The EU and the Pacific: global tax governance

Photo Credit: Sujiro Seam

by Sujiro Seam

23 March 2021

This article is in response to "Impact of the EU tax blacklist in the Pacific" by Roneil Prasad on 3 March, 2021.

The European Union (EU) "tax list" is the primary instrument of a more ambitious agenda to promote the principles of tax good governance around the world, to curb tax fraud, tax evasion, tax avoidance and to ensure a level playing field for all taxpayers.

In this respect, the EU's first focus has been to put its own house in order.

In the past few years, the EU has adopted and implemented new tax standards and rules on transparency, tax avoidance, fair taxation and anti-money laundering. The EU tax transparency framework, beyond the benchmark of international standards, provides for automatic exchange of information. EU Member States have agreed on anti-tax avoidance rules to clamp down on key aggressive tax planning structures. The EU has made proposals for the fair taxation of the digital economy. Recent EU anti-money laundering legislation also required Member States to set up centralised registers of Ultimate Beneficial Owners of companies and to make key parts of this information publicly available.

The EU has systematically scrutinised its own Member States' tax regimes since 1998. This does not mean there is no room for improvement, and loopholes will continue to be addressed. But the EU holds itself to very high standards when it comes to tax good governance, in some cases higher than those applied to third countries.

Between third countries, the EU "tax list" does not discriminate.

The EU "tax list" is based on the same objective, transparent and clear criteria for all countries, reflecting tax good governance standards elaborated at international level, in particular the Global Forum on Transparency and Exchange of Information for Tax Purposes and the G20/OECD Inclusive Framework on Base Erosion and Profit Shifting (BEPS) minimum standards. Not only small countries have appeared on the EU "tax list". G20 countries such as Australia, Turkey and South Korea (on

the so-called “grey list”) have also been asked to make commitments to enhance their cooperation with the EU and to improve their tax systems.

As of 22 February 2021, four Pacific island countries (Fiji, Palau, Samoa and Vanuatu) and two Pacific territories (American Samoa and Guam) remain on the EU “tax list”. Focusing on the former group, Fiji, Palau and Vanuatu appear on the list because of shortcomings with respect to the Global Forum on Transparency and Exchange of Information for Tax Purposes and the OECD Multilateral Convention on Mutual Administrative Assistance in Tax Matters, so it is incorrect to assume that most Pacific countries are already compliant. In addition, Fiji and Samoa have “harmful preferential tax regimes” and Vanuatu “facilitates offshore structures and arrangements aimed at attracting profits”.

To resolve tax issues, the EU has stepped up its cooperation with the Pacific.

Through dialogue, the EU has provided explanations, clarifications and technical advice to third countries. In the Pacific, this cooperative approach has been successful for Cook Islands, the Republic of Marshall Islands, Nauru, Niue and New Caledonia (an Overseas Country and Territory of France), which have all been removed from the “tax list”.

The EU is serious about helping jurisdictions to comply with international tax good governance standards. The EU “tax list” has enabled many countries around the world to improve their transparency standards, and has reformed over 130 harmful tax regimes worldwide. It has also prompted a new level of dialogue between the EU and its international partners on tax issues, which affect all countries.

For the Pacific countries that remain on its “tax list”, the EU continues to offer, through high-level political dialogue, substantial technical and financial support to tackle tax abuse and strengthen local administrations.

At the end of the day, Pacific countries will benefit from tax good governance.

Ultimately, tax evasion and avoidance affect everyone. However, global tax abuse has a disproportionate impact on the revenues of small and developing countries. According to the recent report by Tax Justice Network, developing countries’ tax losses are proportionally larger when compared to the tax revenue they typically collect. Pacific countries, as with all countries around the globe, can gain from addressing unfair tax competition and harmful tax practices.

Sujiro Seam is the Ambassador of the European Union for the Pacific and this text reflects his personal views.

Author/s:

Sujiro Seam
Sujiro Seam is the Ambassador of the European Union for the Pacific.

Link:
https://devpolicy.org/the-european-union-and-the-pacific-cooperation-on-global-tax-governance-20210322-2/