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# WHY CCCTB DISADVANTAGES LESS DEVELOPED COUNTRIES OF THE EUROPEAN UNION

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## **Keywords**

*Common Consolidated Corporate Tax Base*  
*Corporate income tax revenues*  
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*Losses*  
*EU Formula Apportionment*  
*Tax sharing mechanism*

## **JEL classification**

*F23, H25, H32*

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## **Abstract**

*From its appearance, the Common Consolidated Corporate Tax Base generated numerous debates and controversies since its effects cannot be precisely measured. Two of the factors in the formula for allocating common consolidated corporate tax base are susceptible to disadvantage some Member States. This paper demonstrates, by a case study in Romania, that the tax sharing mechanism, through the payroll factor, disadvantages less developed countries of the European Union. These countries will record losses of corporate income tax revenues.*

## 1. INTRODUCTION

In the field of direct taxation, the tax harmonization has been a difficult process, punctuated by lengthy negotiations between the European Commission (EC) and the Member States of the European Union (EU MSs). Important progress has been made in the taxation of companies with cross-border activities, but the existing legislative rules are insufficient to solve many problems implied by the proper and efficient functioning of the single market.

Recent guidelines towards a common corporate tax policy are based on a common purpose - to simplify and increase the efficiency of tax systems to ensure a better functioning of the single market - and some specific and operational objectives, such as: reducing compliance / administrative costs associated with the corporate taxation (supported both companies and tax administrations), facilitating cross-border business expansion in the EU and minimizing distortions caused by national differences in terms of the investments and tax bases allocation.

To eliminate barriers caused by the existence of 27 different tax systems on the efficient functioning of the Single Market, the EC promoted the Common Consolidated Corporate Tax Base (CCCTB), project supported by the most EU MSs, the European Parliament, the Economic and Social Council and the European business community.

The publication by the EC, in March 2011, of the proposal for a directive on CCCTB (with a delay of three years from the program assumed in 2004) gives this work a character of maximum usefulness and timeliness. We are in front of a key moment for the future of taxation in EU MSs. The acceptance or rejection of the proposal to introduce measures of coordination in corporate tax revenues will mean the triumph of the European Commission's political will to promote an European identity on the international scene or on the contrary, the power of the Euro-scepticism.

Evaluation of the coordination measures impact in EU corporate income taxation was made either by independent specialists or by specialist services of the EC or at its request. Mainly, the

attention of experts has pointed to estimating the economic impact of corporate income tax coordination in the EU. Simulations concerning the effects of a common corporate tax base in MSs revealed low gains in terms of GDP and the reduction in tax revenues (about 0.1 per cent of GDP) across the EU (Jesper and Svensson 2004; Brøchner et al. 2006; Bettendorf et al. 2010). Simulations concerning the effects of the consolidation of all profits and losses across countries and tax sharing mechanism showed significant losses of tax revenues across the EU (Fuest et al. 2006; Devereux and Loretz 2007). Also, Devereux and Loretz (2008) showed that the corporate effective average tax rates will decrease in all MSs.

Some studies show that the harmonization of corporate income taxes will generate antagonistic effects in MSs: countries that would achieve gains in terms of GDP and the increase of welfare will obtain losses in term of tax revenues (Jesper and Svensson 2004; Brøchner et al. 2006). Cline et al. (2010) showed that the application of the CCCTB (static simulation with data from 2005) will generate the increase of corporate income tax revenues in Bulgaria, France, Hungary, Ireland, Latvia, Lithuania, Netherlands, Portugal, Romania, Slovakia, Spain and Greece and the reduction of corporate income tax revenues in Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, Germany, Italy, Luxembourg, Poland and Sweden. The biggest loss in term of corporate income tax revenues would be recorded by Germany (7.7%) and the largest gain in term of corporate income tax revenues would be recorded by UK (2.2%). Instead, Bettendorf et al. (2010) concluded that the consolidation of all profits and losses across countries will generate the diminishing corporate income tax revenues (as % of GDP) in all countries of the EU. This reduction will have a larger magnitude for countries with high levels of corporate income tax rate (e. g. Malta) or countries where the corporate sector has a high importance (e. g. Belgium).

The effects of gains in terms of welfare (generated by the CCCTB) will be unequally distributed among MSs, due to differences in national fiscal regulations (van der Horst et al. 2007), and

the entire EU will record a reduction in term of welfare (Bettendorf et al. 2009).

Conflicting results of studies regarding the effects of common consolidated corporate tax base show that the real impact of the EC proposal is difficult to quantify.

View the debates on the proposal for a directive on CCCTB, this research may provide a scientific foundation for the political representatives of less developed states of the EU in supporting or opposing the draft legislation.

