

ENHANCED COOPERATION IN CORPORATE TAXATION: POSSIBILITIES AND POSSIBLE EFFECTS

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1. Introduction

Within the enlarged European Union (EU) the fear of fiscal dumping has increased considerably. Fiscal dumping refers to the practice of setting low (effective) tax rates in order to attract foreign (direct) investment. Within the EU-15, fiscal dumping was practiced in the field of corporate taxation by Ireland only. As such it was a minor inconvenience. However, within the EU-25, most new member states have very low effective corporate income tax rates. In 2004 France and Germany proposed the use of enhanced cooperation to fight (excessive) corporate tax competition, by establishing a single corporate tax zone, initially in France, Germany, Belgium and Spain only.² Within this zone there would be a single corporate tax, with a single base and rate. In this way the

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Work in progress. Please do not quote without permission.

² *European Voice*, 27 May-2 June 2004, p. 7. In subsequent proposals made by France the eligibility of EU member states for EU structural funds support was linked to membership of the corporate tax zone.

countries within the zone would be able to compete with countries outside the zone (by reducing transaction costs for companies operating within the zone), and competition within the zone would be minimized.

This plea for enhanced cooperation in the field of corporate income taxation follows from the fact not much progress has been made in terms of harmonisation of direct taxes in the EU, as direct taxation is still subject to unanimity voting in the Council. With EU wide direct tax harmonisation having been put on the back burner (a line taken by former Commissioner Bolkestein and endorsed fully by current Internal Market Commissioner McCreevy, but less so by Taxation Commissioner Kovács) enhanced cooperation may well be the only way left to deal with issues of direct tax coordination in the EU.³

Just as the reasons for getting engaged in enhanced cooperation in taxation may be diverse (dealing with unanimity deadlock, tackling excessive tax competition, decreasing transaction costs and thus removing barriers to trade, allowing for intra-EU differences in policy preferences, et cetera), so are the forms such cooperation can take. “Enhanced cooperation” generally refers to the mechanism of Articles 43-45 of the EU Treaty.⁴ Cooperation between a subset of EU member states does not, however, have to follow the road laid out in the Treaty. Sub-integration can also take place outside the enhanced-cooperation-framework and even outside the EU framework as such.

This paper deals with the possibilities for and possible effects of sub-integration in the field of (corporate) taxation. It is structured as follows. First, in *section 2*, we briefly discuss the state-of-affairs as far as corporate tax coordination in the EU is concerned. Next, in *section 3*, different forms of sub-integration in general will be discussed, and a taxonomy of sub-integration will be put forward. *Section 4* deals with possibilities for sub-integration with regard to corporate taxation. *Section 5* focuses on current (and future) formal regulations regarding enhanced cooperation within the EU. *Section 6* deals with the

³ Earlier pleas for the use of enhanced cooperation in taxation were made regarding environmental taxation, from 1999 onwards, by the European Commission, by European Parliament, by some Member States (Netherlands), and in academic circles. More recently (2004) a common Nordic approach in the EU (and including non-EU member Norway) was suggested to deal with the cross-border shopping effects of alcohol excise differentials between Norway, Sweden, Finland, Estonia, Denmark, Germany, and Poland (*EUObserver.com*, 20-10-2004).

⁴ Title VII – Provisions on enhanced cooperation, was incorporated into the EU Treaty by the Treaty of Amsterdam, and became operational in May 1999. The provisions were later amended by means of the Treaty of Nice.

possible effects of enhanced cooperation in the field of corporate taxation. *Section 7* concludes.

2. Corporate tax coordination in the EU

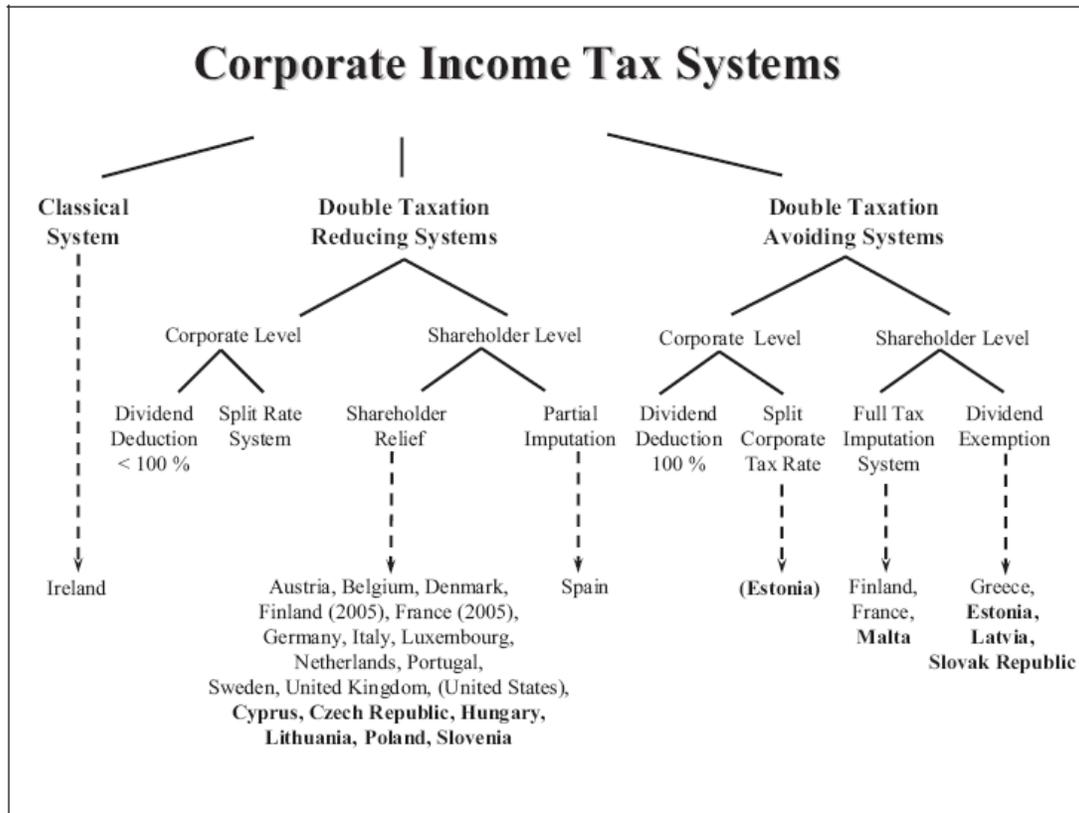
The harmonisation efforts of the EU have only been successful in the field of taxes on consumption (value added tax, excises), as a prerequisite of the completion of the Single European Market (SEM). Tax harmonisation efforts in the field of direct taxation display a multitude of reports, initiatives, Commission proposals, proposed Directives, draft Directives, preliminary draft Directives and such, the bulk of which were withdrawn later on. Apart from a Council Regulation on the application of social security schemes to individuals who choose to work in another member state, the harmonisation of direct taxes in the EU has been confined to certain aspects of corporate taxation, more precisely to:

- a. the corporate income tax, and the withholding tax on dividends;
- b. the withholding tax on interest;
- c. the taxation of groups of companies (including taxation of parent-subsidiary dividends).

