



# Platform for Tax Good Governance

## Competitiveness and Tax Competition

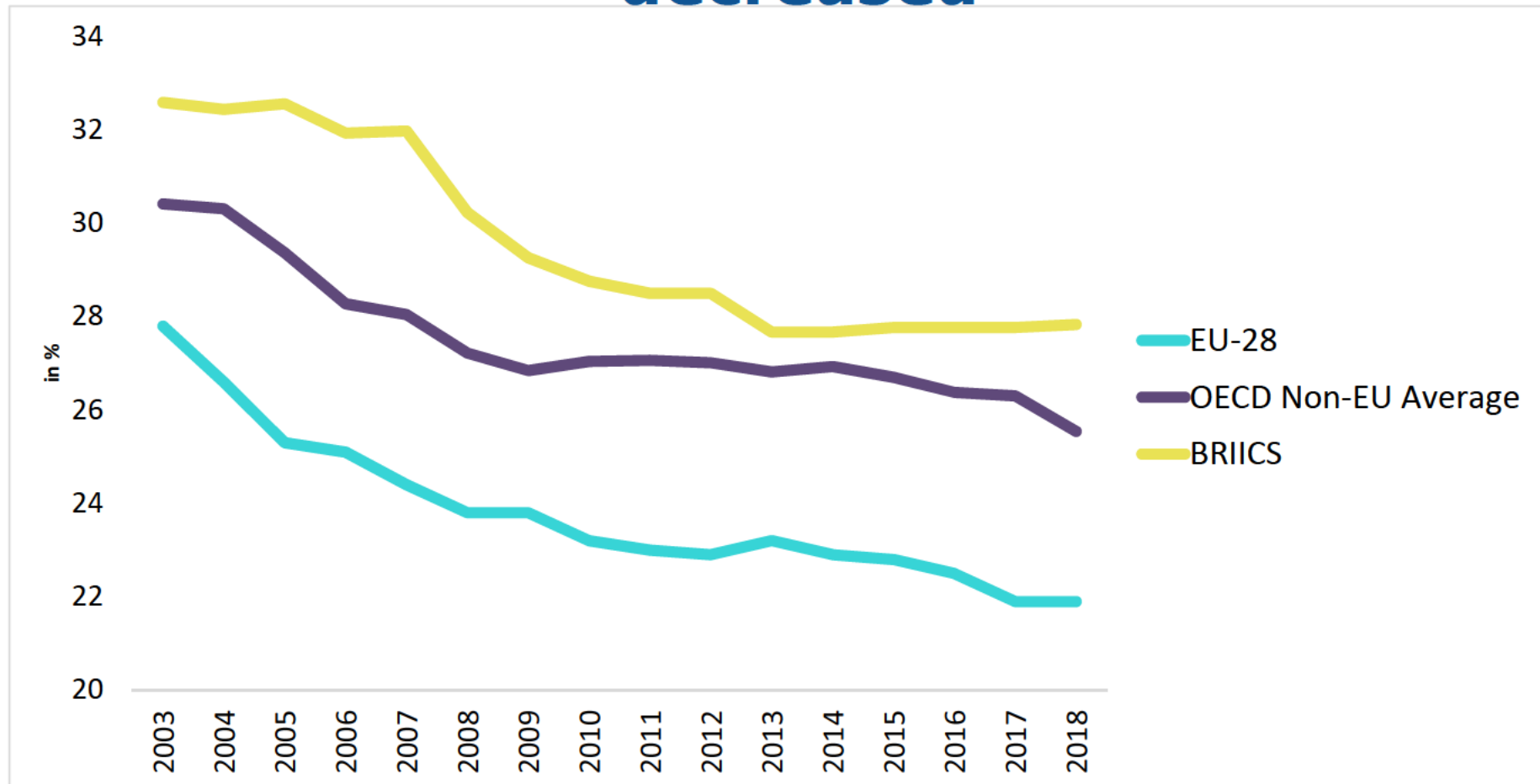
