



# european community

# NEWS

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## EC COMMISSION CALLS FOR COMMON SOLUTIONS TO INTERNATIONAL TAX PROBLEMS

Christiane Scrivener, EC Commissioner for Taxation, Customs and Consumer Policy, said in Washington today that a new dialogue on tax issues would be very useful between the United States and Europe and would contribute to a return to economic growth and employment.

Commissioner Scrivener was speaking on the topic "The European Single Market: Taxation and Competitiveness" at a European Institute luncheon where she was also guest-of-honor. In her speech, she explained how the tax-related red tape for companies situated in the European Community will diminish as a result of new EC indirect and company tax measures that have come into force with the single market.

- **Indirect taxation:** since January 1, 1993, customs and tax-related checks at internal borders have been abolished and a new minimum Value-Added Tax (VAT) rate of 15 percent has also been introduced. Although VAT is paid at each stage of the economic process, companies that are intermediate users get deductions which transfers the burden to the end user, the consumer. VAT is not applied to exports, which ensures their competitiveness on international markets.
- **Company taxation:** the Commissioner said her objective "was the removal of all discriminatory double taxations of cross-border income flows. Three long-standing proposals were finally adopted by the Council of Ministers in June 1990 and have been in force since last year. The first directive eliminates withholding taxes on dividend flows between subsidiary and parent companies located in different member states. The second - the "mergers directive" - suppresses tax charges arising on cross-border mergers or reorganizations between different companies and encourages cooperation between enterprises settled in different European member states. The third puts in place an arbitration procedure for the resolution of transfer pricing disputes (transfer pricing refers to the prices of transactions between related companies). Additional measures will soon be adopted for the abolition of withholding taxes on interest and royalty payments within groups of companies, as well as for relief for foreign losses of permanent establishments and subsidiaries.

"All these measures are extremely important to increase fair business in Europe. They are good measures for European companies, but also good measures for all companies which operate in Europe, especially for American ones. Europe want to attract more trade and more investments."

"We in the European Community want to ensure that business taxes are not only equitable, but also as modern and efficient as possible in the present world competition. We can guarantee that Europe will remain a good place to do business, for Europeans and non-Europeans alike. That is the reason why it is also so important for us that a fair taxation of European companies in the US be assured. It is necessary in order to remain in conformity with internationally recognized principles."

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