With company taxation a twofold problem of double taxation arises. First, corporate profits are taxed as company profits (corporate income tax) as well as shareholders dividends (personal income tax). Each member state in the EU has dealt with this problem of double taxation differently. Most countries have some kind of dividend relief system, at the shareholder level (imputation system, tax credit system, or special personal income tax rate). Secondly, profits that are distributed to foreign investors (private investors, or foreign companies) may be taxed in the country where these profits arise, as well as in the country the investor resides. Basically, company profits in the EU are taxed according to the origin or source principle. What happens to repatriated profits, is outside the field of vision of the source state. Even if the source state provides for an identical treatment of domestic and foreign investors, it has no say over the tax treatment of 'exported profits'.

Figure 1 shows the different systems used by different EU member states.

Figure 1: Different corporate income tax systems in the EU



Taken from Finkenzeller & Spengel, 2004:14.

Combined, these two double-taxation problems have proved to be insurmountable for the EU. Initially (in 1975) the European Commission aimed at eliminating double taxation on dividends through a full (i.e. base and rate) harmonisation of company tax systems. In 1990 these proposals were withdrawn, for lack of support from member states. The underlying problem is that imputation is more often than not offered to domestic shareholders only, which, of course, is discriminatory against foreign shareholders. Company taxes in the EU discriminate between (various kinds of) in-state and out-of-state investors and result in an arbitrary division of the company income tax base between the state of investment and the state of the investor. A shift to the residence principle would solve this problem, but would mean that countries forgo the right to tax income arising within their own territory, i.e. forgo on a considerable part of their “power to tax”. Therefore, the problem was approached by the Commission along the lines set out in the 1992 report of the Ruding Committee: aligning company tax systems, and restricting company tax rates (by setting a minimum and a maximum rate). But even that proved to

be a bridge too far for most member states, which is why in 2001 the Commission came up with the idea of a Common Consolidated Corporate Tax Base (CCCTB). This CCCTB can be used by companies that are involved in cross-border activities within the EU to calculate their taxable profits, and the apportionment of these profits over the member states involved. Within this system member states are free to apply their own corporate tax rate to their portion of company profits. Although often presented as a harmonisation scheme, the CCCTB actually is an optional 26th system next to 25 systems already in place. It is up to companies to decide whether they want to use the CCCTB or not (in the latter case they can still use the national systems).

The Commission is currently aiming to get the CCCTB introduced by the end of 2008.⁵ Initially, the Commission expected the idea of a CCCTB to be supported by around 20 member states⁶, but apparently the idea is currently supported only by Austria, France, Belgium, Germany, Luxembourg, Italy, and Hungary. Most member states are hesitant, and some are outright opponents of the idea: United Kingdom, Ireland, Baltic States, Slovakia and Slovenia.⁷ Commissioner Kovács has argued that if necessary the idea will be endorsed using the enhanced cooperation mechanism.

That brings us to the question whether enhanced cooperation is the only mechanism for sub-integration in the field of (corporate) taxation. Before returning to that question in section 4, we will first discuss sub-integration in more general terms.

3. Sub-integration

Sub-integration refers to an integration that takes place among some but not all members of an already existing (larger) integration, and can take different shapes. The first distinctive feature is whether sub-integration takes place within the EU institutional framework or not. If sub-integration uses another institutional framework it can either be labeled new integration or alternative integration.⁸ *New integration* refers to sub-integration outside the EU institutional framework dealing with policy areas that are not part of the EU policy domain. Sub-integration outside the EU institutional framework,

⁵ European Commission, 2006:8.

⁶ *EurActiv*, Wednesday 26 October 2005.

⁷ *European Voice*, 13-19 April 2006, p. 7.

⁸ The distinction between the four types of (sub-)integration is based on but different from Su (2005a), who uses the terms opt-out integration (rather than alternative integration) and alienated integration (rather than odd integration).

concerned with policy areas that are within the EU domain, is called *alternative integration*. In both cases it is possible to cooperate with either EU member states only or with outsiders as well (third countries).

If sub-integration occurs within the EU institutional framework, there are again two possibilities. *Odd integration* is sub-integration that employs EU institutions but deals with policies outside the EU domain. *Differentiated integration* is sub-integration within the institutional framework as well within as the policy domain of the EU.

In the literature a large variety of concepts and terms has been put forward to denote certain types of sub-integration or “flexibility”: inter se agreements, partial agreements, parallel procedures, two-speed Europe, multi-speed Europe, multi-speed integration, European vanguard, *avant-garde* group, *directoire*, pioneers’ clubs, pioneers and followers, core Europe, *Kern Europas*, *Harter Kern*, *noyau d’ur*, *centre de gravité*, centre of gravitation, variable geometry, *géométrie variable*, Europe à la carte, pick-and-choose, differentiated Europe, *Abgestufte Integration*, two-tier Europe, multi-tier Europe, *plusieurs niveaux*, concentric circles, *cercles excentriques*, magnetic fields, hub-and-spoke-Europe, eccentric ellipses, opt-in arrangements, opt-out arrangements, constructive abstention, declaratory abstention, positive abstention, active abstention, transition periods, special treatments, derogations, exemptions, flying geese, breakaway riders and pelotons.⁹

All of these concepts deal with two forms of sub-integration only: either with alternative integration or with differentiated integration.

3.1 Alternative integration

Europe is abound with integration outside the EU framework. Being EU member does not mean countries have given up all other treaty-making authority, which is exercised in relation with third countries as well as co-EU-members. Such agreements are called *inter se agreements*, **partial agreements**, or **parallel procedures**. Some examples of alternative integration are:

- the Benelux cooperation between Belgium, the Netherlands and Luxembourg;
- the monetary union between Belgium and Luxembourg (which was later incorporated into the EMU);

⁹ See *inter alia* Wallace and Wallace (1995), Lansdaal (2002) and Federal Trust (2005) for overviews of concepts of “flexibility”, on which the description offered here of different concepts is largely based.

- the Nordic cooperation between Finland and Sweden;
- the Schengen cooperation based on an Agreement signed in 1985 (and which later did become part of the EU framework by the Treaty of Amsterdam);
- Common Travel Area between the UK and Ireland;
- the Bologna Process dealing higher education, which now involves 40 European countries;
- the European Patent Organisation, which is made up of 31 European states, including all EU member states (except for Malta);
- cooperation within the framework of NATO and the Western European Union (WEU);
- cooperation within the OECD;
- various other bilateral or multilateral treaties on tax issues, environmental issues, culture and education.

In some of these cases (for instance the Benelux) the term alternative integration as a form of sub-integration may be misleading, because the “alternative” cooperation was already there before the larger integration within the EU framework. The EEC Treaty did not make an end to existing bilateral or multilateral treaties, a line which has been held on to with the various accession treaties.

