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Press Release

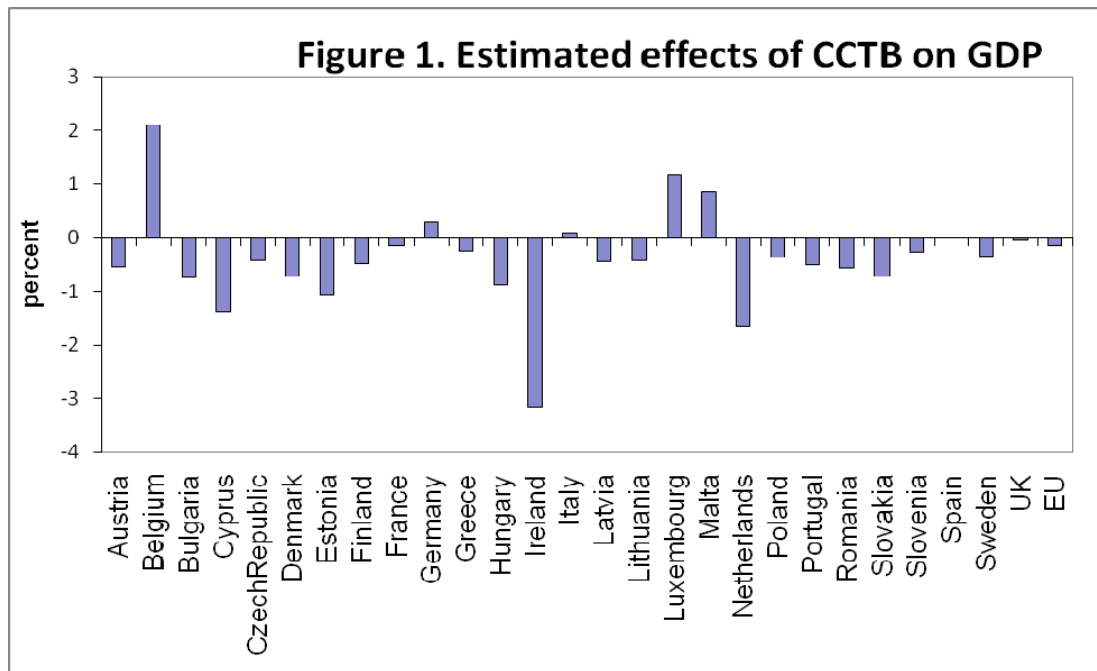
PROPOSED COMMON EUROPEAN CORPORATION TAX BASE COULD HARM THE UK

The European Commission publishes its proposals for a radical overhaul of the taxation of company profit in the EU today. The Oxford University Centre for Business Taxation at Saïd Business School, University of Oxford, together with the CPB in the Netherlands, conducted an official Impact Assessment of the proposals, known as the Common Consolidated Corporate Tax Base (CCCTB).

The research finds:

- There would be considerable variation in the economic effects of the new tax system on EU countries
- The precise estimates depend on the definition of the proposed tax system, but in a typical case, UK GDP would fall slightly; by 0.05 percent
- For other countries the effects on GDP vary from a rise of 2 percent in Belgium, to a fall of 3 percent in Ireland
- Overall, GDP in the EU would also fall slightly; by 0.15 percent
- There would be virtually no net effect on employment or wages in the EU
- Capital expenditure would fall a little; by 0.74 percent

The Figure below shows the position for each country (taken from Table C.32 of the Impact Assessment):



The proposed system would introduce a common definition of taxable profit across Europe, and companies would declare only their EU-wide profit, rather than the profit they earned in each country. For each company this total profit would be allocated to member states on the basis of a simple formula based on capital, employment and sales. Each country would then apply its own tax rate to its allocation of profit.

- The effect on the UK depends on the precise definition of taxable profit, and the formula used for allocation.
- The UK would do better than average where the formula is based on capital, and payroll costs rather than employment.
- More significant gains in GDP and welfare could be achieved if the tax rate were harmonised as well as the tax base

The Impact Assessment is published today by the European Commission and the Oxford University Centre for Business Taxation. The report is:

“The economic effects of EU-reforms in corporate income tax systems”, Leon Bettendorf, Michael Devereux, Albert van der Horst, Simon Loretz and Ruud de Mooij
 A copy of the full report can be downloaded from:

<http://www.sbs.ox.ac.uk/centres/tax/Pages/Reports.aspx>

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Notes to editors

1 About The Oxford University Centre for Business Taxation

The Oxford University Centre for Business Taxation is an independent research centre which aims to promote effective policies for the taxation of business. Professor Michael Devereux is Director of the Centre. The Advisory Board of the Centre is chaired by Sir Derek Morris, Provost of Oriel College, Oxford.

The Centre undertakes and publishes multidisciplinary research into the aims, practice and consequences of taxes which affect business. Although it engages in debate on specific policy issues, the main focus of the Centre's research is on long-term, fundamental issues in business taxation. Its findings are based on rigorous analysis, detailed empirical evidence and in-depth institutional knowledge.

The Centre provides analysis independent of government, political party or any other vested interest. The Centre has no corporate views: publications of the Centre are the responsibility of named authors. The Centre is not a consultancy: it reserves the right to publish the results of its research.

For more information on the Centre see <http://www.sbs.ox.ac.uk/Tax>

2 About the report

This report was commissioned by the European Commission as part of its formal analysis of the proposed CCCTB system. The report was completed in October 2009, but remained unpublished until the Commission presented its proposals. The report draws on a collaborative research between the Oxford University Centre for Business Taxation and the CPB in the Netherlands. It uses an applied general equilibrium model, which analyses the behaviour of multinational companies in all of the 27 member states of the EU as well as the USA, Japan and tax havens.

3 About Saïd Business School

Established in 1996 the Saïd Business School is one of Europe's youngest and most entrepreneurial business schools with a reputation for innovative business education. An integral part of Oxford University, the School embodies the academic rigour and forward thinking that has made Oxford a world leader in education and research. The School has an established reputation for research in a wide range of areas, including finance and accounting, organisational analysis, international management, strategy and operations management. The School is dedicated to developing a new generation of business leaders and entrepreneurs and conducting research not only into the nature of business, but the connections between business and the wider world. In the Financial Times European Business School ranking (Dec 2010) Saïd is ranked 11th. It is ranked 15th worldwide in the FT's combined ranking of Executive Education programmes (May 2010) and 27th in the world in the FT ranking of MBA programmes (Jan 2011). In the UK university league tables it has ranked first of all UK universities for undergraduate business in eight of the last nine years in The Times. For more information, see www.sbs.ox.ac.uk/

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