



EUROPEAN UNION (EU) BACKGROUND GUIDE

MID-AMERICAN INTERNATIONAL AFFAIRS CONFERENCE
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PRESENTED BY



EUROPEAN UNION (EU)

A. EVASION AND AVOIDANCE AS WELL AS ENSURING A SOUND AND FAIR TAX SYSTEM

Taxation is essential to any government, enabling it to fulfill its vital responsibilities. These essential functions include providing crucial services such as healthcare, education, infrastructure development, national defense, and more. Adequate tax collection is paramount to ensure that governments have the necessary resources to carry out these responsibilities. In an attempt to reduce their tax burden, individuals and corporations may take efforts to avoid paying their fair tax bill, preventing the government from collecting the funds necessary to carry out its operations.

Efforts to artificially reduce one's tax burden can take one of two forms: tax avoidance or tax evasion. Tax avoidance is defined as taking steps to structure transactions in a way that reaps the largest tax benefit while tax evasion involves taking deliberate steps to reduce one's tax burden through deceit and/or concealment. The most important distinction between the two comes down to legality: tax evasion is a crime, typically a felony, while tax avoidance is perfectly legal.⁷

Though it can take many forms, tax evasion tends to consist of some common acts. Almost always, tax evasion involves submitting knowingly false information to the government, often referred to as "cooking the books". This can include misreporting assets, deliberately under-reporting income, logging fabricated transactions, overstating deductions, and more. The topic of deductions is especially interesting, as the manipulation of deductions is common in both tax evasion and avoidance. Avoidance most commonly involves structuring businesses and transactions in a way that greatly reduces one's tax burden while still technically following the tax code, often involving the use of shell companies and specifically tailored tax deductions

The international community has clearly recognized the importance of supporting individual nations' tax systems. For example, the International Monetary Fund provides support to member nations to strengthen tax compliance and enforcement efforts.⁸ Additionally, the organization has technical assistance programs to help member nations implement safeguards against domestic and international tax avoidance.

The European Union's ("EU") taxation policies are handled by the Taxation and Customs Union, which has taken steps to fight both tax avoidance and evasion. On June 20, 2016, the EU adopted

⁷ <https://www.wolterskluwer.com/en/expert-insights/tax-avoidance-is-legal-tax-evasion-is-criminal>

⁸ <https://www.imf.org/en/About/Factsheets/Sheets/2023/Fight-against-illicit-financial-flows>

a new Anti Tax Avoidance Directive, aimed at curbing avoidance in Europe by creating a minimum standard for all member nations to adopt.⁹ It is up to this body to determine what, if any, additional steps need to be taken to ensure that the European Union is able to effectively raise taxes and stomp out the seemingly rampant tax avoidance and evasion.

⁹ https://taxation-customs.ec.europa.eu/anti-tax-avoidance-directive_en

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B. RUSSIA'S WAR ON UKRAINE

In February 2014, the Security Council met regarding the situation in Crimea, and discussed the threat of Ukraine's "territorial integrity."ⁱ Throughout 2014 and 2015, the Security Council issued press statements condemning violence in the area, specifically condemning the killing of 11 civilians as a result of the shelling of a passenger bus in Volnovakha. Ukraine and much of the international community condemned the Russian annexation of Crimea. Throughout February 2022, the Council met numerous times to discuss the growing tensions between Russia and Ukraine. On February 24, 2022, Russia invaded Ukraine in what it maintains was a "special military operation" to protect the people of the predominantly Russian-speaking Donbas region, who in Vladimir Putin's view, for eight years had "been facing humiliation and genocide perpetrated by the Kyiv regime." A full-scale operation began across the northern, eastern, and southern edges of the country, wildly hampered by surprisingly effective Ukrainian resistance to Russian forces. On February 27, 2022, the Security Council adopted resolution 2623, calling for an emergency special session of the General Assembly to consider and recommend collective action on the situation in Ukraine. Later, in a resolution adopted on 23 February 2023, the General Assembly reiterated their demand for the Russian Federation to withdraw military forces from Ukraine and to cease hostile activity.ⁱⁱ

In September 2023, the Office of the High Commissioner for Human Rights released a report detailing the humanitarian impact on civilians during this crisis. The Office noted 9,614 civilians were killed and 17,535 have been injured since 10 September 2023, with figures projected to be higher.ⁱⁱⁱ As of September 2023, four areas of Ukraine have been annexed by the Russian Federation: Donetsk, Luhansk, Kherson, and Zaporizhzhia^{iv}. The Russian Federation has taken steps to annex the cities of Soledar and Bakhmut in the Donbas region. President Zelenskyy has expressed his fear of Russia's continued efforts to control the entire Donbas region. The continuous attacks against Ukraine have exacerbated the humanitarian crisis. The attacks have destroyed schools, community centers, residential buildings, and other government buildings, and have additionally caused damage to energy infrastructure. This has caused civilians to be left without electricity, heat, and water, creating a detrimental effect on Ukrainian citizens due to freezing temperatures.

As of July 2023, more than 6.2 million Ukrainian refugees have been recorded globally due to the crisis, crossing into nations such as Poland, Hungary, and Moldova, and an estimated 17.6 million are in need of humanitarian assistance within Ukraine.^v The World Bank has reported that the damages in Ukraine could cause rebuilding efforts to cost upwards of \$350 billion.^{vi} Meanwhile, Russia continues to attack Ukraine in an attempt to annex other portions of the country. In addition to the ongoing military conflict, this body should consider the ongoing humanitarian crisis occurring within Ukraine.

ⁱ<https://www.securitycouncilreport.org/chronology/ukraine.php>

ⁱⁱhttps://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/a_res_es_11_6.pdf

ⁱⁱⁱ<https://www.ohchr.org/en/news/2023/09/ukraine-civilian-casualty-update-11-september-2023>

^{iv}<https://www.understandingwar.org/backgrounder/russian-offensive-campaign-assessment-september-25-2023>

^v<https://www.unrefugees.org/emergencies/ukraine/>

^{vi}<https://www.reuters.com/world/europe/russian-invasion-ukraine-caused-over-97-bln-damages-report-2022-09-09/>