Also, some of these forms of cooperation do not so much deal with functional cooperation (i.e. cooperation in a specific policy area) but have developed into forms of structured coordination of views in order to maximize influence on decision-making. Again, the Benelux is an example of such a structured coordination.

Interestingly, we can see that alternative integration has more than one potential advantage. First, with parallel agreements it is possible to cover a larger part of Europe than just the EU-25 (or before 2004: the EU-15). Secondly, alternative integration may be beneficial because the EU framework imposes all kinds of constraints (in terms of decision-making, legislation, democratic accountability et cetera). This clearly must be the case in those examples of alternative integration where the entire EU is involved. Thirdly, and contrarily, *inter se* agreements may be seen as a form of enhanced cooperation between a relatively small sub-set of member states, but without using the EU enhanced cooperation mechanism.

The success of alternative integration can be seen in two different lights. On the one hand, manifold alternative integration to a certain extent is the result of failure of integration within the EU framework. If member states cannot satisfactorily deal with policy problems inside the EU, they will start looking for alternative arrangements. On the other

hand, alternative integration is sometimes perceived as a threat to the larger EU integration, and all kinds of possibilities for differentiated integration (within the EU institutional framework), to which we now turn, have developed - especially since the Treaty of Maastricht- as an alternative to “alternative” integration.

3.2 Differentiated integration

The starting point to discuss differentiated integration (i.e. sub-integration within the EU institutional framework and policy domain) is the EU default mode of integration, which involves uniformity in time and matter (monolithic integration or unitary integration). Common goals are set, EU wide, and are to be reached at a certain uniform point of time by all member states.

Departure from this default mode is possible along a number of dimensions:

1. Differentiation can refer to time only as opposed to differentiation in time and matter. Put differently: to what extent should sub-integration eventually be an exclusive thing? If there is differentiation in time only, common -EU wide- goals are retained but may be reached at different points of time by different member states. Sub-integration in this sense is open to all, and indeed is successful only if eventually all members of the larger integration participate (after which the sub-integration is simply absorbed into that larger integration). If there is differentiation in time and matter, aiming at and attaining certain policy goals will be exclusive to the ‘insiders’;
2. Sub-integration may deal either with a single issue (or a few single, non-related issues) or with a multitude of (potentially interrelated) policy issues;
3. Sub-integration can differ as far as the size of the group of insiders is concerned (relative to the size of the group of outsiders);
4. The composition of the group of insiders can be steady across the range of policy areas in which sub-integration occurs, but which can also vary (mixed coalitions);
5. Moreover, such coalitions can be more or less stable over time;
6. There can be a difference in influence in issues of the larger integration between those member states inside and those member states outside the sub-integration.

The closest thing to the default mode of unitary integration is differentiation in time only, on a limited number of issues, and involving a limited number of outsiders. **Transitional arrangements, temporary derogations and/or exemptions** (to the *acquis*

communautaire) are a clear example of this kind of sub-integration. Such differentiation has always been part of the Treaties (and of numerous Protocols) and of specific Community Directives. **Constructive abstention (declaratory abstention, positive abstention, active abstention)** is yet another possibility, restricted by the Treaty (Art. 23 TEU, see also Art. III-201 of the draft Constitutional Treaty) to specific measures taken as part of the Common Foreign and Security Policy (CFSP). With constructive abstention a member state can simply declare that it does not support the decision taken and will not apply it itself, but accepts that the decision commits the Union.¹⁰ Constructive abstention to a large extent resembles the more general idea of a (temporary and single-issue) **opt-out** clause, as for instance used by the United Kingdom and Denmark to be left out of the third stage of Economic and Monetary Union (EMU).

If a larger number of member states opt-out, but these outsiders are still expected to catch-up with the others at a later stage, such sub-integration can be labeled **multi-speed Europe (two-speed Europe, multi-speed integration)**. The idea here is that European integration is driven forward by a sub-group of member states, but no member state is excluded in the long run nor can member states exclude themselves everlastingly. Differentiation is allowed to exist temporarily only. A special case of multi-speed is **Abgestufte Integration**. Member states agree on particular policy objectives, but specific timetables or stages of adoption by individual member states are set. Differentiation here is a matter of (timing of) policy implementation rather than policy goals.

The multi-speed concept is rather similar to the idea of a **European vanguard group (avant-garde group, directoire, pioneers' clubs, pioneers and followers, pathfinders, breakaway riders)**. Again, the final goal is to reach shared objectives, with the vanguard group braking ground and shaping these objectives along the way.

Other forms of differentiated integration assume that differentiation is not necessarily temporary. The idea of a **core Europe (Kern Europas, Harter Kern, noyau d'ur)** assumes a highly restricted membership of that core which is (potentially) permanently limited. The core countries get engaged in far deeper integration than member states outside the core. The latter do not longer constrain the former. The deeper integration does involve multiple related issues, and core countries do have a considerably larger overall influence

¹⁰ If the members of the Council qualifying their abstention in this way represent at least one third of the Member States comprising at least one third of the population of the Union, the decision shall not be adopted.

than countries outside the core. The idea of a **two-tier Europe** is essentially the same, but uses another kind of visualization.¹¹ The related ideas of **concentric circles** (*cercles excentriques*) and of **multi-tier Europe** (*Europe de plusieurs niveaux*) differ in that they assume the existence of more than just two groups (insiders <> outsiders).

Variable geometry (*géométrie variable*) is yet another concept of sub-integration. It also assumes a permanent state of sub-integration to be established, due to the fact that integrative capacities and desires will vary across the Union. Variable geometry envisages a series of different policy areas (on top of the internal market), all of which would have varying membership (or: policy consortia).¹² Contrary to the idea of a hard core, which puts a permanent set of member states in the middle of integration, variable geometry starts from the internal market as core policy, around which various other policies have developed and will develop. This policy area configuration as well the membership of the different policy consortia is however rather stable. The latter is not necessarily the case with **Europe à la carte** (or: **pick-and-choose**, or: **opt-in-opt-out**). Moreover, the policy core here is not a full-fledged internal market but a common trading zone.

Table 1 summarizes (and complements) the above.

¹¹ The same goes for concepts like magnetic fields, centre of gravitation, and hub-and-spoke Europe.

¹² The concept of eccentric ellipses (Gomes de Andrade, 2005) is one way of visualizing this variable geometry.

