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INSIGHT

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EU banks' transparency

"Around one trillion euros is lost to tax evasion and avoidance every year in the EU", said Algirdas Šemeta, the European Commissioner for Taxation. In the midst of economic slowdown, the international community is calling on stronger multilateral cooperation to combat tax evasion, protect government revenues and ensure a fair tax system. On 9th April 2013, the finance ministers of France, Germany, Italy, Spain and the UK turned to the Tax Commissioner concerning the establishment of a multilateral exchange facility[1] and urged the EU member states to participate.

Unanimous agreement of the EU member states is required for the banking information exchange regulation at EU level, but Luxembourg and Austria have previously expressed concern over more data sharing. However, due to the recent offshore banking industry crisis in Cyprus and the mounting pressure from the major EU member states, Luxembourg has softened its stance at the EU finance ministers meeting in Dublin on 12th April and decided to share foreign bank account details with EU member states from 2015. Austria, yet stressing the importance of people's privacy rights, insisted on maintaining bank secrecy.

At the same time, Luxembourg and Austria have urged the EU to focus on "real tax havens", including the Channel Islands and the British Virgin Islands, the overseas territories of the UK. Switzerland, one of the world's largest offshore financial centers, has made it clear that the country does not plan to change their bank secrecy policy.[2] Commentators also suggest that there may be a shift of deposits from Europe to Asian offshore financial cities, such as Hong Kong and Singapore, for depositors who seek more secrecy in banking services. More EU initiative for automatic exchange of bank information at the global level is necessary to effectively combat tax evasion.

SPECIAL POINTS OF INTEREST:

1) *The five EU member states agreed to work on further automatic exchanges of banking information, which is based on the US model (US Foreign Account Tax Compliance Act), requiring the governments and financial institutions to share the relevant bank details upon the request from the foreign governments.*

2) *Swiss head of state Ueli Maurer said in an interview with Le Matin Dimanche that Switzerland is not member of the EU and complies with the OECD standard. There is no reason to change the strategy now.*

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Should you have any comments or feedbacks on the issue, please feel free to e-mail at kpleung@hkbu.edu.hk

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