Press release

European Parliament

MEPs vote to close loopholes for exploiting EU and third country tax differences

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Economic and Monetary Affairs Committee MEPs have voted to close loopholes which allow some of the world's largest corporations to avoid paying tax on profits by exploiting differences in the tax systems of EU and third countries.

They backed a resolution recommending changes to the EU's anti-tax avoidance directive by 44 votes to 0 with 2 abstentions. These amendments relate to the different tax rules in third countries which give rise to loopholes — "hybrid mismatches" — and allow firms to escape tax in both jurisdictions.

"These arrangements are frequently used by the largest companies with the sole purpose of reducing corporate taxation. We have seen it in both the Apple case and in the McDonald's case . It is about time that these corporations pay their fair share of taxes," said rapporteur Olle Ludvigsson (S&D, SE).

These mismatches, for example, allow corporations established in two jurisdictions (inside and outside the EU) to use the lack of coordination between national tax systems either to have the same expenditure deducted in both jurisdictions (so the firm enjoys a double tax deduction), or to have a payment recognised as tax deductible in one jurisdiction but not recognised as taxable income in the other.

The report now goes to the Council for its consideration.

Further information

- Committee on Economic and Monetary Affairs: http://www.europarl.europa.eu/committees/en/econ/home.html

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