The cost of the 'axis of tax avoidance' to the EU

tax justice network

The coronavirus pandemic has exposed the grave costs of an international tax system programmed to prioritise the interest of corporate giants over the needs of people. For years, the UK, Switzerland, the Netherlands and Luxembourg – the axis of tax avoidance - have fuelled a race to the bottom, handing over wealth and power in the EU to the biggest corporations and taking it away from the nurses and public service workers risking their lives today to protect ours.

Now more than ever, EU countries must reprogramme their tax systems to prioritise people's wellbeing over the interests of the wealthiest corporations. Here's how.

EU countries lose over

$27 billion

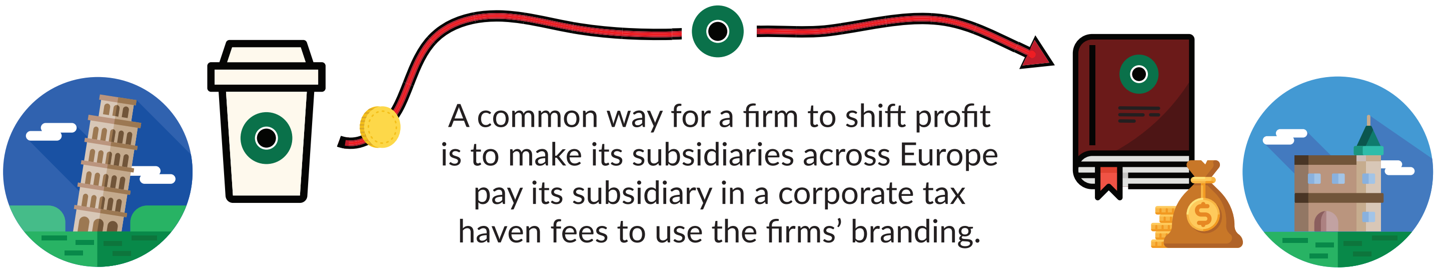
in corporate tax a year to the axis of tax avoidance due to US firms shifting profit into the four corporate tax havens.

Biggest losers of tax to the axis of avoidance:

Country	Tax loss	Loss as % of healthcare expenditure
France	$6.9bn	2.7%
Germany	$4.1bn	1.2%
Italy	$3.9bn	2.6%
Belgium	$2.6bn	6.0%
Spain	$2.5bn	2.5%

US firms shifted **$115 billion** in profits from the EU countries where the profits were generated to the UK, Switzerland, Netherlands and Luxembourg.

For example, Luxembourg's corporate tax rate in practice can be under **1 per cent**, allowing US firms to cut their tax bills across the EU by billions.



For every $1 the axis of tax avoidance collected in corporate tax from the shifted profits of US firms, EU countries lost nearly $7 in corporate tax from those firms.

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Axis of tax avoidance **EU countries**

In return for costing EU countries **$12 billion** in lost corporate tax a year, Luxembourg collects just **$0.4 billion** in additional corporate tax a year.

Three actions EU governments can take to fix the problem

1. **Introduce unitary taxation** via an ambitious version of 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: https://bit.ly/3cY6Pfz