

ANNEX A

Hypothetical investment model:

SUMMARY OF THE "DEVEREUX AND GRIFFITH" ECONOMIC MODEL AND MEASURES OF EFFECTIVE TAX RATES

This note summarises the approach developed by Devereux and Griffith (1999) to calculate the effective marginal tax rate and effective average tax rate for particular forms of investment. It does not attempt to provide a formula for each and every possible tax regime. Neither does it attempt to provide a formula for each and every possible type of investment or financial arrangement. Instead, it is intended to provide the reader with an understanding of the principles of the approach, which can then be applied in any given situation.

The approach is similar in spirit to that of King and Fullerton (1984), which set out a methodology for calculating the effective marginal tax rate. However, there are a number of differences from the King and Fullerton approach. Devereux and Griffith used the approach set out in this note also to consider international investment. This is similar to the approach of OECD (1991). However, the OECD methodology was designed as an extension of King and Fullerton (1984). Consequently, the Devereux and Griffith approach also differs in a number of ways from that of the OECD.

As far as possible, this note uses the same terminology and definitions as King and Fullerton (1984), OECD (1991) and Devereux and Griffith (1999). Because the King and Fullerton approach is well known, features of the methodology which are common to King and Fullerton are not spelt out in any detail.

Section A DOMESTIC INVESTMENT

A.1 A domestic investment in the absence of tax

The Devereux and Griffith approach considers (like most of the academic literature on the impact of taxation on investment) a one-period perturbation to the capital stock of a firm. That is, suppose that in period t a firm increases its investment and hence its capital stock by one unit. Consider three ways in which this investment can be financed: retained earnings, new equity or debt¹. Viewed from the perspective of the owner of the firm - the shareholder - the cost of the new investment is one unit for both forms of equity finance² and zero in the case of debt finance.

Suppose further that this unit of capital is worth $(1 - \delta)(1 + \pi)$ in period $t+1$, where δ is the rate of depreciation of the asset and π is the rate of inflation³. Then to maintain the same level of the capital stock in all other periods, it is assumed that the firm reduces its investment in period $t+1$ by this amount, $(1 - \delta)(1 + \pi)$. The additional capital stock generates a return in period $t+1$ of $(p + \delta)(1 + \pi)$, where p can be interpreted as the real financial rate of return on the investment⁴. Also in period $t+1$, the firm repays with interest any additional debt taken out in period t . In the absence of tax, this implies a repayment of $I+i$, where i is the rate of interest. The allocation of any funds remaining from the investment after repaying debt depends on the way in which the

¹ Of course, other forms of financing are possible, and could be incorporated into this approach.

² In the case of retained earnings, the shareholders give up one unit of dividend payments.

³ We do not allow here for the possibility that the rate of price change of the asset purchased may be different from general inflation. This possibility could also be incorporated into the analysis.

⁴ That is, "real" as opposed to nominal: after taking account of inflation.

project was financed. If the project was financed by retained earnings then it is assumed that all remaining funds are distributed as to the shareholder as a dividend. However, if the project was financed by an issue of new shares, then it is assumed that the same amount is used to repurchase shares, thus leaving the total number of outstanding shares unaffected. (This distinction makes no difference in the absence of tax, but is important in the presence of tax).

Abstracting from risk, the shareholders' discount rate is equal to the rate of interest. This can be expressed in terms of the real rate of interest, r , by using the equality $(1+r)(1+\pi) = (1+i)$.

In the case of equity finance, the net present value to the shareholder of the investment is:

$$R^* = -1 + \frac{(1-\delta)(1+\pi) + (p+\delta)(1+\pi)}{1+i} = -1 + \frac{1+p}{1+r} = \frac{p-r}{1+r} \quad (1)$$

This is denoted R^* to signify that the net present value of the investment can also be thought of as the net present value of the economic rent generated by the investment (the asterisk indicates that it is the value in the absence of tax). In the case of a marginal investment, then $p=r$ and $R^*=0$. More generally, however, it is possible that $p>r$.

In the case of debt finance, the net present value to the shareholder of the investment is:

$$R^* = 0 + \frac{(1-\delta)(1+\pi) + (p+\delta)(1+\pi) - (1+i)}{1+i} = \frac{p-r}{1+r} \quad (2)$$

Clearly, in the absence of tax, the net present value of the investment is independent of the source of finance used.

A.2 Introducing taxation

(a) personal taxes

Personal taxes payable by the shareholder affect the shareholder's discount rate and the net value of a change in dividend payments. A general problem is that personal tax rates typically vary across shareholders. In principle, economic theory is clear that the appropriate tax rates to use are those of the "marginal" shareholder: ie. that shareholder who is only just willing to purchase shares in the firm at the going price. However, it is usually impossible to know the identity of the marginal shareholder and hence which set of tax rates to use. Common practice in generating measures of effective tax rates has therefore been to compute tax rates for a number of possible marginal shareholders, including the minimum, maximum and average tax rates. In what follows, tax rates are defined for "the shareholder". Depending on the identity of the marginal shareholder, these rates may take different values.

One important case, however, is that the shareholders are not domestic residents. Instead, suppose that the firm raises equity finance on the world capital markets. In this case, it would be very difficult for the firm to identify the marginal shareholder and adjust its behaviour accordingly. Rather, it is much more likely that personal taxes paid by the shareholder would simply be ignored, or assumed to be zero. This is a sensible central case to examine. However, the procedure for allowing for personal taxes is set out here.

Following the standard academic literature, the shareholder's nominal discount rate becomes

$$\rho = \left(\frac{1 - m^i}{1 + z} \right) i \quad (3)$$

where

m^i is the shareholder's marginal personal income tax rate on interest income, and z is the shareholder's marginal personal effective capital gains tax rate (see King and Fullerton, 1984, for a discussion of this rate).

We denote a tax parameter γ to be the net income received by the shareholder as a result of a one unit increase in dividends. This is defined as

$$\gamma = \frac{(1 - m^d)(1 - c)}{(1 - z)(1 - s)} \quad (4)$$

where

m^d is the shareholder's marginal personal income tax rate on dividend income, c is the rate of (net) withholding tax imposed on cash dividends paid by the firm to the shareholder (see further comments below), and s is the rate of tax credit available to the shareholder, expressed as a proportion of the cash dividend.

Two main elements of corporation tax are included in the analysis.

(b) corporation tax rate

First, the nominal return on the investment, net of interest payments⁵, is taxed at rate τ . This primarily reflects corporation tax. However, in principle, it is an aggregate tax rate which includes all taxes on income earned by the firm. It should, for example, include both national and local taxes levied on the firm's income. We do not allow for any delay in meeting tax liabilities.⁶

Note that a split rate corporation tax system, as in Germany, should be modelled as follows. The tax rate τ should reflect the corporation tax rate on retained earnings. The impact of a different tax rate on distributed profits should be reflected in parameter c defined above. To see this, consider the case in which the firm's profit increases by one unit. If retained within the firm, the firm keeps $1 - \tau$. Relative to this amount, if the firm distributes the profit, then before personal taxes, the shareholder receives $1 - \tau^D$ where τ^D is the tax rate on distributed profit. This implies that $1 - c = (1 - \tau^D) / (1 - \tau)$. Any tax credit received by the shareholder can be incorporated into the tax parameter s . For example, under a full imputation system, then $s = \tau^D$. Combining these two elements would imply that $\gamma = (1 - m^d) / (1 - \tau)(1 - z)$.

(c) allowances

Second the investment receives a tax allowance. Suppose that the rate of allowance in period t is ϕ . Then the firm receives a reduction in its tax liability in period t of $\tau\phi$ ⁷. This implies that the net cost to the firm of the investment is reduced by $\tau\phi$. In turn, this implies that the firm raises finance from retained earnings, new equity or debt, of only $(1 - \tau\phi)$. We do not consider here the

⁵ Clearly it would be possible to allow for interest payments to not be deductible.

⁶ Once again, this could be incorporated into the analysis.

⁷ An alternative is that the firm receives a tax credit, which would either replace this allowance or be added to it.

possibility that the firm has insufficient taxable profit to absorb this allowance, so that it makes a taxable loss which must be carried forward⁸.

In subsequent periods, the firm continues to receive an allowance for the additional investment in period t . Define the present value of these allowances to be A . Unlike the King and Fullerton approach, we define this present value using the shareholder's discount rate defined in (3).

Suppose for example that the same rate of allowance, ϕ , was given in all subsequent periods, on a declining balance basis. In this case,

$$A = \tau\phi \left\{ 1 + \left(\frac{1-\phi}{1+\rho} \right) + \left(\frac{1-\phi}{1+\rho} \right)^2 + \left(\frac{1-\phi}{1+\rho} \right)^3 + \dots \right\} = \frac{\tau\phi(1+\rho)}{\phi+\rho}. \quad (5)$$

If the same rate of allowance, ϕ , was given in subsequent periods on a straight line basis until the whole cost of the asset had been allowed, then an allowance of $\tau\phi$ would be given for T periods where $T = 1/\phi$ ⁹. In this case

$$A = \tau\phi \left\{ 1 + \left(\frac{1}{1+\rho} \right) + \left(\frac{1}{1+\rho} \right)^2 + \dots + \left(\frac{1}{1+\rho} \right)^T \right\}. \quad (6)$$

These two cases are purely illustrative. There are a wide variety of possible allowances which are used in practice. These include tax credits and other special first year allowances. The two important general principles in measuring A are (i) that all such allowances and tax credits should be taken into account, and (ii) that the present value should be found using the shareholder's discount rate as defined in (3).

(d) other aspects of taxation

In practice, there are a wide variety of different practices even in the taxation of domestic income. Clearly not all of them have been incorporated into the above analysis. In general, whether a specific provision should be allowed for in calculating effective tax rates should depend on whether tax liabilities of the firm or the shareholder would be affected by an incremental investment of the kind discussed above. That is, in principle, any identifiable change in tax liabilities arising from such an incremental investment should be incorporated into the analysis. The method of doing so is straightforward: assess the cash flows arising as a result of the tax, and include them in the calculation of the post-tax net present value.

A.3 A domestic investment in the presence of tax

We can now combine the analysis of sections A.1 and A.2 to find the value of the hypothetical incremental investment in the presence of tax. Consider the three initial forms of finance in turn.

⁸ Once again, this could be incorporated into the analysis.

⁹ In practice, T calculated in this way may not be an integer, in which case an adjustment is needed in the last period.

(a) investment financed by retained earnings

Consider first the case in which the investment is financed by retained earnings. Consider different elements of the analysis in turn:

- (i) The firm generates the funds for investment by reducing dividends, and pays out the returns from the investment as dividends. Viewed from the shareholder's perspective then, all the cash flows involved in the investment must be multiplied by γ , reflecting the various aspects of personal taxation and taxation of dividends.
- (ii) Given a present value of allowances of A , the net present value of the cost of the investment is $1 - A$.
- (iii) The nominal return in period $t+1$, $(p + \delta)(1 + \pi)$ is taxed at rate τ .
- (iv) The net present value of the reduced cost of investment in period $t+1$ is $(1 - \delta)(1 + \pi)(1 - A)$.

Combining these elements, the post-tax net present value, or economic rent, of the hypothetical project if financed by retained earnings is

$$R^{RE} = \gamma \left\{ -(1 - A) + \frac{(1 - \delta)(1 + \pi)(1 - A) + (p + \delta)(1 + \pi)(1 - \tau)}{1 + \rho} \right\}. \quad (7)$$

Rearranging, this yields

$$R^{RE} = \frac{\gamma}{1 + \rho} \left\{ (p + \delta)(1 + \pi)(1 - \tau) - [(1 + \rho) - (1 - \delta)(1 + \pi)](1 - A) \right\}. \quad (8)$$

(b) investment financed by new equity

Consider now the differences from this in the case in which the investment is financed by an issue of new equity.

First, since there is a tax allowance (or credit) in period t of $\tau\phi$, the net cost of the investment, and hence the amount of new equity raised is $1 - \tau\phi$. Hence, compared to the case of retained earnings, in period t shareholders contribute $1 - \tau\phi$ in new equity, but instead receive a net income of $\gamma(1 - \tau\phi)$ through higher dividends.

Second, since it assumed that funds in period $t+1$ are used to repurchase this amount of new equity, then the shareholder receives an amount $1 - \tau\phi$ in period $t+1$ as a repurchase of equity. However, compared to the retained earnings case again, this implies that dividends paid in period $t+1$ are lower by this amount, and therefore that the shareholder receives lower net income of $\gamma(1 - \tau\phi)$ through lower dividends.

Combining these, the post-tax net present value, or economic rent, of the hypothetical project if financed by new equity is

$$R^{NE} = R^{RE} + F^{NE}, \quad (9)$$

where

$$F^{NE} = -(1-\gamma)(1-\tau\phi) + \frac{(1-\gamma)(1-\tau\phi)}{1+\rho} = -\frac{\rho(1-\gamma)(1-\tau\phi)}{1+\rho} \quad (10)$$

represents the net present value of the additional cash flows arising through the use of new equity finance, compared with retained earnings.

(c) investment financed by debt

Consider now the differences from the retained earnings case where the investment is financed by an issue of debt. First, in period t the shareholder does not have to give up dividends worth $\gamma(1-\tau\phi)$. Instead the firm borrows this amount. However, in period $t+1$, the firm must repay the debt with interest: a total of $(1-\tau\phi)(1+i)$. The interest is tax deductible, which reduces the net cost by $(1-\tau\phi)i\tau$. The net cost of repaying debt reduces the size of the dividend payment in period $t+1$, relative to the retained earnings case, reducing the net income to the shareholder by $\gamma(1-\tau\phi)(1+i(1-\tau))$.

Combining these effects, the post-tax net present value, or economic rent, of the hypothetical project if financed by debt is

$$R^{NE} = R^{RE} + F^D, \quad (11)$$

where

$$F^D = \gamma(1-\tau\phi) - \frac{\gamma(1-\tau\phi)(1+i(1-\tau))}{1+\rho} = \frac{\gamma(1-\tau\phi)(\rho - i(1-\tau))}{1+\rho} \quad (12)$$

represents the net present value of the additional cash flows arising through the use of debt finance, compared with retained earnings.

(d) Summary of post-tax economic rent

Combining the expressions for the different types of finance, the post-tax net present value, or economic rent, of the hypothetical project can be written as:

$$R = R^{RE} + F, \quad (13)$$

where

$$F = \begin{cases} 0 & \text{if financed by retained earnings} \\ F^{NE} & \text{if financed by new equity} \\ F^D & \text{if financed by debt} \end{cases} \quad (14)$$

A.4 Defining Effective Tax Rates

(a) Effective marginal tax rate

The standard approach in using this methodology is to confine attention to marginal investment projects - ie. those with zero post-tax economic rent. The shareholder is indifferent between undertaking and not undertaking such a project. Using the analysis so far, it is then possible to calculate the real pre-tax rate of return which is necessary to generate a zero post-tax economic rent. This is usually referred to as the cost of capital.

Using expressions (8) and (13), and setting $R=0$, the cost of capital is

$$\tilde{p} = \frac{(1-A)}{(1+\pi)(1-\tau)} \{ \rho + \delta(1+\pi) - \pi \} - \frac{F(1+\rho)}{\gamma(1+\pi)(1-\tau)} - \delta \quad (15)$$

The marginal effective tax rate is the proportionate difference between this rate and the real post-tax rate of return to the shareholder. The real post-tax rate of return to the shareholder is defined as

$$s = \frac{\{ (1-m^i)i - \pi \}}{1+\pi} \quad (16)$$

In the absence of personal taxes, $s=r$. The effective marginal tax rate is

$$EMTR = \frac{\tilde{p} - s}{\tilde{p}}. \quad (17)$$

(b) Effective average tax rate

Devereux and Griffith (1999) consider also cases in which taxes may affect investment decisions for investments which are not marginal. For example, suppose that a firm is choosing between two alternative locations, or different types of investment. Suppose further that the costs of production are such that the firm will choose only one location, or one type of investment. Finally, suppose that the firm expect to earn a positive post-tax economic rent on the project. Then the firm's choice depends on the tax on infra-marginal investments, and hence on the effective average tax rate.

A natural measure of the effective average tax rate would be the proportionate reduction in the economic rent generated as a result of the tax: $(R^* - R)/R^*$. However, this measure suffers from the problem that the effective average tax rate would be undefined for projects which are marginal in the absence of tax ($R^*=0$). Devereux and Griffith therefore propose a slightly different measure, scaling the difference between R^* and R by the net present value of the income stream in the absence of tax, $\tilde{p}/(1+r)$:

$$EATR = \frac{R^* - (1-z)R}{\tilde{p}/(1+r)}, \quad (18)$$

where R^* is defined in (1) and (2), R is defined in (13), and z is the capital gains tax rate.

Devereux and Griffith show that, in the absence of personal taxes, this measure of the effective average tax rate moves from a value equal to the effective marginal tax rate (for a marginal investment) to an "adjusted statutory tax rate", $1 - \gamma(1 - \tau)$ for a highly profitable investment. In a sense, then, this measure is quite general, applying to incremental investment of any level of profitability, and incorporating the effective marginal tax rate.

To implement this measure, it is necessary to choose a level of profitability, the pre-tax rate of return on the investment, p (or, equivalently, the economic rent in the absence of tax, R^*). For the purposes of comparison across countries, and since it is intended to hold other economic variables constant across countries for the purposes of comparison, then p should also be held constant when comparing across countries. However, it is desirable to calculate the effective average tax rate for a range of values of p .

Section B INTERNATIONAL INVESTMENT

The principles governing the calculation of international investment are exactly the same as for domestic investment. As in Devereux and Griffith (1999) and OECD (1991), international investment is modelled by considering a parent firm in one country (the "home" country, denoted j) which owns a subsidiary located in another country (the "source" country, denoted n). As for the domestic case, we consider the cash flows to and from the shareholder of the parent company. The difference from the domestic case is simply that the cash flows within the firm are more complex, and need to take account of the tax systems of the 2 countries as well as the interaction between them.

In the central case, consider the subsidiary to be wholly-owned by the parent, and to be completely financed by the parent. Thus, finance for investment in the subsidiary could take the form of retained earnings (dividends foregone by the parent), new equity purchased by the parent, and new lending by the parent. In turn, the parent must finance the investment in the same ways as in the domestic case.

B.1 An international investment in the absence of tax

In the absence of tax, the international investment project is essentially the same as the domestic investment project.

Consider, for example, an investment project in the subsidiary which consists of purchasing one extra unit of capital. Suppose that the subsidiary finances this by reducing its dividends to the parent by one unit. In turn, the parent reduces its dividend payment to the shareholder by one unit, who therefore gives up one unit of dividend income. Suppose that units are denominated such that the exchange rate in period t is equal to 1.¹⁰ In period $t+1$, the subsidiary reduces its new investment by $(1 - \delta)(1 + \pi_n)$, where π_n is the inflation rate in the source country. It also generates a return on the investment of $(1 - \delta)(1 + \pi_n)$, where p is again the real financial rate of return on the investment. In period $t+1$, the subsidiary raises its dividend by the sum of these: $(1 + p)(1 + \pi_n)$. However, this is denominated in the source country currency. Suppose the exchange rate in period $t+1$ is E . This implies that, in the home currency, the parent receives a higher dividend of $E(1 + p)(1 + \pi_n)$, which it passes onto the shareholder. The net present value to the shareholder of the incremental investment is therefore

¹⁰ This does not imply any loss of generality in the model.

$$R^* = -1 + \frac{E(1+p)(1+\pi^n)}{1+i}. \quad (19)$$

This can be simplified if the exchange rate is determined in a particular way. For example, if the exchange rate follows purchasing power parity (PPP), then $E = (1+\pi)/(1+\pi^n)$, and R^* becomes identical to the domestic case in expression (1).

In the absence of tax, expression (19) holds for all investment financed by either type of equity by the subsidiary and by the parent. If the parent uses debt finance, but the subsidiary used equity finance, then this expression must be modified in the same way as (2) in the domestic case. That is, the shareholder does not contribute to the cost of the investment in period t , but must repay debt with interest of $1+i$ in period $t+1$. The resulting expression is:

$$R^* = 0 + \frac{E(1+p)(1+\pi^n) - (1+i)}{1+i}. \quad (20)$$

If the parent lends to the subsidiary at the ruling rate of interest, i , then the subsidiary repays the debt with interest to the parent; any additional income is paid to the parent as a dividend. This generates a net present value of the shareholder of

$$R^* = -1 + \frac{(1+i) + E\{(1+p)(1+\pi^n) - (1+i)\}}{1+i}. \quad (21)$$

These expressions relate to straightforward forms of financing the investment of the subsidiary. However, in principle any form of finance could be incorporated into the model. In the absence of tax and exchange rate effects, these would not add significantly to the model. However, they may be very important in presence of tax, as is described below.

B.2 Introducing international taxation

The international investment is subject to personal taxes on the shareholder, and corporate taxes on the subsidiary, in exactly the same way as the domestic investment described above. Tax rates in the source country are subscripted n and in the home country they are subscripted j . However, there is one additional layer of tax for an international investment: the tax due when income from the investment is repatriated to the parent. The two straightforward cases are of dividend flows and interest flows. We take these in turn.

(a) dividend flows from subsidiary to parent

We define the total tax due on the repatriation of one unit of dividends from the subsidiary to the parent as σ . This may incorporate a withholding tax charged in the source country of c_n , plus any tax charged in the home country. Tax in the home country depends on the system used: exemption, credit with limitation or deduction. Putting these two elements in a simple way yields:

$$\sigma = \begin{cases} c_n & \text{exemption} \\ \max\left\{ \frac{\tau_j - \tau_n}{1 - \tau_n}, c_n \right\} & \text{credit with limitation} \\ \tau_j(1 - c_n) + c_n & \text{deduction} \end{cases} \quad (22)$$

(b) interest flows from subsidiary to parent

We define the total tax due on the repatriation of one unit of dividends from the subsidiary to the parent as ω . This may incorporate a withholding tax changed in the source country of $\bar{\omega}_n$, deductibility from corporation tax in the source country, plus any tax charged in the home country. As for dividends, tax in the home country depends on the system used: exemption, credit with limitation or deduction. Again putting these elements in a simple way yields:

$$\omega = \begin{cases} \bar{\omega}_n - \tau_n & \text{exemption} \\ \max\{\tau_j, \bar{\omega}_n\} - \tau_n & \text{credit with limitation} \\ \tau_j(1 - \bar{\omega}_n) + \bar{\omega}_n - \tau_n & \text{deduction} \end{cases} \quad (23)$$

(c) more sophisticated financial arrangements

It is possible that multinational companies can take advantage of rules within the international tax network to lower their tax liabilities. This note neither describes how this can be done, nor illustrates any one method. However, it is possible to show the principle of how such an arrangement could be modelled within this framework. A typical example is where the subsidiary is treated as having paid interest to an intermediary company. Suppose the intermediary can receive interest, and use the funds to pay a dividend to the parent.

This can be easily dealt with. The principle is simply to follow through the financial arrangements to find the total amount of tax levied. For example, suppose that the source country pays on withholding tax on the interest. Suppose that the financial intermediary pays a tax at a low rate, ν on receipt of the interest, but that the parent is located in a country which exempts foreign source dividend income from tax. In this case, the total tax charge on the repatriation of funds (initially interest) is simply $\omega = \nu - \tau_n$.

Clearly this is a simple case. However, more sophisticated financial arrangements can be incorporated into this model, following the principles outlined.

B.3 An international investment in the presence of tax

As for the domestic case, we can now combine the analysis so far to derive the post-tax economic rent of an international investment. We begin by considering the simplest case in which both the parent and the subsidiary finance the investment with retained earnings. We then consider the impact of each using either new equity or debt.

(a) Retained earnings in parent and subsidiary

Consider first the case in which the subsidiary finances the investment by retained earnings and the parent finances its reduced dividend income by reducing dividends paid to the shareholder. The tax rate on dividends paid by the subsidiary to the parent is σ . And the shareholder gives up a net income of γ for a unit reduction in the dividend paid by the parent. In the international case, the net cost of the investment is determined by the source country tax rate; taking account of the net present value of all allowances it is therefore $1 - A_n$. Putting these factors together implies that the net cost to the shareholder in period t is $\gamma_j(1 - \sigma)(1 - A_n)$.

The net of tax return from the investment in the subsidiary is $(1 - \tau_n)(p_n + \delta)(1 + \pi_n)$. The benefit of the reduction in investment in period $t+1$ is $(1 - A_n)(1 - \delta)(1 + \pi_n)$. Both of these are denominated in the source country currency, and so must be multiplied by the exchange rate to convert them into the home currency. They must then be adjusted for the tax due on repatriation of the additional dividend to the parent and the additional dividend to the shareholder. Putting all these terms together, the net present value of the investment to the shareholder is

$$R_n^{RE} = \gamma_j(1 - \sigma) \left\{ - (1 - A_n) + \frac{(1 - \tau_n)E(p_n + \delta)(1 + \pi_n) + (1 - A_n)E(1 - \delta)(1 + \pi_n)}{1 + \rho_j} \right\} \quad (24)$$

$$= \gamma_j(1 - \sigma) \left\{ \frac{(1 - \tau_n)E(p_n + \delta)(1 + \pi_n) - (1 - A_n)[(1 - \rho_j) - E(1 - \delta)(1 + \pi_n)]}{1 + \rho_j} \right\}$$

(b) Parent firm source of finance

As noted above, the parent company is assumed to raise finance in the same way as in the domestic case. We have already considered the case of retained earnings in the parent. The other two forms of finance can be modelled in exactly the same way as in the domestic case, using the expressions (14), (10) and (12). However, note that the allowance in period t is based on the source country tax system and is therefore $1 - \tau_n\phi_n$. By contrast, if the shareholder is a resident of the home country, then the parameters reflecting personal tax parameters should represent the home country ie. γ_j and ρ_j . Interest paid by the parent is deductible at the home country tax rate. Thus, we can define the additional terms reflecting the parent firm's use of finance as:

$$F_j = \begin{cases} 0 & \text{if parent financed by retained earnings} \\ F_j^{NE} & \text{if parent financed by new equity} \\ F_j^D & \text{if parent financed by debt} \end{cases} \quad (25)$$

where

$$F_j^{NE} = -(1 - \gamma_j)(1 - \tau_n\phi_n) + \frac{(1 - \gamma_j)(1 - \tau_n\phi_n)}{1 + \rho_j} = -\frac{\rho_j(1 - \gamma_j)(1 - \tau_n\phi_n)}{1 + \rho_j} \quad (26)$$

and

$$F_j^D = \gamma_j(1 - \tau_n\phi_n) - \frac{\gamma_j(1 - \tau_n\phi_n)(1 + i(1 - \tau_j))}{1 + \rho_j} = \frac{\gamma_j(1 - \tau_n\phi_n)(\rho_j - i(1 - \tau_j))}{1 + \rho_j}. \quad (27)$$

(c) Subsidiary source of finance

Two comparable terms arise for the use of new equity and debt by the subsidiary.

Suppose the subsidiary issues new equity to the parent in period t . In period $t+1$, it repurchases that equity; any additional revenue from the investment is paid as a dividend to the parent. In this case, the net cost to the parent in period t is simply $1 - \tau_n\phi_n$. By contrast, the cost in the retained earnings case is $(1 - \sigma)(1 - \tau_n\phi_n)$. The difference of $\sigma(1 - \tau_n\phi_n)$ represents the additional cost

of financing the investment using new equity, at a cost to the shareholder of $\gamma_j \sigma (1 - \tau_n \phi_n)$ ¹¹. However, in period $t+1$, the subsidiary can repurchase the same amount of equity, in the source country currency. Compared to the retained earnings case, since it reduces dividends by this amount, a tax liability in home country currency of $\sigma E (1 - \tau_n \phi_n)$ is saved, with a value of $\gamma_j \sigma E (1 - \tau_n \phi_n)$ to the shareholder.

The net present value to the shareholder of the cash flows associated with new equity finance in the subsidiary is therefore

$$F_n^{NE} = \gamma_j \sigma (1 - \tau_n \phi_n) \left\{ -1 + \frac{E}{1 + \rho_j} \right\} \quad (28)$$

The case of debt follows the same form, although it is a little more complex¹². Compared to the retained earnings case, the parent contributes lending of $1 - \tau_n \phi_n$ at a cost of , but no longer has to forego dividends. The net cost to the shareholder is again $\gamma_j \sigma (1 - \tau_n \phi_n)$. In period $t+1$, the parent receives a repayment of the debt, plus interest, less any taxation on the interest (including interest deductibility in the source country), summarised by ω . Hence the parent receives $1 + i(1 - \omega)$. But the net cost to the subsidiary is $1 + i(1 - \tau_n)$ which would have been received as a dividend by the parent in the retained earnings case. Hence the net impact on the parent is $1 + i(1 - \omega) - (1 - \sigma)(1 + i(1 - \tau_n))$

¹¹ Assuming retained earnings finance in the parent. Other forms of finance in the parent are dealt with in (25), (26) and (27).

¹² A more formal derivation is given in Devereux and Griffith (1999).

ANNEX B

Hypothetical investment model:

DESCRIPTION OF THE PRINCIPAL HYPOTHESES AND TAX PARAMETERS

ECONOMIC ASSUMPTIONS

Several assumptions need to be made in order to define the hypothetical manufacturing sector investment analysed and the economic conditions under which it is assumed to take place. The following is assumed for the base case. Sensitivity analysis will later on be performed to test the importance of these assumptions.

- The shareholder is assumed to be able to earn a real rate of return of 5% on an alternative investment.
- The inflation rate is assumed to be 2% in all countries. A figure common to all countries is used in order to identify differences in effective tax rates due to tax regimes, rather than due to differences in underlying economic conditions.
- Separate investments in five different assets are considered. They are as follows, together with the true economic depreciation rate assumed in each case: intangibles (taken for tax purposes here to be the purchase of a patent) (depreciation rate of 15.35%); industrial buildings (3.1%); machinery (17.5%); financial assets (zero); and inventories (zero). In presenting averages over different forms of investment, these assets are weighted equally.
- Three sources of finance for investment in each asset are separately considered: retained earnings, new equity and debt. Given the considerable evidence on the use of these different forms of finance in practice, averages over these three forms of finance are not weighted equally. Instead, the weights used are taken from OECD (1991): retained earnings 55%, new equity 10% and debt 35%.

DESCRIPTION OF TAX PARAMETERS

This exercise is limited to parameters of the various tax regimes which can be captured in the context of the analysis of a hypothetical investment project. The types of parameters incorporated into the model are as follows:

- Statutory corporation tax rates, including surcharges and typical local tax rates on profit, as well as various special rates which apply to specific forms of income or expenditure;
- tax credits associated with dividend payments made from domestic and foreign source income, and equalisation taxes;
- corporate real estate taxes, net wealth taxes and other non-profit taxes on assets;
- personal income tax rates, including withholding taxes, on dividend and interest income and on capital gains on the disposal of shares, for three categories of shareholders;
- individual net wealth taxes on shareholdings and lending;
- capital allowances for industrial buildings, machinery, intangibles (the purchase of a patent) and the tax treatment of financial assets and inventories;
- some tax incentives for new investments;
- treatment of foreign source dividends and interest received by parent companies from EU subsidiaries; and
- withholding taxes on dividends and interest paid by subsidiaries in the EU to parent companies.

Table 1: Corporation tax rates and statutory tax rates (%) - 1999

Country	Nominal corporation tax rate	Surcharge on corporation tax rate	Local profit tax rate	Nominal statutory tax rate on retained earnings including surcharges and local profit tax rate	Tax credit for underlying domestic corporation tax in p.c. of gross dividend	Tax credit for underlying foreign corporation tax in p.c. of gross dividend	Equalization tax on distributed foreign income in p.c. of gross dividend
Austria	34.00	–	–	34.00	–	–	–
Belgium	39.00	3.00	–	40.17	–	–	–
Denmark	32.00	–	–	32.00	–	–	–
Finland	28.00	–	–	28.00	28.00	28.00	28.00
France	33.33	20.00	–	40.00	33.33	33.33	33.33
Germany ^{a)}	40.00	5.50	17.56 ^{c)}	52.35	30.00	–	–
Greece	40.00	–	–	40.00	–	–	–
Ireland ^{b)}	10.00	–	–	10.00	–	–	–
Italy	37.00	–	4.25	41.25	37.00	37.00	–
Luxembourg	30.00	4.00	9.09 ^{c)}	37.45	–	–	–
Netherlands	35.00	–	–	35.00	–	–	–
Portugal	34.00	10.00	–	37.40	24.58 ^{d)}	–	–
Spain	35.00	–	- ^{c)}	35.00	28.57	–	–
Sweden ^{e)}	28.00	–	–	28.00	–	–	–
United Kingdom	30.00	–	–	30.00	10.00 ^{d)}	10.00	–
Canada ^{f)}	28.00	4.00	15.50	44.62	20.00 ^{g)}	20.00 ^{g)}	–
United States	35.00	-	- ^{h)}	35.00	-	-	–

a) Split rate system: For distributed profits the corporation tax rate is reduced to 30% and the statutory tax rate to 43.65%. All other systems operate with an uniform tax rate on retained and distributed profits

b) General available tax rate for the manufacturing sector. The general corporation tax rate for other sectors such as services is 28% and considered in the sensitivity analysis.

c) Local profit tax is deductible from the base of the corporation tax. The Spanish IAE (local tax on economic activities) that has an upper limit of 15% of the profits is only considered in the sensitivity analysis

d) No refund of excess tax credit to the shareholder

e) The effective tax rate is reduced to around 26.37% if contributions to the profit periodisation reserve (periodiseringsfond) up to 20% of net profits are taken into account

f) Province of Ontario

g) The individual taxpayer only can claim a tax credit equal to two thirds of the gross-up amount (e.g. two thirds of 20)

h) As the United States are only relevant for EU-inbound investment no respect is given to US states' taxes that vary between 0 and 16% but usually exempt foreign source income (e.g. income from an EU-subsiary)

Remarks

Local profit taxes:

- Germany and Luxembourg: Due to local authorities the local profit tax rates are country average tax rates considering deductibility from their own tax base (e.g. trade tax on profits in Germany and Luxembourg).

Distribution of tax exempt foreign source income:

No distinction from domestic profits in the classical system and in a shareholder relief system

two solutions are possible in imputation systems

- no tax credit on distributed profits and hence no equalization tax (e.g. Germany)
- tax credit on distributed profits as on domestic profits and hence equalization tax (e.g. France)

Table 2: Alternative nominal statutory corporation tax rates (%)- 1999

Country	Tax rate	Case
Germany	47.27	Debt financing
Greece	15.00	Interest income
Italy	37.00	Interest income
	23.25	Other assets, financing with new equity or retained earnings
	41.25	Other assets, financing with debt
Spain	35.00	Debt financing

Remarks

Germany and Spain: Statutory tax rate in the case of debt financing considering that only part (Germany) or even no (Spain) interest expenses are deductible from the base of local profit taxes

Italy: Interest income is taxed with the normal corporate tax rate (37%) and is not included in the tax base of the regional tax (IRAP). Moreover, the Dual income tax has no effect, because any increase in the DIT base due to equity financing, is reduced by the corresponding increase in financial assets, like bonds.

For other incomes, and assuming equity financing, two rates apply: 19% on the “ordinary return” and 37% on the residual income. In addition there is the regional tax (IRAP), with a rate of 4.25%.

Table 3: Real estate tax and net wealth tax for corporations (%)- 1999

Country	Real estate tax ^{a)}		Net wealth tax	
	Nominal	Effective	Nominal	Effective
Austria	0.25	0.17	-	-
Belgium	1.67	1.00	-	-
Denmark	2.50	1.70	-	-
Finland	0.50	0.36	-	-
France	1.09	0.65	-	-
Germany	0.39	0.18	-	-
Greece	0.06	0.04	-	-
Ireland	1.58	1.42	-	-
Italy	0.27	0.26	-	-
Luxembourg	0.75	0.47	0.50	0.00 ^{b)}
Netherlands	0.35	0.23	-	-
Portugal	0.50	0.31	-	-
Spain	0.40	0.26	-	-
Sweden	0.38	0.27	-	-
United Kingdom	2.37	1.66	-	-
Canada	N/A	N/A	-	-
United States	N/A	N/A	-	-
a) In all countries except Italy real estate tax is deductible from the base of the corporation tax. In Italy deduction is allowed from the IRAP tax base				
b) Net wealth tax can be credited against liability of corporation tax				

Remarks

The nominal tax rates of real estate tax are calculated for investment in industrial buildings and represent the product of the tax base and the nominal tax rate (which is in fact an estimate for the country average). Tax bases are estimates and represent a percentage of the acquisition costs / market value of a building. The nominal tax rates therefore refer to the acquisition costs / market value. In the following the basis for the estimates are shown:

- Austria: It is assumed that the tax base amounts to 25% of the acquisition costs (=market value). Considering a tax coefficient of 0.20% and an average tax rate of 500% results in a nominal real estate tax of 0.25% ($25\% * 0.2\% * 500\%$)
- Belgium: The cadastral income is assumed to amount to 5% of the acquisition costs (as the acquisition costs amount to one unit the cadastral income is 5%). Furthermore it is assumed that the real estate tax amounts to one third of this cadastral income. Therefore, the nominal real estate tax is 1.67% ($33.33\% * 5\%$)
- Denmark: It is assumed that the tax base corresponds to the market value (and further that the market value corresponds to the acquisition costs of one unit). The average tax rate is assumed to be 2.5%. Therefore, the nominal real estate tax is 2.5% ($100\% * 2.5\%$)
- Finland: It is assumed that the tax base corresponds to the market value (and further that the market value corresponds to the acquisition costs of one unit). The average tax rate is assumed to be 0.5% (which is the average of the minimum of 0.2 and the maximum of 0.8%). Therefore, the nominal real estate tax is 0.5% ($100\% * 0.5\%$)

- France: The rental value of the building is assumed to amount to 8% of the acquisition costs (as the acquisition costs amount to one unit the rental value is 8%). For the rental value of built real estate properties a rebate of 50% is granted. Therefore, the relevant rental value amounts to 4%. The average tax rate is assumed to be 27.23%. Therefore, the nominal real estate tax is 1.09% ($4\% * 27.23\%$)
- Germany: It is assumed that the tax base amounts to 25% of the acquisition costs (=market value). Considering a tax coefficient of 0.35% and an average tax rate of 442% results in a nominal real estate tax of 0.39% ($25\% * 0.35\% * 426\%$)
- Greece: It is assumed that the nominal real estate tax is 0.06% of the acquisition costs (=market value) of the building
- Ireland: The contractual basis is assumed to apply. For this purpose the Net Annual Value (NAV) is based on the annual rent of the building which is assumed to amount to 5% of the acquisition costs (as the acquisition costs amount to one unit the annual rent is 5%). Furthermore a NAV of 63% is assumed to apply (in Dublin). The rate in the pound is assumed to be 50%. Therefore, the nominal real estate tax is 1.58% ($5\% * 63\% * 50\%$)
- Italy: The cadastral value is assumed to amount to 50% of the acquisition costs (as the acquisition costs amount to one unit the cadastral value is 50%). The average tax rate is assumed to be 0.55% (which is the average of the minimum of 0.4 and the maximum of 0.7%). Therefore, the nominal real estate tax is 0.27% ($50\% * 0.55\%$)
- Luxembourg: It is assumed that the tax base amounts to 10% of the acquisition costs (=market value). Considering a tax coefficient of 1.0% and a tax rate of 750% (Luxembourg-City) results in a nominal real estate tax of 0.75% ($10\% * 1\% * 750\%$)
- Netherlands: It is assumed that the tax base amounts to 100% of the acquisition costs (=market value). Considering an average tax rate of 0.35% results in a nominal real estate tax of 0.35% ($100\% * 0.35\%$)
- Portugal: It is assumed that the tax base amounts to 50% of the acquisition costs (=market value). The average tax rate is assumed to be 1% (which is the average of the minimum of 0.7 and the maximum of 1.3%). Therefore, the nominal real estate tax is 0.5% ($50\% * 1\%$)
- Spain: The cadastral value is assumed to amount to 50% of the acquisition costs (as the acquisition costs amount to one unit the cadastral value is 50%). The average tax rate is assumed to be 0.8% (which is the average of the minimum of 0.4 and the maximum of 1.2%). Therefore, the nominal real estate tax is 0.4% ($50\% * 0.8\%$)
- Sweden: It is assumed that the tax base amounts to 75% of the acquisition costs (=market value). Considering a tax rate of 0.5% for industrial property results in a nominal real estate tax of 0.38% ($75\% * 0.5\%$)
- United Kingdom: The contractual basis is assumed to apply. For this purpose the Net Annual Value (NAV) is based on the annual rent of the building which is assumed to amount to 5% of the acquisition costs (as the acquisition costs amount to one unit the annual rent is 5%). The rate in the pound is assumed to be 47.4%. Therefore, the nominal real estate tax is 2.37% ($5\% * 47.4\%$)

Effective real estate tax rate considers deductibility from the corporation tax base thus calculated as the product of nominal tax rate * (1-statutory tax rate from table 1) (e.g. Austria $0.25\% * (1-0.34) = 0.17\%$)

Besides Luxembourg there is no Member State levying a corporate property/net wealth tax

Table 4: Non-profit taxes on assets other than real estate tax and net wealth tax (%) - 1999

Country	Nominal tax rate in p.c.	Effective tax rate in p.c.	Asset
France	1.56	0.93	Buildings
(taxe professionnelle)	3.11	1.87	Machinery

Remarks

France: “taxe professionnelle” (for buildings: twice tax base of real estate tax, for tangible fixed assets 16% of acquisition costs, general deduction of 16%, no respect given to taxation of payroll, average country tax rate of 23.16%)

e.g. nominal machinery $0.16 * 0.84 * 0.2316 = 3.11\%$, effective tax rate considers deductibility from the corporation tax base thus calculated as the product of nominal tax rate * (1-statutory tax rate from table 1) $3.11\% * (1-0.4) = 1.87\%$

Table 5: Personal income tax rates including surcharges (%) - 1999

Source of income	Dividends ^{a)}			Interest			Capital gain upon disposal of shares		
	A	B	C	A	B	C	A	B	C
Case									
Austria	0.00	25.00	25.00	0.00	25.00	25.00	0.00	0.00	25.00
Belgium	0.00	15.00	15.00	0.00	15.00	15.00	0.00	0.00	0.00
Denmark	0.00	40.00	40.00	0.00	59.00	59.00	0.00	40.00	40.00
Finland	0.00	28.00	28.00	0.00	28.00	28.00	0.00	28.00	28.00
France	0.00	61.25	61.25	0.00	25.00	25.00	0.00	26.00	26.00
Germany	0.00	55.92	55.92	0.00	55.92	55.92	0.00	0.00	55.92
Greece	0.00	0.00	0.00	0.00	20.00	20.00	0.00	5.00 ^{b)}	5.00 ^{b)}
Ireland	0.00	46.00	46.00	0.00	46.00	46.00	0.00	20.00	20.00
Italy	0.00	12.50	46.00	12.50	12.50	12.50	0.00	12.50 ^{c)}	27.00
Luxembourg	0.00	23.58	23.58	0.00	47.15	47.15	0.00	0.00	23.58
Netherlands	0.00	60.00	25.00	0.00	60.00	60.00	0.00	0.00	25.00
Portugal	0.00	40.00	40.00	0.00	20.00	20.00	0.00	0.00	0.00
Spain	0.00	48.00	48.00	0.00	48.00	48.00	0.00	20.00	20.00
Sweden	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00
United Kingdom	0.00	32.50	32.50	0.00	40.00	40.00	0.00	40.00 ^{d)}	40.00 ^{d)}
Canada	0.00	48.80	48.80	0.00	48.80	48.80	0.00	36.60	36.60
United States ^{e)}	0.00	39.60	39.60	0.00	39.60	39.60	0.00	20.00	20.00

A Zero rate shareholder
B Top rate shareholder with no qualified (substantial) participation
C Top rate shareholder with qualified (substantial) participation depending on the national tax provisions (e.g. 10% in Germany and 5% in the Netherlands)
a) Nominal income tax rates on dividends. The effective income tax rate on dividends can be lower in the following countries due to corporate imputation systems: Finland, France, Germany, Italy, Portugal, Spain, Canada
b) 5% apply to shares in an unquoted corporation. Other gains are taxed at a rate of 20%
c) On accrued capital gains. All other capital gains taxed are levied on realised capital gains.
d) Respect is given to "Taper-Relief" in the calculations
e) We assume that the taxpayer is resident in a state that imposes no personal income tax

Remarks

Marginal income tax rates including surcharges on the taxable income as a tax base

In the case of capital gains no respect is given to speculative gains (e.g. acquisition and disposal of shares within a short period of time)

Table 6: Domestic withholding taxes on dividends and interest paid to domestic individual persons as shareholders (%) - 1999

Source of income	Dividends	Interest
Austria	25.00 ^{a)}	25.00 ^{a)}
Belgium	15.00 ^{a)}	15.00 ^{a)}
Denmark	25.00 ^{b)}	-
Finland	-	-
France	-	25.00 ^{a), c)}
Germany	26.38 ^{c)}	31.65 ^{c)}
Greece	-	20.00 ^{a)}
Ireland	24.00	24.00
Italy	12.50 ^{a)}	12.50 ^{b)}
Luxembourg	25.00	-
Netherlands	25.00	-
Portugal	25.00	20.00 ^{a)}
Spain	25.00	18.00
Sweden	30.00	30.00
United Kingdom	-	20.00
Canada	-	-
United States	-	-
a) Final on option b) Final withholding tax. In all other cases the withholding tax is refunded if the personal income tax liability is lower c) Including surcharges		

Table 7: Marginal tax rates of individual net wealth tax on shareholdings and lending (%) - 1999

Source of property	Shareholding ^a (^b)	Lending ^c
Austria	-	-
Belgium	-	-
Denmark	-	-
Finland	0.90	0.90
France	1.80 (0.00)	1.80
Germany	-	-
Greece	-	-
Ireland	-	-
Italy	-	-
Luxembourg	0.50	0.50
Netherlands	0.70 (0.224)	0.70
Portugal	-	-
Spain	2.50 (0.00)	2.50
Sweden	1.50	1.50
United Kingdom	-	-
Canada	-	-
United States	-	-
a) Values in brackets for qualified participation b) Corresponds to equity financing of a corporation c) Corresponds to debt financing of a corporation		

Remarks

Only marginal rates

Table 8: Tax treatment of inventories and timing of in tax payments - 1999

Country	Inventory valuation
Austria	Lifo
Belgium	Lifo
Denmark	Fifo
Finland	Fifo
France	Average cost method
Germany	Lifo
Greece	Average cost method
Ireland	Fifo
Italy	Lifo
Luxembourg	Lifo
Netherlands	Average cost method
Portugal	Lifo
Spain	Lifo
Sweden	Fifo
United Kingdom	Fifo

Remarks

Valuation of inventories represents the most tax efficient possibility, other possibilities are ignored

