



Trade Unions and the Tax Justice Struggle in Europe

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Why does EPSU work on tax

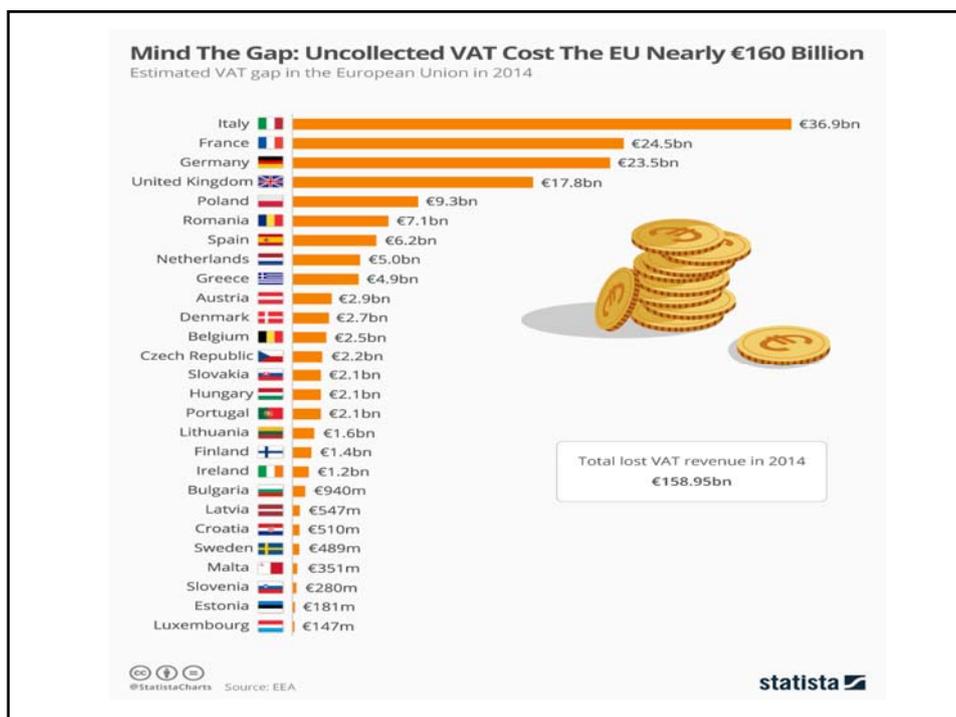
- ✓ Fair tax systems finance public services and redistribute wealth → reduce inequality, good for jobs and growth (IMF fiscal monitoring, 2017) and democracy
- ✓ Tax administrations represent a large part of EPSU membership... and many are seriously under resourced and overworked
- ✓ Corporate accountability and transparency → workers' rights, general interest must prevail over economic private interest (EU social progress protocol + PSI work on UN)

Scale of the problem (1)

- ✓ Tax gap : the difference between tax that is due and tax that is collected
- ✓ Tax fraud, debt and avoidance cost European citizens €1trillion each year, or €2000 per citizen – 2012 estimate
- ✓ Only in VAT MS and the EU are losing every year €151.5 Bn, each year €250 Bn is hidden in tax havens
- ✓ Tax gap is more than total public spending on healthcare. With that public money, we could invest 4 times more in public education.
- ✓ Italy is the biggest tax loser with an annual €180 bn loss. Estonia loses more than 28% of its government spending due to tax evasion each year

Scale of the problem (2)

- ✓ The OECD estimates that some \$100bn-\$240bn of revenues are lost each year due to the gaps in international rules that allow corporate profits to be artificially shifted to tax havens.
- ✓ Countries like IE and LU negotiate tax deals – so-called tax rulings- with companies so that they pay almost nothing while the average tax for employees in EU is 45% of their income (Institut Molinari)
- ✓ Developing countries lose 3 times more to tax havens than they receive in foreign aid each year

