

Corporate Income Tax as a Genuine Own Resource

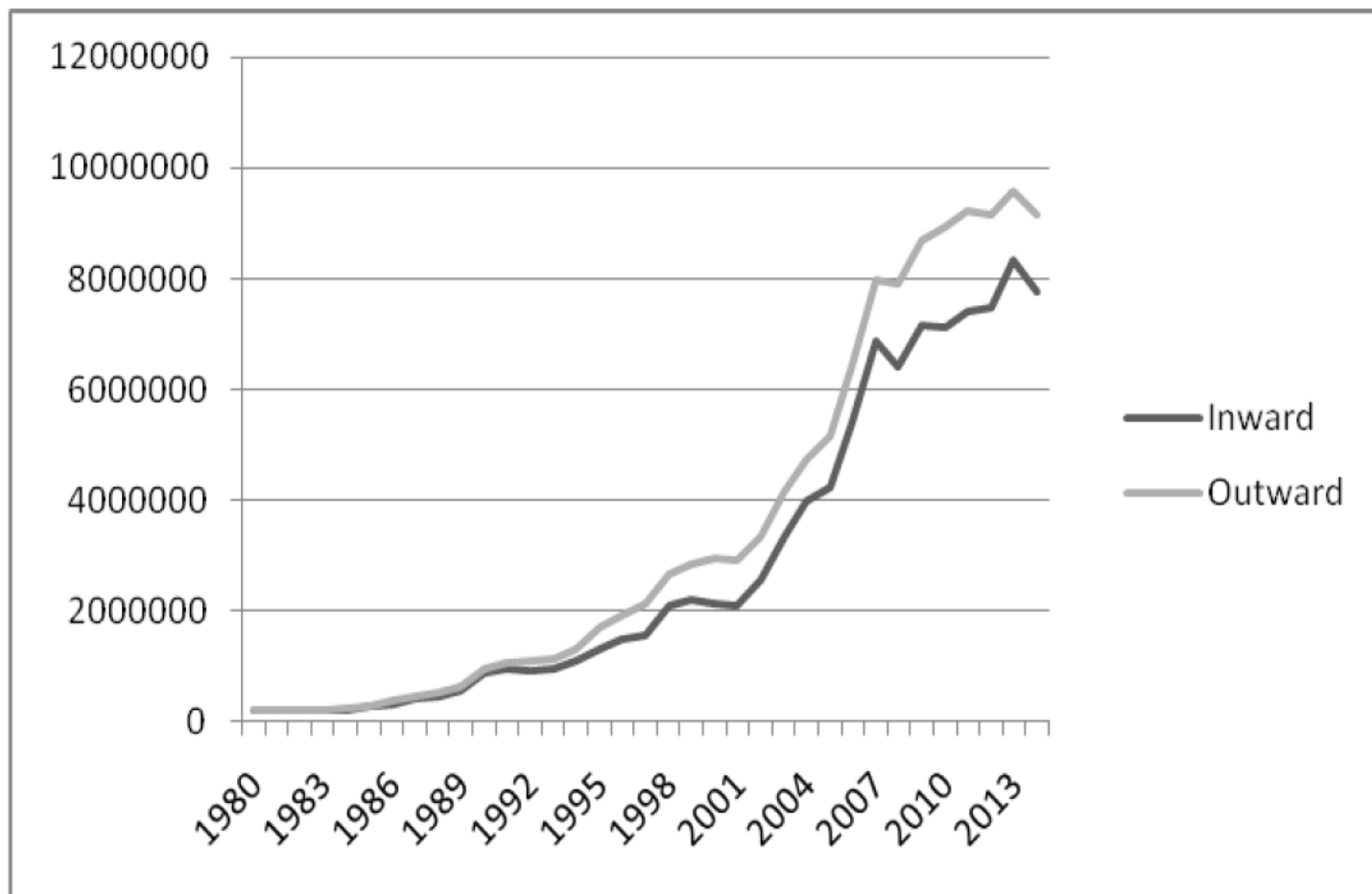
FABIEN CANDAU AND JACQUES LE CACHEUX
CATT/UPPA

1. TAX EVASION AND INEQUITY WITH CURRENT CIT

- ✓ Tax competition has been intensifying since the completion of the single market.
- ✓ More mobile tax bases are the main targets of tax competition : CIT is a major instrument of tax competition.
- ✓ Within the EU, tax competition has been fiercer than elsewhere: it is mostly an intra-EU phenomenon.

