

TAX AVOIDANCE AND TAX EVASION

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Tax avoidance is legal whereas tax evasion is not

TAX AVOIDANCE	TAX EVASION
<ul style="list-style-type: none">□ LEGAL□ Mindful and informed□ Mainly concerns income taxes □ Especially rich countries (UK, USA...) <p>How?</p> <ul style="list-style-type: none">➢ Tax deductions➢ Tax deferral plan➢ Tax credits <ul style="list-style-type: none">□ Immoral	<ul style="list-style-type: none">□ ILLEGAL□ Voluntary, conscious and intentional conduct□ Concerns income taxes, employment taxes, local taxes, etc.□ Countries: USA, Brazil, Italy <p>How?</p> <ul style="list-style-type: none">➢ Under-reporting income➢ Over-reporting expenses➢ Providing false information➢ Deliberately underpaying taxes <ul style="list-style-type: none">□ Problems of corruption

Consequences on France and on the EU

- France: Loss of €60 Billion a year (3% of the GDP)
- European Union: Loss of €1000 Billion a year (20% of the GDP)



How companies do tax avoidance?

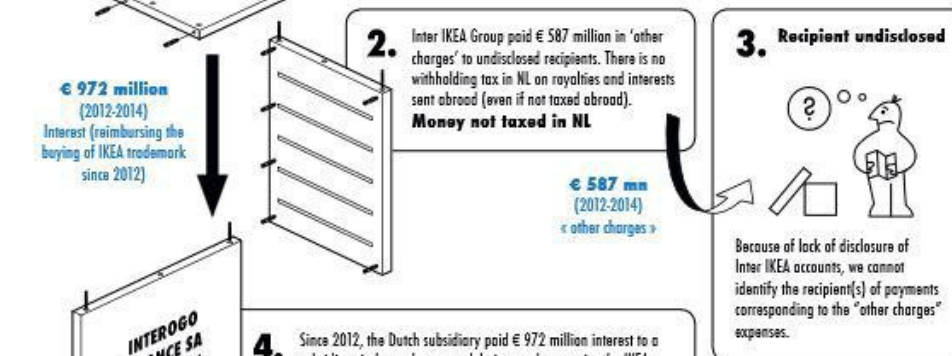
Limited number of stores – tax heavens – secret foundations

1. Subsidiaries reduce profits by paying royalty fee to NL → not taxed
2. Ikea over pays 'other charges' → not taxed in NL
3. Dutch subsidiaries pay interests to a subsidiary in Luxembourg → no withholding tax on interests sent abroad in NL
4. Tax tricks in Luxembourg: subsidiaries pay 0.06% taxes
In Lichtenstein: dividends received from abroad are not taxed.

→ 2009/2014: IKEA avoided €1bn taxes in Europe.



IKEA TAX AVOIDANCE SCHEME



We estimate IKEA avoided at least **€1bn taxes** in Europe between 2009-2014

Escalator

- Tax all the incomes in the country where the money is spent.
- 4 dream ideas:
 - **Controlled foreign company**
 - **Exit taxation**
 - **Interest limitation**
 - **Transparency**

