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Connected in Law, Separated in Practice: Exploring Cooperation Challenges Between Tax and AML Enforcement in the EU

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Abstract

Tax crimes and money laundering are two forms of financial crime that have attracted increasing attention in the European Union in recent years. Because tax offences frequently generate illicit proceeds that require concealment, tax crime is not only a fiscal issue but also a direct enabler of the laundering cycle. Even though tax crimes have been a predicate offence to money laundering for over a decade, in practice, cooperation between tax and AML authorities remains limited. This disconnect weakens the effectiveness of both regimes: AML bodies often miss red flags that stem from tax evasion, while tax authorities lack access to financial intelligence that could uncover concealed taxable income. Greater collaboration between the enforcement bodies in the Tax and AML regime complexes would therefore enhance information sharing, close detection gaps, and significantly strengthen the EU's efforts to combat financial crime.

This paper investigates the institutional and behavioural dynamics at the intersection of the EU's tax and AML regime complexes. Adopting a regime complex perspective, it examines how institutional characteristics and policy legacies shape the interaction between the two sets of enforcement authorities. The study draws on business responses to the FATF's 2011/12 public consultation discussing the inclusion of tax as a predicate offence and expert interviews with public and private sector organisations in the EU. The findings reveal that, despite the formal legal link between tax and AML, the two regimes continue to be perceived as distinct policy fields. This perception, reinforced by path dependence and the institutional characteristics of the tax and AML regime complexes, hampers practical cooperation. The paper concludes by offering insights into how these structural and perceptual barriers can be addressed. In light of the EU's latest AML package, the creation of a single rulebook, and the establishment of AMLA, these findings offer timely recommendations for enhancing integrated enforcement approaches to tackle financial economic crime.

Keywords:

Governance, Financial Crime, Regulation, Complexity

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I. Introduction

Since 2012, there has been a continual effort within the legislation to expand AML regulation into the field of taxation. The Financial Action Task Force's 2012 update to its 40+9 Recommendations expanded its list of recommended predicate crimes for money laundering to include tax crimes. The European Union's fourth anti-money laundering directive (AMLD4) in 2015[2] also expanded its list of predicate crimes to include tax crimes.[3] In the latest set of measures adopted in 2024, the EU adopted a single rulebook on AML through the AML Regulation (AMLR), which harmonises the AML predicate crimes across the Union. As a result, it requires the inclusion of tax crimes as a predicate crime to money laundering in national law.[4] These legal developments in the European Union illustrate the continual push and expansion of AML regulation to tackle tax crimes. From a regulatory perspective, linking the Tax and AML regimes demonstrates evidence of increased coordination within the financial crime global governance architecture at the macro level.[5] The degree of coordination or fragmentation between two regime complexes has consequences for the effectiveness of governance instruments within the entire governance area.[6] The benefits of linking Tax and AML regulation for enforcement purposes and the existing synergies between these areas have been documented by academics and practitioners.[7]

Despite the encouraging legal developments, the practical interaction and coordination between AML and Tax regulatory regimes do not appear to reflect the growing legal link. [8] In fact, the EBA published a report in 2020 following the Cum Ex fraud scandal, which investigated how dividend arbitrage schemes, a type of tax fraud,[9] were understood in the context of money laundering and counter-terrorism financing risks. The EBA found that in 2019, only two AML/CFT supervisors within the EU considered such tax fraud schemes to pose money laundering risks, and generally, there had been very minimal cooperation between tax and AML authorities in investigating this tax fraud.[10] This paper adopts a regime complexity perspective to explore how the characteristics of the tax and AML regime complexes have presented challenges to effective collaboration between tax and AML authorities. In other words, it considers how the structural and organisational features of these two regulatory frameworks can explain why an increase in legal cooperative provisions does not always result in improved enforcement or practical collaboration. This provides an important caveat to increased discussions surrounding information sharing or collaborative initiatives to solve cross-border regulatory complexity. Further, it simultaneously offers a more nuanced addition to criminological literature that frequently focuses on corporate crime as a result of corporations exploiting regulatory loopholes.[11]

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[2] EU Parliament and Council Directive of 2015/849 on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing.

[3] It is important to note that the EU Directive "did not seek the harmonisation" of national rules related to

[4] EU Parliament and Council Regulation 2024/1624 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing. Preamble para 26.

[5] Frank Biermann and others, 'The Fragmentation of Global Governance Architectures: A Framework for Analysis' (2009) 9 Global Environmental Politics 14.

[6] ibid.

[7] Emmanuel Mathias and Adrian Wardzynski, 'Leveraging Anti-Money Laundering Measures to Improve Tax Compliance and Help Mobilize Domestic Revenues' (International Monetary Fund 2023) Working Paper WP/23/83; B Unger and J Ferwerda, 'Regulating Money Laundering and Tax Havens: The Role of Blacklisting.' in A Sabitha (ed), *Combating Money Laundering – Transnational Perspectives* (ICFAI University Press 2009); Lucia Rossel, Brigitte Unger and Joras Ferwerda, 'Shedding Light inside the Black Box of Implementation: Tax Crimes as a Predicate Crime for Money Laundering' (2022) 16 Regulation & Governance 781.

