Czech Republic, Organised Crime and Corruption Reporting Project, 11 April 2016. Available from OCCRP: <https://www.occrp.org/en/panamapapers/the-czech-republic/> [accessed 17.02.2017]

¹⁴⁹ LAZAROVA Daniela (2016), "Czech PM calls for probe into activities of Czechs on Panama papers files", Radio Praha, 5 April 2016. Available from Radio Praha: <http://www.radio.cz/en/section/curraffrs/czech-pm-calls-for-probe-into-activities-of-czechs-on-panama-papers-files> [accessed 16.02.2017]

and check out the information published. I expect a detailed and thorough investigation into the activities of those Czechs whose names have appeared on the Panama Papers files.”¹⁵⁰

There is little information publicly available on the investigations. The *Tax Cobra* could be looking into that matter. Interview feedback suggests that the financial office probably started some investigations but nobody really knows the impact of the papers just yet and most of the cases are likely to be still pending.

5. What are the implications of tax havens and financial offshore centres revealed by the Panama Papers for your country in terms of:

- (iv) tax revenues;
- (v) capital flight;
- (vi) economic growth and development?

Have any quantified estimates been produced? (Please provide quantified estimates where available (in EUR)). If yes, what were the methodologies for calculating/ estimating the numbers in question? How is this monitored?

First of all, there is no thorough analysis of the impact of the Panama papers in the Czech Republic. The Czech Republic seems to rely on estimates produced by other organisations and does not seem to produce its own numbers (or it is not publicly available). For Czech Republic, the impact of the Panama Papers is likely to be rather marginal. The Czech tax burden for MNEs is relatively light so there is little incentive to leave in that regard.

Janský, a Czech economist notes in a 2016 paper on the cost of corporate tax avoidance by MNEs that *“there are some estimates specific to the Czech Republic in terms of units of billion CZK that are however of limited relevance due to the limited quality of the methodology in the case of Burianová (2013) and limited statistical significance, country coverage and types of profit shifting in the case of Janský and Kokes (2016). Also not very useful, the only two cross-country studies with country-level estimates for the Czech Republic, IMF (2014) and EPRS (2015), use what appears to be the least credible methodology of the five recent international studies reviewed.”¹⁵¹* Burianová (2013) estimates corporate tax losses for Czech Republic to total CZK 21 billion (approximately EUR 777 million). Extrapolation of the findings of international studies made by Janský (2016) range from CZK 6 billion to CZK 57 billion (approximately EUR 0.22 billion to EUR 2.10 billion). Janský asked 35 experts to provide estimates of the losses of Czech Republic due to corporate tax avoidance. The estimates provided covered quite a wide range, as indicated by a high standard deviation. The median estimate is CZK 20 billion (approx. EUR 0.74 billion).

The government estimate is that losses due to corporate tax avoidance are between 0.1 and 1.3% of the Czech GDP. The median value is 0.3-0.4% of GDP.¹⁵² According to an interviewed stakeholder, losses due to corporate tax evasion are estimated between CZK 10 and 15 billion (approx. between EUR 0.37 and 0.55 billion). Of this number, probably not everything is offshore and this is difficult to know which is the share that is offshore.

Because of the difficulties to measure the impact of corporate tax avoidance, we do not know its impact on the Czech Republic. Janský also comes to this conclusion noting that most studies suggest that this impact is above zero.

¹⁵⁰ LAZAROVA Daniela (2016), “Czech PM calls for probe into activities of Czechs on Panama papers files”, Radio Praha, 5 April 2016. Available from Radio Praha: <http://www.radio.cz/en/section/curraffrs/czech-pm-calls-for-probe-into-activities-of-czechs-on-panama-papers-files> [accessed 16.02.2017]

¹⁵¹ Petr JANSKÝ (2016), Estimating the costs of international corporate tax avoidance: the case of the Czech Republic, November 2016, p9. Available from EconPapers: http://econpapers.repec.org/paper/fauwpaper/wp2016_5f21.htm [accessed 17.02.2017]

¹⁵² Interview feedback

The schemes of the Panama Papers do not necessarily have a big impact on tax revenues because the offshore share of tax avoidance in the Czech Republic is likely to be smaller than other types of tax avoidance such as VAT carousels. According to the Czech Finance Minister Andrej Babis, VAT fraud creates greater financial loss to the Czech budget than MNEs tax avoidance through offshore centres.¹⁵³ However, it seems there are no estimates available in the English language. Regarding capital flight, the impact of offshore areas is also quite marginal as capital flowing outside of the Czech Republic mainly goes to the Netherlands, Germany or Austria, and not offshore. The capital flight and tax base erosion and profit shifting (BEPS) in the Czech Republic is mainly attributed by the Government to a malfunctioning EU internal market. This is a bigger issue than tax evasion outside of the EU. The Panama papers had little impact in terms of macroeconomic effects.¹⁵⁴

Recently, a study was conducted on the impact of tax competition on Czech Republic. The study uses the same methodology as the EU study and measures the difference between the expected tax revenue and the actual tax revenue. Preliminary results of this study suggest that Czech Republic may be benefitting from tax competition in Europe.¹⁵⁵ Czech Republic could be a potential beneficiary of corporate income tax profit shifting, even though it is quite far from being a tax haven. There is no estimation of the potential gains of Czech Republic.

6. Are there other socio-economic impacts revealed by the Panama Papers not previously discovered or researched?

Interview feedback suggests that the socio-economic impact of the Panama papers was very small and short-term. There is nothing completely new coming out of the Panama Papers, and the schemes revealed are not necessarily illegal. Most interviewed stakeholders justified the scarcity of the information available on the Panama Papers with the little interest in the matter in Czech Republic in general.

7. What are the effects of the (potential) use of tax havens and offshore financial centres for the purpose of tax evasion and financial crime, in particular money laundering, and what is the impact on:

- (i) economic and financial interests;
- (ii) taxation;
- (iii) capital losses; and
- (iv) the impact on employment?

Please provide quantified estimates where available

Glopolis, a Czech NGO, estimates that the losses for the Czech Republic because of tax havens reach up to CZK 57 billion (approx. EUR 2.10 billion).¹⁵⁶ An article suggests that Czech Republic could be losing CZK 150 billion (EUR 5.55 billion) because of tax evasion per year.¹⁵⁷ The reliability of those estimates is unclear.

¹⁵³ MNE Tax, "Czech Republic threatens to derail EU anti-tax avoidance deal unless VAT fraud addressed", 16 June, 2016, available from: MNE tax: <http://mnetax.com/czech-finance-minister-threatens-derail-eu-anti-tax-avoidance-directive-unless-vat-fraud-addressed-15677> [accessed 16.02.2017]

¹⁵⁴ Interview feedback

¹⁵⁵ Interview feedback

¹⁵⁶ Prague Daily Monitor (2016), Think tank: Czech Republic losing 57 bln in tax havens annually, 6 April 2016. Available from: Prague Daily Monitor: <http://praguemonitor.com/2016/04/06/think-tank-czech-republic-losing-57-bln-tax-havens-annually> [accessed 17.02.2017]

¹⁵⁷ LAZAROVA Daniela (2016), "Czech PM calls for probe into activities of Czechs on Panama papers files", Radio Praha, 5 April 2016. Available from Radio Praha: <http://www.radio.cz/en/section/czraffrs/czech-pm-calls-for-probe-into-activities-of-czechs-on-panama-papers-files> [accessed 16.02.2017]

8. How can existing EU or national legislation be strengthened to better combat tax havens and financial offshore centres and their negative effects?
- On the transparency on beneficial ownership, the position of Czech Republic is ambiguous.¹⁵⁸ The Czech law is very restrictive in terms of access to information, but the government seems to support the idea of public registers of effective beneficiaries at the EU level. Czech Republic has adopted a law to establish a register of beneficial owners. However, public access is likely to be very limited and access is only granted to the authorities dealing with taxes, such as the FIU, police and courts.
 - The EU could invest in capacity building so that the measures adopted are implemented accordingly. Harmonisation of tax administration capacity is very important in order to achieve fair taxation.
 - There are currently 28 different tax systems in the EU and this may be the key problem regarding tax havens. It is rational economic behaviour for MNEs to go where they will have the least taxes to pay and where the system is the easiest. If the EU was serious regarding fair taxation, it would impose one tax base for the whole Union. This was a proposal in March 2011 and MS have been discussing it for quite some time already but they never came to an agreement. In theory, the solution is very simple but realistically, none of the stakeholders interviewed see that happen in the near future. Moreover, even with the same tax base, the EU would still have 28 different tax administrations. The lack of uniformity in tax administration creates risks and possibilities for tax avoidance.

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¹⁵⁸ Survival of the richest, Europe's role in supporting an unjust global tax system 2016, 7 December 2016. Available from Glopolis: <http://glopolis.org/en/articles/survival-richest-europes-role-supporting-unjust-global-tax-system-2016/> [accessed 17.02.2017]

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Denmark

Name of Member State: Denmark

Organisations interviewed/ to be interviewed

Ministry of Finance / Treasury Interviewed: No (declined)

Financial Intelligence Unit Interviewed (if applicable): No (no response)

Central Bank interviewed: No

Other Interviews? (Tax Associations, Accountancy Groups, NGOs and other):

The following stakeholders were contacted for an interview:

- **SKAT (Danish Customs and Tax Administration)** – the press office raised some questions about anonymity and suggested that they would respond in writing; nothing received to date.
- **Finanstilsynet (Danish FSA – under the Ministry of Industry, Business and Financial Affairs)** – the press office referred our request to the management who in turn referred us to 'SKAT'.
- **Statsadvokaten for Særlig Økonomisk og International Kriminalitet, Hvidvasksekretariatet (State Prosecutor for Serious Economic and International Crime (FIU))** – no response.
- **Law firm Tommy V. Christiansen, specialised in tax matters** (providing advice to Danes who have been investigated by 'SKAT') – no response.

(Please save responses in questionnaire files separately).

1. What organisation(s) is/ are tasked with investigating the nature, scope and impacts of the Panama Papers' revelations in the country? What are they doing – the work programme, reporting, etc.

The Danish tax authorities ('SKAT')¹⁵⁹ are the main player in investigating the Panama allegations. Initially, 'SKAT' was investigating some 65 names (both firms and individuals). But in September 2016, they decided to buy access to the papers from an anonymous source in order to obtain additional information about any Danish companies or individuals that were involved. It turned out that the group was much larger than initially thought (500-600 names). A task force of 45 staff in 'SKAT' are working on investigating the data. It caused some controversy that the Tax Ministry gave the green light to spend around DKK 6m (+/- € 0.8m) buying access to the data¹⁶⁰.

In June 2016, 'SKAT' also obtained permission from the Taxation Board¹⁶¹ to force a number of Danish banks to provide information about Danes who try to hide their identity through corporate structures in tax havens, or who have ties with advisers in tax havens¹⁶². Further powers were bestowed on 'SKAT' in October 2016 with a decision by the Taxation Board to allow 'SKAT' to obtain details from the banks on transfers to all foreign countries (The 'Money Transfer' project). Before they were only allowed information regarding transfers to certain well-known tax havens. The new authorisation from the Taxation Board covers the period from 1st July 2013 till 31st December 2016.

¹⁵⁹ 'SKAT' - the Danish Customs and Tax Administration is an independent national agency responsible for administering and enforcing tax laws. Main authority responsible for investigating the schemes revealed by the Panama Papers. <http://www.skat.dk/SKAT.aspx?oid=2228754&vid=0>

¹⁶⁰ <http://www.skat.dk/SKAT.aspx?oid=2234275>

¹⁶¹ The Taxation Board is a collegiate layman body under the Ministry of Taxation consisting of 19 members, six of whom are appointed by Parliament and the remaining 13 by the Minister for Taxation (four members represent the social partners and four represent the municipalities). They examine and decide on tax cases put before it.

¹⁶² <http://www.skat.dk/SKAT.aspx?oid=2230673&vid=0>

In early December 2016, the Minister for Taxation¹⁶³ announced that the considerable investment made in obtaining access to the Panama papers was 'paying off' since 'SKAT' had already been able to recover significantly more in tax revenue from those who appear to have been involved than was paid for obtaining the documents.

The Danish Financial Supervisory Authority ('Finanstilsynet') is also investigating Danish involvement in the 'Panama' scandal, especially in relation to Danish banks. After having discussed the matter with their Scandinavian colleagues (Nordea Bank) and the European Banking Authority (EBA), and discussed possible cooperation and exchange of information with 'SKAT', they launched a study of the implication of Danish banks in the 'Panama case'¹⁶⁴. While still working on this study on the basis of documentation provided by 8 Danish banks, 'Finanstilsynet' published a preliminary note on 19 June 2016 on the banks' involvement¹⁶⁵.

The note principally looked into whether banks comply with money laundering rules and the requirements for sound and effective risk management. In relation to risk management, the focus has been on the possible reputational and operational risks that may have been involved. It raises the possibility that Danish banks, by having been involved in assisting their clients in tax evasion, have broken the requirement of the Money Laundering Act ('Hvidvaskloven') and the Act on Financial Business Activity ('Lov om finansiel virksomhed') which stipulate that a financial company must have an effective system of corporate governance. (see below).

It would appear that the FSA did not receive all the requested information within the 2 weeks' deadline that the 8 banks were given, mostly because they had not previously checked whether any of their clients had foreign corporate structures that might attract particular attention in relation to the risk of money laundering. On the basis of the information received up till June 2016, it would seem that very few Danish banks have clients - primarily private banking clients - who have not paid the required tax. It also seemed that most of the 'issues' detected relate to clients who are not taxable in Denmark and who are clients with one of the bank's international subsidiaries/branches. But at the time of the preliminary note (June) the banks did not have a full overview of how many customers had used the bank to channel funds elsewhere in order to avoid taxation, and how many of these are still clients.

The FSA is currently considering whether the regulatory framework for financial companies needs to be amended or whether any other actions could be taken to ensure that legality in this field is not compromised. The following proposals have been raised:

- A special secrecy requirement in the Act on Financial Business Activity means that the FSA is not able to provide SKAT with concrete information that they might possess. The FSA proposes to change the law in this respect, also in the opposite direction (SKAT providing information to the FSA).
- The FSA should analyse whether current rules of the Financial business Activity Act on the suitability and integrity of individual board members before the person is appointed. This would give those in the banks with responsibility for money laundering sufficient mandate to carry out their tasks.
- Additional resources should be channelled towards the money laundering supervision team in the FSA to allow them to carry out supervisory visits and raise awareness about the specific obligations imposed by the Money Laundering Act.

The State Prosecutor for Serious Economic and International Crime colloquially known as the Fraud Squad, created a new unit in the Summer of 2015 specifically targeting serious financial crime and money laundering (Hvidvasksekretariatet - part of FIU.net). The Special Unit consists of accountants, tax experts and other specialists with thorough economic and financial expertise, designed to support, strengthen, and set the direction for stronger action in serious criminal cases of serious economic crime.

¹⁶³ Karsten Lauritzen from 'Venstre' (the Danish Liberal party)

¹⁶⁴ <http://www.ft.dk/samling/20151/almDEL/sau/bilag/170/1620755.pdf>

¹⁶⁵ https://www.finanstilsynet.dk/~media/Nyhedscenter/2016/Statusrapport_Panama_160616%20pdf.pdf?la=da

<p>It has not been possible to find out what their involvement in the investigations of the Panama papers has been.</p> <p>Who are they collaborating with domestically and at cross-border level? E.g.:</p> <ul style="list-style-type: none"> (iii) the Financial Action Task Force (FATF); (ii) the Global Forum on Transparency and Exchange of Information for Tax Purposes; (iii) the European Commission's Platform for Tax Good Governance, (iv) MONEYVAL. (v) any others (OECD, G20) <p>What has been their experience with them, how effective are they? How could collaboration be improved?</p> <p>N/A</p>
<p>2. Which schemes/ types of schemes have been identified as prevalent with regard to the member state in question? What is the key difference between the schemes revealed by the Panama Papers and other schemes that already existed? Is it largely a matter of the scale of such operations or are they different in nature compared to other schemes?</p> <p>N/A</p>
<p>3. Which Member State individuals/ organisations have been identified as being involved in Panama schemes by the authorities undertaking investigation (if information is available) or through the Panama Papers?</p> <p>According to the press, the Panama papers mentioned some of the following Danish individuals and companies (to be treated with caution):</p> <ul style="list-style-type: none"> • Several members of the so-called "millionaire's club", among others the former owner of a software company, were according to newspaper Børsen listed in the Panama papers. • A businessman, who owned a major Hotel and a Copenhagen department store. In 2009 he sold a subsidiary to a company in Panama for DKK 1m. Experts estimate that the company was worth at least DKK 32m at the time of selling. Shortly after the sale the company was declared bankrupt with debts of over DKK 100m to creditors. • 2 Danish footballers had companies created in tax havens, while they were taxable in Denmark. Both say that they have not had any companies or collaboration with anyone in Panama. • A well-known businessman appears in the Panama papers in relation to owning a company in China, but he says that '<i>foreign private individuals cannot own a company in China</i>'.
<p>4. What action is being taken with regard to those individuals and institutions identified?</p> <p>As far as we understand, the individuals and companies that have been identified as having been involved in the Panama revelations have received a letter from 'SKAT' requesting them to clarify their involvement in the leaked papers and their tax situation.</p>
<p>5. What are the implications of tax havens and financial offshore centres revealed by the Panama Papers for your country in terms of:</p> <ul style="list-style-type: none"> (vii) tax revenues; (viii) capital flight; (ix) economic growth and development? <p>Have any quantified estimates been produced? (Please provide quantified estimates where available (in EUR)).</p>

<p>According to the announcement of the Minister for Taxation in December 2016, the amount already recovered by 'SKAT' significantly exceeds the DKK 6m (+/- € 0.8m) invested in obtaining access to the papers.</p> <p>If yes, what were the methodologies for calculating/ estimating the numbers in question? How is this monitored?</p>
<p>6. Are there other socio-economic impacts revealed by the Panama Papers not previously discovered or researched?</p> <p>N/A</p>
<p>7. What are the effects of the (potential) use of tax havens and offshore financial centres for the purpose of tax evasion and financial crime, in particular money laundering, and what is the impact on:</p> <ul style="list-style-type: none"> (v) economic and financial interests; (vi) taxation; (vii) capital losses; and (viii) impact on employment? <p>N/A</p> <p>Please provide quantified estimates where available</p>
<p>8. How can existing EU or national legislation be strengthened to better combat tax havens and financial offshore centres and their negative effects?</p> <p>Relevant legislation is:</p> <ul style="list-style-type: none"> • Money Laundering Act – Lov om forebyggende foranstaltninger mod hvidvask af udbytte og finansiering af terrorisme ('Hvidvaskloven') – Act no 1022 of 13/08/2013 https://www.retsinformation.dk/forms/r0710.aspx?id=158041 § 4. By the term 'Money Laundering' this Act understands the following: 1) unlawfully to accept or acquire for oneself or others a share in profits, obtained by a criminal offense, 2) unlawfully to conceal, store, transport, assist in disposal or otherwise subsequently serve to ensure the economic benefit from a criminal offense or 3) attempting or participating in such actions. § 25. The firms and individuals covered by the law should prepare adequate written internal rules about customer identification, due diligence, the duty to raise awareness and investigate, reporting, record keeping, internal control, risk assessment, risk management, management control and communication, as well as education and training programmes for employees to prevent and deter money laundering and financing of terrorism activity. • Act on Financial Business Activity - Lov om finansiel virksomhed (Act no 182 of 18/02/2015) https://www.retsinformation.dk/forms/r0710.aspx?id=167820 § 71. A financial company.... must have effective governance arrangements including.... 4) effective procedures to identify, manage, monitor and report on the risks which the company is or may be exposed to..... § 344, stk. 3. The FSA will organize the usual supervisory activities in order to promote financial stability and confidence in financial companies and markets..... <p>The FSA is currently considering whether the regulatory framework for financial companies needs to be amended or whether any other actions could be taken to ensure that legality in this field is not compromised. In their view the banks play an essential societal role in ensuring that the financial system is not misused for illegal activities like money laundering by forming a robust and pro-active guard against this type of crime.</p> <p>The following proposals have been raised:</p>

- Currently the FSA is not able to provide 'SKAT' with concrete information in their possession given the special secrecy requirement in the Act on Financial Business Activity. The FSA proposes to change the law in this respect, also in the opposite direction ('SKAT providing information to the FSA).
- The FSA should consider whether current rules of the Financial Business Activity Act on checking the suitability and integrity of individual board members before the person is appointed, are sufficient. This would give those in the banks with responsibility for money laundering sufficient mandate to carry out their tasks.
- Additional resources should be channelled towards the money laundering supervision team in the FSA to allow them to carry out supervisory visits and raise awareness about the specific obligations imposed by the Money Laundering Act.

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France

Name of Member State: France

Organisations interviewed/ to be interviewed

Ministry of Finance / Treasury Interviewed: No

Financial Intelligence Unit Interviewed (if applicable): No

Central Bank interviewed: No

Other Interviews? (Tax Associations, Accountancy Groups, NGOs and other): TI France board members

Total: 4 interviews

NGOs (2 interviews)

Academia (1 interview)

Public authority (1 interview – anonymous)

1. What organisation(s) is/ are tasked with investigating the nature, scope and impacts of the Panama Papers' revelations in the country? What are they doing – the work programme, reporting, etc.

In France, the national public prosecutor office for financial affairs (Parquet National Financier, PNF) launched an investigation on 4 April 2017 in response to the Panama papers revelations. The PNF is leading the investigation and works with the fiscal administration and a special service of the judiciary police (Office central de lutte contre la corruption et les infractions financières et fiscales, OCLCIFF). Regarding the Panama Papers, the strategy of the PNF is not only to investigate people but also the intermediaries, the facilitators of the system.

Who are they collaborating with domestically and at cross-border level? E.g.:

- (iv) the Financial Action Task Force (FATF);

Concerning international cooperation, France is a member of the FATF since 1990. France also has an observer status in several other international cooperation forums: the Asia-Pacific Group, the Caribbean Financial Action Task Force (co-operating and supporting nation), the Eurasian Group, the Financial Action Task Force of Latin America, the Middle East and North Africa Financial Action Task Force.¹⁶⁶ France is also a member of the Egmont group that was created in 1995.

- (v) the Global Forum on Transparency and Exchange of Information for Tax Purposes;

France is a member of the Global Forum on Transparency and Exchange of Information for Tax purposes. The last peer review of France in the framework of the Global Forum on Transparency and Exchange of Information for Tax Purposes took place in 2013. France is rated compliant. The next review is scheduled for the first half of 2017.¹⁶⁷

- (iii) the European Commission's Platform for Tax Good Governance,

No specific relevance in relation to case-study

- (iv) MONEYVAL.

France is not a member of MONEYVAL. Since 2017 and until 2019, France has an observer status at MONEYVAL.

- (v) any others (OECD, G20)

¹⁶⁶ FAFT website : <http://www.fatf-gafi.org/countries/#France> [Accessed 21.02.2017]

¹⁶⁷ <http://www.oecd.org/tax/transparency/about-the-global-forum/publications/schedule-of-reviews.pdf>

What has been their experience with them, how effective are they? How could collaboration be improved?

Concerning the judicial cooperation. When speaking at a hearing of the finance committee of the Senate,¹⁶⁸ the financial public prosecutor (Eliane Houlette), declared that the PNF had requested 53 countries to collaborate following the Panama Papers. According to Houlette, international cooperation remains irregular, slow and chaotic. On the Panama Papers, Houlette noted that the means at the disposal of the PNF are rather limited in comparison to the scale of the revelations.

Concerning the cooperation between FIUs, the extent of the cooperation depends on the country and the topic. Nevertheless, cooperation between FIUs is quite easy and fast in comparison to cooperation with between judiciary services or between law enforcement services.

Cooperation between fiscal administrations is still difficult.

2. Which schemes/ types of schemes have been identified as prevalent with regard to the member state in question? What is the key difference between the schemes revealed by the Panama Papers and other schemes that already existed? Is it largely a matter of the scale of such operations or are they different in nature compared to other schemes?

The prevalent schemes in the Panama Papers in France were the use of shell societies in order to avoid taxes. While this process is not illegal in itself, the Panama Papers have led to several investigations on fiscal fraud.

There is no difference between the schemes identified in the Panama Papers and the usual schemes used for fiscal evasion. The leak of all the documents allows to have a snapshot of the system at one point in time. The scale of the scandal is not a surprise either. According to one interviewee, fiscal evasion, offshore areas and tax havens are at the centre of the global economy, and they are not a marginal feature.¹⁶⁹

While the Panama papers do not come as a surprise to experts, the publication of names and numbers made the problem very visible for the public. The repeated highly mediatised scandals on tax avoidance have dramatically raised awareness of the issues among the French population.¹⁷⁰ The Panama papers and the previous leaks reveal the wide-spread practice of tax avoidance: tax avoidance does not only concern big firms or very rich individuals, but also small and medium sized enterprises. The Panama papers also highlight the role of intermediaries (such as banks, lawyers, etc.) helping individuals and companies to hide from or avoid fiscal administration.

3. Which Member State individuals/ organisations have been identified as being involved in Panama schemes by the authorities undertaking investigation (if information is available) or through the Panama Papers?

Businessmen and some politicians that appeared in the Panama Papers for France.¹⁷¹ Some companies, such as the bank Société Générale, also appear in the Panama papers.¹⁷² Some people were already investigated for previous allegations of tax evasion and tax fraud (i.e. Cahuzac, Balkany). However, the fact that they appear in the Panama Papers does not necessarily mean that they are breaking any law. As noted earlier, tax avoidance can be legal.

¹⁶⁸ Senat (2016), Commission des Finances, 18 mai 2016. Compte rendu : <https://www.senat.fr/compte-rendu-commissions/20160516/fin.html#toc4> [Accessed 13.02.2017]

¹⁶⁹ Interview feedback

¹⁷⁰ Interview feedback

¹⁷¹ Huffington Post, « Platini, Le Pen, Balkany, Drahi, Glénat... les 12 Français qui apparaissent dans les « Panama papers » », Huffington Post, 6 April 2016. Available from Huffington Post : http://www.huffingtonpost.fr/2016/04/06/francais-panama-papers-glenat-platini-balkany-drahi-le-pen_n_9622482.html [accessed 24.02.2017]

¹⁷² VAUDANO Maxime, « Panama papers : ces grandes sociétés françaises qui profitent du système offshore », Le Monde, 6 April 2016. Available from Le Monde : http://www.lemonde.fr/panama-papers/article/2016/04/06/panama-papers-ces-grandes-societes-francaises-qui-profitent-du-systeme-offshore_4896724_4890278.html [accessed 24.02.2017]

4. What action is being taken with regard to those individuals and institutions identified?

The French fiscal administration is able to use the information of the Panama Papers. The Ministry of Finances announced in November 2016 that it was going to control the fiscal situation of 560 taxpayers appearing in the papers and likely to have committed fraud.¹⁷³

The PNF has also launched an investigation on the Panama Papers As resources are limited for the PNF and the number of people exposed significant, sorting out the cases has been necessary to prioritise which to investigate. To this end, the PNF requested information from the DGFIP and Tracfin to identify the most severe cases of fraud and money laundering. The PNF has 22 targets in France. Those are natural persons who have undeclared accounts abroad, and legal persons that are facilitating money laundering and fraud. There have been several searches and auditions since April 2016 and the PNF hopes to be able to engage judicial proceedings. Investigations of the Panama Papers are quite difficult. According to Vincent Filhol, one of the five magistrates in charge of the Panama Papers investigations, the schemes for tax evasion are much more complex nowadays than they used to be in the past. As more and more countries are cooperating on information exchange, schemes become increasingly complex to avoid tax and achieve secrecy. There may be five or six intermediaries between the natural person and the final accounts. Another difficulty regarding the investigation is highlighted by Jean-Marc Toublanc, Secretary General of the PNF. He suggests that with the digitalisation of data, investigations become more complex as the data can be stored in different jurisdictions.¹⁷⁴

5. What are the implications of tax havens and financial offshore centres revealed by the Panama Papers for your country in terms of:

- (x) tax revenues;
- (xi) capital flight;
- (xii) economic growth and development?

Have any quantified estimates been produced? (Please provide quantified estimates where available (in EUR)).

