STOP tax dodging

Fifty Shades of Tax Dodging

The EU's role in supporting an unjust global tax system

2015 Report Briefing

Summary of a report coordinated by Eurodad

Introduction

In the past year, scandal after scandal has exposed companies using loopholes in the tax system to avoid taxation. Now more than ever, it is becoming clear that citizens around the world are paying a high price for the crisis in the global tax system, and the discussion about multinational corporations and their tax tricks remains at the top of the agenda. There is also a growing awareness that the world's poorest countries are even harder impacted than the richest countries. In effect, the poorest countries are paying the price for a global tax system they did not create.

A large number of the scandals that emerged over the past year have strong links to the EU and its Member States. Many eyes have therefore turned to the EU leaders, who claim that the problem is being solved and the public need not worry. But what is really going on? What is the role of the EU in the unjust global tax system, and are EU leaders really solving the problem?

This report – the third in a series of reports – scrutinises the role of the EU in the global tax crisis, analyses developments and suggests concrete solutions. It is written by civil society organisations (CSOs) in 14 countries across the EU. Experts in each CSO have examined their national governments' commitments and actions in terms of combating tax dodging and ensuring transparency.

Each country is directly compared with its fellow EU Member States on four critical issues: the fairness of their tax treaties with developing countries; their willingness to put an end to anonymous shell companies and trusts; their support for increasing the transparency of economic activities and tax payments of multinational corporations; and their attitude towards letting the poorest countries have a seat at the table when global tax standards are negotiated. For the first time, this report not only rates the performance of EU Member States, but also turns the spotlight on the European Commission and Parliament too.

This report covers national policies and governments' positions on existing and upcoming EU level laws, as well as global reform proposals.

133 out of 488

protests (27%) in the world between 2006 and 2013 linked to 'Economic Justice and Austerity', had 'Tax Justice' as one of their main motivations.

Overall, the report finds that:

- Although tweaks have been made and some loopholes have been closed, the complex and dysfunctional EU system of corporate tax rulings, treaties, letterbox companies and special corporate tax regimes still remains in place. On some matters, such as the controversial patent boxes, the damaging policies seem to be spreading in Europe. Defence mechanisms against 'harmful tax practices' that have been introduced by governments, only seem partially effective and are not available to most developing countries. They are also undermined by a strong political commitment to continue so-called 'tax competition' between governments trying to attract multinational corporations with lucrative tax reduction opportunities – also known as the 'race to the bottom on corporate taxation'. The result is an EU tax system that still allows a wide range of options for tax dodging by multinational corporations.
- On the question of what multinational corporations pay in taxes and where they do business, EU citizens, parliamentarians and journalists are still left in the dark, as are developing countries. The political promises to introduce 'transparency' turned out to mean that tax administrations in developed countries, through cumbersome and highly secretive processes, will exchange information about multinational corporations that the public is not allowed to see. On a more positive note, some light is now being shed on the question of who actually owns the companies operating in our societies, as more and more countries introduce public or partially public registers of beneficial owners. Unfortunately, this positive development is being somewhat challenged by the emergence of new types of mechanisms to conceal ownership, such as new types of trusts.
- Leaked information has become the key source of public information about tax dodging by multinational corporations. But it comes at a high price for the people involved, as whistleblowers and even a journalist who revealed tax dodging by multinational corporations are now being prosecuted and could face years in prison. The stories of these 'Tax Justice Heroes' are a harsh illustration of the wider social cost of the secretive and opaque corporate tax system that currently prevails.
- More than 100 developing countries still remain excluded from decision-making processes when global tax standards and rules are being decided. In 2015, developing countries made the fight for global tax democracy their key battle during the Financing for Development conference (FfD) in Addis Ababa. But the EU took a hard line against this demand and played a key role in blocking the proposal for a truly global tax body. Not one single EU Member State challenged this approach and, as a result, decision-making on global tax standards and rules remains within a closed 'club of rich countries'.

