

Tax Evasion

Kim Boseong (KOR), Filip Buterin (CRO), Enguerrand Daufresne & Baptiste Lumeau (FRA)

Contemporary European Politics

Table of Contents

01 Tax evasion and avoidance

How does it work?

02 ESSCA-Land

Location and laws

03 The strategy

How we prevent tax evasion and avoidance in ESSCA-Land

04 The Effects

What are the effects of our strategy





01

Tax evasion and avoidance

How does it work and its consequences

Consequence - Tax gap in our countries

Tax evasion



GDP

2937.5 bn \$

1810.2 bn \$

67.8 bn \$

TAX REVENUE(%GDP) 46.7%

28.0%

35.7%

TAX GAP ESTIMATE

123.9 bn \$

33 bn \$

3.6 bn \$

Kinds of evasion



Underreporting



Underpayment



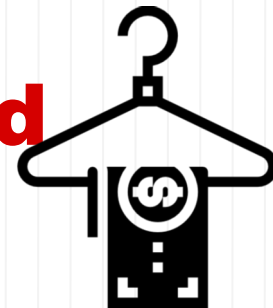
Money laundering



Offshore accounts



Money laundering and Offshore accounts



PLACEMENT

LAYERING

INTEGRATION



Placing dirty money
into the financial
system



Transferring the money
to hide its origin



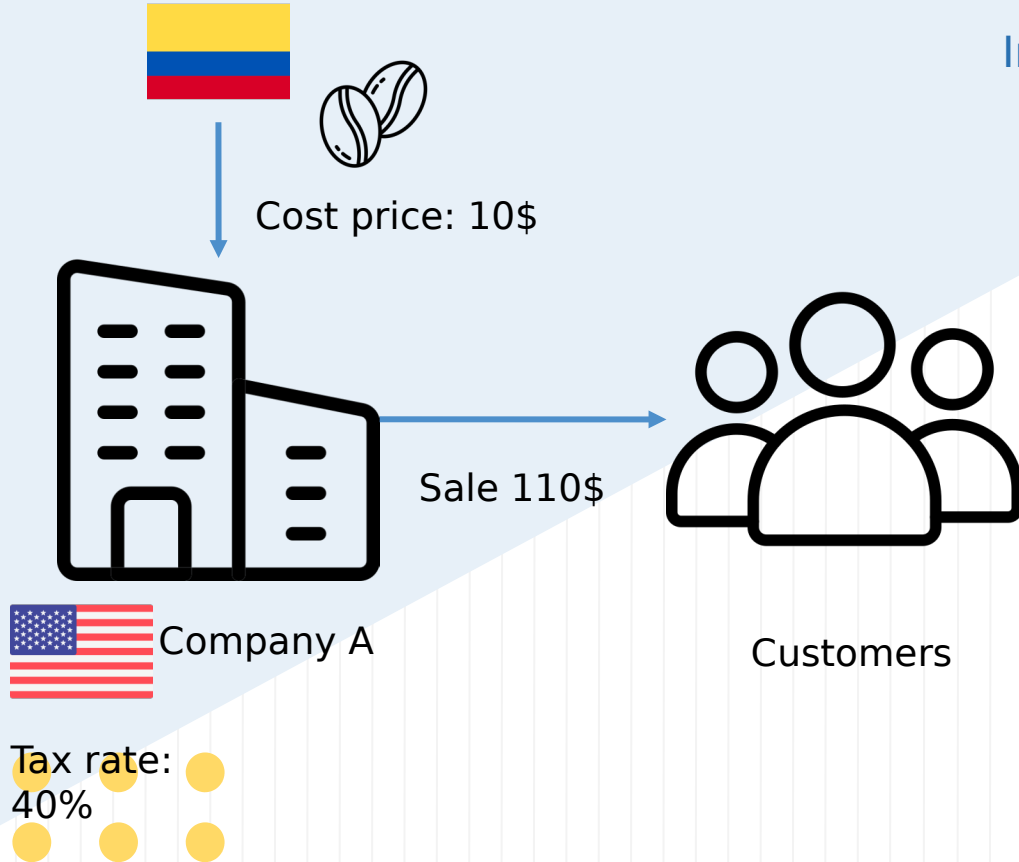
Returning the
money to the
economy

10 main tax havens around the world



Tax avoidance

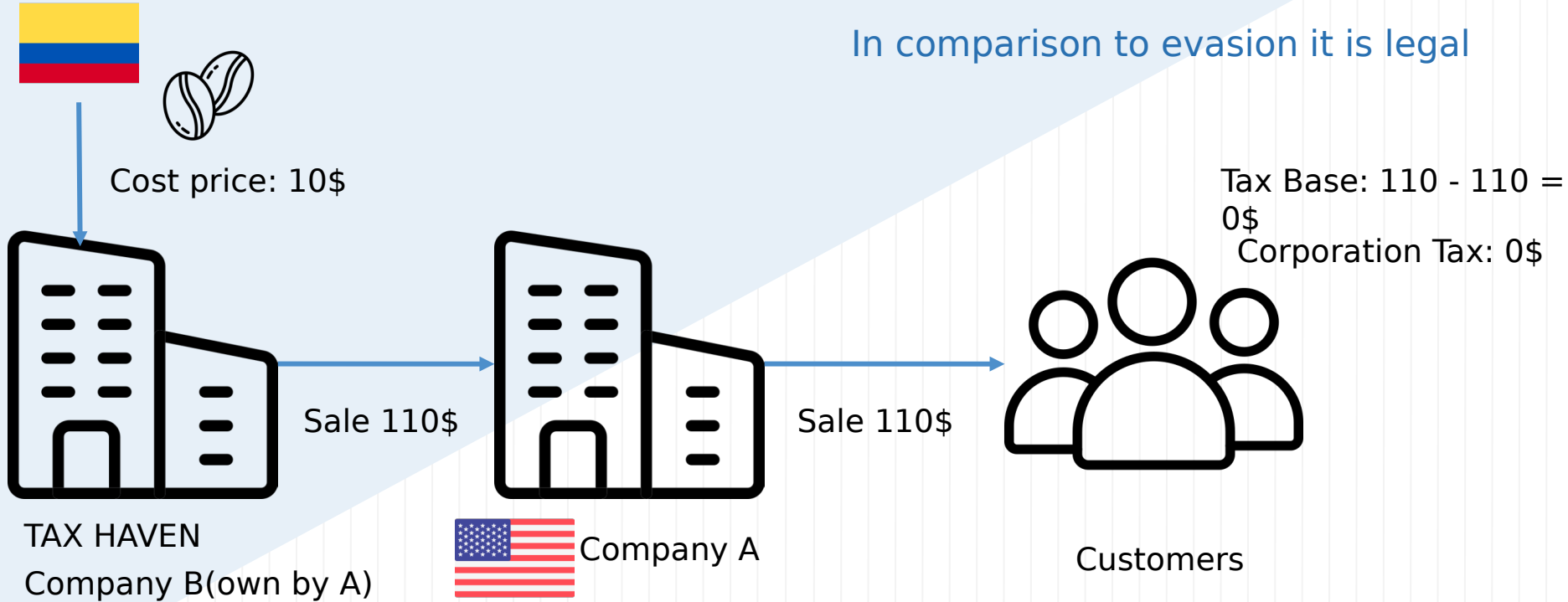
In comparison to evasion it is legal



Tax Base: $110 - 10 = 100\$$
Corporation Tax: $100 * 40\% = 40\$$

Tax avoidance

In comparison to evasion it is legal





02

ESSCA-Land

Location and its (f)laws

ESSCA-Land

Location

ESSCA-Land is located in
Switzerland

The same population size
applies (9 Million)



