etui.

EDITORIAL

Transfer
16(1) 3–9

DOI: 10.1177/1024258909357695
trs.sagepub.com
SAGE

Taxation accounted for just under 40% of GDP across the 27 EU Member States in 2007.[1] The structure of national tax systems vary greatly, but are dominated by three main categories of tax – taxes on production and imports, such as VAT, excise duties and the growing introduction of carbon taxes; taxes on incomes and wealth, such as income and wealth taxes; and social contributions. Revenues are divided almost equally between these three categories. There is also the growing modern phenomenon of 'stealth taxes', such as environmental charges, water charges, etc., to compensate for reductions in direct taxation in many Member States.

The coordination of these national taxation systems is the subject of a growing debate at the EU level, with the European Commission, some members of the European Parliament and a number of influential Member States pushing for greater coordination of the tax base, while other Member States are totally opposed. Tax coordination is an issue which is 'on the table' and will be a contentious point of difference between Member State governments into the future. It is also a topic on which the European trade union movement should have a policy position. A first move was made recently by the ETUC to formulate such a policy (see the article by Ludo Vekemans, in this issue). This issue of *Transfer* is a contribution to this trade union debate. In his article Christophe Quintard provides one trade union view on what such a policy should be, arguing strongly that there are compelling reasons for having greater tax coordination and for an extension of the tax base to include a tax on financial transactions.

Each Member State has developed its own taxation code and rates, over time, to meet its particular social, economic and fiscal needs. In the older Member States this development took decades, while in the former centrally planned economies of central and eastern Europe taxation systems had to be developed in a short few years to facilitate the transition to the market economy during the 1990s. Zoltán Pitti and Magdolna Sass set out in their article how the new democratic governments approached this challenge in a number of the new Member States.

With these different historical developments any coordination is going to be complex and is further complicated by the articles on taxation in the EU Treaties. For example, the Lisbon Treaty in line with the earlier Treaties provides 'the Council shall, acting unanimously in accordance with a special legislative procedure, ... adopt provisions for the harmonisation of legislation concerning turnover tax, excise duties and other forms of indirect taxation to the extent that such harmonisation is necessary to ensure the establishment and the functioning of the internal market and to avoid distortion of competition'. The Lisbon Treaty also prohibits tax discrimination that would directly or indirectly give an advantage to national (local) products and services over products and services from other Member States, as well as allowing for the harmonisation of indirect taxes.

1 *Taxation Trends in the European Union*, Office for Official Publications of the European Communities, Luxembourg (2009).

In fact, various rates of turnover tax were harmonised as early as 1977, and this was updated by the 2003 VAT Directive. So already, unanimity has been reached with regard to the range of rates allowed for VAT, the coordination of excise duties on tobacco products and the decision to widen the scope of the minimum rates of energy taxation. The Commission also published a Green Paper in March 2008 to launch the debate on the use of taxation measures to support the EU goals on the environment and climate change.

While much progress has been made in coordination and, in some cases, harmonisation, the current debate is focused on the wide differences in corporate taxation across the Member States. The European Commission argues that it was intended that the Lisbon strategy play a key role in improving the competitiveness, growth and job creation of the EU. Eliminating tax obstacles, such as compliance costs for cross-border operations and transfer pricing within the internal market and avoiding double taxation situations, can contribute to achieving the Lisbon goals. László Kovács, Commissioner for Taxation, had intended to introduce draft legislation to harmonise corporate tax, under the 'enhanced cooperation' mechanism, and in spite of strong opposition from several Member States, including Ireland, the UK and the Baltic States. However, he backed away from doing so due to this opposition and because of the perceived influence his proposals had on the Irish electorate in the first referendum on the Lisbon Treaty (June 2008). In fact, as pointed out in Paul Sweeney's article in this issue, in advance of a second referendum, the Irish Government secured a commitment from the European Council that there would be no change to the status quo as set out in the Treaties. However, as Matti Vanhanen, the Prime Minister of Finland, points out in his article, there are still strong arguments for a harmonised EU tax base.

