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## Two years after the Luxleaks scandal

### what progress for tax justice?

#### A blog from our Tax Justice campaign

Happy anniversary! Two years ago, the newly appointed European Commission – "the Commission of the last chance" – started its mandate with [the Luxleaks scandal](#). After whistleblowers and journalists spoke out, European citizens learnt that around 350 multinationals were paying close to zero tax in Luxembourg thanks to sweetheart tax deals negotiated with the tax authorities there.

European Commission President Jean-Claude Juncker – who had previously run Luxembourg for nearly two decades – appeared in front of the European Parliament and promised that his Commission would fight against tax dodging. Promises are delivered only if concrete commitments are made, which is why, a year ago, [the Greens came up with 10 concrete proposals to achieve tax justice](#).

As Luxleaks is turning two, we're having a look at whether Jean-Claude Juncker has delivered. Spoiler alert: while some progress has been made, he can certainly do better. It's time to take a look at Jean-Claude's school report.

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#### **1. EUROPEAN PROTECTION FOR WHISTLEBLOWERS: *Hasn't shown interest on this subject despite being an important matter***

-> This is an important issue as the whistleblowers in the Luxleaks scandal are facing trial again in Luxembourg this December. The European Parliament has long called on the Commission to initiate legislation for [Europe-wide protection for whistleblowers](#). [The Greens even wrote a draft proposal](#) to make the Commission's job easier. The Commission dragged its feet, arguing about a lack of competence. But even [Finance Ministers recently invited the Commission](#) to act and rumours say that something could be coming in 2017.

#### **2. TRANSPARENCY ABOUT SWEETHEART TAX DEALS: *Has done the minimum required, shouldn't rest on his laurels***

-> Following the public outcry at the end of 2014, the Commission presented a proposal for tax administrations in all [EU member states to automatically exchange information on the sweetheart tax deals](#)

concluded in each country. It's a first step (entering into action in 2017) but the public won't know anything about what's going on. Can do better.

### **3. PUBLIC TRANSPARENCY OF COMPANIES' ACTIVITIES: *Has only partially realised his potential***

-> The Commission heard the repeated call from the European Parliament to initiate legislation so that everyone will know where companies employ people, where they report profits and where they pay taxes. [The proposal came in April this year](#) but has [some massive caveats](#). Companies' activities will only be made public in European countries, we won't know what they are doing in Panama, the Cayman Islands or in the US, for example. The European Parliament and Member States now have a chance to improve the proposal.

### **4. FIGHTING TAX SECRECY AND LETTER BOX COMPANIES: *Showed some progress and willingness to improve***

-> The Panama Papers scandal gave the European Commission the opportunity to do more. Pity it took a worldwide scandal to make it move but in July 2016, it proposed to [revise anti-money laundering rules in the EU](#) and have public information of who owns companies, a pre-requisite to fight shell companies used in tax havens. [It's a first step](#) which the European Parliament and the Council must quickly concretise.

### **5. HARMONISE CORPORATE TAX BASE AND RATES IN EUROPE: *Welcomed efforts made on tax base but still waiting on tax rates.***

-> The European Commission [recently re-launched an old proposal to harmonise corporate tax base in Europe](#) (the so-called CCCTB). However, the new proposal includes some tax incentives for business to support it and does not mention anything about tax rates. [Without a minimum effective tax rate in Europe](#), we will see a race to the bottom and maybe the end of corporate income tax.

### **6. REFORMING EXISTING TAX LOOPHOLES: *Lazy and inattentive, needs to focus more!***

-> Europe is known for the many tax breaks each country gives to businesses. The European Commission has only made recommendations in this area, which is not convincing enough for Member States to stop competing with each other. Another strategy is to legislate to protect the internal market and give equal powers to the European Parliament to make the rules!

### **7. SANCTIONS AGAINST TAX HAVENS: *Is paying more attention but has difficulty understanding basic concepts***

-> The European Commission finally [started the ground work for a common European list of tax havens](#), answering a long-standing request of the European Parliament. However, it chose a complicated path to arrive there (requiring the unanimous support of Member States) and forgot that tax havens can also be found within the European Union.

### **8. MORE INVESTIGATIONS AGAINST COMPANIES: *Has received help from a friend to achieve good results***

-> If there is one gold medal here, it is for Commissioner Vestager, who recently [ruled that Apple should pay back €13 billion in unpaid taxes](#) and opened investigations against McDonalds and Engie. She has also delivered in the Fiat and Starbucks cases and is seriously looking into IKEA, after the Greens' own investigations. Well done, keep up the good work!

## **9. REGULATING THE INDUSTRY HELPING TO AVOID TAXES: *A little less conversation, a little more action, please***

-> The Panama Papers clearly showed that [many intermediaries – accounting firms, law firms, private wealth managers, etc... - benefit from tax havens](#) and help rich clients evade or avoid taxes. They live thanks to complex tax rules and mismatches between countries. The Commission is only launching a public consultation in the coming week on this matter, while European citizens (and us) are tired of waiting for concrete measures.

## **10. STRENGTHENING NATIONAL TAX ADMINISTRATIONS: *Unfortunately hasn't participated in the debate***

-> Let's be clear: the capacity of national tax administrations to investigate cases of tax evasion or avoidance is a matter of Member States' competence. They decide how many resources they want to allocate to this. But when we hear that the [UK tax administration has only investigated one case of a rich individual in the last five years](#), we know there's a problem. We'd love President Juncker to step into the debate and make sure the 28 Member States do their maximum as well to investigate tax dodging.

**Final remark:** Under pressure, Jean-Claude has made some commitments to act for tax justice but this year is about half-deliveries or unachieved progress. Only when he turns to friends is he making real progress. At a time when your Commission is criticised for not standing strong against conflicts of interest, you have friends in the Greens should you want to make tax justice your real priority. You have about two years left!

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