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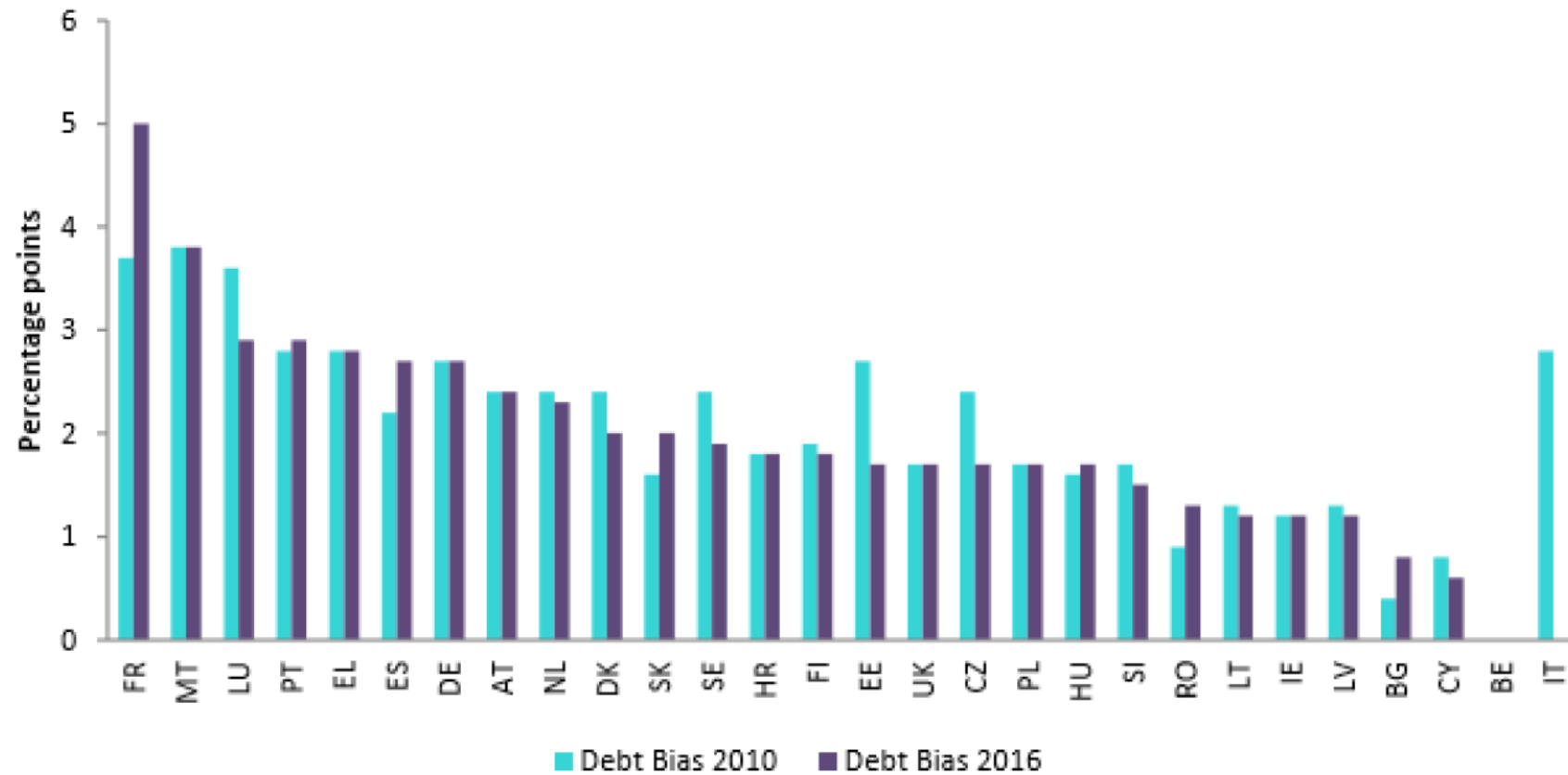
# ***Tax Policies in the European Union, 2017 Survey***

