

REASONS FOR TAX HARMONIZATION IN THE EU

Prof. Gheorghe MATEI, PhD
University of Craiova
Lect. Daniela PÎRVU, PhD
University of Pitești

1. Introduction

Tax harmonization in the EU is not a common policy in taxation field, but the adjustment of national fiscal policies as is necessary for the proper functioning of the single market. Tax harmonization can be achieved spontaneously (through market forces), by the actions of European institutions (fiscal policy coordination, harmonization of tax laws, etc.), or by action of the European Court of Justice (prohibiting certain national tax rules that violate EU rules).

The tax harmonization is a prerequisite for the creation and effective functioning of the Single Market, for Member States of the European Union. Although Member States are in principle free to set their own rules of national tax systems, this freedom is conditioned by the respecting priority objectives of the EU's founding treaties. Member States should avoid discriminatory tax measures (which can lead to a disadvantageous treatment for people, goods and services or capital from other Member States).

In favor of the tax harmonization in the European Union numerous arguments have been brought, of which we present and analyze those benefiting from a richer theoretical support.

2. The stimulation of the efficient functioning of the Single Market

The single market idea started from a principle enunciated by the representatives of the liberal economic doctrine over two centuries ago: removing barriers to trade between

countries generates increasing competition among firms and thereby reducing costs and eliminating inefficient business practices. The effects of the economic impact of the single market in the Community were quantified at the request of the European Commission, by a team of specialists led by Professor Paolo Cecchini. Thus, in 1988, was published the study "The cost of non-Europe", known as "Cecchini Report", which outlines the advantages and disadvantages of the single market. The "Cecchini Report" predicted the economic growth and the strengthen competitive of the European Community on the global market by achieving savings of around 200 billion ECU, reducing consumer prices by about 6% and the creation of about 2 million new jobs in the Member States to the end of 1992, by removing obstacles to economic exchanges (border controls, technical barriers, fiscal barriers)¹. Although some experts have criticized the simplistic assumptions that led to the conclusions of the "Cecchini Report", considered too optimistic, the document succeeded the popularization, among policy makers, of the concept according to which the efficient functioning of the single market will generate increasing general welfare in the Community².

Therefore, an argument in favor of the tax harmonization was the stimulation of the efficient functioning of the Single Market since the elimination of

¹ Hangiu, D., *Cecchini Report almost a reality*, European Advisor Magazine, no. 5, 2006, pp. 10.

² Ussher, K., *The spectre of tax harmonisation*, Centre for European Reform, London, 2000, pp. 9-10.

tax barriers generates improving the capacity of investors, businesses and consumers to make decisions based on resource allocation efficiency, unaltered by different levels of taxation Member States.

3. The prevention of revenues erosion

Under economic globalization, the existence of different tax systems favors the phenomenon of tax export that involves moving the tax burden from taxpayers residing in states with high tax level to taxpayers residing in states with low tax. The economic globalization, by increasing interdependence between individuals and national economies, the interconnection and integration of financial markets and trade, the internationalization of production by multinational corporations, has important implications in terms of tax, because the tax source can be moved more easily in jurisdictions with tax lower.

The revenues erosion problem starts from the competition between different tax jurisdictions which aims to encourage individuals and businesses to establish residency in their area³. The concept of "tax competition" was introduced by Charles Tiebout (1956) and starts from the idea of the equivalent markets existence, for public goods, private goods. Since the public goods market law of supply and demand functions, taxpayers should opt for those residences that provide the optimal combination of public goods and taxes (viewed as prices paid for goods public). In turn, tax authorities will try to attract taxpayers in their jurisdictions offering the tax-public goods desired combination of them, until it reaches an optimal size of the tax base, i.e. one that minimizes the cost of public goods provided⁴.

³ James, S., Oats, L., *Tax harmonisation and the case of corporate taxation*, Revenue LJ, no. 8, 1998, pp. 9.

