

## METHODS OF TAXATION IN THE TAX HAVENS. EXAMPLES OF TAXATION IN THE BAHAMAS, BERMUDA AND THE CAYMAN ISLANDS

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### **Abstract**

*We should never trust appearances: "the drum, with all the noise it makes is not only filled with wind"[1]. This old oriental proverb perfectly illustrates our proposal regarding the "true false" tax havens. Only at the beginning of this century, learned before firms to exercise their activity in the national territory, returned to international trade. The continuous search for new outlets to escape the growing production, export them first and then they were implanted overseas sales platforms and then installing production.*

*Zero Haven sites or havens with zero tax consisting essentially of small economies, the British colonies (Cayman Islands, British Virgin Islands), dependent territories of the Commonwealth (Bermuda) or territories became independent (Antigua, Bahamas 1963 or Vanuatu 1980). Our study will analyze tax havens most common: Bahamas, Bermuda or the Cayman Islands, where we find all models of reception that can be viewed in other areas zero-haven: International Business Companies (Antigua, the Virgin Islands, Nevis) exemption schemes to insurance companies or banks (Barbados, Vanuatu).*

*The subject of tax evasion subject of much debate, targeting both the domestic economic space and the world. Unlike their concerns globally, domestic concerns to reduce tax evasion resumes, especially on taxation of small businesses, avoiding knowingly scope of tax havens.*

**Keywords:** *tax haven, international trade, tax, profitability*

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### **1. Introduction**

Since the end of the Second World War, large international groups, mainly American, have decentralized production centers to countries where labor was clearly a good deal. Therefore, profit centers have emerged in countries characterized by the absence of taxation or vast discretion. Since then he has become extremely tempting to redistribute profits attributing most important part of these companies within the group, is installed in countries where little or no tax. The first generation of tax havens is characterized by geographical proximity to one or more developed countries, generally at the intersection of two currency zones. The decor is complemented if we add a green sea, blue sky and coconut trees. The term tax haven was so perfect choice both in form and in content. Some of these small countries have known otherwise to manage their well establishing rules exciting development in this regard [2].

At the beginning of XXI century, even the concept of tax haven is rarely dissociated from the "banana republics"[2]. Internationally, we are forced to acknowledge that some of these tax havens have recently lost that capacity. Liberia, Panama and the Philippines are countries where companies are forced to barter implanted with coconut to buy armored cars. Advice to use such a country becomes a true madness, and can only come from some "professionals" who have an idea about taxation that it is only a bad permanent exchange processes between opponents less likely probity.

International tax evasion has existed since ancient times. In ancient Greece, the islands in the vicinity of Athens were used by merchants to store goods. Thus, to avoid a 2% tax levied on imports and exports of the city. In the sixteenth and seventeenth centuries, Flanders became a tax haven, whereas trade conducted through its ports were subject to tax and minor restrictions. The moment that marks the growing importance of tax havens, it represents the end of the Second World War, when he noticed an increasing number of subsidiaries of a parent. Originally used to expand parent companies abroad, foreign subsidiaries have begun to be used later as a means of tax evasion by implanting them in countries with stable currency, which did not exercise control of trade, they had a banking system reliable and a government that encourage foreign investments in their territories, but imposes weak profits or benefits to foreign investors resident companies and subsidiaries dividenele paid by the parent company[7].

The existence of a stable political environment and an acceptable level of economic development seem very important at this stage. Thus, even if the islands of Tonga, for example, imposing a small fee is limited to annual reception structures (media, etc.) and the commercial activity of the island (banking and financial organizations) considerably limits the tax attractions. It's delicate but equally to define the Bahamas tax haven that is always described as fragile socio-economic and political?[8]

Using a paradise require equally appropriate trade and financial legislation which provides inter alia banking secrecy and that lends itself easily to creating legal entities. Overall, it seems that the old tax havens where companies have imposed the reduced suffering from multiple imperfections. It probably keep that privileged regime is extended to businesses in general irrespective of the nature of their work. Executive current proposals are far from solving the problem of tax equity, on the contrary, placing a burden on domestic companies. The first reviews came from the company have resulted in harsh criticism, the (tax) is asking them to change their mentality, not to commit abuses. At the same time, it launched a warning that tax inspectors do not comply with the law and forces honest taxpayers to pay the price to combat fraud.