## **2. BRIEF HISTORY OF CCCTB AND REACTIONS TO THIS INITIATIVE**

Since 2001, the EC has proposed a solution to solve fiscal problems of companies with cross-border activities within the EU. This solution would materialize in an effective proposal at a later date, and focused on creating the best framework for determining corporate under a common set of rules and establishing consolidated accounts for tax purposes, eliminating the potential negative effects of intra-group transactions tax (EC 2001). Such an approach does not violate the right of MSs to establish the corporate income tax rates because corporate income tax is calculated by applying national rates to the tax base calculated according to a tax sharing mechanism.

A common consolidated tax base for companies with cross-border activities within the MSs should contribute the following (Agúndez-García 2006):

- reducing administrative costs (supported both companies and tax administrations) regarding the transfer pricing documentation;
- reducing compliance costs supported by corporations that are required to know and apply the tax and accounting rules of all countries in which it operates, in order to determine taxable income or calculating potential tax refunds;
- the consolidation of all profits and losses across EU countries;
- simplifying the international restructuring operations;
- avoiding risk of double taxation;
- the elimination of some discriminatory situations and restrictions on companies.

Political reactions to the fiscal strategy proposed in 2001 were numerous. Most MSs were suspicious of the possibility of its practical application, presenting both technical reasons (the difficulty of finding a tax sharing mechanism to satisfy the interests of all MSs) and political reasons (the low chance of ensuring the unanimity to approve the legislative proposal). Before these reactions, in 2003, the EC recognized that approaches to reforming the national tax systems proposed in 2001 showed a high degree of difficulty, but it said it remains convinced that the CCCTB introduction will improve the functioning of the internal market (EC 2003).

In 2004 a working group of experts representing the MSs and chaired by the EC was established to examine in detail the possible solutions for implementing the CCCTB. So far, there were 13 working group meetings, and documents resulting from discussions in the working group are published on the Web site of the EC.

On 16 March, 2011, the EC published the draft of a directive regarding the introduction of the CCCTB. According to the published document, the CCCTB is an important initiative in the elimination of obstacles that prevent the fair and efficient functioning of the single market, representing an incentive to increase the corporate sector in the EU and, on this way, the number of jobs affected by the international economic crisis (EC 2011).

Corporate income tax harmonization issue generated political controversies in many EU MSs. Representatives of some EU countries (Ireland and United Kingdom) expressed the view that the CCCTB is a violation of the national sovereignty in taxation, and the ultimate goal of the EC in implementing this system would be full tax harmonization. Once adopted, the CCCTB will allow the EC to put pressure on MSs to harmonize tax rates in EU. Politicians in many new EU MSs (Poland, Latvia and Slovakia) said that the CCCTB introduction will have an insignificant effect on FDI inflows into their countries, but it may generate the reducing tax revenues and increasing the workload in the tax administration (Gnaedinger 2008).

Usually, EU business representatives supported the efforts of the EC regarding the CCCTB introduction, if it will be optional, arguing that the opportunity to consolidate profits and losses

across EU countries and the reducing administrative costs are important incentives for investors (EUROCHAMBRES 2007; Union of Industrial and Employer's Confederations of Europe 2004-07).

### 3. DISADVANTAGES GENERATED BY THE TAX SHARING MECHANISM FOR THE LESS DEVELOPED COUNTRIES OF THE EU

Common consolidated tax base will be allocated to MSs entitled to levy corporate income taxes by a distribution formula (EU Formula Apportionment) that includes factors of production (labor and capital) and factors which expresses the firm's economic performance (sales), in proportions equal (1/3). Payroll and number of employees have an equal contribution in the labor factor (EC 2011).

Tax Base =

$$\left( \frac{1}{m} \frac{Sales^A}{Sales^{Group}} + \frac{1}{n} \left( \frac{1}{2} \frac{Payroll^A}{Payroll^{Group}} + \frac{1}{2} \frac{Number\_of\_employees^A}{Number\_of\_employees^{Group}} \right) + \frac{1}{o} \frac{Assets^A}{Assets^{Group}} \right) * CCCTB$$

with  $\frac{1}{m} + \frac{1}{n} + \frac{1}{o} = 1$

During discussions in the Working Group, the EC said it would opt for the sales "as the destination" solution. The EC believes that sales "at home" has a weak conceptual basis in terms of income generation, reproducing in a significant way the role played by assets and wages as revenue-generating factors. In addition, the location of the sales "at home" could be easily manipulated, because the instead of sending to others is easily changed (although any transportation costs must be taken into account). This risk is reduced significantly when the sales "at destination" is used (Common Consolidated Corporate Tax Base Working Group 2007).

The determination of the sales factor depending on the instead of dispatch / destination of goods, i. e. the place where services are effectively provided is a mechanism by which less developed MSs will be disadvantaged in the process of allocating the consolidated tax base. According to

information provided by Eurostat, in 2009, the purchasing power in the new MSs is lower than the European average.

