Resolution on the Pandora Papers: implications for the efforts to combat money laundering, tax evasion and tax avoidance

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The European Parliament adopted by 578 votes to 28, with 79 abstentions, a resolution on the Pandora Papers: implications for the efforts to combat money laundering, tax evasion and tax avoidance.

The text adopted in plenary was tabled by the EPP, S&D, Greens/EFA and The Left groups.

The Pandora Papers are a massive data leak, unprecedented in size, documenting the beneficial owners of corporate entities established in secrecy jurisdictions. The new data leak reportedly concerns more than 330 politicians and public officials from almost 100 countries, including 35 current or former heads of state or government. The Papers revealed how these individuals were assisted by banks, accountants and law firms, in designing complex corporate structures registered in secrecy jurisdictions or tax havens in close cooperation with offshore professional service providers, in order to shield income and assets from fair taxation and scrutiny. The activities reported in the Pandora Papers, even if they are not all inherently illegal, often amount to tax avoidance and abuse of corporate secrecy.

General considerations

Parliament highlighted the role of international investigative journalism and whistleblowers in exposing wrongdoing, corruption, organised crime, money laundering and misconduct, notably by politically exposed persons. It underlined the key contribution of investigative journalism to preserving democracy and the rule of law. The resolution reiterated the need to **protect investigative journalism** from strategic lawsuits against public participation (SLAPPs), as well as personal harassment, intimidation and threats to life. Binding EU rules providing robust and consistent protection for the independent media and journalists are much needed to help end this abusive practice.

Insufficient progress

Parliament regretted that despite a decade of tax scandals and legislative reforms in the EU, the Pandora Papers reveal that there has been insufficient progress at global level to rein in corporate secrecy and offshore tax evasion and avoidance. It deplored the fact that citizens and decision-makers still have to rely on data leaks to access information about secret offshore practices.

Member States are urged to make progress on making beneficial ownership information available to the public. Whereas the Commission is urged to review the data exposed in the Pandora Papers and analyse whether further legislative action is appropriate at EU level, and also whether any enforcement proceedings are necessary as regards current legislation, and to report back to Parliament. According to Members, the European Public Prosecutor should also assess whether the revelations merit any specific investigations.

Disclosure of information

The resolution called on the Member States to ensure that they have measures and systems in place requiring public officials to declare their outside activities, employment, investments, assets and substantial gifts or benefits from which a conflict of interest may result with respect to their functions as public officials.

Enhanced Financial Intelligence Units (FIUs) and EU anti-money laundering authority

Parliament welcomed the Commission's proposal to introduce an EU-wide interconnection of centralised automated mechanisms containing payment and bank account information through a single access point, in order to facilitate faster access by law-enforcement authorities and FIUs, during different phases of investigation, to financial information, and to facilitate cross-border cooperation, in compliance with data protection rules.

Parliament welcomed the Commission's proposal to establish a **new European authority on anti-money laundering** as a single supervisor of selected financial-sector obliged entities and as a single coordination and support mechanism for FIUs in the EU. The new authority should be mandated to set up and manage a coordination mechanism among FIUs. It should receive a higher budget allocation and be equipped with adequate resources to fulfil supervisory powers over financial entities and exercise effective oversight of non-financial obliged entities.

Europol was called on to step up its cooperation with Member States' law-enforcement authorities in the context of investigations into tax crimes.

Golden citizenship and residency schemes

Member States are called on to ensure that all existing citizenship by investment or residency by investment schemes are transparent and based on clear rules. Parliament is concerned that all of these schemes may have increased the threat of money laundering and tax evasion. The Commission is called on to introduce proposals to regulate citizenship by investment and residency by investment schemes.

Reform of the EU Blacklist

Parliament regretted the fact that the EU list, which is also referred to as the EU Tax Havens Blacklist, has remained a blunt instrument despite ever more tax scandals and worrying reports by journalists and non-governmental organisations. It regrets that Member States' finance ministers have not yet assumed their individual and joint responsibilities in the fight against tax havens, offshore companies and trusts, and have instead been engaged in watering down the existing blacklist. Parliament noted that the British Virgin Islands accounts for two thirds of the shell companies in the Pandora Papers and yet do not feature on the EU blacklist. Therefore, more transparency is needed on the criteria used for the listing process. Parliament also stressed that **inclusion on the EU blacklist should come with sanctions** that are an effective deterrent and that a revised list should be linked to a sanctions regime.