INCREASINGLY FOOTLOOSE TAX BASES

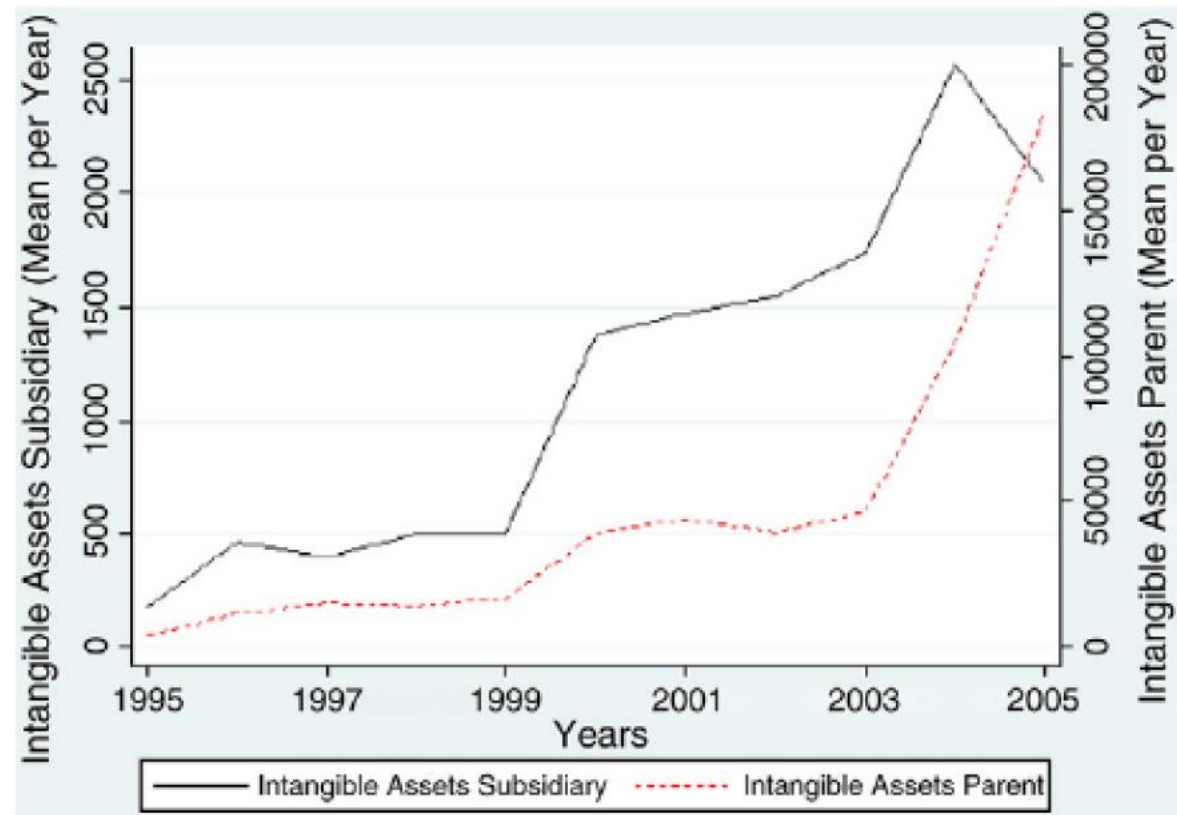
Figure 2: Foreign direct investment in EU-28: Inward and outward stock, annual, 1980-2014



Source: Based on UNCTAD (2015), US Dollars at current prices and current exchange rates in millions.

INTANGIBLE ASSETS ARE AN INCREASING SHARE

Figure 3: Intangibles assets in the EU-25



Source: Dischinger and Riedel (2011)

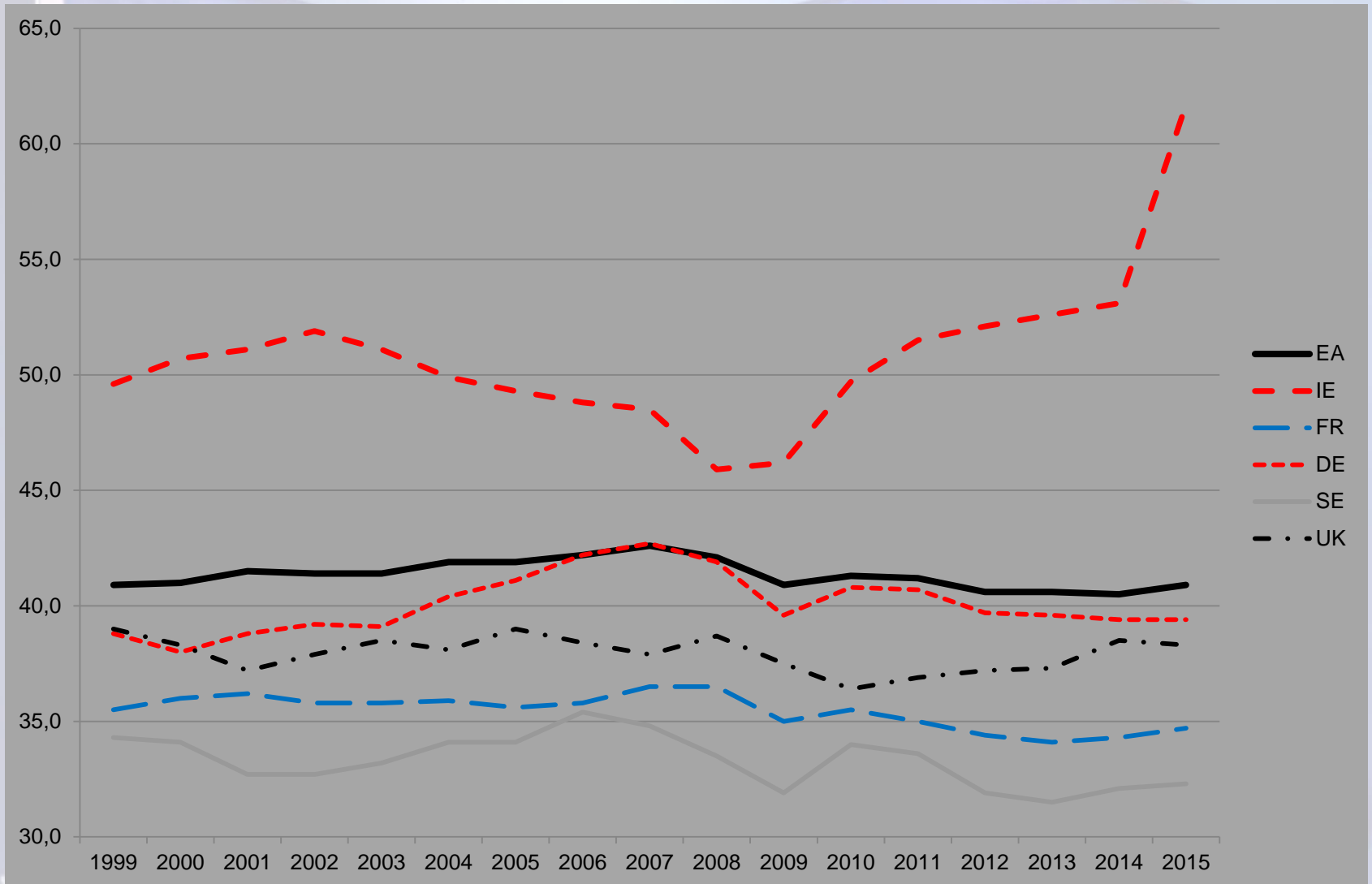
ALL COUNTRIES OFFER TAX ADVANTAGES TO IP