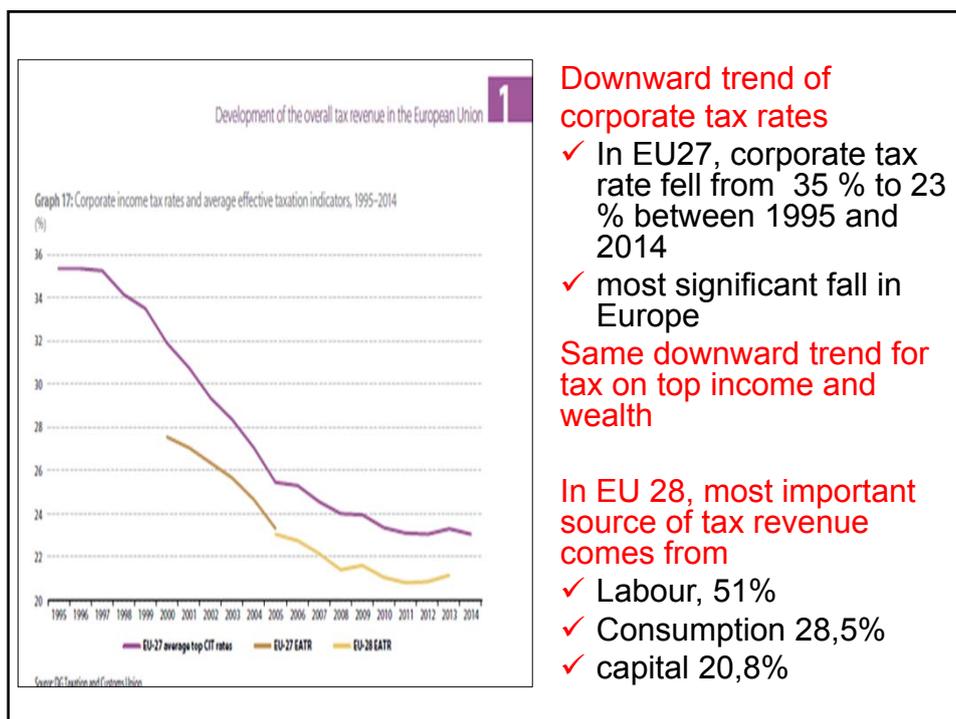



European Commission

EC research findings presented at EC tax platform 2016

- ✓ Very low effective tax levels by exploiting loopholes and mismatches.
- ✓ Multinationals can significantly reduce their tax liabilities through IP tax planning. Companies largely based on intellectual property may have their profits essentially untaxed.
- ✓ Artificial profit shifting allows multinationals to shop for the most attractive tax treaty and channel profits to low-tax locations outside the EU.
- ✓ Anti-abuse rules may be very effective in defeating tax planning strategies.
- ✓ However, protection of the internal market against profit shifting to low-tax locations is only as good as the weakest regime in the EU.

Taxation and Customs Union



Causes and solutions

Secrecy, MNEs are global

- **Lifting of bank secrecy**
- **Automatic exchange of Information** between tax administrations at EU and OECD level (BEPS)

PROGRESS BUT IT AINT PUBLIC TRANSPARENCY

- **Tax transparency** Public disclosure of key accounting information of MNCs (public CBCR), Beneficial Ownership information and key elements of tax rulings
- **Registry of wealth** – economist Zacman
- **Unitary taxation**
- **Anti-tax avoidance measures** stronger PE definitions .
- **Anti-tax haven measures** Tax havens lists with sanctions on customers

Tax rules are national + tax competition

“There would be more revenue for all if countries resisted the temptation to compete with each other on taxes to attract business. **By definition, a race to the bottom leaves everybody at the bottom.**” IMF Christine Lagarde (2014)

- Via tax cuts for MNEs, to attract FDI
- Corporate Tax rates and base
- Intellectual property
- **EU coordination corporate tax base** – CCCTB proposal + ETUC calls for 25% minimum tax rate
- **Ban of harmful tax practices**
- **Better control of tax incentives**
- **Global UN Tax Body**

And invest in public tax administrations

The £4.8 billion tax-bill which US corporations avoid paying in the UK each year could employ over 80,000 additional NHS nurses.

The \$4 billion in taxes which US corporations avoid paying in Spain each year could create 200,000 new Public Sector jobs for the unemployed.

