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Corporate tax

European Parliament hearing on companies' tax practices

Walt Disney was one of the 11 big companies that participated in a hearing of the Special committee investigating tax scandals (TAXE) on Monday, but it was Lewis Carroll who was with us in spirit.

On 16 November, for five hours, MEPs heard a familiar refrain from big business on tax dodging: it's all fine, don't you worry! Not a single company (except possibly HSBC) admitted that they have gone too far in their aggressive tax planning strategy. “We pay a lot of tax and we comply with the law in all countries we operate in.”

Not a single company admitted that public anger is growing to a point of no-return and people want public information on where companies pay taxes. When asked by Green MEP **Sven Giegold** to commit to publicly disclosing some of their financial information, the answers were appalling. *"Public information could be misinterpreted"*, *"we should only provide information to tax authorities, as the OECD recommends"*. Companies carefully avoided mentioning that they had lobbied hard in the OECD to make sure their information remains confidential and the general public knows nothing about it.

In what was obviously a pre-cooked set of answers, all 11 companies tried to divert attention. They focused on the risk of double-taxation (instead of their tax optimisation strategies) and on how much their companies invest and employ people in the EU, which could be interpreted as a form of threat towards decision-makers.

Some answers also clearly indicated that the committee members were being taken for fools. Like when the companies pretended they have complex tax structures in tax havens but that this affects only their taxes paid in the US, not in the EU. A line of argument that was easy to dismiss, as Sven Giegold did in committee, stating that avoiding paying taxes in the EU would make no sense if this money was going to be taxed in the US in the end, so using the Cayman Islands or the Bahamas is a way of avoiding tax in both the US and EU.

Another memorable moment was when Facebook told us they keep all their intellectual property regimes in the Cayman Islands because it is a "neutral" territory. Nothing to do with low tax rates of course. Or even better, when questioned by Green MEP **Eva Joly**, Coca-Cola pretended that they relocated the headquarters of their Greek based partner to Zug in Switzerland (after Greece announced an increase of its corporate tax rate) "*to have better access to capital markets*". No doubt that this lovely Swiss canton of 26000 inhabitants in the mountains is a famous place for access to capital.

The main highlight from this hearing though is that the work of this special committee needs to continue. There is more to uncover on companies' aggressive tax practices and on their impact on European budgets, in terms of uncollected taxes. The good news is that, as requested by the Greens, the European Parliament is likely to confirm on Thursday 19 November that the committee mandate will be extended by six months. We hope to receive strong support from other political groups because, like Alice in Carroll's book, we're finding things "curiouser and curiouser".

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