A Parliament report of 1994 (*Rapport Courson*) estimated the losses from tax avoidance to the French administration between EUR 25.3 and 34.5 billion.¹⁷⁵ This estimation includes schemes that are not related to the Panama Papers such as VAT fraud. Another estimation was done by a union or collective called *Solidaires Finances Publiques* (previously called SNUI). They extrapolated data from fiscal control and using data of the European Commission on VAT notes. Losses are estimated between EUR 42 and 51 billion for 2004-2005.¹⁷⁶ In 2007, the Council on taxes (*Conseil des Prélèvements obligatoires*, CPO), a council depending on the Court of Auditors (*Cour des Comptes*), estimated tax fraud between EUR 29 and EUR 40 billion. This estimation was produced by extrapolating the data on fiscal controls and the frauds detected.¹⁷⁷ A Senate report of 2012 note that there are barely any studies able to confirm or detail those estimates.¹⁷⁸

In the framework of that Senate report, Agnes Verdier-Molinié, director of a research foundation on public administration and public policies (*Fondation pour la recherche sur les administrations et*

¹⁷³MICHEL Anne, « La France lance 560 contrôles fiscaux sur la base des Panama papers », *Le Monde* 17.11.2016. Available from Le Monde : http://www.lemonde.fr/economie/article/2016/11/17/la-france-lance-560-contrôles-fiscaux-sur-la-base-des-panama-papers_5032691_3234.html [accessed 13.02.2017]

¹⁷⁴ France Inter, « Derrière l'affaire Fillon, le parquet national financier », France Inter, 24 February 2017. Available from France Inter : <https://www.franceinter.fr/justice/derriere-l-affaire-fillon-le-parquet-national-financier> [accessed 24.02.2017]

¹⁷⁵ BOCQUET Eric (2012), Rapport fait au nom de la commission d'enquête sur l'évasion des capitaux et des actifs hors de France et ses incidences fiscales (1), Sénat, 17 July 2012. Available from Sénat : <https://www.senat.fr/rap/r11-673-1/r11-673-11.pdf> [accessed 16.02.2017]

¹⁷⁶ Ibid

¹⁷⁷ Ibid

¹⁷⁸ Ibid

les politiques publiques) estimated that each year around 700 wealthy individuals were leaving France because of fiscal constraints. This would represent about EUR 10 billion leaving the country each year. It is not clear from the report how much losses this represents for the State. The Senate report estimates the losses resulting from international fiscal avoidance between EUR 30 and 36 billion. This number includes only the data for income and corporate tax avoidance. This estimation was obtained by correlating the different results and extrapolating some of the above-mentioned studies. The authors of the report reckon that it is likely to be a low estimate.¹⁷⁹

Gabriel Zucman, a French economist estimates that hidden capital from rich individuals represent losses of EUR 17 billion. If MNEs are also counted, losses for the French State represent EUR 40 billion. This is the data for income and corporate tax avoidance.¹⁸⁰

Another estimation is the updated estimation of *Solidaires Finances Publiques* in a 2013 report. They estimate fiscal losses in 2012 between EUR 60 and 80 billion. The table below details the losses. They conducted a meta-analysis of all the studies previously available, extrapolated from fiscal control data and added the newly available data to determine estimates.¹⁸¹

	Income tax	VAT	Corporate tax	Wealth tax	Others (local tax, other taxes)	Total
Lower estimate	15	15	23	4	3	60
Higher estimate	19	19	32	6	4	80

Source: Solidaires Finances Publiques, *Evasion et fraude fiscales, contrôle fiscal*, 2013

A 2015 report of the Parliament (*Assemblée Nationale*) notes that France loses at least between EUR 60 and 80 billion per year to tax avoidance, which corresponds to about 3% of the GDP.¹⁸²

If yes, what were the methodologies for calculating/ estimating the numbers in question?

How is this monitored?

6. Are there other socio-economic impacts revealed by the Panama Papers not previously discovered or researched?

In December 2016, the economic, social and environmental council (*Conseil Économique, Social et environnemental, CESE*), a constitutional consultative assembly representing key economic, social and environmental interests, published a report including recommendations on tax dodging. It concludes that tax avoidance is threatening the social contract because it undermines the will of people to be subject to taxes. The report notes that tax avoidance creates a two-speed system between those able to avoid taxes and those who cannot. According to the report, this impacts social cohesion by weakening the legitimacy of taxes.¹⁸³

¹⁷⁹ Ibid

¹⁸⁰ MATHIEU Clothilde (2013), Entretien avec Gabriel Zucman, *L'Humanité*, 2 décembre 2013. Available from : <http://www.humanite.fr/gabriel-zucman-non-lutter-contre-levasion-fiscale-nest-pas-une-utopie> [accessed 15.02.2017]

¹⁸¹ Solidaires Finances Publiques (2013), *Evasion et fraude fiscales, contrôle fiscal*, January 2013. Available from : <http://docplayer.fr/1593137-Rapport-du-syndicat-national-solidaires-finances-publiques.html> [accessed 15.02.2017]

¹⁸² Assemblée Nationale (2015), *Rapport d'information déposé par la Commission des affaires européennes sur l'Union européenne et la lutte contre l'optimisation fiscale*, 6 October 2015. Available from Assemblée nationale : <http://www.assemblee-nationale.fr/14/europe/rap-info/i3101.asp> [accessed 20.02.2017]

¹⁸³ DUBLIN Antoine (2016), *Les mécanismes d'évitement fiscal, leurs impacts sur le consentement à l'impôt et la cohésion sociale*, CESE 2016-14, *Journal officiel de la République Française*. Available from CESE : www.lecese.fr/sites/default/files/pdf/Avis/2016/2016_14_evitement_fiscal.pdf [accessed 13.02.2017]

7. What are the effects of the (potential) use of tax havens and offshore financial centres for the purpose of tax evasion and financial crime, in particular money laundering, and what is the impact on:
- (ix) economic and financial interests;
 - (x) taxation;
 - (xi) capital losses; and
 - (xii) the impact on employment?

The Panama Papers illustrate that criminal money (i.e. from money laundering) and tax avoidance use the exact same channels for transferring capital. The same schemes can have a legal purpose or an illegal purpose and distinguishing is very difficult. The most cited estimation in France is that losses due to tax avoidance represent between EUR 60 and 80 billion.¹⁸⁴ However, this estimation includes legal schemes and fraud that does not use the schemes passing by tax havens, such as VAT carousels, or the black economy.

8. How can existing EU or national legislation be strengthened to better combat tax havens and financial offshore centres and their negative effects?

Interview feedback suggests that the BEPS initiative of the OECD could be very effective but it is likely to be stalled by the new US administration. The problem of acting within the EU is that the problem is global and there will always be a tax haven somewhere.

In order to make beneficial ownership more transparent, several things had been put in place in France. In May 2016 in response to the Panama Papers, the creation of a trust register was announced.¹⁸⁵ This register was supposed to increase transparency and help fighting tax evasion and financial crime. Trusts do not exist in French law so they are automatically based abroad. Nevertheless, some of the beneficiaries are French nationals. Trusts for which at least one beneficiary resides in France would have to be registered in this public database. It is estimated that there are about 16 000 such trusts. When the register was put online, the *Conseil d'Etat* suspended its implementation following a complaint of a US citizen residing in France, claiming the register was a violation of her privacy. The Constitutional Court (*Conseil Constitutionnel*) decided in October 2016 that the creation of the register was violating privacy disproportionately with regard to the objective pursued.¹⁸⁶

France is currently trying to establish a register of effective beneficiaries of companies but this proves to be challenging.

Based on interview feedback, the following recommendations can be made:

- Apply uniformly recommendation 29 of the FATF (especially point 3 of the interpretative note: "*Strategic analysis uses available and obtainable information, including data that may be provided by other competent authorities, to identify money laundering and terrorist financing related trends and patterns. This information is then also used by the FIU or other state entities in order to determine money laundering and terrorist financing related threats and vulnerabilities*"). In France, when the FIU receives a request for information, it is treated like any STR that Tracfin receives from French professionals. It means that Tracfin conducts investigations to respond to the request. Some FIUs do not have the power to investigate the requests and answer simply as if it was a question.
- Create a database with information on owners of bank accounts. There are currently eight EU Member States that have such files and this is something to encourage. France has a

¹⁸⁴ Solidaires Finances Publiques (2013), *Evasion et fraude fiscales, contrôle fiscal*, January 2013. Available from : Docplayer <http://docplayer.fr/1593137-Rapport-du-syndicat-national-solidaires-finances-publiques.html> [accessed 15.02.2017]

¹⁸⁵ ROGER Patrick, "Evasion fiscale: le Conseil Constitutionnel retoque le registre public des bénéficiaires des trusts », *Le Monde*, 21.10.2016. Available from *Le Monde* : http://www.lemonde.fr/economie/article/2016/10/21/evasion-fiscale-le-conseil-constitutionnel-retoque-le-registre-public-des-beneficiaires-des-trusts_5018034_3234.html [accessed 14.02.2017]

¹⁸⁶ Ibid

register of banking data (*Ficoba*) and life-insurance data (*Ficovie*). This means that everybody having a bank account is registered as such in the Ficoba database. There are numerous obstacles to such databases in some countries, including privacy laws. It would be useful to harmonise the capacity to access information among FIUs.

- Harmonising the rules on the use of information provided by another country. Some country will provide information without problem but the information cannot be used or transferred again. This means for example that the information provided may not be used in a trial. Some FIUs do not transfer information until there are judicial proceedings. However, FIUs often investigate before the launch of judicial proceedings. The lack of harmonisation may create deadlocks in terms of exchanging information.
- Encouraging the creation of registers of effective beneficiaries. The UK has created such a system but the problem of it is that it only files companies that are registered in the UK, and not companies that operate in the UK and are registered elsewhere. The ideal would be to create systems where the information on companies operating in the country but registered elsewhere are also available.

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Germany

Name of Member State: Germany

Organisations interviewed/ to be interviewed

Ministry of Finance / Treasury Interviewed: Not yet

Financial Intelligence Unit Interviewed (if applicable): not willing to help

Central Bank interviewed: cannot help

Interviews conducted with legal expert, journalist

1. What organisation(s) is/ are tasked with investigating the nature, scope and impacts of the Panama Papers' revelations in the country? What are they doing – the work programme, reporting, etc. Germany collaborates at cross-border level with the following organisations:

- (i) the Financial Action Task Force (FATF);
- (ii) the G5 – Finance Ministers within the G20 from France, Germany, Italy, Spain and the UK cooperating on issues such as beneficial ownership in response to the Panama Papers.¹⁸⁷
- (ii) the Global Forum on Transparency and Exchange of Information for Tax Purposes;
- (iii) the European Commission's Platform for Tax Good Governance (German tax authorities)
- (iii) MONEYVAL.
- (iv) Egmont Group
- (v) OECD
- (vi) G20

The fight against tax evasion is primarily the responsibility of the Federal Ministry of Finance. The fight against money laundering is primarily the responsibility of the Federal Ministry of the Interior.

In addition, the Financial Supervisory Authority *BaFin* supervises financial markets.

The German Financial Intelligence Unit (FIU)¹⁸⁸ sits at the Federal Criminal Police Office (BKA) and is in charge of enforcing anti-money laundering rules and cooperating within the FATF with other countries.

What has been their experience with them, how effective are they? How could collaboration be improved?

According to a draft law currently in preparation in response to the Panama leaks (see further below), the FIU shall be moved to the customs office and thus fall under the remit of the Ministry of Finance. This way, the FIU is expected to be able to react faster and in a more targeted way to suspicious cases. Moreover, cooperation between the FIU and the state level supervisory authorities shall be improved.¹⁸⁹

¹⁸⁷ <http://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Topics/Taxation/Articles/G5-letter-to-G20-counterparts-regarding-action-on-beneficial-ownership.html>

¹⁸⁸ https://www.bka.de/DE/Home/home_node.html

¹⁸⁹ https://www.anwaltsregister.de/Rechtsnachrichten/Streit_beigelegt_Einigung_ueber_Transparenzregister.d3827.html

2. Which schemes/ types of schemes have been identified as prevalent with regard to the member state in question? What is the key difference between the schemes revealed by the Panama Papers and other schemes that already existed? Is it largely a matter of the scale of such operations or are they different in nature compared to other schemes?

The FIU issues its Annual Reports with a significant delay of 11 months, meaning that for this study only data from 2015, i.e. prior to the Panama revelations, could be reviewed.¹⁹⁰ This data suggests that suspicious transactions relating to money laundering have increased from 24,054 in 2014 to 29,108 in 2015. Compared to 2006, the 2015 figure represents an increase of almost 300%. The suspicious transaction reports pursuant to the Money Laundering Act and the Fiscal Code implicated 47,516 persons in 2015, out of which 17,9073 had an unknown nationality. The remaining persons were either Germans (59%), or had other nationalities such as Turkish, Romanian, Polish, Russian, Bulgarian, Chinese, Italian, etc.

As regards international information exchange, the German FIU handled 2,181 cases of communication with foreign FIUs. Luxembourg and US sent the most requests to Germany.

There is nothing different in the nature of the schemes revealed in the Panama papers compared to schemes revealed in previous leaks such as the Luxembourg leaks.

3. Which Member State individuals/ organisations have been identified as being involved in Panama schemes by the authorities undertaking investigation (if information is available) or through the Panama Papers?

Some high-profile individuals directly or indirectly associated with the Panama Papers include Formula 1 pilot Nico Rosberg (not personally but through his marketing activities with Mercedes); and Helmut Linssen from WestLB bank.

No public officials were implicated in Germany.

The Panama Papers include information relevant for a Siemens corruption scandal that unfolded in the early 2000s. In 2013, as revealed by the Papers, USD 480 m were deposited to a Societe Generale bank account in the Bahamas. In 2006, the Siemens scandal revealed that the firm used offshore accounts and shell companies to store money intended for bribing public officials on a global scale. The Panama Papers suggest that Mossack Fonseca manage a number of shell companies for the German corporation. If these allegations were true, it would show that offshore bank accounts may severely foster corruption all around the world, with all its associated economic and societal costs.

4. What action is being taken with regard to those individuals and institutions identified?

Within Germany, the State Ministry of Finance of North Rhine Westphalia takes a lead in drawing up a response to the Panama leaks. They have built up expertise in recent years on curbing tax evasion.

In response to the Panama papers, Germany's Ministry of Finance issued an **action plan** focusing on transparency of offshore firms, fighting tax evasion, undue tax avoidance and money laundering. One legal expert interviewed for this study criticised the action plan as 'politicking' containing relatively little new or useful measures.

In November, Germany's finance minister introduced legislation — nicknamed "**the Panama Law**" — that would increase penalties for tax evasion and enforce disclosure of Germans' business relationships with shell companies. Penalties for cases where offshore firms are indeed used for tax evasion purposes shall be increased. The law has been agreed within the cabinet, and is expected to be passed by Parliament by June 2017. The law introduces concrete measures¹⁹¹ tackling the schemes revealed by the Panama leaks:

¹⁹⁰ https://www.bka.de/EN/CurrentInformation/AnnualReports/FinancialIntelligenceUnitGermany/financialintelligenceunit-germany_node.html

¹⁹¹ <http://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Steuern/2017-02-23-Nationale-Massnahmen-gegen-Steuerhasen-Briefkastenfirmen.html>

1. **Enhanced cooperation duties of taxpayers:** The law stipulates that tax payers shall lay open their business relations with offshore firms in their tax declarations, or face penalties up to EUR 25,000. Tax payers will have to inform tax authorities on any legal shareholding of foreign enterprises and declare when they have a 'dominating influence' on these enterprises. This should help identify trusts and similar arrangements. This should even be the case when the individual does not incur any income through the firm taxable in Germany.
2. **Information duties of banks:** Banks helping their customers in setting up offshore firms will generally be obliged to inform the tax authorities, or can otherwise be held liable for tax losses caused by such deals.¹⁹² Banks will have to provide information on identification characteristics of account holders or economic beneficiary. Tax authorities dealing with banks and those tax authorities dealing with individuals will share these data. This should also tackle cases where foreign branches (e.g. in Luxembourg) of German banks have helped individuals set up offshore firms.
3. **Enhanced investigation competence for financial administration:** the bank secrecy according to paragraph 30a of the tax code shall be lifted. Within the limits of data protection rules, this and other enhanced investigation competences should help tax authorities identify the true beneficiaries of bank accounts.

Panama has requested help and legal assistance from Germany in one case linked to the Panama Papers.¹⁹³

Moreover, along with colleagues from the other G5 nations (see above), **Germany sent a letter to the rest of the G20** stressing the importance of the fight against tax evasion and money laundering. One measure that should be implemented soon is the Common Reporting Standard which will see automatic exchange of information between over 90 countries and jurisdictions on offshore accounts beginning in 2017. Panama has agreed to implementing the standard on a bilateral and reciprocal basis from 2018.¹⁹⁴ Along with its G5 colleagues, Germany commits to establishing registers requiring that beneficial owners of companies, trusts, foundations, shell companies and other relevant entities can be properly taxed. They also launched a pilot initiative for automatic exchange of information on beneficial ownership, building on the Common Reporting Standard. In the letter, signatories expressed their hope that this may lead to another global standard built in cooperation with the OECD and FATF on information exchange covering beneficial ownership.

The **German government plans to set up a transparency register** in response to the Panama leaks analogous to the trade/company register. This would cover not only companies but also the ultimate beneficiaries of companies, making it easier to detect individuals involved in money laundering or other offences hiding behind company names. A journalist interviewed for this study, as well as Transparency International, criticised that the register had been watered down upon intervention by the Ministry of Economic Affairs which in turn had been lobbied by the industry and family enterprises claiming risks of kidnappings and exertion if such information became publically available. Consequently, the register will only be accessible to a limited group of people with a 'legitimate interest' (in line with prescriptions in the Fourth Anti-Money Laundering Directive¹⁹⁵, not further specified), including journalists and NGOs, but not to the wider public. Moreover, there is an access fee. These restrictions were justified with data protection rules.

5. What are the implications of tax havens and financial offshore centres revealed by the Panama Papers for Germany in terms of:
 - (xiii) tax revenues;
 - (xiv) capital flight;
 - (xv) economic growth and development?

¹⁹² <http://www.sueddeutsche.de/wirtschaft/steuerhinterziehung-schaeuble-attackiert-mit-gesetzentwurf-briefkastenfirmen-1.3232801>

¹⁹³ <http://ministeriopublico.gob.pa/wp-content/multimedia/2016/11/Cooperaci%C3%B3n-Internacional-Papeles.pdf>

¹⁹⁴ <http://www.ey.com/gl/en/services/tax/international-tax/alert--panama-commits-to-implementing-oecd-s-common-reporting-standard-as-of-2018>

¹⁹⁵ http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL_2015_141_R_0003&from=ES

Have any quantified estimates been produced? (Please provide quantified estimates where available (in EUR)).

According to a German journalist interviewed for this study, no figures on the economic impact of the Panama Papers in Germany are yet available, probably due to the fact that the Panama leaks were relatively recent and investigations are ongoing, and the scale is hence not yet fully clear. The interviewee anticipates such estimates to be forthcoming in about 1.5 years from now.

Nevertheless, some relevant data are available from various studies:

- i) **Tax revenues:** The German tax union estimates the annual tax loss due to tax evasion to amount to EUR 30 bn. The *network tax justice* estimates the loss to amount to EUR 200bn (incl. tax evasion and untaxed labour) to tax authorities and social security systems. But it is not made transparent how researchers arrived at these estimates. A study by the Tax Justice Network (2011)¹⁹⁶ estimated the tax lost as a result of tax evasion in Germany to amount to EUR 165.5bn p.a. A perhaps more reliable, but conservative estimate, can be based on the Federal Ministry of Finance's data on the additional tax revenue gained through detection of cases of tax fraud. In 2015, 36,708 such cases were identified, generating additional tax revenue of EUR 3 bn.¹⁹⁷ Previous studies¹⁹⁸ estimate the annual tax revenue loss due to profit shifting (focusing on corporate taxation, so not directly applicable to the Panama schemes) to amount to EUR 90 bn per year. Another estimate puts this figure at considerably lower EUR 10 bn.¹⁹⁹
- ii) **Capital flight** and parking money abroad has been an issue for Germany for many years.
- iii) **Economic growth and development:** That tax revenue losses can have an impact on the wider economy is suggested by another study, according to which in 21 OECD nations, including Germany, lower tax rates have reduced infrastructure spending – a reduction in corporate income tax rates of 15% equalled a reduction in public investment of 0.6-1.1% of GDP over a period from 1966-2002.²⁰⁰ Once again, these figures are not directly applicable to this study since they look at a reduction tax rates rather than tax losses, but nevertheless this shows that there is a link between lower tax revenues and public investment, which is credited with stimulating economic growth.

6. Are there other socio-economic impacts revealed by the Panama Papers not previously discovered or researched?

No information.

7. How can existing EU or national legislation be strengthened to better combat tax havens and financial offshore centres and their negative effects?

There is a question of proportionality in that AML legislation and related suspicious transaction reports are not only used by authorities to actually curb money laundering but also to investigate cases of tax evasion and minor offences unrelated to organised crime, which is not the intended purpose of such legislation.

A legal expert interviewed for this study identifies a couple of gaps in the German tax evasion and anti-money laundering legislation:

¹⁹⁶ <http://www.taxjustice.net/wp-content/uploads/2014/04/Cost-of-Tax-Abuse-TJN-2011.pdf>

¹⁹⁷ <http://www.bundesfinanzministerium.de/Content/DE/Monatsberichte/2016/11/Inhalte/Kapitel-3-Analysen/3-6-Verfolgung-Steuerstraftaten-und-Steuerordnungswidrigkeiten-2015.html>

¹⁹⁸ Bach, S (2013) Unternehmensbesteuerung: Hohe Gewinne – mäßige Steuereinnahmen, DIW Wochenbericht, pp. 3-12.

¹⁹⁹ J. H. Heckemeyer and C. Spengel (2008), 'Ausmaß der Gewinnverlagerung multinationaler Unternehmen – empirische Evidenz und Implikationen für die deutsche Steuerpolitik, Perspektiven der Wirtschaftspolitik', *Perspektiven der Wirtschaftspolitik*, vol. 9(1), p. 54.

²⁰⁰ Gomes, Pedro, and Francois Pouget (2008), 'Corporate Tax Competition and the Decline of Public Investment,' ECB Working Paper Series No. 928, European Central Bank, Frankfurt, Germany.

- While formally transposed into German law in 2015, in implementing the Fourth Anti-Money Laundering Directive, Germany did not amend its definition of related criminal actions to include all activities of fraud damaging the EU. This should include (attempt of) evasion of consumption tax and VAT over EUR 50,000 (as stipulated by the Directive) but this not been transposed directly.
- Tax evasion is an offence but not a crime in Germany, meaning penalties are lighter. Even in cases of systematic fraud, where individuals collude to evade taxes, including on consumption and VAT, there is only a case for punishment once actions have taken place, but not when individuals collude to commit such tax fraud.

Other than that, the legal system is assessed to be fairly comprehensive, and problems lie rather with lack of enforcement. However, tax authorities in Germany are rather well equipped and exchange information regularly with international counterparts.

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Poland

Name of Member State: Poland

Organisations interviewed/ to be interviewed

Ministry of Finance / Treasury Interviewed: Y / **N**

Financial Intelligence Unit Interviewed (if applicable): Y/**N**

Central Bank interviewed: Y / **N**

Other Interviews? (Tax Associations, Accountancy Groups, NGOs and other):

(Please save interview responses in questionnaire files separately).

1. What organisation(s) is/ are tasked with investigating the nature, scope and impacts of the Panama Papers' revelations in the country? What are they doing – the work programme, reporting, etc. Who are they collaborating with domestically and at cross-border level? E.g.:

The Act on Countering Money Laundering and Terrorism Financing came into force in 2001 and imposed the notion of criminal liability for money laundering by every entity, irrespective of its relation to the crime (Directive 91/308/EWG). The Act was further amended in 2004 to include entities that are independent legal professionals, such as legal counsels or advocates (Directive 2001/97/EC). The most recent amendment was implemented in 2009 (Directive 2005/60/EC). In compliance with the Act on Countering Money Laundering and Terrorism Financing, the following competent authorities are responsible for countering money laundering in Poland ⁱ:

- (a) Minister of Finance;
- (b) General Inspector of Financial Information at the Minister of Finance. The General Inspector receives data and within its capacity investigates suspicious transactions, suspends or blocks suspicious bank accounts, adjudicates the release of frozen assets, and initiates other measures to counteract money laundering ⁱⁱ;
- (c) Institutions, such as banks, financial institutions, legal advisors, and insurance companies among others;
- (d) Co-operating units within the government authorities;

The General Inspector collaborates with the following units, based on Poland's system of co-operating units:

- (e) National Bank of Poland (NBP)
- (f) Polish Financial Supervision Authority (PFSA)
- (g) Supreme Chamber of Control (NIK)

In light of the Panama Papers, a joint investigation was launched between the Ministry of Finance and prosecutors in Warsaw. Under Polish law, any suspicions of money laundering are reported by the General Inspector of Financial Information, who is the central organ of government administration. Wieslaw Jasinski, the Deputy Finance Minister and the General Inspector of Financial Information (GIIF) was responsible for investigating the implications of Poland in the Panama Papers. The investigative group also consisted of representatives in Poland's Tax Office and the Central Anti-Corruption Bureau. The procedure of the investigation applied to all persons mentioned in the media materials revealed by the Panama Papers. In regards the collection of data, the investigation used national data, as well as international data, based on the laws regarding the prevention of money laundering and financing of terrorism ⁱⁱⁱ.

Due to the nature of the investigation, national collaboration existed between law enforcement agencies and the Ministry of Finance: The General Inspector collaborated with the Internal

Security Agency. Jasinski also made cross-border agreements with Panama, the British Virgin Island, Bahrain, Lebanon and Kazakhstan to facilitate the exchange of information in order to search for assets and facilitate the 'Inland Revenue study' ^{iv}.

What has been their experience with them, how effective are they? How could collaboration be improved?

According to the Ministry of Finance, effectiveness of action against money laundering schemes that involve the transfer of money to tax havens has improved. Some explanation would be that there has been an increase in cooperation agreements with European and non-European states. For instance, authorities found that in many cases money laundered in Poland had originated from Russia and other countries from the former Soviet Union. Polish journalists that were interviewed, confirmed having found several Russian names and surnames in the Polish leaks, however it is difficult to say whether they are originally Russian or Polish citizens with Russian origins. The results were inconclusive because these were not major cases. Government officials also confirmed collaborating with European governments, particularly the United Kingdom, France and the Netherlands.

Poland has also revised the Tax Act: the government is working towards sealing the tax system nationally and for international transfers.

The effectiveness of the investigation is difficult to determine because there have not been major breakthroughs in Poland. Collaboration was positive, but it is likely the government did not buy the data from Panama mentioned above. Without this information, it is unlikely the government uncovered in-depth information on the Polish implication in the Panama Papers.

2. Which schemes/ types of schemes have been identified as prevalent with regard to the member state in question? What is the key difference between the schemes revealed by the Panama Papers and other schemes that already existed? Is it largely a matter of the scale of such operations or are they different in nature compared to other schemes?

The US Department of State Money Laundering assessment (INCSR) found that Poland is not a regional financial centre, nor is it an important destination for money laundering. Only four individuals and 161 offshore identities out of the 11 million confidential documents were traced back to Poland. Additionally, it is worth noting that Panama is not the primary destination for tax evasion in the case of Poland: Cyprus is the primary destination and most important player for Polish tax evasion and money laundering.

Previous schemes revealed that the largest source of illegal funds in Poland stemmed from evasion of customs duties and taxes by organised criminals. The Government of Poland identified several avenues for money laundering, the most important one being virtual currencies, such as bitcoin. The only scheme identified that already existed involved extreme undervaluing of imported goods by Asian organised crime activity at the Chinese Trade Centre in Wolka Kosowska, which is located approximately 25 km from Warsaw. The scheme included the falsification of invoices, which misleads the determination of the customs value of a product and the applicable value added tax (VAT)^v.

There was no big difference between the type of schemes that already existed and new types of schemes. Poland was a small case in the Panama Papers. The leak revealed small cases, with most instances dating back to the early 1990s. A popular scheme revealed by the Panama Papers is that Polish companies or individuals first created foundations in Panama. In parallel they opened companies in Switzerland in order to transfer funds from Poland to Vontobel or HSBC in Switzerland. These were then automatically transferred to Panama. The foundations in Panama aggregated savings, avoiding all taxes for Polish individuals and companies.

