



Lisbon School
of Economics
& Management
Universidade de Lisboa

MASTER
INTERNATIONAL ECONOMICS AND EUROPEAN STUDIES

MASTER'S FINAL WORK
DISSERTATION

**THE ROLE OF EUROPEAN TAX HAVENS IN INTERNATIONAL MONEY
LAUNDERING AND *FINCRIME*: ECONOMIC IMPLICATIONS FOR THE
EUROPEAN UNION.**

GABRIEL EDUARDO GOMES SUAREZ

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GLOSSARY

AML – Anti-Money Laundering

BEPS – Base Erosion and Profit Shifting

CbCR – Country-by-Country Reporting

CCCTB – Common Consolidated Corporate Tax Base

CTHI – Corporate Tax Haven Index

CIT – Corporate Income Tax

DTA – Double Tax Agreement

EU – European Union

FDI – Foreign Direct Investment

FIU – Financial Intelligence Unit

GDP – Gross Domestic Product

GSW – Global Scale Weight

HS – Haven Score

HNWIs – High-Net-Worth Individuals

ICIJ – International Consortium of Investigative Journalists

IMF – International Monetary Fund

JRS – Jurisdictions

MNCs – Multinational Corporations

NGO – Non-Governmental Organization

OECD – Organisation for Economic Co-operation and Development

OFC – Offshore Financial Centre

PwC – PricewaterhouseCoopers

UNODC – United Nations Office on Drugs and Crime

UNTOC – United Nations Convention Against Transnational Organized Crime

USD – United States Dollar

ABSTRACT

This thesis focusses on the issue of European tax havens as facilitators of international money laundering and financial crime, and the economic implications for the European Union (EU). In the present study we examine how these jurisdictions are pathways for illicit financial flows or aggressive tax avoidance which compromise government revenue stability and economic equity in the EU. It was found that five jurisdictions associated with the EU accounting for over 50% of the global risk for corporate financial wrongdoing, these are Switzerland, the Netherlands, Jersey, Ireland, and Luxembourg. In terms of economic modelling, based on Cobham and Janský (2018), we estimate that the loss to the EU due to profit shifting by these jurisdictions amounts to between €50-70 billion annually. We used theoretical analysis, economic modelling, and case studies of the Panama Papers and Luxembourg Leaks in arriving at our conclusion addressing the regulatory weaknesses and making recommendations to improve transparency, regulatory alignment, and anti-money laundering efficacy.

KEYWORDS: European Union, Tax Havens, Money Laundering, Financial Crime, Economic Impact, Transparency

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1. INTRODUCTION

The objective of the following study is to assess the role of European tax havens in facilitating international money laundering and financial crime, focusing on their economic impact for the European Union. The importance of the subject is indisputable, as the magnitude and significance of illicit financial flows traversing jurisdictions that are conducive to tax preferences, financial secrecy, and regulatory arbitrage is escalating. This phenomenon poses a substantial threat to financial justice, macroeconomic stability, and the sovereignty of EU Member States' tax systems.

The main point of our study refers to the mechanisms that facilitate profit shifting, even in instances where such practices bear a degree of legitimacy associated with aggressive tax planning. Additionally, it examines the laundering of 'dirty' money through the institutions established by European tax havens. The EU and non-EU tax havens provide a framework that facilitates secrecy and minimal tax obligations. In comparison with legal systems that have established suitable regulatory frameworks and effective enforcement mechanisms, the emergence of tax havens can be regarded as the most substantial means by which these jurisdictions have institutionalized the facilitation of financial malpractice. It is evident that the entities achieve more than the mere provision of fiscal prudence; for instance, they function as facilitators and providers of legal provisions for corporate structures and cross-border transactions. These transactions serve to hide ownership, thereby facilitating the integration of illicit 'dirty money' into the formal economic sector.

We firmly believe that the significance of this subject is framed in its implications for the EU's fundamental economic principles of solidarity, fairness, and cohesion; as we have successfully demonstrated that the persistence of tax havens within Europe is a contributing factor to the fragmentation and inequality of the internal market, in which certain countries benefit disproportionately from capital inflows, while others experience fiscal erosion and capital outflows. The public revelations from significant financial leaks, including the Panama Papers and the Luxembourg Leaks scandal, have clearly demonstrated Europe's significant role in both facilitating and concealing illicit financial practices.

As so, the primary goal of our research is to undertake a critical evaluation of the extent to which European tax havens contribute to money laundering and financial crime, and to evaluate their economic consequences for the European Union. The specific objectives of this study are as follows: firstly, to clarify the conceptual relationship between tax havens and financial crime; secondly, to map the most relevant European tax haven jurisdictions and their features; thirdly, to analyse empirical evidence of financial misconduct involving these jurisdictions; and fourthly, to estimate the economic cost of profit shifting using established quantitative models.

In order to achieve these objectives, the thesis employs a multidisciplinary methodological approach, combining (1) the conceptual framework under discussion, which is rooted in three distinct areas of economic study: namely, the economics of taxation, criminal finance and international regulation; (2) the following paper will provide an in-depth analysis of empirical case studies of major financial scandals, with a view to revealing the *modus operandi* of tax avoidance and money laundering networks in Europe; (3) also, the present study employs a quantitative economic modelling framework, as outlined by Cobham and Janský (2018), to estimate tax revenue losses resulting from profit shifting and (4) a comparative analysis of the Corporate Tax Haven Index (CTHI) is conducted to assess the relative risk posed by European jurisdictions.

The thesis's principal findings indicate that five European jurisdictions – Switzerland, the Netherlands, Jersey, Ireland, and Luxembourg – collectively account for over 50% of the global corporate tax abuse risk, as indicated by CTHI 2024 data. Furthermore, economic modelling indicates that the EU faces a loss of €50 to €70 billion annually due to profit shifting facilitated by these tax-friendly regimes. The findings indicate that European tax havens are not merely peripheral anomalies, but rather central enablers of global financial crime.

The following research is built on six chapters, each contributing to a thorough comprehension of the topic. After this introduction, Chapter 2 provides the theoretical overview, defining important terms like money laundering and tax havens and examining their connections. The Corporate Tax Haven Index and other data sources are used in Chapter 3 to perform a thorough mapping of European tax haven jurisdictions. To demonstrate how tax evasion and money laundering methods operate in practice, Chapter

4 examines case studies of well-known financial scandals. A rigorous economic study of profit shifting in the EU is presented in Chapter 5, together with estimates of investment distortions and tax revenue losses. The findings are summarized, their policy implications are discussed, and future research and regulatory directions are suggested as Chapter 6 concludes our research. Each chapter builds on the one before it to address the main research topic, and this structure shows a natural path from conceptual analysis to reviewing literature of empirical evidence and economic modelling.

2. MONEY LAUNDERING AND TAX HAVENS – THEORETICAL FRAMEWORK

This section is aimed at addressing key concepts, which will act as a basis for this paper, by exploring the concepts of tax havens, money laundering and establishing a clear link between them.

2.1. Tax Havens

Tax havens are defined as jurisdictions that offer low or zero tax rates, financial secrecy and regulatory frameworks targeted at attracting foreign capital. While there is no single universally accepted definition for this phenomenon, these jurisdictions are characterized by their favorable tax regimes, lack of transparency, and minimal requirements for economic substance (Dharmapala, 2023).

The OECD (2021) identifies four key features of tax havens:

- Little or no taxation (OECD, 2021).
- Lack of effective exchange of information (OECD, 2021).
- Absence of transparency (OECD, 2021).
- Facilitation of artificial tax structures that allow corporations and individuals to avoid taxation in their home countries (OECD, 2021).

These elements make tax havens attractive regimes for multinational corporations (MNCs) and high-net-worth individuals (HNWIs) searching for ways to minimize their tax liabilities (OECD, 2021).

Historically, tax havens have been associated with small economies that rely on financial services as significant components of their GDP. However, research indicates that some of the world's most influential centers, including those within the EU, function as tax havens. Kosenkova, Chernov, and Shestak (2022) highlight that “the Netherlands, Switzerland, the United Kingdom, Ireland, and Luxembourg account for more than half of the corporate financial misconduct risks in Europe”. Their study estimates that European tax havens and tax-friendly countries are responsible for nearly 40% of global financial misuse risk. This clearly challenges the traditional perception of tax havens being limited to small Caribbean or Pacific islands nations and proves that, some of the world's most developed economies actively facilitate tax avoidance practices (Kosenkova et al., 2022).

Przygoda (2022) emphasizes that “tax havens have evolved into an inseparable part of the global financial system”. While tax-havens supporters argue that they encourage investment and enhance economic efficiency by financial innovation, critics underscore their role in enabling aggressive tax avoidance, money laundering and economic inequality.

The Tax Justice Network has estimated that over \$500 billion in corporate taxes are lost annually due to profit shifting facilitated by tax havens, illustrating the immense economic impact of these jurisdictions. The European Union itself has internal tax havens, with Luxembourg, Ireland, and the Netherlands being prime examples of countries that provide favorable tax rulings and hybrid mismatch arrangements that enable companies to substantially reduce their tax burden (Wágner, 2020).

Lénártová (2020) further argues that tax havens are deeply entangled in the global financial system, making it challenging to completely erase their influence, despite international regulatory efforts. Also, we can state that some EU member states have resisted stricter regulations, fearing the economic consequences of losing their competitive tax advantages.

Nonetheless, despite efforts from global organizations like the OECD, G-20, and the EU to fight tax avoidance, low-tax and zero-tax jurisdictions keep adapting to new regulations. The OECD’s Base Erosion and Profit Shifting (BEPS) framework – along with the global minimum corporate tax under Pillar Two – was designed to stop profit shifting and create a fairer tax system (OECD, 2021). However, enforcement remains a challenge, as some regions continue to support tax avoidance strategies, making it difficult to establish a truly universal standard for taxation and financial transparency.

Tax havens, while controversial, remain still deeply entangled within the international economy. They offer corporations and investors lower tax rates; however, they also come with downsides – as reducing public revenues, widening economic inequality, and enabling illicit financial flows.

2.2. Money Laundering and FinCrime

Money laundering can be classified as a financial crime that involves the process of disguising the origin of illegally obtained money to make it appear as if it comes from legitimate and legal sources. It is a global issue with significant economic and legal

implications, often associated with organized crime, terrorism financing, and corruption. As Masciandaro (1999) explains, "money laundering implies the use of any revenue originated by a criminal or illegal activity," and its primary goal is "to hide the illegal source of such revenues."

We can also affirm that the term "money laundering" metaphorically describes the process of making illicit funds appear clean through a series of transactions. Kumar (2012) defines it as "the process by which large amounts of illegally obtained money, from drug trafficking, terrorist activity or other serious crimes, is given the appearance of having originated from a legitimate source."

