Time for the EU to close its own tax havens

The coronavirus pandemic has exposed the grave costs of so-called “tax competition” between countries. For years, the Netherlands, along with other European corporate tax havens, has provoked a race to the bottom within the EU, handing over more and more wealth and power to the biggest corporations - and taking it away from nurses, doctors and public service workers risking their lives today across Europe to protect ours.

Now more than ever, EU countries must work together to prioritise the wellbeing of society over the interests of the wealthiest corporations. However, the EU cannot rebuild its economy on top of a tax haven trapdoor.

EU countries lose **$10 billion** in corporate tax a year to the Netherlands due to US firms shifting profit into the Dutch tax haven.

US firms shifted **$44 billion** in profits from the EU countries where the profits were generated to the Netherlands.

The Netherlands’ corporate tax rate in practice can be under **5 per cent**, allowing US firms to cut their tax bills across the EU by billions.

A common way for a firm to shift profit is to make its subsidiaries across Europe pay its subsidiary in the Netherlands fees to use the firms’ branding.

For every $1 the Netherlands collected in corporate tax from the shifted profits of US firms, the EU as a whole lost nearly $4 in tax from those firms.

<table>
<thead>
<tr>
<th>Country</th>
<th>Tax loss</th>
<th>Covid-19 cases*</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>$2.7bn</td>
<td>74k</td>
</tr>
<tr>
<td>Italy</td>
<td>$1.5bn</td>
<td>132k</td>
</tr>
<tr>
<td>Germany</td>
<td>$1.5bn</td>
<td>99k</td>
</tr>
<tr>
<td>Spain</td>
<td>$0.9bn</td>
<td>135k</td>
</tr>
</tbody>
</table>

*As of 8 April 2020

In return for costing EU countries **$10 billion** in lost corporate tax a year, the Netherlands collects just **$2.2 billion** in additional corporate tax a year.

Three actions EU governments can take to fix the problem

1. **Introduce unitary taxation** via the Common Consolidated Corporate Tax Base to prevent firms from separating taxable profits from real economic activity.
2. **Set a minimum corporate tax rate** of 25 per cent or higher to remove most incentives for profit shifting.
3. **Require public country by country reporting** to ensure transparency for multinational corporations and EU member states alike, and deter profit shifting.

Read the full report: bit.ly/2UTKWrq