

Corporate tax – a new paradigm is needed! – II. A new global value-added tax is needed instead of a corporate tax

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The corporate tax system is easy to manipulate in modern economies, with high explicit and implicit costs required for any such system to be maintained. Attempts to reform the corporate tax system have been unsuccessful, with aggressive tax planning and tax evasion gaining ground at the international level. The source of constant conflicts between national tax administrations and companies is also the corporate tax base and tax accounting. Therefore, based on a new paradigm, I have developed a new corporate value-added tax, based on corporate adjusted sales, for global introduction. Revenues from this tax would replace general government revenues lost due to the abolition of corporate tax. Based on the GDP of the Member States of the European Union, I calculated the rate of the new tax for all Member States. In this study, I present in detail the mechanism of operation of the new tax, then describe the advantages of the introduction of the new tax compared to the corporate tax. Finally, I will thoroughly present how the taxation of dividends from company owners/shareholders would change if the new tax I planned were introduced and operated. This new type of taxation of dividends would, in my view, contribute more fairly to burden-sharing.

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1. Introduction

Previously, a Hungarian-language publication tried to prove the hypothesis that the corporate tax system operating in developed economies today is not productive, arguing that since it is costly to maintain, it should be abolished Török (2020).

Instead, another global tax based on corporate value-added should be introduced. This tax base should be the adjusted turnover of companies. The basis of the new tax must be recognized in the country in which the company implements value creation. I have presented the extent to which the new global tax should be to compensate for the shortfall in budget revenues due to the abolition of corporate tax. I will also refer to these findings in my present study. My current research is therefore a continuation of my previous dissertation already cited Török (2020), but it will present independent and new theoretical results on the micro- and macroeconomic consequences of corporate tax cessation.

In this paper, I present i.e. the advantages of the new global tax I propose to introduce, compared to the corporate tax. I analyse a tax theory approach. Based on a calculation, I describe the percentage of the new tax that should be levied in the countries of the European Union. Since the introduction of the proposed tax would also completely rewrite the use of corporate after-tax profits, I present in detail a fundamentally different approach and method of taxing property dividends.

2. Method: Data and arguments for the abolition of corporate tax

I support the abolition of the corporate tax base and tax valid in developed economies today with the following data and arguments:

2.1. The corporate tax base and tax cannot be accurately determined and manipulated

In the following, I present studies and facts that strongly criticize corporate tax but do not argue for its abolition. These statements typically illustrate how the corporate tax base and corporate tax can be manipulated. According to a study by UNCTAD (2013, p. 9), by using intra-group transfer pricing and cost accounting, the company also can “invisibly” extract values from host countries. In 2011, transnational corporations generated \$ 1.5 trillion in revenue. That amount represents a 7 percent profit margin on their \$ 21,000 billion capital stock. However, their profit rate was 5 percent in developed countries, 8 percent in developing countries, and 13 percent in transition economies. These transnational corporations withdrew two-thirds of the profits (\$ 1,000 billion) from their host countries.

The other reality is that the globalization of the economy and the emergence of transnational and multinational companies have fundamentally changed the international regulation of corporate tax payments. The biggest difficulty is that the tax base is difficult to determine, precisely because it is easy to manipulate. The situation is further complicated by the fact that countries determine the corpo-

rate tax base and the tax to be paid differently, and also using different methods. At the same time, tax optimization and corporate efforts to aggressively avoid tax have emerged in international accounting practices. Specifically, these efforts are made possible by the fact that national and supranational legislation cannot prevent transnational and multinational companies from filing and paying their taxes in countries with low corporate tax rates. Torslov et al. (2018) analyse that multinational companies can report up to 40 percent of their profits in their tax records in countries with low tax rates, which can be as high as 0 percent. As a result, the share of capital relative to labour is underestimated in these countries. In its content, IoWE (2014) makes similar critical findings and even directly detects tax evasion by multinational corporations. UNU-WIDER (2017) considers the current tax optimization / aggressive tax avoidance practices of multinational companies to be unsustainable in the long run. The European Union is also working to prevent corporate tax evasion and aggressive tax planning. To this end, the European Commission (2016) has adopted Directive 1164 (ATAD, Anti-tax Avoidance Directive), which lays down rules against tax avoidance practices.

