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EU Corporate Tax Package

This homeopathic dose is not enough

If the fight against tax avoidance and tax competition were a disease, we would need urgent surgery. Unfortunately, what the European Commission is proposing with its package to be published tomorrow, is a homeopathic medicine - to fight terminal disease - and nobody should claim 'job's done!'

Some will say this package is a welcome announcement. Yes, it makes the European Union a frontrunner when it comes to implementing the international corporate tax recommendations adopted by the G20 in November 2015 (the so-called BEPS action plan). Yes, the Commission is right in proposing this package to ensure all EU member states have a common approach. Yes, it emphasises that this is just a binding minimum approach and that member states are encouraged to go further.

And yet - the package's content doesn't fulfil the promises made to the European Parliament by the EU Commissioner for Taxation, Pierre Moscovici on January 11. During his hearing, Commissioner Moscovici promised that the European Commission proposals would go further than the BEPS agenda. And this is not entirely true.

The package is composed of a series of recommendations and two legislative (binding) proposals to implement the international standards. However, the Commission has chosen a minimalist approach to implementing the BEPS action plan and here are just a few examples:

- One of the proposed actions is to limit the artificial indebting of some subsidiaries (in high-tax countries) having to pay back interests to a subsidiary in a tax haven, a well-known trick to shift profits and reduce your tax payments. The Commission is now suggesting to limit what the company deducts from its tax bill in interest payment in the high-tax country (often an EU country) to 30% maximum when the international standards suggested a limit between 10%-30% (allowing the Commission to be more restrictive).
- Another proposal is to ensure that EU countries can tax income from foreign subsidiaries of a multinational, if this income is taxed at a low rate or not taxed at all there. However, this rule would only apply to subsidiaries located outside the EU. Income of a German company located in a subsidiary in Luxembourg would therefore not be covered, which turns a blind eye to the reality of tax competition going on between EU countries.
- A final disappointment is the issue of country-by-country reporting. The Greens and the European Parliament have for years been requesting that multinationals disclose to the public where they have activities (e.g. employ people, have assets etc...) and where they declare profits and pay taxes.

Unfortunately, the Commission is only proposing that companies send this information to their tax authorities. We will keep pushing so that in a few weeks, the Commission produces a proposal on public country-by-country reporting, as has already been promised to us several times.

So contrary to what is being said, this is not "game over" for multinationals shifting profits offshore and avoiding paying taxes. More measures are needed and the Greens will continue their work at the forefront of the fight for tax justice. However, it's Member States' political will, which lately seems to have moved offshore as well, that will be crucial to achieving key reforms. Unfortunately, most EU leaders have so far shown no enthusiasm for truly tackling corporate tax avoidance.

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