

## Corporate Tax

Gizem

Kyra

Alban

## Overview

- Definition
- Models
  1. United States
  2. United Kingdom
  3. Germany
- Proposed corporate tax policy for Essca Land
  - Do we tax before or after distributing to shareholders?
  - How much do we charge whom?
  - What is the basis on which we decide how much to charge?
  - Does everyone pay?
- Justification and Consequences

## Definition

- An assessment levied by a government on the profits of a company
- Varies between countries (some countries do not have corporate tax, such as Bahamas, Bermuda...)
- Corporations are *legal entities* distinct from their owners and operators, and are typically taxed as *if they were people*.
- Those in favor of:
  - **Lower tax rates:** “greater economic production if companies are taxed less.”
  - **Higher tax rates:** “way to subsidize government spending and programs for nation’s citizens.”

# Corporate Income Tax Rates around the world, 2014

## Key Findings:

--United Arab Emirates has highest corporate tax rate in the world at 55 percent. Turkmenistan and Uzbekistan have the lowest top marginal rate at 8 percent

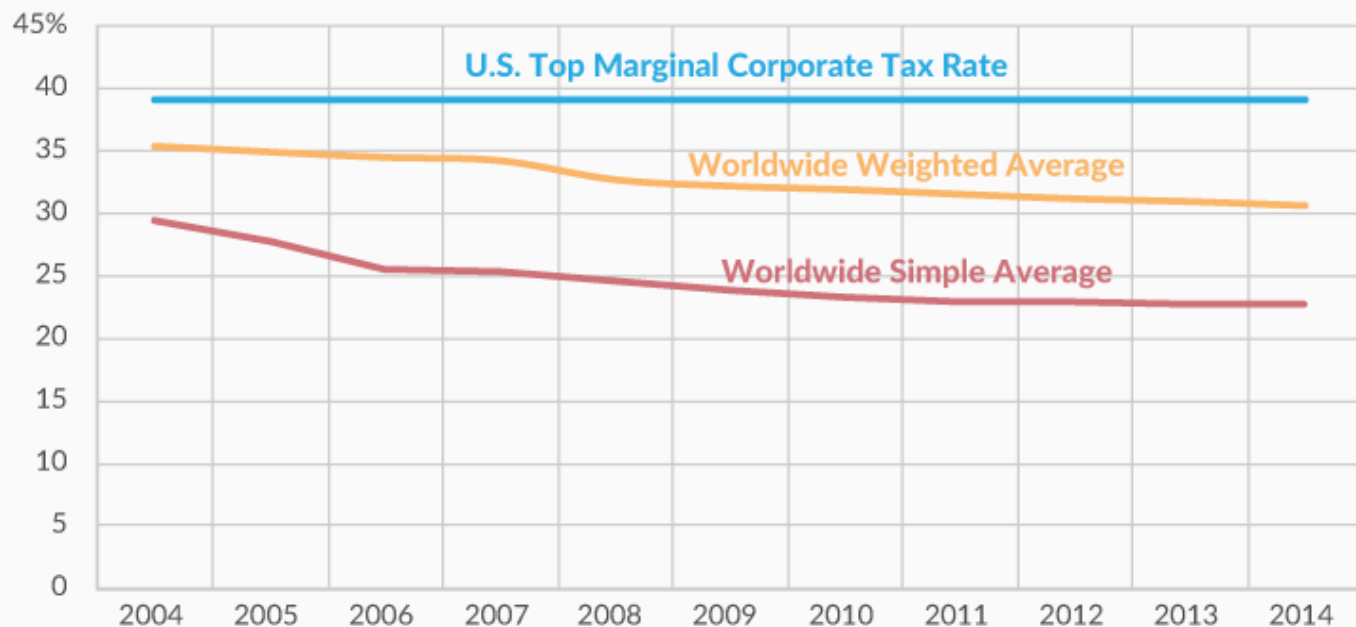
--The worldwide average top corporate income tax rate is 22.6 percent

