

EU to Create Tax Blacklist Following Panama Paper Leaks By Vinh-Khoi Le, J.D. Candidate 2016 | April 29, 2016

In the wake of the Panama Paper leaks, European Union tax commissioner Pierre Moscovici urged states to draft a blacklist of countries that serve as tax havens to thousands of companies. EU states agreed to this move on April 22, 2016, and plan to complete the list by the [end of the summer](#). Finance ministers have also agreed to automatically exchange information on certain beneficial company owners.

"There is a unanimous support to set up a common EU black list of tax havens by the end of the summer," Moscovici [said](#) at the end of a meeting with finance ministers in Amsterdam. The [Panama Papers](#) are a set of 11.5 million leaked documents containing privileged information of more than 214,000 companies associated with Mossack Fonseca, a Panamanian law firm. Many of these documents contained details of tax avoidance schemes used by companies as well as wealthy individuals. While it has been known that Panama has a tax-friendly regime and the usage of offshore companies to establish tax-efficient transactions is not by itself illegal, many of these transactions are designed to conceal the identities of company owners such as millionaires, state officials, and politicians, for tax avoidance purposes.

The move to draft a tax haven blacklist, following many [country-by-country reporting](#) and other Base Erosion and Profit Shifting (BEPS) initiatives prompted by the OECD, is the latest in global initiatives to cooperate and provide full transparency into corporate tax avoidance regimes. Current [EU draft rules](#) on country-by-country reporting would require firms with turnover above 750 million euros to publicly disclose their tax data in all EU countries of operation. There is some debate as to whether this disclosure requirement should be extended to activities in tax havens.

It is unclear how many and what jurisdictions are to be included in the blacklist; previous plans to have a single EU blacklist have been hampered by conflicting national interests and failed negotiations. The move to improve transparency has also been [met with reservations](#) from EU companies and officials that fear reputational risk from misinterpretation of data and loss of competitiveness against non-EU companies. How regulators plan to address these concerns will be a question with potentially far-reaching impacts over the coming months.