Table 9: Capital allowances for industrial buildings (%) - 1999

	Kind of allowance	Allowance rate	Length of period
Austria	SL	4.00	ufd
Belgium	DB	10.00	7
	SL	5.00	9
	SL	2.83	1
Denmark	SL	5.00	ufd
Finland	DB	7.00	ufd
France	SL	5.00	ufd
Germany	SL	4.00	ufd
Greece	SL	8.00	ufd
Ireland	SL	4.00	ufd
Italy	SL	4.00	1
	SL	8.00	2
	SL	4.00	ufd
Luxembourg	SL	4.00	ufd
Netherlands	SL	2.50	ufd
Portugal	SL	5.00	ufd
Spain	SL	3.00	ufd
Sweden	SL	4.00	ufd
United Kingdom	SL	4.00	ufd
DB Declining balance SL Straight line ufd Until fully depreciated			

Remarks

Kind of capital allowances represents the most tax efficient possibility, other possibilities are ignored

Table 10: Capital allowances for machinery (%) - 1999

	First period			Second period		
	Kind of allowance	Allowance rate	Length of first period	Kind of allowance	Allowance rate	Length of second period
Austria	SL	14.29	7	–	–	–
Belgium	DB	28.57	3	SL SL	14.29 7.87	2 1
Denmark	DB	30.00	ufd	–	–	–
Finland	DB	25.00	ufd	–	–	–
France	DB	35.71	5	SL	5.49	2
Germany	DB	30.00	4	SL	8.00	3
Greece	SL	14.29	7	–	–	–
Ireland	SL	15.00	6	SL	10.00	1
Italy	SL	13.25	1	SL SL SL	26.50 13.25 7.25	2 2 1
Luxembourg	DB	30.00	4	SL	8.00	3
Netherlands	SL	14.29	7	–	–	–
Portugal	DB	35.71	ufd	–	–	–
Spain	DB	28.57	4	SL	8.68	3
Sweden	DB	30.00	2	SL SL	20.00 9.00	2 1
United Kingdom	DB	25.00	ufd	–	–	–
DB Declining balance SL Straight line ufd Until fully depreciated						

Remarks

Kind of capital allowances represents the most tax efficient possibility, other possibilities are ignored

If depreciation depends on the useful life of a fixed tangible asset and no period is specified in the national tax codes a period of 7 years was assumed for the calculation of the allowance rate

**Table 11: Capital allowances for intangibles
– specifically the purchase of a patent (%) - 1999**

	First period			Second period		
	Kind of allowance	Allowance rate	Length of first period	Kind of allowance	Allowance rate	Length of second period
Austria	SL	12.50	8	–	–	–
Belgium	SL	20.00	5	–	–	–
Denmark	–	100.00	1	–	–	–
Finland	SL	10.00	10	–	–	–
France	SL	20.00	5	–	–	–
Germany	SL	20.00	5	–	–	–
Greece	SL	10.00	10	–	–	–
Ireland	SL	10.00	10	–	–	–
Italy	SL	33.33	3	–	–	–
Luxembourg	SL	20.00	5	–	–	–
Netherlands	SL	20.00	5	–	–	–
Portugal	SL	10.00	10	–	–	–
Spain	SL	10.00	10	–	–	–
Sweden	DB	30.00	2	SL	16.33	3
United Kingdom	DB	25.00	ufd	–	–	–
DB Declining balance SL Straight line ufd Until fully depreciated						

Remarks

Kind of capital allowances represents the most tax efficient possibility, other possibilities are ignored

If depreciation depends on the useful life of an intangible asset and no period is specified in the national tax codes a period of 10 years was assumed for the calculation of the allowance rate

Table 12: Investment incentives considered for the calculations - 1999

Country	
Austria	Investment deduction granted in addition to regular depreciation, depending on the type of asset, 6% for intangibles, 9% for buildings and machinery.
Belgium	13.5% investment deduction for intangibles (e.g. patents) in addition to regular depreciation
Denmark	Advance depreciation of 15% for machinery
Finland	No incentive available for industrial investment
France	Tax credit in the Nord-Pas-de-Calais Region equal to 22% of the industrial investment realised during their first 36 months of existence. Tax credit can be offset against the corporate income tax. Assume investment in intangibles, buildings, and machinery qualifying for the tax credit with sufficient profits to offset the full amount of tax credit
Germany	10% tax free cash grant for investment in buildings and machinery carried out in the region of eastern Germany
Greece	Investment cash grant of 40% available for new created enterprises in development area D, cash grant is exempt from corporation tax but reduces the base of depreciation, as a consequence, only 60% of the acquisition costs of qualifying assets (e.g. intangibles, buildings, and machinery) can be depreciated
Ireland	Manufacturing 10% tax relief resulting in a reduced corporation tax rate of 10% is already considered as the base case
Italy	Tax credit of 50% for companies investing in regions with the highest unemployment rates. Buildings and for big companies intangibles do not qualify for the tax credit. Therefore, only machinery is considered. The percentage of the tax credit changes with respect to the territorial area and the size of the company (with a maximum of 65% for SME in the areas with the highest unemployment rate). The credit can be offset, without limitations, against various taxes paid by the company, including the personal income tax withdrawn and paid on behalf of employees.
Luxembourg	Aggregate tax credit of 14% available for investment in depreciable fixed assets other than land, buildings, software and motor vehicles (e.g. machinery)
Netherlands	Free depreciation of intangibles (e.g. immediate write-off in the period of acquisition) as well as accelerated depreciation of buildings (50% per year in the first two periods) located in economically weak regions
Portugal	Accelerated depreciation for investment in machinery up to two times the maximum legal rate resulting in an increase of the declining balance depreciation rate from 31.71 to 71.42%
Spain	Incentives the Basque region combining elements of a reduction of the tax rate (32.50 instead of 35%) with a reduction of the tax due (tax credit of 15% available for investment in new tangible fixed assets, e.g. machinery)
Sweden	No incentive available for industrial investment
United Kingdom	Incentives in the numerous Enterprise Zones encouraging investment in buildings. There is an exemption from real estate tax (Uniform Business Rate), and a first year allowance on buildings in the period of acquisition (100% capital allowance)

Remarks

The incentives above represent country typical incentives extracted from a questionnaire. In principle, they should reflect significant or common incentives

Table 13: Treatment of foreign source dividends received by parent companies from EU-subsidiaries (qualified participation) - 1999

	Elimination of double taxation of dividends	Amount of tax exempt dividends (%)	Deductibility of costs related to tax exempt foreign source income
Austria	Exemption	100.00	No
Belgium	Exemption	95.00	Yes
Denmark	Exemption	100.00	Yes
Finland	Exemption	100.00	Yes
France	Exemption	97.50	Yes
Germany ^{a)}	Exemption	95.00	Yes
Greece	Credit with limitation	-	Yes
Ireland	Credit with limitation	-	Yes
Italy	Exemption	95.00	Yes
Luxembourg	Exemption	100.00	Partial
Netherlands	Exemption	100.00	No
Portugal	Exemption	95.00	Yes
Spain ^{b)}	Exemption	100.00	Yes
Sweden	Exemption	100.00	Yes
United Kingdom	Credit with limitation	-	Yes
Canada	Exemption	100.00	No
United States	Credit with limitation	-	Yes
<p>a) Germany uses the credit with limitation method for dividends received from Greece</p> <p>b) In Spain, the exemption method is in fact a 100% deduction of the Spanish corporation tax on the foreign dividends (de facto exemption). On option, the ordinary credit method is available. However, the base case considers the Spanish case of exemption</p>			

Remarks

Dividends from subsidiaries qualify for the parent-subsidiary directive at the level of a EU-Parent

Deductibility of costs related to tax exempt foreign source income refers to interest costs at the level of parent which incurred because the equity financing of the subsidiary is refinanced by debt

Table 14: Withholding Tax Rates on International Dividend Payments from the Subsidiary to the Parent Company (%) - 1999

		All EU countries	CA	US
from (Country of Subsidiary)	AU	0.00	15.00	5.00
	BE	0.00	15.00	5.00
	DE	0.00	0.00	0.00
	FI	0.00	10.00	5.00
	FR	0.00	5.00	5.00
	GE	0.00	15.00	5.00
	GR	0.00	0.00	0.00
	IR	0.00	0.00	0.00
	IT	0.00	15.00	5.00
	LU	0.00	5.00	5.00
	NE	0.00	5.00	5.00
	PO ^{a)}	0.00	30.00	15.00
	SP	0.00	15.00	10.00
	SW	0.00	5.00	5.00
	UK ^{b)}	0.00	0.00	-0.28
	<p>a) Portugal abolishes withholding taxes on dividends according to the EU Parent/Subsidiary Directive effective from Jan 1st 2000</p> <p>b) No withholding tax applies to dividends, but the US Treaty entitles the parent company to a repayment of a proportion of the tax credit. The parent company is entitled to a net repayment of 0.25 pence on a 90 pence dividend = 0.278%. Hence the figure is given as a negative value.</p>			

Table 15: Method of Elimination of the Double Taxation of International Interest Payments - 1999

		to (Country of Parent Company)																
		AU ¹⁾	BE ²⁾	DE ¹⁾	FI ^{3) 4(1)}	FR ¹⁾	GE ¹⁾	GR ¹⁾	IR ³⁾	IT ¹⁾	LU ^{1) 5)}	NE ⁶⁾	PO ⁶⁾ 4[5])	SP ¹⁾	SW ⁷⁾ 4(3))	UK ³⁾	CA ¹⁾	US ⁸⁾ 4(5))
from (Country of Subsidiary)	AU		2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
	BE	2		2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
	DE	2	2		2	2	2	2	2	2	2	2	2	2	2	2	2	2
	FI	2	2	2		2	2	2	2	2	2	2	2	2	2	2	2	2
	FR	2	2	2	2		2	2	2	2	2	2	2	2	2	2	2	2
	GE	2	2	2	2	2		2	2	2	2	2	2	2	2	2	2	2
	GR	2	2	2	2	2	2		2	2	2	2	2	2	2	2	2	2
	IR	2	2	2	2	2	2	2		2	2	2	2	2	2	2	2	2
	IT	2	2	2	2	2	2	2	2		2	2	2	2	2	2	2	2
	LU	2	2	2	2	2	2	2	2	2		2	2	2	2	2	2	2
	NE	2	2	2	2	2	2	2	2	2	2		2	2	2	2	2	2
	PO	2	2	2	2	2	2	2	2	2	2	2		2	2	2	2	2
	SP	2	2	2	2	2	2	2	2	2	2	2	2		2	2	2	2
	SW	2	2	2	2	2	2	2	2	2	2	2	2	2		2	2	2
	UK	2	2	2	2	2	2	2	2	2	2	2	2	2	2			
	CA																	
	US																	

Limitations applying:

1) per country limitation

2) 15/85th of net amount

3) per item of income and per country limitation

4[x]) carry forward x years

5) voting right for overall limitation

6) not available

7) overall limitation

8) per item of income limitation (income baskets)

Keys: 1 = Exemption method; 2 = Credit with limitation; 3 = Deduction.

Table 16: Withholding Tax Rates on International Interest Payments from the Subsidiary to the Parent Company (%) - 1999

to (Country of Parent Company)

	AU	BE	DE	FI	FR	GE	GR	IR	IT	LU	NE	PO	SP	SW	UK	CA	US
from	AU	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(Country of Subsidiary)	BE	15.00	15.00	10.00	15.00	15.00	10.00	15.00	15.00	15.00	10.00	15.00	15.00	10.00	15.00	15.00	15.00
	DE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	FI	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	FR	0.00	15.00	0.00	10.00	0.00	0.00	0.00	10.00	10.00	10.00	12.00	10.00	0.00	0.00	10.00	0.00
	GE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GR	10.00	15.00	8.00	10.00	10.00	10.00	20.00	10.00	8.00	10.00	20.00	20.00	10.00	0.00	20.00	0.00
	IR	0.00	15.00	0.00	0.00	0.00	24.00	0.00	10.00	0.00	0.00	15.00	0.00	0.00	0.00	24.00	24.00
	IT	10.00	15.00	15.00	15.00	10.00	10.00	10.00	0.00	10.00	10.00	15.00	12.00	15.00	10.00	15.00	15.00
	LU	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	NE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	PO	10.00	15.00	20.00	15.00	12.00	15.00	20.00	15.00	20.00	20.00	0.00	15.00	20.00	10.00	20.00	10.00
	SP	5.00	15.00	10.00	10.00	10.00	10.00	25.00	0.00	12.00	10.00	10.00	15.00	10.00	12.00	15.00	10.00
	SW	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	UK	0.00	15.00	0.00	0.00	0.00	0.00	0.00	10.00	0.00	0.00	10.00	12.00	0.00	0.00	0.00	0.00

Table 17: Corporation tax rates and statutory tax rates (%) - 2001

Country	Nominal corporation tax rate	Surcharge on corporation tax rate	Local profit tax rate	Nominal statutory tax rate on retained earnings including surcharges and local profit tax rate	Tax credit for underlying domestic corporation tax in p.c. of gross dividend	Tax credit for underlying foreign corporation tax in p.c. of gross dividend	Equalization tax on distributed foreign income in p.c. of gross dividend
Austria	34.00	–	–	34.00	–	–	–
Belgium	39.00	3.00	–	40.17	–	–	–
Denmark	30.00	–	–	30.00	–	–	–
Finland	29.00	–	–	29.00	29.00	29.00	29.00
France	33.33	9.30	–	36.43	33.33	33.33	33.33
Germany	25.00	5.50	17.63	39.35	–	–	–
Greece	37.50	–	–	37.50	–	–	–
Ireland	10.00	–	–	10.00	–	–	–
Italy	36.00	–	4.25	40.25	36.00	36.00	–
Luxembourg	30.00	4.00	9.09	37.45	–	–	–
Netherlands	35.00	–	–	35.00	–	–	–
Portugal	32.00	10.00	–	35.20	22.86	22.86	–
Spain	35.00	–	-	35.00	28.57	28.57	–
Sweden	28.00	–	–	28.00	–	–	–
United Kingdom	30.00	–	–	30.00	10.00	10.00	–
Canada	38.00	4.00	-	39.52	20.00	20.00	–
United States	35.00	-	-	35.00	–	–	–

Remarks

Local profit taxes:

Germany and Luxembourg: Due to local authorities the local profit tax rates are country average tax rates considering deductibility from their own tax base (e.g. trade tax on profits in Germany and Luxembourg).

Distribution of tax exempt foreign source income:

No distinction from domestic profits in the classical system and in a shareholder relief system two solutions are possible in imputation systems

- no tax credit on distributed profits and hence no equalization tax (e.g. Germany)
- tax credit on distributed profits as on domestic profits and hence equalization tax (e.g. France)

Table 18: Alternative effective statutory corporation tax rates (%) - 2001

Country	Tax rate	Case
Austria	25.00	Assets, financing with new equity or retained earnings
	34.00	Assets, financing with debt
Germany	32.86	Debt financing
Greece	15.00	Interest income
Italy	36.00	Interest income
	23.25	Other assets, financing with new equity or retained earnings
	40.25	Other assets, financing with debt
Spain	35.00	Debt financing

Remarks

Germany and Spain: Statutory tax rate in the case of debt financing considering that only part (Germany) or even no (Spain) interest expenses are deductible from the base of local profit taxes

Italy: Interest income is taxed with the normal corporate tax rate (37%) and is not included in the tax base of the regional tax (IRAP). Moreover, the Dual income tax has no effect, because any increase in the DIT base due to equity financing, is reduced by the corresponding increase in financial assets, like bonds.

For other incomes, and assuming equity financing, two rates apply: 19% on the “ordinary return” and 37% on the residual income. In addition there is the regional tax (IRAP), with a rate of 4.25%.

Table 19: Real estate tax and net wealth tax for corporations (%) - 2001

Country	Real estate tax ^{a)}		Net wealth tax	
	Nominal	Effective	Nominal	Effective
Austria	0.25	0.17	-	-
Belgium	1.67	1.00	-	-
Denmark	2.50	1.75	-	-
Finland	0.75	0.53	-	-
France	1.09	0.69	-	-
Germany	0.39	0.24	-	-
Greece	0.06	0.04	-	-
Ireland	1.58	1.42	-	-
Italy	0.27	0.26	-	-
Luxembourg	0.75	0.47	0.50	0.00 ^{b)}
Netherlands	0.42	0.27	-	-
Portugal	0.50	0.32	-	-
Spain	0.40	0.26	-	-
Sweden	0.38	0.27	-	-
United Kingdom	2.45	1.71	-	-
Canada	N/A	N/A	-	-
United States	N/A	N/A	-	-
b) In all countries except Italy real estate tax is deductible from the base of the corporation tax. In Italy deduction is allowed from the IRAP tax base				
b) Net wealth tax can be credited against liability of corporation tax				

Remarks

The nominal tax rates of real estate tax are calculated for investment in industrial buildings and represent the product of the tax base and the nominal tax rate (which is in fact an estimate for the country average). Tax bases are estimates and represent a percentage of the acquisition costs / market value of a building. The nominal tax rates therefore refer to the acquisition costs / market value. In the following the basis for the estimates are shown:

- Austria: It is assumed that the tax base amounts to 25% of the acquisition costs (=market value). Considering a tax coefficient of 0.20% and an average tax rate of 500% results in a nominal real estate tax of 0.25% ($25\% * 0.2\% * 500\%$)
- Belgium: The cadastral income is assumed to amount to 5% of the acquisition costs (as the acquisition costs amount to one unit the cadastral income is 5%). Furthermore it is assumed that the real estate tax amounts to one third of this cadastral income. Therefore, the nominal real estate tax is 1.67% ($33.33\% * 5\%$)
- Denmark: It is assumed that the tax base corresponds to the market value (and further that the market value corresponds to the acquisition costs of one unit). The average tax rate is assumed to be 2.5%. Therefore, the nominal real estate tax is 2.5% ($100\% * 2.5\%$)

- Finland: It is assumed that the tax base corresponds to the market value (and further that the market value corresponds to the acquisition costs of one unit). The average tax rate is assumed to be 0.75%
- France: The rental value of the building is assumed to amount to 8% of the acquisition costs (as the acquisition costs amount to one unit the rental value is 8%). For the rental value of built real estate properties a rebate of 50% is granted. Therefore, the relevant rental value amounts to 4%. The average tax rate is assumed to be 27.23%. Therefore, the nominal real estate tax is 1.09% (4% * 27.23%)
- Germany: It is assumed that the tax base amounts to 25% of the acquisition costs (=market value). Considering a tax coefficient of 0.35% and an average tax rate of 442% results in a nominal real estate tax of 0.39% (25% * 0.35% * 426%)
- Greece: It is assumed that the nominal real estate tax is 0.06% of the acquisition costs (=market value) of the building
- Ireland: The contractual basis is assumed to apply. For this purpose the Net Annual Value (NAV) is based on the annual rent of the building which is assumed to amount to 5% of the acquisition costs (as the acquisition costs amount to one unit the annual rent is 5%). Furthermore a NAV of 63% is assumed to apply (in Dublin). The rate in the pound is assumed to be 50%. Therefore, the nominal real estate tax is 1.58% (5% * 63% * 50%)
- Italy: The cadastral value is assumed to amount to 50% of the acquisition costs (as the acquisition costs amount to one unit the cadastral value is 50%). The average tax rate is assumed to be 0.55% (which is the average of the minimum of 0.4 and the maximum of 0.7%). Therefore, the nominal real estate tax is 0.27% (50% * 0.55%)
- Luxembourg: It is assumed that the tax base amounts to 10% of the acquisition costs (=market value). Considering a tax coefficient of 1.0% and a tax rate of 750% (Luxembourg-City) results in a nominal real estate tax of 0.75% (10% * 1% * 750%)
- Netherlands: It is assumed that the tax base amounts to 100% of the acquisition costs (=market value). Considering an average tax rate of 0.42% results in a nominal real estate tax of 0.42% (100% * 0.42%)
- Portugal: It is assumed that the tax base amounts to 50% of the acquisition costs (=market value). The average tax rate is assumed to be 1% (which is the average of the minimum of 0.7 and the maximum of 1.3%). Therefore, the nominal real estate tax is 0.5% (50% * 1%)
- Spain: The cadastral value is assumed to amount to 50% of the acquisition costs (as the acquisition costs amount to one unit the cadastral value is 50%). The average tax rate is assumed to be 0.8% (which is the average of the minimum of 0.4 and the maximum of 1.2%). Therefore, the nominal real estate tax is 0.4% (50% * 0.8%)
- Sweden: It is assumed that the tax base amounts to 75% of the acquisition costs (=market value). Considering a tax rate of 0.5% for industrial property results in a nominal real estate tax of 0.38% (75% * 0.5%)
- United Kingdom: The contractual basis is assumed to apply. For this purpose the

Net Annual Value (NAV) is based on the annual rent of the building which is assumed to amount to 5% of the acquisition costs (as the acquisition costs amount to one unit the annual rent is 5%). The rate in the pound is assumed to be 47.4%. Therefore, the nominal real estate tax is 2.37% ($5\% * 47.4\%$)

Effective real estate tax rate considers deductibility from the corporation tax base thus calculated as the product of nominal tax rate * (1-statutory tax rate from table 1) (e.g. Austria $0.25\% * (1-0.34) = 0.17\%$)

Besides Luxembourg there is no Member State levying a corporate property/net wealth tax

**Table 20: Non-profit taxes on assets other than real estate tax
and net wealth tax (%) - 2001**

Country	Nominal tax rate in p.c.	Effective tax rate in p.c.	Asset
France	1.56	0.99	Buildings
(taxe professionnelle)	3.11	1.98	Machinery

Remarks

France: “taxe professionnelle” (for buildings: twice tax base of real estate tax, for tangible fixed assets 16% of acquisition costs, general deduction of 16%, no respect given to taxation of payroll, average country tax rate of 23.16%)

e.g. nominal machinery $0.16 * 0.84 * 0.2316 = 3.11\%$, effective tax rate considers deductibility from the corporation tax base thus calculated as the product of nominal tax rate * (1-statutory tax rate from table 1) $3.11\% * (1-0.3643) = 1.87\%$

Table 21: Tax treatment of inventories and timing of in tax payments - 2001

Country	Inventory valuation
Austria	Lifo
Belgium	Lifo
Denmark	Fifo
Finland	Fifo
France	Average cost method
Germany	Lifo
Greece	Average cost method
Ireland	Fifo
Italy	Lifo
Luxembourg	Lifo
Netherlands	Average cost method
Portugal	Lifo
Spain	Lifo
Sweden	Fifo
United Kingdom	Fifo

Remarks

Valuation of inventories represents the most tax efficient possibility, other possibilities are ignored

Table 22: Capital allowances for industrial buildings (%) - 2001

	Kind of allowance	Allowance rate	Length of period
Austria	SL	3.00	ufd
Belgium	DB	10.00	7
	SL	5.00	9
	SL	2.83	1
Denmark	SL	5.00	ufd
Finland	DB	7.00	ufd
France	SL	5.00	ufd
Germany	SL	3.00	ufd
Greece	SL	12.50	ufd
Ireland	SL	4.00	ufd
Italy	SL	4.00	1
	SL	8.00	2
	SL	4.00	ufd
Luxembourg	SL	4.00	ufd
Netherlands	SL	2.50	ufd
Portugal	SL	5.00	ufd
Spain	SL	3.00	ufd
Sweden	SL	4.00	ufd
United Kingdom	SL	4.00	ufd
DB Declining balance			
SL Straight line			
ufd Until fully depreciated			

Remarks

Kind of capital allowances represents the most tax efficient possibility, other possibilities are ignored

Table 23: Capital allowances for machinery (%) - 2001

	First period			Second period		
	Kind of allowance	Allowance rate	Length of first period	Kind of allowance	Allowance rate	Length of second period
Austria	SL	14.29	7	–	–	–
Belgium	DB	28.57	3	SL	14.29	2
				SL	7.87	1
Denmark	DB	25.00	ufd	–	–	–
Finland	DB	25.00	ufd	–	–	–
France	DB	32.14	4	SL	7.07	3
Germany	DB	20.00	2	SL	12.80	5
Greece	SL	14.29	7	–	–	–
Ireland	SL	15.00	6	SL	10.00	1
Italy	SL	13.25	1	SL	26.50	2
				SL	13.25	2
				SL	7.25	1
Luxembourg	DB	30.00	4	SL	8.00	3
Netherlands	SL	14.29	7	–	–	–
Portugal	DB	35.71	ufd	–	–	–
Spain	DB	28.57	4	SL	8.68	3
Sweden	DB	30.00	2	SL	20.00	2
				SL	9.00	1
United Kingdom	DB	25.00	ufd	–	–	–
DB Declining balance SL Straight line ufd Until fully depreciated						

Remarks

Kind of capital allowances represents the most tax efficient possibility, other possibilities are ignored

If depreciation depends on the useful life of a fixed tangible asset and no period is specified in the national tax codes a period of 7 years was assumed for the calculation of the allowance rate

**Table 24: Capital allowances for intangibles
– specifically the purchase of a patent (%) - 2001**

	First period			Second period		
	Kind of allowance	Allowance rate	Length of first period	Kind of allowance	Allowance rate	Length of second period
Austria	SL	12.50	8	–	–	–
Belgium	SL	20.00	5	–	–	–
Denmark	–	100.00	1	–	–	–
Finland	SL	10.00	10	–	–	–
France	SL	20.00	5	–	–	–
Germany	SL	20.00	5	–	–	–
Greece	SL	10.00	10	–	–	–
Ireland	SL	10.00	10	–	–	–
Italy	SL	33.33	3	–	–	–
Luxembourg	SL	20.00	5	–	–	–
Netherlands	SL	20.00	5	–	–	–
Portugal	SL	10.00	10	–	–	–
Spain	SL	10.00	10	–	–	–
Sweden	DB	30.00	2	SL	16.33	3
United Kingdom	DB	25.00	ufd	–	–	–
DB Declining balance SL Straight line ufd Until fully depreciated						

Remarks

Kind of capital allowances represents the most tax efficient possibility, other possibilities are ignored

If depreciation depends on the useful life of an intangible asset and no period is specified in the national tax codes a period of 10 years was assumed for the calculation of the allowance rate

ANNEX C

HYPOTHETICAL INVESTMENT MODEL : DETAILED RESULTS FOR EACH COUNTRY

For each country:

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Table 1 Cost of Capital, EMTR and EATR for each domestic investment	
1a Taxes on corporation only	1
1b Top-rate qualified shareholders	1
Table 2 Cost of capital for outbound investment	2
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1 Austria

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	7.1	7.4	7.1	8.6	7.6	7.5
	29.9	32.2	29.2	41.8	34.0	33.7
	32.5	33.3	32.3	37.3	34.0	33.9
New Equity	7.1	7.4	7.1	8.6	7.6	7.5
	29.9	32.2	29.2	41.8	34.0	33.7
	32.5	33.3	32.3	37.3	34.0	33.9
Debt	3.7	3.8	3.7	5.0	4.0	4.0
	-35.1	-30.6	-36.8	0.0	-25.3	-23.9
	21.2	21.6	21.1	25.5	22.2	22.3
Mean	5.9	6.1	5.9	7.3	6.3	6.3
	15.7	18.4	14.9	31.8	20.9	20.9
	28.6	29.2	28.4	33.2	29.9	29.8

Table 1a: Domestic case, only corporate taxes.

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	6.2	6.3	6.1	7.5	6.5	6.5
	47.1	48.6	46.6	56.5	49.7	50.0
	40.5	41.0	40.4	43.8	41.3	41.4
New Equity	7.2	7.4	7.1	8.6	7.6	7.6
	54.8	56.1	54.4	62.0	57.0	57.0
	43.1	43.7	43.0	46.6	44.0	44.1
Debt	3.8	3.9	3.7	5.0	4.0	4.1
	13.6	16.0	12.6	34.8	18.3	20.0
	34.6	34.8	34.5	37.6	35.1	35.3
Mean	5.4	5.6	5.4	6.7	5.7	5.8
	40.0	41.7	39.4	51.6	43.0	43.5
	38.7	39.1	38.6	41.9	39.4	39.5

Table 1b: Domestic case, top-rate qualified shareholder.

Cost of capital (%) on Investment from Austria to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Subsidiary Source of Finance												
		Overall	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt
1	Austria	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
2	Belgium	7.3	8.0	8.0	6.0	8.0	8.0	7.3	8.0	8.0	7.3	8.0	8.0	3.5
3	Denmark	7.1	7.5	7.5	6.5	7.5	7.5	7.6	7.5	7.5	7.6	7.5	7.5	4.4
4	Finland	7.0	7.2	7.2	6.6	7.2	7.2	7.7	7.2	7.2	7.7	7.2	7.2	4.5
5	France	8.4	9.0	9.0	7.1	9.0	9.0	8.4	9.0	9.0	8.4	9.0	9.0	4.6
6	Germany	7.7	9.7	7.6	5.8	9.7	7.6	7.2	9.7	7.6	7.2	9.7	7.6	3.2
7	Greece	7.0	7.6	7.6	5.7	7.6	7.6	7.0	7.6	7.6	7.0	7.6	7.6	3.4
8	Ireland	6.2	5.9	5.9	6.9	5.9	5.9	7.8	5.9	5.9	7.8	5.9	5.9	5.2
9	Italy	5.7	5.5	5.5	6.1	5.5	5.5	7.4	5.5	5.5	7.4	5.5	5.5	3.6
10	Luxembourg	7.2	7.7	7.7	6.1	7.7	7.7	7.3	7.7	7.7	7.3	7.7	7.7	3.7
11	Netherlands	7.3	7.7	7.7	6.4	7.7	7.7	7.6	7.7	7.7	7.6	7.7	7.7	4.1
12	Portugal	7.3	7.9	7.9	6.2	7.9	7.9	7.5	7.9	7.9	7.5	7.9	7.9	3.9
13	Spain	7.3	7.7	7.7	6.4	7.7	7.7	7.6	7.7	7.7	7.6	7.7	7.7	4.1
14	Sweden	6.5	6.7	6.7	6.3	6.7	6.7	7.4	6.7	6.7	7.4	6.7	6.7	4.3
15	United Kingdom	7.4	7.7	7.7	6.9	7.7	7.7	8.0	7.7	7.7	8.0	7.7	7.7	4.8
16	Mean	7.1	7.6	7.4	6.3	7.6	7.4	7.6	7.6	7.4	7.6	7.6	7.4	4.1
17	Mean (Sharehd	6.5	6.9	6.8	5.8	6.4	6.3	6.4	7.6	7.5	7.6	7.6	7.5	4.2
18	Zero-rate sh.	7.1	7.6	7.4	6.3	7.6	7.4	7.6	7.6	7.4	7.6	7.6	7.4	4.1
19	Top-rate non-qual. sh.	5.8	6.3	6.1	5.1	5.1	5.0	5.2	7.7	7.5	7.7	7.7	7.5	4.2
20	Top-rate qual. sh.	6.6	7.0	6.9	5.8	6.5	6.4	6.6	7.6	7.5	7.6	7.6	7.5	4.1

Table 2: Outbound case.

EATR (%) on Investment from Austria to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
2	Belgium	37.1	39.1	39.1	33.1	39.1	39.1	37.1	39.1	39.1	37.1	39.1	39.1	25.8
3	Denmark	31.3	32.3	32.3	29.2	32.3	32.3	33.0	32.3	32.3	33.0	32.3	32.3	22.1
4	Finland	28.1	28.8	28.8	26.8	28.8	28.8	30.9	28.8	28.8	30.9	28.8	28.8	19.3
5	France	40.1	42.1	42.1	36.2	42.1	42.1	40.1	42.1	42.1	40.1	42.1	42.1	28.8
6	Germany	40.4	46.1	40.1	35.0	46.1	40.1	38.9	46.1	40.1	38.9	46.1	40.1	27.7
7	Greece	32.3	34.4	34.4	28.3	34.4	34.4	32.3	34.4	34.4	32.3	34.4	34.4	20.8
8	Ireland	13.1	11.7	11.7	15.9	11.7	11.7	20.0	11.7	11.7	20.0	11.7	11.7	8.2
9	Italy	32.4	31.8	31.8	33.5	31.8	31.8	37.5	31.8	31.8	37.5	31.8	31.8	26.1
10	Luxembourg	34.9	36.6	36.6	31.4	36.6	36.6	35.4	36.6	36.6	35.4	36.6	36.6	24.0
11	Netherlands	33.7	35.1	35.1	30.8	35.1	35.1	34.8	35.1	35.1	34.8	35.1	35.1	23.3
12	Portugal	35.3	37.0	37.0	31.9	37.0	37.0	35.8	37.0	37.0	35.8	37.0	37.0	24.5
13	Spain	33.7	35.2	35.2	30.8	35.2	35.2	34.8	35.2	35.2	34.8	35.2	35.2	23.3
14	Sweden	25.5	26.0	26.0	24.5	26.0	26.0	28.5	26.0	26.0	28.5	26.0	26.0	17.1
15	United Kingdom	30.9	31.8	31.8	29.1	31.8	31.8	33.1	31.8	31.8	33.1	31.8	31.8	21.6
16	Mean	32.1	33.4	33.0	29.7	33.4	33.0	33.7	33.4	33.0	33.7	33.4	33.0	22.3
17	Mean (Sharehd	37.5	38.6	38.3	35.5	37.2	36.9	37.5	40.2	39.9	40.5	40.2	39.9	31.0
18	Zero-rate sh.	32.1	33.4	33.0	29.7	33.4	33.0	33.7	33.4	33.0	33.7	33.4	33.0	22.3
19	Top-rate non-qual. sh.	39.0	40.0	39.8	37.3	37.2	36.9	37.5	43.6	43.3	43.9	43.6	43.3	35.2
20	Top-rate qual. sh.	41.2	42.3	42.0	39.5	41.1	40.8	41.3	43.7	43.4	44.0	43.7	43.4	35.4

Table 3: Outbound case.

Cost of capital (%) on Investment from ... to Austria		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
2	Belgium	6.4	6.1	6.3	6.8	7.5	7.8	8.3	7.5	7.8	8.3	3.3	3.5	4.0
3	Denmark	6.3	6.4	6.4	6.2	7.5	7.5	7.3	7.5	7.5	7.3	4.2	4.2	4.0
4	Finland	6.3	6.5	6.5	5.9	7.5	7.5	6.9	7.5	7.5	6.9	4.7	4.7	4.0
5	France	6.3	6.1	6.2	6.7	7.5	7.7	8.2	7.5	7.7	8.2	3.4	3.5	4.0
6	Germany	6.4	5.6	5.9	7.6	7.5	7.8	9.6	5.9	6.1	7.9	2.6	2.8	4.6
7	Greece	6.6	6.0	7.0	7.0	7.5	8.6	8.6	7.5	8.6	8.6	3.0	4.0	4.0
8	Ireland	6.4	7.2	7.2	4.7	7.5	7.5	5.1	7.5	7.5	5.1	6.5	6.5	4.0
9	Italy	6.4	6.2	6.4	6.6	7.5	7.7	7.9	7.5	7.7	7.9	3.7	3.8	4.0
10	Luxembourg	6.8	6.2	7.5	6.5	7.5	7.5	7.9	7.5	7.5	7.9	3.7	7.5	4.0
11	Netherlands	7.2	7.5	7.5	6.4	7.5	7.5	7.7	7.5	7.5	7.7	7.5	7.5	4.0
12	Portugal	6.4	6.2	6.4	6.6	7.5	7.7	8.0	7.5	7.7	8.0	3.6	3.8	4.0
13	Spain	6.3	6.3	6.3	6.4	7.5	7.5	7.7	7.5	7.5	7.7	3.9	3.9	4.0
14	Sweden	6.3	6.6	6.6	5.8	7.5	7.5	6.8	7.5	7.5	6.8	4.8	4.8	4.0
15	United Kingdom	6.3	6.5	6.5	6.0	7.5	7.5	7.1	7.5	7.5	7.1	4.4	4.4	4.0
16	Canada	8.2	7.5	9.4	7.6	7.5	9.4	9.5	7.5	9.4	9.5	7.5	9.4	4.0
17	United States	6.5	6.2	6.8	6.5	7.5	8.1	7.8	7.5	8.1	7.8	3.7	4.3	4.0
16	Mean	6.6	6.4	6.8	6.5	7.5	7.8	7.8	7.4	7.7	7.7	4.4	4.9	4.1
17	Mean (Sharehld	5.4	5.3	5.6	5.3	5.6	5.8	5.8	6.2	6.4	6.4	4.5	5.0	4.2
18	Zero-rate sh.	6.4	6.3	6.6	6.3	7.4	7.7	7.6	6.6	6.9	6.8	4.4	4.9	4.1
19	Top-rate non-qual. sh.	5.0	4.9	5.2	4.8	4.8	5.0	4.9	6.5	6.7	6.6	4.6	5.1	4.2
20	Top-rate qual. sh.	4.8	4.7	5.0	4.7	4.6	4.9	4.8	5.5	5.7	5.7	4.6	5.1	4.2

Table 4: Inbound case.

EATR (%) on Investment from ... to Austria		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
2	Belgium	30.9	29.9	30.6	32.3	34.7	35.4	37.1	34.7	35.4	37.1	21.0	21.7	23.4
3	Denmark	29.9	30.1	30.1	29.4	33.9	33.9	33.2	33.9	33.9	33.2	23.0	23.0	22.3
4	Finland	29.9	30.6	30.6	28.5	33.9	33.9	31.9	33.9	33.9	31.9	24.4	24.4	22.3
5	France	30.4	29.5	29.9	31.7	34.3	34.7	36.5	34.3	34.7	36.5	20.7	21.0	22.8
6	Germany	23.0	20.1	21.0	27.8	27.4	28.3	35.1	21.2	22.1	28.9	8.4	9.2	16.1
7	Greece	34.9	32.9	36.0	36.0	37.6	40.7	40.7	37.6	40.7	40.7	24.0	27.1	27.1
8	Ireland	30.0	32.7	32.7	24.5	33.9	33.9	25.7	33.9	33.9	25.7	30.5	30.5	22.3
9	Italy	30.9	30.3	30.9	31.5	34.7	35.3	35.9	34.7	35.3	35.9	22.1	22.7	23.3
10	Luxembourg	31.3	29.4	33.9	30.6	33.9	33.9	35.1	33.9	33.9	35.1	21.1	33.9	22.3
11	Netherlands	32.6	33.9	33.9	30.1	33.9	33.9	34.2	33.9	33.9	34.2	33.9	33.9	22.3
12	Portugal	30.9	30.2	30.8	31.6	34.7	35.3	36.0	34.7	35.3	36.0	21.9	22.6	23.3
13	Spain	29.8	29.7	29.7	30.1	33.9	33.9	34.2	33.9	33.9	34.2	22.0	22.0	22.3
14	Sweden	29.9	30.8	30.8	28.2	33.9	33.9	31.3	33.9	33.9	31.3	24.9	24.9	22.3
15	United Kingdom	29.9	30.3	30.3	29.0	33.9	33.9	32.5	33.9	33.9	32.5	23.7	23.7	22.3
16	Canada	41.8	40.1	45.2	40.1	40.1	45.2	45.4	40.1	45.2	45.4	40.1	45.2	30.2
17	United States	32.7	31.8	33.5	32.7	36.0	37.7	36.9	36.0	37.7	36.9	24.0	25.7	24.9
16	Mean	31.2	30.8	31.9	30.9	34.4	35.2	35.1	34.0	34.8	34.7	24.1	25.7	23.1
17	Mean (Sharehld)	34.6	34.3	35.1	34.4	35.7	36.4	36.4	36.1	36.7	36.7	31.4	32.7	30.7
18	Zero-rate sh.	26.3	25.8	27.0	26.2	30.1	31.0	31.1	26.1	27.0	27.1	19.0	20.6	18.3
19	Top-rate non-qual. sh.	39.5	39.2	39.9	39.3	39.4	39.8	39.8	42.6	43.1	43.0	38.1	39.2	37.5
20	Top-rate qual. sh.	38.0	37.7	38.4	37.7	37.7	38.2	38.2	39.5	40.0	39.9	37.2	38.3	36.4

Table 5: Inbound case.

2 Belgium

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	6.7	8.6	6.8	9.7	8.4	8.0
	25.3	41.7	25.9	48.3	40.2	37.6
	35.2	40.8	35.4	44.1	40.2	39.1
New Equity	6.7	8.6	6.8	9.7	8.4	8.0
	25.3	41.7	25.9	48.3	40.2	37.6
	35.2	40.8	35.4	44.1	40.2	39.1
Debt	2.4	4.0	2.6	5.0	3.7	3.5
	-108.6	-23.8	-91.3	0.0	-35.7	-41.0
	22.3	27.2	23.0	30.1	26.2	25.8
Mean	5.2	7.0	5.3	8.0	6.7	6.4
	3.7	28.4	5.7	37.8	25.6	22.4
	30.7	36.1	31.0	39.2	35.3	34.5

Table 1a: Domestic case, only corporate taxes.

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	5.3	7.1	5.4	7.9	6.6	6.5
	26.1	44.3	26.8	50.1	40.2	38.9
	37.4	41.9	37.5	44.0	40.6	40.3
New Equity	7.0	8.8	7.0	9.7	8.4	8.1
	43.1	55.0	43.1	59.1	52.7	51.4
	41.5	46.2	41.5	48.5	45.1	44.6
Debt	2.7	4.3	2.8	5.0	3.7	3.7
	-48.9	7.2	-40.6	20.9	-7.4	-7.4
	30.5	34.6	30.9	36.5	33.1	33.1
Mean	4.6	6.3	4.7	7.1	5.8	5.7
	13.4	37.0	15.0	44.1	31.3	30.2
	35.4	39.8	35.6	41.8	38.4	38.2

Table 1b: Domestic case, top-rate qualified shareholder.

Cost of capital (%) on Investment from Belgium to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	6.4	6.1	6.3	6.8	7.5	7.8	8.3	7.5	7.8	8.3	3.3	3.5	4.0
2	Belgium	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
3	Denmark	6.5	6.1	6.3	6.9	7.5	7.6	8.3	7.5	7.6	8.3	3.6	3.8	4.4
4	Finland	6.3	5.8	6.0	7.0	7.2	7.4	8.4	7.2	7.4	8.4	3.3	3.5	4.5
5	France	7.6	7.5	7.7	7.6	9.0	9.3	9.2	9.0	9.3	9.2	4.5	4.7	4.6
6	Germany	6.9	8.1	6.2	6.3	9.7	7.9	8.0	9.7	7.9	8.0	5.0	3.1	3.2
7	Greece	6.2	6.1	6.3	6.2	7.6	7.8	7.7	7.6	7.8	7.7	3.2	3.5	3.4
8	Ireland	5.7	4.8	5.0	7.2	5.9	6.1	8.3	5.9	6.1	8.3	2.8	2.9	5.2
9	Italy	4.8	3.9	4.1	6.6	5.5	5.7	8.2	5.5	5.7	8.2	0.9	1.1	3.6
10	Luxembourg	6.4	6.2	6.4	6.6	7.7	7.9	8.1	7.7	7.9	8.1	3.3	3.5	3.7
11	Netherlands	6.5	6.2	6.5	6.9	7.7	7.9	8.4	7.7	7.9	8.4	3.5	3.7	4.1
12	Portugal	6.5	6.3	6.5	6.7	7.9	8.1	8.2	7.9	8.1	8.2	3.5	3.7	3.9
13	Spain	6.5	6.3	6.5	6.9	7.7	8.0	8.4	7.7	8.0	8.4	3.5	3.7	4.1
14	Sweden	5.9	5.4	5.6	6.7	6.7	6.9	8.0	6.7	6.9	8.0	2.9	3.1	4.3
15	United Kingdom	6.7	6.3	6.5	7.3	7.7	7.8	8.7	7.7	7.8	8.7	3.7	3.9	4.8
16	Mean	6.3	6.1	6.1	6.8	7.5	7.6	8.3	7.5	7.6	8.3	3.4	3.4	4.1
17	Mean (Sharehld	5.8	5.5	5.6	6.3	6.5	6.6	7.3	7.6	7.6	8.3	3.4	3.5	4.2
18	Zero-rate sh.	6.3	6.1	6.1	6.8	7.5	7.6	8.3	7.5	7.6	8.3	3.4	3.4	4.1
19	Top-rate non-qual. sh.	5.6	5.3	5.3	6.1	6.1	6.1	6.8	7.6	7.7	8.4	3.4	3.5	4.2
20	Top-rate qual. sh.	5.6	5.3	5.3	6.1	6.1	6.1	6.8	7.6	7.7	8.4	3.4	3.5	4.2

Table 2: Outbound case.

EATR (%) on Investment from Belgium to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	30.9	29.9	30.6	32.3	34.7	35.4	37.1	34.7	35.4	37.1	21.0	21.7	23.4
2	Belgium	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
3	Denmark	29.9	28.7	29.3	31.5	33.2	33.8	36.0	33.2	33.8	36.0	20.4	21.0	23.2
4	Finland	26.6	25.0	25.6	29.3	29.7	30.4	34.1	29.7	30.4	34.1	16.1	16.8	20.4
5	France	38.4	38.1	38.8	38.4	42.8	43.5	43.1	42.8	43.5	43.1	29.4	30.1	29.7
6	Germany	38.7	42.1	36.9	37.3	46.7	41.5	41.9	46.7	41.5	41.9	33.5	28.3	28.7
7	Greece	30.7	30.4	31.1	30.7	35.2	35.9	35.5	35.2	35.9	35.5	21.6	22.2	21.9
8	Ireland	11.8	8.1	8.8	18.6	13.0	13.7	23.5	13.0	13.7	23.5	-1.0	-0.3	9.6
9	Italy	30.8	28.0	28.7	35.8	32.7	33.4	40.5	32.7	33.4	40.5	19.3	20.0	27.1
10	Luxembourg	33.2	32.6	33.3	33.8	37.3	38.0	38.5	37.3	38.0	38.5	23.9	24.6	25.1
11	Netherlands	32.1	31.2	31.9	33.2	35.9	36.6	37.9	35.9	36.6	37.9	22.3	23.0	24.3
12	Portugal	33.7	33.0	33.7	34.2	37.7	38.4	38.9	37.7	38.4	38.9	24.3	25.0	25.5
13	Spain	32.1	31.2	31.9	33.2	36.0	36.7	38.0	36.0	36.7	38.0	22.4	23.1	24.4
14	Sweden	24.0	22.2	22.9	27.0	26.9	27.6	31.8	26.9	27.6	31.8	13.4	14.1	18.3
15	United Kingdom	29.3	27.9	28.6	31.5	32.6	33.3	36.3	32.6	33.3	36.3	19.1	19.8	22.7
16	Mean	30.2	29.2	29.4	31.9	33.9	34.2	36.6	33.9	34.2	36.6	20.4	20.7	23.2
17	Mean (Sharehd	33.0	32.1	32.3	34.5	35.0	35.3	37.5	37.9	38.1	40.4	25.7	25.9	28.2
18	Zero-rate sh.	30.2	29.2	29.4	31.9	33.9	34.2	36.6	33.9	34.2	36.6	20.4	20.7	23.2
19	Top-rate non-qual. sh.	34.4	33.5	33.7	35.8	35.6	35.8	37.9	40.0	40.1	42.3	28.4	28.6	30.7
20	Top-rate qual. sh.	34.4	33.5	33.7	35.8	35.6	35.8	37.9	40.0	40.1	42.3	28.4	28.6	30.7

Table 3: Outbound case.

