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Press release | 22.09.2011

Tax competition

EP votes to strengthen EU rules for preventing double non-taxation of profits

The European Parliament economic affairs committee today adopted a report by Green draftsman Sven Giegold on a recast of the legislation governing the taxation of distributions from subsidiaries to parent companies. The legislation aims to prevent the double (or multiple) taxation of profits. The EP has voted to extend this by introducing measures that can prevent double non-taxation.(1). Crucially, MEPs supported a proposal calling for a minimum taxation of any distributed profits to parent companies of 16% (this is amounts to 70% of the profits being taxed at the average EU corporate tax rate of 23.2%). After the vote EP draftsman and Green economics spokesperson **Sven Giegold** said:

"Under current EU legislation on the taxation of distributed profits from subsidiaries to their parent companies, multinationals can play the different national tax systems against each other to effectively avoid their tax responsibility. This cynical practice of double non-taxation is one of the various loopholes, which deprive national exchequers of legitimate revenue and urgently need toughening up. Today's vote to strengthen the parent-subsidiary directive, against the wishes of the Council and the Commission, would be an important step forward in tackling this problem.

"MEPs have today indicated they are no longer willing to tolerate this tax evasion or arbitrage by companies operating in the EU and EU taxation commissioner Semeta must now take this seriously. This means coming up with a revised legislative proposal that will properly prevent the shunting of profits around Europe by parent companies to avoid corporate tax at the legitimate level.

"The Commission also needs to go back to the drawing board with its proposals on a common EU corporate tax base. A common corporate tax base only makes sense if it is binding on all EU firms operating cross border and, ultimately, with a common minimum tax rate."

(1) The Council and Commission had expected the technical legislative recast to be approved without amendment by the European Parliament but the changes were adopted by the EP's economic affairs with a large majority.

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Responsible MEPs

Sven Giegold

Member

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