The subject of tax evasion subject of much debate, targeting both the domestic economic space and the world. Unlike their concerns globally, domestic concerns to reduce tax evasion resumes, especially on taxation of small businesses, avoiding knowingly scope of tax havens. For example, in the US, studies show that companies transfer 20 percent of their profits in tax havens; amid falling tax burden by approx. 20-30 percent in the past 15 years the intensity dirigirii profits to tax havens has increased tenfold.

The same study also reveals that, globally, 8 percent of personal financial wealth is achieved through offshore companies, state governments damages world with more than \$ 200 billion per year; Two thirds of this amount diverted on account of international tax evasion[9]. In its report on the economy, US President binds concern to reduce tax evasion competitiveness, hiring executive to a series of tax reforms aimed not only tax reduction and simplification of taxation of small businesses, but closing "loopholes" wasteful (listed as actions reducing incentives for directing profits to tax havens, namely, supporting domestic investment).

In 2014, the Russian Government approved a national plan aimed at combating tax evasion and limiting the opportunities for gains dissipating members / shareholders of transnational corporations. To implement measures to reduce tax evasion, the Kremlin leader appealed to complicity, asking them oligarchs to support diversification of the economy in exchange for their promise not to take any important decision for the national economy without prior consultation with business. At the same time, it established a list of offshore jurisdictions recognized by the Ministry of Finance and have taken steps to increase transparency of business legal entities. To return the money "hidden" through tax havens, but also brings to the surface the shareholders registered in Russia (the fictive or on behalf of third parties) take the decision to grant tax amnesty. The European Commission, in a statement to the European Parliament (COM / 2012/0351), show that tens of billions of euros, often unreported and untaxed, is still in offshore jurisdictions, reducing national tax revenue. To increase cooperation measures were adopted on: strengthening existing tools to prevent widespread practice of offshore structures; greater exchange of information; trends and combating evasion and tax avoidance schemes; strengthening fiscal governance; ensuring consistency with third countries. Directed at three levels (national, Union and non-EU), EU tax policy focused on two aspects: a) a more effective collection of taxes in the Member States and b) a better co-operation between tax administrations of the EU. Therefore, the EU has limited itself to define Directive, Member States accounting for them the task of finding solutions to combat tax evasion[10].

Therefore, due to the relative political acalmii was placed on fiscal policy agenda and priorities of Romania. Were launched proposals to amend the Tax Code, manifested intentions to restore the legal framework (ie, rewriting the Tax Code and the Fiscal Procedure Code) and organized debates between entrepreneurs and tax specialists. But, as I said in the preamble of the article, unlike their concerns globally, domestic concerns to reduce tax evasion focused, especially on taxation of small businesses, avoiding knowingly scope of tax havens. Specifically, to reduce tax evasion and the underground economy, the executive was considering measures such as reducing VAT; change (to the detriment of taxpayers with low and middle income) quotas and ceilings for social insurance contributions; eliminating the tax on dividends; reduce the tax rate on income of individuals and legal entities; reduction of quotas (ie the scope) for some duty. Ministry of Finance Although it is known that Romania is facing a major problem routing earnings to tax havens, Executive current commitments neglect this aspect altogether[10].