ESSCA-Land

ESSCA-Land's political situation

ESSCA-Land is **NOT** part of the EU - capital transfer

The GDP (813 bn \$) and the economy resemble Switzerland

Part of Schengen and European Free Trade Association but uses the ESSCA Dollar (\$) (Exchange rate is 1,1 to Euro)

Big banking sector and Tertiary Sector of the economy - MEDC





03

ESSCA-Land Strategy

How we prevent tax evasion in ESSCA-Land



Understanding the Problem - ESSCA-Land



Avoidance


MAGA and digital
MNE's are avoiding
taxes by only
paying in
“production”
countries



Solution

Tax will be implied
on country of
consumption
Where more is
consumed more
has to be paid

But the tax for firms in ESSCA-Land is relatively low anyway (17%
CT)





ESSCA-Land

ESSCA-Land taxes in general


VAT is 17% - lowest in Europe together with Luxemburg

Income tax is progressive - Max rate of 30% when earnings exceed 80.000 \$
Lowest rate is 20% when income is less than 50.000\$

Duty on tobacco is extremely high - Every tobacco product is taxed to reach 12\$

Alcohol duty is lower, due to cultural and economic reasons - .25 \$

Fuel duty is capped to 1,5\$ for diesel and 1,7\$ for petrol, but can progress in coming years





04

The effects

What are the effects of our introduced strategy

ESSCA-Land

ESSCA-Land strategy effects

Max rate of 30% when earnings exceed 80.000 \$ is relatively low, due to the fact that ESSCA Land is a high income country - Tax allowance per person is 20.000\$



This should prevent people from evading taxes, as well as the flat tax beginning at 80.000\$ to incentivize higher incomes

The low VAT is implemented, because a higher consumption of goods is expected if the VAT is lower, so the percentual difference is compensated by the amount of goods consumed

ESSCA-Land

ESSCA-Land strategy effects

The problem of ESSCA-Land will be the duty on tobacco

⇒ High taxes means the danger of people buying tobacco in foreign countries

BUT: no close tobacco havens nearby - neighboring countries are expensive as well except Italy with around 5 Euros per package of cigarettes

Duty on fuel will be observed closely in the future, also as an tool to meet the Paris Climate Agreement goals, but due to small Population we are not emitting too much



ESSCA-Land


ESSCA-Land strategy effects

Most important implemented tax is the Corporate Tax (CT)

⇒ New idea of taxing the company tied to the consumption of a country

The more is consumed of the companies product or service in ESSCA-Land the more the company has to pay taxes

But the tax rate in general is moderate, this should prevent countries from establishing letter boxes in tax havens like Luxemburg, which is very close to us



Bibliography

- <https://money.howstuffworks.com/personal-finance/personal-income-taxes/tax-evasion.htm>
- <https://www.worldometers.info/world-population/switzerland-population/>
- <https://www.faz.net/aktuell/finanzen/strategie-trends/ein-blick-ins-steuerparadies-wie-funktioniert-die-globale-steuerflucht-12139684.html>
- <https://www.wirtschaftsdienst.eu/inhalt/jahr/2017/heft/12/beitrag/steuerflucht-ein-loesbares-problem.html>
- <https://www.statista.com/statistics/415034/cigarette-prices-across-europe/>
- <https://www.youtube.com/watch?v=2ijwNC3NkyM>
- <https://www.interpol.int/fr/Infractions/Criminalite-financiere/Blanchiment-d-argent#:~:text=Le%20blanchiment%20d'argent%20consiste,avec%20violence%20et%20l'extorsion>
-
- <https://blackplatinumgold.com/the-top-10-tax-havens-around-the-world/>
- <https://www.journaldunet.fr/business/dictionnaire-economique-et-financier/1198865-blanchiment-definition-traduction/>
- <https://countryeconomy.com/taxes/tax-revenue>
- <https://data.oecd.org/tax/tax-revenue.htm>
- <https://www.socialistsanddemocrats.eu/publications/european-tax-gap>
- https://kosis.kr/statHtml/statHtml.do?orgId=133&tblId=TX_13301_A011&conn_path=12