This transformation is achieved through three key stages: placement, layering, and integration (Korejo et al., 2021)

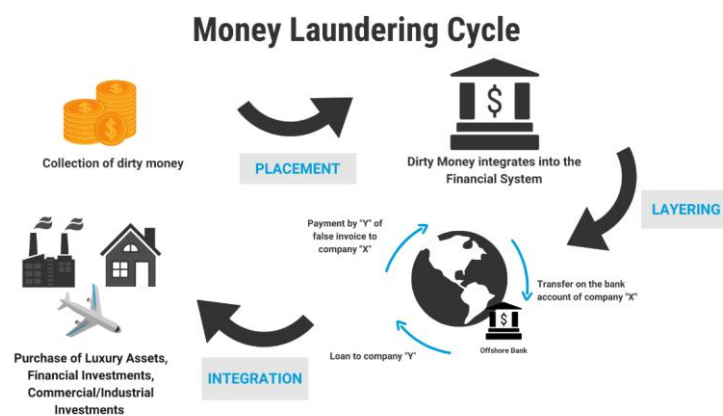


Figure 1. Phases of the Money Laundering Process.

Source: UNODC, 2022

The first phase, placement, involves introducing illicit funds into the legitimate financial system. This is achieved by breaking down large sums of cash into smaller, less "notable" amounts of money, to evade detection by financial authorities. A common method to do the aforementioned is structuring, where multiple small deposits are made into bank accounts to avoid triggering anti-money laundering (AML) reporting requirements. Criminals may also use cash-intensive businesses, such as casinos or retail stores, to mix illicit proceeds with legitimate earnings, making the origins of the funds more difficult to trace (Sabatino, 2020).

The second phase, layering, is when the criminals obscure the connection between the illicit funds and their criminal source. This is achieved through a series of complex financial transactions, including wire transfers, currency exchanges, offshore accounts, and investments in assets such as real estate or luxury goods. By moving money through various jurisdictions, particularly those with weak AML regulations, criminals make it increasingly difficult for authorities to track illicit funds. Offshore financial centres, commonly referred to as tax havens, play a significant role in this phase by providing secrecy and minimal oversight, further complicating law enforcement efforts (Sabatino, 2020).

The final phase, integration, occurs when illicit funds are fully assimilated into the legal economy. At this stage, the laundered money appears to be legitimate and can be used for various investments, including purchasing businesses, real estate, or luxury assets. Criminal organizations may acquire stakes in legal enterprises to further conceal their financial activities and gain influence in legitimate economic sectors. The use of shell companies and complex corporate structures also facilitates this process, making it difficult for regulators to distinguish between legal and illicit financial flows (Sabatino, 2020).

On a legal level, global legal instruments play a crucial role in defining and combating money laundering and financial crime. The United Nations Convention against Transnational Organized Crime (2000) describes money laundering as "the conversion or transfer of property, knowing such property is the proceeds of crime, with intent to conceal and disguise the illicit origin of the property" (United Nations, 2000). Similarly, the European Union's Directive (1991) renders "the concealment and disguise of the true character, source, location, disposition, movement, rights with respect to, or ownership of property, knowing such property is derived from crime."

Money laundering is not only harmful to economies and financial institutions; as Kumar (2012) states, "Money laundering has a negative impact on the country's economy and political stability and has to be curbed with a firm hand." It makes business based on crime expand, undermines financial sector stability, and distorts economic policies in a way that resources are channelled in a less productive manner (Masciandaro, 1999).

Moreover, it supports corruption and destroys the trust in financial institutions among the population.

In synthesis, money laundering remains a financial crime with extensive legal, economic, and social ramifications. While international and national frameworks have been developed to combat this crime, challenges persist due to the evolving nature of financial crimes and technological advancements. Strengthening anti-money laundering regulations, enhancing international cooperation, and improving financial transparency are essential steps toward mitigating the risks associated with money laundering.

2.3. Establishing the Link Between Tax Havens and Financial Crime

We believe that there is a clear link between tax havens and financial crime as money laundering, as both phenomena seek to exploit weaknesses in regulatory frameworks, to facilitate financial secrecy and capital movement across international boundaries. Tax havens provide the legal and financial structures that will allow illicit funds to be placed, layered, and integrated into the global economy, effectively laundering money while offering tax advantages to corporations and individuals. Schwarz (2011) argues that “money laundering and tax havens are two sides of the same coin”, as nations that offer low taxation often have lax regulations that attract illicit financial flows. These jurisdictions, known as offshore financial centres (OFCs), maintain on purpose low regulatory standards to serve both legal and illegal financial interests, making them important locations for achieving success in concealing criminal financial activities.

The link between tax havens and money laundering is reinforced by their shared reliance on financial opacity. Following different authors research, we can state that many tax havens operate because of strict bank secrecy laws, minimal reporting requirements, and weak enforcement mechanisms that enable illicit actors to disguise the origins of their funds (Schwarz, 2011). This is particularly evident in the way offshore accounts, shell corporations and anonymous trusts function work, allowing criminals and tax evaders to hide ownership structures and evade scrutiny from home countries. Storm (2013) highlights that money laundering and tax evasion often overlap with each other, as illicit funds need to be cleaned before they can be reintegrated into the economy. While tax evasion involves failing to report income to tax authorities, money laundering involves actively concealing the source of illegal income. However, the methods used for both

activities are seldom identical, particularly in tax havens where corporate structures and banking secrecy create a favourable environment for financial crime.

Research suggests that the existence of tax havens actively facilitates money laundering rather than merely providing a serendipity. Rose (2020) examines the phenomenon of "de-risking" in response to anti-money laundering (AML) regulations, where financial institutions withdraw from high-risk jurisdictions to avoid regulatory scrutiny. However, this process has consequences, as criminals adapt by shifting their illicit financial activities to jurisdictions that are less cooperative with international AML efforts. This suggests that the global crackdown on tax havens and illicit finance has not eliminated money laundering but rather redirected it to jurisdictions with weaker regulatory oversight policies.

Another critical aspect of the link between money laundering and tax havens is the role of financial institutions in facilitating both practices. Schwarz (2011) emphasizes that banks and financial intermediaries operating in tax havens play a crucial role in laundering illicit funds by providing offshore services that allow funds to be transferred, layered, and reintegrated into the legal economy. These banks often have little incentive to conduct thorough due diligence, as their business models rely on attracting large financial flows from foreign entities seeking discretion. Furthermore, tax havens often resist international efforts to implement stricter AML regulations, as these changes could undermine their competitive advantage in the financial sector within their countries.

Empirical evidence supports the contention that tax havens are extensively used to aid money laundering operations since scandals have revealed the ways in which illicit funds are laundered through offshore accounts. Storm (2013) provides examples of court cases where charges of money laundering were combined with charges of tax evasion, thus highlighting the interconnectedness of these two criminal activities. A number of financial inquiries have revealed sophisticated webs of offshore trusts and shell companies established to launder criminal proceeds, evading tax obligations, demonstrating the central role of tax havens in supporting financial misuse.

Regardless of the international efforts directed towards tax evasion and laundering, tax havens still pose a significant challenge. As Rose (2020) observes, anti-money laundering measures have placed greater focus on tax havens, however, these areas

continue to evolve by offering new forms of finances that provide minimal regulatory compliance and secrecy. The OECD and other global agencies have tried to promote transparency by introducing the Common Reporting Standard (CRS) and the Base Erosion and Profit Shifting (BEPS) framework, although these actions have not been uniformly applied. Several tax havens claim compliance with transparency rules, but they do very little, which enables illicit capital movements.

2.4. Conclusion

This chapter has presented the theoretical foundations necessary to understand the complex relationship between tax havens and money laundering. Tax havens were explained as jurisdictions that, through low taxation, financial secrecy, and minimal regulatory oversight, attract both legal and illicit financial flows. At the same time, money laundering was analysed as a multi-stage process aimed at disguising the origin of criminal proceeds and integrating them into the legitimate economy.

The link between both phenomena lies in the structural advantages offered by offshore financial centres, which facilitate the movement, concealment, and legitimisation of illicit funds. These jurisdictions serve as key enablers of financial crime by providing anonymity, weak enforcement, and sophisticated legal tools that benefit both tax evaders and criminal actors. The insights developed in this chapter will serve as a conceptual base for the literature review of the empirical investigation that follows, focusing on the European context.

3. ANALYSIS OF EUROPEAN TAX HAVENS

3.1. Introduction

Tax havens play a significant role in the European financial system, attracting capital inflows due to their low tax regimes, financial secrecy, and business-friendly regulations. These jurisdictions provide multinational corporations, high-net-worth individuals, and financial institutions ways to reduce their tax burdens legally, but they also facilitate tax avoidance, profit shifting, and, in some cases, illicit financial activities (Dharmapala, 2023).

One interesting theory developed by Dharmapala places the proliferation of European tax havens in the period from the end of World War II to the 1960s, in the historical context of decolonisation of European colonial empires during that period. Dharmapala (2023), based on previous researchers, she argues that capital fled from newly-independent countries, associated with the withdrawal of capital invested in those countries by European companies and individuals, motivated by fear of potential expropriation by post-independence governments; however, high tax rates imposed in the European home countries of these investors meant that they were not perceived as attractive places to invest this withdrawn capital, all of this created an increasing demand for alternative and low taxes venues for investment in the wake of decolonization. According to this study, tax havens emerged to satisfy this demand; especially, European tax havens (Dharmapala, 2023).

Another trends on the topic explain that European tax havens emerged as the demand for this kind of fiscal exemption regimes increased; Dharmaphala finds that the latter is measured using regional demand shocks, as proxied by increased tax rates or the introduction of direct income and corporate taxes by other countries in the same geographic region; this could justify the status of tax havens of tiny European jurisdictions, as Monaco, Liechtenstein or Gibraltar. On the other hand, other authors as Mara (2015) tried to explain the historical phenomenon of European tax havens addressing that as the European countries' economies were in a precarious state after the termination of the First World War and funds were desperately needed in order to recover, the vast majority of European jurisdictions choose to highly increase their levels of taxes;

as so, many investor were not pleased by this decision and therefore choose to move their money to countries as Switzerland, which was a neutral country and used to be a financial haven for investor even before this event; causing a trend on these practices.

