



Federation of European Accountants
Fédération des Experts comptables Européens

FEE Tax Day

Simple, fair, coordinated –
tax Utopia in the EU?

1 October 2009



Can Taxation Be Reformed in Europe? Professional perspective

Friedrich Roedler,
PwC PricewaterhouseCoopers

2000: Remember ?

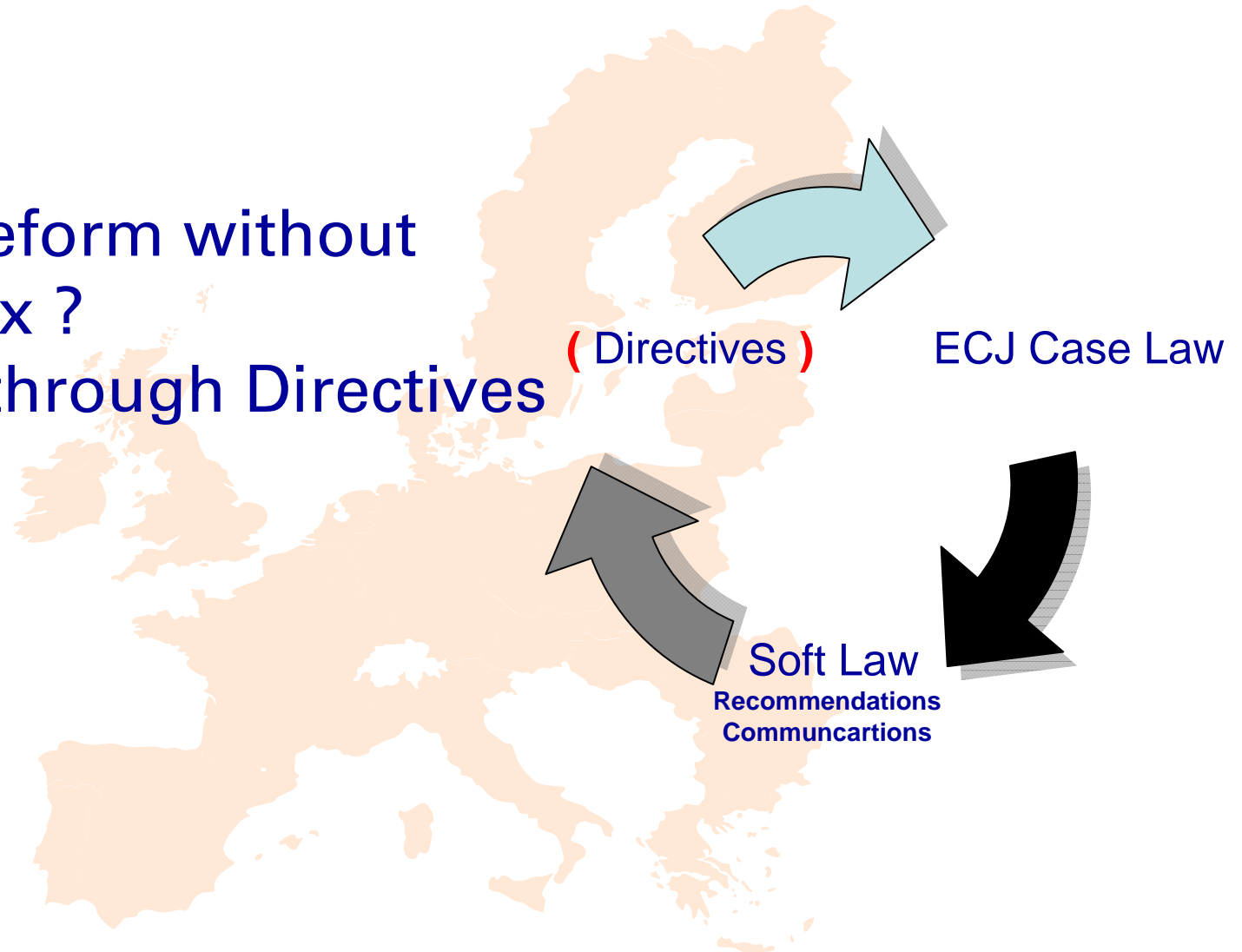
The Lisbon Agenda



..... EU 'to be the most competitive economic zone in world by 2010'

Creation of the (direct tax) internal market?