[8] Mathias and Wardzynski (n 7).

[9] Using the broadest sense of tax fraud here- the EBA report actually highlighted that this was form of tax avoidance scheme was not illegal in some member states. However, this fraud scheme cost member states around 55.2 billion EUR and therefore was clearly harmful corporate behaviour.

[10] EBA, 'Report on Competent Authorities' Approaches to Tackling Market Integrity Risks Associated with Dividend Arbitrage Trading Schemes' (2020) Inquiry EBA/REP/2020/25 <https://www.eba.europa.eu/sites/default/files/document_library/News%20and%20Press/Press%20Room/Press%20Releases/2020/EBA%20publishes%20its%20inquiry%20into%20dividend%20arbitrage%20trading%20schemes%20(%E2%80%9CCum-Ex/Cum-Cum%E2%80%9D)/883661/EBA%20Report%20on%20inquiry%20into%20Cum-Ex.pdf> accessed 4 August 2025.

[11] Paul Almond and Judith Van Erp, 'Regulation and Governance versus Criminology: Disciplinary Divides, Intersections, and Opportunities'; Raymond J Michalowski and Ronald C Kramer, 'The Space Between Laws: The Problem of Corporate Crime in a Transnational Context*' (1987) 34 Social Problems 34.

Regime complex (IRC) theory focuses on the interactions between regimes, institutions, and actors within and across these regimes.[12] It is premised on the idea that no regulation or institution operates in a vacuum or emerges onto a blank slate, but instead the existing institutions shape the direct and what is possible for new regimes. Adopting a regime complexity perspective, therefore, provides a valuable way to explore the extent to which the systemic and institutional characteristics have contributed to the disconnect between legal and practical co-operation between Tax and AML authorities. Regime complexes are defined as "an array of overlapping and non-hierarchical institutions governing a particular issue area."[13] However, in a world where issues are increasingly overlapping, one must be cautious not to assume everything falls within the same complex or everything is complex; as global governance becomes more complex, one must distinguish between complicated or related issues and complex or interdependent issues.[14] Within the concept of global governance architecture and legal literature, fragmentation is used to describe the level of coordination between issue areas. IRC theory uses the concept of "dependence" to identify when relationships between regime complexes become complex; dependence means the actions in one institution or complex will necessarily impact the actions or behaviours in another.[15] Dependence between tax and AML complexes can therefore lead to greater integration between the two issue areas and thus help craft greater efficiency in the enforcement of financial crime in the EU.[16] The growing policy developments to link Tax and AML regulation aim to forge dependence and greater integration between these two areas to tackle financial crime in the EU more efficiently.

In this instance of the Tax and AML regime complexes, the lack of practical cooperation signals that there is no dependence between these two regime complexes. As such, one can infer that simply linking regulatory standards and including tax crimes as a predicate offence is insufficient to forge dependence between these regime complexes.[17] Despite the introduction of formal legal standards to forge greater collaboration and interaction between Tax and AML, it has not resulted in the intended or desired cooperation in investigations and enforcement. Therefore, whilst introducing formal legal standards is necessary to achieve a transition to dependence between policy areas, they do not appear sufficient on their own to result in reforms enhancing inter-issue area collaboration or effecting regulatory interventions through adjacent policy areas.[18] IRC scholars have consistently focused on the importance of information and bounded rationality in regime complexes.[19] Langlet and Vadrot demonstrated that dependence could emerge without formal ties where the constituent actors and institutions believed that their actions in one institution related to and would impact actions in another regime.[20] Such findings coincide with March and Olsen's concept of the logic of appropriateness, which states that actors do comply out of self-interest, but follow rules they deem as appropriate, legitimate, and in line with social norms.[21] This paper, therefore, tests this finding in the opposite situation: can the lack of dependence be explained through the existence of regulatory siloes and perceptions about the relationship between tax and AML? Or is it, in fact, that the perceptions of practitioners which drive the fragmentation between these two areas? This paper argues that it is a combination of both that stifles greater cooperation in enforcement within such regime complexes. Based on a review of corporate responses from the FATF 40+9 consultations in 2012 and 15 semi-structured interviews with practitioners from the public and private sectors, this paper explores how actors perceive the relationship between Tax and AML regulation. This