Therefore, if the sales "as the destination" will be used, we can see that a part of the tax base created within a narrow outlet state will migrate to a state with large outlet. In principle, countries where the purchasing power is low (Bulgaria, Romania, Latvia, Lithuania, Poland, Estonia) will record reductions in corporate income tax revenues, because the domestic markets of these countries will not absorb the entire quantity of goods and services produced by controlled foreign subsidiaries so that some of the profits of these subsidiaries will be taxed in other countries. On the other hand, statistics on intra-EU trade show that most new EU MSs appear as net importers in relation to other MSs. For example, in Romania, Bulgaria and Latvia, arrivals were 30% higher than dispatches, in 2009. Machinery and transport equipment and other manufactured goods were between 50 and 70% of arrivals in the new EU MSs.

Because most of industrial goods that are subject to foreign trade are manufactured by companies organized in groups, the statistics above show us that less developed EU countries (who have a deficitary intra-trade balance) would benefit from the transfer of a part of the tax base created by groups of companies in other MSs, despite the low purchasing power.

Due to differences in annual earning between EU MSs, the payroll factor may disadvantage less developed EU states. Annual earnings of employees in Romania and Bulgaria were 8 times lower than the European average in 2006. In other new EU MSs (Latvia, Lithuania, Estonia, Slovakia) annual earnings were about 4 times lower than the European average (Eurostat 2009). Therefore, the payroll factor is a potential risk factor in moving the tax base from less de-

veloped EU countries in strong developed EU countries.

This assumption was demonstrated by a research on the example of subsidiaries controlled in Romania.

#### 4. INFLUENCE OF PAYROLL ON CORPORATE INCOME TAX REVENUES IN ROMANIA

##### 4.1 Research Methodology

**Table 1.** Structure-activity areas of the capital subscribed by companies with foreign capital at the end of 2009 (%)

	industry	trade	transport	construction	telecommunications	agriculture
The sample	60.11	19.05	7.65	6.98	5.95	0.13
Nationally	47.50	11.50	9.00	3.40	4.20	1.40

Source: Author's calculations based on Financial Statements of companies in the sample and Statistics (National Trade Register Office of Romania)

The subscribed capital of companies that are part of the sample represented 5.9% of capital coming from the European Union, subscribed by

To evaluate the EU Formula Apportionment effect on corporate income tax revenues, observations were made on the 22 corporations with 69 subsidiaries operating in Romania during 2006-09. Subsidiaries were representative for non-financial companies with foreign capital participation in Romania in terms of field of activity: industry, trade, transport, construction, telecommunications and agriculture (see table 1).

companies with foreign capital participation (financial and non) who worked in Romania in 2006 and 3.7% in 2009 (see table 2).

**Table 2.** The subscribed capital of companies (bill. lei)

	2006	2007	2008	2009
The subscribed capital of companies that are part of the sample	2.08	1.98	2.34	2.76
The subscribed capital of companies with foreign stake in Romania	35.14	38.62	53.23	74.90

Source: Annual financial statements of companies that are part of the sample and Statistics (National Trade Register Office of Romania)

Given the above, the sample chosen can substantiate the correct results on the impact of using EU Formula Apportionment.

The assessing positions held by subsidiaries that are part of the sample (see annex 2) was made according to the factors of the EU Formula Apportionment: assets, sales and employment. In-

formation on the subscribed capital, fixed assets, sales, employees and the taxable income was obtained from consulting the consolidated financial statements (for corporate groups) and annual financial statements (for subsidiaries in Romania). These data are in the table 3.

**Table 3.** Information about the Romanian subsidiaries that are part of the sample (%)

	2006	2007	2008	2009
Fixed assets of Romanian subsidiaries that are part of the sample in total corporate assets	0.54	0.62	0.67	0.50
Sales of Romanian subsidiaries that are part of the sample in total corporate sales	0.66	0.77	0.89	0.78
Employees of Romanian subsidiaries that are part of the sample in total corporate employees	1.18	1.34	1.42	1.36

Source: Author's calculations based on annex 1

Even if in the Romanian economy, the 69 subsidiaries that are part of the sample have an important place (shown both by the amount invested capital and the number of employees: 49,919 people in 2009), they have a modest position within their groups in terms of fixed assets, sales and employees. During 2006-08, there is an improvement of the position held by subsidiaries that are part of the sample, but in 2009, due to the virulence manifestation of economic and financial crisis in Romania, the situation deteriorated. Calculations were made after changing the value of fixed assets and sales to euro. The average exchange rate used was published by the National Bank of Romania: 1 euro / 3.5245 lei in 2006, 1 euro / 3.3373 in 2007, 1 euro / 3.6827 lei in 2008 and 1 euro / 4.2373 lei in 2009.

The main focus of research was the determination of the variation between the corporate income tax paid by subsidiaries that are part of the sample according to annual financial reports and corporate income tax which would have to pay when the EU Formula Apportionment was used (based on the assumption that all groups of companies analyzed would have opted for the CCCTB). To determine the tax basis allocated to subsidiaries that are part of the sample, the formula agreed by the European Commission has been used with the following weights: 1/3 for fixed assets, 1/3 for sales, 1/6 for the number of employees and 1/6 for the payroll. The consolidated profit before tax (taken from the consolidated financial statements) was considered the consolidated corporate tax base.

