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Luxleaks committee delivers final verdict

A blog from our Tax Justice campaign

In the same week as Finance Ministers agreed a weak package of reforms on tax avoidance, the European Parliament Special Committee TAXE has published a harsh assessment of Member States' willingness to adopt tax reforms. The committee, created in February 2015 to investigate the Luxleaks scandal, also put forward a series of recommendations on how to make corporate taxation fairer.

Nobody could have anticipated a year and a half ago what the European Parliament would discover through its investigation of one of Europe's biggest tax scandals. While the Panama Papers are still fresh in everyone's mind, it is worth recalling the shock of the Luxleaks revelations back in November 2014. Citizens discovered what was already known to many in tax circles: that some big companies were negotiating their tax bills with the administration in Luxembourg to pay close to zero corporate tax. Tax advising firms like PwC were charging thousands of euros to negotiate these sweetheart deals with the Luxembourg authorities. But as Jean-Claude Juncker, President of the European Commission admitted, it was not just about Luxembourg: many countries in Europe were doing the same.

18 months later, Parliamentarians can be proud of the final report, adopted on 21st June. Supported by a large cross-party majority (25 in favour, six against and nine abstentions), the report clearly states that **Member States do not have adequate legislation in place to genuinely fight corporate tax avoidance**. It also demonstrates that there was a pattern of systemic blockage from specific countries like Belgium, Luxembourg, the Netherlands and the UK every time there was an attempt to make progress towards fairer taxation systems over the past two decades.

Of course, this isn't just a question of looking at past wrong-doing. **The committee also adopted a series of recommendations, sending a strong signal to the other European institutions about what needs to happen next.** So while the European Parliament does not have co-decision powers on tax reforms, it has shown Finance Ministers - who are often too shy to make the bold reforms European citizens expect of them - the path they should follow.

For example, **the report adopted on Tuesday calls for additional tax reforms at the European level.** Big multinationals often operate in several European countries and it is time we had a European coordinated approach for taxing them. Similarly, the report recognises that having 28 different tax systems opens the door to loopholes; a minimum effective level of taxation across Europe is necessary to prevent companies being able to pay close to zero tax in the future.

Just as importantly, Parliamentarians adopted provisions to close current tax loopholes. They called for the creation of public registers of beneficial owners, a way to make sure we know who really owns companies, trusts or foundations. As shown in the Panama Papers, shell companies and secret trusts were used by tax dodgers and money launderers to hide their money offshore. Public transparency can act as an effective deterrent against this type of abuse.

The committee also agreed to prohibit the use of patent boxes, a tax break currently granted by 14 Member States, supposedly to promote Research & Development. In reality, the tax advantage allows companies to reduce their tax contribution while conducting little by way of R&D activity in the given country. Acknowledging that the European Commission, the OECD and even the IMF question the relevance of patent boxes in fostering R&D, the special committee requested the prohibition of this scheme by 2021 and demanded in the meantime that whoever is offered a patent box should publicly disclose it.

Finally, the report calls for strong protection of whistleblowers in Europe. Just a few days before the verdict in the trial of the Luxleaks whistleblowers Antoine Deltour, Raphael Hallet and Edouard Perrin, Parliamentarians recognised their crucial role and call on Member States to refrain from prosecuting whistleblowers acting in the public interest.

The Greens were instrumental in setting up this special committee. We have contributed seriously to the investigations and are proud of its final conclusions. We are now calling on other political groups to adopt them during the plenary session in July, to demonstrate to millions of Europeans that the European Parliament will answer their calls for greater tax justice and a fairer European tax system.

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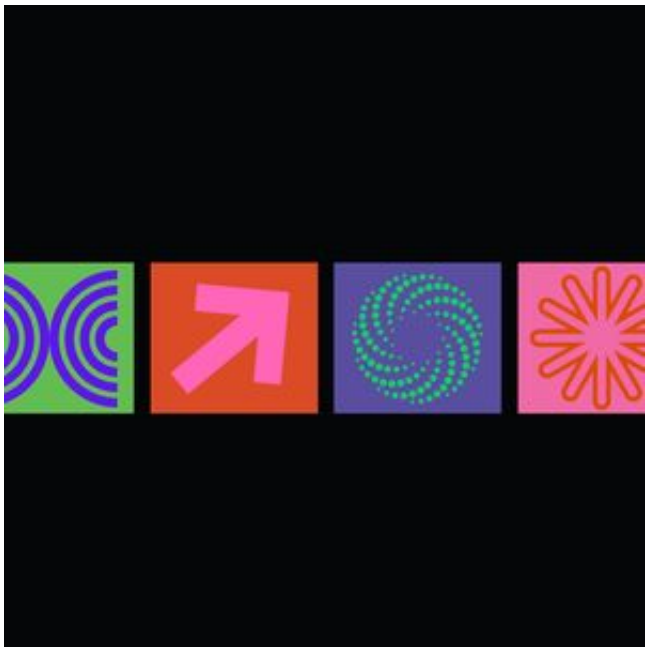
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