

“Tax Competitiveness in Europe: Where Do We Stand?”

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Brussels, 20 February 2019

#FairTaxation priority over tax competition?

European Commission @EU_Commission · 7. März

Domestic digitalised business models are subject to an effective tax rate of only 9%. This is less than half compared to traditional business models facing an effective tax rate of 21%.

We will tackle this issue at the **#FairTaxation** roundtable today.

Original (Englisch) übersetzen

Effective average tax rate in EU28

Business Model	Effective Average Tax Rate
Traditional domestic business model	20.9%
Traditional international business model	23.2%
Digital domestic business model	8.5%
Digital international B2C model	10.1%
Digital international B2B model	8.9%

9 56 65

Pierre Moscovici @pierremoscovici · 3. März

D-18 to @EU_Commission's proposal for **#FairTaxation** of **#digital** economy: "Between now and the 21st of March, I plan to regularly share my thoughts with you on this strategic subject. So stay tuned!" **#DigiTax**

Original (Englisch) übersetzen

9% whilst it's 23% for the rest of the economy. There is no level playing field, there is

6 76 87

The European Commission's political statement

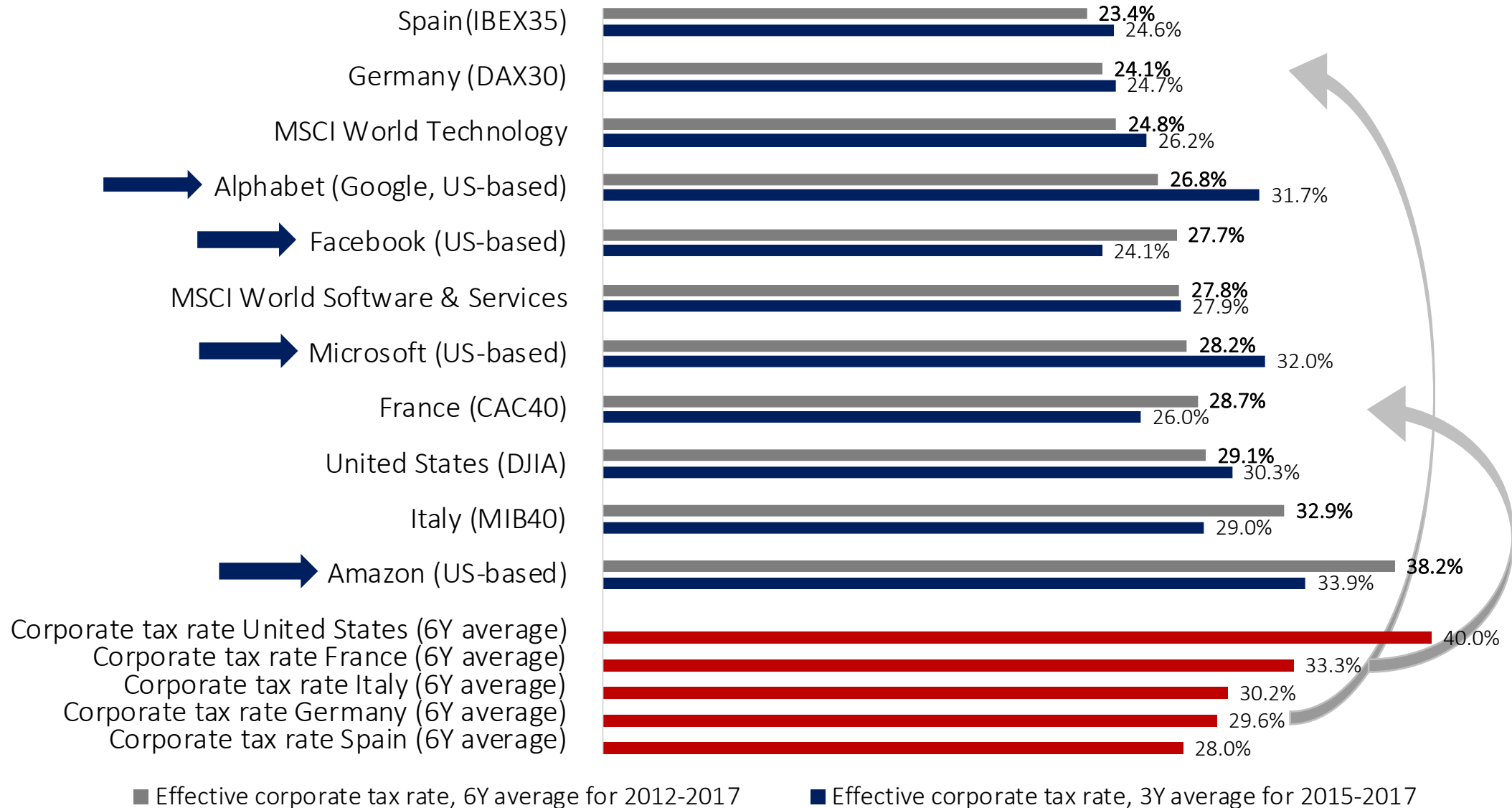
21 September 2017: Communication "A Fair and Efficient Tax System in the European Union for the Digital Single Market"

- "Failure to address these situations will lead to [...] **erosion of the social budgets**, and it will destabilise the level playing field for businesses."
- "This **puts at risk EU competitiveness**, fair taxation and the sustainability of Member States' budgets."

