

EPSU Statement

Brussels, 1st December 2017

**EPSU supports a European Parliament's enquiry committee
on the Paradise Papers**

The Paradise Papers remind of the extraordinary accumulation of wealth held offshore which credible sources estimate at about US\$ 30 trillion, almost the double of the EU GDP. This goes at the expense of workers' wages, pensions, public investment in public services and jobs.

The 13.4 million leaked documents mainly from the Bermuda-based law firm Appleby, connected to the big 4 audit firms, deserve in-depth investigations at national and EU levels.

As with the Luxleaks and Panama Papers, what is at stake are undeclared profits or income, which is illegal, and profit shifting which lie in a grey zone; in some cases it is legal, in others it may be found illegal as shown by the EC state aid investigations of a number of companies (Fiat, Starbucks, Amazon, Apple, and others in the pipeline – McDonald's; Engie; and the UK's non application of anti-tax avoidance rules to multinationals).

EPSU representing 8 million public service workers across Europe calls upon the European Parliament to support the call by some political groups to establish an enquiry committee on the Paradise papers.

The "Paradise" committee should address and draw conclusions from the new leaks and build upon the results and conclusions of the Panama papers committee. Companies and individuals caught in the tax scandal must be held accountable to the public. As of today, only one public figure caught up in the Paradise papers has resigned, Chair of the Confederation of Swedish Enterprise Leif Östling.

The enquiry committee can reconstruct the tax dodging practices and propose solutions on how to stop the race to the lowest tax rates and harmful taxation agreements. With several tax scandals now revealed, the committee should further investigate the poor enforcement of national anti-abuse laws and EU case-law on abuse of law in taxation, and the level of resources devoted to fighting tax avoidance and fraud.

It should also pay close attention to letter box companies, supported by the tax avoidance industry, in particular how it relates to labour and company law and impacts working conditions. The ETUC/SOMO report on the use of letter box companies, especially in Luxembourg and the Netherlands, finds that the use of a web of letter box companies with a chain of subcontracting arrangements has become the norm rather than the exception to avoid tax as well as social security and wage payments.

Yet today there is no effective policy or enforcement to end the use of these artificial letter box companies that contribute to a low wage economy and bad working conditions¹. A registry of all legal entities is a necessary first step together with global public country-by-country reporting by multinationals which is currently discussed in Council.

An enquiry committee will allow public scrutiny on these new revelations and ensure that the fight against the shifting of wealth and profits remains high on the EU agenda. The Committee should be supported by national parliamentary investigations. EPSU calls upon national authorities to conduct investigations to which sufficient human and material resources should be allocated. These should operate in full neutrality and be free from any influence from the tax avoidance industry, in line with the fundamental right to a good administration and rules governing risks of conflict of interest.

The EU Finance Ministers are about to adopt a blacklist of uncooperative jurisdictions or otherwise called tax havens on 5 December.

EPSU reiterates that the objective of such a list is to eradicate all tax havens. Accordingly, it should have teeth and include all countries or jurisdictions that do not comply with EC transparency and fair taxation criteria including those in the EU². Such a list should be monitored and updated by elected members of the European Parliament, rather than the secretive code of conduct group on business taxation that was established in 1998 following a decision by EU Finance ministers. EC non-compliance criteria should target the users and beneficiaries of tax havens. Forward-looking employment plans to replace those that are linked to the offshore finance industry should also be set in motion as part of the incentives to eradicate tax havens.

Ahead of the EU elections in 2019, the European Parliament must demonstrate that it can make a real difference in the life of workers and citizens. To stop tax dodging by the wealthy and powerful that causes inequalities and fuels retrograde populism is central to rebuilding the trust of citizens in EU democracies. To keep the momentum, following the elections, Parliament should establish a permanent fair tax enquiry committee to monitor developments and implementation of decisions.

¹ See ETUC/SOMO report here <https://www.etuc.org/press/letterbox-type-practices-avoiding-taxes-and-exploiting-workers-across-eu#.Wh6qsHle4fg>.

² See briefing by Oxfam *Blacklist or whitewash ?* that finds that the Netherlands, Ireland, Luxembourg and Malta do not comply with EC criteria on fair taxation, transparency and participation in International fora https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/bn-blacklist-whitewash-tax-havens-eu-281117-en_0.pdf