<p>3. Which Member State individuals/ organisations have been identified as being involved in Panama schemes by the authorities undertaking investigation (if information is available) or through the Panama Papers?</p> <p>Four poles figured on the Panama Papers. Polish business man Marek Profus, owner of Profus Management, a company that sells fuel and military equipment; media mogul Mariusz Walter, who is a co-owner of the ITI Group; former mayor of Warsaw Pawel Piskorski, owner of an offshore company registered in Panama and the head of the Alliance of Democrats Party; and Leszek Balcerowicz, former Finance Minister and Chairman of the National Bank of Poland ^{vi,vii}.</p> <p>161 offshore entities were identified in Poland ^{viii}.</p> <p>The impact of the Panama Papers in Poland was mostly symbolic. There were no major companies, nor politically exposed individuals.</p>
<p>4. What action is being taken with regard to those individuals and institutions identified?</p> <p>The General Inspector of Financial Information, Wiesław Jasinski, launched an analysis into the alleged involvement of the individuals listed in the Panama Papers. Individuals or companies have not been indicted to this date.</p>
<p>5. What are the implications of tax havens and financial offshore centres revealed by the Panama Papers for your country in terms of:</p> <p>The implication of Poland in the Panama Papers was minimal: there were no long-term cases revealed. In most cases, individuals and companies sought for tax optimisation, which is technically legal in Poland.</p> <p>The Polish Department of Financial Information commented that the effects of money laundering in Poland is similar to the ones identified in other EU countries, principally due to the close connection of national EU economies. Effective money laundering increases the ability of criminals to commit crimes by providing them a financial basis. It also causes situations in which various sector of national and international economies are fed by illegal sources. These effects have not been quantified.</p> <p>Have any quantified estimates been produced? (Please provide quantified estimates where available (in EUR)).</p> <p>Poland loses approximately 46 billion zloty, which is roughly 10,5 billion euros, every year due to tax evasion and capital flight. Asides of this estimate, the Department of Financial Information in Poland confirmed that they did not quantify the effects of money laundering.</p> <p>If yes, what were the methodologies for calculating/ estimating the numbers in question?</p> <p>It is difficult to measure exactly the estimate in numbers because Poland had many small cases. It was never estimated exactly how much each individual or company kept.</p> <p>How is this monitored?</p> <p>N/A</p>
<p>6. Are there other socio-economic impacts revealed by the Panama Papers not previously discovered or researched?</p> <p>The result of the Panama Papers was minimal, but brought to light the issue of tax optimisation and changed public opinion on the matter. In the early 1990s it was a virtue to hide assets and avoid taxes because of the low trust individuals and companies had with the government. The Polish government was perceived as ineffective, so individuals and companies actively avoided</p>

taxes. The Panama Papers revealed to the public the immorality/unethical nature of tax optimisation through tax havens.

7. What are the effects of the (potential) use of tax havens and offshore financial centres for the purpose of tax evasion and financial crime, in particular money laundering, and what is the impact on:

- (xiii) economic and financial interests;
- (xiv) taxation;
- (xv) capital losses; and
- (xvi) the impact on employment?

N/A

8. How can existing EU or national legislation be strengthened to better combat tax havens and financial offshore centres and their negative effects?

The link between money laundering and tax havens shows that by registering companies/trusts/ or other legal arrangements in tax havens, the analysis of financial flows, as well as the disclosure of illegal sources of money becomes more difficult. Due to lax legal rules practiced in several jurisdictions, the creation and management of these entities becomes quite simple. The effective usage of money laundering escalates due to the existing wide variety of proxies offering their assistance. Financial activities are further obscured because these companies/trusts/ or other legal arrangements are registered in tax havens that often possess accounts in other countries than the jurisdiction of their registration, such as financial offshore centres. For these reasons, existing EU or national legislation need to strengthen the exchange of financial, criminal and tax information among countries in order to effectively counteract the negative effects of money laundering and tax havens.

It is also important to implement, not only in Poland but also at EU-level, the new provisions of the EU Directive 2015/849 on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing^{ix}. This amendment would give the opportunity to unify FIUs, facilitate the exchange information amongst them, and help these FIUs obtain additional information that is often difficult to collect under current legislations. This directive would also unify the rules of cooperation among EU countries.

It is important to quickly implement the EU Directive 2015/849 because it will also foresee, among other things, the obligation for EU member states to create registers of banks and payment accounts. As far as we know, companies and other entities registered in tax havens and financial offshore centres controlled by EU citizens, often own account within EU credit institutions. Thus, these registers would enable fast access to the data of relevant companies/entities or individuals ordering and authorising transactions on behalf of them. Poland is one of the few countries in Europe that does not have a central register of bank accounts. Poland also suffers from too many tax leaks. The Polish government has decided to create a special purpose IT Company to link databases together, facilitate checks and render it harder for tax frauds to happen.

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- ^{iv} Makarenko, Vadim, 2016, Panama Papers. Prosecutor's Office Launched an Investigation. The Ministry of Finance will Buy Receipts from Panama?, Wyborcza.biz, <http://wyborcza.biz/biznes/1,100896,19884755,panama-papers-prokuratura-wszczela-sledztwo-ministerstwo-finansow.html>
- ^v Global Anti-Money Laundering Research Tool, Know Your Country: Poland, <http://www.knowyourcountry.com/poland1111.html>
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- ^{vii} Radio Poland, 2016, Economist is Latest Pole to be Linked with Panama Papers, <http://www.thenews.pl/1/12/Artykul/248689,Economist-is-latest-Pole-to-be-linked-with-Panama-Papers>
- ^{viii} ICIJ Offshore Leaks Database: Tax Haven Secrecy Revealed, Poland, <https://offshoreleaks.icij.org/search?c=POL>
- ^{ix} EU Parliament Directive 2015/849, <http://eur-lex.europa.eu/legal-content/EN/NIM/?uri=CELEX:32015L0849>

Interviews:

Vadim Makarenko, Gazeta Wyborcza, lead journalist during Panama Papers investigation (full interview)
Artur Kolaczek, Chief Specialist, Department of Financial Information (limited participation)

Spain

Name of Member State: Spain

Organisations interviewed/ to be interviewed

Ministry of Finance / Treasury Interviewed: No

Financial Intelligence Unit Interviewed: Yes

Central Bank interviewed: yes, part of FIU

Other Interviews? (Tax Associations, Accountancy Groups, NGOs and other):

Total: 5 interviews (FIU (1 interview), NGOs (1 interview - written), Journalists (2 interviews), Public official – local level (1 interview)

1. What organisation(s) is/ are tasked with investigating the nature, scope and impacts of the Panama Papers' revelations in the country? What are they doing – the work programme, reporting, etc.

The Executive Service for the Prevention of Money Laundering (SEPBLAC) is the Spanish FIU and established under Law 19/1993²⁰¹, of December 28 and its implementing regulation, Royal Decree 925/1995²⁰². SEPBLAC depends on the Ministry of Economy (in particular on the Secretary of State). Its functions include: the management and promotion of prevention activities of the use of the financial system or other companies for money laundering; collaboration and coordination in research activities.

The body has the competency to research and initiate disciplinary proceedings in case of breaching the anti-money laundering obligations. The body is horizontally operational and incorporates civil servants coming from different police units (part of the State, tax authorities and the national bank). Latest data available on the activities from the Spanish FIU shows an upward trend in information received and analysed dealing with money laundering and financing of terrorism.²⁰³ In 2015 SEPBLAC also approved the code of good practices for Customer Due Diligence.²⁰⁴ At the time of this case study, no data was available for 2016.

Interview feedback suggest that in particular the Spanish tax authorities, the Anti-Corruption Public Prosecutor (*Fiscalía de Anti-Corrupción*), and the High Court (*Audiencia Nacional*) have expressed interest in the Panama Paper revelations. It is not clear to which extent the stakeholders are using the information. However, interview feedback does confirm that the Anti-Corruption Public Prosecutor and the Spanish tax authorities are particularly interesting in the information to complement existing investigations. The Spanish High Court seemed particularly interested in the role of intermediaries. Also law enforcement is thought to actively investigate the Panama Paper revelation. This concerns the Central Unit on Economic and Fiscal Delinquency (*Unidad*

²⁰¹ BOLETÍN OFICIAL DEL ESTADO (1993) *Ley 19/1993, de 28 de diciembre, sobre determinadas medidas de Prevención del Blanqueo de Capitales. (Vigente hasta el 30 de abril de 2010)* [WWW]. Available from: <http://www.boe.es/buscar/act.php?id=BOE-A-2003-13471> [accessed 28.02.2017].

²⁰² BOLETÍN OFICIAL DEL ESTADO (1995) *Real Decreto 925/1995, de 9 de junio, por el que se aprueba el Reglamento de la Ley 19/1993, de 28 de diciembre, sobre determinadas medidas de prevención del blanqueo de capitales* [WWW]. Available from: http://www.boe.es/diario_boe/txt.php?id=BOE-A-1995-16327 [accessed 28.02.2017].

²⁰³ SEPBLAC (2017) *Actividades* [WWW]. Available from: http://www.sepblac.es/espanol/acerca_sepblac/estadisticas/2015/pdf/resumen.pdf [accessed 28.02.2017].

²⁰⁴ SEPBLAC (2015). *Buenas Prácticas* [Good Practice] [WWW]. Available from: http://www.sepblac.es/espanol/informes_y_publicaciones/Buenas_practicas_listas_personas_entidades_sujetas_sanciones_contramedidas.pdf [accessed 28.02.2017].

Central de Delincuencia Económica y Fiscal (UDEP) which was created in 2003 as a response to a large scale corruption case in Spain (Malaya-case).

Who are they collaborating with domestically and at cross-border level? E.g.:

- (vi) the Financial Action Task Force (FATF);

In the wake of the Panama paper revelations, Spain assumed the presidency of FATF. The Spanish Presidency clearly highlighted the *'critical importance of the work of the FATF in protecting integrity of the international financial system'* on the basis of *'the recently highlighted large scale abuse of corporate vehicles'*²⁰⁵. Consequently, the Spanish Presidency stressed the intention to continue at pace and in close collaboration with other international bodies such as the UN, IMF, World Bank, Financial Stability Board, Egmont Group of FIUs, Interpol, G20 and G7. Also, the need for a more collaborative approach with the private sector was pointed out. Apart from prioritising the fight against terrorist financing, the Spanish Presidency also stressed the need to *'improve transparency and the integrity of financial flows, including through implementation of the FATF standards on beneficial ownership'*. The issue was subsequently discussed during the FATF Plenary week in October 2016 where delegates noted that despite continuous efforts of FATF since 2003 on improving transparency and beneficial ownership, *'recent developments reveal that countries are still not fully and effectively implementing the measures to prevent the misuse of companies, trusts and other corporate vehicles'*²⁰⁶. Further, during the meeting, the Forum of the Heads of FATF FIUs discussed operational issues including responses to the Panama papers, enhanced information sharing, beneficial ownership and maximizing information sources to detect terrorist financing.

- (vii) the Global Forum on Transparency and Exchange of Information for Tax Purposes;

Spain is an active member of the Forum. The peer review process evaluates compliance of Spain with the international standard of transparency and exchange of information requests positively²⁰⁷. The next review is scheduled for the first half of 2018²⁰⁸. Spain has taken up the chair of the Global Forum from 2017-2020.

- (viii) the European Commission's Platform for Tax Good Governance,

No specific relevance in relation to case-study

- (iv) MONEYVAL.

Spain is not a member of MONEYVAL. Apart from FATF, Spain is one of the Co-operating and Supporting Nations (COSUNs) of the Caribbean Financial Action Task Force (CFATF), observer of the Financial Action Task Force of Latin America (GAFILAT) and of the Middle East and North Africa Financial Action Task Force (MENAFATF). An analysis conducted by GAFILAT on regional threats concerning money laundering points to various non-Latin-American countries that make requests for mutual legal assistance. This includes in particular the US, Spain, Germany, the Netherlands and Caribbean countries outside

²⁰⁵ FATF (2016) Objectives for FATF XXVIII (2016-2017) [WWW]. Available from: <http://www.fatf-gafi.org/media/fatf/documents/Objectives-for-FATF-XXVIII-2016-2017.pdf> [accessed 28.02.2017].

²⁰⁶ FATF (2016) Outcomes of the Plenary Meeting of the FATF, Paris, 19-21 October 2016. Available from: <http://www.fatf-gafi.org/countries/a-c/brazil/documents/outcomes-plenary-october-2016.html#fiu> [accessed 28.02.2017]. The wording used by FATF suggests referring to the Panama paper revelations.

²⁰⁷ OECD (2016) Phase 1 and Phase 2 Reviews (November 2016) [WWW]. Available from: <http://www.oecd.org/tax/transparency/GFratings.pdf> [accessed 28.02.2017].

²⁰⁸ OECD (2016) Global Forum on Transparency and Exchange of Information for Tax Purposes [WWW]. Available from: <http://www.oecd.org/tax/transparency/about-the-global-forum/publications/schedule-of-reviews.pdf> [accessed 28.02.2017].

GAFILAT²⁰⁹. In addition, the analysis notes that money laundering of proceeds from corruption largely is done in the respective region, including the countries where the corruption takes place. However, the analysis also points to cases where proceeds were channelled outside the region, including to Spain, Switzerland, US, Virgin Islands and the Cayman Islands²¹⁰.

(v) any others (OECD, G20)

No specific relevance in relation to case-study except for the possible collaboration with the Panamanian authorities.

What has been their experience with them, how effective are they? How could collaboration be improved?

This case-study finds that Spain plays an active role on the international scene, in particular with the presidency of the Global Forum on Transparency and Exchange of Information as well as FATF. Concerning international judicial cooperation, no major concerns have been identified. However, according to the Spanish news outlet OKDIARIO, the Panamanian public prosecutor office only recently showed willingness to collaborate with the Spanish authorities²¹¹. Contact with the Panamanian authorities is directly done by the *Audiencia Nacional* through official requests (*comisiones rogatorias*) to the country. The strategy is to gradually request information to clarify the activities of those exposed in the papers. The verbal agreement to collaborate between the authorities is partially facilitated due to the Spanish efforts to deliver the Panamanian authorities information on funds in the country linked to offshore entities and drug trafficking. In return the Panamanian authorities will provide information to the Spanish prosecutor on possible tax crimes and money laundering in the country. OKDIARIO notes that despite the first contacts in the beginning of 2017, no concrete information has been exchanged. While the Panamanian authorities at the time of the revelation intended to cooperate, exchange between the authorities is slow. The news outlet reports that this is considered a long-term process and according to sources, many of those mentioned in the papers already regularised their affairs with the Ministry.

In terms of national cooperation, the FIU seems to be quite active and ensures collaboration between the different national authorities through the integrated set-up of the organisation. The entity comprises of law enforcement, judiciary and tax authority personnel which arguably could foster effective collaboration. Interview feedback from the FIU suggest collaboration with other FIUs is productive. In December 2014, FATF published the last mutual evaluation report.²¹² This report, inter alia, finds that Spain has sound AML/CFT institutions²¹³.

²⁰⁹ GAFILAT (2015) Análisis de Amenazas Regionales en materia de lavado de activos [WWW]. Available from: <http://www.gafilat.org/UserFiles//documentos/es/AnalisisAmenazasGAFILAT.pdf> [accessed 28.02.2017]. p.20

²¹⁰ GAFILAT (2015) Análisis de Amenazas Regionales en materia de lavado de activos [WWW]. Available from: <http://www.gafilat.org/UserFiles//documentos/es/AnalisisAmenazasGAFILAT.pdf> [accessed 28.02.2017]. p.15

²¹¹ OKDIARIO (2017). La Fiscalía de Panamá entregará datos para confirmar delitos de blanqueo y fraude de VIP españoles <https://okdiario.com/investigacion/2017/02/24/papeles-panama-fiscalia-confirmar-delitos-blanqueo-fraude-773253> [accessed 28.02.2017].

²¹² FATF (2014). *Mutual Evaluation Report Spain* [WWW]. Available from: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/Mutual-Evaluation-Report-Spain-2014.pdf> [Accessed on 12/05/2015].

²¹³ The Commission for the Prevention of Money Laundering and Monetary Offences is an effective coordination mechanism for AML/CFT policies, and its executive service, SEPBLAC, is a strong FIU and supervisor.

2. Which schemes/ types of schemes have been identified as prevalent with regard to the member state in question? What is the key difference between the schemes revealed by the Panama Papers and other schemes that already existed? Is it largely a matter of the scale of such operations or are they different in nature compared to other schemes?

Interview feedback suggest that the Panama Papers did not expose new schemes. In a way the revelations confirmed in more detail the schemes previously exposed such as in the Falciani lists. Interview feedback does indicate that in particular the role of intermediaries, especially law firms, was highlighted in Spain. This also triggered the interest of the High Courts.

3. Which Member State individuals/ organisations have been identified as being involved in Panama schemes by the authorities undertaking investigation (if information is available) or through the Panama Papers?

The main politically-affiliated stakeholders mentioned by coverage on the Panama papers are²¹⁴: Rodigo Rato; Miguel Blesa; José Manuel Soria; Oleguer Pujol. The main financial institutions mentioned by coverage on the Panama papers are²¹⁵: Santander; BBVA; Sabadell. Others mentioned by coverage on the Panama papers are: the Infanta Pilar de Borbón (sister of former King Rey Juan Carlos and aunt of the current King Felipe VI)²¹⁶; members of the business family from Andalucía Domecq (including the wife of Commissioner Arias Cañete, Micaela Domecq Solís-Beaumont)²¹⁷; film director Pedro Almodóvar²¹⁸; arguably the best football player in history, Leo Messi²¹⁹

4. What action is being taken with regard to those individuals and institutions identified?

The revelations of the Panama papers in particular exposed the effects of a fiscal amnesty measure taken by the Spanish government in 2012. Considered a controversial measure, the fiscal amnesty for offshore accounts allowed a low tax rate of 10% offered to anyone declaring hidden income. With this measure, the Spanish government aimed to raise EUR 2,5 billion that same year. By the end of the period in 2012, EUR 1,2 billion, less than half of that expected, was collected²²⁰. This weak performance at the time compromised the measure's legitimacy. Critics argued that the fiscal amnesty would send the wrong message to law-abiding taxpayers and favour the wealthy individuals that already made their fortunes through suspicious means. Criticism

²¹⁴ EL CONFIDENCIAL (n.d) Los Papeles de Panamá [WWW]. Available from: <http://www.elconfidencial.com/economia/papeles-panama/> [accessed 28.02.2017].

²¹⁵ EL CONFIDENCIAL (2016) Santander, BBVA y Sabadell ayudaron a clientada a crear firmas 'offshore' en Panamá [WWW]. Available from: http://www.elconfidencial.com/economia/papeles-panama/2016-04-05/panama-papers-mossack-fonseca-santander-bbva-sabadell-clientes-cuentas_1178459/ [accessed 28.02.2017].

²¹⁶ EL CONFIDENCIAL (2016) La infanta Pilar de Borbón mantuvo una sociedad opaca en Panamá durante 40 años [WWW]. Available from: http://www.elconfidencial.com/economia/papeles-panama/2016-04-03/infanta-pilar-borbon-panama-papeles-cuentas-bancarias-mossack-fonseca_1177586/ [accessed 28.02.2017].

²¹⁷ EL CONFIDENCIAL (2016) La familia Domecq registró una sociedad panameña para gestionar cuentas en Suiza [WWW]. Available from: http://www.elconfidencial.com/economia/papeles-panama/2016-04-03/papeles-panama-papers-domecq-arias-canete-mossack-fonseca_1177452/ [accessed 28.02.2017].

²¹⁸ EL CONFIDENCIAL (2016) Almodóvar gestionó una sociedad 'offshore' tras sus primeros taquillazos [WWW]. Available from: http://www.elconfidencial.com/economia/papeles-panama/2016-04-03/almodovar-panama-papers-offshore-mossack-fonseca_1177327/ [accessed 28.02.2017].

²¹⁹ EL CONFIDENCIAL (2016) Messi compró al día siguiente de pillarle Hacienda una firma offshore que está activa [WWW]. Available from: http://www.elconfidencial.com/economia/papeles-panama/2016-04-03/messi-panama-papers-offshore-mossack-fonseca_1177805/ [accessed 28.02.2017].

²²⁰ EL MUNDO (2012) Hacienda recauda 1.200 millones con la amnistía fiscal, menos de la mitad de lo previsto para reducir el déficit [WWW]. Available from: <http://www.elmundo.es/elmundo/2012/12/03/economia/1354545992.html> [accessed 28.02.2017].

intensified in relation to high-profile corruption cases, such as the Gürtel/Bárceñas case²²¹, but also the Noos-case involving the sister of the King Felipe VI and her husband²²².

In reaction to the Panama papers revelation the Spanish Minister of Finance at the time (*Cristóbal Montoro*) declared: “Those who have not yet regularised should hurry up, pay the penalties because the obligation to declare does not prescribe”²²³. The Spanish Newspaper *El Confidencial* highlighted the irony that in fact many of those that were mentioned in the papers, made use of the amnesty measures by the government in order to avoid more serious consequences of using offshore schemes. Montoro acknowledged in Congress that many of those exposed by the Panama papers used the regularisation to avoid being subject to inspection or being accused of fiscal fraud. The Minister expressed his satisfaction with the publication of the Panama papers but asked for the information to be forwarded to the tax authorities in order to proceed to formal investigations²²⁴. He highlighted that the obligation to declare assets abroad surfaced more that EUR 126,3 billion coming from 192 000 Spaniards. The Minister also stressed that despite the regularisation, the people would not be exempt from investigations on the origin of money and therefor called for whistle-blowers to come forward.

According to *El Confidencial*, it can be supported that as a result of the fiscal amnesty measures of the government, offshore entities were quickly closed²²⁵. Apparently offshore entities were primarily used to hide owners of bank accounts in Switzerland, Andorra and Monaco. Once these owners were able to acknowledge the accounts, the offshore entities were not anymore needed. According to the newspaper, also accountants and banks recommended clients to make use of the measures and get to terms with tax authorities without too high costs in return. Failure to declare assets abroad can result into sanctions of 150% of the hidden assets. The Panama papers can be used by the Ministry of Finance to investigate cases and sanctions can be imposed when assets are located not declared under the regularisation.

5. What are the implications of tax havens and financial offshore centres revealed by the Panama Papers for your country in terms of:

- (xvi) tax revenues;
- (xvii) capital flight;
- (xviii) economic growth and development?

Have any quantified estimates been produced? (Please provide quantified estimates where available (in EUR)).

If yes, what were the methodologies for calculating/ estimating the numbers in question?
How is this monitored?

To date, no information has been identified in relation to the implication of tax havens and financial offshore centres revealed by the Panama papers specifically. Interview feedback and desk review suggests there has been no official data released on the implications of tax havens

²²¹ EL MUNDO (2013) *Suiza infroma de que Bárceñas llegó a tener 22 millones* [WWW]. Available from: <http://www.elmundo.es/elmundo/2013/01/16/espana/1358344958.html> [accessed 28.02.2017].

²²² EL ECONOMISTA (2013) *El juez Castro busca una posible evasión fiscal de la infanta Cristina en Suiza* [WWW]. Available from: <http://www.economista.es/espana/noticias/4720608/04/13/El-juez-imputa-a-la-Infanta-Cristina-en-Noos-e-investiga-si-tiene-cuentas-en-Suiza.html> [accessed 28.02.2017].

²²³ EL CONFIDENCIAL (2016) *Así regularizaron los ‘españoles de Panamá’ gracias a la amnistía de Montoro* [WWW]. Available from: http://www.elconfidencial.com/economia/papeles-panama/2016-04-08/la-mayoria-de-los-espanoles-de-los-papeles-de-panama-se-acogio-a-la-amnistia-fiscal_1179638/ [accessed 28.02.2017].

²²⁴ EL CONFIDENCIAL (2016) *Panamá: Montoro afirma que “Buena parte” de los implicados se acogieron a la amnistía* [WWW]. Available from: http://www.elconfidencial.com/economia/papeles-panama/2016-04-07/montoro-afirma-que-algunos-implicados-en-los-papeles-de-panama-ya_1180238/ [accessed 28.02.2017].

²²⁵ EL CONFIDENCIAL (2016) *Así regularizaron los ‘españoles de Panamá’ gracias a la amnistía de Montoro* [WWW]. Available from: http://www.elconfidencial.com/economia/papeles-panama/2016-04-08/la-mayoria-de-los-espanoles-de-los-papeles-de-panama-se-acogio-a-la-amnistia-fiscal_1179638/ [accessed 28.02.2017].

and financial offshore centres revealed by the Panama Papers for Spain. Review of additional documents shows:

- The Falciani lists exposed almost 3000 Spaniards with accounts at HSBC. This corresponded with to USD 2,3 billion between 2006 and 2007 and 1,7 billion in 2007²²⁶.
- The Minister Cristobal Montoro highlighted that the measures by the government to oblige to declare assets abroad surfaced more that EUR 126,3 billion coming from 192 000 Spaniards²²⁷.
- Oxfam Intermón analysed for two years, tax behaviour of Spanish companies listed in the IBEX35. The analysis detected an increase of 44% of presence of IBEX35 companies in tax havens and offshore jurisdictions.²²⁸.

Data presented by Gestha²²⁹ in 2017 suggests there is room to increase the tax revenue with EUR 75,5 billion to equalize the fiscal pressure in Spain of 34,6% of the GDP in 2015 and 41,4% in the Eurozone²³⁰. It is noted that compared to 2007, tax revenue decreased primarily due to reduced corporation taxes. Gestha argues that in order to comply with the 3,1% deficit, Spain either needs to raise taxes or reduce fraud. The collective supports the latter. According to Gestha 75% of fiscal fraud went undetected in 2015 despite that year was considered a record year for control and prevention of fiscal fraud. In other words, Gestha calculates that in the best year against fiscal fraud, the tax authorities only reached 25,42% of tax evasion²³¹.

Official results AEAT	Results 2015 (in millions)	% results 2015 on estimated tax evasion per year	Sum of results 2008-2011 (in millions)	% sum of results 2008-2011 on estimated tax evasion in four years	Sum of results 2012-2015 (in millions)	% sum of results 2012-2015 on estimated tax evasion in four years
Results of prevention and control of fiscal fraud and customs (indicator 3)	15188,07	24,65%	31264,66	17,15%	47164,50	20,70%
Income as a result of control activities (indicator 4.1)	475,52	0,77%	5414,33	2,97%	3284,26	1,44%
Total results	15663,59	25,42%	36678,99	20,12%	5048,76	22,14%

Source: Gestha

Gestha further highlights that more taxpayers were investigated in 2015 compared to 2010, however a smaller amount of fraud was detected. The average trend from 2012-2014 shows that tax authorities focused investigation on smaller taxpayers such as SMEs, self-employed and employed individuals which represent a smaller amount of fraud compared to larger companies and wealthy individuals which represent an estimated 70% of tax fraud in Spain.

²²⁶ EL CONFIDENCIAL (2016) Los españoles de la lista Falciani tenían 1.800 millones de euros opacos en Suiza [WWW]. Available from: http://www.elconfidencial.com/economia/lista-falciani/2015-02-09/los-espanoles-de-la-lista-falciani-tenian-1-800-mil-lones-de-euros-opacos-en-suiza_703307/ [accessed 28.02.2017].

²²⁷ EL CONFIDENCIAL (2016) Panamá: Montoro afirma que "Buena parte" de los implicados se acogieron a la amnistía [WWW]. Available from: http://www.elconfidencial.com/economia/papeles-panama/2016-04-07/montoro-afirma-que-algunos-implicados-en-los-papeles-de-panama-ya_1180238/ [accessed 28.02.2017].

²²⁸ OXFAM INTERMÓN (2015). La ilusión Fiscal [WWW]. Available from: <https://oxfamintermon.s3.amazonaws.com/sites/default/files/documentos/files/InformeLailusionFiscal2015.pdf> [accessed 28.02.2017].

²²⁹ Gestha is a collective of 8000 professionals working in the Ministry of Finance and the Spanish Tax authorities. The group conducts macroeconomic studies to better understand fiscal reality in Spain and ensure a more efficient and capable tax administration in order to reduce the black economy currently estimated at 24,6% of GDP.

²³⁰ ION COMUNICACIÓN (2017). Gestha denuncia que el 75% de la evasión fiscal no fue detectada por Hacienda en 2015 [WWW]. Available from: <http://www.ioncomunicacion.es/noticia.php?id=%2017753> [accessed 28.02.2017].

²³¹ ION COMUNICACIÓN (2017). Gestha denuncia que el 75% de la evasión fiscal no fue detectada por Hacienda en 2015 [WWW]. Available from: <http://www.ioncomunicacion.es/noticia.php?id=%2017753> [accessed 28.02.2017].

Results tax inspection and customs of AEAT	Number of taxpayers	Reimbursed debts (in millions EUR)	Average reimbursed debt per taxpayer (in EUR)
2010	23923	6002	250888
2011	24199	5510	227695
2012	24772	5733	231425
2013	26124	5652	216334
2014	29561	4987	168712
2015	29275	7129,21	243526

Source: Gestha

Gestha finally points out that there has been a steep drop in number of violations detected, 57% in the last decade. In 2015, 341 reports were made for fiscal crime compared to 793 in 2005 and 1014 in 2011.

Year	Number of reports	Debt defrauded (million of EUR)
2004	740	1052,4
2005	793	926,9
2006	710	659,9
2007	726	863,7
2008	679	500,3
2009	738	783,9
2010	938	696,0
2011	1014	909,0
2012	652	604,0
2013	578	421,9
2014	391	305,0
2015	341	442,66

Source: Gestha

The collective is critical about the effort of the tax authority in particular for lack of focus on more complex fraud cases. In fact, in 2011 Gestha reported that tax evasion by wealthy individuals and large corporation was an estimated EUR 42,7 billion, representing roughly 70% of the total fraud in Spain²³². SMEs and self-employed workers correspond to roughly EUR 16,3 billion. Gestha notes that tax fraud is almost double the amount of social fraud.

