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News | 12.02.2016

Corporate tax avoidance

IKEA cheating EU governments out of massive tax revenue according to new research

TAAKS AVOYD: this new item of furniture, easy to assemble if you know the right tricks, gives you the opportunity to hide your money, and does not take up much space. People, including tax administrations will barely notice it.

- Infographics - IKEA tax avoidance scheme
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You are not hearing about the latest IKEA furniture but about how this company structured itself to dodge €1 billion in taxes over the last 6 years using onshore European tax havens, according to new research commissioned by the Greens.

- Download full report on IKEA tax avoidance scheme

This research builds on previous investigations to quantify how much several European countries are losing in tax because of IKEA's tax planning strategies. With most of its retail activities located in Europe, we prove that IKEA is using a series of tax loopholes in different European countries, namely the Netherlands, Belgium and Luxembourg to avoid paying taxes. One of the techniques is shifting royalties from each IKEA store to a subsidiary in the Netherlands, which acts as a conduit. The royalties go in and out the Netherlands untaxed and end up in Liechtenstein (or at least partly). And for 2014 alone, we estimate it amounts to €35 million of missing tax revenues in Germany, €24 million in France and €11.6 million in the UK. Countries like Sweden, Spain and Belgium are likely losing between €7.5 and €10 million as well. The report also briefly explains why the latest European Commission's anti-tax avoidance package, published in January 2016, doesn't go far enough to prevent this kind of tax avoidance. While some aspects will provide tax administrations with more information about the two IKEA Groups, the public won't know more. Moreover, the proposal falls short of solutions for several tricks used by IKEA: no public disclosure of sweetheart tax deals (so-called tax rulings), no tackling of the harmful notional interest deduction scheme used by the IKEA Group in Belgium for example. As Greens, we are calling for more ambitious tax reforms at European level. The report calls for:

- An improved anti-avoidance package that will tackle more tax loopholes as shown by this practice case. We urge Member States to adopt a broader set of measures to truly work for tax justice in

Europe
- Greater transparency of multinationals' activities: this means we urgently need public country by country reporting and public disclosure of sweetheart tax deals negotiated between tax administrations and large companies.
- Moving towards more tax harmonisation in Europe. It is time for all Member States to adopt a common consolidated corporate tax base (CCCTB) and to stop the tax war some are engaged in, which only leads to a race to the bottom.
- Considering the possibility of national and European authorities opening formal investigations on the IKEA case, as has been done for other big companies in the past.

This report was commissioned by the Greens' working group on Tax Justice, one of the six priorities of the Greens in the European Parliament. Click here if you would like to know more about our tax justice work.

- Read the Greens/EFA letter to Commissioners Vestager and Moscovici on IKEA report

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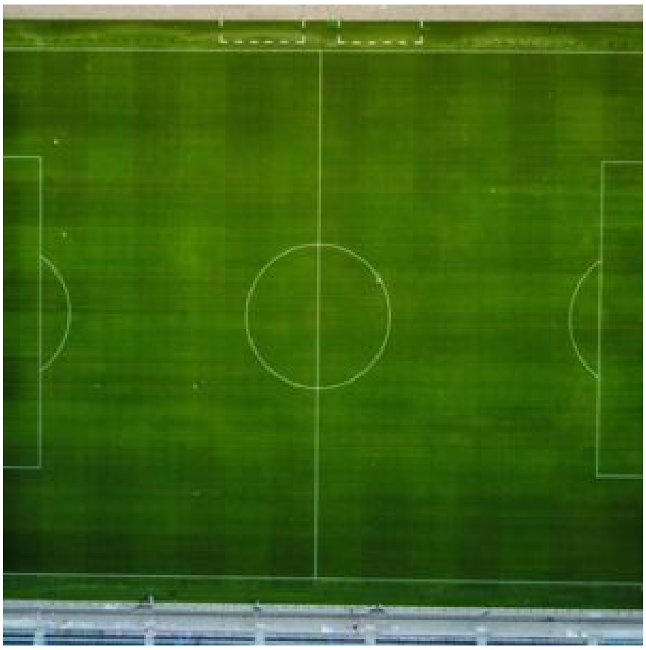

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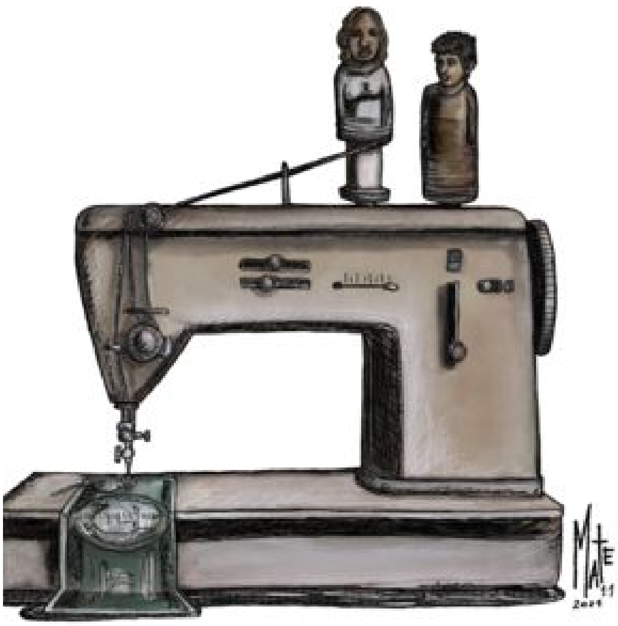

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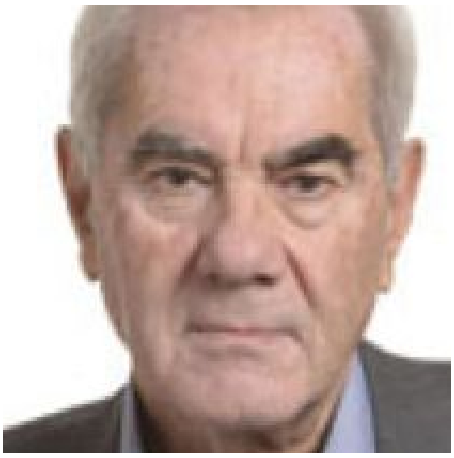

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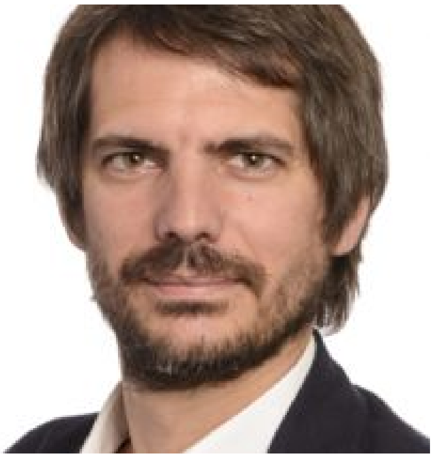

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