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A year since LuxLeaks and it's still business as usual. The EU needs a fresh start in the fight against tax avoidance and evasion

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On 5 November 2014, a group of international journalists publicly revealed that more than 300 multinationals had agreed secret deals - the so called 'tax rulings' - with the Luxembourg between 2002 and 2010 in order to slash their global tax bills. The Luxleaks scandal was born. The scale of the deception has raised indignation around the world. Some firms making billions of euros have enjoyed effective tax rates of less than 1% on profits they shifted to Luxembourg, while small, local businesses on the other hand did not enjoy these kinds of benefits and had to face unfair competition.

Member states within the EU are competing with each other by offering a variety of creative tax measures, including tax rulings, to attract companies and artificially raise their own incomes.

This practice in turn deprives their partners in Europe of important parts of their tax revenues and lowers total tax revenues that could be used to improve public services, healthcare or schools, at the advantage of all citizens.

One year has passed and very little has been achieved to really make a change despite some announcements. The European Union is failing its citizens and its SMEs.

Indeed, on 6 October of this year, EU finance ministers missed an opportunity to show that they have learned the lessons of the LuxLeaks scandal. Their agreement on the institution of an automatic exchange of information between the 28 Members States of the EU on all cross-border tax rulings seriously waters down the already minimal proposals by the European Commission and does not shed light on these secret arrangements.

This situation is heavily undermining national tax systems and the European project: strong and effective action is urgently needed. A truly single market can only function effectively within a more transparent, coordinated and cooperative corporate taxation framework. Business as usual is not an option.
The European Union should ensure that multinationals pay their taxes where they make their profits. We strongly advocate for ambitious reforms to clamp down on tax fraud and avoidance, close legal loopholes, effectively sanction tax havens, fight corruption and money laundering, and improve transparency and cross-border co-operation.

In this context, we call on the EU governments to support the obligation for Country-by-Country reporting currently discussed in the framework of the shareholders' rights directive.

This measure would oblige listed companies to make public their activities and the taxes they pay in each country in which they operate. This would allow tax authorities, investors and all stakeholders, including citizens, to take action in cases of inappropriate or illicit corporate behaviour. European banks are already subject to such requirements, which have not undermined their competitiveness, as officially proven by research led by the European Commission.

A year after the LuxLeaks scandal European citizens and responsible businesses cannot wait any longer for meaningful actions. We need coordinated action at the European level. Country-by-Country reporting would represent an important weapon to fight tax evasion and avoidance and a significant step forward in setting up a more transparent tax framework in Europe.

It is high time for Member States to learn the lesson from LuxLeaks by finally putting an end to multinationals' tax dodging and by working towards a fair system of company taxation. This is a precondition for reigniting economic growth in the EU for the benefit of both citizens and companies alike, the stakes could not be higher.

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