



Corporate Taxes



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What is a Corporation Tax?

- A levy placed on the profits of a firm
- Set tax rates to generate legal obligation owed to the government
- Can vary depending on country, state, and industry
- In general, having a lower corporation tax attracts investment from both home and foreign companies.



How Corporate Taxes Work:

United States

United Kingdom

United States



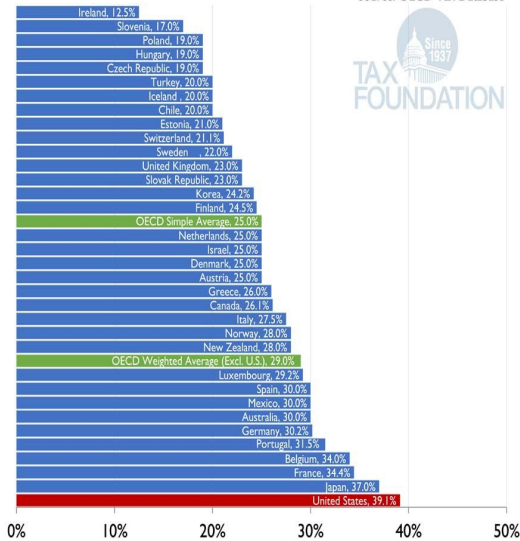
The federal Corporate Tax Rate in the United States stands at 21 percent.

- Prior to 2018, U.S. had the highest tax rate among OECD nations.
- Corporations are subject to federal and state levied tax rates.
- State corporate tax rates vary from 0-12 percent.
- Its amount is based on the net income companies obtain normally during one business year.
- Revenues from the Corporate Tax Rate are an important source of income for the government of the United States.

United States Statistics

The U.S. Has the Highest Corporate Income Tax Rate in the Industrialized World

Source: OECD Tax Database



- Account for third largest source of federal revenue
- Raised \$297B in fiscal year 2017
- 288 Fortune 500 companies paid effective tax rate of 19.4% from 2008-2012
- Corporations dodge \$90B per year from tax havens
- Corporations officially hold \$2.1T in profits offshore

Companies Relocating Overseas

-  Burger King (US - Canada)
 - 2014 acquisition of Tim Horton's
 - Able to avoid estimated 275 million in taxes
 - Global growth for both brands
- Medtronic (US - Ireland)
 - Founded Minneapolis in 1949
 - Worldwide medical device maker
 - 2014 acquired Covidien and shifted global headquarters to Ireland
 - Ireland's corporate tax rate is 12.5 percent

United Kingdom



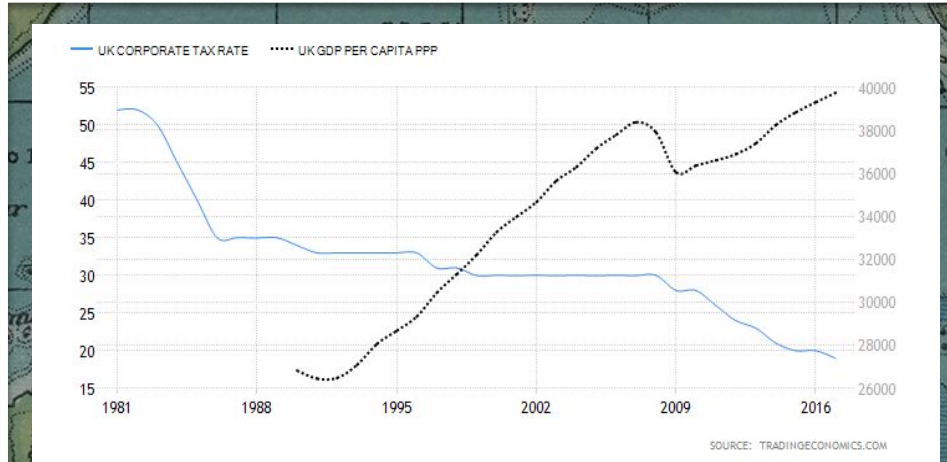
The Business type criteria

- Foreign company with UK branch or Office
- Ltd
- Club or cooperative

What is considered Taxable Profits?

- Trading Profits
- Investments
- Chargeable Gains

Currently = 19%



United Kingdom Statistics

United Kingdom Tax Drift/Avoidance

Multinational companies avoided paying £6 billion in UK corporate taxes last year by booking profits overseas.