Table 1: Characteristics of different types of differentiated integration

	Differentiation in time only or in time and matter?	Single or multiple issues	Number and size of insider/outsider groups	Single <> mixed coalitions across policy areas	Stability of coalition(s) over time	Concentration of overall influence/power
Transition periods, special treatments, derogations, exemptions, « differentiated Europe »	Time only	Single issue	Outsider group: small	-	-	-
Constructive abstention, declaratory/positive/active abstention	Time only	Single issue	Outsider group: small	-	-	-
Opt-out arrangements	(In principle) time only	Single issue	Outsider group: small	-	-	-
Multi-speed Europe, multi-speed integration, two-speed Europe	(In principle) time only	Single or multiple issues	Insider and outsider groups: medium size	Single coalition	Stable	Powerful insiders
Abgestufte Integration	Time only	Single issue	Multiple groups, or individual implementation	-	-	-
European vanguard, avant-garde group, directoire, pioneers's clubs, pioneers and followers, breakaway riders and pelotons	(In principle) time only	Single or multiple issues	Insider group: small	Mixed coalitions	Changing	No concentration of power
Core Europe, Kern Europas, Harter Kern, noyau d'ur	In time and matter	Multiple issues	Insider group: small	Single coalition	Stable	Powerful insiders
Two-tier Europe, multi-tier Europe, plusieurs niveaux	In time and matter	Multiple issues	Insider and outsider group: medium size	Single coalition	Stable	Powerful insiders
Concentric circles, cercles excentriques, magnetic fields, centre de gravité, centre of gravitation, hub-and- spoke Europe	In time and matter	Multiple issues	Multiple relatively small groups	Single coalitions	Changing	Powerful insiders
Variable geometry, géométrie variable, eccentric ellipses	In time and matter	Multiple issues	Multiple relatively small groups (policy consortia)	Mixed coalitions	Changing	No concentration of power
Europe à la carte, pick-and-choose, opt-in-opt-out	In time and matter	Multiple issues	Multiple relatively small groups	Mixed coalitions	Changing	No concentration of power

The table clearly shows that the differences between the various forms of differentiated integration are gradual only, and it is hard to label actual examples of differentiated integration. The EMU, for instance, can be considered as an example of two-speed Europe, resembles a vanguard group, involves opt-outs, but can also be regarded as the current and future EU core.

Moreover, the difference between odd integration (defined in the previous section as integration within the EU framework but dealing with policies outside the EU competencies) and differentiated integration, rests on the assumption that there is a stable EU policy domain. But what may be odd integration at first, can easily become differentiated integration as views on what policy areas the EU should deal with evolve over time, possibly as a result of vanguard group activity.

Finally, not included in our discussion is the possibility of partial EU membership and extended associations, which of course is close to the European core idea, or the idea of concentric circles.¹³

The different types of flexibility are of course linked to certain views on how European integration should proceed, and in some cases can be linked to specific member states. The idea of a Europe *à la carte* can be regarded as a mechanism to break federalist dynamism (Philippart and Sie Dhian Ho, 2003:110) and has been put forward in 1994 by then Prime Minister John Major.¹⁴ Ideas like the *noyau d'ur*, *géométrie variable*, and *cercles excentriques* have been advocated by French politicians (Delors, Mitterand, Balladur), assuming a Franco-German coalition at the heart and at the helm of Europe.¹⁵

As Su (2005b) argues, the necessity to start thinking and talking about differentiated integration was raised due the upcoming enlargement of the EU. In his analysis (partly building on Philippart and Sie Dhian Ho) enlargement has been postponed time and time again, in order for the EU to reach consensus on mechanisms it could use to deal with diversity, which explains the emergence of opt-outs, the increased importance of subsidiarity, the embracement in 2000 of the open method of policy coordination, and – last but not least- of enhanced cooperation. When it became clear quite early in the process

¹³ See Su (2005b:524) for a more detailed description of this –French- idea of different circles, with the outer circle consisting of EU partners rather than EU members.

¹⁴ In his William and Mary Lecture given in Leiden in June 1994.

¹⁵ See Lansdaal (2002) for a more detailed discussion of joint Franco-German ideas in this field.

that the CEE countries would not content themselves with association agreements but wanted “full” EU membership, and EU leaders –pressured by Germany- had to give enlargement the green light (in Copenhagen, June 1993), a new mechanism had to be found to make differentiation between EU members possible.

4. Sub-integration and corporate taxation

A complex and diverse pattern of tax co-ordination has developed in the EU, in which four major co-ordinating instruments can be made out (Groenendijk, 1999):

- the use of directives and resolutions for harmonisation of taxes, and based on that the ‘use’ (especially by the Commission) of the Court of Justice to fight discriminatory taxation;
- the use of multi-lateral agreements within the EU framework, but without use of the enhanced cooperation mechanism. Obviously, we are referring here to the use of the Code of Conduct for business taxation, on which the Ecofin Council agreed on 1 December 1997. This Code prevents the introduction of new fiscal measures that could influence the place of investment, like tax measures which provide for a significantly lower effective level of taxation (including zero taxation) than those which generally apply in the member states in question, like granting special advantages only to non-residents, like providing rules for calculating the profits of multinationals which deviate from OECD-rules, and like the less strict application of tax regulations by the tax authorities. The Code of Conduct provides for a review process to determine which potentially harmful measures are actually harmful and which have to be rolled back. For new measures there is a standstill clause: member states will refrain from introducing new harmful measures. Although the Code was conducted by the EU-15, and is formally not part of the *acquis communautaire*, in the accession treaties all new EU members states have declared to live up to the Code¹⁶;
- the use of numerous bilateral agreements, outside the EU framework, like tax treaties¹⁷;
- the use of multi-lateral agreements outside the EU framework, particularly within the OECD (and using OECD model tax treaties).

¹⁶ Strictly speaking, because the Code is upheld EU wide, there is no sub-integration involved here.

¹⁷ See for instance the *IBFD European Tax Handbook 2005* for an overview.

The former two instruments are used especially in indirect taxation; the latter two are dominant in direct taxation. In other words: alternative integration is very common when it comes to corporate taxation. Such integration does not fundamentally deal with the basic problem of having 25 different corporate tax systems, but it does take the edge off the main negative effects of having all these different systems.

In corporate taxation, (sub-)integration has largely taken place outside the EU. As became clear in sections 1 and 2, there is a growing body of opinion that enhanced cooperation (i.e. sub-integration within the EU framework) is also feasible. We will now turn to the formal regulations (section 5) and possible effects (section 6) of enhanced cooperation in corporate taxation.

5. Enhanced cooperation: formal regulations

Provisions regarding “closer cooperation” appear for the first time in the 1997 Amsterdam Treaty, following the 1996 IGC. Three years later these provisions were augmented and restated (now using the term “enhanced cooperation”) by means of the Treaty of Nice, following the 2000 IGC. The Treaty of Nice became effective on February 1, 2003. In the draft Constitutional Treaty the Nice mechanism has been subjected to further changes.¹⁸

The closer cooperation mechanism of the *Treaty of Amsterdam* was a very cautious and rather general mechanism allowing a group of willing states to undertake closer cooperation among themselves while using the institutional mechanisms of the EU, but only if others would allow them to do so (De Witte, 2004: 145). This mechanism was established in the first and third pillars, and contained an emergency brake procedure: Council had to decide on closer cooperation by qualified majority but any member state, for important and stated reasons of national policy, could refer the proposal to the European Council for a unanimous decision (constituting a *de facto* veto right).

