



NORTH-HOLLAND

Journal of Policy Modeling
24 (2002) 401–410

Journal of
Policy
Modeling

Relative taxation and competitiveness in the European Union: what the European Union can learn from the United States

Dominick Salvatore*

1 Red Oak Road, Bronxville, NY 10708, USA

Received 5 January 2002; received in revised form 30 January 2002; accepted 1 March 2002

Abstract

In recent years, there has been a great deal of discussion and controversy about the need to harmonize taxation in the European Union (EU). High-tax countries such as Germany, France and Italy are demanding the harmonization of taxes in order to establish a level-playing field and thus avoid the loss of foreign direct investments to countries such as Ireland and the United Kingdom, which have much lower corporate and personal income taxes. The paper presents reasons why tax harmonization in the EU countries may be neither feasible nor desirable and concludes that there is much that the EU can learn from the United States in the tax field.

© 2002 Society for Policy Modeling. Published by Elsevier Science Inc. All rights reserved.

Keywords: Effective tax rate; International competitiveness; Level-playing field; Relative taxation; Statutory tax rate; Tax harmonization

1. Introduction

In recent years, there has been a great deal of discussion and controversy about the need to harmonize taxation in the European Union (EU). Even after the wave of recent tax reductions, some countries, such as Germany, France, and Italy, remain high-tax countries. These countries are demanding the harmonization of taxes in

* Tel.: +1-914-961-2917; fax: +1-914-771-7791.

E-mail address: salvatore@fordham.edu (D. Salvatore).

order to establish a level-playing field in the EU and, thus avoid the loss of foreign direct investments and, indeed, the migration of some of their firms, entrepreneurs and highly skilled people to countries such as Ireland and the United Kingdom, which have much lower corporate and personal income taxes.

In this paper, I will conclude that, although differences in taxation affect international competitiveness, tax harmonization in the EU countries may be neither feasible nor desirable. Here, there is much that the EU can learn from the United States — a country with the most competitive economy in the world and with lower taxes than most EU members — and where there is not even a thought being given to harmonizing taxes among states. Indeed, in the United States, taxation is an important element of interstate competition in attracting investments from other states and from rest of the world. Trying to harmonize taxes across EU countries is neither feasible nor desirable.

2. Relative tax pressure in EU countries

Taxation can influence the international competitiveness of a nation in a crucial way. Indeed, EU countries seem to increasingly compete with tax policies. [Table 1](#) shows the relative tax pressure in the EU members in 2000. Column (2) of [Table 1](#) shows that the corporate tax rate ranged from a low of 24% in Ireland to a high

Table 1
Relative tax pressure in the EU, US, and Japan in 2000

Country	Corporate tax rate	Income tax rate for individuals	Government spending
Austria	34.0	32.0	51.8
Belgium	39.0	40.0	49.6
Denmark	32.0	35.0	53.7
Finland	29.0	27.0	45.3
France	41.7	35.0	52.6
Germany	40.0	31.0	47.6
Greece	40.0	15.0	43.3
Ireland	24.0	27.0	28.9
Italy	37.0	34.0	48.1
Luxembourg	33.0	11.2	37.2
The Netherlands	35.0	37.5	45.2
Portugal	32.0	25.0	46.6
Spain	35.0	25.0	40.6
Sweden	28.0	31.0	54.9
United Kingdom	30.0	20.0	39.1
Average EU	34.0	28.4	45.6
United States	35.0	15.0	28.9
Japan	30.0	10.0	39.3

Source: [WEF, 2000–2002](#).

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات