

## EU Leaders Discuss Fight Against Tax Evasion

Juergen Baetz, Raf Casert, Associated Press

BRUSSELS (AP) — European Union leaders on Wednesday sought to advance their fight against tax fraud and close the loopholes for large corporations' tax avoidance schemes.

European officials say tax fraud costs the 27-nation bloc an estimated 1 trillion euros (\$1.3 trillion) a year at a time when much of the region is in recession and governments are forced to tighten their budgets.

British Prime Minister David Cameron said the EU has to be sure "that companies pay taxes and that means international collaboration, sharing of tax information."

The meeting comes as the row escalates over the amount of tax paid by high-tech multinational corporations such as Apple, Amazon and Google.

The bloc's heads of state and government focused on the tax issue at their short afternoon summit Wednesday. The discussions follow an inconclusive meeting of finance ministers last week, which failed to agree on an automatic exchange of banking information between all EU countries to catch tax-evaders.

On the way into the meeting, leaders were hopeful of persuading Austria and Luxembourg, the two EU countries that prize themselves on their banking secrecy, from withdrawing their objections to the cross-border initiative.

"We will be able to decide crucial steps," said German Chancellor Angela Merkel.

"There will finally be an exchange of the necessary tax data and there will be negotiations with third countries," she added, referring to talks with non-EU members such as Switzerland to accept a similar automatic information exchange.

"That is a great leap forward but we're not yet at the end," Merkel said.

Austrian Chancellor Werner Faymann indicated his country was in principle prepared to give up its banking secrecy for cracking down on tax cheats.

"I expect that we will achieve this data exchange by the end of the year," Faymann said. "All those who were betting on us fighting over this for so long to grant tax fraudsters a completely easy game (...) will be proven wrong," he added.

But Luxembourg, whose financial sector makes up about a third of its economy and tax receipts, seemed determined to put its foot on the brakes for fear of losing its competitive edge to non-EU countries that would not be bound by the new rules.

"The decision is not yet ripe because we still need the results with third countries,

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with Switzerland for example," said Prime Minister Jean-Claude Juncker. "Once we have those results then we will get to decisions fast since we all basically agree with broadening the scope of the interest directive to all financial products," he added.

Some leaders criticized Luxembourg's reluctance and said that the EU would appear weakened in its negotiations with third countries if it can't even get those rules agreed within its 27-nation bloc.

"It is essential that we fight all sources of tax evasion and tax havens," insisted French President Francois Hollande.

The leaders were also set to discuss how to curb large companies' aggressive tax planning, which allows them to take advantage of loopholes to redistribute their profits globally to minimize their tax payments.

According to a draft summit conclusion obtained by The Associated Press, the leaders are urging rapid progress in the "efforts taken against aggressive tax planning, profit shifting, lack of transparency and harmful tax measures to be pursued globally," vowing to lobby for more international cooperation on the matter.

The investigation of the tax tactics of multinationals is being carried out on a global scale. On Tuesday, members of a U.S. Senate subcommittee grilled Apple CEO Tim Cook over allegations that the company's Irish subsidiaries help it avoid billions in U.S. taxes.

The subcommittee released a report Monday that said Apple paid \$6 billion in taxes last year. But the subcommittee estimates that Apple avoided at least \$3.5 billion in U.S. federal taxes in 2011 and \$9 billion in 2012 by using a complex setup involving Irish subsidiaries as being a key factor.

Cook insisted that the company's overseas operations have nothing to do with reducing Apple's U.S. taxes.

"We pay all the taxes we owe — every single dollar," he said. "We don't depend on tax gimmicks."

Irish Prime Minister Enda Kenny denied Ireland was cutting special deals with multinationals.

"Ireland has been one of the frontrunners, and will be, in regard to building a new international consensus," Kenny said.

In London last week, U.K. lawmakers criticized Google's tax structure at a special Parliamentary committee hearing. Committee chairwoman Margaret Hodge accused the company of "devious, calculated and, in my view, unethical behavior in deliberately manipulating the reality of your business in order to avoid paying your fair share of tax to the common good."

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Google Vice President Matt Brittin defended his company's complex corporate structure at the hearing, adding that Google was transparent about how it paid its bills.

The issue of tax overshadowed the EU summit's supposed main topic, guaranteeing a steady supply of energy while combatting high power prices.

The debate was fueled by worries that Europe's industry is losing its competitiveness because energy prices in other advanced economies, such as the U.S., are significantly lower.

The leaders' discussion, however, was more about stock-taking; no decisions on new measures were expected, not least because energy policies are still mainly a domain of the national governments.

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