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Parliament puts pressure on Council to implement “game changing” tax policy

Tax avoidance

The European Parliament has today voted in favour of the revised proposals on establishing an EU-wide common consolidated corporate tax base (CCCTB). Establishing a CCCTB has been a long standing Greens/EFA demand. The parliament's position also includes welcome new measures on taxing the digital economy.

Greens/EFA shadow rapporteur **Eva Joly** comments:

“This could be a game changer in tackling tax avoidance by global corporations in Europe. It has been clear for years that we cannot continue to treat global corporations as a series of national entities. Yet for all the members of the European Council talk tough on tackling tax dodging, they have been blocking this essential reform. Not only is this hypocritical, it robs them of much needed resources to invest in their people.

“The Greens/EFA group is leading the change when it comes to the thorny issue of digital taxation. By adding the notion of a 'virtual' permanent establishment, we can make sure that digital companies are taxed in the countries in which they deliver services, not just in the country where they can find the lowest tax rate (1).

“I deeply regret that conservative MEPs did not want a minimum EU-wide corporate tax rate (2). This must go hand in hand with a consolidated tax base in order to bring an end to the destructive race to the bottom on tax, which harms everyone in the long run.”

Background

(1) There are many cases of large companies not having a taxable presence in a country (a so-called ‘permanent establishment’) but still making sales and having clients. Google, for example, has 700 employees in France but has been deemed by a French court to have no taxable presence in the country (all profits should therefore be taxed in Ireland). To address this issue, the European Parliament has created the concept of a digital permanent establishment, in order to ensure that digital companies can be taxed in countries where they have clients and they carry services. This was the original Greens/EFA position now included in the European Parliament’s position. In addition, the formula apportionment contains now a 4th factor, related to the volume of data collected and exploited by digital companies.

(2) The Greens/EFA group put forward an amendment calling for a legislative proposal on a minimum corporate tax rate. This was defeated.

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Opinion

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