

## BOOK REVIEW

### *Taxing Corporate Profits in The EU: A Comparative Study of the Portuguese, British and Dutch Systems*

By Glória Teixeira, published by Kluwer Law International, 27.11.97, ISBN 9041107037, price NLG 225, USD 140, GBP 88.00. 295pp. (Hardbound)

As its sub-title indicates, this book examines and compares the tax systems of Portugal, the Netherlands and the UK. It does so with particular reference to the treatment of distributed profits. The object of the book is to explore the main distortionary effects of economic double taxation of distributed profits in each jurisdiction in both the domestic and international context. After a useful introduction which examines, amongst other things, a number of different systems of taxing corporate profits, each state's system is considered in a separate section. As well as concentrating on the taxation of distributed profits, the tax treatment of debt and equity is compared. At the conclusion of each section the main findings are summarised and useful tables of information are provided on topics such as effective tax rates, tax receipts, and double tax treaties.

The discussion of the tax systems is set in the context of the gradual economic and financial convergence occurring within the EU and, at the same time, the competition for capital between EU member states and others. The author's view, which will no doubt be shared by many readers, is that the three systems "...designed several decades ago, no longer fit within the new EU order which will be in place by the end of the century"<sup>1</sup> and that "[t]he magnitude and complexity of the problems covered in this work will increase with the new challenges posed by the introduction of a single currency."<sup>2</sup> This conclusion is of particular force given the differences between the tax systems of the three states in question. Portugal opts for an exemption-credit

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<sup>1</sup> Page 18.

<sup>2</sup> Page 19.

system, whilst the Netherlands is influenced by the classical system and the UK by the imputation system.

The concluding part of the book is entitled "Towards an EU Corporation Tax System". The historical overview at the beginning of the section, commences with a brief discussion of the Neumark report of 1960 and concludes with the Ruding Committee and the developments in the 1990's. In the author's view the problems highlighted in the study "...point towards the need for simplification of the tax systems and efficient taxation at a single stage - i.e. a territorial basis of taxation."<sup>3</sup> The understated terms of this conclusion tend to obscure just how far-reaching it is. The required simplification is unlikely to result from taking an incremental approach to the problems which this book analyses. Instead, general EU-wide reforms, of a kind that Professor Neumark might have been happy to propose will be necessary. It is not surprising that the need for unanimity amongst the Member States in fiscal matters is being questioned in some quarters. There is unlikely to be a single general solution to the issues raised in this book while the requirement of unanimity remains.

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## BOOKS SUBMITTED FOR REVIEW:

*Environmental Taxes and Trade Discrimination* by Ole Kristian Fauchald, Kluwer Law International ISBN 90-411-0748-7, Hardbound 464 pages, Aug. 1998 Price: NLG 235, US\$ 127, GBP 80.