
Formal EU State Aid investigation into certain tax rulings

June 11, 2014

In brief

On June 11, 2014, the European Commission (EC) opened a formal State Aid investigation procedure into the transfer pricing arrangements and corporate taxation of certain companies in Ireland, The Netherlands and Luxembourg.

In its [press release](#), the Commission announced that it will examine whether the three transfer pricing arrangements validated in the tax rulings noted below involve State Aid to the benefit of the beneficiary companies:

- individual rulings issued by the Irish tax authorities regarding the calculation of the taxable profit allocated to Irish branches
- an individual ruling issued by the Dutch tax authorities regarding the calculation of the taxable base in the Netherlands for manufacturing activities
- an individual ruling issued by the Luxembourg tax authorities regarding the calculation of the taxable base in Luxembourg for financing activities.

In parallel to these three formal investigations, the Commission will continue its wider inquiry into tax rulings, which covers more Member States, specifically with regard to intangible property (IP) regimes. The formal investigations do not prejudice the Commission's final decision. There is no formal time limit within which the final decision has to be taken.

The EC has confirmed that tax rulings as such are not problematic. However, tax rulings may involve State Aid within the meaning of European Union (EU) rules if they are used to provide selective advantages to a specific company or group of companies. In such a case, any aid granted may be recovered from the beneficiaries with respect to the last 10 years (plus interest), unless the aid can be qualified as 'existing aid' or if the Commission has given rise to legitimate expectations.

The opening of the formal investigation procedure allows Member States' authorities to further explain their practices and the Commission to gather further information from interested parties.

Please do not hesitate to contact us for any questions you may have.

Let's talk

For a deeper discussion of how this might affect your business, please contact:

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