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[12] Kal Raustiala and David G Victor, 'The Regime Complex for Plant Genetic Resources' (2004) 58 International Organization 277; Karen J Alter and Kal Raustiala, 'The Rise of International Regime Complexity' (2018) 14 Annual review of law and social science 329.
[13] Raustiala and Victor (n 12) 279.
[14] Rakhyun E Kim, 'Is Global Governance Fragmented, Polycentric, or Complex? The State of the Art of the Network Approach' (2020) 22 International Studies Review 903.
[15] James Hollway, 'What Makes a "Regime Complex" Complex? It Depends' (2021) 6 Complexity, Governance & Networks 68; Raustiala and Victor (n 12).
[16] Biermann and others (n 5).
[17] Hollway (n 15).
[18] ibid; James G March and Johan P Olsen, 'Elaborating the "New Institutionalism"' in Sarah A Binder, RAW Rhodes and Bert A Rockman (eds), *The Oxford Handbook of Political Institutions* (Oxford University Press 2008) <https://doi.org/10.1093/oxfordhb/9780199548460.003.0001> accessed 19 August 2025.
[19] Karen J Alter and Sophie Meunier, 'The Politics of International Regime Complexity' (2009) 7 Perspectives on Politics 13; Alter and Raustiala (n 12).
[20] Arne Langlet and Alice Vadrot, 'Negotiating Regime Complexity: Following a Regime Complex in the Making' (2024) 50 Review of International Studies 231.
[21] James G March and Johan P Olsen, 'The Logic of Appropriateness', *The Oxford Handbook of Political Science* (Oxford University Press 2011) <https://academic.oup.com/edited-volume/35474/chapter/303820733> accessed 14 April 2023; March and Olsen, 'Elaborating the "New Institutionalism"' (n 18).

paper will argue that it is a combination of both the complexity in the regulatory environment[22] and ongoing perceptions of practitioners that stifles reforms for greater cooperation in enforcement in Tax and AML.

The rest of this paper is organised as follows. First, it will introduce the regime complex theory to set the theoretical stage for the empirical analysis. Second, a description of the methodology used in this paper will be provided. Third, this paper will explore how perceptions have created a barrier to practical cooperation and how this has been shaped by the complexity characteristics. Fourth and finally, it will discuss the impact of these results.

II. Dependence, Complexity, and Perceptions

Regime complexity theory uses a complexity perspective to understand how global governance is shaped by the interactions between international institutions, states, non-state actors, and regimes.[23] The phenomenon of a regime complex emerges because of the nature of global governance; norms are becoming more intrusive and demanding, extending influence far beyond national borders.[24] As the international governance sphere becomes denser and issues increasingly interrelated, one can often identify synergies or cooperations between regimes. However, synergy and cooperation do not always equal complexity, nor does it necessarily mean two overlapping regulatory regimes exist within the same regime complex. Kim argues that in order for something to be complex, it requires "emergence and self-organisation among parts" as opposed to a complicated system, which is simply a large number of parts.[25] Similarly, Hollway argues that what makes a regime complex a '*complex'* is dependence.[26] They define dependence as more than simply issue linkage or proliferation, but instead as a form of interdependence where the actions or presence of one part of the complex impacts the actions, outcomes, or outputs of another.[27] It is, therefore, a critical concept to uncover potential factors or perceptions that may hinder effective cooperation between tax and AML authorities.

Dependence can emerge as a result of regime complexity. Alter and Meunier identified five pathways in which the complexity characteristics of regime complexes may impact governing dynamics; two of which are particularly relevant for understanding how dependence may have been thwarted between the Tax and AML complexes.[28] Cross-institution political strategies consist of forum linking, forum shopping, and regime shifting; in short, they involve strategies of behaviour that seek to shift issues out of one regime and into another, or to bridge two different regime complexes.[29] Feedback effects, as explained by Alter and Meunier, focus on how the types of interactions between institutions, regimes, or regime complexes can have either positive or negative impacts on international collaboration.[30] Scholars have identified that competition between institutions and regime complexes can lead to lower international collaboration and inefficiencies in enforcement; however, competition can also facilitate experimentation in policy approaches or increase the total resources working on an issue.[31] Feedback effects can also increase the value of loyalty or shape perceived norms, as what actors and states do in one arena affects the perceptions of other actors in another arena.

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[22] Miroslava Scholten, 'Let Us Wait and See First How the Law Does Not Work? "Better Regulation" Can Do It Better!', *Enforcement of European Union Law: New Horizons* (2024) <https://jmn-eulen.nl/wp-content/uploads/sites/575/2024/10/Scholten-EULEN-Conference-2024.pdf> accessed 7 November 2025.
[23] Laura Gómez-Mera, Jean-Frédéric Morin and Thijs Van de Graaf, 'Regime Complexes' in Biermann Frank and Kim Rakhuyn E. (eds), *Architectures of Earth System Governance* (Cambridge University Press 2020); Raustiala and Victor (n 12); Karen J Alter, 'The Promise and Perils of Theorizing International Regime Complexity in an Evolving World' (2022) 17 Review of International Organizations 375.
[24] Raustiala and Victor (n 12).
[25] Kim (n 14).
[26] Hollway (n 15); Raustiala and Victor (n 12).
[27] Hollway (n 14); Roger A Coate, Jeffrey A Griffin and Steven Elliott-Gower, 'Interdependence in International Organization and Global Governance', *Oxford Research Encyclopaedia of International Studies* (2015) <https://oxfordre.com/internationalstudies/display/10.1093/acrefore/9780190846626.001.0001/acrefore-9780190846626-e-110?d=%2F10.1093%2Facrefore%2F9780190846626.001.0001%2Facrefore-9780190846626-e-110&p=emailAc%2FxZR73REkP2> accessed 20 March 2025.
[28] Alter and Meunier (n 18).
[29] ibid; Amandine Orsini, 'Multi-Forum Non-State Actors: Navigating the Regime Complexes for Forestry and Genetic Resources' (2013) 13 Global Environmental Politics 34.
[30] Alter and Meunier (n 18) 19.
[31] Alter and Meunier (n 18); Emilie M Hafner-Burton, 'The Power Politics of Regime Complexity: Human Rights Trade Conditionality in Europe' (2009) 7 Perspectives on Politics <https://doi.org/10.1017/S1537592709090057>.

