

Haponyuk V., *cadet of National
University STS of Ukraine* Language
adviser: Naidiuk O.

THE FIGHT OF THE ECONOMIC CRIMES IN THE USA

Taxing jurisdictions have an incentive to minimize tax evasion (i.e. pursue up to the point where the law of diminishing returns kicks in) so that they can a) maximize the total amount of tax revenue collected and b) encourage self reporting from other taxpayers by demonstrating that the tax authority is diligently checking up on them.

Different countries in the world have different means and leverage to fight tax evasion. Therefore we will take the liberty of examining the taxing jurisdiction which has the greatest means and the greatest leverage the US. Other jurisdictions can pick and chose what works for them or where possible piggy-back on the US efforts.

Although we do not have empirical evidence (because we don't think anyone has properly studied the area) to support the following ranking, this is my belief (from 25 years of field experience as an international tax lawyer) of the top weapons in the fight against tax evasion:

1) Whistleblowers: By incentivizing whistleblowers through cash rewards and protections against prosecution, countries can quickly gain a treasure trove of current information on tax evaded monies and its close cousin proceeds of crime or corruption.

Along with encouraging whistleblowing, countries may need to revise their evidentiary laws to allow this information for effective prosecution.

They also need to enhance their ability to deal with the firehose of information which will inundate the tax collection

authority. The quickest and most effective way to do this is to incentivize the tax collection authorities by also giving them cash rewards based on a percentage of the tax collected. While not advocating the complete abandonment of in-house collection authorities, we would also suggest the use of outside "bounty hunters". Of course, there is a great need of oversight of information and overzealous prosecution, but outside contractors are a way to increase tax collections without taking on a permanent budget expansion of the tax collection agency to cover labour costs.

2) John Doe Summons: This is where a taxing authority demands under court authority a large catch of financial information from a third party such as a bank or credit card company. They then check this information against declared taxable income. Like Whistleblower obtained information, there needs to be efficient and effective data mining and auditing capabilities. Also the need to have processes in place to protect private information from non-evading parties need to be put in place and maintained properly;

3) Qualified Intermediary Regime and FATCA: Despite strongly believing these two programs are imperialistic overreach and unfair, we have to concede that as a tool for gathering financial information on US taxpayers, they are brilliant. It offloads all of the compliance costs onto financial institutions and reaps a treasure trove of information. As with Whistleblowers and John Doe Summons, there needs to be an ability to process this information and protect privacy of non-evading parties. The US was able to impose almost global enforcement of both QI and FATCA by using its financial leverage as the world's reserve currency and dominant securities market. The proof of this power is when they were able to get Putin to sign up to FATCA in the middle of the Crimea crisis. Information gathered under FATCA could also be used by other countries to catch its tax evaders. One country which picked up on this was China;

4) Exchange of Information Treaties: These are useful tools once potential evasion has been spotted to get much more information on a specific suspected evader. The first three methods of combating evasion send a mass of financial information automatically and then rely on data mining to separate the kernels of evasions from the chaff of non-evasion. As the need for tax revenue increases dramatically to pay for underfunded entitlement programs,

you will continue to see an increase in the use of these tools by governments of all political stripes.

References list

1. [Электронный ресурс]. - Режим доступа :
<http://www.quora.com>.
- 2 [Электронный ресурс]. - Режим доступа :
[http : //www .themoscowtimes .com/bu](http://www.themoscowtimes.com/bu).