

RESEARCH REPORT

General Assembly 2: Economic and Financial Council (ECOFIN)

Main Chair: Evan Corser-Tiernan

Co-Chair: William Oestli Thoegersen

Topics:

- The question of reducing financial inequality in LEDC's and other countries that experience problems related to this matter.
- Measures to prevent and reduce tax evasion.
- The question of providing aid to the still worsening economy of Venezuela.

Topic Two:

“Measures to prevent and reduce tax evasion”

Tax evasion is a problem facing almost all countries worldwide, both MEDC's and LEDC's. Offenders in most countries face serious charges including fines, loss of their business and even jail time. Still this does not prevent tax evasion from being a serious issue worldwide. Since ancient times, the taxpayer sought varied and ingenious methods, which over time has improved, in order to evade the payment of tax, thus protecting the family net income.

Psychologically speaking, human nature has always had a tendency to put personal interests ahead

of public interest, for which it was found that tightening fiscal fines have not determined the taxpayer, driven by personal interest, to declare income for A.C. MANEA: Means and Methods of Preventing and Combating Tax Evasion Adopted by... 129 tax purposes exactly, but on the contrary, they determined to improve methods of evading tax obligations. Shortages and gaps exploiting or taking advantage of tax law exceptions, exemptions and deductions remain legal and thus the lower limit of legality, the taxpayer can preserve certain taxation amounts will be removed. Because the effects of economic, social and political, and thus reduce public revenues due to tax evasion, whether committed in flagrant violation of the law or the law, should be reduced and prevented, because the phenomenon itself cannot be eradicated totally human nature and psychological perception of tax liability.

What is tax evasion?

For the purpose of this document:

- Tax evasion means the offence of cheating the public revenue or fraudulently evading any tax, and is a criminal offence. The offence requires an element of fraud, which means there must be deliberate action, or omission with dishonest intent;
- Foreign tax evasion means evading tax in a foreign country, provided that that conduct is an offence in that country and would be a criminal offence depending on the domestic country in question. As with tax evasion, the element of fraud means there must be deliberate action, or omission with dishonest intent; and
- Tax evasion facilitation means being knowingly concerned in, or taking steps with a view to, the fraudulent evasion of tax by another person, or aiding, abetting, counselling or procuring the commission of that offence. Tax evasion facilitation is a criminal offence, where it is done deliberately and dishonestly.

Regarding the means to fight tax evasion, we consider that the first step must be done in the legislative field, by adopting fiscal rules as clear and perfected the means evasion is diversified, efficient state institutions involved in collecting and verifying taxpayer contributions, simplifying the tax system, advertising system, process and results on combating tax evasion. Below are some options countries may use to prevent tax evasion:

1. Reducing tax rates: By providing an incentive for the people with less tax rates perhaps reduces tax evasion
2. Maintaining proper level of taxation by the government which accounts to the part of tax revenue under total income. So that people believe in government laws, policies etc.
3. Providing a proper service to the taxpayers. As the taxpayers have the right to receive a proper service from the bureaucrats.
4. Reducing the complex procedure for the payment and verification of taxes. So that taxpayers comply with government.
5. Verifying the loop holes in major policies and acts introduced by the government such as external trading and transfer pricing where the main entity diverges his sales to a dummy associate who may be under different tax jurisdiction.
6. Inclusive growth strategy: under tax burden, It includes
 - Equity among all sections of society
 - Equity among all sectors of economy
 - Equity among all regions of country.

Past Actions

The United States has long faced tax evasion problems particularly from large corporations and conglomerates. In the last decade it has made huge efforts to fight this, including becoming involved in the financial affairs of big companies outside the us. Americans with legitimate bank accounts outside the country, and foreigners working in the United States, have begun receiving letters from their banks in Paris, Tokyo, Johannesburg and elsewhere, informing them that their account information is being turned over to the US tax authority. It is the culmination of a years-long effort by the Treasury, straining to close the chronic US budget deficit, to get to unreported incomes taxable under US law that get hidden away in bank accounts around the world.

One of the largest cases involving the US was the EU investigation into the California based tech company Apple, who had for years been directing profits through Ireland, a tax haven also used by other companies such as Facebook and Alphabet to work around high corporate taxes in the US. After the EU investigation the European Commission ruled that Apple had given Ireland an illegal tax deal and owed 14.5 billion euros to the Irish government.

Romania has also faced a tax evasion problem for years, and has recently begun efforts to come down on offenders, starting with the creation of a formal definition for tax evasion.