⁴ Negrescu, D. (coord.), *Tendințe de armonizare fiscală la nivelul Uniunii Europene. Provocări pentru*

In another approach, the tax competition is the phenomenon by which mobile tax bases are attracted to jurisdictions with low taxation⁵. Thus, the tax competition can be assimilated to a kind of "poaching" when a country, using certain types of tax incentives, causes the transfer of tax bases from abroad under its jurisdiction⁶.

In the broad sense, the tax competition is any fiscal context in which various independent governments do not coordinate their fiscal policies. In a narrower sense, the tax competition can be defined as any fiscal context in which various independent governments do not coordinate their fiscal policies and the fiscal policy of each government affects the allocation of tax revenue between these countries. Usually, the phenomenon of tax competition is associated with actions of governments to attract foreign direct investment, portfolio investment, foreign buyers, the labor (especially the highly skilled) and the international transfer of profits to tax optimization⁷.

The tax competition could generate, at a time, to a reduction of tax revenue up to a level at which public authorities should be put in a position to no longer meet the demand for services and public goods⁸. Thus, the introduction of supranational rules by stating at least the minimum tax rates that would ensure the provision of services and public goods in proper conditions. This idea can be observed at George Zodrow and

România, Project SPOS 2007 – Strategy and Policy Studies, Study no. 5, European Institute of Romania, 2007, pp. 23.

⁵ Dalibor R., *Evidence and Myths about Tax Competition*, New Perspectives on Political Economy, vol. 2, no. 2, 2006, pp. 88.

⁶ Negrescu, D. (coordinator), *works cited*, pp. 73.

⁷ Talpoș, I., Crășneac, A., *Efectele concurenței fiscale*, Theoretical and Applied Economics, vol. XVII, no. 8(549), 2010, pp. 39-40.

⁸ Zodrow-Mieszkowski model known in literature as the 'basic tax competition model' demonstrates on the restrictive conditions that the reduction of tax rates on capital income will lead to diminishing supply of public goods to a suboptimal level.

Peter Mieszkowski who supported, firmly, the need for common tax rules, which ensure the collection of revenue sufficient to guarantee the continuity of financing the welfare state⁹.

This view was shared by John Douglas Wilson who belief that, under the increased mobility of capital, the tax competition may generate to erosion of tax bases (especially in developing countries), leading either to the reduction of the income available to authorities for investments in social field or in infrastructure or to the increasing of the tax burden on labor or consumption¹⁰. Wallace Oates believes that the reducing taxes for attracting mobile capital will lead to a reduction of public spending to the point

who their marginal benefits are equal to marginal costs. As the costs of actions and objectives that do not prove sufficiently attractive to small businesses will be reduced in particular, the author concluded that this phenomenon will lead to a reduction of social welfare level¹¹. Since privileged investors tend to be residents in countries that offer a high level of public services, but do not contribute equally to finance them through taxes, the reduction of taxes on the income of mobile taxpayers will eventually be supplied by increasing income taxes on taxpayers less mobile, leading to a situation deeply unfair¹².

The tax competition within the European Union, facilitated by the integration of national markets, began to be studied, and economic phenomenon, with EU enlargement. In the context of EU accession, new Member States were obliged to ensure an equal treatment for

foreign and local investors, abandoning the use of an effective tool for stimulating economic activity: the tax advantages. To keep their economies attractive, in these states was generalized the practice of diminishing the level of corporate income tax, a practice contested by the governments of those European countries that count on a high rate of taxation, to ensure resources to finance the " general welfare state". The reduction of corporate income tax has generated a shift of foreign direct investment to areas with low taxation in the EU so that the measures for fiscal relaxation adopted by governments to relax the new Member States have generated similar reactions from other Member States.

At a certain volume of goods and services provided by government, reducing state revenues from corporate income tax or capital tax should be compensated by increasing the tax burden on other tax categories. If the relaxation of taxation on corporate income does not generate the stimulation of investments in economy and positive implications: the creation of new jobs, the improvement of trade balance, the increase of revenues on the rise in personal income, etc., the whole mechanism described above will determine the erosion of income.