Or, to reduce fraud and tax evasion and balanced paramount attention should be paid to the following two aspects: accuracy - which is an essential condition for economic reforms (tax) to be socially acceptable and politically; fairness - that all taxpayers must participate in training funds to finance state functions, and the tax burden is distributed taking into account the ability to pay, regardless of income source, nature of business, scope / jurisdictions of work (national or multinational). From my point of view, the proposed tax measures to reduce fraud and tax evasion Chapter fairness suffer greatly. Discard the burden of increasingly large tax payers who honor their tax obligations and ignores the possibilities generous tax avoidance through tax havens (in which many offshore companies have generated significant tax losses). The lack of transparency of many tax havens is considered the main barrier to the tax authorities, blocking and facilitating control of these transactions covering illegal activities[9].

In a recent study locations is a list of tax havens and offshore financial centers named by the OECD, the IMF and TJN (Tax Justice Network). The list includes 81 such jurisdictions, Romania having concluded agreements for the avoidance of double taxation with 37 percent of them (Australia, Austria, Belgium, Canada, Cyprus, Finland, France, Germany, Greece, Hungary, Ireland, Israel, Italy, South Korea, Lithuania, Lebanon, Luxembourg, Malaysia, Malta, Netherlands, Portugal, Russia, San Marino, South Africa, Spain, Sweden, Switzerland, Turkey, UK, USA). Looking on reports submitted by the National Trade Register notice that participation of foreign capital in companies registered in Romania comes from states with important tax havens: Cyprus (5597 companies), Lebanon (3941 companies), Belgium (3241 companies) Switzerland (2,564 companies), Sweden (1,351 companies), Ireland (831 companies), Luxembourg (807 companies), Liechtenstein (213 companies), Malta (119 companies)[7]. Hence it can be concluded that part of capital stolen from Romanian economy (and taxation) through multinational companies to return the country in different forms: foreign direct investment, during which they performed a second fraud legislation (the fact that the owners of capital foreign investment recovered, and related facilities); "Bags of money" that feeds corruption, being managed by businessmen in order to obtain benefits even at the risk of undermining the national economy.

## **2. Methods of taxation in the tax havens. examples of taxation in the Bahamas, Bermuda and the Cayman Islands**

Since the end of the Second World War, large international groups, mainly American, have decentralized production centers to countries where labor was clearly a good deal. Therefore, profit centers have emerged in countries characterized by the absence of taxation or vast discretion. Since then he has become extremely tempting to redistribute profits attributing most important part of these companies within the group, is installed in countries where little or no tax. The first generation of tax havens is characterized by geographical proximity to one or more developed countries, generally at the intersection of two currency zones. The decor is complemented if we add a green sea, blue sky and coconut trees. The term tax haven was so perfect choice both in form and in content. Some of these small countries have known otherwise to manage their well establishing rules exciting development in this regard.

At the beginning of XXI century, even the concept of tax haven is rarely dissociated from the "banana republics". Internationally, we are forced to acknowledge that some of these tax havens have recently lost that capacity. Liberia, Panama and the Philippines are countries where companies are forced to barter implanted with coconut to buy armored cars. Advice to use such a country becomes a true madness, and can only come from some "professionals" who have an idea about taxation that it is only a bad permanent exchange processes between opponents less likely probity.

Zero Haven sites or havens with zero tax consisting essentially of small economies, the British colonies (Cayman Islands, British Virgin Islands), dependent territories of the Commonwealth (Bermuda) or territories became independent (Antigua, Bahamas in 1963 or Vanuatu 1980)[3].

Our study will analyze tax havens most common: Bahamas, Bermuda or the Cayman Islands, where we find all models of reception that can be viewed in other areas zero-haven: International Business Companies (Antigua, the Virgin Islands, Nevis) exemption schemes to insurance companies or banks (Barbados, Vanuatu). Zero-haven- sites either absent as tax levies on income of individuals or legal entities, in respect of succession duties, and of course as tax on capital. Consequently, these areas generally did not sign tax agreement designed to avoid double taxation, having nothing to negotiate in this direction; the several agreements signed disclaim reception facilities made available to foreign investors. Foreign source income will generally support the tax levy the maximum light source of local law provisions.

