Funding the Future

Survival of the Richest: Europeâ€™s role in suppor...

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I share the following press release from Eurodad which does, I think, disclose important new data on the way in which international tax practice is developing, which needs to be monitor:

Secret ‘sweetheart deals’ in the EU have soared, *according to a new report. Incredibly, after the LuxLeaks scandal the amount of deals kept increasing dramatically, from 547 in 2013 to 972 in 2014, finally reaching 1444 by the end of 2015. According to the report's analysis of new European Commission data, that is an overall increase of more than 160 per cent in just two years.*

As these deals are secret to the public, the content of these agreements is unknown. However, the LuxLeaks scandal and several ongoing state aid cases have shown that these deals can create the basis for large scale corporate tax dodging in both developed and developing countries. Belgium and — incredibly — Luxembourg have made the greatest number of new sweetheart deals with multinational corporations.

The report authors, a coalition of civil society organisations across Europe, have made a comparative analysis of 18 European countries. They also found that:

- Support for transparency around the true owners of businesses is growing and, among the 18 European countries covered by the report, the group of countries in favour of transparency is now — for the first time - larger than the group against.

- There is also growing support for transparency around what multinational corporations are actually paying in taxes in the countries where they operate. However, the governments that are against this measure still outnumber supporters.

- European governments keep signing controversial tax treaties, which undermine taxation in developing countries. In total, the countries covered in the report has 752 such treaties. On average, these treaties lower tax rates in developing countries by 3.8 percentage points.

- More than half of the governments investigated remain opposed to the idea of

giving developing countries a seat at the table when global tax standards are negotiated. Not one single government is actively speaking out in favour of this proposal.

Tove Maria Ryding of Eurodad said: "It's very surprising and deeply worrying to see that the number of secret sweetheart deals is skyrocketing in Europe — as if the LuxLeaks scandal never happened. We know from examples like the Apple case and LuxLeaks that these secret deals can be used for large scale tax avoidance by multinational corporations. And as we can see with the LuxLeaks trial, anyone who tells the public what's in these deals can get threatened with lawsuits and jail time. The fact that multinational corporations now have more than one thousand sweetheart deals in Europe is deeply concerning, to say the least.

"We're glad to see that more and more European governments start supporting transparency around who actually owns the companies operating in our societies. But we've also found a number of European governments that still reject the idea. This battle has not yet been won.

"European countries keep signing deeply problematic tax treaties with developing countries. The 18 European countries we've analysed have no less than 752 treaties with developing countries. On average, these treaties lower developing country tax rates with 3.8 per cent, and some of them are much more extreme than that. Developing countries are losing fortunes due to these treaties.

"The cost of corporate tax dodging is not just felt in Europe. Developing countries keep paying a dear price for a global tax system they didn't create. We've analysed 18 European countries and not found one single government that supports the idea of establishing a real global body where developed and developing countries can participate on an equal footing and agree a common solution to this problem."

The findings are published in '***Survival of the Richest: Europe's role in supporting an unjust global tax system 2016'***, the fourth annual report examining the tax and transparency policies of the European institutions, 17 Member States and Norway.

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Notes to Editors:

Specifically, this report finds that:

Taxation

- The LuxLeaks scandal showed how advance pricing agreements (or 'sweetheart deals') between governments and multinational corporations had been used to lower corporate tax rates dramatically, in some cases to below one per cent. One might have thought that these revelations would cause fewer deals to be signed by European governments. But on the contrary, the number of sweetheart deals in the EU has soared from 547 in 2013, to 972 in 2014, and it finally reached 1444 by the end of 2015 — which is an increase of over 160 per cent between 2013 and 2015 (and an increase of almost 50 per cent from 2014 to 2015). The most dramatic increases have occurred in Belgium (with the number of sweetheart deals going from 10 in 2013 to 166 by the end of 2014, and 411 by the end of 2015), and in Luxembourg, where the amount of sweetheart deals skyrocketed after the LuxLeaks scandal. By the end of 2015, the number of sweetheart deals in Luxembourg reached 519, compared with 347 at the end of 2014 — an increase of 50 per cent in just one year.

- While the LuxLeaks scandal does not seem to have placed a constraint on the number of sweetheart deals in the EU, it has had another consequence. The two whistleblowers and one of the journalists, who brought the scandal to the public, are on trial in Luxembourg. This trial serves as a stark reminder of the fact that Europe is still much more committed to protecting dirty corporate secrets than those who act in the public interest and expose injustice.

- European governments continue to sign very problematic tax treaties with developing countries. An analysis of the countries covered by this report shows that they on average have 42 treaties with developing countries, and that these treaties on average reduce developing country tax rates by 3.8 per cent. Of all the countries analysed, Ireland has on average introduced the highest amount of reductions of developing country tax rates — 5.2 percentage points. Analysis by ActionAid has also revealed that even among the countries that do not, on average, have treaties which impose high restrictions on developing country taxing rates, there are a significant amount of 'very restrictive' tax treaties, which impose strong constraints on the individual developing countries that have signed them. Among the countries covered by this report, Italy, the UK and Germany are the countries with the highest amount of those very problematic tax treaties with developing countries.

Transparency

- Compared with 2015, there has been a significant increase in the amount of countries that have either expressed support for public registers of beneficial owners (Finland, the Netherlands, Norway), or are already started introducing them at the national level (UK, France, Denmark, Slovenia). The group of countries opposed to ownership transparency is now significantly smaller than the group of countries in favour. And it seems the positive development might continue in future. In both Germany and the Czech Republic, there are clear signs of movement towards increased support for transparency.

- A similar, but weaker, tendency is seen on the issue of whether multinational corporations should publish data on a country by country basis showing the amount of business activity taking place, and tax payments made, in each country where they operate. On this issue, the group of countries opposing such a proposal (Austria, Czech

Republic, Denmark, Germany, Latvia, Slovenia and Sweden) remains larger than the group that have expressed support for it (France, Netherlands, Spain and potentially the UK). However, compared with 2015, support has grown substantially, and it seems this will become one of the major political battles of 2017.

Global solutions:

The vast majority of the countries covered by this report remain opposed to the proposal to create an intergovernmental UN tax body, which would grant developing countries a seat at the table when global tax standards are negotiated. Some governments might have thought that this issue would fall off the international political agenda, after a dramatic year in 2015, when developed countries managed to block a strong push from developing countries to get an intergovernmental UN tax body. However, the developing countries are showing no intention to let this issue go.