

# Tax Games: the Race to the Bottom

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Europe's role in supporting an unjust global tax system

2017



SUMMARY





This report is dedicated to the memory of Daphne Caruana Galizia – a courageous journalist and researcher who dared to speak truth to power. Her extensive investigations into the Panama Papers and numerous other sources exposed high-level corruption in Malta. Daphne was killed in a car bomb attack near her home in Bidnija, Malta on 16 October 2017.

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# Executive summary

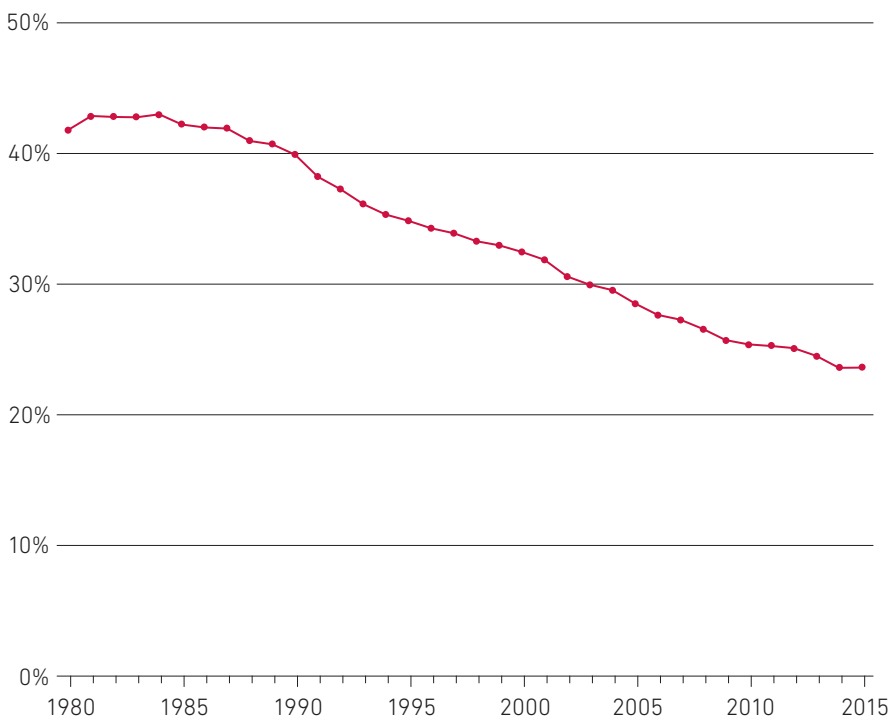
## Corporate tax income is needed more than ever...

The world's governments have committed to ambitious Sustainable Development Goals and a new global climate agreement, but the funding necessary to reach these goals is lacking. This gap is felt most strongly in developing countries, where funding sources are in short supply and the development challenges are most severe. In this context, corporate tax income is an absolutely indispensable source of government revenue.

## ...but governments are racing to the bottom

Despite the promises to make multinational corporations pay their fair share of tax, the world's governments have become locked in a very costly and destructive 'race to the bottom' on corporate taxation. One government's decision to cut taxes for corporations leads others to follow suit, and if the current trend continues, the **global average corporate tax rate will hit zero per cent in 2052**. This projection is based on the development between 1980 – when the average corporate tax rate was above 40 per cent – and 2015 – where it has dropped to less than 25 per cent.

Figure 1: Global Corporate Income Tax Rate 1980-2015



Europe is playing a leading role in this race, and currently seems to be accelerating the pace. An analysis of developments in the EU and Norway shows that **12 governments have either just carried out a new cut in the corporate tax rate, or are planning to do so** over the next few years. One extreme example is Hungary, which slashed its corporate tax rate in half within a few months, and overtook Bulgaria as the EU country with the lowest corporate tax rate. Meanwhile, only two governments – Greece and Slovenia – have decided to increase their rates.

While corporations are being asked to pay less, consumers around the world are being asked to pay more, reflecting the fact that someone has to fill the gap from the missing corporate tax income. Since consumer taxes impact disproportionately hard on the poorest, this trend has the concerning consequence that tax systems are becoming more regressive, and risk exacerbating inequality rather than reducing it.

**Table 1: Recent and upcoming changes in corporate income tax rates in EU countries and Norway, covering the years from 2015 to 2022.**

The table shows corporate income tax rates exclusive of surtax. For Luxembourg, the numbers in brackets indicate the combined corporate income tax rate. Latvia has increased its corporate tax rate to 20 per cent, but at the same time introduced a 0 per cent corporate tax rate for retained and reinvested earnings.