In the EU, the notion of tax competition has been analyzed, especially in connection with the possibility of capital to migrate from one country to another in search of better conditions in terms of tax. Because the tax competition is reflected by decreasing levels of capital taxation, this decrease is often compensated by the government by increasing the tax on labor. Therefore, the tax competition can be regarded as a "game" after which "winners" are the owners of mobile factors (in this case capital) and "losers" are holders of immobile factors (such as less skilled labor), because they face many more difficulties when trying to migrate

⁹ Zodrow, G., Mieszkowski, P., *Pigou, Tiebout, Property Taxation, and the Underprovision of Local Public Goods*, Journal of Urban Economics, no. 19(3), 1986, pp. 356-370.

¹⁰ Wilson, J.D., *Theories of Tax Competition*, National Tax Journal, no. 52(2), 1999, pp. 289-291.

¹¹ Oates, W. E., *Fiscal Decentralization and Economic Development*, National Tax Journal, nr. 46(2), 1993, p. 237-243.

¹² Negrescu, D. (coordinator), *works cited*, pp. 73.

(legislative, social, psychological, barriers, etc.)¹³. Taxes will go from the income corporate to the personal income, from the capital to the labor, and generally, from the income and welfare taxation to the consumption taxation, so the tax competition may lead to a substantial change in tax structure and thus, the erosion of certain categories of income.

Results of studies made by specialists in recent years demonstrate the hypothesis of the EU Member States engagement in a "race to the minimum" because:

- governments react to the reduction of tax rates in neighbouring countries;
- in recent years, tax rates for mobile factors of production have declined significantly in all European Union member countries.

Although so far no evidence has been brought on direct correlation between the tax competition and the erosion of public services in the European Union member countries, the increasing competition after the accession of the new Member States has generated critics regarding the lax fiscal policies of these states from some experts or politicians. Thus, Murilo Portugal, Deputy Director of the International Monetary Fund expressed in 2007, fearing that in the future the tax competition will reduce the capacity of governments to maintain the current amount of tax revenues¹⁴. In 2004, the current President of France, Nicolas Sarkozy, accused the new Member States that practice an unfair tax competition and he proposed the reduction of European aid to these countries considering that a nation

cannot require financial funds motivating weaker economic situation and to operate, while tax cuts¹⁵.

Some experts have shown that the high level of corporate taxation in some Member States discourages FDI inflows even though other factors, including the volume and quality of public goods and services would be favorable to attracting foreign direct investment. Thus, the analysis of FDI flows between seven home countries for multinational companies (Austria, Germany, France, Italy, Netherlands, UK and USA) and 8 host countries (Bulgaria, Croatia, Czech Republic, Hungary, Poland, Slovakia, Slovenia and Romania) during 1995-2003 made by Christian Bellak and Markus Leibrecht show that the taxation of companies is a factor in the decision for the location of foreign companies, with almost equal importance with labor cost factor. A one percent reduction in the effective rate of corporate income tax may lead to a maximum increase of FDI inflows by 4.5%¹⁶. Following analysis of R.A. DeMooij and S. Ederveen on the impact of taxation on capital flows was determined an elasticity of -2.4%. Consequently, the reduction by 1 percentage point of the tax rate will lead to the increase of capital flows by 2.4%¹⁷.

Agnès Bénassy-Quer, Lionel Fontagné and Amina Lahrèche-Révil studied the sensitivity of FDI towards tax differences in 11 OECD countries during 1984-2000, revealing that the corporate income tax rate plays a significant role in FDI location. Thus, while the reduced tax rate contributes significantly to attracting foreign direct investment, high taxes

¹³ Grau, P., Herrera, P. M., *The link between tax coordination and tax harmonization: limits and alternatives*, EC Tax Review, 12(1), 2003, pp. 30.

