

EconWorld2023@Tbilisi

Following a new tax leader: the urge to implement Formulary Apportionment in the European Union

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ABSTRACT

In this paper we analyse the United States' role as the current international tax leader, acting as an institutional leader incapable of pushing forward towards a new, more suitable international corporate tax regime, due to the particularities of its international taxation system and economic preferences. After assessing United States multinationals' activity in the Single Market, we find evidence of artificial profit shifting across Member States under the current method to allocate multinational enterprises' profits. Such actions challenge a fair international taxation in the European Union, distorting European internal competition and hampering tax revenues collection. Although it may not be (yet) the time for a worldwide unitary taxation approach, the analysis performed highlights the urge for the European Union to overcome the United States political power and to unilaterally adopt the Formulary Apportionment approach, overhauling a century-old set of global tax rules based in the separate entity approach.

KEYWORDS Country-by-Country Reporting; European Union; Formulary Apportionment; United States multinationals enterprises; tax havens

JEL F23, H25, H26