Cost of capital (%) on Investment from ... to Belgium		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	7.3	8.0	8.0	6.0	8.0	8.0	7.3	8.0	8.0	7.3	8.0	8.0	3.5
2	Belgium	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
3	Denmark	6.5	6.8	6.8	5.9	8.0	8.0	7.1	8.0	8.0	7.1	4.5	4.5	3.5
4	Finland	6.5	6.9	6.9	5.6	8.0	8.0	6.7	8.0	8.0	6.7	4.9	4.9	3.5
5	France	6.5	6.4	6.6	6.5	8.0	8.1	8.0	8.0	8.1	8.0	3.5	3.6	3.5
6	Germany	6.5	6.0	6.2	7.4	8.0	8.2	9.5	6.3	6.5	7.7	2.6	2.9	4.1
7	Greece	6.4	6.5	6.5	6.4	8.0	8.0	8.0	8.0	8.0	8.0	3.6	3.6	3.5
8	Ireland	6.7	7.6	7.6	4.8	8.0	8.0	5.2	8.0	8.0	5.2	6.9	6.9	4.1
9	Italy	6.5	6.5	6.8	6.3	8.0	8.2	7.7	8.0	8.2	7.7	3.8	4.0	3.5
10	Luxembourg	6.9	6.6	8.0	6.3	8.0	8.0	7.7	8.0	8.0	7.7	3.8	8.0	3.5
11	Netherlands	7.4	8.0	8.0	6.1	8.0	8.0	7.4	8.0	8.0	7.4	8.0	8.0	3.5
12	Portugal	6.5	6.5	6.7	6.3	8.0	8.2	7.8	8.0	8.2	7.8	3.8	4.0	3.5
13	Spain	6.5	6.6	6.6	6.1	8.0	8.0	7.4	8.0	8.0	7.4	4.1	4.1	3.5
14	Sweden	6.5	7.0	7.0	5.5	8.0	8.0	6.5	8.0	8.0	6.5	5.1	5.1	3.5
15	United Kingdom	6.5	6.8	6.8	5.7	8.0	8.0	6.9	8.0	8.0	6.9	4.7	4.7	3.5
16	Canada	8.4	8.0	10.0	7.3	8.0	10.0	9.4	8.0	10.0	9.4	8.0	10.0	3.5
17	United States	6.6	6.6	7.2	6.2	8.0	8.6	7.6	8.0	8.6	7.6	3.9	4.5	3.5
16	Mean	6.8	6.9	7.2	6.1	8.0	8.2	7.5	7.9	8.1	7.4	5.0	5.4	3.6
17	Mean (Sharehd	5.6	5.8	6.0	5.0	6.0	6.2	5.5	6.7	6.8	6.1	5.2	5.6	3.8
18	Zero-rate sh.	6.6	6.8	7.1	6.0	7.9	8.1	7.4	7.0	7.2	6.5	5.0	5.4	3.6
19	Top-rate non-qual. sh.	5.2	5.4	5.6	4.5	5.1	5.3	4.6	7.0	7.1	6.4	5.3	5.7	3.9
20	Top-rate qual. sh.	5.0	5.2	5.5	4.4	5.1	5.2	4.5	6.0	6.1	5.4	5.3	5.7	3.9

Table 4: Inbound case.

EATR (%) on Investment from ... to Belgium		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	37.1	39.1	39.1	33.1	39.1	39.1	37.1	39.1	39.1	37.1	39.1	39.1	25.8
2	Belgium	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
3	Denmark	34.5	35.4	35.4	32.7	39.1	39.1	36.4	39.1	39.1	36.4	28.5	28.5	25.8
4	Finland	34.5	35.9	35.9	31.8	39.1	39.1	35.1	39.1	39.1	35.1	29.8	29.8	25.8
5	France	35.0	34.8	35.2	34.9	39.5	39.8	39.6	39.5	39.8	39.6	26.2	26.5	26.3
6	Germany	28.4	26.4	27.2	31.5	33.5	34.3	38.6	27.4	28.2	32.5	14.9	15.7	20.0
7	Greece	34.5	34.5	34.5	34.4	39.1	39.1	39.1	39.1	39.1	39.1	25.8	25.8	25.8
8	Ireland	35.2	38.0	38.0	29.6	39.1	39.1	30.8	39.1	39.1	30.8	35.8	35.8	27.4
9	Italy	35.4	35.5	36.1	34.7	39.8	40.4	39.0	39.8	40.4	39.0	27.5	28.1	26.7
10	Luxembourg	35.9	34.8	39.1	33.9	39.1	39.1	38.2	39.1	39.1	38.2	26.7	39.1	25.8
11	Netherlands	37.2	39.1	39.1	33.3	39.1	39.1	37.4	39.1	39.1	37.4	39.1	39.1	25.8
12	Portugal	35.4	35.5	36.1	34.8	39.8	40.4	39.1	39.8	40.4	39.1	27.4	28.0	26.7
13	Spain	34.5	35.1	35.1	33.3	39.1	39.1	37.4	39.1	39.1	37.4	27.5	27.5	25.8
14	Sweden	34.5	36.1	36.1	31.5	39.1	39.1	34.5	39.1	39.1	34.5	30.4	30.4	25.8
15	United Kingdom	34.5	35.6	35.6	32.3	39.1	39.1	35.7	39.1	39.1	35.7	29.2	29.2	25.8
16	Canada	45.6	44.5	49.5	42.8	44.5	49.5	48.0	44.5	49.5	48.0	44.5	49.5	33.2
17	United States	37.1	36.9	38.5	35.8	40.9	42.6	39.9	40.9	42.6	39.9	29.3	31.0	28.2
16	Mean	35.6	36.1	36.9	33.8	39.3	39.9	37.9	39.0	39.5	37.5	30.1	31.4	26.3
17	Mean (Sharehld)	38.8	39.2	39.8	37.3	40.4	40.7	39.1	40.7	41.1	39.4	36.9	37.9	33.8
18	Zero-rate sh.	31.2	31.7	32.5	29.5	35.6	36.2	34.2	31.7	32.2	30.3	25.5	26.9	21.8
19	Top-rate non-qual. sh.	43.1	43.5	44.0	41.9	43.4	43.6	42.2	46.6	46.9	45.5	42.9	43.8	40.3
20	Top-rate qual. sh.	41.9	42.3	42.8	40.5	42.1	42.4	41.0	43.7	44.0	42.5	42.2	43.1	39.3

Table 5: Inbound case.

3 Denmark

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	5.0	9.3	6.4	8.3	8.3	7.5
	0.0	46.2	22.1	39.6	39.6	32.9
	24.0	38.6	28.8	35.1	35.1	32.3
New Equity	5.0	9.3	6.4	8.3	8.3	7.5
	0.0	46.2	22.1	39.6	39.6	32.9
	24.0	38.6	28.8	35.1	35.1	32.3
Debt	2.8	6.0	3.5	5.0	5.0	4.4
	-80.3	16.8	-44.6	0.0	0.0	-12.4
	16.4	27.4	18.8	24.0	24.0	22.1
Mean	4.2	8.1	5.4	7.1	7.1	6.4
	-18.5	38.6	7.1	29.9	29.9	21.9
	21.3	34.7	25.3	31.2	31.2	28.8

Table 1a: Domestic case, only corporate taxes.

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	2.2	5.5	3.0	4.1	4.1	3.8
	58.9	83.7	70.0	78.3	78.3	76.3
	37.6	44.6	39.3	41.7	41.7	41.0
New Equity	2.8	6.4	3.8	5.0	5.0	4.6
	68.1	86.0	76.5	82.3	82.3	80.6
	38.9	46.5	41.0	43.6	43.6	42.7
Debt	2.8	6.4	3.8	5.0	5.0	4.6
	67.8	86.0	76.3	82.1	82.1	80.5
	38.9	46.4	41.0	43.6	43.6	42.7
Mean	2.4	5.9	3.3	4.5	4.5	4.1
	63.5	84.8	73.2	80.2	80.2	78.4
	38.2	45.4	40.1	42.5	42.5	41.8

Table 1b: Domestic case, top-rate qualified shareholder.

Cost of capital (%) on Investment from Denmark to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	6.3	6.4	6.4	6.2	7.5	7.5	7.3	7.5	7.5	7.3	4.2	4.2	4.0
2	Belgium	6.5	6.8	6.8	5.9	8.0	8.0	7.1	8.0	8.0	7.1	4.5	4.5	3.5
3	Denmark	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
4	Finland	6.2	6.1	6.1	6.5	7.2	7.2	7.5	7.2	7.2	7.5	4.1	4.1	4.5
5	France	7.5	7.8	7.8	6.9	9.0	9.0	8.2	9.0	9.0	8.2	5.5	5.5	4.6
6	Germany	6.8	8.4	6.3	5.7	9.7	7.6	7.0	9.7	7.6	7.0	6.0	3.9	3.2
7	Greece	6.1	6.4	6.4	5.6	7.6	7.6	6.8	7.6	7.6	6.8	4.2	4.2	3.4
8	Ireland	5.6	5.1	5.1	6.8	5.9	5.9	7.6	5.9	5.9	7.6	3.5	3.5	5.2
9	Italy	4.8	4.2	4.2	5.9	5.5	5.5	7.2	5.5	5.5	7.2	1.9	1.9	3.6
10	Luxembourg	6.3	6.5	6.5	5.9	7.7	7.7	7.1	7.7	7.7	7.1	4.3	4.3	3.7
11	Netherlands	6.5	6.6	6.6	6.3	7.7	7.7	7.4	7.7	7.7	7.4	4.4	4.4	4.1
12	Portugal	6.5	6.7	6.7	6.1	7.9	7.9	7.3	7.9	7.9	7.3	4.4	4.4	3.9
13	Spain	6.5	6.6	6.6	6.3	7.7	7.7	7.4	7.7	7.7	7.4	4.4	4.4	4.1
14	Sweden	5.8	5.7	5.7	6.2	6.7	6.7	7.2	6.7	6.7	7.2	3.8	3.8	4.3
15	United Kingdom	6.6	6.6	6.6	6.8	7.7	7.7	7.8	7.7	7.7	7.8	4.6	4.6	4.8
16	Mean	6.3	6.4	6.3	6.2	7.6	7.4	7.4	7.6	7.4	7.4	4.3	4.1	4.1
17	Mean (Sharehd	4.7	4.8	4.7	4.6	4.9	4.8	4.7	5.5	5.4	5.3	4.4	4.3	4.2
18	Zero-rate sh.	6.3	6.4	6.3	6.2	7.6	7.4	7.4	7.6	7.4	7.4	4.3	4.1	4.1
19	Top-rate non-qual. sh.	3.9	4.0	3.9	3.8	3.6	3.5	3.4	4.5	4.4	4.3	4.5	4.4	4.3
20	Top-rate qual. sh.	3.9	4.0	3.9	3.8	3.6	3.5	3.4	4.5	4.4	4.3	4.5	4.4	4.3

Table 2: Outbound case.

EATR (%) on Investment from Denmark to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	29.9	30.1	30.1	29.4	33.9	33.9	33.2	33.9	33.9	33.2	23.0	23.0	22.3
2	Belgium	34.5	35.4	35.4	32.7	39.1	39.1	36.4	39.1	39.1	36.4	28.5	28.5	25.8
3	Denmark	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
4	Finland	25.5	25.0	25.0	26.4	28.8	28.8	30.2	28.8	28.8	30.2	17.9	17.9	19.3
5	France	37.5	38.4	38.4	35.7	42.1	42.1	39.5	42.1	42.1	39.5	31.5	31.5	28.8
6	Germany	37.8	42.4	36.4	34.6	46.1	40.1	38.3	46.1	40.1	38.3	35.6	29.6	27.7
7	Greece	29.7	30.6	30.6	27.9	34.4	34.4	31.7	34.4	34.4	31.7	23.5	23.5	20.8
8	Ireland	10.3	7.8	7.8	15.4	11.7	11.7	19.3	11.7	11.7	19.3	0.6	0.6	8.2
9	Italy	29.8	28.1	28.1	33.1	31.8	31.8	36.8	31.8	31.8	36.8	21.2	21.2	26.1
10	Luxembourg	32.2	32.8	32.8	31.0	36.6	36.6	34.7	36.6	36.6	34.7	25.9	25.9	24.0
11	Netherlands	31.0	31.3	31.3	30.3	35.1	35.1	34.1	35.1	35.1	34.1	24.3	24.3	23.3
12	Portugal	32.6	33.2	33.2	31.4	37.0	37.0	35.2	37.0	37.0	35.2	26.3	26.3	24.5
13	Spain	31.1	31.4	31.4	30.4	35.2	35.2	34.2	35.2	35.2	34.2	24.4	24.4	23.3
14	Sweden	22.8	22.2	22.2	24.1	26.0	26.0	27.9	26.0	26.0	27.9	15.2	15.2	17.1
15	United Kingdom	28.2	28.0	28.0	28.7	31.8	31.8	32.5	31.8	31.8	32.5	21.0	21.0	21.6
16	Mean	29.5	29.8	29.3	29.4	33.5	33.1	33.1	33.5	33.1	33.1	22.8	22.3	22.4
17	Mean (Sharehd	37.9	38.1	37.8	37.8	38.8	38.5	38.5	40.0	39.8	39.8	36.4	36.1	36.1
18	Zero-rate sh.	29.5	29.8	29.3	29.4	33.5	33.1	33.1	33.5	33.1	33.1	22.8	22.3	22.4
19	Top-rate non-qual. sh.	42.1	42.2	42.0	42.0	41.4	41.2	41.2	43.2	43.1	43.1	43.2	43.0	43.0
20	Top-rate qual. sh.	42.1	42.2	42.0	42.0	41.4	41.2	41.2	43.2	43.1	43.1	43.2	43.0	43.0

Table 3: Outbound case.

Cost of capital (%) on Investment from ... to Denmark		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	7.1	7.5	7.5	6.5	7.5	7.5	7.6	7.5	7.5	7.6	7.5	7.5	4.4
2	Belgium	6.5	6.1	6.3	6.9	7.5	7.6	8.3	7.5	7.6	8.3	3.6	3.8	4.4
3	Denmark	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
4	Finland	6.4	6.5	6.5	6.2	7.5	7.5	7.1	7.5	7.5	7.1	4.8	4.8	4.4
5	France	6.4	6.1	6.2	6.9	7.5	7.5	8.2	7.5	7.5	8.2	3.7	3.8	4.4
6	Germany	6.5	5.7	5.9	7.7	7.5	7.7	9.5	6.0	6.2	8.0	2.9	3.1	4.9
7	Greece	6.8	6.0	7.2	7.2	7.5	8.7	8.7	7.5	8.7	8.7	3.2	4.4	4.4
8	Ireland	6.4	7.1	7.1	5.1	7.5	7.5	5.4	7.5	7.5	5.4	6.5	6.5	4.4
9	Italy	6.5	6.2	6.4	6.7	7.5	7.6	8.0	7.5	7.6	8.0	3.9	4.1	4.4
10	Luxembourg	6.8	6.2	7.5	6.7	7.5	7.5	8.0	7.5	7.5	8.0	3.9	7.5	4.4
11	Netherlands	7.2	7.5	7.5	6.6	7.5	7.5	7.7	7.5	7.5	7.7	7.5	7.5	4.4
12	Portugal	6.5	6.2	6.4	6.8	7.5	7.6	8.0	7.5	7.6	8.0	3.9	4.1	4.4
13	Spain	6.4	6.3	6.3	6.6	7.5	7.5	7.7	7.5	7.5	7.7	4.2	4.2	4.4
14	Sweden	6.4	6.6	6.6	6.1	7.5	7.5	6.9	7.5	7.5	6.9	5.0	5.0	4.4
15	United Kingdom	6.4	6.5	6.5	6.3	7.5	7.5	7.3	7.5	7.5	7.3	4.6	4.6	4.4
16	Canada	7.4	7.5	7.5	7.2	7.5	7.5	8.6	7.5	7.5	8.6	7.5	7.5	4.4
17	United States	6.5	6.2	6.7	6.7	7.5	7.9	7.9	7.5	7.9	7.9	4.0	4.4	4.4
16	Mean	6.6	6.5	6.7	6.6	7.5	7.6	7.8	7.4	7.5	7.7	4.8	5.2	4.5
17	Mean (Sharehd	5.6	5.5	5.7	5.6	5.8	5.9	6.1	6.3	6.5	6.7	4.9	5.2	4.5
18	Zero-rate sh.	6.5	6.4	6.6	6.5	7.3	7.5	7.7	6.6	6.8	7.0	4.8	5.2	4.5
19	Top-rate non-qual. sh.	5.2	5.1	5.3	5.2	5.0	5.1	5.3	6.6	6.8	7.0	4.9	5.3	4.6
20	Top-rate qual. sh.	5.1	5.0	5.2	5.1	5.0	5.1	5.3	5.8	5.9	6.1	4.9	5.3	4.6

Table 4: Inbound case.

EATR (%) on Investment from ... to Denmark		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Subsidiary Source of Finance												
		Overall	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt
1	Austria	31.3	32.3	32.3	29.2	32.3	32.3	33.0	32.3	32.3	33.0	32.3	32.3	22.1
2	Belgium	29.9	28.7	29.3	31.5	33.2	33.8	36.0	33.2	33.8	36.0	20.4	21.0	23.2
3	Denmark	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
4	Finland	28.8	29.2	29.2	27.9	32.3	32.3	31.1	32.3	32.3	31.1	23.4	23.4	22.1
5	France	29.3	28.3	28.6	31.0	32.8	33.1	35.4	32.8	33.1	35.4	20.0	20.3	22.7
6	Germany	21.7	18.8	19.6	26.7	25.6	26.4	33.5	19.8	20.6	27.7	7.8	8.6	15.7
7	Greece	35.4	32.9	36.6	36.6	37.4	41.1	41.1	37.4	41.1	41.1	24.6	28.3	28.3
8	Ireland	28.9	31.2	31.2	24.2	32.3	32.3	25.3	32.3	32.3	25.3	29.1	29.1	22.1
9	Italy	29.8	29.0	29.6	30.8	33.1	33.7	34.9	33.1	33.7	34.9	21.3	21.9	23.1
10	Luxembourg	30.1	28.2	32.3	29.9	32.3	32.3	34.1	32.3	32.3	34.1	20.4	32.3	22.1
11	Netherlands	31.4	32.3	32.3	29.4	32.3	32.3	33.3	32.3	32.3	33.3	32.3	32.3	22.1
12	Portugal	29.8	29.0	29.6	30.9	33.1	33.7	35.0	33.1	33.7	35.0	21.2	21.8	23.1
13	Spain	28.7	28.4	28.4	29.4	32.3	32.3	33.3	32.3	32.3	33.3	21.2	21.2	22.1
14	Sweden	28.8	29.4	29.4	27.6	32.3	32.3	30.5	32.3	32.3	30.5	23.9	23.9	22.1
15	United Kingdom	28.8	29.0	29.0	28.3	32.3	32.3	31.7	32.3	32.3	31.7	22.8	22.8	22.1
16	Canada	32.0	32.3	32.3	31.4	32.3	32.3	36.4	32.3	32.3	36.4	32.3	32.3	22.1
17	United States	31.2	30.3	31.7	31.7	34.2	35.6	35.6	34.2	35.6	35.6	23.0	24.5	24.5
16	Mean	29.7	29.3	30.1	29.8	32.5	33.0	33.8	32.2	32.7	33.4	23.5	24.8	22.5
17	Mean (Sharehld	33.4	33.0	33.6	33.5	34.3	34.7	35.4	34.7	35.1	35.8	30.5	31.6	29.9
18	Zero-rate sh.	24.8	24.3	25.1	25.1	28.1	28.7	29.7	24.4	24.9	25.9	18.3	19.6	17.6
19	Top-rate non-qual. sh.	38.3	38.0	38.6	38.4	38.0	38.4	38.9	41.3	41.7	42.2	37.1	38.0	36.6
20	Top-rate qual. sh.	37.0	36.7	37.2	37.0	36.7	37.0	37.6	38.3	38.7	39.2	36.2	37.1	35.4

Table 5: Inbound case.

4 Finland

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	7.0	7.0	6.5	7.7	7.7	7.2
	28.5	28.6	22.5	35.1	35.1	30.3
	28.2	28.2	26.2	30.7	30.7	28.8
New Equity	7.0	7.0	6.5	7.7	7.7	7.2
	28.5	28.6	22.5	35.1	35.1	30.3
	28.2	28.2	26.2	30.7	30.7	28.8
Debt	4.4	4.3	3.9	5.0	5.0	4.5
	-14.8	-15.3	-27.1	0.0	0.0	-10.5
	18.7	18.6	17.2	21.0	21.0	19.3
Mean	6.1	6.1	5.6	6.8	6.8	6.2
	17.6	17.6	10.2	26.0	26.0	19.9
	24.8	24.8	23.1	27.3	27.3	25.5

Table 1a: Domestic case, only corporate taxes.

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	5.9	6.0	5.5	6.6	6.6	6.1
	63.7	63.9	60.6	67.3	67.3	64.7
	23.9	24.1	22.2	26.3	26.3	24.6
New Equity	4.4	4.4	4.0	5.0	5.0	4.6
	50.9	51.1	46.1	57.0	57.0	52.8
	18.3	18.4	16.9	20.6	20.6	19.0
Debt	4.4	4.4	4.0	5.0	5.0	4.6
	50.9	51.1	46.1	57.0	57.0	52.8
	18.3	18.4	16.9	20.6	20.6	19.0
Mean	5.2	5.3	4.8	5.9	5.9	5.4
	58.9	59.1	55.2	63.4	63.4	60.2
	21.4	21.5	19.8	23.7	23.7	22.1

Table 1b: Domestic case, top-rate qualified shareholder.

Cost of capital (%) on Investment from Finland to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Subsidiary Source of Finance												
		Overall	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt
1	Austria	6.3	6.5	6.5	5.9	7.5	7.5	6.9	7.5	7.5	6.9	4.7	4.7	4.0
2	Belgium	6.5	6.9	6.9	5.6	8.0	8.0	6.7	8.0	8.0	6.7	4.9	4.9	3.5
3	Denmark	6.4	6.5	6.5	6.2	7.5	7.5	7.1	7.5	7.5	7.1	4.8	4.8	4.4
4	Finland	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
5	France	7.5	8.0	8.0	6.6	9.0	9.0	7.7	9.0	9.0	7.7	5.9	5.9	4.6
6	Germany	6.8	8.6	6.5	5.3	9.7	7.6	6.5	9.7	7.6	6.5	6.5	4.4	3.2
7	Greece	6.1	6.6	6.6	5.3	7.6	7.6	6.3	7.6	7.6	6.3	4.6	4.6	3.4
8	Ireland	5.6	5.2	5.2	6.6	5.9	5.9	7.3	5.9	5.9	7.3	3.8	3.8	5.2
9	Italy	4.8	4.4	4.4	5.6	5.5	5.5	6.7	5.5	5.5	6.7	2.3	2.3	3.6
10	Luxembourg	6.3	6.7	6.7	5.7	7.7	7.7	6.7	7.7	7.7	6.7	4.7	4.7	3.7
11	Netherlands	6.5	6.7	6.7	6.0	7.7	7.7	7.0	7.7	7.7	7.0	4.8	4.8	4.1
12	Portugal	6.5	6.8	6.8	5.8	7.9	7.9	6.8	7.9	7.9	6.8	4.9	4.9	3.9
13	Spain	6.5	6.7	6.7	6.0	7.7	7.7	7.0	7.7	7.7	7.0	4.8	4.8	4.1
14	Sweden	5.8	5.8	5.8	5.9	6.7	6.7	6.8	6.7	6.7	6.8	4.1	4.1	4.3
15	United Kingdom	6.6	6.7	6.7	6.5	7.7	7.7	7.5	7.7	7.7	7.5	4.9	4.9	4.8
16	Mean	6.3	6.6	6.4	5.9	7.6	7.4	6.9	7.6	7.4	6.9	4.7	4.5	4.1
17	Mean (Sharehd	5.6	5.9	5.7	5.2	6.8	6.7	6.2	4.7	4.6	4.1	4.7	4.6	4.1
18	Zero-rate sh.	6.0	6.3	6.1	5.6	7.6	7.4	6.9	4.7	4.5	4.1	4.7	4.5	4.1
19	Top-rate non-qual. sh.	5.4	5.7	5.5	5.0	6.4	6.3	5.8	4.7	4.6	4.1	4.7	4.6	4.1
20	Top-rate qual. sh.	5.4	5.7	5.5	5.0	6.4	6.3	5.8	4.7	4.6	4.1	4.7	4.6	4.1

Table 2: Outbound case.

EATR (%) on Investment from Finland to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance			Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt
Retained Earnings	New Equity		Debt											
1	Austria	29.9	30.6	30.6	28.5	33.9	33.9	31.9	33.9	33.9	31.9	24.4	24.4	22.3
2	Belgium	34.5	35.9	35.9	31.8	39.1	39.1	35.1	39.1	39.1	35.1	29.8	29.8	25.8
3	Denmark	28.8	29.2	29.2	27.9	32.3	32.3	31.1	32.3	32.3	31.1	23.4	23.4	22.1
4	Finland	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
5	France	37.5	38.9	38.9	34.9	42.1	42.1	38.1	42.1	42.1	38.1	32.8	32.8	28.8
6	Germany	37.8	42.9	36.9	33.7	46.1	40.1	36.9	46.1	40.1	36.9	36.9	30.9	27.7
7	Greece	29.7	31.0	31.0	27.0	34.4	34.4	30.3	34.4	34.4	30.3	24.9	24.9	20.8
8	Ireland	10.4	8.3	8.3	14.5	11.7	11.7	17.9	11.7	11.7	17.9	2.0	2.0	8.2
9	Italy	29.8	28.6	28.6	32.2	31.8	31.8	35.5	31.8	31.8	35.5	22.5	22.5	26.1
10	Luxembourg	32.2	33.3	33.3	30.1	36.6	36.6	33.4	36.6	36.6	33.4	27.2	27.2	24.0
11	Netherlands	31.0	31.8	31.8	29.4	35.1	35.1	32.8	35.1	35.1	32.8	25.6	25.6	23.3
12	Portugal	32.7	33.7	33.7	30.6	37.0	37.0	33.8	37.0	37.0	33.8	27.6	27.6	24.5
13	Spain	31.1	31.9	31.9	29.5	35.2	35.2	32.8	35.2	35.2	32.8	25.7	25.7	23.3
14	Sweden	22.8	22.7	22.7	23.2	26.0	26.0	26.5	26.0	26.0	26.5	16.5	16.5	17.1
15	United Kingdom	28.2	28.5	28.5	27.8	31.8	31.8	31.1	31.8	31.8	31.1	22.3	22.3	21.6
16	Mean	29.7	30.5	30.1	28.7	33.8	33.4	31.9	33.8	33.4	31.9	24.4	24.0	22.6
17	Mean (Sharehd	21.3	22.1	21.7	20.0	25.7	25.3	23.7	17.7	17.2	15.6	17.7	17.2	15.6
18	Zero-rate sh.	10.8	11.9	11.3	9.3	17.8	17.2	15.2	4.7	4.1	2.2	4.7	4.1	2.2
19	Top-rate non-qual. sh.	26.5	27.2	26.8	25.4	29.7	29.3	27.9	24.2	23.8	22.3	24.2	23.8	22.3
20	Top-rate qual. sh.	26.5	27.2	26.8	25.4	29.7	29.3	27.9	24.2	23.8	22.3	24.2	23.8	22.3

Table 3: Outbound case.

Cost of capital (%) on Investment from ... to Finland		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	7.0	7.2	7.2	6.6	7.2	7.2	7.7	7.2	7.2	7.7	7.2	7.2	4.5
2	Belgium	6.3	5.8	6.0	7.0	7.2	7.4	8.4	7.2	7.4	8.4	3.3	3.5	4.5
3	Denmark	6.2	6.1	6.1	6.5	7.2	7.2	7.5	7.2	7.2	7.5	4.1	4.1	4.5
4	Finland	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
5	France	6.3	5.8	5.9	7.0	7.2	7.3	8.3	7.2	7.3	8.3	3.4	3.4	4.5
6	Germany	6.3	5.4	5.6	7.8	7.2	7.4	9.6	5.7	5.9	8.1	2.6	2.8	5.0
7	Greece	6.8	5.6	7.5	7.5	7.2	9.1	9.1	7.2	9.1	9.1	2.6	4.5	4.5
8	Ireland	6.3	6.8	6.8	5.1	7.2	7.2	5.5	7.2	7.2	5.5	6.2	6.2	4.5
9	Italy	6.3	5.9	6.1	6.8	7.2	7.3	8.1	7.2	7.3	8.1	3.6	3.8	4.5
10	Luxembourg	6.6	5.9	7.2	6.8	7.2	7.2	8.1	7.2	7.2	8.1	3.6	7.2	4.5
11	Netherlands	7.0	7.2	7.2	6.7	7.2	7.2	7.8	7.2	7.2	7.8	7.2	7.2	4.5
12	Portugal	6.3	5.9	6.1	6.9	7.2	7.4	8.1	7.2	7.4	8.1	3.6	3.8	4.5
13	Spain	6.2	6.0	6.0	6.7	7.2	7.2	7.8	7.2	7.2	7.8	3.9	3.9	4.5
14	Sweden	6.2	6.3	6.3	6.1	7.2	7.2	7.0	7.2	7.2	7.0	4.7	4.7	4.5
15	United Kingdom	6.3	6.2	6.4	6.4	7.2	7.4	7.4	7.2	7.4	7.4	4.3	4.5	4.5
16	Canada	7.7	7.2	8.2	7.6	7.2	8.2	9.2	7.2	8.2	9.2	7.2	8.2	4.5
17	United States	6.6	5.9	6.9	6.9	7.2	8.2	8.2	7.2	8.2	8.2	3.5	4.5	4.5
16	Mean	6.5	6.2	6.6	6.8	7.2	7.5	8.0	7.1	7.4	7.9	4.4	5.0	4.6
17	Mean (Sharehd	5.4	5.1	5.5	5.7	5.3	5.6	6.1	6.1	6.4	6.9	4.5	5.0	4.6
18	Zero-rate sh.	6.4	6.1	6.5	6.6	7.0	7.3	7.9	6.5	6.8	7.3	4.4	5.0	4.6
19	Top-rate non-qual. sh.	5.0	4.7	5.1	5.2	4.5	4.8	5.3	6.3	6.6	7.1	4.6	5.1	4.6
20	Top-rate qual. sh.	4.9	4.6	4.9	5.1	4.5	4.7	5.2	5.5	5.7	6.2	4.6	5.1	4.6

Table 4: Inbound case.

EATR (%) on Investment from ... to Finland		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	28.1	28.8	28.8	26.8	28.8	28.8	30.9	28.8	28.8	30.9	28.8	28.8	19.3
2	Belgium	26.6	25.0	25.6	29.3	29.7	30.4	34.1	29.7	30.4	34.1	16.1	16.8	20.4
3	Denmark	25.5	25.0	25.0	26.4	28.8	28.8	30.2	28.8	28.8	30.2	17.9	17.9	19.3
4	Finland	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
5	France	26.0	24.5	24.9	28.7	29.3	29.6	33.5	29.3	29.6	33.5	15.7	16.0	19.8
6	Germany	17.9	14.3	15.1	24.3	21.5	22.4	31.6	15.3	16.2	25.4	2.5	3.4	12.6
7	Greece	35.5	31.8	37.4	37.4	36.5	42.2	42.2	36.5	42.2	42.2	22.9	28.6	28.6
8	Ireland	25.6	27.6	27.6	21.5	28.8	28.8	22.7	28.8	28.8	22.7	25.4	25.4	19.3
9	Italy	26.6	25.3	25.9	28.5	29.7	30.3	32.9	29.7	30.3	32.9	17.1	17.7	20.3
10	Luxembourg	26.9	24.4	28.8	27.6	28.8	28.8	32.0	28.8	28.8	32.0	16.1	28.8	19.3
11	Netherlands	28.2	28.8	28.8	27.0	28.8	28.8	31.2	28.8	28.8	31.2	28.8	28.8	19.3
12	Portugal	26.6	25.2	25.9	28.6	29.7	30.3	33.1	29.7	30.3	33.1	17.0	17.6	20.3
13	Spain	25.4	24.6	24.6	27.0	28.8	28.8	31.2	28.8	28.8	31.2	16.9	16.9	19.3
14	Sweden	25.5	25.7	25.7	25.1	28.8	28.8	28.3	28.8	28.8	28.3	19.8	19.8	19.3
15	United Kingdom	27.2	26.5	27.5	27.5	30.1	31.0	31.0	30.1	31.0	31.0	19.9	20.8	20.8
16	Canada	35.0	33.4	36.8	34.7	33.4	36.8	40.0	33.4	36.8	40.0	33.4	36.8	24.9
17	United States	31.3	29.1	32.4	32.4	33.3	36.6	36.6	33.3	36.6	36.6	21.4	24.7	24.7
16	Mean	27.4	26.3	27.6	28.3	29.7	30.7	32.6	29.3	30.3	32.2	20.0	21.8	20.5
17	Mean (Sharehld	32.3	31.3	32.4	33.2	32.5	33.3	35.0	33.5	34.3	36.0	28.9	30.3	29.5
18	Zero-rate sh.	23.4	22.1	23.5	24.6	26.1	27.1	29.4	22.9	23.9	26.2	15.7	17.6	16.7
19	Top-rate non-qual. sh.	37.5	36.7	37.5	38.2	36.5	37.1	38.5	40.5	41.1	42.5	35.9	37.2	36.5
20	Top-rate qual. sh.	36.0	35.2	36.1	36.7	35.0	35.7	37.1	37.2	37.9	39.3	35.0	36.2	35.3

Table 5: Inbound case.

5 France

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	6.7	10.1	9.8	9.6	9.0	9.0
	25.2	50.7	48.9	48.1	44.4	44.7
	35.1	45.4	44.3	43.9	42.0	42.1
New Equity	6.7	10.1	9.8	9.6	9.0	9.0
	25.2	50.7	48.9	48.1	44.4	44.7
	35.1	45.4	44.3	43.9	42.0	42.1
Debt	2.4	5.5	5.7	5.0	4.3	4.6
	-107.1	9.4	12.5	0.0	-15.0	-8.7
	22.2	31.5	32.2	30.0	28.0	28.8
Mean	5.2	8.5	8.4	8.0	7.4	7.5
	3.6	41.3	40.2	37.6	32.1	33.2
	30.6	40.6	40.1	39.0	37.1	37.5

Table 1a: Domestic case, only corporate taxes.

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	3.3	6.2	6.4	5.2	4.5	5.1
	55.3	76.3	77.1	71.8	67.7	71.3
	45.0	50.2	50.6	48.5	47.3	48.3
New Equity	5.8	8.9	8.8	7.9	7.3	7.8
	74.9	83.6	83.4	81.6	80.0	81.2
	49.6	55.2	55.0	53.4	52.3	53.1
Debt	3.1	6.0	6.2	5.0	4.3	4.9
	53.0	75.6	76.5	70.8	66.4	70.4
	44.8	49.9	50.3	48.2	47.0	48.0
Mean	3.5	6.4	6.6	5.4	4.7	5.3
	57.8	77.1	77.7	72.9	69.2	72.5
	45.4	50.6	50.9	48.8	47.7	48.7

Table 1b: Domestic case, top-rate qualified shareholder.

Cost of capital (%) on Investment from France to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Subsidiary Source of Finance												
		Overall	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt
1	Austria	6.3	6.1	6.2	6.7	7.5	7.7	8.2	7.5	7.7	8.2	3.4	3.5	4.0
2	Belgium	6.5	6.4	6.6	6.5	8.0	8.1	8.0	8.0	8.1	8.0	3.5	3.6	3.5
3	Denmark	6.4	6.1	6.2	6.9	7.5	7.5	8.2	7.5	7.5	8.2	3.7	3.8	4.4
4	Finland	6.3	5.8	5.9	7.0	7.2	7.3	8.3	7.2	7.3	8.3	3.4	3.4	4.5
5	France	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
6	Germany	6.8	8.1	6.1	6.3	9.7	7.7	7.9	9.7	7.7	7.9	5.0	3.0	3.2
7	Greece	6.2	6.1	6.2	6.1	7.6	7.7	7.6	7.6	7.7	7.6	3.3	3.4	3.4
8	Ireland	5.6	4.8	4.9	7.2	5.9	6.0	8.3	5.9	6.0	8.3	2.8	2.9	5.2
9	Italy	4.8	3.9	4.0	6.5	5.5	5.6	8.1	5.5	5.6	8.1	0.9	1.1	3.6
10	Luxembourg	6.3	6.2	6.3	6.5	7.7	7.8	8.0	7.7	7.8	8.0	3.4	3.5	3.7
11	Netherlands	6.5	6.3	6.4	6.8	7.7	7.8	8.3	7.7	7.8	8.3	3.5	3.6	4.1
12	Portugal	6.5	6.3	6.4	6.7	7.9	8.0	8.2	7.9	8.0	8.2	3.5	3.6	3.9
13	Spain	6.5	6.3	6.4	6.8	7.7	7.9	8.3	7.7	7.9	8.3	3.5	3.6	4.1
14	Sweden	5.8	5.4	5.5	6.7	6.7	6.8	8.0	6.7	6.8	8.0	3.0	3.1	4.3
15	United Kingdom	6.7	6.3	6.4	7.3	7.7	7.7	8.7	7.7	7.7	8.7	3.8	3.8	4.8
16	Mean	6.2	6.0	6.0	6.7	7.4	7.4	8.2	7.4	7.4	8.2	3.3	3.3	4.0
17	Mean (Sharehld	5.3	5.1	5.1	5.8	5.9	5.8	6.6	6.9	6.8	7.6	3.4	3.4	4.1
18	Zero-rate sh.	5.9	5.7	5.6	6.4	7.4	7.4	8.2	4.0	4.0	4.7	3.3	3.3	4.0
19	Top-rate non-qual. sh.	6.0	5.8	5.8	6.5	6.5	6.5	7.2	10.5	10.4	11.2	3.4	3.3	4.1
20	Top-rate qual. sh.	4.1	3.9	3.9	4.6	3.7	3.7	4.4	6.2	6.1	6.9	3.5	3.5	4.3

Table 2: Outbound case.

EATR (%) on Investment from France to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	30.4	29.5	29.9	31.7	34.3	34.7	36.5	34.3	34.7	36.5	20.7	21.0	22.8
2	Belgium	35.0	34.8	35.2	34.9	39.5	39.8	39.6	39.5	39.8	39.6	26.2	26.5	26.3
3	Denmark	29.3	28.3	28.6	31.0	32.8	33.1	35.4	32.8	33.1	35.4	20.0	20.3	22.7
4	Finland	26.0	24.5	24.9	28.7	29.3	29.6	33.5	29.3	29.6	33.5	15.7	16.0	19.8
5	France	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
6	Germany	38.2	41.8	36.2	36.8	46.4	40.8	41.4	46.4	40.8	41.4	33.3	27.6	28.2
7	Greece	30.2	30.0	30.4	30.2	34.8	35.1	34.9	34.8	35.1	34.9	21.2	21.5	21.3
8	Ireland	11.1	7.5	7.8	17.9	12.3	12.7	22.8	12.3	12.7	22.8	-1.6	-1.2	8.9
9	Italy	30.3	27.6	27.9	35.3	32.3	32.6	40.0	32.3	32.6	40.0	18.9	19.3	26.6
10	Luxembourg	32.7	32.3	32.6	33.2	36.9	37.3	37.9	36.9	37.3	37.9	23.6	23.9	24.6
11	Netherlands	31.5	30.8	31.1	32.6	35.5	35.9	37.4	35.5	35.9	37.4	22.0	22.3	23.8
12	Portugal	33.1	32.7	33.0	33.7	37.4	37.7	38.4	37.4	37.7	38.4	24.0	24.3	25.0
13	Spain	31.6	30.8	31.2	32.7	35.6	35.9	37.4	35.6	35.9	37.4	22.1	22.4	23.9
14	Sweden	23.4	21.7	22.1	26.4	26.5	26.8	31.1	26.5	26.8	31.1	13.0	13.3	17.7
15	United Kingdom	28.8	27.5	27.8	31.0	32.2	32.5	35.7	32.2	32.5	35.7	18.7	19.0	22.2
16	Mean	29.4	28.6	28.5	31.1	33.3	33.2	35.8	33.3	33.2	35.8	19.8	19.7	22.4
17	Mean (Sharehd	32.2	31.4	31.3	33.7	34.6	34.6	37.0	33.2	33.1	35.5	25.8	25.8	28.2
18	Zero-rate sh.	4.9	3.7	3.5	7.5	12.4	12.3	16.3	-4.4	-4.5	-0.5	-7.8	-7.9	-3.9
19	Top-rate non-qual. sh.	47.9	47.4	47.4	49.0	48.8	48.7	50.3	56.4	56.3	57.9	42.8	42.8	44.3
20	Top-rate qual. sh.	43.7	43.1	43.1	44.7	42.8	42.7	44.3	47.6	47.5	49.1	42.5	42.4	44.0

Table 3: Outbound case.

Cost of capital (%) on Investment from ... to France		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	8.4	9.0	9.0	7.1	9.0	9.0	8.4	9.0	9.0	8.4	9.0	9.0	4.6
2	Belgium	7.6	7.5	7.7	7.6	9.0	9.3	9.2	9.0	9.3	9.2	4.5	4.7	4.6
3	Denmark	7.5	7.8	7.8	6.9	9.0	9.0	8.2	9.0	9.0	8.2	5.5	5.5	4.6
4	Finland	7.5	8.0	8.0	6.6	9.0	9.0	7.7	9.0	9.0	7.7	5.9	5.9	4.6
5	France	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
6	Germany	7.6	7.0	7.2	8.5	9.0	9.3	10.5	7.3	7.5	8.8	3.7	3.9	5.2
7	Greece	7.5	7.5	7.5	7.5	9.0	9.0	9.0	9.0	9.0	9.0	4.6	4.6	4.6
8	Ireland	7.5	8.7	8.7	5.3	9.0	9.0	5.7	9.0	9.0	5.7	7.9	7.9	4.6
9	Italy	7.6	7.6	7.8	7.3	9.0	9.3	8.8	9.0	9.3	8.8	4.9	5.1	4.6
10	Luxembourg	8.0	7.6	9.0	7.3	9.0	9.0	8.8	9.0	9.0	8.8	4.9	9.0	4.6
11	Netherlands	8.4	9.0	9.0	7.1	9.0	9.0	8.5	9.0	9.0	8.5	9.0	9.0	4.6
12	Portugal	7.6	7.6	7.8	7.4	9.0	9.3	8.8	9.0	9.3	8.8	4.8	5.0	4.6
13	Spain	7.5	7.7	7.7	7.1	9.0	9.0	8.5	9.0	9.0	8.5	5.2	5.2	4.6
14	Sweden	7.5	8.0	8.0	6.5	9.0	9.0	7.5	9.0	9.0	7.5	6.1	6.1	4.6
15	United Kingdom	7.5	7.9	7.9	6.8	9.0	9.0	7.9	9.0	9.0	7.9	5.7	5.7	4.6
16	Canada	8.9	9.0	9.6	8.0	9.0	9.6	9.8	9.0	9.6	9.8	9.0	9.6	4.6
17	United States	7.7	7.6	8.2	7.3	9.0	9.6	8.7	9.0	9.6	8.7	4.9	5.5	4.6
16	Mean	7.8	8.0	8.2	7.1	9.0	9.2	8.5	8.9	9.1	8.4	6.0	6.4	4.6
17	Mean (Sharehd	6.6	6.8	7.0	6.0	7.1	7.2	6.5	7.7	7.8	7.2	6.2	6.5	4.8
18	Zero-rate sh.	7.6	7.8	8.0	7.0	8.9	9.0	8.3	8.3	8.4	7.7	6.0	6.4	4.6
19	Top-rate non-qual. sh.	6.1	6.3	6.5	5.5	6.1	6.2	5.5	7.8	7.9	7.2	6.3	6.6	4.9
20	Top-rate qual. sh.	6.1	6.3	6.5	5.5	6.2	6.3	5.6	7.1	7.2	6.5	6.3	6.6	4.9

Table 4: Inbound case.

EATR (%) on Investment from ... to France		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	40.1	42.1	42.1	36.2	42.1	42.1	40.1	42.1	42.1	40.1	42.1	42.1	28.8
2	Belgium	38.4	38.1	38.8	38.4	42.8	43.5	43.1	42.8	43.5	43.1	29.4	30.1	29.7
3	Denmark	37.5	38.4	38.4	35.7	42.1	42.1	39.5	42.1	42.1	39.5	31.5	31.5	28.8
4	Finland	37.5	38.9	38.9	34.9	42.1	42.1	38.1	42.1	42.1	38.1	32.8	32.8	28.8
5	France	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
6	Germany	31.8	29.8	30.7	35.0	37.0	37.8	42.2	30.9	31.7	36.1	18.3	19.1	23.5
7	Greece	37.5	37.5	37.5	37.5	42.1	42.1	42.1	42.1	42.1	42.1	28.8	28.8	28.8
8	Ireland	37.6	41.0	41.0	31.0	42.1	42.1	32.1	42.1	42.1	32.1	38.8	38.8	28.8
9	Italy	38.4	38.4	39.0	37.7	42.7	43.4	42.0	42.7	43.4	42.0	30.4	31.0	29.7
10	Luxembourg	38.9	37.8	42.1	36.9	42.1	42.1	41.3	42.1	42.1	41.3	29.6	42.1	28.8
11	Netherlands	40.2	42.1	42.1	36.4	42.1	42.1	40.5	42.1	42.1	40.5	42.1	42.1	28.8
12	Portugal	38.4	38.4	39.0	37.8	42.8	43.4	42.1	42.8	43.4	42.1	30.3	30.9	29.7
13	Spain	37.5	38.1	38.1	36.4	42.1	42.1	40.5	42.1	42.1	40.5	30.5	30.5	28.8
14	Sweden	37.5	39.1	39.1	34.5	42.1	42.1	37.6	42.1	42.1	37.6	33.3	33.3	28.8
15	United Kingdom	37.5	38.6	38.6	35.3	42.1	42.1	38.8	42.1	42.1	38.8	32.1	32.1	28.8
16	Canada	43.3	43.8	45.4	40.8	43.8	45.4	46.0	43.8	45.4	46.0	43.8	45.4	31.1
17	United States	39.9	39.7	41.4	38.7	43.8	45.4	42.8	43.8	45.4	42.8	32.1	33.8	31.1
16	Mean	38.3	38.9	39.5	36.4	42.1	42.5	40.6	41.8	42.1	40.2	32.9	34.0	28.9
17	Mean (Sharehld)	41.0	41.5	42.0	39.6	42.7	42.9	41.4	43.3	43.5	42.0	39.2	40.1	36.0
18	Zero-rate sh.	35.4	36.0	36.7	33.7	39.7	40.1	38.2	36.8	37.2	35.3	30.0	31.2	26.1
19	Top-rate non-qual. sh.	44.3	44.7	45.1	43.0	44.6	44.8	43.4	47.7	47.8	46.5	44.1	44.9	41.4
20	Top-rate qual. sh.	43.3	43.8	44.2	42.0	43.8	44.0	42.6	45.3	45.5	44.1	43.4	44.2	40.5

Table 5: Inbound case.