¹⁴ Portugal, M., *Long-Term Fiscal Sustainability: Recent Advances and Future Challenges*, Opening speech at the seminar of IMF Office in Europe, Paris, July 5, 2007.

¹⁵ Crumley, B., *President Sarkozy?*, Time, October 3, 2004.

¹⁶ Leibrecht, Markus, Bellak, Christian, *Foreign Direct Investment in Central - and East European Countries: A Panel Study*, Department of Economics, Vienna University of Economics, Vienna, 2005, pp. 26.

¹⁷ DeMooij, R., Ederveen, S., *Taxation and foreign direct investment: a synthesis of empirical research*, International Tax and Public Finance, no. 10, 2003, pp. 23.

discourage FDI inflows. On the other hand, the positive impact of tax differences is not the same in all countries that choose for reducing the tax rate to attract foreign capital. FDI flows are directly proportional to the differences between the existing level of taxation in different countries¹⁸.

Disputes about the importance of corporate taxation on FDI location are on, given that many studies regarding the elasticity of FDI towards corporate taxation have focused exclusively on the issue of taxation. Also, these studies have ignored the possibility that foreign direct investment flows to respond not only to fiscal policies and bilateral agreements between countries of origin and host countries, but also to fiscal policies of countries that can provide alternatives for the location of FDI¹⁹.

A step forward in researching the effects of taxation on location decisions of foreign direct investments have made by Salvador Barrios, Harry Huizinga, Luc Laeven and Gaetan Nicodème who made observations on a sample of companies from 33 European countries and have achieved results more detailed. Thus, the four authors have shown that the sensitivity of FDI towards corporate income tax vary greatly according to the magnitude of the observations made (for a small number of observations, the sensitivity is very high)²⁰. These results suggest that estimates regarding the impact of taxation on location decisions of FDI will be relevant only if the database will include more countries and companies in the sample will be

heterogeneous in terms of investment. Currently, the aggregation of the two conditions is difficult in the absence of a very large international databases.

If studies which attempted to measure the intensity of the relationship between taxation and the location decisions of FDI does not provide relevant results, it is clear that the corporate taxation is a strong determinant of the financial structure of FDI. Thus, the econometric modelling made by Pdraig Moore and Frances Ruane based on observations at over 300,000 companies in the AMADEUS database, during 1994 to 2002 showed that an increase by 10 percentage points in the level of taxation in one country will generate the growth of the debt by 3.4 percentage points in the financial structure of subsidiaries in that country²¹. Harry Huizinga, Luc Laeven and Gaetan Nicodème obtained similar results in 2007, showing that through intra-group loans, an increase by 10 percentage points in the level of taxation in one country will generate an increase of the debt by 2.44 percentage points in the financial structure of subsidiary in that country²².

By reducing fiscal pressure differences between European Union member countries, the tax harmonization creates prerequisites to setting a minimum level of income tax under which governments can provide a certain amount of goods and services.

On the other hand, there are views according to which the tax competition is causing the government to promote a responsible fiscal policy. The reduced tax burden of companies creates a fertile ground for growth. In the absence of the tax competition,

¹⁸ Bénassy-Quéré, A., Fontagné, L., Lahrière-Révil, A., *Tax Competition and Foreign Direct Investment*, CEEPII, no. 17, 2003, pp. 18.

¹⁹ Hajkova, D., Nicoletti, G., Vartia L., Kwang-Yeol, Y., *Taxation, business environment and FDI location in OECD countries*, Economics Department, Working Papers, no. 502, OECD, 2006, pp. 5.

²⁰ Barrios, S., Huizinga, H., Laeven, L., Nicodème, G., *International Taxation and Multinational Firm Location Decisions*, CEB Working Paper, no. 37, 2008, pp. 26.

²¹ Moore, P., Ruane, F., *Taxation and the Financial Structure of Foreign Direct Investment*, Institute for International Integration Studies, Trinity College Dublin, Discussion Paper, no. 88, 2005, pp. 2.