Table 2: IP Box regimes in place in Europe in 2014

| | Date of implementation | IP Box rate (%) | Main rate (%) |
|------------------------|------------------------|-----------------|---------------|
| Belgium | 2007 | 6.8 | 33.99 |
| Cyprus | 2012 | 2.5 | 12.5 |
| France | 2000 | 16.76 | 35.41 |
| Hungary | 2003 | 9.5 | 19 |
| Liechtenstein | 2011 | 2.5 | 12.5 |
| Luxembourg | 2008 | 5.84 | 29.22 |
| Malta | 2010 | 0 | 35 |
| Netherlands | 2007 | 5 | 25 |
| Portugal | 2014 | 15 | 30 |
| Spain | 2008 | 12 | 30 |
| Nidwalden, Switzerland | 2011 | 8.8 | 12.66 |
| United Kingdom | 2013 | 10 | 21 |

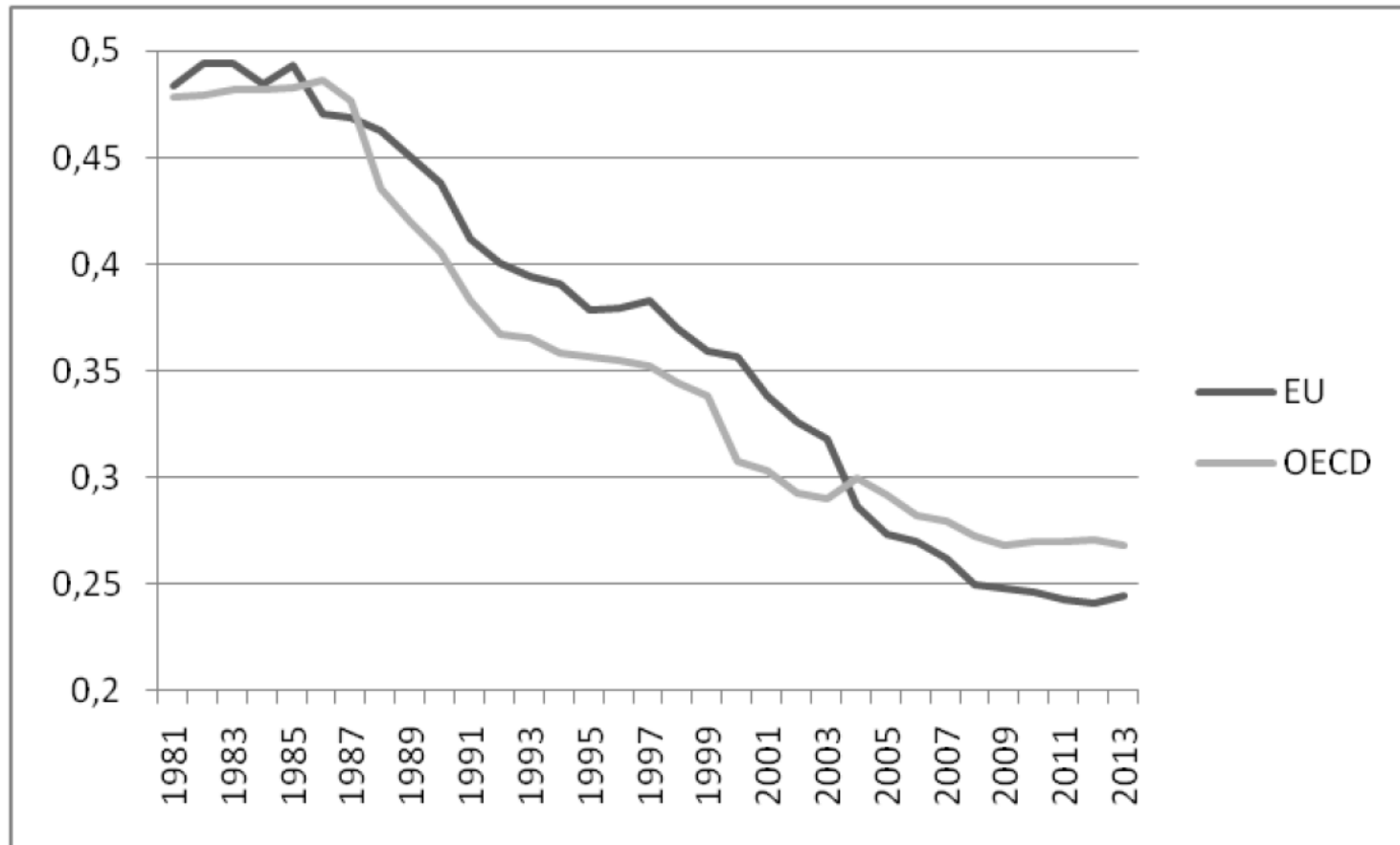
Source: Evers, Miller, Spengel (2015)

