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**HARMONISED COMPANY TAX RATE IS NOT THE SOLUTION TO  
ENCOURAGE GROWTH AND REDUCE RELOCATION**

**On the occasion of the Franco-German summit held in Paris this week, the French President and German Chancellor discussed harmonisation of corporate taxation within the EU and in particular the introduction of a minimum tax rate for all EU countries.**

For UNICE, the introduction of such minimum rates or harmonisation is flawed for two main reasons: first, it negates the interdependence between the different types of tax that Member States levy. Second and more important, such a development would impede tax competition between the Member States, which is an indispensable counterweight to upward pressure on government spending.

UNICE nevertheless appreciates the European Commission's endeavours to eliminate tax obstacles to cross-border economic activity and thereby create a true common market. The need for companies to deal with 15 and soon 25 or more different tax systems remains the ultimate cause of most of the tax problems within the Internal Market and of its high (tax) compliance costs. Over the longer term, the development of an optional common consolidated taxable base is the most effective way to eliminate the remaining tax obstacles.

The risk of relocation for EU-15 growth prospects is naturally a source of concern. As is the lack of growth and competitiveness of Europe. Relocation decisions of enterprises that are looking for productive investment could affect not only low-skilled but also highly sophisticated activities. However, the fear of relocation should not be overestimated. First, enlargement has been a reality for the business community for more than a decade. Second, reallocation of resources is a natural adjustment process towards global efficiency. This is in fact more worrying when it reflects a weakening of competitive advantage in Europe, resulting from the slow pace of reform implementation in increasingly competitive global markets.

To tackle lack of growth and competitiveness in Europe, instead of harmonising company taxation, UNICE encourages EU Member States to put in place a timely, innovative and effective industrial policy that encourages companies to set up as well as stay in Europe.

**Note to the editor:**

UNICE is the official voice of more than 16 million small, medium and large companies. Active in European affairs since 1958, UNICE's members are 36 central industrial and employers federations from 29 countries, working together to achieve growth and competitiveness in Europe

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For further information, please contact:

Maria Fernanda Fau:

+32(0)2 237.65.62

Website:

[www.unice.org](http://www.unice.org)