²² Huizinga, H., Laeven, L., Nicodème, G., *Capital Structure and International Debt-Shifting*, IMF Working Paper, no. 39, 2007, pp. 4

governments can levy taxes in excess and the high level of taxation discourages the economic activity, leading to the reduction of public revenues²³. Therefore, the tax competition is beneficial because it reduces the waste of public financial resources and disciplines the politicians and can generate, thus the increasing of the welfare of society²⁴. The tax competition forces nations to compete with each other to attract "customers" (taxpayers), offering a better quality of "tax services", so the practice of favorable tax regimes in some countries should not give rise to "winner" and "loser" positions²⁵. On the basis of this reasoning is the idea that both individual taxpayers and companies are able to migrate between different jurisdictions according to their preferences. In reality, the full mobility of tax bases is blocked by the existence of some relocation costs, political and cultural barriers, etc., so that tax competition generates a number of economic distortions.

4. Avoiding harmful tax competition

If the tax competition between states is accompanied by the lack of fiscal transparency, exchange of information between tax authorities and an advantageous tax regime for non-residents, we can discuss about harmful tax competition.

OECD Reports in 1998 and 2000 revealed the existence of some harmful tax practices as: some tax incentive measures which can be considered

isolated from the specifics of the national economy, the granting of tax benefits in the absence of effective economic activities in that country and others, associated in particular with tax havens²⁶. Fiscal and banking policies of tax havens generate numerous disadvantages for onshore states: loss of tax revenues, reducing the possibilities of financing the national economy, the licit and illicit migration of capital, etc.

The existence of very low tax jurisdictions encourages transnational corporations to use tax avoidance strategies involving the transfer pricing mechanism, intra-group loans, the thin capitalization, the use of organizational structures without a significant economic activity to operate abroad, etc. The ability of corporations to use these strategies gives them a significant tax advantage over competitors national, so the tax competition favors large businesses, developed at international level over the small businesses, developed at the local level. Also, companies that have experience in the use of tax avoidance strategies are advantages over start-up companies. Since in developing countries are recorded most start-up companies, extrapolating this reasoning, we can say that the tax competition encourages businesses of multinational companies in developed countries against their competitors in developing countries²⁷.

Debates on the issue of harmful tax competition in the European Union began after the publication, in 1999, of the first Primarolo Group report²⁸, which identified 66 "harmful tax measures", of

²³ Mitchell, J. A, *Tax Competition Primer: Why Tax Harmonization and Information Exchange Undermine America's Competitive Advantage in the Global Economy*, no. 1460, Heritage Foundation Backgrounder, 2001, pp. 11.

²⁴ Janeba, E., Schjelerup, G., *Why Europe Should Love Tax Competition - And the U.S. Even More So*, NBER Working Paper, no. 9334, 2002, pp. 6.

²⁵ Christensen, J., Kapoor S., *Tax Avoidance, Tax Competition and Globalisation: making tax justice a focus for global activism*, Accountancy Business and the Public Interest, vol. 3, no. 2, 2004, pp. 9.

²⁶ Organisation for Economic Co-operation and Development, *Harmful Tax Competition - An Emerging Global Issue*, 1998 (<http://oecd.org/dataoecd/33/1/1904184.pdf>), *Towards Global Tax Co-operation*, 2000 (www.oecd.org/dataoecd/25/27/44430257.pdf).

²⁷ Christensen, J., Kapoor, S., *Tax Avoidance, Tax Competition and Globalisation: making tax justice a focus for global activism*, Accountancy Business and the Public Interest, vol. 3 no. 2, 2004, pp. 6-8.

