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Tax avoidance and fraud

Commission plan a belated step but further measures needed to truly address tax avoidance

The European Commission today presented an action plan for dealing with tax evasion and fraud in Europe. The Greens have long called for greater action to address the problem of tax avoidance in Europe and welcomed the Commission's initiative, which was a response to a Green initiated EP demand. However, the group expressed regret that the Commission failed to propose some key measures for tackling tax avoidance. Commenting on the action plan, Green economic and finance spokesperson **Sven Giegold** said:

"EU action to tackle tax avoidance is long overdue and today's action plan is certainly a welcome if belated step to this end. The Greens have expressed frustration with the continued failure to tackle tax avoidance - both private and 'legal' avoidance by corporations - which deprives EU exchequers of € billions in revenue each year, all the more at a time of crisis and fiscal difficulty. This action plan does outline some measures to this end but the Greens believe the EU must go further if it is serious about clamping down on tax avoidance.

"Concerted EU action against tax havens must be to the fore. The Commission has made a start to this end. However, EU governments must now agree on a clear and strong definition of a tax haven, with clear criteria for non-compliant jurisdictions, and a black list of those havens. The EU list must be an alternative to the ineffective OECD list. Automatic European-level counter measures, including sanctions must also be adopted if the EU is serious. For some bizarre reason the Commission has removed the term "tax haven" despite describing measures to combat the problem of tax havens. The EU must take robust action to fight tax havens and an essential starting point is to adopt a clear definition of a tax haven, clearly this implies calling a spade a spade.

"The action plan also fails to properly address tax competition within the EU, which has incentivised corporate tax arbitrage. This would imply setting minimum taxation levels to counter low- or under-taxation regimes.

"With EU rules also facilitating arbitrage, notably rules on double taxation, strong action is also needed to strengthen this legislation. The Commission has proposed revising the parent-subsidiary directive to this end, however it must also address the interest and royalties directives to set minimum tax levels and tackle mismatches in national tax regimes. The action plan also falls short on double taxation loopholes. Instead of leaving it up to member states, we need horizontal EU-level anti-abuse rules on double tax conventions.

"There is a need for greater transparency on taxation, along the lines of the US FATCA, to prevent private and corporate tax avoidance. The action plan also comes up short on this front. As in the US, we need to oblige financial institutions to provide tax relevant account information of EU citizens in all their global subsidiaries and branches."

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Sven Giegold

Member

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