

Minimum CIT Rate And The Level Of Digitalization In The EU- Increasing Regional Inequalities

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Abstract

The aim of this article is, first of all, to show the dependence between the different level of digitalization of countries in the European Union and the new directive proposal announced by the European Commission in December 2021 regarding the minimum effective CIT rate. Secondly, to signal the potential effects of such a dependence for corporate taxation in the EU, and, consequently, for the economic growth of EU countries.

The analysis of the text of the directive proposal and statistical data on the level of digitalization in the EU taken from Eurostat for the years 2019-2021 allowed for conclusions to be drawn in terms of increasing inequalities between EU countries as a result of digitalization accelerated by COVID-19, additionally supported by a potential reform of corporate taxation.

The minimum effective CIT rate of 15% is to apply mainly to large international digital enterprises with annual global revenue from EUR 750 million and above and their greatest sales take place in the most digitalized countries. In 2022, the difference in the Digital Economy and Society Index between the most and least digitalized country in the EU is forty percentage points. As a consequence, it means higher budget revenues from CIT and faster economic development for the countries with highest level of digitalization.

The differences in the rate of economic growth will increase to a greater and greater extent between the more and less digitalized countries.

The article addresses a new approach to digitalization in juxtaposition with the EU corporate tax reform to enter into force in 2023.

Key words: digitalization, corporate income tax, inequality, effectiveness of fiscal policy, budget systems

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