Degrees of dependence are implicated in both of these consequences. Where actors use regime linking or forum linking as cross-institutional political strategies across two regime complexes, it forges deeper connections and associations between the two complexes. In the enforcement context, a dependent relationship could be visible in the form of efficient cross-institutional task forces, for example, efficient and robust joint investigations between the Tax and AML authorities. Shared databases and information exchange would also be another example of dependence between regulatory enforcement practices. In essence, if there is dependence between tax and AML regime complexes in enforcement, the enforcement of rules in either one of these regulatory frameworks would be limited, facilitated, or shaped by the rules in the other [32]. As Langlet and Vadrot illustrated, perceived interdependence between two regime complexes can result in the emergence of dependence.[33] With this in mind, strategies to link regimes together therefore construct frames within the negotiations that increase the perceived connection between the two issue areas. This has been used in numerous instances; one example discussed by Curran and Eckhardt demonstrates how U.S. gambling companies linked gambling regulation with international trade to successfully challenge the new U.S. gambling restrictions.[34] However, where these strategies are used to regime shift, or forum shop, it can create distance between two regime complexes and thereby frustrate the development of dependence. Similarly, feedback effects can both create and disrupt the emergence of dependence or complex interdependence between two regime complexes. Where the interactions between complexes are competitive and non-experimental, it can lower the incentive for actors to collaborate on an issue matter. If institutions have less incentive to collaborate, they will continue to operate in siloes and in parallel to one another, which can result in greater inefficiencies. In a regime complex, this may result in conflicting authority or strategic ambiguity;[35] however, across regime complexes, it disrupts the emergence of dependence, as the perceived overlap is considerably reduced, thereby minimising the chance that outcomes in one complex will impact behaviours in another.[36] In such instances, the interactions between two regime complexes will be seen as linked or complicated, but not complex, as the competitive feedback effects will inhibit the emergence of dependence.[37] Reverberative feedback effects, however, can deepen the dependence between two regime complexes, and one would often associate these effects with forum and regime linking strategies.[38]

Perceptions, framing, and norms, therefore, play an important role in understanding when dependence emerges and how it can be frustrated. Regime complexity often creates a stronger emphasis on the role of experts to navigate the complexity, which can result in bounded rationality and implementation politics.[39] Langlet and Vadrot demonstrate that perceived relations, feedback effects or interdependence between two regimes can result in dependence even when there is no formal organisational or regulatory link.[40] In the case at hand, there is a clear and expanding legislative link between the Tax and AML regime complexes, yet there is minimal practical cooperation or evidence of dependence. As such, one can conclude that the perceived relationship between two regime complexes is significant in understanding why dependence may or may not emerge between two issue areas. March and Olsen's work on the logic of appropriateness further compounds the importance of perceptions.[41] The logic of appropriateness states that actors' behaviour is driven by a "commitment to an identity and its rules" as opposed to being driven out of self-interest rational decision-making.[42] March and Olsen argue that actions or behaviours in international affairs are an expression of "what is exemplarily, natural, or acceptable behaviour, and what is acceptable is shaped based on historical precedent, interpretations of the rules in context, and available resources.[43] The role of perceptions and beliefs as

[32] Thomas Gehring and Sebastian Oberthür, 'The Causal Mechanisms of Interaction between International Institutions' (2009) 15 European Journal of International Relations 125; Hollway (n 15).
[33] Langlet and Vadrot (n 19).
[34] Louise Curran and Jappe Eckhardt, 'Influencing Trade Policy in a Multi-Level System-Understanding Corporate Political Activity in the Context of Global Value Chains and Regime Complexity' (2018) 20 Business and Politics 132.
[35] Alter and Meunier (n 18).
[36] Hollway (n 15); Langlet and Vadrot (n 19).
[37] Gehring and Oberthür (n 32); Alter and Meunier (n 19); Hollway (n 15).
[38] Alter and Meunier (n 18).
[39] ibid; Alter (n 23).
[40] Langlet and Vadrot (n 19).
[41] March and Olsen, 'The Logic of Appropriateness' (n 21); March and Olsen, 'Elaborating the "New Institutionalism"' (n 18).
[42] James G March and Johan P Olsen, 'James G. March and Johan P. Olsen. 1984. "The New Institutionalism: Organizational Factors in Political Life. American Political Science Review 78 (September): 734–49 Cited 456 Times.' (2006) 100 American Political Science Review 675.
[43] March and Olsen, 'The Logic of Appropriateness' (n 20).James G March and Johan P Olsen, 'Institutional Perspectives on Political Institutions' (1996) 9 Governance 247.

underpinning actions in international governance, therefore, is well documented within the literature. This chapter seeks to build on it to explore how they impact the interactions between two regime complexes and how perceptions can produce consequences for financial crime enforcement collaboration in the EU.