Kosenkova, 2022 finds “that some EU members allow transnational corporations to steal \$10 to \$15 billion in corporate tax annually for a certain fee” (experts estimate this fee to be several billion dollars) (Kosenkova, 2022), furthermore, researches as Daniela Iuliana Radu – as stated by Wágner (2022) – finds “that the European Union lost 250 billion euros annually, which was more than 2% of the Union’s GDP”; also, Wágner (2022) argues “that 156 billion dollars disappeared annually due to offshore activities, which would be enough to eliminate global poverty” (Wágner, 2022), with all the aforementioned happening under tacit consent of the European Union, the union faces a dilemma: Are tax havens really favourable for the union?; why do they favour some countries in the detriment of other countries?

First, we need to assess the ambiguity of the topic, while some researches – as stated by Kosenkova (2022) – consider tax havens “to be a highly effective tool for attracting significant flows of export capital to resource-deficient and subsidized regions to promote their sustainable development”, some researches, on the other hand, regard tax havens as “an undeniable evil”, allowing a minority to appropriate public wealth; demanding constantly to international organizations to take immediate measures to stop these unlawful activities (Kosenkova, 2022)

This chapter will therefore identify the key tax havens within the European continent; taking into consideration Gravelle (2022) geographical zones: Caribbean Islands/West Indies, Central America, Europe/Mediterranean, Indian Ocean, Middle East, North Atlantic, Pacific and West Africa (Gravelle, 2022) we should identify as European tax havens the following: Andorra, the Channel Islands (Guernsey and Jersey), Cyprus, Gibraltar, the Isle of Man, Ireland, Liechtenstein, Luxembourg, Malta, Monaco, San Marino and Switzerland (for the purpose of our study, we will exclude countries under EU jurisdiction, but outside the geographical concept of “Europe”. E.g. Aruba, Curaçao, among others). Furthermore, Gravelle also includes jurisdictions that were not mentioned in the main OECD lists and for which the common public would not consider as tax havens, such as the Netherlands, Denmark, Hungary, Iceland and Portugal

(Gravelle, 2022) by analysing their common characteristics, and examining their role in facilitating tax avoidance, financial secrecy, and money laundering, we will be able to assess their economic impact and their role in financial tax avoidance; bearing in mind that tax havens lack a well-established and agreed-upon classification, as the weak conceptual framework and diversity of opinions about the importance of tax havens and their impacts on global and local economies difficulties to concretize a shared opinion between scholars (Kosenkova, 2022).

3.2. *European Tax Havens*

Kosenkova (2022) argues “that tax information, with rare exceptions, is a commercial secret; as so, many countries around the world made efforts to improve their legal regulation in the light of increasing concerns about personal data protection” (e.g. Data Protection Regulation (EU) 2016/679 on April 27, 2016) this act unified the requirement for the regulation of information relations in personal data protection for EU countries; on the other hand, it lacked enhancement of exchange mechanisms in regards as information on corporate taxation in the EU (Kosenkova, 2022)

Even though tax haven research is complicated by the limited access to information on the activities in tax havens, and the qualitative nature of available research, we have based our study on Kosenkova (2022) work, which relies on the index developed by a group of economists from the international non-governmental organization Tax Justice Network. The said method allows one to conduct a reliable assessment of tax havens based on the Corporate Tax Haven Index (CTHI) (Kosenkova, 2022) (Corporate Tax Haven Index, 2024)

The CTHI value for countries is computed based on a jurisdiction’s Haven Score (HS) and Global Scale Weight (GSW) according to the following formula (Corporate Tax Haven Index, 2024):

$$CTHI = \frac{HS^3 \sqrt[3]{GSW}}{100}$$

The jurisdiction’s Haven Score (HS) can be defined as a measure of how much scope for corporate tax misuse the concerned countries’ financial systems allow; on the model, tax and financial systems are studied by experts against twenty indicators covering a range of policies, laws and practices, including the jurisdiction’s corporate tax rates, interest

payment deduction limits, among others. (Corporate Tax Haven Index, 2024). This assessment covers 70 jurisdictions across the world and it's assessed by scholars¹ on a scale from 0 (no space for corporate tax abuse) to 100 points (unrestricted corporate tax abuse opportunities) (Corporate Tax Haven Index, 2024) A jurisdiction's total HS is, therefore, an average of the scores received by the jurisdiction in each category (Corporate Tax Haven Index, 2024).

On the other hand, Global Scale Weight (GSW) measures a particular jurisdiction's share in the global financial activities of multinational corporations; estimating the extent to which the legitimate opportunities for corporate tax abuse offered to multinational corporations by tax and financial systems have been realized (Corporate Tax Haven Index, 2024) (Kosenkova, 2022) In this study, the value of GSW was calculated based on foreign direct investment data provided by the International Monetary Fund (Corporate Tax Haven Index, 2024)

The weighing of the Haven Score (HS) by the Global Scale Weight (GSW) determines then how much of the corporate financial activity conducted globally is at risk of corporate tax abuse by the jurisdiction (Corporate Tax Haven Index, 2024) (Kosenkova, 2022). After this, the jurisdictions are ranked, following their Corporate Tax Shelter Index (CTHI), in summary, the CTHI allows for an evaluation of most aspects of the tax and financial systems, to identify abuses in corporate taxation and develop measures to their elimination (Kosenkova, 2022)

The data for computing the CTHI is taken from official and public reports published by the OECD (OECD, 2021), the Global Forum on Transparency and Exchange of Information for Tax Purposes, IMF and the EU (OECD, 2013)

To analyse and assess the impact of tax havens in Europe, the Kosenkova (2022) relies on the geographical classification as per Gravelle (2015), comprising European countries as stated above². The results from the assessment of the impact of European Tax Havens and jurisdictions with tax haven attributes on transnational financial corporate activities

¹ In the Corporate Tax Haven Index (2024), the scores are provided by the British nongovernmental organization – Tax Justice Network. These scholars are leading professionals in the field of corporate taxation from European and American universities and specialists employed in consulting and auditing companies

² Andorra, Channel Islands, Cyprus, Isle of Man, Ireland, Liechtenstein, Luxembourg, Malta, Monaco, San Marino, Switzerland, the UK, Netherlands, Denmark, Hungary, Iceland, and Portugal)

are presented on table 1, using the adopted form, from Kosenkova (2022), but adapted in our current study to reflect the last update of the Corporate Tax Haven Index, as per year 2024.

Table 1. Assessment of the Impact of European Tax Havens and jurisdictions with such features on transnational financial corporate activity.

#	Jurisdiction	Place in the Overall Ranking	<i>HS</i>	<i>GSW</i>	<i>CTHI</i>	<i>CTHI</i> Share
1	Switzerland	4	89.00	3.400	2279.00	5.300
2	The Netherlands	7	74.00	11.10	1945.00	4.500
3	Jersey	8	100.00	0.50	1756.00	4.100
4	Ireland	9	79.00	3.400	1622.00	3.800
5	Luxembourg	10	69.00	8.800	1480.00	3.500
6	Man (The Isle of)	12	100.00	0.100	1144.00	2.700
7	Guernsey	13	100.00	0.100	1122.00	2.600
8	Cyprus	14	79.00	0.900	1046.00	2.400
9	The United Kingdom	18	59.00	8.300	894.00	2.100
10	Malta	20	77.00	0.400	747.00	1.700
11	Hungary	22	70.00	0.800	681.00	1.600
12	Liechtenstein	33	67.00	0.100	290.00	0.700
13	Gibraltar	37	66.00	0.100	258.00	0.600
14	Denmark	42	49.00	0.500	198.00	0.500
15	Portugal	54	46.00	0.300	140.00	0.300
16	Monaco	59	66.99	<0.100	94.00	0.200
17	Andorra	62	63.00	<0.100	77.00	0.200
18	San-Marino	66	60.00	<0.100	44.00	0.100

Source: Adapted from Corporate Tax Haven Index (2024) and Kosenkova (2022)

3.2.1. Results – By Country

We can state, after analyzing the available index and research, that Europe hosts several well-known tax havens, ranging from microstates and dependencies to even larger economies with special tax regimes. Based on Gravelle (2015) and the Corporate Tax Haven Index (2024), we can provide some conclusions regarding European tax havens:

As it can be seen from Table 1, **Switzerland** ranks fourth in the Corporate Tax Haven Index (2024) and first among the studied European Countries (CTHI Share = 5.3).

Following this assessment, Switzerland's HS_{SW} is 89, indicating the potentially opportunities provided by the jurisdiction's tax and financial system for corporate tax abuse. Switzerland has established itself as a traditional European financial and banking center (Kosenkova, 2022) and the high quality of its financial services translate into a high global scale weight ($GSW_{SW}=3.4$) indicating that the country is responsible for at least 3.4% of the global financial activity of multinational corporations; as a result, Switzerland accounts for 5.3% of the global risk of corporate financial misuse. Switzerland remains one of the most significant European tax havens, historically known for its banking secrecy laws, low corporate taxes, and wealth management sector (Janský, 2018). Although recent regulations have reduced financial secrecy, Switzerland continues to be a key location for corporate tax optimization and financial services (Janský, 2018).

The **Netherlands**, an EU country, ranks seventh in the Corporate Tax Haven Index (2024) and second among the studied European Countries; even though the Netherlands is not legally recognized as a tax haven, it is one of the most impactful countries on transnational financial corporate activity (Kosenkova, 2022). According to this analysis, the Netherlands HS_{NL} was 74, indicating the vast opportunities for corporate tax abuse. On the same stage, the position of the Netherlands in the global economy translates into high GSW_{NL} (11.1), indicating that the country conducts at least 11.1% of the financial activities carried out by multinational corporations in the global economy.

According to the IMF analysis conducted in 2020, The Netherlands had the highest FDI Inflows (\$5 005 349 million) and outflows (\$6 174 234 million). Outpacing countries such as China and the USA (Kosenkova, 2022). It is important to note, that the major share of these contributions was, as stated by Damgaard et al, (2019), “phantom” investments used by multinational corporations to reduce their tax burden; as so, we can state that the Netherlands accounts for 4.5% of the global risk of corporate financial misconduct.

The Crown States of the British Crown – **Jersey**, **Guernsey** and the **Isle of Man** – have the highest haven scores; these islands, not being directly part of the UK, nor the EU (pre-Brexit) have a special autonomy that explains their specificities regarding tax and fiscal

policies. The Haven score for the Isle of Man, Guernsey and Jersey is 100 ($HS = 100$); meaning that the laws on those islands allow an unlimited use of corporate tax abuse practices; the unlimited opportunities of tax abuse of the islands lead them to a greater scrutiny of regulatory organizations (Kosenkova, 2022), which explains the relatively low popularity of these jurisdictions $GSW_{JERSEY} = 0.50$, $GSW_{ISLE\ OF\ MAN} = 0.10$, $GSW_{GUERNSEY} = 0.10$; as so, we can conclude that despite unlimited opportunities offered by these jurisdictions to corporations, Jersey, The Island of Man and Guernsey account for 4.1%, 2.7% and 2.6% of the total global risk of corporate financial misconduct, respectively.

