

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

Dr Matthias Bauer, ECIPE
Brussels, 20 February 2019

#FairTaxation priority over tax competition?

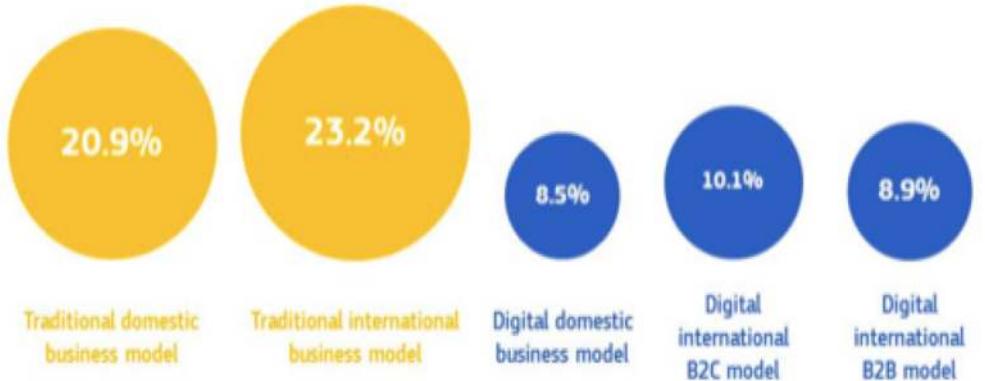
 European Commission   @EU_Commission · 7. März

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 87

 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

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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

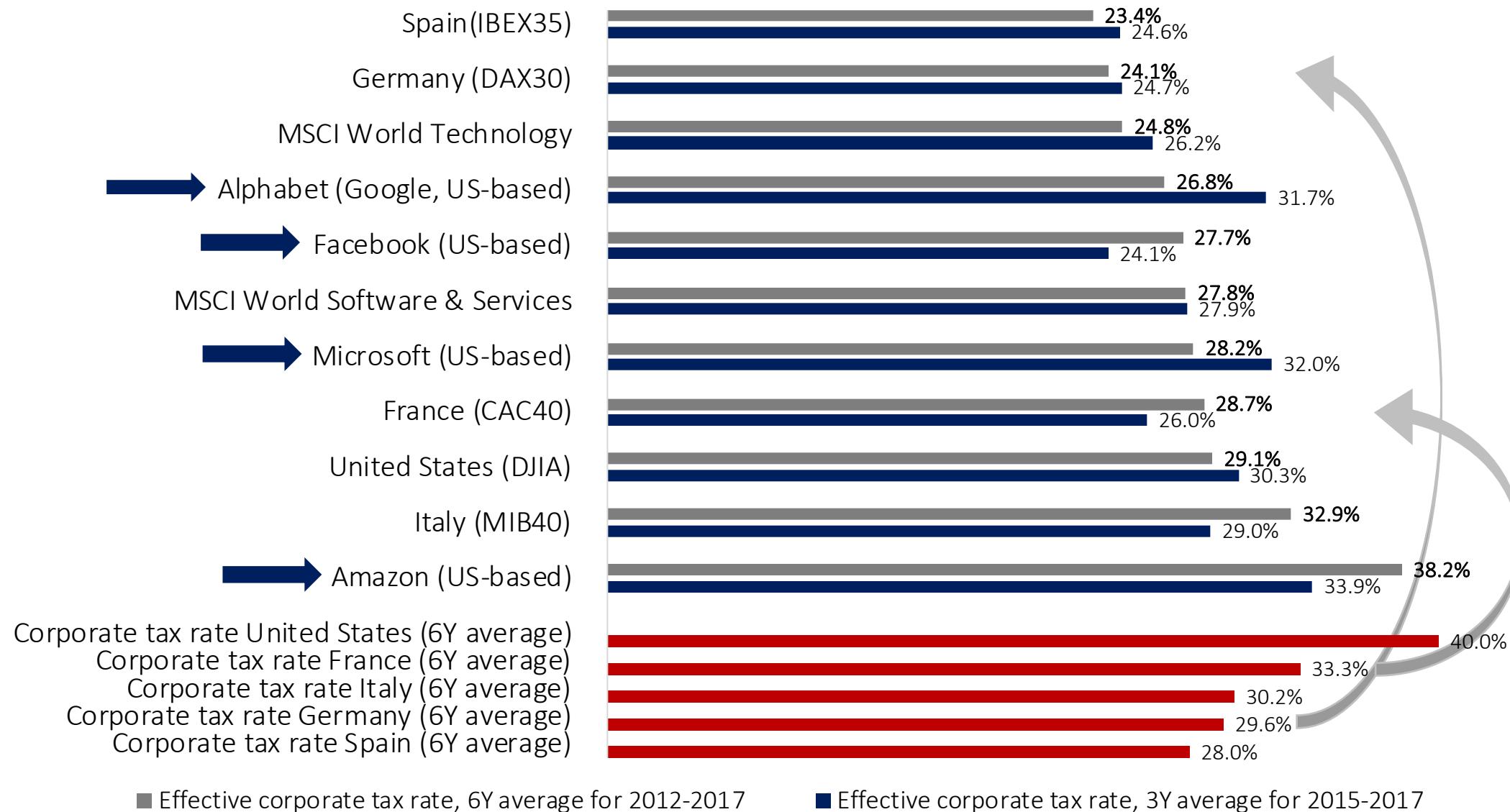
- “Failure to address these situations will lead to [...] **erosion of the social budgets**, and it will destabilise the level playing field for businesses.”
- “This puts at risk EU competitiveness, fair taxation and the sustainability of Member States’ budgets.”

