

## What are the German government trying to hide?

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The [Suddeutsche Zeitung](#) has a story this morning on country-by-country reporting and German corporate tax abuse this morning. As they note:

*The hope lasted only a few days, and now it has come to a standstill again. At the end of November, the European Council had reached a compromise, the tax reform for companies in the EU was to be adopted, and the necessary majority had emerged. The draft directive was intended to make it more difficult for companies to transfer their profits to low-tax countries and to artificially reduce their tax burden. According to the plan, companies with an annual turnover of more than 750 million euros should in future publish how much turnover and profit they generate in individual countries and how much tax they pay there.*

*The hoped-for narrow majority, however, did not materialize. Once again, this was also due to disagreement within the Federal Government: Federal Finance Minister Olaf Scholz now supports the new transparency obligations. But the CDU-led Federal Ministry of Economics is blocking - the resistance of German SMEs is too great. They speak of a tax pillory and fear competitive disadvantages if they have to disclose too much. Germany abstained from voting, which is considered a "no" in Council decisions.*

It is a well known fact that Germany has become one of the great obstacles to overcome for those who support country-by-country reporting.

And it's not as is they do not have a problem with the issue. Based on the work of an Australian friend of mine, Jason Ward, the paper has a report on German corporate tax non-payment. As they note of a new report from the Tax Justice Network:

*The study is entitled "Unhealthy Business Practices" - and it shows that it is by no means only U.S. digital companies that are moving their profits to low-tax countries. The central accusation is that the Bad Homburg-based group uses traditional methods to break down its tax burden in places where corporate taxes are comparatively high.*

As they report:

*Although the company employs 32 percent of its staff in Germany and generates more than a fifth of its worldwide turnover, it is still in Germany that the company has its headquarters. While the Dax Group shows high profit margins on a global level, profitability in Germany - at a tax rate of 30 percent - is, however, half as low. In India, where the tax rate is 35 percent, the subsidiary operating there has been making a loss for years. In Australia, at a tax rate of 30 percent, Fresenius Kabi has not made any taxable profits for three years. This is in line with the fact that Fresenius is represented in almost all known tax havens, with branches in the Cayman Islands and the British Virgin Islands, Hong Kong, Delaware, Singapore and Panama, among others.*

And they add:

*According to the study, Fresenius also uses the classic means of reducing the tax burden in high-tax countries, such as internal company loans. In 2017, for example, the Irish Fresenius subsidiaries made a profit of 47 million euros just by granting loans to group companies in Spain and the USA - purely virtually, without employees. Fresenius listed about 2000 subsidiaries in 2014 before the Group stopped publishing this list. Such a clear global imbalance is no surprise. The company reports its profits disproportionately where corporate taxes are low. As a result, the global tax rate is significantly lower than what Fresenius would have to pay in taxes in its most important markets. Although the Group achieved an effective tax rate of 32.1 percent in Germany in 2018, it also has remarkably few taxable profits.*

The TJN report notes:

*This case study shows that profit relocation and transfer pricing are not reserved for US technology giants, but are used by most multinational companies, including large corporations.*

The company does, of course, disagree.

The point is that we need data to resolve the rights and wrongs of such cases. And so do all the stakeholders of the company need that data. That is what country-by-country reporting was designed to deliver.

And the really big question is why is the German government so captured by corporate interests that it will not provide this data, even at cost to itself and the people of Germany? What are some trying to hide?