	Summary of changes	2015	2016	2017	2018	2019	2020	2021	2022
Hungary	52.6% reduction from 2016 to 2017	19%	19%	9%					
Belgium	24.2% reduction from 2018 to 2020	33%	33%	33%	29%	29%	25%		
France	24.2% reduction from 2018 to 2022	33%	33%	33%	33%	31%	28%	26.5%	25%
Netherlands	16% reduction from 2017 to 2021(*)	25%	25%	25%				21%(*)	
United Kingdom	15% reduction from 2016 to 2020	20%	20%	19%	19%	19%	17%		
Norway	14.8% reduction from 2015 to 2018	27%	25%	24%	23%				
Luxembourg	14.3% reduction from 2016 to 2018	21% (29%)	21% (29%)	19% (27%)	18% (26%)				
Italy	12.7% reduction from 2016 to 2017	27.5%	27.5%	24%					
Spain	10.7% reduction from 2015 to 2016	28%	25%	25%					
Sweden	9.1% reduction from 2017 to 2018	22%	22%	22%	20%(*)				
Denmark	6.4% reduction from 2015 to 2016	23.5%	22%	22%					
Slovakia	4.6% reduction from 2016 to 2017	22%	22%	21%					
Latvia		15%	15%	15%	20%/0%				
Greece	11.5% increase from 2015 to 2016	26%	29%	29%					
Slovenia	11.8% increase from 2016 to 2017	17%	17%	19%					

(\*) The reduction has been proposed by the government but is not yet formally adopted by Parliament.

Sources: OECD, Luxembourg government, EY, UK government, Dutch government, Swedish government, Norwegian government, Latvian parliament, French parliament and French government.

### The international tax system remains full of loopholes

Some governments justify corporate tax cuts with a theory that the income lost will be regained as a result of increased efforts to combat tax avoidance. However, as highlighted in this report, the **political process to stop corporate tax avoidance resulted – at best – in half-hearted solutions**, and new loopholes are being introduced to replace old ones. Attempts to simplify the global tax system resulted in the opposite, and the OECD’s base erosion and profit shifting (BEPS) agreement has taken the complexity of the international tax system to new levels.

**Meanwhile, corporations continue to dodge taxes.** A constant stream of corporate tax scandals serves as a reminder that corporate tax avoidance is still widespread, and the best estimates say it is costing societies around US\$500 billion in lost revenue every year. One key reason why this problem has been allowed to continue, is the fact that **governments offer secrecy, tax incentives and loopholes** that make it possible. **Europe plays a central role in this problem.** Scientific research has identified the countries that play the most central roles as ‘sinks’ – where corporations can keep their profits without incurring much tax – and ‘conduits’, which are countries that help channel corporate profits out of the countries where the multinational corporation is doing business, and into the sinks. The researchers found that the world’s largest sink and conduit countries are both EU member states, namely Luxembourg and the Netherlands respectively, while several other European countries such as the UK and Ireland also feature high on the list.

**Table 2: Offshore financial centres – top five**

Sinks	Conduits
Luxembourg	The Netherlands
Hong Kong	United Kingdom
British Virgin Islands*	Switzerland
Bermuda*	Ireland
Cyprus	Singapore

(\*) These jurisdictions are British Overseas Territories

Source: The top five sinks and conduit jurisdictions, as identified in the research paper *Uncovering Offshore Financial Centers: Conduits and Sinks in the Global Corporate Ownership Network* (Garcia-Bernardo et al., 2017).

### Developing countries have been side-tracked in global decision making

Developing countries are particularly vulnerable to corporate tax avoidance, as corporate taxation is central to their revenue. Despite this, they are still not able to participate on a truly equal footing in the decision-making on international tax standards. The OECD – also known as the rich countries’ club – continues to occupy the role as global decision maker, often in tandem with the G20. And while more than 100 developing countries were excluded when the most recent standards were negotiated, OECD countries are now keen to ensure that developing countries join the implementation. Meanwhile, a large group of developing countries keep calling for a UN negotiation to solve the problems in the global tax system, in a setting where all countries participate as equals. However, the analysis carried out in this report shows that **a large block of EU countries still insist on keeping the global decision making at the OECD.**

### Secrecy remains a key obstacle to tax justice

Meanwhile, **information is still hard to get** for citizens that want to know what multinational corporations pay in taxes, and hence tax scandals still serve as a key source of information. **Whistleblowers who expose corporate tax avoidance risk prosecution**, as exemplified by the ongoing LuxLeaks trial in Luxembourg.

As a result of the mounting political pressure, the EU is now discussing whether to allow citizens to see where multinational corporations do business, and how much they pay in taxes in each country where they operate. However, **this report has mapped the positions of 18 European countries**, as well as the European Parliament and Commission, and found that **a majority are still against introducing full public country by country reporting.**

On a more positive note, substantial **progress is being made with regards to ending anonymous shell-companies**, which can be used to hide money and evade taxation. A growing number of countries are committing to introducing public company registers showing the real – beneficial – owners. However, despite the revelations in the Paradise Papers, the EU is still locked in hard negotiations about whether public registers should become an EU-wide standard, and whether owners of trusts should also be publicly registered.

