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Does Veolia use France and US as private tax havens?

New tax report

An analysis issued by Greens / EFA Group in the European Parliament found that the **efficient tax management has made it possible that an increasingly smaller part of profits made by VEOLIA in France are actually taxed**. VEOLIA ENVIRONMENT 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 DO THEY DO IT?

The VEOLIA group has entered into tax group schemes in France, US and UK. 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 be taxed 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 yielding a net profit on an accounting basis. The tax group was created in 2001 and from 2002 onward it was loss making.

In the US, VEOLIA has accumulated losses up to possibly EUR 4 billion (subject to an ongoing review by US Tax Authorities), from former US FILTER group. These losses are used to offset against profits made by the group in the US. VEOLIA does not disclose detailed information about its US subsidiaries, and specifically does not state if all or only some of its US business is included in the scope of the US tax group. But **as a practical result, this means all or at least a significant part of present activities of the group within the US are virtually exempt from taxes**.

In 2015, **a part of the US activities of the group have generated a profit, which allowed to distribute in 2016 a dividend of EUR 48.5 million to its French holding**, later redistributed to VEOLIA ENVIRONNEMENT. **The combination of the effects of the US tax group scheme, the US-French tax treaty and the French tax group scheme ensure that this amount of profit will have been subject to no corporate tax whatsoever**, neither in the US, nor in France.

Creating a tax groups and offsetting losses against profits is in line with rules of the EU's Parent-Subsidiary Directive and it is used by many other companies, Greens/EFA is convinced that EU needs to tackle this aspect of corporate tax optimisation, including such practices that enables companies not to pay large amount of money due to such legal part un-ethical schemes. We need better and harmonized EU rules in this sector.

WHAT ARE OUR RECOMMENDATIONS?

1. **EU Member states must stop blocking public transparency for multinationals and agree on public Country-by-Country reporting.**
   With more than 2,728 subsidiaries, but disclosed data from only about 100, Veolia can indeed serve as an example why there is such a strong need for public transparency and information about economic activities of multinational corporations.

2. **EU Member States must urgently agree on the Common Consolidated Tax Base (CCCTB) for Europe.**
   We need new common rules for fair allocation of profits of companies in the EU in order to ensure that the taxes are really paid were profits are generated.

3. **End Unanimity in the EU tax legislation.The European Parliament needs to be given full co-decision powers in tax policy.**
   European citizens demand ambitious reform of EU policies but what we can see is too little to slow thanks to the unanimity in the Council and the fact that it only member states who can decide on tax matters.

4. **Need for a minimum corporate tax rate in Europe**
   There is a visible a stronger pressure in Europe for lowering the corporate tax rate. This the case of the UK, Netherland, Belgium or Central European Hungary opting for 9 % corporate tax rate. This dangerous race to the bottom should be prevented, by agreeing on a minimum corporate tax rate in Europe.

5. **Veolia should change its tax management**
   Although it can be legal what Veolia is doing with its tax groups, it is morally unacceptable to use legal instrument in such a way. Paying fair share of tax should be the top CSR priority of ever company.

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Attached documents

The Troubled Waters of VEOLIA’s Tax Management

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