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Corporate tax avoidance

New research shows chemical giant BASF uses toxic tax tricks to avoid €923 million in tax

Toxic Tax Deals A chemical giant abusing their powers... It might sound like the plot to a trashy old movie, found in the bargain bin on an old VHS. But sadly, it is merely the latest episode in a long-running real life horror saga. After Google, Amazon, Starbucks, McDonalds, IKEA, and Apple, you can now add BASF to the ever growing list of major companies caught not paying their fair share of taxes. **You may not have heard of BASF but there's a good chance you use their products every day.** BASF is a German company, the largest chemical multinational in the world, with €70.4 billion in sales, 112,000 employees, and production sites in over 80 countries. They sell and supply chemicals to manufacturers in the nutrition and health, pharmaceuticals and construction sectors. They also produce pesticides for agribusinesses and are in the oil and gas business too. The company's products and technologies end up in just about every type of good imaginable: from turbines to solar panels, cars to food, and shampoo to LCD displays, their reach is huge. **Nine months ago, we uncovered how IKEA used national tax systems and legislative mismatches to shift profits and avoid €1 billion in tax between 2010 and 2014.** Since then, the European Union has adopted anti-tax avoidance measures to ensure "companies pay taxes where they have their real economic activity". Unfortunately, our new research on BASF shows that these measures won't be enough and more reforms will be needed if we want to ensure fair taxation.

- Download report - Toxic Tax Deals: When BASF's tax structure is more about style than substance

Our report estimates that BASF used tax planning strategies to avoid €923 million in tax over the last 5 years (2010-2014). We look especially at the advantages they received in Belgium, Malta, the Netherlands and Switzerland. One of our main conclusions is that, while tech companies like Google and Apple may steal the headlines by engineering spectacularly low effective tax rates for major European subsidiaries, industrial European companies like BASF may also go to great lengths to shift profits and avoid taxes, even if the results are not as immediately apparent. **The fundamental lesson that emerges from this research is that fulfilling the European Commission's goal of ensuring that multinationals pay tax where they generate value will require a radical shift of the way we tax companies.** The current principle which underpins the international tax system, that multinationals are collections of independent entities (subsidiaries) rather than integrated and interdependent organisations, must be taken for what it is: pure fiction. **This is why our report also calls for important policy changes** including mandatory public tax transparency so that we know whether taxes paid by companies in each country are in alignment with their real economic activity. We also call for the harmonisation of the corporate tax base in Europe: this will close the loopholes created through having 28 different sets of tax legislation. This should be accompanied by a minimum European corporate income tax rate to prevent a destructive race to the bottom on rates, once other harmful tax competition tools have been closed. The Commission has presented legislative proposals on our first two recommendations. While they aren't perfect, they still represent a step forward towards tax justice. **We call on Member States and the European Parliament to urgently make these policy changes a reality, starting tomorrow at the Finance Ministers meeting in Brussels.** Without these changes, the multinationals and their tax consultants, together with states which choose to engage in destructive tax competition, will continue to get around efforts to clamp down on profit shifting and tax avoidance.

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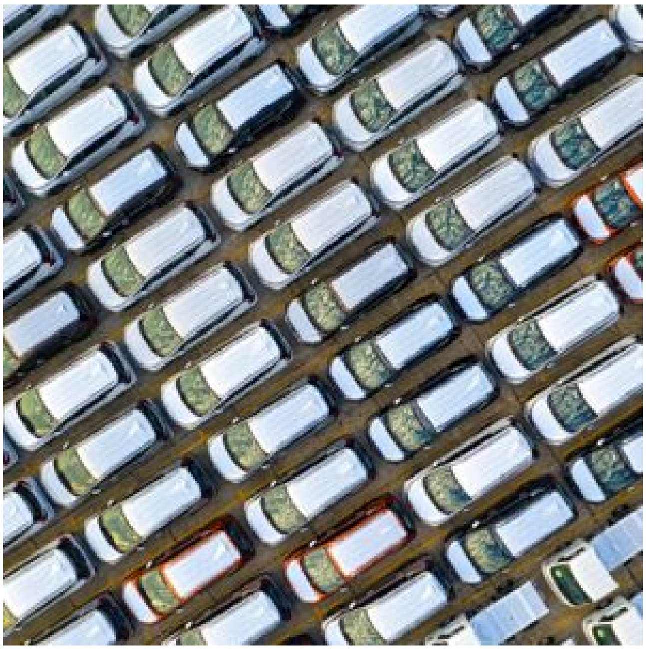

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