Abolished, by Ulrika Lomas, Tax-News.com, Brussels

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Members of the European Parliament have called on the Group of 20 nations to agree on coordinated and concrete action to “close down all tax and regulatory havens” and shut onshore tax and regulatory loopholes which permit "widespread tax avoidance" in major financial centres.

The European Parliament has adopted a resolution on the outcome of the G20 Summit pledge to reform remuneration schemes in a more sustainable way as part of the financial regulatory review. However, this resolution also called on the next G20 Summit to go much further than it did earlier in April when the leading nations threatened to “deploy sanctions” against offshore and low tax jurisdictions to “protect public finances and financial systems.”

“Parliament welcomes and fully supports the request made by the EUROLAT Parliamentary Assembly on April 8, 2009 to the EU-LAC (Latin American and Caribbean) countries 'to act at once to abolish all tax havens on their territory and to work at international level for the abolition of the rest and for sanctions against companies and individuals resorting to their services,'” said a press statement issued by the European Parliament on April 24.

While the European Parliament stated that it welcomes the G20’s declaration that the “era of banking secrecy is over” and supports automatic exchange of information as the most effective tool to tackle tax avoidance, MEPs recommend that the EU should adopt at its own level “an appropriate legislative framework regarding tax havens” and called on its international partners to do the same.

Most offshore financial centres won something of a reprieve from the G20 after being accused of virtually bringing the world to its knees by allowing major global financial institutions to conduct risky business outside of the glare of onshore regulators. Only four territories – Costa Rica, Malaysia (Labuan), the Philippines and Uruguay – were named on the new OECD ‘blacklist’ and these have since been removed following commitments to adhere to minimum standards in tax transparency.

However, opponents of the G20/OECD campaign believe that the offshore territories are merely being made the scapegoats for regulatory failings in the major economies.

In a Strategic Memorandum released by the Center for Freedom and Prosperity on March 30, Daniel J. Mitchell of the Cato Institute argued that the collective actions of the 'high tax' states, such as the United States and the 'old' member states of the European Union, and multilateral bodies such as the OECD, will deal a blow to those who support international tax competition and financial privacy.

"These so-called havens are being assaulted by international bureaucracies such as the OECD " he observed. "These events do not bode well for supporters of fiscal sovereignty and financial privacy."