**While the EU is focused on blacklisting other countries as ‘tax havens’, European countries have a lot of homework to do.**



Campaigners outside the court in Luxembourg during the LuxLeaks' trial. Photo: CCFD

In this report, a broad coalition of civil society organisations analysed 18 European countries and found that:

- Harmful tax practices are popular in several European countries, and problematic practices such as patent boxes and secret advance tax rulings have been increasing in numbers over the last years. Out of the 18 countries analysed, five received a 'green light' on harmful tax practices, while nine countries received a 'red light'.
- European tax treaties with developing countries remain a key issue of concern. Out of the 18 countries analysed, 12 countries have tax treaty networks that are highly problematic;
- Six countries have pushed ahead in the fight against secret shell companies by introducing public company registers showing the real – beneficial – owners. Meanwhile, secret company ownership is still possible in 12 of the analysed countries, and the UK still offers opportunities for setting up anonymous trusts;
- The majority – ten of the analysed countries – seem reluctant or outright against the idea of introducing full public country by country reporting, which would allow citizens to see where multinational corporations do business, and how much they pay in taxes;
- 13 out of 18 countries are openly against the proposal of establishing an intergovernmental UN tax body to address the problems in the global tax system, while ensuring that developing countries participate on a truly equal footing;
- While the vast majority of the governments studied now provide financial support to promoting domestic resource mobilization in developing countries, few have analysed how their own tax systems and policies can either promote or undermine tax collection in developing countries.

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# Recommendations

There are several recommendations that European governments and the EU institutions can – and must – take forward to help bring an end to the scandal of tax dodging and ensure tax justice.

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## Tax policies

**Governments and EU institutions must promote progressive tax systems to counter rising inequality; ensure that tax policies promote gender equality and are fully in line with policy coherence for development; and stop the race to the bottom on corporate taxation, including through lowering corporate tax rates and using harmful tax practices that facilitate corporate tax avoidance.**

For this purpose, they should:

1. Carry out and publish spill-over 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 or reform policies and practices that have negative impacts on developing countries.
2. 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.
3. Support a proposal on a Common Consolidated Corporate Tax Base (CCCTB) at the EU level that includes the consolidation and apportionment of profits, and avoid introducing new mechanisms that can be abused by multinational corporations to dodge taxes, including large-scale tax deductions.
4. Publish data showing the flow of investments through special purpose entities in their countries.
5. Stop the spread of, and remove, existing patent boxes and similar harmful structures.
6. Publish the basic elements of all advance tax agreements granted to multinational corporations (including, at a minimum, the name of the corporation to which it is issued, duration of the agreement and the topics covered). Move towards a system for taxing multinational corporations that is transparent, clear and less complex.
7. Publish annual assessments of the cost and benefits of all tax incentives provided to multinational corporations.
8. Ensure that tax advisors are legally liable for promoting and advising on practices that violate the law.

9. Adopt effective whistleblower protection to protect those who act in the public interest, including those who disclose legal tax avoidance or tax evasion. The protection must include both private and public sector employees.
10. If negotiating or renegotiating tax treaties with developing countries, governments should:
  - Conduct and publish a comprehensive impact assessment to analyse the impact on the developing country and ensure that negative impacts are avoided;
  - Fully respect source country rights to tax the profits generated by business activities in their countries, and stop reducing withholding tax rates;
  - Ensure full transparency around every step of treaty negotiations as well as effective participation by civil society and parliamentarians.

## Transparency

**Governments and EU Institutions must allow the public to access the key corporate information necessary to ensure accountability and tax justice. They must also ensure full and effective exchange of information between all the governments so that citizens are not able to use international structures to circumvent national tax laws.**

For this purpose, they should:

11. Work towards a Global Standard on Automatic Information Exchange, which includes a transition period for developing countries that cannot currently meet reciprocal 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 the capacity to share information from their own countries. Furthermore, under the current standards, developed country governments must commit to exchange information automatically with all developing countries that fulfill basic data protection requirements, by establishing the necessary bilateral exchange relationships.



12. Establish fully publicly accessible registries of the beneficial owners of companies, trusts and similar legal structures. At the EU level, the revision of the EU anti-money laundering directive provides an important opportunity to do so, and governments must ensure that the problems related to secret ownership, as exposed in the Panama Papers, are finally resolved.
12. Adopt full country by country reporting for all large multinational corporations, 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 cover all corporations that meet the EU definition of 'large undertaking'.

### **International decision-making**

**Governments and EU institutions must support all international decision-making on tax matters being fair and transparent, including the participation of all countries on a truly equal footing, and an intergovernmental decision-making process that allows full access for observers.**

For this purpose, they should:

13. Support the establishment of 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 become the main forum for international cooperation in tax matters and related transparency issues. The tax body should be adequately funded and allow full access to observers, including civil society and parliamentarians. One of the key priorities of the commission should be to negotiate and adopt an international convention on tax cooperation and related transparency.
14. Replace or fundamentally reform the EU Code of Conduct Group on Business Taxation to ensure that EU decision-making on international tax matters becomes fully transparent to the public, and that decision-makers become accountable to their citizens.

