



Counteracting tax evasion, tax avoidance and money laundering

A tax system where everyone contributes their share is a precondition for the Swedish model. Tax evasion and tax avoidance are the cause of a large shortfall in tax revenues for Sweden as well as for other countries, resulting in significant amounts being kept out of the common welfare system. Tax evasion and tax avoidance also have harmful effects for one of the most important features of a market economy: the free and fair competition between undertakings. Significant resources are spent on developing advanced corporate and ownership structures that only serve to reduce tax liabilities and do not add any value to the economy. Consequently, it is of utmost importance for the efficiency and functioning of the global economy that tax systems are kept as simple as possible and leave little room for tax evasion.

It is important to counteract tax evasion also for other reasons. Trust between citizens and broad support for our social institutions rely on a general perception that everyone else also contributes their share. Tax evasion can also increase inequalities in society as the tax burden shifts from one group in society to another.

The more complex the tax system, the larger the grey area in which tax avoidance is made possible. Our goal is always to keep our tax laws as simple and clear as possible to make paying taxes easy.

According to international estimates, substantial amounts of revenue are lost globally due to tax avoidance. The European Commission estimates that EU Member States lose EUR 50 billion annually as a result of organised VAT fraud. According to the OECD, losses of global corporate income tax revenue from base erosion and profits shifting

(BEPS) can conservatively be estimated at USD 100–240 billion annually. There is ongoing international work on these issues, for example within the G20/OECD BEPS Project and through the Global Forum on Transparency and Exchange of Information for Tax Purposes.

However, efforts to combat tax evasion, tax avoidance and money laundering must continue, both at international and national level. Tax evasion and capital flight affect developing countries in particular, and an important part of international work in this area is to enhance opportunities for such countries to counteract such behaviour. Against this background, the Swedish Government will give priority to the following actions for counteracting tax evasion, tax avoidance and money laundering.

1. Include more countries in the global standards for transparency and exchange of information

Tax evasion, tax avoidance and money laundering receive increasing attention at international level. Substantial efforts have been made to establish global standards in the areas of transparency, exchange of information on request, and automatic exchange of information. Although this work, in which 133 countries currently participate, has been very successful, many countries have still not joined. Work on assessing compliance with these standards must also continue. Administrative procedures as well as information covered by the exchange also need to be assessed. Sweden will actively push for more countries to join this work.

2. Introduce automatic exchange of information on beneficial owners

In the recent leak of documents from Panama, as well as in other leaks concerning international tax avoidance, the use of letterbox companies has been a significant issue. Sweden and other EU countries will implement beneficial owner registers no later than June 2017. The Swedish Government will strive for global implementation of this kind of register, which will contain information on the beneficial owners of companies and trusts, i.e. individuals who exercise control over a legal entity or arrangement through ownership or other interest.

To fully benefit from beneficial owner registers, there needs to be an exchange of information between countries concerning those registers. This is also essential so that countries are able to perform thorough investigations of corporate structures. Sweden has joined the G5 initiative to develop a global standard for automatic exchange of such registers. This work must be taken forward as soon as possible. We

encourage all other countries to also join the initiative and strive to make this a global standard.

3. Introduce mandatory disclosure rules for tax advisers

The Swedish Government will appoint an inquiry to look into a potential introduction of an obligation by tax advisers to inform the Swedish Tax Agency about tax planning schemes. This could help the Swedish Tax Agency respond quickly to tax evasion and tax avoidance. Terms of reference for the inquiry are currently being prepared in the Government Offices. We encourage other countries that do not have mandatory disclosure rules to also introduce such rules.

4. Establish a global black list of non-cooperative jurisdictions and introduce tough defensive measures

To increase the international pressure on jurisdictions, we will strive to establish a common EU list of non-cooperative jurisdictions. This is a first step towards establishing a global list. The Global Forum on Transparency and Exchange of Information for Tax Purposes conducts important and successful work with regard to monitoring and peer review in the area of tax transparency standards. The Global Forum's work in this area is therefore a suitable basis for producing a global black list. However, we also need to identify jurisdictions involved in harmful tax practices. Such work will be undertaken by the OECD Forum on Harmful Tax Practices (FHTP). The FHTP will work under the inclusive framework for implementing the BEPS package¹ developed by the OECD, and hence also non-OECD Member States will be able to participate in discussions and in peer review of potentially harmful regimes. Against this background, the FHTP should take the lead in this area.

Sweden will also push for the development of common and tough defensive measures against blacklisted jurisdictions. This could suitably be carried out through the BEPS inclusive framework, developed by the OECD.

¹ The G20 and the OECD have developed recommendations on measures to counteract Base Erosion and Profit Shifting (BEPS). The G20/OECD work to counteract BEPS has now entered into a monitoring and implementation phase.

