Question for written answer E-004097/2016/rev.1
to the Commission
Rule 130
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Subject: Reasons for corporate tax avoidance in EU Member States

The international 'Panama Papers' scandal has demonstrated just how many companies have been hiding money from Member States' tax authorities in tax havens. According to estimates, tax avoidance by companies cost the Member States EUR 50-70 billion each year in lost tax revenues.

Companies that avoid paying tax in the localities in which they generate their revenue deserve to be punished. However, as we take action to put a stop this sort of behaviour from happening in the future, we should reflect on its causes. Increasing bureaucracy, constant new rules and regulations, ever more financial burdens – including taxes that sometimes account for as much as 70% of revenues – cause many companies to decide to transfer their operations to other countries, not only to tax havens, but simply to countries with lower levels of bureaucracy and taxation. This motivation often overlaps with frustration at the irrationality, ineffectiveness and free spending of public expenditure, which discourages entrepreneurs from handing over a significant proportion of their earnings to the state. On the one hand, they believe that they are paying too much in taxes; on the other, they think that some Member States are wasting their money.

Those who are guilty should certainly be prosecuted. However, an investigation should also be carried out into the reasons why unacceptable phenomena are occurring in order to develop effective mechanisms to eliminate them. What steps does the Commission plan to take in this regard in the future?