Because the documents published by the Trade Register Office of Romania based on annual financial reports of companies not include information on labor costs and this information are

not found in most published consolidated financial statements of corporate groups, I considered two variants:

a) I estimated the value of the payroll taking into account the level of the average gross annual wage in Romania (3,713 euro in 2006; 4,825 euro in 2007; 5,464 euro in 2008 and 4,992 euro in 2009) and in European Union (31,302 euro in 2006). Official statistical information on the annual average gross wage in the EU (Eurostat) cover only 2006, so, for 2007 and 2008, I indexed it with the EU annual inflation rate (2.3% in 2007 and 3.7% in 2008). Considering that the international economic crisis did not allow the average annual gross wage growth in the European Union, the operation of indexing for the last year of analysis was not made in 2009;

b) I removed the payroll from the EU Formula Apportionment, giving an equal weight (one third) of assets, sales and employees.

For information processing, I designed an Access database that allows the sorting, analyzing and summarizing data and reporting the results immediately.

#### 4.2. Data analysis and interpretation

After applying the EU Formula Apportionment for each group of companies, I obtained different values of corporate income tax, compared with values of effectively paid corporate income tax. So, when the payroll was estimated based on average annual gross salary in Romania and the European Union, the applying the EU Formula Apportionment generated an average decrease of 45.03% from baseline in 2006-2009 (see table 4).

**Table 4.** Changes in corporate income taxes paid by the Romanian subsidiaries that are part of the sample after applying the EU Formula Apportionment

	2006	2007	2008	2009
The corporate income tax paid by the Romanian subsidiaries that are part of the sample before applying the EU Formula Apportionment (million euro)	147.97	140.06	158.14	120.57
The variation of the corporate income tax after applying the EU Formula Apportionment (%)	-60.38	-33.84	-46.76	-39.15

Source: Author's calculations based on annex 1 and 2

If the payroll is eliminated, giving an equal weight (one third) of assets, sales and employees, the loss of corporate income tax revenues will decrease compared to the situation

where the formula for allocating the consolidated tax base approved by the EC was applied (see table 5).

**Table 5.** Changes in corporate income taxes paid by the Romanian subsidiaries that are part of the sample after applying the EU Formula Apportionment of which was eliminated the payroll

	2006	2007	2008	2009
The corporate income tax paid by the Romanian subsidiaries that are part of the sample before applying the EU Formula Apportionment (million euro)	147.97	140.06	158.03	120.57
The variation of the corporate income tax after applying the EU Formula Apportionment of which was eliminated the payroll (%)	-44.99	-9.58	-34.62	-16.71

Source: Author's calculations based on annex 1 and 2

The importance of payroll for certain areas of economic activity and differences between the average wage in Romania and the European Union determines changes in the corporate income

taxes paid by the Romanian subsidiaries that are part of the sample after applying the EU Formula Apportionment in the two variants of calculation (see table 6).

**Table 6.** Changes in income taxes paid by the Romanian subsidiaries that are part of the sample, grouped by field of activity, after applying the EU Formula Apportionment

	Average (2006-09)
The corporate income tax paid by the Romanian subsidiaries operating in <i>industry</i> , that are part of the sample, before applying the EU Formula Apportionment (million euro)	24.69
The variation of the corporate income tax that Romanian subsidiaries operating in <i>industry</i> (part of the sample) would be paid after applying the EU Formula Apportionment (%)	49.38
The variation of the corporate income tax that Romanian subsidiaries operating in <i>industry</i> (part of the sample) would be paid after applying the EU Formula Apportionment of which was eliminated the payroll (%)	43.46
The corporate income tax paid by the Romanian subsidiaries operating in <i>trade</i> , that are part of the sample, before applying the EU Formula Apportionment (million euro)	6.17
The variation of the corporate income tax that Romanian subsidiaries operating in <i>trade</i> (part of the sample) would be paid after applying the EU Formula Apportionment (%)	10.82
The variation of the corporate income tax that Romanian subsidiaries operating in <i>trade</i> , that are part of the sample, would be paid after applying the EU Formula Apportionment of which was eliminated the payroll (%)	34.76
The corporate income tax paid by the Romanian subsidiaries operating in <i>transport</i> (part of the sample) before applying the EU Formula Apportionment (million euro)	1.43
The variation of the corporate income tax that Romanian subsidiaries operating in <i>transport</i> , that are part of the sample, would be paid after applying the EU Formula Apportionment (%)	-52.18
The variation of the corporate income tax that Romanian subsidiaries operating in <i>transport</i> (part of the sample) would be paid after applying the EU Formula Apportionment of which was eliminated the payroll (%)	-34.78
The corporate income tax paid by the Romanian subsidiaries operating in <i>construction</i> , that are part of the sample, before applying the EU Formula Apportionment (million euro)	1.78
The variation of the corporate income tax that Romanian subsidiaries operating in <i>con-</i>	89.12

