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Corporate tax

EP votes for minimum tax rate on distributed corporate profits

The European Parliament today adopted by a large cross-party majority a report by Green draftsman Sven Giegold on a recast of the legislation governing the taxation of distributions from subsidiaries to parent companies (1). The legislation aims to prevent the double (or multiple) taxation of profits. Crucially, MEPs supported a proposal calling for any distributed profits to parent companies to be taxed at an effective minimum rate of 16%. After the vote EP draftsman and Green economics spokesperson **Sven Giegold** said:

"Under current EU legislation, multinationals can play the different national tax systems against each other to effectively avoid their tax responsibility. Double non-taxation is one of the various loopholes, which deprive national exchequers of legitimate revenue and urgently need toughening up. Today's vote to strengthen the parent-subsidiary directive would be an important step forward in tackling this problem. Crucially, MEPs have called for the introduction of a minimum effective tax rate on profits under the parent-subsidiary directive.

"EU member states and EU taxation commissioner Semeta must now take this seriously. This means coming up with a revised legislative proposal that will properly prevent the shunting of profits around Europe by parent companies to avoid being corporate tax at the legitimate level. The Council should abstain from adopting the re-casted directive, which serves as the legal basis for large scale tax avoidance schemes in the EU. In times of public austerity, the EU cannot afford to be soft on tax avoidance.

(1) The Council and Commission had expected the technical legislative recast to be approved without amendment by the European Parliament but the changes were adopted with a large majority.

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Responsible MEPs



Sven Giegold

Member

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