A direct comparison of the 15 EU countries covered in this report finds that:

- **France**, once a leader in the demand for public access to information about what multinational corporations pay in tax, is no longer pushing the demand for corporate transparency. Contrary to the promises of creating 'transparency', a growing number of EU countries are now proposing strict confidentiality to conceal what multinational corporations pay in taxes.
- **Denmark** and **Slovenia** are playing a leading role when it comes to transparency around the true owners of companies. They have not only announced that they are introducing public registers of company ownership, but have also decided to restrict, or in the case of **Slovenia**, avoided the temptation of introducing, opaque structures such as trusts, which can offer alternative options for hiding ownership. However, a number of EU countries, including in particular **Luxembourg** and **Germany**, still offer a diverse menu of options for concealing ownership and laundering money.
- Among the 15 countries covered in this report, **Spain** remains by far the most aggressive tax treaty negotiator, and has managed to lower developing country tax rates by an average 5.4 percentage points through its tax treaties with developing countries.
- The **UK** and **France** played the leading role in blocking developing countries' demand for a seat at the table when global tax standards and rules are being decided.

87.4 per cent

of the population in eight EU Member States surveyed agree that cheating on taxes is never justifiable.

Photo: Uffe Karlsson

Specific findings

See p12 for a key to the following country rating system

	Tax treaties	Transparency	Reporting	Global solutions
European Commission	The Commission does not seem to have a public position on EU Member States' use of tax treaties with developing countries.	The Commission proposal for the new EU anti-money laundering directive did not initially include public access to beneficial ownership information. At a late stage of the negotiations on the directive the Commission suggested having some public access, but only among those who can demonstrate a so-called 'legitimate interest', without specifying what this would mean in practice.	The Commissioner in charge of taxation has on several occasions voiced his personal support for public country by country reporting, but the Commission does not as yet have a unified position on the issue. The Commission has been openly hostile to the European Parliament's attempt to push for public country by country reporting through the review of the Shareholders Rights Directive. The Commission is currently conducting an impact assessment on public corporate reporting and will present its findings in early 2016 after which it is expected to develop a more clear position on public country by country reporting.	A Communication issued in 2015 by the Commission supported the view that developing countries should implement decisions made by the OECD and G20 on tax. At the July 2015 Financing for Development conference the Commission rejected the establishment of an intergovernmental UN body on tax.

	Tax treaties	Transparency	Reporting	Global solutions
European Parliament	The European Parliament stresses that EU Member States should use the UN model when negotiating tax treaties with developing countries and stresses the need for policy coherence for development in these treaties. The Parliament has also called for an EU-wide standard on tax treaties, and has called on Member States to conduct spillover analyses of their tax treaties with developing countries.	The European Parliament stood firm on the principle that the public should have access to beneficial ownership information in the negotiations on the new EU anti-money laundering directive towards the end of 2014. It has since urged Member States to go beyond the minimum requirements of the new directive by allowing unrestricted public access to basic information in the beneficial ownership register.	The European Parliament in 2015 discussed amendments to a directive to introduce public country by country reporting. A comfortable majority voted for the proposal and it has thus become the position of the Parliament. Negotiations on the directive are thought to be scheduled towards the end of 2015.	The European Parliament has repeatedly voiced its support for the creation of an intergovernmental UN body on tax, last repeated shortly before the 2015 Financing for Development conference.

	Tax treaties	Transparency	Reporting	Global solutions
Belgium 	Belgium's model treaty contains many aspects that are not suitable for developing countries, but it does include an anti-abuse clause. Belgium has more treaties with developing countries than the average among the countries considered in this report, but Belgium's treaties with developing countries on average reduce the tax rates less than the average among the countries covered in this report.	A 2015 FATF review found considerable shortcomings in Belgium's anti-money laundering framework, but not in relation to the registration and storing of beneficial ownership information. A taskforce yet to be set up will consider whether Belgium should adopt a public register of beneficial owners. Trusts are not allowed under Belgian law.	The Belgian government is officially still awaiting the outcome of the European Commission impact assessment on country by country reporting and will also conduct its own national assessment before forming its own position.	The Belgian government does not support the establishment of an intergovernmental UN tax body.

Czech Republic

Tax treaties	Transparency	Reporting	Global solutions
The Czech model treaty is based on the OECD model, but its treaties contain a mix of the UN and OECD model provisions. The Czech Republic has less tax treaties with developing countries than the average among the countries covered in this report, but the Czech treaties with developing countries on average reduce the withholding tax rates more than the average among the countries covered in this report.	The government plans to present amendments to existing legislation in October 2015 to implement the new EU anti-money laundering directive, and expects the new law to be effective from 1 July 2016. Whether the mandatory register of beneficial owners contained in the directive will be made public or not is still being considered by the government. Trusts were introduced in 2014 and currently no registration is required.	The Czech government's position on country by country reporting is not known.	The official position of the Czech government is not supportive of an intergovernmental UN body on tax.