Ireland occupies the fourth place in the ranking of European Countries studied, and ninth in the Corporate Tax Haven Index in 2024 (CTHI share = 3.8). It can be noted that the Haven Score for Ireland ($HS_{IR} = 79$) is lower than that of the Channel Islands or Man, indicating significant, but not endless opportunities presented by Ireland's tax and legal systems for corporate tax abuse: Ireland's global scale weight ($GSW_{IR} = 3.4$) is superior than those values of the British Crown Dependencies; representing 3.8% of the global risk of corporate financial misconduct.

Luxembourg (CTHI Share = 3.5) ranks tenth in the Corporate Tax Haven Index (2024) and fifth in the European countries analyzed. The jurisdiction $HS_{LUX} = 69$, indicating the country's significant opportunities for corporate tax abuse; still being lower than those in Ireland, Switzerland and the Netherlands. Meanwhile, the global weighting indicator for Luxembourg ($GSW_{LUX} = 8.8$) is higher than Switzerland's, and slightly inferior to Netherlands; as so, Luxembourg accounts for at least 3.5% of the global risk of corporate financial misconduct.

The island of **Cyprus** ranks fourteenth on the Corporate Tax Haven Index (2024) and sixth in the European countries analyzed, accounting for 2.4% of global corporate financial misconduct risks. The haven score of Cyprus ($HS_{CYPRUS} = 79$) shows the high opportunities that the island's financial system allows for tax abuse.

The **United Kingdom**, ranking eighteenth in the Index and seventh in our analysis, is responsible for at least 2.1% of global corporate financial misconduct risks. The score for the UK ($HS_{UK} = 59$) is significantly lower than previously analyzed countries, showing how less the UK tax and financial system leaves room for these practices; at the same

time, the countries' significant global scale weight ($GSW_{UK}=8.3$) represents how traditionally the Kingdom position itself as a reputable financial player.

Malta's haven score ($HS_{MALTA} = 77$) indicates opportunities for corporate tax abuse. It can also be noted that Malta's global scale weight is higher than that of the Channel Islands and Man but inferior to the ranking leaders ($GSW_{MALTA} = 0.4$), translating into Malta's responsibility of 1.7% of global corporate financial misconduct risk.

The haven score for **Hungary** ($HS_{HU} = 70$) indicates also significant opportunities for corporate tax about. Nonetheless is worth stating that countries previously analyzed as the United Kingdom have a lower tax haven score. The global scale weight indicator for Hungary ($GSW_{HU}=0.8$) means that the country enables at least 0.8% of the global financial activity of multinational corporations and is responsible for at least 1.6% of the total global risk of corporate financial misconduct risk.

The scores for **Liechtenstein, Gibraltar, Denmark, Portugal, Monaco, Andorra** and **San Marino** range from 46 ($HS_{PORTUGAL}$) to 67 ($HS_{LIECHTENSTEIN}$), indicating much lower opportunities for corporate tax abuse. The global scale weight scores for these countries are also low. The GSW of Denmark ($GSW_{DK}=0.5$), Portugal ($GSW_{PORTUGAL}=0.3$) and Gibraltar ($GSW_{GIBRALTAR}=0.1$) indicate that these countries together account for not even 1% of global financial activities of multinational. Also, the combined share of the remaining European jurisdictions analyzed in the global financial activities do not reach even 0.1%.

As so, less than 1% of the world's corporate financial activity is put at risk of corporate tax abuse by these jurisdictions: $CTHI_{LIECHTENSTEIN}=0.7$, $CTHI_{GIBRALTAR}=0.6$, $CTHI_{DK}=0.5$, $CTHI_{PORTUGAL}=0.3$, $CTHI_{MONACO}=0.2$, $CTHI_{ANDORRA}=0.2$, $CTHI_{SAN-MARINO}=0.1$

Each country's CTHI share is presented in Figure 2 below.

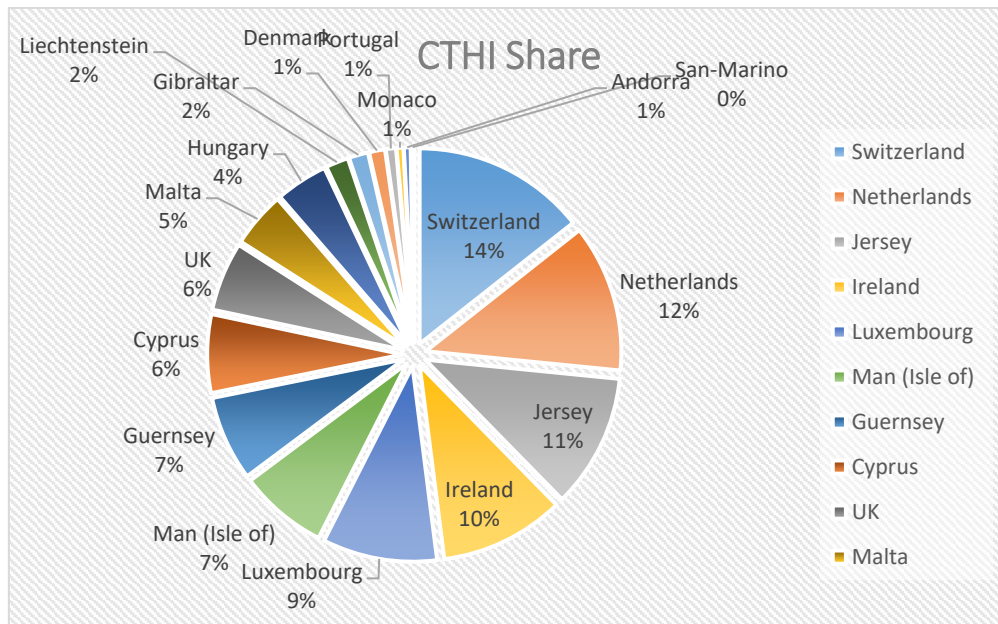


Figure 2. The European countries' share in total amount of corporate financial activities put at risk of corporate tax abuse by all jurisdictions (CTHI shares)

Source: Developed by the author.

Figure 2 shows that Switzerland (14%), the Netherlands (12%), Jersey (11%) and Ireland (10%) have the largest share of corporate financial misconduct risk; it also shows that the share of other countries does not exceed 10% (Luxembourg – 9%, Man and Guernsey – 7%) while the share of other countries traditionally considered tax havens in Europe does not even reach combined a 5% (Liechtenstein – 2%, Monaco – 1%, Andorra 1%, and San-Marino less than 1%)

It should also be noted that despite the European Commission's calls to Ireland, Malta, Cyprus, Luxembourg and the Netherlands in 2019 to “consider features of the tax system that may contribute to aggressive tax planning” (OECD, 2013) and the European Parliament proposal to recognize those countries as EU tax havens (European Parliament, 2021) no real action has been taken to regulate taxation either at country or EU level. Kosenkova (2022) also notes that on the latest Council Conclusions on the Review of the EU list of Non-Cooperative Taxing Jurisdictions show that the EU's attention remains focused on the tax settlement of Anguilla, Vanuatu and Trinidad and Tobago, while none of the countries proposed by the EU Parliament as EU tax havens have ever been included in the EU's restrictive lists (Kosenkova, 2022)

3.3. *Conclusions*

We can conclude stating that the main share of European tax havens does not come from small and insular states, as usually perceived by the public, but from fully-fledged EU countries with significant economies. Switzerland, The Netherlands, UK, Ireland and Luxembourg, countries not usually perceived by the public as tax havens jurisdictions, accounts for de facto 56% of misconduct tax risk, while other countries “famous” for their tax misuse practices, as Monaco or Andorra, do not even reach combined a 5% share of unlawful tax practices risk.

Using Kosenkova (2022)’s study, we can observe that the risk of corporate tax abuse depends not only on a jurisdiction’s legal and fiscal leniency (Haven Score), but also on its volume of global financial activity (GSW). This explains why countries like the Netherlands and Ireland, despite not having the highest haven scores, represent major risks due to their central role in global corporate finance.

It can be observed that the persistence of aggressive tax planning within EU member states exposes a contradiction in the Union’s fiscal policy: while promoting tax justice, it allows internal regimes that undermine it. Despite repeated calls for reform, little progress has been made in regulating these jurisdictions or including them in official blacklists. We firmly believe that addressing this issue will require not only technical reforms, but stronger political will and greater coherence within the EU to ensure fair and unified tax practices.

4. DIRTY MONEY AND TAX TRICKS: HOW DO EUROPEAN TAX HAVENS ALLOW FINCRIME?

4.1. Introduction

While the previous chapters have outlined the theoretical framework and identified the core characteristics of European tax havens, this chapter turns to empirical evidence to illustrate how these jurisdictions function in practice. Through the examination of prominent international financial scandals, we seek to highlight the central role that European tax havens play in enabling financial secrecy, facilitating tax avoidance, and, in many cases, serving as gateways for money laundering.

Using a case study approach, the following chapter analyzes a series of high-profile leaks and investigations (such as the Luxembourg Leaks or the Panama Papers) that exposed the mechanisms and networks behind illicit financial flows in the EU. These case studies demonstrate not only the technical tools employed to obscure ownership and movement of funds, but also the critical involvement of European jurisdictions.

By examining the actors, structures, and regulatory environments involved in each case, the following chapter provides concrete examples of how legal and financial loopholes within the European Union are exploited to support practices that undermine fiscal transparency, economic justice, and the integrity of the global financial system.

4.2. The Scale and Ways of Tax Avoidance

Estimating the exact scale of tax avoidance and evasion in the EU is difficult due to the lack of transparency. However, studies suggest that annual losses range between €70 billion and €240 billion, exceeding the EU's own annual budget (Dover et al., 2015; Blomeyer et al., 2017). When including illicit flows and the shadow economy, some estimates reach €1 trillion (Murphy, 2012).

This situation is rooted in tax competition, where countries use legal tax breaks and loopholes to attract investment. Multinational corporations take advantage of this by shifting profits to low-tax jurisdictions, reducing their effective tax rates far below nominal levels. Key tools used include letter-box companies, which exist on paper and reroute profits without real economic activity, and intra-group transactions, where firms

manipulate internal pricing (transfer pricing) to move profits to tax-favorable subsidiaries (GUE/NGL, 2017).

International Double Tax Agreements (DTAs), designed to avoid double taxation, are frequently exploited to achieve *no taxation at all*. Jurisdictions like the Netherlands often serve as transit points in these schemes, channeling profits to ultimate tax havens. Moreover, hybrid financial instruments, classified differently across jurisdictions (as debt in one, equity in another), create mismatches that further reduce taxable income (GUE/NGL, 2017).