Research has also identified cases where the principle of public burden-bearing is distorted because a company does not pay corporate tax where it uses public service. It is not difficult to recognise the coexistence of harmful tax competition and fair competition; however, the boundary between the two is not easy to identify, according to Lampreave (2011).

In many cases, the corporate tax behaviour of giant technology companies generates social dissatisfaction. These companies have their own interests in mind, leading to huge tax evasions and often disrupting the structure of healthy competition. There are many criticisms of the operation and taxation of large technology companies by experts. They take advantage of their monopolistic position and pay little tax on their profits. Therefore, an antitrust investigation was initiated against them Kendall (2019). International tax evasion has long been a serious problem, but now, at the time of the epidemic, many companies are also looking for state aid from countries that they are otherwise escaping taxation from by using tax havens. There are countries that have stated that companies that have offshore companies will not be receiving COVID-19 related support. France, Poland and Denmark have announced that they will not provide state aid to companies registered in tax havens CNBC (2020). In their views, those who knowingly evade their tax obligations are not entitled to benefits provided by taxpayers. A typical example is when a company pays its subsidiary registered in a tax haven for the use of a brand name or intellectual property, so that the money paid is not taxable in the country where it actually operates. For the axis of tax avoidance, the provision of corporate tax haven services is central to the economic model. For instance, profits booked in Luxembourg by US firms represent 94 per cent of Luxembourg's GDP TJN (2020, p. 5).

Cavelti et. al. (2016) discuss how corporate tax can be manipulated in several ways, it draws attention to its dangers. In this regard, they make several suggestions in their study, including how to differentiate between the country of origin and the country of source for tax purposes.

One of the largest technology companies, for example, paid 0.005% tax on its profits in 2014, instead of the already low 12.5 percent Irish corporate tax. The European Commission ruled that Ireland had to recover € 13 billion from the company, resulting in a joint appeal by the Irish government and the company Taylor (2014, p. 4). The current corporate tax rules do not result in a long-term sustainable system. The business environment is globalized, but companies are taxed at the national level¹, allowing them to plan on how to avoid tax.

There are huge differences between nominal and effective corporate tax rates in some EU countries. Between the two rates, in theory, there are tax benefits allowed by the legislation of a given country, which is why there are significant differences among them. Given this, there is also a difficult explanation for the difference between the two rates in some Member States, such as France 16, Belgium 20, Malta 22 and Luxembourg 27 per cent. The difference between nominal and effective tax rates is illustrated in Török (2020, p. 11).

2.2. The corporate tax system generates high explicit and implicit costs

My second relevant statement is that maintaining a corporate tax system in advanced economies incurs huge explicit and implicit costs. These costs are incurred at both the macro and micro levels. This is explained by the fact that the corporate tax liability of any company is determined by complex accounting and tax rules. These laws need to be constantly changed and amended. A necessary consequence of complex regulations is that opposing parties/companies versus tax offices/ are almost permanently in dispute when examining individual tax optimization cases and general tax audits. Corporate tax legislation changes frequently. The complicated system of determining the corporate tax and tax base, along with the necessity that the system be amended or altered, is justified by e.g. the following fact. The relevant Hungarian national legislation has been amended and supplemented a total of 982 times since 1996. This was calculated by the author of the study. Legislative changes in developed economies occur with similar frequency. Such large-scale corporate tax rule changes simply do not make the law traceable and enforceable. There are high costs of maintaining national tax offices in developed economies. According to an OECD (2015) study, operating expenses in the

¹ The United States now has a worldwide corporate tax system. Companies taxed in the U.S. are taxed on the company's total revenue, regardless of where the income from economic activity is realized.

European Union accounted for nearly 1 percent of tax revenues. For Germany, Belgium, and France, the proportion is close to 1.5 percent, and for some Mediterranean countries, it is over 6 percent. These ratios are not only related to corporate tax but also clearly reflect the high macro-level costs of maintaining tax systems.