In the rest of this paper, this theoretical foundation will be applied to understand how regime complexity creates challenges for effective collaboration between tax and AML authorities. It does so by exploring how the interactions between actors and regimes at the intersection of Tax and AML regulation have disrupted the emergence of dependence between these issue areas, with a particular focus on cross-institutional political strategies and feedback effects.

III. Methodology

As has been demonstrated in this paper, perceptions play a significant role in understanding the interactions and evolution of international regulation. This paper, therefore, uses a framing analysis of business responses to the FATF 2011/2 consultations and interviews with experts and practitioners to reconstruct perceptions and beliefs about the relationship between AML and Tax regulation. Complementing the framing analysis with interviews offers the opportunity to validate the insights from the documented business responses with contemporary insights from experts in the field and strengthen the conclusions of this paper.

The public documents are collated from the Financial Action Taskforce's consultation with private business actors on proposed reforms to the FATF's 40+9 recommendations in 2011/2. The FATF is an important forum in the AML regime complex, as it exists as the focal organisation within the international AML complex.[44] Here, open norms are discussed and adopted in soft-law recommendations; these norms trickle down into the national and regional regimes of FATF member states. A total of 50 business responses were coded based on whether the actors were promoting (sponsoring) or preventing (inhibiting) the inclusion of tax crimes, and the type of argumentation used. The four different types of information (legal, economic, technical, and political), as developed by interest group scholars, were used to code the type of argumentation.[45] Information types are important in developing argumentation as they frame how an issue is understood, interpreted, and navigated.[46] Deconstructing the reactions of business actors in this way, therefore, provides a strong insight into the initial reactions and perceptions of businesses around the expansion of AML into Tax issues.

Semi-structured interviews were conducted with professionals working in AML and Tax regulation from the public, private, and civil society sectors between January and June 2025. In these interviews, respondents were asked how they perceived the connection between these fields of regulation and how it has impacted day-to-day operations and obligations. A total of 15 interviews were conducted with stakeholders from the public and private sectors, excluding informal discussions with academic experts. The interviews lasted around 1 hour. Respondents were identified based on their job position and through snowballing techniques. Recruiting interview respondents already uncovered an interesting finding, notably that many individuals contacted self-excluded themselves as they either claimed they did not have experience working at the intersection or did not feel they had expertise in both areas of regulation beyond the basic requirements. This already identifies an important aspect of the interaction between tax and AML regime complexes, mainly the lack of individuals who work across these sectors, or perceive themselves to be experts in both areas. Challenges in recruiting the respondents for this interview study are therefore a further manifestation of the lack of collaboration between the Tax and AML regulation.

The findings of this analysis will be discussed in the following section.

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[44] Michael Levi and Peter Reuter, 'Money Laundering' (2006) 34 Crime and Justice 289; Maria Bergström, 'The Global AML Regime and the EU AML Directives: Prevention and Control' in Colin King, Clive Walker and Jimmy Gurulé (eds), *The Palgrave Handbook of Criminal and Terrorism Financing Law* (Springer International Publishing 2018) <https://doi.org/10.1007/978-3-319-64498-1_3> accessed 24 October 2023.

[45] Adam William Chalmers, 'Trading Information for Access: Informational Lobbying Strategies and Interest Group Access to the European Union' (2013) 20 Journal of European Public Policy 39; Christine Mahoney, *Brussels Versus the Beltway: Advocacy in the United States and the European Union* (Georgetown University Press 2008) <http://ebookcentral.proquest.com/lib/uunl/detail.action?docID=547808> accessed 22 April 2025; Caelesta Braun, 'The Captive or the Broker? Explaining Public Agency–Interest Group Interactions' (2012) 25 Governance 291; Iskander De Bruycker, 'Framing and Advocacy: A Research Agenda for Interest Group Studies' (2017) 24 Journal of European Public Policy 775.

[46] March and Olsen, 'Elaborating the "New Institutionalism"' (n 18).

IV. Findings: Framing and Perceiving Tax in AML

Regime complex theory and the logic of appropriateness approach to international affairs place importance on the prior developments in a governance area. Tax and AML have different governance structures; Tax is a state-centric, decentralised regime complex, whilst AML is comprised of diverse actors and characterised by the need for international collaboration and cooperation.[47] The following section will focus on perceptions and interactions between the Tax and AML regime complexes in two ways. First, it will focus on how business actors framed their responses to the initial proposal to include tax crimes as a predicate offence to money laundering in the FATF's 40+9 recommendations. Second, it will draw on the sentiments of practitioners working currently at the intersection of Tax and AML regulation to understand modern perceptions and whether we can detect a change over the years since the inclusion of tax crimes as a predicate offence.