New edition foreseen for November

# Corporate income tax rates have steadily decreased

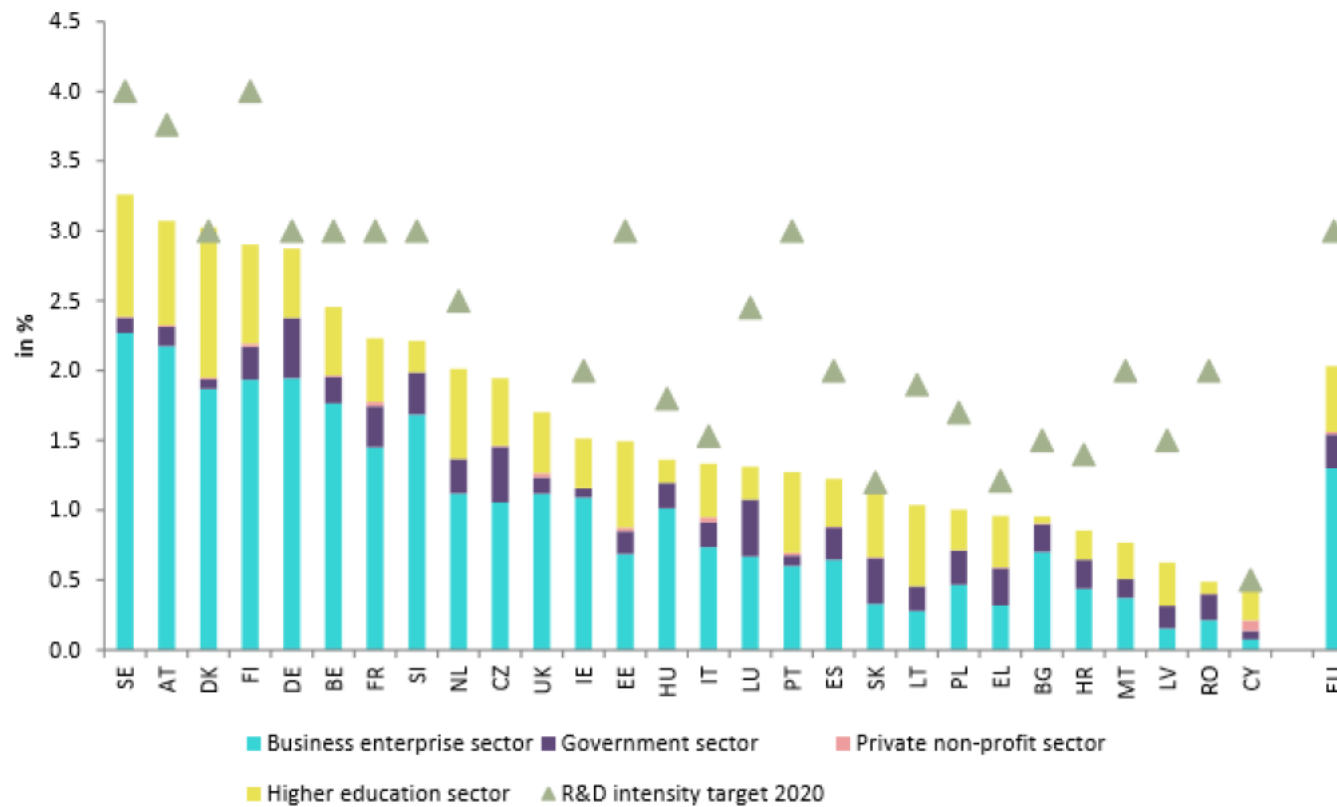


