STOP
tax dodging

Hidden profits:
The EU's role in supporting an unjust global tax system 2014

A report coordinated by Eurodad

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Glossary

Automatic Exchange of Information

A system whereby relevant information about the wealth and income of a taxpayer - individual or company - is automatically passed by the country where the income is earned to the taxpayer's country of residence. As a result, the tax authority of a tax payer's country of residence can check its tax records to verify that the taxpayer has accurately reported their foreign-source income.

Base Erosion and Profit Shifting

This term is used to describe the shifting of taxable income out of countries where the income was earned, usually to zero - or low-tax countries, which results in 'erosion' of the tax base of the countries affected, and therefore reduces their revenues.

Beneficial ownership

A legal term used to describe anyone who has the benefit of ownership of an asset (for example, bank account, trust, property) and yet nominally does not own the asset because it is registered under another name.

Country by country reporting

Country by country reporting would require transnational companies to provide a breakdown of profits earned and taxes paid and accrued, as well as an overview of their economic activity in every country where they have subsidiaries, including offshore jurisdictions. As a minimum, it would include disclosure of the following information by each transnational corporation in its annual financial statement:

- A global overview of the corporation (or group): The name of each country where it operates and the names of all its subsidiary companies trading in each country of operation.
- The financial performance of the group in every country where it operates, making the distinction between sales within the group and to other companies, including profits, sales and purchases.
- The number of employees in each country where the company operates.
- The assets: All the property the company owns in that country, its value and cost to maintain.
- Tax information i.e. full details of the amounts owed and actually paid for each specific tax.

Harmful tax practices

Harmful tax practices are policies that have negative spillover effects on taxation in other countries, for example, by eroding tax bases or distorting investments.

Illicit financial flows

There are two definitions of illicit financial flows. It can refer to unrecorded private financial outflows involving capital that is illegally earned, transferred or utilised. In a broader sense, illicit financial flows can also be used to describe artificial arrangements that have been put in place with the purpose of circumventing the law or its spirit.

Offshore jurisdictions or centres

Usually known as low-tax jurisdictions specialising in providing corporate and commercial services to non-resident offshore companies and individuals, and for the investment of offshore funds. This is often combined with a certain degree of secrecy. 'Offshore' can be used as another word for tax havens or secrecy jurisdictions.

Profit shifting

See 'Base erosion and profit shifting'.

Special purpose entity

Special purpose entities, in some countries known as special purpose vehicles or special financial institutions, are legal entities constructed to fulfil a narrow and specific purpose. Special purpose entities are used to channel funds to and from third countries and are commonly established in countries that provide specific tax benefits for such entities.

Tax avoidance

Technically legal activity that results in the minimisation of tax payments.

Tax evasion

Illegal activity that results in not paying or under-paying taxes.

Tax-related capital flight

For the purposes of this report, tax-related capital flight is defined as the process whereby wealth holders, both individuals and companies, perform activities to ensure the transfer of their funds and other assets offshore rather than into the banks of the country where the wealth is generated. The result is that assets and income are often not declared for tax purposes in the country where a person resides or where a company has generated its wealth. This report is not only concerned with illegal activities related to tax evasion, but also the overall moral obligation to pay taxes and governments' responsibility to regulate accordingly to ensure this happens. Therefore, this broad definition of tax-related capital flight is applied throughout the report.

Tax treaty

A legal agreement between jurisdictions to determine the cross-border tax regulation and means of cooperation between the two jurisdictions. Tax treaties often revolve around questions about which of the jurisdictions has the right to tax cross-border activities and at what rate. Tax treaties can also include provisions for the exchange of tax information between the jurisdictions but for the purpose of this report, treaties that only relate to information exchange (so called Tax Information Exchange Agreements (TIEA)) are considered to be something separate from tax treaties that regulate cross-border taxation. TIEAs are therefore not included in the term tax treaty.

Acronyms

AIE	Automatic Information Exchange
AFD	French Development Agency
AJPES	Republic of Slovenia Agency for Public Legal Records and Related Services
AMLD	Anti-Money Laundering Directive
ATR	Advance Tax Ruling
CBCR	Country by country reporting
CCCTB	Common Consolidated Corporation Tax Base
CDIS	Consolidated Direct Investment Statistics
CFC	Controlled Foreign Companies
CSD	Central Securities Depository
CSO	Civil society organisation
DTT	Double Taxation Treaty
EC	European Commission
EP	European Parliament
EPP	European People's Party
EU	European Union
FDI	Foreign Direct Investment
FfD	Financing for Development
FSI	Financial Secrecy Index
GDP	Gross Domestic Product
GNI	Gross National Income
IDA	Irish Industrial Development Agency
IFSC	Irish Financial Services Centre
IMF	International Monetary Fund
LDCs	Least Developed Countries
LLP	Limited Liability Partnership
MoF	Ministry of Finance
NFIA	Netherlands Foreign Investment Agency
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OFCs	Offshore Financial Centres
PwC	PricewaterhouseCoopers
S&D	Socialists and Democrats
SEZ	Special Economic Zone
SFI	Special Financial Institution
SPE	Special Purpose Entity
SPV	Special Purpose Vehicle
TIEA	Tax Information Exchange Agreement
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
VAT	Value Added Tax

Executive summary

This report – the second in a series of three annual reports – brings together civil society organisations (CSOs) in 15 countries across the EU. Experts in each CSO have examined their national governments' commitments and actions towards combatting tax dodging and ensuring transparency. This year, for the first time, each country is also 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 transnational companies; and their attitude towards letting the poorest countries get a seat at the table when global tax standards are negotiated. This report doesn't only cover national policies, but also governments' positions on existing and upcoming EU-level laws and global reform proposals.

