

## **Conference Statement: Tax Justice & Poverty Research Project**

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Good afternoon and thank you for the kind invitation to talk about a topic that clearly is on many people's minds: how we can achieve a fairer taxation regime that makes sure that everyone pays their fair share of taxes.

Arguably, the issue of tax avoidance and tax evasion in developing countries is clearly linked to poverty in those countries; it is not the single cause, but a significant contributor. Therefore, we are right to ask the question of what can be done.

I believe the answer must be twofold and we must look at things locally as well as globally, which is why I would like to answer the first three questions "en bloc".

Let's start with a global perspective. What enables elites in developing countries to dodge the tax man, is the fact that it is still comparatively easy to park the wealth they have accrued in a nice tax haven in the Cayman Islands or elsewhere.

So, drying up the tax havens and money laundering hot spots should be the first priority and for that inclusive international solutions are key. We have seen a few of those initiatives on OECD level - I am thinking in particular about the anti-

base erosion/profit shifting project (BEPS). Currently, the OECD is working on a follow-up on that plan to go even a little further.

I believe that such international agreements are a very important aspect to advance the cause of a more just international taxation system. Arguably, that leads inevitably to the question of what we do if certain jurisdictions decide not to play by the rules.

As you probably know, technically, the European Union does have a “black list” of jurisdictions that do not comply with international tax standards. However, this black list has become shorter and shorter over the past months and now comprises only eight countries<sup>1</sup> that do not strike me as the worst offenders. And even if you end up on that list of non-cooperative jurisdictions for tax purposes, the worst that could happen is that you get a disapproving letter from the European Union.

That teaches us that this list, which in theory could be a powerful tool altogether, lacks conviction. It should be significantly broader in order to catch also those jurisdictions that have made it their business model to be a tax haven. And it should come with sanctions, sanctions that really hurt.

The second aspect that we have to look at if we want to increase the tax intake of developing countries, is to look at those developing countries themselves. When we do, we see that a large share of the economy is organised informally (black or grey economy), which makes it very hard to tax. In many countries

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<sup>1</sup> As of 14 November 2019 (date of publication in the Official Journal), the EU list of non-cooperative jurisdictions for tax purposes is composed of: American Samoa, Fiji, Guam, Oman, Samoa, Trinidad and Tobago, US Virgin Islands, Vanuatu.

assets are not centrally registered as there are no land or property registers. And sometimes those countries grant generous tax breaks to attract international business.

All this makes it quite tough to collect a meaningful tax revenue, which in turn could be used to make many of the investments necessary to propel the countries forwards.

The European Union can certainly do more by improving good governance efforts in third countries and help with capacity building in the area of tax administration.

Our own EU program Fiscalis 2020, that enables EU tax administrations to exchange best-practices and expertise, is already open to EU neighbourhood countries. I would be very much in favour of building on that and also support tax administrations of third countries in capacity building in tax administration.

This is also an issue that could be looked into more closely in terms of general development policy: in particular training staff and investments in proper technology for more effective tax collection seem to be measures with a particularly high return on investment.

Lastly, let us turn to what the Church can do to address the problem. First and foremost, the collection of tax is a government matter, so there is little that the Church can do to support that. However, an important aspect is obviously raising awareness for the consequences of not collecting a sufficient level of taxation so that there is wide public pressure to act in the countries most affected.

Thank you very much and I look forward to the debate!