

THE EEAG REPORT ON THE EUROPEAN ECONOMY

ISSN 1611-311X

N. 19, 2020

[Consulta en línea](#)

Fair taxation in a mobile world

RECOMMENDATIONS FOR EUROPE	6
EXECUTIVE SUMMARY	7
CHAPTER 1: MACROECONOMIC CONDITIONS AND OUTLOOK	10
The global slowdown that began in 2018 continued last year, partly driven by ongoing trade disputes and uncertainty about Brexit. While the service sector maintains its momentum, manufacturing has fallen into recession in numerous countries. As last year, the price-adjusted Gross Domestic Product in the euro area is projected to grow by 1.2 percent this year. Each of the European Union's three largest economies (France, Germany, and Italy) is expected to grow less than 1.5 percent in 2020, which will weigh on overall European growth.	
CHAPTER 2: DIGITAL AND TECHNICAL TRANSFORMATION	38
The rapid digital and technical transformation has led to an immense increase in the global connectivity and an unprecedented growth of digital platforms. Major platforms, almost exclusively from the United States and China, operate in Europe with little or no physical presence which raises questions of how to regulate and tax them. In this chapter we present some of the core issues related to the digital transformation of the global economy and how Europe can potentially respond to these momentous changes, including the build-up of a European competitor.	
CHAPTER 3: TAXING MULTINATIONAL COMPANIES	56
There is a general perception that globalization and technological change have made it easier for large, multinational corporations to avoid paying their fair share of taxes. Part of the debate is related to the question of where value added is created and can be taxed – where factories are located, where entrepreneurial risk is borne, where research and development is carried out or where goods are sold to private consumers. This chapter looks at the recent development of the corporate tax system and discusses the urgent need to reform. We also evaluate recent reform proposals by the European Union and country-specific initiatives, such as the digital services tax in France.	
CHAPTER 4: TAXING MOBILE JOBS AND PEOPLE	70
The changing nature of globalization and increasing mobility of jobs and people present a potential challenge to welfare states in the European Union. Welfare systems come under pressure if those contributing most to tax-financed arrangements – high-income groups – migrate to low-tax countries, while those who benefit the most from social protection migrate to high-tax countries. This chapter outlines the policy options in designing tax systems and the social safety net when the mobility of both jobs and workers is increasing – both from a national and a European perspective.	
CHAPTER 5: TAXING IMMOBILE FACTORS AND WEALTH	92
While mobile factors can change their location in response to differential taxation, immobile factors cannot, by definition, cross borders, thus making them an attractive policy option for raising revenues. This chapter discusses reasons for taxation of land and property, both of which are lightly taxed in most (though not all) EU countries at the moment. Moreover, we argue that inheritance and wealth taxes, where applied, require a reduction of rates and a simplification of the tax system in the light of incentives for capital flight and international mobility.	
AUTHORS: THE MEMBERS OF THE EUROPEAN ECONOMIC ADVISORY GROUP AT CESIFO	107

The views expressed in this report are those of the authors and do not necessarily reflect those of the institutions they are affiliated with.