Even though tax authorities can, in theory, audit and challenge these arrangements, enforcement is weak. The complexity and volume of intra-group trade – representing around 60% of global commerce – limits effective oversight. Additionally, firms rely on advance tax rulings, where tax authorities pre-approve aggressive structures, often legitimizing tax avoidance in advance (GUE/NGL, 2017).

Crucially, these schemes are supported by powerful intermediaries, notably the Big Four (PwC, Deloitte, KPMG, EY), which not only advise corporations but also influence the drafting of tax legislation. This reinforces a system where complexity and legal asymmetry benefit those with the resources to navigate and exploit it (GUE/NGL, 2017).

4.2.1 *The Luxembourg Leaks*

The Luxembourg Leaks are among the most well-known scandals that exposed the use of tax havens in Europe. Leaked records from PwC's Luxembourg unit were made public by the International Consortium of Investigative Journalists (ICIJ), which is a global web of reporters from 65 countries, towards the end of 2014. These records, which span the years 2002 through 2010, described how PwC mediated confidential tax agreements on behalf of large international firms with Luxembourg's tax authorities.

The list of beneficiaries included well-known global companies such as IKEA, Pepsi, Walt Disney, and Deutsche Bank. Later investigations revealed that PwC was not the only firm arranging these favourable deals; other major consultancy firms also helped corporations secure ultra-low tax rates in Luxembourg (GUE/NGL, 2017). These arrangements allowed companies to reroute large portions of their profits through letter-box entities established in Luxembourg, paying minimal taxes while maintaining a legal facade of compliance.

This case illustrates how European tax havens are not only used for profit shifting by corporations but also provide the legal and financial secrecy structures that facilitate other illicit activities. These include tax evasion by wealthy individuals, the circumvention of capital controls, and, in more serious cases, the laundering of proceeds from corruption, drug trafficking, and organized crime. As previously discussed, the same legal tools used for corporate tax optimization – anonymous shell companies, nominee directors, and cross-border structures – are equally effective in obscuring the origin and ownership of illicit funds.

The Luxembourg Leaks are also a prime example of how EU regulations may be used to encourage aggressive taxation. Luxembourg's authorities essentially pre-approved corporate tax avoidance plans through advance tax judgments, which frequently allowed businesses to attain effective tax rates near zero. Although these decisions are lawful in theory, they were utilized to justify intricate plans intended to reduce tax obligations without drawing attention from authorities (GUE/NGL, 2017).

Moreover, the case highlights the broader role of tax havens in facilitating money laundering. As noted by the IMF, global money laundering is estimated to represent between 2% and 5% of world GDP – equivalent to between \$1.5 and \$3.75 trillion in 2016 (GUE/NGL, 2017). The NGO Global Financial Integrity has also estimated that over 80% of illicit financial outflows from developing countries between 2004 and 2013 were linked to tax evasion and avoidance practices – many of which relied on jurisdictions such as Luxembourg to shield financial movements from oversight.

In sum, the Luxembourg Leaks exposed not only widespread corporate tax avoidance but also the permissive institutional framework that enables and even facilitates illicit financial flows within the European Union.

4.2.2. The Panama Papers Leak

The Panama Papers, which were revealed by the International Consortium of Investigative Journalists (ICIJ), gained international attention just over a year after the Luxembourg Leaks; as more than 11.5 million financial and legal records from the 1970s to 2015 were made public by this historic leak from the Panamanian law firm Mossack Fonseca. The information showed how 213,634 offshore companies that were set up in

different tax havens with the assistance of banks, law firms, and other middlemen operated (García et al., 2022).

The leak revealed how Mossack Fonseca, in collaboration with European banks and advisors, helped clients create anonymous offshore companies and open secret bank accounts. These structures were designed to hide beneficial ownership, avoid taxes, and enable the transfer and laundering of large sums of money across borders. High-profile clients included political leaders, public officials, and close associates of power elites from across the globe, including several from Europe – notably from France, Malta, Spain, the UK, Iceland, and Russia (Wicaksono et al., 2021).

The instance of former Icelandic Prime Minister Sigmundur Davíð Gunnlaugsson was one well-known example from Europe. According to the Panama Papers, Gunnlaugsson and his spouse controlled Wintris Inc., a covert offshore business that held sizeable bonds from Icelandic banks. Since he had managed the stability of those same banks during the 2008 financial crisis, his failure to report this asset was against parliamentary ethics and exposed a serious conflict of interest (Wagner & Zeume, 2023).

Another case involved Sergei Roldugin, a close associate of Russian President Vladimir Putin. The documents exposed Roldugin's control of multiple offshore companies through which nearly \$2 billion was channeled. These structures were managed via Bank Rossiya, a financial institution closely linked to the Kremlin. The transactions included fictitious loans and asset transfers, such as a \$200 million loan for \$1 and other suspicious deals managed through subsidiaries of Russian state-owned firms (Wagner & Zeume, 2023).

The Panama Papers also highlighted the complicity of prestigious European banks. A particularly revealing case was that of Berenberg Bank, a centuries-old German financial institution. Berenberg maintained a long-standing relationship with Mossack Fonseca, which included opening accounts for offshore companies, referring clients to the firm, and even purchasing ready-made companies on their behalf. In several instances, Berenberg outsourced its anti-money laundering (AML) checks to Mossack Fonseca, accepting their assurances without conducting independent due diligence (GUE/NGL, 2017).

This negligence facilitated transactions for clients involved in serious criminal activities. Among those linked to Berenberg were Martin Lustgarten, accused of laundering €100 million for Latin American drug cartels, and Merhi Ali Abou Merhi, wanted for financing Hezbollah. Despite public commitments to reform, evidence suggests that Berenberg continued these practices at least until 2015.

The Panama Papers confirmed the critical role of enablers – such as law firms, banks, and accounting firms – in supporting offshore secrecy. Techniques like the nominee director system, where a third party is named as the legal owner of a company, and the frequent creation of new shell entities to avoid detection, were systematically used to shield clients from regulation and law enforcement scrutiny (GUE/NGL, 2017).

In conclusion, the Panama Papers revealed the extent to which European actors and jurisdictions are deeply embedded in the global offshore system. These findings reinforced the idea that financial secrecy and regulatory arbitrage are not just features of exotic islands, but also of advanced European economies, which continue to play a central role in facilitating global financial crime.

4.2.3. Other European Cases

Another illustration of how European tax havens facilitate aggressive tax planning and potential money laundering involves Google's use of the so-called "Double Irish with a Dutch Sandwich" scheme. In 2015, despite generating almost €22 billion in profit – of which more than half was generated outside the U.S. – the company paid less than €900 million in taxes, achieving an effective rate of under 8%. We can state that this outcome was facilitated by the channeling of revenues through a network of subsidiaries in Ireland, the Netherlands, and ultimately Bermuda, a jurisdiction that does not impose a corporate tax. The mechanism relied on intra-group licensing fees and intellectual property transfers, legally exploiting EU tax frameworks to shift profits away from the jurisdictions in which economic activity occurred. We believe that the case highlights the role of European jurisdictions in enabling such practices, and has intensified international pressure for coordinated tax reform, particularly from states adversely affected by these strategies.

4.3. *Conclusions*

As this chapter has shown, European tax havens actively promote money laundering and illegal financial flows in addition to facilitating tax avoidance. We have demonstrated how EU-based countries function as central nodes in international financial crime networks through in-depth case studies, such as the Luxembourg Leaks, the Panama Papers, and arrangements like the Double Irish with a Dutch Sandwich.

These examples allow us to draft conclusions towards a trend: the same financial and legal frameworks that are employed for profit shifting are also utilized to hide illegal revenue, avoid regulations, and get around anti-money laundering measures. The participation of European banks, law firms, and political elites further emphasizes the institutional cooperation that keeps these structures in place.

Enforcement is still lax and dispersed despite EU efforts to encourage tax cooperation and transparency. The continued existence of tax havens inside the Union reflects fundamental inconsistencies in European fiscal governance, where political inertia, tax competition, and national interests thwart coordinated attempts to maintain financial integrity.

Ultimately, the sustainability of these practices is not accidental, but systemic. Without structural reforms and stronger political will, European tax havens will continue to erode the fiscal foundations of modern democracies and foster global inequality.

5. ECONOMIC IMPACT OF PROFIT SHIFTING IN THE EU

5.1. *Introduction*

Financial Crime through European tax havens goes beyond a legal or ethical problem, it's a real threat to the EU's economic stability and unity. While most discussions go into on laws aspects of the issue and regulations, the following chapter zooms out to look at the bigger picture: the actual economic cost of these practices for the EU.

The chapter builds on growing research showing that tax havens are not just favorable environments for aggressive tax planning, they're also hotspots for laundering dirty money. Thanks to loopholes and light-touch enforcement, they've become magnets for financial secrecy and shifting profit, causing real harm to their fellow Member States. It is worth noting that the chapter does not aim to provide an original econometric model but rather to present and critically assess key existing methodologies that quantify the fiscal impact of profit shifting in the EU, especially the work of Cobham and Janský (2018) and Crivelli et al. (2016).

5.2. *Economic Impact of Tax Havens and Profit Shifting*

Recent academic research reveals that Europe faces substantial fiscal losses due to profit shifting and the use of offshore tax havens by multinational enterprises (MNEs), with estimates of tax revenue losses ranging from billions to over €100 billion annually depending on the scope and methodology. A 2022 study by Nerudová et al. quantified the extent of both onshore and offshore profit shifting within the European Union, concluding that offshore shifting results in significantly higher losses than intra-EU transfers due to wider tax rate differentials and limited regulatory harmonization. This aforesaid research highlighted that multinationals strategically allocate profits to jurisdictions with lower tax burdens, and that stronger anti-tax avoidance measures can curb this behaviour (Nerudová et al., 2022). Complementary to this, Peramo's work offers an analysis of Spain from 1980 to 2013, employing methods inspired by Zucman to estimate €116 billion in lost tax revenue due to offshore wealth accumulations, illustrating how offshore holdings correlate with increasing inequality and state fiscal stress (Peramo, 2016).

Furthermore, Radu's research emphasizes the global and European macroeconomic implications of tax havens, such as reduced budgetary resources and weakened financial oversight, linking these issues to broader financial crises and the erosion of national tax bases (Radu, 2012).

These works collectively underscore that while the specific estimates vary, the nature of offshore tax avoidance undermines fiscal sovereignty and requires robust international cooperation to ensure tax justice and public finance sustainability.

In conclusion, the continued use of offshore tax havens by multinational enterprises poses a substantial threat to the fiscal capacity of European states, contributes to growing economic inequality, and compromises the stability of public finances.