There is an asymmetry of interest between national governments and companies in quantifying the corporate tax base. The financial interests of governments require that the tax base be as high as possible, as this will allow them to calculate more corporate tax revenues in their national budgets. The interest of companies runs contrary to this, as they can optimize their financial and property situations by minimizing corporate tax. At the corporate level, and therefore also at the micro-level, significant resource use is required to prepare corporate tax statements and returns. These burdens are measured by the number of payments businesses make for the corporate income tax and other taxes as well as the time needed to comply with the corporate income tax (measured in hours of compliance time per year). Tax code compliance consumes resources that could otherwise be used for investment and business operations according to a Tax Foundation (2019).

The preparation and documentation of corporate tax returns and the supporting accounting documents require high professional qualifications. However, employing such well-trained professionals imposes high costs on companies. There is also a need for well-trained professionals capable of using creative accounting techniques. These creative accounting techniques may significantly reduce the corporate tax base and/or corporate tax payable.

Kenny and Winer (2006) examined the administrative costs of tax systems. They found that there are significant differences in the maintenance costs of tax systems, depending on the level of development of a country; however, these costs are quite high everywhere.

The explicit and implicit costs of corporate taxation would be significantly reduced if a single corporate tax base could be created globally. However, this has no reality. In the European Union, for example, the time to work out the consolidated tax base has entered its third decade, but it is still not complete. Incorporate taxation, Member States have so far been unable to agree on the introduction of a method for calculating the common consolidated corporate tax base. The reason for the delay is that the Member States see the erosion of their existing tax autonomies in introducing the method. The competence for taxation is in the hands of the Member States, and the EU has only limited competence in this area. This has not been achieved by the European Union, although the idea of harmonizing direct corporation tax among European Member States has been on the table since the 1960s Chelyadina (2019).

2.3. After all, corporation tax is not levied on capital

Concerning corporation tax, the question arises as to whether the company or its owner is taxed when the tax is levied. A company can only be created with capital and it does not matter whether this capital is tangible or intangible. As soon as invested capital becomes operational and generates income, that income will be a return on invested capital. When the income thus generated is taxed by the state, for example with corporation tax, it will be a tax on the income generated by capital. Summa summarum: corporate tax is a tax on capital income economically in both micro and macroeconomic terms. Therefore, corporation tax is levied on the company. However, the incomes generated in the economy can ultimately all be tied to individuals, and redistribution through taxes ultimately shifts the relative income position of individuals. For that reason, therefore, it is not the company but the owner of the capital income (individual/shareholder) and not the company that should be taxed.

The facts and data presented in the first part reinforce the recognition that the corporate tax system in developed economies is easily manipulated, outdated, and cannot be reformed. The corporate tax base and tax accounting create constant conflicts between national tax administrations and companies, and the corporate tax system has high costs at both the micro and macro levels. Attempts to reform the corporate tax system in recent decades have failed. Furthermore, the manipulation of the corporate tax base and tax was not able to be prevented by enforcing bilateral agreements between individual countries. The aggressive tax avoidance practices of multinational and transnational corporations, which have emerged in the meantime, have posed unsolvable challenges for both national and supranational legislation.

A new paradigm is needed to deal with the business of companies and the taxation of dividends levied by owners/shareholders.

3. Results

3.1 The paradigm of the new global tax

The system of corporate tax known today should be abolished in developed economies, as described in the previous section. It is trivial that if I propose that the corporate tax institution used today be abolished, its negative financial consequences must be compensated in any case. It needs to be made up for it, because without the loss of tax revenue from corporate tax, the deficit in national budgets would increase. To do so, in my view, would therefore require a new global tax,

which would also be a paradigm shift from the current practice of corporate taxation.

How would this paradigm shift manifest itself? The corporate tax is currently a tax on capital income. After paying the tax, the company generates a net capital investment income, which is the after-tax profit. This is nothing more than what the owners and shareholders of a company receive as compensation for the risk taken, the relinquishment of the right of disposal, and inflation. According to my theory, the corporate tax on capital income should be abolished, replaced instead by a global value-added tax on corporate sales to compensate for the loss of revenue from a state budget.