6 Germany 2: Tax Reform 2001

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	6.6	8.4	7.4	9.5	8.2	8.0
	24.6	40.7	32.1	47.4	39.3	37.8
	34.4	39.9	36.6	43.2	39.3	38.7
New Equity	6.6	8.4	7.4	9.5	8.2	8.0
	24.6	40.7	32.1	47.4	39.3	37.8
	34.4	39.9	36.6	43.2	39.3	38.7
Debt	3.2	4.7	3.9	5.7	4.5	4.4
	-58.0	-6.5	-28.6	12.9	-11.8	-13.8
	23.9	28.6	26.1	31.7	27.9	27.6
Mean	5.4	7.1	6.1	8.2	6.9	6.8
	7.8	29.8	18.6	38.9	27.7	26.0
	30.8	35.9	32.9	39.2	35.3	34.8

Table 1a: Domestic case, only corporate taxes.

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	3.6	4.7	4.1	5.6	4.4	4.5
	47.5	59.5	53.6	66.0	56.1	57.4
	35.5	38.1	36.6	40.3	37.2	37.5
New Equity	4.2	5.3	4.7	6.2	5.0	5.1
	54.5	64.1	59.2	69.3	61.5	62.4
	36.8	39.6	38.0	41.8	38.7	39.0
Debt	3.7	4.8	4.2	5.7	4.5	4.6
	48.9	60.4	54.7	66.6	57.2	58.4
	35.7	38.4	36.9	40.5	37.5	37.8
Mean	3.7	4.8	4.2	5.7	4.5	4.6
	48.8	60.3	54.6	66.6	57.1	58.3
	35.7	38.3	36.9	40.5	37.4	37.8

Table 1b: Domestic case, top-rate qualified shareholder.

Cost of capital (%) on Investment from Germany to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	6.4	6.1	6.3	6.7	7.5	7.8	8.2	7.5	7.8	8.2	3.4	3.6	4.0
2	Belgium	6.5	6.5	6.7	6.4	8.0	8.2	8.0	8.0	8.2	8.0	3.6	3.8	3.5
3	Denmark	6.5	6.1	6.3	6.9	7.5	7.6	8.2	7.5	7.6	8.2	3.7	3.9	4.4
4	Finland	6.3	5.8	6.0	7.0	7.2	7.4	8.3	7.2	7.4	8.3	3.4	3.6	4.5
5	France	7.6	7.5	7.7	7.5	9.0	9.3	9.1	9.0	9.3	9.1	4.6	4.8	4.6
6	Germany	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
7	Greece	6.3	6.1	6.7	6.2	7.6	8.3	7.8	7.6	8.3	7.8	3.2	3.8	3.4
8	Ireland	5.7	4.8	5.0	7.2	5.9	6.1	8.3	5.9	6.1	8.3	2.8	3.0	5.2
9	Italy	4.8	3.9	4.1	6.5	5.5	5.7	8.1	5.5	5.7	8.1	1.0	1.2	3.6
10	Luxembourg	6.4	6.2	6.4	6.5	7.7	7.9	8.0	7.7	7.9	8.0	3.4	3.6	3.7
11	Netherlands	6.5	6.3	6.5	6.8	7.7	7.9	8.3	7.7	7.9	8.3	3.6	3.8	4.1
12	Portugal	6.5	6.4	6.6	6.6	7.9	8.1	8.1	7.9	8.1	8.1	3.6	3.8	3.9
13	Spain	6.5	6.3	6.5	6.8	7.7	8.0	8.3	7.7	8.0	8.3	3.6	3.8	4.1
14	Sweden	5.9	5.4	5.6	6.7	6.7	6.9	7.9	6.7	6.9	7.9	3.0	3.2	4.3
15	United Kingdom	6.7	6.3	6.5	7.3	7.7	7.8	8.6	7.7	7.8	8.6	3.8	4.0	4.8
16	Mean	6.3	6.0	6.2	6.8	7.4	7.6	8.2	7.4	7.6	8.2	3.3	3.6	4.1
17	Mean (Sharehd	4.8	4.5	4.7	5.3	4.9	5.1	5.7	5.6	5.8	6.4	3.5	3.7	4.3
18	Zero-rate sh.	6.3	6.0	6.2	6.8	7.4	7.6	8.2	7.4	7.6	8.2	3.3	3.6	4.1
19	Top-rate non-qual. sh.	3.8	3.5	3.6	4.2	3.2	3.3	3.9	4.8	4.9	5.5	3.7	3.8	4.4
20	Top-rate qual. sh.	4.3	4.0	4.2	4.8	4.2	4.3	4.9	4.7	4.9	5.4	3.6	3.7	4.3

Table 2: Outbound case.

EATR (%) on Investment from Germany to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance			Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt
1	Austria		30.9	30.0	30.7									
2	Belgium	35.5	35.3	35.9	35.2	39.8	40.5	39.8	39.8	40.5	39.8	26.8	27.4	26.7
3	Denmark	29.8	28.8	29.4	31.3	33.2	33.8	35.7	33.2	33.8	35.7	20.6	21.3	23.2
4	Finland	26.6	25.0	25.7	29.1	29.7	30.4	33.8	29.7	30.4	33.8	16.4	17.0	20.4
5	France	38.4	38.2	38.9	38.2	42.8	43.4	42.8	42.8	43.4	42.8	29.7	30.3	29.7
6	Germany	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
7	Greece	33.9	33.0	35.0	33.6	37.7	39.7	38.3	37.7	39.7	38.3	24.4	26.4	24.9
8	Ireland	11.8	8.2	8.8	18.4	12.9	13.6	23.2	12.9	13.6	23.2	-0.7	0.0	9.5
9	Italy	30.8	28.1	28.8	35.6	32.7	33.3	40.2	32.7	33.3	40.2	19.6	20.2	27.1
10	Luxembourg	33.2	32.7	33.4	33.6	37.3	38.0	38.2	37.3	38.0	38.2	24.2	24.8	25.0
11	Netherlands	32.0	31.3	31.9	33.0	35.9	36.6	37.6	35.9	36.6	37.6	22.6	23.3	24.3
12	Portugal	33.6	33.1	33.8	34.0	37.7	38.4	38.6	37.7	38.4	38.6	24.6	25.2	25.4
13	Spain	32.1	31.3	32.0	33.0	36.0	36.6	37.7	36.0	36.6	37.7	22.7	23.3	24.4
14	Sweden	24.0	22.3	23.0	26.8	26.9	27.6	31.5	26.9	27.6	31.5	13.7	14.4	18.2
15	United Kingdom	29.3	28.0	28.6	31.3	32.6	33.3	36.0	32.6	33.3	36.0	19.3	20.0	22.7
16	Mean	30.2	29.0	29.7	31.8	33.6	34.3	36.4	33.6	34.3	36.4	20.4	21.1	23.2
17	Mean (Sharehd	32.2	31.3	31.8	33.6	32.6	33.1	34.9	34.5	35.0	36.8	28.2	28.7	30.5
18	Zero-rate sh.	30.2	29.0	29.7	31.8	33.6	34.3	36.4	33.6	34.3	36.4	20.4	21.1	23.2
19	Top-rate non-qual. sh.	32.4	31.6	32.0	33.6	30.7	31.1	32.7	35.0	35.3	37.0	32.1	32.4	34.1
20	Top-rate qual. sh.	34.1	33.2	33.6	35.3	33.6	34.0	35.7	35.0	35.4	37.1	32.1	32.5	34.2

Table 3: Outbound case.

Cost of capital (%) on Investment from ... to Germany		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	7.6	8.0	8.0	6.8	8.0	8.0	8.2	8.0	8.0	8.2	8.0	8.0	4.4
2	Belgium	6.8	6.4	6.7	7.3	8.0	8.3	8.9	8.0	8.3	8.9	3.5	3.7	4.4
3	Denmark	6.8	6.8	6.8	6.7	8.0	8.0	7.9	8.0	8.0	7.9	4.5	4.5	4.4
4	Finland	6.8	6.9	6.9	6.4	8.0	8.0	7.5	8.0	8.0	7.5	4.9	4.9	4.4
5	France	6.8	6.5	6.6	7.3	8.0	8.1	8.9	8.0	8.1	8.9	3.6	3.7	4.4
6	Germany	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
7	Greece	6.8	6.5	6.6	7.3	8.0	8.2	8.9	8.0	8.2	8.9	3.5	3.7	4.4
8	Ireland	6.8	7.6	7.6	5.1	8.0	8.0	5.5	8.0	8.0	5.5	6.9	6.9	4.4
9	Italy	6.8	6.6	6.8	7.1	8.0	8.2	8.6	8.0	8.2	8.6	3.9	4.1	4.4
10	Luxembourg	7.2	6.6	8.0	7.1	8.0	8.0	8.5	8.0	8.0	8.5	3.9	8.0	4.4
11	Netherlands	7.7	8.0	8.0	6.9	8.0	8.0	8.3	8.0	8.0	8.3	8.0	8.0	4.4
12	Portugal	6.8	6.6	6.8	7.1	8.0	8.2	8.6	8.0	8.2	8.6	3.8	4.0	4.4
13	Spain	6.8	6.7	6.7	6.9	8.0	8.0	8.3	8.0	8.0	8.3	4.2	4.2	4.4
14	Sweden	6.8	7.0	7.0	6.3	8.0	8.0	7.3	8.0	8.0	7.3	5.1	5.1	4.4
15	United Kingdom	6.8	6.9	6.9	6.6	8.0	8.0	7.7	8.0	8.0	7.7	4.7	4.7	4.4
16	Canada	8.7	8.0	10.0	8.2	8.0	10.0	10.2	8.0	10.0	10.2	8.0	10.0	4.4
17	United States	6.9	6.6	7.2	7.0	8.0	8.6	8.5	8.0	8.6	8.5	3.9	4.5	4.4
16	Mean	7.1	7.0	7.3	6.9	8.0	8.2	8.2	8.0	8.2	8.2	5.0	5.5	4.4
17	Mean (Sharehd	5.9	5.9	6.1	5.7	6.1	6.3	6.2	6.9	7.1	7.1	5.2	5.6	4.5
18	Zero-rate sh.	6.9	6.8	7.1	6.7	7.9	8.1	8.1	7.3	7.5	7.5	5.0	5.5	4.4
19	Top-rate non-qual. sh.	5.5	5.5	5.7	5.3	5.3	5.5	5.5	7.2	7.4	7.4	5.2	5.7	4.6
20	Top-rate qual. sh.	5.3	5.2	5.5	5.1	5.0	5.2	5.2	6.2	6.4	6.4	5.3	5.7	4.6

Table 4: Inbound case.

EATR (%) on Investment from ... to Germany		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	37.5	38.7	38.7	35.1	38.7	38.7	39.1	38.7	38.7	39.1	38.7	38.7	27.6
2	Belgium	35.8	34.7	35.4	37.4	39.4	40.1	42.1	39.4	40.1	42.1	25.9	26.6	28.6
3	Denmark	34.8	34.9	34.9	34.6	38.7	38.7	38.4	38.7	38.7	38.4	27.9	27.9	27.6
4	Finland	34.8	35.4	35.4	33.8	38.7	38.7	37.1	38.7	38.7	37.1	29.3	29.3	27.6
5	France	35.3	34.3	34.7	36.9	39.0	39.4	41.6	39.0	39.4	41.6	25.6	25.9	28.1
6	Germany	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
7	Greece	35.4	34.4	34.8	36.9	39.1	39.5	41.6	39.1	39.5	41.6	25.6	26.0	28.2
8	Ireland	34.9	37.5	37.5	29.8	38.7	38.7	31.0	38.7	38.7	31.0	35.3	35.3	27.6
9	Italy	35.7	35.0	35.6	36.6	39.4	40.0	41.0	39.4	40.0	41.0	26.9	27.5	28.5
10	Luxembourg	36.3	34.3	38.7	35.8	38.7	38.7	40.2	38.7	38.7	40.2	26.1	38.7	27.6
11	Netherlands	37.6	38.7	38.7	35.3	38.7	38.7	39.4	38.7	38.7	39.4	38.7	38.7	27.6
12	Portugal	35.7	35.0	35.6	36.7	39.4	40.0	41.1	39.4	40.0	41.1	26.8	27.4	28.5
13	Spain	34.8	34.6	34.6	35.3	38.7	38.7	39.4	38.7	38.7	39.4	26.9	26.9	27.6
14	Sweden	34.9	35.6	35.6	33.4	38.7	38.7	36.5	38.7	38.7	36.5	29.8	29.8	27.6
15	United Kingdom	34.8	35.1	35.1	34.2	38.7	38.7	37.7	38.7	38.7	37.7	28.6	28.6	27.6
16	Canada	45.9	44.1	49.2	44.5	44.1	49.2	49.7	44.1	49.2	49.7	44.1	49.2	34.7
17	United States	37.4	36.4	38.1	37.7	40.5	42.2	41.8	40.5	42.2	41.8	28.7	30.4	30.0
16	Mean	36.4	36.2	37.0	35.9	39.3	39.9	39.9	39.3	39.9	39.9	30.3	31.7	28.5
17	Mean (Sharehld)	39.5	39.4	40.0	39.2	40.5	40.9	40.9	41.5	41.9	41.9	37.0	38.1	35.6
18	Zero-rate sh.	33.3	33.1	34.0	32.9	36.6	37.2	37.3	34.1	34.7	34.7	27.3	28.7	25.5
19	Top-rate non-qual. sh.	43.4	43.3	43.8	43.1	43.3	43.6	43.7	46.6	47.0	47.0	42.3	43.2	41.1
20	Top-rate qual. sh.	41.8	41.7	42.2	41.5	41.5	41.8	41.9	43.7	44.0	44.1	41.5	42.4	40.1

Table 5: Inbound case.

7 Greece

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	8.4	6.7	7.7	6.2	9.0	7.6
	40.5	25.5	34.8	19.7	44.4	34.2
	40.2	35.1	38.0	16.5	42.0	34.4
New Equity	8.4	6.7	7.7	6.2	9.0	7.6
	40.5	25.5	34.8	19.7	44.4	34.2
	40.2	35.1	38.0	16.5	42.0	34.4
Debt	4.0	2.2	3.3	3.0	4.3	3.4
	-26.5	-125.3	-51.6	-69.3	-15.0	-49.1
	26.9	21.7	24.9	2.5	28.0	20.8
Mean	6.8	5.1	6.1	5.1	7.4	6.1
	27.0	2.7	18.6	1.6	32.1	18.2
	35.5	30.4	33.4	11.6	37.1	29.6

Table 1a: Domestic case, only corporate taxes.

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	6.5	5.1	5.9	4.8	7.0	5.9
	44.9	28.8	39.3	24.9	48.3	38.5
	34.2	29.7	32.3	9.7	35.5	28.3
New Equity	6.3	4.8	5.7	4.6	6.7	5.6
	42.3	24.4	36.2	21.4	45.9	35.4
	33.3	28.8	31.5	8.7	34.5	27.4
Debt	4.0	2.5	3.5	3.0	4.3	3.5
	10.4	-42.8	-4.0	-22.2	17.0	-4.2
	26.5	22.0	24.8	1.7	27.5	20.5
Mean	5.6	4.1	5.0	4.1	6.0	5.0
	36.0	13.1	28.6	12.8	40.1	27.8
	31.4	26.9	29.6	6.8	32.6	25.5

Table 1b: Domestic case, top-rate qualified shareholder.

Cost of capital (%) on Investment from Greece to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance			Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt
1	Austria		6.6	6.0	7.0									
2	Belgium	6.4	6.5	6.5	6.4	8.0	8.0	8.0	8.0	8.0	8.0	3.6	3.6	3.5
3	Denmark	6.8	6.0	7.2	7.2	7.5	8.7	8.7	7.5	8.7	8.7	3.2	4.4	4.4
4	Finland	6.8	5.6	7.5	7.5	7.2	9.1	9.1	7.2	9.1	9.1	2.6	4.5	4.5
5	France	7.5	7.5	7.5	7.5	9.0	9.0	9.0	9.0	9.0	9.0	4.6	4.6	4.6
6	Germany	6.8	8.1	6.0	6.3	9.7	7.6	7.9	9.7	7.6	7.9	5.1	3.0	3.2
7	Greece	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
8	Ireland	6.9	4.3	8.2	8.2	5.9	9.8	9.8	5.9	9.8	9.8	1.3	5.2	5.2
9	Italy	4.8	3.9	4.0	6.5	5.5	5.6	8.1	5.5	5.6	8.1	0.9	1.1	3.6
10	Luxembourg	6.5	6.1	6.6	6.6	7.7	8.2	8.2	7.7	8.2	8.2	3.3	3.7	3.7
11	Netherlands	6.7	6.2	7.0	7.0	7.7	8.6	8.6	7.7	8.6	8.6	3.2	4.1	4.1
12	Portugal	6.6	6.3	6.8	6.8	7.9	8.3	8.3	7.9	8.3	8.3	3.4	3.9	3.9
13	Spain	6.7	6.2	7.0	7.0	7.7	8.6	8.6	7.7	8.6	8.6	3.2	4.1	4.1
14	Sweden	6.5	5.1	7.2	7.2	6.7	8.8	8.8	6.7	8.8	8.8	2.2	4.3	4.3
15	United Kingdom	7.1	6.1	7.7	7.7	7.7	9.3	9.3	7.7	9.3	9.3	3.1	4.8	4.8
16	Mean	6.6	6.0	6.9	7.1	7.6	8.4	8.6	7.6	8.4	8.6	3.1	3.9	4.1
17	Mean (Sharehd	5.9	5.3	6.1	6.3	6.4	7.2	7.4	6.2	7.0	7.2	3.2	4.0	4.2
18	Zero-rate sh.	6.6	6.0	6.9	7.1	7.6	8.4	8.6	7.6	8.4	8.6	3.1	3.9	4.1
19	Top-rate non-qual. sh.	5.5	4.9	5.7	5.9	5.8	6.6	6.8	5.6	6.3	6.5	3.3	4.0	4.2
20	Top-rate qual. sh.	5.5	4.9	5.7	5.9	5.8	6.6	6.8	5.6	6.3	6.5	3.3	4.0	4.2

Table 2: Outbound case.

EATR (%) on Investment from Greece to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	34.9	32.9	36.0	36.0	37.6	40.7	40.7	37.6	40.7	40.7	24.0	27.1	27.1
2	Belgium	34.5	34.5	34.5	34.4	39.1	39.1	39.1	39.1	39.1	39.1	25.8	25.8	25.8
3	Denmark	35.4	32.9	36.6	36.6	37.4	41.1	41.1	37.4	41.1	41.1	24.6	28.3	28.3
4	Finland	35.5	31.8	37.4	37.4	36.5	42.2	42.2	36.5	42.2	42.2	22.9	28.6	28.6
5	France	37.5	37.5	37.5	37.5	42.1	42.1	42.1	42.1	42.1	42.1	28.8	28.8	28.8
6	Germany	37.8	41.5	35.5	36.3	46.1	40.1	40.9	46.1	40.1	40.9	33.0	27.0	27.7
7	Greece	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
8	Ireland	35.6	27.9	39.5	39.5	32.8	44.4	44.4	32.8	44.4	44.4	18.9	30.5	30.5
9	Italy	30.2	27.5	27.8	35.2	32.2	32.5	39.9	32.2	32.5	39.9	18.8	19.2	26.6
10	Luxembourg	34.4	33.4	34.8	34.8	38.1	39.5	39.5	38.1	39.5	39.5	24.8	26.1	26.1
11	Netherlands	35.2	33.5	36.1	36.1	38.2	40.8	40.8	38.2	40.8	40.8	24.6	27.2	27.2
12	Portugal	34.8	33.9	35.3	35.3	38.6	40.0	40.0	38.6	40.0	40.0	25.2	26.6	26.6
13	Spain	35.2	33.5	36.1	36.1	38.2	40.8	40.8	38.2	40.8	40.8	24.7	27.3	27.3
14	Sweden	34.5	30.3	36.6	36.6	35.0	41.3	41.3	35.0	41.3	41.3	21.6	27.8	27.8
15	United Kingdom	36.4	33.2	38.0	38.0	38.0	42.8	42.8	38.0	42.8	42.8	24.4	29.3	29.3
16	Mean	35.1	33.2	35.8	36.4	37.9	40.5	41.1	37.9	40.5	41.1	24.4	27.1	27.7
17	Mean (Sharehd	32.5	30.7	33.1	33.7	34.1	36.5	37.1	33.5	35.9	36.5	24.5	26.9	27.5
18	Zero-rate sh.	35.1	33.2	35.8	36.4	37.9	40.5	41.1	37.9	40.5	41.1	24.4	27.1	27.7
19	Top-rate non-qual. sh.	31.2	29.5	31.7	32.3	32.3	34.5	35.1	31.4	33.6	34.2	24.6	26.8	27.4
20	Top-rate qual. sh.	31.2	29.5	31.7	32.3	32.3	34.5	35.1	31.4	33.6	34.2	24.6	26.8	27.4

Table 3: Outbound case.

Cost of capital (%) on Investment from ... to Greece		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	7.0	7.6	7.6	5.7	7.6	7.6	7.0	7.6	7.6	7.0	7.6	7.6	3.4
2	Belgium	6.2	6.1	6.3	6.2	7.6	7.8	7.7	7.6	7.8	7.7	3.2	3.5	3.4
3	Denmark	6.1	6.4	6.4	5.6	7.6	7.6	6.8	7.6	7.6	6.8	4.2	4.2	3.4
4	Finland	6.1	6.6	6.6	5.3	7.6	7.6	6.3	7.6	7.6	6.3	4.6	4.6	3.4
5	France	6.2	6.1	6.2	6.1	7.6	7.7	7.6	7.6	7.7	7.6	3.3	3.4	3.4
6	Germany	6.5	5.5	6.6	7.4	7.6	8.7	9.5	5.8	6.9	7.7	2.1	3.2	3.9
7	Greece	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
8	Ireland	6.5	7.2	7.2	5.1	7.6	7.6	5.5	7.6	7.6	5.5	6.5	6.5	4.4
9	Italy	6.2	6.2	6.4	6.0	7.6	7.8	7.4	7.6	7.8	7.4	3.6	3.8	3.4
10	Luxembourg	6.6	6.2	7.6	5.9	7.6	7.6	7.3	7.6	7.6	7.3	3.6	7.6	3.4
11	Netherlands	7.0	7.6	7.6	5.8	7.6	7.6	7.1	7.6	7.6	7.1	7.6	7.6	3.4
12	Portugal	6.2	6.2	6.4	6.0	7.6	7.8	7.4	7.6	7.8	7.4	3.6	3.8	3.4
13	Spain	6.1	6.3	6.3	5.8	7.6	7.6	7.1	7.6	7.6	7.1	3.9	3.9	3.4
14	Sweden	6.1	6.6	6.6	5.2	7.6	7.6	6.2	7.6	7.6	6.2	4.8	4.8	3.4
15	United Kingdom	6.2	6.5	6.8	5.5	7.6	8.0	6.6	7.6	8.0	6.6	4.3	4.7	3.4
16	Canada	7.2	7.6	7.6	6.4	7.6	7.6	8.1	7.6	7.6	8.1	7.6	7.6	3.4
17	United States	6.3	6.2	6.7	5.9	7.6	8.1	7.2	7.6	8.1	7.2	3.7	4.2	3.4
16	Mean	6.4	6.6	6.8	5.9	7.6	7.8	7.2	7.5	7.7	7.1	4.6	5.1	3.5
17	Mean (Sharehd	5.3	5.4	5.7	4.7	5.7	5.8	5.2	6.4	6.5	5.9	4.8	5.2	3.6
18	Zero-rate sh.	6.2	6.4	6.6	5.7	7.4	7.6	7.0	6.6	6.8	6.2	4.7	5.1	3.5
19	Top-rate non-qual. sh.	4.8	5.0	5.2	4.3	4.8	4.9	4.3	6.7	6.8	6.2	4.9	5.3	3.7
20	Top-rate qual. sh.	4.7	4.9	5.1	4.2	4.7	4.9	4.3	5.7	5.9	5.3	4.9	5.3	3.7

Table 4: Inbound case.

EATR (%) on Investment from ... to Greece		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	32.3	34.4	34.4	28.3	34.4	34.4	32.3	34.4	34.4	32.3	34.4	34.4	20.8
2	Belgium	30.7	30.4	31.1	30.7	35.2	35.9	35.5	35.2	35.9	35.5	21.6	22.2	21.9
3	Denmark	29.7	30.6	30.6	27.9	34.4	34.4	31.7	34.4	34.4	31.7	23.5	23.5	20.8
4	Finland	29.7	31.0	31.0	27.0	34.4	34.4	30.3	34.4	34.4	30.3	24.9	24.9	20.8
5	France	30.2	30.0	30.4	30.2	34.8	35.1	34.9	34.8	35.1	34.9	21.2	21.5	21.3
6	Germany	28.8	25.4	29.2	31.9	32.6	36.4	39.1	26.4	30.2	32.9	13.7	17.5	20.1
7	Greece	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
8	Ireland	30.9	33.2	33.2	26.4	34.4	34.4	27.6	34.4	34.4	27.6	31.0	31.0	24.2
9	Italy	30.7	30.7	31.4	30.0	35.1	35.7	34.3	35.1	35.7	34.3	22.6	23.2	21.8
10	Luxembourg	31.1	29.9	34.4	29.1	34.4	34.4	33.5	34.4	34.4	33.5	21.7	34.4	20.8
11	Netherlands	32.4	34.4	34.4	28.5	34.4	34.4	32.7	34.4	34.4	32.7	34.4	34.4	20.8
12	Portugal	30.7	30.7	31.3	30.1	35.1	35.8	34.5	35.1	35.8	34.5	22.4	23.1	21.8
13	Spain	29.6	30.2	30.2	28.5	34.4	34.4	32.7	34.4	34.4	32.7	22.5	22.5	20.8
14	Sweden	29.7	31.2	31.2	26.6	34.4	34.4	29.7	34.4	34.4	29.7	25.4	25.4	20.8
15	United Kingdom	32.3	32.9	34.1	30.0	36.4	37.7	33.5	36.4	37.7	33.5	26.3	27.5	23.4
16	Canada	33.1	34.4	34.4	30.6	34.4	34.4	35.9	34.4	34.4	35.9	34.4	34.4	20.8
17	United States	33.2	33.0	34.6	31.9	37.1	38.8	36.1	37.1	38.8	36.1	25.3	26.9	24.2
16	Mean	30.9	31.4	32.2	29.2	34.7	35.3	33.4	34.3	34.9	33.0	25.3	26.7	21.6
17	Mean (Sharehld	35.0	35.4	36.1	33.6	36.6	37.0	35.5	37.1	37.5	36.0	33.1	34.2	30.0
18	Zero-rate sh.	26.3	26.6	27.6	24.6	30.6	31.3	29.4	26.6	27.3	25.4	20.4	21.8	16.7
19	Top-rate non-qual. sh.	40.1	40.5	41.0	38.9	40.2	40.5	39.2	43.9	44.2	42.8	39.8	40.7	37.3
20	Top-rate qual. sh.	38.7	39.1	39.6	37.4	38.9	39.2	37.8	40.8	41.1	39.7	39.0	39.9	36.1

Table 5: Inbound case.

8 Ireland

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	5.6	7.1	5.4	5.8	5.8	5.9
	10.2	29.7	7.8	13.4	13.4	15.7
	10.1	17.0	9.4	11.0	11.0	11.7
New Equity	5.6	7.1	5.4	5.8	5.8	5.9
	10.2	29.7	7.8	13.4	13.4	15.7
	10.1	17.0	9.4	11.0	11.0	11.7
Debt	4.8	6.3	4.7	5.0	5.0	5.2
	-4.1	21.0	-7.2	0.0	0.0	3.1
	6.6	13.5	6.0	7.5	7.5	8.2
Mean	5.3	6.8	5.2	5.5	5.5	5.7
	5.7	26.8	3.1	9.1	9.1	11.7
	8.9	15.8	8.2	9.8	9.8	10.5

Table 1a: Domestic case, only corporate taxes.

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	2.8	4.3	2.7	2.9	2.9	3.1
	35.2	58.0	33.1	38.5	38.5	42.3
	32.1	35.8	31.9	32.5	32.5	32.9
New Equity	5.6	7.2	5.5	5.8	5.8	6.0
	67.9	74.9	67.3	68.9	68.9	69.8
	39.1	43.0	38.9	39.6	39.6	40.0
Debt	4.8	6.4	4.7	5.0	5.0	5.2
	62.8	71.8	62.0	64.0	64.0	65.3
	37.2	41.1	37.0	37.6	37.6	38.1
Mean	3.8	5.3	3.7	3.9	3.9	4.1
	52.4	66.1	51.2	54.3	54.3	56.4
	34.6	38.4	34.4	35.0	35.0	35.5

Table 1b: Domestic case, top-rate qualified shareholder.

Cost of capital (%) on Investment from Ireland to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Subsidiary Source of Finance												
		Overall	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt
1	Austria	6.4	7.2	7.2	4.7	7.5	7.5	5.1	7.5	7.5	5.1	6.5	6.5	4.0
2	Belgium	6.7	7.6	7.6	4.8	8.0	8.0	5.2	8.0	8.0	5.2	6.9	6.9	4.1
3	Denmark	6.4	7.1	7.1	5.1	7.5	7.5	5.4	7.5	7.5	5.4	6.5	6.5	4.4
4	Finland	6.3	6.8	6.8	5.1	7.2	7.2	5.5	7.2	7.2	5.5	6.2	6.2	4.5
5	France	7.5	8.7	8.7	5.3	9.0	9.0	5.7	9.0	9.0	5.7	7.9	7.9	4.6
6	Germany	6.3	9.3	6.7	2.9	9.7	7.2	3.4	9.7	7.2	3.4	8.4	5.8	2.0
7	Greece	6.5	7.2	7.2	5.1	7.6	7.6	5.5	7.6	7.6	5.5	6.5	6.5	4.4
8	Ireland	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
9	Italy	4.8	5.1	5.1	4.3	5.5	5.5	4.7	5.5	5.5	4.7	4.3	4.3	3.6
10	Luxembourg	6.4	7.3	7.3	4.4	7.7	7.7	4.8	7.7	7.7	4.8	6.6	6.6	3.7
11	Netherlands	6.5	7.4	7.4	4.8	7.7	7.7	5.1	7.7	7.7	5.1	6.7	6.7	4.1
12	Portugal	6.7	7.5	7.5	5.1	7.9	7.9	5.5	7.9	7.9	5.5	6.8	6.8	4.4
13	Spain	6.5	7.4	7.4	4.8	7.7	7.7	5.1	7.7	7.7	5.1	6.7	6.7	4.1
14	Sweden	5.9	6.4	6.4	4.9	6.7	6.7	5.2	6.7	6.7	5.2	5.8	5.8	4.3
15	United Kingdom	6.7	7.3	7.3	5.4	7.7	7.7	5.7	7.7	7.7	5.7	6.7	6.7	4.8
16	Mean	6.4	7.3	7.1	4.8	7.7	7.5	5.1	7.7	7.5	5.1	6.6	6.4	4.1
17	Mean (Sharehld	5.1	6.0	5.9	3.5	5.2	5.1	2.7	7.8	7.7	5.3	6.8	6.6	4.3
18	Zero-rate sh.	6.4	7.3	7.1	4.8	7.7	7.5	5.1	7.7	7.5	5.1	6.6	6.4	4.1
19	Top-rate non-qual. sh.	4.5	5.4	5.3	2.9	4.0	3.9	1.5	7.9	7.8	5.4	6.8	6.7	4.4
20	Top-rate qual. sh.	4.5	5.4	5.3	2.9	4.0	3.9	1.5	7.9	7.8	5.4	6.8	6.7	4.4

Table 2: Outbound case.

EATR (%) on Investment from Ireland to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	30.0	32.7	32.7	24.5	33.9	33.9	25.7	33.9	33.9	25.7	30.5	30.5	22.3
2	Belgium	35.2	38.0	38.0	29.6	39.1	39.1	30.8	39.1	39.1	30.8	35.8	35.8	27.4
3	Denmark	28.9	31.2	31.2	24.2	32.3	32.3	25.3	32.3	32.3	25.3	29.1	29.1	22.1
4	Finland	25.6	27.6	27.6	21.5	28.8	28.8	22.7	28.8	28.8	22.7	25.4	25.4	19.3
5	France	37.6	41.0	41.0	31.0	42.1	42.1	32.1	42.1	42.1	32.1	38.8	38.8	28.8
6	Germany	37.9	45.0	39.0	29.9	46.1	40.1	31.0	46.1	40.1	31.0	42.8	36.8	27.7
7	Greece	30.9	33.2	33.2	26.4	34.4	34.4	27.6	34.4	34.4	27.6	31.0	31.0	24.2
8	Ireland	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
9	Italy	29.9	30.7	30.7	28.3	31.8	31.8	29.5	31.8	31.8	29.5	28.5	28.5	26.1
10	Luxembourg	32.3	35.4	35.4	26.2	36.6	36.6	27.4	36.6	36.6	27.4	33.2	33.2	24.0
11	Netherlands	31.1	34.0	34.0	25.5	35.1	35.1	26.7	35.1	35.1	26.7	31.7	31.7	23.3
12	Portugal	33.3	35.8	35.8	28.3	37.0	37.0	29.5	37.0	37.0	29.5	33.6	33.6	26.1
13	Spain	31.2	34.0	34.0	25.5	35.2	35.2	26.7	35.2	35.2	26.7	31.8	31.8	23.3
14	Sweden	22.9	24.8	24.8	19.3	26.0	26.0	20.5	26.0	26.0	20.5	22.6	22.6	17.1
15	United Kingdom	28.3	30.6	30.6	23.8	31.8	31.8	25.0	31.8	31.8	25.0	28.4	28.4	21.6
16	Mean	31.1	33.8	33.4	26.0	35.0	34.6	27.2	35.0	34.6	27.2	31.7	31.2	23.8
17	Mean (Sharehd	41.9	43.8	43.6	38.3	42.6	42.3	37.1	47.1	46.9	41.7	44.8	44.5	39.3
18	Zero-rate sh.	31.1	33.8	33.4	26.0	35.0	34.6	27.2	35.0	34.6	27.2	31.7	31.2	23.8
19	Top-rate non-qual. sh.	47.3	48.8	48.6	44.5	46.3	46.2	42.1	53.2	53.0	48.9	51.3	51.2	47.1
20	Top-rate qual. sh.	47.3	48.8	48.6	44.5	46.3	46.2	42.1	53.2	53.0	48.9	51.3	51.2	47.1

Table 3: Outbound case.

Cost of capital (%) on Investment from ... to Ireland		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	6.2	5.9	5.9	6.9	5.9	5.9	7.8	5.9	5.9	7.8	5.9	5.9	5.2
2	Belgium	5.7	4.8	5.0	7.2	5.9	6.1	8.3	5.9	6.1	8.3	2.8	3.0	5.2
3	Denmark	5.6	5.1	5.1	6.8	5.9	5.9	7.6	5.9	5.9	7.6	3.5	3.5	5.2
4	Finland	5.6	5.2	5.2	6.6	5.9	5.9	7.3	5.9	5.9	7.3	3.8	3.8	5.2
5	France	5.6	4.9	4.9	7.2	5.9	6.0	8.3	5.9	6.0	8.3	2.8	2.9	5.2
6	Germany	5.7	4.5	4.7	7.8	5.9	6.1	9.2	4.7	4.9	8.0	2.3	2.4	5.6
7	Greece	6.6	4.9	7.4	7.4	5.9	8.5	8.5	5.9	8.5	8.5	2.8	5.4	5.4
8	Ireland	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
9	Italy	5.7	4.9	5.1	7.0	5.9	6.1	8.0	5.9	6.1	8.0	3.1	3.2	5.2
10	Luxembourg	6.0	4.9	5.9	7.0	5.9	5.9	8.0	5.9	5.9	8.0	3.0	5.9	5.2
11	Netherlands	6.3	5.9	5.9	6.9	5.9	5.9	7.9	5.9	5.9	7.9	5.9	5.9	5.2
12	Portugal	5.7	4.9	5.1	7.0	5.9	6.1	8.1	5.9	6.1	8.1	3.0	3.2	5.2
13	Spain	5.6	5.0	5.0	6.9	5.9	5.9	7.9	5.9	5.9	7.9	3.2	3.2	5.2
14	Sweden	5.6	5.2	5.2	6.5	5.9	5.9	7.2	5.9	5.9	7.2	3.9	3.9	5.2
15	United Kingdom	6.3	5.1	6.8	6.8	5.9	7.6	7.6	5.9	7.6	7.6	3.6	5.3	5.3
16	Canada	6.4	5.9	5.9	7.4	5.9	5.9	8.6	5.9	5.9	8.6	5.9	5.9	5.2
17	United States	6.4	5.0	7.1	7.1	5.9	8.1	8.1	5.9	8.1	8.1	3.2	5.4	5.4
16	Mean	5.9	5.1	5.6	7.0	5.9	6.4	8.0	5.9	6.3	7.9	3.7	4.3	5.2
17	Mean (Sharehd	5.0	4.3	4.7	6.1	4.5	4.9	6.5	4.9	5.2	6.9	3.7	4.3	5.2
18	Zero-rate sh.	5.8	5.0	5.5	6.9	5.8	6.3	7.9	5.2	5.7	7.3	3.7	4.3	5.2
19	Top-rate non-qual. sh.	4.7	3.9	4.3	5.7	3.9	4.2	5.8	5.0	5.4	7.0	3.7	4.2	5.2
20	Top-rate qual. sh.	4.6	3.8	4.2	5.6	3.8	4.2	5.8	4.3	4.7	6.3	3.7	4.2	5.1

Table 4: Inbound case.

EATR (%) on Investment from ... to Ireland		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	13.1	11.7	11.7	15.9	11.7	11.7	20.0	11.7	11.7	20.0	11.7	11.7	8.2
2	Belgium	11.8	8.1	8.8	18.6	13.0	13.7	23.5	13.0	13.7	23.5	-1.0	-0.3	9.6
3	Denmark	10.3	7.8	7.8	15.4	11.7	11.7	19.3	11.7	11.7	19.3	0.6	0.6	8.2
4	Finland	10.4	8.3	8.3	14.5	11.7	11.7	17.9	11.7	11.7	17.9	2.0	2.0	8.2
5	France	11.1	7.5	7.8	17.9	12.3	12.7	22.8	12.3	12.7	22.8	-1.6	-1.2	8.9
6	Germany	0.4	-5.7	-4.8	11.7	1.7	2.6	19.2	-4.6	-3.8	12.8	-17.7	-16.8	-0.2
7	Greece	35.6	27.9	39.5	39.5	32.8	44.4	44.4	32.8	44.4	44.4	18.9	30.5	30.5
8	Ireland	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
9	Italy	11.7	8.4	9.0	17.8	12.9	13.5	22.3	12.9	13.5	22.3	0.0	0.7	9.4
10	Luxembourg	11.8	7.1	11.7	16.7	11.7	11.7	21.2	11.7	11.7	21.2	-1.3	11.7	8.2
11	Netherlands	13.2	11.7	11.7	16.1	11.7	11.7	20.4	11.7	11.7	20.4	11.7	11.7	8.2
12	Portugal	11.7	8.3	9.0	17.9	12.9	13.5	22.4	12.9	13.5	22.4	-0.1	0.5	9.5
13	Spain	10.3	7.4	7.4	16.1	11.7	11.7	20.4	11.7	11.7	20.4	-0.5	-0.5	8.2
14	Sweden	10.4	8.5	8.5	14.2	11.7	11.7	17.4	11.7	11.7	17.4	2.5	2.5	8.2
15	United Kingdom	27.3	22.1	29.8	29.8	25.8	33.5	33.5	25.8	33.5	33.5	15.3	23.1	23.1
16	Canada	13.9	11.7	11.7	18.3	11.7	11.7	23.7	11.7	11.7	23.7	11.7	11.7	8.2
17	United States	31.4	25.0	34.7	34.7	29.3	38.9	38.9	29.3	38.9	38.9	17.1	26.8	26.8
16	Mean	14.7	11.0	13.3	19.7	14.6	16.6	24.2	14.2	16.2	23.8	4.3	7.2	11.4
17	Mean (Sharehld)	19.9	16.8	18.6	24.2	18.3	19.8	26.4	18.5	20.0	26.6	13.9	16.2	20.1
18	Zero-rate sh.	8.0	3.9	6.3	13.7	8.3	10.3	18.9	4.2	6.2	14.8	-2.9	0.0	5.3
19	Top-rate non-qual. sh.	26.7	24.1	25.6	30.3	24.3	25.5	31.0	27.5	28.8	34.2	23.0	24.9	28.2
20	Top-rate qual. sh.	24.9	22.3	23.8	28.6	22.4	23.7	29.3	23.9	25.1	30.8	21.7	23.6	26.8

Table 5: Inbound case.

9 Italy

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	3.4	5.1	4.3	9.1	5.5	5.5
	-48.7	1.6	-17.5	45.0	9.7	8.5
	26.1	31.2	28.7	40.6	32.5	31.8
New Equity	3.4	5.1	4.3	9.1	5.5	5.5
	-48.7	1.6	-17.5	45.0	9.7	8.5
	26.1	31.2	28.7	40.6	32.5	31.8
Debt	2.1	3.7	2.9	5.0	4.1	3.6
	-133.1	-35.4	-71.1	0.0	-21.2	-39.8
	22.6	27.1	24.8	27.7	28.4	26.1
Mean	2.9	4.6	3.8	7.7	5.0	4.8
	-70.3	-8.8	-32.0	34.7	0.9	-4.1
	24.9	29.8	27.4	36.1	31.1	29.8

Table 1a: Domestic case, only corporate taxes.

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	3.8	5.6	4.7	9.6	6.1	6.0
	-9.6	26.5	12.6	57.2	32.6	30.9
	34.3	38.9	36.7	47.1	40.2	39.4
New Equity	3.5	5.3	4.4	9.3	5.8	5.6
	-19.0	21.8	6.1	55.7	28.6	26.9
	33.5	38.1	35.8	46.3	39.3	38.6
Debt	2.0	3.6	2.8	5.0	4.1	3.5
	-102.3	-13.3	-45.9	17.4	-0.1	-17.0
	29.9	34.0	31.9	34.6	35.2	33.1
Mean	3.1	4.9	4.0	8.0	5.4	5.1
	-31.8	15.6	-2.5	48.3	23.4	18.8
	32.7	37.1	34.9	42.7	38.3	37.1

Table 1b: Domestic case, top-rate qualified shareholder.

Cost of capital (%) on Investment from Italy to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Subsidiary Source of Finance												
		Overall	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt
1	Austria	6.4	6.2	6.4	6.6	7.5	7.7	7.9	7.5	7.7	7.9	3.7	3.8	4.0
2	Belgium	6.5	6.5	6.8	6.3	8.0	8.2	7.7	8.0	8.2	7.7	3.8	4.0	3.5
3	Denmark	6.5	6.2	6.4	6.7	7.5	7.6	8.0	7.5	7.6	8.0	3.9	4.1	4.4
4	Finland	6.3	5.9	6.1	6.8	7.2	7.3	8.1	7.2	7.3	8.1	3.6	3.8	4.5
5	France	7.6	7.6	7.8	7.3	9.0	9.3	8.8	9.0	9.3	8.8	4.9	5.1	4.6
6	Germany	6.9	8.2	6.3	6.1	9.7	7.8	7.6	9.7	7.8	7.6	5.3	3.4	3.2
7	Greece	6.2	6.2	6.4	6.0	7.6	7.8	7.4	7.6	7.8	7.4	3.6	3.8	3.4
8	Ireland	5.7	4.9	5.1	7.0	5.9	6.1	8.1	5.9	6.1	8.1	3.0	3.2	5.2
9	Italy	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
10	Luxembourg	6.4	6.3	6.5	6.3	7.7	7.9	7.7	7.7	7.9	7.7	3.7	3.9	3.7
11	Netherlands	6.5	6.4	6.6	6.6	7.7	7.9	8.0	7.7	7.9	8.0	3.8	4.0	4.1
12	Portugal	6.5	6.4	6.6	6.5	7.9	8.1	7.9	7.9	8.1	7.9	3.8	4.0	3.9
13	Spain	6.5	6.4	6.6	6.7	7.7	7.9	8.0	7.7	7.9	8.0	3.8	4.0	4.1
14	Sweden	5.9	5.5	5.6	6.5	6.7	6.9	7.7	6.7	6.9	7.7	3.2	3.4	4.3
15	United Kingdom	6.7	6.4	6.6	7.1	7.7	7.8	8.4	7.7	7.8	8.4	4.0	4.2	4.8
16	Mean	6.5	6.4	6.4	6.6	7.7	7.7	8.0	7.7	7.7	8.0	3.9	3.9	4.1
17	Mean (Sharehd	6.3	6.2	6.2	6.4	7.5	7.5	7.7	7.4	7.4	7.6	3.9	3.9	4.1
18	Zero-rate sh.	5.7	5.6	5.6	5.8	6.5	6.5	6.7	6.5	6.5	6.7	3.9	4.0	4.2
19	Top-rate non-qual. sh.	6.5	6.4	6.4	6.6	7.7	7.7	8.0	7.7	7.7	8.0	3.9	3.9	4.1
20	Top-rate qual. sh.	6.7	6.6	6.7	6.9	8.2	8.2	8.4	7.9	7.9	8.1	3.8	3.9	4.1

Table 2: Outbound case.