For example, dividends paid by a French company in a tax haven will incur a 25% withholding tax, asset tax, equal to 50% of dividends paid, it surrendered[2]. In the absence of direct taxes, the budgetary needs of the entity are generally covered by extremely high indirect duties, customs duties, stamp duty on consumption for example. Absence of indirect taxes combined with fees (rights) high which affect the consumption of goods and services increased on the one hand the cost of living and on the other hand narrowness territory have contributed to the development and promotion of investment essentially immaterial, with high added value likely to be exploited with little human and material costs; therefore the favorite sectors of these areas are banking, financial, insurance and reinsurance. But these tax advantages are not always sufficient unless accompanied by an optimal policy security and confidentiality rules in any case. Bermuda, Bahamas and the Cayman Islands have a long tradition of stable and well-defined tax havens, being a local heritage which various political tendencies of these islands have recognized as beneficial (2009/2174 (INI) - European Parliament resolution of 10 February 2010 on promoting good governance in tax matters). But the tradition of financial stability is sometimes judged as not fully sufficient to attract massive funding intended to be invested in long-term projects such as setting up an insurance company. Sometimes it is possible to obtain a guarantee from the local government for exemption from direct taxes for a certain period (if Bermuda offers a guarantee exemption until March 28, 2016 under Exempted Undertaking Tax Protection Act 1966). These entities have domestic legislation that ensures confidentiality of operations, extremely harsh legislation regarding offenders (Law 207/2015, the New Code of Fiscal Procedure).

This tradition privacy islands attracted a number of customers with questionable morality. For several years, these entities were subject to violent criticism especially as regards their role in laundering of the proceeds of drugs. To keep the image in front of customers most respected but mostly to preserve their status, the governments of these islands were obliged to introduce domestic legislation heavier intended repress corruption effectively and at the same time, distorting system business secret. In addition, due especially US pressure, have signed international conventions legal assistance. Intended mainly the fight against money laundering, we can not exclude, in practice, the use of international conventions in other finalities, such as the fight against tax evasion. Aware of these risks, and to save power, but indirectly main revenue authorities of these entities have been especially vigilant in various negotiations leading to the signing of agreements limiting their field of action.

Bahamas signed a mutual legal assistance treaty (Mutual Legal Assistance Treaty - MLAT) with the US, opening the US authorities access to obtain information where specific punishable crimes were committed. But this right to information does not relate to offenses or offenses of a fiscal nature. In reality, such Bahamas do not require any direct tax, it was not designed as logic local law, tax fraud is considered as a felony or a misdemeanor in the repression which is logical to participate[3].

Cayman Islands have a system analogous to that of the Bahamas: in 1986, the authorities of this colony have signed an agreement for mutual assistance for all crimes, misdemeanors or crimes punishable with minimum one year in prison, so the judicial authorities of the island and of the USA. However, the authorities of the islands have the opportunity to refuse such cooperation as long as these offenses are merely fiscal.

Authorities in Bermuda were less skilled in this respect: in 1989 they signed with US treaty on the taxation of insurance and assistance treaty and exchange of information in tax matters (Treaty on Insurance Taxation and Mutual Assistance in Tax Matters Tax Information Exchange Agreement and to). Political stability and relative privacy of operations should be accompanied by adequate infrastructure and quality services to make these operational paradise in the daily management activities. The level of competence of the various interlocutors (bankers, lawyers, lawyers, etc.) must be satisfied at least on average, likely to be offered in the US or UK or any other country where these potential clients are established paradise. In all these areas, given their privileged relations with Britain, English is the official language. The privileged relations with France and historical Varadu, and French is the official language equally considered[4].

Caribbean currency is currently used in the US dollar, stating that each of these territories has its own dollar at parity with the US Bahamas and Bermuda and a small premium for dollar Cayman Islands. In Vanuatu, Vatu currency used is the lack of exchange controls allowing the use of all currencies.