3.1.1. The basis of the new global tax

One of the main questions in my study is on what basis this new tax should be. In my view, this new tax should have the following characteristics: it should be a type of multi-phase sales tax, including accumulation that companies would have to pay on their revenues. After their income, because it can be determined more precisely than the previous corporate tax base. It would also be a turnover tax, in addition to having to be paid to companies after the revenue, as it would have to be levied at all levels of the corporate value chain. Thus, the new tax would not only burden the final seller, i.e. the retailer who directly meets consumer needs. Thus, the new type of tax would be a multi-phase tax.

This would be separated from the existing sales taxes in the national economies of the developed world by the method of calculating the new type of tax and by eliminating accumulations. What is this all about? Value-added taxes, such as the value-added taxes known today, seek, through various techniques, to tax the value-added generated at a given stage of production. In such a value-added tax system, it is levied on the company's total turnover, from which the tax already paid by the taxpayer on its purchases can be deducted. The proposed new tax would be practically equivalent to this system. When applied, the gross purchase value of inputs subject to VAT would be deductible from sales and only this difference would be subject to this new corporate tax. Thus, the main feature of the new type of tax would appear to be to tax only the new, added value created by the company. In principle, this new tax would do exactly that. However, it would not be permissible for a taxable company to be able to deduct from the tax base all costs which have previously been charged by such a tax. The range of deductible cost factors should be limited to the cost of materials, the cost of goods purchased by the company for sale, and the costs invoiced by subcontractors.

3.1.2. Features of the new global tax

The question rightly arises after this, what tax system would this new type of tax be close to, taking all these characteristics into account? If we want to place the tax in the tax system formed by the triumvirate of sales taxes, income taxes, property type taxes, we can say the following: it would not be a property type tax, because it would not burden a single asset or corporate property as a whole. There would also be no income tax because corporate capital income would not be the tax base. Nor could it be called a sales/consumption tax, even though the tax base is close to value-added. Since the company would pay directly after the adjusted sales revenue, it would not be an indirect tax either.

From what has been described in the previous section, it seems clear in principle that the new tax would be territorial. This means that the tax base must be formed in the territory of the country where the corporate performance took place, i.e. where the turnover is realized. The conditions for this need to be created, even for companies where it is not clear at first where exactly their production/service activities are carried out. Such activities are carried out, for example, by digital and technology companies with a growing economic share / Google, Facebook, etc./ I will not go into the details of this, but it is not difficult to see that the taxation of large digital companies can only be achieved through global cooperation, whatever the tax systems of the future.

The future global tax paid by companies at the place where the revenue was generated, after the adjusted turnover as defined above, would also fully replace the current corporate tax in terms of compensating for lost corporate tax payments due to the cessation of such taxes.

3.1.3. Benefits of the new global tax

In the following, I describe the benefits of the proposed new tax instead of the corporate tax:

Simple tax type: Simple taxes in tax systems have significant support in society and a higher willingness to pay taxes Blesse et al., (2019). Perhaps the most important feature of the new global tax is that it is simple. In connection with taxation, it is important to take into account where the value is created and where the company's sales revenue is realized. Unlike the corporate tax base, corporate sales are well documented, traceable, and difficult to manipulate. The new tax is based

on adjusted corporate sales². The determination of the tax rate remains a national competence, as it is today in the case of developed national economies, including the Member States of the European Union.

Neutral: neutral in the sense that all companies face the same tax rate, all companies within a national economy pay the same amount of tax on their adjusted sales. This also implies the absolute competitive neutrality of the new tax. The new tax would therefore not be heterogeneous. Neutrality is relevant for each type of tax. Schanz and Schanz (2011) generally presents the idea of neutrality as a key goal of taxes/tax systems. They analyse general models of neutral taxation and critically discuss how they work and how they can be put into practice. The proposed new global tax meets the criteria of neutrality.

Fair: To suggest that the proposed new global tax is fair, I express that corporate revenue cannot be manipulated like the corporate tax base and tax. With its introduction, it would have less room for aggressive tax planning and tax evasion was known today. Concerning the proposed new tax, we can also say that there are two aspects to the justice of a tax. Horizontal justice is based on the premise that the tax burden of taxpayers in the same situation does not differ fundamentally. Vertical justice presupposes that the tax burden takes into account differences in income conditions and strives for social equity. For a judgment on the fairness of taxes, see Fuller and Santoro (2016) and Gunnarsson et al. (2019).

