ROOSEVELT 2012

Generating new financial leeway

Creation of a European corporate tax on profits

The average European profit tax rate is only 25% compared to 40% in the USA[1]. How ironic! The USA is considered the most liberal country in the world -- but they apply heavier corporate tax rates on profits!

Mean tax rate on corporate profits

U.S.A.	*40 %*
Europa	*25%*

Why does Europe practice such a low rate? Since Ireland and Great Britain joined the EU in 1973, Member States have been forced to lower their rates because of other States lowering their taxes on profits to attract new corporations. Ireland reduced its tax rate to 12% and all other Member States had to reduce their own profit taxes... At the European level, the average tax rate on profits has come down one third in the last twenty years. This converging towards the lowest common fiscal denominator has been one of the main factors weighing on public debt.

Profits have never been so high (more than 550 billion euros last year for the DJ Stox 600, alone[2]), **but taxes on profits have never been so low!**

The last time there was such a race downwards on standard tax rates was **in the USA in the 1920's**: Texas was reducing its taxes to attract corporations. Then Florida did the same. Then Ohio...Corporations (and their stockholders) shamelessly benefited from this fiscal dumping. Until the 1929 stock market crash and subsequent economic depression occurred. The individual states then realized they had no money left in the public treasury whether to help the unemployed or to stimulate the economy through public spending!

As soon as he came to power, Roosevelt created a federal tax on profits in order to put a stop to fiscal dumping among neighbouring states. In Europe on the contrary, there is no European 'federal' tax. This greatly encourages dumping among neighbouring Member States. This is how Europe has ended up with a tax rate inferior by 15 points to that of the United States.

No country in the European Union can raise its profit tax rate by 15 points: where it to do so alone, corporations would quickly move to more fiscally advantageous neighbouring states. However nothing prevents us from acting on the European level by creating a European profits tax of around 15%.

Financial leeway of 21 billion euros yearly for France

For the time being, Europe has no resources of its own. The Member States contribute every year to the budget. This year France will contribute 21 billion euros to the European budget[3]. If the European budget were to be financed by a European tax, these 21 billion would remain in the French treasury and would reduce our deficit by the same amount..

What kind of European tax?

A tax on corporate profits should be created for the simple reason that it is this very tax which has come down so greatly over the last 20 years, benefiting shareholders far more than investment. **An eco-tax** could also strengthen Europe's own resources, while encouraging corporations to reduce their energy consumption

The idea of creating a European tax had already been put forward by Jacques Delors in the 1980's. After nearly 30 years of thinking about it, isn't it about time to act? Since a new Treaty is to be negotiated before March 2012, we must insist it include the creation of a tax on financial transactions and the creation of a European tax on corporate profits. If the European budget were financed by a European profit tax, France would save a little more than 20 billion euros per year. If such a tax had previously existed, our public deficit in 2011 would have come to only 75 billion, less than 4% of GDP.

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1. Le Monde, April 12, 2006. This is the nominal rate, the "official" rate. On both sides of the Atlantic, the real rate of a tax on profits is lower because of numerous exonerations.
2. The 600 biggest corporations quoted in Europe.
3. Of course, we do reap benefits from this budget, via agricultural policy, structural aid, and numerous other European policies which benefit us.