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Happy New (Tax) Year!

Belgium's tax loopholes for multinationals condemned by European Commission

And what a better gift to start 2016 than Monday's announcement by the European Commission that Belgium will recover €700 million from 35 big companies that received an illegal preferential tax treatment in the past 10 years.

It all started 12 months ago when Commissioner Vestager opened an investigation against Belgium for its "excess profit ruling" scheme. According to the Belgian tax code, big companies' tax bills can be reduced by not taxing the so-called "excess profits". These are profits attributed to the Belgian branch of a multinational but which result from the advantage of being part of a multinational group.

Concretely, about 35 multinationals have relocated part of their activities to Belgium and in exchange obtained a special tax deal (a ruling) so that their « excess profits » would not be taxed in Belgium, or anywhere else! This advantage – only for multinational companies, not Belgian companies active only in Belgium – resulted in between 50% and 90% of their profits not being taxed at all! The European Commission has come to the conclusion that these sweetheart tax deals are a form of illegal subsidy that gives these companies an unfair advantage over their competitors.

But the "tax free period" is over and it's payback time. 35 companies have benefited from this illegal advantage. While the European Commission is leaving it up to the Belgian government to name them, we know that big giants like the brewer AB InBev, BASF, Belgacom or British American Tobacco are among the companies which will have to reimburse the €700 million... if the Belgian government cooperates.

In fact, the Belgian government is now considering its options and may appeal the decision. Something the Greens are clearly against. "We are asking the Belgian government to quickly reform its tax code. It is about time to have tax rulings schemes which are objective but also completely transparent for the citizens and other tax administrations" said Greens/EFA co-president Philippe Lamberts. *"It would be incomprehensible if the Belgian Finance Minister, Mr Van Overveldt, were to appeal this decision and we are calling on him to publicly refuse to do so."*

In times of austerity and budget cuts, Belgian citizens would not understand how their government could simply pass up on an extra €700 million for the public coffers, seven times the federal budget for employment policies or half the federal budget for social integration (see here, page 120). But fundamentally, the Greens also question the simple fact that Belgium – which created and encouraged this illegal tax scheme – gets to receive the money back in the end.

This is why, as much as we welcome state aid cases like this one, or other recent ones, the Greens believe that legislative change is urgently needed to improve tax fairness in Europe and to stop damaging tax competition between states. The European Commission will have another opportunity at the end of this month to come up with ambitious measures and place the EU as the international leader in the fight against corporate tax avoidance. Commissioner for Taxation, Pierre Moscovici, promised the European Parliament yesterday that the EU will go further than the international recommendations. The EU proposal will come out on 27th of January, still in time for a good resolution for 2016. Let's check in two weeks and in the meantime: happy new (tax) year!

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