PROFIT SHIFTING ARTIFICIALLY INFLATES GDP IN SOME SMALL COUNTRIES

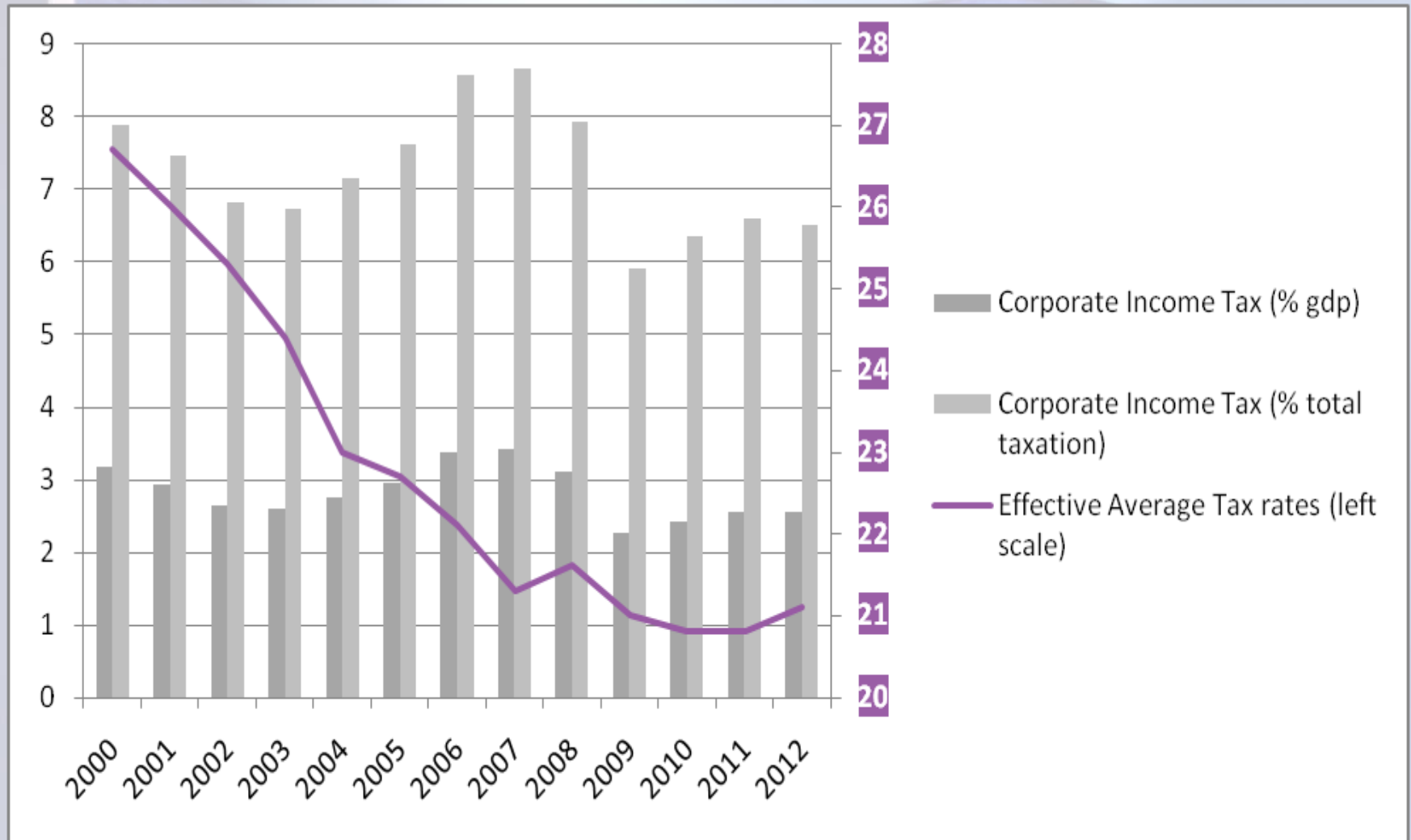


CIT TAX COMPETITION WITHIN THE EU

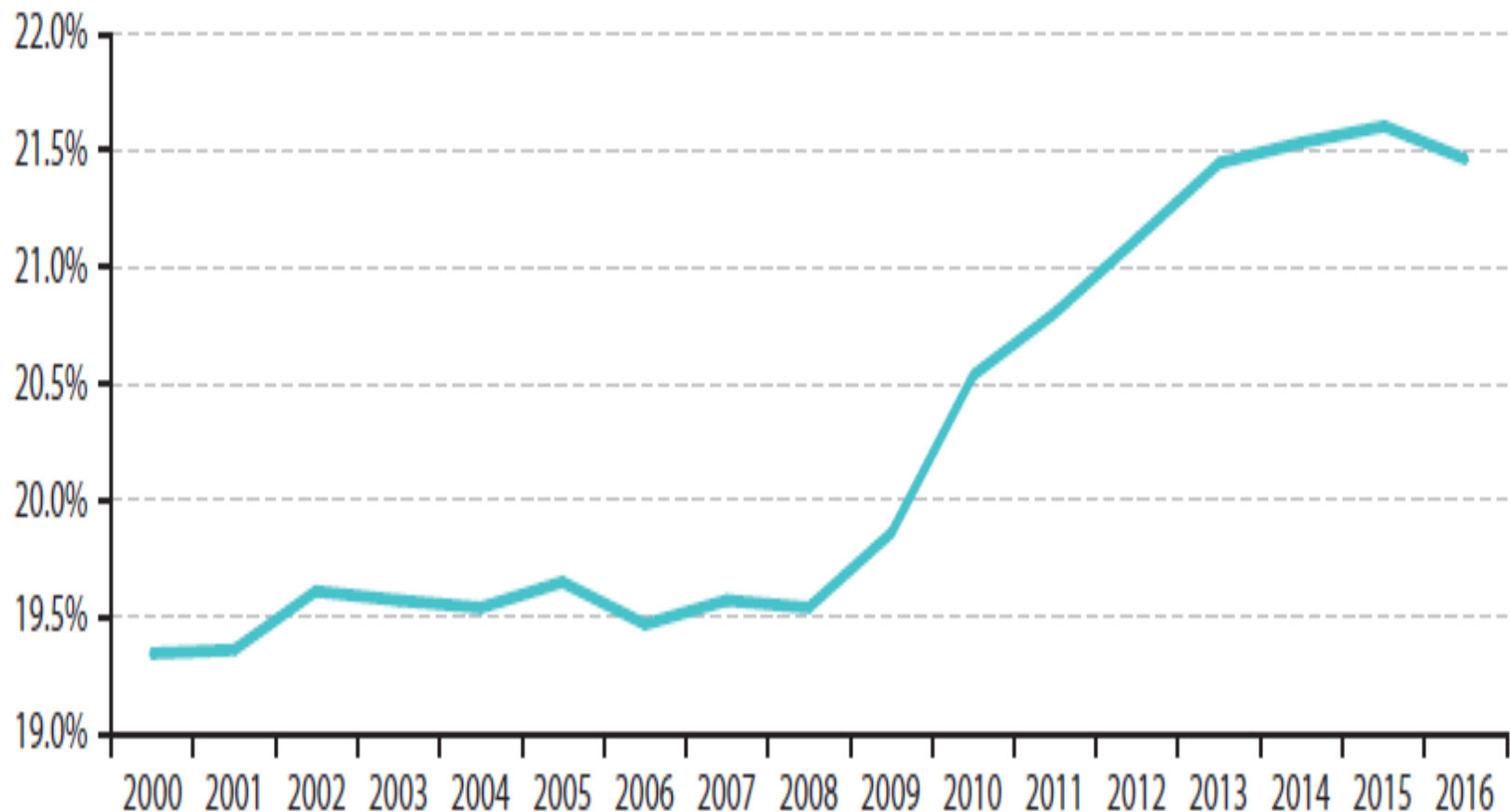
Figure 5: Statutory Corporate Income Tax Rates, 1981-2013



