### TABLE OF CONTENTS

**CHAPTER 1 - THE ISSUE OF (HARMFUL) TAX COMPETITION**

1. **WHAT IS TAX COMPETITION?**
   - 1.1 BASIC CONCEPT OF TAX COMPETITION
   - 1.2 MAIN CATEGORIZATIONS OF TAX COMPETITION
   - 1.3 MAIN FORMS AND FEATURES OF TAX INCENTIVES
   - 1.4 CONCEPT OF TAX COMPETITION IN AN INTERNATIONAL CONTEXT

2. **UPSIDE AND DOWNSIDE OF TAX COMPETITION: ‘HARMFUL’ TAX COMPETITION**
   - 2.1 INTRODUCTION
   - 2.2 ‘GOOD’ TAX COMPETITION
   - 2.3 ‘HARMFUL’ TAX COMPETITION
   - 2.4 MORE ON HARMFUL TAX COMPETITION: FOREIGN DIRECT INVESTMENT VS. PORTFOLIO (PASSIVE) INVESTMENT
   - 2.5 ‘ACTIVE’ VERSUS ‘PASSIVE’ TAX COMPETITION AND THE PRISONER’S DILEMMA
   - 2.6 WHERE IS THE BORDERLINE?

3. **(HARMFUL) TAX COMPETITION: THEORY, EVIDENCE, AND METHODOLOGICAL ISSUES**
   - 3.1 OVERVIEW
   - 3.2 THEORIES AND EVIDENCE ON INTERJURISDICTIONAL TAX COMPETITION IN THE US EXPERIENCE
   - 3.3 SIGNIFICANCE OF US STUDIES AND EXPERIENCE FOR THE EU
   - 3.4 METHODOLOGIES TO STUDY TAX COMPETITION IN AN INTERNATIONAL (AND EU) CONTEXT
   - 3.5 DIRECT TAXATION AND ITS IMPACT ON COMPANIES’ LOCATIONAL DECISIONS

4. **ECONOMIC EVIDENCE OF (HARMFUL) TAX COMPETITION IN THE EUROPEAN UNION**
   - 4.1 INTRODUCTION
   - 4.2 (HARMFUL) TAX COMPETITION AND THE RUDING REPORT
     - 4.2.1 The Ruding Report (1992) and the Commission Reaction
     - 4.2.2 Main differences in Member States’ tax systems
     - 4.2.3 Survey on the Impact of Taxation on the Firms’ Locational Decisions
   - 4.3 THE MONTI MEMORANDUM, THE COMMISSION REPORT AND (HARMFUL) TAX COMPETITION: THE ‘MONTI CROSS’
   - 4.4 FURTHER ECONOMIC EVIDENCE OF TAX COMPETITION IN EUROPE
   - 4.5 THE 2001 COMMISSION STUDY ON COMPANY TAXATION IN THE EU
     - 4.5.1 Overview
     - 4.5.2 Relationship with the Ruding Report; key developments in the EU
     - 4.5.3 Comparison of Member States’ ‘benchmark’ tax systems (Qualitative analysis)
     - 4.5.4 Comparison of effective tax burdens in the Member States (Quantitative analysis)
     - 4.5.5 Comparison with the Ruding Report and the Baker & McKenzie studies
   - 4.5.6 Synthesis

5. **MAIN CONCLUSIONS**

**CHAPTER 2 - EU LEGAL FRAMEWORK OF (HARMFUL) TAX COMPETITION**

2.1 INTRODUCTION

2.2 FUNDAMENTAL TREATY PROVISIONS AND TAX COMPETITION
4.2.2 The Code of Conduct: Legal Nature, Scope, and Criteria to Identify Harmful Tax Regimes

4.2.3 Consequences of the Application of the Code of Conduct and Implementation Rules

4.2.4 Evaluation of the Code

4.3 Follow-Up to the Code of Conduct: The "PrimaroLO" Report and the "2000 Guidelines"

4.3.1 Establishment of the "Code of Conduct Group" and Its Work

4.3.2 The "PrimaroLO Report" and the "2000 Guidelines"

4.3.3 Financial Services and Royalty Income

4.3.4 Insurance Activities

4.3.5 "Headquarter Company" Regimes: the 'Centres' and Intra-Group Services

4.3.6 Holding and Offshore Company Regimes

4.3.7 The Member States' Reactions to the PrimaroLO Report

4.3.8 Comments on the PrimaroLO Report and the 2000 Guidelines

4.4 Financial Services Regimes

4.4.1 Overview

4.4.2 Financial Services Performed to Third Parties: The Irish IFSC and the Madeira ZFM

4.4.3 Intra-Group Financial Services: The Luxembourg and Netherlands 'Finance Company' Regimes

4.4.4 The Netherlands 'CFM' Regime

4.4.5 'Finance Branch' Regimes and the 2000 Guidelines

4.5 'Headquarter Company' Regimes and Intra-Group Activities Performed by 'Centres'

