Ana GOMES

Ms. Christine Lagarde
Managing Director
International Monetary Fund (IMF)

Brussels, 10 January 2013

Dear Ms. Lagarde,

Thank you for the letter of November 29th signed by Mr. Moghadam, replying to my letter addressed to you as Managing Director of the IMF.

I would like to object to some points you make, though. I strongly disagree with your statement that ***the Portuguese authorities have shown a strong commitment to combat tax evasion and tax fraud***. As a matter of fact, the 2012 national budget (Article 166) included the Special Tax Regularisation Regime (RERT), which allowed the holders of funds deposited in secrecy jurisdictions, such as Switzerland, to 'clean up' their tax situation under cover of an amnesty for any associated crimes and the legalisation of the funds involved following payment of a tax of just 7.5 %. It should be emphasised that this regime did not involve the public identification of infractors - quite the contrary, it specifically stated that their identity should be kept in complete secrecy and that this declaration could not be used in the context of any criminal proceedings. Moreover, the legalisation of the funds did not oblige the holder to explain the origin of the funds, whether they were obtained legally or illicitly.

Thus the Portuguese Government, under Adjustment Programme and the supervision of the European Commission (EC), the European Central Bank (ECB) and the IMF, **not only pardons those who commit tax fraud or evasion, but also makes them pay far less tax than those who rely on their own labour earnings.**

Besides, the Portuguese state, instead of confiscating part or the total of such assets and help balance the public accounts, only recovered 258 million EUR in 2012 from the amount of 3.4 billion EUR it identified parked abroad. The intended repatriation of the money, however, cannot even be made mandatory, due to EU rules. **Portuguese citizens, who currently endure severe budget cuts and the highest fiscal burden in Europe, cannot take these "efforts" to combat tax evasion seriously.** The Portuguese Government should have, at minimum, published the list of the biggest tax evaders, like the British Treasury did a few days ago, as measure of deterrence and to prompt the Public Prosecutor to act.

Furthermore, I have to highlight the fact that, after the bail-out of Banco Português de Negócios (BPN) in 2008, **the Portuguese State has not taken the initiative to track and recover the assets in debt by the BPN debtors**, who are well known and maintain their patrimony safely offshore, which amounts to 3 billion EUR, according to newspaper "Expresso" (see attached). It is therefore unacceptable for Portuguese citizens that the IMF, EC and ECB, instead of pressing and collaborating with the Portuguese state to track and recover these assets, suggests that the State proceed with more cuts on wages, pensions, education and health, which will, sooner or later, lead to social and economic collapse in the country.

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On another point, you mentioned that the ***IMF is working closely with the Portuguese authorities to broaden the tax base.*** Having regard to these efforts, I would like to state that **the broadening of the tax base has been done mostly at the cost of labour earnings and the impoverishment of the middle class** - capital earnings are taxed at 28%, while a worker earning 1600 EUR a month will pay 37% in income tax in 2013.

Moreover, alternatives to broaden the tax base proposed to the Government and to the IMF by civil society have been bluntly disregarded, such as **the initiative taken by Portuguese NGO "Transparência e Integridade", which proposed the taxation / retention of real estate capital gains ("mais-valias imobiliárias") by the State**, as a measure to increase public revenue, promote transparency and fiscal justice, combat corruption and release resources to support the real economy.

Best regards,

Ana Gomes

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Member of the European Parliament

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