Denmark

Tax treaties	Transparency	Reporting	Global solutions
Denmark's treaties with developing countries were, until the mid-1990s, largely based on the UN model, but have since then been based on the OECD model. A controversial treaty with Ghana sparked a Parliamentary hearing in April 2015 on Denmark's treaties with developing countries but did not seem to bring any significant acknowledgement from the government of the need to change negotiation practices. The government does not plan to conduct a spillover analysis of its treaties. New legislation introduced in 2015 means that all of Denmark's tax treaties now include an anti-abuse clause. Denmark has fewer treaties with developing countries than the average among the countries covered in this report, but Denmark's treaties with developing countries on average reduce withholding tax rates more than the average among the countries covered in this report.	Following a number of scandals relating to shell companies set up in Denmark the government announced in late 2014 that it intended to set up a fully public register of beneficial owners of companies. The register is expected to be implemented by late spring 2016. The new government that took office in June 2015 has not announced any changes to these plans. In 2015 it was also decided that bearer shares are to be phased out and a public register of shareholders was introduced in June.	The government position on country by country reporting remains unclear. However, with elections in June 2015 a majority against Denmark's public list of tax payments by big companies emerged, although a legal proposal to remove the lists has not yet been put forth. With this development the prospects for a Parliamentary majority for public country by country reporting seem less likely than before.	The official position of the Danish government is not supportive of an intergovernmental UN body on tax.

France	Tax treaties	Transparency	Reporting	Global solutions
	France is only surpassed by the UK in the number of treaties it has with developing countries. The treaties are exclusively based on the OECD model. The Ministry of Finance recently changed position and says it now supports the introduction of anti-abuse provision in France's treaties. On the other hand, France's treaties on average reduce the withholding rate by 3.11 per cent, which is more than the average among the countries covered in this report. A 2014 treaty with China showed that France continues to press for lower rates in its treaties with developing countries.	France is reported to have played a constructive role by promoting beneficial ownership transparency as a priority during the EU negotiation on a new anti-money laundering directive. In a disappointing move, the French authorities in 2015 said they do not plan to go beyond the minimum requirements of the directive in allowing access to beneficial ownership information, but will instead limit it to those with a 'legitimate interest'. However, the authorities say they intend to apply as wide an interpretation of 'legitimate interest' as possible, but have not yet provided an official definition. A law drawn up in 2013 would create a public register on trusts, but the decree implementing the law has still not been issued.	Having for years been an advocate for more corporate transparency by multinational companies, the French government disappointingly said in 2015 that it will not unilaterally adopt public country by country reporting and instead plans to follow the OECD BEPS recommendations. Following the launch of the BEPS plan in October, the French government confirmed in a communiqué its intention to adopt the confidential country by country model by the end of the year as part of its budget bill.	France warmly supports the Paris-based OECD and its BEPS process. The French government has repeatedly made clear that it does not support the creation of an intergovernmental tax body under the UN and was one of the most active blockers of this proposal during the July 2015 Financing for Development conference.

Germany	Tax treaties	Transparency	Reporting	Global solutions
	Only three countries among those covered in this report have more treaties with developing countries than Germany. In its negotiations with developing countries, Germany relies on its 2013 model tax treaty which generally draws on the OECD model, but says it also allows for the inclusion of elements from the UN model. A recent revision of its treaty with the Philippines – one among a sizable number of new treaties with developing countries – includes significant reductions in the withholding tax rates. This is in line with the general trend, which shows that on average Germany has reduced withholding rates by more than 3.5 percentage points in its treaties with developing countries, well above the average among the countries covered in this report.	Germany is reported to have played a negative role during EU negotiations on a new directive on anti-money laundering at the end of 2014, objecting to the establishment of centralised registers of beneficial owners and to public access to such information. However, since the implementation of the directive is not yet completed, an official government position on whether the public will be allowed access to beneficial ownership information in Germany is still awaited. FATF in a 2014 review noted shortcomings in Germany's current system of storing beneficial ownership information, and also noted with concern the lack of transparency of Germany's "treuhand funds", a form of trust. Of the 15 countries covered in this report, Germany is estimated to have the second highest money laundering risk.	The German government plans to introduce confidential country by country reporting in line with the OECD BEPS recommendations. The government expects this requirement to be approved by the end of 2015 and for it to take effect from 2016. Germany does not appear to be considering public country by country reporting.	Despite stating that close collaboration with developing countries is of "utmost importance" to fight illicit financial flows, the German government has for years opposed the establishment of an intergovernmental UN body on tax, and reaffirmed this position in the July 2015 Financing for Development negotiations.

