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## EU to target Asian tax havens

### **EU citizens with savings in offshore tax havens are to be targeted under new plans from the European commission released on Sept.4,2006.**

Tax commissioner László Kovács is keen to close down loopholes that allow wealthy Europeans to avoid paying tax on savings held outside the EU, especially in Asia.

Hong Kong and Singapore in particular are expected to be targeted by Brussels, although Kovács will have to seek a mandate from EU finance ministers before taking any definitive action.

The Hungarian commissioner wants to extend the EU's savings directive to cover money in bank accounts outside the EU – despite the fact that it has been criticised for failing to close tax loopholes in countries closer to home, such as Luxembourg or Switzerland.

The directive, which came into force in July 2005, covers 40 countries – all 25 EU members, Switzerland, Liechtenstein, Andorra, Monaco, San Marino and various overseas dependencies of EU countries.

But the commission, working together with tax experts from national governments, now wants to draw up plans that would extend the directive to countries such as Hong Kong, Singapore, Macao, Bahrain, Dubai and the Bahamas.

“We were asked by member states to look into ways of extending the directive beyond Europe, and this is the first stage in that process,” a spokeswoman for Kovács said.

“Today's meeting with the council [of EU members] working group is just the first stage, an exchange of views.”

“ We will be asking member states to decide which countries should be our priority, but any action would need the full approval of EU finance ministers.”

The hope is that a timetable can be agreed by the end of 2006, she added.

The spokeswoman refused to comment on what the likely reaction would be from the mostly Asian countries likely to be targeted by the extended directive, saying simply that it was “in the interests of everybody” to agree a level playing field for financial centres.

She also refuted suggestions that the directive had failed to achieve its goal of increasing tax revenues because it had been incorrectly applied or had too many loopholes.

“We only have a limited amount of data at the moment, since this directive has only been in force since July 2005.”

“It is too soon to tell whether it has been correctly implemented, or whether it has any loopholes, but we are monitoring the situation and will not hesitate to take action if we find in the future that there are issues that need rectifying,” she said.

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