

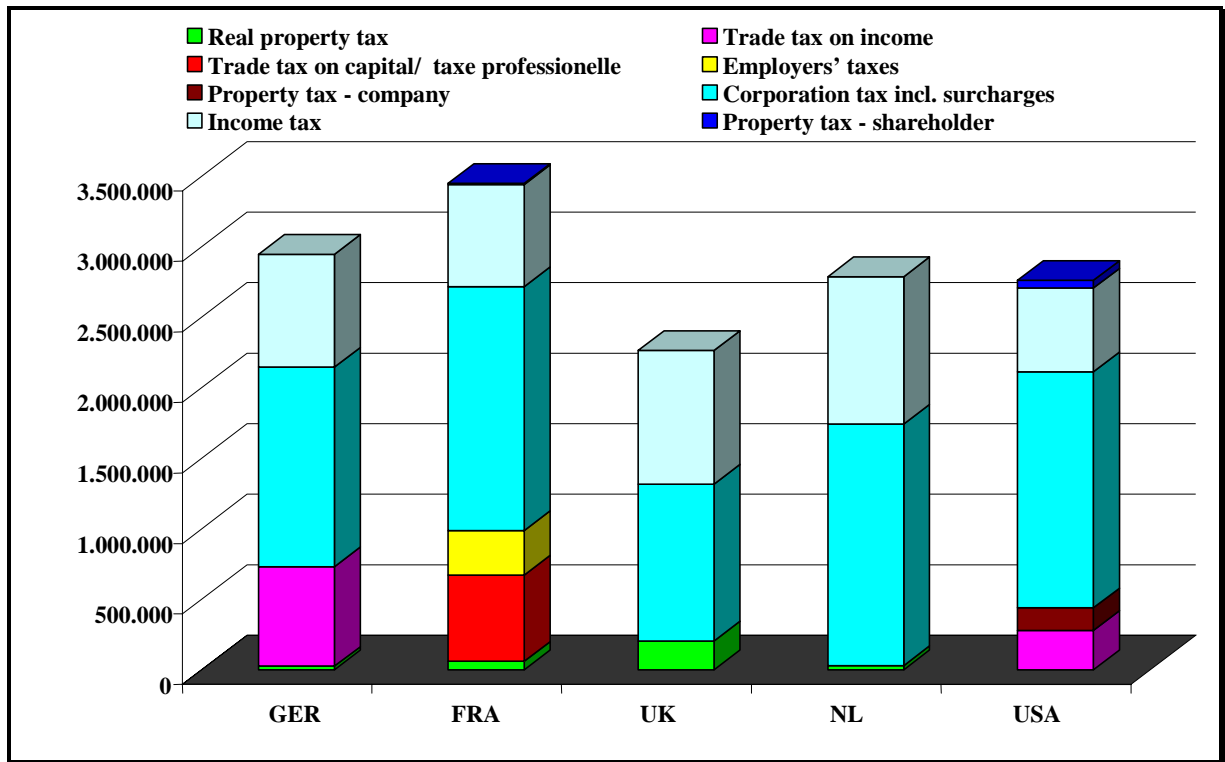
The European Tax Analyzer

Selected Results of Tax Burdens Calculated with the European Tax Analyzer:

Using the European Tax Analyzer, we periodically undertake international comparisons of tax burdens and evaluate proposals for tax reforms in Germany. The following results represent calculations of these studies.

