

## **Paradise Paper leaks - The Larger Implications**

### **What is the issue?**

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

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### **What are Paradise Papers?**

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- International Consortium of Investigative Journalists (ICIJ) had recently published the paradise paper leaks.

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- This put around 13.4 million documents from the offshore law firm Appleby and propelled many nations to start investigations.

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- The information included investments and funding structures of 120,000 businesses and many influential individuals.

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### **What are the benefits of leaks?**

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- They provide tax administrations with a free audit of taxpayers reflecting new information and a clearer picture of cross-border activities.

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- It also sets specific targets, which thereby increases the probability of detecting other evaders.

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- It could also dissuade potential evaders as it highlights the risks and the consequent costs of evasion.

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- As a rational response, governments might use leaked data to change tax laws to curb evasions.

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## How legitimate are leaks?

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- **Imperfections** - Leakers are often anonymous and the hackers who bring them out are a heterogeneous assortment of sources.

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- Among other imperfections, the leaks are usually incomplete, non-specific, and have within it - false positives and risks.

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- There are also palpable apprehensions that organisations like ICIJ releases only selective data sets that are in its processions.

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- **Risks** - Leaks might be agenda driven, which precise thought given to aspects like the timing of the leak, what and how much to leak.

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- High-profile leaks might also carry with them immediate political impacts and on a lesser note, serve as good fodder for trigger-happy media.

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- Such episodes could also lead to ill-advised knee jerk reactions that could hamper economic freedom and businesses in countries.

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## How does the future look?

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- Globally, growing concentration of wealth and the inability of tax administrations to track money trails across borders has been a major issue.

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- Hence, reliance on systematically collected data to eradicate tax evasion is proving ineffective and sensational leaks are likely to remain popular.

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- But it remains uncertain if tax administrations, particularly in emerging economies, would actually follow the process to its conclusive end.

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- This is because tax authorities are usually not fully independent and may

themselves suffer from pockets of corruption and political arm twisting.

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- Steady economic growth and consequent maturity in civic affairs, processes and practices are the only hope for a sustained victory against tax evasion.

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**Source: Business Standard**

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