Generally, foreign currency transactions are free from any constraints of exchange controls, except Bahamas, where residents operations are subject to a prior inspection. Finally, location and communication facilities are also criteria in choosing a zero-haven. Access to the Bahamas, Bermuda and the Cayman Islands is relieved by the USA, Canada or the UK. Resources communications (telex, telephone, fax) are excellent. The clientele of these entities is composed mainly of Americans and Canadians and keep relatively close but especially the small time difference. Vanuatu is addressed in particular the Pacific / Asia (especially Australia). It is linked by air from Sydney, Melbourne, Brisbane. But given its relative isolation, communication is sometimes difficult.

A) Bahamas: International Business Company. To promote investment in the Bahamas, the legal status of those companies was recently modified by creating a new category of companies with weak formalization company of international activities (International Business Company IBC)[5]. To qualify for this status, the company must not:

- Possess property in Bahamas
- Have a banking, insurance or reinsurance activity trust these activities regulated by specific authorization is not required to be an IBC, which will be done in 24 hours. Purchase a "shell" is a custom background.

To attract companies located in countries with privileged tax but which suffer from a less stable political environment, IBC status is offered as an option and sites of companies that have their registered office abroad. In the same spirit, and to eliminate all fears of investors in the Bahamas, an IBC may at any time transfer its registered office in another jurisdiction, by simple decision of the board of directors or members. One of the main advantages of this new company, in addition to reducing the costs of formation and management, is extreme discretion: it can issue bearer shares; Founders name not be communicated to the Trade Register and the obligation to hold accounts there, and so apart from publication, IBC does not exist.

B) Bermuda: Companies exempt. There are two categories of companies in Bermuda: common law companies must be owned at least 60% of people with the nationality of Bermuda and exempted companies[5]. Exempt companies can not carry on business in Bermuda than, of course, in relation to other companies exempted. It requires administrative authorization to constitute a company, regardless of its status. The required elements included direct and indirect shareholding details and bank references to final shareholder. Because of this formalism, shell companies marketing practice is not usual and delays formation of 3săptămâni-1 month, are long compared to those occurring in competing tax havens. The issuance of bearer shares is not authorized public register of shareholders is (of course, the opportunity to own shares by a trust or representative is provided), operating arrangements of the company are comparable to those available in the UK. For example, increasing the company's capital to authorization from

shareholders and the capital reduction is not possible until the advertising and declaration of conformity by at least two directors on a company, that company after capital reduction, will meet his liabilities.

C) Cayman Islands: Companies exempt. As in Bermuda, the Cayman Islands offers two categories of companies: companies under ordinary law and exempted companies are not able to conduct business in the Cayman Islands. Companies benefiting from this last state resulting from a discretion larger to the extent that the shareholder register should not be available to the public at the registered office of the Company (being specified that in case of a common law practice of representatives enables the same result, perhaps with a higher risk). There is no capital required to submit only one annual statement certifying that the company operated under local law[5].

A meeting of the board of directors must be held at least once a year in the Cayman Islands, but attorney is widely accepted procedure. No permit is required for formation of a no society that can be completed in two to three days, regardless of its status. There is no minimum capital required and no rules requiring the ratio debt / equity. It may be single-member companies.

The concept of tax haven instinctively associate with the absence of tax, levies, and all other types of fiscal pressure. Strictly speaking, such a scheme is proving extremely rare situation most frequently encountered is that of countries where the tax system without being inoperative as regards legal persons, content with them taxed at a moderate level. There are naturally many different ways and an exhaustive study of these systems would lead to the sequencing of dozens of states, which is not our intention. Therefore it is possible to refer more "state of mind" fiscal, around which meet most paradise like this. We do so to show three types of legislation founded on different principles, but leading the company chooses to develop its activities in a country as appropriate at a reduced tax puncture.