Hungary

Tax treaties	Transparency	Reporting	Global solutions
Hungary has less than the average number of treaties with developing countries, and none with low-income countries. It is not clear whether its treaties with developing countries generally follow the UN or OECD model. In the last few years Hungary has been very active in negotiating treaties with low-tax jurisdictions. Hungary has on average reduced the withholding tax rates in its treaties with developing countries less than the average among the countries covered in this report.	A 2015 OECD review noted that Hungary does not require foreign companies trading in the country to provide ownership details or proof of the identity of those involved, and noted that the same was also the case with ownership information on partners in foreign partnerships. This is all the more concerning since Hungary has an extensive number of SPEs with data showing large flows of FDI through these. The government's position on making beneficial ownership information publicly available is not known.	The government's position on country by country reporting is not known.	The government's position on the establishment of an intergovernmental body on tax is not known, but Hungary did not deviate from the official EU line during the Third Financing for Development conference in Addis Ababa. The official EU line was against the establishment of an intergovernmental UN tax body.

Ireland

Tax treaties	Transparency	Reporting	Global solutions
Ireland generally follows the OECD model in negotiations but states that it is willing to consider other countries' model treaties when negotiating with developing countries. Together with Slovenia, Ireland has the lowest number of treaties with developing countries covered in this report. A treaty with Zambia was renegotiated in 2015 and showed some improvements on what was originally a treaty unfavourable to Zambia. Publication of a spillover analysis, expected in early 2015, came with the Budget 2016 in October 2015 (too late for detailed analysis in this report). Ireland has generally negotiated lower tax rate reductions in its treaties with developing countries than the average among the countries covered in this report.	A 2015 review by the Central Bank revealed some challenges in the Irish financial sector in terms of customer and beneficial owner verification. The government plans for a relatively quick implementation of the new EU anti-money laundering directive by 2016, but has not yet stated whether or not to give the public unrestricted access to the register of beneficial owners.	The Irish government says it supports the OECD BEPS recommendations for country by country reporting, stressing the need for "taxpayer confidentiality" and for keeping the information with tax administrations only. Ireland also supports the OECD recommendation that only companies with an annual turnover above €750 million should be subject to the reporting requirements.	Despite an ambition of playing "a strong role in global efforts to bring about a fairer and more transparent international tax system", the Irish government does not support the establishment of an intergovernmental UN body on tax, as witnessed during the July 2015 Financing for Development conference, where "institutional proliferation" was cited as a concern by the government.

	Tax treaties	Transparency	Reporting	Global solutions
Italy	The government says Italy's treaties are primarily based on the OECD model but that the UN model is another source of reference. Among the countries in this report, Italy is only surpassed by the UK and France in terms of the number of treaties with developing countries. A 2014 treaty signed with the Republic of the Congo coincided with the announcement of a major expansion in the country by Italian oil giant ENI. No new treaties with developing countries were concluded in 2015. On average, Italy has negotiated lower tax rate reductions in its treaties with developing countries than the average among the countries covered in this report.	As late as the end of 2014, the Italian government expressed support for public registers of beneficial ownership. But following the EU compromise on the anti-money laundering directive, which it helped form as holders of the EU presidency at the time, the government disappointingly says it now plans to restrict access to the register to those with a 'legitimate interest'. Italy is estimated as having the third highest money laundering risk out of the 15 countries covered in this report.	The government's position on country by country reporting is not known.	The official position of the Italian government is not supportive of an intergovernmental UN body on tax.
Luxembourg	Luxembourg has a relatively low number of tax treaties with developing countries but is rapidly expanding its treaty network in 2015, including with a large number of developing countries. Two of the most recent treaties – with Laos and Sri Lanka – include reduced tax rates on dividends. The government states that all of Luxembourg's treaties follow the OECD model. Among the 15 countries covered in this report, Luxembourg has on average the least reduced tax rates in its treaties with developing countries.	A 2014 review of the anti-money laundering compliance in Luxembourg notes improvements, but also found that the Luxembourg business register does not record the beneficial owner in all cases. New structures such as the so-called 'Freeport' and 'the patrimonial fund' could further worsen the situation on beneficial owner transparency. Of the 15 countries covered in this report, Luxembourg is estimated as having the highest money laundering risk. It is not yet known how and when the Luxembourg government will implement the new EU anti-money laundering directive or whether it will adopt a public register of beneficial owners.	The Luxembourg government has drawn up new transfer pricing legislation that includes country by country reporting along the lines of the OECD BEPS recommendation, meaning that the information will be confidential and that the reporting standard will only apply to companies with a turnover above €750 million. The Minister of Finance in March confirmed that Luxembourg does not support making the country by country reporting information public.	Luxembourg often argues that neither Luxembourg nor the EU can go too far in reforming their tax systems due to the need for a global level playing field. Nonetheless, the Luxembourg government does not support the establishment of an intergovernmental UN body on tax, which could decide on global standards.