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# Methodology for country rating system

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## Category 1

### Ownership transparency

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This category is based on information from the national chapters (for countries) and chapter 5.8.4 on 'Hidden ownership' (for the European Parliament and Commission).

#### Green

Countries that have adopted a law to introduce a public register of beneficial ownership information on companies. If the country allows the establishment of trusts or similar legal structures, these will also be subject to a public register of beneficial owners. If the country does not allow the establishment of trusts or similar legal structures, the country is not opposed to introducing public registers of beneficial owners of trusts at the EU level.

This category also includes EU institutions that have supported public registers of beneficial ownership of companies and trusts at EU-wide level.

#### Yellow

The country or institution has chosen a problematic 'middle way'. For countries, this category includes those that have adopted a law to introduce a public register of beneficial owners of companies, while at the same time providing opportunities for establishing secret trusts or similar legal structures. It also includes countries that have established public registers with restrictions that limit the possibilities for using the data. For EU institutions, this category includes those that have supported public registers for some entities (for example companies and business-related trusts), but not for all.

#### Red

Countries that have not adopted a law to introduce a public register of owners. For EU institutions, this category also includes those that have rejected the option of establishing public registers of beneficial owners at EU-wide level.

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## Category 2

### Public reporting for multinational corporations

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This category is based on information from the national chapters (for countries) and chapter 5.8.3 on 'Allowing citizens to know what multinationals pay in taxes' (for the European Parliament and Commission).

#### Green

Countries and EU institutions that support full public country by country reporting.

#### Yellow

Countries and EU institutions that have taken a neutral position. Yellow is also used to categorise countries or EU institutions with positions that are unclear or somewhere between positive and negative.

#### Red

Countries and EU institutions that are actively speaking against public country by country reporting. At the EU-level, this category also includes countries which argue that the European Parliament should not have a say on the issue, and that a final decision must be a unanimous decision by the EU member states (i.e. countries that argue that the legal basis of the proposal should be changed, so that it becomes a 'tax file'). It also includes countries and institutions which argue that multinational corporations should report on their activities in some countries, but not others.

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 Category 3

**Tax Treaties**


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This category is firstly based on data from table 4 and figure 3 in chapter 4.5.1 on 'Bilateral tax treaties between European and developing countries', showing the total number of tax treaties with developing countries, as well as the average rate of reduction of developing country withholding tax rates in those tax treaties, for all the countries covered by this report.

Secondly, this rating takes into account whether a country has any 'very restrictive' treaties with developing countries, based on data from table 5 in chapter 4.5.1 on 'Bilateral tax treaties between European and developing countries'.

As noted in the report, some countries have integrated anti-abuse clauses in their bilateral tax treaties. Although this is positive, these clauses do not address the main concern about tax treaties – namely that they 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.

For the European Parliament and Commission, this category is based on information from chapter 4.5.2 on 'How to avoid harmful effects of tax treaties?' and chapter 5.6 on 'Measuring the impact of European tax policies'.

**Green**

Countries that do not have any 'very restrictive' tax treaties with developing countries, and for whom the average reduction of withholding tax rates in treaties with developing countries is below one percentage point. For the EU institutions, this category includes institutions that have proposed concrete measures that would mitigate and prevent negative impacts on developing countries due to treaties signed with EU member states.

**Yellow**

Countries that do not have any 'very restrictive' tax treaties with developing countries, but for whom the average reduction of withholding tax rates in treaties with developing countries is above one percentage point. Although the tax treaties of the countries in this category are not harmless, the negative impacts of the country's tax treaty system are relatively limited, either because the country has relatively few treaties (below the average – 41.77 tax treaties – for countries covered by this report) or because the average reduction of developing country tax rates in those treaties is relatively low (below the average – 3.39 percentage points – for countries covered by this report). For the EU institutions, this category includes institutions that have acknowledged the problems tax treaties can cause for developing countries, but have not yet put forward concrete proposals for mitigating and preventing these problems.

**Red**

The tax treaty system of the country is relatively harmful, either because the country has signed some 'very restrictive' treaties with developing countries, or because the average reduction of withholding tax rates in treaties with developing countries, as well as the total number of tax treaties the country has with developing countries, are both above the average among the countries covered in this report (3.39 percentage points and 41.77 treaties respectively). For EU institutions, this category includes those who have not yet acknowledged the problems tax treaties can cause for developing countries.



