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Tax avoidance and competition

Closing loophole will help address corporate tax chicanery but wider approach needed

The European Commission today presented proposals to revise the EU's parent-subsidiary directive, with a view to closing loopholes in the legislation, which facilitate corporate tax avoidance. The Greens welcomed the proposals but cautioned on the need to ensure a broader approach to properly address corporate tax avoidance. Commenting on the proposals, Green taxation spokesperson **Sven Giegold**, who was European Parliament draftsman/rapporteur for an earlier revision of the parent-subsidiary directive, said:

"These proposals are an important step to addressing the chicanery by unscrupulous multinationals, which exploit these loopholes in EU legislation to shirk their corporate taxation responsibilities. The Greens have long called for the EU to close the loopholes in legislation on parent-subsidiary taxation. The current provisions allow corporations to shift profits between subsidiaries cross-border, in many cases to avoid their tax responsibilities in the jurisdictions in which they operate and in some cases to avoid taxation altogether. It is high time that this door was closed and we hope these proposals will now be swiftly adopted."

"While this is an important step, it will only be effective as part of a wider EU approach on corporate tax avoidance and dumping. EU governments need to speed-up decision-making on the EU common consolidated corporate tax base, as well as finally agreeing to a minimum common corporate tax rate, which would more effectively close the door to tax dumping."

"Tax fraud, evasion and avoidance deprives exchequers in EU member states of €1 trillion in revenue per year, according to the EU Commission. Addressing this problem should have been a top priority in the context of the current economic crisis and the fiscal problems faced by EU member states. EU governments must stop sitting on their hands and swiftly move forward with these proposals."

- The Greens presented a European tax pact - a call to action on European tax policy, setting out key measures to be taken at EU-level to address tax evasion and avoidance - to the Irish EU presidency in January: <http://tinyurl.com/EU-Tax-Pact-ie>

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Sven Giegold

Member

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