¹⁸ Articles 43-45 Treaty on European Union (substantive and procedural conditions in general), Articles 11 and 11a Treaty establishing the European Community (decisions on enhanced cooperation proposals in the first pillar), Article 40 Treaty on European Union (specific substantive conditions, second pillar), Articles 40a and 40b Treaty on European Union (decisions on enhanced cooperation proposals in the second pillar), Articles 27a-27b Treaty on European Union (specific substantive conditions, second pillar), Articles 27c-27e Treaty on European Union (decisions on enhanced cooperation proposals in the third pillar). In the Draft Constitutional Treaty enhanced cooperation is dealt with in Articles I-43 and III-321-329.

Furthermore, closer cooperation had to be endorsed by a majority of member states (smaller groups were not allowed). The provisions of the Treaty of Amsterdam have never been used.

The *Nice Treaty* did away with the emergency brake procedure (in the first and third pillar) and extended enhanced cooperation to the second pillar (CFSP) but with an emergency brake (i.e. veto) procedure. In the first and second pillar proposals for enhanced cooperation (put to the Council by the Commission following a request from the member states involved) are subject to a qualified Council majority. The number of member states required for launching the procedure has changed from the majority to the fixed number of eight member states.

Under the Nice Treaty enhanced cooperation is subject of a number of conditions, either substantive or procedural.

The *substantive conditions* can be clustered as follows (following Philippart, 2003b). First, there are conditions specifying *what enhanced cooperation should aim at*. It should aim at furthering the objectives of the Union, at protecting and serving EU interests, and at reinforcing the process of European integration. Secondly, there is a list of *what enhanced cooperation may not entail in light of the Union's cohesion and internal coherence*. Enhanced cooperation must respect the Treaties and the single institutional Union framework. It must not affect the *acquis communautaire* and must respect the whole of the Union's policies. It must not undermine the internal market nor economic and social cohesion. Thirdly, several conditions deal with the *protection of member states not participating in the enhanced cooperation*. Enhanced cooperation must respect the competences, rights, and obligations of the outsiders. It must not constitute a barrier to or discrimination in trade and must not distort competition. Fourthly, it is stated in which areas enhanced cooperation is simply *forbidden*. Enhanced cooperation is prohibited where the Union has no powers. It is prohibited in fields under the exclusive competence of the Union, and (within the second pillar) it must not have any military and defence implications.

The *procedural conditions* are as follows. There is a participation threshold of eight member states. Enhanced cooperation is a last resort (i.e. when it has been established within the Council that the objectives of such cooperation cannot be attained within a reasonable period by applying the relevant provisions of the Treaties). And there is openness of enhanced cooperation to all EU member states, at all times, with participation

to be encouraged by the Commission and by the member states already engaged in enhanced cooperation.

Decision-making within enhanced cooperation unions is envisaged as follows. All EU members are able to take part in deliberations, but only enhanced cooperation union members shall take part in adoption of decisions. The same decision rules (qualified majority rule, unanimity) and procedures (including Commission and EP involvement) apply as in the Union at large. Acts adopted and decisions taken within enhanced cooperation unions shall not become part of the Union *acquis* (which new member states must adapt). They are not binding to the outsiders. Expenditure resulting from enhanced cooperation (other than administrative costs) will be borne by the insiders only.

The *Draft Constitution* has stripped the enhanced cooperation mechanism of some of the conditions mentioned above (which by some were largely considered to be superfluous anyway; see Philippart 2003a, 2003b), but most provisions have been retained, albeit rephrased:¹⁹

- enhanced cooperation should aim at furthering the objectives of the Union, protecting its interests, and at reinforcing the process of European integration;
- it should be established within the framework of the Union's non-exclusive competences;
- it may make use of the Union's institutions;
- it shall comply with the Union's Constitution and law. It is however possible for the member states engaged in enhanced cooperation to decide (unanimously) to take decisions by qualified majority even if in the specific area unanimity is the rule;
- it should be open at all times to all EU member states;
- it is a last resort (i.e. it has to be established within the Council that the objectives of such cooperation cannot be attained within a reasonable period by the Union as a whole);
- a participation threshold of one third of all member states (rather than the fixed number of eight member states);
- all EU members are able to take part in deliberations, only enhanced cooperation union members shall take part in the vote;

¹⁹ We refrain here from discussing the special provisions for enhanced cooperation in the area of CFSP as the focus in this paper is on tax matters.

- acts adopted and decisions taken within enhanced cooperation unions shall not become part of the Union *acquis* (which new EU member states must adapt upon accession). They are not binding to the outsiders, but EU members wishing to join the enhanced cooperation at a later stage have to adapt the enhanced cooperation *acquis*;
- it must not undermine the internal market nor economic, social and territorial cohesion, and it shall not distort competition;
- enhanced cooperation must respect the competences, rights, and obligations of the outsiders;
- expenditure resulting from enhanced cooperation (other than administrative costs) will be borne by the insiders only;
- the Council grants authorization to proceed with enhanced cooperation by a European decision, upon a proposal from the Commission, and after obtaining consent of European Parliament. The Councils decides with qualified majority;
- under the draft Treaty it is possible for states engaged in enhanced cooperation to put aside the unanimity rule as decision rule in areas such as direct taxation and social policy, and make decisions using a qualified majority rule.

Both under the Nice Treaty and the draft Constitutional Treaty an important role is played by the European Commission.²⁰ First, the Commission is to pass a request for enhanced cooperation to the Council by means of a Commission proposal. Secondly, the Commission vets any later applications of member states wanting to join the sub-group.

6. Possible effects of enhanced cooperation in corporate taxation

Suppose that a sub-set of EU countries would engage in further corporate tax coordination, within the enhanced cooperation framework (hereafter labelled: ECUCT, Enhanced Cooperation Union for Corporate Taxation). Such coordination could entail:

- full base and rate harmonisation of their corporate tax systems (A);
- base harmonisation only (B);
- introduction of a CCCTB next to the corporate tax systems already in place (C).²¹

What would the effects of such harmonisation be?

²⁰ See Federal Trust (2005) for a discussion of the possible functioning of some other institutions under flexibility.

²¹ A CCCTB would necessitate formula apportionment of taxable profits. See Sørensen (2004) for an analysis of the specific economic effects of formula apportionment.

1. Reduction of corporate tax compliance costs within the ECUCT

Firstly, in all cases (A, B and C) we would expect a reduction of transaction costs for companies already operating across borders within the ECUCT. As such compliance costs are a deadweight loss to companies, such reduction represents a straightforward welfare gain for companies involved, which –in a competitive environment- should translate into lower prices and welfare gains for consumers.

2. Increase in cross-border trade within the ECUCT

High compliance costs do not only represent a deadweight loss, they also operate as a barrier to trade. Cross-border economic activities within the ECUCT are expected to increase with harmonisation.

3. More efficient allocation of capital across the ECUCT

If cross-country differences in effective tax rates would be reduced (which may happen to a certain extent in cases B and C, and fully in case A), this will lead to a more efficient allocation of capital across the ECUCT (Sørensen, 2004). Jensen & Svensson (2004) have shown that this effect is indeed larger with full harmonisation than with just tax base harmonisation.