Consistent: This means that the new global tax must fit into the tax system of a given national economy. It is the purposeful use of several tax systems side by side to ensure that they complement each other well. The tax system is a set of obligatory taxes in the given national economy, which forms a unified unit, both internally and legally. The theoretical foundations of the type of tax constructed to replace corporate tax, derived in the theory above, are not entirely unknown. There are similarities with the taxes with different names used for municipal tax revenues in Hungary and Italy. (e.g., the “business tax” in Hungary and the “business tax” in Italy). For a model for evaluating tax systems, see Skačkauskienė (2010).

Stable and predictable: this means that to promote financial security for companies, the new tax shouldn't change too often. The rate of the tax should be stable

² Determining where the revenue of digital companies is generated is a huge challenge these days. 98 and 85 percent of the sales revenue of the two largest digital companies, respectively, were generated by not selling communications services but becoming the largest advertisers. Their main source of revenue is the growing popularity of online advertising. Online advertising works more complicated than normal product production. This is because they cannot be tied to a specific location, where users create the value that companies work with and sell in the form of Big Data. Advertisers are sold to the public and personalized ads can be displayed based on users' personal information. It is therefore necessary to accurately monitor and analyze user activity, so that a significant part of the value is created by the users themselves - this is what digital workforce theory is all about. Based on this, the two largest digital companies (and all other similar companies) would have to pay taxes in the countries where the ads were personalized, i.e. users viewed the ads.

in the medium term, and the trend of its change should be predictable by companies. International research experience has shown that the predictability, medium-term planning, clarity, and stability of a tax type and a tax system all have a positive effect on the willingness of taxpayers/individuals, companies/taxpayers. Kirchler (2008) generally proposes a tax framework in which there are relevant dimensions to both the power of tax authorities and trust in tax authorities. Such a tax framework also takes into account the dynamic interactions between power and taxpayer trust.

3.2. The main consequences of the introduction of the new global tax

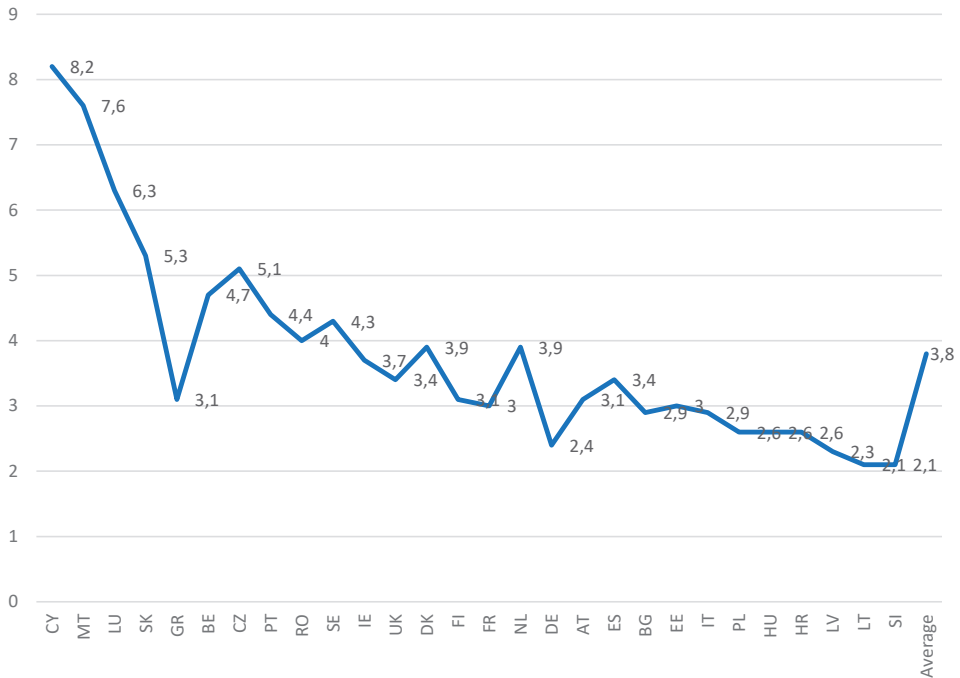
The new tax would fundamentally change the current tax system in developed economies. In the following, I will present the most important aspects of change.