Initial business reactions to the expansion of AML regulation to Tax crimes in the FATF

Business actors are at the forefront of the prevention pillar within AML, meaning they are responsible for implementing and translating AML regulations into practice.[48] The reactions and perceptions of business actors are therefore important to understand the stage upon which tax as a predicate offence was introduced to the AML regulatory framework. Overwhelmingly, business responses sought to prevent and inhibit the inclusion of tax crimes as a predicate offence- this strategy spanned across financial institutions, legal professionals, and real-estate corporations. Business responses sought to inhibit the inclusion of tax crimes in two main ways: first, by framing tax and AML issues as targeting separate issues, and second, by stating that the ambiguity and technicality of tax regulation meant businesses would be unable to identify tax crimes. These arguments both targeted the perceived relationship between Tax and AML regime complexes to frame the expansion of AML to Tax crimes as inappropriate.

Business comments frequently focused on framing tax crimes and money laundering as different types of crimes and degrees of criminality. Frequently, commentators stated that the expansion to include tax crimes would "*dilute efforts to focus on the fight against serious crimes".*[49] The Council of Bars and Law Societies of Europe (CCBE), a professional body representing the legal profession in Europe, argued that *"though illegal, tax crimes can hardly be considered similar to serious organised offences the recommendations aim to target."* These quotes provide examples of how business actors perceive the conduct underlying tax and money laundering regulation. It illustrates that businesses see money laundering as more serious or more traditional criminal conduct, associated with corruption, bribery and drug trafficking offences. Such a perception aligns with the original motivation for developing an international body of regulation to tackle money laundering, which was predominantly focused on drug trafficking.[50] Tax regulation, on the other hand, is principally focused on raising revenue for the State and managing competing cross-border taxing claims.[51] The logic of appropriateness states that actors behave in line with institutional practices which have been developed and folded into the construction of the identity of a regime.[52] Here, the business responses which focus on the different nature and degrees of severity of these crimes, therefore, can be understood as a manifestation of the

[47] The complexity and organisational characteristics of the Tax and AML regime complexes have been more extensively discussed in earlier chapters in my monograph dissertation. Mathias and Wardzynski (n 7); Reuven S Avi-Yonah, *International Tax As International Law : An Analysis of the International Tax Regime* (Cambridge University Press 2007) <https://research.ebsco.com/linkprocessor/plink?id=4116bc6d-157d-3c6f-a904-55ab95faf933> accessed 9 September 2025; Maria Bergström, 'EU Anti-Money Laundering Regulation: Multilevel Cooperation of Public and Private Actors' in Christina Eckes and Theodore Konstadinides (eds), *Crime within the Area of Freedom, Security and Justice* (1st edn, Cambridge University Press 2011) <https://www.cambridge.org/core/product/identifier/CBO9780511751219A013/type/book_part> accessed 24 October 2024; Maria Bergström, Karin Svedberg Helgesson and Ulrika Mörth, 'A New Role for For-Profit Actors? The Case of Anti-Money Laundering and Risk Management' (2011) 49 JCMS: Journal of Common Market Studies 1043; Levi and Reuter (n 44).

[48] Bergström, Svedberg Helgesson and Mörth (n 47); Bergström (n 47).

[49] European Banking Federation, Response to FATF 2011/2 Public Consultations, First Round 2011. Available at: https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Review-and-history-of-fatf-standards.html#FIRST

[50] Levi and Reuter (n 44).

[51] Stuart Adam and others, 'Corporate Taxation in an International Context', *Tax By Design* (1st edn, Oxford University Press 2011) <https://ifs.org.uk/books/18-corporate-taxation-international-context> accessed 9 September 2025; Avi-Yonah (n 47).

[52] March and Olsen, 'The Logic of Appropriateness' (n 20).

conflicting identities or actions deemed appropriate for both bodies of crime. Thus, the perceptions underpinning what is appropriate to tackle tax crimes and money laundering conflict. Based on these conflicting perceptions of what is appropriate, businesses sought to inhibit the expansion of AML regulation to tax crimes as they did not deem them as related. To extend this to the notion of dependence, we can see that these conflicting perceptions create a barrier to dependence and thus effective collaboration because these issues are not deemed as related.

A related framing by businesses focused on the institutional mandates and scope of the Tax and AML regulatory framework. The responses of the Swiss Bankers Association (SBA) and the European Casino Association neatly summarise this framing:

> *"…an extension of the scope of application has to be avoided and the original goal of the FATF- the fight against organised crime and terrorist financing has to be reclaimed. It should not be the purpose of the member states' anti-money laundering regulation to guarantee the tax compliance of their citizens" (Swiss Bankers Association, first round consultation, 2011).*
>
> "*AML measures are an important tool; their purpose is not to be applied to simple tax evasion by small companies.*" (*European Casino Association*, *first round consultation, 2011)*

This framing builds on the underlying perception that these are different sorts of crime but extends it further to argue that it is not within the scope of AML regulation. This framing is an example of cross-institutional political strategies aimed at shifting tax matters outside the scope of the AML complex, thereby inhibiting or at least weakening the link between tax and AML issues.[53] Business actors, particularly financial institutions, raised that the ambiguity and complexity of tax crimes mean it is impractical to extend the scope of AML regulation to include tax crimes. For example, the Wolfsberg Group, which is the voice of 12 prominent international financial institutions, stated:

> *" Tax compliance is the responsibility of customers…Financial Institutions are not (and should not be viewed as being) in a position to confirm the tax-compliant status of a customer. The role of what financial institutions can do in this regard, as an AML matter, is limited in nature by the AML programs…"(Wolfsberg Group, FATF Consultations First Round 2011)*

The Wolfsberg Group's comment exemplifies how the ambiguity and decentralised nature of the complex tax regime have been used to weaken the likelihood of dependence or effective collaboration between Tax and AML regime complexes. It emphasises the decentralised nature of tax regulation, which allows for significant discretion and variation among states, even within the EU, to prevent linking between the two regimes. Additionally, the Wolfsberg Group's comment reflects a broader trend of business actors trying to avoid the extra compliance burdens.