EATR (%) on Investment from Italy to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	30.9	30.3	30.9	31.5	34.7	35.3	35.9	34.7	35.3	35.9	22.1	22.7	23.3
2	Belgium	35.4	35.5	36.1	34.7	39.8	40.4	39.0	39.8	40.4	39.0	27.5	28.1	26.7
3	Denmark	29.8	29.0	29.6	30.8	33.1	33.7	34.9	33.1	33.7	34.9	21.3	21.9	23.1
4	Finland	26.6	25.3	25.9	28.5	29.7	30.3	32.9	29.7	30.3	32.9	17.1	17.7	20.3
5	France	38.4	38.4	39.0	37.7	42.7	43.4	42.0	42.7	43.4	42.0	30.4	31.0	29.7
6	Germany	38.7	42.4	37.1	36.5	46.6	41.4	40.8	46.6	41.4	40.8	34.5	29.2	28.6
7	Greece	30.7	30.7	31.4	30.0	35.1	35.7	34.3	35.1	35.7	34.3	22.6	23.2	21.8
8	Ireland	11.7	8.4	9.0	17.8	12.9	13.5	22.3	12.9	13.5	22.3	0.0	0.7	9.4
9	Italy	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
10	Luxembourg	33.2	32.9	33.6	33.0	37.3	37.9	37.4	37.3	37.9	37.4	24.9	25.5	25.0
11	Netherlands	32.0	31.5	32.1	32.4	35.9	36.5	36.8	35.9	36.5	36.8	23.3	24.0	24.2
12	Portugal	33.6	33.3	34.0	33.4	37.7	38.3	37.8	37.7	38.3	37.8	25.3	25.9	25.4
13	Spain	32.0	31.5	32.2	32.4	35.9	36.5	36.8	35.9	36.5	36.8	23.4	24.0	24.3
14	Sweden	24.0	22.5	23.1	26.3	26.9	27.5	30.6	26.9	27.5	30.6	14.4	15.0	18.2
15	United Kingdom	29.3	28.2	28.8	30.8	32.6	33.2	35.1	32.6	33.2	35.1	20.1	20.7	22.6
16	Mean	30.4	30.0	30.2	31.1	34.3	34.5	35.5	34.3	34.5	35.5	21.9	22.1	23.0
17	Mean (Sharehd	33.7	33.3	33.5	34.4	37.0	37.2	38.0	36.7	36.9	37.8	26.6	26.8	27.6
18	Zero-rate sh.	27.5	27.1	27.3	28.2	30.0	30.2	31.1	30.0	30.2	31.1	21.7	21.9	22.8
19	Top-rate non-qual. sh.	36.0	35.6	35.8	36.6	39.4	39.6	40.4	39.4	39.6	40.4	28.6	28.7	29.5
20	Top-rate qual. sh.	37.7	37.3	37.5	38.3	41.6	41.8	42.6	40.8	41.0	41.8	29.6	29.8	30.6

Table 3: Outbound case.

Cost of capital (%) on Investment from ... to Italy		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance										Retained Earnings	New Equity
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	5.7	5.5	5.5	6.1	5.5	5.5	7.4	5.5	5.5	7.4	5.5	5.5	3.6
2	Belgium	4.8	3.9	4.1	6.6	5.5	5.7	8.2	5.5	5.7	8.2	0.9	1.1	3.6
3	Denmark	4.8	4.2	4.2	5.9	5.5	5.5	7.2	5.5	5.5	7.2	1.9	1.9	3.6
4	Finland	4.8	4.4	4.4	5.6	5.5	5.5	6.7	5.5	5.5	6.7	2.3	2.3	3.6
5	France	4.8	3.9	4.0	6.5	5.5	5.6	8.1	5.5	5.6	8.1	0.9	1.1	3.6
6	Germany	4.8	3.4	3.6	7.5	5.5	5.7	9.6	3.7	3.9	7.8	0.1	0.3	4.2
7	Greece	4.8	3.9	4.0	6.5	5.5	5.6	8.1	5.5	5.6	8.1	0.9	1.1	3.6
8	Ireland	4.8	5.1	5.1	4.3	5.5	5.5	4.7	5.5	5.5	4.7	4.3	4.3	3.6
9	Italy	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
10	Luxembourg	5.3	4.0	5.5	6.3	5.5	5.5	7.8	5.5	5.5	7.8	1.3	5.5	3.6
11	Netherlands	5.7	5.5	5.5	6.1	5.5	5.5	7.5	5.5	5.5	7.5	5.5	5.5	3.6
12	Portugal	4.8	4.0	4.2	6.4	5.5	5.7	7.8	5.5	5.7	7.8	1.2	1.4	3.6
13	Spain	4.8	4.1	4.1	6.1	5.5	5.5	7.5	5.5	5.5	7.5	1.5	1.5	3.6
14	Sweden	4.8	4.4	4.4	5.5	5.5	5.5	6.5	5.5	5.5	6.5	2.5	2.5	3.6
15	United Kingdom	4.8	4.3	4.3	5.8	5.5	5.5	6.9	5.5	5.5	6.9	2.1	2.1	3.6
16	Canada	6.8	5.5	7.4	7.4	5.5	7.4	9.5	5.5	7.4	9.5	5.5	7.4	3.6
17	United States	5.0	4.0	4.6	6.3	5.5	6.1	7.7	5.5	6.1	7.7	1.3	1.9	3.6
16	Mean	5.1	4.4	4.7	6.2	5.5	5.7	7.6	5.4	5.6	7.5	2.4	2.8	3.6
17	Mean (Sharehd	3.9	3.2	3.5	5.0	3.4	3.6	5.5	4.2	4.3	6.2	2.6	3.1	3.8
18	Zero-rate sh.	5.0	4.2	4.6	6.1	5.4	5.6	7.5	4.5	4.8	6.7	2.4	2.8	3.6
19	Top-rate non-qual. sh.	3.4	2.8	3.0	4.5	2.5	2.6	4.5	4.5	4.6	6.5	2.7	3.2	3.9
20	Top-rate qual. sh.	3.3	2.6	2.9	4.4	2.4	2.6	4.4	3.5	3.6	5.5	2.8	3.2	3.9

Table 4: Inbound case.

EATR (%) on Investment from ... to Italy		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	32.4	31.8	31.8	33.5	31.8	31.8	37.5	31.8	31.8	37.5	31.8	31.8	26.1
2	Belgium	30.8	28.0	28.7	35.8	32.7	33.4	40.5	32.7	33.4	40.5	19.3	20.0	27.1
3	Denmark	29.8	28.1	28.1	33.1	31.8	31.8	36.8	31.8	31.8	36.8	21.2	21.2	26.1
4	Finland	29.8	28.6	28.6	32.2	31.8	31.8	35.5	31.8	31.8	35.5	22.5	22.5	26.1
5	France	30.3	27.6	27.9	35.3	32.3	32.6	40.0	32.3	32.6	40.0	18.9	19.3	26.6
6	Germany	22.9	17.9	18.7	31.9	25.0	25.9	39.1	18.9	19.8	33.0	6.4	7.2	20.4
7	Greece	30.2	27.5	27.8	35.2	32.2	32.5	39.9	32.2	32.5	39.9	18.8	19.2	26.6
8	Ireland	29.9	30.7	30.7	28.3	31.8	31.8	29.5	31.8	31.8	29.5	28.5	28.5	26.1
9	Italy	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
10	Luxembourg	31.2	27.5	31.8	34.2	31.8	31.8	38.6	31.8	31.8	38.6	19.3	31.8	26.1
11	Netherlands	32.5	31.8	31.8	33.7	31.8	31.8	37.8	31.8	31.8	37.8	31.8	31.8	26.1
12	Portugal	30.8	28.3	28.9	35.1	32.6	33.3	39.5	32.6	33.3	39.5	20.2	20.8	27.0
13	Spain	29.7	27.8	27.8	33.7	31.8	31.8	37.8	31.8	31.8	37.8	20.2	20.2	26.1
14	Sweden	29.8	28.8	28.8	31.8	31.8	31.8	34.9	31.8	31.8	34.9	23.0	23.0	26.1
15	United Kingdom	29.8	28.3	28.3	32.6	31.8	31.8	36.1	31.8	31.8	36.1	21.8	21.8	26.1
16	Canada	41.6	38.3	43.3	43.1	38.3	43.3	48.3	38.3	43.3	48.3	38.3	43.3	33.5
17	United States	32.5	29.9	31.6	36.2	34.0	35.7	40.2	34.0	35.7	40.2	22.3	24.0	28.6
16	Mean	30.9	28.8	29.7	34.1	32.1	32.7	38.3	31.7	32.3	37.9	22.8	24.1	26.6
17	Mean (Sharehld)	34.7	33.0	33.6	37.6	34.1	34.5	39.4	34.6	35.0	39.9	30.7	31.8	34.1
18	Zero-rate sh.	26.2	23.9	24.8	30.0	27.9	28.6	34.9	24.0	24.6	30.9	17.5	18.9	22.1
19	Top-rate non-qual. sh.	39.7	38.3	38.8	42.1	38.0	38.3	42.3	41.5	41.8	45.9	37.8	38.7	40.7
20	Top-rate qual. sh.	38.3	36.8	37.3	40.7	36.5	36.8	41.0	38.4	38.7	42.9	36.8	37.7	39.6

Table 5: Inbound case.

10 Luxembourg

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	6.5	8.2	6.6	9.2	8.0	7.7
	23.2	39.3	24.6	45.5	37.5	35.1
	32.8	38.2	33.2	41.1	37.5	36.6
New Equity	6.5	8.2	6.6	9.2	8.0	7.7
	23.2	39.3	24.6	45.5	37.5	35.1
	32.8	38.2	33.2	41.1	37.5	36.6
Debt	2.7	4.1	2.9	5.0	3.8	3.7
	-88.3	-21.6	-70.4	0.0	-30.7	-34.9
	20.8	25.3	21.6	28.1	24.4	24.0
Mean	5.2	6.8	5.3	7.7	6.5	6.3
	3.1	26.4	6.4	35.1	23.5	20.7
	28.6	33.7	29.2	36.6	32.9	32.2

Table 1a: Domestic case, only corporate taxes.

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	3.4	4.5	3.5	5.1	4.0	4.1
	63.8	73.1	64.8	76.3	69.3	70.2
	34.3	37.1	34.5	38.6	35.7	36.0
New Equity	3.9	5.1	4.0	5.7	4.6	4.7
	68.9	76.2	69.5	78.8	73.3	73.9
	35.6	38.5	35.8	40.1	37.2	37.4
Debt	3.2	4.4	3.3	5.0	3.8	4.0
	62.4	72.2	63.5	75.6	68.2	69.2
	34.0	36.8	34.2	38.3	35.4	35.7
Mean	3.4	4.5	3.5	5.1	4.0	4.1
	63.9	73.1	64.9	76.3	69.4	70.3
	34.3	37.1	34.5	38.6	35.8	36.1

Table 1b: Domestic case, top-rate qualified shareholder.

Cost of capital (%) on Investment from Luxembourg to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	6.8	6.2	7.5	6.5	7.5	7.5	7.9	7.5	7.5	7.9	3.7	7.5	4.0
2	Belgium	6.9	6.6	8.0	6.3	8.0	8.0	7.7	8.0	8.0	7.7	3.8	8.0	3.5
3	Denmark	6.8	6.2	7.5	6.7	7.5	7.5	8.0	7.5	7.5	8.0	3.9	7.5	4.4
4	Finland	6.6	5.9	7.2	6.8	7.2	7.2	8.1	7.2	7.2	8.1	3.6	7.2	4.5
5	France	8.0	7.6	9.0	7.3	9.0	9.0	8.8	9.0	9.0	8.8	4.9	9.0	4.6
6	Germany	7.3	8.2	7.6	6.1	9.7	7.6	7.6	9.7	7.6	7.6	5.4	7.6	3.2
7	Greece	6.6	6.2	7.6	5.9	7.6	7.6	7.3	7.6	7.6	7.3	3.6	7.6	3.4
8	Ireland	6.0	4.9	5.9	7.0	5.9	5.9	8.0	5.9	5.9	8.0	3.0	5.9	5.2
9	Italy	5.3	4.0	5.5	6.3	5.5	5.5	7.8	5.5	5.5	7.8	1.3	5.5	3.6
10	Luxembourg	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
11	Netherlands	6.9	6.4	7.7	6.6	7.7	7.7	8.0	7.7	7.7	8.0	3.8	7.7	4.1
12	Portugal	6.9	6.5	7.9	6.5	7.9	7.9	7.9	7.9	7.9	7.9	3.8	7.9	3.9
13	Spain	6.9	6.4	7.7	6.6	7.7	7.7	8.0	7.7	7.7	8.0	3.9	7.7	4.1
14	Sweden	6.2	5.5	6.7	6.5	6.7	6.7	7.7	6.7	6.7	7.7	3.3	6.7	4.3
15	United Kingdom	7.0	6.4	7.7	7.1	7.7	7.7	8.4	7.7	7.7	8.4	4.0	7.7	4.8
16	Mean	6.7	6.2	7.4	6.6	7.5	7.4	7.9	7.5	7.4	7.9	3.7	7.4	4.1
17	Mean (Sharehd	5.1	4.6	5.8	5.0	4.8	4.7	5.3	5.6	5.5	6.0	3.8	7.6	4.3
18	Zero-rate sh.	6.7	6.2	7.4	6.6	7.5	7.4	7.9	7.5	7.4	7.9	3.7	7.4	4.1
19	Top-rate non-qual. sh.	4.0	3.5	4.7	3.9	2.9	2.9	3.4	4.6	4.5	5.1	3.9	7.7	4.4
20	Top-rate qual. sh.	4.6	4.0	5.3	4.5	4.0	3.9	4.4	4.6	4.5	5.0	3.9	7.6	4.3

Table 2: Outbound case.

EATR (%) on Investment from Luxembourg to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	31.3	29.4	33.9	30.6	33.9	33.9	35.1	33.9	33.9	35.1	21.1	33.9	22.3
2	Belgium	35.9	34.8	39.1	33.9	39.1	39.1	38.2	39.1	39.1	38.2	26.7	39.1	25.8
3	Denmark	30.1	28.2	32.3	29.9	32.3	32.3	34.1	32.3	32.3	34.1	20.4	32.3	22.1
4	Finland	26.9	24.4	28.8	27.6	28.8	28.8	32.0	28.8	28.8	32.0	16.1	28.8	19.3
5	France	38.9	37.8	42.1	36.9	42.1	42.1	41.3	42.1	42.1	41.3	29.6	42.1	28.8
6	Germany	39.2	41.8	40.1	35.7	46.1	40.1	40.0	46.1	40.1	40.0	33.8	40.1	27.7
7	Greece	31.1	29.9	34.4	29.1	34.4	34.4	33.5	34.4	34.4	33.5	21.7	34.4	20.8
8	Ireland	11.8	7.1	11.7	16.7	11.7	11.7	21.2	11.7	11.7	21.2	-1.3	11.7	8.2
9	Italy	31.2	27.5	31.8	34.2	31.8	31.8	38.6	31.8	31.8	38.6	19.3	31.8	26.1
10	Luxembourg	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
11	Netherlands	32.5	30.7	35.1	31.5	35.1	35.1	36.0	35.1	35.1	36.0	22.4	35.1	23.3
12	Portugal	34.1	32.6	37.0	32.6	37.0	37.0	37.0	37.0	37.0	37.0	24.4	37.0	24.5
13	Spain	32.5	30.7	35.2	31.6	35.2	35.2	36.0	35.2	35.2	36.0	22.5	35.2	23.3
14	Sweden	24.3	21.6	26.0	25.3	26.0	26.0	29.7	26.0	26.0	29.7	13.4	26.0	17.1
15	United Kingdom	29.7	27.3	31.8	29.9	31.8	31.8	34.3	31.8	31.8	34.3	19.1	31.8	21.6
16	Mean	30.7	28.8	32.8	30.4	33.2	32.8	34.8	33.2	32.8	34.8	20.7	32.8	22.2
17	Mean (Sharehld	32.8	31.2	34.7	32.6	32.2	31.9	33.6	34.1	33.8	35.5	28.7	39.2	30.2
18	Zero-rate sh.	30.7	28.8	32.8	30.4	33.2	32.8	34.8	33.2	32.8	34.8	20.7	32.8	22.2
19	Top-rate non-qual. sh.	33.0	31.4	34.7	32.8	30.1	29.9	31.5	34.4	34.3	35.8	32.7	42.4	34.1
20	Top-rate qual. sh.	34.7	33.2	36.4	34.5	33.2	33.0	34.5	34.6	34.4	35.9	32.8	42.5	34.2

Table 3: Outbound case.

Cost of capital (%) on Investment from ... to Luxembourg		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	7.2	7.7	7.7	6.1	7.7	7.7	7.3	7.7	7.7	7.3	7.7	7.7	3.7
2	Belgium	6.4	6.2	6.4	6.6	7.7	7.9	8.1	7.7	7.9	8.1	3.3	3.5	3.7
3	Denmark	6.3	6.5	6.5	5.9	7.7	7.7	7.1	7.7	7.7	7.1	4.3	4.3	3.7
4	Finland	6.3	6.7	6.7	5.7	7.7	7.7	6.7	7.7	7.7	6.7	4.7	4.7	3.7
5	France	6.3	6.2	6.3	6.5	7.7	7.8	8.0	7.7	7.8	8.0	3.4	3.5	3.7
6	Germany	6.4	5.7	6.0	7.4	7.7	7.9	9.4	6.0	6.3	7.7	2.5	2.8	4.3
7	Greece	6.5	6.1	6.6	6.6	7.7	8.2	8.2	7.7	8.2	8.2	3.3	3.7	3.7
8	Ireland	6.4	7.3	7.3	4.4	7.7	7.7	4.8	7.7	7.7	4.8	6.6	6.6	3.7
9	Italy	6.4	6.3	6.5	6.3	7.7	7.9	7.7	7.7	7.9	7.7	3.7	3.9	3.7
10	Luxembourg	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
11	Netherlands	7.2	7.7	7.7	6.1	7.7	7.7	7.4	7.7	7.7	7.4	7.7	7.7	3.7
12	Portugal	6.4	6.3	6.5	6.4	7.7	7.9	7.8	7.7	7.9	7.8	3.6	3.8	3.7
13	Spain	6.3	6.4	6.4	6.1	7.7	7.7	7.4	7.7	7.7	7.4	4.0	4.0	3.7
14	Sweden	6.3	6.7	6.7	5.5	7.7	7.7	6.5	7.7	7.7	6.5	4.9	4.9	3.7
15	United Kingdom	6.3	6.6	6.6	5.8	7.7	7.7	6.9	7.7	7.7	6.9	4.5	4.5	3.7
16	Canada	7.7	7.7	8.3	7.0	7.7	8.3	8.7	7.7	8.3	8.7	7.7	8.3	3.7
17	United States	6.5	6.3	6.9	6.3	7.7	8.3	7.6	7.7	8.3	7.6	3.8	4.3	3.7
16	Mean	6.5	6.7	6.8	6.2	7.7	7.9	7.5	7.6	7.8	7.4	4.7	4.9	3.7
17	Mean (Sharehd	5.5	5.6	5.7	5.1	5.8	6.0	5.6	6.5	6.6	6.3	4.9	5.0	3.9
18	Zero-rate sh.	6.4	6.5	6.6	6.0	7.6	7.7	7.3	6.8	6.9	6.5	4.7	4.9	3.8
19	Top-rate non-qual. sh.	5.1	5.2	5.3	4.7	5.1	5.2	4.8	6.9	7.0	6.6	5.0	5.1	3.9
20	Top-rate qual. sh.	4.9	5.0	5.2	4.5	4.9	5.1	4.7	5.9	6.0	5.6	5.0	5.1	3.9

Table 4: Inbound case.

EATR (%) on Investment from ... to Luxembourg		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	34.9	36.6	36.6	31.4	36.6	36.6	35.4	36.6	36.6	35.4	36.6	36.6	24.0
2	Belgium	33.2	32.6	33.3	33.8	37.3	38.0	38.5	37.3	38.0	38.5	23.9	24.6	25.1
3	Denmark	32.2	32.8	32.8	31.0	36.6	36.6	34.7	36.6	36.6	34.7	25.9	25.9	24.0
4	Finland	32.2	33.3	33.3	30.1	36.6	36.6	33.4	36.6	36.6	33.4	27.2	27.2	24.0
5	France	32.7	32.3	32.6	33.2	36.9	37.3	37.9	36.9	37.3	37.9	23.6	23.9	24.6
6	Germany	25.7	23.4	24.2	29.6	30.5	31.3	36.7	24.4	25.2	30.6	11.8	12.7	18.0
7	Greece	34.4	33.4	34.8	34.8	38.1	39.5	39.5	38.1	39.5	39.5	24.8	26.1	26.1
8	Ireland	32.3	35.4	35.4	26.2	36.6	36.6	27.4	36.6	36.6	27.4	33.2	33.2	24.0
9	Italy	33.2	32.9	33.6	33.0	37.3	37.9	37.4	37.3	37.9	37.4	24.9	25.5	25.0
10	Luxembourg	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
11	Netherlands	34.9	36.6	36.6	31.6	36.6	36.6	35.7	36.6	36.6	35.7	36.6	36.6	24.0
12	Portugal	33.2	32.9	33.5	33.1	37.3	37.9	37.5	37.3	37.9	37.5	24.8	25.4	25.0
13	Spain	32.2	32.5	32.5	31.6	36.6	36.6	35.7	36.6	36.6	35.7	24.9	24.9	24.0
14	Sweden	32.2	33.5	33.5	29.8	36.6	36.6	32.9	36.6	36.6	32.9	27.7	27.7	24.0
15	United Kingdom	32.2	33.1	33.1	30.6	36.6	36.6	34.1	36.6	36.6	34.1	26.5	26.5	24.0
16	Canada	38.3	38.5	40.2	36.3	38.5	40.2	41.5	38.5	40.2	41.5	38.5	40.2	26.6
17	United States	34.9	34.4	36.1	34.2	38.5	40.2	38.3	38.5	40.2	38.3	26.8	28.5	26.6
16	Mean	33.0	33.4	33.9	31.9	36.7	37.2	36.0	36.3	36.8	35.7	27.3	27.8	24.3
17	Mean (Sharehld	36.6	36.8	37.2	35.7	38.1	38.5	37.6	38.5	38.9	38.0	34.3	34.6	31.9
18	Zero-rate sh.	28.5	28.7	29.2	27.4	32.7	33.2	32.2	28.7	29.2	28.2	22.5	23.0	19.7
19	Top-rate non-qual. sh.	41.3	41.6	41.8	40.5	41.6	41.9	41.1	44.9	45.2	44.4	40.6	40.8	38.6
20	Top-rate qual. sh.	39.9	40.2	40.5	39.1	40.1	40.4	39.6	41.9	42.2	41.4	39.8	40.1	37.5

Table 5: Inbound case.

11 Netherlands

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	6.4	8.2	7.2	8.7	8.2	7.7
	21.4	39.0	30.2	42.8	39.2	35.4
	30.7	36.6	33.3	38.4	36.7	35.1
New Equity	6.4	8.2	7.2	8.7	8.2	7.7
	21.4	39.0	30.2	42.8	39.2	35.4
	30.7	36.6	33.3	38.4	36.7	35.1
Debt	2.9	4.5	3.6	5.0	4.5	4.1
	-74.0	-12.0	-38.9	0.0	-11.8	-22.5
	19.3	24.5	21.7	26.3	24.5	23.3
Mean	5.1	6.9	5.9	7.4	6.9	6.5
	2.7	27.4	15.5	32.8	27.6	22.6
	26.7	32.4	29.2	34.2	32.5	31.0

Table 1a: Domestic case, only corporate taxes.

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	1.4	2.2	1.8	2.5	2.0	2.0
	91.4	94.3	93.0	95.1	93.8	93.7
	27.9	29.8	28.8	30.7	29.3	29.3
New Equity	1.7	2.5	2.0	2.8	2.3	2.2
	92.7	95.0	93.9	95.6	94.5	94.5
	28.6	30.5	29.4	31.4	30.0	30.0
Debt	3.8	4.6	4.1	5.0	4.5	4.4
	96.7	97.3	97.0	97.5	97.2	97.2
	33.8	36.1	34.8	37.0	35.6	35.4
Mean	2.3	3.1	2.6	3.4	2.9	2.8
	94.6	96.0	95.3	96.4	95.7	95.7
	30.1	32.1	30.9	32.9	31.6	31.5

Table 1b: Domestic case, top-rate qualified shareholder.

Cost of capital (%) on Investment from Netherlands to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Subsidiary Source of Finance												
		Overall	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt
1	Austria	7.2	7.5	7.5	6.4	7.5	7.5	7.7	7.5	7.5	7.7	7.5	7.5	4.0
2	Belgium	7.4	8.0	8.0	6.1	8.0	8.0	7.4	8.0	8.0	7.4	8.0	8.0	3.5
3	Denmark	7.2	7.5	7.5	6.6	7.5	7.5	7.7	7.5	7.5	7.7	7.5	7.5	4.4
4	Finland	7.0	7.2	7.2	6.7	7.2	7.2	7.8	7.2	7.2	7.8	7.2	7.2	4.5
5	France	8.4	9.0	9.0	7.1	9.0	9.0	8.5	9.0	9.0	8.5	9.0	9.0	4.6
6	Germany	7.7	9.7	7.6	5.9	9.7	7.6	7.3	9.7	7.6	7.3	9.7	7.6	3.2
7	Greece	7.0	7.6	7.6	5.8	7.6	7.6	7.1	7.6	7.6	7.1	7.6	7.6	3.4
8	Ireland	6.3	5.9	5.9	6.9	5.9	5.9	7.9	5.9	5.9	7.9	5.9	5.9	5.2
9	Italy	5.7	5.5	5.5	6.1	5.5	5.5	7.5	5.5	5.5	7.5	5.5	5.5	3.6
10	Luxembourg	7.2	7.7	7.7	6.1	7.7	7.7	7.4	7.7	7.7	7.4	7.7	7.7	3.7
11	Netherlands	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
12	Portugal	7.3	7.9	7.9	6.3	7.9	7.9	7.6	7.9	7.9	7.6	7.9	7.9	3.9
13	Spain	7.3	7.7	7.7	6.5	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	4.1
14	Sweden	6.6	6.7	6.7	6.3	6.7	6.7	7.5	6.7	6.7	7.5	6.7	6.7	4.3
15	United Kingdom	7.4	7.7	7.7	7.0	7.7	7.7	8.1	7.7	7.7	8.1	7.7	7.7	4.8
16	Mean	7.1	7.5	7.4	6.4	7.5	7.4	7.7	7.5	7.4	7.7	7.5	7.4	4.1
17	Mean (Sharehd	4.9	5.3	5.2	4.3	3.7	3.6	3.9	5.8	5.8	6.0	7.7	7.7	4.3
18	Zero-rate sh.	7.1	7.5	7.4	6.4	7.5	7.4	7.7	7.5	7.4	7.7	7.5	7.4	4.1
19	Top-rate non-qual. sh.	4.1	4.5	4.4	3.4	1.7	1.7	1.9	7.8	7.8	8.1	7.8	7.8	4.5
20	Top-rate qual. sh.	3.6	4.0	3.9	2.9	1.9	1.8	2.1	2.2	2.1	2.4	7.8	7.8	4.5

Table 2: Outbound case.

EATR (%) on Investment from Netherlands to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	32.6	33.9	33.9	30.1	33.9	33.9	34.2	33.9	33.9	34.2	33.9	33.9	22.3
2	Belgium	37.2	39.1	39.1	33.3	39.1	39.1	37.4	39.1	39.1	37.4	39.1	39.1	25.8
3	Denmark	31.4	32.3	32.3	29.4	32.3	32.3	33.3	32.3	32.3	33.3	32.3	32.3	22.1
4	Finland	28.2	28.8	28.8	27.0	28.8	28.8	31.2	28.8	28.8	31.2	28.8	28.8	19.3
5	France	40.2	42.1	42.1	36.4	42.1	42.1	40.5	42.1	42.1	40.5	42.1	42.1	28.8
6	Germany	40.5	46.1	40.1	35.2	46.1	40.1	39.2	46.1	40.1	39.2	46.1	40.1	27.7
7	Greece	32.4	34.4	34.4	28.5	34.4	34.4	32.7	34.4	34.4	32.7	34.4	34.4	20.8
8	Ireland	13.2	11.7	11.7	16.1	11.7	11.7	20.4	11.7	11.7	20.4	11.7	11.7	8.2
9	Italy	32.5	31.8	31.8	33.7	31.8	31.8	37.8	31.8	31.8	37.8	31.8	31.8	26.1
10	Luxembourg	34.9	36.6	36.6	31.6	36.6	36.6	35.7	36.6	36.6	35.7	36.6	36.6	24.0
11	Netherlands	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
12	Portugal	35.3	37.0	37.0	32.1	37.0	37.0	36.2	37.0	37.0	36.2	37.0	37.0	24.5
13	Spain	33.8	35.2	35.2	31.0	35.2	35.2	35.2	35.2	35.2	35.2	35.2	35.2	23.3
14	Sweden	25.6	26.0	26.0	24.7	26.0	26.0	28.9	26.0	26.0	28.9	26.0	26.0	17.1
15	United Kingdom	31.0	31.8	31.8	29.3	31.8	31.8	33.5	31.8	31.8	33.5	31.8	31.8	21.6
16	Mean	32.1	33.3	32.9	29.9	33.3	32.9	34.0	33.3	32.9	34.0	33.3	32.9	22.3
17	Mean (Sharehd	39.2	40.1	39.8	37.6	37.0	36.8	37.6	40.0	39.8	40.6	44.9	44.7	36.9
18	Zero-rate sh.	32.1	33.3	32.9	29.9	33.3	32.9	34.0	33.3	32.9	34.0	33.3	32.9	22.3
19	Top-rate non-qual. sh.	53.0	53.4	53.4	52.1	49.7	49.6	50.1	58.1	58.0	58.4	58.1	58.0	53.5
20	Top-rate qual. sh.	32.5	33.4	33.3	30.9	28.0	27.8	28.7	28.7	28.5	29.4	43.2	43.1	34.8

Table 3: Outbound case.

Cost of capital (%) on Investment from ... to Netherlands		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	7.3	7.7	7.7	6.4	7.7	7.7	7.6	7.7	7.7	7.6	7.7	7.7	4.1
2	Belgium	6.5	6.2	6.5	6.9	7.7	7.9	8.4	7.7	7.9	8.4	3.5	3.7	4.1
3	Denmark	6.5	6.6	6.6	6.3	7.7	7.7	7.4	7.7	7.7	7.4	4.4	4.4	4.1
4	Finland	6.5	6.7	6.7	6.0	7.7	7.7	7.0	7.7	7.7	7.0	4.8	4.8	4.1
5	France	6.5	6.3	6.4	6.8	7.7	7.8	8.3	7.7	7.8	8.3	3.5	3.6	4.1
6	Germany	6.5	5.8	6.0	7.7	7.7	8.0	9.7	6.1	6.3	8.0	2.7	2.9	4.6
7	Greece	6.7	6.2	7.0	7.0	7.7	8.6	8.6	7.7	8.6	8.6	3.2	4.1	4.1
8	Ireland	6.5	7.4	7.4	4.8	7.7	7.7	5.1	7.7	7.7	5.1	6.7	6.7	4.1
9	Italy	6.5	6.4	6.6	6.6	7.7	7.9	8.0	7.7	7.9	8.0	3.8	4.0	4.1
10	Luxembourg	6.9	6.4	7.7	6.6	7.7	7.7	8.0	7.7	7.7	8.0	3.8	7.7	4.1
11	Netherlands	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
12	Portugal	6.5	6.3	6.5	6.7	7.7	7.9	8.1	7.7	7.9	8.1	3.8	4.0	4.1
13	Spain	6.5	6.5	6.5	6.5	7.7	7.7	7.7	7.7	7.7	7.7	4.1	4.1	4.1
14	Sweden	6.5	6.8	6.8	5.9	7.7	7.7	6.8	7.7	7.7	6.8	5.0	5.0	4.1
15	United Kingdom	6.5	6.6	6.6	6.1	7.7	7.7	7.2	7.7	7.7	7.2	4.6	4.6	4.1
16	Canada	7.8	7.7	8.3	7.3	7.7	8.3	9.0	7.7	8.3	9.0	7.7	8.3	4.1
17	United States	6.6	6.4	6.9	6.6	7.7	8.3	7.9	7.7	8.3	7.9	3.9	4.4	4.1
16	Mean	6.7	6.6	6.9	6.5	7.7	7.9	7.8	7.6	7.8	7.7	4.6	5.0	4.1
17	Mean (Sharehd	5.6	5.6	5.8	5.4	6.0	6.1	6.0	6.5	6.7	6.5	4.7	5.1	4.2
18	Zero-rate sh.	6.5	6.5	6.7	6.3	7.6	7.8	7.6	6.8	7.0	6.9	4.6	5.0	4.1
19	Top-rate non-qual. sh.	5.2	5.2	5.4	5.0	5.2	5.3	5.2	6.6	6.8	6.7	4.7	5.1	4.2
20	Top-rate qual. sh.	5.1	5.1	5.3	4.9	5.1	5.3	5.1	6.1	6.2	6.1	4.7	5.1	4.3

Table 4: Inbound case.

EATR (%) on Investment from ... to Netherlands		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	33.7	35.1	35.1	30.8	35.1	35.1	34.8	35.1	35.1	34.8	35.1	35.1	23.3
2	Belgium	32.1	31.2	31.9	33.2	35.9	36.6	37.9	35.9	36.6	37.9	22.3	23.0	24.3
3	Denmark	31.0	31.3	31.3	30.3	35.1	35.1	34.1	35.1	35.1	34.1	24.3	24.3	23.3
4	Finland	31.0	31.8	31.8	29.4	35.1	35.1	32.8	35.1	35.1	32.8	25.6	25.6	23.3
5	France	31.5	30.8	31.1	32.6	35.5	35.9	37.4	35.5	35.9	37.4	22.0	22.3	23.8
6	Germany	24.3	21.6	22.4	28.9	28.9	29.7	36.1	22.7	23.5	29.9	9.9	10.7	17.2
7	Greece	35.2	33.5	36.1	36.1	38.2	40.8	40.8	38.2	40.8	40.8	24.6	27.2	27.2
8	Ireland	31.1	34.0	34.0	25.5	35.1	35.1	26.7	35.1	35.1	26.7	31.7	31.7	23.3
9	Italy	32.0	31.5	32.1	32.4	35.9	36.5	36.8	35.9	36.5	36.8	23.3	24.0	24.2
10	Luxembourg	32.5	30.7	35.1	31.5	35.1	35.1	36.0	35.1	35.1	36.0	22.4	35.1	23.3
11	Netherlands	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
12	Portugal	32.0	31.4	32.1	32.5	35.9	36.5	36.9	35.9	36.5	36.9	23.2	23.8	24.2
13	Spain	31.0	31.0	31.0	31.0	35.1	35.1	35.1	35.1	35.1	35.1	23.3	23.3	23.3
14	Sweden	31.0	32.0	32.0	29.1	35.1	35.1	32.2	35.1	35.1	32.2	26.2	26.2	23.3
15	United Kingdom	31.0	31.6	31.6	29.9	35.1	35.1	33.4	35.1	35.1	33.4	25.0	25.0	23.3
16	Canada	37.2	37.1	38.8	35.7	37.1	38.8	41.0	37.1	38.8	41.0	37.1	38.8	25.9
17	United States	33.7	33.0	34.7	33.6	37.1	38.8	37.7	37.1	38.8	37.7	25.3	27.0	25.9
16	Mean	31.9	31.7	32.6	31.4	35.4	35.9	35.6	35.0	35.5	35.2	25.1	26.5	23.7
17	Mean (Sharehld)	35.2	35.0	35.7	34.8	36.6	37.0	36.9	36.9	37.3	37.2	32.0	33.1	30.9
18	Zero-rate sh.	27.2	26.9	27.8	26.8	31.2	31.8	31.7	27.2	27.8	27.7	20.1	21.5	18.9
19	Top-rate non-qual. sh.	39.2	39.1	39.7	38.9	39.3	39.6	39.5	42.4	42.7	42.5	37.9	38.9	36.8
20	Top-rate qual. sh.	39.1	39.0	39.6	38.7	39.3	39.6	39.5	41.1	41.5	41.3	37.9	38.9	36.9

Table 5: Inbound case.

12 Portugal

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	8.1	7.6	6.4	9.2	8.0	7.9
	37.9	34.6	22.3	45.4	37.4	36.3
	37.6	36.3	32.5	41.1	37.4	37.0
New Equity	8.1	7.6	6.4	9.2	8.0	7.9
	37.9	34.6	22.3	45.4	37.4	36.3
	37.6	36.3	32.5	41.1	37.4	37.0
Debt	4.1	3.5	2.8	5.0	3.8	3.9
	-23.4	-41.0	-76.7	0.0	-30.6	-29.8
	25.1	23.5	21.3	28.1	24.4	24.5
Mean	6.7	6.2	5.2	7.7	6.5	6.5
	24.9	19.4	3.3	35.1	23.5	22.5
	33.2	31.8	28.6	36.5	32.8	32.6

Table 1a: Domestic case, only corporate taxes.

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	6.0	5.6	4.7	6.9	5.8	5.8
	39.8	36.0	23.6	48.0	37.4	37.9
	41.9	41.0	38.9	44.1	41.3	41.4
New Equity	8.9	8.6	7.4	10.0	8.8	8.7
	59.5	58.2	50.9	63.8	59.0	58.7
	48.8	48.1	45.1	51.3	48.5	48.4
Debt	4.1	3.7	3.0	5.0	3.8	3.9
	12.6	3.4	-18.5	27.8	5.8	8.6
	37.5	36.5	34.9	39.5	36.8	37.0
Mean	5.6	5.3	4.4	6.6	5.4	5.4
	35.9	31.6	17.9	45.0	33.1	33.8
	41.0	40.2	38.1	43.2	40.4	40.6

Table 1b: Domestic case, top-rate qualified shareholder.

Cost of capital (%) on Investment from Portugal to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	6.4	6.2	6.4	6.6	7.5	7.7	8.0	7.5	7.7	8.0	3.6	3.8	4.0
2	Belgium	6.5	6.5	6.7	6.3	8.0	8.2	7.8	8.0	8.2	7.8	3.8	4.0	3.5
3	Denmark	6.5	6.2	6.4	6.8	7.5	7.6	8.0	7.5	7.6	8.0	3.9	4.1	4.4
4	Finland	6.3	5.9	6.1	6.9	7.2	7.4	8.1	7.2	7.4	8.1	3.6	3.8	4.5
5	France	7.6	7.6	7.8	7.4	9.0	9.3	8.8	9.0	9.3	8.8	4.8	5.0	4.6
6	Germany	6.9	8.2	6.3	6.1	9.7	7.8	7.7	9.7	7.8	7.7	5.3	3.4	3.2
7	Greece	6.2	6.2	6.4	6.0	7.6	7.8	7.4	7.6	7.8	7.4	3.6	3.8	3.4
8	Ireland	5.7	4.9	5.0	7.1	5.9	6.1	8.1	5.9	6.1	8.1	3.0	3.1	5.2
9	Italy	4.8	4.0	4.2	6.4	5.5	5.7	7.8	5.5	5.7	7.8	1.2	1.4	3.6
10	Luxembourg	6.4	6.3	6.5	6.4	7.7	7.9	7.8	7.7	7.9	7.8	3.6	3.8	3.7
11	Netherlands	6.5	6.3	6.5	6.7	7.7	7.9	8.1	7.7	7.9	8.1	3.8	4.0	4.1
12	Portugal	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
13	Spain	6.5	6.4	6.6	6.7	7.7	7.9	8.1	7.7	7.9	8.1	3.8	4.0	4.1
14	Sweden	5.9	5.5	5.6	6.5	6.7	6.9	7.8	6.7	6.9	7.8	3.2	3.4	4.3
15	United Kingdom	6.7	6.4	6.5	7.1	7.7	7.8	8.4	7.7	7.8	8.4	4.0	4.2	4.8
16	Mean	6.3	6.2	6.2	6.6	7.5	7.6	8.0	7.5	7.6	8.0	3.6	3.7	4.1
17	Mean (Sharehd	5.7	5.5	5.6	6.0	6.2	6.3	6.7	8.1	8.2	8.6	3.7	3.8	4.2
18	Zero-rate sh.	6.3	6.2	6.2	6.6	7.5	7.6	8.0	7.5	7.6	8.0	3.6	3.7	4.1
19	Top-rate non-qual. sh.	5.4	5.2	5.3	5.7	5.6	5.6	6.0	8.4	8.4	8.9	3.8	3.8	4.2
20	Top-rate qual. sh.	5.4	5.2	5.3	5.7	5.6	5.6	6.0	8.4	8.4	8.9	3.8	3.8	4.2

Table 2: Outbound case.

EATR (%) on Investment from Portugal to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	30.9	30.2	30.8	31.6	34.7	35.3	36.0	34.7	35.3	36.0	21.9	22.6	23.3
2	Belgium	35.4	35.5	36.1	34.8	39.8	40.4	39.1	39.8	40.4	39.1	27.4	28.0	26.7
3	Denmark	29.8	29.0	29.6	30.9	33.1	33.7	35.0	33.1	33.7	35.0	21.2	21.8	23.1
4	Finland	26.6	25.2	25.9	28.6	29.7	30.3	33.1	29.7	30.3	33.1	17.0	17.6	20.3
5	France	38.4	38.4	39.0	37.8	42.8	43.4	42.1	42.8	43.4	42.1	30.3	30.9	29.7
6	Germany	38.7	42.3	37.1	36.6	46.6	41.4	40.9	46.6	41.4	40.9	34.4	29.1	28.6
7	Greece	30.7	30.7	31.3	30.1	35.1	35.8	34.5	35.1	35.8	34.5	22.4	23.1	21.8
8	Ireland	11.7	8.3	9.0	17.9	12.9	13.5	22.4	12.9	13.5	22.4	-0.1	0.5	9.5
9	Italy	30.8	28.3	28.9	35.1	32.6	33.3	39.5	32.6	33.3	39.5	20.2	20.8	27.0
10	Luxembourg	33.2	32.9	33.5	33.1	37.3	37.9	37.5	37.3	37.9	37.5	24.8	25.4	25.0
11	Netherlands	32.0	31.4	32.1	32.5	35.9	36.5	36.9	35.9	36.5	36.9	23.2	23.8	24.2
12	Portugal	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
13	Spain	32.1	31.5	32.1	32.5	35.9	36.6	37.0	35.9	36.6	37.0	23.3	23.9	24.3
14	Sweden	24.0	22.5	23.1	26.4	26.9	27.5	30.8	26.9	27.5	30.8	14.3	14.9	18.2
15	United Kingdom	29.3	28.2	28.8	30.9	32.6	33.2	35.3	32.6	33.2	35.3	19.9	20.6	22.6
16	Mean	30.2	29.6	29.8	31.3	34.0	34.2	35.7	34.0	34.2	35.7	21.4	21.6	23.2
17	Mean (Sharehd	36.0	35.5	35.6	36.9	37.5	37.6	38.9	42.1	42.3	43.5	30.4	30.5	31.8
18	Zero-rate sh.	30.2	29.6	29.8	31.3	34.0	34.2	35.7	34.0	34.2	35.7	21.4	21.6	23.2
19	Top-rate non-qual. sh.	38.8	38.4	38.5	39.7	39.2	39.4	40.5	46.2	46.3	47.4	34.8	34.9	36.1
20	Top-rate qual. sh.	38.8	38.4	38.5	39.7	39.2	39.4	40.5	46.2	46.3	47.4	34.8	34.9	36.1

Table 3: Outbound case.

Cost of capital (%) on Investment from ... to Portugal		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	7.3	7.9	7.9	6.2	7.9	7.9	7.5	7.9	7.9	7.5	7.9	7.9	3.9
2	Belgium	6.5	6.3	6.5	6.7	7.9	8.1	8.2	7.9	8.1	8.2	3.5	3.7	3.9
3	Denmark	6.5	6.7	6.7	6.1	7.9	7.9	7.3	7.9	7.9	7.3	4.4	4.4	3.9
4	Finland	6.5	6.8	6.8	5.8	7.9	7.9	6.8	7.9	7.9	6.8	4.9	4.9	3.9
5	France	6.5	6.3	6.4	6.7	7.9	8.0	8.2	7.9	8.0	8.2	3.5	3.6	3.9
6	Germany	6.5	5.9	6.1	7.6	7.9	8.1	9.6	6.2	6.4	7.9	2.7	2.9	4.4
7	Greece	6.6	6.3	6.8	6.8	7.9	8.3	8.3	7.9	8.3	8.3	3.4	3.9	3.9
8	Ireland	6.7	7.5	7.5	5.1	7.9	7.9	5.5	7.9	7.9	5.5	6.8	6.8	4.4
9	Italy	6.5	6.4	6.6	6.5	7.9	8.1	7.9	7.9	8.1	7.9	3.8	4.0	3.9
10	Luxembourg	6.9	6.5	7.9	6.5	7.9	7.9	7.9	7.9	7.9	7.9	3.8	7.9	3.9
11	Netherlands	7.3	7.9	7.9	6.3	7.9	7.9	7.6	7.9	7.9	7.6	7.9	7.9	3.9
12	Portugal	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
13	Spain	6.5	6.5	6.5	6.3	7.9	7.9	7.6	7.9	7.9	7.6	4.1	4.1	3.9
14	Sweden	6.5	6.9	6.9	5.7	7.9	7.9	6.7	7.9	7.9	6.7	5.0	5.0	3.9
15	United Kingdom	6.5	6.7	6.7	5.9	7.9	7.9	7.1	7.9	7.9	7.1	4.6	4.6	3.9
16	Canada	9.5	7.9	12.4	8.3	7.9	12.4	10.7	7.9	12.4	10.7	7.9	12.4	3.9
17	United States	7.1	6.3	8.2	6.7	7.9	9.7	8.3	7.9	9.7	8.3	3.4	5.3	3.9
16	Mean	6.9	6.8	7.4	6.4	7.9	8.3	7.8	7.7	8.2	7.7	4.8	5.6	3.9
17	Mean (Sharehd	5.7	5.6	6.1	5.2	5.9	6.3	5.7	6.5	6.9	6.3	5.0	5.7	4.0
18	Zero-rate sh.	6.7	6.6	7.2	6.3	7.7	8.2	7.7	6.9	7.4	6.9	4.9	5.6	3.9
19	Top-rate non-qual. sh.	5.2	5.2	5.6	4.7	5.0	5.3	4.8	6.7	7.1	6.6	5.1	5.7	4.1
20	Top-rate qual. sh.	5.1	5.1	5.5	4.6	4.9	5.3	4.7	5.8	6.1	5.6	5.1	5.7	4.1

Table 4: Inbound case.