	Annual tax evasion 2009	Percentage of total
Great fortunes, business corporations and large companies (invoicing more than 6 million annually)	42711	71,8%
SMEs	10150	17,0%
Self-employed	5111	8,6%
Other non business fraud (lease fraud, capital fraud, labour fraud, stock fraud)	1543	2,6%
Total	59515	100%

Source: Gestha

The data of Gestha shows that almost three quarters of tax evasion in Spain is situated with 41582 large businesses while SMEs (1379961 entities, representing 97% of Spain's businesses) only are responsible for 17% of fiscal fraud. The collective of self-employed workers, consisting of more than 3 million workers, only represent 8,6% of fraud. The Secretary General of Gestha in 2011 noted that large companies benefit from using specialised legal tax services to make use of tax benefits such as freedom of amortization, mergers, etc. and balance between legality and illegality when using fiscal structures in tax havens. Data from 2008 shows that small companies that invoice between 6000 and 60000 EUR tax at an effective rate of 23,9% while companies that

²³² ION COMUNICACIÓN (2011). El fraude en grandes empresas triplica al de pymes y autónomos [WWW]. Available from: <http://www.ioncomunicacion.es/noticia.php?id=10723> [accessed 28.02.2017].

invoice between 6 and 12 million EUR are contributing 21,2%. Companies invoicing more than 180 million score even lower with 19,5%.

Entities according to income brackets	2008 Number of companies	Positive tax base	Average positive contribution	Average effective tax rate
< 6000	327051	12514	1945	15,54%
6000 - 60000	243049	8872	2124	23,94%
60000 - 150000	214530	16285	3857	23,68%
150000 - 300000	180578	26164	6100	23,31%
300000 - 600000	158112	41353	9366	22,65%
600000 - 1,5M	147970	79144	17340	21,91%
1,5M - 6M	108671	224174	48504	21,64%
6M - 12M	19947	735357	155789	21,19%
12M - 30M	12923	1742857	370042	21,23%
30M - 45M	2972	3473505	729353	21,00%
45M - 60M	1484	5032939	1008927	20,05%
60M - 90M	1488	7418776	1466631	19,77%
90M - 180M	1414	12456604	2537168	20,37%
> 180M	1354	93967991	18216342	19,59%
Total	1421543	326224	63585	19,49%

Source: Gestha

6. Are there other socio-economic impacts revealed by the Panama Papers not previously discovered or researched?

Socio economic impacts revealed by the Panama papers need to be placed in the wider context of the country since the start of the economic and financial crisis in 2008. After years of economic recession, Spain is now experiencing economic recovery. However, the aftermath is still present today.^{233 234 235} To-date, Spain still has an unemployment rate of 18,63% of the labour force, more than four million people²³⁶. This explains why the expenditure on so-called passive policies offering financial support to the unemployed is higher than the EU average. In 2011, the expenditure on passive policies was 1,38% of GDP in the EU-25 and in Spain reached 2,88%. On active policies gearing towards people putting back to work, Spain spent 0,71% of the GDP against 0,57% in the UE-25. However, if the expenditure is analysed depending on the unemployment rate, Spain spent in 2011 in active and passive policies less than the EU average, and the expenditure in active policies has decreased significantly²³⁷. The crisis has worsened the problems regarding the poor protection of many unemployed people, especially long-term unemployed. Besides, an increasing percentage of workers is at risk of poverty²³⁸. The reasons behind the severe impact of the economic crisis in Spain are diverse, and are considered to include, inter alia, an unfair fiscal system and tax evasion.

²³³ Spain, France, United Kingdom, Germany, Italy, Poland.

²³⁴ EL PAÍS (2013). *Europa* [WWW]. Available from: <http://elpais.com/tag/c/5ce0ea58c59fea259cf67066ac5d7805> [accessed 28.02.2017].

²³⁵ EL PAÍS (2013). *Los europeos creen que lo peor de la crisis está por llegar* [European think the worst part of the crisis is still to come] [WWW]. Available from: http://internacional.elpais.com/internacional/2013/05/06/actualidad/1367831817_765816.html [accessed 28.02.2017].

²³⁶ INE (n.d.) [WWW]. Available from: http://www.ine.es/dyngs/INEbase/es/operacion.htm?c=Estadistica_C&cid=1254736176918&menu=ultiDatos&idp=1254735976595 [accessed 28.02.2017].

²³⁷ CES (2014). *Memoria sobre la situación socioeconómica y laboral de España 2014*. Consejo Económico y Social España [Memory about the socioeconomic and labour situation in Spain] [WWW]. Available from: <http://www.ces.es/memorias> [accessed 28.02.2017].

²³⁸ DEL PINO, E., GAGO, A. (2015). *Challenges of the Unemployment Protection System and Active Policies in Spain*. GIGAPP working papers, WP 2015-07 [WWW]. Available from: <http://www.gigapp.org/index.php/component/jresearch/publication/show/1812> [accessed 28.02.2017].

While perhaps painting a less than nuanced picture of the impact of the crisis in Spain, much arguably has to do with the relation between money and politics and a deficient institutional framework²³⁹. In general, from a socio-political perspective, the most important problem is political disaffection and a range of citizens' attitudes that mark a departure from politics, politicians and institutions. The latter includes two elements: loss of trust in politicians and institutions and lack of understanding of their decisions. The increase of disaffection can be seen in almost all the European countries. Important to explain these developments is the impact of the economic crisis, but this is not the only explanatory variable. The economic crisis has been a "stress-test" for EU democracies, in other words the crisis has tested the functioning of the mechanisms of representation, and the results have been different in EU Member States. European citizens, especially in the southern European countries, have suffered strong grievances. This translates in citizens raising their voices against the unfair situation. But in the absence of an adequate response from governments they resorted to the use of "exit mechanisms" such as political disaffection and protests. The perception of the lack of fair responsiveness and the exposure of corruption scandals (arguably also including the Panama paper revelations²⁴⁰) is undermining the institutional and political trust of the Spaniards. In Spain, the institutional system and the governments have in the eyes of many citizens failed the test. The consequence is a very negative vision of their institutions and political representatives. The economic recovery will not solve the problem by itself. It is necessary to approach these problems in its entirety by presenting a broad programme of institutional and economic reforms²⁴¹.

The Spanish Sociological Institute (CIS) Barometers over the past years showed a downward trend for trust of citizens in the government/opposition system, government management, and the work of the first opposition party²⁴². The impact of multiple corruption scandals in the media had an effect on popular opinion. That is one of the reasons why corruption has been the second most important problem for the Spaniards from the beginning of 2013 until now. In addition, also the economic crisis influenced that perception. Several studies have found that economic performance influences citizens' perceptions of government²⁴³. Specifically, citizens, who perceive that the economy is not doing so well, tend to think that government is corrupt. In the case of Spain, the CIS barometers indicate that there has always been a correlation between the perceptions of economic performance and corruption as one of the three most important problems of the country ($r=0.44$). This correlation increases when the percentage of people who believe that the economic situation is bad or very bad is over 50% ($r=0.63$). There also exists a very strong correlation between perceptions that the economy is doing bad or very bad and perceptions that politicians are one of the three most important problems for the country

²³⁹ EUROPEAN UNION (2015) 28 final. *Documento de trabajo de los servicios de la Comisión. Informe sobre España 2015* [Working document on the Commission Services] [WWW]. Available from: http://ec.europa.eu/eu-ropo2020/pdf/csr2015/cr2015_spain_es.pdf [accessed 28.02.2017].

²⁴⁰ Interview feedback for this case-study revealed that at the night of breaking the Panama Paper scandal, the news programme in Spain at *La Sexta* broke records in terms of viewers. On the day itself, the show, by Ana Pastor called *El Objetivo*, reached 10% audience ratings and the data after the show indicated even a 13,6% share corresponding to 2 588 000 viewers. For almost three months consecutive, the channel continued reporting on the Panama Papers. To give an indication of the success of the first show, that night, the established TV format *Big Brother* reached also 13,6% with slightly less viewers corresponding to 2 550 000 (GH VIP: *El Debate* at the channel Telecinco).

²⁴¹ Based on LLERA (2016). The Center for Constitutional and political studies (part of the Ministry of the Presidency), created a Research group on disaffection in Spain, the results of the research group can be read in LLERA, F. (2016) *Desafección política y regeneración democrática en la España actual: diagnósticos y propuestas*. Madrid: CEPCO

²⁴² CIS (2016). *Barómetro* [WWW]. Available from: http://www.cis.es/cis/opencm/ES/11_barometros/index.jsp [accessed 28.02.2017].

²⁴³ MELGAR, N., ROSSI, M., & SMITH, T. W. (2010). "The Perception of Corruption". *International Journal of Public Opinion Research*, 22(1): 120-131. Morris, S. D. (2008). "Disaggregating Corruption: A Comparison of Participation and Perceptions in Latin America with a Focus on Mexico". *Bulletin Of Latin American Research*, 27(3), 388-409.

($r=0.87$). This shows that citizens tend to see corruption and lack of good leadership as the key variables to understand the bad management of the crisis.

From the available data it is difficult to single out the socio-economic impacts of the Panama Paper revelations. However, as shown above, there is a correlation between the scandals that were exposed and the perception of poor governance of the crisis in Spain. If one would take a closer look at the revelations from the Panama Papers, various high-level politicians and businessmen in Spain have been connected to offshore entities. Some of these persons were already part of high-profile scandals in the Spanish media. A particular high-profile case has been that of Miguel Blesa and Rodrigo Rato. Also, the Panama Paper revelations have resulted in the resignation of Spain's Minister of Industry, Energy and Tourism, José Manuel Soria²⁴⁴.

7. What are the effects of the (potential) use of tax havens and offshore financial centres for the purpose of tax evasion and financial crime, in particular money laundering, and what is the impact on:
- (xvii) economic and financial interests;
 - (xviii) taxation;
 - (xix) capital losses; and
 - (xx) the impact on employment?

Please provide quantified estimates where available

See question 5

8. How can existing EU or national legislation be strengthened to better combat tax havens and financial offshore centres and their negative effects?

Interview feedback from civil society organisations and journalist pointed to the need to be more transparent on company registers.²⁴⁵ Gesta includes a set of recommendations on the basis of their findings on tax evasion²⁴⁶:

- The development of black economy studies disaggregated by territories, sectors and taxes, to understand by whom, where, and how the fraud takes place.
- With this in mind, Parliament could set priority objectives for reducing tax evasion and subsidies and increasing the efficiency of public expenditure.
- Increase the responsibility of the Experts of the Ministry of Economy and Finance with the creation of a higher body that authorizes the Gestha experts to investigate the large fraud cases.
- The creation of a consortium or effective collaboration between state, regional and local tax administrations and the creation of a tax database shared between them.
- The adoption of fiscal measures on the taxation of SMEs and self-employed, companies with very high profits, investment companies with variable capital and speculative wealth gains that would improve fraud prevention.

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²⁴⁴ EL CONFIDENCIAL (2016). Soria dimite por los 'Papeles de Panamá' [WWW]. Available from: http://www.elconfidencial.com/economia/papeles-panama/2016-04-15/jose-manuel-soria-dimite-papeles-panama-panama-papers-ministro_1183923/ [accessed 28.02.2017].

²⁴⁵ ACCES INFO EUROPE (2016) It's none of your business! – Report on Europe's Closed Company Registers [WWW]. Available from: <https://www.access-info.org/cos/22520> [accessed 28.02.2017].

²⁴⁶ <http://www.ioncomunicacion.es/noticia.php?id=10723>

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United Kingdom

<p>Name of Member State: United Kingdom Organisations interviewed/ to be interviewed Ministry of Finance / Treasury Interviewed: Y / N Financial Intelligence Unit Interviewed (if applicable): Y/N Central Bank interviewed: Y/ N Other Interviews? (Tax Associations, Accountancy Groups, NGOs and other): Tax Research UK Richard Murphy (Tax Research UK, Tax Justice Network) Prof. John Weeks (Please save interview responses in questionnaire files separately).</p>
<p>1. What organisation(s) is/ are tasked with investigating the nature, scope and impacts of the Panama Papers' revelations in the country? What are they doing – the work programme, reporting, etc. Who are they collaborating with domestically and at cross-border level? E.g.:</p> <p>The Financial Intelligence Unit that operates in the United Kingdom, in compliance with EU regulations, is the National Crime Agency's UK Financial Intelligence Unit (UKFIU).²⁴⁷</p> <p>Following the Panama Papers release, a Joint Taskforce of investigators from the National Crime Agency and HMRC have been investigating the Panama Papers. As of 08 November 2016, 22 cases have been brought against individuals, brought 43 individuals under special review, identified 9 potential professional enablers of economic crime, established links to eight active Serious Fraud Office Investigations, and identified 26 offshore companies whose beneficial ownerships of UK previously concealed and whose financial activity was identified as potentially suspicious.²⁴⁸</p> <p>The UK is a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes.</p> <p>The Financial Action Task Force has identified the United Kingdom as having comprehensive taxation laws. FATF's last evaluation was in June 2007.²⁴⁹</p> <p>Her Majesty's Treasury, Her Majesty's Revenue and Customs and the National Crime Agency made the following statement on the effectiveness of these measures:</p> <div style="border: 1px solid black; padding: 5px;"> <p>Combatting money laundering and tax evasion is a global problem which require global solutions. The FATF, the Global Forum, the Platform for Tax Good Governance and MONEYVAL continue to be effective forums for facilitating international cooperation in tackling money laundering and tax evasion.</p> </div>

²⁴⁷ <http://www.nationalcrimeagency.gov.uk/about-us/what-we-do/economic-crime/ukfiu>

²⁴⁸ <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2016-11-08/HCWS247/>

²⁴⁹ <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/MER%20UK%20FULL.pdf>

2. Which schemes/ types of schemes have been identified as prevalent with regard to the member state in question? What is the key difference between the schemes revealed by the Panama Papers and other schemes that already existed? Is it largely a matter of the scale of such operations or are they different in nature compared to other schemes?

Interviews with ICIJ journalists indicate that the UK was often seen as a clean jurisdiction but nonetheless a tax haven. In the face of increasing pressure from clients, meeting notes from the Panama Papers suggest that increasingly individuals benefitting from the schemes would move assets from traditionally perceived palm tree tax havens to the City of London.

The United Kingdom was cited as the 10th most popular tax haven in the Panama Papers. The dependencies of the UK accounted for the majority of tax haven operations carried out by Mossack Fonseca.

Distinct from the dependencies, and distinct from the oft perceived competitive taxation policy and aggressive tax planning policies, the extent of intermediary activity in the City of London dwarfed any comparator countries and was cited as the most prominent location in the meeting notes for Panama Papers. Beyond intermediary function, in property specifically, offshore companies registered in Panama or the British Virgin Islands kept UK housing off public records.

ICIJ journalists argued the extent to which “offshore financial centre” becomes irrelevant to overall notion of tax havens is seen in the fact that Mossack orchestrated “on-shore” shell companies in the City of London.

3. Which Member State individuals/ organisations have been identified as being involved in Panama schemes by the authorities undertaking investigation (if information is available) or through the Panama Papers?
4. What action is being taken with regard to those individuals and institutions identified?

Her Majesty’s Treasury, Her Majesty’s Revenue and Customs and the National Crime Agency made the following statement in reply:

The information contained within the offshore leaks database published by the ICIJ does not provide evidence sufficient for the identification of criminality, evasion or avoidance. It is a data source that we can review, interrogate and analyse in order to identify potential leads that may lead to investigation. The simple fact of an individual or entity being named in the database doesn’t necessarily automatically equate to criminality or a UK tax risk.

When reviewing any leads that may have been identified in the ICIJ offshore leaks database, our teams apply painstaking data and intelligence analysis techniques to parallel the data and identify wider data or intelligence indicating a tax risk that may require a criminal investigation or another form of intervention from the wide range of investigation options that the UK can deploy.

Whilst there is a significant volume of information contained within the offshore leaks database, the ICIJ have refused to release all of the information that underpins the database to any tax authority or law enforcement agency. To ensure that important work was not delayed by this, the Panama Taskforce, which was created by the Government in response to the Panama Papers leak, has led the international acquisition of high quality, significant and credible data on offshore activity.

As per the Chancellor’s statement in November, the Taskforce has:

- opened civil and criminal investigations into 22 individuals for suspected tax evasion
- identified a number of leads relevant to a major insider-trading operation led by the Financial Conduct Authority and supported by the NCA
- identified nine potential professional enablers of economic crime – all of whom have links with known criminals
- placed 43 high net worth individuals under special review while their links to Panama are further investigated
- identified two new UK properties and a number of companies relevant to a NCA financial sanctions enquiry
- established links to eight active Serious Fraud Office investigations
- identified 26 offshore companies whose beneficial ownership of UK property was previously concealed, and whose financial activity has been identified to the NCA as potentially suspicious
- contacted 64 firms to determine their links with Mossack Fonseca to establish potential further avenues for investigation by the Taskforce
- seen individuals coming forward to settle their affairs in advance of Taskforce partners taking action.

In order not to compromise operational activity and potential prosecutions, the UK is not able to report details of the data we acquire or the status of our investigations outside of our regular and robust scrutiny arrangements.

5. What are the implications of tax havens and financial offshore centres revealed by the Panama Papers for your country in terms of:

As part of the 2015 budget, the Government pledged to invest £800m into the HMRC investigative capabilities which is expected to recover £7.2bn in tax by end of 2020/21.

Her Majesty's Treasury, Her Majesty's Revenue and Customs and the National Crime Agency made the following statement in reply:

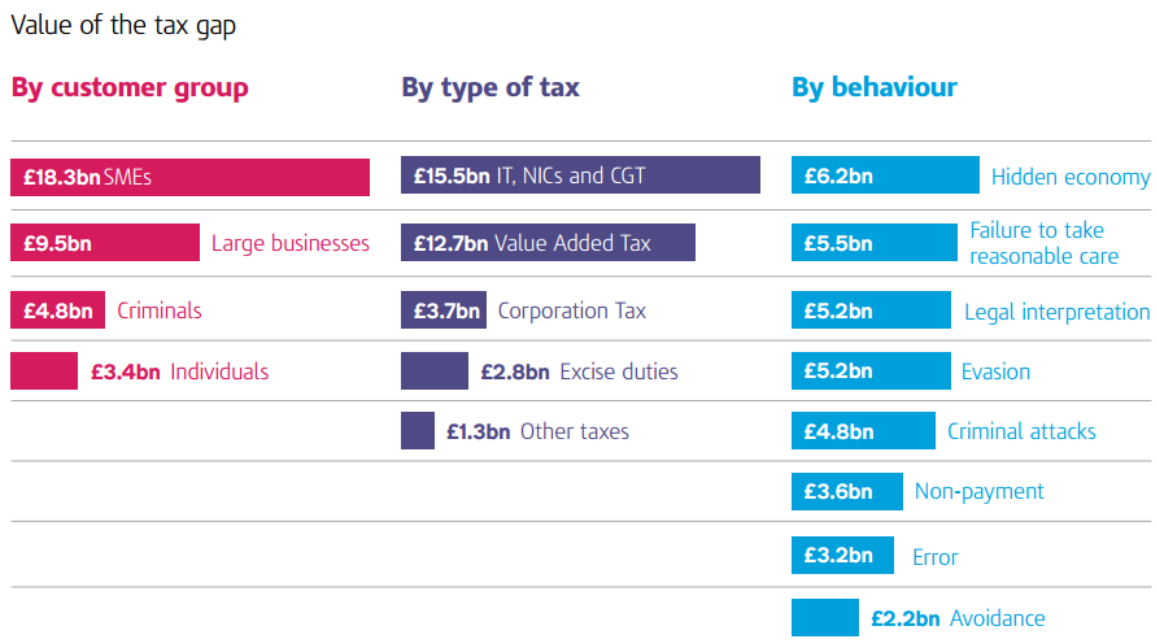
Offshore evasion feeds into our tax gap estimates: HMRC does not publish a separate offshore tax gap estimate. The relevant data is captured under evasion, categorised as undeclared foreign income that would normally be part of the income tax and corporation tax regimes.

We will be looking to incorporate emerging data sources as a result of offshore disclosure facilities and related work. Under the new global standard for tax information exchange, the Common Reporting Standard (CRS), the UK is set to start exchanging data on offshore accounts and financial products from 2017. This will provide unprecedented data on offshore accounts.

HMRC has released, however, estimates on tax revenue lost, by customer group, intent and by what activity.

HMRC estimate £3.4bn is lost to individuals, and £4.8bn to criminals. Critics (including Tax Research UK) have claimed this figure is too low and a more realistic figure for tax revenue loss due to individuals is more likely £9bn. HMRC estimates overall the tax gap in the United Kingdom is £36bn 6.5% of theoretical tax liabilities.

Fig. 1 HMRC Estimates on Value of the Tax Gap 2014-15



How is this monitored?

HMRC is responsible for general taxation (and all taxation streams) in the UK.

As part of the inter-agency Task Force, the Joint Financial Analysis Centre (JFAC) has been established to develop its expertise in data extrapolation and intelligence exploitation. Competencies of JFAC include massive-scale data forensic analysis. A more permanent centre for financial analyses and monitoring is expected to launch in April 2017. (International Anti-Corruption Coordination Centre)

6. Are there other socio-economic impacts revealed by the Panama Papers not previously discovered or researched?

Two main considerations other than tax revenue loss are the effects of imperfect information on Free Markets (affecting the rationale of investments and market competition) and the concentration of low-risk wealth which doesn't regenerate capital in MS economies and is a driver for global inequality.

Neutral or net positive impacts however may be found in intermediary activity and financial services carried out in London on behalf of international clientele, which generates a net positive revenue income for lawyers, accountants and bankers and their derived taxed revenue. This net gain however does not account for the loss from the origin state, nor account for impacts beyond the jurisdiction of the United Kingdom.

7. What are the effects of the (potential) use of tax havens and offshore financial centres for the purpose of tax evasion and financial crime, in particular money laundering, and what is the impact on:

An assessment is still on-going by the UK authorities, see Q.3 response for overview of on-going investigations and prosecutions in the area of Financial crime.

This area was described by Tax Research UK as of minimal value for our study.

(xxi) the impact on employment?

On the general effects of tax havens on employment, interviewees argued that for other companies or individuals, the risk of investing in a company suspected of using a tax haven creates an asymmetrical risk in their tax future, therefore requiring a higher rate of return on their investment and the quantity of investment is likely lower. If the quantity of investment is lower, investment into actual productivity is reduced and consequently there is less employment, productivity declines, and GDP growth rates are then below optimal.

8. How can existing EU or national legislation be strengthened to better combat tax havens and financial offshore centres and their negative effects?

Her Majesty's Treasury, Her Majesty's Revenue and Customs and the National Crime Agency, made the following statement on EU level solutions:

Tax avoidance and evasion are global problems that require global solutions. The UK is committed to tackling these issues by working effectively with our international partners. Current examples include our work on implementation of outputs from the OECD/G20 Base Erosion and Profit Shifting (BEPS) project, and the introduction of global tax transparency standards. The UK is also supportive of measures to combat the negative global effects of non-cooperative tax jurisdictions, as shown by our support for maintaining a common EU blacklist.

Develop reporting capacity that, diplomatically, acknowledges jurisdictions like the United Kingdom as cooperative, but no less a tax haven. The acknowledgement of traditionally perceived "clean jurisdictions" will be exploited by practitioners like Mossack Fonseca.

The British Government has pledged to make the UK a more hostile place for tax haven operations. In October 2015, the Government published the National Risk Assessment for Money Laundering and Terrorist Financing to better understand the risks and vulnerabilities for the UK. The Action Plan, published in April 2016, and the Criminal Finances Bill, introduced to the UK Parliament in September, will significantly improve the UK's capabilities to tackle money laundering and recover the proceeds of crime, including proceeds of corruption.

In a joint statement by Her Majesty's Treasury, Her Majesty's Revenue and Customs and the National Crime Agency, the following measures at the national level were highlighted:

- New increased civil sanctions for offshore tax evaders: Since 2010, offshore tax evasion has attracted a higher penalty and these penalties have been further enhanced in recent years. The UK's Finance Act 2016 introduced a new package of measures which increase civil penalties for offshore tax evasion, including the introduction of a new asset based penalty of up to 10% of the value of the underlying asset and enhanced naming powers for offshore evaders.
- A Requirement to Correct: The Government is also introducing a new legal Requirement to Correct past offshore non-compliance with significantly tougher new sanctions for those who fail to do so.
- A new criminal offence for tax evasion: This new offence removes the need to prove intent for serious cases of failure to declare offshore income and gains
- New civil sanctions for those who enable offshore tax evasion: Including penalties of up to 100% of the tax evasion enabled and naming of enablers for those who deliberately enable offshore tax evasion.
- The introduction of a new criminal offence to apply to corporates who fail to prevent their representatives from facilitating tax evasion, where the corporation cannot show they took reasonable steps to prevent this.

The London Anti-Corruption Summit earlier this year brought more than 40 countries together and resulted in a commitment to more than 600 actions. Since then, the UK has made real progress on its own commitments – including **producing a public register of beneficial ownership** information is now live, the first G20 country to do so; and the National Crime Agency is working to get the new **International Anti-Corruption Coordination Centre** operational by next April.

The public registry of beneficial ownership has been criticised due to the alleged ease of falsifying personal information, requiring only a valid postcode to register. The requirement for >25% shareholders to register has also allowed for companies to manoeuvre shareholders out of this bracket.

Alongside this pledges however, tax competition between UK and other EU MS has gained recent attention and will likely fluctuate as Brexit progresses. While the stance toward individuals will not likely change, the implications for corporations is unclear.

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Annex B

Microeconomic Assessment

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Methodology

Acronyms

ABBREVIATIONS AND ACRONYMS	
FDI	Foreign direct investments
T	tax
OpR	Operating Revenue
OpC	Operating Costs
P/A	Profit before taxation / Assets
FixAssets/A	Fixed Assets / Assets
SF/A	Shareholders Fund / Assets
IntanFixAsset/A	Intangible Fixed Assets / Assets
TangFixAssets/A	Tangible Fixed Assets / Assets
OtherFixAssets/A	Other Fixed Assets / Assets
LtD/A	Long-term debt / Assets
Capital/A	Capital / Assets
CurrentLiabilities/A	Current Liabilities / Assets
L/A	Loan / Assets
FinRev/A	Financial Revenue / Assets
AddedValue/A	Added Value / Assets
InterestPaid/A	Interest Paid / Assets
OpR/A	Operating Revenue / Assets
ROA	Return on assets
ROE	return on equity

Methodology for the measurement of the tax avoidance (base erosion)

Looking into the current literature, the methods for the measurement of the tax avoidance are usually based on macro data. UNCTAD (2015) uses for the estimation the amount of FDI flowing through the offshore investment centres. Zucman (2013) estimated that globally, 8% of the wealth of the households is held in tax havens. However, with respect to the EU he estimates that it is around 10% in comparison with the U.S., where only 4% of financial wealth is held through tax havens. One can speculate, whether the different can be cause by the existence of BEA in U.S. tracking corporate profits by countries. The similar results can be found in the studies by Gravelle (2015) or Crivelli et al. (2015). The study of the Gravelle (2015) is combining macro and micro data to measure the scale of tax avoidance - for the measurement of the magnitude the ratio of US foreign company profits to GDP is used.

Our methodological approach is based on micro indicators and micro data. We employ the data on companies from Amadeus/Orbis database on companies from the EU member states which are subject of the research – i.e. Spain, Czech Republic, United Kingdom, Denmark, Poland, Cyprus, Germany and France. The search strategy included all the active entities from the above mentioned Member States having the information on tax liability in their balance sheet. Based on this search strategy we have gained the dataset of 1,376,899 entities, as presented in Table 1.

Table 1 - Datasets

COUNTRY	NO. OF ENTITIES	ENTITIES WITHOUT LINK		ENTITIES WITH THE LINK		
		NO. OF SHAREHOLDERS - INDIVIDUALS	NO. OF SUBSIDIARIES IN TH	NO. OF ENTITIES IN TH WITH KNOWN SHAREHOLDERS*	NO. OF SUBSIDIARIES IN EUROPE**	NO. OF SHAREHOLDERS - INDIVIDUALS***
CY – Cyprus	94	12	63	23	5 045	23
CZ – Czech Republic	76,503	64,436	114	115	782	7
DE – Germany	11,226	14,907	103	42	698	107
DK – Denmark	202,722	58,976	112	54	146	24
ES – Spain	330,001	79,909	281	15	125	727
FR – France	666,850	3,781	106	25	77	15
UK – United Kingdom	69,706	2,191	702	248	3 696	218
PL – Poland	19,797	12,885	5	4	60	0
Total	1,376,899	237,097	1,486	526	10,629	1,121

* number of either parents or subsidiaries in tax havens with identified shareholder

**number of subsidiaries in Europe of parent companies in tax havens

***number of shareholders identified in the dataset of entities with the link to tax havens

As is obvious from the above stated Table, the dataset was divided into two sub-datasets. In the first sub-dataset only the entities without the link to tax havens destinations mentioned in Panama Papers are covered – i.e. British Virgin Islands, Panama, Bahamas, Seychelles, Samoa and British Anguilla. Second sub-dataset comprises the entities with the link to the tax havens destinations mentioned in the Panama Papers. In the dataset without any link to the tax havens 237,097 individual shareholders were identified, while in the dataset with the link to the tax havens 1,121 individuals were identified. Moreover, in order to reflect the sectoral differences, all the entities within each dataset were categorised according to the NACE sectors.