Initial reactions of business actors within the FATF, therefore, demonstrate a conscious effort to prevent the inclusion of tax crimes within the AML regulatory framework. In these initial negotiations, business actors highlighted the different perceptions of the crimes and different aims of the regulatory frameworks to weaken the relationship between the two regime complexes. My analysis unveils evidence of these actors utilising the consequences of regime complexity in order to achieve this goal, particularly cross-institutional political strategies such as forum and regime shifting.

Contemporary Perceptions of practitioners of the relationship between AML and Tax regulation

Despite the fierce resistance of the reporting entities to the inclusion of tax crimes as a predicate offence, the FATF nonetheless opted to include them. In many jurisdictions, tax crimes are now included in national AML frameworks, and so, business actors - especially financial institutions - have had to adapt to stay compliant.

As tax crimes are now a formal requirement of corporate AML procedures, the interviews demonstrated that there has been some convergence between AML and Tax crime regulation in practice. Often, this has taken the form of educating and building awareness among staff members (interviews 12, 10). For example:

> *"On the people side of things, our risk stewards need to upskill themselves to top up tax risk in their day-to-day job…the controls needed to be upgraded to cover tax risks"*[54]

[53] Tim Bartley, 'Transnational Corporations and Global Governance' (2018) 44 Annual Review of Sociology 145; Alter and Meunier (n 18).
[54] Interview 1

Additionally, the interviews illustrate that there is an increased awareness of tax crimes or suspicious tax behaviours across different departments within the compliance function, who increasingly file SARs for Tax crimes.[55] One respondent gave the following example:

> *"Someone from the Credit department, so not a tax person, came to the money laundering prevention team…and she said "I'm looking at a transaction where it seems unnecessarily complicated for what the client is proposing to do, and they are willing to pay us a fee that is much higher than we would normally charge for this… I just feel like there's something wrong with this" … So, because she had been trained maybe a year ago… and she remembered something."*[56]

These examples from practitioners demonstrate a growing practical link between tax and AML compliance procedures and an increasing understanding of tax crimes within a commercial compliance setting. This is a direct result of the inclusion of tax crimes within the EU AMLDs and inclusion within the FATF's Recommendations.[57] These initiatives did not seek to develop their employees as tax specialists but simply created a high-level appreciation of tax matters. Given the increased overlap in practice, almost all respondents acknowledged the logical interrelation between Tax and AML.[58]

> *"They are closely related…there is a good relation between money laundering and tax evasion because end of the day [sic] you are getting laundered funds coming into the account, but you are not paying any tax on those funds."*[59]
>
> *"Now the expectation is, and we see a lot of overlap with money laundering risk and tax risk"*[60]

This is evidence of a reverberation feedback effect between AML and Tax regime complexes, which linked these two areas together. The increased acknowledgement of how AML and Tax are "closely related" demonstrates that the forum linking through the FATF's standards and the EU's AML directives has resulted in changes in how corporations perceive the interaction between Tax and AML. Business responses in the FATF consultations demonstrate the importance of the logic of appropriateness, with clear evidence that businesses did not view this expansion of AML to Tax as appropriate. The reverberation feedback effects from the introduction of tax as a predicate offence in the AML complex thus had the effect of converging the perceptions and increasing the legitimacy of the connection between these two areas.

Despite these changes, perceptions that AML is not an appropriate framework persist and temper the emergence of dependence between the tax and AML regime complexes. Notwithstanding the additional training programs and operational changes, practitioners continued to express that because there are different regulatory approaches to these crimes, financial institutions cannot effectively identify tax crimes. In many institutions, tax matters exist outside the mandate of the compliance function, which limits the possibility for complete oversight and requires diligent cooperation (Interview 14). Respondents frequently implied that the focus on tax crimes would often come from the money laundering perspective and that there was less or no focus from the tax teams on money laundering issues (Interviews 1, 4, 2). One respondent went on to explain that from the money laundering perspective, "we cannot prove something to be a tax evasion because we probably won't have the right authority or tools, but we can conclude this appears to be suspicious or not" (interview 1). This is in part because of the time delay with tax crimes; a tax transaction will not become a crime until it is not reported, or until the intention is formed for the income to be reported (interview 8,7). As such, the perceptions surrounding the scope and practical limitations of the AML framework continue to hamper the emergence of dependence between tax and AML.