Category 4

**Harmful tax practices**

This category is based on information from table 2 on 'Offshore financial centres – top five' (see chapter 3.1 on 'Which offshore financial centres are multinationals using?'); box 7 on 'EU member states with patent boxes' (see chapter 4.3.1 'Here to stay?'); table 3 on 'Sweetheart deals' in force' (see chapter 4.4.2 on 'Advance pricing agreements in the EU and Norway'); chapter 4.2.1 on 'What are special purpose entities'; and information provided in the national chapters. For the European Parliament and Commission, the category is generally based on chapter 4 on 'Potentially harmful tax practices'.

**Green**

The country does not have a patent box and the level of investment activity through special purpose entities is low. The country also does not have a significant number of unilateral advance pricing agreements with multinational corporations (i.e. between 0-20 agreements in force). This category is also used for EU institutions that have shown strong opposition to patent boxes, letterbox companies, and secret advance tax agreements between governments and multinational corporations.

**Yellow**

The country is not among the world's biggest sink or conduit countries, and does not have a patent box. But it has a significant level of investments going through special purpose entities and/or a significant number of unilateral advance pricing agreements with multinational corporations (i.e. between 21-100 agreements). This category is also used for EU institutions that have taken a position in-between opposing and promoting harmful tax practices.

**Red**

This category includes countries that are among the world's top five biggest sink or conduit countries and/or have a patent box. This category also includes countries that have more than 100 unilateral advance pricing agreements with multinational corporations, or have introduced tax policies which allow a corporate tax rate of zero for multinational corporations that retain their earnings. Lastly, the category includes EU institutions that have promoted patent boxes, letterbox companies or secret advance tax agreements between governments and multinational corporations.

Category 5

**Global solutions**

This category is based on information from the national chapters (for countries) and chapter 5.9 on 'Ensuring truly global decision making' (for the European Parliament and Commission).

**Green**

The country or EU institution supports the establishment of an intergovernmental body on tax matters under the auspices of the UN, with the aim of ensuring that all countries are able to participate on an equal footing in the definition of global tax standards.

**Yellow**

The position of the government or institution is unclear or neutral.

**Red**

The government or institution 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 a 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.



**Restricted 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 information.

**OWNERSHIP TRANSPARENCY**

The European Parliament is advocating for public registers of beneficial owners of companies, as well as all trusts and similar legal structures in the EU.

**PUBLIC REPORTING**

The European Parliament has proposed that multinational corporations should publish country by country data from all countries where they do business, but included a corporate get-out clause, which would allow corporations to ask for exemptions and keep a selected part of their data secret if they feel public disclosure could harm their business.

**TAX TREATIES**

The European Parliament has recognised the potential negative impacts of tax treaties on developing countries and called for tax treaties between EU countries and developing countries to be negotiated in a way that ensures policy coherence for development and fairness for developing countries.

**HARMFUL TAX PRACTICES**

The European Parliament has spoken strongly against both patent boxes and letterbox companies, and proposed public access to information about the content of advance pricing agreements between governments and multinational corporations.

**GLOBAL SOLUTIONS**

The European Parliament has repeatedly supported the establishment of an intergovernmental UN tax body.

**OWNERSHIP TRANSPARENCY**

In response to the Panama Papers scandal, the European Commission launched a proposal to introduce public registers of beneficial owners of companies and some (but not all) trusts in the EU.

**PUBLIC REPORTING**

The European Commission has launched a proposal that would require multinational corporations to publish country by country data from some countries but not others. This conflicts with the fundamental idea of public country by country reporting, which is to obtain a full overview from all countries where a corporation is operating. The proposal is therefore, in reality, not country by country reporting.

**TAX TREATIES**

The European Commission has recognised that tax treaties can have negative impacts on developing countries. However, the Commission has not yet proposed any concrete actions that can adequately address this problem.

**HARMFUL TAX PRACTICES**

Despite speaking out against patent boxes, the European Commission has accepted patent boxes that follow the OECD rules. The Commission has not supported the European Parliament's call for a ban on letterbox companies, but also does not promote them. While the Commission does not support the Parliament's call for more public information about the content of advance tax agreements, the Commission has initiated several state aid cases to prevent specific very harmful agreements.

**GLOBAL SOLUTIONS**

The European Commission does not support the establishment of an intergovernmental UN tax body.

## AUSTRIA



### OWNERSHIP TRANSPARENCY

Austria does not have a public register of beneficial owners of companies.



### PUBLIC REPORTING

The Conservative party, which recently won the election in Austria, has repeatedly spoken out against public country by country reporting.



### TAX TREATIES

Although the number of Austrian treaties with developing countries is slightly below average, the average rate of reduction of developing country tax rates imposed through those treaties is significantly above average, which indicates that these treaties could have substantial negative impacts on developing countries.



### HARMFUL TAX PRACTICES

Austria has a high amount of investment going through special purpose entities, but does not have a patent box or a significant number of unilateral advance pricing agreements with multinational corporations.



