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Austria is pressed to reveal tax data

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E.U. will move to require transparency as part of crackdown on cheats

BY JAMES KANTER

Austria faced renewed pressure on Wednesday to reveal more about tax evaders after senior officials of the European Union called for automatic information sharing to apply more widely and rapidly within the bloc.

The lack of a single tax authority governing all 27 E.U. members has long allowed Austria and Luxembourg, among other states, to make their tax affairs more opaque than other members of the bloc. That has angered E.U. powers like France and Germany.

"It is in Austria's best interest to jump on board, rather than resist the inevitable shift towards more transparency that is taking place both in Europe and worldwide," said Pia Ahrenkilde Hansen, a spokeswoman for José Manuel Barroso, the president of the European Commission.

Luxembourg said last month that it was prepared to ease its banking secrecy rules, leaving Austria as the only E.U. member state to refuse to share data on interest income earned in Austrian banks by foreign clients with their home governments.

On Wednesday, the commission said it would present legislation requiring more extensive information sharing between banks and financial authorities in all E.U. countries. The measures, expected in the coming weeks, are intended to shine more light on earnings from dividends, capital gains and royalties across the European Union.

E.U. officials say a major goal is to close the gap between the way the wealthiest taxpayers and normal citizens are treated under the tax rules.

The existing rules, dating from 2008, cover income from savings accounts. There is already agreement to extend that to income from pensions, life insurance and property rental by 2015. But the commission said it wanted revenue from dividends, capital gains and royalties to come under the microscope by 2015, rather than two years later as previously foreseen.

The commission also called for E.U. finance ministers meeting in Brussels next week, or during a summit meeting of E.U. leaders on May 22, to give it the go-ahead to negotiate stronger tax agreements with Switzerland, Liechtenstein, Andorra, Monaco and San Marino.

E.U. officials say tens of billions of euros remain offshore, often unreported and untaxed, reducing national tax revenues, and they have highlighted that up to a third of member states are laggards when it comes to collection. As an example, they say member states are only collecting around one half of the value added tax, a sales tax applied throughout Europe, that is available to them.

"At a time of fiscal consolidation, member states are not maximizing the tax revenue they could have, and the issue of fairness is squarely on the agenda," Mr. Barroso said in a letter sent to national leaders before the summit meeting, which is expected to focus on tax evasion and energy.

Many governments want to crack down on the way their own citizens can stash money in other jurisdictions, short-changing the state during a time of austerity, while creating a series of embarrassing scandals.

In Germany, a celebrated soccer manager, Uli Hoeness, could face prison after turning himself in to Munich prosecutors for keeping a secret bank account in Switzerland that he admitted to having used to evade taxes. In France, Jérôme Cahuzac, President François Hollande's former budget minister, admitted last month that for years he had sheltered much of his own private fortune in undeclared offshore bank accounts.

The pressure for reform is also high in the wake of the collapse of Cyprus's financial sector, and because the United States is demanding additional data under the Foreign Account Tax Compliance Act.

While Austria is in the spotlight, E.U. officials are concerned that Luxembourg is still dragging its heels in some areas.

On Tuesday, senior diplomats from Luxembourg told national counterparts in Brussels that their country could not yet approve updated rules for the savings directive to close loopholes on tax collection in areas like trusts and foundations, according to officials with direct knowledge of the talks. Luxembourg is demanding that the Swiss apply automatic exchange of information to the same investments before it does so, said the officials, who spoke on the condition of anonymity because the meeting was confidential.

E.U. officials also harbor concerns about Britain, which has long been extremely wary of submitting its citizens to tax rules overseen by Brussels.