Over the course of the interviews, other barriers to greater interactions across the tax and AML regime complexes emerged. Respondents frequently referred to the lower prioritisation of tax crimes versus more typical money laundering predicate offences among regulators. Some commented that the lower prioritisation of money laundering is clear in the financial investments or comparative lack thereof (Interview 5). For example, one respondent explained:

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[55] Interviews 15,12,7,11,8, 4
[56] Interview 14
[57] One respondent who worked at the CIAT, explained that he ran a project to introduce tax as a predicate offence within national legislation in Latin American Countries, predominantly motivated by the countries wanting to pass their upcoming FATF mutual evaluations.
[58] Interviews 1-3, 5-15
[59] Interview 15
[60] Interview 1

"*I feel like there is an honest interest in a country to properly resource the tax administration so as to make sure that there is no tax evasion or tax avoidance. Money laundering and corruption, I think it's more about keeping the appearances... that is my perception when I look at how well equipped FIUs are compared to the tax administration in different countries, or the level of political pressure…" (interview 2)*

This coincided with the lack of information sharing and different cultures of tax and AML regulators. In particular, practitioners in the public sector acknowledged the reluctance of AML and Tax authorities to collaborate with one another (interview 2, 3, 6, 9). Respondents summarised the relationship between tax and AML regime authorities as follows:

> *"I work directly with tax people in the tax proper field, and I also know how distrustful they are of AML and how they think tax is the more complex, more advanced area, and then I have also been exposed to AML people… where they think exactly the opposite way … so I think cultural barriers is a crucial problem of brining the two together"*[61]
>
> *"A financial information unit doesn't understand the tax administration and the tax administration don't understand the prosecutor and don't understand the financial information you need… there is a lack of knowledge."*[62]

The lack of collaboration and trust among public sector agencies working on Tax and AML issues, therefore, has the effect of maintaining the siloes between these two bodies of regulation and thus likely also acts to limit the interaction of tax and AML crimes. Therefore, this demonstrates that there are competitive feedback effects

These obstacles indicate that the reasons for poor integration between tax crimes and AML regulation lie predominantly in the perceptions held in both public and private sectors, and the continuing lack of cooperation. Of particular note is that it appears that there is a lack of political will or resistance within the public sector to dependence between these two issue areas. If one is to truly establish greater coordination between tax and AML regulation, each of these obstacles needs to be addressed to some degree in order to facilitate more effective financial crime regulation.

Summary

This paper has analysed how business actors' exchange information and strategically construct frames and perceptions. Many of the concerns raised, and framings used, by businesses in the FATF 2011/2 consultations were echoed in conversations with practitioners in both the public and private sectors, almost 14 years on. This highlights the deep entrenchment of these shared perceptions and norms around the ideas of tax crime and money laundering as two financial crimes. As perceptions can shape how regulations are defined, understood, and implemented, the conclusions of this paper further deepen our understanding of how norms can shape institutional dynamics, and vice versa.[63] The power of the perceptions identified in this paper helped to instil a scepticism among practitioners and regulatory agencies of the added value of greater cooperation between Tax and AML enforcement.

V. Discussion

This paper illustrates how businesses sought to frame tax crimes and money laundering as separate issues to create space between the two issue areas. Questions of the severity, morality, risk, and harm of the two crimes from a reputational and societal perspective have been shown to have a large impact on how regulators and business actors responded to the expansion of AML into tax crimes. These results provide a clear path forward to create dependence between the tax and AML issue areas: the deep-seated views of tax crimes as a less serious financial offence must be changed. Organisations such as the Global Facility, Tax Justice Network, and CIAT are already engaging in campaigns to bring together actors in both regulatory regimes to foster greater trust and collaboration. However, it is important to extend these efforts to the community at large to ensure tax

[61] Interview 6
[62] Interview 9
[63] March and Olsen, 'Elaborating the "New Institutionalism"' (n 18); Alter and Meunier (n 19); Melissa J Durkee, 'Interpretive Entrepreneurs' (2021) 107 Virginia Law Review 431.

crimes are elevated within the perceptions of society to capture public interest and create equality between the seriousness of traditional money laundering offences, such as drug trafficking, and tax offences.

The theoretical insights generated in this paper, however, also have important connotations for modern developments in EU enforcement in the fields of AML and Tax. The creation of AMLA, the new European Union Anti-money laundering authority in 2024, presents a novel opportunity to reflect on the current state of affairs and provide important insights as AMLA begins to shape the "backbone of European Financial Intelligence" in the coming years.[64] Focusing on the organisational elements of tax and AML regulation provides a new perspective to explore the implications of regulatory governance and complexity on the financial crime enforcement in the EU. This paper demonstrates that the conflicting complexity characteristics of Tax and AML present obstacles to greater integration between tax and AML enforcement. Further, it also demonstrates how perceptions of actors operating at the intersection of Tax and AML exacerbate or mitigate the enforcement challenges created by regime complexity in financial crime regulation. As AMLA prepares to begin its operations in the coming year, the insights from this research provide timely insights into how it can improve collaboration between authorities by raising awareness and crafting positive perceptions of the interrelation between Tax crimes and AML. Nevertheless, we must acknowledge that these findings are based on a small sample of practitioners. Research based on a greater number of interviews with a broader range of practitioners should be conducted in order to further understand the significance of perceptions as a barrier to international collaboration in AML and Tax enforcement.

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