Examples:

- Amazon - actual rate of 6.25%
- Starbucks - actual rate of 2.8%





Consequences of changing Corporation Tax

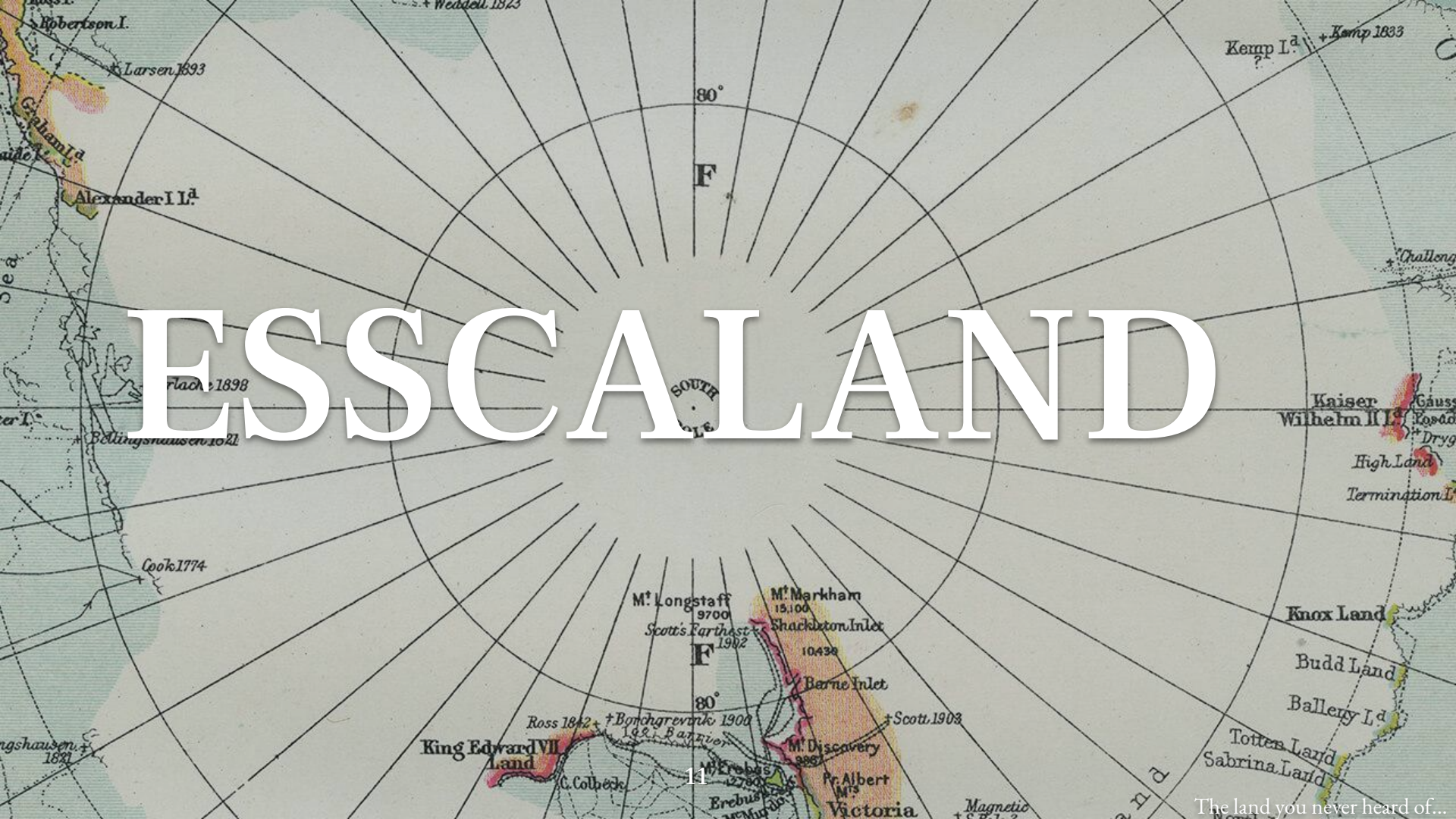
An Increase:

- Shareholders receive less money, reduced investment, increase in outgoing tax drift, lower economic growth, decrease in job creation.

A Decrease:

- Shareholders receive more money, increased investment, decrease in outgoing tax drift, higher economic growth, increase in job creation.

ESSCALAND



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15%

Corporation Tax (general)



Reasoning

- Create sustainable, slightly increased economic growth
- Be competitive with other countries within Europe - smaller tax than UK, Germany, France etc.
- Increase investments
- Decrease tax drift



0%

Corporation Tax (renewable)

Reasoning

- To promote innovative sustainable energy e.g. Bio fuels, solar etc.
- Become an industry front runner

✧ Condition

- ✧ Operation must remain in Esscaland for 10 years
- ✧ After 10 years, tax rate will increase to 15%.

5%

Corporation Tax (start-ups)

Reasoning

- Encourage growth of new companies by giving lower tax advantage

Condition

- Only applies for the first two years

References



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