European Commission numbers: effective tax rates of *hypothetical* companies

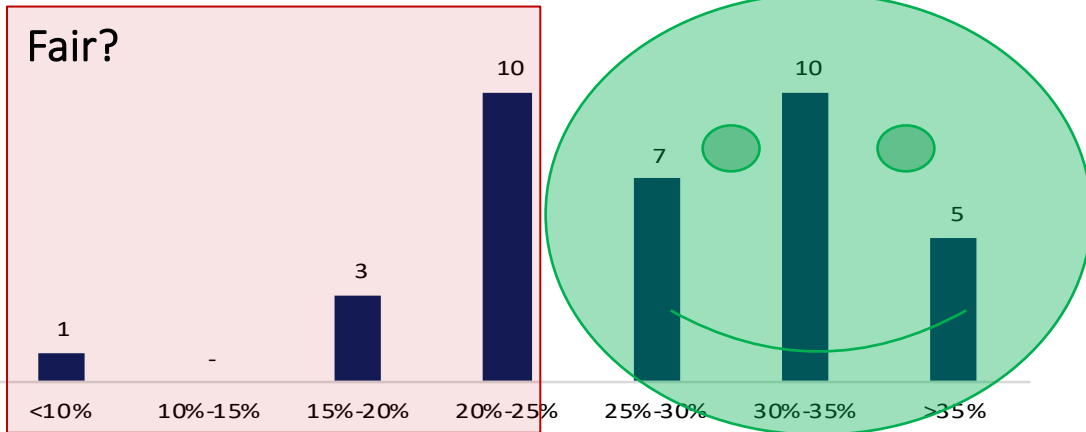
“The study **does not** calculate EATRs [Effective Average Corporate Tax Rates] **using tax information for actual companies or sectors**; more importantly, the **study cannot be used to compare the tax burdens of ‘digital’ and ‘traditional’ companies**. In interviews with Bloomberg, Law360, and Disco, Prof. Spengel of ZEW made clear that the **study does not support conclusions that the digital sector is undertaxed**. In summary, the ZEW-PwC study enables a comparison of the relative attractiveness of certain countries’ tax regimes for intangible assets developed through R&D, but **does not** analyze the effective tax rates of actual enterprises or **allow conclusions to be drawn regarding corporate taxes paid by the ‘digital sector’**.” (PWC 2018)

Effective tax rates, US-based digital corporations vs. average effective tax rates large EU-based companies