SHRINKING CIT IN THE EU



INCREASING TAX PRESSURE ON CONSUMPTION IN THE EU



Source: DG Taxation and Customs Union

... AND ON LABOR IN THE EU

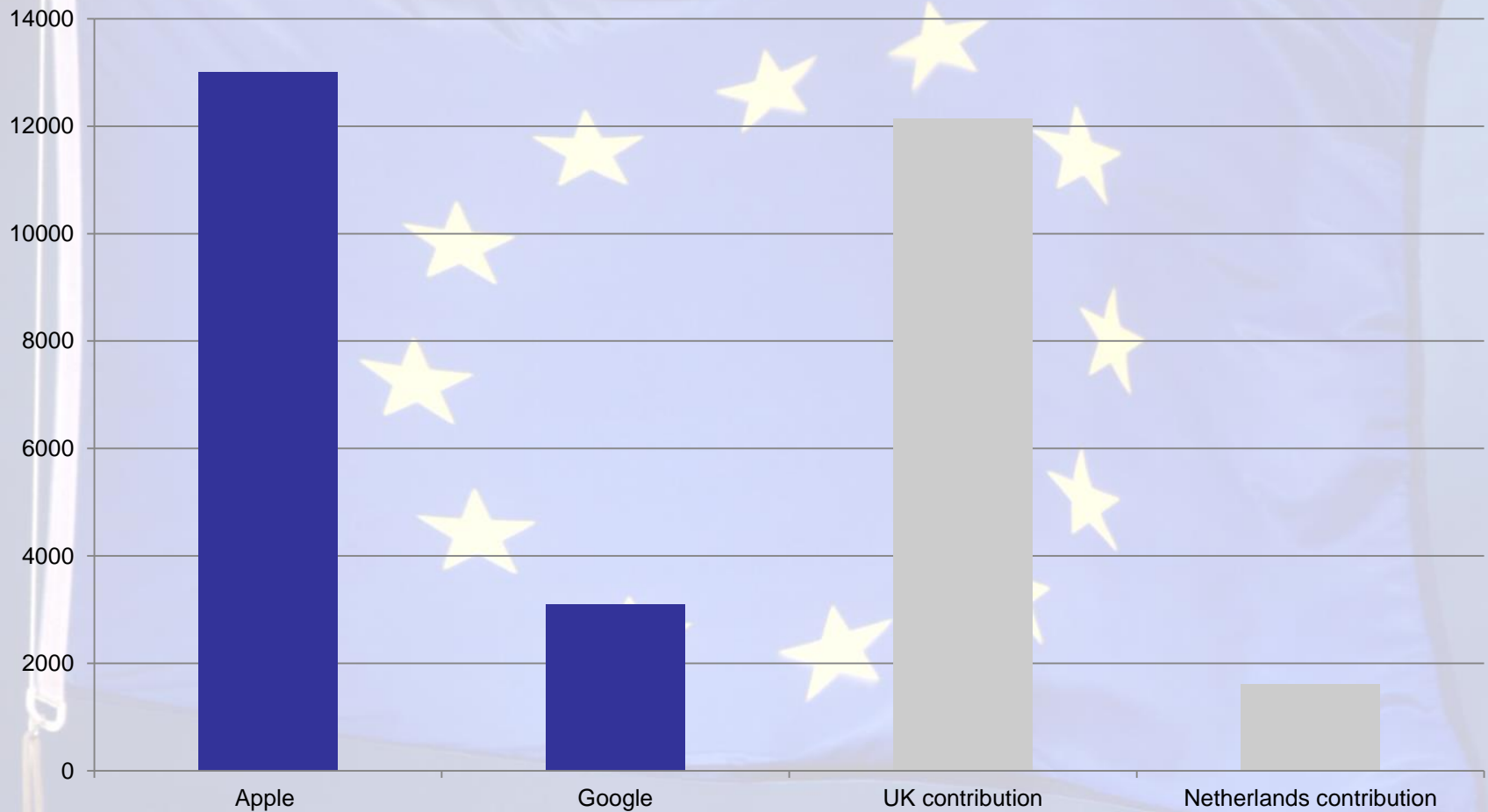


Source: Commission services and OECD

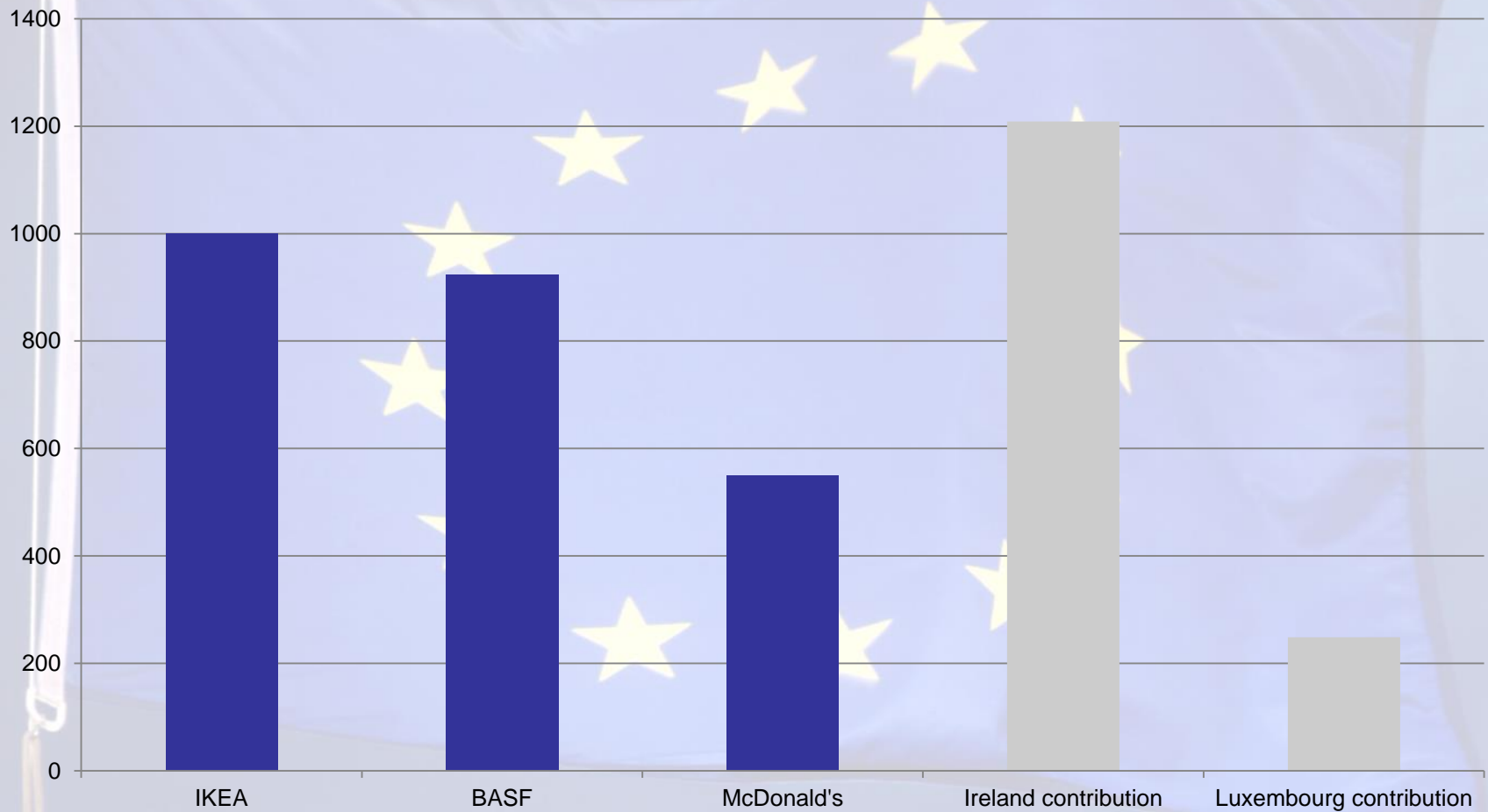
2. MNFs CAN AVOID TAXES: EXAMPLES

- ✓ Under current tax systems, MNFs pay little CIT, especially in those countries where they have the bulk of the sales and profits.
- ✓ SMEs pay a disproportionate share of CIT revenues : inequitable.
- ✓ High costs of not harmonizing :
 - Revenue losses for states.
 - High tax burden on SMEs.
 - Meaningless national accounts.