Missing Tax: Real Consequences 

The \$7.1 billion tax bill which US corporations avoid paying in Germany each year could employ 100,000 new Social Workers

Missing Tax: Real Consequences 

What does EPSU do in practice

- ✓ 2010 tax justice charter provides a roadmap
- ✓ Raising awareness on the scale and depth of the tax gap problem – the euros 1000 figure -2012
- ✓ Joining the dots against EU-coordinated austerity: Tax justice as part of the alternatives
- ✓ Working conditions in tax administrations
- ✓ Illustrate the problem e.g. McDonald's emblematic case of social dumping and tax dumping
- ✓ Member of EC good tax governance
- ✓ Walk the talk: actions, media, politicians, cooperation with PSI, ETUC and tax justice NGOs

EPSU report: scale of job cuts in tax administrations 2008-2012

NS1
NS

Country	Change 08-12	Country	Change 08-12
Greece	-21.9%	Italy	-9.2%
UK	-20.7%	Netherlands	-9.0%
Latvia	-19.8%	France	-8.8%
Lithuania	-17.3%	Austria	-6.9%
Cyprus	-16.3%	Portugal	-6.4%
Estonia	-14.8%	Slovenia	-6.4%
Romania	-14.7%	Malta	-6.2%
Denmark	-14.3%	Czech Republic	-4.2%
Ireland	-13.0%	Spain	-3.5%
Belgium	-11.9%	Bulgaria	-2.6%
Finland	-10.9%	Croatia	-0.8%

Problems caused

- ✓ Job cuts in tax administrations: self defeating
- ✓ Austerity is tax dodgers' best friend
- ✓ Growing influence of private bank and tax avoidance industry both in tax collection and design of tax policy - Resources of big 4 far exceed those of public tax administrations
- ✓ From fiscal compliance to fiscal cooperation, especially after Brexit
- ✓ Yet tax administrations bring back much more money to society than they cost

Bild 11

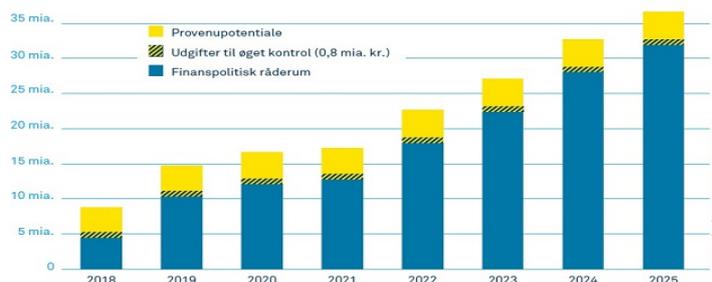
NS1 Nadja Salson; 2013-03-17

NS2 **Cyprus 0.7%**
Nadja Salson; 2013-03-17

New LO-Hkstat/FSR report on cost of job cuts in tax administrations

MERE KONTROL GIVER STØRRE RÅDERUM

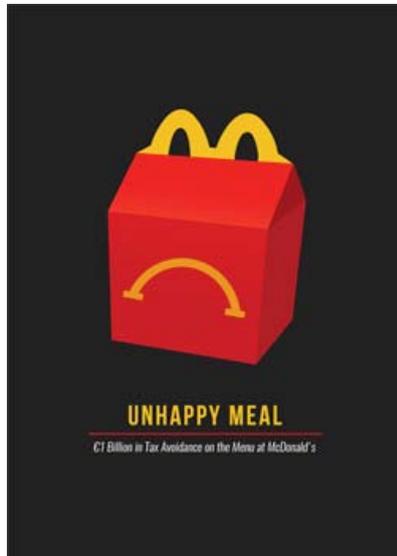
Ved at ansætte 1000 årsværk til bedre skattekontrol, kan råderummet øges med 3,4 - 3,8 mia. kr. årligt. Frem til 2025 kan det give op til 28,6 mia. mere i statskassen.