Consequently, the detailed data on tax, asset and profit were extracted from the balance sheets. As the main weakness of the Orbis database is the fact that very often the detail information in the balance sheet is missing, to preserve the dataset as big as possible, we have performed the imputation of the missing data, which will be necessary for the determination of the ranges of tax avoidance identified within the dataset. The imputation was done in two steps.

Even though the fact that within the search strategy, the condition of the availability of the information on tax liability was set, in the extracted dataset, the information on tax liability was not available in case of entities from Denmark and Spain. Therefore, in the first step the tax liability of entities in those two EU Member States was imputed through the application of the effective tax rate on the amount of the tax bases in the profit and loss statements, which were available for all selected entities. The rates applied in case of Spain and Denmark are stated in the following Table 2.

Table 2 - Nominal and effective corporate tax rates in selected countries

COUNTRY	NOMINAL TAX RATE IN %	EFFECTIVE TAX RATE IN %
CZ	19.0	16.7
CY	12.5	15.2
FR	38.9	39.4
DE	31.0	28.2
DK	24.5	22.2
PL	19.0	17.5
ES	35.3	32.6
UK	21.0	22.4

Source: Spengel, Endres a Heckemeyer (2014)

In the second step, the imputation of the rest of the missing data – i.e. assets and profit before taxation, was done through the application of a regression method and imputation method to impute the missing data in case of all individual member states. The below stated equations represent the linear regression model which was employed to estimate the missing data on assets and profit. The model can be expressed as follows:

$$assets_imputed = koeficient\beta_0 + P * koeficinet\beta_1 \quad (1)$$

$$proft_imputed = koeficient\beta_0 + T * koeficinet\beta_1 \quad (2)$$

The independent variables in the model were used for tax (T) and profit (P): for the estimation of assets ($assets_imputed$) profit will be used and for the estimation of profit ($profit_imputed$) tax will be used, as well as in the case of imputation method. The model for imputation of missing data through imputation method can be expressed as follows:

$$assets\ imputed = P * \frac{avg(A_{kc})}{avg(P_{kc})} \quad (3)$$

$$profit\ imputed = T * \frac{avg(P_{kc})}{avg(T_{kc})} \quad (4)$$

where P represents profit and T represents tax and avg stands for average, A_{kc} stands for the value of the assets according to the jurisdiction and NACE sector and P_{kc} stands for the value of the profit according to the jurisdiction and NACE sector and T_{kc} stands for the value of the tax according to the jurisdiction and NACE sector.

In order to gain the most precise results (i.e. to reach the lowest standard deviation from the real data) we have performed the sensitivity analysis. In case of the both applied methods for missing data imputation – i.e. regression method and imputation method we have researched the standard deviation of the imputed data from the real values. As is obvious from the results of sensitivity analysis (see Table 3 below), the standard deviations are lower in case of regression method in comparison with imputation method. Therefore, as the most suitable method for missing data imputation we have selected the regression method.

Table 3 - Sensitivity analysis of missing data imputation

COUNTRY	NACE	STANDARD DEVIATION FROM THE REAL VALUES			
		REGRESSION		MCMC	
		PROFIT BEFORE TAX	ASSETS	PROFIT BEFORE TAX	ASSETS
DE	C. Manufacturing	5,44E+08	2,14E+10	3,99E+09	2,24E+10
DK		2,02E+07	1,15E+09	3,82E+07	1,93E+09
ES		3,42E+07	2,42E+09	1,05E+08	1,33E+10
FR		4,85E+08	1,47E+10	3,35E+09	1,49E+10
UK		8,12E+08	2,92E+10	1,63E+09	2,95E+10
DK	H. Transportation and storage	1,05E+08	9,13E+08	1,71E+08	5,30E+09
ES		1,08E+07	2,97E+08	2,97E+08	4,63E+08
UK		2,69E+08	1,42E+09	5,29E+08	1,47E+09
DK	K. Financial and insurance activities	4,28E+07	2,62E+10	7,01E+07	3,64E+10
ES		6,75E+07	2,78E+10	6,95E+07	3,32E+10
FR		3,62E+08	3,38E+11	4,55E+08	3,42E+11
UK		6,53E+08	2,04E+11	7,60E+08	2,05E+11
DK	M. Professional, scientific and technical activities	9,06E+07	3,34E+08	1,11E+08	1,09E+09
ES		5,46E+07	2,52E+08	5,76E+07	4,44E+08
FR		8,64E+07	6,52E+09	4,05E+08	4,09E+10
UK		6,42E+08	5,48E+09	7,51E+08	8,18E+09

The below stated Table 4 shows the summary of number of entities, where the missing values were imputed.

Table 4 - Entities with imputed missing values

COUNTRY	IMPUTED DATA			
	1 ST IMPUTATION STEP	2 ND IMPUTATION STEP		
	TAX**	ASSETS**	PROFIT BEFORE TAX**	TOTAL***
CY – Cyprus	0*	0	0	0
CZ – Czech Republic	0	0	0	0
DE – Germany	0	0	0	0
DK – Denmark	202,527	5	0	5
ES – Spain	329,641	0	0	0
FR – France	0	14	243	257
UK – United Kingdom	0	185	464	649
PL – Poland	0	6	29	35
Total	532,168	210	736	946

*information was complete, no imputation

**No. of entities where was necessary to impute the missing value

***Total number of entities where was necessary to impute the missing value in the 2nd step

Once the missing data were imputed, we performed the analysis of explanatory power of the selected indicators from the balance sheets and profit and losses statement with respect to their contribution to the profit creation. In this respect, the correlation analysis and subsequently regression analysis were performed (for detailed results see Attachments A and B).

Based on the results of both analyses the indicators with the most significant explanatory power were selected in order to measure the profit shifting in both sub-dataset of entities (i.e. in the dataset of entities without the link to tax havens and in the dataset of entities with the link to tax haven), namely I_B , I_C , I_E , I_F , I_G , I_H and I_I . Further, based on the current research (Janský and Kokeš, 2015 and 2016) the indicators I_A and I_B were added. The explanation of each indicator is mentioned below:

$$I_A = \frac{T}{A} \quad (5)$$

where I_A represents indicators of profit shifting variant A , T represent tax and A stands for the assets.

$$I_B = \frac{T}{P} \quad (6)$$

where I_B represents indicators of profit shifting variant B , T represents tax and P the profit.

$$I_C = \frac{P}{A} \quad (5)$$

where I_C represents indicator of profit shifting variant C , P represents the profit and A stands for the assets.

$$I_D = \frac{OpC}{OpR} \quad (7)$$

where I_D represents indicator of profit shifting variant D , OpC represents the operating costs and OpR stands for the operating revenues.

$$I_E = \frac{OpR}{P} \quad (8)$$

where I_E represents indicator of profit shifting variant E , OpR represents operating revenues and P stands for the profit.

$$I_F = \frac{LtD}{A} \quad (9)$$

where I_F represents indicator of profit shifting variant F , LtD represents long-term debt and A stands for the assets.

$$I_G = \frac{L}{A} \quad (10)$$

where I_G represents indicator of profit shifting variant F , L represents loans and A stands for the assets.

$$I_H = \frac{LtD}{SF} \quad (11)$$

where I_H represents indicator of profit shifting variant G , LtD represents long-term debt and SF represents shareholders' funds.

$$I_I = \frac{L}{SF} \quad (12)$$

where I_I represents indicator of profit shifting variant H , L represents loans and SF represents shareholders' funds.

Finally, based on the derived differences between the indicators in both sub-datasets (i.e. dataset with the link to tax haven and dataset without the link to tax haven) the possible erosion of the tax bases due to the employment of the tax havens in the structures of entities owned by shareholders-individuals was identified for each jurisdiction.

Limitations of the study

It is necessary to mention that currently, there is no database exclusively aimed on the information on shareholders-individuals in the European Union, as well as in the EU Member states covered in the pilot study. Therefore, the research needed to be done indirectly through the Orbis database aimed at corporate entities. Even though the database enables to certain extent to search for the shareholders-individuals, very often it is incomplete. The below stated Table 5 shows the number of shareholders-individuals identified in the dataset with the link to the tax haven and the number of individuals mentioned in the Panama Papers.

Table 5 - Number of shareholders-individuals found

COUNTRY	NO. OF ENTITIES	ENTITIES WITHOUT LINK	ENTITIES WITH THE LINK	PANAMA PAPERS
		NO. OF SHAREHOLDERS - INDIVIDUALS	NO. OF SHAREHOLDERS - INDIVIDUALS	NO. OF MENTIONED INDIVIDUALS
CY – Cyprus	94	12	23	3,669
CZ – Czech Republic	76,503	64,436	7	269
DE – Germany	11,226	14,907	107	484
DK – Denmark	202,722	58,976	24	65
ES – Spain	330,001	79,909	727	821
FR – France	666,850	3,781	15	928
UK – United Kingdom	69,706	2,191	218	5,620
PL – Poland	19,797	12,885	0	143
Total	1,376,899	237,097	1,121	11,999

Moreover, as the Orbis database did not find any shareholder-individual in case of Poland, we assume that all the structures of entities with the link to tax haven are owned by shareholder-individual. As can be seen from the Table 5, only 9,34% from the total number of individuals mentioned in Panama Papers were identified as shareholders-individuals in the Orbis database. Therefore, the results of the case study should be interpreted with this limitation.

Key Findings

Characterisation of Data-set

The below stated Table 6 presents the categorization of the two sub-datasets according the NACE sectors. It can be clearly seen, in which sectors tax havens are mostly employed in the structures of entities. Entities in tax havens are at most used in NACE K – financial and insurance activities – 27.34% of entities are having the link to the tax haven (mentioned in Panama Papers). This is followed by NACE G – wholesale and retail trade – 20.93% of entities are having the link to the tax haven (mentioned in Panama Papers). And finally, the third place represents NACE M – Professional, scientific and technical activities – 13.62% of entities are having the link to the tax haven (mentioned in Panama Papers)

Table 6 - Categorization of the entities according the NACE sectors

NACE	ENTITIES WITHOUT LINK	% PROPORTION	ENTITIES WITH THE LINK	% PROPORTION
A. Agriculture, forestry and fishing	24,756	1.81	12	0.61
B. Mining and quarrying	2,686	0.20	88	4.47
C. Manufacturing	122,688	8.95	151	7.67
D. Electricity, gas, steam and air conditioning supply	15,568	1.14	14	0.71
E. Water supply; sewerage, waste management and remediation activities	6,081	0.44	3	0.15
F. Construction	172,191	12.57	72	3.66
G. Wholesale and retail trade; repair of motor vehicles and motorcycles	290,716	21.21	412	20.93
H. Transportation and storage	43,594	3.18	73	3.71
I. Accommodation and food service activities	78,418	5.72	27	1.37
J. Information and communication	54,951	4.01	74	3.76
K. Financial and insurance activities	135,209	9.87	538	27.34
L. Real estate activities	111,927	8.17	107	5.44
M. Professional, scientific and technical activities	155,643	11.36	268	13.62
N. Administrative and support service activities	61,720	4.50	96	4.88
O. Public administration and defence; compulsory social security	325	0.02	1	0.05
P. Education	16,877	1.23	3	0.15
Q. Human health and social work activities	30,712	2.24	7	0.36
R. Arts, entertainment and recreation	16,151	1.18	11	0.56
S. Other service activities	30,158	2.20	11	0.56
Total	1,370,371*	100.00	1,968	100.00

*this number does not correspond to the total number of entities in the dataset, for some of the entities were not possible to categorize into the NACE sectors

As can be seen from the Table 7 on the selected financial data of both datasets categorized according to the individual states covered in the pilot study, that dataset with the links to tax haven generates higher profit before tax, operating revenues, total assets and tax in comparison with the dataset without the link to tax haven, which generates remarkably lower profitability (ROA and ROE) in all researched countries except of Cyprus and the Czech Republic (for more details see Table 6). Therefore, we may deduce, that entities owned by individual shareholders having the links to tax havens are channelling profits to those destinations.

Table 7 - Selected financial data across countries

COUNTRY	PL BEFORE TAX	ROA	ROE	OPERATING REVENUE	TOTAL ASSETS	TAX	RELATION WITH TAX HAVEN
All	468,343.5	5.30	16.46	9,457,316	14,599,450	97,658.54	No
All	2.52E+08	3.29	10.23	3.67E+09	2.04E+10	73,308,902	Yes
CY	3,892,193	3.40	11.55	2.44E+08	8.49E+08	1,245,349	no
CY	-239,718	-12.14	-12.62	4.47E+08	4.27E+08	-2,109,176	yes
CZ	14,0281.7	3.13	10.73	2,929,585	2,640,010	25,790.29	no
CZ	-1,149.93	-2.22	0.26	595,741.5	1,067,612	4,149.951	yes
DE	9,190,956	7.51	30.88	2.8E+08	2.21E+08	2,409,386	no
DE	1.26E+09	5.14	16.51	1.65E+10	7.06E+10	3.25E+08	yes
DK	295,555.4	6.16	13.06	19,769,998	4,914,853	96,351.07	no
DK	74,039,523	3.37	6.13	1.77E+09	6.65E+09	27,742,409	yes
ES	122,989.4	2.97	9.87	2,798,599	4,395,406	20,293.25	no
ES	82,340,343	3.51	6.69	9.88E+08	8.51E+09	16,870,474	yes
FR	249,202.5	5.32	15.76	6,572,909	9,601,215	83,497.77	no
FR	7.1E+08	3.57	3.57	7.14E+09	5.56E+10	2.5E+08	yes
UK	3,734,348	13.30	68.81	43,623,760	1.23E+08	305,310.9	no
UK	2.29E+08	3.89	15.57	3.66E+09	2.05E+10	62,936,532	yes
PL	599,465.9	10.74	25.01	14,002,931	12,555,345	122,642.8	no
PL	1.61E+08	19.96	31.46	3.73E+08	7.88E+09	28,073,570	yes

Similar situation can be seen in the following Table 8 presenting selected financial data categorized according to the NACE sectors. Based on it, it can be assumed that entities owned by individual shareholders with the links to tax haven are able to shift profits and decrease their tax liability resulting into the lower profitability in the state of their tax domicile.

Table 8 - Selected financial data across NACE

NACE	PL BEFORE TAX	ROA	ROE	OPERATING REVENUE	TOTAL ASSETS	TAX	RELATION WITH TH
All	468,343.5	5.30	16.46	9,457,316	14,599,450	97,658.54	no
All	2.52E+08	3.29	10.23	3.67E+09	2.04E+10	73,308,902	yes
A	140,080.4	3.18	8.40	2,104,547	2,718,885	46,088.15	no
	-7,447,059	-25.16	-56.78	18,796,043	36,145,870	178,675.3	yes
B	1,810,337	2.92	12.08	57,359,192	1.19E+08	471,115.5	no
	3.18E+08	-7.11	-26.75	1.27E+10	1.2E+10	2.51E+08	yes
C	889,952.8	5.06	13.87	19,731,878	16,134,909	198,063.3	no
	8.41E+08	5.28	12.20	1.03E+10	1.38E+10	2.04E+08	yes
D	1,877,674	0.18	12.14	34,964,464	60,729,581	475,905.4	no
	9.34E+08	4.96	9.35	1.4E+10	3.08E+10	2.5E+08	yes
E	783,027	4.47	11.89	14,223,381	34,126,542	262,780.3	no
	1.36E+08	2.18	8.16	9.36E+08	3.72E+09	37,622,890	yes
F	103,198.8	5.33	17.80	2,887,968	3,344,097	21,276.18	no
	18,765,587	2.33	2.73	1.28E+09	1.81E+09	14,985,651	yes
G	182,792.5	3.89	14.41	9,721,074	4,393,499	48,548.15	no
	-3E+07	-0.03	-0.35	2.16E+09	2.22E+09	5,958,447	yes
H	452,528.3	5.26	17.47	10,498,590	16,903,167	158,554.8	no
	1.18E+08	4.70	13.38	3.97E+09	4.21E+09	14,242,178	yes
I	70,037.45	1.97	12.71	1,409,545	2,135,761	15,255.06	no
	1.63E+08	4.43	20.16	2.11E+09	1.93E+09	43,869,143	yes
J	634,241.2	7.92	25.01	10,117,759	12,461,305	147,083.6	no
	2.55E+08	2.41	19.32	2.1E+09	3.57E+09	62,284,034	yes
K	908,346.2	7.26	12.27	18,111,198	40,153,561	219,106.2	no
	4.23E+08	7.35	21.93	3.4E+09	7.7E+10	95,466,207	yes
L	200,950.5	2.85	10.14	1,374,143	8,207,729	42,268.64	no
	10,083,352	3.09	9.84	11,743,582	2.23E+09	2,860,562	yes
M	1,011,580	8.42	22.47	14,190,094	27,457,122	139,326.9	no
	86,173,209	2.36	6.03	9.95E+08	1.68E+09	19,661,323	yes
N	622,223.1	6.88	26.92	9,206,976	33,505,390	87,182.95	no
	1.17E+08	9.26	22.70	1.16E+09	1.38E+09	39,944,305	yes
O	2,070,045	6.52	26.53	35,957,008	52,126,746	455,984.7	no
	4.83E+08	10.10	42.33	4.19E+09	4.78E+09	1.75E+08	yes
P	38,933.75	6.75	20.21	1,204,887	1,608,109	4,801.529	no
	-2.5E+07	-3.98	-18.52	1.81E+08	4.72E+08	9,744,348	yes
Q	343,259.2	11.57	31.82	3,592,794	4,691,403	60,119.83	no
	-7,993,772	-3.88	-11.01	4.04E+08	5.45E+08	-2,306,655	yes
R	133,903.9	2.58	12.10	3,542,263	5,100,572	35,472.23	no
	27,953,941	6.72	36.34	3.6E+08	9.04E+08	13,626,536	yes
S	173,102.9	3.94	18.38	2,340,087	3,216,128	31,048.87	no
	32,965,255	2.96	5.19	1.11E+08	5.02E+08	2,564,571	yes

Determination of profit shifting

As the aim of the study was to quantify the impact of Panama Papers in relation to the individuals, in both sub-datasets we have been searching and identifying the shareholders-individuals of the corporate entities. Therefore, the determination of profit shifting (tax avoidance) was performed for the group of entities with the link to the tax havens (mentioned in Panama papers) with known shareholders-individuals and consequently compared with the results of the group of entities without the link to tax haven with known shareholders-individuals.

In case of missing data i.e. unknown shareholders-individuals for selected jurisdictions or in case of missing values of indicators for the determination of profit shifting, the dataset covering subsidiaries or shareholders in tax havens (mentioned in Panama papers) was applied. This was the case of Cyprus and Poland. However, even though the dataset covering subsidiaries or shareholders in tax havens are presented for each of analysed jurisdiction separately.

Determination of profit shifting was done through the application of the indicators of profit shifting (indicators I_A to I_I) described above. Namely we analysed profitability per unit of assets, tax payable per unit of assets or per unit of profit before tax, operating revenue per unit of profit before tax, operating costs per unit of operating revenue and indebtedness per unit of assets of per unit of shareholders' funds.

Determination of profit shifting in case of shareholders-individuals without categorization according the jurisdiction

Summary statistics in Table 9 are presenting the difference in the values of the identical indicators calculated in both sub-datasets (i.e. dataset with the link to tax haven and dataset without the link to tax haven). As is obvious from the results, entities owned by the shareholders-individuals with the link to tax haven show much higher debt to assets ratio or shareholders' funds ratio, which can indicate profit shifting through the debt channel. Further, one unit of profit before taxation from operating revenues and tax payable per unit of profit before tax is much lower in comparison with the group without any link to tax haven (see highlighted values).

Taking into account the mean values, the group with the link to tax haven has by 16.62% lower tax payable per unit of profit before tax and in order to generate one unit of profit before taxation it is enough to generate by 62.55% lower operating revenue.

Summary statistics for individual countries covered in the study - Cyprus, Czech Republic, Denmark, France, Germany, Poland, Spain and United Kingdom, are presented in the following sub-chapters.

Table 9 - Indicators of profit shifting – All countries

Indicators – group ALL	Without the link to tax haven*						With the link to tax haven*					
	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p
T/A	-0.00249	-0.03259	0	0.000458	0.003371	0.074601	-0.0535	-0.06762	8.1E-05	0.0054	0.024104	0.847922
P/A	-0.01232	-0.17659	-0.00012	0.002833	0.015998	0.264559	-0.16634	-0.14892	0.007791	0.050292	0.097698	2.867924
T/P	0.19811	-0.06436	0.165	0.165	0.326	0.524602	0.16517	-2.14502	0.053797	0.219926	0.3	1.699914
OpC/OpR	-898.09	-0.7182	0.91627	0.979854	1.001277	6.013889	42.57958	-8.64228	0.869893	0.958949	0.99678	181.6667
OpR/P	67.16004	-259.322	0	10.56822	45.61986	1100.818	25.15377	-296.86	0.23484	8.674881	24.91511	437.7278
LtD/A	0.025399	0	0	0	0	0.431825	5.531827	0	0.016927	0.160137	0.51865	13.73482
L/A	0.029761	0	0	0	0.002225	0.440588	5.883357	0	0.000619	0.031365	0.188295	7.761412
LtD/SF	0.233761	-0.23554	0	0	0	5.261075	0.795066	-2.18828	0.036552	0.282919	0.835741	11.64488
L/SF	0.724044	-1.95009	0	0	0.009412	6.307498	0.230392	-1.03284	0.00183	0.076833	0.27273	2.499312
						Indicators – group ALL	Tax haven**					
							mean	1p	25p	50p	75p	99p
						T/A	-0.00354	-0.10136	0	0.001589	0.013508	0.476984
						P/A	-0.01981	-0.68486	4.04E-05	0.008481	0.061499	0.979433
						T/P	0.123344	-1.73214	0.000914	0.200003	0.287356	1.557224
						OpC/OpR	-452.514	-115.309	0.756668	0.947241	1.0151	45.71551
						OpR/P	20.20535	-240.5	-0.10416	3.139312	14.8731	406.0804
						LtD/A	1.676171	0	0	0.03066	0.301572	11.67924
						L/A	1.415679	0	0	0.003827	0.060894	5.336904
						LtD/SF	0.919763	-12.2356	0	0.125711	0.603701	13.34575
						L/SF	3.215031	-2.37448	0	0.018705	0.194274	15.32833

* Entities with known shareholders-individuals from selected jurisdictions

**Subsidiaries or shareholders in tax haven (mentioned in Panama papers).

Determination of profit shifting – case of the Cyprus

The dataset in case of Cyprus contained 23 known shareholders – individuals. However, variables necessary for the determination of indicators were identified only in case of one entity. As is visible in the Table 10 below, this entity with known shareholders-individual has almost by 60% lower tax payable per unit of profit before tax in comparison with dataset without the link to tax haven. Moreover, this entity shows operating costs per unit of operating revenues by 68% higher in comparison with dataset without the link to tax haven.

Further, if the second dataset covering only subsidiaries - tax residents of Cyprus or shareholders of Cyprus nationality in tax haven (Panama papers) was taken into account, then this group had much higher debt to assets ratio or shareholders' funds level. And concurrently, the group with the link to tax haven has in average by 23% lower tax payable per unit of profit before tax and in order to generate one unit of profit before taxation it is enough to generate in average by 97% lower operating revenue in comparison with the dataset without the link to tax haven (see highlighted values in table below).

Table 10 - Indicators of profit shifting – Cyprus

Indicators - CY	Without the link to tax haven*						With the link to tax haven*					
	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p
T/A	0.001567	-9.6E-05	2.7E-05	0.000193	0.000481	0.008124	-0.00884	-	-	-	-	-
P/A	0.011258	-0.00063	4.55E-05	0.001272	0.003254	0.057185	-0.09192	-	-	-	-	-
T/P	0.237112	0.129378	0.147825	0.152	0.184056	0.864101	0.096227	-	-	-	-	-
OpC/OpR	0.950515	0.855155	0.917999	0.947529	0.993159	1.031341	1.598535	-	-	-	-	-
OpR/P	109.6367	-31.9074	8.661087	16.94157	67.95413	740.7489	-1.67075	-	-	-	-	-
LtD/A	0.027892	0	5.88E-05	0.006475	0.061375	0.104056	0	-	-	-	-	-
L/A	0.023157	0	7.99E-05	0.00216	0.015894	0.121581	0	-	-	-	-	-
LtD/SF	0.121866	-2.55885	0	0.320035	0.642055	1.963487	0	-	-	-	-	-
L/SF	0.40646	0	0.009898	0.169348	0.65517	1.350849	0	-	-	-	-	-
						Indicators - CY	Tax haven**					
							mean	1p	25p	50p	75p	99p
						T/A	-0.00447	-0.07067	-1.5E-06	2.92E-05	0.008746	0.015945
						P/A	-0.1292	-0.82025	-0.09192	5.36E-06	0.013006	0.255589
						T/P	0.182271	-0.02328	0.002928	0.106448	0.152	1.220979
						OpC/OpR	1.523306	0.712066	0.94832	1.344316	1.84887	3.191369
						OpR/P	3.333653	-11.0991	-1.5142	-0.74837	10.9002	20.49301
						LtD/A	0.069894	0	0	0.024054	0.119969	0.317663
						L/A	0.120497	0	2.16E-06	0.016205	0.152919	0.689189
						LtD/SF	13.26309	-42.1272	0	0.11986	0.485323	172.9806
						L/SF	-0.0736	-2.37448	0	0.108164	0.331039	0.50311

* Entities with known shareholders-individuals from the jurisdiction of Cyprus.

**Subsidiaries - tax residents of Cyprus or shareholders of Cyprus nationalities in tax haven (mentioned in Panama papers).

Determination of profit shifting – case of the Czech Republic

The Czech Republic has also very small dataset covering only 7 known shareholders-individuals in connection with tax havens (mentioned in Panama papers). Based on the results mentioned below is visible, the dataset with the link to tax haven generates lower tax payable per unit of assets (in average by 99%) and per unit of profit before tax (in average by 74%). In order to generate one unit of profit before taxation it is enough for the entity to generate in average by 47% lower operating revenue in comparison with the dataset without the link to tax haven (see highlighted values in table below). Moreover, there profit shifting through the debt channel was not proved for the indicators of debt ratios are higher in case of the dataset without link to tax haven (for details see highlighted values in the table below).

Table 11 - Indicators of profit shifting – Czech Republic

Indicators - CZ	Without the link to tax haven*						With the link to tax haven*					
	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p
T/A	0.002547	0	0	0	0.001117	0.033253	2.03E-05	0	0	0	4.12E-05	8.06E-05
P/A	-0.03024	-0.11673	-0.00075	0.000854	0.010393	0.170782	-8.6E-05	-0.00828	-0.00734	-0.00083	0.00832	0.008451
T/P	0.095535	-0.30009	0	0	0.190087	0.857143	0.024514	-0.01919	0	0	0	0.166282
OpC/OpR	-0.12056	0.129877	0.905118	0.97983	1.026341	9.132273	0.968378	0.675433	0.912384	1.006921	1.05464	1.153967
OpR/P	49.05022	-316.829	-0.9389	5.657721	27.00681	1102.583	26.12723	-54.4775	-18.3015	-1.70693	11.41339	221.5429
LtD/A	0.013387	0	0	0	0	0.271237	0	0	0	0	0	0
L/A	0.021531	0	0	0	0	0.352863	0	0	0	0	0	0
LtD/SF	0.025477	-0.17192	0	0	0	2.286922	0	0	0	0	0	0
L/SF	0.365141	-2.3743	0	0	0	5.596988	0	0	0	0	0	0
						Indicators - CZ	Tax haven**					
							mean	1p	25p	50p	75p	99p
						T/A	0.001896	0	0	0	0	0.040403
						P/A	0.00041	-0.12363	-0.00592	-8.1E-05	0.000769	0.210474
						T/P	0.043109	-0.06495	0	0	0	0.46417
						OpC/OpR	2.176182	-4.76508	0.845621	1.014023	1.492985	26.46463
						OpR/P	11.97085	-222.444	-0.99453	0	2.762217	664.8362
						LtD/A	0.000109	0	0	0	0	0.001538
						L/A	0.020697	0	0	0	0	0.247319
						LtD/SF	-0.00197	0	0	0	0	0
						L/SF	0.061907	0	0	0	0	0.807921

* Entities with known shareholders-individuals from the jurisdiction of the Czech Republic.