We define so that countries which impose common law corresponds to a tax benefit level is reduced, those in which they correspond to a tax substitution, those where low taxation the only companies that carry out their activities abroad implantation.

### **3. Conclusions**

While in France, the tax benefits companies is relatively high (even if it is in a phase of declining net), other countries have opted for a system of levies less hard, with a view to attracting foreign investors, likely to contribute to their economic growth. Whatever their motivation, these countries provide in any case, a reception privileged companies wishing to establish and operate. The profits earned by legal entities from the Channel Islands, (especially Jersey and Guernsey), the Isle of Man and British Virgin Islands are not imposed than 20% and 15% respectively last because they are considered residents, thus effectively controlled and routed the island. Similarly, a company created in Lichtenstein practicing in the principality, the benefits will be taxed at a very moderate which oscillates between 7 and 15%.

On the other hand, states that taxed benefits territorial basis, so that does not tax that income source outside the country, shall be as if small fee anyway reduced taxes in France. It is however illusory to think that this situation illustrates the most sensible way to use tax havens, not previously shown that fees would not be particularly heavenly ... even if in most cases, the tax regime applicable to legal persons concerned It is considered privileged compared to the French administration (after the doctrine of the administration, we can assume that we are in a favorable tax arrangements as the beneficiary is taxed at a rate of at least one-third lower than that which would incur in France for the same base tax) rare are business savvy that will have the idea strange to develop local activity in the country that offers a generally weak economic development potential (for example, note that the sources of income of the Channel Islands are reduced tourism, agriculture, fisheries, Liechtenstein that the area is more than 170 square kilometers, etc).

Tax laws of many countries do not provide any tax benefits existence by companies. In most cases, a tax substitution comes annually to fill this gap, and requires legal person, incurring a reduced taxation. This tax take various forms, from tax on capital at 0.2% per year in capital and reserves of the company which operates in Lichtenstein, right license annually harvested annually in Bahamas (based on turnover and the gross profit level) entitled to exercise a certain profession or operating a business in the territory.

The complex system is in force in Bermuda where local companies are subject to a combination of annual tax on capital and the right of annual exemption weak, while victory simplicity lies in Nauru, the tiny island in the Pacific, where the right reconstitution annual renewal a fixed amount is \$ 250 and applies to all companies. Lump nature of those taxes or the reduced levy are undeniably attractive for businesses intending to dispose of this income. But maintained that the counterparty must direct their tax systems, weak prosperity lies in the opportunities for locally operated company. Given that the only source of wealth of Naru lies in its reserves of phosphate (soon exhausted them) except tourism sector are rare chances likely to come from the exploitation of local activities in the Bahamas or Bermuda, and given the level of life very high in these islands seems very risky to begin to develop a business here ... In fact, less tax resident companies operating within the tax havens, but special provisions reserved the companies have no commercial or financial activity in this territory, who seduces managers in countries with high tax burden. Herein lies the real use of tax havens which made obtaining potential for growth in terms of reduced taxation.

An offshore company is a legal person created in a particular country but its main feature is that it realizes its commercial operations (we speak of an offshore trading company), financial (offshore finance company) or otherwise, than across borders. In some countries, this feature is not taken into account in terms of taxation. In Naru for example, the right of establishment abovementioned annual is required for all companies, whether they carry out any activity Naru.

On the contrary, there is the paradise that the company does not negotiate any business with residents lead to exemption from all taxes the company. This is where International Business Companies (IBC), a form of companies likely to be created and the British Virgin Islands.

The vast majority of tax havens offshore companies still reserve a specific tax status, characterized by low taxation, extremely appealing. This privileged take various forms depending on the laws of the country. We can find tax havens that levy is a tax on benefits. This is where the benefits of offshore companies Malta General Trading Companies are taxed at a level of only 5% or Cyprus, where the income tax is reduced to 4.25% for non-resident offshore companies, ie whose capital is wholly owned foreigners who are neither directed nor controlled island (imposing void if the entity is directed and controlled outside Cyprus).

