



**TRANSPARENCY  
INTERNATIONAL EU**

**European Commission**

**Directorate-General for Taxation and Customs Union**

Direct Tax Policy & Cooperation - Unit TAXUD/D2

Rue du Spa 2, Office SPA3 06/069

1049 Brussels

Brussels, 15 February 2017

Dear Sir or Madam,

We welcome the European Commission's initiative to open a public consultation on disincentives for advisors and intermediaries for potentially aggressive tax planning schemes. Transparency International's main interest in this consultation is the role intermediaries play as facilitators of corruption and tax crimes including tax evasion.

The Panama Papers revealed the systemic failures of the global financial system. 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 and accountants.

Given the legacy of the financial crisis and the scale of illicit financial flows, including corruption, Transparency International is increasingly turning its focus on strengthening the anti-corruption efforts of those institutions that shape the global financial system, from regulators to banks and investors.

If these institutions and professionals may facilitate corruption as revealed in recent scandals, they are also well positioned to help reduce the scale of corrupt practices and close existing loopholes in rules and implementation relating to anti-money laundering, including enhancing transparency of beneficial ownership and secrecy jurisdictions.

When looking at the persistent challenge of illicit financial flows, multiple areas of overlap between corruption and abusive tax practices have emerged. Corruption and tax abuse reduce state resources and lead to the abuse of human rights and weakened institutions. They also frequently use similar schemes and vehicles such as secrecy jurisdictions, shell companies or nominee services.

By exploring the issues of who is involved in tax abuse and where it happens, we can draw immediate parallels with risks of corruption that Transparency International seeks to minimise. Tax abuse and corruption are both often facilitated by banks, lawyers and accountants 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. For instance, in recent years, the Big Four accounting firms have reduced the mass

marketing of highly aggressive tax practices, but as recently as 2013 they continued to offer tax avoidance schemes with a 50% chance of succeeding if challenged in court.<sup>1</sup>

Following the money trail in abusive tax schemes often leads to tax havens. In recent years, there have been numerous efforts, including to reduce the number and appeal of tax havens, also known as secrecy jurisdictions, due to their role in money laundering and as safe havens for illicit flows. Secret company ownership frequently plays a role in cases of grand corruption, tax evasion and aggressive tax avoidance. For instance, corrupt politicians used secret companies to obscure their identity in 70% of more than 200 cases of grand corruption surveyed by the World Bank.<sup>2</sup>

In this context, we believe that tax professionals may contribute to fiscal institutional corruption by facilitating abusive tax avoidance, but at the same time also have the tools and capacity to prevent and reduce it. We therefore strongly support the European Commission's initiative to strengthen the regulation of these professions.

We look forward to the development of the European Commission's work and policies in this area.

Sincerely,



**TRANSPARENCY INTERNATIONAL EU**

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<sup>1</sup> House of Commons, Committee of Public Accounts, Tax avoidance: the role of large accountancy firms, 2013: <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmpubacc/870/870.pdf>

<sup>2</sup> Stolen Asset Recovery Initiative (STAR), The Puppet Masters – How the Corrupt Use Legal Structures to Hide Stolen Assets and What to Do About It, 2011: <https://star.worldbank.org/star/sites/star/files/puppetmastersv1.pdf>