**Subsidiaries – tax resident of the Czech Republic or shareholders of Czech nationalities in tax haven (mentioned in Panama papers).

Determination of profit shifting – case of Germany

The dataset with German shareholders-individuals with the link to tax haven generates higher profitability per unit of assets (in average by 29%) in comparison with the dataset without link to tax haven. Further, as is visible in Table No. 12 below, this group also pay around 5 % (in average) lower tax payable per unit of profit before tax. In order to generate one unit of profit before taxation it is enough for the entity to generate in average by 53% lower operating revenue in comparison with the dataset without the link to tax haven (see highlighted values in table below). Moreover, as is obvious from the results, entities with the link to tax haven have much higher debt to assets ratio, which suggests profit shifting through debt channel (for details see highlighted values in the table below).

Table 12 - Indicators of profit shifting – Germany

Indicators - DE	Without the link to tax haven*						With the link to tax haven*					
	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p
T/A	0.015443	-0.00142	0.00042	0.004234	0.01149	0.197317	0.015577	-1.3E-05	0.003798	0.017834	0.024261	0.033138
P/A	0.053306	-0.04837	0.001686	0.017354	0.040629	0.664829	0.068888	0.000621	0.05234	0.054806	0.056745	0.283367
T/P	0.250171	-0.73039	0.138991	0.283751	0.333847	1.248218	0.237288	-0.13377	0.078103	0.264101	0.353395	0.583979
OpC/OpR	-99.5545	0.156036	0.926771	0.966531	0.989448	1.653544	-0.0554	-8.64228	0.821374	0.909806	0.94341	0.973513
OpR/P	30.77733	-292.362	8.035654	20.32996	49.79443	790.4971	14.50221	0.10371	5.598302	11.51981	17.67105	37.75448
LtD/A	0.128359	0	0	0.005594	0.050205	1.558882	0.24388	0.000527	0.025604	0.121161	0.376819	0.739178
L/A	0.11576	0	0	0.000909	0.02911	1.207766	0.157103	0	0.001691	0.024573	0.16138	1.063525
LtD/SF	2.880196	0	0	0.21786	0.938562	28.05696	0.539936	0.002753	0.138497	0.291848	0.729689	2.906299
L/SF	3.047923	0	0	0.035268	0.432788	11.91652	0.204816	0	0.025622	0.108437	0.270797	0.800091
	Indicators - DE	Tax haven**										
		mean	1p	25p	50p	75p	99p					
		T/A	0.016439	-0.00276	0.001595	0.01358	0.021861	0.089952				
		P/A	0.049802	-0.01539	0.016792	0.054735	0.055031	0.289295				
		T/P	0.2671	-1.52255	0.222	0.277172	0.362421	1.005597				
		OpC/OpR	0.755222	-8.64228	0.892328	0.940118	0.973513	1.281114				
		OpR/P	21.47285	-116.687	6.685534	14.66193	26.77067	172.2944				
		LtD/A	0.249211	0	0.011568	0.142432	0.346947	1.507807				
		L/A	0.076619	0	0.004456	0.026279	0.082652	1.063525				
		LtD/SF	0.498736	0	0.060758	0.31589	0.719959	2.906299				
L/SF	0.170773	0	0.012235	0.068296	0.149718	2.694864						

* Entities with known shareholders-individuals from the jurisdiction of Germany.

**Subsidiaries – tax residents of Germany or shareholders of German nationalities in tax haven (mentioned in Panama papers).

Determination of profit shifting – case of Denmark

The Danish dataset of shareholders-individuals with the link to tax haven has lower tax payable per unit of profit before tax (in average by 49%) and generates higher profitability per unit of assets (by 284% in average) in comparison with the dataset without any link to tax haven, as is obvious from bellow stated Table No. 13. In order to generate one unit of profit before taxation it is enough for the entity to generate in average by 66% lower operating revenue in comparison with the dataset without the link to tax haven (see highlighted values in table below). As regards the debt ratios, the comparability analysis is not possible to perform due to the lack of data available from the group of entities without any link to tax haven with known shareholders-individuals (for details see highlighted values in the table below).

Table 13 - Indicators of profit shifting – Denmark

Indicators - DK	Without the link to tax haven*						With the link to tax haven*						
	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p	
T/A	-0.01352	-0.10867	-5.3E-05	0.00122	0.005445	0.158744	0.014601	-8.5E-05	0.001696	0.009244	0.01937	0.052684	
P/A	-0.04149	-0.33333	-0.00016	0.003744	0.016702	0.486946	0.07625	-0.00012	0.022725	0.06106	0.103027	0.206912	
T/P	0.326	-	-	-	-	-	0.164517	-0.00247	0.04793	0.229941	0.263354	0.326	
OpC/OpR	-8.3204	-125.078	0.427625	0.906608	1.022213	16.99405	0.327796	-3.25822	0.25931	0.776784	0.89625	1.120065	
OpR/P	15.71569	-126.419	0	0.614347	5.707724	300.5508	5.406119	-8.32881	1.28626	2.959881	9.406275	27.27574	
LtD/A	-	-	-	-	-	-	0.128727	0.002038	0.006936	0.021728	0.048305	0.564628	
L/A	-	-	-	-	-	-	0.159246	0.159246	0.159246	0.159246	0.159246	0.159246	
LtD/SF	-	-	-	-	-	-	0.06528	0	0.00337	0.035555	0.063264	0.253934	
L/SF	-	-	-	-	-	-	0.071406	0.071193	0.071193	0.071406	0.071619	0.071619	
							Indicators - DK	Tax haven**					
							mean	1p	25p	50p	75p	99p	
							T/A	-0.0144	-0.29496	0	0.002841	0.016933	0.09858
							P/A	-0.03584	-0.9048	0	0.021659	0.071478	0.322435
							T/P	0.207201	-0.57719	0.071781	0.311586	0.326	0.544118
							OpC/OpR	2.802171	-3.25822	0.640296	0.915829	0.998202	45.71551
							OpR/P	-2.48609	-453.623	0	1.990291	9.638524	172.3983
							LtD/A	0.184169	0.002038	0.015138	0.074046	0.313559	0.624136
							L/A	0.080716	0.018431	0.018431	0.064471	0.159246	0.159246
							LtD/SF	0.217512	0	0.029288	0.063264	0.258449	0.937675
							L/SF	0.075858	0.00621	0.030053	0.071406	0.096859	0.179211

* Entities with known shareholders-individuals from the jurisdiction of Denmark.

**Subsidiaries – tax residents of Denmark or shareholders of Danish nationalities in tax haven (mentioned in Panama papers).

Determination of profit shifting – case of Spain

Dataset covering Spanish shareholders-individuals with the link to tax haven represents the largest dataset. However, as regards the debt ratios, dataset without the link to tax haven does not include data necessary for the comparability analysis and due to this fact, the analysis of profit shifting through debt channels could not be performed.

As regards the profitability per unit of assets, higher profitability was determined in the dataset with the link to tax haven from the second quartile (i.e. 25 percentile). This indicator is by 26% higher in comparison with the dataset without the link to tax haven. Further, in case of other indicator, namely tax payable to per unit of profit before tax, its lower value (by 40%) was determined only at the 25th percentile in comparison with dataset without link to the tax havens.

In addition, in order to generate one unit of profit before taxation it is enough for the entity to generate in average by 66% lower operating revenue in comparison with the dataset without the link to tax haven (see highlighted values in table below).

Table 14 - Indicators of profit shifting – Spain

Indicators - ES	Without the link to tax haven*						With the link to tax haven*								
	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p			
T/A	0.001108	-0.0283	1.33E-05	0.000507	0.002576	0.026776	-0.13179	-14.7379	-0.00051	0.007164	0.033493	0.997892			
P/A	0.006715	-0.1715	8.03E-05	0.00307	0.015609	0.162282	-0.41723	-47.7662	0.008483	0.059627	0.105458	4.800818			
T/P	0.165	-	-	-	-	-	0.168165	-11.3557	0.099017	0.228266	0.307814	6.963779			
OpC/OpR	3.058084	-0.52464	0.936247	0.984196	0.999161	4.519814	0.614331	-38.5342	0.91696	0.965429	0.99678	4.63562			
OpR/P	89.74145	-220.307	0.655517	16.64038	66.6508	1193.156	30.30805	-296.86	1.264552	14.04175	31.22707	437.7278			
LtD/A	-	-	-	-	-	-	11.1106	0	0.081672	0.377284	0.943064	759.0035			
L/A	-	-	-	-	-	-	11.55141	0	0.019425	0.134801	0.600015	881.4858			
LtD/SF	-	-	-	-	-	-	1.095367	-8.31432	0.146229	0.414306	1.077269	13.34575			
L/SF	-	-	-	-	-	-	0.333759	-1.31651	0.030906	0.17997	0.558125	2.598124			
									Tax haven**						
									mean	1p	25p	50p	75p	99p	
									T/A	-0.03174	-0.93137	-3.5E-07	0.004276	0.032291	0.952331
									P/A	-0.04911	-2.10617	0.008483	0.054568	0.113873	4.800818
									T/P	0.044622	-10.6357	0.074549	0.184025	0.300935	2.61178
									OpC/OpR	4.491222	-118.06	0.86957	0.966452	1.009977	16.36725
									OpR/P	16.32273	-296.86	-0.25097	5.561092	25.71372	381.847
									LtD/A	5.7628	0	0.047797	0.231198	0.842067	69.36449
									L/A	4.738559	0	0.000502	0.037915	0.25455	7.375412
									LtD/SF	-0.59524	-12.2356	0.06307	0.28875	0.944768	18.13528
									L/SF	0.286174	-0.37276	0	0.050643	0.24126	3.193256

* Entities with known shareholders-individuals from the jurisdiction of Spain.

**Subsidiaries – tax residents or shareholders of Spanish nationalities in tax haven (mentioned in Panama papers).

Determination of profit shifting – case of France

The French dataset of shareholders-individuals with the link to tax haven generates higher profitability per unit of assets (in average by 419%) in comparison with the dataset without the link to tax haven, as can be seen from bellow stated Table No. 15. Moreover, entities from this dataset generate in average losses in comparison with dataset without the link to tax haven, where the indicator of tax payable per unit of profit before tax reaches the value of 0.1026, i.e. tax rate of 10.26%. Further, as is obvious from the results, entities with the link to tax haven have much higher debt ratios in comparison with dataset without the link to the tax haven, which indicates profit shifting through the debt channel (for more details see highlighted values in the table below).

Table 15 - Indicators of profit shifting – France

Indicators - FR	Without the link to tax haven*						With the link to tax haven*					
	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p
T/A	0.003655	-0.02845	0	0.000337	0.005226	0.047631	0.028496	-0.00431	0.020409	0.024064	0.031316	0.082096
P/A	0.010841	-0.28211	0.00091	0.011592	0.036614	0.158681	0.056272	-0.03485	0.037618	0.059087	0.10102	0.110752
T/P	0.102663	-1.41253	0	0.063117	0.217681	1.722648	-0.07128	-2.35577	-0.24415	0.281028	0.349349	0.639706
OpC/OpR	-41279.1	-0.96397	0.93211	0.974992	0.999708	3.282695	0.815333	-1.3104	0.884725	0.920733	0.981893	2.054306
OpR/P	39.4017	-742.047	0	14.40531	39.80564	1121.505	-23.9668	-363.009	0.432826	9.992756	12.74695	55.22794
LtD/A	0.057599	0	0	0.004049	0.028821	0.689075	0.225592	0	0.133164	0.271609	0.284898	0.417216
L/A	0.057738	0	0	0.002195	0.020268	0.856522	0.065215	0	0.040888	0.060607	0.108875	0.138433
LtD/SF	-0.89671	-4.05213	0	0.024276	0.244877	6.413457	0.484274	0	0.042781	0.368147	0.674615	1.7484
L/SF	-0.00367	-1.29847	0	0.011747	0.162657	4.13513	0.315411	0	0.077579	0.126829	0.235464	1.972198
						Indicators - FR	Tax haven**					
							mean	1p	25p	50p	75p	99p
						T/A	0.062002	-0.03417	5.32E-06	0.006968	0.024064	3.639031
						P/A	0.044214	-0.2246	0.006454	0.037666	0.071009	0.184724
						T/P	0.224984	-1.17133	0	0.204327	0.363222	0.989411
						OpC/OpR	-4700.17	-236473	0.827089	0.94051	1.007076	1678.709
						OpR/P	22.58982	-363.009	-0.0003	3.699007	13.8981	859.9677
						LtD/A	0.898992	0	7.05E-05	0.079118	0.27385	27.12732
						L/A	0.361501	0	1.25E-07	0.020012	0.061516	17.20269
						LtD/SF	0.021155	-37.5284	0	0.162554	0.651554	6.781121
						L/SF	0.523883	-3.32736	0	0.067739	0.191935	35

* Entities with known shareholders-individuals from the jurisdiction of France.

**Subsidiaries – tax residents of France or shareholders of French nationalities in tax haven (mentioned in Panama papers).

Determination of profit shifting – case of the United Kingdom

The UK dataset of shareholders-individuals with the link to tax haven generates higher profitability per unit of assets (in average by 265%) in comparison with dataset without the link to tax haven, as is obvious from the bellow stated Table No. 16. Furthermore, lower tax payable per unit of profit before tax was determined only at 25th and 99th percentiles. In this case dataset with links to tax haven generates about 88% lower indicator. In addition, as is obvious from the results, entities with the link to the tax haven show higher debt ratios (except of L/SF indicator) in comparison with dataset without the link to tax haven, which indicates profit shifting through debt channel (for more details see highlighted values in the table below).

Table 16 - Indicators of profit shifting – United Kingdom

Indicators - UK	Without the link to tax haven*						With the link to tax haven*						
	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p	
T/A	0.003217	-0.02318	0.000123	0.001053	0.004622	0.035162	0.016169	-0.00544	0.000274	0.001856	0.018809	0.281926	
P/A	0.015191	-0.05809	0.000683	0.005833	0.022946	0.140427	0.055386	-0.07149	0.00042	0.008321	0.076255	0.839594	
T/P	-0.00782	-1.87931	0.171793	0.20476	0.231535	1.515285	0.197896	-0.22348	0.020349	0.210651	0.25974	1.283146	
OpC/OpR	0.72554	-1.12597	0.780814	0.930203	0.980974	2.052235	139.3884	-1.37751	0.790852	0.939209	1.013799	7879	
OpR/P	-1.65353	-219.348	2.372888	8.747874	26.23902	557.8627	30.16866	-115.625	-0.00013	3.34	13.8373	1313.195	
LtD/A	0.081638	0	0	0.003015	0.03101	1.157393	0.277888	0	0	0.071321	0.269105	4.606007	
L/A	0.046645	0	0	0.001451	0.019132	0.796372	0.057676	0	0	0.002402	0.020646	1.199373	
LtD/SF	0.389746	-1.58823	0	0.055727	0.38097	12.3516	0.612702	-2.18828	0	0.230419	0.534508	9.761	
L/SF	10.29421	-3.90291	0	0.041804	0.361511	16.92999	0.093851	-0.15342	0	0.01683	0.076783	1.077047	
							Indicators - UK	Tax haven**					
							mean	1p	25p	50p	75p	99p	
							T/A	-0.00367	-0.05591	3.64E-06	0.00114	0.005942	0.207866
							P/A	-0.02474	-0.5233	3.19E-05	0.007422	0.037728	0.229145
							T/P	0.122515	-2.05666	0.013509	0.206977	0.225513	1.557224
							OpC/OpR	-41.5952	-56.0074	0.692328	0.921845	1.011214	97.62858
							OpR/P	26.00115	-171.129	-0.0399	2.728906	10.41948	336.7866
							LtD/A	0.505876	0	0	0.012435	0.223484	6.787938
							L/A	0.682927	0	0	0.00266	0.046534	5.336904
							LtD/SF	2.151305	-11.9564	0	0.109356	0.606425	9.761
							L/SF	6.177798	-3.02774	0	0.018422	0.238748	37.32114

* Entities with known shareholders-individuals from the jurisdiction of the United Kingdom.

**Subsidiaries – tax residents of UK or shareholders of UK nationalities in tax haven (mentioned in Panama papers).

Determination of profit shifting – case of Poland

Due to the fact, that no Polish shareholders-individuals were identified in the dataset with the link to the tax haven, only dataset covering entities in tax havens with the link to Poland was employed in the comparative analysis. As is obvious from bellow stated Table No. 17, this dataset generates higher profitability per unit of assets - by 811% (25th percentile) in comparison with the dataset without the link to tax haven. Further, dataset of entities in tax haven with the link to Poland has lower tax payable per unit of profit before tax (in average by 7%), higher mark-up on operating costs (in average by 7.5%, indicator OpC/OpR). In order to generate one unit of profit before taxation it is enough for the entity to generate in average by 50% lower operating revenue in comparison with the dataset without the link to tax haven (see highlighted values in table below). However, there was not proved profit shifting through the debt channel as indicators of debt ratios are higher in case of the dataset without links to tax haven (for details see highlighted values in the table below).

Table 17 - Indicators of profit shifting – Poland

Indicators - PL	Without the link to tax haven*						With the link to tax haven*					
	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p
T/A	0.004344	-0.0027	0.000398	0.001669	0.005298	0.024526	-	-	-	-	-	-
P/A	0.124747	-0.039	0.001784	0.008053	0.026424	0.110448	-	-	-	-	-	-
T/P	0.214473	-0.68536	0.174351	0.195872	0.231965	1.142944	-	-	-	-	-	-
OpC/OpR	0.885713	0.257144	0.905238	0.961809	0.987049	1.235718	-	-	-	-	-	-
OpR/P	74.39993	-164.433	8.240066	20.92009	56.03305	924.3881	-	-	-	-	-	-
LtD/A	0.058346	0	0	0.005803	0.038214	0.670014	-	-	-	-	-	-
L/A	0.038385	0	0	0.000758	0.020492	0.533072	-	-	-	-	-	-
LtD/SF	0.737292	-1.32621	0	0.067332	0.398725	11.44761	-	-	-	-	-	-
L/SF	0.496302	-0.29499	0	0.008029	0.29336	5.577133	-	-	-	-	-	-
							Tax haven**					
							mean	1p	25p	50p	75p	99p
							0.004663	0.002627	0.003462	0.003885	0.004936	0.008405
							0.043746	0.007721	0.016262	0.022202	0.023255	0.149291
							0.199327	0.056296	0.175	0.212238	0.212892	0.340211
							0.819396	0.549235	0.708179	0.877588	0.969079	0.992898
							37.39255	2.21845	3.426753	8.169134	32.34043	140.808
							0.006529	0	0	0.000257	0.019329	0.019329
							1.22E-05	0	0	0	2.44E-05	4.88E-05
							0.043999	0	0	0.004176	0.127823	0.127823
							5.35E-05	0	0	0	0.000107	0.000214

* Entities with known shareholders-individuals from the jurisdiction of Poland.

**Entities in tax haven with the links to Poland.

Conclusion

To conclude, the research of the impact of the employment of shareholders-individuals in tax planning of structures of the entities with the link to the tax havens mentioned in Panama Papers proved, that shifting of the profit is realized in all jurisdictions, however the methods are different, as is stemming from the following Table 18. The research of different type of indicators enabled us to identify in the details the form of profit shifting in all the countries covered in pilot study. As can be seen from the below stated tables, generally the profit shifting within the structure of the entities owned by shareholders-individuals with the link to tax haven is done through the shift of operating revenues or the costs. However, the research of the indicators identified that in case of Cyprus, Germany, France and United Kingdom, the profit shifting is done through debt financing within the structure of entities owned by shareholders-individuals with the link to tax haven.

Table 18 - Summary of identified profit shifting channels across the countries*

Indicators	CY	CZ	DE	DK	ES	FR	UK	PL	All
T/A	no	yes	no	no	no	no	no	yes	yes
P/A	yes	yes	yes	yes	yes	yes	yes	yes	yes
T/P	yes	yes	yes	yes	yes	yes	yes	yes	yes
OpC/OpR	no	yes	yes	yes	yes	yes	no	yes	yes
OpR/P	yes	yes	yes	yes	yes	yes	yes	yes	yes
LtD/A	yes	no	yes	no**	no**	yes	yes	no	yes
L/A	yes	no	yes	no**	no**	yes	yes	no	yes
LtD/SF	yes	no	yes	no**	no**	yes	yes	no	yes
L/SF	yes	no	yes	no**	no**	yes	no	no	yes

*profit shifting proved at least once from the following values: mean, 1p, 25p, 50p, 75p and 99p. Only dataset of entities with known shareholders-individuals from the analysed jurisdictions was applied, except of the case of Cyprus and Poland.

**the data for the calculation were not available

Moreover, the research through two sub-datasets (one with the link and second without the link to the tax haven) enabled us to identify the erosion of the tax bases as a result of the employment of international tax planning techniques within the structure of entities owned by the shareholder-individual. The summary of the results is presented in the following Table 19.

Table 19 - Summary of selected indicators across the countries – in average

Country	P/A	T/P	OpR/P
CY	n.p.	↓ 23 %	97 %
CZ	n.p.	↓ 74 %	47 %
DE	↑ 29 %	↓ 5 %	53 %
DK	↑ 284 %	↓ 49 %	66 %
ES	n.p.	↓ 40 %*	66 %
FR	↑ 419 %	n.p.	n.p.
UK	↑ 265 %	↓ 88 %*	n.p.
PL	n.p.	↓ 7 %	50 %
All	n.p.	↓ 17 %	63 %

*amount based on the results of 25p

n.p. - profit shifting was not identified (in case of mean value)

As can be seen from the above stated table, structure of entities with the link to the tax haven owned by shareholders-individuals in all the countries covered in the pilot study with the exception of France are showing lower value of the indicator tax payable per unit of the profit before tax in comparison with the dataset of entities owned by the shareholders-individuals without the link to the tax haven. Moreover, also the indicator of profitability per unit of asset shows in case of Denmark, Germany, France and United Kingdom the higher value in the dataset of entities owned by shareholders-individuals with the link to the tax haven in comparison with the dataset without the link. Finally, as can be seen from the last column, the entities with link to the tax haven in case of all the countries covered in the pilot study with the exception of France and United Kingdom needs generate for the generation of one unit of profit before tax lower operating revenue in comparison with the dataset without the link to tax haven.

Globally, based on the previous results of the research, it is possible to assume the volume of the base erosion for all the countries covered in the pilot study with the exception of France, in the dataset of entities owned by the shareholders-individuals with the link on the tax haven. As can be seen from the below stated Table 20, the research revealed that the total volume of the base erosion in the countries comprised in the pilot study reaches the amount of EUR 8 799 mils. The highest portion have been identified in case of United Kingdom and Denmark. It is necessary to mention, that no base erosion was identified in case of Cyprus, for the sum of profits before tax of the entities owned by shareholders-individuals with the link to tax haven was negative.

Table 20 - Determination of possible loss in tax liability through tax planning channels

COUNTRY	TOTAL FOR DATASET WITH THE LINK TO TAX HAVEN WITH KNOWN SHAREHOLDERS-INDIVIDUAL		INDICATOR T/P	ADJUSTED PROFIT BEFORE TAX***	ASSUMED VOLUME OF BASE EROSION
	Tax	Profit before tax	%	EUR	EUR
CY	0	0	23%	0	0
CZ	17,747	216	74%	375,84	-159,84
DE	1,66E+10	4,76E+09	5%	5,00E+09	-2,38E+08
DK	5,66E+08	1,06E+08	49%	1,58E+08	-5,21E+07
ES	2,32E+10	4,68E+09	40%	6,56E+09	-1,87E+09
FR*	3,45E+09	1,07E+09	-	-	-
UK	3,24E+10	7,39E+09	88%	1,39E+10	-6,51E+09
PL**	5,84E+09	1,85E+09	7%	1,97E+09	-1,29E+08
Total in EUR					-8,80E+09
					-8 798 781 268

* The volume of base erosion is not possible to assume due to the fact that the value of the indicator T/P could not be determined. For details see sub. chapter *Determination of profit shifting – case of France* above.

** No shareholder-individual was identified in Orbis database in case of Poland. For details see sub. Chapter *Determination of profit shifting – case of Poland* above.

***profit before tax adjusted by the T/P indicator

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Attachments

1. **Attachment A: Results of Correlation analysis:** (Correlation analysis.docx)
2. **Attachment B: Results of regression analysis:** (Regression analysis.docx)
3. **Attachment C: Determination of indicators of profit shifting across NACE:** (Profit shifting indicators across NACE.xlsx)

Indicators of Profit Shifting (Guide and Results)

Guide to the tables No. 21-29 reflecting the indicators of profit shifting across the countries

Below stated tables are presenting individual indicators of profit shifting (tables No. 21-29) and their values divided by percentiles 1, 25, 50, 75, 99 and mean value in the tree datasets – i.e. the dataset of companies without the link to the tax haven, dataset of companies with the link to tax haven and dataset of companies situated in tax haven, for each country in the pilot study. For example, Table 23 reflects the values of the profit shifting indicator tax/profit before tax. It is clearly visible that for example in case of UK 25 percentile (i.e. 25% of the companies without the link in the dataset) shows that indicators tax/profit before tax is 0.17 (i.e. 17%), however 25% of the companies in the dataset with the link to tax haven has the indicators tax/profit before tax 0.02 (i.e. 2%). This means that the companies with the link to the tax haven face the corporate tax rate 2%, however the companies in the dataset without the link 17 %. With respect to the dataset of companies situated in the tax haven, the value of the indicators in case of 25 percentiles is 0.01 (i.e. 1%). Analogically, also the values of other profit shifting indicators were measured and are reflected in the Tables No. 21-29.

