

EU begins to get tough on tax evasion

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Mark Morris, a guru on EU tax policy and the European Union Savings Tax Directive [has reported on his blog that](#):

European tax havens could face sanctions including blacklisting when the European Commission issues clampdown measures later this year, Taxation Commissioner Algirdas Å emeta has told EurActiv in an interview.

An initiative to fight tax havens and aggressive tax planning will be published before the end of the year as part of a broader action plan to deal with tax evasion, Å emeta said. The commissioner published a communication on tax fraud and evasion before the summer, and has already presented a proposal for a quick-reaction mechanism to fight against VAT fraud in connection with the policy.

There's particular interests in this bit:

On tax havens — including those isles offshore the UK such as the Channel Islands — he advocated a 'stick and carrot' approach.

"It is not a secret that a lot of tax evasion is taking place within our member states, and they have to simplify their tax collection systems to try to offer incentives to pay taxes," Å emeta said.

Referring to the proposals under discussion, he said: "The application of withholding taxes for payments to such countries, and blacklisting such countries could be strong tools in terms of sticks. Whilst in terms of carrots, of course we could include better conditions of entry to EU markets."

The Lithuanian commissioner also panned Luxembourg and Austria for continuing to resist reform of the EU Savings Directive designed to enable cooperation on the identity of bank deposit holders. "We continue to work on pushing member states to give a mandate to the Commission to negotiate with Switzerland, Liechtenstein and the three micro-states for agreements on savings taxation on the issue of exchange of information," he said.

"Unfortunately we are still not there, because of the blockage of the two member states concerned — Luxembourg and Austria. I am currently working very hard with the Cyprus presidency to convince those member states to improve the situation on tax collection from savings," Å emeta said.

I am well aware that there are those who will just say this is bluster, and the EU has little power in this area. but I think both untrue. Its measures on tax havens have, in my opinion, been successful subject to their own limited terms to date. More than that though, tax evasion and avoidance have never been as important as now: the political will on this issue has changed and those who support abuse (and there are many of them) still have not appreciated that fact.