Overall, the report finds that:

- Practices which facilitate tax dodging by transnational corporations and individuals are widely used, in some cases so governments can claim to be 'tax competitive'. This is creating a 'race to the bottom' – meaning that many countries are driving down standards to try to attract transnational corporations to their countries. Some of the countries that have been most successful in attracting companies – Ireland, Luxembourg and the Netherlands – are also currently under investigation by the European Commission for making competition-distorting arrangements with transnational companies behind closed doors. Several countries also allow 'letterbox' companies and other structures to be set up (so-called Special Purpose Entities – SPEs) which can, and often are, misused for tax dodging purposes.
- European countries have a high number of tax treaties with developing countries, with France and the UK leading the pack respectively with 72 and 66 of such treaties. These treaties often push down the taxation levels on financial transfers out of developing countries, and thus create routes through which transnational corporations can avoid taxation. Of the countries covered by this report, Spain, the UK and Sweden have negotiated the biggest reductions in developing country tax levels through their treaties. Despite several studies proving the negative effects these treaties can have on developing countries, only the Netherlands out of the 15 EU governments covered in this report has so far produced a 'spillover analysis' to estimate the impact of these treaties on the world's poor. Ireland is set to publish a similar study that will hopefully also focus on its tax treaties in the coming months.
- Most EU countries studied have failed to expose the true – or beneficial – owners of companies, trusts and similar legal structures operating within their countries. Some countries have done away with harmful structures that previously helped to hide identities, but are now in the process of creating new problematic structures. Both the Czech Republic and Luxembourg recently decided to abolish anonymous bearer shares – an instrument that has received much international criticism. At the same time, both countries are introducing 'trusts' into their national legislation, potentially providing new options for anonymous ownership that might replace the ones that are disappearing.
- Although EU governments have introduced country by country reporting for banks – meaning they will have to adhere to stronger transparency rules – many countries are still reluctant to do this for transnational companies in other sectors.
- Although many are undecided, none of the EU governments studied actively support the establishment of an intergovernmental body on tax matters under the auspices of the United Nations. Such a body would allow developing countries to have a say on global tax standards instead of the current situation, where the Organisation for Economic Development and Co-operation (OECD) is the dominant decision-making body, despite the fact that it only represents wealthy countries.

A direct comparison of the 15 EU countries finds that:

- France is currently the strongest country on issues of transparency and reporting rules for transnational corporations and has actively championed the issue. However, recent developments seem to indicate the government may be back-tracking. Its vast range of tax treaties have also caused substantial lowering of developing country tax rates. No analysis of these impacts is planned.
- Germany, Luxembourg, the Netherlands, Spain and Sweden received a red light on transparency, meaning that they have a lack of transparency of company ownership at the national level or are resisting EU-wide initiatives to promote transparency on company ownership.
- Spain has managed to negotiate the largest reductions in developing country tax rates – an average reduction of 5.3 percentage points - through its tax treaties with developing countries.

A summary overview of the report

The global perspective

The first section of the report gives a global overview, explaining the scale of the problem of international tax dodging and its severe impact on efforts to fight poverty in developing countries. It highlights the fact that sub-Saharan Africa is still experiencing a fall in aid levels, while tax dodging results in very high amounts of lost tax revenues for these countries. Estimates have shown that developing countries as a whole lose more resources due to transnational corporations dodging taxes than they receive as development aid. The report shows that several EU countries are facilitating this incoherent system.

This section also covers the overall picture in Europe and the continuing scandals, which again brought strong political rhetoric against tax evasion and avoidance. It analyses the state of play as regards EU-level regulation, including some concrete steps forward and opportunities for further progress.

The global chapter also focuses on policies that undermine taxation in developing countries, such as unfair tax treaties and the existence of harmful tax practices that create ways for transnational corporations to avoid taxation in other countries, including developing countries.

Finally, it examines how decisions are being made and by whom and underlines the need to give the poorest countries a seat at the table when global tax standards are being negotiated. This can be done by establishing an intergovernmental body on tax matters under the auspices of the United Nations.

National reviews

Each national chapter provides an overview of individual government's positions and actions in relation to tax avoidance and evasion.

Each chapter provides a general overview, and covers in more detail:

- **Tax policies.** This includes levels of taxation of transnational corporations, the existence of potentially harmful tax structures and the country's use of tax treaties.
- **Financial and corporate transparency.** This includes information on whether countries publish information about the real – or beneficial – owners of companies and trusts, and whether they support increased transparency around the economic activity and tax payments of transnational corporations.
- **Global solutions.** This includes the attitude of each government to including developing countries in decision-making processes on global tax standards.

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:

- Adopt EU-wide rules to establish **publicly accessible registries of the beneficial owners** of companies, trusts and similar legal structures. The EU negotiations over revisions to the Anti-Money Laundering Directive, which are now close to conclusion, provide an important window of opportunity to establish such registries.

- Adopt **full country by country reporting for all large companies and ensure that this information is publicly available**. This reporting should include:

    - A global overview of the corporation (or group): The name of each country where it operates and the names of all its subsidiary companies trading in each country of operation.

    - The financial performance of the group in every country where it operates, making the distinction between sales within the group and to other companies, including profits, sales, purchases and labour costs.

    - The assets i.e. all the property the company owns in that country, its value and cost to maintain.

    - The number of employees in each country where it operates.

    - Tax information i.e. full details of the amounts owed and actually paid for each specific tax.

- Carry out **spillover analyses** of national tax policies, in order to assess the impacts on developing countries and **remove policies and practices that have negative impacts** on developing countries in order to strengthen policy coherence for global development.

- 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 a lack of administrative capacity.

- Undertake a rigorous study jointly with developing countries, on 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.

- 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 existing 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.

- All EU countries should publish an **impact assessment of their special purpose entities** and similar legal constructions, as well as **data showing the flow of investments** through such entities in their countries.

- Ensure that **special purpose entities** and similar legal constructions cannot be abused for tax purposes by introducing sufficiently strong substance requirements for all such entities. The General Anti-Abuse Rule as proposed by the European Commission in its Recommendation on Aggressive Tax Planning in December 2012 could serve as a guideline for defining the right level of substance requirements.

- 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.

The OECD process on base erosion and profit shifting (BEPS) is under increasing criticism for the lack of participation of developing countries in the process. It has also been highlighted that the BEPS action plan sticks to the assumption that the different entities of transnational enterprises should be regarded as separate corporate entities and have their profits calculated individually, rather than be regarded as one global entity. Alternative approaches to taxation of transnational enterprises[64] focus on both simplification of existing transfer pricing systems[65] and new regimes in the extractive industries, but none of these have been included for consideration in the BEPS process.[66]

As part of the BEPS process, a new OECD standard on country by country reporting for all types of transnational enterprises is also being developed. However, despite the ambitious political rhetoric from the OECD and G20 regarding the importance of corporate transparency, it was decided early on that the OECD/G20 standards on country by country reporting will only provide information for tax administrations and not for the wider public.[67] The debate now focuses on whether and how the G20 and the OECD will allow the poorer developing countries, which are not members of either body, to access country by country information about transnational enterprises operating in their own countries.