5. Enhance measures against VAT fraud

A significant part of tax fraud within the EU consists of VAT fraud. Sweden will review the Swedish Value Added Tax Act to make it easier for companies to comply with VAT rules and enable the Swedish Tax Agency to carry out effective controls. This work is part of the review which was notified in the 2016 Budget Bill. Terms of reference for this inquiry are being prepared in the Government Offices.

Significant work is also being carried out in the EU to tackle VAT fraud in which Sweden is taking an active part. In March 2016, the European Commission presented its Action Plan on VAT. An important part of the Action Plan is to change rules and improve cooperation between authorities and between Member States to fight VAT fraud. The Swedish Government will actively support the strengthening and development of cooperation in Eurofisc. Eurofisc is a network provided for Member States to enable the authorities to cooperate for the purpose of discovering VAT fraud at an early stage.

6. Reinforce the deterrent effect of tax surcharges

The obligation to provide information, e.g. to submit an income tax return, is a key component of the Swedish tax system. Our tax system is based largely on information submitted by tax payers.

Tax surcharges, levied when incorrect information has been provided, is an important tool to ensure proper reporting and correct collection of taxes and fees. Therefore, the Government will appoint an inquiry to review rules on the calculation of tax surcharges. The objective is to reinforce the deterrent effect of tax surcharges.

7. Reinforce the resources of the Swedish Tax Agency

The Swedish Tax Agency must be able to efficiently use information obtained through exchanges of information. Sweden is therefore successively reinforcing the Swedish Tax Agency's resources for international control of tax evasion and tax avoidance. The aim is for the Swedish Tax Agency to strengthen tax control measures and implement IT systems for the automatic exchange of information within the EU, the OECD and the Nordic countries, and an exchange with the United States under the FATCA Agreement.

8. Put tax issues on the agenda at company board meetings

Stricter rules, increased control and tougher sanctions will not be sufficient on their own. Therefore, the Swedish Government wishes to support increased accountability for corporate actions in grey areas that inevitably arise in a global economy. It is important that tax issues also be discussed in board rooms. Corporations should draw up a tax policy and an internal control system to ensure that actions taken by the corporate management are in compliance with the view of the board of directors on tax policy issues. The Government will task the Swedish Tax Agency with describing the work currently carried out to encourage corporations to develop a tax policy, and proposing concrete actions on how this work can be strengthened. In addition, the Swedish Government will invite the Confederation of Swedish Enterprise and BUSINESSEUROPE to discuss this issue.

9. Support capacity building in developing countries

Developing countries are among the most severely affected by international tax avoidance. To enable developing countries to detect and prevent tax evasion, and to collect the taxes that they are owed under their domestic tax laws, an effective exchange of information is not sufficient. Work on capacity building carried out both by various international organisations and countries is of major importance. Sweden supports this important work through activities financed by the Swedish International Development Cooperation and carried out by the Swedish Tax Agency in for instance Kenya, Moldova, Cambodia and Mozambique, and urges other countries to follow suit. To carry out this work as effectively as possible, it is important to improve coordination of the various capacity-building measures taken by various stakeholders. To strengthen this work, Sweden will offer to host an international conference in 2017 on capacity-building concerning taxation.

It is important that international efforts to counteract capital flight and tax avoidance are inclusive and that all countries concerned are given the opportunity to influence the work. Sweden strives for inclusion of countries with a weaker voice and for their interests to be taken into account in the international processes on capital flight and tax avoidance. At the conference in Addis Ababa on Financing for Development, held in summer 2015, a decision was taken to strengthen the UN Committee of Experts in terms of resources and the number of meetings. This is now being put into practice. Sweden contributes to strengthening the UN Committee of Experts by pushing for staff reinforcement in the secretariat.

10. Continue to take action against domestic tax evasion and undeclared work

Tax avoidance and money laundering do not occur only in the international context. The Swedish Government has taken several measures aimed at reducing tax avoidance at domestic level.

To counteract tax evasion and undeclared work, the Swedish Government will push for the introduction of staff registers in more sectors. This will make it possible for the Swedish Tax Agency to verify which individuals are working at a particular location at any given time, for additional industries. The Swedish Government has tasked the Tax Agency with submitting a proposal on how to widen the scope of the rules on staff registers to also cover car service stations, wholesale trade in food, and body and beauty care. Furthermore, the Swedish Government has proposed extending the rules on cash registers to businesses that do not have a permanent establishment in Sweden.

The Government also intends to introduce an obligation for employers to report monthly, in an employer's return, the compensation paid to employees at individual level. Currently, this is done once a year in a statement of earnings. If the Swedish Tax Agency had access to data at the individual level, it would have better documentation for tax decisions and more effective controls and inspections.