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ITCO condemns global system of clandestine financial Operations via Panama

The files and research made available recently by the International Consortium of Investigative Journalists highlight the shocking size and scope of clandestine operations facilitated by unaccountable offshore firms. The EP intergroup on Integrity, Transparency, Corruption and Organised crime (ITCO) strongly condemns this system of clandestine financial operations via Panama. The shell company system and financial secrecy are highly immoral and foster crime.

The cache of leaked documents illustrates that banks, law firms and other offshore players have often failed to follow legal requirements that ensure their clients are not involved in criminal enterprises, tax dodging or even political corruption. The findings illustrate how offshore firms and tax havens have created a business model around selling secrecy and undermining accountability, and this allows for a safe operating environment endorsing criminality and harmful business practices. Backdating documents (whereby companies alter records to show events or legal changes as having occurred at an earlier time) is just one common tactic which enables secret transactions and even tampers with investigation and enforcement of justice.

Co-Chair of the intergroup MEP Elly Schlein said: *"Offshore havens foster criminal activities and corruption on a global scale, and more must be done to combat these harmful practices and promote transparency and accountability at a global level, together with a full exchange of information and a public country-by-country reporting. The whole story about the PanamaPapers also underlines the important role of whistleblowers. Without these courageous people it would be a lot harder to find out about criminal or immoral systems like tax havens. We need to improve the protection of whistleblowers with a proper EU directive setting minimum standards, and further encouraging them to blow the whistle in order to combat corruption."*

Fabio De Masi member of the ITCO intergroup and the TAXE special committee on tax rulings adds: *"In order to stop money laundering and secrecy all EU Member States must instantly end their Double Tax Treaties with countries like Panama and the British Virgin Islands and replace them; withholding taxes on financial transactions to these jurisdictions, as long as those have not been put in place, serious transparency measures, such as publicly accessible registers of the last known beneficial owners of all companies, trusts and similar structures, and are not fully compliant with automatic exchange of information procedures. Banks and financial service providers which systematically and repeatedly aid tax evasion need to have their licence withdrawn, in line with the European Parliament's December 2015 recommendations. Finally, the revelations show that we must continue working in the European Parliament as part of a permanent committee to investigate tax issues and money laundering."*

The research carried out by the ICIJ is extremely concerning: in some cases, these harmful practices have bought political and economic influence, while in others the high level of corruption has denied impoverished citizens even basic health services. The full report and cache of documents are expected to be made available by the ICIJ in May; however it is already clear that **stronger efforts must be made within the EU and abroad to counter the international reach of these shadow firms.**