### GLOBAL SOLUTIONS

The Austrian government does not support the establishment of an intergovernmental UN tax body, arguing that it is 'doubtful about the added value'.

## BELGIUM



### OWNERSHIP TRANSPARENCY

Belgium does not have a public register of beneficial owners of companies.



### PUBLIC REPORTING

The official position of the Belgian government is unclear. However, the Belgian Finance Minister has repeatedly spoken out against public country by country reporting.



### TAX TREATIES

Belgium has a relatively high number of tax treaties with developing countries, but the average reduction of tax rates imposed through those treaties is low. However, what the average does not show is that several of Belgium's tax treaties with developing countries are 'very restrictive', and therefore give particular cause for concern.



### HARMFUL TAX PRACTICES

Belgium has a patent box and a high number of unilateral advance pricing agreements with multinational corporations.



### GLOBAL SOLUTIONS

The Belgian government does not support the establishment of an intergovernmental UN tax body.



**OWNERSHIP TRANSPARENCY**

The Czech Republic does not have a public register of beneficial owners of companies.

**PUBLIC REPORTING**

The Czech Republic supports changing the legal basis of the European Commission's proposal on public country by country reporting, which would mean that the European Parliament would be excluded from the negotiations and a final decision would require unanimity among EU member states. In reality, this would result in an unambitious outcome.

**TAX TREATIES**

Compared to the other countries covered by this report, the number of tax treaties between the Czech Republic and developing countries, as well as the reduction of tax rates imposed by those treaties, are both above average.

**HARMFUL TAX PRACTICES**

The Czech Republic has a significant number of unilateral advance pricing agreements with multinational corporations, but does not have a patent box.

**GLOBAL SOLUTIONS**

The Czech government does not support the establishment of an intergovernmental UN tax body.

**OWNERSHIP TRANSPARENCY**

Denmark has adopted a law which introduces a public register of beneficial owners of both companies and other legal structures.

**PUBLIC REPORTING**

Denmark supports the position of the European Commission.

**TAX TREATIES**

Denmark has relatively few tax treaties with developing countries, and the average reduction of tax rates imposed through those treaties is low. However, what the average does not show is that several of Denmark's tax treaties with developing countries are 'very restrictive', and therefore give particular cause for concern.

**HARMFUL TAX PRACTICES**

Denmark does not have a patent box or any unilateral advance pricing agreements with multinational corporations. However, Denmark's limited liability companies can be used for international tax avoidance and are therefore a cause for concern. The government has announced its intention to close this loophole.

**GLOBAL SOLUTIONS**

The Danish government does not support the establishment of an intergovernmental UN tax body.

## FINLAND



### OWNERSHIP TRANSPARENCY

Finland has adopted a law which introduces a public register of beneficial owners of both companies and other legal structures.



### PUBLIC REPORTING

Finland supports the position of the European Commission.



### TAX TREATIES

Although not unproblematic, Finland's tax treaties with developing countries give fewer reasons for concern compared to many other countries covered by this report, since Finland's number of treaties with developing countries, as well as the average reduction of tax rates imposed through those treaties, are both below average.



### HARMFUL TAX PRACTICES

Finland does not have a patent box. However, it has a significant number of unilateral advance pricing agreements with multinational corporations.



### GLOBAL SOLUTIONS

Although the Finnish parliament has called for the government to explore opportunities to strengthen the UN tax committee, the Finnish government does not support that it be upgraded from an expert committee to an intergovernmental tax body.

## GERMANY



### OWNERSHIP TRANSPARENCY

Germany does not have a public register of beneficial owners.



### PUBLIC REPORTING

The former German government spoke out against public country by country reporting, and at the moment there are no indications that any new government will take a different position.



### TAX TREATIES

Germany's tax treaties with developing countries are a cause of concern due to the high number of 'very restrictive' treaties. Also of concern is the fact that Germany's total number of treaties with developing countries, as well as the average reduction of tax rates through those treaties, are both above average among the countries covered by this report.



### HARMFUL TAX PRACTICES

Germany does not have a patent box or any unilateral advance pricing agreements with multinational corporations.



### GLOBAL SOLUTIONS

Germany does not support the establishment of an intergovernmental UN tax body.



**OWNERSHIP TRANSPARENCY**

Hungary does not have a public register of beneficial owners of companies.



**PUBLIC REPORTING**

Hungary's position on public country by country reporting is unclear.



**TAX TREATIES**

Although not unproblematic, the Hungarian tax treaty network gives fewer reasons for concern compared with many other countries covered by this report, since Hungary's number of treaties with developing countries, as well as the average reduction of developing country tax rates, are both significantly below average among the countries covered by this report.



**HARMFUL TAX PRACTICES**

Hungary has a patent box and a significant number of unilateral advance pricing agreements with multinational corporations.



**GLOBAL SOLUTIONS**

On the issue of establishing an intergovernmental UN tax body, the position of the Hungarian government is unclear.