5.2.1. Distorted Investment Flows

According to the International Monetary Fund (IMF), nearly 47% of the foreign direct investment that flows into the European Union are not connected to any real economic activity and are classified as a "phantom FDI" (Damgaard, Elkjaer, & Johannesen, 2019).

These investments – as previously discussed – are channelled through empty corporate shells or letterbox companies that exist primarily to minimize financial and tax liabilities rather than engaging in real productive or economic operations. Ireland, the Netherlands and Luxembourg are target destinations for such capitals, accounting collectively for over one-third of all global phantom FDI; when examined together with other European jurisdictions as Switzerland (and other outside of Europe: Hong Kong, British Virgin Islands, Bermuda, Singapore, Cayman Islands and Mauritius) we can observe how just ten countries receive more than 85% of the world's phantom investment (IMF, 2019).

A high concentration of fictitious investment flows continues to distort how capital is allocated across the EU. Instead of reaching productive sectors, especially in southern and eastern Member States that need industrial renewal and stronger job growth, funds are funneled into low-tax jurisdictions where they generate little real economic activity.

This diversion doesn't just skew the numbers; it actively undermines job creation, innovation, and long-term industrial development in the regions that need it most. To

make matters worse, phantom FDI inflates national investment statistics, which can mislead policymakers and complicate economic planning at both national and EU levels.

5.2.2. Impact of Tax Evasion on Growth and Fiscal Equity in Europe

The relationship between tax evasion and its adverse impact on both economic growth and fiscal equity has been extensively documented in academic literature, particularly within the European context. Studies by Cobham and Janský (2018) and Zucman (2017) estimate that countries heavily affected by tax evasion and profit shifting experience a reduction in their potential GDP growth ranging from 0.3% to 0.7% annually. These losses are not merely statistical but manifest as real fiscal constraints that limit governments' ability to fund redistributive policies, social welfare programs, and productive investments. Consequently, fiscal leakage exacerbates structural inequalities among EU member states, especially between core and peripheral economies. According to Bostina (2017), tax evasion significantly diminishes economic growth, with regression analysis revealing a negative correlation between evasion levels and GDP expansion across the EU. This is corroborated by newer empirical models analyzing data from 2003 to 2014, which affirm the presence of a persistent inverse relationship between tax evasion rates and economic performance, irrespective of the prevailing tax quotas (International Journal of Economic Policy in Emerging Economies, 2022). Furthermore, in economies transitioning from socialist frameworks, such as Romania and Bulgaria, high tax burdens and inefficiencies in tax administration further intensify evasion, thereby limiting revenue collection and deepening socio-economic disparities (Özker et al., 2024).

Zucman (2017) suggests that if the fiscal resources lost to offshore evasion were redirected into public investment, peripheral European countries could see a cumulative GDP gain of 2–3 percentage points over five years. This implies not only a significant economic stimulus but also a narrowing of the equity gap within the EU. Thus, curbing tax evasion is not just a matter of legality or fairness, but a critical strategy for promoting inclusive and sustainable growth across Europe.

5.2.3. *Economic Modelling of the Impact of Profit Shifting through Tax Havens in the EU*

This section does not present an original econometric analysis but rather discusses and explains one of the most widely used modelling frameworks for estimating the economic impact of profit shifting in the EU, developed by Cobham and Janský (2018), based on the earlier work of Crivelli et al. (2016). The objective here is to present the methodology and results in order to better understand the fiscal implications for EU Member States.

Given the growing relevance of profit shifting for public finances, the possibility of adapting and applying this type of econometric model to a national case – such as Portugal or Southern European economies – represents an interesting avenue for future research. In the context of this thesis, however, the contribution remains focused on the critical interpretation of existing empirical models and their findings.

Their model is crafted in a way that allows to estimate how a country's corporate tax revenues are eroded when multinational companies shift profits to low-tax jurisdictions. The authors specify a panel regression model in which the dependent variable is the size of the corporate tax base for country i in year t . The key independent variables include (a) the country's own statutory corporate income tax (CIT) rate, and (b) a measure of foreign tax haven rates that reflects the incentive for profit shifting. Formally, the model can be summarized as:

$$b_{it} = \lambda b_{i,t-1} + \phi \tau_{it} + \gamma \overline{\tau_{it}^{haven}} + \xi X_{it} + \alpha_i + \mu_t + \varepsilon_{it},$$

Where b_{it} denotes the corporate tax base of country i at time t , τ_{it} is the domestic statutory CIT rate of country i , and $\overline{\tau_{it}^{haven}}$ represents a weighted average of statutory tax rates in other jurisdictions ($j \neq i$) – particularly focusing on identified “tax haven” countries (Cobham and Janský, 2018, p.209). The term X_{it} is a vector of control variables capturing other factors that influence the corporate tax base (for example, macroeconomic conditions, trade openness, or governance indicators), while α_i and μ_t are country-fixed effects and time-fixed effects, respectively, controlling for unobserved heterogeneity across countries and global time trends. The model also includes a lagged dependent variable $b_{i,t-1}$ with coefficient λ , which allows for persistence in the tax base over time.

In this framework, the coefficient γ on the haven tax rate variable is of central interest. A negative relationship between foreign haven tax rates and a country's tax base would indicate that lower tax rates in havens (i.e. more attractive havens) are associated with a shrinkage of the domestic tax base, consistent with profit shifting behavior.

In other terms, we can state from this that a low tax rate in haven jurisdictions creates an incentive for multinationals to report profits there instead of in higher-tax countries, thereby eroding the latter's tax base (Cobham and Janský, 2018). On the other hand, if haven tax rates were higher (or effectively “turned off” as an avoidance channel), one would expect based on their model that the domestic tax base might be larger. Cobham and Janský (2018) indeed interpret the estimated γ as capturing the spillover effect of profit shifting: if γ is statistically significant, it confirms that haven jurisdictions' tax policies have a measurable impact on other countries' corporate tax revenues.

To quantify the revenue loss attributable to profit shifting, Cobham and Janský (2018) apply a counterfactual simulation based on their regression model, following the approach originally proposed by Crivelli et al. (2016). The simulation estimates how much larger each country's corporate tax base would be if profit-shifting incentives were eliminated. This is operationalized by setting the haven-related tax rate differential to zero – effectively assuming that tax haven rates are raised to match the domestic corporate income tax (CIT) rate. The model then predicts a hypothetical tax base b_{it}^* in the absence of profit shifting. The difference between this counterfactual tax base and the actual observed base represents the portion lost to profit shifting. This loss, when multiplied by the domestic CIT rate, yields an estimate of forgone tax revenue, expressible either in absolute terms (e.g., USD) or as a percentage of GDP.

This approach effectively answers the question: “*How much additional tax revenue would country i collect if opportunities for profit shifting to tax havens were removed?*” (Cobham and Janský, 2018; Crivelli et al., 2016). By repeating this calculation for all countries in the sample, the authors allow to derive both global and country-level estimates of revenue losses due to tax haven usage.³

Cobham and Janský's contribution lie not only in applying this model with updated data, but also in improving the data inputs and providing a more granular breakdown of

³ List of country-specific results present on appendices.

results. They replace the original IMF dataset on tax revenues with the ICTD-WIDER Government Revenue Database (GRD), a high-quality and publicly available source of tax revenue data (Cobham and Janský, 2018). This substitution addresses concerns about the consistency of the revenue statistics and ensures robustness. Additionally, the authors experiment with alternative definitions of $\overline{\tau_{it}^{haven}}$ (the haven tax rate metric), including using a refined list of haven jurisdictions and various weighting schemes (e.g., weighting havens' tax rates by their GDP or by their geographic proximity to country i) to test the robustness of the profit shifting estimates. These alternative specifications yielded broadly similar patterns, reinforcing confidence in the central findings (Cobham and Janský, 2018).

Using the above model, the authors allow one to make estimations concluding that the global corporate tax avoidance through profit shifting to havens costs governments on the order of **\$500 billion** in lost tax revenue annually. This is a somewhat lower figure than the earlier IMF-affiliated estimate of ~\$650 billion by Crivelli et al. (2016), largely due to data refinements and methodological updates. The authors' "preferred" estimate (based on the GRD data for the year 2013) implies a worldwide revenue loss of approximately 0.6% of global GDP (Cobham and Janský, 2018).

Crucially, the way these losses are distributed varies greatly throughout nation groups: the way income losses from profit shifting are distributed varies significantly amongst country groups. Cobham and Janský (2018) estimate that in 2013, the majority of EU member states and other OECD nations lost about \$300 billion, or 0.66% of their total GDP. This number is less than the previous estimate of 0.96% of GDP made by Crivelli et al. (2016), most likely as a result of better data and a more accurate definition of tax havens. Developing nations, on the other hand, suffer much greater proportional losses, averaging 1.3% of GDP, or \$190–200 billion per year. As the effective fiscal impact is higher in these nations due to their greater reliance on corporation tax revenue, which ranges from 6 to 12% of overall tax revenues, as opposed to 2 to 3% in OECD nations (Cobham & Janský, 2018). This discrepancy emphasizes how lower-income economies are disproportionately affected by profit shifting.

Regionally, the most severe losses from profit shifting are concentrated in developing regions such as Sub-Saharan Africa, Latin America, and South Asia, where some countries lose several percentage points of GDP annually (Cobham and Janský, 2018). In contrast, high-income regions like Western Europe and North America experience lower relative losses. While low- and lower-middle-income countries are the most affected, the model also shows that no group is entirely immune. Fourteen countries – including Argentina, Chad, Pakistan, and Zambia – suffered estimated losses of 3–7% of GDP in 2013, with an additional 38 countries losing 1–3% (Cobham and Janský, 2018). On the other end of the spectrum, 22 countries registered net gains in corporate tax revenue due to profit inflows, including expected low-tax jurisdictions such as Cyprus and Lebanon, and less expected cases like Brazil and Iraq, highlighting the complex and uneven geography of profit shifting.

5.2.4. EU-Specific Findings: Impact on European Union Member States

Focusing on the European Union, Cobham and Janský's results indicate that EU countries – generally high-income economies – have moderate relative losses from corporate profit shifting, but with notable variation between member states. Most EU countries fall into the OECD category, with losses typically well under 1% of GDP, reflecting the overall high-income pattern. Nonetheless, in absolute terms the EU collectively loses tens of billions of dollars in tax revenue each year due to profit shifting, a leakage that we consider that could otherwise finance public investment or debt reduction. Moreover, the heterogeneity within the EU is shocking: some member states appear to lose significant revenue, while a few seem to gain, underscoring how profit shifting within the single market creates winners and losers.

