

Transparency International EU

The global coalition against corruption

Transparency for the middle man?

Alessandro · Wednesday, June 21st, 2017

Last year, [the Panama Papers](#) revealed the systemic failures of the global financial system. The 11.5 million files leaked from the Panama-based law firm Mossack Fonseca showed how the offshore industry sells financial secrecy to politicians, football players, celebrities as well as fraudsters and money launderers thanks to anonymous companies and trusts.

However, it is not just about corrupt individuals, tax evaders and money launderers. These criminal activities require a sophisticated international network of professional actors and intermediaries who, wittingly or unwittingly, provide the services and secrecy that make illicit financial transactions possible. These include lawyers, company formation agents, banks and accountants. The role these intermediaries play as facilitators of corruption and tax crimes has long been overlooked.

Tax abuse and corruption are both often facilitated by those working on behalf of wealthy individuals and large firms, who rely on professional service providers to do this work. On the positive side, growing awareness about these abuses among policy makers, practitioners and citizens is urging professionals to review their practices. However, strong and dissuasive rules are not yet in place.

Following calls from civil society and [the Panama Papers inquiry committee of the European Parliament](#), the European Commission [decided to look into](#) ways to strengthen the regulation of these professions.

Today, after a public consultation process, the European Commission published a [new legislative proposal](#) aimed at regulating the work of tax intermediaries and advisers in order to increase transparency and access to information on tax arrangements, and: *“allow the authorities to improve the speed and accuracy of their risk assessment and make timely and informed decisions on how to protect their tax revenues”*. The new rules require tax intermediaries to disclose potentially aggressive cross-border tax planning arrangements to tax authorities, which will automatically exchange the information with the other EU tax authorities. The disclosed arrangements will be submitted to a central directory which all Member States have access to. Moreover, in the case of taxpayers – be it individuals or companies – making use of the services of tax intermediaries based outside the EU, the disclosure obligation is shifted to the taxpayers themselves. This way both ends of the equation are covered and it will avoid situations where taxpayers escape the disclosure requirements simply by using the services of intermediaries based in third countries, as demonstrated by

many cases highlighted in the Panama Papers. The overall objective of this measure is to have rules in place that will have a deterrent effect and dissuade intermediaries from designing such arrangements.

However, it is regrettable that the information on tax arrangements will only be shared between tax administrations and none of it will be publicly disclosed. Making some of the information regarding large multinationals' tax schemes public would be extremely useful to cross-check it with data in their soon to be published country-by-country reports. This would provide for even better public scrutiny over multinationals' activities, tax payments and structures, and be an extra step towards comprehensive corporate accountability.

What remains to be seen is how the oversight from competent authorities is going to work in practice. Member States will have to be very serious about the enforcement and monitoring rules as well as the sanctions for non-compliant taxpayers, which they lay down when implementing the directive in their national legal systems. To achieve this objective it is also fundamental that they provide tax administrations with enough resources.

We at Transparency International EU will be closely monitoring the upcoming legislative process, while at the same time building alliances and planning joint actions with organisations representing some of these professions starting with the accountancy profession with the objective of raising awareness about anti-money laundering (AML) issues among professionals in the sector. It shall also contribute to identifying challenges faced by the profession in AML compliance as well as corresponding policy solutions. Stay tuned!

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