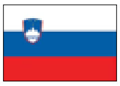
Netherlands

Tax treaties	Transparency	Reporting	Global solutions
In general, the Netherlands uses the OECD model but states that it is willing also draw on the UN model in negotiations with developing countries. The Dutch government is now taking steps to include anti-abuse provisions in its treaties with developing countries. The government states that it is willing to accept higher tax rates in its treaties with developing countries than otherwise, but data shows that the Netherlands is generally more aggressive in negotiating lower rates in its treaties with developing countries than the average among the countries covered in this report. The Netherlands also has more treaties with developing countries than the average among the countries covered in this report.	A recent review by the Dutch Central Bank noted failings in collecting beneficial ownership information among the important trust offices that manage many of the country's letterbox companies. According to estimates, the Netherlands has a relatively high risk of money laundering – the fifth highest among the countries covered in this report. The Dutch government says it does not support public access to beneficial ownership information.	The Dutch Parliament in 2015 passed a resolution calling for public country by country reporting and the government has expressed its support for the same in a letter to the European Commission. Nevertheless, the Dutch government announced in its September 2015 budget that it will be implementing the OECD BEPS recommendations on country by country reporting, which would keep the information confidential and would apply to companies with a turnover above €750 million. The government can, however, still make good on its promise to support public country by country reporting during negotiations over the Shareholders Rights Directive, in which case the Netherlands would receive a green rating.	Ahead of the July 2015 Financing for Development conference, the Dutch government identified the fight against tax dodging as one of its top three priorities. Nonetheless, the government did not support the establishment of an intergovernmental UN body on tax.

Poland

Tax treaties	Transparency	Reporting	Global solutions
According to the Polish government, as a rule it follows the OECD model but also allows for elements from the UN model. However, the government states that it would not use the UN model as a starting point in negotiations with developing countries. Poland recently started including an anti-abuse clause in its treaties with developing countries and has the second lowest average reduction of tax rates in treaties with developing countries among the 15 countries covered in this report. Poland also has fewer treaties with developing countries than the average among the countries covered in this report.	A 2015 OECD review of corporate transparency in Poland found serious shortcomings in the availability of identity and ownership information of foreign companies, on bearer shares, and in relation to people who administer trusts. The Polish government is reported to have been against public registers of beneficial ownership during the EU negotiations on the anti-money laundering directive, but as of now it has not communicated officially its plans for a national register or whether the public will have full access or not. According to estimates, Poland has the second lowest risk of money laundering among the 15 countries covered in this report.	Poland is one of the EU's first adopters of the OECD BEPS recommendations on confidential country by country reporting, while being one of the latest adopters of the EU requirements for public country by country reporting for banks, which it has still not implemented. Poland does not appear to be considering the possibility of public country by country reporting.	The Polish government has stated that it needs to analyse the establishment of an intergovernmental UN tax body before deciding. However, Poland did not deviate from the official EU line during the Third Financing for Development conference in Addis Ababa. The official EU line was against the establishment of an intergovernmental UN tax body.

