Statement to the European Parliament's Special Committee on Tax Rulings and Other Measures Similar in Nature or Effect.

By Tove Maria Ryding, Policy and Advocacy Manager, European Network on Debt and Development (Eurodad).

Thank you for the opportunity to be here today and address the committee.

Before discussing the substance of the matter, I would like to underline the importance of having a thorough investigation and follow-up on LuxLeaks.

We mustn't forget that this was a shocking and eye-opening scandal for many. After years of financial and economic crisis, austerity, job losses, reductions in public services and financial uncertainty, it was revealed to the public that hundreds of multinational enterprises have secret sweetheart deals with Luxembourg, allowing them to lower their tax levels to absurdly low levels, in some cases below 1%.

In the eyes of the public, it must seem very strange that there was no official investigation, no follow-up, no real explanation from those who seemed to have been involved, no accountability, and no credible promise of change. The companies involved seem to be continuing their business as usual, and we are still not allowed to know how much they pay in taxes. And a constant flow of scandals keep hitting the news, involving more companies and more governments, clearly indicating that something is still very, very wrong.

Jean-Claude Juncker, the man who was leading Luxembourg during the years when these sweetheart deals were signed, was elected to one of the most powerful positions in the European Union, namely head of the European Commission. This is the same Commission that is supposed to propose the legislative changes to fix the system.

In the eyes of the public, the situation will likely not become easier to comprehend when Luxembourg, in exactly one month from now, takes over the presidency of the European Union. Although we all know that the EU presidency changes every six months, it will none the less seem like the fox will be guarding the chickens.

Even worse, at the end of this year court cases will begin in Luxembourg, targeting two of the whistleblowers and one of the journalists who exposed the scandal. These people, whose only crime was to tell us the truth, now risk several years in prison. This is the point when we begin to ask ourselves what kind of society are we living in? These people revealed that our societies are losing billions of Euros, yet all that happened was that they got sued.

Meanwhile, the multinational companies, politicians and governments who were responsible seem to walk away without any consequences. In fact they only seem be expanding their power and receiving leadership roles in the EU.

Let's not be blind to the fact that this situation is a ticking timebomb under the credibility of the entire European Union, and that ignoring LuxLeaks will not make it go away. The European Parliament currently seems to be the citizens' best hope that at least one of the EU institutions will not let this situation continue, and we're very sorry to hear that the work of this committee is being hampered by multinational corporations and EU governments who refuse to even talk to you. We hope that this will only make the European Parliament even more determined to continue the fight to expose the truth, reform the system and introduce transparency, accountability, tax justice and a proper protection of whistleblowers. And we hope you will soon manage to wake up the European Commission and the Council, and get them to realise that business as usual is not an option.

Now, as regards today's topic – the International Dimension.

It is not only in Europe that the issues of tax evasion and avoidance is causing outcries. There is a growing amount of evidence that these problems impact developing countries even harder than developed countries.

And in the developing countries, the debate about illicit financial flows is escalating. Recently, the Report of the High Level Panel on Illicit Financial Flows from Africa, led by the former South African President Thabo Mbeki, pointed out that Africa is currently losing more resources due to illicit flows than what the continent receives as aid. From that perspective, it's no wonder that the fight to eradicate poverty has been an uphill battle. The Mbeki report also pointed out that:

"It is somewhat contradictory for developed countries to continue to provide technical assistance and development aid (though at lower levels) to Africa while at the same time maintaining tax rules that enable the bleeding of the continent's resources through illicit financial outflows."

The developing countries are starting to notice that the global taxing standards are not working, and this is costing them very high amounts of resources. And they are starting to question the way these global taxing standards are developed. In particular, they asking why they are being decided behind closed doors at the OECD in Paris, in a process where more than 100 developing countries are excluded from participating.

Now, the developing countries have put forward a proposal in the United Nations, to establish a tax committee where all countries have a seat at the table, and where truly global solutions can be found. This proposal has recently been supported by the European Parliament, and we welcome that. But we don't welcome the fact that the European Member States are currently rejecting the proposal.

It is very surprising to see European governments, who pride themselves of being democratic, defend the right of an exclusive club of countries to decide on the taxing rules for everyone else.

The EU governments are arguing that developing countries are participating in the OECD BEPS process, and that the developing country concerns are taken into account. However, the truth is that while a few developing countries have been invited to some of the meetings, more than 100 countries remain excluded. And while several proposals were put forward last year to promote the interests of the poorest countries, they were all rejected by the OECD.

The EU governments are also arguing that the international tax negotiations will be more efficient, if more than half the world's countries are excluded. However, this is simply not true. The fact that our governments are not able to cooperate is the very essence of the crisis in the global tax system, and we cannot expect any government to abide by global taxing standards that were adopted in a room where they were not welcome.

The truth is that unless we establish a fair international process to negotiate the global taxing standard, the system will continue falling apart. More countries will become tax havens and we will see more double taxation and double-non-taxation.

We will also see more unilateral action – countries will start setting up their own self-defence mechanisms. We are already seeing this in, for example, Brazil and China. And the multinational enterprises are hating it because the rules are unpredictable and there's a risk there will be taxes twice on the same income.

Now, lastly, what are the solutions?

First of all, we shouldn't have a society where people go to jail for telling the truth about how much multinational enterprises pay in taxes. But as long as we don't have public country by country reporting, this will be the situation. Therefore, it's very important that all MEPs vote yes to the proposal on public country by country reporting, which will come to a vote in the European Parliament on June 10 as part of the Shareholders Rights Directive.

We also need an EU directive to ensure proper protection of whistleblowers, who act in the interest of the public. People who point out that our societies are losing billions of dollars should be honoured and thanked, not jailed.

Second, we need a fair tax system. Currently, the system is forcing small and medium enterprises to compete with multinational enterprises that are not paying their taxes. That's not fair. It's also not fair that multinational enterprises come to our countries and take advantage of our public services such as education, rule of law, and infrastructure, but pull their profits into tax havens to avoid contributing to paying for these services.

But if we ever are to achieve a fair tax system at the national level, we have to have a global system that prevents individual nation states from destroying the tax base of other nation states. We do have international systems like this for environmental pollution – for example chemicals, where it is generally understood that a country cannot pour chemicals in other countries' backyards. And for other areas, such as genetic resources, we have international conventions that regulate multinationals based on the principle that unless the home country of the multinational commits to ensuring transparency and compliance with international standards, that company will not be allowed to operate in other jurisdictions. We need the same kind of international regulation for tax, and as a first step, we therefore need a truly global negotiation where all countries have a seat at the table.

Lastly, we need to make sure that there are thorough ongoing monitoring and accountability mechanisms. We need the European Parliament to stand firm and ensure that the truth comes out and the problems get addressed.

The Eurodad network combined with the broader Tax Justice Europe network brings together well over 50 civil society organisations across Europe. We monitor the situation at the national level, including through our yearly reports about Europe's role in the global tax problems. We campaign for change, and we stand ready to work with anyone who will help us solve the crisis in our tax system.

Thank you very much.