Luxury Daily®
The News and Intelligence You Need on Luxury

GOVERNMENT

Bulgaria cracks down on corruption, targeting luxury car, real estate owners

January 30, 2018

The EU is cracking down on corruption after wealthy elites, such as Kering's Bernard Arnault, were implicated in tax evasion. Image credit: Boucheron

By DANNY PARISI

As it hosts the rotating presidency of the European Union, Bulgaria, a country notorious for corruption and tax evasion, is beginning to crack down on ill-gotten wealth by investigating the owners of prestigious luxury goods.

In a country with high levels of poverty and a low average income, the Bulgarian government has issued a statement saying that many of the country's wealthiest are suspected of being involved in organized crime, money laundering or tax evasion. The crackdown targeting luxury consumers comes at a time when more countries are taking stock of the excessive and sometimes ill-gotten wealth of the elite class.

Targeting corruption

A 2016 poll from Transparency International, which surveyed experts from around the world, labeled Bulgaria as the most corrupt member of the European Union.

From money laundering and tax havens to bribery and vote buying, both Bulgarians and their EU neighbors believe that the country is rampant with corruption.

After the bombshell investigation of the Paradise Papers laid bare just how many of Europe's elites are complicit in hiding their wealth to avoid paying taxes, the EU has been pressuring its members to clamp down on the ugliest excesses of the wealthy.

Bulgaria has been pressured particularly hard in this regard. In response, the government said that it would be investigating the owners of luxury cars and prestigious real estate in the country.

The government will probe the finances of anyone who acquired real estate worth more than half a million levs, or $317,440 at the current exchange rate, to look for signs of corruption or hidden wealth.

As more nations begin to crack down on the many ways that the world's wealthy are able to hide their wealth and evade civic responsibility, luxury brands need to be aware of the way these changes will affect their consumers and their relationships with the brand.

Paradise Papers

Countries within the EU have become stricter on the world's wealthiest people recently. French President Emmanuel Macron proposed a tax on hard luxury goods for the 2018 budgetary year.

President Macron and lawmakers from his political party proposed an amendment to France's 2018 budget that would have applied a tax to the purchase of yachts, supercars and precious metals such as gold. Left-wing opponents of President Macron have accused him of being a "president of the rich," but this recent tax proposal begs to differ as the wealthy would have had to pay higher prices for hard luxury goods (see story).

Much of this can be attributed to the effects of the Paradise Papers and the large number of wealthy and influential Europeans named as hiding their wealth in offshore tax havens.

French billionaire and LVMH head Bernard Arnault is among the affluent individuals named in the leaked "Paradise Papers."

According to French newspaper Le Monde, Mr. Arnault, France's wealthiest person, has assets that may have not been properly reported to fiscal authorities in France and the United Kingdom. Mr. Arnault has released a statement denying any wrongdoing and has accused Le Monde of "scandalmongering," which in return has expressed that its investigative report does not claim the LVMH chief executive broke any laws (see story).

These reports and others have caused the EU to be much more responsive to concerns of corruption and tax evasion. The pressure created by the Paradise Papers and global dissatisfaction over inequality has translated to tough decisions for luxury brands and consumers.

As time goes on, brands must be thorough in all of their legal matters to avoid censure from authorities in the most important region in the world for luxury.