<i>struction</i> (part of the sample) would be paid after applying the EU Formula Apportionment (%)	
The variation of the corporate income tax that Romanian subsidiaries operating in <i>construction</i> (part of the sample) would be paid after applying the EU Formula Apportionment of which was eliminated the payroll (%)	54.37
The corporate income tax paid by the Romanian subsidiaries operating in <i>telecommunications</i> , that are part of the sample, before applying the EU Formula Apportionment (million euro)	106.67
The variation of the corporate income tax that Romanian subsidiaries operating in <i>telecommunications</i> (part of the sample) would be paid after applying the EU Formula Apportionment (%)	-72.15
The variation of the corporate income tax that Romanian subsidiaries operating in <i>telecommunications</i> (part of the sample) would be paid after applying the EU Formula Apportionment of which was eliminated the payroll (%)	-68.78

Source: Author's calculations based on annex 1 and 2

The eliminating payroll in the EU Formula Apportionment reduced the gap between the corporate income tax paid by the Romanian subsidiaries that are part of the sample and corporate income tax that would be paid after applying the EU Formula Apportionment, regardless of the field of activity. The elimination of payroll significantly change the corporate income taxes paid by the Romanian subsidiaries operating in trade. This is due to the high number of employees registered in these companies (the share of employees in the Romanian subsidiaries operating in trade is about 25% of the total number of employees in the companies that are part of the sample).

The most important limit of this research is generated by the small size of the sample so that results can be interpreted only in this context. However, the accurately assessing the impact of CCCTB introduction on corporate income tax revenues cannot be made because the optional nature of the CCCTB does not allow the identifications of EU corporate groups that will use this system.

Also, research results are influenced by minimum corporate income tax in Romania, in 2009, and the evolution of the euro/leu exchange rate. Distortions caused by the application of minimum corporate income tax in Romania, in 2009, are reduced because the gap between the effectively corporate income tax paid by the Romanian subsidiaries that are part of the sample and the corporate income tax that would be paid in the absence of this regulation is only 0.5 percentage points. In contrast, the significant

fluctuation of the euro/leu exchange rate (the leu depreciated against the euro by about 20% during 2006-09, due to turbulence generated by the economic crisis on the international foreign exchange market) is a factor with a greater influence on the accuracy of estimates made. In the assumption of some "stable currency conditions," the potential loss of from corporate income tax revenues, generated by applying the EU Formula Apportionment, would have been about 6 percentage points lower.

## 5. CONCLUSION

Because wage level in Romania is about six times lower than that registered in the EU, Romania and other less developed countries of the EU will be disadvantaged in the process of allocating the consolidated tax base. Simulation results show that the application of the EU Formula Apportionment would generate a decrease in corporate income tax revenues of 45%. The eliminating payroll in this formula generates a mean change in corporate income tax revenues (to increase them) by about 20 percentage points. For this reason, the EU Formula Apportionment must be accompanied by a compensation mechanism for losses that some MSs will record, due to the existence of socio-economic discrepancies between EU countries. It is true that in the proposal for a directive on CCCTB, the EC introduced a safeguard clause. If the primary taxpayer and competent tax authority consider that the share allocated to a member of corporate group does not reflect fairly the volume of economic activity, the mainly taxpayer

or tax authority involved may require the use of other apportionment method. The method of apportionment will be determined through consultations between the parties. How this clause can be implemented is unknown, because the EC did not specify any additional clarifications.

The improving fiscal conditions for multinational companies operating in the EU is a useful and even necessary measure if the following are considered:

- new EU MSs have succeeded in recent years to attract a significant volume of foreign direct investment because the advantages offered (reduced cost of inputs, facilities of access to capital, tax incentives, etc.), but they are will gradually lose the attractiveness, together with the economic and social development;
- many countries situated near the EU (Russia, Ukraine, etc.) promote an active policy of attracting FDI, constituting an attractive location for investments in search of resources or markets.

In this context, the CCCTB could help improve the internal market efficiency, to make it more competitive in the future. To ensure a wide support for the project, the EC should amend some provisions of the proposal for a directive on CCCTB (or additional provisions to be added) to ensure a proper distribution of tax base between MSs entitled to levy corporate income taxes.

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## Biography

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Her areas of interest are: Macroeconomic Policy, Macroeconomic Aspects of Public Finance, Public Economics.

