German companies are among the world’s leading tax avoiders

The Fresenius case: Health company avoids taxes just like Amazon and Google

When it comes to tax avoidance, German companies are just as aggressive as the often-criticised US tech giants Apple, Amazon and Facebook. In the past ten years, the German DAX 30 company Fresenius, for example, has avoided paying up to €2.9 billion in taxes worldwide through aggressive tax planning, and €8 billion of the group’s untaxed profits are held in offshore accounts. These findings are the result of a study carried out by the Centre for International Corporate Tax Accountability & Research (CICTAR) in cooperation with the European and global federations of public service unions (EPSU & PSI) and the Tax Justice Network.

Fresenius is represented in almost every well-known tax haven around the world, including the Cayman Islands, the British Virgin Islands, Hong Kong, Delaware, Singapore and Panama. The company uses this network of tax havens to shift profits and avoid higher corporate taxes in Germany and other countries. Intra-group debt is a key tool for tax avoidance: In 2017, for example, the two Irish Fresenius subsidiaries made a profit of €47 million, despite having no employees, just by granting loans to group companies in Spain and the United States.

“The Fresenius case demonstrates that profit shifting and transfer pricing are not just the practices of US tech giants, but pervasively used by most multinational companies, including large German multinationals like Fresenius,” says Gabriel Zucman, Professor of Economics at the University of Berkeley and member of the Independent Commission on the Reform of International Corporate Taxation (ICRICT). Notably, Germany is among the countries which suffer the most: “My research shows that Germany may lose more than any other EU country to European tax havens from transfer pricing.”

Jan Willem Goudriaan, EPSU General Secretary calls on the Croatian Presidency and the European Council to take decisive action to close tax loopholes and accept public country-by-country reporting. “Since the Luxleaks scandal we have seen how many companies are dodging their due contribution. The Fresenius model presented today shows yet another company avoiding paying taxes. It appears as if the company obtained favourable tax rulings. We demand further investigation.”

Rosa Pavanelli, General Secretary of PSI, calls on governments to shut down tax loopholes and change the outdated global tax system so that essential public services, like health care, are adequately funded: “Fresenius needs to clean up its act. I am not surprised that this company is engaged in aggressive tax avoidance given the violation of workers’ rights outside of Germany and the global pattern of corruption. The problem is that they have been getting
away with it. Governments must make sure they don’t fund or support these sorts of tax dodging corrupt companies.”

Fresenius avoids its tax liability by reporting high profits where corporate taxes are low. In important markets such as Germany and the United States, profits are artificially reduced. Although Fresenius generates its sales primarily in countries with a corporate tax rate of at least 30 percent, the company’s global tax rate in 2018, according to the company’s own filings, was only 18.2 percent. Ver.di, the union responsible for health services in Germany, vehemently criticises these practices. “The community is being denied money that is urgently needed for investment, not least in the health sector. Through aggressive tax planning, Fresenius is jeopardising its reputation as a trustworthy health care company” said Ver.di federal board member, Sylvia Bühler.

Critics of Fresenius demand that the health care company correct its course and set a good example: "A company that is committed to the well-being of people and that generates its sales largely through government health care budgets should pay its taxes responsibly and transparently," says Christoph Trautvetter, a tax expert from the Tax Justice Network. A first step would be for Fresenius to dissolve its subsidiaries in tax havens and implement the new Global Reporting Initiative (GRI) standards for reporting on tax transparency. Yet the German government has a duty, he said: "Germany should support the EU proposal on public country-by-country reporting and push for a real reform of international corporate taxation instead of joining a destructive race to the bottom by lowering its corporate tax rates and wrongly equating national interest with that of big business."

The study can be found at: http://cictar.org/fresenius/

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