In 2014 and 2016 the European Commission mandated the implementation of two tax policy reforms: Automatic Exchange of Information (AEoI) and Country-by-Country Reporting (CbCR). These two reforms have different goals: while the latter aims at reducing tax avoidance of corporations, the former focuses on reducing tax evasion by individuals. How successful have these policies been and how successful will they be when fully implemented in all EU countries? Extant literature has concentrated either on studying the effects of reforms on tax avoidance (the legal part of not paying taxes by using loopholes in the international tax system) or on tax evasion (the illegal part of not declaring taxes), hence studied the effect of either CbCR or AEoI separately. Through an agent-based simulation model, this paper analyses both reforms and their interaction simultaneously. Given that policy reforms may reinforce or counteract each other, obfuscating their individual effect, this model allows simulating the isolated effects of both reforms as well as study them jointly. This study compares the long-term effects (from 2019 until 2029) of these reforms to 1) what would have happened to tax compliance in the absence of these reforms, and 2) to a baseline model, i.e. the status quo of 2019, and 3) to a full implementation of each reform by all 33 European countries. The results show that 1) without new developments corporate tax avoidance schemes will increase the European CIT losses from €104.9 to €135.8 billion, while 3) fully implementing both Country-by-Country Reporting and Automatic Exchange of Information is expected to decrease the total CIT losses with 16.4 per cent (resulting in €113.5 billion in 2029 instead). Therefore we conclude that although these policy reforms were somewhat effective, they were no efficient given negative effects these reforms had on the tax morale.


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