**Annex 1 Composition of sample companies**

Corporate group	Consolidated taxable income (million euro)				Subsidiaries in Romania	Field of activity	Income taxes paid (million euro)			
	2006	2007	2008	2009			2006	2007	2008	2009
ASTALDI	59	71	71	85	Astalrom S.A.	Construction	0.79	0.16	0.13	0
					Romairport S.R.L.	Transport	0	0	0	0.07
					Italstrade CCCF JV Romis	Construction	0	0.01	0	0
ATON GMBH	37	90	161	0	Aton Transilvania S.R.L.	Agriculture	0.34	0.30	0	0
CARREFOUR	3,108	3,136	2,124	1,132	Terra Achizi ii S.R.L.	Trade	0	0	0	0
					Carrefour Romania S.A.	Trade	3.47	3.95	3.22	3.32
					Artima S.A.	Trade	0.22	0	0	0.007
					Carrefour Property Romania S.R.L.	Trade	0	0	0	0.002
					Carrefour Voiaj S.R.L.	Tourism	0	0	0	0.05
COLAS	513	624	660	507	Colas Romania S.R.L.	Construction	0.21	0	0.27	0.007
CONTINENTAL AG	487	1,522	-1,003	-1,761	Continental Automotive Romania SRL	Industry	0	0	0	0.79
					Continental Automotive Systems S.R.L.	Industry	0.05	0.44	0.50	0.007
					Continental Automotive Products S.R.L.	Industry	3.11	1.50	1.72	7.76
					Contitech Romania S.R.L.	Industry	1.55	1.82	1.99	1.98
					Contitech Fluid Automotive Romania S.R.L.	Industry	0.19	0	0	0.73
					Contitech Thermopol Romania S.R.L.	Industry	0	0	0	0.003
DEUTSCHE BAHN	1,555	2,016	1,807	1,387	Schenker Romtrans S.A.	Transport	0.11	0.17	0	0.02
DEUTSCHE POST DHL	2,842	1,188	-1,066	276	DHL International Romania S.R.L.	Transport	0.32	0.56	0.77	0.96
					Cargus Express Curier S.R.L.	Transport	0	0	0	0
					Cargus International S.R.L.	Transport	0.11	0.23	0	0.20
					DHL Logistics S.R.L.	Transport	0.04	0.06	0.06	0.04
DVS	136	213	216	62	DSV Solutions S.R.L.	Transport	0.23	0.19	0.19	0.09
	5,947	11,042	2,461	12,206	E.ON Gaz Distribu ie S.A.	Industry	3.93	3.11	0	3.82

E.ON AG					E.ON Moldova Furnizare S.A.	Industry	0	0	0.94	0.007
					Orange Romania S.A.	Telecommunications	64.21	58.43	70.03	43.30
FRANCE TELECOM	3,737	8,149	5,560	6,988	MGV Distri-Hiper S.A.	Trade	0	0	0	0.007
GROUPE AUCHAN SA	1,161	1,142	1,103	1,133	Global E-business Operations Centre S.R.L.	Management and business consulting	0.29	0.54	0.58	0.66
HEWLETT-PACKARD	4,087	3,728	6,155	5,503	Hewlett - Packard S.R.L.	Trade	0.84	1.33	0.87	1.49
					Carpatcement Holding S.A.	Industry	10.08	16.32	14.04	10.69
HEIDELBERG-CEMENT	1,306	2,343	998	-14	Carpat Agregate S.A.	Industry	0.17	0.13	0.06	0.003
					Carpat Beton S.R.L.	Industry	0.29	1.09	0.62	0.007
					Leoni Wiring Systems RO S.R.L.	Industry	0.68	0.18	0.16	0.41
LEONI AG	117	117	16	157	Leoni Wiring Systems Arad S.R.L.	Industry	0	0.06	0	0.007
					Leoni Wiring Systems Pite ti S.R.L.	Industry	0	0	0.05	0.61
					Transcondor S.A.	Transport	0	0	0	0.70
NORBERT-DENTRESSANGLE	77	73	60	51	Norbert Dentressangle Transport S.R.L.	Transport	0.001	0.06	0	0
					DB Logistica Romania S.R.L.	Transport	0.08	0	0	0.002
					Citroen Romania S.R.L.	Trade	0	0	0	0.01
PEUGEOT SA	229	1,205	-622	-2,004	Gefco Romania S.R.L.	Transport	0	0	0.19	0.26
					Faurecia Seating Talmaciu S.R.L.	Industry	0.33	0.33	0.19	0.19
					Saint-Gobain Glass Romania S.R.L.	Industry	0	0.66	0	0.007
SAINT-GOBAIN	3,374	3,712	3,487	2,268	Saint-Gobain Construction Products Romania S.R.L.	Industry	0	1.20	1.07	0.85
					Saint-Gobain Weber Romania S.R.L.	Industry	0.14	0.12	0.28	0.18
					Saint-Gobain Abrazivi Romania S.R.L.	Industry	0	0	0	0.002
					Saint-Gobain Conducte	Industry	0.03	0	0	0.003

