Paradise Paper leaks - The Larger Implications

What is the issue?

\n\n

While the sensational Paradise Paper leaks occupied considerable media space, the larger impacts of such episodes remain largely under-researched.

\n\n

What are Paradise Papers?

\n\n

\n
- International Consortium of Investigative Journalists (ICIJ) had recently published the paradise paper leaks.
\n
- This put around 13.4 million documents from the offshore law firm Appleby and propelled many nations to start investigations.
\n
- The information included investments and funding structures of 120,000 businesses and many influential individuals.
\n

\n\n

What are the benefits of leaks?

\n\n

\n
- They provide tax administrations with a free audit of taxpayers reflecting new information and a clearer picture of cross-border activities.
\n
- It also sets specific targets, which thereby increases the probability of detecting other evaders.
\n
- It could also dissuade potential evaders as it highlights the risks and the consequent costs of evasion.
\n
- As a rational response, governments might use leaked data to change tax laws to curb evasions.

\n

\n\n

How legitimate are leaks?

\n\n

\n
- **Imperfections -** Leakers are often anonymous and the hackers who bring them out are a heterogeneous assortment of sources.
\n
- Among other imperfections, the leaks are usually incomplete, non-specific, and have within it - false positives and risks.
\n
- There are also palpable apprehensions that organisations like ICIJ releases only selective data sets that are in its processions.
\n

\n\n

\n
- **Risks -** Leaks might be agenda driven, which precise thought given to aspects like the timing of the leak, what and how much to leak.
\n
- High-profile leaks might also carry with them immediate political impacts and on a lesser note, serve as good fodder for trigger-happy media.
\n
- Such episodes could also lead to ill-advised knee jerk reactions that could hamper economic freedom and businesses in countries.
\n

\n\n

How does the future look?

\n\n

\n
- Globally, growing concentration of wealth and the inability of tax administrations to track money trails across borders has been a major issue.
\n
- Hence, reliance on systematically collected data to eradicate tax evasion is proving ineffective and sensational leaks are likely to remain popular.
\n
- But it remains uncertain if tax administrations, particularly in emerging economies, would actually follow the process to its conclusive end.
\n
- This is because tax authorities are usually not fully independent and may

themselves suffer from pockets of corruption and political arm twisting.
\n
- Steady economic growth and consequent maturity in civic affairs, processes and practices are the only hope for a sustained victory against tax evasion.
\n

\n\n

\n\n

Source: Business Standard

\n

