

# Lessons of a German tax cheat

Greeks could learn from a former star footballer's acceptance of his conviction for tax evasion.

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There was little *schadenfreude* in Greece last week when one of Germany's most prominent public figures — Uli Hoeness, the former star footballer and president of the country's most famous team — was convicted of tax evasion, brought down by a crime that the German tabloid press likes to portray as a Greek national trait. Instead, the conviction, and the way Mr. Hoeness accepted it, provoked envy among the Greeks, a sense that Germany is more serious about such issues.

Mr. Hoeness is not the first German celebrity to be convicted of a tax crime, but when he waived his right to appeal and said he would immediately serve his three-and-a-half-year jail term for evading 28.5 million euros in taxes through a Swiss account, this was seen as a heroic gesture. He also resigned as president of his team, Bayern Munich. Chancellor Angela Merkel commented, "The fact that Uli Hoeness has now accepted this verdict commands my highest respect." In this case, punishment is the purgatory that promises redemption.

Could this happen in Greece? A number of factors argue against it. Until recently, it was most likely that someone evading taxes would not even be caught, because of the incompetence, corruption, complex laws and self-negating procedures that permeate the tax system. The lack of a tax deal with Switzerland (the Swiss rejected it) has crippled efforts to repatriate any possibly ill-gotten gains. And there was little political will to change this situation. So there's been no incentive for anyone hiding money to apply for amnesty, in the way that Mr. Hoeness and some 55,000 other German tax evaders did over the past four years, paying a total of about €3.5 billion in back taxes.

Tax evasion on a grand scale — by small businesses and the self-employed as well as high earners — is one reason Greece had to seek an international bailout in 2010. It's also

why the bailout agreement with the International Monetary Fund, the European Commission and the European Central Bank made improved tax collection a pillar of the deal; a more equitable tax burden was essential to gaining public support for the austerity program.

And public trust is the key to change in Greece. When those who are able to evade taxes — chiefly the rich, powerful and well connected — do so with impunity, some others use the excuse to justify their own cheating. The result: poor public services, forcing taxpayers to pay for private schools and hospitals (when they can afford them).

Greeks hold between €30 billion and €60 billion in Swiss accounts, according to unofficial estimates quoted by Reuters. Tens of thousands of self-employed professionals declare just half of their income, according to a report by the Organization for Economic Cooperation and Development, at an annual cost to the country of €3.2 billion, or 1.75 percent of gross domestic product. If we add to this the fact that some €62.3 billion is owed in back taxes, and that cases take years to get through the courts, then we understand the magnitude of the problem.

The tax system's failings suggest that people have not been afraid of cheating; in fact, they've been encouraged to do so. As long as Greece was borrowing wildly to plug holes in its budget, this appeared to be a victimless crime, as budget deficits did not lead to fewer services. Only in the last four years has it become clear that paying taxes and pursuing social justice are related, that you cannot disconnect the two. It is as if a significant part of the country was in a divided state, where each group held incompatible beliefs and ideas, without being forced to confront reality.

In Mr. Hoeness's case, we saw how a national role model could separate his public persona from his personal illegal actions — until he was forced to face the

truth in court. In Greece, politicians and citizens could claim to be patriots, friends and good citizens while working to undermine the foundation of society: trust in each other, trust between the governed and those who govern.

The German tax and legal systems strike fear in those who cheat, and mete out punishment regardless of who the perpetrator is. This works as a deterrent and as a communal bond. In Greece, steps have been taken in this direction, with reforms such as an independent public revenue office, a new financial police force, the auditing of large taxpayers, electronic cross-checking of accounts and a dynamic anti-money-laundering authority that has frozen €170 million in assets in 405 cases that have been sent to the prosecutor. Experts from several European Union countries as well as the I.M.F. have been providing assistance. As recently as last June, though, I.M.F. investigators reported that "the unsatisfactory progress with making reform plans functional" suggests that no one is backing them fully.

The reforms in Greece have begun to kick in, with an unprecedented number of arrests on tax charges. Many more businesses and professionals are handing out receipts for purchases. It is likely that soon even the holdouts will be afraid to cheat on their taxes. When they, too, begin to contribute their share, this will gradually create a sense of greater social justice and discourage cheating, forcing even the most unwilling politician to claim ownership of the reform. Meanwhile, we can ruminate on the significance of Uli Hoeness's scoring spectacularly in his own goal.

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