Slovenia



Tax treaties

The government says its treaties with developing countries are not based solely on either the UN or OECD model. Together with Ireland, Slovenia has the fewest treaties with developing countries among the countries covered in this report. Slovenia falls just below the average tax rate reduction in its treaties with developing countries compared with the 15 countries covered in this report.

Transparency

The Slovene government says it plans to implement a register where the general public will have access to basic information on beneficial owners without any qualifying criteria. Those that can demonstrate a 'legitimate interest' will have access to a wider set of information. The government has not yet defined 'legitimate interest' but plans to have a legislative proposal developed and passed by the end of 2015. The upcoming decisions on how much information to publish and how to define 'legitimate interest' will determine whether Slovenia will have a truly public register of beneficial owners, but the announcements show a positive intention. In addition, Slovenia is estimated as having the lowest risk of money laundering among the 15 countries covered in this report.

Reporting

The government has not yet put forth a legislative proposal for country by country reporting but says it supports the OECD BEPS model and stresses that the information should be kept confidential. The government implemented the capital requirements directive in 2015, but has still not implemented the article containing the public country by country reporting requirement for banks, but says the Bank of Slovenia will clarify what is required to the country's banks.

Global solutions

The government says it supports the call to establish an intergovernmental body on taxation under the auspices of the UN. However, Slovenia did not deviate from the EU line during the July 2015 Financing for Development conference, where the EU blocked such a measure.

Spain

Tax treaties

Spain primarily follows the OECD model in tax treaty negotiations, but does include an anti-abuse clause. Treaties concluded with Senegal and Nigeria in 2014-15 showed significant reductions in withholding tax rates, and this follows a general pattern as Spain is by far the most aggressive negotiator of the 15 countries covered in this report when it comes to reducing withholding tax rates in its treaties with developing countries. On average the withholding rates in these treaties have been reduced by 5.4 percentage points. Spain also has more treaties with developing countries than the average among the countries covered in this report.

Transparency

The government has not yet decided the level of access it will grant to the public when implementing the new EU anti-money laundering directive. However, the government says it was strongly against including a provision for public beneficial ownership registers in the directive when it was negotiated, which makes it likely that the government will not grant public access to a register of beneficial owners. Spain is estimated as having the fourth highest risk of money laundering among the countries covered in this report.

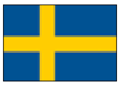
Reporting

Spain will implement country by country reporting in line with the OECD BEPS recommendations, the government announced in 2015. It does not appear to be considering the possibility of public country by country reporting This implies that it will not make the information publicly available and that it will only apply to companies with a turnover above €750 million.

Global solutions

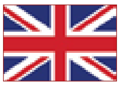
Spain followed the EU line of opposing an intergovernmental UN body on tax during the July 2015 Financing for Development negotiations. However, the government says the establishment should be studied prior to any decision, and considers it necessary to at least reinforce the current UN tax expert committee.

Sweden



Tax treaties	Transparency	Reporting	Global solutions
According to the government, Swedish treaties with developing countries differ and do in general primarily follow the OECD or UN model. Among the 15 countries covered in this report, only two others have on average reduced the tax rates in their treaties with developing countries more. Sweden also has more tax treaties with developing countries than the average among the countries covered by this report. The government does not plan to conduct a spillover analysis of its tax treaties.	The government is still undecided on whether to allow wide public access to beneficial ownership information. A public inquiry was appointed at the end of 2014 to prepare a proposal on how to implement the new EU anti-money laundering directive in Sweden and will include an assessment on whether the register of beneficial owners should be public. The inquiry has been delayed and has still not presented its findings. Despite two prominent Swedish banks coming under scrutiny for money laundering in 2015, Sweden is overall estimated as having the third lowest money laundering risk among the countries covered in this report.	Although a legislative proposal has not yet been put forth, the Swedish government has said that it intends to follow the recommendations on country by country reporting under the OECD BEPS project, and does not appear to be considering the possibility of public country by country reporting. This would keep the reporting confidential and would only cover companies with a turnover above €750 million.	Sweden does not support the establishment of an intergovernmental UN body on tax, preferring instead to see a stronger involvement of developing countries in the OECD BEPS process.