# The Debt-Equity Bias in Corporate Financing in EU Member States

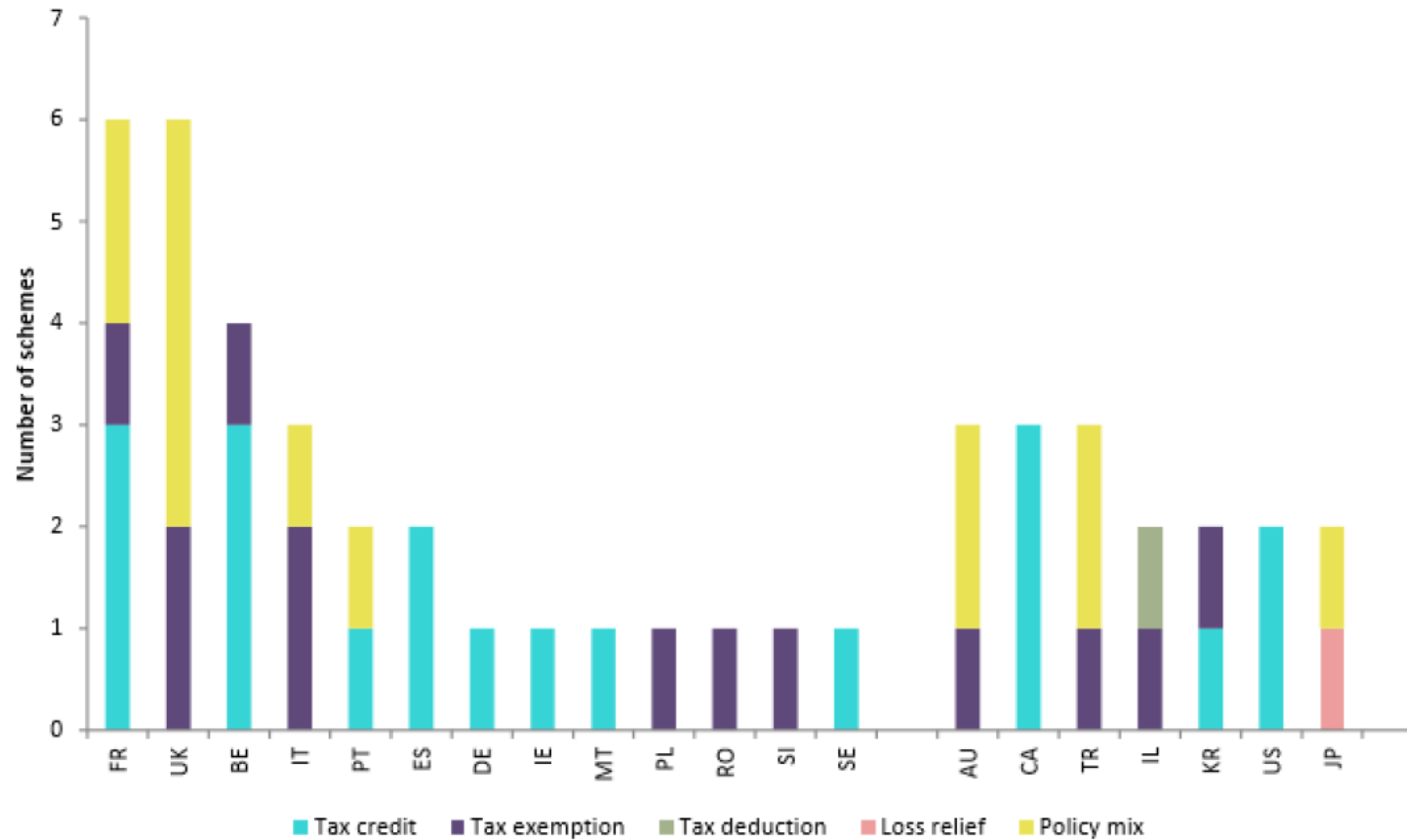


# R&D intensities by sector, 2015 and R&D Intensity Targets for 2020

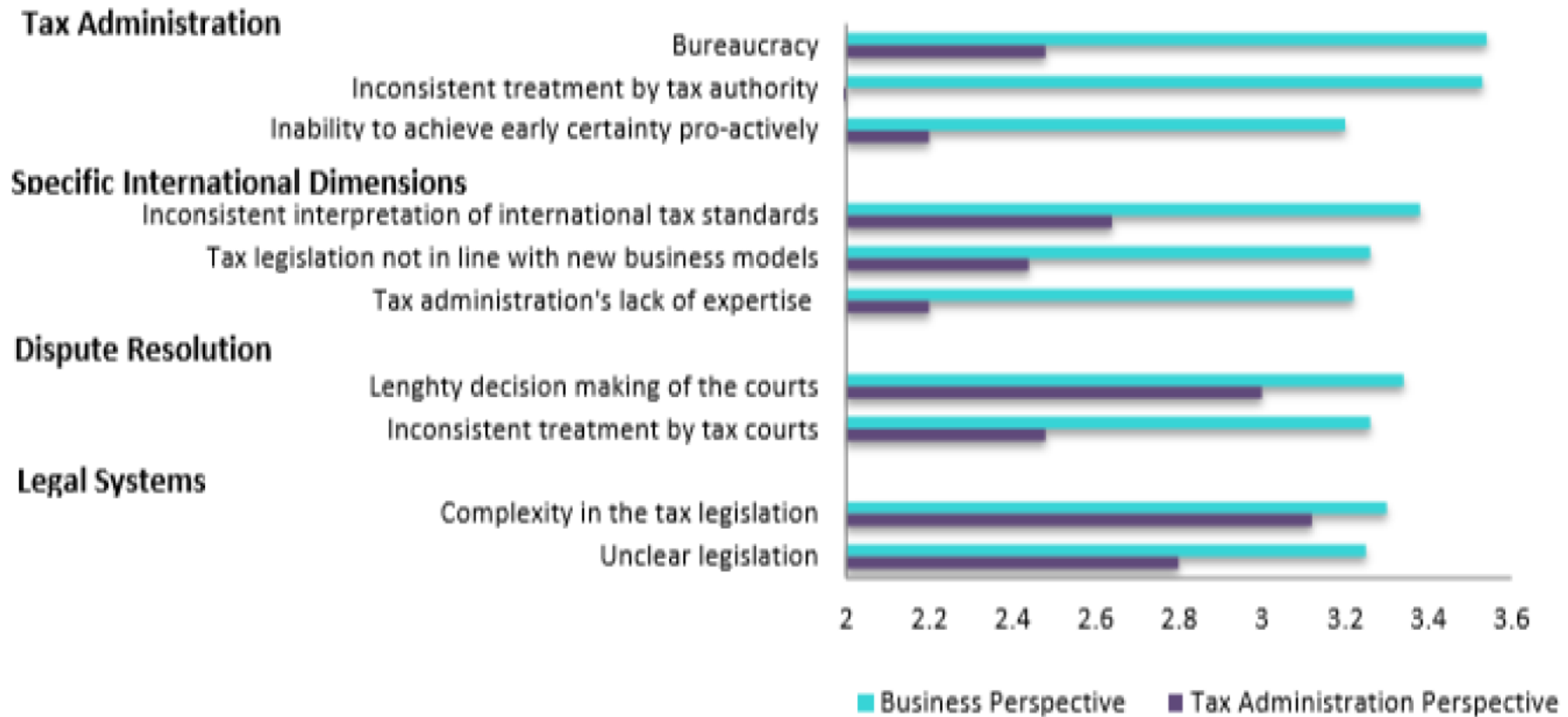
**Graph 2.4:** R&D intensities by sector, 2015<sup>(1)</sup> and R&D intensity targets for 2020