4. GDP changes coupled with tax revenue changes (due to changes in tax burden)

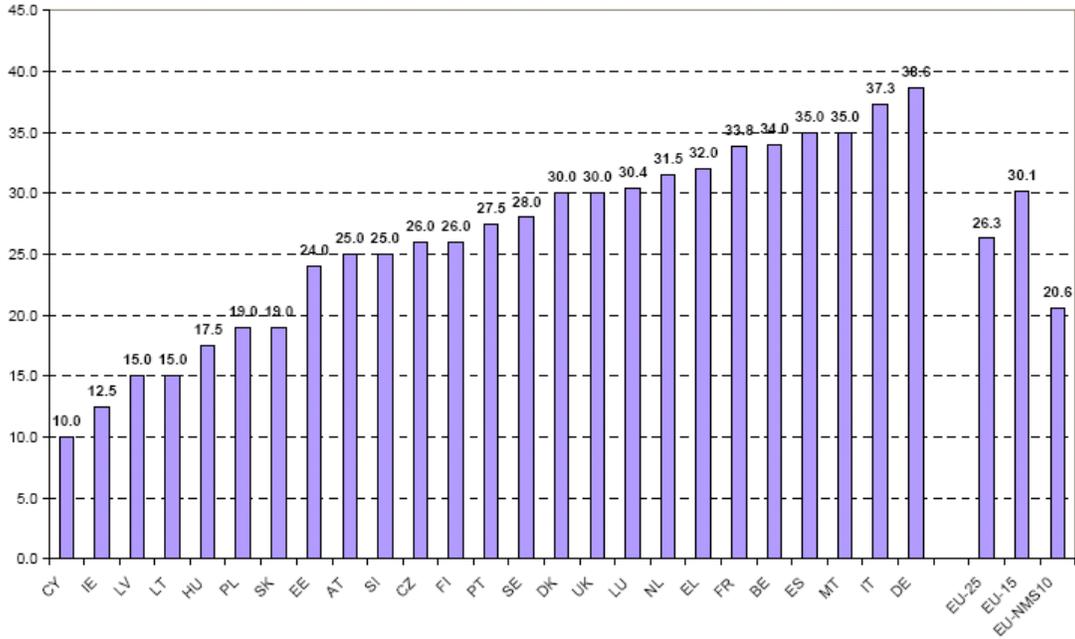
Harmonisation of effective tax rates (due to base or base+rate harmonisation) will increase the tax burden in some ECUCT members and decrease the tax burden in other countries. A larger tax burden will result in higher tax revenues at a lower GDP; a lower tax burden will result in lower tax revenues at a higher GDP.

Jensen & Svensson (2004) have made estimations of the effect of enhanced cooperation with full corporate tax harmonisation (our case A), between respectively the “old” EU-15, Eurozone and a EU-11-group.²² If these groups are expected to harmonize their tax rate on 31%, 31.5% and 33% respectively (based on unweighted averages of current rates), this implies losses in GDP and gains in tax revenues. If harmonisation takes place using weighted averages of current rates there is an increase in GDP and a loss of tax revenues.

²² Consisting of Austria, Belgium, Finland, France, Germany, Greece, Italy, Luxembourg, Portugal, Spain and Sweden. According to Jensen & Svensson, this grouping is based on common views on tax accounting issues.

The magnitude of these effects depends largely on the effect enhanced cooperation will have on Germany. Germany currently has a high corporate tax rate, as figure 2 shows.

Figure 2: Effective top statutory tax rate on corporate income (in %, 2005)



Taken from European Commission (2005:36)

At the same time, Germany has a very low ratio of corporate tax revenues to GDP, as table A1 shows (see Appendix). Any harmonisation of corporate tax bases will drastically increase the German base, and will lead to a sharp increase in the ECUCT tax burden, regardless of the composition (as long as Germany is in). To reach positive GDP effects harmonisation should take place in such a way that the full magnitude of the largest economy in Europe is taken into account.

Table 2 shows the overall outcomes of the simulations done by Jensen & Svensson.

Table 2: Comparison of enhanced cooperation scenarios

	Full harmonisation						Tax base harmonisation		
	Unweighted averages			Weighted averages			Unweighted average		
	EU15	Euro-z	EU15A	EU15	Euro-z	EU15A	EU15	Euro-z	EU15A
GDP	-0.05	-0.16	-0.40	0.44	0.53	0.52	-0.53	-0.69	-0.76
Welfare	0.09	0.09	0.04	0.10	0.10	0.09	-0.05	-0.07	-0.08
Tax revenues	0.05	0.24	0.38	-0.20	-0.13	-0.15	0.28	0.52	0.55

Note: The table shows percentage changes in subgroup totals. Government budgets are balanced by adjusting income transfers. Full harmonisation refers to harmonisation of both the corporate tax rate and tax base. Euro-z refers to the Euro zone.

Source: CETAX simulations.

Taken from Jensen & Svensson (2004:35)

“Welfare” refers to the efficiency gain due to decreased tax rate differentials.

5. Distortion of preferences

ECUCT members will suffer welfare losses due to distortion of their individual taxation preferences, which have to make way for collective ECUCT preferences. These preferences concern the overall importance of the corporate income tax in the national tax system (see table A2. in the appendix for details) and the size and level of base and rates, but also very specific corporate tax system features (tax facilities, loopholes, aimed at promoting certain activities (green investments, company child care et cetera).

6. Negative externalities on the outsiders

The ECUCT could induce negative externalities on EU members outside the ECUCT (Dewatripont c.s., 1995), in terms of undermining the internal market, thwarting economic, social and territorial cohesion, and distorting competition. Although these possible negative effects are often mentioned (and, as was shown in section 5, constitute a formal barrier to establishing enhanced cooperation), there is no economic analysis available to make further interferences into their likelihood and magnitude.

7. Positive externalities on the outsiders and on EU (integration) at large

Another possibility is a positive externality: the ECUCT will pave the way for the countries left behind temporarily. These countries can benefit from the experimentation and learning on the pros and cons of cooperate tax harmonisation by the ECUCT members (Dewatripont cs., 1995).

The possibility that enhanced cooperation in one field, by one group of countries, will extend to other areas and will thus benefit other countries has been put forward by *inter*

alia Baldwin (1993) who uses the term “domino effect”, by Pisany-Ferry (1995) who talks of a “centripetal force” and by Gomes de Andrade (2005) who uses the term “pull effect”. Besides this it may well be that those member states that do not wish to participate will do so because they feel their tax systems in specific areas should be more ‘tax-payer friendly’ than the ECUCT allows for; outsiders can choose to remain outside the ECUCT for reasons of tax competition.

8. First-mover advantage

Bordignon & Brusco (2003) and Bordignon (2005) have argued that the effects of enhanced cooperation should be assessed in a dynamic and stochastic context. Stochastic refers to the possibility that countries that may not want to join the ECUCT at t_1 may decide to do so at t_2 . Dynamic refers to the influence of t_1 on t_2 : what happens today is going to affect what happens tomorrow. Their argument is that even with no negative externalities taking place as such at t_1 or at t_2 , enhanced cooperation may induce a welfare loss on outsiders because the first movers set the example which second movers must follow. In that way a relatively homogeneous but small group of countries can enforce their preferences on the larger group. The Treaty provisions, which were discussed in section 5, indeed enable first movers to create the *acquis*.