--Larger, more industrialized countries tend to have higher corporate income tax rates than developing countries

--Every region in the world has seen a decline in their average corporate tax rate in the past decade

## The Worldwide Average Corporate Tax Rate Has Declined over the Past Decade

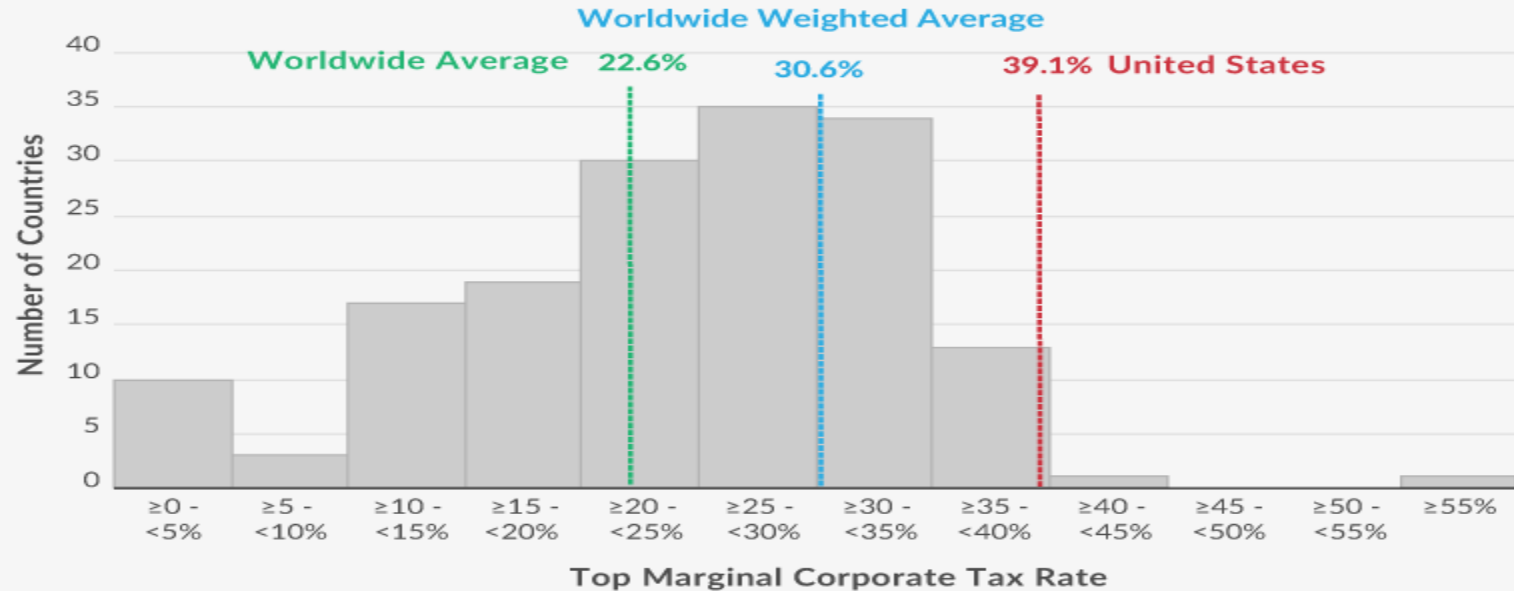
Average Worldwide Top Marginal Corporate Tax Rate Compared to U.S. Top Marginal Corporate Tax Rate, 2004-2014



Source: Tax Foundation calculations based on data from World Bank, OECD, and KPMG.

## United States

--The United States has the 3. highest corporate tax rate among 163 nations at 39.1 percent.



Source: Tax Foundation calculations based on data from World Bank, OECD, and KPMG.

United States

**“The high corporate income tax rate puts the U.S. at a competitive disadvantage versus lower-taxed nations like Ireland and Canada in the effort to attract new corporate investment and jobs”**

**“Not only do corporations lose, their customers lose as well”**

## United Kingdom

David Cameron said in 2014 that he would be pleased to welcome each French company that desire it

Why would the United Kingdom be so attractive?