A truly global tax body

Considering the fact that all countries have a right to participate in decision-making relating to their ability to tax, the United Nations (UN) emerges as the most prominent forum where developing country representation can be ensured. Within the UN, the problems related to the OECD rules, including the OECD Model Tax Treaties and Transfer Pricing Guidelines, could be discussed in a more representative forum.

During the last decade, developing countries and experts have repeatedly proposed the establishment of an intergovernmental body under the auspices of the UN to handle intergovernmental cooperation in tax matters.[68] However, every time this has been proposed, OECD member states have stood in opposition and insisted that negotiations about global tax standards be negotiated within the OECD.[69]

The issue of whether tax-related political processes at the G20, OECD and EU level will be of benefit to developing countries was analysed during a Fact-Finding Mission on Tax and Transparency, which a delegation of experts from developing countries carried out in 2013. The delegation concluded that:

"Some changes are afoot within the area of tax and transparency, but regrettably the ongoing changes seem to be driven by a narrow focus on the problems faced by tax collectors in the US and Europe, not bearing in mind the needs and interests of developing countries. Therefore, there is a high risk that the problems faced by the global south, and in particular the least developed countries, will not be solved."[70]

In UNCTAD's Trade and Development Report 2014, the conclusion about the G20 and OECD processes stated: "Because these initiatives are mostly led by the developed economies – some of which themselves harbour secrecy jurisdictions and powerful TNCs [transnational corporations] – there are risks that the debate will not fully take into account the needs and views of most developing and transition economies. It will therefore be important to give a more prominent role to institutions like the United Nations Committee of Experts on International Cooperation in Tax Matters, and consider the adoption of an international convention against tax avoidance and evasion. A multilateral approach is essential because, if only some jurisdictions agree to prevent illicit flows and tax leakages, those practices will simply shift to other, non-cooperative locations."[71]

The increasing frustrations with the OECD and G20-led process could generate a new momentum for the establishment of a truly global process, and tax and transparency are set to become central issues at the next UN meeting on Financing for Development, which is scheduled to take place in Addis Ababa in July 2015. If the EU and its Member States show constructive engagement in these negotiations it would be an important step forward towards stronger policy coherence for development within the EU.

Report findings

Tax policies

Regional differences in the approach to the tax debate are apparent across Europe. While the debate in the UK, Spain and the Nordic countries has included a significant emphasis on transnational corporations dodging taxes, the debate in countries like Slovenia has focused on fighting the underground economy and greater enforcement of tax rules across the tax system.

These differences cannot simply be explained by differences in the size of the underground economy between the countries in question. Differences in political focus and the level of information available to citizens about issues such as the tax practices of transnational corporations are also very important factors. In some cases, having the debate at all is not easy. In Poland, LLP S.A. tried to shut down the debate by intimidating activists with copyright and libel infringement threats.[72] The same approach was used by the Danish bank, Jyske Bank, towards a civil society representative who said it was immoral that the bank was advising its customers on how to dodge taxes.[73]

Tax practices which can facilitate tax dodging by both transnational corporations and individuals are still being used widely in Europe, in some cases as part of a governmental effort to become "tax competitive". Ironically, there is widespread concern at the same time about losing tax income due to tax dodging facilitated by the tax policies of other countries, and the lack of true intergovernmental cooperation has created a very destructive race to the bottom. One issue that is not receiving much attention is that of ensuring policy coherence for development within global and national tax policies.

European countries generally have a high number of tax treaties, including with developing countries. However, despite several studies proving the risk of negative impacts on developing countries, very few EU governments have carried out, or are planning to carry out a spillover analyses to analyse any potentially negative impacts on developing countries. Among the countries covered by this report, only the Netherlands and Ireland have done – or are working on – a spillover analysis.

Financial and corporate transparency

When it comes to transparency around the true – or beneficial – owners of companies, trusts and similar legal structures, the regulation varies greatly from one EU country to the other. The situation is also constantly evolving, and new types of structures with anonymous ownership are introduced at the same time as others disappear. Both the Czech Republic and Luxembourg have recently decided to abolish anonymous bearer shares – a construction that has received much international criticism. At the same time, both the Czech Republic and Luxembourg are introducing 'trusts' into their national legislation and are thus providing new options for anonymous ownership that can replace the ones that are disappearing.

This complex situation creates a high number of opportunities for those who are looking for anonymous legal structures to hide or launder dirty money. When it comes to creating transparency around the economic activities and tax payments of transnational corporations, a political commitment from EU governments to introduce country by country reporting for all sectors was never fulfilled and even in the most progressive government – France – the will to move forward seems to be cooling off. Meanwhile, the decision to introduce country by country reporting for banks still stands, and the EU therefore seems to be moving towards a regime where some transnational enterprises, namely banks, will have to adhere to stronger transparency regulation than others.

Global solutions

A clear finding of this report is that not one of the EU governments covered actively supports the establishment of an intergovernmental body on tax matters under the auspices of the United Nations. Many of the governments are undecided and some are outright against the proposal and find that the OECD should remain the global standard-setter on tax matters.

It is also clear that the OECD Model Convention is viewed as the normal starting point when the governments negotiate bilateral tax agreements, although a few governments are open to considering the use of the UN Model Tax Convention if the co-signing country insists.

Country findings

See 'Appendix 1' for a key to the following country rating system.

