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The Troubled Waters of VEOLIA’s Tax Management

Does Veolia use France and US as private tax havens?

EXECUTIVE SUMMARY

In past years, the Greens / EFA Group in the European Parliament issued studies and reports on different multinational companies such as IKEA, BASF or ZARA in order to find out what their tax policy is and if they pay their fair amount of tax. It is the view of Greens / EFA that everybody should pay his fair share of tax including multinational companies.

Particular interest of public scrutiny should be given to companies benefiting extensively from providing access to public services and depending strongly on public infrastructure. Another company that caught Greens / EFA eye has been a French multinational Veolia. The analysis shows that its “efficient” tax management has made it possible that an increasingly smaller part of profits made by VEOLIA in France is actually taxed. VEOLIA is able to pay only very limited amounts of tax on profits made in two of its major countries of operation: France and the US, becoming some sort of tax havens for the group.

How is that possible? The VEOLIA group has entered tax group schemes in France, UK and US. The tax group scheme means that each subsidiary calculates its corporate tax on a standalone basis, and pays it to the mother company. This is especially interesting when some companies within the group have tax losses, which can be offset against the tax profits of other companies.
VEOLIA ENVIRONMENT created a tax group in France and was able to carry forward an aggregate tax loss of EUR 3.6 billion by the end of 2016 in France. The net aggregate profit made by companies within the French tax group seems to vary between EUR 300 and 600 million per year. This means that virtually any profit made by VEOLIA and its subsidiaries in France is not liable to tax for the next 10 years or so.

Tax savings resulting from this scheme have been of EUR 572 million in the last five years, and approximately EUR 2.7 billion since 2001. It is perfectly legal as Veolia has it’s headquarter in France and is allowed to offset losses. Nevertheless, Veolia is taxwise in deficit in France for years, while it is making profits on an accounting basis. The tax group was created in 2001 and from 2002 onward it was loss making.

The share of the tax burden paid in France is relatively small, and quickly declining, the average effective tax rate applied to VEOLIA’s tax base is 10 to 12 points below the nominal French corporate tax rate. The actual low tax burden for France results from profits made by subsidiaries that are not included in the tax group1 and by taxes that cannot be offset against the group's tax losses, like, for instance the 3% contribution on dividends that had been applied since 2012 in France. Creating tax groups and offset losses against profits is in line with rules of the EU's Parent-Subsidiary Directive and many other companies use it. However, as Greens/EFA group in the European Parliament we are convinced that this case shows that the system can be hardly called fair.

With more than 2,728 subsidiaries, but disclosed data from only about 100, Veolia serves as an example why there is such a strong need for public transparency and information about corporations. The Greens / EFA Group in the European Parliament therefore and why the EU member states should swiftly agree on public Country-by-country reporting.

The Veolia also show again why we need to agree on a Common Consolidated Corporate Tax Base (CCCTB) in Europe that would enable to distribute the tax base fairly by where the economic profits are really created. Greens / EFA Group in the European Parliament therefore call on the EU Member States to agree urgently on the CCTB and CCCTB proposals in the Council.

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