Suppose that the ECUCT consists of countries only with relatively high tax rates (including Germany, France), and with the establishment of enhanced cooperation a common relatively high corporate tax rate is established based on (weighted) averages of the participating countries. Any other country wishing to join the ECUCT at a later stage will be confronted by the need to sharply increase its rate. What goes for the initial choice of rates goes for all other choices the ECUCT makes on system and base issues as well.

Of course the Treaty to a certain extent deals with this problem by allowing outsiders to take part in the deliberations within the ECUCT and by allocating to the Commission (and to a lesser extent European Parliament) the task to guard the interests of all EU member states.

9. Agglomeration effect of multi-speed integration

One of the fears in this regard is that enhanced cooperation may lead to a permanent divide between insiders and outsiders, between a rich core and a poor periphery. Martin & Ottaviano (1995) argue that the outcome will probably depend on the level of labour

mobility. If capital is foot-loose and labour is sticky, the analysis of the effects of a reduction of transaction costs within the enhanced cooperation zone (they do not focus specifically on corporate taxation) can be limited to the issue of re-location of firms in relation to income convergence/divergence. If there is a tendency to re-locate from the outside to the inside of the enhanced cooperation zone, outsiders will suffer an initial economic blow, will have to catch up and have to think about the proper timing (in terms of income convergence) of joining the club. If labour is mobile as well, permanent divergence of incomes is likely, which Martin & Ottaviano have labelled the “agglomeration effect of multi-speed integration”.

Table 3 summarizes the possible effects.

Table 3: Possible effects of enhanced cooperation in corporate taxation

Range of effect	Effect	Positive/negative
Within ECUCT	Reduced deadweight loss in company tax compliance costs	+
	Increased trade	+
	More efficient allocation of capital	+
	GDP change <> tax revenue change, due to harmonization of base/rate	+/-, but differences between participants
	Preference distortion	--
Effect vis-à-vis outsiders	Negative externalities	-- for outsiders
	Positive externalities	+ for outsiders
	First-mover advantage	+ for insiders ; -- for outsiders
	Agglomeration effect	+ for insiders ; -- for outsiders

7. Conclusion

This paper has offered only a tentative treatment of possibilities for and possible effects of sub-integration concerning corporate taxation. As far as these possible effects are concerned we can quote Bordignon (2005:9): “This is basically all we have on ECAs”²³. Much remains to be done. However, three general conclusions can be made.

First, alternative (sub-)integration is currently the main way to deal with direct tax coordination problems by EU member states. Given the substantive and procedural requirements for enhanced cooperation, this approach remains valid, even with these requirements having been relaxed by the Nice Treaty (and consequently by the draft

²³ ECAs are Enhanced Cooperation Associations.

Constitutional Treaty). Countries interested in pursuing the idea of a CCCTB could relatively easily either engage in an *inter se* formal agreement (multi-lateral tax treaty) or use the Code of Conduct instrument.

Secondly, enhanced cooperation under the Nice Treaty (as well as under the draft Constitutional Treaty) creates a partial *acquis* resulting in a first-mover advantage. On the one hand, such an advantage could be an incentive for hesitant member states to participate in the ECUCT from day one, or to promote moves forward for the EU as a whole. On the other hand, it creates rigidity at later stages. It should be made possible to make the partial *acquis* negotiable upon accession to ECUCT by newcomers.

Thirdly, the actual composition of the ECUCT is of great importance. There are considerable differences in tax rates and systems between the member states that currently support the idea of a CCTB (Austria, France, Belgium, Germany, Luxembourg, Italy, and Hungary), with the German economy posing its own problems in terms of being an outlier in this field. Just as with Optimal Currency Areas and the EMU, further research should be done on optimal ECUCTs.

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APPENDIX

Table A1: Corporate income tax as % of GDP

	1995	1996	1997	1998	1999	2000	2001	2002	2003	Average 1995-2003	Change ¹⁾ 1995-2003	Difference ²⁾ 1995 to 2003
BE	2.4	2.7	2.9	3.4	3.3	3.3	3.2	3.1	2.9	3.0	2.2	0.5
CZ	4.6	3.4	3.9	3.4	3.9	3.5	4.2	4.4	4.6	4.0	1.6	0.0
DK	2.0	2.3	2.6	2.8	3.0	2.4	3.1	2.9	2.8	2.7	3.8	0.8
DE	0.9	1.2	1.3	1.4	1.5	1.7	0.6	0.6	0.8	1.1	-7.1	-0.2
EE	2.4	1.6	1.8	2.4	2.0	1.0	0.7	1.2	1.7	1.6	-8.5	-0.7
EL	2.6	2.3	2.6	3.1	3.5	4.6	3.8	3.7	3.3	3.3	5.9	0.7
ES	1.9	2.1	2.8	2.6	3.0	3.2	3.0	3.4	3.3	2.8	6.7	1.4
FR	1.8	2.0	2.3	2.3	2.7	2.8	3.1	2.6	2.2	2.4	4.2	0.4
IE	2.8	3.1	3.2	3.4	3.8	3.8	3.6	3.8	3.8	3.5	3.6	1.1
IT	3.4	3.8	4.2	2.5	2.8	2.4	3.0	2.6	2.2	3.0	-6.0	-1.2
CY	4.0	4.5	4.4	5.0	6.0	6.3	6.3	6.0	4.4	5.2	3.6	0.3
LV	1.8	1.9	2.2	2.3	2.1	1.6	1.9	1.9	1.5	1.9	-2.4	-0.4
LT	1.3	1.2	1.6	1.3	0.8	0.7	0.5	0.6	1.4	1.0	-7.5	0.1
LU	7.5	7.7	7.9	7.8	7.1	7.2	7.5	8.4	7.9	7.7	0.5	0.4
HU	1.9	1.8	1.9	2.2	2.3	2.2	2.4	2.4	2.2	2.1	3.1	0.3
MT	2.7	2.3	2.7	2.6	2.9	3.0	3.3	4.1	4.7	3.1	7.5	2.0
NL	3.3	4.1	4.6	4.5	4.6	4.4	4.4	3.7	3.2	4.1	-0.9	-0.1
AT	1.6	2.1	2.2	2.3	2.0	2.2	3.3	2.4	2.3	2.3	3.9	0.6
PL	3.3	2.9	3.1	2.8	2.5	2.4	1.8	1.8	2.2	2.5	-7.2	-1.1
PT	2.5	2.9	3.3	3.3	3.8	4.1	3.6	3.6	3.2	3.4	3.4	0.7
SI	0.5	0.7	1.0	1.0	1.1	1.2	1.2	1.5	1.9	1.0	12.9	1.3
SK	6.1	4.2	3.7	3.4	3.0	2.9	2.4	2.7	2.8	3.5	-9.0	-3.2
FI	2.3	2.8	3.5	4.3	4.4	6.0	4.3	4.3	3.5	4.0	5.9	1.1
SE	2.7	2.6	2.9	2.7	3.1	3.9	2.7	2.1	2.4	2.8	-1.3	-0.3
UK	2.7	3.1	3.8	3.8	3.4	3.4	3.3	2.7	2.7	3.3	-1.4	0.0
NO	3.2	3.5	3.5	2.7	3.5	5.2	4.9	4.5	4.2	3.9	5.3	1.0
EU25	2.1	2.4	2.8	2.6	2.7	2.8	2.6	2.4	2.2	2.5	0.4	0.2
EU15	2.0	2.4	2.8	2.6	2.7	2.8	2.6	2.4	2.2	2.5	0.5	0.2
Euro12	1.9	2.3	2.6	2.3	2.6	2.7	2.5	2.3	2.1	2.4	0.8	0.2
NMS10	3.3	2.8	2.9	2.8	2.7	2.5	2.3	2.5	2.7	2.7	-1.9	-0.2
EU25 (arithmetic average)	2.8	2.8	3.0	3.1	3.1	3.2	3.1	3.1	3.0	3.0	1.0	0.2
EU15 (arithmetic average)	2.7	3.0	3.3	3.4	3.5	3.7	3.5	3.3	3.1	3.3	1.8	0.4
Euro12 (arithmetic average)	2.8	3.1	3.4	3.4	3.5	3.8	3.6	3.5	3.2	3.4	2.1	0.5
NMS10 (arithmetic average)	2.9	2.4	2.6	2.6	2.7	2.5	2.5	2.7	2.7	2.6	-0.2	-0.1
Ratio st.dev. and mean in %	73.2	58.2	50.1	52.9	51.3	57.5	61.1	70.8	64.3			-8.9
Difference max. and min.	6.9	7.0	7.0	6.9	6.3	6.5	7.0	7.9	7.1			0.2