²⁸ available at http://ec.europa.eu/taxation_customs/taxation/company_tax/harmful_tax_practices/index_en.htm

the 40 in Member States. Primarolo Group investigations were initiated on proposal of the Economic and Financial Affairs (ECOFIN), after several politicians (in Germany, Belgium, Austria and others) have reported that differences between the financial investment taxation in different countries generated the savings migration of their residents in other Member States to avoid domestic taxes²⁹. According to the Economic and Financial Affairs Council (ECOFIN), a national tax measure damages the single market if:

- generates the significant erosion of the tax base;
- stimulates the transfer of profits in jurisdictions with low taxation;
- distorts the mechanism of income redistribution.

Primarolo Group used the following criteria to identify potentially harmful tax measures³⁰:

- an effective level of taxation which is significantly lower than the overall level of taxation in that country;
- non-residents benefits from tax advantages;
- tax incentives for activities that are isolated from the domestic economy;
- tax exemptions are offered even in the absence of real economic activity;
- the lack of transparency in the fiscal environment.

Conclusions of the Primarolo Group report motivated the European Commission to initiate a series of actions against tax measures considered as harmful through the state aid rules, actions supported by the European Court of Justice by interpretation of the free movement principles in the European

Union Treaty, in order to eliminate these measures.

Currently, the tax practices of some EU member countries stimulate the transfer of benefits and the development of commercial activities on their territory. Thus, in the Netherlands, Luxembourg, Belgium and Cyprus there is a favorable legislation for development holding company³¹, which results in increasing the attractiveness of these countries to foreign investors and encouraging foreign capital accumulation. Shipping companies or companies with specific maritime benefit from specific tax advantages in Cyprus and the Netherlands. In addition to fiscal benefits, Luxembourg is a recognized jurisdiction to ensure the confidentiality and the financial secret (in 2009 Luxembourg and Belgium were in the list of countries which not fully implemented the international tax cooperation standards according to the requirements of the OECD)³². Even if the tax and financial favorable climate existing in some Member States of the European Union cannot be associated with the harmful tax competition, the advantages of these countries are evident, and it is possible in the future, a ample movement of the tax relaxation for certain structures across the EU economic.

In the absence of common taxation rules on in the single market, the emergence of harmful tax competition situations in the European Union is inevitable. The resolution of the European Court of Justice of the issues generated by the adoption of national tax provisions that harm the interests of some states and distort the competition within the single market is a difficult and costly mechanism, possibly to avoid through the tax harmonization.

²⁹ Matei, Gh., Pîrvu, D., *Controverse față de tendința de armonizare a impozitelor pe veniturile companiilor în Uniunea Europeană*, Theoretical and Applied Economics, vol. XVII, no. 8(549), 2010, pp. 30.

³⁰ Stuart, E., *Legislația și politica fiscală*, IBF International Consulting Publishing, Chișinău, 2010, pp. 117.

³¹ The holding company term is used to describe an entity that holds shares in other entities and whose main activity is the management and control of these holdings.

³² OECD Listings, June 8, 2009, available at www.oecd.org/dataoecd/38/14/42497950.pdf

5. The prevention of distortions in resource allocation

In the event that governments are required to achieve reductions in tax rates, to grant deductions, tax credits and exemptions to attract capital or to prevent their migration to more favorable tax jurisdictions, the tax competition may lead to the misallocation of resources in the world economy. Thus, production activities can be targeted to countries where the cost of inputs is high, but taxation is reduced. The tax competition generates phenomena of activities' spatial concentration and a cumulative reinforcement of potential fiscal inequalities³³.

According to Charles Edwards and Veronique Ruggy, the tax competition is harmful because it distorts the actual allocation of capital and services internationally. In countries that choose to reduce the nominal tax rates (especially in developing countries) will increase inputs of services, capital and skilled labor, while neighbouring countries will be confronted with a reverse situation³⁴.