4.5.1 Overview

4.5.2 The Belgium Regimes for Coordination Centres and Service Centres

4.5.3 Distribution Centre Regimes

4.6 'Holding Company' Regimes and the Participation Exemption

4.6.1 Use of Holding Companies and Criteria to Assess the Harmfulness of Their Tax Treatment

4.6.2 The Participation Exemption: The Netherlands Example and the 2000 Guidelines

4.6.3 The Danish Participation Exemption and Its Recent Changes

4.6.4 Special Holding Companies Regimes: The Luxembourg "1929 Holding Company" (and the Soparfi) Regimes

4.6.5 Spain: The ETVE

4.6.6 Recent Trends in the EU and the Future of the Participation Exemption and Holding Companies

4.7 Tax Authorities' Discretion: The Old and New Netherlands Ruling Practices

4.8 The OECD Effort to Counter Harmful Tax Competition

4.8.1 Introduction

4.8.2 The 1998 OECD Report: Scope and Criteria to Identify Harmful Tax Competition

4.8.3 Countermeasures Recommended by the 1998 Report and the "Forum on Harmful Tax Practices"


4.8.5 Reactions to the 2000 Report (and the MOU) and Follow-Up

4.8.6 The 2001 Progress Report and the Milder Approach of the OECD
5.4.2.2.4 Is there a justification? 270
5.4.2.2.5 Is there a less restrictive means to achieve the same objective? The proportionality principle 273
5.4.2.3 Compatibility of CFC rules with freedom of capital movement 275
5.4.3 CFC regimes applying to non-EU Member States 276
5.4.3.1 Scope 276
5.4.3.2 Is this situation covered by the freedom of establishment? 277
5.4.3.3 Is there a discrimination or restriction? 280
5.4.3.4 Is there a justification? 282
5.4.3.5 Compatibility with the free circulation of capital 282
5.4.4. Synthesis: When is CFC legislation compatible with the Treaty? 283

5.5 Compatibility of general countermeasures with EC law 284
5.5.1 Scope 284
5.5.2 Denial of Participation Exemption 284
5.5.3 Application of general anti-abuse rules 287

5.6 Countermeasures against authorised or non-assessed state aid regimes 288
5.6.1 Issue 288
5.6.2 Countermeasures, Loyalty Principle and Authorised Aids 288
5.6.3 Countermeasures and tax regimes not assessed under the fiscal state aid rules by the Commission 290

5.7 Application of countermeasures to Code of Conduct Blacklisted regimes and the Loyalty Principle 292
5.7.1 Issue 292
5.7.2 Evaluation 292
5.7.3 Impact on the fundamental freedoms and possible justifications 294

5.8 Conclusion 295

CHAPTER 6 - SYNTHESIS AND PROPOSAL 297

6.1 Overview 297

6.2 Synthesis of the main findings 297
6.2.1 Concept of tax competition and the economic model in the EU 297
6.2.2 EU legal framework and 'harmful' tax competition 300
6.2.3 Assessment of the existing framework to deal with harmful tax competition and need for a new comprehensive approach 303

6.3 Commission direct tax policy in the 21st century and impact on (harmful) tax competition 305
6.3.1 Commission strategy in corporate taxation for the coming years 305
6.3.2 New tax treaty policy and countermeasures against harmful tax competition 306
6.3.3 The Netherlands/Portuguese Tax Treaty 308
6.3.4 Comprehensive approaches to tax EU-wide corporate profits: impact on harmful tax competition 311
6.3.5 Prospects 314

6.4 Proposal to deal with harmful tax competition in the EU 316
6.4.1 Summary and main thrust 316
6.4.2 Choice of instrument and legal basis 317
6.4.3 Scope 318
6.4.4 Concept of harmful tax competition: objective and subjective aspect 319
6.4.5 Categories of harmful tax measures 322
6.4.6 Administrative practices 323
6.4.7 Procedural rules: black list and body in charge of its administration 324
6.4.8 The issue of countermeasures in domestic laws and tax treaties 327

6.5 Example of a resolution on harmful tax competition 330
Council Resolution on a common framework for dealing with harmful tax competition in the European Union 331

6.6 Conclusion 336

Main bibliography 339

Main cases of the European Court of Justice and of the Court of First Instance 344
Main Commission notices and decisions on fiscal state aid 347
Main EU legislation, official documents and reports 348
Main OECD official documents 351