					S.R.L.					
					Brodrene Dahl Romania S.R.L.	Trade	0.10	0	0.36	0.16
					MTI Impex S.R.L.	Industry	0.15	0	0	0.38
SIEMENS	3,654	5,481	2,814	4,094	Siemens Electrical Installation Technology S.R.L.	Industrie	0.03	0	0	0.05
					Simea Sibiu S.R.L.	Industry	0	0	0	0.08
					Osram Romania S.R.L.	Trade	0.02	0.01	0	0.003
					Siemens (Austria) Proiect Spital Col ea S.R.L.	Construction	0	0	0	0
					Siemens Motor Systems S.R.L.	Industry	0.002	0.0001	0.004	0.002
					Siemens Program and System Engineering S.R.L.	Edit data	0.08	0.01	0	0.15
					Siemens S.R.L.	Trade	0.55	1.05	0.39	0.007
					Sykatec Systems Components Application Technologies S.R.L.	Industry	0	0	0	0.03
STRABAG	287	276	229	263	Antrepriza de Reparatii i Lucr ri ARL Cluj S.A.	Construction	0.03	0	0	0.003
					Bitunova Romania S.R.L.	Construction	0.10	0.13	0.12	0.02
					BRVZ Servicii & Administrare S.R.L.	Edit data	0.04	0.11	0.27	43
					Carb S.A.	Construction	0.27	0.12	0.07	0.003
					Drumco S.A.	Construction	0	0.19	0	0.003
					Strabag S.R.L.	Construction	0.96	0.74	1.01	0.75
					TPA Societate pentru Asigurarea Calit ii i Inova ii S.R.L.	Quality testing products	0	0	0	0.001
					Züblin Construct S.R.L.	Construction	0	0.41	0	0.003
					Zublin Romania S.R.L.	Construction	0	0.03	0	0.003
UNILEVER N.V.	4,831	5,184	7,129	4,916	Unilever South Central Europe S.A.	Trade	1.62	1.51	0.15	0.007
					Unilever Romania S.A.	Industry	0	0.24	0.18	0.14
VINCI	3,173	3,704	4,009	4,221	Tiab S.A.	Construction	0.12	0.07	0.04	0.03
					Viarom Construct S.A.	Construction	0	0.01	0.0004	0.10
VODAFONE GROUP PLC.	-14,853	-2,383	9,001	4,189	Vodafone Romania S.A.	Telecommunications	51.85	42.26	57.48	39.11

**Annex 2 Information on companies that are part of the sample**

Company	Fixed assets (million euro)				Sales (million euro)				Employees (person)			
	2006	2007	2008	2009	2006	2007	2008	2009	2006	2007	2008	2009
ASTALDI (corporate group)	394.8	441.9	461.7	516.7	1,030.0	1,273.4	1,466.9	1,797.9	6,621	8,849	10,184	11,200
ASTALDI (Romanian subsidiaries)	3.7	5.4	7.9	1.1	14.4	15.2	29.2	15.1	402	479	677	158
ATON GMBH (corporate group)	256.6	613.1	691.3	- *	719.5	1,502.5	1,876.2	- *	7,222	13,506	15,397	- *
ATON GMBH (Romanian subsidiaries)	7.2	67.7	298.3	- **	3.7	27.6	43.4	- **	357	1,179	1,097	- **
CARREFOUR (corporate group)	48,847.3	52,768.8	44,696.3	48,984.8	86,661.9	92,915.1	84,095.1	90,436.0	456,295	490,042	479,072	475,976
CARREFOUR (Romanian subsidiaries)	207.8	241.7	331.5	291.9	639.2	894.1	1,139.3	1,111.5	4,839	6,193	8,892	8,729
COLAS (corporate group)	2,110	2,697	1,880	2,839	10,717	11,673	12,789	11,581	62,278	66,724	73,594	71,318
COLAS (Romanian subsidiaries)	9.3	14.1	11.1	8.3	14.4	61.0	115.8	39.5	206	438	495	319
CONTINENTAL AG (corporate group)	5,488.6	16,267.1	15,029	13,389.6	14,887	16,619	24,238.7	20,095.7	85,224	151,654	139,155	134,434
CONTINENTAL AG (Romanian subsidiaries)	226.0	282.7	300.1	279.2	372.4	525.0	647.0	748.9	4,005	5,650	6,415	7,409
DEUTSCHE BAHN (corporate group)	41,081	39,855	39,976	39,509	30,053	31,309	33,452	29,335	229,200	237,078	240,242	239,382
DEUTSCHE BAHN (Romanian subsidiaries)	0.3	0.4	- **	0.6	17.8	19.8	- **	17.2	116	110	- **	165
DEUTSCHE POST DHL (corporate group)	24,040	22,980	18,303	17,754	51,592	53,719	54,474	46,201	520,112	512,147	512,536	477,280
DEUTSCHE POST DHL (Romanian subsidiaries)	8.2	9.7	23.0	19.5	43.7	60.2	74.3	74.7	1,348	1,718	1,862	1,659
DVS (corporate group)	1,163.5	1,193.8	1,812.9	1,835.3	4,284.2	4,676.5	5,016.3	4,835.4	16,404	19,213	20,723	22,441