**OWNERSHIP TRANSPARENCY**

Ireland does not have a central register of beneficial owners.



**PUBLIC REPORTING**

The Irish government supports changing the legal basis of the European Commission's proposal on public country by country reporting, which would mean that the European Parliament would be excluded from the negotiations and a final decision would require unanimity among EU member states. In reality, this would result in an unambitious outcome.



**TAX TREATIES**

Of all the countries covered by this report, the Irish tax treaties with developing countries introduce the highest average reductions on the tax rates of their developing country treaty partners. Furthermore, three of Ireland's treaties with developing countries are 'very restrictive' treaties. The number of tax treaties between Ireland and developing countries is below average. However, Ireland is currently planning to expand its number of treaties with developing countries.



**HARMFUL TAX PRACTICES**

Ireland has been identified as the world's fourth largest conduit jurisdiction. The country also has a patent box.



**GLOBAL SOLUTIONS**

The Irish government does not support the establishment of an intergovernmental UN tax body.





**OWNERSHIP TRANSPARENCY**

Italy does not have a public register of beneficial owners.



**PUBLIC REPORTING**

Italy's position on public country by country reporting is unclear.



**TAX TREATIES**

Italian tax treaties with developing countries, on average, reduce the tax rates less than most other countries covered in this report. However, what the average does not show is that Italy has the highest number of 'very restrictive' tax treaties with developing countries among all the countries covered by this report.



**HARMFUL TAX PRACTICES**

Italy has a patent box and a significant number of unilateral advance pricing agreements with multinational corporations.



**GLOBAL SOLUTIONS**

The Italian government does not support the establishment of an intergovernmental UN tax body.



**OWNERSHIP TRANSPARENCY**

Latvia has adopted a law which introduces a public register of beneficial owners.



**PUBLIC REPORTING**

The Latvian government would like to change the legal basis of the proposal, so that the European Parliament is excluded from the negotiations and a final decision would require unanimity among the EU member states. In reality, this would result in an unambitious outcome.



**TAX TREATIES**

Although Latvia has relatively few tax treaties with developing countries, these treaties have a relatively high negative impact on the developing countries that have signed them. This is because Latvia's tax treaties, on average, impose relatively high reductions of developing country tax rates.



**HARMFUL TAX PRACTICES**

Latvia has introduced a system that allows multinational corporations to pay zero per cent corporate tax on retained or reinvested earnings.



**GLOBAL SOLUTIONS**

The government of Latvia states that it does not have an official position on the issue of establishing an intergovernmental UN tax body.

## LUXEMBOURG



### OWNERSHIP TRANSPARENCY

Luxembourg does not have a central register of beneficial owners.



### PUBLIC REPORTING

The government of Luxembourg is against public country by country reporting and would like to change the legal basis of the proposal, so that the European Parliament would be excluded from the negotiations and a final decision would require unanimity among the EU member states. In reality, this would result in an unambitious outcome.



### TAX TREATIES

Although not unproblematic, the Luxembourg tax treaty network gives fewer reasons for concern compared with many other countries covered by this report, since Luxembourg's number of treaties with developing countries, as well as the average reduction of developing country tax rates, are both significantly below average among the countries covered by this report.



### HARMFUL TAX PRACTICES

Luxembourg has been identified as the world's largest sink jurisdiction. It has a patent box and a very high number of unilateral advance pricing agreements with multinational corporations.



### GLOBAL SOLUTIONS

The government of Luxembourg states that it does not have an official position on the issue of establishing an intergovernmental UN tax body.

## THE NETHERLANDS



### OWNERSHIP TRANSPARENCY

The Netherlands does not have a public register of beneficial owners. Work is in progress to introduce a beneficial ownership register, which would be public. However, the current proposal contains restrictions on public access which could make the register difficult to use.



### PUBLIC REPORTING

The previous Dutch government supported full public country by country reporting, but the public announcements from the new government suggest that they instead support the position of the European Commission.



### TAX TREATIES

The Netherlands has a high number of 'very restrictive' tax treaties with developing countries. Furthermore, compared to the other countries covered by this report, the number of tax treaties between the Netherlands and developing countries, as well as the reduction of tax rates imposed by those treaties, are both above average.



### HARMFUL TAX PRACTICES

The Netherlands has been identified as the world's largest conduit jurisdiction. It has a patent box, a high number of letterbox companies, as well as a high number of advance pricing agreements with multinational corporations.



### GLOBAL SOLUTIONS

The Dutch government does not support the establishment of an intergovernmental UN tax body.



**OWNERSHIP TRANSPARENCY**

Norway does not have a public register of beneficial owners.



**PUBLIC REPORTING**

The position of Norway is unclear since the Parliament has voted for public country by country reporting, but the government has not followed up.