3.2.1. Reimbursement of lost state tax revenue due to the abolition of corporate tax

The state budgets of developed economies cannot waive the loss of revenue due to the cessation of corporate tax. In 2008, a total of € 342 billion in corporate tax revenue was generated by EU countries, which was 2.7 percent of their total GDP in that year KSH (2010, p. 3). The new global tax must, therefore, provide the Member States of the Union with such tax revenue as a proportion of GDP. In the following, I present a simulation calculation. This shows the percentage of the new tax that should be applied in the individual Member States of the European Union to make up for the state budgets lost due to the abolition of corporate tax. For the calculation, I used the 2015 annual GDP data of the European Union countries per Member States. I can do this because GDP is a value-added type indicator that shows the adjusted turnover of producers/service providers. However, the performance of all sectors cannot be fully included in the tax base of the new tax.

I subtracted the performance of the following sectors from the GDP of each Member State: public administration, defence, compulsory social security, education, human health, social care, household activities, and finally the balance of taxes and subsidies on products. I believe that there is no taxable turnover behind these, so the added value of these sectors cannot be taken into account in the tax base of the proposed new tax. The share of these sectors in the European Union as a whole is around 30 percent. The amount of GDP, adjusted for these sectors, only summarizes the products that an entity itself adds to the value of raw materials, parts, and services purchased from others. To put it somewhat simply, GDP is nothing more than the turnover of production/service companies, minus the cost of materials, the purchase value of the goods the company intends to sell, and the costs of subcontracting. The calculated results are shown in the figure below:

Figure 1: Future nominal rate of the new global tax as a percentage in EU Member States



Source: Török (2020, p. 11)

Mathematically, if the tax rates of the new type of tax shown in the figure were enforced, the Member States of the European Union would have exactly as much tax revenue as they would have lost due to the abolition of corporate tax. Member States' calculated tax rates are much lower than the nominal and marginal tax rates shown in Figure 1. This is logical and easy to interpret, as the proposed new tax would be paid by companies based on their adjusted turnover and not on the corporate tax base. The latter - normally - is always less than sales. I divided the Member States into three groups according to whether a new, low, medium or high new tax rate would be needed. Accordingly, the highest tax rates would be needed for Cyprus, Malta, and Luxembourg, medium (4-5.3 percent) in six countries, and 2.1 -3.9 percent would be sufficient in 18 countries. Based on the GDP-weighted average of the European Union, the average tax rate would be 3.8 percent of the adjusted turnover of companies.

3.3. After its introduction, direct corporate taxation of corporate capital gains would be abolished

If, as I suggest, the current system of corporate tax is abolished, would that mean that the future return on capital invested in companies will no longer be taxed? The answer is yes: at least directly, that profit would no longer be taxed. The purpose of the abolition of corporation tax would be precisely to ensure that the profits realized by companies would no longer be subject to this tax, but would remain entirely with the companies. This would be possible because companies would already pay the new tax on their adjusted income before they set out their profits. Profits that, in the future, will appear as a difference between revenues and costs + expenses in the future operation of companies will still be taxed sooner or later³. I prove this, as follows: if the difference is positive, the corporate activity is profitable, the total gross amount of the profit belongs to the company owners, the shareholders. They decide how to use the profits: they leave it in their company or take it out. The share of profit remaining in the company will increase equity, which can be a source of future investment⁴. If, on the other hand, they decide to take it / or part of it out of the company, this withdrawn income will later be consumed or saved by the owners.

3.4. Taxation of profits taken out of the company

After the company has paid the global tax on its adjusted sales revenue (which would burden the company's costs), the total profit would remain with the company. This should be decided by business owners. However, when income is taken out of corporate gross profits as dividends which are consumed by owners, this income will already be taxed as individuals. This would be done according to the rules of either consumption tax or value-added tax, depending on which tax system a given economy prefers. This gives effect to the tax principle that the consumption of an individual - in our case a business owner or shareholder - for a given period measures his/her tax capacity better than his/her income from any source. This new global tax would be fairer because the more a business owner/ shareholder spends on his or her purchases from the income withdrawn from his or her business, the more taxes he or she pays, thus contributing an increasing proportion to the social burden.