Table 21 - Indicator of profit shifting – Tax/total assets – across countries

Tax / total assets													
Country	Without the link to tax haven*						With the link to tax haven*						
	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p	
All	-0.00249	-0.03259	0	0.000458	0.003371	0.074601	-0.0535	-0.06762	8.1E-05	0.0054	0.024104	0.847922	
CY	0.001567	-9.6E-05	2.7E-05	0.000193	0.000481	0.008124	-0.00884	-0.00884	-0.00884	-0.00884	-0.00884	-0.00884	
CZ	0.002547	0	0	0	0.001117	0.033253	2.03E-05	0	0	0	4.12E-05	8.06E-05	
DE	0.015443	-0.00142	0.00042	0.004234	0.01149	0.197317	0.015577	-1.3E-05	0.003798	0.017834	0.024261	0.033138	
DK	-0.01352	-0.10867	-5.3E-05	0.00122	0.005445	0.158744	0.014601	-8.5E-05	0.001696	0.009244	0.01937	0.052684	
ES	0.001108	-0.0283	1.33E-05	0.000507	0.002576	0.026776	-0.13179	-14.7379	-0.00051	0.007164	0.033493	0.997892	
FR	0.003655	-0.02845	0	0.000337	0.005226	0.047631	0.028496	-0.00431	0.020409	0.024064	0.031316	0.082096	
UK	0.003217	-0.02318	0.000123	0.001053	0.004622	0.035162	0.016169	-0.00544	0.000274	0.001856	0.018809	0.281926	
PL	0.004344	-0.0027	0.000398	0.001669	0.005298	0.024526							
							Tax haven**						
							Country	mean	1p	25p	50p	75p	99p
							All	-0.00354	-0.10136	0	0.001589	0.013508	0.476984
							CY	-0.00447	-0.07067	-1.5E-06	2.92E-05	0.008746	0.015945
							CZ	0.001896	0	0	0	0	0.040403
							DE	0.016439	-0.00276	0.001595	0.01358	0.021861	0.089952
							DK	-0.0144	-0.29496	0	0.002841	0.016933	0.09858
							ES	-0.03174	-0.93137	-3.5E-07	0.004276	0.032291	0.952331
							FR	0.062002	-0.03417	5.32E-06	0.006968	0.024064	3.639031
							UK	-0.00367	-0.05591	3.64E-06	0.00114	0.005942	0.207866
							PL	0.004663	0.002627	0.003462	0.003885	0.004936	0.008405

* Entities with known shareholders-individuals from selected jurisdictions

**Subsidiaries or shareholders in tax haven (mentioned in Panama papers).

Table 22 - Indicator of profit shifting – Profit before tax/total assets – across countries

Profit before tax / total assets												
Country	Without the link to tax haven*						With the link to tax haven*					
	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p
All	-0.01232	-0.17659	-0.00012	0.002833	0.015998	0.264559	-0.16634	-0.14892	0.007791	0.050292	0.097698	2.867924
CY	0.011258	-0.00063	4.55E-05	0.001272	0.003254	0.057185	-0.09192	-0.09192	-0.09192	-0.09192	-0.09192	-0.09192
CZ	-0.03024	-0.11673	-0.00075	0.000854	0.010393	0.170782	-8.6E-05	-0.00828	-0.00734	-0.00083	0.00832	0.008451
DE	0.053306	-0.04837	0.001686	0.017354	0.040629	0.664829	0.068888	0.000621	0.05234	0.054806	0.056745	0.283367
DK	-0.04149	-0.33333	-0.00016	0.003744	0.016702	0.486946	0.07625	-0.00012	0.022725	0.06106	0.103027	0.206912
ES	0.006715	-0.1715	8.03E-05	0.00307	0.015609	0.162282	-0.41723	-47.7662	0.008483	0.059627	0.105458	4.800818
FR	0.010841	-0.28211	0.00091	0.011592	0.036614	0.158681	0.056272	-0.03485	0.037618	0.059087	0.10102	0.110752
UK	0.015191	-0.05809	0.000683	0.005833	0.022946	0.140427	0.055386	-0.07149	0.00042	0.008321	0.076255	0.839594
PL	0.124747	-0.039	0.001784	0.008053	0.026424	0.110448						
							Tax haven**					
	Country	mean	1p	25p	50p	75p	99p					
	All	-0.01981	-0.68486	4.04E-05	0.008481	0.061499	0.979433					
	CY	-0.1292	-0.82025	-0.09192	5.36E-06	0.013006	0.255589					
	CZ	0.00041	-0.12363	-0.00592	-8.1E-05	0.000769	0.210474					
	DE	0.049802	-0.01539	0.016792	0.054735	0.055031	0.289295					
	DK	-0.03584	-0.9048	0	0.021659	0.071478	0.322435					
	ES	-0.04911	-2.10617	0.008483	0.054568	0.113873	4.800818					
	FR	0.044214	-0.2246	0.006454	0.037666	0.071009	0.184724					
	UK	-0.02474	-0.5233	3.19E-05	0.007422	0.037728	0.229145					
	PL	0.043746	0.007721	0.016262	0.022202	0.023255	0.149291					

* Entities with known shareholders-individuals from selected jurisdictions

**Subsidiaries or shareholders in tax haven (mentioned in Panama papers).

Table 23 - Indicator of profit shifting – Tax/profit before tax – across countries

Tax / profit before tax													
Country	Without the link to tax haven*						With the link to tax haven*						
	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p	
All	0.19811	-0.06436	0.165	0.165	0.326	0.524602	0.16517	-2.14502	0.053797	0.219926	0.3	1.699914	
CY	0.237112	0.129378	0.147825	0.152	0.184056	0.864101	0.096227	0.096227	0.096227	0.096227	0.096227	0.096227	
CZ	0.095535	-0.30009	0	0	0.190087	0.857143	0.024514	-0.01919	0	0	0	0.166282	
DE	0.250171	-0.73039	0.138991	0.283751	0.333847	1.248218	0.237288	-0.13377	0.078103	0.264101	0.353395	0.583979	
DK	0.326	0.326	0.326	0.326	0.326	0.326	0.164517	-0.00247	0.04793	0.229941	0.263354	0.326	
ES	0.165	0.165	0.165	0.165	0.165	0.165	0.168165	-11.3557	0.099017	0.228266	0.307814	6.963779	
FR	0.102663	-1.41253	0	0.063117	0.217681	1.722648	-0.07128	-2.35577	-0.24415	0.281028	0.349349	0.639706	
UK	-0.00782	-1.87931	0.171793	0.20476	0.231535	1.515285	0.197896	-0.22348	0.020349	0.210651	0.25974	1.283146	
PL	0.214473	-0.68536	0.174351	0.195872	0.231965	1.142944							
							Country	Tax haven					
							mean	1p	25p	50p	75p	99p	
							All	0.123344	-1.73214	0.000914	0.200003	0.287356	1.557224
							CY	0.182271	-0.02328	0.002928	0.106448	0.152	1.220979
							CZ	0.043109	-0.06495	0	0	0	0.46417
							DE	0.2671	-1.52255	0.222	0.277172	0.362421	1.005597
							DK	0.207201	-0.57719	0.071781	0.311586	0.326	0.544118
							ES	0.044622	-10.6357	0.074549	0.184025	0.300935	2.61178
							FR	0.224984	-1.17133	0	0.204327	0.363222	0.989411
							UK	0.122515	-2.05666	0.013509	0.206977	0.225513	1.557224
							PL	0.199327	0.056296	0.175	0.212238	0.212892	0.340211

* Entities with known shareholders-individuals from selected jurisdictions

**Subsidiaries or shareholders in tax haven (mentioned in Panama papers).

Table 24 - Indicator of profit shifting – Operating costs/operating revenues – across countries

Operating costs / operating revenues												
Country	Without the link to tax haven*						With the link to tax haven*					
	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p
All	-898.09	-0.7182	0.91627	0.979854	1.001277	6.013889	42.57958	-8.64228	0.869893	0.958949	0.99678	181.6667
CY	0.950515	0.855155	0.917999	0.947529	0.993159	1.031341	1.598535	1.598535	1.598535	1.598535	1.598535	1.598535
CZ	-0.12056	0.129877	0.905118	0.97983	1.026341	9.132273	0.968378	0.675433	0.912384	1.006921	1.05464	1.153967
DE	-99.5545	0.156036	0.926771	0.966531	0.989448	1.653544	-0.0554	-8.64228	0.821374	0.909806	0.94341	0.973513
DK	-8.3204	-125.078	0.427625	0.906608	1.022213	16.99405	0.327796	-3.25822	0.25931	0.776784	0.89625	1.120065
ES	3.058084	-0.52464	0.936247	0.984196	0.999161	4.519814	0.614331	-38.5342	0.91696	0.965429	0.99678	4.63562
FR	-41279.1	-0.96397	0.93211	0.974992	0.999708	3.282695	0.815333	-1.3104	0.884725	0.920733	0.981893	2.054306
UK	0.72554	-1.12597	0.780814	0.930203	0.980974	2.052235	139.3884	-1.37751	0.790852	0.939209	1.013799	7879
PL	0.885713	0.257144	0.905238	0.961809	0.987049	1.235718						
						Country	Tax haven**					
						mean	1p	25p	50p	75p	99p	
						All	-452.514	-115.309	0.756668	0.947241	1.0151	45.71551
						CY	1.523306	0.712066	0.94832	1.344316	1.84887	3.191369
						CZ	2.176182	-4.76508	0.845621	1.014023	1.492985	26.46463
						DE	0.755222	-8.64228	0.892328	0.940118	0.973513	1.281114
						DK	2.802171	-3.25822	0.640296	0.915829	0.998202	45.71551
						ES	4.491222	-118.06	0.86957	0.966452	1.009977	16.36725
						FR	-4700.17	-236473	0.827089	0.94051	1.007076	1678.709
						UK	-41.5952	-56.0074	0.692328	0.921845	1.011214	97.62858
						PL	0.819396	0.549235	0.708179	0.877588	0.969079	0.992898

* Entities with known shareholders-individuals from selected jurisdictions

**Subsidiaries or shareholders in tax haven (mentioned in Panama papers).

Table 27 - Indicator of profit shifting – Long-term debt/shareholders' funds – across countries

Long-term debt / shareholders' funds												
Country	Without the link to tax haven*						With the link to tax haven*					
	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p
All	0.233761	-0.23554	0	0	0	5.261075	0.795066	-2.18828	0.036552	0.282919	0.835741	11.64488
CY	0.121866	-2.55885	0	0.320035	0.642055	1.963487	0	0	0	0	0	0
CZ	0.025477	-0.17192	0	0	0	2.286922	0	0	0	0	0	0
DE	2.880196	0	0	0.21786	0.938562	28.05696	0.539936	0.002753	0.138497	0.291848	0.729689	2.906299
DK							0.06528	0	0.00337	0.035555	0.063264	0.253934
ES							1.095367	-8.31432	0.146229	0.414306	1.077269	13.34575
FR	-0.89671	-4.05213	0	0.024276	0.244877	6.413457	0.484274	0	0.042781	0.368147	0.674615	1.7484
UK	0.389746	-1.58823	0	0.055727	0.38097	12.3516	0.612702	-2.18828	0	0.230419	0.534508	9.761
PL	0.737292	-1.32621	0	0.067332	0.398725	11.44761						
							Tax haven**					
	Country	mean	1p	25p	50p	75p	99p					
	All	0.919763	-12.2356	0	0.125711	0.603701	13.34575					
	CY	13.26309	-42.1272	0	0.11986	0.485323	172.9806					
	CZ	-0.00197	0	0	0	0	0					
	DE	0.498736	0	0.060758	0.31589	0.719959	2.906299					
	DK	0.217512	0	0.029288	0.063264	0.258449	0.937675					
	ES	-0.59524	-12.2356	0.06307	0.28875	0.944768	18.13528					
	FR	0.021155	-37.5284	0	0.162554	0.651554	6.781121					
	UK	2.151305	-11.9564	0	0.109356	0.606425	9.761					
	PL	0.043999	0	0	0.004176	0.127823	0.127823					

* Entities with known shareholders-individuals from selected jurisdictions

**Subsidiaries or shareholders in tax haven (mentioned in Panama papers).

Table 28 - Indicator of profit shifting – Loan/shareholders' funds – across countries

Loan / shareholders' funds													
Country	Without the link to tax haven*						With the link to tax haven*						
	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p	
All	0.724044	-1.95009	0	0	0.009412	6.307498	0.230392	-1.03284	0.00183	0.076833	0.27273	2.499312	
CY	0.40646	0	0.009898	0.169348	0.65517	1.350849	0	0	0	0	0	0	
CZ	0.365141	-2.3743	0	0	0	5.596988	0	0	0	0	0	0	
DE	3.047923	0	0	0.035268	0.432788	11.91652	0.204816	0	0.025622	0.108437	0.270797	0.800091	
DK							0.071406	0.071193	0.071193	0.071406	0.071619	0.071619	
ES							0.333759	-1.31651	0.030906	0.17997	0.558125	2.598124	
FR	-0.00367	-1.29847	0	0.011747	0.162657	4.13513	0.315411	0	0.077579	0.126829	0.235464	1.972198	
UK	10.29421	-3.90291	0	0.041804	0.361511	16.92999	0.093851	-0.15342	0	0.01683	0.076783	1.077047	
PL	0.496302	-0.29499	0	0.008029	0.29336	5.577133							
							Tax haven**						
							Country	mean	1p	25p	50p	75p	99p
							All	3.215031	-2.37448	0	0.018705	0.194274	15.32833
							CY	-0.0736	-2.37448	0	0.108164	0.331039	0.50311
							CZ	0.061907	0	0	0	0	0.807921
							DE	0.170773	0	0.012235	0.068296	0.149718	2.694864
							DK	0.075858	0.00621	0.030053	0.071406	0.096859	0.179211
							ES	0.286174	-0.37276	0	0.050643	0.24126	3.193256
							FR	0.523883	-3.32736	0	0.067739	0.191935	35
							UK	6.177798	-3.02774	0	0.018422	0.238748	37.32114
							PL	5.35E-05	0	0	0	0.000107	0.000214

* Entities with known shareholders-individuals from selected jurisdictions

**Subsidiaries or shareholders in tax haven (mentioned in Panama papers).

Table 29 - Indicator of profit shifting – Operating revenues/profit before tax – across countries

Operating revenues / profit before tax													
Country	Without the link to tax haven*						With the link to tax haven*						
	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p	
All	67.16004	-259.322	0	10.56822	45.61986	1100.818	25.15377	-296.86	0.23484	8.674881	24.91511	437.7278	
CY	109.6367	-31.9074	8.661087	16.94157	67.95413	740.7489	-1.67075	-1.67075	-1.67075	-1.67075	-1.67075	-1.67075	
CZ	49.05022	-316.829	-0.9389	5.657721	27.00681	1102.583	26.12723	-54.4775	-18.3015	-1.70693	11.41339	221.5429	
DE	30.77733	-292.362	8.035654	20.32996	49.79443	790.4971	14.50221	0.10371	5.598302	11.51981	17.67105	37.75448	
DK	15.71569	-126.419	0	0.614347	5.707724	300.5508	5.406119	-8.32881	1.28626	2.959881	9.406275	27.27574	
ES	89.74145	-220.307	0.655517	16.64038	66.6508	1193.156	30.30805	-296.86	1.264552	14.04175	31.22707	437.7278	
FR	39.4017	-742.047	0	14.40531	39.80564	1121.505	-23.9668	-363.009	0.432826	9.992756	12.74695	55.22794	
UK	-1.65353	-219.348	2.372888	8.747874	26.23902	557.8627	30.16866	-115.625	-0.00013	3.34	13.8373	1313.195	
PL	74.39993	-164.433	8.240066	20.92009	56.03305	924.3881							
							Tax haven**						
							Country	mean	1p	25p	50p	75p	99p
							All	20.20535	-240.5	-0.10416	3.139312	14.8731	406.0804
							CY	3.333653	-11.0991	-1.5142	-0.74837	10.9002	20.49301
							CZ	11.97085	-222.444	-0.99453	0	2.762217	664.8362
							DE	21.47285	-116.687	6.685534	14.66193	26.77067	172.2944
							DK	-2.48609	-453.623	0	1.990291	9.638524	172.3983
							ES	16.32273	-296.86	-0.25097	5.561092	25.71372	381.847
							FR	22.58982	-363.009	-0.0003	3.699007	13.8981	859.9677
							UK	26.00115	-171.129	-0.0399	2.728906	10.41948	336.7866
							PL	37.39255	2.21845	3.426753	8.169134	32.34043	140.808

* Entities with known shareholders-individuals from selected jurisdictions

**Subsidiaries or shareholders in tax haven (mentioned in Panama papers).

Attachment A

Summary of Correlation Analysis

	P/A	FIXASSETS/A	SF/A	INTANFIXASSET/A	TANGFIXASSET/A	OTHERFIXASSET/A	LTD/A	CAPITAL/A	CURRENTLIABILITIES/A	L/A	FINREV/A	ADDEDVALUE/A	INTERESTPAID/A	OPR/A
P/A	1.0000													
FixAssets/A	0.0000 0.9902	1.0000												
SF/A	-0.0172* 0.0000	0.0011 0.3352	1.0000											
IntanFixAsset/A	0.0002 0.8346	0.1959* 0.0000	0.0010 0.3593	1.0000										
TangFixAssets/A	-0.0010 0.3432	0.2076* 0.0000	0.0012 0.2933	-0.1269* 0.0000	1.0000									
OtherFixAssets/A	-0.0005 0.6296	0.8743* 0.0000	-0.0020 0.0767	-0.0379* 0.0000	-0.2021* 0.0000	1.0000								
LtD/A	-0.2405* 0.0000	-0.0010 0.3515	-0.0569* 0.0000	-0.0011 0.3083	-0.0012 0.2686	-0.0001 0.8972	1.0000							
Capital/A	-0.0024* 0.0294	-0.0010 0.3476	-0.0389* 0.0000	-0.0013 0.2512	-0.0015 0.1807	0.0001 0.9544	0.0869* 0.0000	1.0000						
CurrentLiabilities/A	-0.7351* 0.0000	-0.0590 0.0987	-1.0000* 0.0000	-0.0336 0.3589	0.0087 0.8118	-0.0838* 0.0221	0.0874* 0.0334	-0.0014 0.9686	1.0000					
L/A	0.5354* 0.0000	-0.0009 0.4232	-0.9199* 0.0000	-0.0007 0.5176	-0.0008 0.4487	0.0020 0.0658	0.0001 0.9144	0.0002 0.8780	1.0000* 0.0000	1.0000				
FinRev/A	0.7490* 0.0000	-0.0005 0.6399	-0.0785* 0.0000	-0.0014 0.2129	-0.0016 0.1668	0.0019 0.0930	0.1232* 0.0000	0.0011 0.3412	0.0293 0.4462	0.7310* 0.0000	1.0000			
AddedValue/A	-0.2766* 0.0000	-0.0014 0.4039	0.0004 0.8161	-0.0011 0.4933	-0.0016 0.3271	0.0099* 0.0000	- 0.0119*	0.0001 0.9380	-0.8273* 0.0000	-0.0002 0.8883	-0.7078* 0.0000	1.0000		
InterestPaid/A	-0.9760* 0.0000	-0.0020 0.1821	-0.0053* 0.0004	-0.0014 0.3509	-0.0021 0.1713	-0.0006 0.6763	0.0540* 0.0000	0.0034* 0.0224	0.1239* 0.0029	0.7424* 0.0000	-0.4620* 0.0000	0.0227* 0.0000	1.0000	
OpR/A	-0.2673* 0.0000	-0.0004 0.7398	-0.0002 0.8383	-0.0009 0.3927	-0.0000 0.9737	0.0107* 0.0000	0.0177* 0.0000	0.0001 0.9208	0.3297* 0.0000	0.0052* 0.0000	-0.8581* 0.0000	0.8939* 0.0000	0.3168* 0.0000	1.0000

Attachment B

Summary of Regression Analysis

P/A	COEF.	STD. DEV	Z	P>Z	[95% CONF.	INTERVAL]
FixAssets/A	.0419***	.0049282	8.51	0.000	.0322734	.0515917
LtD/A	-.0254***	.0033175	-7.66	0.000	-.0319213	-.0189169
AddedValue/A	3.54e-08*	1.45e-08	2.43	0.015	6.86e-09	6.39e-08
SF/A	.1157***	.0007799	148.03	0.000	.1139181	.1169752
OpR/A	.0550***	.0001643	334.94	0.000	.0546942	.0553381
NACE						
B	-.0250	.0264044	-0.95	0.343	-.0767941	.0267094
C	-.0124	.0102785	-1.20	0.229	-.0325069	.007784
D	.0363	.0214504	1.69	0.091	-.0057756	.0783084
E	-.0214	.017397	-1.23	0.218	-.0555075	.0126874
F	-.0326**	.0102975	-3.16	0.002	-.0527618	-.0123964
G	-.0493***	.0099881	-4.93	0.000	-.0688294	-.0296769
H	-.0163	.0114914	-1.42	0.155	-.0388715	.0061738
I	-.0265*	.010747	-2.47	0.014	-.0476072	-.0054796
J	-.0382**	.012103	-3.16	0.002	-.0619667	-.0145238
K	.0231*	.0113987	2.03	0.043	.0007755	.0454578
L	.0136	.0117689	1.15	0.249	-.0094921	.0366412
M	.0011	.0105453	0.10	0.917	-.0195659	.0217711
N	-.0085	.0113783	-0.74	0.457	-.0307599	.0138421
O	-.0630	.1056194	-0.60	0.551	-.2700114	.1440091
P	-.0187	.0158468	-1.18	0.238	-.0497457	.0123726
Q	.0174	.012208	1.42	0.154	-.0065325	.0413221
R	-.0137	.0156482	-0.88	0.380	-.0443969	.016943
S	-.0155	.0126573	-1.22	0.221	-.0403106	.0093053
_cons	-.0898***	.0099511	-9.02	0.000	-.1092966	-.0702892

* p<0.05 ** p<0.01 *** p<0.001

Attachment C - Profit shifting indicators across NACE

Country	Without the link to tax haven*						With the link to tax haven*						Tax haven**					
	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p
All	-0,00249	-0,03259	0	0,000458	0,003371	0,074601	-0,0535	-0,06762	8,1E-05	0,0054	0,024104	0,847922	-0,00354	-0,10136	0	0,001589	0,013508	0,476984
A	-0,00144	-0,04118	0	0,000816	0,005097	0,041796	0	0	0	0	0	0	0,014918	0	2,04E-05	5,19E-05	0,001695	0,087689
B	0,002271	-0,00409	-5,3E-06	6,08E-05	0,000472	0,056341	0,010673	0	0	2,77E-05	0,017712	0,046701	0,005046	-0,10093	-1,1E-05	8,3E-06	0,009217	0,063298
C	0,003975	-0,0093	0	0,000396	0,00256	0,057384	0,078076	-0,04808	0,003566	0,018001	0,032227	0,997892	0,046481	-0,93137	0,003007	0,013797	0,030178	0,997892
D	0,000544	-0,0044	-3,8E-06	7,92E-05	0,000862	0,008788	-0,00739	-0,06762	0,000127	0,005235	0,010198	0,015092	0,002929	-0,06762	9,95E-05	0,005235	0,010198	0,051355
E	0,000743	-0,00943	0	0,000241	0,001719	0,015297	8,88E-05	8,88E-05	8,88E-05	8,88E-05	8,88E-05	8,88E-05	0,004787	8,88E-05	8,88E-05	0,004787	0,009484	0,009484
F	0,000315	-0,02882	0	0,00021	0,002161	0,029641	0,074867	-0,01626	0,001557	0,033508	0,054182	0,847922	0,12923	-0,05511	0,000804	0,015652	0,040124	5,045948
G	-0,00086	-0,02387	0	0,000538	0,003831	0,032614	-0,75138	-14,7379	0	0,003531	0,023327	0,281926	-0,10321	-0,04599	0	0,000141	0,020197	0,281926
H	0,001186	-0,00904	0	0,000493	0,002185	0,012382	-0,00221	-0,03221	-0,01222	-0,00164	0,010212	0,022326	0,017357	-0,03221	-0,00083	0,001037	0,009095	0,627226
I	-3,5E-05	-0,03699	0	0	0,001799	0,028929	0,028145	0,010747	0,023755	0,026705	0,039039	0,040481	0,012987	-0,00932	-0,00284	0,01159	0,026705	0,040481
J	0,08186	-0,01042	0	0,000423	0,003257	0,055705	0,015487	-0,0121	0,001313	0,013579	0,023323	0,059561	0,012733	-0,10615	0,001732	0,004909	0,017562	0,217587
K	0,001623	-0,01646	-6,6E-06	0,001011	0,003577	0,019915	0,003125	-0,00431	0,00085	0,001496	0,001865	0,021353	0,001813	-0,01216	0,000121	0,001399	0,001864	0,023399
L	0,004527	-0,00634	0	9,87E-05	0,001981	0,039418	0,009532	-0,00921	0	0,001315	0,026806	0,037062	-0,10581	-9,32909	0	0	0,002264	0,151332
M	0,002367	-0,01388	0	0,000197	0,00202	0,048058	0,018327	-0,05164	8,1E-05	0,018083	0,02766	0,108116	-0,00272	-0,05164	0	0,002618	0,017589	0,108116
N	0,002378	-0,02242	0	0,000457	0,003542	0,029986	0,010156	-0,01179	0	0,0054	0,007404	0,067211	0,056921	-0,01179	9,13E-06	0,000229	0,004198	3,639031
O	-5,3E-05	-0,00433	0	9,49E-05	0,000515	0,001735	0,036693	0,036693	0,036693	0,036693	0,036693	0,036693	0,036693	0,036693	0,036693	0,036693	0,036693	0,036693
P	0,007613	-0,04241	0	0,00051	0,006127	0,085586							0,103989	0,000112	0,000112	0,103989	0,207866	0,207866
Q	0,003474	-0,0122	0,000312	0,003126	0,007722	0,022007							-0,19612	-1,14384	0	0,016016	0,021652	0,125589
R	0,005337	-0,01911	0	3,51E-05	0,001685	0,086465	0,035823	0,035823	0,035823	0,035823	0,035823	0,035823	0,030246	0,000101	0,001062	0,021146	0,049435	0,09858
S	-0,00028	-0,08687	0	0,000398	0,004038	0,035417	0,002992	-0,0288	-0,0288	0,004642	0,033135	0,033135	0,011637	-0,0288	2,1E-06	0,001274	0,01876	0,075099

* Entities with known shareholders-individuals from selected jurisdictions

**Subsidiaries or shareholders in tax haven (mentioned in Panama papers).

Attachment C - Profit shifting indicators across NACE

Country	Without the link to tax haven*						With the link to tax haven*						Tax haven**					
	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p
All	0,19811	-0,06436	0,165	0,165	0,326	0,524602	0,16517	-2,14502	0,053797	0,219926	0,3	1,699914	0,123344	-1,73214	0,000914	0,200003	0,287356	1,557224
A	0,176145	-0,08492	0,165	0,165	0,202336	0,447662	0	0	0	0	0	0	0,171386	-0,00444	-2,5E-05	0,016623	0,307723	0,655113
B	0,173614	-0,08804	0,165	0,165	0,17858	0,6	0,10232	-0,22348	0	0,057878	0,213131	0,425347	0,131154	-4,88417	0	0,1999	0,30256	1,220979
C	0,173779	-0,13833	0,165	0,165	0,188872	0,702622	0,206133	-0,70111	0,057727	0,22436	0,300626	0,875522	0,151935	-1,73214	0,034343	0,221628	0,306843	0,962963
D	0,127262	-0,17272	0,165	0,165	0,181736	0,424729	-0,01355	-2,14502	-0,00272	0,197819	0,387654	1,283146	0,041387	-2,14502	0	0,165	0,261433	1,283146
E	0,139339	-0,30239	0	0,165	0,194448	0,800554	0,035776	0,035776	0,035776	0,035776	0,035776	0,035776	0,15672	0,035776	0,035776	0,15672	0,277665	0,277665
F	0,185914	-0,10626	0,165	0,165	0,194781	0,604215	0,6368	-0,20379	0,176726	0,3	0,411015	6,963779	0,263352	-1,6908	0,000194	0,197132	0,376882	6,963779
G	0,155723	-0,08473	0,165	0,165	0,190373	0,566959	0,038606	-2,35577	-0,0016	0,165	0,300965	0,341466	0,141107	-0,71041	0	0,183928	0,278038	0,98658
H	0,172406	-0,1245	0,165	0,165	0,200142	0,690243	0,043138	-0,61882	-0,03571	0,079657	0,203046	0,458298	0,268852	-0,61882	0	0,120844	0,295226	8,863636
I	0,142573	-0,03901	0	0,165	0,165	0,5	0,306709	0,210651	0,25	0,28934	0,346667	0,436889	-0,05899	-4,84213	0,005666	0,196809	0,25	0,436889
J	0,198057	-0,11727	0,165	0,183457	0,326	0,740735	0,196985	-0,32729	0,068195	0,246843	0,3	0,639706	0,310206	-0,85096	0,165	0,246388	0,326	2,788506
K	0,318247	0,165	0,326	0,326	0,326	0,326	0,165176	-0,63402	0,165	0,224	0,247171	0,414579	0,105075	-0,90913	0,057683	0,21599	0,228126	0,784769
L	0,167005	-0,05873	0	0,165	0,326	0,456241	0,278738	-0,01919	0,099017	0,177365	0,250001	1,699914	-0,17194	-31,4671	0	0,131412	0,208068	1,699914
M	0,192024	-0,20651	0,076759	0,165	0,326	0,666667	-0,11235	-11,3557	0,165	0,235798	0,295838	2,61178	0,14149	-2,78479	0,003151	0,170355	0,28803	2,61178
N	0,152665	-0,0941	0,165	0,165	0,326	0,660015	0,18203	-0,06645	0,108949	0,229218	0,253479	0,379439	0,037472	-7,06946	0,036927	0,21447	0,253479	0,96748
O	0,209065	0	0,165	0,165	0,326	0,326	0,363222	0,363222	0,363222	0,363222	0,363222	0,363222	0,363222	0,363222	0,363222	0,363222	0,363222	0,363222
P	0,160348	-0,11746	0	0,165	0,191796	0,7267							-0,20177	-0,39722	-0,39722	-0,20177	-0,00633	-0,00633
Q	0,129812	0	0,165	0,188015	0,326	0,498615							0,208332	-0,52801	-0,28182	-0,02466	0,251995	1,857143
R	0,164593	-0,05417	0	0,165	0,165	0,693861	0,045539	-0,24055	-0,24055	-0,065	0,442167	0,442167	0,114537	-0,29244	-0,065	0,200006	0,33189	0,442167
S	0,175122	-0,06089	0,165	0,165	0,223162	0,497734	0,020995	-0,3924	-0,3924	0,070728	0,38466	0,38466	0,097379	-0,3924	0,006711	0,097561	0,20376	0,436007

