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Final report on Luxleaks

Who's to blame and what needs to change

A blog from our Tax Justice Campaign

When the Luxleaks scandal broke 18 months ago, the Greens in the European Parliament were the first to call for an inquiry committee to make sure we could properly investigate the revelations. How had European countries let big companies enjoy tax loopholes and generous tax breaks, including the now infamous sweetheart tax deals given by the administration in Luxembourg? A year and a half on, Antoine Deltour and Raphael Halet, the two whistleblowers at the heart of the Luxleaks scandal – and consequently several European corporate tax reforms – have been convicted to 12 and 9 months respectively of suspended jail time. We clearly still have a long way to go to ensure fairer corporate tax systems in Europe and the protection of those denouncing tax scandals. *Philippe Lamberts on the final report of the Luxleaks committee (in French) - 5 July 2016* However, one reason to be hopeful is the final report of the European Parliament Luxleaks committee, which pleads for further and deeper tax reforms in Europe. The fight against tax fraud is one of the priorities for European citizens, so this is a timely and important report. The report starts by making clear the responsibility of the Member States that systematically obstructed tax reforms over the past 20 years. Thanks to the work of the Greens, specific countries are explicitly mentioned, alongside the reforms they blocked for two decades. But looking to the future, the report also sets out many recommendations, which we urge the Commission and the Council to implement without delay. As recently announced by the European Commission, it is time that we had public registries of beneficial owners, in order to know who owns companies and trusts. The Panama Papers showed us one thing: it's easy to create shell companies and hide yourself behind several layers of fake names and bank accounts in order to evade taxes. The report also calls for the creation of an EU blacklist of tax havens as well as strong sanctions against these countries. We hope the Commission will deliver on the promised list before the Summer recess. Similarly, tax breaks granted to large companies which could be qualified as an illegal form of state aid (distorting competition, especially for SMEs) should be investigated by the Commission. We welcome the ongoing investigations of Amazon and Apple but there are further companies that should be looked at, such as Google and IKEA. Our biggest regret though is that conservative groups (EPP, ECR and ALDE) have forced through amendments to water down the report. They may have big mouths when it comes to saying they want to fight tax dodging, but in reality they tabled many proposals to weaken the excellent report. This has cost us an important element: the prohibition of patent boxes, a tax break granted to large companies in order to boost R&D. This incentive is often misused as a way to shift profit and reduce tax payments. While the report recognises the harmful effect of patent boxes, conservative groups have managed to delete the reference to prohibiting these schemes in the next five years. However, this is an issue of critical importance to the Greens and we have

alerted the Commissioner for taxation. As the Luxleaks investigation comes, we are also proud to see that our Green request for the unfinished business to be continued was adopted in the final report. This means that the upcoming Panama Papers inquiry – which the European Parliament is about to start – will also have as one of its missions to call on political leaders to explain why they blocked tax progress for more than 20 years. The first of them would be Jean-Claude Juncker, President of the European Commission, who came to the European Parliament once but did not entirely answer our questions on the role he played to make Luxembourg such a 'financially attractive' place. As Greens, we believe accountability of leaders is to be taken seriously and we will make sure that those who blocked reforms or are named in the tax scandals such as the Panama Papers will have to respond to the European Parliament.

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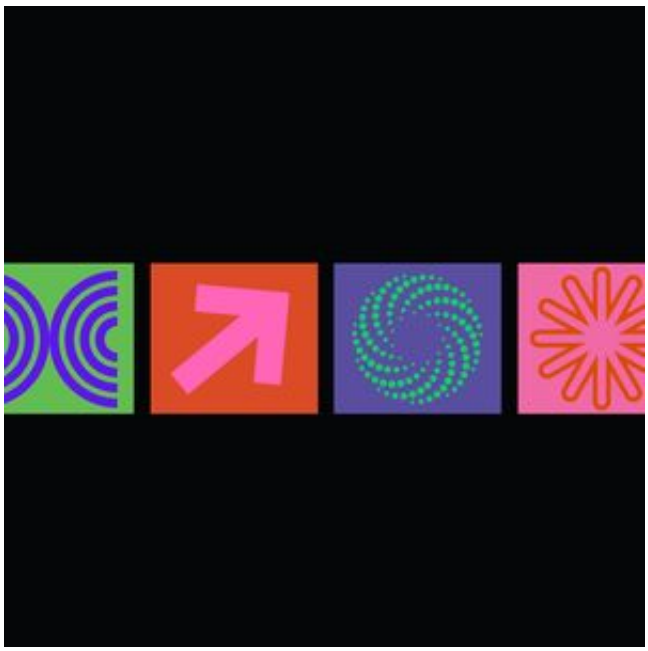
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