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Addressing tax avoidance by net firms

Motion for a resolution

tabled by Mr Konstantinos TRIANTAFYLLOS and other members of the Assembly

This motion has not been discussed in the Assembly and commits only those who have signed it

All the countries aim to innovation, growth and job creation, especially, through the business activity of multinational companies.

However, big multinational net firms are seeking various ways to reduce their tax obligations to the lowest possible levels. Most companies involved in the production of computers, software or internet services have established international operations in countries with low tax rates. At the same time, a large part of the real economy has shifted to the “online economy” (e.g. travel agencies, advertising firms, office organisation companies, telecommunications, etc.).

Multinational companies avoid taxes, mainly, by charging high royalties (rights to use signals) to the subsidiary companies, in order to show high costs, as well as with the method of transfer pricing. That means that subsidiary companies buy private label products from their original companies at high prices, just to show costs and losses.

The amount of lost revenue for the economies of the countries where these companies operate is huge. Therefore, what is required is co-ordinated international action.

Under the new agreement on trade between the United States and the European Union, there should be a provision preventing big companies from locating their headquarters in ‘tax havens’. Finally, according to that, internet transaction tax should be aligned with the value added tax levels of the country where the customer is located.

The Parliamentary Assembly should therefore examine the situation and make useful suggestions for solving the relevant problems.

Signed (see overleaf)



*Signed*¹:

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1. ALDE: Alliance of Liberals and Democrats for Europe
EPP/CD: Group of the European People's Party
SOC: Socialist Group
UEL: Group of the Unified European Left