

Amazon facing EU probe over tax deals

BRUSSELS, BELGIUM: The European Union has snagged Amazon as the authorities widen their probe into sweetheart tax deals for major multinationals, saying these are unfair to competitors and taxpayers.



EU Competition Commissioner Joaquin Almunia says that Luxembourg is cooperating with the investigation and has supplied documents it needs in the probe into whether Amazon's tax deal amounted to state aid. Image: [DealBreaker](#)

The move follows similar probes announced last month into Apple in Ireland, coffee-shop chain Starbucks in the Netherlands, and the financial arm of Italian car manufacturer Fiat, based in Luxembourg like Amazon.

The EU's anti-trust regulators will examine agreements to establish if Amazon's tax arrangements with Luxembourg amount to illegal state aid, giving the company an unfair advantage.

But EU Competition Commissioner Joaquin Almunia said the investigation was launched against a backdrop of efforts worldwide to crack down on tax evasion.

"At a time when public budgets are tight, citizens are being asked to make efforts to help balance public finances," Almunia said.

"In this context, it's important for large multinationals to pay their fair share of taxes," he added.

Almunia said that under a 2003 deal, Amazon recorded most of its European profits through its Luxembourg arm but that these profits were not taxed in Luxembourg.

EU has no jurisdiction over tax policies

The European Commission has no jurisdiction over national tax policies - a cherished prerogative of member states - so the probes are strictly limited to rules governing free competition between EU countries.

Under the microscope are so-called "tax rulings", special arrangements made with tax authorities before a company chooses to set up shop in a given country in the 28-nation EU.

Brussels regulators can intervene if they suspect that these tax deals amount to a subsidy by governments seeking to attract businesses at the expense of other member states.

The Commission, the EU's executive arm, said the probe would examine whether the decision by Luxembourg's tax authorities with regard to the corporate income tax to be paid by Amazon complies with the EU rules on state aid.

Apple and Amazon and other mostly US-based multinationals have come under intense pressure from politicians and public campaigners over their tax deals.

Companies not paying a fair share of tax

Critics say the arrangements allow companies to move billions in earnings from higher taxed countries to lower taxed ones.

The initial investigation had shown that most European profits of Amazon are recorded in Luxembourg but are not taxed in



Amazon's head office in Luxembourg. The company may be forced to pay billions in taxes if the probe shows that the sweetheart tax deal it received amounted to state aid. Image: [Teleread](#)

this country," Almunia said.

The investigation of Luxembourg's tax affairs comes just weeks before Jean-Claude Juncker, the tiny country's former prime minister, is to take the reins of the European Commission.

According to the Financial Times, the Luxembourg government initially refused to cooperate with Brussels on the Amazon tax deal probe but softened its approach once Juncker was nominated to head the Commission.

"I welcome the fact that cooperation with Luxembourg has improved significantly," Almunia said in the statement, without referring to Juncker.

For its part, the Luxembourg government said it was convinced that the allegations are unfounded adding that Luxembourg had given the Commission all the information it had asked for and cooperated with the inquiry.

If found to be at fault, Luxembourg and the other countries being investigated face the daunting prospect of having to collect billions in unpaid taxes from these companies.

Source: AFP via I-Net Bridge

For more, visit: <https://www.bizcommunity.com>