DVS (Romanian subsidiaries)	3.4	3.7	3.7	2.9	20.1	21.2	22.5	20.3	474	477	461	354
E.ON AG (corporate group)	147,505.5	165,133	147,500.6	181,831.9	147,505.5	85,943.0	97,932.7	111,109.2	80,453	83,434	91,546	88,402
E.ON AG (Romanian subsidiaries)	252.7	295.7	283.8	265.6	705.7	458.8	589.1	514.8	8,563	7,846	6,841	5,347
FRANCE TELECOM (corporate group)	52,308.7	49,249.1	39,163.9	35,764.8	52,308.7	58,601.2	51,110.8	47,358.3	191,036	187,331	186,049	181,000
FRANCE TELECOM (Romanian subsidiaries)	671.8	752.2	763.2	627.6	1,067.1	1,212.0	1,279.3	1,044.4	2,238	2,627	2,953	2,907
GROUPE AUCHAN SA (corporate group)	10,809	11,324	12,049	12,342	34,990	36,715	39,484	39,671	169,454	186,443	220,228	242,831
GROUPE AUCHAN SA (Romanian subsidiaries)	4.8	20.7	26.6	28.4	16.6	154.9	278.4	307.6	301	2,465	3,156	3,103
HEWLETT-PACKARD (corporate group)	6,531.0	5,761.2	6,407.6	8,091.1	6,531.0	82,066.4	75,933.7	82,028.1	156,000	172,000	321,000	304,000
HEWLETT-PACKARD (Romanian subsidiaries)	1.4	2.5	4.2	7.8	60.7	91.5	99.9	87.7	361	877	1,285	1,755
HEIDELBERG-CEMENT (corporate group)	5,541.3	10,434.7	9,935.5	10,220	7,997.2	10,862.3	14,187.1	11,117	45,958	55,566	62,916	56,723
HEIDELBERG-CEMENT (Romanian subsidiaries)	240.1	271.8	285.3	292.6	246.1	364.7	374.9	240.4	1,854	1,730	1,527	1,415
LEONI AG (corporate group)	489.2	537.5	839.4	796.6	2,108.2	2,366.8	2,911.9	2,160.1	35,129	36,855	50,821	49,822
LEONI AG (Romanian subsidiaries)	48.2	64.0	65.4	64.6	157.8	201.9	198.9	214.2	5,208	5,766	7,296	6,304
NORBERT-DENTRESSANGLE (corporate group)	492.6	1,060.5	1,040.3	987.9	1,607.9	1,804.3	3,107.2	2,719.4	14,608	29,631	28,600	26,450

NORBERT-DENTRESSANGLE (Romanian subsidiaries)	11.3	10.3	23.1	16.8	11.5	7.8	26.5	27.5	212	46	346	319
PEUGEOT SA (corporate group)	43,197.1	41,809.5	34,357.3	36,542.1	43,197.1	67,720.7	51,809.2	50,142.9	211,700	207,800	201,700	186,220
PEUGEOT SA (Romanian subsidiaries)	6.1	8.0	7.8	6.8	30.5	72.3	116.1	87.8	548	724	798	867
SAINT-GOBAIN (corporate group)	15,971	15,878	16,242	16,242	15,971	43,421	43,800	37,786	206,940	205,730	209,175	191,442
SAINT-GOBAIN (Romanian subsidiaries)	142.3	212.4	210.0	208.9	36.9	154.1	184.9	145.8	626	857	955	958
SIEMENS (corporate group)	42,811.2	48,388.3	49,754.9	50,502.9	71,752.2	78,569.4	76,763.7	81,758.7	368,500	386,200	420,800	413,650
SIEMENS (Romanian subsidiaries)	7.8	17.1	17.9	12.2	86.5	153.5	172.1	158.6	1,363	1,672	2,082	2,046
STRABAG (corporate group)	1,209.2	1,783.4	2,507.6	2,642.5	9,430.6	9,878.6	12,227.8	12,551.9	52,971	61,125	73,008	75,548
STRABAG (Romanian subsidiaries)	28.1	48.7	69.9	55.2	106.8	165.2	224.7	171.9	1,364	1,520	1,684	1,411
UNILEVER N.V. (corporate group)	11,057	10,795	10,383	11,227	39,642	40,187	40,523	39,823	189,000	175,000	174,000	168,000
UNILEVER N.V. (Romanian subsidiaries)	33.5	31.1	29.1	41.5	222.2	218.8	204.7	189.6	640	613	619	603
VINCI (corporate group)	5,087.4	6,348.6	8,339.1	8,436.5	25,634.3	30,427.8	33,930.3	32,459.6	134,834	158,628	164,057	161,746
VINCI (Romanian subsidiaries)	8.8	18.4	12.3	10.8	37.9	58.9	58.2	80.9	1,420	1,353	1,286	1,048
VODAFONE GROUP PLC. (corporate group)	30,172	29,149	35,730	40,230	29,350	31,104	35,478	41,017	60,109	72,000	72,375	79,079
VODAFONE GROUP PLC. (Romanian subsidiaries)	708.7	887.5	567.0	469.9	1,017.9	1,150.6	1,187.8	929.4	2,401	2,836	2,950	3,043

\* Report on the consolidated financial situation of the group was not published

\*\* Financial statement was not published