

EU tells Luxembourg to recover 120 mn euros from French energy giant

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Engie's biggest shareholder is the French state

The EU on Wednesday ruled that Luxembourg had given illegal tax breaks to energy giant Engie and ordered it to recover 120 million euros from the company, whose biggest shareholder is the French state.

An investigation by the European Commission found Luxembourg had allowed two Engie group companies to avoid paying taxes on almost all their profits for about a decade by means of complex financing structures.

"Luxembourg gave illegal tax benefits to Engie," EU Competition Commissioner Margrethe Vestager said in a statement.

"Engie paid an effective corporate tax rate of 0.3 percent on certain profits in Luxembourg for about a decade. This selective tax treatment is illegal."

Brussels launched an in-depth probe in 2016 into tax rulings by Luxembourg which the commission said "artificially lowered" Engie's tax bill "without any valid justification".

The arrangement centred around Engie LNG Supply, which trades liquified natural gas products in Luxembourg, and Engie Treasury Management, which manages financing within the group.

In 2008 Engie set up an arrangement that allowed it to treat the same transaction as both equity and debt and thereby make significant deductions from Engie LNG Supply's taxable profits.

The Luxembourg authorities then endorsed the structure with a tax ruling.

"Luxembourg must now recover about 120 million euros in unpaid tax from Engie, plus interest," the commission said.

Luxembourg, which has been hit by several EU tax investigations including one last year that led the commission to order web retail giant Amazon to pay 250 million euros in back taxes, insisted that the Engie

arrangements were within the rules at the time.

"As Engie has been taxed in accordance with the tax rules applicable at the relevant time, without having received a selective treatment, Luxembourg considers that Engie has not been granted State aid incompatible with the internal market," the Luxembourg government said in a statement.

However it acknowledged that the result of the Engie arrangements "no longer correspond to the current spirit of the national and international tax framework".

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