United Kingdom



Tax treaties	Transparency	Reporting	Global solutions
The UK has one of the largest treaty networks in the world and is still expanding, with new treaty negotiations with developing countries in 2015. Worryingly, the UK is only surpassed by one country out of the 15 covered in this report when it comes to the average reduction of tax rates in its treaties with developing countries. On the positive side, there appears to be some minor recognition of the link between development and tax treaties as DfID is now consulted annually, and development objectives are now part of the HMRC strategic plan. However, this has not yet resulted in any noticeable change. The government continues to oppose the idea of conducting spillover analysis of its tax system on developing countries.	The UK was the first EU country to pass legislation to require a public register of beneficial owners and thereby provided crucial credence to this idea during EU negotiations on a new anti-money laundering directive. However, in the same negotiations the UK is reported to have played a negative role by pushing for a weak compromise on trusts. The UK allows the establishment of trusts, and these are not covered by the country's public beneficial ownership register. Among the UK's Overseas Territories and Crown Dependencies, there are so far no signs of any substantial moves towards public registers.	The UK has been one of the first countries to commit to implementing the OECD BEPS country by country reporting recommendations, with the March 2015 budget creating the legal powers for the Treasury to introduce legislation along these lines. The debate on whether the information should be public has been ongoing and most parties addressed it in their election manifestos ahead of the May 2015 General Elections. The Conservative Party that formed the government following elections has committed to considering the case for making country by country reporting public on a multilateral basis, and it therefore remains to be seen whether the UK will support this or not.	The UK government was one of the key blockers of an intergovernmental UN body on taxation during the July 2015 Financing for Development conference.

Methodology for country rating system

Category 1
Tax treaties

This category is based on information from Figure 4 and Table 5 on the average rate of reduction in tax treaties and the total number of tax treaties between 15 EU Member States and developing countries (see section 3.5 of the main report on 'Tax treaties'), as well as on information from the national chapters. As noted in the report, an increasing number of countries are currently introducing anti-abuse clauses in their tax treaties. Although this is positive, these clauses do not address the main concern with tax treaties – namely that treaties are used to lower tax rates in developing countries and reallocate taxing rights from poorer to richer countries. Therefore, the presence of anti-abuse clauses is not used as a determining factor in the rating system outlined below.

Green: The government applies the UN Model when negotiating tax treaties with developing countries in order to ensure a fair allocation of taxing rights between the two countries. The average rate reduction on withholding taxes in treaties with developing countries is below 1 percentage point.

Yellow: The average rate reduction on withholding taxes in treaties with developing countries is above 1 percentage point. However, the negative impacts of the country's tax treaty system is relatively limited because the average reduction in percentage points and the number of tax treaties the country has with developing countries are both below average among the countries covered in this report (2.99 percentage points and 41 treaties respectively).

Red: The tax treaty system of the country is relatively harmful because the average reduction in percentage points and the number of tax treaties the country has with developing countries are both above the average among the countries covered in this report (2.99 percentage points and 41 treaties respectively).

Category 2
Ownership transparency

This category is based on information from the national chapters and Figure 6 on 'Money-laundering risks in 15 EU countries, 2015' (see section 3.9 of the main report on 'Hidden ownership of companies and trusts').

Green: The government has announced that it is introducing a public register for beneficial ownership information on companies, and does not allow the establishment of trusts or similar legal structures.

Yellow: The government is either undecided or has chosen a problematic middle-way, either by establishing a public register for beneficial owners of companies while at the same time providing opportunities for establishing secret trusts or similar legal structures, or establishing a public register for beneficial owners of trusts but not for companies.

Red: The country is a potential money laundering risk, either because the government has rejected the option of establishing public registers of beneficial owners, or because it figures in the top five countries with the highest money laundering risks according to the Basel Institute of Governance's Anti-Money Laundering Index 2015 (see Figure 6 in section 3.9 of the main report on 'Hidden ownership of companies and trusts').

Category 3
Public reporting for multinational corporations

This category is based on information from the national chapters.

Green: The government is a champion and has either actively promoted EU decisions on public country by country reporting, or has already gone – or plans to go – further in its national legislation.

Yellow: The government is neutral at the EU level and doesn't have domestic legislation that stands out. Yellow is also used to categorise counties where the government has a position which is in the middle between positive and negative, as well as countries where the position is unclear.

Red: The government has, or is in the process of, introducing laws that would make country by country reporting confidential, for example by implementing the OECD BEPS outcome. The government furthermore supports the OECD BEPS recommendation of only requiring companies with a turnover of more than €750 million per year to report. Furthermore, the government is actively speaking against public country by country reporting at the EU level.