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

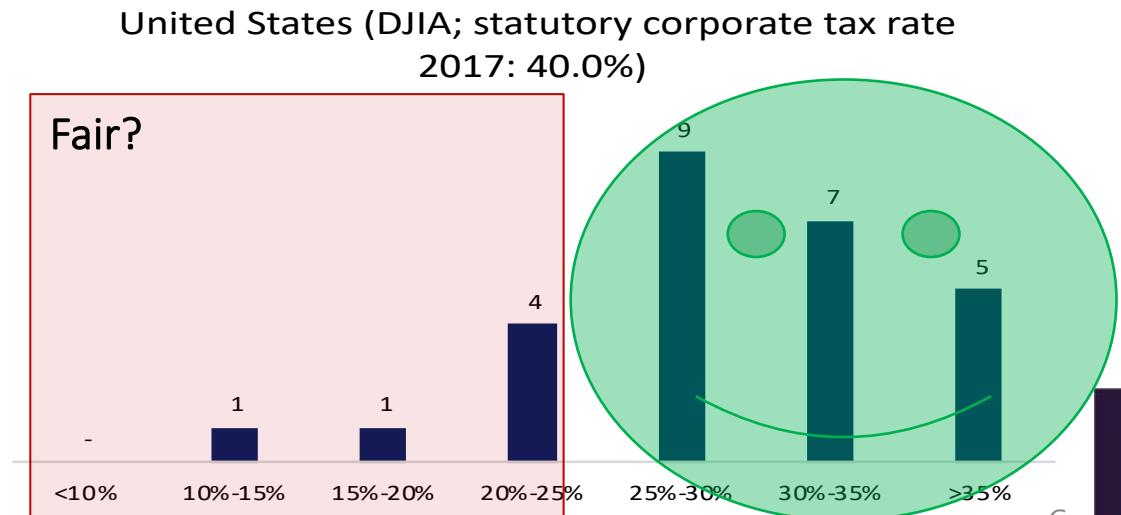
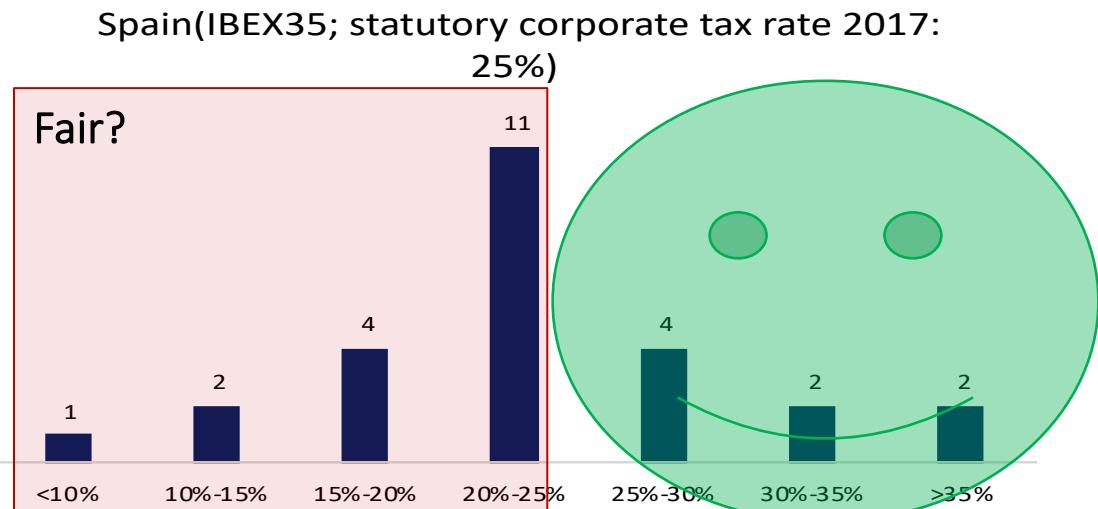
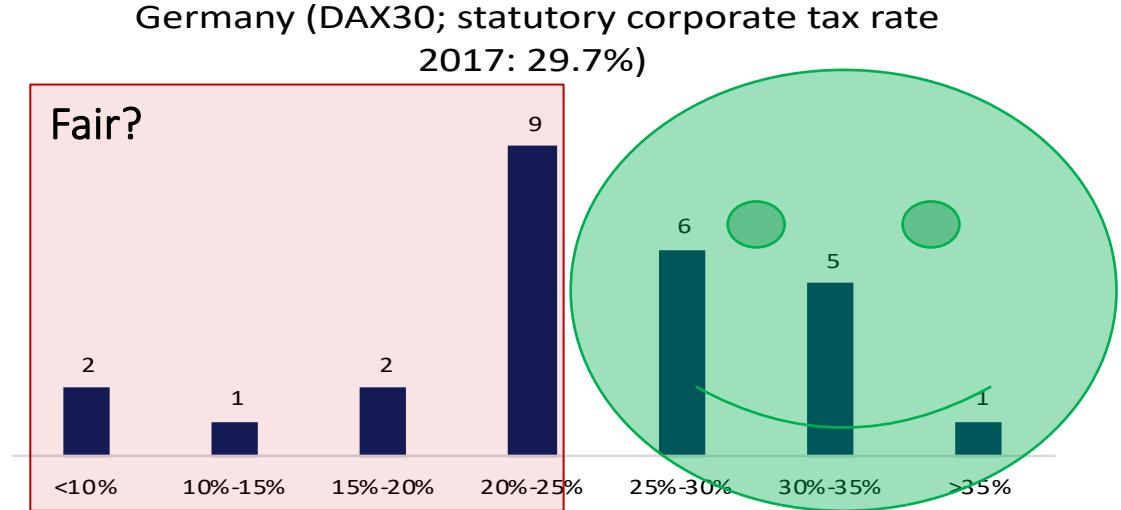
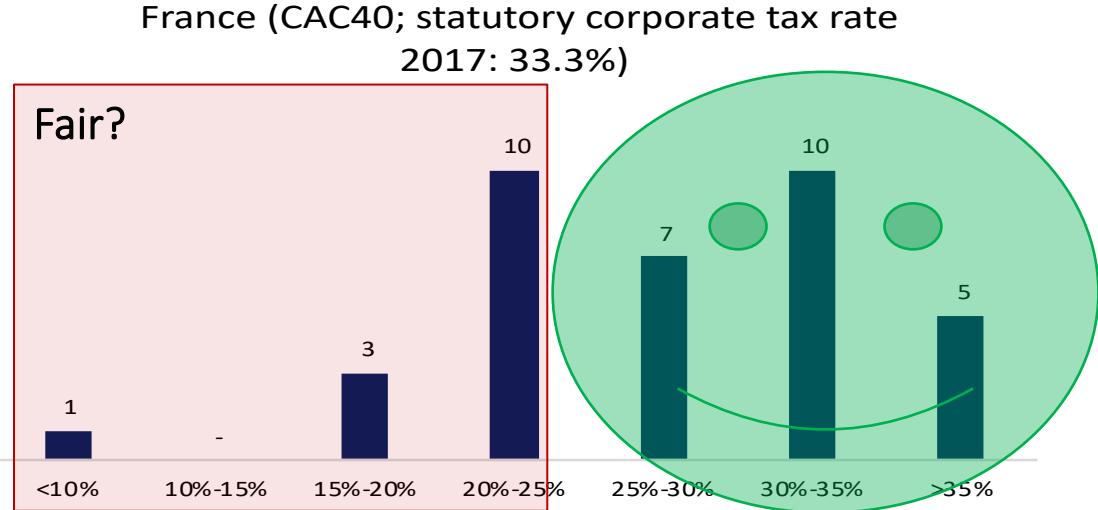
“The study **does not** calculate EATRs [Effective Average Corporate Tax Rates] using tax information for actual companies or sectors; more importantly, the **study cannot be used to compare the tax burdens of ‘digital’ and ‘traditional’ companies**. In interviews with Bloomberg, Law360, and Disco, Prof. 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)



