European Tax Survey highlights need for single EU-wide corporate tax base and for VAT one-stop shop system

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A survey of the compliance costs of EU companies published today confirms the need for the Commission's suggestion (see IP/03/1593) that companies should be allowed to use a single basis of assessment for corporate tax for all their EU-wide activities so as to avoid the costly inefficiencies of dealing with EU Member States' twenty-five different company tax systems. The survey also underlines the need for the proposal that the Commission intends to present in the next few months for a one-stop shop system whereby a trader could fulfil his Value Added Tax (VAT) obligations for his EU-wide activities solely in the Member State in which he is established (see IP/04/654). The Commission's European Tax Survey, in which seven hundred EU companies participated, shows that cross-border activity currently leads to higher company tax and VAT compliance costs for companies. Compliance costs are significantly higher for companies with at least one subsidiary in another EU Member State compared to companies without subsidiaries abroad and the costs increase according to the number of such subsidiaries. Compliance costs are also proportionately greater for SMEs than for large companies.

"I welcome this European Tax Survey which demonstrates the potential costs that arise from the lack of co-ordination of EU taxation systems" commented Taxation Commissioner Frits Bolkestein. "I hope that Ministers will have regard to these results in their discussions on reducing the administrative burden and on company taxation during the informal meeting of Member States’ Economics and Finance Ministers this weekend."

The European Tax Survey

The Survey is based on a questionnaire concerning company taxation and VAT compliance costs in the EU that the Commission sent to more than 2000 companies in September 2003, via the European Business Test Panel (see http://europa.eu.int/yourvoice/ebtp/index_en.htm

Seven hundred companies from fourteen EU Member States participated in the Survey. The main findings are that:

- a parent company with subsidiaries in other EU Member States appears to have significantly (about 5 times) higher compliance costs than companies without subsidiaries
- annual compliance costs are about €202,000 for the average SME compared with €1,470,000 for a large company, corresponding to an estimated cost-sales ratio of 2.6% for SMEs compared to 0.02% for large companies
- the principal company tax compliance problems relate to transfer pricing, with an estimated 81.9% of companies indicating difficulties linked to documentation requirements
- the top VAT compliance problem is difficulties in coping with the procedures relating to the repayment and refund of VAT expenditures in other Member States, in particular for companies registered in a Member State where they do not have a permanent establishment. An estimated 53.5% of large companies have not requested refunds to which they were entitled at some point due to these problems
- taxation is a factor for investment location decisions and affects company structure decisions.