## Number of VC&BA Tax Incentives offered by EU Member States and outside of Europe, 2016

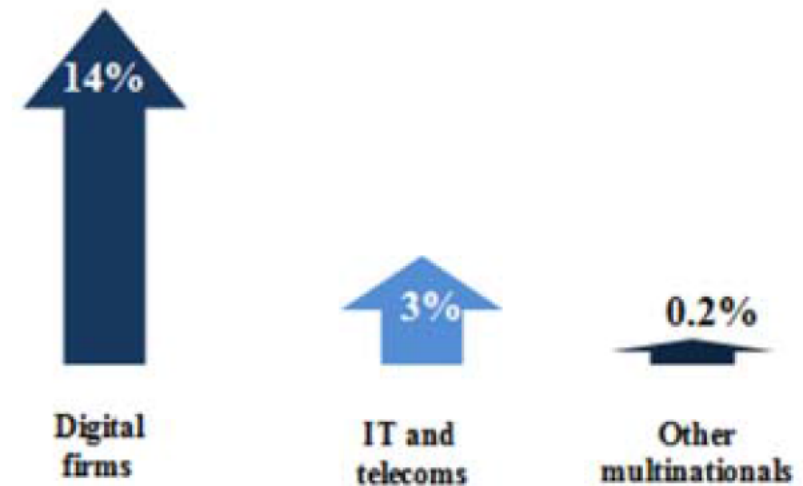


# Main sources of tax uncertainty



# Changing Times

Average annual revenue growth







## International Developments

- The long-term trend of **falling statutory corporate income tax rates** looks set to **continue**.
- Rates don't give the whole picture of global tax competition, e.g. **strengthening of tax incentives (e.g. Japan), special international provisions (e.g. US),** and **patent boxes**.
- Several countries have also introduced **anti-avoidance rules**.



## Why does competitiveness matter?

- **Increasing productivity** is essential to improving **living standards**.
- To do this, we need **businesses to invest and create jobs**.
- Important source of **tax revenues** for public services.
- **Long term welfare of EU citizens** is at risk if we do not provide a supportive and attractive environment for business to thrive.

## How would you define a competitive tax system?

1. Is it a system that **attracts investments**?
2. Is it a system that **promotes local private sector growth** by fostering investments, innovation and entrepreneurship?
3. Is it a system that **ensures the full benefits of competition** by creating a level playing field?
4. Anything else?



# Improving Competitiveness

What elements to focus on?

- **Reduce complexities** and **distortions** in the tax system.
- **Boost productivity** through well-designed R&D tax policies.
- **Support entrepreneurship and young innovative companies** through tax incentives.
- **Create a level-playing field** for businesses to foster competition.
- **Modernise the tax administration** to reduce compliance costs.
- **Offering low rates? Or rather a narrow base?**
- ...



# Tax Competition and Social Welfare

What are possible pros and cons of tax competition between countries?

- Does the absence of tax competition lead to excessive taxation?
- Or is it rather that in the long-term tax competition leads to lower public revenue?
- If yes, would this lead to an **undersupply of public goods** (e.g. schools, roads, digital infrastructure, redistributive policies)?
- Or rather tilt the choice of the tax mix with a higher burden borne by the **immobile production factor** (e.g. workers).
- Could it distort the allocation of capital between **countries of different size** (e.g. small vs large)?



# What can be done at MS level? How can single market improvements help?

- Many measures can be implemented **at MS level**.
- Tailored to the specific needs of the local economy (and more flexible over time)
- Is it sustainable to keep reducing rates (even if increasing the base)? Is it good tax policy?
- **At EU level:** Reducing cross-border tax barriers and compliance costs through coordinated policies/actions: e.g. one-stop shop
- Compared to other large economies, e.g. China or the US, multinationals in the EU have to deal with a variety of different tax systems. Is it a disadvantage?



**slido**

Taxation and  
Customs Union