Among the larger EU economies, the model suggests a range of outcomes. **France**, which had a high statutory corporate tax rate (33% in 2013), is estimated to lose around **0.7% of GDP** to profit shifting, equivalent to approximately **\$20 billion USD** annually (Cobham and Janský, 2018, Appendix Table A2). This is on the higher end for the EU and reflects France's large corporate sector and strong profit-shifting incentives given its historically high tax rate. **Germany**, another major economy, was estimated to lose roughly **0.4% of GDP** (about **\$15 billion**) in corporate tax revenue (Cobham and Janský, 2018). Germany's lower loss ratio compared to France might be due to a combination of a slightly lower statutory rate and possibly a tax base less skewed toward easily shifted

profits (it is conjectured that Germany's corporate profits derive more from manufacturing and less from intangible intellectual property compared to some peers, though Cobham and Janský do not delve into such industry-level analysis).

Italy showed a smaller loss in relative terms – on the order of **0.3% of GDP** (\$5 billion) – and **Spain** around **0.4% of GDP** (~\$5–6 billion) (Cobham and Janský, 2018). These figures underscore that while the big Continental economies are each losing several billions in revenue, the scale is generally below 1% of their economic output. Such losses, while not catastrophic as a share of GDP, still represent meaningful shortfalls in national budgets. For example, a country losing 0.5% of GDP annually to profit shifting would, over a decade, forgo revenue roughly equivalent to 5% of one year's GDP – a sum that could fund major infrastructure projects or social programs.

One particularly notable case is the **United Kingdom**, which in 2013 is estimated to have lost only around **0.04% of GDP** to profit shifting – essentially a negligible amount (Cobham and Janský, 2018). The UK's modelled loss (approximately \$1 billion) is low for such a large economy and contrasts sharply with France or Germany. Several factors might explain this outcome. By 2013 the UK had already reduced its corporate tax rate significantly (to about 23%), diminishing the incentive for profit outflows relative to higher-tax neighbors. The UK also has a network of crown dependencies and overseas territories with special tax statuses; profits that shifted within that network may not register as losses in the data for the UK itself. Additionally, we found that British multinationals might engage in profit shifting in ways that were not fully captured as domestic base erosion in the model (for instance, the UK's tax base might include substantial foreign-source earnings, or it might be benefiting from profit inflows from even higher-tax jurisdictions).

Within the EU, smaller member states exhibit a mix of high losses and gains, often correlating with their tax policies. For instance, **Malta** stands out as an EU country with one of the highest estimated loss intensities in the world. Despite being a high-income economy, Malta's revenue loss from corporate tax avoidance was estimated at approximately **4.6% of GDP** (Cobham and Janský, 2018). This places Malta among the top few jurisdictions globally in terms of loss relative to the size of the economy (comparable to countries like Zambia or Chad in the model's results). The Maltese case

is described as a “curiosity” by Cobham and Janský – Malta has a headline CIT rate of 35%, but its tax system offers extensive rebates to foreign shareholders, yielding very low effective tax rates and making Malta a known “secrecy jurisdiction” within the EU. The model likely interprets Malta’s high statutory rate against its modest actual tax take and concludes that a large amount of profit is not being taxed as it “should” be, hence the very high implied loss (Cobham and Janský, 2018). In other words, Malta’s tax regime, which is attractive to multinational shell companies, may be eroding not only other countries’ bases but also its own potential tax collection (because profits booked in Malta often ultimately incur minimal tax due to rebates).

This result highlights a paradox: a country can simultaneously be a tax haven (facilitating avoidance for others) and appear to lose a lot of revenue itself, if the model assumes that profits shifted to that country *would* have been taxed at the high statutory rate but in reality, they are not. We consider that thus underlines the complexity of classifying “losers” and “gainers” in profit shifting – some havens like Malta have chosen a high statutory rate paired with special loopholes, producing an artifact of a large apparent loss in the model.

On the other hand, several EU members are identified as net gainers of profit shifting, effectively collecting more corporate tax than they would in a system with no tax havens. Notably, **Cyprus** is estimated to enjoy a revenue gain equivalent to about **1.2% of GDP** (Cobham and Janský, 2018, p.218). We found that Cyprus’s 12.5% tax rate and its role as a conduit for international investment make it a haven within the EU, attracting foreign profits. The model indicates that this results in Cyprus raising extra tax revenue (from the increased profit base located there) that it would not have if profits were aligned purely with genuine economic activity.

Similarly, **Ireland** shows a small net gain (around **0.2% of GDP** in additional revenue). Ireland’s case is well-known: with a long-standing 12.5% corporate tax rate and a business-friendly tax environment, Ireland has attracted a disproportionate share of global corporate profits (especially from U.S. technology and pharmaceutical multinationals). By 2013, Ireland’s corporate tax receipts had started to reflect these shifted profits – effectively, Ireland taxes profits that were generated in other countries but reported in Ireland for tax purposes. Cobham and Janský’s findings confirm that

Ireland's aggressive tax strategy results in a net positive spillover for its own revenue (albeit modest as a percentage of Irish GDP, since Ireland's economy is also inflated by these profit inflows in the GDP measure).

Other EU countries with relatively low CIT rates in the 10–20% range – such as **Bulgaria, Lithuania, Latvia, and Slovenia** – also appear in the data as experiencing slight net gains or very minimal losses (Cobham and Janský, 2018). These countries have at times been considered as engaging in tax competition within the EU, offering lower tax rates to attract investment, and the model's outcome suggests that they may indeed be drawing some tax base from higher-tax neighbors. For example, **Bulgaria** (with a 10% CIT rate) shows an implied revenue gain of around 1.1% of GDP, indicating it benefits from profit shifting in the region.

This internal divergence within the EU – with some member states losing revenue to profit shifting while others gain – is a critical insight for policy. It indicates that profit shifting is not only a global issue but also an intra-EU problem, where the tax policies of one member state can significantly impact the revenue of others. The presence of EU havens (or “conduit” jurisdictions) like Ireland, Luxembourg, the Netherlands, Cyprus, and Malta has long been debated, Cobham and Janský's quantitative may be used to put numbers on the phenomenon. For instance, while **Luxembourg** was not highlighted as an extreme case in the narrative, the data show Luxembourg losing an estimated **0.37% of GDP** in revenue (Cobham and Janský, 2018) – a relatively small loss, which may reflect that Luxembourg's special tax arrangements (e.g., for intra-group financing and royalties) allow it to attract profits but often tax them at very low effective rates, perhaps yielding little net revenue gain.

In summary, EU member states generally suffer lower profit shifting losses (as % of GDP) than developing countries, but there is substantial variation among them, and certain EU countries have aligned themselves with the role of profit attractors, often at the expense of their neighbors (Cobham and Janský, 2018).

5.3. Conclusions and Policy Implications

The evidence presented in Cobham and Janský's (2018) study provides a robust empirical base for considering the macroeconomic impacts of profit shifting and other types of tax avoidance, within the EU. The study finds that total global revenue losses

from base erosion and profit shifting (BEPS) are approximately \$500 billion annually, of which \$50–70 billion are attributable to EU Member States. The study shows that revenue 'losses' among EU Member States are asymmetrical – the high-tax jurisdictions (e.g. France and Germany) experience a substantial fiscal drain while the low-tax jurisdictions (e.g. Ireland, Malta and Cyprus) inject profit into the EU. Internal asymmetries like that faced by EU Member States lead to greater fiscal imbalances and redoubles the EU anti-cohesion phenomenon. The case of BEPS reinforces the structural tension between nations' sovereign tax choices and the economic integrity of the EU.

Profit shifting creates a loss not only of public revenues, but also distorts capital allocation, creates fictitious investment, and ultimately cripples tax equity - especially for peripheral Member States that rely heavily on tax revenues from corporations. Without the revenues, a government cannot provide its citizens with investment in infrastructure, social services and publicly funded redistributive actions, which drive deeper intra-EU inequalities.

The evidence therefore argues for a more robust level of tax coordination among EU Member States, including introducing a Common Consolidated Corporate Tax Base (CCCTB), and minimum effective corporate tax rate (to limit the opportunities to undeservedly benefit from regulatory arbitrage), and to leverage increased tax coordination in the EU to support global tax coordination. In this sense, the EU's introduction of Country-by-Country Reporting (CbCR) in 2021, is a promising step toward increased transparency about aligning profits with where economic activity is occurring.

Cobham and Janský also highlight the need for greater global governance on tax. Their proposal to either sanction and empower one of the existing international forums or develop a global tax body under the auspices of the UN serves to put EU strong leadership on fair taxation goals in relation to equity in the global economy. The intersections between BEPS and illicit flows (including money laundering), highlight the strategic reasons for addressing the issues surrounding BEPS and to do that, greater transparency on tax reporting and information sharing are essential.

Although this thesis does not present original econometric modelling, it assesses existing methodologies that quantify the impact of profit shifting in the EU. A promising topic for future research would be the national application of these models – particularly

in Southern European economies such as Portugal – to better measure local impacts and inform evidence-based policy responses.

Financial opacity and aggressive tax planning ultimately cost more than just lost money. It hinders growth, increases inequality, and jeopardizes the EU's long-term goal of economic cooperation and convergence. To maintain the Union's economic sustainability and guarantee a more equitable distribution of the tax burden among Member States, it is imperative to fortify collaboration, transparency, and tax policy harmonization.

6. CONCLUSION – WHAT LIES AHEAD?

With a focus on the economic and political ramifications for the European Union, our study has investigated how European tax havens aid in global money laundering and financial crime. The study has shown that tax havens in Europe are not isolated anomalies but rather key players in the structure of global financial opacity and regulatory arbitrage, thanks to a multidisciplinary approach that blends theoretical insights, review of literature on empirical case studies, and the critical evaluation of economic modeling.

From an economic perspective, the results are very alarming. According to the quantitative data examined, particularly the models created by Cobham and Janský (2018), profit shifting made possible by countries like Ireland, Luxembourg, the Netherlands, Switzerland, and others costs the European Union between €50 and €70 billion a year. In addition to being large in absolute terms, these losses are also asymmetrically distributed, allowing low-tax jurisdictions to reap fiscal gains from money that does not derive from local economic activity while disproportionately harming high-tax nations like France and Germany. The Union's goals of unity, equity, and economic convergence are compromised by this dynamic, which also makes intra-EU fiscal imbalances worse.

Moreover, the distortionary effects of tax avoidance extend beyond public revenue losses. As shown in Chapter 5, the redirection of foreign direct investment towards so-called “phantom” destinations – jurisdictions with little to no real economic substance – undermines productive investment in economically weaker regions, particularly in Southern and Eastern Europe. This misallocation of capital hinders job creation, infrastructure development, and industrial modernization in Member States most in need of fiscal space and private investment. Over time, this contributes to the persistence of structural inequalities within the Single Market.

