

Panama is Everywhere!
No New Rules, Abiding by the Existing Ones
Creating Transparency, International Cooperation
Keeping the Tax Competition, Relieving Tax Payers

Panama is Everywhere

The outrage after the exposure of the “Panama papers” was immense. The media bore down on the topics of unfair tax competition, tax tricks, tax evasion and even money laundering. Although one could say: “Panama is everywhere.”

For not only in Panama there is the possibility to hide money, to laundry it or to evade taxes. London is known as door opener for off-shore companies. Those who register their residency there only pay taxes on income made on British territory – further income outside is spared from taxation.

Also states in the US offer tax saving company structures and like many countries practice “active location policy”.

Now, tax politicians are outdoing each other in a footrace of ideas on how to curb the unfair tax competition.

Objectification of the Discussion

The European taxpayers association, the Taxpayers Association of Europe (TAE), is for transparency and fair tax competition, but please, with sound judgement.

But first, we need an objectification of the discussion. It is not forbidden to have an address in Panama. The decisive fact is what one does with it. It has to be clearly differentiated if it is about tax evasion, money laundering or legal tax optimisation. In the course of the justified public outrage after the publication of the “Panama papers” the issues are often intermixed and unfortunately a “bogyman” is thus created.

People and enterprises are prejudged and find themselves under general suspicion. Not every taxpayer who places funds abroad, has registered a company there, and not every enterprise that establishes itself abroad is a tax fugitive or even tax evader. Unobjective generalisation creates the risk that the trust in companies, entire sectors and eventually in politics is lost.

No New Rules, Abiding by the Existing Ones

Do we really need new rules for more transparency and fair tax competition? First of all, existing rule should be implemented and compliance with them should be ensured. Of what help is even the best idea, the best theoretical measure or

regulation, if it is formally decided upon, but compliance with it is not controlled? In reality the willingness to fight unfair tax competition often ends at one's own national borders. A concrete example are the USA. For years now they have been forcing us to disclose all financial and tax data of US citizen living abroad. At the same time they refuse to do the same for their partners abroad.

Creating Transparency, International Cooperation

There already is the BEPS action plan (Base Erosion and Profit Shifting), which was worked on by altogether 62 states in order to take action against harmful tax competition of states and aggressive tax planning by internationally active corporations. But the developed standards have to also be implemented in all the states.

The transparency of off-shore companies, too, will only be achieved by the German Federal Government via international cooperation. A national solo effort will not help.

Citizens should not have the feeling that others do not pay their taxes at all or insufficiently. Taxes have to be levied equally! The Federal Government and the law enforcement authorities have to ensure fairness and trust. Insofar as German citizens or institutions are involved, the circumstances have to be fully investigated and resolved.

Keeping Tax Competition, Relieving Tax Payers

Under no circumstances must the "Panama leaks" be abused to eliminate tax competition in Europe or harmonise tax rate upward and thus "reach into the pockets" of companies and citizens even more – in this case under the cover of transparency and fair tax competition. Fair tax competition means treating nationals and foreigners equally, taxing where value is created, but not burdening companies and tax payers more. For the burden on tax payers is already much too high in many EU countries. For example, according to a current OECD study, the tax burden in Germany has risen again in the last year. An employee with an average income, unmarried and without children had to pay 49.4 % to the tax authorities. Following Belgium and Austria, Germany finds itself in third position in the ranking of the 34 OECD countries.

The VAT-"action plan" presented by the EU commission contains several positive approaches to a relief of the tax payers. The direction is right, now the goal has to be precisely defined. In the opinion of the taxpayers association the scope of action by the member states regarding VAT should be broadened in any case. Thus, a flexibility in VAT rates could promote tax competition. Also, essential goods should be taxed as low as possible. There is great need for action in this regard, for example in the areas of energy and health.

All reform proposals calling for more transparency and fair tax competition must be carefully examined in order to not eventually create more bureaucracy and higher burdens for all honest tax payers.

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