



Aristotelio College Model United Nations

**Second Committee on the General  
Assembly of the United Nations  
(ECOFIN)**

**Combating tax evasion and money  
laundering**

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## WELCOME NOTE FROM THE CHAIRS

Dear delegates,

It is our utmost pleasure to welcome you all to the 15<sup>th</sup> Aristotelio College Model United Nation Conference. We are looking forward to meeting you all in March and be present to your heated and fruitful debates regarding our topic. From our side we can assure you that we will try our best to make this session one of the best experiences for you. However, in order for you to enjoy this session, preparation and punctuality are in order. We would like to ask to read this Study Guide, do as much research on your own as possible and please bear in mind that you should always try and meet the deadlines. In case you have any problem or you need any further information please feel free to contact us at [ecofin.arcmun@gmail.com](mailto:ecofin.arcmun@gmail.com) at any time.

Kind regards,  
Your Chairpersons

## GENERAL INSTRUCTIONS AND INFORMATION

In order for you to be fully prepared for the session, you should follow the next steps:

1. Get accustomed to the procedure of the session. Please feel free to read the procedure in the official website of ArcMUN 2017. (<http://aristoteliocollegemun.weebly.com/rules-of-procedure.html>) We will explain the procedure once more when in person, so please do not worry that much for the rules from now.
2. Read your Study Guide and indulge yourselves in individual research. Read the links provided in this guide and also do research in other websites and mass media. However, keep in mind that you should conduct your research based on official data provided by formal websites (i.e. the UN website, the European Commission etc.)
3. Know the policy of the country you are representing. You should always bear in mind that during the conference you will be representing a **specific country** and its policies and not your personal point of view on the issue debated.
4. You should know not only your country's view on the topic, but also some general information regarding alliances, geopolitical state, natural resources etc.
5. Write and send to the committee email before **February 1st**, a position paper, in which you will explain **your country's point of view, measures and possible suggestions on our topic; "Combating tax evasion and money laundering"**. Visit the session's website to see the official example of a position paper and how it should be structured.

## INTRODUCTION TO THE TOPIC

This March, the delegates of the Second Committee of the General Assembly of the United Nations will discuss about the issue of combating tax evasion and money laundering.

In a globalised economy, financial crimes –including tax crimes– threaten the strategic, political and economic interest of developed and developing countries as well, and undermine confidence in the global financial system.

A very important aspect of the prevention of money laundering is the organic connection that this criminal offence does have with tax evasion. Money laundering proceeds are derived from a criminal offence and the wealth is created from an illicit origin. So far in many countries the income derived from tax evasion is not considered as money laundering predicate offence. Recent financial crisis, large bank and corporate failures have raised concerns among state institutions and legal intervention is needed more than ever.

In fact the two phenomena look strikingly similar as the funds have been illegally acquired from ill-gotten profit and should be addressed in same way as far as legal framework requirements are concerned. If not properly handled, the burden will fall with financial institutions, which may face reputational risks.

What ECOFIN needs at this point is to review all those measures, proposals relevant literature, legal definitions, court cases and reports published by relevant organisations and propose new ideas to finally publish an official resolution which will help combating these two subjects.

## **BASIC DEFINITIONS**

- **Tax evasion** is the illegal practice of natural persons or legal entities (ie. organisations ,corporations) intentionally avoiding paying their true tax liability. Those caught evading taxes are generally subject to criminal charges and substantial penalties.
- **Money laundering** is the process of creating the appearance that large amounts of money obtained from serious crimes, such as drug trafficking or terrorist activity, are originated from a legitimate source.
- **Tax Havens:** Defined by zero or nominal tax on the relevant income, lack of effective exchange of information, lack of transparency and no substantial economic activity
- **The Internal Revenue Service (IRS)** is a U.S. government agency responsible for the collection of taxes and enforcement of tax laws.

## **DESCRIPTION OF THE ISSUE**

The issue on the table is of vital importance since both those illegal practices have an immense negative impact on domestic and international economy.

Tax evasion is the illegal practice of intentionally avoiding to pay the true tax liability while money laundering is a criminal offense aiming to present wealth of illicit origin

or the portion of wealth that has been illegally acquired or concealed from the purview of tax and other authorities, as legitimate, by using methods that obscure the identity and the source of the ill-gotten profits.

Although these two subjects have not got a clear link between them, their compassion will be achieved considering investigating the act of evading taxes in addition to their policy of investigating money laundering.

The magnitude of income loss for national economies due to illegal means of withholding taxes is maybe the most important aspect of our issue. Most of the national economies rely on tax collection, while most of them focus their budgetary plans on the tax income. Thus, tax evasion is one of the most crucial reasons why states cannot meet their social programmes, resulting in budgetary cuts on social spending, i.e. pensions.

On the same time, the only way for domestic authorities to deal with this issue of capital loss due those illegal practices is to increase the taxation of those citizens paying their taxes. Therefore, social inequalities and unrest are caused owing to responsible carrying the burden of states standing unable to deal with those issues.

## **INTERNATIONAL FRAMEWORK**

Governments have realised that for a global economy to succeed there is a need to intensify their co-operation and provide a concrete international framework for the effective management of global issues of which taxation and money laundering are no exception.

Many governments have dealt with their experts that they will ensure on such matters, will coordinate and actively seek to contribute to ongoing efforts to address these problems through mutually reinforcing initiatives.

On the international level, the *1998 United Nations Convention against the Illicit Traffic in Narcotic Drugs and Psychotropic Substances* was the milestone of the international framework against money laundering, which has been considered a crime ever since. In an effort for a more cohesive legislation dealing with the issue, the *UN Convention against Transnational Organized Crime* and the *UN Convention against Corruption* came into force in September 2003 and December 2005, respectively. Both those Conventions widen the scope of money laundering including in their provisions all sorts of crimes and not only money coming from drug trafficking, while at the same time they call for stricter domestic regulatory authorities for banks and other institutions accepting funds.

Concerning the European Union and its actions on the issue ,the European Commission has introduced proposals essentially on the extension of the definition of money laundering to cover all the illegal activities, the expansion of its field of application to cover the vulnerable professions and an obligation for the money laundering authorities to exchange information. These measures will lead to a society of respect and legality and will eliminate such phenomena achieving the main purpose of ECOFIN.

## **POINTS TO CONSIDER DURING THE DEBATE**

1. How possible for a centralised tax policy to be integrated?
2. What should the response of the United States being to some Member States constituting tax havens?
3. How should the United Nations and the European Union cooperate in order to achieve full compliance of States with tax policies?
4. What are the main sources of money laundering? How should the international community act in order to deal with those factors?
5. How can Member States differentiate illegal tax evasion from the legal practices of tax avoidance?

## **SUGGESTED BIBLIOGRAPHY**

- <https://www.youtube.com/watch?v=dWfz-R7DaDU>
- <https://www.youtube.com/watch?v=qZQ-WkM7puI>
- <https://www.youtube.com/watch?v=gy2RgjIIZyA>
- "Relationship between Money Laundering, Tax Evasion and Tax Havens."  
Mr Rui Tavares (Greens/EFA) January 2013
- Combating tax fraud and evasion. Commission contribution to the European Council of 22 May 2013
- Interaction between money laundering and tax evasion. Belgian and international measures in the fight against money laundering, Jean SPREUTELS, Caty GRIJSEELS
- <http://www.investopedia.com/terms/t/taxevasion.asp>