Country	Tax treaties	Ownership transparency	Reporting for transnational corporations	Global solutions
Belgium	The Belgian tax treaty system has a number of features which are potentially harmful and can have direct negative impacts on the tax revenues of other countries, including developing countries. Although some anti-abuse provisions are in place, their effectiveness is uncertain. On average, Belgium has not been as aggressive as other countries covered in this report in terms of negotiating reductions in tax rates through its treaties with developing countries.	At the EU level, Belgium has not stated a clear position for or against the proposal to introduce publicly accessible registers of beneficial owners of companies, trusts and similar legal structures as part of a new EU Anti-Money Laundering Directive.	At the EU level, Belgium has not stated a clear position for or against the proposal to introduce public country by country reporting for all sectors. Belgium has also not introduced any domestic legislation that goes beyond the EU requirements	Belgium does not seem to have a clear position on whether an intergovernmental body on tax matters should be established under the auspices of the UN.
Czech Republic	It is not clear whether the Czech government is open to using the UN model when negotiating tax treaties with developing countries. Average rate reductions in treaties with developing countries are significant but below the average for the 15 European countries covered in this report.	The Czech Republic is generally in favour of transparency but has not yet taken any proactive position as regards the proposal to introduce publicly accessible registers of beneficial owners of companies, trusts and similar legal structures as part of a new EU Anti-Money Laundering Directive.	In the case of country by country reporting, the Czech government is in principle undecided about extending this measure to all sectors, but it prefers a slower approach. The government has, however, not actively blocked progress on the issue.	The Czech government does not support the idea of negotiating global tax policies outside of the OECD, and is therefore supporting the exclusion of the world's poorest countries from the decision-making processes on tax matters.
Denmark	Denmark includes anti-avoidance clauses in tax treaties when the co-signing state requests it, but does not actively ensure that such provisions are included. Denmark also does not seem to have a clear position for or against negotiating treaties on the basis of the UN model. Of concern, Denmark's treaties with developing countries in general includes reductions in withholding tax rates that are well above the average for the European countries covered in this report.	Denmark has relatively open national registries of beneficial owners for listed companies accessible both via Central Securities Depository (CSD) and the transnational corporation itself, although verification of this information is not provided. On the issue of the EU Anti-Money Laundering Directive, Denmark supports public access to beneficial ownership information but has not actively championed the issue.	With regard to country by country reporting, the Danish government is supportive of further legislation as a means to combat tax dodging but has not actively championed the issue.	Denmark is clearly and openly opposed to the idea of negotiating global tax standards under the auspices of the UN, and supports the OECD as the leading forum when it comes to making decisions on global tax matters. Denmark is therefore supporting the exclusion of the world's poorest countries from the decision-making processes on tax matters.

Country	Tax treaties	Ownership transparency	Reporting for transnational corporations	Global solutions
France	France seems reluctant to include provisions which are important for developing countries and prefers the OECD model tax treaty rather than the UN model. Since France has an extremely large treaty network, including a high number of treaties with developing countries that include significant rate reductions, it is important that France actively works to prevent negative spillovers on developing countries.	France has introduced a public registry for the small number of French *fiducies*, and foreign trusts where French residents participate as trustees, settlors or beneficiaries. France has also been a champion of creating a public administrative registry of beneficial owners as part of the Anti-Money Laundering Directive on the EU level.	France has made significant efforts towards country by country reporting. Firstly, France has adopted specific measures at the French level in the banking sector, with first reports in 2014 and further expansion in 2015. Secondly, France has been proactively working for EU regulation which would subject all sectors to country by country reporting. Recent developments, however, indicate that the government could be back-tracking and there is a real danger that France's leadership on country by country reporting will evaporate.	France has repeatedly and actively opposed the upgrading of the UN Tax Committee to an intergovernmental body and insists that the intergovernmental negotiations about global tax policies be kept in the OECD. France is therefore supporting the exclusion of the world's poorest countries from the decision making processes on tax matters.
Germany	Germany has previously pushed for unjust elements, such as narrow definitions on *"permanent establishment"* and low levels of withholding taxes, when negotiating treaties with developing countries. However, the German government says it has changed its approach and will now use the UN model treaty in negotiations with developing countries.	Germany does not require reporting of beneficial ownership of Treuhand funds and bearer shares, and therefore support a high level of financial secrecy. The support of EU initiatives has also been weak. The former government blocked further progress in the Council on the establishment of public registries of beneficial owners.	The previous German government hindered negotiations for stricter reporting requirements for companies in the extractive industries on a country by country basis, and was against introducing country reporting information for all sectors.	The previous German government considered that international tax matters should remain at the EU and OECD levels and therefore opposed an upgrade of the Committee of Experts on International Cooperation in Tax Matters to an intergovernmental organ. The former government therefore supported the exclusion of the world's poorest countries from the decision making processes on tax matters. The new government has not yet indicated any change in this position.

Country	Tax treaties	Ownership transparency	Reporting for transnational corporations	Global solutions
Hungary	It is unclear whether Hungary's treaties in general follow the OECD or UN tax treaty model. Hungary's treaties with developing countries in general contain significant reductions in withholding tax rates, although the reductions fall below the average for the 15 European countries covered in this report.	Hungary started in 2013 to provide company ownership data, electronically verified, to the public. These are positive steps forward, but beneficial ownership information is still not systematically collected in Hungary according to the latest OECD review. At the EU level, Hungary has not taken a clear position for or against public registries of beneficial owners of companies and trusts.	At the EU level, Hungary has not stated a clear position for or against the proposal to introduce public country by country reporting for all sectors. Hungary has also not introduced any domestic legislation that goes beyond the EU requirements.	Hungary does not seem to have a position on whether an intergovernmental body on tax matters should be established under the auspices of the UN.
Ireland	The Irish government is open to measures which protect the interests of developing countries in tax treaties, but the current practice is that treaties are based predominately on the OECD model and include significant reductions in withholding tax rates above the average for the 15 European countries covered in this report. It is not clear whether Ireland would accept negotiating tax treaties with developing countries on the basis of the UN rather than the OECD Model, but Ireland currently favours the OECD model.	The Irish government's position has been to support the view that beneficial ownership of companies should be known, and indeed there are already provisions in place which allow for enforcement authorities and company shareholders to identify beneficial owners of companies when required. However, the government has not yet stated whether or not it supports a publicly available register in Ireland nor at the EU level.	To date, it seems that Ireland will move only when it must move collectively. The Irish government supports the OECD process on Base Erosion and Profit Shifting, which at the moment suggests that information from country by country reporting should not be public.	The Irish government supports the OECD as the lead organisation in international tax policy and has indicated that it supports the OECD in this role, rather than the UN.
Italy	It is not clear whether Italy would accept negotiating tax treaties with developing countries on the basis of the UN rather than the OECD model. Italy does include anti-abuse provisions in its tax treaties and has not carried out an impact assessment of its treaties on developing countries. The average reduction in withholding tax rates in treaties with developing countries is below the average for the 15 European countries covered in this report.	Italy has an advanced shareholder transparency system publicly accessible, but there is not adequate verification of this registry at the moment. At the EU level, Italy tolerates the fact that some EU countries would not make their registries of beneficial owners publicly accessible as part of the Anti-Money Laundering Directive.	At the EU level, Italy has not stated a clear position for or against the proposal to introduce public country by country reporting for all sectors. Italy has also not introduced any domestic legislation that goes beyond the EU requirements.	Italy has taken a position against having an intergovernmental process on tax matters under the UN and instead wants the OECD to continue being the lead organisation in the development of global tax policies. Italy is therefore supporting the exclusion of the world's poorest countries from the decision-making processes on tax matters.

