EPSU tells Commission: Following Starbucks and Fiat decisions, go after McDonald's and the rest...

Press Release – Brussels, 21st October 2015 –

The European Public Service Union (EPSU) welcomes today's landmark decision by Competition Commissioner Vestager that the tax rulings granted to Starbucks in the Netherlands and Fiat Finance in Luxembourg constitute illegal state aid. It sends a strong signal to tax authorities and companies that tax reduction deals that deprive society of much needed revenue for our public services must be put to an end.

"We welcome the Commission's new tough line on the illegality of some types of aggressive tax avoidance schemes through transfer pricing. We also welcome the decision that the companies must pay back the amount of illegal state aid of between €40 and €60 million," says EPSU General Secretary **Jan Willem Goudriaan**.

"*Now that two important investigations are concluded, we are pleased to hear that more cases may come. We trust those new cases will include McDonald's which, according to our report, offers a lot to chew on in terms of the pricing of intellectual property and use of royalties*," adds Jan Willem Goudriaan.

"*These two cases show the huge tax impact for other EU countries. This is why the Commission's determination should be closely followed up by national tax administrations. They should carry out joint tax audits on corporate tax avoidance cases such as McDonald's. European cooperation will be critical to recouping public money and putting an end to a business model of maximising profits and minimising tax and wages in Europe and beyond,*" concludes Mr Goudriaan.

In the Unhappy Meal report published last February, EPSU, partner trade unions and the UK-based campaigning organisation War on Want exposed a model of tax avoidance similar to that of Starbucks. The company makes use of a franchising model to reduce its effective tax rate to about 1 % by transferring profits to lower IP tax jurisdictions.

McD Europe Franchising Sàrl, a Luxembourg-based intellectual property box with 13 employees making more that €833 million in turnover in 2013, benefits from very low tax rates on profits from around Europe which are funnelled through Luxembourg as royalty payments.

McDonald's extremely low effective tax rate raises suspicions that it has benefited from a secret tax ruling which could well constitute possible illegal state aid.

This tax-avoidance scheme has potentially cost a dozen European governments over €1 billion in tax revenue from 2009 to 2013. In Luxembourg alone, under the conservative assumption that McD Europe Franchising Sàrl would be taxed at Luxembourg's IP Box rate of 5.8 %, the Commission could order the Grand Duchy to recover up to €194 million in unpaid tax over the same period.

- Read 'Unhappy Meal: €1Billion in Tax Avoidance on the Menu at McDonald's'

- 'No Tax Fraud' Campaign Website

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