Category 4
Global solutions

This category is based on information from the national chapters.

Green: The government supports the establishment of an intergovernmental body on tax matters under the auspices of the United Nations, with the aim to ensure that all countries are able to participate on an equal footing in the definition of global tax standards.

Yellow: The position of the government is unclear, or the government has taken a neutral position.

Red: The government is opposed to the establishment of an intergovernmental body on tax matters under the auspices of the UN, and thus not willing to ensure that all countries are able to participate on an equal footing in the definition of global tax standards.

Symbols

Arrows
Show that the country seems to be in the process of moving from one category to another. The colour of the arrow denotes the category being moved towards.

No access sign
Shows that the position of the government is not available to the public, and thus the country has been given a yellow light due to a lack of public information.

Recommendations to EU Member States and institutions

There are several recommendations that EU Member States and the EU institutions can – and must – take forward to help bring an end to the scandal of tax dodging. They are:

1. Adopt **unqualified publicly accessible registries of the beneficial owners** of companies, trusts and similar legal structures. The transposition of the EU anti-money laundering directive provides an important opportunity to do so, and governments must make sure to go beyond the minimum requirements of the directive by introducing full public access.
2. Adopt **full country by country reporting for all large companies and ensure that this information is publicly available in an open data format that is machine readable and centralised in a public registry**. This reporting should be at least as comprehensive as suggested in the OECD BEPS reporting template , but crucially should be made public and should cover all companies that meet two or all of the following three criteria: 1) balance sheet total of €20 million or more, 2) net turnover of €40 million or more, 3) average number of employees during the financial year of 250 or more. At EU level, governments should support the adoption of public country by country reporting for all sectors through the negotiations on the Shareholders Rights Directive.
3. Carry out and publish **spillover analyses** of all national and EU level tax policies, including special purpose entities, tax treaties and incentives for multinational corporations, in order to assess the impacts on developing countries and **remove policies and practices that have negative impacts** on developing countries.
4. Ensure that the new OECD-developed **"Global Standard on Automatic Information Exchange" includes a transition period for developing countries** that cannot currently meet reciprocal automatic information exchange requirements due to lack of administrative capacity. This transition period should allow developing countries to receive information automatically, even though they might not have capacity to share information from their own countries.
5. Undertake a rigorous study jointly with developing countries, of the merits, risks and feasibility of more fundamental **alternatives to the current international tax system**, such as unitary taxation, with special attention to the likely impact of these alternatives on developing countries.
6. Establish an intergovernmental **tax body under the auspices of the UN** with the aim of ensuring that developing countries can participate equally in the global reform of international tax rules. This forum should take over the role currently played by the OECD to become the main forum for international cooperation in tax matters and related transparency issues.
7. All EU countries should publish **data showing the flow of investments through special purpose entities** in their countries.
8. Remove and stop the spread of existing **patent boxes** and similar harmful structures
9. Publish the basic elements of all **tax rulings** granted to multinational companies and move towards a clear and less complex system for taxing multinational corporations, which can make the excessive use of tax rulings redundant.
10. Adopt effective **whistleblower protection** to protect those that act in the public's interest by disclosing tax dodging practices.
11. Support a proposal on a **Common Consolidated Corporate Tax Base (CCCTB)** at the EU that includes consolidation and apportionment of profits, and avoid introducing new mechanisms that can be abused by multinational corporations to dodge taxes, including mechanisms to offset cross-border losses without consolidation (also known as the common corporate tax base (CCTB) proposal).
12. When negotiating **tax treaties with developing countries**, EU countries should:
    - Adhere to the UN model rather than the OECD model in order to avoid a bias towards developed country interests.
    - Conduct a comprehensive impact assessment to analyse the financial impacts on the developing country and ensure that negative impacts are avoided.
    - Ensure a fair distribution of taxing rights between the signatories to the treaty.
    - Desist from reducing withholding tax rates.
    - Ensure transparency around treaty negotiations, including related policies and position of the government, to allow stakeholders, including civil society and parliamentarians, to scrutinise and follow every negotiation process from the inception phase until finalisation, including the intermediate steps in the process.

STOP
tax dodging

To read the full report, please go to
www.eurodad.org/fiftyshadesoftaxdodging

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