Country	Tax treaties	Ownership transparency	Reporting for transnational corporations	Global solutions
Luxembourg	Luxembourg follows the OECD model for negotiation of tax treaties and does not systematically include anti-abuse provisions. Developing countries have previously raised concerns about their tax treaties with Luxembourg, yet despite this Luxembourg does not seem to have plans to do a spillover analysis of its tax treaty system and the potential negative impacts on developing countries. On the positive side, Luxembourg's treaties with developing countries in general only contain minor reductions in withholding tax rates compared to the other European countries covered in this report.	Luxembourg continues to attract international criticism for its failure to ensure the identification of beneficial owners. The government has not stated a clear position for or against the proposal to introduce publicly accessible registers of beneficial owners of companies, trusts and similar legal structures as part of a new EU Anti-Money Laundering Directive.	At the EU level, Luxembourg has not stated a clear position for or against the proposal to introduce public country by country reporting for all sectors. Luxembourg has also not introduced any domestic legislation that goes beyond the EU requirements.	Luxembourg does not seem to have a clear position on the issue of whether an intergovernmental body on tax matters should be established under the auspices of the UN.
Netherlands	The Netherlands has responded to some of the international criticism of its tax treaty system and has started incorporating anti-abuse clauses. Furthermore, the Netherlands seems open to applying the UN Model in future negotiations with developing countries.	The Netherlands hosts 12,000 special financial institutions that channel €4000 billion per year. The size of this sector of "mailbox" companies is accompanied by the risk of unknown beneficial owners. However, at the EU level, the Dutch government is not in favour of the establishment of a mandatory publicly accessible register of beneficial owners established as part of the Anti-Money Laundering Directive, but is of the opinion that member states should decide for themselves whether to make this information public or not.	The government is interested in initiatives that promote transparency through country by country reporting and has therefore advocated that the EU Commission investigates the impact of public CBCR for all sectors. However, the Netherlands has not yet worked actively to have country by country reporting introduced for all sectors at EU level. The Netherlands has also not introduced any domestic legislation that goes beyond the EU requirements.	The Netherlands expresses satisfaction with the way both the OECD and the UN currently function, which implies that it does not support intergovernmental negotiations on tax matters taking place under the UN. The Netherlands does, however, not seem to be actively working against this.

Country	Tax treaties	Ownership transparency	Reporting for transnational corporations	Global solutions
Poland	Poland makes use of provisions from the UN model treaty. Some of the tax treaties, but not all, have specific anti-abuse clauses. In general, Polish tax treaties with developing countries make less use of reduced tax rates than almost all other European countries covered in this report.	Poland has national registration requirements for keeping records of beneficial owners within the company's own records and notifying the National Court Register. This registration of beneficial ownership does not include the owners of bearer shares. Poland's position as regards the proposal to introduce publicly accessible registers of beneficial owners of companies, trusts and similar legal structures as part of a new EU Anti-Money Laundering Directive is unclear.	At the EU level, Poland has not stated a clear position for or against the proposal to introduce public country by country reporting for all sectors. Poland has also not introduced any domestic legislation that goes beyond the EU requirements.	Poland believes the need for establishing a new intergovernmental body under the auspices of the United Nations has to be analysed.
Slovenia	Slovenia follows the OECD model treaty when negotiating tax treaties. Slovenia includes anti-abuse provisions in its tax treaties, but in some cases also includes very low rates of withholding taxes. On average, however, Slovenia's reduction of withholding tax rates in its treaties with developing countries is comparable with the average for the 15 European countries in this report.	Slovenia collects data on beneficial ownership, although ownership information is in some cases lacking for foreign companies and foreign partnerships. The information is not publicly available. Indications are that Slovenia supports further EU regulation based on the strong domestic angle on ending tax dodging. Slovenia does not, however, seem to have been actively championing this issue at the EU level.	At the EU level, Slovenia has not stated a clear position for or against the proposal to introduce public country by country reporting for all sectors. Slovenia has also not introduced any domestic legislation that goes beyond the EU requirements.	It is unclear what the position of the Slovene government is on whether an intergovernmental body on tax matters should be established under the auspices of the UN.
Spain	Spain negotiates tax treaties following the OECD Model Convention. The Spanish treaties normally include anti-abuse clauses to avoid *"treaty shopping"* and *"rule-shopping"*, but it is unclear whether they protect against negative impacts of the Spanish tax policies. On average, Spain has reduced the withholding tax rate with 5.2 percentage points in treaties with developing countries, by far the largest reduction among the 15 European countries covered in this report.	Public information regarding company ownership is available, but only for shareholders above 5 per cent of the company. Spain has previously supported the establishment of a registry of beneficial owners as part of the Anti-Money Laundering Directive. However, Spain has argued against public access to the registry.	Spain has not implemented national measures towards country by county reporting, despite the fact that banks and IBEX35 companies operating in Spain have a high number of subsidiaries in tax havens. Spain supports OECD and EU-level initiatives, but wants the information to be confidential to the public. Spain has however not yet actively blocked progress on public country by country reporting at the EU level. If Spain decides to actively start working against public country by country reporting for all sectors at the EU level, the country would fall to the red light category.	Spain is against the creation of an intergovernmental body on tax matters under the UN and is therefore supporting the exclusion of the world's poorest countries from the decision making processes on tax matters.

