LuxLeaks reveal something is rotten at the heart of Europe

(Press communication, 19 November 2014) The Luxembourg tax leaks do not reveal anything new. EU governments and the Commission knew about corporate stratagems to pay as little tax as possible. What the International Consortium of Investigative Journalists (ICIJ) reveals is the industrial scale of the secret tax deals and the complicity of the Luxembourg government. As a result, billions of Euros have been lost at the expense of citizens who are subject to job, pay and welfare cuts.

What is also new is the damning evidence of collusion between a government and one of the largest accountancy firms, PricewaterhouseCoopers,(PwC) that brokered the more than 500 sweetheart tax deals involving 340 corporations.

"*This is corruption on a huge scale which robs public service workers of pay, patients of care and our economies of much needed public investment. PwC is doing more than just advising on tax while auditing governments and multinationals, it actually creates many of the offshore structures and makes a fortune out of it*" says **Jan Willem Goudriaan**, General Secretary of the European Federation of Public Services Unions (EPSU) the voice of Europe's public service workers including tax inspectors. Despite the recession PwC's turnover this year reached $34 billion.

"*Tax avoidance by multinationals through letter box companies, patent boxes, etc is nothing less than a business model of low tax, low pay, and high profits*" says Mr. Goudriaan.

Jean-Claude Juncker, President of the European Commission and former Prime Minister of Luxembourg, said that his country's secret tax deals were legal, albeit unethical. His proposal to extend automatic exchange of information on all tax deals in the EU is welcome but it will take months to be agreed in Council. Yet more immediate actions are possible to eliminate harmful tax deals.

First, the legality of Luxembourg tax rulings on the basis of EC state aid rules is yet to be proven. This is why EPSU calls for a European Parliament enquiry into the 340 companies and the role of PwC. The Commission’s current investigations into whether the tax rebates granted to Fiat Finance and Amazon in Luxembourg, Apple in Ireland and Starbucks in the Netherlands amount to hidden subsidies must be completed as quickly as possible and fines imposed that will act as real deterrents.

Second, EU governments now have a good basis to ban the 340 companies from access to EU funds, state aids or public contracts until they come clean and pay non-negotiable taxes where their profits are made. This was, the principle endorsed by the G20 in Brisbane last weekend. “*EPSU wants an EU blacklist of tax havens that companies and their beneficiaries cannot use. Doing so, should result in sanctions*” adds Mr. Goudriaan.

Third, any links between the Commission and the big accountancy firms must be reviewed. “*Representatives on the EC good tax governance platform linked directly or indirectly to PwC ought to be removed immediately*” argues EPSU general secretary.

See EPSU demands regarding 2012 EC action plan against tax fraud

See EPSU tax justice charter as an alternative to austerity, 2010

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