2. MNFs CAN AVOID TAXES: EXAMPLES



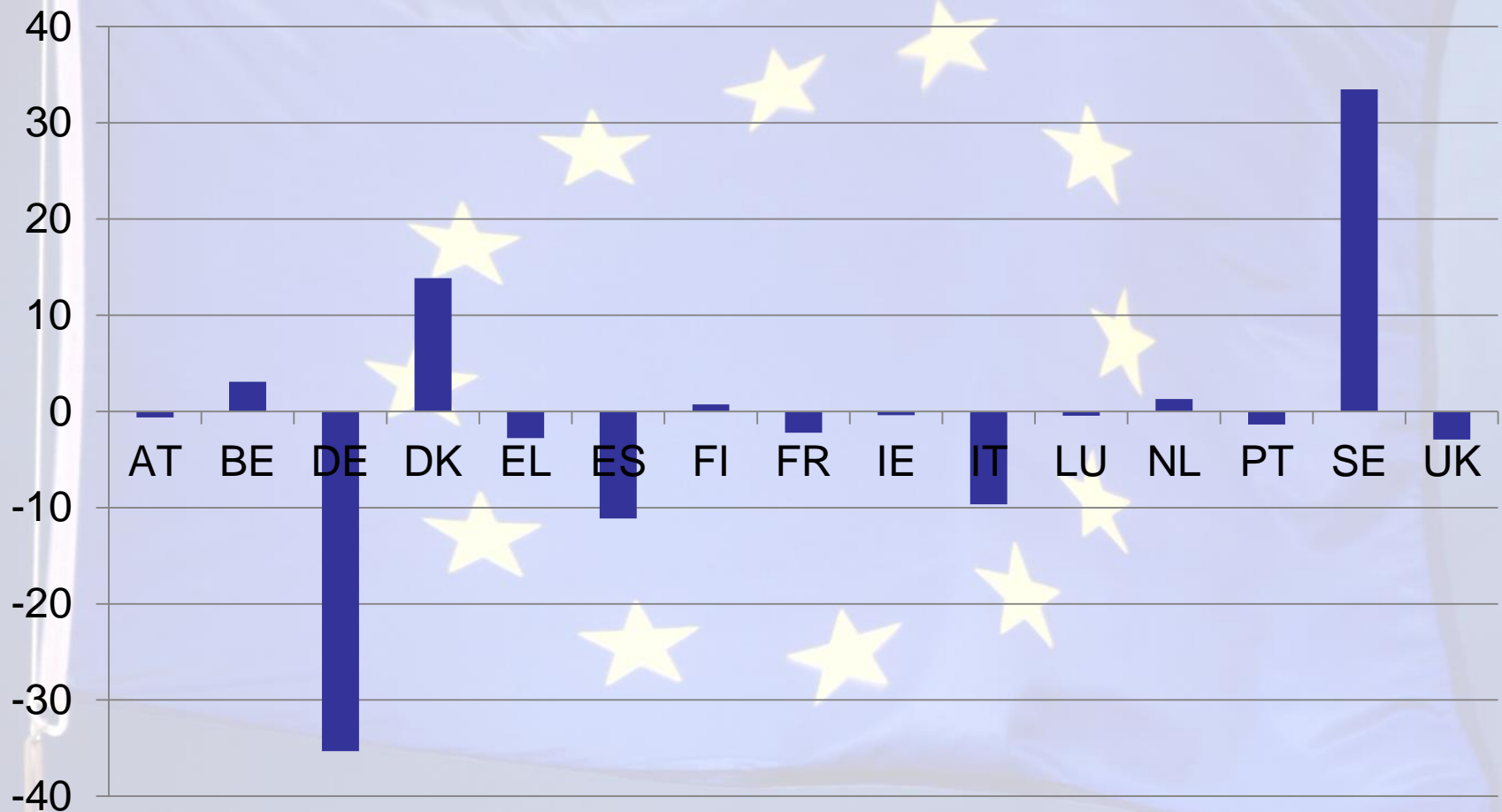
2. MNFs CAN AVOID TAXES: EXAMPLES



3. ESTIMATES OF REVENUE LOSSES FROM TAX AVOIDANCE: SCENARIOS



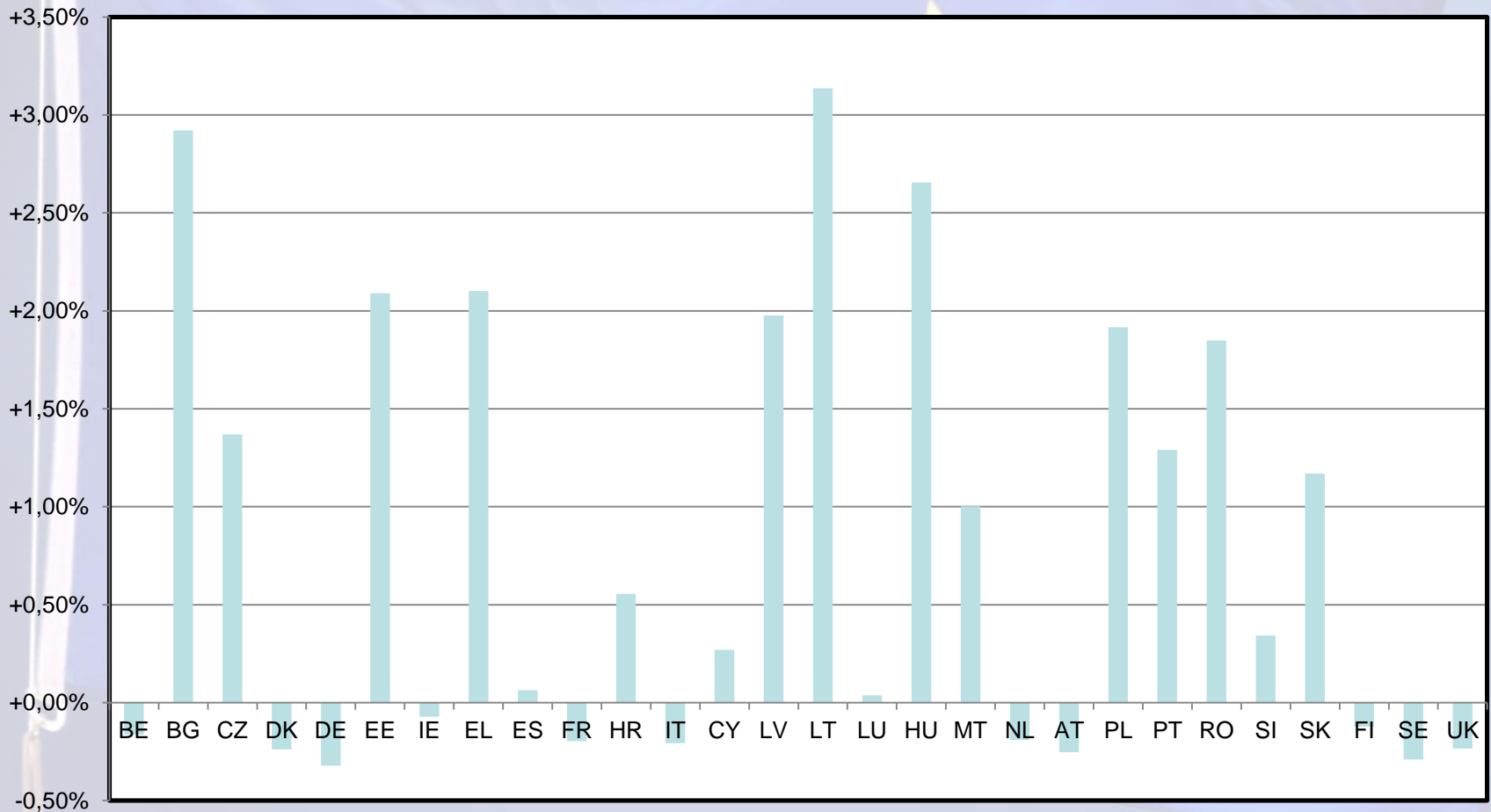
3. ESTIMATES OF REVENUE LOSSES FROM TAX AVOIDANCE : SCENARIOS



4. THE CURRENT FINANCING OF THE EU BUDGET

- ✓ Less and less adequate.
- ✓ The “juste retour” reasoning is blocking all changes and impeding new policies.
- ✓ Link with the work done for the HLGOR.

4. NET BALANCES AS A % OF GNI (2017)



Source: EU Commission

5. A EUROPEAN CIT WOULD REDISTRIBUTE TAX BURDENS, NOT INCREASE THEM

- ✓ Better taxation of intangible assets.
- ✓ Fairer distribution of tax burdens.
- ✓ The US example.
- ✓ Is the CCTB the right tool?