Positive examples

Country	Success where employment has increased
Sweden	"Despite the high tax level the Swedish tax system is generally efficient" European Commission 2013
Netherlands	Following trade union campaign the government increased number of tax inspectors by 500 (new staff)
Spain	Government decree in 2014 allowing to recruit more staff than the 10% of those lost through natural wastage, the rule for public sector. Tax agency recognises that job cuts cause "GRAVE DAMAGE FOR THE PUBLIC INTEREST"

McDonald's Tax Avoidance



Tax

Letter to the Financial Times: after Apple, McDonald's must pay what it owes in taxes

A similar decision should follow on McDonald's

Sir, Apple's response to the European Commission's decision on its tax arrangements in Ireland reads a little like blackmail. In a statement published on its website, it warns that the order to pay up to €13bn in dodged taxes may harm jobs and investment in Europe. Multinationals should not be able to threaten countries when asked to pay their fair share of taxes.

McDonald's is also under investigation by the European Commission for its tax arrangements with Luxembourg. When challenged in European parliamentary hearings on

these deals, the fast-food giant evoked a similar reasoning to dodge the real question: why does it appear not to be paying taxes on its European profits? This is particularly hypocritical in McDonald's case. McDonald's pays low wages, then expects ordinary taxpayers – not least small businesses – to pick up the bill, in the form of welfare payments or public money to subsidise low-paying jobs.

Commissioner Margrethe Vestager's announcement on Apple should be commended. I expect a similar decision on McDonald's in the near future.

Jan Willem Goudriaan
General Secretary,
European Federation of Public Service
Unions

www.epsu.org/article/letter-financial-times-after-apple-mcdonalds-must-pay-what-it-owes-taxes



EC Competition/state aid rules

- ✓ Waiting for EC decision on McDonald's
- ✓ Oct 2017, Competition Commissioner Vestager orders Amazon to pay €250 million in back taxes *“Almost three-quarters of Amazon's profits were not taxed”*



Some solutions: draft directive on Public Country- by-Country reporting by multinationals (1)

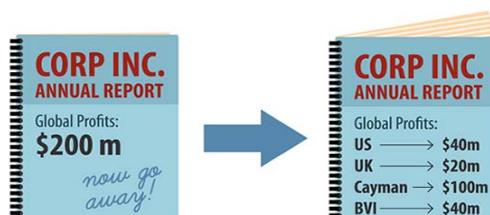


Stated objective:

To know where and how much tax companies pay or not
– *“to enable citizens to assess tax strategies & the contribution to welfare by MNEs”*

Principle welcome but EC proposal is too narrow to be effective

Some solutions: draft directive on Public Country- by-Country reporting by multinationals (2)



EPSU/ETUC/tax justice NGOs amendments to make the proposal effective i.e. global, comparable, accessible

1. Broader geographical scope: not only in the EU and in list of tax havens
2. Lower company threshold from €750 M turnover to €40 M (accounting directive)
3. Larger data coverage: list of subsidiaries, FT equivalent employees, public subsidies

State of the CBCR discussion

- EP successful vote in July but remaining problems
- corporate confidentiality clause
- Difficult discussions in Council
- EPSU affiliates invited to contact governments

In favour of a strong public CBCR directive	Greece, Lithuania, Netherlands, Romania, United Kingdom, Estonia, Denmark,
Ambiguous or not enough info / Potential Allies	France, Italy, Poland, Spain, Belgium, Croatia, Finland
Ambiguous or not enough info / Potential Blockers	Germany, Czech Republic, Slovenia
Against any CBCR directive proposal	Austria, Cyprus, Ireland, Sweden

Sign petition

<http://whistleblowerprotection.eu/>

**Whistleblowers in the EU
must be protected**



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Conclusions

- Thanks to whistleblowers, investigative journalism and trade union/social NGOs mobilisation, some progress at EU level
- But this is not enough, concentration of hidden wealth actually increases, increase use of tax rulings and IP boxes
- Further cuts in corporate tax rates: UK, France, Belgium, Netherlands and of course the US
- EPSU will continue raising awareness, cooperating with tax justice movement, PSI, ETUC (new tax committee) and seek to influence EU policy-making
- Focus on tax administrations: makes sense to invest in them
- further illustrate the scale of the problem with more research on corporate tax
- Tax training and tax collectors meeting in 2018
- Making the case for progressive taxation for people as well as “ sustainable growth and jobs “ the title of the European Summit in Gothenburg on 17 November.