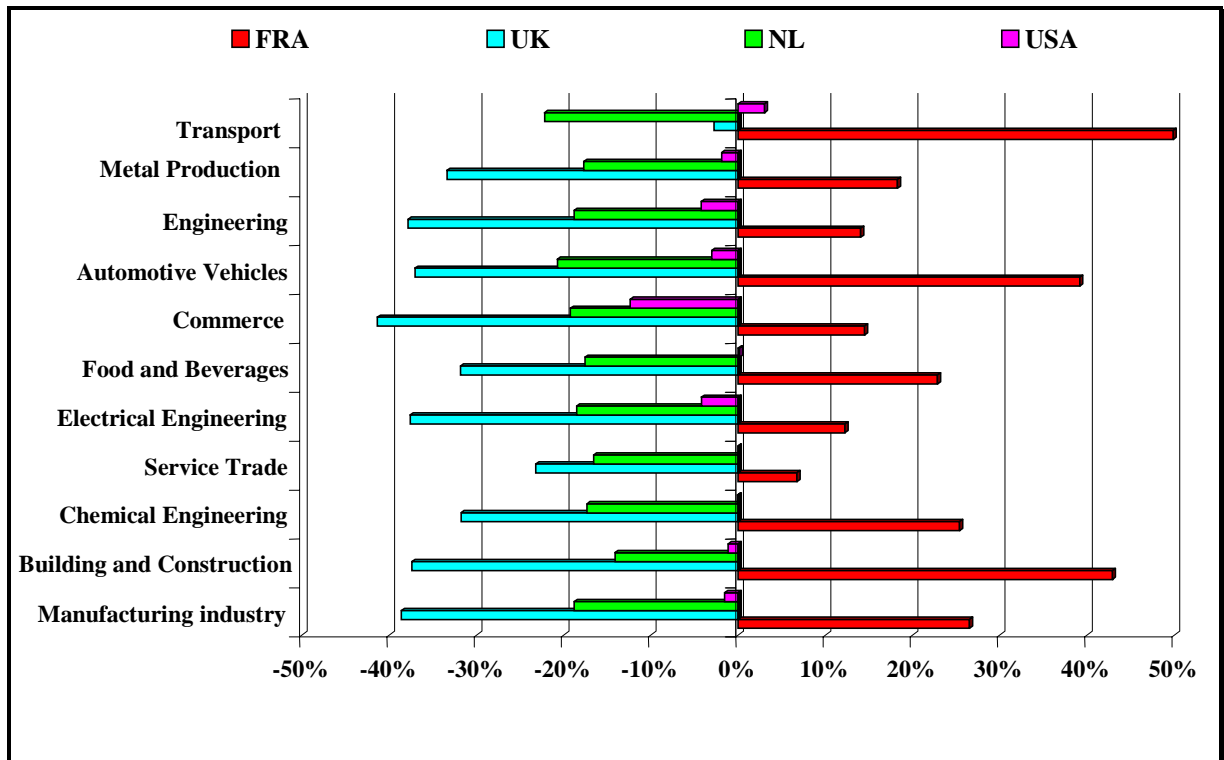
- (1) **Figure 1** shows the effective tax burden of a representative corporation with balance sheet relations and success relations typical for a medium-sized company of the manufacturing industry in Germany. Considering a calculation period of ten years, the effective tax burden on the corporation level amounts to 2.1 mill. € in Germany. Compared to Germany, the company's tax burden is significantly lower in the United Kingdom (-38,6 %) and the Netherlands (-18,8 %). In contrast, a tax assessment in France causes a considerable additional tax burden of 569 thousand € (+26,5%). Only in comparison with the US (-1,5%) the tax burden is relatively vis-à-vis Germany. As a conclusion, Germany ranks last but one in an international comparison regarding tax burdens of companies.
- (2) Even if the shareholder level is included in the computation, the ranking does not change from the German perspective. Nevertheless, some differences relating to tax burdens arise. While partially the disadvantages of Germany compared to Great Britain (-23,1%) and the Netherlands (-5,4,%) clearly decline, the advantage compared to France (+17,1%) decreases slightly. Furthermore, the German disadvantage compared to the US (-6,3%) which is less at the level of the company raises to 185 thousand €. Besides this, ranking adjustments between the countries occur. Even though the Netherlands are ranked second in the comparison regarding company tax burdens, they are positioned only at the third rank following the USA when considering the taxation at the company and the shareholder level.

Figure 1: Tax structures for a representative corporation of the manufacturing industry in Germany, France, United Kingdom, the Netherlands and the US (legal state 2003)



(3) However, the differences in tax burden are always the result of the given input data. Therefore, they should not be generalized. The effective tax burden depends on the concrete economic data of the corporation which is influenced by the national tax systems, the different kinds of tax types, the tax bases, and the tax schedules. In consequence of the substantial differences in the countries' tax structure, the differences in effective tax burden vary between the countries regarding a comparison of selected industries. In order to compute meaningful results and to investigate the impact of alternative weights for assets, sources of finance etc. the tax burden of ten different branches of industry were calculated and compared..

Figure 2: Comparison of differences in tax burden for selected industries from German point of view



(4) In the international comparison the differences in tax burden which arise in the observed industries deviate in parts substantially from the base case (see **Figure 2**). These differences have multifarious reasons. In Germany occurs the highest proportion of profit taxes. That means, the worse the success situation of a company is, the larger is the relative advantage in comparison to countries with a slight level of profit taxes. As a result, the situation for the industries transport and building seems substantially more favourable from the German point of view, especially in comparison with France. This is caused by a relatively poor success situation of these companies and the extensive structural deficits of the French tax system. In the case of service industry, it is the high profitability that determines the deterioration in Germany. Concluding, the analysis of the branches of industries confirms the results of the base case. Considering present law, France shows the highest effective tax burdens on the company level followed by Germany, whereas the tax burdens are comparatively low in the United Kingdom and the Netherlands. In comparison with the US, the tax burdens are partly a little higher, partly a little lower.