Country	Tax treaties	Ownership transparency	Reporting for transnational corporations	Global solutions
Sweden	Swedish tax treaties differ a lot between each other. Some have anti-abuse clauses. It is not clear whether Sweden primarily follows the OECD model or the UN model when negotiating tax treaties with developing countries. Sweden's treaties with developing countries in general contain tax rate reductions that are well above the average for the 15 countries covered in this report. This is of concern.	Although the information is collected, Sweden does not have a public registry of beneficial owners of companies and trusts. The former Swedish government supported in general terms measures to increase transparency but believed it should be up to each member state to decide how they should be designed and whether they should be public.	The former Swedish government did not support EU regulation introducing an obligation for all transnational enterprises to carry out country by country reporting. Sweden has, however, not yet actively blocked progress on public country by country reporting at the EU level.	Sweden does not seem to have a clear position on whether an intergovernmental body on tax matters should be established under the auspices of the UN.
UK	While the UK does appear to have been receptive to some developing country demands in tax treaty negotiation processes, the default position is to follow the OECD Model and eliminate withholding taxes. Among the 15 European countries covered in this report the UK has negotiated the second highest average reduction in withholding tax rates in its treaties with developing countries - quite alarming given its wide network of treaties with these countries. This goes against the aims that the UK Government claims to have as regards assisting developing countries to increase and improve domestic revenue mobilisation.	Domestically, the UK has decided to introduce a public register for the beneficial owners of companies, which is a major positive sign and a first among the countries covered in this report. Furthermore, the UK has championed the idea of public registers of beneficial owners to be introduced EU-wide. However, when it comes to a public registry for owners of trusts, the UK is a strong opponent. This unwillingness of the UK to move significantly on trusts appears likely to hinder any agreement on public registries of companies at the EU level which would otherwise represent a major breakthrough in transparency across Europe.	When the EU in early 2014 considered introducing country by country reporting for all sectors, the UK was the strongest opponent and in the end managed to block the initiative.	While the UK on several occasions has referred to the need to find global solutions on tax reforms that also work for developing countries it is unclear what the government is willing do to achieve this. Specifically, it is unclear if the UK supports upgrading of the UN tax committee.

Campaign action during the European parliamentary elections urging companies to pay their taxes.

Ireland

'Ireland has been one of the frontrunners, and will be, in regard to building a new international consensus [on aggressive tax planning and profit shifting].'

Enda Kenny, Irish Prime Minister.[251]

General overview

Ireland came under serious criticism worldwide for facilitating corporate tax dodging during 2014. For instance, Apple's Irish operations have been the subject of an investigation both by the US Senate and more recently, as discussed below, by the European Commission.

A European Expert Group report shows that Apple paid just 3.7% tax on non-US profits of $31bn last year.[252] Recent media reports have suggested that the EC investigation may go beyond Apple.[253] Despite growing critiques of Ireland's tax regime, and negative media attention both internationally and domestically, the Irish Government has responded to the EC's preliminary view on the Apple case by strongly defending the country's tax practices with regard to the company. The government is also emphasising its commitment to international tax transparency, without seeming to recognise the two issues as contradictory.[254] To date, it seems Ireland is changing its corporation taxation policies only within collective EU or OECD actions, or when it comes under serious external pressure to do so.

Tax policies

Taxation of transnational corporations

The Industrial Development Agency (IDA) is responsible for the attraction of foreign investment to Ireland.[255] The IDA states that:

"thanks to our attractive tax, regulatory and legal regime, combined with our open and accommodating business environment, Ireland's status as a world-class location for international business is well established [...] In recent years Ireland has increasingly emerged as a favoured onshore location for [transnational corporations] establishing regional or global headquarters to manage their corporate structure and head office functions associated with their international businesses".[256]

Part of Ireland's attractiveness to transnational corporations is the Research and Development (R&D) tax credit - in place since 2004 - which allows companies to receive 25% tax credit for offset against a corporation tax rate of only 12.5%. All new companies setting up an R&D operation can receive the credit on all qualifying R&D expenditure.[257] Furthermore, Ireland has an intellectual property (IP) regime which provides a tax write-off for very broadly defined IP acquisitions.[258] In 2009, an incentive was introduced for expenditure incurred on the acquisition of intangible assets, such as patents, copyright or design right or invention.[259] In the international debate about corporate tax avoidance through profit shifting, such 'intangibles' are highlighted as one of the mechanisms corporations use to transfer profits from the countries where the real economic activity takes place into jurisdictions where the profits will be taxed less or not at all.[260]

There are no public estimates of foregone revenue due to these tax exemptions. Ireland has a general anti-abuse rule in national legislation - Section 811 of the Taxes Consolidation Act 1997.[261]

In October 2013, the Finance Bill included an amendment to Irish corporation tax residency rules to ensure that an Irish incorporated company (such as Apple) cannot be 'stateless' in terms of its place of tax residence.[262]

Ireland's much debated corporate tax rate, which is vigorously defended by the government[263], is 12.5% on active trading income (compared to the EU-28 average of 22.9%[264]); 25% on passive non-trading income, and currently 33% on capital gains.[265] Eurostat estimates that in 2012 the average effective tax rate for corporations in Ireland was as low as 6%[266], most likely due to Ireland's significant array of tax breaks and low levels of regulation.

The Irish Revenue Commissioners and the Irish Department of Finance state that they do not encourage transfer pricing abuse in any way. However, the Irish Revenue Commissioners leave the responsibility of proving any misconduct firmly with the country that may be losing revenue, despite the lack of capacity in the Global South to track tax avoidance or evasion.[267]

Box 3: The "Double Irish"

The "Double Irish" is a scheme that is used by large companies to channel certain payments through Ireland and onward to lower tax jurisdictions, reducing their overall tax bills enormously. For example, according to the Irish Times, Google's Irish-based operation had revenues of around €15.5 billion during 2012, but ended up paying corporation tax of just €17 million. This was because it charged "administrative expenses" of almost €11 billion, including royalties paid to other Google entities abroad, partly to low tax jurisdictions such as Bermuda.[268] The government announced in its Budget for 2015 that the 'Double Irish' will be phased out by 2020. However, a new range of tax incentives will be introduced for companies, including in the areas of research and development, and intellectual property activity including a 'Knowledge Development Box'.[269]

Potentially harmful tax practices

Secret deals?

PricewaterhouseCoopers points out that the Irish tax authorities have, upon request, provided inward investors with Advance Tax Rulings (ATRs) on key issues relevant to the decision to establish operations in Ireland.[270] Indeed, the European Commission's investigation into Ireland's tax system is investigating advance opinions to three corporate groups in the Netherlands, Luxemburg and Ireland.[271] Ireland does not systematically publicly disclose either APAs or ATRs provided for transnational corporations, nor any analysis of potential revenue lost due to these rulings. However, the spectre of such 'secret deals' is very much in the limelight in 2014, with the Financial Times reporting that 'Apple rode to riches totalling $137.7bn in offshore cash with the help of the Irish taxpayer'.[272]

In September 2014, the European Commission (EC) concluded that two tax rulings granted by the Irish government in favour of Apple in 1991 and 2007 constitute state aid which may not be compatible with the internal market.[273] The EC's 'opening decision' letter on this matter shows that Ireland's tax rulings regarding Apple are contestable on a number of factors, including that: the rulings do not comply with the 'arm's length' principle in the transfer pricing methods used or do not seem to be based on any clear pricing methodology; the profit allocated by Apple to Ireland may be questionable and the tax advantages granted by Ireland were not periodically reviewed as per good practice.[274]

Indeed, the disclosure by the EC of notes of meetings between Irish Revenue and Apple at the time reveal a deeply inappropriate negotiation on the basis of job creation, rather than one based on clear accounting procedures and the tax obligations of the company. The Commission has requested that Ireland submit comments and provide any further information useful to the assessment of the situation by the end of October 2014.[275] This matter may continue into the next 18 months.