But the most common situation is one where we can tax you qualify as operating tax is replaced by a tax benefit. Once a model identical to that of the ordinary tax levy can vary by offshore company capital or be flat. Domiciled companies or companies with headquarters in Lichtenstein (based in Lichtenstein but not pursue any activity there) pay annually a tax of 0.10% of their capital and reserves to a minimum of 1,000 SF.

A reduced tax burden, regardless of its nature, it is essential to give the country character tax haven. This condition is not sufficient, however, and only a combination of a large number of factors can lead to a context of effective use of low tax states.

Globally, despite ambitious political initiatives, earnings were rising tax havens. The recent proposals made to overcome this problem have admitted that the main objective should be to create a global financial register. By achieving this grand objective, it is up to countries to identify viable solutions. In the field of taxation of taxable income obtained in Romania by non-residents, the tax code provides that the tax due is calculated by applying the following rates to the gross revenue[11]:

- 1 percent levied on all revenues collected by a participant to an organizer of gambling; Gambling revenues exceeding the equivalent of EUR 15,000 is taxed at 16 percent, and revenues exceeding the equivalent of EUR 100,000 is taxed by 25 percent;

- 50 percent on revenues, if revenues are paid into a state with which Romania has concluded a legal instrument under which to carry out the exchange of information; These provisions apply only where the income of those referred are paid as a result of transactions qualified as artificiale[3];

- Where a taxpayer is resident in a country with which Romania has concluded a treaty for avoidance of double taxation, the tax rate that applies to taxable income earned by that taxpayer in Romania may not exceed the percentage provided for in the Convention that applies for that income; where there are different tax rates in domestic law or the avoidance of double taxation conventions apply more favorable tax rates;

- Where a taxpayer is resident of a country in the European Union, the tax rate applicable to the taxable income obtained by that contributor in Romania is more favorable share in the domestic law, European Union law or double taxation conventions.

To complete the fiscal framework, we believe that the experience of other countries should be fully used. The relevant agreements between Switzerland, on the one hand, and Austria, respectively, Britain, on the other hand. The two bilateral treaties signed by the British and Austrian State permit the repatriation of money fraudsters; This is because Switzerland (by the two agreements) ensure that banks - which operates under legislation - is committed to withholding up to 40 percent of deposits to customers citizens of the signatory countries, the money being poured directly to the IRS countries of depositors. Moreover, according to the agreements, the amounts deposited and untaxed until the entry into force of these agreements are taxed retroactively ([www.europa.eu/legislation](http://www.europa.eu/legislation)).

It is therefore surmounted the problem of transparency of information as long as agreements allow "fiscal correction" (by withholding) for the benefit of the residence. We believe that this procedure is more reliable and allows taxing winnings stolen (unreported), the state is exempt from wasting time and money on legal procedures cumbersome and time-consuming to find evidence of tax evasion, respectively, to prove that at the basis of State revenues have artificial transactions (to be taxed under the Tax Code, 50 percent)( [www.europa.eu/legislation](http://www.europa.eu/legislation)).

We also appreciate that the Hungarian position - weighing the economic benefits generated by transnational companies, respectively, for domestic companies - decided to support more national entities. Criticized and praised alike, the decision to increase the tax burden attributable to transnational companies (by increasing the tax rate for exceeding the minimum level of turnover of 300 billion forints) is an embodiment of concerns of increasing domestic competitiveness and reduce evasion tax (Law 207/2015, the New Code of Fiscal Procedure).

The conclusion is that organizations (companies) whose activities interfere with tax havens have an advantage (tax competitive) against firms that conduct their activities only in their home country. As long as it has autonomy in

tax policy, each country must identify ways to prevent tax evasion that drain of capital to tax havens. This, more so as fraud and tax evasion exceeds the scope of business, becoming an issue of tax fairness.

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