Written by **Bruce Walker** on November 21, 2011

EU Helps Greece Recover $81B of Unpaid Taxes From Swiss Banks

According to the Swiss newspaper The Local, last week "[t]he European Union said … it is helping Greece negotiate with Switzerland in a bid to claw back some of the €60 billion [$81 billion] in unpaid taxes believed to be hidden in Swiss banks."

Horst Reinchenbach, the German head of a task force advising Greece on its economy, acknowledged that the group of European Union experts had made "few concrete steps" forward, adding, "Solutions are being explored to provide Greece with an adequate way to increase tax revenue….

Another EU official, speaking on condition of anonymity, stated, "We want Greece to get the best deal possible using EU and IMF [International Monetary Fund] experience and legal support." The official commented that of the missing €60 billion in taxes, just half is "theoretically collectible" and only €8 billion is likely to be recovered "sooner or later."

The European Commission report states:

> Even though the actual prospects for collection are very low, the very size of these tax arrears casts a doubt over the efficacy of the overall tax administration. A number of areas for rapid progress have been identified including debt collection, large taxpayers, dispute resolution, and tax audit. There are additional areas for development such as management and organization of the tax administration, risk and revenue analysis, taxpayer services.

The report noted that Greece had backlogs of 165,000 tax files yet to be processed. Last week, the Greek Finance Ministry announced that tax collections for the first 10 months of 2011 were 4.1 percent lower than collections for the corresponding period of last year.

Greece's public debt today stands at €370 billion or 160 percent of its GDP.

It is believed that Greece is trying to follow patterns set by Germany and Britain to recover tax revenues hidden in Switzerland. If, however, the amount of uncollected debt equals one-quarter of the entire GDP of Greece, then the problem may not be delinquent and hidden taxes, but rather the level of taxation itself. The Heritage Foundation reports that Greek taxation is equal to 33.5 percent of its GDP, and two other organizations have noted similar percentages: The Organization for Economic Cooperation and Development put the number at 29.4 percent and Eurostat, the statistical organization for the European Community, said that taxation in Greece is at 32.6 percent of GDP.

As a matter of fact, the nations of the European Community that are in serious economic trouble have very high ratios of taxation to GDP. The Heritage Foundation lists Portugal at 37.0 percent; Italy at 42.6 percent; Ireland at 30.8 percent; and Spain at 37.3 percent.

Analysts have observed that perhaps the problem of the so-called PIIGS EU member-states (Portugal, Italy, Ireland, Greece, and Spain) is that they tax away too much of their wealth. If that is the case, then collecting more tax revenues in Greece will not solve any long-term problems and may in fact drive investment capital away from the ancient nation.

Photo: Credit Suisse headquarters in Zurich