At the time of writing the Irish Prime Minister, Taoiseach Enda Kenny, has denied any special treatment for Apple despite the clear evidence to the contrary, revealed through the EC investigation [276], and continues to strongly defend Ireland's overall tax regime.

Special Purpose Vehicles

The result of Ireland's favourable tax regime is that, according to law firm Arthur Cox: "Ireland has... firmly established itself as a location of choice for the establishment of special purpose vehicles (SPVs) for structured finance transactions,"[277] and a favourable tax regime is mentioned as an attractive factor.[278] Meanwhile, the Irish Industrial Development Agency tries to attract foreign direct investment by highlighting key characteristics of special purpose entities: namely a favourable tax regime, no withholding tax on dividends paid to or from relevant treaty countries, and the ability to minimise withholding tax on inbound and outbound royalties and interest payments.[279]

In 2013, one Irish academic reported that 742 Financial Vehicle Corporations (FVC) - a type of special purpose vehicle - are located in Ireland.[280] The Central Bank of Ireland reports that "total FVC assets values reported in Q1 2014 increased to €421.9 billion."[281]

The Irish Financial Services Centre (IFSC) in Dublin dominates foreign investment in the Irish economy, much of which is suspected to involve SPEs.[282] In 2011, IFSC investment was over 20 times the size of non-IFSC foreign direct investment and over 17 times the size of the gross national product (GNP) of Ireland.[283] Section 110 of the Taxes Consolidation Act 1997 is the cornerstone of Ireland's securitisation regime, which, according to Arthur Cox, permits qualifying Irish resident SPEs to engage in an extensive range of financial and leasing transactions in a 'tax neutral' manner.[284] In 2011, the Minister for Finance stated that as there was no specific statistical code for companies that use Section 110, it was not possible to provide information on any audits carried out on such companies, nor their tax yields. In 2014, the government maintains the position that Ireland does not have a specific definition for a "Special Purpose Entity" (SPEs), and therefore cannot provide a definitive response in respect to questions about SPEs.[285]

Tax Treaties

Ireland has signed tax treaties with 71 countries, of which 25 are with developing countries.[286] At the time of writing the most recent treaties to come into effect are with Thailand and Botswana[287], while an agreement with Ukraine still has to go before the Parliament. These treaties cover direct taxes, which in the case of Ireland are income tax, corporation tax and capital gains tax.[288] In all new treaties, Ireland now includes an exchange of information clause.[289] However, it is unclear if any provisions are made to ensure that information can be exchanged on an automatic or spontaneous basis, or what information is available to be exchanged.

The government has stated that there is no general rule on whether Irish tax treaties with developing countries allow those countries to apply withholding tax on outgoing capital flows, but that each tax treaty negotiation is "based on meeting the needs of both sides, and that in some instances Ireland does have tax treaties that apply withholding taxes on royalty payments or... allow source taxation rights for other income arising in a contracting state."[290]

In general, however, the withholding tax rates applied in its treaties with developing countries have been significantly reduced. On average, the rates have been negotiated down by 3.2 percentage points which is more than the average for the 15 European countries covered in this report.[291]

Ireland's original tax treaty with Zambia - one of Ireland's nine key development cooperation partner countries – is a case in point of how Ireland's treaties can undermine development. According to estimates, this treaty may have deprived Zambia of revenues equivalent to €1 in every €14 of Irish development aid to Zambia, an issue of policy coherence for the Irish government.[292] There is hope, however, that the situation may improve as the Government of Zambia has asked for a renegotiation of its treaty with Ireland.[293] Experts have suggested that Ireland could prioritise the negotiation of transparent and fair treaties following the UN model[294], and the renegotiation with Zambia could present an opportunity to attempt this for the first time.

The Department of Finance has stated that a list of the developing countries with which treaty negotiations are planned is "not available".[295] However, data from the International Bureau of Fiscal Documentation (IBFD) shows that negotiations for new treaties are currently taking place with Jordan and Azerbaijan.[296] In its practice, Ireland largely favours the OECD model for tax treaty negotiations, even when they are agreed with developing countries, rather than the UN model.

Impacts on developing countries

In relation to developing countries and policy coherence for development, the Irish government argues that it is working "both at an international level to combat illicit financial flows and capital flight, and at a national level to strengthen revenue collection and management that can allow them to eventually exit from a dependence on ODA."[297] In 2014, Ireland commissioned a spillover analysis with the objective of researching what impact, positive or negative, Ireland's tax system may have on the economies of developing countries.[298] The credibility of the spillover analysis, to be published in November 2014, and any action taken following it, will reveal whether Ireland intends to continue to be a part of a broken international tax system which currently works against the interests of countries in the Global South, or whether it will take a step towards policy coherence and working for global tax justice.

Financial and corporate transparency

One reason why Ireland is an attractive location for special purpose entities is the lack of financial and company transparency. Ireland's position is that beneficial ownership of companies should be known and that provisions are already in place when authorities require this knowledge about companies and trusts which are subject to reporting requirements to authorities. However, the government has not committed to a publicly accessible register of this information. The government "is awaiting final agreement of the specific provisions in the text with the European Parliament before commencing with the cross-Departmental transposition work on the proposed 4th Anti-Money Laundering Directive."[299]

The Irish government does not require transnational corporations in any sector to provide an annual public account of the turnover, number of employees, subsidies received, profits made, and taxes paid. The government has stated support for the OECD's Action Plan on Base Erosion and Profit Shifting Action Point 13 on the development of rules on transfer pricing documentation to enhance transparency, which includes country by country reporting, and has stated that Ireland "will likely adopt this recommendation when it is finalised, but this will not happen before end of 2014".[300] It should be noted that the OECD governments have already decided that the information from country by country reporting under the BEPS Action Plan should not be available to the public and thus implementation of the OECD guidelines would be insufficient to ensure proper transparency.[301]

The government does not respond to questions on economic activities of a range of companies in Ireland, including Google, citing "taxpayer confidentiality". Information can be accessed via the Companies Registry Office, including details of a company's name and previous name, registered office, company type, incorporation and annual return details, charges secured against it, directors and secretary, but no detailed country by country information or shareholder registries are publicly available.