**TAX TREATIES**

Norwegian tax treaties with developing countries, on average, reduce the tax rates less than most other countries covered in this report. However, what the average does not show is that Norway has a significant number of 'very restrictive' tax treaties with developing countries.



**HARMFUL TAX PRACTICES**

Norway does not have a patent box, or unilateral advance pricing agreements with multinational corporations.



**GLOBAL SOLUTIONS**

On the issue of establishing an intergovernmental UN tax body, the position of the Norwegian government is unclear.



**OWNERSHIP TRANSPARENCY**

Poland does not have a public register of beneficial owners. However, a legislative proposal, which would introduce a public register in Poland, has been put forward by the government.



**PUBLIC REPORTING**

Although Poland has taken concrete steps towards increased corporate transparency at the national level, its position on the issue of public country by country reporting at EU level is currently unclear.



**TAX TREATIES**

Polish tax treaties with developing countries, on average, introduce quite limited reductions of developing country tax rates. However, what the average does not show is that Poland has a significant number of 'very restrictive' tax treaties with developing countries.



**HARMFUL TAX PRACTICES**

Poland does not have a patent box. Poland's number of unilateral advance pricing agreements with multinational corporations is relatively low.



**GLOBAL SOLUTIONS**

The Polish government sees a need to analyse the proposal of establishing an intergovernmental UN tax body before deciding its position.

## SLOVENIA



### OWNERSHIP TRANSPARENCY

Slovenia has adopted a law which introduces a public register of beneficial owners of both companies and other legal structures.



### PUBLIC REPORTING

Slovenia supports full public country by country reporting.



### TAX TREATIES

Although Slovenia's number of treaties with developing countries is the lowest among all countries covered by this report, the average rate of reduction of developing country tax rates through those treaties is above average, and thus Slovenia's tax treaties can have negative impacts on developing countries.



### HARMFUL TAX PRACTICES

Slovenia does not have a patent box or unilateral advance pricing agreements with multinational corporations.



### GLOBAL SOLUTIONS

The Slovenian government does not support the establishment of an intergovernmental UN tax body.

## SPAIN



### OWNERSHIP TRANSPARENCY

The Spanish government has spoken strongly in favour of public registers of beneficial owners. However, Spain has not yet introduced a public register of its own.



### PUBLIC REPORTING

The position of Spain is currently unclear.



### TAX TREATIES

Among all the countries covered by this report, Spain has on average been the second most aggressive negotiator when it comes to lowering developing country tax rates through tax treaties. Spain also has a relatively high number of tax treaties with developing countries, which makes the situation even more concerning.



### HARMFUL TAX PRACTICES

Spain's holding companies (ETVEs) can be used as vehicles for corporate tax avoidance. Spain also has a patent box and a significant number of unilateral advance pricing agreements with multinational corporations. Spain has a patent box and a significant number of unilateral advance pricing agreements with multinational corporations.



### GLOBAL SOLUTIONS

The Spanish government does not support the establishment of an intergovernmental UN tax body.



**OWNERSHIP TRANSPARENCY**

Sweden has adopted a law that introduces a public register of beneficial owners in Sweden.



**PUBLIC REPORTING**

The Swedish government would like to change the legal basis of the proposal, so that the European Parliament would be excluded from the negotiations and a final decision would require unanimity among EU member states. In reality, this would result in an unambitious outcome.



**TAX TREATIES**

Sweden has several 'very restrictive' tax treaties with developing countries. Furthermore, compared to the other countries covered by this report, the number of tax treaties between Sweden and developing countries, as well as the reduction of tax rates imposed by those treaties, are both above average.



**HARMFUL TAX PRACTICES**

Sweden does not have a patent box or any unilateral advance pricing agreements with multinational corporations. However, Sweden's limited liability companies present a risk of abuse and are thus an issue of concern.



**GLOBAL SOLUTIONS**

The Swedish government does not support the establishment of an intergovernmental UN tax body.



**OWNERSHIP TRANSPARENCY**

The UK has been a true frontrunner by creating a public register for beneficial owners of companies, and the register is up and running. However, the UK is opposing public registers for trusts, and has not used the powers it has available to increase transparency in its overseas territories.



**PUBLIC REPORTING**

The UK government states that it supports public country by country reporting on a global level, but its position on public country by country at an EU level is unclear.



**TAX TREATIES**

The UK has a high number of 'very restrictive' tax treaties with developing countries. Furthermore, on average, the UK's tax treaties with developing countries contain relatively high reductions in developing country tax rates. The fact that the UK at the same time has the highest number of treaties with developing countries gives even more reason for concern.



**HARMFUL TAX PRACTICES**

The UK is the world's 2nd largest conduit jurisdiction. It has a patent box and a significant number of unilateral advance pricing agreements with multinational corporations.



**GLOBAL SOLUTIONS**

The UK government does not support the establishment of an intergovernmental UN tax body.



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