In 2004, following an informal meeting of the Economic and Financial Council, a working group, called the Common Consolidated Corporate Tax Base (CCCTB) Working Group, was set up to find consensus on corporation taxation. The Commission document prepared for this meeting, which was discussed by ministers, points out that such an approach would contribute to greater efficiency, effectiveness, simplicity and transparency in company tax systems and reduce the differences between national systems. It would enable companies, operating transnationally within the Union, to follow the same rules for calculating the tax base for all their EU-wide activities, rather than have to follow 27 systems. This, according to the Working Group, would simplify procedures, improve efficiency and reduce compliance costs. The document points out that such a consolidation would not be a 'proposal on harmonising tax rates'. In his article, Michel Aujean sets out the thinking and history behind the European Commission approach to greater tax coordination, including the subsequent CCCTB proposals, while the article by Michael Devereux and Clemens Fuest outlines how the CCCTB might work.

As an example of the divergent views on this topic, two sides of the debate in Ireland are set out in this issue. First, Paul Sweeney argues that the dependence of Ireland on low corporation tax has 'run its course' and there is little advantage in continuing to obstruct the coordination of corporate tax rates at the EU level. On the other hand, having reviewed the academic literature, Frank Barry questions the concerns many have about tax competition between Member States that is said to result in a 'race to the bottom'. These concerns are very often the basis for the arguments for greater tax coordination. He puts forward the view that any harmonisation would be detrimental to Ireland as an attractive location for foreign direct investment, as the low rate of corporation tax is widely recognised to have been one of the key features of the package to attract multinational investment into Ireland.

Following on from recent issues of *Transfer* on topics of importance to the operations of the single market, such as corporate governance and the financialisation of the economy, this debate on taxation also has implications for the single market as well as a very direct impact on the

incomes and standards of living of European workers. We hope that this issue of *Transfer* will contribute to the debate and that readers will find it informative on the sensitive topic of tax coordination.

Kevin P O'Kelly
Member of the Transfer Editorial Committee

EDITORIAL

La fiscalité représentait un peu moins de 40% du PIB dans les 27 Etats membres de l'UE en 2007[1]. Les systèmes d'imposition nationaux sont très variables au niveau de leur structure, mais sont dominés par trois catégories importantes d'impôts: les impôts sur la production et les importations, tels que la TVA, les accises et l'introduction croissante de taxes sur le carbone; les impôts sur les revenus et la fortune, tels que les impôts sur les revenus et la fortune; et les cotisations sociales. Les revenus sont divisés presque de manière égale entre ces trois catégories. Il existe aussi le phénomène moderne croissant d' « impôts indirects » tels que les taxes environnementales, les taxes sur l'eau, etc., pour compenser les réductions d'impôts directs dans de nombreux États membres.

La coordination de ces systèmes fiscaux nationaux fait l'objet d'un débat croissant au sein de l'UE avec la Commission européenne, certains membres du Parlement européen et quelques États Membres influents qui poussent pour une plus grande coordination de l'assiette d'imposition, tandis que d'autres États membres y sont totalement opposés. La coordination fiscale est un thème qui est « sur la table » et sera à l'avenir un point de controverse entre les gouvernements des États membres. C'est également un sujet à propos duquel le mouvement syndical européen devrait adopter une position politique. Un premier pas a récemment été fait par la CES qui a formulé une telle position politique (voir article de Ludo Vekemans, dans ce numéro). Ce numéro de *Transfer* est une contribution à ce débat syndical. Dans son article, Christophe Quintard apporte un point de vue syndical sur ce que devrait être cette politique, en soutenant fermement qu'il existe des raisons incontestables d'avoir une plus grande coordination fiscale et un élargissement de l'assiette d'imposition afin d'inclure une taxe sur les transactions financières.

Chaque État membre a développé au fil du temps son propre code des impôts et ses propres taux d'imposition pour répondre à ses besoins sociaux, économiques et budgétaires particuliers. Dans les anciens États membres, cette évolution a pris des décennies, tandis que dans les anciennes économies à planification centralisée des pays d'Europe centrale et orientale, des systèmes d'imposition ont dû être développés en quelques années pour faciliter la transition vers l'économie de marché au cours des années 1990. Zoltán Pitti et Magdolna Sass font référence dans leur article

1 *Tendances de la fiscalité dans l'Union européenne*, Office des publications de l'Union européenne, Luxembourg (2009).