COMMITTEE: GA 2: ECOFIN

AGENDA: International cooperation in combating tax evasion

STATE: Germany

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Tax evasion and tax avoidance are two of the major issues that threaten government revenues. The US senate has determined that businesses and people in the US lose nearly 100 billion dollars in tax income each year as a result of tax ecvasion. Billions of euros have been invested in numerous other nations. As a result, infrastructure and services like education and health will receive less funding, decreasing living standards in both developed and emerging nations. During the G20 Summits in Washington, London, Pittsburgh, Toronto, Seoul, and Cannes, the batla against cross-border tax evasion and tax transparency were the primary topics. (1) Tax evasion and tax avoidance cost the EU billions of euros each year in income losses. As a result, Member States experience a considerable loss of revenue and a decline in the effectiveness of their system of taxes. Businesses that engage in active tax planning and tax avoidance strategies are at a competitive disadvantage to their rivals. Additionally, to make up for tax liabilities of tax evaders, honest citizens bear a higher cost in the form of tax increases and spending reductions. Therefore, preventing tax evasion is crucial for establishing fairer and more efficient taxes. Tax avoidance and fraud impacts all of us. Within the EU and worldwide, it happens both within and between nations. Consequently, a single nation cannot resolve the issue on its own. To adress the issue both at home and abroad, the EU and Member states must cooperate more internationally. (2) We as the delegation of Germany deeply believe that this immense issue must be solved immediately and we are prepared to take any obligatory steps.

Member States suffer a sizable loss of revenue and a reduction in the efficiency of their taxation system. Active tax planning and avoidance methods put businesses at a competitive disadvantage compared to their rivals. Additionally, honest citizens pay a greater price in the form of tax increases and reduced spending to make up for the tax responsibilities of tax evaders. Therefore, battling tax evasion is essential for creating taxes that are more equitable and effective. The UN has taken a leading part in helping developing nations defend their tax bases from BEPS. Some of these steps were taken before the OECD's BEPS initiative. A Subcommittee on BEPS was established by the United Nations Committee of Experts on International Cooperation in Tax Matters in 2013 with the task of examining the effects of BEPS on developing nations and making recommendations for adjustments to the United Nations Model Tax Convention Between Developed and Developing Countries ("United Nations Model Convention") to address BEPS. Additionally, the Subcommittee on Transfer Pricing is working on issues related to how BEPS' transfer pricing aspects affect developing nations.(3)

Germany alone collects a fourth of the EU's total tax revenue. Given Germany's importance to the EU economy, the EU's fight against abusive tax practices is strengthened thanks in large part to the German tax system, which also plays a crucial role in encouraging trade between nations and company growth. But the disclosure in 2018 showed that Germany has lost billions in tax income as a result of aggressive payment avoidance activities. (2) In Germany, if an individual is found guilty of tax evasion, they can face a fine or a 5 to 10 year prison sentence in the case of a more serious tax offence.

Many nations have a growing problem of tax evasion. Particularly, some developing nations do not receive even half as much revenue as they ought to if taxpayers followed the text of the law.2/ The legal system may not be enforced by the courts in these nations due to insufficient enforcement methods, poor regard for tax officials, and weak enforcement procedures. The strength to enforce the law is even more limited regionally, which can sometimes make this problem worse. The necessity for subnational authorities to boost revenues grows more urgent as local governments are given more and more responsibility for spending while central governments struggle to finance the budget. In order to comprehend why people do not pay taxes it is mandatory to analyze the underlying motives and ideas. Some of the obvious examples include increasing and better targeting enforcement, enhancing collecting information and management, lowering the costs of complying with the law , offering rewards to those who do so, and changing tax bases and rates. In some nations, the traditional routes for increasing tax compliance are largely inefficient: the capacity to enforce the law through a widespread audit campaign or by prosecuting numerous defendants is relatively restricted, and there may be little room for modifications to the law or further reductions in transaction costs. It has been worthwhile in this context to attempt to apply behavioral economics ideas to people's views and moral ideals regarding paying taxes.(4)

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