EATR (%) on Investment from ... to Portugal		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	35.3	37.0	37.0	31.9	37.0	37.0	35.8	37.0	37.0	35.8	37.0	37.0	24.5
2	Belgium	33.7	33.0	33.7	34.2	37.7	38.4	38.9	37.7	38.4	38.9	24.3	25.0	25.5
3	Denmark	32.6	33.2	33.2	31.4	37.0	37.0	35.2	37.0	37.0	35.2	26.3	26.3	24.5
4	Finland	32.7	33.7	33.7	30.6	37.0	37.0	33.8	37.0	37.0	33.8	27.6	27.6	24.5
5	France	33.1	32.7	33.0	33.7	37.4	37.7	38.4	37.4	37.7	38.4	24.0	24.3	25.0
6	Germany	26.2	23.8	24.7	30.1	31.0	31.8	37.2	24.9	25.7	31.1	12.3	13.1	18.5
7	Greece	34.8	33.9	35.3	35.3	38.6	40.0	40.0	38.6	40.0	40.0	25.2	26.6	26.6
8	Ireland	33.3	35.8	35.8	28.3	37.0	37.0	29.5	37.0	37.0	29.5	33.6	33.6	26.1
9	Italy	33.6	33.3	34.0	33.4	37.7	38.3	37.8	37.7	38.3	37.8	25.3	25.9	25.4
10	Luxembourg	34.1	32.6	37.0	32.6	37.0	37.0	37.0	37.0	37.0	37.0	24.4	37.0	24.5
11	Netherlands	35.3	37.0	37.0	32.1	37.0	37.0	36.2	37.0	37.0	36.2	37.0	37.0	24.5
12	Portugal	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
13	Spain	32.6	32.9	32.9	32.1	37.0	37.0	36.2	37.0	37.0	36.2	25.3	25.3	24.5
14	Sweden	32.7	33.9	33.9	30.2	37.0	37.0	33.3	37.0	37.0	33.3	28.1	28.1	24.5
15	United Kingdom	32.6	33.5	33.5	31.0	37.0	37.0	34.5	37.0	37.0	34.5	26.9	26.9	24.5
16	Canada	52.1	48.4	58.4	49.3	48.4	58.4	54.6	48.4	58.4	54.6	48.4	58.4	39.6
17	United States	40.6	38.6	43.6	39.7	42.7	47.7	43.8	42.7	47.7	43.8	31.0	36.0	32.0
16	Mean	34.7	34.6	36.0	33.5	37.9	39.1	37.6	37.5	38.7	37.2	28.5	30.5	25.9
17	Mean (Sharehld)	37.6	37.6	38.6	36.6	38.8	39.6	38.5	39.0	39.8	38.7	35.2	36.7	33.0
18	Zero-rate sh.	30.1	30.0	31.4	29.0	33.9	35.1	33.8	30.0	31.2	29.9	23.7	25.7	21.2
19	Top-rate non-qual. sh.	42.0	42.0	42.8	41.1	41.9	42.5	41.5	45.1	45.7	44.7	41.3	42.5	39.4
20	Top-rate qual. sh.	40.7	40.7	41.6	39.7	40.6	41.3	40.2	42.1	42.7	41.7	40.5	41.8	38.4

Table 5: Inbound case.

13 Spain

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	7.8	8.0	6.5	8.7	7.7	7.7
	35.5	37.6	23.5	42.8	35.0	35.5
	35.2	36.0	31.2	38.4	35.0	35.2
New Equity	7.8	8.0	6.5	8.7	7.7	7.7
	35.5	37.6	23.5	42.8	35.0	35.5
	35.2	36.0	31.2	38.4	35.0	35.2
Debt	4.1	4.3	3.2	5.0	3.9	4.1
	-20.9	-16.6	-58.0	0.0	-26.8	-21.7
	23.4	23.9	20.3	26.3	22.8	23.3
Mean	6.5	6.7	5.4	7.4	6.4	6.5
	22.9	25.5	6.7	32.8	21.6	22.8
	31.1	31.8	27.4	34.2	30.7	31.0

Table 1a: Domestic case, only corporate taxes.

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	0.0	0.1	-0.3	0.2	-0.8	-0.2
	-1832.0	717.8	-213.8	468.5	-1.7	-442.9
	24.9	25.4	24.4	25.6	23.0	24.7
New Equity	0.2	0.4	0.0	0.5	-0.5	0.1
	470.2	302.9	-5307.9	265.3	-53.8	815.3
	25.6	26.1	25.0	26.3	23.7	25.3
Debt	4.6	4.9	4.0	5.0	3.9	4.5
	118.4	117.3	120.9	116.8	121.3	118.8
	36.4	37.2	35.1	37.5	34.9	36.2
Mean	1.6	1.8	1.3	1.9	0.9	1.5
	152.7	146.2	166.7	143.7	196.6	156.3
	29.0	29.6	28.2	29.9	27.2	28.8

Table 1b: Domestic case, top-rate qualified shareholder.

Cost of capital (%) on Investment from Spain to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Subsidiary Source of Finance												
		Overall	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt
1	Austria	6.3	6.3	6.3	6.4	7.5	7.5	7.7	7.5	7.5	7.7	3.9	3.9	4.0
2	Belgium	6.5	6.6	6.6	6.1	8.0	8.0	7.4	8.0	8.0	7.4	4.1	4.1	3.5
3	Denmark	6.4	6.3	6.3	6.6	7.5	7.5	7.7	7.5	7.5	7.7	4.2	4.2	4.4
4	Finland	6.2	6.0	6.0	6.7	7.2	7.2	7.8	7.2	7.2	7.8	3.9	3.9	4.5
5	France	7.5	7.7	7.7	7.1	9.0	9.0	8.5	9.0	9.0	8.5	5.2	5.2	4.6
6	Germany	6.8	8.3	6.2	5.9	9.7	7.6	7.3	9.7	7.6	7.3	5.7	3.5	3.2
7	Greece	6.1	6.3	6.3	5.8	7.6	7.6	7.1	7.6	7.6	7.1	3.9	3.9	3.4
8	Ireland	5.6	5.0	5.0	6.9	5.9	5.9	7.9	5.9	5.9	7.9	3.2	3.2	5.2
9	Italy	4.8	4.1	4.1	6.1	5.5	5.5	7.5	5.5	5.5	7.5	1.5	1.5	3.6
10	Luxembourg	6.3	6.4	6.4	6.1	7.7	7.7	7.4	7.7	7.7	7.4	4.0	4.0	3.7
11	Netherlands	6.5	6.5	6.5	6.5	7.7	7.7	7.7	7.7	7.7	7.7	4.1	4.1	4.1
12	Portugal	6.5	6.5	6.5	6.3	7.9	7.9	7.6	7.9	7.9	7.6	4.1	4.1	3.9
13	Spain	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
14	Sweden	5.8	5.6	5.6	6.3	6.7	6.7	7.5	6.7	6.7	7.5	3.5	3.5	4.3
15	United Kingdom	6.6	6.5	6.5	7.0	7.7	7.7	8.1	7.7	7.7	8.1	4.3	4.3	4.8
16	Mean	6.3	6.3	6.1	6.4	7.5	7.4	7.7	7.5	7.4	7.7	4.0	3.8	4.1
17	Mean (Sharehd	3.9	3.8	3.7	4.0	3.7	3.6	3.9	3.2	3.1	3.4	4.2	4.1	4.4
18	Zero-rate sh.	6.0	6.0	5.8	6.1	7.5	7.4	7.7	4.6	4.5	4.7	4.0	3.8	4.1
19	Top-rate non-qual. sh.	4.0	4.0	3.9	4.2	3.7	3.6	3.9	4.8	4.7	5.0	4.1	4.1	4.3
20	Top-rate qual. sh.	1.6	1.5	1.5	1.7	-0.1	-0.2	0.1	0.1	0.1	0.4	4.4	4.4	4.7

Table 2: Outbound case.

EATR (%) on Investment from Spain to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	29.8	29.7	29.7	30.1	33.9	33.9	34.2	33.9	33.9	34.2	22.0	22.0	22.3
2	Belgium	34.5	35.1	35.1	33.3	39.1	39.1	37.4	39.1	39.1	37.4	27.5	27.5	25.8
3	Denmark	28.7	28.4	28.4	29.4	32.3	32.3	33.3	32.3	32.3	33.3	21.2	21.2	22.1
4	Finland	25.4	24.6	24.6	27.0	28.8	28.8	31.2	28.8	28.8	31.2	16.9	16.9	19.3
5	France	37.5	38.1	38.1	36.4	42.1	42.1	40.5	42.1	42.1	40.5	30.5	30.5	28.8
6	Germany	37.8	42.1	36.1	35.2	46.1	40.1	39.2	46.1	40.1	39.2	34.6	28.6	27.7
7	Greece	29.6	30.2	30.2	28.5	34.4	34.4	32.7	34.4	34.4	32.7	22.5	22.5	20.8
8	Ireland	10.3	7.4	7.4	16.1	11.7	11.7	20.4	11.7	11.7	20.4	-0.5	-0.5	8.2
9	Italy	29.7	27.8	27.8	33.7	31.8	31.8	37.8	31.8	31.8	37.8	20.2	20.2	26.1
10	Luxembourg	32.2	32.5	32.5	31.6	36.6	36.6	35.7	36.6	36.6	35.7	24.9	24.9	24.0
11	Netherlands	31.0	31.0	31.0	31.0	35.1	35.1	35.1	35.1	35.1	35.1	23.3	23.3	23.3
12	Portugal	32.6	32.9	32.9	32.1	37.0	37.0	36.2	37.0	37.0	36.2	25.3	25.3	24.5
13	Spain	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
14	Sweden	22.8	21.8	21.8	24.7	26.0	26.0	28.9	26.0	26.0	28.9	14.2	14.2	17.1
15	United Kingdom	28.2	27.6	27.6	29.3	31.8	31.8	33.5	31.8	31.8	33.5	20.0	20.0	21.6
16	Mean	29.3	29.2	28.8	29.9	33.3	32.9	34.0	33.3	32.9	34.0	21.6	21.2	22.3
17	Mean (Sharehd	24.3	24.1	23.8	24.9	24.9	24.6	25.7	21.6	21.3	22.3	23.6	23.3	24.4
18	Zero-rate sh.	9.7	9.6	9.0	10.5	16.7	16.1	17.6	3.3	2.7	4.2	0.2	-0.4	1.2
19	Top-rate non-qual. sh.	35.3	35.1	34.9	35.7	34.5	34.3	35.1	37.1	36.9	37.8	35.5	35.3	36.1
20	Top-rate qual. sh.	27.9	27.7	27.6	28.5	23.6	23.5	24.4	24.3	24.2	25.1	35.1	35.0	35.9

Table 3: Outbound case.

Cost of capital (%) on Investment from ... to Spain		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	7.3	7.7	7.7	6.4	7.7	7.7	7.6	7.7	7.7	7.6	7.7	7.7	4.1
2	Belgium	6.5	6.3	6.5	6.9	7.7	8.0	8.4	7.7	8.0	8.4	3.5	3.7	4.1
3	Denmark	6.5	6.6	6.6	6.3	7.7	7.7	7.4	7.7	7.7	7.4	4.4	4.4	4.1
4	Finland	6.5	6.7	6.7	6.0	7.7	7.7	7.0	7.7	7.7	7.0	4.8	4.8	4.1
5	France	6.5	6.3	6.4	6.8	7.7	7.9	8.3	7.7	7.9	8.3	3.5	3.6	4.1
6	Germany	6.5	5.8	6.0	7.7	7.7	8.0	9.7	6.1	6.3	8.0	2.7	2.9	4.6
7	Greece	6.7	6.2	7.0	7.0	7.7	8.6	8.6	7.7	8.6	8.6	3.2	4.1	4.1
8	Ireland	6.5	7.4	7.4	4.8	7.7	7.7	5.1	7.7	7.7	5.1	6.7	6.7	4.1
9	Italy	6.5	6.4	6.6	6.7	7.7	7.9	8.0	7.7	7.9	8.0	3.8	4.0	4.1
10	Luxembourg	6.9	6.4	7.7	6.6	7.7	7.7	8.0	7.7	7.7	8.0	3.9	7.7	4.1
11	Netherlands	7.3	7.7	7.7	6.5	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	4.1
12	Portugal	6.5	6.4	6.6	6.7	7.7	7.9	8.1	7.7	7.9	8.1	3.8	4.0	4.1
13	Spain	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
14	Sweden	6.5	6.8	6.8	5.9	7.7	7.7	6.9	7.7	7.7	6.9	5.0	5.0	4.1
15	United Kingdom	6.5	6.7	6.7	6.1	7.7	7.7	7.2	7.7	7.7	7.2	4.6	4.6	4.1
16	Canada	8.3	7.7	9.6	7.7	7.7	9.6	9.6	7.7	9.6	9.6	7.7	9.6	4.1
17	United States	6.9	6.3	7.5	6.7	7.7	8.9	8.2	7.7	8.9	8.2	3.7	4.9	4.1
16	Mean	6.8	6.7	7.1	6.6	7.7	8.0	7.9	7.6	7.9	7.8	4.8	5.4	4.1
17	Mean (Sharehd	5.7	5.7	6.0	5.5	5.9	6.2	6.0	6.7	6.9	6.7	4.9	5.4	4.2
18	Zero-rate sh.	6.6	6.6	6.9	6.4	7.6	7.9	7.7	7.0	7.3	7.1	4.8	5.4	4.1
19	Top-rate non-qual. sh.	5.2	5.2	5.5	5.0	5.0	5.3	5.1	6.8	7.1	6.9	5.0	5.4	4.2
20	Top-rate qual. sh.	5.3	5.2	5.5	5.0	5.2	5.4	5.3	6.2	6.4	6.2	5.0	5.4	4.2

Table 4: Inbound case.

EATR (%) on Investment from ... to Spain		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	33.7	35.2	35.2	30.8	35.2	35.2	34.8	35.2	35.2	34.8	35.2	35.2	23.3
2	Belgium	32.1	31.2	31.9	33.2	36.0	36.7	38.0	36.0	36.7	38.0	22.4	23.1	24.4
3	Denmark	31.1	31.4	31.4	30.4	35.2	35.2	34.2	35.2	35.2	34.2	24.4	24.4	23.3
4	Finland	31.1	31.9	31.9	29.5	35.2	35.2	32.8	35.2	35.2	32.8	25.7	25.7	23.3
5	France	31.6	30.8	31.2	32.7	35.6	35.9	37.4	35.6	35.9	37.4	22.1	22.4	23.9
6	Germany	24.4	21.7	22.5	28.9	28.9	29.7	36.1	22.7	23.6	30.0	10.0	10.8	17.2
7	Greece	35.2	33.5	36.1	36.1	38.2	40.8	40.8	38.2	40.8	40.8	24.7	27.3	27.3
8	Ireland	31.2	34.0	34.0	25.5	35.2	35.2	26.7	35.2	35.2	26.7	31.8	31.8	23.3
9	Italy	32.0	31.5	32.2	32.4	35.9	36.5	36.8	35.9	36.5	36.8	23.4	24.0	24.3
10	Luxembourg	32.5	30.7	35.2	31.6	35.2	35.2	36.0	35.2	35.2	36.0	22.5	35.2	23.3
11	Netherlands	33.8	35.2	35.2	31.0	35.2	35.2	35.2	35.2	35.2	35.2	35.2	35.2	23.3
12	Portugal	32.1	31.5	32.1	32.5	35.9	36.6	37.0	35.9	36.6	37.0	23.3	23.9	24.3
13	Spain	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
14	Sweden	31.1	32.1	32.1	29.1	35.2	35.2	32.3	35.2	35.2	32.3	26.3	26.3	23.3
15	United Kingdom	31.1	31.6	31.6	29.9	35.2	35.2	33.5	35.2	35.2	33.5	25.0	25.0	23.3
16	Canada	42.8	41.2	46.2	40.9	41.2	46.2	46.2	41.2	46.2	46.2	41.2	46.2	31.1
17	United States	36.5	35.0	38.4	36.2	39.2	42.5	40.3	39.2	42.5	40.3	27.3	30.7	28.5
16	Mean	32.6	32.4	33.6	31.9	35.8	36.7	36.1	35.4	36.3	35.7	26.3	28.0	24.2
17	Mean (Sharehld)	36.5	36.3	37.2	36.0	37.6	38.3	38.0	38.3	39.0	38.7	33.6	34.9	32.0
18	Zero-rate sh.	29.1	28.8	30.0	28.5	32.6	33.5	33.2	29.5	30.4	30.1	22.6	24.3	20.8
19	Top-rate non-qual. sh.	40.6	40.5	41.2	40.1	40.5	41.0	40.6	43.9	44.4	44.1	39.5	40.6	38.2
20	Top-rate qual. sh.	39.7	39.6	40.4	39.2	39.8	40.3	40.0	41.7	42.2	41.8	38.7	39.8	37.1

Table 5: Inbound case.

Spain 2 (Local Profit Tax Rate of 15%)

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	9.1	9.4	7.3	10.6	9.0	9.1
	45.3	46.7	31.6	53.0	44.7	45.1
	45.0	45.7	39.9	49.1	44.8	44.9
New Equity	9.1	9.4	7.3	10.6	9.0	9.1
	45.3	46.7	31.6	53.0	44.7	45.1
	45.0	45.7	39.9	49.1	44.8	44.9
Debt	4.9	5.0	3.5	6.2	4.6	4.9
	-1.4	0.5	-44.2	19.7	-7.8	-2.9
	33.4	33.6	29.3	37.0	32.6	33.2
Mean	7.7	7.9	6.0	9.1	7.5	7.6
	34.8	36.4	16.2	45.0	33.4	34.4
	40.9	41.5	36.2	44.9	40.5	40.8

Table 1a: Domestic case, only corporate taxes.

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	0.2	0.3	-0.1	0.6	-1.0	0.0
	508.9	343.4	-537.2	236.9	13.6	7064.0
	33.0	33.3	32.3	33.8	30.5	32.6
New Equity	0.5	0.7	0.2	0.9	-0.6	0.3
	261.5	225.2	639.7	189.0	-30.7	354.9
	33.6	34.0	32.9	34.5	31.2	33.2
Debt	5.6	5.9	4.8	6.2	4.6	5.4
	115.1	114.3	117.7	113.5	118.1	115.5
	44.4	45.1	42.7	45.8	42.4	44.0
Mean	2.1	2.3	1.6	2.6	1.0	1.9
	139.8	136.2	152.2	132.2	182.1	143.4
	37.0	37.5	36.0	38.1	34.7	36.7

Table 1b: Domestic case, top-rate qualified shareholder.

Cost of capital (%) on Investment from Spain to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Subsidiary Source of Finance												
		Overall	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt
1	Austria	6.7	6.3	6.3	7.4	7.5	7.5	8.7	7.5	7.5	8.7	3.9	3.9	5.0
2	Belgium	6.8	6.6	6.6	7.2	8.0	8.0	8.5	8.0	8.0	8.5	4.1	4.1	4.6
3	Denmark	6.7	6.3	6.3	7.5	7.5	7.5	8.6	7.5	7.5	8.6	4.2	4.2	5.4
4	Finland	6.5	6.0	6.0	7.6	7.2	7.2	8.8	7.2	7.2	8.8	3.9	3.9	5.4
5	France	7.9	7.7	7.7	8.2	9.0	9.0	9.6	9.0	9.0	9.6	5.2	5.2	5.7
6	Germany	7.2	8.3	6.2	7.0	9.7	7.6	8.4	9.7	7.6	8.4	5.7	3.5	4.4
7	Greece	6.5	6.3	6.3	6.8	7.6	7.6	8.1	7.6	7.6	8.1	3.9	3.9	4.4
8	Ireland	5.9	5.0	5.0	7.7	5.9	5.9	8.6	5.9	5.9	8.6	3.2	3.2	5.9
9	Italy	5.1	4.1	4.1	7.2	5.5	5.5	8.6	5.5	5.5	8.6	1.5	1.5	4.7
10	Luxembourg	6.7	6.4	6.4	7.2	7.7	7.7	8.5	7.7	7.7	8.5	4.0	4.0	4.7
11	Netherlands	6.8	6.5	6.5	7.5	7.7	7.7	8.8	7.7	7.7	8.8	4.1	4.1	5.1
12	Portugal	6.8	6.5	6.5	7.3	7.9	7.9	8.6	7.9	7.9	8.6	4.1	4.1	4.9
13	Spain	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
14	Sweden	6.1	5.6	5.6	7.2	6.7	6.7	8.4	6.7	6.7	8.4	3.5	3.5	5.2
15	United Kingdom	6.9	6.5	6.5	7.9	7.7	7.7	9.1	7.7	7.7	9.1	4.3	4.3	5.7
16	Mean	6.6	6.3	6.1	7.4	7.5	7.4	8.7	7.5	7.4	8.7	4.0	3.8	5.1
17	Mean (Sharehd	4.2	3.8	3.7	5.0	3.7	3.6	4.9	3.2	3.1	4.4	4.2	4.1	5.4
18	Zero-rate sh.	6.3	6.0	5.8	7.1	7.5	7.4	8.7	4.6	4.5	5.7	4.0	3.8	5.1
19	Top-rate non-qual. sh.	4.3	4.0	3.9	5.2	3.7	3.6	4.9	4.8	4.7	6.0	4.1	4.1	5.3
20	Top-rate qual. sh.	1.9	1.5	1.5	2.7	-0.1	-0.2	1.1	0.1	0.1	1.4	4.4	4.4	5.7

Table 2: Outbound case.

EATR (%) on Investment from Spain to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	31.0	29.7	29.7	33.4	33.9	33.9	37.6	33.9	33.9	37.6	22.0	22.0	25.6
2	Belgium	35.6	35.1	35.1	36.6	39.1	39.1	40.7	39.1	39.1	40.7	27.5	27.5	29.0
3	Denmark	29.8	28.4	28.4	32.5	32.3	32.3	36.4	32.3	32.3	36.4	21.2	21.2	25.2
4	Finland	26.5	24.6	24.6	30.3	28.8	28.8	34.5	28.8	28.8	34.5	16.9	16.9	22.6
5	France	38.6	38.1	38.1	39.6	42.1	42.1	43.7	42.1	42.1	43.7	30.5	30.5	32.0
6	Germany	38.9	42.1	36.1	38.4	46.1	40.1	42.4	46.1	40.1	42.4	34.6	28.6	30.9
7	Greece	30.7	30.2	30.2	31.8	34.4	34.4	36.0	34.4	34.4	36.0	22.5	22.5	24.1
8	Ireland	11.5	7.4	7.4	19.5	11.7	11.7	23.7	11.7	11.7	23.7	-0.5	-0.5	11.6
9	Italy	30.8	27.8	27.8	37.0	31.8	31.8	41.1	31.8	31.8	41.1	20.2	20.2	29.4
10	Luxembourg	33.3	32.5	32.5	34.9	36.6	36.6	39.0	36.6	36.6	39.0	24.9	24.9	27.3
11	Netherlands	32.1	31.0	31.0	34.3	35.1	35.1	38.4	35.1	35.1	38.4	23.3	23.3	26.6
12	Portugal	33.7	32.9	32.9	35.3	37.0	37.0	39.4	37.0	37.0	39.4	25.3	25.3	27.7
13	Spain	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
14	Sweden	23.9	21.8	21.8	28.0	26.0	26.0	32.1	26.0	26.0	32.1	14.2	14.2	20.4
15	United Kingdom	29.3	27.6	27.6	32.6	31.8	31.8	36.8	31.8	31.8	36.8	20.0	20.0	24.9
16	Mean	30.4	29.2	28.8	33.2	33.3	32.9	37.3	33.3	32.9	37.3	21.6	21.2	25.5
17	Mean (Sharehd	25.4	24.1	23.8	28.1	24.9	24.6	28.9	21.6	21.3	25.5	23.6	23.3	27.6
18	Zero-rate sh.	11.2	9.6	9.0	15.1	16.7	16.1	22.2	3.3	2.7	8.8	0.2	-0.4	5.7
19	Top-rate non-qual. sh.	36.1	35.1	34.9	38.2	34.5	34.3	37.6	37.1	36.9	40.2	35.5	35.3	38.6
20	Top-rate qual. sh.	28.8	27.7	27.6	31.0	23.6	23.5	26.9	24.3	24.2	27.6	35.1	35.0	38.4

Table 3: Outbound case.

Cost of capital (%) on Investment from ... to Spain		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Subsidiary Source of Finance												
		Overall	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt
1	Austria	8.6	9.1	9.1	7.5	9.1	9.1	9.0	9.1	9.1	9.0	9.1	9.1	4.9
2	Belgium	7.7	7.4	7.6	8.1	9.1	9.4	9.8	9.1	9.4	9.8	4.1	4.4	4.9
3	Denmark	7.6	7.7	7.7	7.4	9.1	9.1	8.7	9.1	9.1	8.7	5.2	5.2	4.9
4	Finland	7.6	7.9	7.9	7.1	9.1	9.1	8.3	9.1	9.1	8.3	5.7	5.7	4.9
5	France	7.6	7.4	7.5	8.0	9.1	9.2	9.8	9.1	9.2	9.8	4.2	4.3	4.9
6	Germany	7.7	6.9	7.1	9.1	9.1	9.4	11.3	7.2	7.5	9.4	3.2	3.5	5.5
7	Greece	7.6	7.4	7.4	8.0	9.1	9.1	9.7	9.1	9.1	9.7	4.3	4.3	4.9
8	Ireland	7.7	8.7	8.7	5.6	9.1	9.1	6.1	9.1	9.1	6.1	7.9	7.9	4.9
9	Italy	7.7	7.5	7.7	7.8	9.1	9.3	9.4	9.1	9.3	9.4	4.5	4.8	4.9
10	Luxembourg	8.1	7.5	9.1	7.8	9.1	9.1	9.4	9.1	9.1	9.4	4.6	9.1	4.9
11	Netherlands	8.6	9.1	9.1	7.6	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	4.9
12	Portugal	7.7	7.5	7.7	7.9	9.1	9.3	9.5	9.1	9.3	9.5	4.5	4.7	4.9
13	Spain	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
14	Sweden	7.6	8.0	8.0	6.9	9.1	9.1	8.1	9.1	9.1	8.1	5.9	5.9	4.9
15	United Kingdom	7.6	7.8	7.8	7.2	9.1	9.1	8.5	9.1	9.1	8.5	5.5	5.5	4.9
16	Canada	9.8	9.1	11.2	9.0	9.1	11.2	11.2	9.1	11.2	11.2	9.1	11.2	4.9
17	United States	8.1	7.5	8.8	7.9	9.1	10.5	9.6	9.1	10.5	9.6	4.4	5.7	4.9
16	Mean	8.0	7.9	8.3	7.7	9.1	9.4	9.2	9.0	9.3	9.1	5.7	6.3	4.9
17	Mean (Sharehd	6.7	6.7	7.0	6.4	7.0	7.3	7.1	7.9	8.1	7.9	5.9	6.4	5.0
18	Zero-rate sh.	7.8	7.7	8.1	7.5	8.9	9.2	9.0	8.2	8.5	8.3	5.7	6.3	4.9
19	Top-rate non-qual. sh.	6.2	6.2	6.5	5.9	6.0	6.2	6.0	8.1	8.3	8.1	5.9	6.4	5.0
20	Top-rate qual. sh.	6.2	6.2	6.5	5.9	6.2	6.4	6.2	7.3	7.5	7.4	5.9	6.4	5.0

Table 4: Inbound case.

EATR (%) on Investment from ... to Spain		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	43.5	44.9	44.9	40.6	44.9	44.9	44.6	44.9	44.9	44.6	44.9	44.9	33.2
2	Belgium	41.7	40.8	41.5	42.8	45.5	46.2	47.5	45.5	46.2	47.5	32.0	32.7	34.0
3	Denmark	40.8	41.1	41.1	40.1	44.9	44.9	43.9	44.9	44.9	43.9	34.2	34.2	33.2
4	Finland	40.8	41.6	41.6	39.3	44.9	44.9	42.6	44.9	44.9	42.6	35.5	35.5	33.2
5	France	41.2	40.5	40.8	42.3	45.2	45.5	47.0	45.2	45.5	47.0	31.8	32.1	33.6
6	Germany	35.7	33.0	33.8	40.2	40.2	41.0	47.3	34.0	34.9	41.2	21.4	22.3	28.6
7	Greece	40.8	40.2	40.2	41.9	44.9	44.9	46.6	44.9	44.9	46.6	31.5	31.5	33.2
8	Ireland	40.9	43.7	43.7	35.3	44.9	44.9	36.5	44.9	44.9	36.5	41.6	41.6	33.2
9	Italy	41.6	41.1	41.7	42.0	45.5	46.1	46.3	45.5	46.1	46.3	33.1	33.7	33.9
10	Luxembourg	42.2	40.5	44.9	41.3	44.9	44.9	45.7	44.9	44.9	45.7	32.3	44.9	33.2
11	Netherlands	43.5	44.9	44.9	40.8	44.9	44.9	44.9	44.9	44.9	44.9	44.9	44.9	33.2
12	Portugal	41.6	41.1	41.7	42.1	45.5	46.1	46.5	45.5	46.1	46.5	32.9	33.6	34.0
13	Spain	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
14	Sweden	40.8	41.8	41.8	38.9	44.9	44.9	42.0	44.9	44.9	42.0	36.1	36.1	33.2
15	United Kingdom	40.8	41.4	41.4	39.7	44.9	44.9	43.2	44.9	44.9	43.2	34.8	34.8	33.2
16	Canada	51.0	49.4	54.4	49.2	49.4	54.4	54.4	49.4	54.4	54.4	49.4	54.4	39.4
17	United States	45.3	43.8	47.2	45.0	47.9	51.3	49.1	47.9	51.3	49.1	36.2	39.5	37.4
16	Mean	42.0	41.9	42.9	41.3	45.2	45.9	45.5	44.8	45.5	45.1	35.8	37.3	33.7
17	Mean (Sharehld	44.5	44.4	45.1	44.0	45.7	46.2	46.0	46.4	46.9	46.7	41.7	42.8	40.1
18	Zero-rate sh.	39.2	38.9	39.9	38.6	42.7	43.5	43.3	39.6	40.3	40.1	32.8	34.3	30.9
19	Top-rate non-qual. sh.	47.5	47.4	48.0	47.0	47.4	47.8	47.5	50.8	51.2	50.9	46.5	47.4	45.1
20	Top-rate qual. sh.	46.8	46.7	47.3	46.3	46.9	47.3	47.1	48.8	49.1	48.9	45.8	46.8	44.2

Table 5: Inbound case.

14 Sweden

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	5.8	6.9	5.8	7.5	7.5	6.7
	13.2	27.1	13.7	33.3	33.3	25.1
	22.6	26.6	22.7	29.0	29.0	26.0
New Equity	5.8	6.9	5.8	7.5	7.5	6.7
	13.2	27.1	13.7	33.3	33.3	25.1
	22.6	26.6	22.7	29.0	29.0	26.0
Debt	3.5	4.4	3.5	5.0	5.0	4.3
	-44.3	-14.0	-43.0	0.0	0.0	-17.1
	14.1	17.5	14.2	19.8	19.8	17.1
Mean	5.0	6.0	5.0	6.6	6.6	5.8
	-0.9	16.6	-0.2	24.5	24.5	14.3
	19.6	23.4	19.7	25.7	25.7	22.9

Table 1a: Domestic case, only corporate taxes.

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	4.8	5.7	4.8	6.3	6.3	5.6
	70.5	75.4	70.6	77.6	77.6	74.8
	35.5	37.9	35.5	39.4	39.4	37.6
New Equity	5.9	6.9	5.9	7.5	7.5	6.7
	75.9	79.6	76.0	81.2	81.2	79.0
	38.3	41.0	38.3	42.5	42.5	40.5
Debt	3.6	4.4	3.6	5.0	5.0	4.3
	60.5	68.1	60.8	71.8	71.8	67.3
	32.3	34.5	32.4	36.0	36.0	34.3
Mean	4.5	5.4	4.5	6.0	6.0	5.3
	68.4	73.8	68.6	76.4	76.4	73.2
	34.6	37.0	34.7	38.6	38.6	36.7

Table 1b: Domestic case, top-rate qualified shareholder.

Cost of capital (%) on Investment from Sweden to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	6.3	6.6	6.6	5.8	7.5	7.5	6.8	7.5	7.5	6.8	4.8	4.8	4.0
2	Belgium	6.5	7.0	7.0	5.5	8.0	8.0	6.5	8.0	8.0	6.5	5.1	5.1	3.5
3	Denmark	6.4	6.6	6.6	6.1	7.5	7.5	6.9	7.5	7.5	6.9	5.0	5.0	4.4
4	Finland	6.2	6.3	6.3	6.1	7.2	7.2	7.0	7.2	7.2	7.0	4.7	4.7	4.5
5	France	7.5	8.0	8.0	6.5	9.0	9.0	7.5	9.0	9.0	7.5	6.1	6.1	4.6
6	Germany	6.8	8.7	6.5	5.2	9.7	7.6	6.3	9.7	7.6	6.3	6.7	4.5	3.2
7	Greece	6.1	6.6	6.6	5.2	7.6	7.6	6.2	7.6	7.6	6.2	4.8	4.8	3.4
8	Ireland	5.6	5.2	5.2	6.5	5.9	5.9	7.2	5.9	5.9	7.2	3.9	3.9	5.2
9	Italy	4.8	4.4	4.4	5.5	5.5	5.5	6.5	5.5	5.5	6.5	2.5	2.5	3.6
10	Luxembourg	6.3	6.7	6.7	5.5	7.7	7.7	6.5	7.7	7.7	6.5	4.9	4.9	3.7
11	Netherlands	6.5	6.8	6.8	5.9	7.7	7.7	6.8	7.7	7.7	6.8	5.0	5.0	4.1
12	Portugal	6.5	6.9	6.9	5.7	7.9	7.9	6.7	7.9	7.9	6.7	5.0	5.0	3.9
13	Spain	6.5	6.8	6.8	5.9	7.7	7.7	6.9	7.7	7.7	6.9	5.0	5.0	4.1
14	Sweden	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
15	United Kingdom	6.6	6.8	6.8	6.4	7.7	7.7	7.3	7.7	7.7	7.3	5.1	5.1	4.8
16	Mean	6.3	6.7	6.5	5.8	7.6	7.5	6.8	7.6	7.5	6.8	4.9	4.7	4.1
17	Mean (Sharehd	5.7	6.0	5.9	5.2	6.4	6.2	5.6	7.7	7.5	6.9	4.9	4.8	4.1
18	Zero-rate sh.	5.7	6.0	5.9	5.2	6.4	6.2	5.6	7.7	7.5	6.9	4.9	4.8	4.1
19	Top-rate non-qual. sh.	5.7	6.0	5.9	5.2	6.4	6.2	5.6	7.7	7.5	6.9	4.9	4.8	4.1
20	Top-rate qual. sh.	5.7	6.0	5.9	5.2	6.4	6.2	5.6	7.7	7.5	6.9	4.9	4.8	4.1

Table 2: Outbound case.

EATR (%) on Investment from Sweden to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	29.9	30.8	30.8	28.2	33.9	33.9	31.3	33.9	33.9	31.3	24.9	24.9	22.3
2	Belgium	34.5	36.1	36.1	31.5	39.1	39.1	34.5	39.1	39.1	34.5	30.4	30.4	25.8
3	Denmark	28.8	29.4	29.4	27.6	32.3	32.3	30.5	32.3	32.3	30.5	23.9	23.9	22.1
4	Finland	25.5	25.7	25.7	25.1	28.8	28.8	28.3	28.8	28.8	28.3	19.8	19.8	19.3
5	France	37.5	39.1	39.1	34.5	42.1	42.1	37.6	42.1	42.1	37.6	33.3	33.3	28.8
6	Germany	37.8	43.1	37.1	33.4	46.1	40.1	36.4	46.1	40.1	36.4	37.4	31.4	27.7
7	Greece	29.7	31.2	31.2	26.6	34.4	34.4	29.7	34.4	34.4	29.7	25.4	25.4	20.8
8	Ireland	10.4	8.5	8.5	14.2	11.7	11.7	17.4	11.7	11.7	17.4	2.5	2.5	8.2
9	Italy	29.8	28.8	28.8	31.8	31.8	31.8	34.9	31.8	31.8	34.9	23.0	23.0	26.1
10	Luxembourg	32.2	33.5	33.5	29.8	36.6	36.6	32.9	36.6	36.6	32.9	27.7	27.7	24.0
11	Netherlands	31.0	32.0	32.0	29.1	35.1	35.1	32.2	35.1	35.1	32.2	26.2	26.2	23.3
12	Portugal	32.7	33.9	33.9	30.2	37.0	37.0	33.3	37.0	37.0	33.3	28.1	28.1	24.5
13	Spain	31.1	32.1	32.1	29.1	35.2	35.2	32.3	35.2	35.2	32.3	26.3	26.3	23.3
14	Sweden	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
15	United Kingdom	28.3	28.7	28.7	27.4	31.8	31.8	30.6	31.8	31.8	30.6	22.9	22.9	21.6
16	Mean	29.9	30.9	30.5	28.5	34.0	33.6	31.6	34.0	33.6	31.6	25.1	24.7	22.7
17	Mean (Sharehd	41.7	42.4	42.1	40.7	43.2	43.0	41.5	46.2	45.9	44.5	39.9	39.7	38.2
18	Zero-rate sh.	41.7	42.4	42.1	40.7	43.2	43.0	41.5	46.2	45.9	44.5	39.9	39.7	38.2
19	Top-rate non-qual. sh.	41.7	42.4	42.1	40.7	43.2	43.0	41.5	46.2	45.9	44.5	39.9	39.7	38.2
20	Top-rate qual. sh.	41.7	42.4	42.1	40.7	43.2	43.0	41.5	46.2	45.9	44.5	39.9	39.7	38.2

Table 3: Outbound case.

Cost of capital (%) on Investment from ... to Sweden		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	6.5	6.7	6.7	6.3	6.7	6.7	7.4	6.7	6.7	7.4	6.7	6.7	4.3
2	Belgium	5.9	5.4	5.6	6.7	6.7	6.9	8.0	6.7	6.9	8.0	2.9	3.1	4.3
3	Denmark	5.8	5.7	5.7	6.2	6.7	6.7	7.2	6.7	6.7	7.2	3.8	3.8	4.3
4	Finland	5.8	5.8	5.8	5.9	6.7	6.7	6.8	6.7	6.7	6.8	4.1	4.1	4.3
5	France	5.8	5.4	5.5	6.7	6.7	6.8	8.0	6.7	6.8	8.0	3.0	3.1	4.3
6	Germany	5.9	5.0	5.2	7.5	6.7	6.9	9.2	5.2	5.4	7.7	2.3	2.5	4.7
7	Greece	6.5	5.1	7.2	7.2	6.7	8.8	8.8	6.7	8.8	8.8	2.2	4.3	4.3
8	Ireland	5.9	6.4	6.4	4.9	6.7	6.7	5.2	6.7	6.7	5.2	5.8	5.8	4.3
9	Italy	5.9	5.5	5.6	6.5	6.7	6.9	7.7	6.7	6.9	7.7	3.2	3.4	4.3
10	Luxembourg	6.2	5.5	6.7	6.5	6.7	6.7	7.7	6.7	6.7	7.7	3.3	6.7	4.3
11	Netherlands	6.6	6.7	6.7	6.3	6.7	6.7	7.5	6.7	6.7	7.5	6.7	6.7	4.3
12	Portugal	5.9	5.5	5.6	6.5	6.7	6.9	7.8	6.7	6.9	7.8	3.2	3.4	4.3
13	Spain	5.8	5.6	5.6	6.3	6.7	6.7	7.5	6.7	6.7	7.5	3.5	3.5	4.3
14	Sweden	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
15	United Kingdom	6.0	5.7	6.1	6.1	6.7	7.2	7.2	6.7	7.2	7.2	3.8	4.3	4.3
16	Canada	7.0	6.7	7.2	7.1	6.7	7.2	8.6	6.7	7.2	8.6	6.7	7.2	4.3
17	United States	6.2	5.4	6.6	6.6	6.7	7.9	7.9	6.7	7.9	7.9	3.1	4.3	4.3
16	Mean	6.1	5.7	6.1	6.5	6.7	7.0	7.6	6.6	6.9	7.5	4.0	4.5	4.3
17	Mean (Sharehd	5.1	4.7	5.1	5.4	5.0	5.2	5.9	5.5	5.8	6.4	4.1	4.6	4.4
18	Zero-rate sh.	6.0	5.6	6.0	6.3	6.6	6.9	7.6	5.9	6.2	6.8	4.0	4.5	4.3
19	Top-rate non-qual. sh.	4.7	4.3	4.7	5.0	4.2	4.4	5.1	5.8	6.0	6.6	4.2	4.7	4.4
20	Top-rate qual. sh.	4.6	4.2	4.6	4.9	4.1	4.4	5.0	4.9	5.2	5.8	4.2	4.7	4.4

Table 4: Inbound case.

EATR (%) on Investment from ... to Sweden		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	25.5	26.0	26.0	24.5	26.0	26.0	28.5	26.0	26.0	28.5	26.0	26.0	17.1
2	Belgium	24.0	22.2	22.9	27.0	26.9	27.6	31.8	26.9	27.6	31.8	13.4	14.1	18.3
3	Denmark	22.8	22.2	22.2	24.1	26.0	26.0	27.9	26.0	26.0	27.9	15.2	15.2	17.1
4	Finland	22.8	22.7	22.7	23.2	26.0	26.0	26.5	26.0	26.0	26.5	16.5	16.5	17.1
5	France	23.4	21.7	22.1	26.4	26.5	26.8	31.1	26.5	26.8	31.1	13.0	13.3	17.7
6	Germany	14.8	11.0	11.9	21.6	18.2	19.1	28.8	12.1	12.9	22.7	-0.6	0.3	10.0
7	Greece	34.5	30.3	36.6	36.6	35.0	41.3	41.3	35.0	41.3	41.3	21.6	27.8	27.8
8	Ireland	22.9	24.8	24.8	19.3	26.0	26.0	20.5	26.0	26.0	20.5	22.6	22.6	17.1
9	Italy	24.0	22.5	23.1	26.3	26.9	27.5	30.6	26.9	27.5	30.6	14.4	15.0	18.2
10	Luxembourg	24.3	21.6	26.0	25.3	26.0	26.0	29.7	26.0	26.0	29.7	13.4	26.0	17.1
11	Netherlands	25.6	26.0	26.0	24.7	26.0	26.0	28.9	26.0	26.0	28.9	26.0	26.0	17.1
12	Portugal	24.0	22.5	23.1	26.4	26.9	27.5	30.8	26.9	27.5	30.8	14.3	14.9	18.2
13	Spain	22.8	21.8	21.8	24.7	26.0	26.0	28.9	26.0	26.0	28.9	14.2	14.2	17.1
14	Sweden	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
15	United Kingdom	26.0	24.8	26.5	26.5	28.4	30.0	30.0	28.4	30.0	30.0	18.3	19.9	19.9
16	Canada	29.4	28.4	30.1	29.7	28.4	30.1	35.0	28.4	30.1	35.0	28.4	30.1	20.0
17	United States	30.2	27.6	31.5	31.5	31.7	35.7	35.7	31.7	35.7	35.7	19.9	23.9	23.9
16	Mean	24.8	23.5	24.8	26.1	26.9	28.0	30.4	26.5	27.6	30.0	17.3	19.1	18.3
17	Mean (Sharehld)	28.8	27.7	28.7	30.0	29.0	29.8	32.0	29.4	30.1	32.3	25.2	26.6	26.2
18	Zero-rate sh.	18.5	17.0	18.3	20.1	21.2	22.3	25.1	17.0	18.1	21.0	10.4	12.2	11.9
19	Top-rate non-qual. sh.	34.8	33.8	34.7	35.7	33.7	34.4	36.2	37.1	37.8	39.5	33.1	34.3	34.0
20	Top-rate qual. sh.	33.2	32.3	33.2	34.2	32.2	32.9	34.7	33.9	34.6	36.4	32.0	33.3	32.8

Table 5: Inbound case.

15 United Kingdom

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	6.4	9.2	6.6	8.0	8.0	7.7
	22.4	45.9	24.2	37.4	37.4	34.6
	27.6	37.3	28.1	32.9	32.9	31.8
New Equity	6.4	9.2	6.6	8.0	8.0	7.7
	22.4	45.9	24.2	37.4	37.4	34.6
	27.6	37.3	28.1	32.9	32.9	31.8
Debt	3.7	6.2	3.8	5.0	5.0	4.8
	-35.6	19.9	-30.2	0.0	0.0	-5.2
	17.9	26.9	18.4	22.5	22.5	21.6
Mean	5.5	8.2	5.6	6.9	6.9	6.6
	8.8	39.0	11.3	27.9	27.9	24.7
	24.2	33.7	24.7	29.3	29.3	28.2

Table 1a: Domestic case, only corporate taxes.

Cost of capital EMTR EATR (%)	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventorie s	Mean
Retained Earnings	4.2	6.7	4.3	5.4	5.4	5.2
	47.2	67.1	48.7	58.7	58.7	57.4
	32.8	39.6	33.1	35.9	35.9	35.5
New Equity	4.8	7.4	4.9	6.0	6.0	5.8
	53.6	69.9	54.8	63.0	63.0	61.9
	34.3	41.3	34.7	37.6	37.6	37.1
Debt	3.9	6.4	4.0	5.0	5.0	4.8
	42.6	65.2	44.3	55.7	55.7	54.2
	31.9	38.6	32.2	34.9	34.9	34.5
Mean	4.1	6.7	4.3	5.3	5.3	5.1
	46.5	66.8	48.0	58.2	58.2	56.9
	32.6	39.4	32.9	35.7	35.7	35.3

Table 1b: Domestic case, top-rate qualified shareholder.

Cost of capital (%) on Investment from United Kingdom to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	6.3	6.5	6.5	6.0	7.5	7.5	7.1	7.5	7.5	7.1	4.4	4.4	4.0
2	Belgium	6.5	6.8	6.8	5.7	8.0	8.0	6.9	8.0	8.0	6.9	4.7	4.7	3.5
3	Denmark	6.4	6.5	6.5	6.3	7.5	7.5	7.3	7.5	7.5	7.3	4.6	4.6	4.4
4	Finland	6.3	6.2	6.4	6.4	7.2	7.4	7.4	7.2	7.4	7.4	4.3	4.5	4.5
5	France	7.5	7.9	7.9	6.8	9.0	9.0	7.9	9.0	9.0	7.9	5.7	5.7	4.6
6	Germany	6.8	8.5	6.4	5.5	9.7	7.6	6.7	9.7	7.6	6.7	6.2	4.1	3.2
7	Greece	6.2	6.5	6.8	5.5	7.6	8.0	6.6	7.6	8.0	6.6	4.3	4.7	3.4
8	Ireland	6.4	4.9	7.1	7.1	5.9	8.1	8.1	5.9	8.1	8.1	3.0	5.2	5.2
9	Italy	4.8	4.3	4.3	5.8	5.5	5.5	6.9	5.5	5.5	6.9	2.1	2.1	3.6
10	Luxembourg	6.3	6.6	6.6	5.8	7.7	7.7	6.9	7.7	7.7	6.9	4.5	4.5	3.7
11	Netherlands	6.5	6.6	6.6	6.1	7.7	7.7	7.2	7.7	7.7	7.2	4.6	4.6	4.1
12	Portugal	6.5	6.7	6.7	5.9	7.9	7.9	7.1	7.9	7.9	7.1	4.6	4.6	3.9
13	Spain	6.5	6.7	6.7	6.1	7.7	7.7	7.2	7.7	7.7	7.2	4.6	4.6	4.1
14	Sweden	6.0	5.7	6.1	6.1	6.7	7.2	7.2	6.7	7.2	7.2	3.8	4.3	4.3
15	United Kingdom	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
16	Mean	6.4	6.4	6.5	6.1	7.5	7.6	7.2	7.5	7.6	7.2	4.4	4.5	4.0
17	Mean (Sharehd	5.4	5.5	5.6	5.1	6.0	6.1	5.6	6.3	6.3	5.9	4.5	4.6	4.1
18	Zero-rate sh.	6.4	6.4	6.5	6.1	7.5	7.6	7.2	7.5	7.6	7.2	4.4	4.5	4.0
19	Top-rate non-qual. sh.	5.1	5.2	5.2	4.8	5.5	5.6	5.1	5.6	5.6	5.2	4.5	4.6	4.2
20	Top-rate qual. sh.	4.8	4.9	4.9	4.5	5.0	5.0	4.6	5.6	5.7	5.2	4.6	4.6	4.2

Table 2: Outbound case.