- EU tax reform without an EU tax ?
- Reform through Directives unlikely



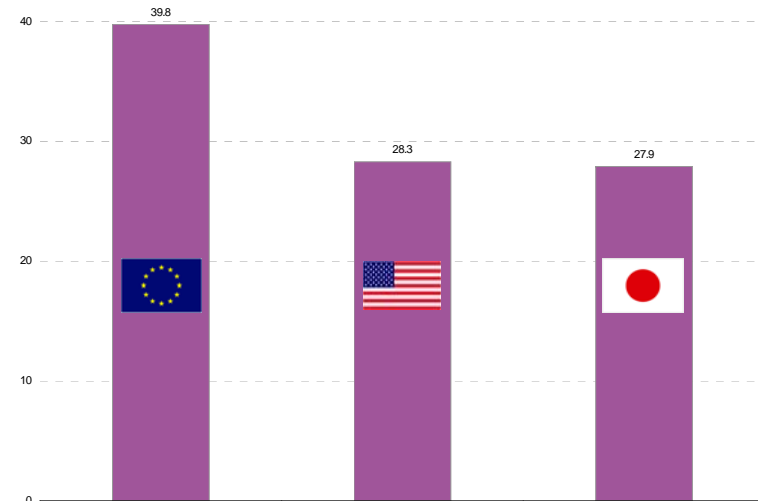
EU is a High Tax Area

..... but significant differences between MS as to:

- level of taxation
- types of taxes
- tax base / tax rates
- compliance requirements



- conflicting taxing rights
- distortive effect of corporate tax regimes
- risk of violating EU law ?



CCCTB – dead or alive ?



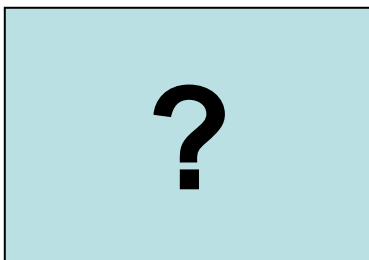
„.....our firm date to come forward with a proposal for a Directive on CCCTB is September 2008“

(Commissioner Kovacs in October 2007)



.....I would rather present a perfectly elaborated product at the appropriate time than present an incomplete one just to meet an artificial deadline”

(Commissioner Kovacs on August 31, 2008)



..... ???????

(Commissioner xxxxx on, 2010)



EU tax harmonisation: farther away than ever?

- “Tax sovereignty” to stay for ever ?
- Impact of Lisbon Treaty
- Economies of some Member States are picking up, where others stay behind
- Are Member States going to agree on how to deal with their budget deficits in an EU tax harmonisation initiative?



MS Reaction to Economic Crisis

- Tax Incentives / Tax Competition
- Defensive measures to protect tax base
 - ↪ Transfer pricing
 - ↪ Thin cap rules
 - ↪ Exit taxation
 - ↪ Anti-abuse legislation
 - ↪ Exchange of information
- Anti-Tax Haven Initiative (G-20, OECD)
 - ↪ Is this the right focus ?
 - ↪ Tax planning – tax avoidance – tax evasion



Major challenges for the Single Market in the current crisis

Impact on Companies:

- Need to restructure → exit taxation & transfer pricing
- Manage cash taxes → loss utilization: does the Single Market help?
- Aggressive tax administrations → compliance & documentation requirements
- Rescue / stimulus packages → companies must behave as “good citizens”



State aid - is the European Commission still in control?

- Crisis measures (e.g. banks, automotive sector) stretching State aid rules to the maximum
- Lenient application of tax rules by national tax administrations in the current crisis?
- Commission approved Dutch “Interest Box”:
Tax advantage caused by non-harmonized EU tax laws no state aid !

Avoiding Double Taxation

- Overlapping tax jurisdiction within EU
 - ↪ uncertainty & complexity & risk of double taxation
- No proper EU instruments to eliminate DT
 - ↪ Is DT compatible with EU law ?
 - ↪ What means removal of Art 293 from Lisbon treaty ?
 - ↪ ECJ seems to accept DT (Block, Gilly, Kerckhaert-Morres, ...)
- **Avoiding DT** must be primary goal of any tax reform in EU !
 - ↪ Which state has primary obligation to avoid DT (residence vs source) ?

Trends in International Tax

- **Global business – local tax ?**
 - ↪ Traditional concepts are in discussion, e.g.:
 - Arm's-length principle
 - Definition of p/e
 - Arbitration clause in DTCs
- **Increased on-shore tax competition**
 - ↪ Reduced tax rates
 - ↪ Innovative tax incentives, e.g.
 - NL: interest box
 - B: notional interest deduction
- **Exemption vs credit system**



“EU Tax Science Fiction”

- “Enhanced Cooperation” by 8+ MS ?
- Convergence of tax bases through “Soft Law” Recommendations, Communications, IFRS ?
- CCTB ?; Home State Taxation ??
- Multilateral Tax Treaties / EU Model Convention ?
- Expand scope of arbitration in DTCs to avoid all forms of double taxation ?

Can Taxation be Reformed in Europe ?

Reality in direct taxation





Can Taxation be Reformed in Europe ?

Not “if ?”

but

“How ?” / “When ?”



Federation of European Accountants *Visit us @ www.fee.be*



- 43 professional institutes of accountants
- 32 European countries, including all 27 EU