[New EU rules to eliminate the main loopholes used in corporate tax avoidance come into force on 1 January]

As of 1 January 2019, all Member States shall apply new legally binding anti-abuse measures that target the main forms of tax avoidance practiced by large multinationals.

Pierre **Moscovici**, Commissioner for Economic and Financial Affairs, Taxation and Customs, said: *"The Commission has fought consistently and for a long time against aggressive tax planning. The battle is not yet won, but this marks a very important step in our fight against those who try to take advantage of loopholes in the tax systems of our Member States to avoid billions of euros in tax."*

The rules build on global standards developed by the OECD in 2015 on Base Erosion and Profit Shifting (BEPS) and should help to prevent profits being siphoned out of the EU where they go untaxed. In detail:

- All Member States will now tax profits moved to low-tax countries where the company does not have any genuine economic activity (controlled foreign company rules)
- To discourage companies from using excessive interest payments to minimise taxes, Member States will limit the amount of net interest expenses that a company can deduct from its taxable income (interest limitation rules)
- Member States will be able to tackle tax avoidance schemes in cases where other anti-avoidance provisions cannot be applied (general anti-abuse rule).

Further rules governing hybrid mismatches to prevent companies from exploiting mismatches in the tax laws of two different EU countries in order to avoid taxation, as well as measures to ensure that gains on assets such as intellectual property moved from a Member State's territory become taxable in that country (exit taxation rules) will come into force as of 1 January 2020.

Background

First proposed by the Commission in 2016, the legally binding rules, known as ATAD (Anti-Tax Avoidance Directive) were agreed swiftly to spur global efforts to clamp down on aggressive tax planning. The agreement followed the agreement among OECD countries on recommendations to limit tax base erosion and profit shifting (BEPS), and made the EU a global leader in terms of the political and economic approach to corporate taxation.

The Juncker Commission has been at the forefront of global efforts to tackle tax avoidance and tax evasion. New transparency rules have gradually been coming into force to make sure that Member States have the information they need to crack down on companies that are not paying their fair share of tax. The EU is also acting to ensure that its international partners implement global anti-tax avoidance standards through its ongoing work on a list of non-cooperative tax jurisdictions. Finally, the Commission has also proposed far-reaching corporate tax reforms which would overhaul how multinationals are taxed in the EU while ensuring a business environment which makes life easier for companies doing business across borders.

For More Information

Proposal on anti-tax avoidance measures

Anti-Tax Avoidance Package

Study on Structures of Aggressive Tax Planning and Indicators

Action Plan for Fair and Efficient Corporate Taxation in the EU