

The fight against tax evasion in Europe

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The tax gap

- Three components
 - Tax avoidance
 - Tax evasion
 - Unpaid tax

What we know about these numbers

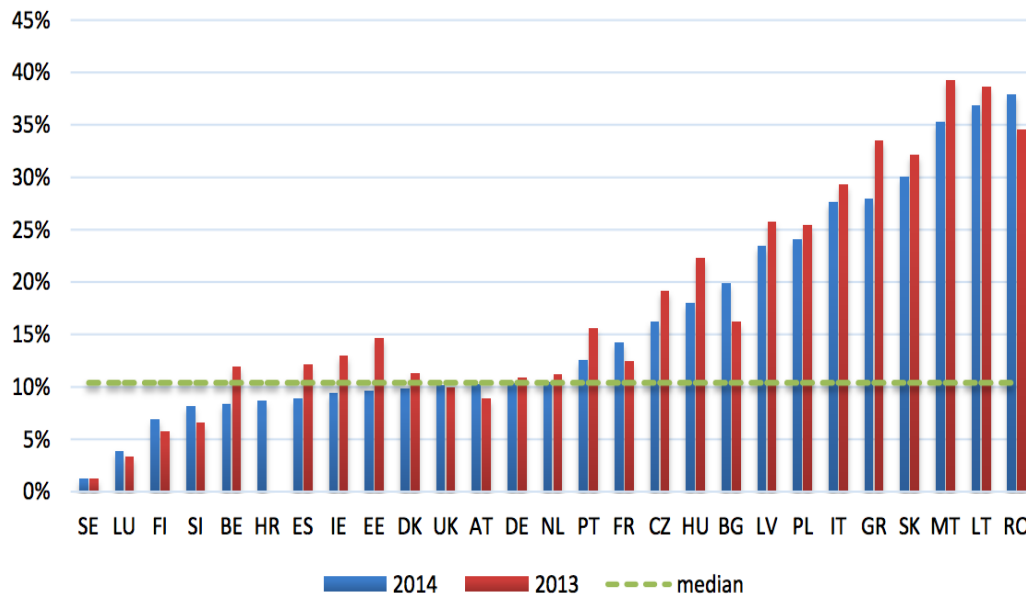
- At most country levels, very little indeed in most cases
 - Only the UK does this estimate annually, and badly
 - Others have only tried it once or twice, at best
- At the official EU level, only VAT is estimated, but nothing else

What we know about these numbers

- At an unofficial level there is my data for the S&D group on the EU tax gap – suggesting a total of €1 trillion
- What we can say with certainty that we do not know enough

The EU VAT Data

Figure 2.1. VAT Gap as a percent of the VTTL in EU-27 Member States, 2014 and 2013



What the data suggests

- Avoidance may be 15% of the tax gap
- Unpaid tax may be up to 20% of the tax gap
- Tax evasion may be 65%, at least, of the tax gap
- Note that offshore is not nearly as important as commonly thought
 - Maybe 5% of the 15% tax avoidance total (or one third of avoidance)
 - Maybe 10% of the total 65% of tax evasion, (or 15% or so of that)

The consequences

- I still believe we may be losing at least €1 trillion of loss across the EU to the tax gap, excluding unpaid tax
- More than €800 billion of this may be evasion
- The vast majority of this is domestic

The steps needed to address this

- First we need to drastically improve tax gap estimation methodology, practice and publication intervals
- The focus on large company offshore tax avoidance has been useful for raising awareness but it is not the big issue
- The focus on evasion has to be increased
- The focus on domestic abuse has to grow
- This is not a problem that is 'over there' but is instead 'here' and 'now'.

The steps needed to address this

- Technical solutions to tackling domestic tax evasion have to be developed
- Offshore is being beaten by technical developments
 - Country-by-country
 - Automatic information exchange
 - Beneficial ownership
- Technical developments are to deal with this issue domestically and more work is required on this

The steps needed to address this

- The question of resourcing tax authorities is critical to addressing this issue
- Some but not all EU countries are substantially reducing resources for their tax authorities as part of austerity programmes
- Computerisation has clearly had an impact in this area but that cannot be used to explain all the cuts
- If the tax gap is to be beaten then resources are needed

The steps needed to address this

- But to go back to the beginning: to manage resources to best effect we need high quality tax gap data so that scarce resources are used to best effect but right now data does not exist to achieve that goal
- I am working on this now

An aerial photograph of London, England, with a semi-transparent red overlay. The London Eye is visible in the center-left, and the River Thames flows through the city. The text is centered over the image.

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