Global solutions

Automatic Information Exchange (AIE)

In relation to Automatic Information Exchange (AIE) on tax matters, the government has stated that data protection structures, confidentiality and data security are the critical elements in any automatic exchange of information, and that "these are typically, although not always, associated with maturity of a tax administration and will be key criteria for Ireland in deciding which partner jurisdictions with whom to exchange information".[302] The response indicates that the government is open to Automatic Information Exchange, but that it is cautious about exchanging tax information with countries with low levels of resources and weak tax administrations, in other words the poorest countries who are most in need of reliable information on the tax activities of the transnational firms operating within their borders.

Inclusion of Global South countries

In 2013, the Irish government stated that 'While a proposal to establish an intergovernmental body on tax matters under the auspices of the United Nations may have merit, solutions need to be developed to BEPS and other issues and the OECD is well placed to develop these solutions'.[303] In 2014, the government did not directly answer this question on the role of the UN, but stated that the UN has a seat at the table of the OECD's Committee on Fiscal Affairs.[304] It is therefore clear that the Irish government supports the OECD as the leading negotiating forum for decision-making on global tax matters, rather than a more democratic and inclusive forum, such as the UN.

Conclusion

Ireland's tax model facilitates a significant presence of Special Purpose Entities (SPEs) that lack real economic substance in the Irish economy. The Irish government sees its low corporate tax rate, set of tax incentives and light regulatory environment as a cornerstone of the country's economic policy, and a route to attracting high levels of FDI, which implicitly is assumed to have substance in real investments. However, as the significant presence of SPEs shows, this is not always the case. While real and valuable jobs have been created through some multinational companies' presence in Ireland, the Apple case exposed an instance of highly dubious procedure between it and Irish Revenue, a procedure which allowed Apple to avoid enormous tax payments at the expense of people in Ireland and in other countries. It raises the urgent question of how extensive this kind of practice has been, or continues to be, in the Irish tax system.

Despite international criticism, the Irish Government is unapologetic about promoting Ireland internationally as a low tax location for companies. The ongoing spillover analysis will be one opportunity for the government to analyse the impact of these tax policies on the economies of countries of the Global South and fulfil its commitment to policy coherence for development. As part of this work, the Irish government should follow up on its commitment to fight illicit financial flows at the international level by pro-actively supporting an intergovernmental process on tax matters under the UN. It should further support countries of the Global South by using the UN model treaty. And while the government states that it supports global tax transparency, this can only be proven through its actions. Namely by establishing a public register of beneficial owners of companies and trusts, adopting publicly accessible country by country reporting, and supporting AIE for all countries, including those of the Global South.

Appendices

Appendix 1: Methodology for the country rating system

Category 1: Tax Treaties

- **Green** light: 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 treaties include anti-abuse clauses. The average rate reduction [632] on withholding taxes in treaties with developing countries are below 1 percentage point.

- **Yellow** light: The position of the government is unclear or the country does not systematically apply anti-abuse clauses or one specific model (UN or OECD). The average rate reduction on withholding taxes in treaties with developing countries is above 1 percentage point but below or equal to the average reduction for the 15 countries covered in the report (2.8 percentage points).

- **Red** light: The government applies the OECD Model when negotiating tax treaties with developing countries and does not ensure effective anti-abuse clauses. The average rate reduction on withholding taxes in treaties with developing countries is above the average for the 15 countries covered in this report.

Category 2: Ownership Transparency, and Category 3: Reporting for transnational corporations

- **Green** light: The government is a champion and has either actively promoted EU decisions on these issues, or has already gone – or plans to go – further in its national legislation.

- **Yellow** light: The government is neutral at the EU level and doesn't have domestic legislation that stands out. Yellow is also used to categorise countries where the government has a position which is both negative and positive when it comes to progress at the EU level, as well as countries where the position is unclear.

- **Red** light: The government has either actively blocked progress at the EU level or maintains national laws which are particularly harmful on these issues.

Category 4: Global Solutions

- **Green** light: 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** light: The position of the government is unclear, or the government has taken a neutral position.

- **Red** light: The government is opposed to the establishment of an intergovernmental body on tax matters under the auspices of the UN, and thus is 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.

- **Blindfold**: 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.

632 The average rate reduction covers withholding taxes on royalties, interests, dividends on companies and qualified companies but not for services due to the lack of data. The rate reductions between the European country and the developing country refers to the difference between the rate contained in the treaty and the statutory rate in the developing country. The average reduction is calculated from a sizeable sample of 86 per cent of all treaties between developing countries and the 15 European countries covered in this report. The analysis has been conducted based on data accessed from Martin Hearson of the London School of Economics and Political Science and from the International Bureau of Fiscal Documentation (IBFD) Tax Research Platform (http://online.ibfd.org/kbase/).

Appendix 2: Tax Treaties

Figure 10 **Number of treaties in force**

Country	with all countries	with low income countries[1]	with lower-middle income countries[2]	with upper-middle income countries[3]	with developing countries[4]
Belgium	90	4	19	24	47
Czech Republic	82	3	15	21	39
Denmark	85	4	13	19	36
France	125	14	26	32	72
Germany	92	4	19	25	48
Hungary	73	0	14	16	30
Ireland	71	0	10	15	25
Italy	93	5	19	25	49
Luxembourg	73	1	10	17	28
Netherlands	90	4	17	23	44
Poland	82	3	16	19	38
Slovenia	56	0	7	12	19
Spain	88	1	13	29	43
Sweden	85	5	11	23	39
United Kingdom	125	9	27	30	66

Source: Data compiled from the International Bureau of Fiscal Documentation (IBFD), tax research platform, accessed on 18 September 2014: http://online.ibfd.org/kbase
Data is based on searches for treaties on income/capital that are in force.

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Campaign action during the European parliamentary elections urging companies to pay their taxes.

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