TAXUD D1 CONSULTATION DNT

From: Prof. Dr. Lorenz JARASS <mail@jarass.com>
Sent: 07 March 2012 13:59
To: TAXUD D1 CONSULTATION DNT
Subject: Tackling double non-taxation for fairer and more robust tax systems
Attachments: EC tax review, v3.1, published - tax on EBIT instead on profit.pdf

Dear Madame, dear Sir,

Tackling double non-taxation for fairer and more robust tax systems is very important.

(1) Please find enclosed a paper on Tax on earnings before interest and taxes instead of profit - fair, simple and competitive: a conceivable initiative of
EU Member States for a common consolidated corporate tax base. The paper is also available at
http://www.jarass.com/Steuer/B/EC%20tax%20review,%20tax%20on%20EBIT%20instead%20on%20profit.pdf

(2) Our proposal would systematically tax all income once and only once. Double as well as non taxation would be systematically avoided:

(2a) Taxing earnings before interest (EBIT) instead of profit would tax the results of all economic activities (profit, interest paid and royalties paid) in the state of production, irrespective of the tax residence of the enterprise, its parent company or the beneficiaries. This would be justifiable, as it is this state that requires the revenue to develop and maintain an infrastructure, from education to traffic systems and from water supplies to public security and a fair legal system that are the necessary prerequisites for all economic activities in a country.

(2b) A tax on earnings before interest (EBIT) instead instead of profit would make the tax system fairer with lower compliance cost thereby increasing the competitiveness of EU economy. The broadening of the tax base would allow a reduction of statutory tax rates without loss of revenue. This is in accordance with the guiding EU principles for the proposed consolidated common corporation tax base: uniformity and simplification and the new tax base should be broad rather than
narrow.

Best regards

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