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PERFECT TAX HAVEN BETWEEN MYTH AND TRUTH

Marius Eugen RADU

„Dimitrie Cantemir" Christian, University Faculty of Law and Administrative Sciences, Bucharest, Romania, E-mail: mariusavocat@yahoo.com

Abstract *The main difference between onshore and offshore financial centers have is that onshore fi nancial center is bound by law to ensure monitoring of offshore investors when the center does not have this requirement. Instead, the latter should be encouraged to monitor onshore investors through governments or international institutions. A very important issue for the OECD aims to fight money laundering through offshore jurisdictions is to promote a campaign stop, first, an unfair tax competition internationally.*

Keywords

Tax haven, offshore area, tax, capital flows, tax evasion

1. Introduction

In the international community the existence of offshore financial centers (OFC) raises concerns about potential risks fi nancial stability and fiscal integrity. The capacity of these centers to attract foreign capital depends on the tax legislation different from that of an onshore jurisdictions. Regulatory lag can make it difficult to monitor and assess risks to the fi nancial centers conglomerates face increasing integrated global markets and the risk that the product of crime can have access to these markets.

First attractiveness of an offshore jurisdiction depends on the specific politico-economic state. Therefore, in order for a state to provide offshore means to deal with financial investment and maintenance costs to maintain or build social capital needed. Secondly, offshore services are key to conducting illicit activities such as money laundering, terrorist financing and fi nancial crime in general.

The existence of tax incentives, deeply rooted as a condition for operation of offshore financial center, suggests that international efforts to create an economic and financial level operative, is more likely to achieve cooperation between onshore and offshore jurisdictions.

If the offshore financial centers because, on the one hand, the evolution of their political and historical, on the other hand, due to increasing financial flows of foreign, are relatively immune to the cost of financial crime and insensitive to relevant international organizations, when they perceive global programs of financial and banking supervision in terms of discriminatory practices. In this context, offshore financial centers, will be less likely, cooperating vulnerable given their attitude, not in accordance with international economic and financial realities.

Offshore banks are also frequented by criminals investors. Virtually undetectable funds are flowing through the system of alternative remittance through banks offsshore as traditional records are not kept.

Such tax havens transactions are common in some countries very developed economically, coordinates the movement of capital from one country to another country through encrypted data communication.

2. Elements of identification a perfect tax haven

Financial frauds usually follows a common pattern. The most successful have always an element of innovation and creativity, but also based on copying techniques and themes from other frauds that have stood the test of time. International capital movements have exploded in recent years with financial deficits equally in proportion to global GDP. Since 2000 international trade increased by 12% to world GDP by 25%. At the same time, capital movements were boosted by the development of financial risk management instruments.

Any investor has the right to choose which way to go through profit or investment. Thus, offshore systems, most often, investors have priority in choosing investments that migration territories. Among the factors generating migration of capital to tax havens include:

1. decline in public confidence in local financial institutions. A good example that supports this assertion is that the US banking system collapsed in the economic and financial 80s led to an explosion of banks offering offshore territories in exchange investors a wider range of services that could not be available in the US banking system.

2. Distrust of state authorities. Typically investors are concerned about the fear that government authorities of

the State of residence does not provide protection against abuse of invested capital area.
3. Confidentiality transactions - banking systems have not implemented a genuine banking secrecy to provide economic financial privacy desired so that the environment provides offshore own financial security, which any businessman needs in transactions.

The main difference between onshore and offshore financial centers have is that onshore fi nancial center is bound by law to ensure monitoring of offshore investors when the center does not have this requirement. Instead, the latter should be encouraged to monitor onshore investors through governments or international institutions.

A very important issue for the OECD aims to fight money laundering through offshore jurisdictions is to promote a campaign stop, first, an unfair tax competition internationally. In this sense G20 leaders recently agreed to be ready to deploy sanctions to protect their financial interests. Development of multinational corporations is a form qualitatively new expansion foreign monopolies by nature organizing their direct investment or postofoliu through free trade zones, which are also areas of investment, this type of company runs sales spaces extensive step up the internationalization of capital and increases their concentration and centralization.

Transnational corporations is one of the important factors of the actual development of the world economy, becoming a power able to challenge in its own interests, great changes in the international relations. Another form of tax optimization which helps companies are onshore jurisdictions with favorable tax regime, for example companies in Malta, Cyprus and other European companies, the Community; they function as commercial companies have number of tax residence (in order to apply the provisions of double taxation treaties) have a VAT number, take accounting, shall be submitted statements and annual accounts. If these

European companies is kept simple entry accounting, there is no concept of deductible or non-deductible expenses, any collection is profit, and any expense is recorded as a loss. In this situation it is accepted accounting companies any contracts, invoices or other economic transactions to help these companies profit drop to 0, depending on the need and desire of each operator individually.

3. Tax havens in the context of economic globalization

Offshore companies are financial planning tools and also international tax avoidance, lifting the profitability of a business, coordinating a productive activity leaving the possibility of anonymity and freedom while creating a full exchange. Offshore companies can be used in both schemes related to tax optimization, as well as conducting illegal business. Legality of transactions with an offshore company is determined by the laws of the countries where the transactions were carried out and the provisions of international agreements. Many developed countries impose restrictions on transactions with offshore companies, but no state can prohibit such transactions.

Discriminative measures can be applied to businesses that have transactions with offshore companies. For example: increase tax rates for operations with offshore companies, these additional operations control currency etc.

Operator wishing to trade offshore or offshore companies must take into account the basic principles of international tax planning:
- Diversity fiscal policies
- every state has specific aspects of fiscal policy, so different tax base, taxable income and taxable, tax principles. For example: the same type of income can be considered taxable in the country where it was obtained, but taxable in the country where the trader is resident.
- Taxation of economic agents depends on the legal form of company registration
- The same type of income can be perceived differently. In some states use separate taxation of income (withholding tax) in other comprehensive income taxation, and in some states to impose combined use.
- Correct use of the provisions of international agreements reached between the resident country and the country where this company will be registered offshore.

4. Conclusions

Tax havens can provide useful financial services to companies, but poor banking secrecy and tax regulation is also a magnet for drug traffickers, money launderers through offshore corporations.

Tax havens are a shield for large corporations and wealthy elite which allows them to evade paying taxes. They allow large corporations to hold companies to ransom and encourage corruption and degradation of quality of life in other jurisdictions. Paradoxically or not, in the name of "free market", the World Trade Organization (WTO) supports tax havens; so ordinary people in onshore countries have to pay a heavy price for the policies of tax havens.

Tax havens can provide companies and wealthy individuals a way to escape their tax obligations. This limits the country's ability to raise revenue through taxation, both on their own income residents and on foreign capital. This undermines the ability of

governments in poor countries to invest in vital social and economic infrastructure on which human welfare and sustainable economic development.
Offshore world provides a safe haven for proceeds of political corruption, thus contributing to the spread of globalized crime and facilitate the plunder of public funds by corrupt elite.
This contributes to increased crime and transparent budget processes impede development in poor countries. The system has helped to increase offshore financial crises that destroy livelihoods in poor countries.

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