The evidence also points to a systemic erosion of fiscal sovereignty. Tax havens – whether EU Member States or associated territories – enable corporate and individual actors to bypass national tax systems, thereby constraining governments’ capacity to finance essential public goods and social welfare programs. As profit shifting becomes embedded in corporate strategy, states face growing pressure to lower their tax rates or

introduce loopholes to remain competitive, triggering a harmful race to the bottom that further weakens the Union's collective fiscal base.

The enforcement of the Anti-Tax Avoidance Directive and Country-by-Country Reporting, among other EU-level measures, is still dispersed and frequently subject to political restrictions, despite efforts to improve tax transparency and stop base erosion. Importantly, a large number of countries that independent research has determined to be tax havens are not on the EU's official blacklist, indicating a discrepancy between declared policy goals and institutional procedures.

Taking our findings into consideration, we believe that several policy implications emerge. First, the establishment of a Common Consolidated Corporate Tax Base (CCCTB) combined with a minimum effective tax rate would serve as a foundational step toward harmonizing tax policies and reducing the scope for harmful tax competition. Second, greater transparency – through mandatory public reporting and enhanced information exchange – would limit the opacity that currently facilitates both legal and illicit financial flows. Third, internal consistency must be enforced: Member States whose tax regimes enable large-scale profit shifting should be subject to the same scrutiny and regulatory pressure as external jurisdictions.

Finally, the European Union must assume a more assertive role in global tax governance. As profit shifting and financial crime are inherently transnational in nature, unilateral reforms are insufficient. The EU should support the development of inclusive international frameworks – potentially under the auspices of the United Nations – that aim to address tax justice on a global scale.

In conclusion, the continued existence of tax haven dynamics within the EU poses a severe danger to economic efficiency, justice, and sustainability in addition to financial integrity. The Union will continue to be at risk from declining revenue, skewed investment flows, and growing regional inequality in the absence of structural changes and a renewed dedication to fiscal coordination. More than just technical fixes are needed to address these issues; political will and a reaffirmation of the EU's core values of solidarity and equitable development are also necessary.

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APPENDIX

Table 2. Country-level revenue loss estimates

Country	IMF (billion)	GRD (billion)	IMF (%) GDP	GRD (%) GDP
Guyana	0,24	0,21	8,05	6,97
Chad	1,09	0,95	8,05	6,97
Malta	0,49	0,43	5,3	4,59
Comoros	0,03	0,03	5,1	4,42
Guinea	0,33	0,29	5,1	4,42
Zambia	1,13	0,98	5,1	4,42
Pakistan	12,06	10,45	5,1	4,42
Argentina	24,71	21,41	5,1	4,42
Eritrea	0,16	0,14	4,58	3,96
Namibia	0,56	0,49	4,58	3,96
St. Lucia	0,06	0,05	4,4	3,81
St. Kitts and Nevis	0,03	0,03	4,23	3,66
St. Vincent and the Grenadines	0,03	0,03	3,98	3,45
Mozambique	0,53	0,46	3,6	3,11
Guatemala	1,69	1,47	3,14	2,72
Dominica	0,01	0,01	2,81	2,43
Grenada	0,02	0,02	2,81	2,43
Costa Rica	1,36	1,18	2,81	2,43
Gambia, the	0,02	0,02	2,7	2,34
Solomon Islands	0,03	0,03	2,7	2,34
Central African Republic	0,06	0,05	2,7	2,34
Bhutan	0,06	0,05	2,7	2,34
Burundi	0,07	0,06	2,7	2,34
Malawi	0,1	0,09	2,7	2,34
Swaziland	0,1	0,09	2,7	2,34
Sierra Leone	0,12	0,11	2,7	2,34
Niger	0,2	0,17	2,7	2,34

Rwanda	0,21	0,18	2,7	2,34
Haiti	0,22	0,19	2,7	2,34
Benin	0,23	0,2	2,7	2,34
Nicaragua	0,31	0,26	2,7	2,34
Mali	0,31	0,27	2,7	2,34
Senegal	0,42	0,36	2,7	2,34
Uganda	0,61	0,53	2,7	2,34
El Salvador	0,67	0,58	2,7	2,34
Tanzania	0,86	0,75	2,7	2,34
Kenya	1,22	1,06	2,7	2,34
Ethiopia	1,28	1,11	2,7	2,34
Tunisia	1,31	1,13	2,7	2,34
Morocco	2,83	2,45	2,7	2,34
Peru	5,69	4,93	2,7	2,34
Philippines	7,36	6,37	2,7	2,34
India	47,53	41,17	2,7	2,34
Togo	0,1	0,09	2,29	1,98
Dominican Republic	1,36	1,18	2,29	1,98
Fiji	0,08	0,07	1,9	1,65
Lao People's Dem. Rep.	0,19	0,17	1,9	1,65
Sri Lanka	1,24	1,07	1,9	1,65
South Africa	6,73	5,83	1,9	1,65
Burkina Faso	0,21	0,18	1,71	1,48
Bangladesh	2,4	2,08	1,71	1,48
United States	277,61	188,83	1,66	1,13
Japan	68,79	46,79	1,37	0,93
Antigua and Barbuda	0,01	0,01	0,9	0,78
Seychelles	0,01	0,01	0,9	0,78
Belize	0,01	0,01	0,9	0,78
Liberia	0,02	0,02	0,9	0,78
Barbados	0,04	0,03	0,9	0,78
Panama	0,36	0,32	0,9	0,78
Sao Tome and Principe	0	0	0,86	0,75

Guinea-Bissau	0,01	0,01	0,86	0,75
Djibouti	0,01	0,01	0,86	0,75
Cape Verde	0,02	0,01	0,86	0,75
Lesotho	0,02	0,02	0,86	0,75
Mauritania	0,04	0,03	0,86	0,75
Tajikistan	0,07	0,06	0,86	0,75
Zimbabwe	0,09	0,08	0,86	0,75
Jamaica	0,12	0,11	0,86	0,75
Honduras	0,16	0,14	0,86	0,75
Nepal	0,17	0,14	0,86	0,75
Côte d'Ivoire	0,24	0,21	0,86	0,75
Bolivia	0,26	0,22	0,86	0,75
Ghana	0,39	0,34	0,86	0,75
Uruguay	0,49	0,43	0,86	0,75
Myanmar	0,51	0,44	0,86	0,75
Malaysia	2,7	2,33	0,86	0,75
Colombia	3,19	2,76	0,86	0,75
Indonesia	7,48	6,48	0,86	0,75
China, P.R.: Mainland	77,13	66,81	0,86	0,75
France	29,08	19,78	1,06	0,72
Belgium	5,13	3,49	1,01	0,69
Portugal	1,63	1,11	0,74	0,51
Belarus	0,39	0,34	0,56	0,49
Germany	22,09	15,02	0,61	0,42
Spain	8,11	5,52	0,6	0,41
Australia	8,9	6,05	0,6	0,41
Luxembourg	0,33	0,23	0,55	0,37
New Zealand	0,76	0,52	0,42	0,29
Italy	7,84	5,33	0,38	0,26
Canada	4,98	3,39	0,27	0,19
Greece	0,64	0,43	0,26	0,18
Israel	0,52	0,35	0,19	0,13
Denmark	0,62	0,42	0,19	0,13

Austria	0,8	0,54	0,19	0,13
Netherlands	1,53	1,04	0,19	0,13
Finland	0,41	0,28	0,16	0,11
Korea, Republic	1,64	1,12	0,14	0,09
Slovak Republic	0,06	0,04	0,06	0,04
United Kingdom	1,56	1,06	0,06	0,04
Botswana	0	0	0,03	0,02
Ecuador	0,02	0,02	0,03	0,02
Sweden	0,03	0,02	0,01	0
Switzerland	-0,26	-0,18	-0,04	-0,03
Estonia	-0,01	-0,01	-0,05	-0,03
Turkey	-0,77	-0,52	-0,09	-0,06
Chile	-0,26	-0,18	-0,09	-0,06
Iceland	-0,01	-0,01	-0,09	-0,06
Poland	-0,7	-0,47	-0,14	-0,09
Czech Republic	-0,27	-0,18	-0,14	-0,09
Hungary	-0,18	-0,12	-0,14	-0,09
Slovenia	-0,1	-0,07	-0,2	-0,14
Ireland	-0,66	-0,45	-0,3	-0,2
Thailand	-1,69	-1,46	-0,42	-0,37
Egypt	-1,1	-0,96	-0,42	-0,37
Croatia	-0,25	-0,21	-0,42	-0,37
Cambodia	-0,07	-0,06	-0,42	-0,37
Madagascar	-0,04	-0,04	-0,42	-0,37
Armenia	-0,04	-0,04	-0,42	-0,37
Ukraine	-1,07	-0,93	-0,61	-0,53
Taiwan Province of China	-4,49	-3,89	-0,93	-0,8
Singapore	-2,76	-2,39	-0,96	-0,83
San Marino	-0,02	-0,02	-0,96	-0,83
Romania	-1,93	-1,67	-1,05	-0,91
Brazil	-25,19	-21,82	-1,15	-1
Iraq	-2,55	-2,21	-1,15	-1
Lithuania	-0,54	-0,47	-1,15	-1

Serbia	-0,5	-0,44	-1,15	-1
Latvia	-0,35	-0,3	-1,15	-1
Georgia	-0,18	-0,16	-1,15	-1
Lebanon	-0,52	-0,45	-1,19	-1,03
Mauritius	-0,14	-0,12	-1,19	-1,03
Maldives	-0,03	-0,02	-1,19	-1,03
Turkmenistan	-0,5	-0,43	-1,24	-1,07
Jordan	-0,43	-0,38	-1,28	-1,11
Uzbekistan	-0,71	-0,62	-1,29	-1,12
Montenegro	-0,06	-0,05	-1,29	-1,12
Moldova	-0,1	-0,09	-1,32	-1,14
Bulgaria	-0,71	-0,62	-1,32	-1,15
Paraguay	-0,4	-0,35	-1,32	-1,15
Bosnia and Herzegovina	-0,25	-0,22	-1,32	-1,15
Albania	-0,17	-0,15	-1,32	-1,15
Mongolia	-0,15	-0,13	-1,32	-1,15
Macedonia	-0,14	-0,12	-1,32	-1,15
Kyrgyz Republic	-0,1	-0,08	-1,32	-1,15
Cyprus	-0,3	-0,26	-1,37	-1,19

Source: A.Cobham and P. Jánsky, 2018