EATR (%) on Investment from United Kingdom to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	29.9	30.3	30.3	29.0	33.9	33.9	32.5	33.9	33.9	32.5	23.7	23.7	22.3
2	Belgium	34.5	35.6	35.6	32.3	39.1	39.1	35.7	39.1	39.1	35.7	29.2	29.2	25.8
3	Denmark	28.8	29.0	29.0	28.3	32.3	32.3	31.7	32.3	32.3	31.7	22.8	22.8	22.1
4	Finland	27.2	26.5	27.5	27.5	30.1	31.0	31.0	30.1	31.0	31.0	19.9	20.8	20.8
5	France	37.5	38.6	38.6	35.3	42.1	42.1	38.8	42.1	42.1	38.8	32.1	32.1	28.8
6	Germany	37.8	42.7	36.7	34.1	46.1	40.1	37.6	46.1	40.1	37.6	36.3	30.3	27.7
7	Greece	32.3	32.9	34.1	30.0	36.4	37.7	33.5	36.4	37.7	33.5	26.3	27.5	23.4
8	Ireland	27.3	22.1	29.8	29.8	25.8	33.5	33.5	25.8	33.5	33.5	15.3	23.1	23.1
9	Italy	29.8	28.3	28.3	32.6	31.8	31.8	36.1	31.8	31.8	36.1	21.8	21.8	26.1
10	Luxembourg	32.2	33.1	33.1	30.6	36.6	36.6	34.1	36.6	36.6	34.1	26.5	26.5	24.0
11	Netherlands	31.0	31.6	31.6	29.9	35.1	35.1	33.4	35.1	35.1	33.4	25.0	25.0	23.3
12	Portugal	32.6	33.5	33.5	31.0	37.0	37.0	34.5	37.0	37.0	34.5	26.9	26.9	24.5
13	Spain	31.1	31.6	31.6	29.9	35.2	35.2	33.5	35.2	35.2	33.5	25.0	25.0	23.3
14	Sweden	26.0	24.8	26.5	26.5	28.4	30.0	30.0	28.4	30.0	30.0	18.3	19.9	19.9
15	United Kingdom	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
16	Mean	31.3	31.5	31.9	30.5	35.0	35.4	34.0	35.0	35.4	34.0	24.9	25.3	23.9
17	Mean (Sharehd	35.9	36.1	36.4	35.2	37.6	37.9	36.7	38.2	38.5	37.3	33.1	33.4	32.3
18	Zero-rate sh.	31.3	31.5	31.9	30.5	35.0	35.4	34.0	35.0	35.4	34.0	24.9	25.3	23.9
19	Top-rate non-qual. sh.	38.6	38.8	39.0	38.0	39.6	39.8	38.8	39.8	40.1	39.0	37.3	37.5	36.4
20	Top-rate qual. sh.	37.8	38.0	38.2	37.2	38.2	38.4	37.3	39.8	40.0	38.9	37.2	37.4	36.4

Table 3: Outbound case.

Cost of capital (%) on Investment from ... to United Kingdom		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	7.4	7.7	7.7	6.9	7.7	7.7	8.0	7.7	7.7	8.0	7.7	7.7	4.8
2	Belgium	6.7	6.3	6.5	7.3	7.7	7.8	8.7	7.7	7.8	8.7	3.7	3.9	4.8
3	Denmark	6.6	6.6	6.6	6.8	7.7	7.7	7.8	7.7	7.7	7.8	4.6	4.6	4.8
4	Finland	6.6	6.7	6.7	6.5	7.7	7.7	7.5	7.7	7.7	7.5	4.9	4.9	4.8
5	France	6.7	6.3	6.4	7.3	7.7	7.7	8.7	7.7	7.7	8.7	3.8	3.8	4.8
6	Germany	6.7	5.9	6.1	8.1	7.7	7.9	9.9	6.1	6.3	8.4	3.0	3.2	5.3
7	Greece	7.1	6.1	7.7	7.7	7.7	9.3	9.3	7.7	9.3	9.3	3.1	4.8	4.8
8	Ireland	6.7	7.3	7.3	5.4	7.7	7.7	5.7	7.7	7.7	5.7	6.7	6.7	4.8
9	Italy	6.7	6.4	6.6	7.1	7.7	7.8	8.4	7.7	7.8	8.4	4.0	4.2	4.8
10	Luxembourg	7.0	6.4	7.7	7.1	7.7	7.7	8.4	7.7	7.7	8.4	4.0	7.7	4.8
11	Netherlands	7.4	7.7	7.7	7.0	7.7	7.7	8.1	7.7	7.7	8.1	7.7	7.7	4.8
12	Portugal	6.7	6.4	6.5	7.1	7.7	7.8	8.4	7.7	7.8	8.4	4.0	4.2	4.8
13	Spain	6.6	6.5	6.5	7.0	7.7	7.7	8.1	7.7	7.7	8.1	4.3	4.3	4.8
14	Sweden	6.6	6.8	6.8	6.4	7.7	7.7	7.3	7.7	7.7	7.3	5.1	5.1	4.8
15	United Kingdom	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
16	Canada	7.6	7.7	7.7	7.6	7.7	7.7	9.1	7.7	7.7	9.1	7.7	7.7	4.8
17	United States	6.9	6.4	7.1	7.1	7.7	8.4	8.4	7.7	8.4	8.4	4.0	4.8	4.8
16	Mean	6.9	6.7	7.0	7.0	7.7	7.9	8.2	7.6	7.8	8.1	4.9	5.3	4.8
17	Mean (Sharehd	5.8	5.6	5.9	5.9	5.8	6.0	6.4	6.5	6.6	7.0	5.0	5.4	4.9
18	Zero-rate sh.	6.7	6.5	6.8	6.9	7.5	7.7	8.1	6.8	7.0	7.4	4.9	5.3	4.8
19	Top-rate non-qual. sh.	5.4	5.2	5.4	5.5	5.0	5.2	5.6	6.7	6.9	7.3	5.0	5.4	4.9
20	Top-rate qual. sh.	5.3	5.1	5.3	5.4	5.0	5.2	5.6	5.9	6.0	6.4	5.0	5.4	4.9

Table 4: Inbound case.

EATR (%) on Investment from ... to United Kingdom		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	30.9	31.8	31.8	29.1	31.8	31.8	33.1	31.8	31.8	33.1	31.8	31.8	21.6
2	Belgium	29.3	27.9	28.6	31.5	32.6	33.3	36.3	32.6	33.3	36.3	19.1	19.8	22.7
3	Denmark	28.2	28.0	28.0	28.7	31.8	31.8	32.5	31.8	31.8	32.5	21.0	21.0	21.6
4	Finland	28.2	28.5	28.5	27.8	31.8	31.8	31.1	31.8	31.8	31.1	22.3	22.3	21.6
5	France	28.8	27.5	27.8	31.0	32.2	32.5	35.7	32.2	32.5	35.7	18.7	19.0	22.2
6	Germany	21.1	17.7	18.6	26.9	25.0	25.8	34.2	18.8	19.6	28.0	6.1	6.9	15.3
7	Greece	36.4	33.2	38.0	38.0	38.0	42.8	42.8	38.0	42.8	42.8	24.4	29.3	29.3
8	Ireland	28.3	30.6	30.6	23.8	31.8	31.8	25.0	31.8	31.8	25.0	28.4	28.4	21.6
9	Italy	29.3	28.2	28.8	30.8	32.6	33.2	35.1	32.6	33.2	35.1	20.1	20.7	22.6
10	Luxembourg	29.7	27.3	31.8	29.9	31.8	31.8	34.3	31.8	31.8	34.3	19.1	31.8	21.6
11	Netherlands	31.0	31.8	31.8	29.3	31.8	31.8	33.5	31.8	31.8	33.5	31.8	31.8	21.6
12	Portugal	29.3	28.2	28.8	30.9	32.6	33.2	35.3	32.6	33.2	35.3	19.9	20.6	22.6
13	Spain	28.2	27.6	27.6	29.3	31.8	31.8	33.5	31.8	31.8	33.5	20.0	20.0	21.6
14	Sweden	28.3	28.7	28.7	27.4	31.8	31.8	30.6	31.8	31.8	30.6	22.9	22.9	21.6
15	United Kingdom	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.	./.
16	Canada	31.7	31.8	31.8	31.4	31.8	31.8	36.7	31.8	31.8	36.7	31.8	31.8	21.6
17	United States	32.3	30.7	33.1	33.1	34.9	37.3	37.3	34.9	37.3	37.3	23.0	25.5	25.5
16	Mean	29.4	28.7	29.6	29.9	32.1	32.8	34.2	31.7	32.4	33.8	22.5	24.0	22.2
17	Mean (Sharehld)	33.2	32.6	33.3	33.7	33.9	34.4	35.7	34.3	34.8	36.1	30.0	31.2	30.0
18	Zero-rate sh.	24.5	23.6	24.5	25.2	27.6	28.3	30.1	23.7	24.3	26.1	17.2	18.7	17.3
19	Top-rate non-qual. sh.	38.3	37.7	38.4	38.7	37.6	38.1	39.1	41.2	41.6	42.7	36.9	37.9	36.9
20	Top-rate qual. sh.	36.9	36.4	37.0	37.3	36.3	36.8	37.8	38.1	38.5	39.6	36.0	37.0	35.7

Table 5: Inbound case.

16 Canada

Domestic Case: Not Calculated

Cost of capital (%) on Investment from Canada to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	8.2	7.5	9.4	7.6	7.5	9.4	9.5	7.5	9.4	9.5	7.5	9.4	4.0
2	Belgium	8.4	8.0	10.0	7.3	8.0	10.0	9.4	8.0	10.0	9.4	8.0	10.0	3.5
3	Denmark	7.4	7.5	7.5	7.2	7.5	7.5	8.6	7.5	7.5	8.6	7.5	7.5	4.4
4	Finland	7.7	7.2	8.2	7.6	7.2	8.2	9.2	7.2	8.2	9.2	7.2	8.2	4.5
5	France	8.9	9.0	9.6	8.0	9.0	9.6	9.8	9.0	9.6	9.8	9.0	9.6	4.6
6	Germany	8.9	9.7	9.7	7.2	9.7	9.7	9.3	9.7	9.7	9.3	9.7	9.7	3.2
7	Greece	7.2	7.6	7.6	6.4	7.6	7.6	8.1	7.6	7.6	8.1	7.6	7.6	3.4
8	Ireland	6.4	5.9	5.9	7.4	5.9	5.9	8.6	5.9	5.9	8.6	5.9	5.9	5.2
9	Italy	6.8	5.5	7.4	7.4	5.5	7.4	9.5	5.5	7.4	9.5	5.5	7.4	3.6
10	Luxembourg	7.7	7.7	8.3	7.0	7.7	8.3	8.7	7.7	8.3	8.7	7.7	8.3	3.7
11	Netherlands	7.8	7.7	8.3	7.3	7.7	8.3	9.0	7.7	8.3	9.0	7.7	8.3	4.1
12	Portugal	9.5	7.9	12.4	8.3	7.9	12.4	10.7	7.9	12.4	10.7	7.9	12.4	3.9
13	Spain	8.3	7.7	9.6	7.7	7.7	9.6	9.6	7.7	9.6	9.6	7.7	9.6	4.1
14	Sweden	7.0	6.7	7.2	7.1	6.7	7.2	8.6	6.7	7.2	8.6	6.7	7.2	4.3
15	United Kingdom	7.6	7.7	7.7	7.6	7.7	7.7	9.1	7.7	7.7	9.1	7.7	7.7	4.8
16	Mean	7.8	7.6	8.6	7.4	7.6	8.6	9.2	7.6	8.6	9.2	7.6	8.6	4.1
17	Mean (Sharehd	6.6	6.4	7.3	6.1	5.6	6.4	7.0	6.1	6.9	7.5	7.9	8.7	4.2
18	Zero-rate sh.	7.8	7.6	8.6	7.4	7.6	8.6	9.2	7.6	8.6	9.2	7.6	8.6	4.1
19	Top-rate non-qual. sh.	6.0	5.9	6.6	5.4	4.6	5.3	5.9	5.3	6.0	6.6	8.0	8.8	4.3
20	Top-rate qual. sh.	6.0	5.9	6.6	5.4	4.6	5.3	5.9	5.3	6.0	6.6	8.0	8.8	4.3

Table 4: Outbound case.

EATR (%) on Investment from Canada to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Overall	Subsidiary Source of Finance											
Retained Earnings	New Equity		Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt		
1	Austria	41.8	40.1	45.2	40.1	40.1	45.2	45.4	40.1	45.2	45.4	40.1	45.2	30.2
2	Belgium	45.6	44.5	49.5	42.8	44.5	49.5	48.0	44.5	49.5	48.0	44.5	49.5	33.2
3	Denmark	32.0	32.3	32.3	31.4	32.3	32.3	36.4	32.3	32.3	36.4	32.3	32.3	22.1
4	Finland	35.0	33.4	36.8	34.7	33.4	36.8	40.0	33.4	36.8	40.0	33.4	36.8	24.9
5	France	43.3	43.8	45.4	40.8	43.8	45.4	46.0	43.8	45.4	46.0	43.8	45.4	31.1
6	Germany	48.4	50.4	50.3	44.4	50.4	50.3	49.5	50.4	50.3	49.5	50.4	50.3	34.8
7	Greece	33.1	34.4	34.4	30.6	34.4	34.4	35.9	34.4	34.4	35.9	34.4	34.4	20.8
8	Ireland	13.9	11.7	11.7	18.3	11.7	11.7	23.7	11.7	11.7	23.7	11.7	11.7	8.2
9	Italy	41.6	38.3	43.3	43.1	38.3	43.3	48.3	38.3	43.3	48.3	38.3	43.3	33.5
10	Luxembourg	38.3	38.5	40.2	36.3	38.5	40.2	41.5	38.5	40.2	41.5	38.5	40.2	26.6
11	Netherlands	37.2	37.1	38.8	35.7	37.1	38.8	41.0	37.1	38.8	41.0	37.1	38.8	25.9
12	Portugal	52.1	48.4	58.4	49.3	48.4	58.4	54.6	48.4	58.4	54.6	48.4	58.4	39.6
13	Spain	42.8	41.2	46.2	40.9	41.2	46.2	46.2	41.2	46.2	46.2	41.2	46.2	31.1
14	Sweden	29.4	28.4	30.1	29.7	28.4	30.1	35.0	28.4	30.1	35.0	28.4	30.1	20.0
15	United Kingdom	31.7	31.8	31.8	31.4	31.8	31.8	36.7	31.8	31.8	36.7	31.8	31.8	21.6
16	Mean	37.7	37.0	39.6	36.6	37.0	39.6	41.9	37.0	39.6	41.9	37.0	39.6	26.9
17	Mean (Sharehd	43.0	42.6	44.4	42.0	40.9	42.7	44.5	41.9	43.7	45.4	45.5	47.3	37.2
18	Zero-rate sh.	37.7	37.0	39.6	36.6	37.0	39.6	41.9	37.0	39.6	41.9	37.0	39.6	26.9
19	Top-rate non-qual. sh.	45.7	45.5	46.8	44.7	42.9	44.2	45.8	44.4	45.7	47.2	49.8	51.1	42.4
20	Top-rate qual. sh.	45.7	45.5	46.8	44.7	42.9	44.2	45.8	44.4	45.7	47.2	49.8	51.1	42.4

Table 5: Outbound case.

17 United States

Domestic Case: Not Calculated

Cost of capital (%) on Investment from United States to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Subsidiary Source of Finance												
		Overall	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt
1	Austria	6.5	6.2	6.8	6.5	7.5	8.1	7.8	7.5	8.1	7.8	3.7	4.3	4.0
2	Belgium	6.6	6.6	7.2	6.2	8.0	8.6	7.6	8.0	8.6	7.6	3.9	4.5	3.5
3	Denmark	6.5	6.2	6.7	6.7	7.5	7.9	7.9	7.5	7.9	7.9	4.0	4.4	4.4
4	Finland	6.6	5.9	6.9	6.9	7.2	8.2	8.2	7.2	8.2	8.2	3.5	4.5	4.5
5	France	7.7	7.6	8.2	7.3	9.0	9.6	8.7	9.0	9.6	8.7	4.9	5.5	4.6
6	Germany	7.0	8.2	6.7	6.0	9.7	8.2	7.5	9.7	8.2	7.5	5.4	3.9	3.2
7	Greece	6.3	6.2	6.7	5.9	7.6	8.1	7.2	7.6	8.1	7.2	3.7	4.2	3.4
8	Ireland	6.6	4.6	7.6	7.6	5.9	8.9	8.9	5.9	8.9	8.9	2.2	5.2	5.2
9	Italy	5.0	4.0	4.6	6.3	5.5	6.1	7.7	5.5	6.1	7.7	1.3	1.9	3.6
10	Luxembourg	6.5	6.3	6.9	6.3	7.7	8.3	7.6	7.7	8.3	7.6	3.8	4.3	3.7
11	Netherlands	6.6	6.4	6.9	6.6	7.7	8.3	7.9	7.7	8.3	7.9	3.9	4.4	4.1
12	Portugal	7.1	6.3	8.2	6.7	7.9	9.7	8.3	7.9	9.7	8.3	3.4	5.3	3.9
13	Spain	6.9	6.3	7.5	6.7	7.7	8.9	8.2	7.7	8.9	8.2	3.7	4.9	4.1
14	Sweden	6.2	5.4	6.6	6.6	6.7	7.9	7.9	6.7	7.9	7.9	3.1	4.3	4.3
15	United Kingdom	6.9	6.4	7.1	7.1	7.7	8.4	8.4	7.7	8.4	8.4	4.0	4.8	4.8
16	Mean	6.6	6.2	7.0	6.6	7.6	8.3	8.0	7.6	8.3	8.0	3.6	4.4	4.1
17	Mean (Sharehd	5.5	5.2	5.9	5.5	5.6	6.2	5.9	7.8	8.5	8.1	3.9	4.5	4.2
18	Zero-rate sh.	6.6	6.2	7.0	6.6	7.6	8.3	8.0	7.6	8.3	8.0	3.6	4.4	4.1
19	Top-rate non-qual. sh.	5.0	4.8	5.3	5.0	4.6	5.2	4.8	8.0	8.5	8.2	4.1	4.6	4.3
20	Top-rate qual. sh.	5.0	4.8	5.3	5.0	4.6	5.2	4.8	8.0	8.5	8.2	4.1	4.6	4.3

Table 4: Outbound case.

EATR (%) on Investment from United States to		Parent Source of Finance												
		Overall				Retained Earnings			New Equity			Debt		
		Subsidiary Source of Finance												
		Overall	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt	Retained Earnings	New Equity	Debt
1	Austria	32.7	31.8	33.5	32.7	36.0	37.7	36.9	36.0	37.7	36.9	24.0	25.7	24.9
2	Belgium	37.1	36.9	38.5	35.8	40.9	42.6	39.9	40.9	42.6	39.9	29.3	31.0	28.2
3	Denmark	31.2	30.3	31.7	31.7	34.2	35.6	35.6	34.2	35.6	35.6	23.0	24.5	24.5
4	Finland	31.3	29.1	32.4	32.4	33.3	36.6	36.6	33.3	36.6	36.6	21.4	24.7	24.7
5	France	39.9	39.7	41.4	38.7	43.8	45.4	42.8	43.8	45.4	42.8	32.1	33.8	31.1
6	Germany	40.2	43.5	39.5	37.6	47.6	43.5	41.6	47.6	43.5	41.6	36.1	32.0	30.1
7	Greece	33.2	33.0	34.6	31.9	37.1	38.8	36.1	37.1	38.8	36.1	25.3	26.9	24.2
8	Ireland	31.4	25.0	34.7	34.7	29.3	38.9	38.9	29.3	38.9	38.9	17.1	26.8	26.8
9	Italy	32.5	29.9	31.6	36.2	34.0	35.7	40.2	34.0	35.7	40.2	22.3	24.0	28.6
10	Luxembourg	34.9	34.4	36.1	34.2	38.5	40.2	38.3	38.5	40.2	38.3	26.8	28.5	26.6
11	Netherlands	33.7	33.0	34.7	33.6	37.1	38.8	37.7	37.1	38.8	37.7	25.3	27.0	25.9
12	Portugal	40.6	38.6	43.6	39.7	42.7	47.7	43.8	42.7	47.7	43.8	31.0	36.0	32.0
13	Spain	36.5	35.0	38.4	36.2	39.2	42.5	40.3	39.2	42.5	40.3	27.3	30.7	28.5
14	Sweden	30.2	27.6	31.5	31.5	31.7	35.7	35.7	31.7	35.7	35.7	19.9	23.9	23.9
15	United Kingdom	32.3	30.7	33.1	33.1	34.9	37.3	37.3	34.9	37.3	37.3	23.0	25.5	25.5
16	Mean	34.5	33.2	35.7	34.7	37.3	39.8	38.8	37.3	39.8	38.8	25.6	28.0	27.0
17	Mean (Sharehd	42.9	42.2	43.7	42.9	43.4	44.9	44.1	47.5	49.0	48.3	38.7	40.3	39.5
18	Zero-rate sh.	34.5	33.2	35.7	34.7	37.3	39.8	38.8	37.3	39.8	38.8	25.6	28.0	27.0
19	Top-rate non-qual. sh.	47.1	46.6	47.7	47.1	46.4	47.5	46.8	52.6	53.6	53.0	45.3	46.4	45.7
20	Top-rate qual. sh.	47.1	46.6	47.7	47.1	46.4	47.5	46.8	52.6	53.6	53.0	45.3	46.4	45.7

Table 5: Outbound case.

ANNEX D

Hypothetical investment model:

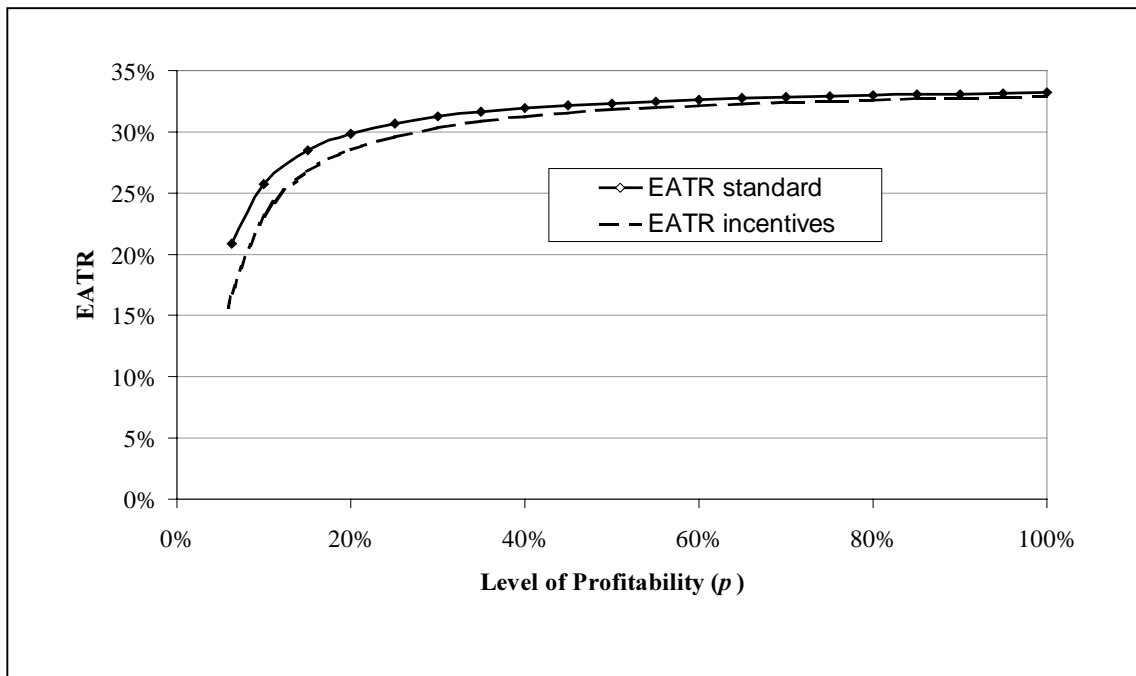
THE DISTRIBUTION OF EFFECTIVE AVERAGE TAX RATES IN EACH EU MEMBER STATE

Assumptions.

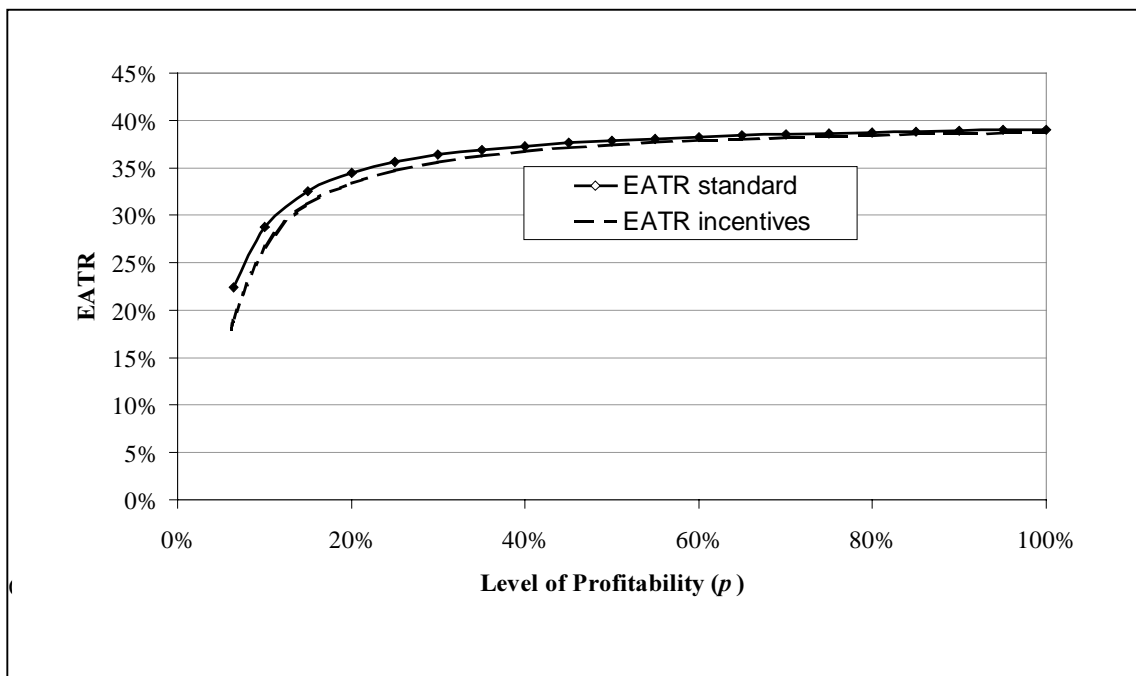
Only corporate taxes; base case and sensitivity analysis no. 11 (investment incentives) of section 4.

Except from the cases of Greece and Italy, where the EATR for small rates of return is very low (down to -471%) when incentives are given, the lines start at the cost of capital.

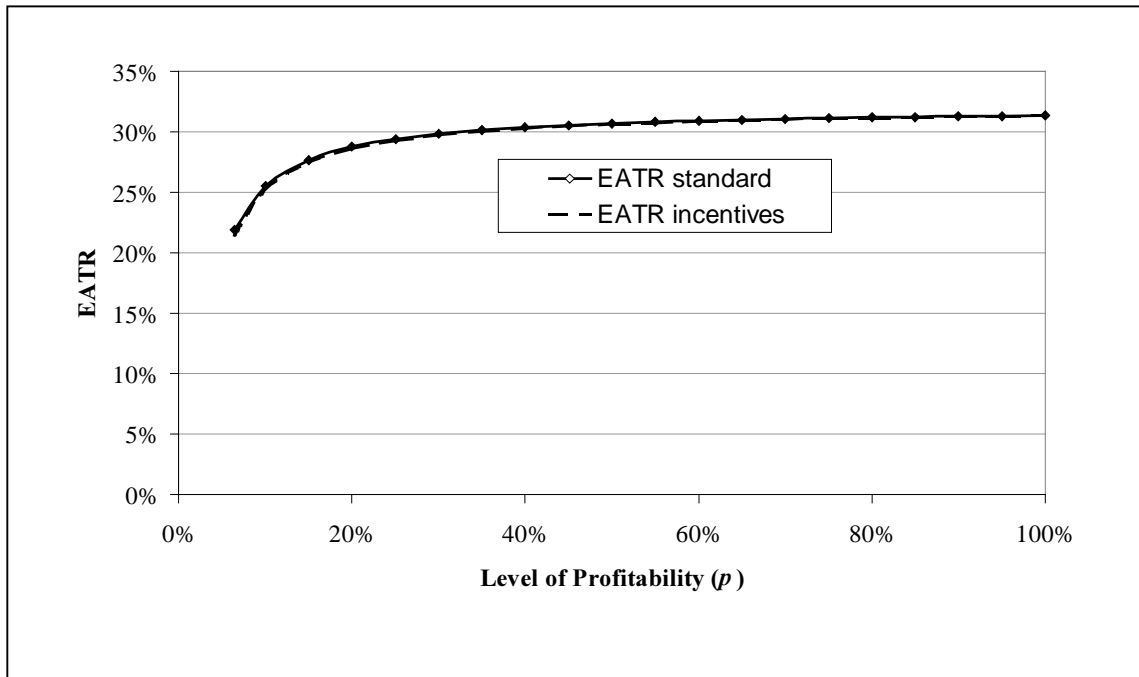
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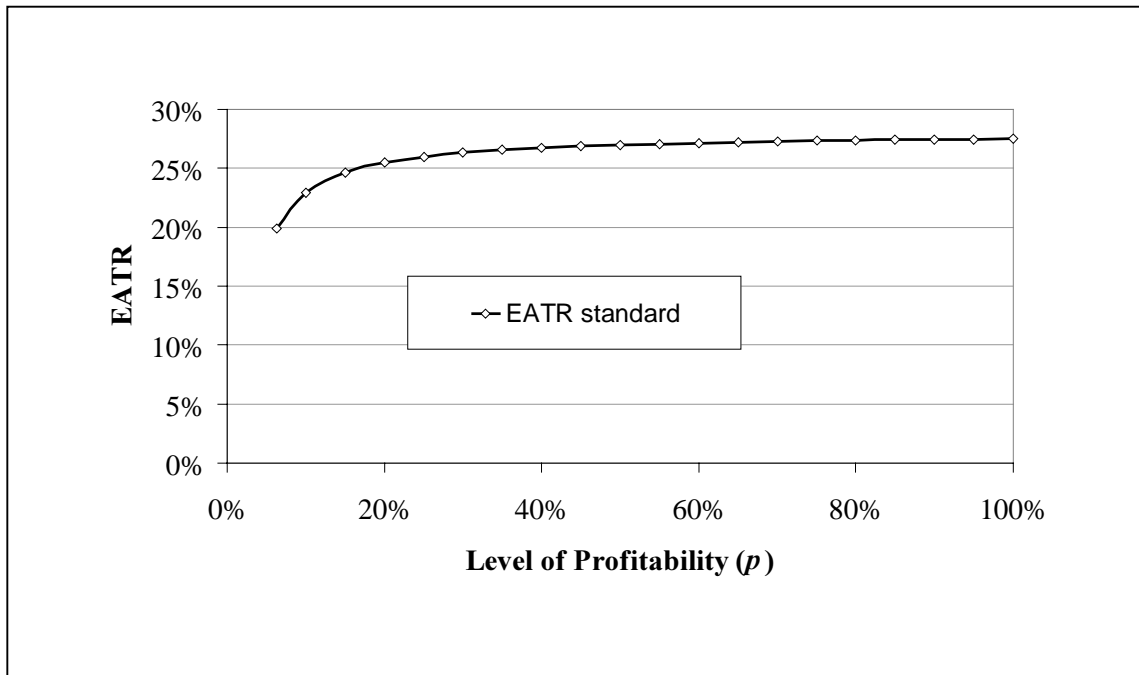
Belgium