³ It should be noted that methods other than the determination of the above accounting corporate tax base also exist to a lesser extent, for example in The Netherlands and Ireland.

⁴ The effects of corporate profit taxation on corporate capital structure and sources of development have been examined in several studies, such as Devereux and Griffith (2003) and Sorrensen (2007).

In the previous point, I examined the case where the profits generated by the company after the payment of the new tax are taken out by the owners/shareholders and a part of it is used for consumption. In this section, I examine how the part of the profit that has not been consumed should be taxed. Unused income is saved by its owners, thus increasing their wealth. In the interests of social justice, in my view, such an increase in wealth must be subject to wealth tax. Wealth tax is a direct tax, the taxpayer's income is charged. The wealth tax has a beneficial effect in several respects. For example, with it, public finances are better able to collect the intended government revenue. Furthermore, the requirement that those with greater load-bearing capacity pay more taxes can be better enforced. Finally, a wealth tax is less detrimental to performance growth than taxes on current income. The positive impact of property taxes on income inequality has been demonstrated in several studies. Pukeleiné and Nesavaité (2019) discuss how countries with higher state budget revenues from property taxes tend to have lower income inequality and therefore lower poverty. The autometric calculations of the authors showed that wealth taxes and all other taxes have a statistically significant and positive impact on society because they reduce income inequality and poverty.

However, comprehensive property taxation is currently in place in only a small number of countries in the European Union. The European Union has property taxes in many countries. These are Finland, France, Luxembourg, Norway, Spain, and Sweden. In some, such as Luxembourg, the rate used is linear, meaning it does not depend on the size of the wealth. In others, such as Finland, Norway, and Sweden, taxation is progressive. The application of a property tax is not an unknown procedure, and an increasing proportion of such taxes are levied by countries. Among OECD countries, revenue from this type of tax rose from 1.24 to 2.12 percent of GDP between 1970 and 2000 IMF (2013, p. 8). For the new global tax to fulfil its mission, a wealth tax must be introduced in all countries where the new tax will also be introduced. In my view, the new global tax based on corporate added value should be introduced in all developed countries. This is the only way to avoid the transfer of profits between national economies. No. 1. I illustrate the percentage of this new tax in the Member States of the European Union.

4. Conclusions

Developed economies maintain different but very similar corporate tax systems. There is a significant difference in the tax rate among them. As a university lecturer in macro-and microeconomics, a chartered accountant, and a company manager, I have a thorough knowledge of the corporate tax system. During the analysis and research of these, I concluded that the known structure of the corporate

tax base and tax is unsustainable; therefore, a new paradigm is needed. Several publications have already raised the possibility of abolishing corporate tax Weichenrieder (2005), Mankiw (2014); however, no suggestions have been made as to what exactly the corporate tax should be instead. This proposed new type of tax can be incorporated into the tax system of developed economies because I have taken into account the theoretical framework of these tax systems when creating it. The introduction of the proposed new tax would fundamentally change the taxation of companies and the taxation of dividends levied by company owners.

The question arises as to whether this global tax on corporate income should be uniform or differentiated from country to country. However, the answer is not simple. There are arguments in favour of a uniform rate of this tax. Perhaps, the main argument is that a uniform tax per country theoretically provides a kind of competitive neutrality. The concept of the European Union's Community tax policy is, moreover, that a single, simplified, transparent, and economic tax that ensures competitive neutrality should apply. In the EU, external tax sovereignty is in principle not as opposed to the limitation on internal sovereignty that can be demonstrated by the EU Treaties. On the other hand, it can also be seen that a differentiated (in this case: lower) tax rate would correspond to one of the means of catching up with less developed countries. This is because, in the event of the abolition of corporate tax, revenues of different amounts would be missing from the budgets of individual states and the global tax (in the early years of its introduction) must be differentiated to make up for it.

I am confident that, as described in my paper, I have been able to demonstrate that this new tax would allow for fairer taxation and be able to prevent the anomalies that are associated with corporate tax today. However, it should also be seen that the introduction of the proposed new tax would require a significant change in approach from the legislation of the Member States of the European Union. Evidently, decision-makers will need to stretch the old dogmas and take a whole new approach to solve a particular problem.

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