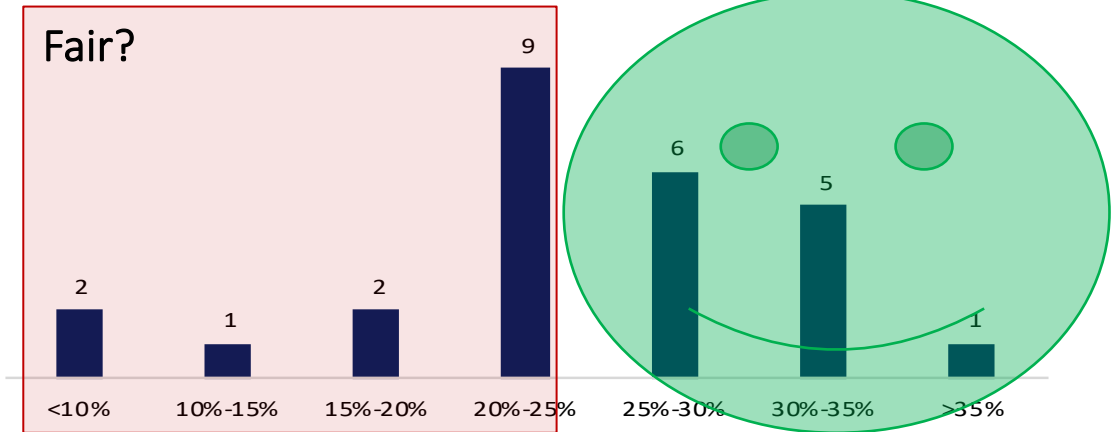


Fairness in the distribution of effective corporate tax rates

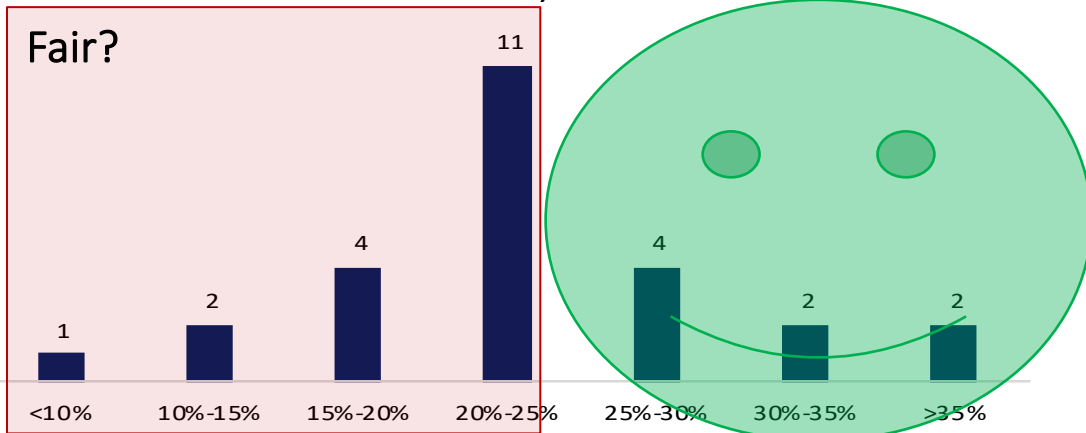
France (CAC40; statutory corporate tax rate 2017: 33.3%)



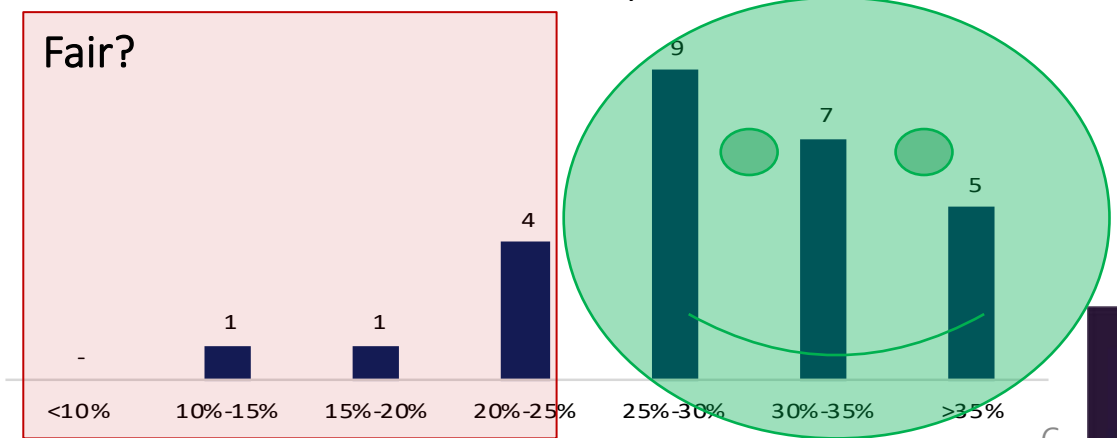
Germany (DAX30; statutory corporate tax rate 2017: 29.7%)



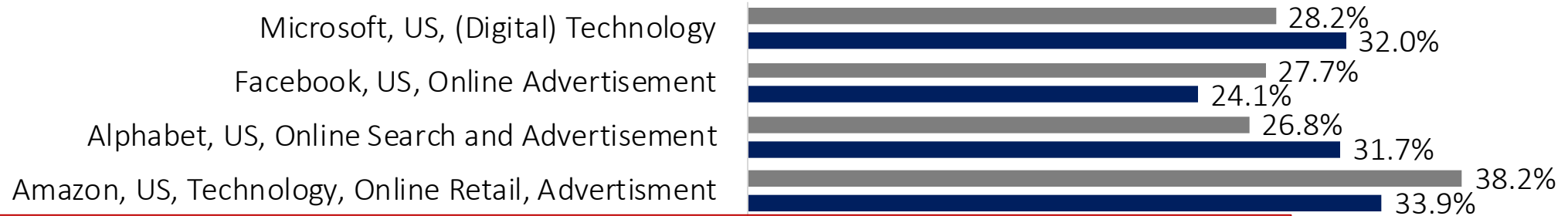
Spain (IBEX35; statutory corporate tax rate 2017: 25%)



United States (DJIA; statutory corporate tax rate 2017: 40.0%)



ECTRs of selected companies headquartered in Large EU Member States vs. large US-based “digital companies”, 2012 – 2017 and 2015 - 2017



Fair?



■ ECTR 6Y ■ ECTR 3Y

Concluding remarks

- Tax fairness is important – feeds back on the **perception** of open markets and international trade
- **Reallocation** of tax rights could increase “perceived” fairness
- CC(C)TB, minimum tax & abolishment of unanimity rule **undermine** tax competition – could even raise anti-EU sentiments in Member States
- Challenge in the EU: finding the **right balance** between tax competition and harmonisation, while keeping national sovereignty over matters of taxation
- New special taxes on digital services: **another complex layer** of tax code on an overly complex corporate tax system
- **Detrimental** to SMEs, consumers and increase of unfairness in taxation
- Corporate tax code **effectively out of control** of elected lawmakers