1) Estimated annual average growth rate in % . - 2) in %-points of GDP

Taken from European Commission (2005:236)

Table A2: Corporate income tax as % of total taxation

	1995	1996	1997	1998	1999	2000	2001	2002	2003	Average 1995-2003	Change ¹⁾ 1995-2003	Difference ²⁾ 1995 to 2003
BE	5.4	6.0	6.3	7.4	7.1	7.1	6.9	6.7	6.4	6.6	2.0	1.1
CZ	12.7	9.7	11.0	10.1	11.2	10.3	12.0	12.4	12.8	11.3	1.6	0.1
DK	4.0	4.7	5.2	5.7	5.9	4.9	6.3	5.9	5.7	5.4	3.9	1.7
DE	2.2	2.9	3.1	3.3	3.6	4.0	1.4	1.5	1.9	2.6	-6.8	-0.4
EE	6.4	4.5	5.0	7.0	5.8	3.0	2.3	3.6	5.1	4.8	-6.6	-1.3
EL	8.0	6.8	7.5	8.6	9.5	12.0	10.1	10.0	9.1	9.1	4.2	1.0
ES	5.8	6.1	8.1	7.7	8.7	9.2	8.6	9.6	9.3	8.1	5.9	3.5
FR	4.1	4.5	5.0	5.2	5.9	6.3	7.0	6.0	5.0	5.4	4.3	1.0
IE	8.3	9.3	9.8	10.5	12.0	11.8	11.9	13.0	12.8	11.0	5.4	4.5
IT	8.3	8.9	9.3	5.7	6.5	5.6	7.0	6.2	5.2	7.0	-6.0	-3.1
CY	14.9	16.7	17.0	17.6	21.2	20.6	20.1	19.2	13.1	17.8	0.6	-1.8
LV	5.5	5.9	6.8	6.8	6.4	5.2	6.6	6.7	5.1	6.1	-0.4	-0.3
LT	4.4	4.3	5.3	4.1	2.6	2.3	1.9	2.1	4.9	3.5	-7.3	0.5
LU	17.7	18.2	19.1	19.5	17.5	17.8	18.4	20.5	19.1	18.6	0.9	1.4
HU	4.5	4.5	4.9	5.5	5.9	5.6	6.0	6.1	5.7	5.4	3.7	1.2
MT	10.1	9.5	9.9	9.9	10.3	10.4	10.7	12.4	13.9	10.8	3.8	3.8
NL	8.1	10.1	11.3	11.3	10.9	10.7	10.9	9.4	8.1	10.1	-0.5	0.1
AT	4.0	5.0	5.0	5.3	4.5	5.1	7.3	5.5	5.2	5.2	3.5	1.3
PL	8.4	7.6	8.2	7.6	6.6	6.8	5.0	5.1	6.1	6.8	-6.0	-2.4
PT	7.4	8.4	9.6	9.5	10.7	11.3	10.0	9.9	8.7	9.5	2.2	1.3
SI	1.3	1.9	2.5	2.5	2.7	3.0	3.1	3.8	4.7	2.8	13.0	3.4
SK	14.9	10.7	10.4	9.3	8.7	8.6	7.5	8.4	9.3	9.8	-5.6	-5.7
FI	5.0	6.0	7.5	9.4	9.4	12.5	9.4	9.3	7.7	8.5	6.3	2.7
SE	5.4	5.0	5.5	5.0	5.8	7.2	5.2	4.2	4.7	5.3	-1.3	-0.6
UK	7.6	9.0	10.8	10.4	9.1	9.0	8.8	7.6	7.6	8.9	-1.7	0.0
NO	7.6	8.2	8.3	6.4	8.1	12.0	11.4	10.3	9.8	9.1	5.0	2.2
EU25	5.1	5.9	6.7	6.3	6.6	6.8	6.4	5.9	5.6	6.1	0.6	0.5
EU15	5.0	5.8	6.7	6.3	6.5	6.8	6.4	5.9	5.5	6.1	0.7	0.5
Euro12	4.4	5.2	5.8	5.3	5.8	6.1	5.7	5.3	4.9	5.4	0.9	0.4
NMS10	8.5	7.4	8.0	7.6	7.3	7.2	6.6	6.9	7.5	7.4	-1.9	-1.0
EU25 (arithmetic average)	7.4	7.4	8.2	8.2	8.3	8.4	8.2	8.2	7.9	8.0	1.0	0.5
EU15 (arithmetic average)	6.7	7.4	8.2	8.3	8.5	9.0	8.6	8.3	7.8	8.1	1.8	1.0
Euro12 (arithmetic average)	7.0	7.7	8.5	8.6	8.9	9.4	9.1	9.0	8.2	8.5	2.2	1.2
NMS10 (arithmetic average)	8.3	7.5	8.1	8.1	8.1	7.6	7.5	8.0	8.1	7.9	-0.3	-0.3
Ratio st.dev. and mean in %	79.0	65.5	58.0	62.4	65.1	65.4	69.6	78.9	69.5			-9.5
Difference max. and min.	16.4	16.3	16.6	17.0	18.7	18.3	18.6	19.0	17.3			0.9

1) Estimated annual average growth rate in % - 2) in %-points of Total Taxation

Taken from European Commission (2005:237)