Press release | 21.06.2016

Tax avoidance

Minimalist new EU law shows EU governments not taking problem seriously

An agreement between EU finance ministers on new EU anti-tax avoidance legislation was confirmed today, after a provisional deal struck at last week's council meeting was formally accepted by all EU member states. The Greens expressed regret at the final agreement, which will deliver only limited measures, with Green tax spokesperson **Eva Joly** stating:

"This agreement is a major disappointment and falls far short of the promise of its name in terms of dealing with the problem of tax avoidance. An already limited proposal from the European Commission has been further weakened by EU finance ministers. This minimalist legislation shows EU governments are not taking the problem seriously and that there is a huge gap between the political rhetoric following each tax scandal and the concrete actions of EU decision-makers.

"Finance ministers failed to properly address the problematic deduction of interest from intra-group loans - a way for some companies to indebt their subsidiaries in high tax jurisdictions and pay no tax. Instead, they created a loophole by exempting any loan until 2019 from limits on interest deduction and allowed member states to apply their national rules until 2024 instead. Rules to tax profits of companies' subsidiaries located in tax havens have been seriously watered-down and fall behind the OECD recommendations. On top of this, they also dropped a provision ensuring that funds entering the EU from tax havens would be properly taxed before circulating freely in the internal market, following opposition from member states that act as entry hubs for foreign investments like Ireland and the Netherlands.

"Despite some important provisions on exit taxation and a general abuse clause, this agreement is another major missed opportunity. Clearly additional corporate tax reforms will be necessary if the problem of corporate tax avoidance is to be addressed. The proposals on a common consolidated corporate tax base later this year will be the next test."

* The European Parliament adopted its position on the legislation earlier this month, including more ambitious provisions.

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Eva Joly

Member

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