The cost of the ‘axis of tax avoidance’ to the EU

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.

<table>
<thead>
<tr>
<th>Country</th>
<th>Tax loss</th>
<th>Loss as % of healthcare expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>$6.9bn</td>
<td>2.7%</td>
</tr>
<tr>
<td>Germany</td>
<td>$4.1bn</td>
<td>1.2%</td>
</tr>
<tr>
<td>Italy</td>
<td>$3.9bn</td>
<td>2.6%</td>
</tr>
<tr>
<td>Belgium</td>
<td>$2.6bn</td>
<td>6.0%</td>
</tr>
<tr>
<td>Spain</td>
<td>$2.5bn</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

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.

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

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.

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.

Axis of tax avoidance

EU countries

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