Attachment C - Profit shifting indicators across NACE

Country	Without the link to tax haven*						With the link to tax haven*						Tax haven**					
	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p
All	-0,01232	-0,17659	-0,00012	0,002833	0,015998	0,264559	-0,16634	-0,14892	0,007791	0,050292	0,097698	2,867924	-0,01981	-0,68486	4,04E-05	0,008481	0,061499	0,979433
A	-0,53996	-0,39989	-0,00019	0,005833	0,02841	0,19629	0,008451	0,008451	0,008451	0,008451	0,008451	0,008451	-0,08269	-0,82025	-0,03783	4,53E-05	0,008451	0,284961
B	0,011041	-0,0248	-0,00025	0,000334	0,002501	0,279333	0,039021	-0,01374	-0,00367	-0,00204	0,074534	0,247585	-0,00651	-0,68486	-0,00523	-0,00067	0,022595	0,247585
C	0,019449	-0,06982	0,000142	0,002788	0,015303	0,27746	0,350725	-0,07149	0,05479	0,075804	0,122344	4,800818	0,243413	-2,10617	0,028861	0,064832	0,105195	6,679262
D	-0,01517	-0,0512	-0,00089	0,000823	0,005564	0,050014	0,020393	-0,0465	0,031525	0,038931	0,039005	0,039007	0,006412	-0,13482	0,000446	0,029359	0,038931	0,039007
E	0,003036	-0,07672	-1,1E-05	0,001937	0,009533	0,072336	0,002482	0,002482	0,002482	0,002482	0,002482	0,002482	0,01832	0,002482	0,002482	0,01832	0,034157	0,034157
F	-0,00437	-0,21272	-0,00087	0,001963	0,013726	0,09731	0,084301	0,004282	0,054017	0,102678	0,121762	0,133027	0,003909	-2,98436	0,014041	0,079788	0,116664	0,133027
G	-0,00169	-0,15943	-0,00012	0,003772	0,020811	0,17071	-2,42693	-47,7662	-2,2E-05	0,014078	0,131502	0,839594	-0,33395	-0,27204	-0,00642	0,000931	0,067089	0,839594
H	0,005582	-0,0548	5,49E-05	0,002767	0,01213	0,055439	0,018546	-0,09192	-0,00997	0,048714	0,052053	0,057804	0,03224	-0,27696	0,009438	0,042422	0,0515	0,220451
I	-0,01229	-0,32591	-0,00901	0,000947	0,01297	0,141207	0,090665	0,042987	0,092295	0,092657	0,112613	0,112771	0,057755	-0,196	0,035174	0,088663	0,108667	0,113083
J	0,338	-0,0914	-0,00014	0,002853	0,016329	0,187946	0,05943	-0,0481	0,020544	0,063559	0,078402	0,198536	0,042452	-0,32563	0,009887	0,037613	0,074996	0,224202
K	0,014132	-0,0505	-2E-05	0,003152	0,011218	0,061321	0,016609	-0,00076	0,006799	0,008324	0,008726	0,072118	0,009263	-0,04003	0,005253	0,007791	0,008478	0,072118
L	0,01901	-0,07842	-0,00045	0,001173	0,012199	0,18792	0,047828	-0,0307	-0,00215	0,006716	0,113625	0,189981	-0,15622	-16,1199	-0,00236	0,000394	0,016832	0,979433
M	0,00349	-0,06704	-0,00029	0,001416	0,009972	0,171199	0,064889	-0,10596	0,023279	0,076245	0,101878	0,283367	0,009258	-0,33204	3,2E-05	0,03203	0,101317	0,289295
N	-0,00699	-0,12193	-0,00011	0,003301	0,017903	0,110945	0,065526	-0,0222	0,02356	0,060731	0,067959	0,17743	0,025448	-0,0222	7,84E-05	0,004188	0,02356	0,181483
O	-0,00068	-0,02627	-4,3E-05	0,000381	0,002417	0,010516	0,10102	0,10102	0,10102	0,10102	0,10102	0,10102	0,10102	0,10102	0,10102	0,10102	0,10102	0,10102
P	0,233002	-0,44341	-0,00158	0,005822	0,037264	0,249814							-0,27051	-0,5233	-0,5233	-0,27051	-0,01771	-0,01771
Q	0,018643	-0,06872	0,002979	0,015919	0,037454	0,11866							-0,87369	-2,93137	-0,61591	-0,44564	-0,43906	0,063555
R	0,025562	-0,11951	-0,00296	0,000613	0,008864	0,362634	-0,14892	-0,14892	-0,14892	-0,14892	-0,14892	-0,14892	0,029329	-0,17414	-0,07352	0,003643	0,123064	0,302394
S	-0,00302	-0,44285	-0,00312	0,003202	0,021029	0,194642	0,075058	0,065637	0,065637	0,073395	0,086142	0,086142	0,086947	-0,00175	0,004691	0,073395	0,172242	0,192288

Attachment C - Profit shifting indicators across NACE

Country	Without the link to tax haven*						With the link to tax haven*						Tax haven**					
	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p
All	-898,09	-0,7182	0,91627	0,979854	1,001277	6,013889	42,57958	-8,64228	0,869893	0,958949	0,99678	181,6667	-452,514	-115,309	0,756668	0,947241	1,0151	45,71551
A	1,166945	-0,4805	0,892217	0,972126	0,999965	6,22777	0,995486	0,995486	0,995486	0,995486	0,995486	13,95633	0,841086	0,995486	1,401269	6,302749	107,9487	
B	1,307496	0,268261	0,90524	0,980382	1,022487	9,020643	27,24205	0,927732	0,947457	1,43442	3,065505	181,6667	8,525877	0,130435	0,900396	1,047554	1,671818	181,6667
C	2,078327	0,457249	0,928831	0,978553	0,996658	2,75	4,674727	0,657361	0,891575	0,941849	0,986023	97,62858	1,190766	0,461685	0,872684	0,942366	0,987652	45,71551
D	0,993547	-2,48324	0,769344	0,943766	1,097356	3,039739	0,839184	-0,00686	0,894745	0,92964	0,970824	1,317116	0,827105	-1,87356	0,853446	0,937588	1,065727	2,899608
E	1,248679	0,252859	0,906982	0,971502	0,998677	9,050456	0,993609	0,993609	0,993609	0,993609	0,993609	0,993609	0,924229	0,854848	0,854848	0,924229	0,993609	0,993609
F	2,539378	-0,05816	0,935658	0,98393	1,020991	8,132631	0,973433	0,808978	0,934192	0,969767	0,985009	1,306681	27,08577	0,011624	0,929591	0,975426	0,997088	1613,776
G	1,101517	0,287493	0,95398	0,986958	0,999673	4,832853	1,030279	0,675433	0,980584	0,99446	1,008649	2,054306	1,283358	0	0,940402	0,990773	1,09801	10,85185
H	1,827188	0,409785	0,935712	0,977957	0,997577	2,441562	1,102052	0,939209	0,960057	0,997494	1,272118	1,598535	-3,99277	-283,718	0,922878	0,972113	1,002204	4,399728
I	1,23289	0,28957	0,946877	0,992234	1,079375	4,620872	0,872897	0,700599	0,822169	0,928784	0,951959	0,960974	1,178804	0,000922	0,837349	0,948922	1,007689	7,210978
J	1,2066	-0,28572	0,862699	0,961938	0,997859	5,518847	1,011408	0,685673	0,840413	0,969184	1,032653	1,629345	1,375268	-2,2E-08	0,834371	0,952685	0,989121	24,74357
K	-54537,1	-316,783	0,204708	0,893127	0,986669	20,6632	263,2837	-3,25822	0,590527	0,860983	0,966291	7879	-2228,62	-654,507	0,416525	0,811411	0,963193	30,23687
L	1,226983	-4,93356	0,67667	0,930097	1,086783	15,6475	0,674537	-1,37751	0,27267	0,707587	1,018356	2,039981	0,316972	-50,86	0,457978	0,877447	1,116743	11,35768
M	-20,1862	-4,0515	0,849036	0,964083	1,007341	10,35644	-1,01154	-38,5342	0,70669	0,921522	1,00594	4,63562	-0,46051	-38,5342	0,812692	0,947024	1,014672	26,06483
N	0,46459	-3,48769	0,904433	0,975948	0,999478	4,72	0,815927	0,209206	0,776877	0,911951	0,964457	1,011641	-0,99664	-154,988	0,623435	0,943489	1	13,54561
O	1,071082	0,833906	0,961365	0,979635	1	1,952457	0,884725	0,884725	0,884725	0,884725	0,884725	0,884725	0,884725	0,884725	0,884725	0,884725	0,884725	0,884725
P	0,892483	0,115081	0,901919	0,97497	1,011117	6,004045							1,130564	1,124802	1,124802	1,130564	1,136325	1,136325
Q	0,849201	0,172678	0,767871	0,90088	0,97525	1,666667							1,044441	0,725583	1,005993	1,023523	1,181604	1,306418
R	1,339532	0,026527	0,912823	0,983252	1,096623	8,103574	1,10036	0,986293	0,986293	1,122663	1,192123	1,192123	-2,1078	-56,0074	0,744556	0,961424	1,122663	28
S	1,0778	0,206774	0,926289	0,986101	1,051899	4,629855	0,917701	0,89243	0,89243	0,907544	0,953129	0,953129	0,600589	-0,53706	0,254961	0,908317	0,958309	1,098597

Attachment C - Profit shifting indicators across NACE

Country	Without the link to tax haven*						With the link to tax haven*						Tax haven**					
	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p
All	0,025399	0	0	0	0	0,431825	5,531827	0	0,016927	0,160137	0,51865	13,73482	1,676171	0	0	0,03066	0,301572	11,67924
A	0,068047	0	0	0	0,004936	1,043016	0	0	0	0	0	0,240409	0	0	0,141517	0,317663	0,742864	
B	0,009245	0	0	0	0,006478	0,111844	0,149694	0	0	0,000201	0,077656	0,934666	0,291834	0	0	0,006649	0,064226	6,647006
C	0,033964	0	0	0	0,002321	0,505988	1,309051	0	0,133164	0,38288	0,842067	13,73482	1,618834	0	0,014944	0,15505	0,457537	18,42698
D	0,051032	0	0	0	0,013766	0,55359	1,310957	0	0,279359	0,371804	0,410253	5,493371	0,780595	0	0,013306	0,265392	0,410253	5,493371
E	0,034268	0	0	0	0	0,754745	0,068239	0,068239	0,068239	0,068239	0,068239	0,068239	0,281587	0,068239	0,068239	0,281587	0,494935	0,494935
F	0,020127	0	0	0	0	0,323449	1,361398	0	0,034217	0,221123	1,488335	8,630765	0,755875	0	0,005193	0,079907	0,819882	8,630765
G	0,02111	0	0	0	0	0,417487	42,62253	0	0,001558	0,212074	0,524191	759,0035	7,971381	0	0	0	0,131599	759,0035
H	0,011527	0	0	0	0,000507	0,204037	0,234988	0	0,003733	0,071787	0,529866	0,669129	1,064526	0	0	0,10644	0,624136	25,71303
I	0,048157	0	0	0	0	0,806583	0,898894	0,027898	0,124539	0,294483	1,567062	2,480488	0,630763	0	0,088132	0,227347	1,240843	2,536669
J	0,025651	0	0	0	0	0,483524	0,132924	0,002713	0,075277	0,117971	0,194645	0,284898	0,216652	0	0	0,111001	0,243727	2,859163
K	0,03589	0	0	0	0,002183	0,61859	0,03825	0	0	0,002038	0,021728	0,382763	0,041196	0	0	0,002645	0,031413	0,530151
L	0,046605	0	0	0	0	0,661176	0,328054	0	0	0,237374	0,440856	1,169702	0,18058	0	0	0	0,094927	2,777664
M	0,012975	0	0	0	0	0,139717	0,634029	0	0,101914	0,324229	0,680687	3,548857	0,424933	0	5,63E-05	0,108311	0,396047	6,006677
N	0,01393	0	0	0	0	0,333733	0,214229	0	0,057825	0,221069	0,359582	0,436878	0,809785	0	0	0,009833	0,158502	27,12732
O	0,005397	0	0	0,000964	0,015226	0,015226	0,417216	0,417216	0,417216	0,417216	0,417216	0,417216	0,417216	0,417216	0,417216	0,417216	0,417216	0,417216
P	0,0301	0	0	0	0	0,674958							4,037614	4,037614	4,037614	4,037614	4,037614	4,037614
Q	0,009924	0	0	0	0	0,241742							12,65035	0,171572	1,289919	6,787938	11,58045	43,42188
R	0,012043	0	0	0	0	0,276368	0,12926	0,12926	0,12926	0,12926	0,12926	0,12926	0,167689	0,038926	0,038926	0,12926	0,334883	0,334883
S	0,014321	0	0	0	0	0,296162	0,408813	0,053896	0,053896	0,128608	1,043933	1,043933	0,923446	0	0,053896	0,34226	1,043933	4,166725

Attachment C - Profit shifting indicators across NACE

Country	Without the link to tax haven*						With the link to tax haven*						Tax haven**					
	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p
All	0,029761	0	0	0	0,002225	0,440588	5,883357	0	0,000619	0,031365	0,188295	7,761412	1,415679	0	0	0,003827	0,060894	5,336904
A	0,033731	0	0	0	0,005075	0,426137	0	0	0	0	0	0	0,058975	0	0	0,008102	0,021078	0,316568
B	0,004199	-8,2E-05	0	0	0,00261	0,078756	0,019537	0	0	0,001153	0,005623	0,175434	0,066701	0	0	0,00035	0,013247	2,336038
C	0,029366	0	0	0	0,007317	0,421046	0,674275	0	0,018949	0,107049	0,322174	7,761412	0,335294	0	0,006446	0,037808	0,161877	7,375412
D	0,021462	0	0	0	0,003578	0,293236	0,186146	0,050116	0,051224	0,056359	0,099132	0,673897	0,091896	0	0	0,050116	0,056359	0,673897
E	0,033258	0	0	0	0,003642	1,396429	0,032549	0,032549	0,032549	0,032549	0,032549	0,032549	0,023383	0,014218	0,014218	0,023383	0,032549	0,032549
F	0,035366	0	0	0	0,00761	0,486861	0,37741	0	0,013316	0,121772	0,494616	1,957948	0,225666	0	0,000512	0,056431	0,192841	1,957948
G	0,048812	0	0	0	0,005877	0,704252	52,47735	0	0,006391	0,079951	1,083899	881,4858	8,262876	0	0	1,08E-06	0,097979	3,995006
H	0,012826	0	0	0	0,004124	0,214189	0,091805	0	0,000404	0,031651	0,069929	0,53047	0,246899	0	0	0,020012	0,069417	6,8641
I	0,023653	0	0	0	0	0,37469	0,152105	0	0,017774	0,020646	0,161388	0,56072	0,227102	0	0,012926	0,025788	0,174173	2,876611
J	0,014177	0	0	0	0	0,229054	0,07885	0	0,000906	0,023176	0,089577	0,403484	0,920964	0	0	0,008912	0,054524	33,94649
K	0,020564	0	0	3,91E-06	0,002844	0,271652	0,009256	0	0	0,000236	0,000947	0,073623	0,034398	0	0	0,000357	0,005455	0,999429
L	0,013943	0	0	0	0	0,25815	0,072891	0	0	0,000158	0,096122	0,454841	2,808504	0	0	0	0,033179	212,2048
M	0,008018	0	0	0	0	0,106343	0,277975	0	0,002682	0,050747	0,404759	1,215839	0,20829	0	0	0,007971	0,106323	5,336904
N	0,013161	0	0	0	0,002335	0,236215	0,176544	0	0,001201	0,034956	0,143081	1,05388	0,310749	0	0	4,54E-06	0,015533	17,20269
O	0,00069	0	0	0,000185	0,000455	0,002812	0,041086	0,041086	0,041086	0,041086	0,041086	0,041086	0,041086	0,041086	0,041086	0,041086	0,041086	0,041086
P	0,026519	0	0	0	0	0,487029							0,093823	0	0	0,093823	0,187646	0,187646
Q	0,010513	0	0	0	0	0,231677							1,754101	0	0,008721	0,261165	0,466334	8,034286
R	0,007679	0	0	0	0	0,149037	0,141046	0,141046	0,141046	0,141046	0,141046	0,141046	0,047414	0	0,000661	0,016622	0,141046	0,146409
S	0,01927	0	0	0	0	0,226239	0,359743	0	0	0,164722	0,914506	0,914506	0,352682	0	0	0,021398	0,164722	2,358257

Attachment C - Profit shifting indicators across NACE

Country	Without the link to tax haven*						With the link to tax haven*						Tax haven**					
	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p
All	0,233761	-0,23554	0	0	0	5,261075	0,795066	-2,18828	0,036552	0,282919	0,835741	11,64488	0,919763	-12,2356	0	0,125711	0,603701	13,34575
A	0,404619	-0,82632	0	0	0,000709	11,31372	0	0	0	0	0	0	2,230441	-1,76848	0	0,234348	1,422851	16,29761
B	3,471827	0	0	0	0,151836	230,6931	0,729703	0	0	0,051885	0,790365	4,380417	8,262912	-4,87872	0	0,101865	0,691417	476,2244
C	0,456396	-0,1554	0	0	0,08757	5,279246	0,831648	0	0,2019	0,41365	0,901839	4,468857	0,437381	-0,54904	0,00795	0,247439	0,661069	4,468857
D	2,395228	-21,9767	0	0	0,115864	90,46329	0,855669	0	0,640679	0,855112	1,274087	1,509028	0,625959	0	0,098069	0,570737	1,143536	1,509028
E	0,758426	-0,36782	0	0	0	6,173218	0,488192	0,488192	0,488192	0,488192	0,488192	0,488192	1,298117	0,488192	0,488192	1,298117	2,108042	2,108042
F	0,273431	-0,16133	0	0	0	4,19601	0,708914	-8,31432	0,033341	0,178284	1,181594	11,39038	0,509453	-8,31432	0	0,134888	0,782574	11,39038
G	0,256619	-0,18881	0	0	0	4,421703	0,370774	0	0,019852	0,214376	0,328178	3,011816	0,318544	0	0	4,85E-05	0,281727	3,105586
H	0,17217	-0,39434	0	0	0	6,399693	0,616044	0	0,022057	0,109493	1,084708	2,906299	0,111618	-12,242	0	0,275958	0,971386	6,853117
I	-0,55895	-1,6717	0	0	0	3,56995	2,438209	-2,18828	0,012409	0,258962	0,762209	13,34575	1,049269	-3,0872	0,012409	0,55352	1,121522	13,34575
J	-0,26526	-0,05928	0	0	0	3,048032	0,439734	-0,18134	0,282919	0,432549	0,799801	1,044477	0,774817	-0,18134	0	0,323199	0,799801	9,737624
K	3,337678	-0,01245	0	0	0,230765	7,222619	0,609526	0	0	0,008779	0,362519	4,294719	0,727722	-42,1272	0	0,114992	0,447276	172,9806
L	-0,14034	-2,22453	0	0	0	12,00926	1,726747	0	0,067701	0,378338	0,955899	11,64488	0,099337	-14,0274	0	0	0,247743	11,64488
M	0,136537	0	0	0	0	2,883146	0,565871	0	0,175211	0,39272	0,684545	1,945647	-0,16703	-27,6825	0	0,180194	0,581724	3,780209
N	0,470242	-0,10102	0	0	0	7,111407	1,578663	0	0,077718	0,302808	1,053626	9,761	0,373101	-18,5376	0	0,052941	0,507315	18,13528
O	0,33175	0	0	0,409989	0,58526	0,58526	1,7484	1,7484	1,7484	1,7484	1,7484	1,7484	1,7484	1,7484	1,7484	1,7484	1,7484	1,7484
P	0,648502	-1,17195	0	0	0	10,03526							2,57187	2,57187	2,57187	2,57187	2,57187	2,57187
Q	0,160755	0	0	0	0	3,321432							-1,96894	-18,5633	0,258015	0,499291	1,824643	3,668442
R	-0,04056	-3,98956	0	0	0	4,508228	0,176163	-0,34161	-0,34161	0,280785	0,589316	0,589316	0,006941	-1,21942	-0,34161	0,201431	0,589316	0,610502
S	0,195982	-0,27525	0	0	0	6,605581	0,411521	0,042681	0,042681	0,114612	1,077269	1,077269	0,522987	0	0,042681	0,137817	1,077269	1,553461

Attachment C: Profit shifting indicators across NACE

Country	Without the link to tax haven*						With the link to tax haven*						Tax haven**					
	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p
All	0,724044	-1,95009	0	0	0,009412	6,307498	0,230392	-1,03284	0,00183	0,076833	0,27273	2,499312	3,215031	-2,37448	0	0,018705	0,194274	15,32833
A	4,929362	-1,7662	0	0	0,020518	8,734751	0	0	0	0	0	0,295305	0	0	0,035575	0,199733	2,553645	
B	0,183588	-1,98275	0	0	0,137931	2,571578	0,184353	0	0	0,007001	0,251093	1,077047	13,58883	-11,5	0	0,011048	0,166667	580,5693
C	0,964479	-1,3866	0	0	0,137389	4,820325	0,208502	0	0,051442	0,126829	0,342326	0,800091	0,353404	-0,0143	0,007288	0,065952	0,232812	3,193256
D	0,497539	-9,97525	0	0	0,00962	12,69082	0,14731	0,036216	0,055681	0,135514	0,156298	0,364637	0,096837	0	0	0,055681	0,153552	0,364637
E	0,5554	-0,2776	0	0	0,109259	7,957871	0,232859	0,232859	0,232859	0,232859	0,232859	0,232859	0,146708	0,060557	0,060557	0,146708	0,232859	0,232859
F	0,907747	-2,18417	0	0	0,046447	6,403018	0,356464	-1,31651	0,012535	0,111492	0,295336	2,598124	0,403916	-2,28182	0	0,082888	0,292293	15,28382
G	0,199843	-2	0	0	0,035769	7,871569	0,365307	0	0,00183	0,114458	0,805718	1,157793	0,250832	-1,18905	0	0	0,260736	2,694864
H	1,616745	-2,4182	0	0	0,171064	6,521576	0,200119	0	0,00574	0,065213	0,226295	0,859932	0,377926	-3,32736	0	0,0494	0,297543	11,39288
I	0,054373	-4,4601	0	0	0	5,984597	0,204917	-0,15342	0	0,036958	0,27273	0,868315	0,07006	-7,54384	0,008525	0,051225	0,242916	4,033021
J	2,907739	-1,11088	0	0	0	2,593342	0,211749	-1,03284	0	0,077056	0,235464	1,558292	0,561968	-1,03284	0	0,032071	0,11032	17,37863
K	4,995886	-4,1733	0	2,69E-05	0,144556	9,433489	0,262675	0	0	0,006753	0,106553	1,972198	12,21443	-1,0005	0	0,003965	0,180752	247,2921
L	0,19231	-4,43796	0	0	0	8,496536	0,11971	0	0	0,024667	0,132149	0,558125	-0,10201	-30,851	0	0	0,020339	16,32524
M	0,653062	-1,45802	0	0	0	3,917462	0,188956	0	0,003283	0,100725	0,24126	0,92433	0,648956	-2,32954	0	0,01278	0,189712	35
N	0,288065	-1,05623	0	0	0,013429	4,834746	0,2057	0	0,018155	0,040673	0,396224	0,735496	1,06129	-0,75194	0	4,57E-07	0,178955	59,26095
O	0,005455	-0,32495	0	0	0,075725	0,2765	0,172175	0,172175	0,172175	0,172175	0,172175	0,172175	0,172175	0,172175	0,172175	0,172175	0,172175	0,172175
P	0,454165	-1,57846	0	0	0	8,48614							0,059763	0	0	0,059763	0,119526	0,119526
Q	0,130238	-0,22646	0	0	0	5,007936							-0,04694	-0,71422	0	0,002775	0,092745	0,334283
R	0,071056	-2,72199	0	0	0	2,15089	-0,04964	-0,37276	-0,37276	0	0,223832	0,223832	0,012273	-0,78611	-0,02061	0,023399	0,195383	0,782818
S	0,091853	-1,90306	0	0	0	5,053339	0,298061	0	0	0,169983	0,7242	0,7242	0,183531	0	0	0,009369	0,169983	0,879218

Attachment C - Profit shifting indicators across NACE

Country	Without the link to tax haven*						With the link to tax haven*						Tax haven**					
	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p	mean	1p	25p	50p	75p	99p
All	67,16004	-259,322	0	10,56822	45,61986	1100,818	25,15377	-296,86	0,23484	8,674881	24,91511	437,7278	20,20535	-240,5	-0,10416	3,139312	14,8731	406,0804
A	69,96278	-198,413	0	8,547164	35,30182	893,131	221,5429	221,5429	221,5429	221,5429	221,5429	221,5429	20,45713	-15,4274	-2,49209	-0,18858	6,292705	221,5429
B	40,19221	-289,411	-1,74125	8,644756	36,26122	1643,261	10,0712	-2,30192	-0,98632	-0,00277	16,43462	51,98048	4,099289	-104,529	-1,79084	-0,00594	4,543504	196,0947
C	72,57574	-234,177	3,73377	17,04533	59,03228	1061,59	7,134646	-296,86	3,03578	9,406275	26,1834	138,3722	14,37047	-240,5	2,175558	8,696068	18,90606	172,0247
D	15,52332	-185,137	-1,43683	3,221889	9,997868	517,8284	11,71108	-3,15342	0,993188	11,27701	15,59778	34,27493	8,193085	-6,2255	0	5,323309	15,59778	34,27493
E	79,99252	-337,83	0	10,52231	35,30098	905,2917	156,4807	156,4807	156,4807	156,4807	156,4807	156,4807	81,68503	6,88934	6,88934	81,68503	156,4807	156,4807
F	60,97083	-245,966	-0,81687	11,47898	46,55527	1138,25	46,72839	-8,05775	12,9243	24,76563	45,38906	343,3527	33,6998	-21,5554	1,01176	15,19579	44,37016	381,847
G	92,31751	-355,361	0	20,75733	75,90476	1505,302	128,7995	-115,625	-0,94849	26,20289	156,8214	1313,195	31,61185	-262,123	-1,93168	2,92162	23,12788	664,8362
H	194,7394	-307,24	2,818097	17,14174	52,62356	1269,753	6,099492	-36,0918	-3,67487	7,389508	25,03572	30,56329	26,92559	-956,19	-2,06563	8,509176	29,69672	1172,227
I	45,99125	-233,031	-4,16846	6,064163	34,00167	875,7222	13,88893	3,34	5,623329	14,04175	20,81558	25,62401	26,44321	-251,246	-1,06788	5,516401	16,60592	811,3757
J	32,75785	-220,444	0	7,345764	27,87219	742,2355	6,113759	-36,4506	-2,79878	4,033066	28,92617	55,22794	21,75964	-136,285	1,148251	6,797353	31,07258	294,1721
K	27,03796	-96,1869	0	0,928344	10,13802	343,7401	-5,70009	-363,009	1,277155	3,18756	10,49616	52,37814	33,55698	-90,5816	0,249548	2,340676	6,879454	172,3983
L	14,46796	-124,917	-0,47249	1,858081	6,917002	327,4777	-0,74193	-54,4775	-0,96156	1,358557	2,506241	30,17743	6,453923	-198,809	-0,47328	1,11366	3,426388	406,0804
M	31,70649	-209,584	-0,06251	5,310305	23,19127	700,7222	16,01917	-66,2241	-0,12488	3,511314	12,74243	310,521	7,602612	-372,25	-0,44555	2,483044	12,76013	835,9002
N	46,84566	-293,116	0	10,16633	41,57697	1080,053	0,993756	-85,9055	2,741109	7,971646	16,8136	38,80281	17,58201	-171,129	-0,03665	2,593202	17,19546	346,3667
O	48,1971	-8,21795	0	19,50767	40,90654	317,9559	8,674881	8,674881	8,674881	8,674881	8,674881	8,674881	8,674881	8,674881	8,674881	8,674881	8,674881	8,674881
P	53,26909	-242,229	-0,83719	8,270955	31,1083	894,13								-7,67403	-8,01266	-8,01266	-7,67403	-7,33539
Q	24,60205	-161,501	2,80655	6,438714	18,10498	414,6667								-53,331	-166,847	-122,286	-15,6171	-3,26352
R	53,91859	-192,375	-2,68756	4,447132	22,21291	707,7838	19,86573	-8,15241	-8,15241	-5,205	72,95461	72,95461	12,3535	-8,15241	-0,03704	2,557896	21,60909	72,95461
S	56,60963	-172,139	-2,13395	7,280976	33,37885	1644,911	13,81583	9,296252	9,296252	10,81595	21,33529	21,33529	8,883446	-10,1423	0,686958	10,0561	16,16762	27,38848

Upon request by the European Parliament's Committee of Inquiry to investigate alleged contraventions and maladministration in the application of Union law in relation to money laundering, tax avoidance and tax evasion (PANA Committee), this study assesses the impacts of the schemes revealed by the Panama Papers, a set of documents leaked from the law firm Mossack Fonseca detailing tax evasion and avoidance practices, and published by the International Consortium of Investigative Journalists (ICIJ) in April 2016.

The study explores the concepts and roles of tax havens and offshore financial centres, their budgetary, and the economic and financial impacts in a sample of EU Member States. The research combined previous estimates of tax revenue loss with a microeconomic assessment based on data on companies that are thought to be linked to the Panama Papers schemes. The most significant impacts identified are the negative effects on Member States' budgets, with wider knock-on effects on economic growth and financial markets. It is recommended that further steps are taken at the national, EU and international levels to increase transparency of corporate and individual taxation and to limit the scope for tax evasion and tax avoidance.

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