Given the existence of some significant differences between countries involved in competition for attracting international capital, of economic, social and political point of view, the influence of the capital taxation on the location cannot be easily highlighted. Thus, a multi-criteria analysis which takes account of the infrastructure development, the taxation, the legislative and political stability, the cost and workforce training, the domestic market size, the proximity from sources of raw materials, etc. bases global investment decisions. Also, the generalization of the

localization behavior of capital is not possible because differences in perception of decision makers from many investment options and differences in their attitude towards risk can be identified.

A neutral tax system, generated through the tax harmonization within the European Union, would give the advantage of eliminating distortions in economic decisions and would allow the proper allocation of resources within the single market. In the event that goods produced in any Member State should be taxed identically, producers would allow to manufacture those goods where input costs are lower. Therefore, the tax harmonization would encourage competition through the easing movement of firms and owners of labor, between jurisdictions competing³⁵.

According to other opinions, the tax competition is a phenomenon that occurs naturally in the context of globalization, so it is not necessary or appropriate to combat it. Thus, in most cases, attractive tax systems are ways to counter the disadvantages exogenous (such as low development of the new Member States in the European Union case) and to determine a more uniform allocation of resources within an area. The tax competition and the tax harmonization would not be in a conflict of objectives. Thus, tax competition would encourage governments to adopt fiscal policy measures like those promoted in countries that succeed to attract the capital through a series of favorable tax regimes. In time, these practices could lead to a certain degree of uniformity of tax systems in some areas³⁶.

³³ Coates D., *Tax Competition among Jurisdiction with public and private employment*, National Tax Journal, 1993, pp. 177.

³⁴ Edwards, Ch., Ruggy, V., *International Tax Competition A 21st-Century Restraint on Government*, Policy Analysis, no. 431, Cato Institute, 2002, pp. 21-22.

³⁵ James, S., Oats, L., *works cited*, pp. 7.

³⁶ Rounds, T., *Tax Harmonization and Tax Competition: Contrasting Views and Policy Issues in Three Federal Countries*, Journal of Public Administration Research and Theory, vol. 22, 1992, pp. 22.

6. Conclusion

The evolution of tax harmonization process in the EU is closely linked to challenges of integration and economic globalization for the operation of the single market in optimal conditions. The tax competition, the risk of double taxation situations, the loss of opportunities to increase economic competitiveness of the European Union are just a few of the problems generated by the peculiarities of the Member States tax systems, that we have identified, consulting the part of the vast literature in this area.

To not disrupt the operation of the single market, national tax systems

must be designed as to ensure a high degree of neutrality. In this context, the relevant institutions of the European Union had as a priority the harmonization of indirect taxes and the harmonization of some matters affecting the corporate taxation.

To limit the taxation interferences on the proper functioning of the Single Market, the European Commission promoted in a sustained manner the idea of harmonization and coordination of Member States' tax systems. In this respect, since the 1970s, important advances were made in the field of indirect taxes (VAT and excise duties), and since 1990 in the corporate taxation.

REFERENCES

Barrios, S., Huizinga, H., Laeven, L., Nicodème, G.	<i>International Taxation and Multinational Firm Location Decisions</i> , CEB Working Paper, nr 37, 2008, p. 26;
Bénassy-Quéré, A., Fontagné, L., Lahrèche-Révil, A.	<i>Tax Competition and Foreign Direct Investment</i> , CEEPII, nr. 17, 2003;
Christensen, J., Kapoor, S.	Tax Avoidance, Tax Competition and Globalisation: making tax justice a focus for global activism, Accountancy Business and the Public Interest, vol. 3 nr. 2, 2004;
Coates D.	<i>Tax Competition among Jurisdiction with public and private employment</i> , National Tax Journal, 1993;
Crumley, B.	<i>President Sarkozy?</i> , Time, 3 octombrie, 2004;
Dalibor R.	<i>Evidence and Myths about Tax Competition</i> , New Perspectives on Political Economy, vol. 2, nr. 2, 2006;
DeMooij, R., Ederveen, S.	<i>Taxation and foreign direct investment: a synthesis of empirical research</i> , International Tax and Public Finance, nr. 10, 2003;
Edwards, Ch., Rugy, V.	<i>International Tax Competition A 21st-Century Restraint on Government</i> , Policy Analysis, nr. 431, Cato Institute, 2002;
Grau, P., Herrera, P. M.	<i>The link between tax coordination and tax harmonization: limits and alternatives</i> , EC Tax Review, 12(1), 2003;
Hajkova, D., Nicoletti, G., Vartia L., Kwang-Yeol, Y.	<i>Taxation, business environment and FDI location in OECD countries</i> , Economics Department, Working Papers, nr. 502, Organizația pentru Cooperare și Dezvoltare Economică, 2006;
Hangiu, D.	<i>Raportul Cecchini aproape o realitate</i> , Revista Consilier European, nr. 5, 2006;
Huizinga, H., Laeven, L., Nicodème, G.	<i>Capital Structure and International Debt-Shifting</i> , IMF Working Paper, nr. 39, 2007 ;
James, S., Oats, L.	<i>Tax harmonisation and the case of corporate taxation</i> , Revenue LJ, nr. 8, 1998;