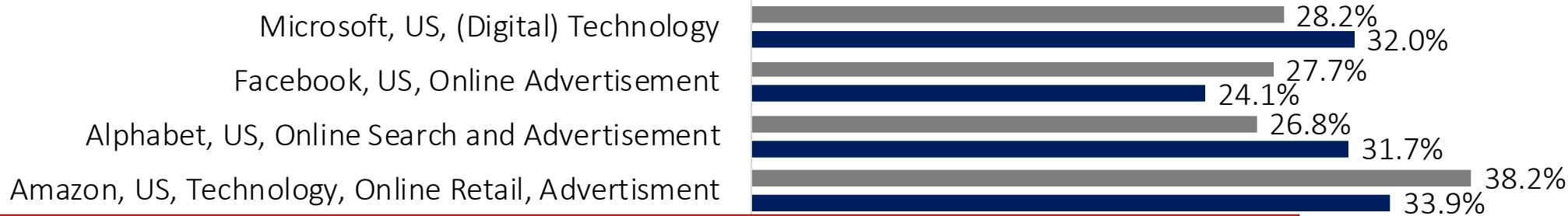
Effective tax rates, US-based digital corporations vs. average effective tax rates large EU-based companies



Fairness in the distribution of effective corporate tax rates



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

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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 & abolition 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