Let's see that!





## United Kingdom

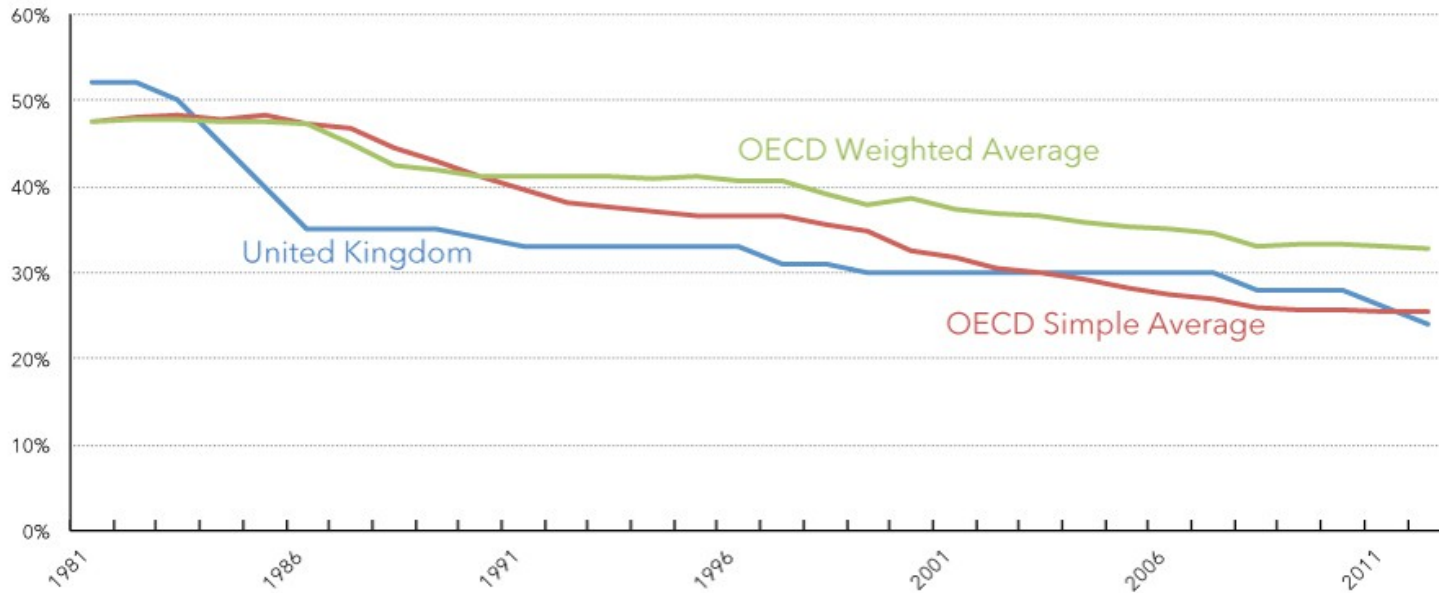
UNITED KINGDOM CORPORATE TAX RATE



SOURCE: WWW.TRADINGECONOMICS.COM | HM REVENUE & CUSTOMS

## United Kingdom

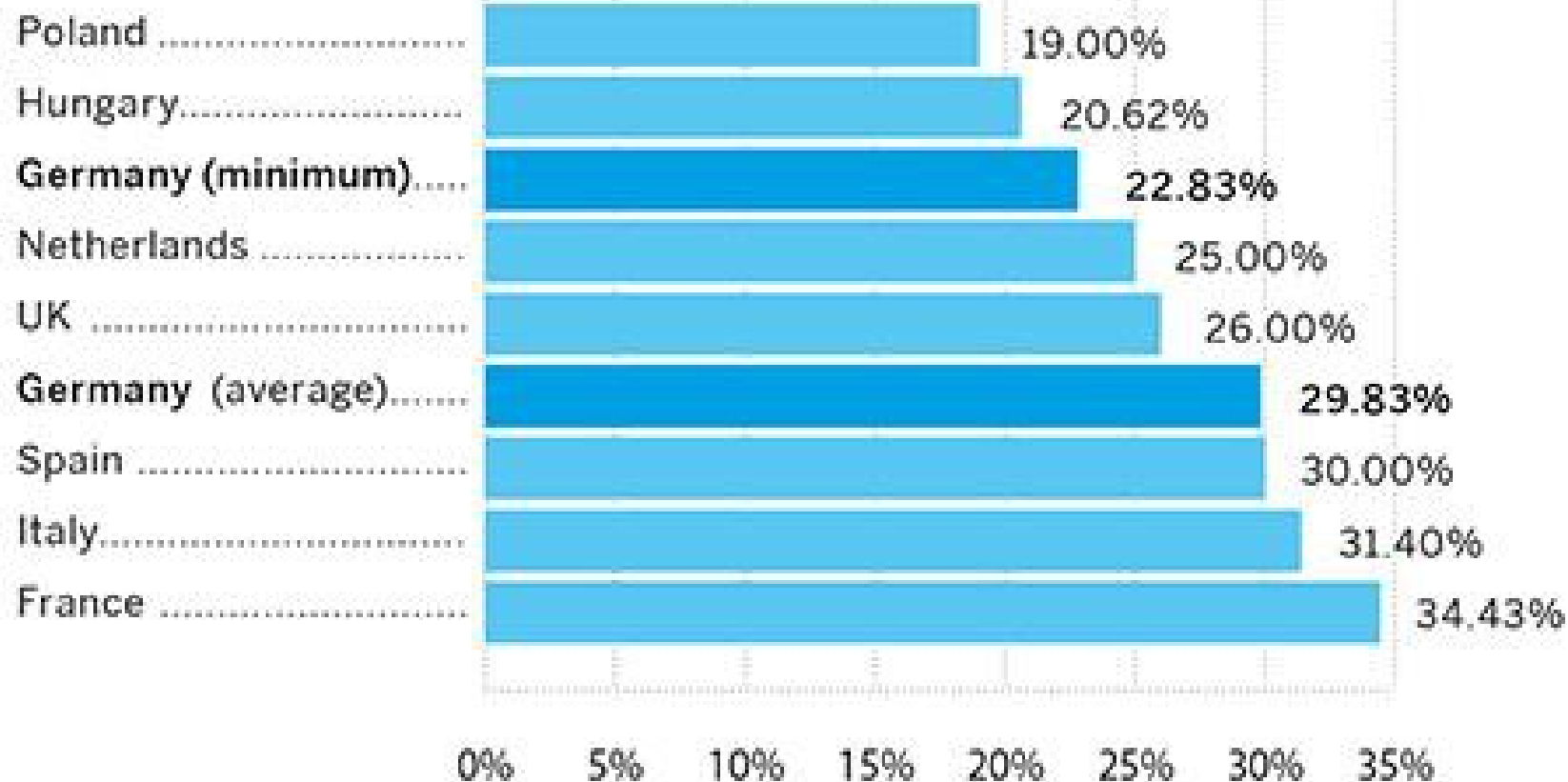
Figure 1. United Kingdom and OECD Top Corporate Tax Rates, 1981 - 2012



Source: OECD Tax Database

## Germany

- Offers one of the most competitive tax systems of the big industrialized countries
- Amount is based on the net income companies obtain, normally during one business year
- Does not have a consistent nationwide tax rate for companies
- Revenues from the Corporate Tax Rate are an important source of income for the German government
- Average overall tax burden is just below 30%
  - Certain municipalities offering significantly lower rates still
- Taxed on two levels
  1. Corporate Income Tax for corporations (personal income tax for partnerships)
  2. Trade Tax on all business operations



## ESSCA LAND

- Do we tax before or after distributing to shareholders?
- How much do we charge whom?
- What is the basis on which we decide how much to charge?
- Does everyone pay?