Janeba, E., Schjelerup, G.	<i>Why Europe Should Love Tax Competition - And the U.S. Even More So</i> , NBER Working Paper, nr. 9334, 2002;
Leibrecht, Markus, Bellak, Christian	<i>Foreign Direct Investment in Central - and East European Countries: A Panel Study</i> , Department of Economics, Vienna University of Economics, Vienna, 2005;
Matei, Gh., Pîrvu, D.	<i>Controverse față de tendința de armonizare a impozitelor pe veniturile companiilor în Uniunea Europeană</i> , Economie teoretică și aplicată, vol. XVII, nr. 8(549), 2010;
Mitchell, J. A.	<i>Tax Competition Primer: Why Tax Harmonization and Information Exchange Undermine America's Competitive Advantage in the Global Economy</i> , nr. 1460, Heritage Foundation Background, 2001;
Moore, P., Ruane, F.	<i>Taxation and the Financial Structure of Foreign Direct Investment</i> , Institute for International Integration Studies, Trinity College Dublin, Discussion Paper, nr. 88, 2005;
Negrescu, D. (coord.)	<i>Tendințe de armonizare fiscală la nivelul Uniunii Europene. Provocări pentru România</i> , Proiect SPOS 2007 – Studii de strategie și politici, Studiul nr. 5, Institutul European din România, 2007;
Oates, W. E.	<i>Fiscal Decentralization and Economic Development</i> , National Tax Journal, nr. 46(2), 1993;
Organizația pentru Cooperare și Dezvoltare Economică	<i>Harmful Tax Competition – An Emerging Global Issue</i> , 1998, <i>Towards Global Tax Co-operation</i> , 2000;
Portugal, M.	<i>Long-Term Fiscal Sustainability: Recent Advances and Future Challenges</i> , cuvânt de deschidere la seminarul Oficiului FMI în Europa, Paris, 5 iulie 2007;
Rounds, T.	<i>Tax Harmonization and Tax Competition: Contrasting Views and Policy Issues in Three Federal Countries</i> , Journal of Public Administration Research and Theory, vol. 22, 1992;
Stuart, E.	<i>Legislația și politica fiscală</i> , Editura IBF International Consulting, Chișinău, 2010;
Talpoș, I., Crășneac, A.	<i>Efectele concurenței fiscale</i> , Economie teoretică și aplicată, vol. XVII, nr. 8(549), 2010;
Ussher, K.	<i>The spectre of tax harmonisation</i> , Centre for European Reform, London, 2000;
Zodrow, G., Mieszkowski, P.	<i>Pigou, Tiebout, Property Taxation, and the Underprovision of Local Public Goods</i> , Journal of Urban Economics, nr. 19(3), 1986;
Wilson, J.D.	<i>Theories of Tax Competition</i> , National Tax Journal, nr. 52(2), 1999.