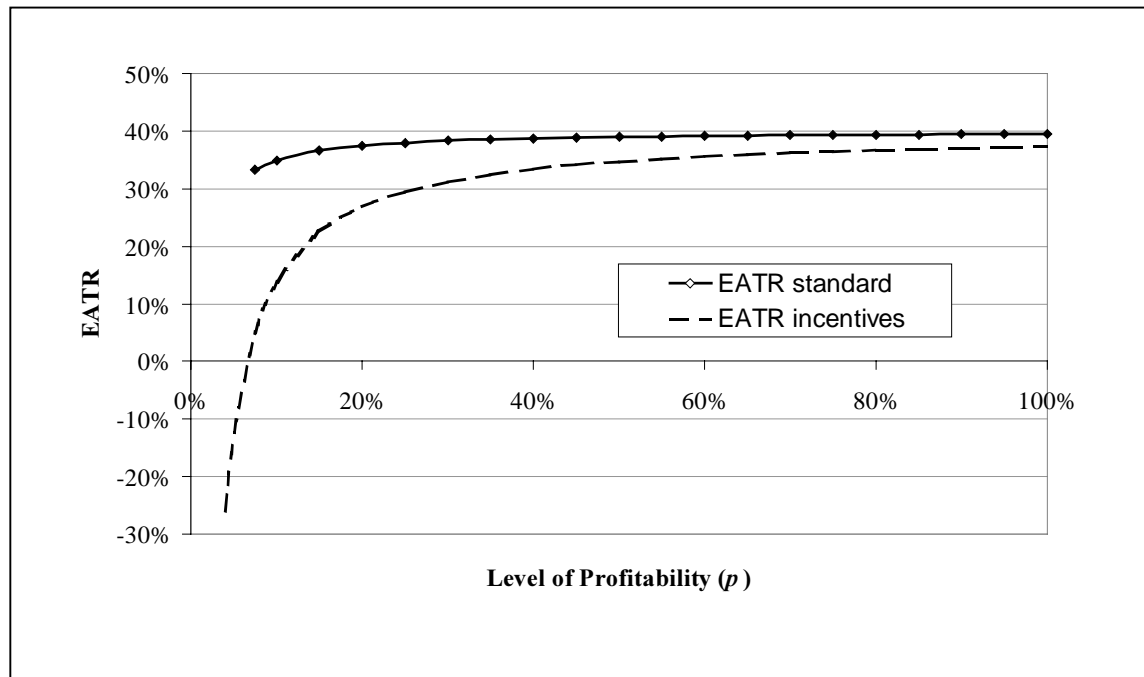
Denmark



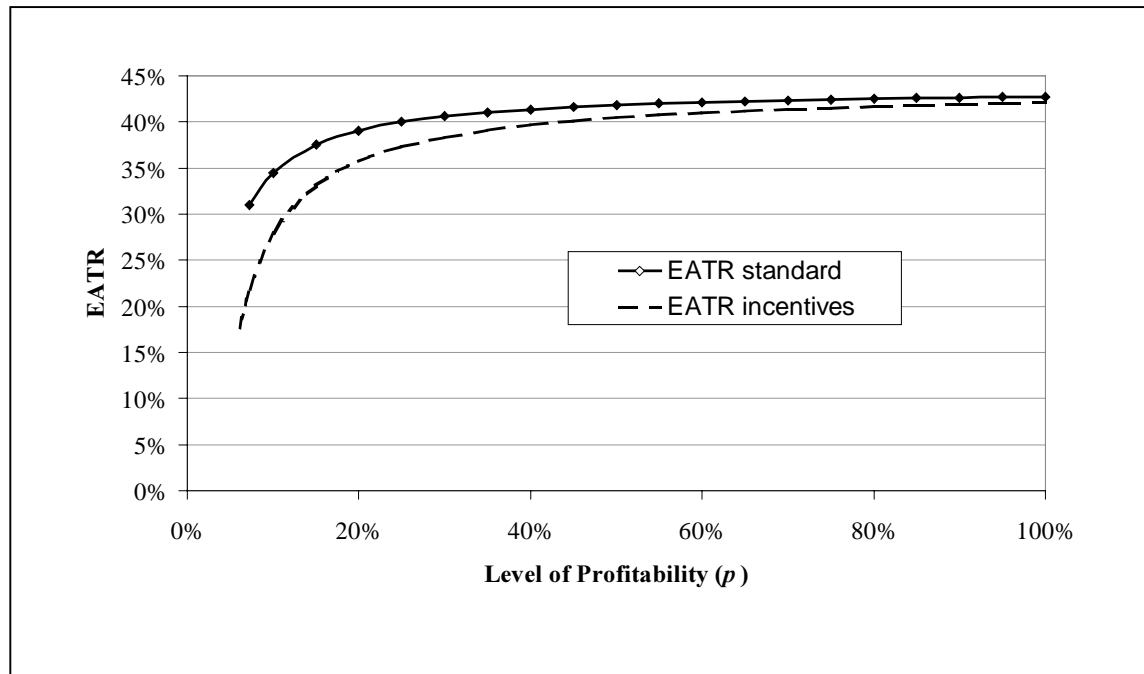
Finland



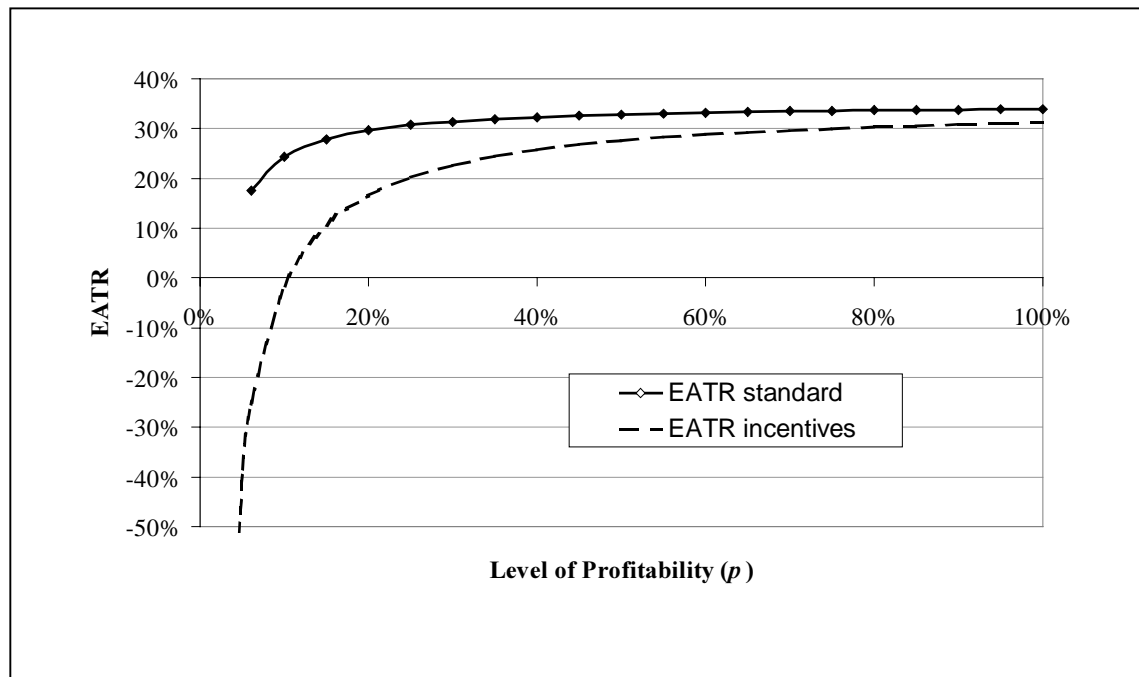
France



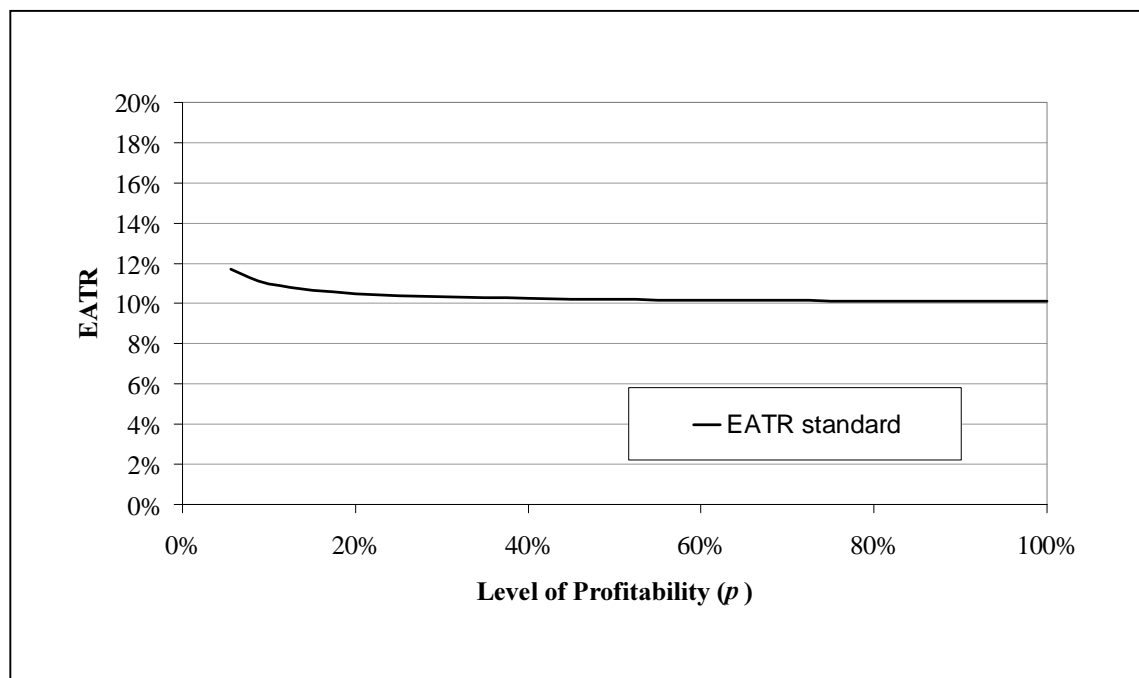
Germany



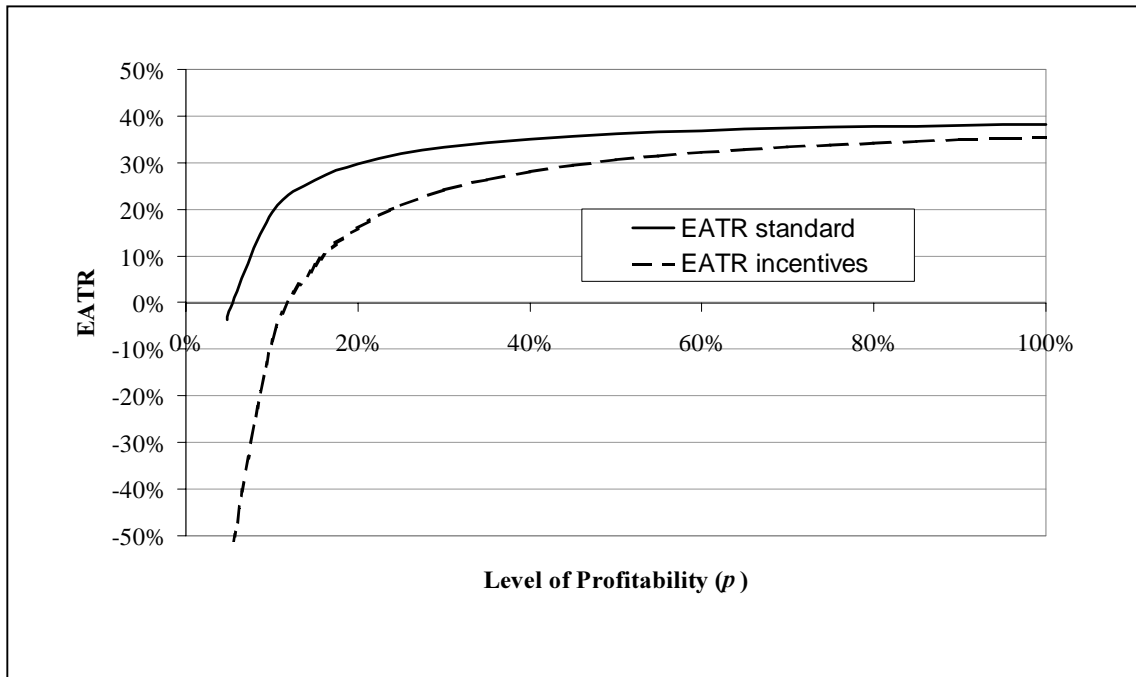
Greece



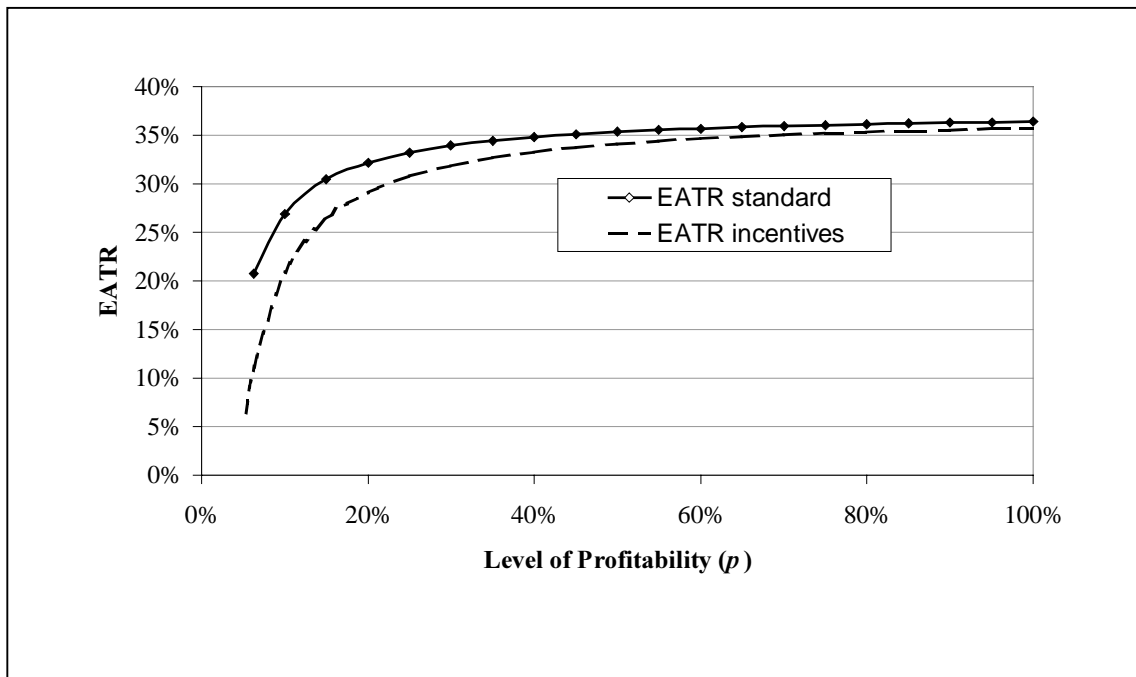
Ireland



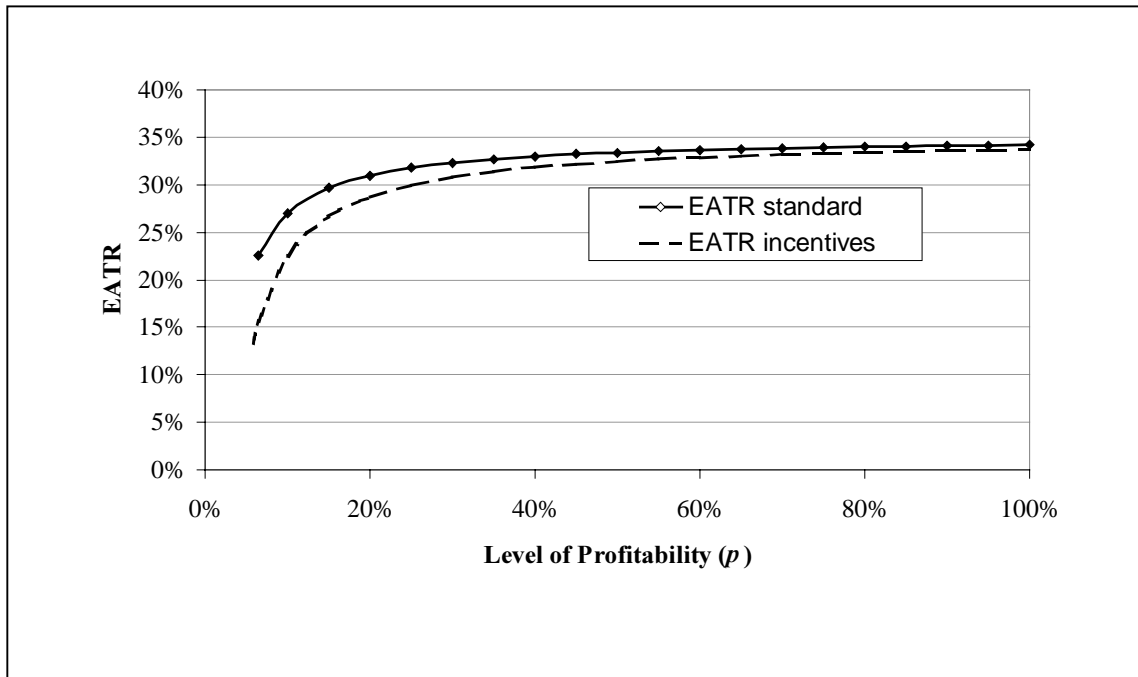
Italy



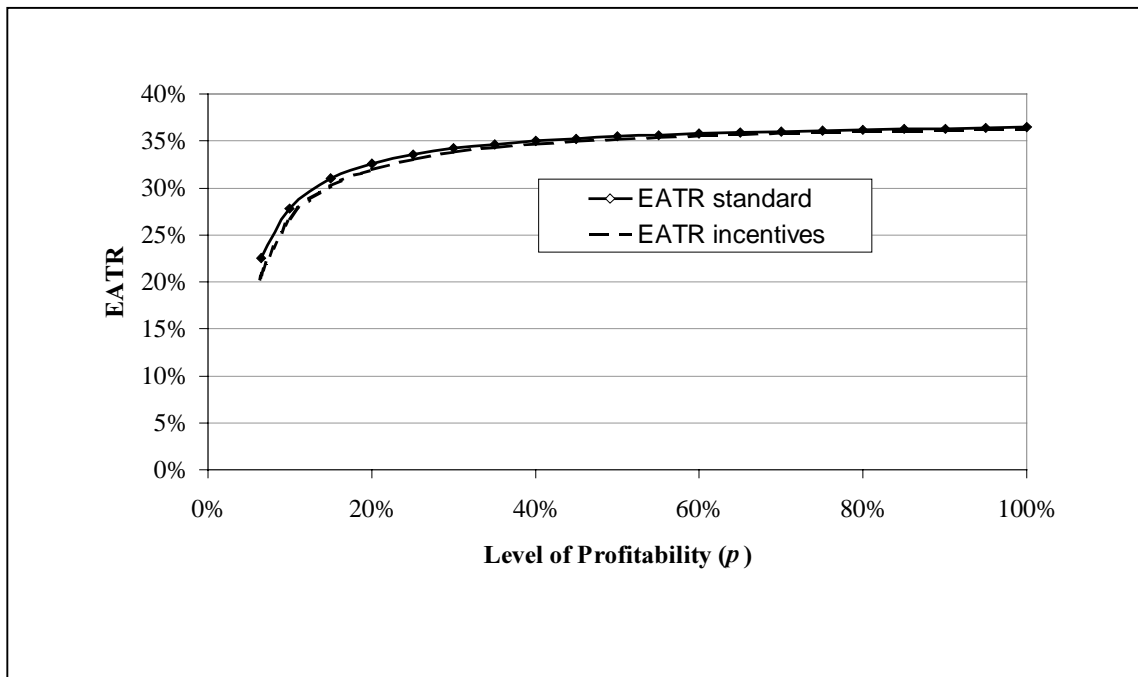
Luxembourg



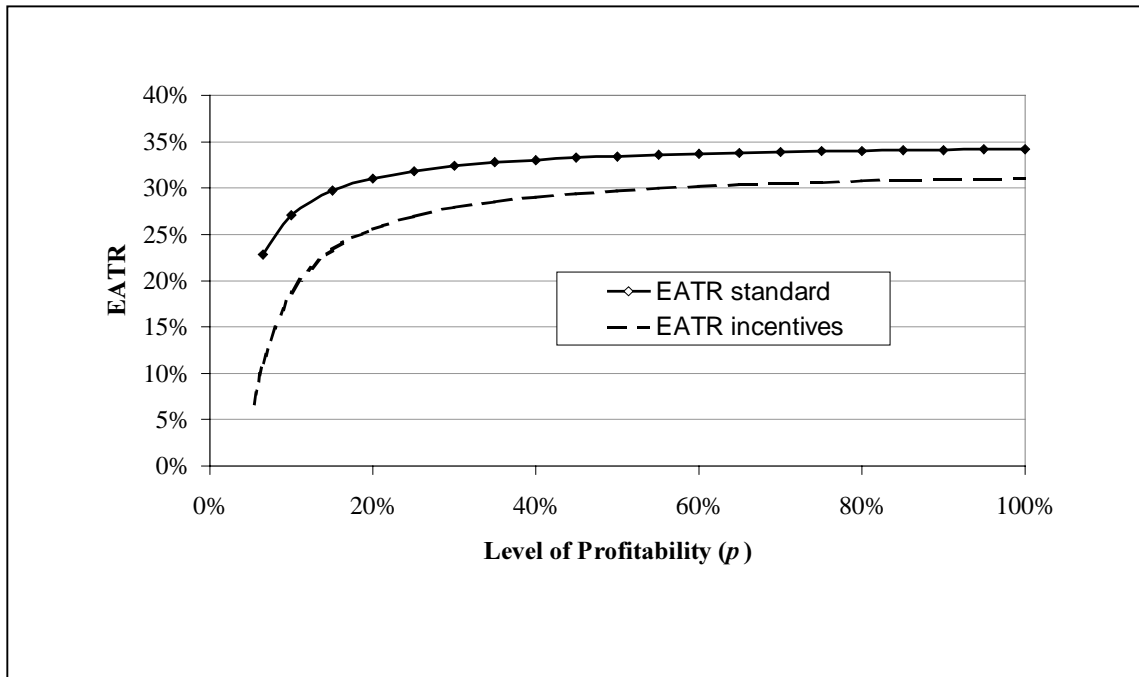
Netherlands



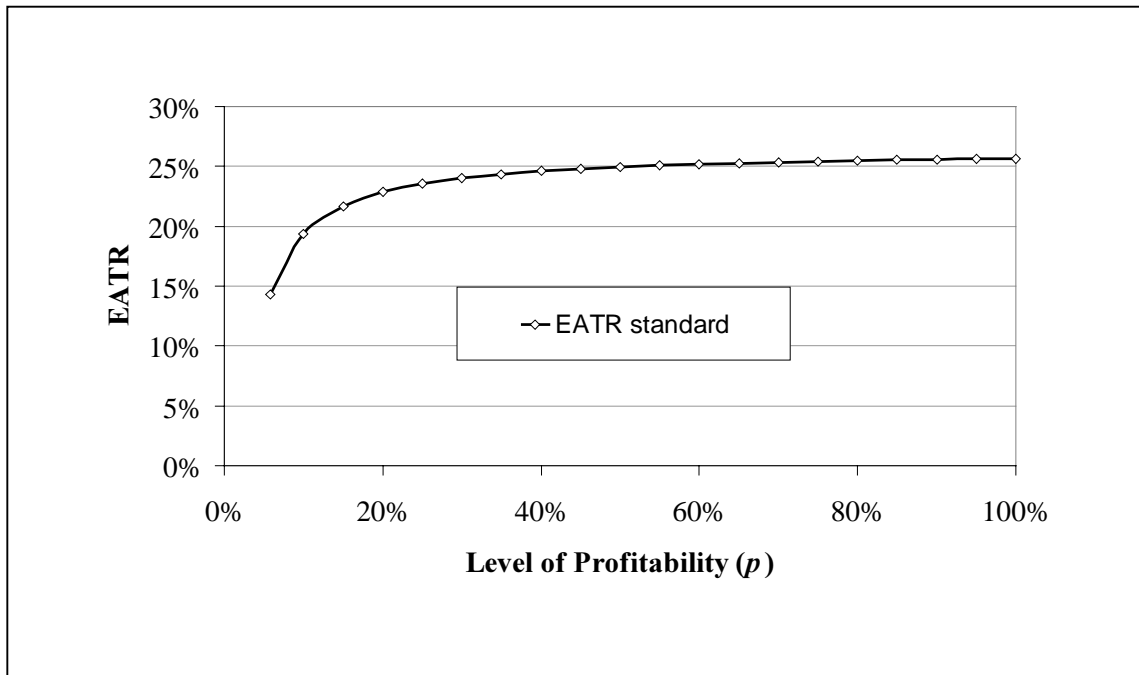
Portugal



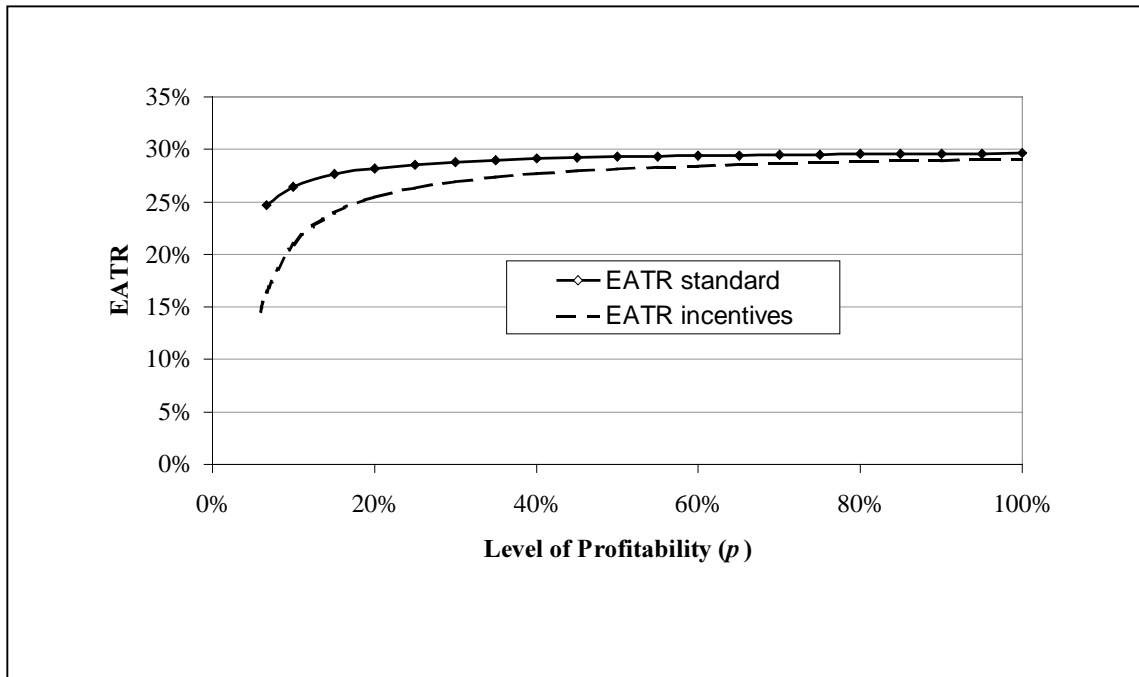
Spain



Sweden



United Kingdom



ANNEX E

Hypothetical investment model:

REVISED TABLES USING GERMAN TAX REFORM

This annex presents the more relevant tables commented on in section 2B of the Study using the revised tax parameters for Germany following the tax reform.

Tables 1 to 9 present data in the domestic case.

Tables 10 to 13 present the sensitivity analysis.

Tables 14 to 23 present data in the international case.

Table 1 **Cost of Capital and Effective Marginal Tax Rate**
 - **average across all 15 EU member states**
 - **only corporation tax**

Cost of Capital EMTR %	Intangibles	Industrial Buildings	Machinery	Financial Assets	Inventories	Mean
Retained Earnings	6.5 19.3	7.9 34.7	6.7 23.0	8.4 39.0	7.8 34.6	7.4 31.8
New Equity	6.5 19.3	7.9 34.7	6.7 23.0	8.4 39.0	7.8 34.6	7.4 31.8
Debt	3.4 -56.9	4.5 -18.3	3.6 -44.2	4.9 -3.8	4.4 -14.9	4.2 -21.8
Mean	5.4 3.6	6.7 23.3	5.6 8.6	7.2 29.0	6.6 23.5	6.3 19.9

Table 2 **Effective Average Tax Rate**
 - **Average across all 15 EU countries**
 - **only corporation tax**

EATR %	Intangibles	Industrial Buildings	Machinery	Financial Assets	Inventories	Mean
Ret Earnings	30.1	34.7	30.7	34.9	34.3	33.0
New Equity	30.1	34.7	30.7	34.9	34.3	33.0
Debt	20.1	23.9	20.8	23.4	23.4	22.3
Mean	26.6	30.9	27.2	30.9	30.5	29.2

Table 3 Cost of Capital and Effective Marginal Tax Rate
 - Average across all 15 EU countries*
 - Top-personal tax rate, qualified shareholders

Cost of capital EMTR	Intangibles	Industrial Buildings	Machinery	Financial Assets	Inventories	Mean
Retained Earnings	4.0	5.0	4.2	5.4	4.8	4.7
	48.7	59.7	51.4	61.9	58.2	57.5
New Equity	4.8	6.0	5.0	6.3	5.7	5.5
	56.3	64.0	58.4	67.1	64.6	63.3
Debt	3.6	4.7	3.9	4.9	4.4	4.3
	30.8	44.2	34.6	51.4	46.7	44.0
Mean	3.9	5.0	4.1	5.3	4.7	4.6
	46.3	56.9	49.1	60.5	56.8	55.4

Note. In the case of Spain, the cost of capital for several types of investment is close to zero. This implies that the EMTR can reach extremely large values. This table therefore presents an average of the costs of capital across all 15 EU countries. However, the results for the EMTR are an average only over the 14 EU countries excluding Spain.

Table 4 Cost of Capital
 - Maximum and minimum across EU
 - only corporation tax

Maximum Minimum	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventories
Retained Earnings	8.4	10.1	9.8	9.7	9.0
	3.4	5.1	4.3	5.8	5.5
New Equity	8.4	10.1	9.8	9.7	9.0
	3.4	5.1	4.3	5.8	5.5
Debt	4.8	6.3	5.7	5.7	5.0
	2.1	2.2	2.6	3.0	3.7

Table 5 Effective Average Tax Rate
- Maximum and minimum across EU
- only corporation tax

Maximum Minimum	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventories
Retained Earnings	40.2 10.1	45.4 17.0	44.3 9.4	44.1 11.0	42.0 11.0
New Equity	40.2 10.1	45.4 17.0	44.3 9.4	44.1 11.0	42.0 11.0
Debt	26.9 6.6	31.5 13.5	32.2 6.0	31.7 2.5	28.4 7.5

Table 6 Cost of Capital
- Maximum and minimum across EU
- Top-personal tax rate, qualified shareholders

Maximum Minimum	Intangible s	Industrial Buildings	Machinery	Financial Assets	Inventories
Retained Earnings	6.5 0.0	7.1 0.1	6.4 -0.3	9.6 0.2	7.0 -0.8
New Equity	8.9 0.2	8.9 0.4	8.8 0.0	10.0 0.5	8.8 -0.5
Debt	4.8 2.0	6.4 2.5	6.2 2.8	5.7 3.0	5.0 3.7

Table 7 Average Cost of Capital by Country
- by asset, source of finance and overall
- only corporation tax

Country	Overall Mean	Intangibles	Industrial Buildings	Machinery	Financial Assets	Inventories	Retained earnings	New equity	Debt
Austria	6.3	5.9	6.1	5.9	7.3	6.3	7.5	7.5	4.0
Belgium	6.4	5.2	7.0	5.3	8.0	6.7	8.0	8.0	3.5
Denmark	6.4	4.2	8.1	5.4	7.1	7.1	7.5	7.5	4.4
Finland	6.2	6.1	6.1	5.6	6.8	6.8	7.2	7.2	4.5
France	7.5	5.2	8.5	8.4	8.0	7.4	9.0	9.0	4.6
Germany	6.8	5.4	7.1	6.1	8.2	6.9	8.0	8.0	4.4
Greece	6.1	6.8	5.1	6.1	5.1	7.4	7.6	7.6	3.4
Ireland	5.7	5.3	6.8	5.2	5.5	5.5	5.9	5.9	5.2
Italy	4.8	2.9	4.6	3.8	7.7	5.0	5.5	5.5	3.6
Luxembourg	6.3	5.2	6.8	5.3	7.7	6.5	7.7	7.7	3.7
Netherlands	6.5	5.1	6.9	5.9	7.4	6.9	7.7	7.7	4.1
Portugal	6.5	6.7	6.2	5.2	7.7	6.5	7.9	7.9	3.9
Spain	6.5	6.5	6.7	5.4	7.4	6.4	7.7	7.7	4.1
Sweden	5.8	5.0	6.0	5.0	6.6	6.6	6.7	6.7	4.3
UK	6.6	5.5	8.2	5.6	6.9	6.9	7.7	7.7	4.8

Note. Each asset column represents an average across all three types of finance, with weights of 55% retained earnings, 10% new equity and 35% debt. Each finance column represents an unweighted average across all 5 assets. The overall average is an average across all 15 types of investment, with the same weights.

Table 8 **Effective Average Tax Rate by Country**
- **by asset, source of finance and overall**
- **only corporation tax**

Country	Overall Mean	Intangibles	Industrial Buildings	Machinery	Financial Assets	Inventories	Retained earnings	New equity	Debt
Austria	29.8	28.6	29.2	28.4	33.2	29.9	33.9	33.9	22.3
Belgium	34.5	30.7	36.1	31.0	39.2	35.3	39.1	39.1	25.8
Denmark	28.8	21.3	34.7	25.3	31.2	31.2	32.3	32.3	22.1
Finland	25.5	24.8	24.8	23.1	27.3	27.3	28.8	28.8	19.3
France	37.5	30.6	40.6	40.1	39.0	37.1	42.1	42.1	28.8
Germany	34.8	30.8	35.9	32.9	39.2	35.3	38.7	38.7	27.6
Greece	29.6	35.5	30.4	33.4	11.6	37.1	34.4	34.4	20.8
Ireland	10.5	8.9	15.8	8.2	9.8	9.8	11.7	11.7	8.2
Italy	29.6	24.9	29.8	27.4	35.1	31.1	31.0	31.0	27.1
Luxembourg	32.2	28.6	33.7	29.2	36.6	32.9	36.6	36.6	24.0
Netherlands	31.0	26.7	32.4	29.2	34.2	32.5	35.1	35.1	23.3
Portugal	32.6	33.2	31.8	28.6	36.5	32.8	37.0	37.0	24.5
Spain	31.0	31.1	31.8	27.4	34.2	30.7	35.2	35.2	23.3
Sweden	22.9	19.6	23.4	19.7	25.7	25.7	26.0	26.0	17.1
UK	28.2	24.2	33.7	24.7	29.3	29.3	31.8	31.8	21.6

Note. Each asset column represents an average across all three types of finance, with weights of 55% retained earnings, 10% new equity and 35% debt. Each finance column represents an unweighted average across all 5 assets. The overall average is an average across all 15 types of investment, with the same weights.

Table 9 Cost of Capital and EMTR by Country
- by asset, source of finance and overall
- top rate, qualified shareholders

Country	Overall Mean		Cost of Capital							
	Cost of Capital	EMTR	Intangibles	Industrial Buildings	Machinery	Financial Assets	Inventories	Retained earnings	New equity	Debt
Austria	5.8	43.5	5.4	5.6	5.4	6.7	5.7	6.5	7.6	4.1
Belgium	5.7	30.2	4.6	6.3	4.7	7.1	5.8	6.5	8.1	3.7
Denmark	4.1	78.4	2.4	5.9	3.3	4.5	4.5	3.8	4.6	4.6
Finland	5.4	60.2	5.2	5.3	4.8	5.9	5.9	6.1	4.6	4.6
France	5.3	72.5	3.5	6.4	6.6	5.4	4.7	5.1	7.8	4.9
Germany	4.6		3.7	4.8	4.2	5.7	4.5	4.5	5.1	4.6
Greece	5.0	27.8	5.6	4.1	5.0	4.1	6.0	5.9	5.6	3.5
Ireland	4.1	56.4	3.8	5.3	3.7	3.9	3.9	3.1	6.0	5.2
Italy	5.1	18.8	3.1	4.9	4.0	8.0	5.4	6.0	5.6	3.5
Luxembourg	4.1	70.3	3.4	4.5	3.5	5.1	4.0	4.1	4.7	4.0
Netherlands	2.8	95.7	2.3	3.1	2.6	3.4	2.9	2.0	2.2	4.4
Portugal	5.4	33.8	5.6	5.3	4.4	6.6	5.4	5.8	8.7	3.9
Spain	1.5	156.3	1.6	1.8	1.3	1.9	0.9	-0.2	0.1	4.5
Sweden	5.3	73.2	4.5	5.4	4.5	6.0	6.0	5.6	6.7	4.3
UK	5.1	56.9	4.1	6.7	4.3	5.3	5.3	5.2	5.8	4.8

Note. Each asset column represents an average across all three types of finance, with weights of 55% retained earnings, 10% new equity and 35% debt. Each finance column represents an unweighted average across all 5 assets. The overall average is an average across all 15 types of investment, with the same weights.

Table 10 Cost of Capital

- Average across all 15 EU countries
- only corporation tax

Cost of capital (%)	Overall Mean	Intangibles	Industrial Buildings	Machinery	Financial Assets	Inventories	Retained earnings	New equity	Debt
Basic weights	6.3	5.4	6.7	5.6	7.2	6.6	7.4	7.4	4.2
Real interest rate: 10%	12.4	11.0	13.0	11.2	13.7	13.3	14.4	14.4	8.8
Rate of inflation: 10%	6.6	5.5	6.2	5.7	9.4	6.5	9.0	9.0	2.3
OECD/Ruding weights	6.1	./.	6.7	5.6	./.	6.6	7.3	7.3	4.0
BACH average weights	6.0	4.8	6.0	5.0	6.5	5.9	7.8	7.8	4.5
Service sector weights	6.0	4.7	5.9	4.9	6.4	5.8	8.1	8.1	4.6
Equal weights	6.3	5.5	6.7	5.7	7.2	6.7	7.4	7.4	4.2
High level of local taxes	6.5	5.4	7.3	5.7	7.2	6.6	7.6	7.6	4.3
Low level of local taxes	6.1	5.4	6.1	5.5	7.1	6.6	7.3	7.3	4.0
Tax incentives for new investments	5.1	4.1	5.7	2.2	6.9	6.4	6.1	6.1	3.1

Note. Each asset column represents an average across all three types of finance, with weights of 55% retained earnings, 10% new equity and 35% debt. Each finance column represents an unweighted average across all 5 assets. The overall average is an average across all 15 types of investment, with the same weights.

Table 11 Effective Average Tax Rate

- Average across all 15 EU countries
- only corporation tax

EATR (%)	Overall Mean	Intangibles	Industrial Buildings	Machinery	Financial Assets	Inventories	Retained earnings	New equity	Debt
Basic weights	29.2	26.6	30.9	27.2	30.9	30.5	33.0	33.0	22.3
Real interest rate: 10%	24.6	20.1	26.7	20.7	28.0	27.4	31.0	31.0	12.7
Rate of inflation: 10%	30.5	26.9	29.3	27.6	38.1	30.5	38.0	38.0	16.4
Level of Profitability: 40%	31.3	30.2	32.3	30.5	31.3	32.1	33.2	33.2	27.8
OECD/Ruding weights	29.0	./.	30.9	27.2	./.	30.5	32.6	32.6	22.2
BACH average weights	27.8	24.6	28.8	25.3	28.6	28.4	33.8	33.8	22.9
Service sector weights	28.6	25.2	29.1	25.7	29.2	29.0	35.4	35.4	23.9
Equal weights	29.4	26.8	31.1	27.4	31.1	30.7	33.0	33.0	22.3
High level of local taxes	30.2	27.1	33.4	28.1	31.4	31.1	34.0	34.0	23.3
Low level of local taxes	28.2	26.1	28.6	26.3	30.3	29.9	31.9	31.9	21.4
Tax incentives for new investments	25.4	22.6	27.8	16.9	30.0	29.9	28.9	28.9	19.0

Table 12 **Rankings of Member States by Average Cost of Capital**
- **highest = 1, lowest = 15**
- **only taxes on corporations**

Country	Rank over Averages	Sensitivity Analysis No.										
		1	2	3	4	5	6	7	8	9	10	11
Austria	9	9	8	9	./.	8	10	10	9	10	6	5
Belgium	5	7	5	10	./.	7	6	3	5	5	7	4
Denmark	4	8	11	4	./.	4	4	4	8	4	10	1
Finland	11	11	12	6	./.	10	11	12	11	11	9	3
France	1	1	1	1	./.	1	1	1	1	1	1	13
Germany	2	2	2	3	./.	3	2	2	2	2	8	10
Greece	12	12	10	12	./.	6	15	15	12	12	11	14
Ireland	14	14	14	14	./.	13	13	11	14	13	14	9
Italy	15	15	15	15	./.	15	14	14	15	15	15	15
Luxembourg	10	10	9	11	./.	9	7	7	10	6	12	12
Netherlands	6	5	6	5	./.	5	5	6	7	9	3	8
Portugal	7	6	3	8	./.	12	9	8	6	8	4	2
Spain	8	4	4	7	./.	11	8	9	4	7	2	11
Sweden	13	13	13	13	./.	14	12	13	13	14	13	7
UK	3	3	7	2	./.	2	3	5	3	3	5	6

Table 13 **Rankings of Member States by Average EATR**
- **highest = 1, lowest = 15**
- **only taxes on corporations**

Country	Rank over Averages	Sensitivity Analysis No.										
		1	2	3	4	5	6	7	8	9	10	11
Austria	8	8	10	8	10	10	9	9	8	9	6	7
Belgium	3	3	2	3	2	4	3	3	3	3	2	1
Denmark	10	11	11	11	8	9	10	10	11	10	11	6
Finland	13	13	13	12	12	13	12	13	13	13	13	11
France	1	1	1	1	1	1	1	1	1	2	1	8
Germany	2	2	2	2	3	2	2	2	2	1	8	3
Greece	11	10	9	9	11	3	14	15	10	11	7	13
Ireland	15	15	15	15	15	15	15	12	15	15	15	15
Italy	9	9	4	13	13	11	6	6	9	8	10	14
Luxembourg	5	5	6	5	6	5	4	4	5	4	9	4
Netherlands	6	7	8	7	5	6	7	7	7	7	5	5
Portugal	4	4	5	4	4	7	5	5	4	5	3	2
Spain	7	6	7	6	7	8	8	8	6	6	4	9
Sweden	14	14	14	14	14	14	13	14	14	14	14	12
UK	12	12	12	10	9	12	11	11	12	12	12	10

**Table 14 Cost of capital when the subsidiary is financed with retained earnings.
- taxes on corporations only; weighted average of parent finance**

Cost of Capital %	to																Mean
		Austria	Belgium	Denmark	Finland	France	Germany	Greece	Ireland	Italy	Luxembourg	Netherlands	Portugal	Spain	Sweden	United Kingdom	
from																	
Austria		./.	8.0	7.5	7.2	9.0	8.0	7.6	5.9	5.5	7.7	7.7	7.9	7.7	6.7	7.7	7.4
Belgium		6.1	./.	6.1	5.8	7.5	6.4	6.1	4.8	3.9	6.2	6.2	6.3	6.3	5.4	6.3	5.9
Denmark		6.4	6.8	./.	6.1	7.8	6.8	6.4	5.1	4.2	6.5	6.6	6.7	6.6	5.7	6.6	6.3
Finland		6.5	6.9	6.5	./.	8.0	6.9	6.6	5.2	4.4	6.7	6.7	6.8	6.7	5.8	6.7	6.5
France		6.1	6.4	6.1	5.8	./.	6.5	6.1	4.8	3.9	6.2	6.3	6.3	6.3	5.4	6.3	5.9
Germany		6.1	6.5	6.1	5.8	7.5	./.	6.1	4.8	3.9	6.2	6.3	6.4	6.3	5.4	6.3	6.0
Greece		6.0	6.5	6.0	5.6	7.5	6.5	./.	4.3	3.9	6.1	6.2	6.3	6.2	5.1	6.1	5.9
Ireland		7.2	7.6	7.1	6.8	8.7	7.6	7.2	./.	5.1	7.3	7.4	7.5	7.4	6.4	7.3	7.2
Italy		6.2	6.5	6.2	5.9	7.6	6.6	6.2	4.9	./.	6.3	6.4	6.4	6.4	5.5	6.4	6.2
Luxembourg		6.2	6.6	6.2	5.9	7.6	6.6	6.2	4.9	4.0	./.	6.4	6.5	6.4	5.5	6.4	6.1
Netherlands		7.5	8.0	7.5	7.2	9.0	8.0	7.6	5.9	5.5	7.7	./.	7.9	7.7	6.7	7.7	7.4
Portugal		6.2	6.5	6.2	5.9	7.6	6.6	6.2	4.9	4.0	6.3	6.3	./.	6.4	5.5	6.4	6.1
Spain		6.3	6.6		6.0	7.7	6.7	6.3	5.0	4.1	6.4	6.5	6.5	./.	5.6	6.5	6.2
Sweden		6.6	7.0	6.6	6.3	8.0	7.0	6.6	5.2	4.4	6.7	6.8	6.9	6.8	./.	6.8	6.5
UK		6.5	6.8	6.5	6.2	7.9	6.9	6.5	4.9	4.3	6.6	6.6	6.7	6.7	5.7	./.	6.3
Canada		7.5	8.0	7.5	7.2	9.0	8.0	7.6	5.9	5.5	7.7	7.7	7.9	7.7	6.7	7.7	7.4
USA		6.2	6.6	6.2	5.9	7.6	6.6	6.2	4.6	4.0	6.3	6.4	6.3	6.3	5.4	6.4	6.1
Mean		6.4	6.9	6.5	6.2	7.9	6.9	6.5	5.1	4.3	6.6	6.6	6.8	6.7	5.7	6.7	6.4

Table 15: Cost of capital when the subsidiary is financed with new equity.
- taxes on corporations only; weighted average of parent finance

Cost of Capital %	to	Austria	Belgium	Denmark	Finland	France	Germany	Greece	Ireland	Italy	Luxembourg	Netherlands	Portugal	Spain	Sweden	United Kingdom	Mean
from																	
Austria		./.	8.0	7.5	7.2	9.0	8.0	7.6	5.9	5.5	7.7	7.7	7.9	7.7	6.7	7.7	7.4
Belgium		6.3	./.	6.3	6.0	7.7	6.7	6.3	5.0	4.1	6.4	6.5	6.5	6.5	5.6	6.5	6.2
Denmark		6.4	6.8	./.	6.1	7.8	6.8	6.4	5.1	4.2	6.5	6.6	6.7	6.6	5.7	6.6	6.3
Finland		6.5	6.9	6.5	./.	8.0	6.9	6.6	5.2	4.4	6.7	6.7	6.8	6.7	5.8	6.7	6.5
France		6.2	6.6	6.2	5.9	./.	6.6	6.2	4.9	4.0	6.3	6.4	6.4	6.4	5.5	6.4	6.0
Germany		6.3	6.7	6.3	6.0	7.7	./.	6.7	5.0	4.1	6.4	6.5	6.6	6.5	5.6	6.5	6.2
Greece		7.0	6.5	7.2	7.5	7.5	6.6	./.	8.2	4.0	6.6	7.0	6.8	7.0	7.2	7.7	6.9
Ireland		7.2	7.6	7.1	6.8	8.7	7.6	7.2	./.	5.1	7.3	7.4	7.5	7.4	6.4	7.3	7.2
Italy		6.4	6.8	6.4	6.1	7.8	6.8	6.4	5.1	./.	6.5	6.6	6.6	6.6	5.6	6.6	6.4
Luxembourg		7.5	8.0	7.5	7.2	9.0	8.0	7.6	5.9	5.5	./.	7.7	7.9	7.7	6.7	7.7	7.4
Netherlands		7.5	8.0	7.5	7.2	9.0	8.0	7.6	5.9	5.5	7.7	./.	7.9	7.7	6.7	7.7	7.4
Portugal		6.4	6.7	6.4	6.1	7.8	6.8	6.4	5.0	4.2	6.5	6.5	./.	6.6	5.6	6.5	6.3
Spain		6.3	6.6	6.3	6.0	7.7	6.7	6.3	5.0	4.1	6.4	6.5	6.5	./.	5.6	6.5	6.2
Sweden		6.6	7.0	6.6	6.3	8.0	7.0	6.6	5.2	4.4	6.7	6.8	6.9	6.8	./.	6.8	6.5
UK		6.5	6.8	6.5	6.4	7.9	6.9	6.8	7.1	4.3	6.6	6.6	6.7	6.7	6.1	./.	6.6
Canada		9.4	10.0	7.5	8.2	9.6	10.0	7.6	5.9	7.4	8.3	8.3	12.4	9.6	7.2	7.7	8.6
USA		6.8	7.2	6.7	6.9	8.2	7.2	6.7	7.6	4.6	6.9	6.9	8.2	7.5	6.6	7.1	7.0
Mean		6.6	7.1	6.7	6.5	8.1	7.1	6.8	5.6	4.5	6.7	6.8	7.0	6.9	6.0	6.9	6.6

Table 16 Cost of capital when the subsidiary is financed with debt.
- taxes on corporations only; weighted average of parent finance

Cost of Capital %	to	Austria	Belgium	Denmark	Finland	France	Germany	Greece	Ireland	Italy	Luxembourg	Netherlands	Portugal	Spain	Sweden	United Kingdom	Mean
from																	
Austria		./.	6.0	6.5	6.6	7.1	6.8	5.7	6.9	6.1	6.1	6.4	6.2	6.4	6.3	6.9	6.4
Belgium		6.8	./.	6.9	7.0	7.6	7.3	6.2	7.2	6.6	6.6	6.9	6.7	6.9	6.7	7.3	6.9
Denmark		6.2	5.9	./.	6.5	6.9	6.7	5.6	6.8	5.9	5.9	6.3	6.1	6.3	6.2	6.8	6.3
Finland		5.9	5.6	6.2	./.	6.6	6.4	5.3	6.6	5.6	5.7	6.0	5.8	6.0	5.9	6.5	6.0
France		6.7	6.5	6.9	7.0	./.	7.3	6.1	7.2	6.5	6.5	6.8	6.7	6.8	6.7	7.3	6.8
Germany		6.7	6.4	6.9	7.0	7.5	./.	6.2	7.2	6.5	6.5	6.8	6.6	6.8	6.7	7.3	6.8
Greece		7.0	6.4	7.2	7.5	7.5	7.3	./.	8.2	6.5	6.6	7.0	6.8	7.0	7.2	7.7	7.1
Ireland		4.7	4.8	5.1	5.1	5.3	5.1	5.1	./.	4.3	4.4	4.8	5.1	4.8	4.9	5.4	4.9
Italy		6.6	6.3	6.7	6.8	7.3	7.1	6.0	7.0	./.	6.3	6.6	6.5	6.7	6.5	7.1	6.7
Luxembourg		6.5	6.3	6.7	6.8	7.3	7.1	5.9	7.0	6.3	./.	6.6	6.5	6.6	6.5	7.1	6.7
Netherlands		6.4	6.1	6.6	6.7	7.1	6.9	5.8	6.9	6.1	6.1	./.	6.3	6.5	6.3	7.0	6.5
Portugal		6.6	6.3	6.8	6.9	7.4	7.1	6.0	7.1	6.4	6.4	6.7	./.	6.7	6.5	7.1	6.7
Spain		6.4	6.1	6.6	6.7	7.1	6.9	5.8	6.9	6.1	6.1	6.5	6.3	./.	6.3	7.0	6.5
Sweden		5.8	5.5	6.1	6.1	6.5	6.3	5.2	6.5	5.5	5.5	5.9	5.7	5.9	./.	6.4	5.9
UK		6.0	5.7	6.3	6.4	6.8	6.6	5.5	7.1	5.8	5.8	6.1	5.9	6.1	6.1	./.	6.2
Canada		7.6	7.3	7.2	7.6	8.0	8.2	6.4	7.4	7.4	7.0	7.3	8.3	7.7	7.1	7.6	7.5
USA		6.5	6.2	6.7	6.9	7.3	7.0	5.9	7.6	6.3	6.3	6.6	6.7	6.7	6.6	7.1	6.7
Mean		6.3	6.0	6.5	6.7	7.0	6.8	5.7	7.0	6.0	6.0	6.4	6.2	6.4	6.3	6.9	6.4

Table 17: EATR when the subsidiary is financed with retained earnings.
- taxes on corporations only; weighted average of parent finance

EATR	%	to	Austria	Belgium	Denmark	Finland	France	Germany	Greece	Ireland	Italy	Luxembourg	Netherlands	Portugal	Spain	Sweden	United Kingdom	Mean
from																		
Austria			./.	39.1	32.3	28.8	42.1	38.7	34.4	11.7	31.8	36.6	35.1	37.0	35.2	26.0	31.8	32.9
Belgium			29.9	./.	28.7	25.0	38.1	34.7	30.4	8.1	28.0	32.6	31.2	33.0	31.2	22.2	27.9	28.6
Denmark			30.1	35.4	./.	25.0	38.4	34.9	30.6	7.8	28.1	32.8	31.3	33.2	31.4	22.2	28.0	29.2
Finland			30.6	35.9	29.2	./.	38.9	35.4	31.0	8.3	28.6	33.3	31.8	33.7	31.9	22.7	28.5	30.0
France			29.5	34.8	28.3	24.5	./.	34.3	30.0	7.5	27.6	32.3	30.8	32.7	30.8	21.7	27.5	28.0
Germany			30.0	35.3	28.8	25.0	38.2	./.	33.0	8.2	28.1	32.7	31.3	33.1	31.3	22.3	28.0	29.0
Greece			32.9	34.5	32.9	31.8	37.5	34.4	./.	27.9	27.5	33.4	33.5	33.9	33.5	30.3	33.2	32.7
Ireland			32.7	38.0	31.2	27.6	41.0	37.5	33.2	./.	30.7	35.4	34.0	35.8	34.0	24.8	30.6	33.3
Italy			30.3	35.5	29.0	25.3	38.4	35.0	30.7	8.4	./.	32.9	31.5	33.3	31.5	22.5	28.2	29.5
Luxembourg			29.4	34.8	28.2	24.4	37.8	34.3	29.9	7.1	27.5	./.	30.7	32.6	30.7	21.6	27.3	28.3
Netherlands			33.9	39.1	32.3	28.8	42.1	38.7	34.4	11.7	31.8	36.6	./.	37.0	35.2	26.0	31.8	32.8
Portugal			30.2	35.5	29.0	25.2	38.4	35.0	30.7	8.3	28.3	32.9	31.4	./.	31.5	22.5	28.2	29.1
Spain			29.7	35.1	28.4	24.6	38.1	34.6	30.2	7.4	27.8	32.5	31.0	32.9	./.	21.8	27.6	28.7
Sweden			30.8	36.1	29.4	25.7	39.1	35.6	31.2	8.5	28.8	33.5	32.0	33.9	32.1	./.	28.7	30.4
UK			30.3	35.6	29.0	26.5	38.6	35.1	32.9	22.1	28.3	33.1	31.6	33.5	31.6	24.8	./.	30.9
Canada			40.1	44.5	32.3	33.4	43.8	44.1	34.4	11.7	38.3	38.5	37.1	48.4	41.2	28.4	31.8	36.5
USA			31.8	36.9	30.3	29.1	39.7	36.4	33.0	25.0	29.9	34.4	33.0	38.6	35.0	27.6	30.7	32.8
Mean			30.7	36.0	29.8	26.3	39.0	35.6	31.6	10.9	28.8	33.6	31.9	34.0	32.3	23.7	29.1	30.2

Table 18: EATR when the subsidiary is financed with new equity
- taxes on corporations only; weighted average of parent finance

EATR	%	to														Mean		
			Austria	Belgium	Denmark	Finland	France	Germany	Greece	Ireland	Italy	Luxembourg	Netherlands	Portugal	Spain		Sweden	United Kingdom
from																		
Austria			./.	39.1	32.3	28.8	42.1	38.7	34.4	11.7	31.8	36.6	35.1	37.0	35.2	26.0	31.8	32.9
Belgium			30.6	./.	29.3	25.6	38.8	35.4	31.1	8.8	28.7	33.3	31.9	33.7	31.9	22.9	28.6	29.3
Denmark			30.1	35.4	./.	25.0	38.4	34.9	30.6	7.8	28.1	32.8	31.3	33.2	31.4	22.2	28.0	29.2
Finland			30.6	35.9	29.2	./.	38.9	35.4	31.0	8.3	28.6	33.3	31.8	33.7	31.9	22.7	28.5	30.0
France			29.9	35.2	28.6	24.9	./.	34.7	30.4	7.8	27.9	32.6	31.1	33.0	31.2	22.1	27.8	28.4
Germany			30.7	35.9	29.4	25.7	38.9	./.	35.0	8.8	28.8	33.4	31.9	33.8	32.0	23.0	28.6	29.7
Greece			36.0	34.5	36.6	37.4	37.5	34.8	./.	39.5	27.8	34.8	36.1	35.3	36.1	36.6	38.0	35.8
Ireland			32.7	38.0	31.2	27.6	41.0	37.5	33.2	./.	30.7	35.4	34.0	35.8	34.0	24.8	30.6	33.3
Italy			30.9	36.1	29.6	25.9	39.0	35.6	31.4	9.0	./.	33.6	32.1	34.0	32.2	23.1	28.8	30.1
Luxembourg			33.9	39.1	32.3	28.8	42.1	38.7	34.4	11.7	31.8	./.	35.1	37.0	35.2	26.0	31.8	32.7
Netherlands			33.9	39.1	32.3	28.8	42.1	38.7	34.4	11.7	31.8	36.6	./.	37.0	35.2	26.0	31.8	32.8
Portugal			30.8	36.1	29.6	25.9	39.0	35.6	31.3	9.0	28.9	33.5	32.1	./.	32.1	23.1	28.8	29.7
Spain			29.7	35.1	28.4	24.6	38.1	34.6	30.2	7.4	27.8	32.5	31.0	32.9	./.	21.8	27.6	28.7
Sweden			30.8	36.1	29.4	25.7	39.1	35.6	31.2	8.5	28.8	33.5	32.0	33.9	32.1	./.	28.7	30.4
UK			30.3	35.6	29.0	27.5	38.6	35.1	34.1	29.8	28.3	33.1	31.6	33.5	31.6	26.5	./.	31.8
Canada			45.2	49.5	32.3	36.8	45.4	49.2	34.4	11.7	43.3	40.2	38.8	58.4	46.2	30.1	31.8	39.6
USA			33.5	38.5	31.7	32.4	41.4	38.1	34.6	34.7	31.6	36.1	34.7	43.6	38.4	31.5	33.1	35.6
Mean			31.5	36.5	30.5	27.3	39.5	36.1	32.3	12.8	29.3	33.9	32.7	34.5	33.0	24.8	30.0	31.0

Table 19: EATR when the subsidiary is financed with debt
- taxes on corporations only; weighted average of parent finance

EATR	%	to														Mean		
			Austria	Belgium	Denmark	Finland	France	Germany	Greece	Ireland	Italy	Luxembourg	Netherlands	Portugal	Spain		Sweden	United Kingdom
from																		
Austria		./.	33.1	29.2	26.8	36.2	35.1	28.3	15.9	33.5	31.4	30.8	31.9	30.8	24.5	29.1		29.8
Belgium		32.3	./.	31.5	29.3	38.4	37.4	30.7	18.6	35.8	33.8	33.2	34.2	33.2	27.0	31.5		31.9
Denmark		29.4	32.7	./.	26.4	35.7	34.6	27.9	15.4	33.1	31.0	30.3	31.4	30.4	24.1	28.7		29.4
Finland		28.5	31.8	27.9	./.	34.9	33.8	27.0	14.5	32.2	30.1	29.4	30.6	29.5	23.2	27.8		28.7
France		31.7	34.9	31.0	28.7	./.	36.9	30.2	17.9	35.3	33.2	32.6	33.7	32.7	26.4	31.0		31.1
Germany		32.1	35.2	31.3	29.1	38.2	./.	33.6	18.4	35.6	33.6	33.0	34.0	33.0	26.8	31.3		31.8
Greece		36.0	34.4	36.6	37.4	37.5	36.9	./.	39.5	35.2	34.8	36.1	35.3	36.1	36.6	38.0		36.5
Ireland		24.5	29.6	24.2	21.5	31.0	29.8	26.4	./.	28.3	26.2	25.5	28.3	25.5	19.3	23.8		26.0
Italy		31.5	34.7	30.8	28.5	37.7	36.6	30.0	17.8	./.	33.0	32.4	33.4	32.4	26.3	30.8		31.1
Luxembourg		30.6	33.9	29.9	27.6	36.9	35.8	29.1	16.7	34.2	./.	31.5	32.6	31.6	25.3	29.9		30.4
Netherlands		30.1	33.3	29.4	27.0	36.4	35.3	28.5	16.1	33.7	31.6	./.	32.1	31.0	24.7	29.3		29.9
Portugal		31.6	34.8	30.9	28.6	37.8	36.7	30.1	17.9	35.1	33.1	32.5	./.	32.5	26.4	30.9		31.3
Spain		30.1	33.3	29.4	27.0	36.4	35.3	28.5	16.1	33.7	31.6	31.0	32.1	./.	24.7	29.3		29.9
Sweden		28.2	31.5	27.6	25.1	34.5	33.4	26.6	14.2	31.8	29.8	29.1	30.2	29.1	./.	27.4		28.5
UK		29.0	32.3	28.3	27.5	35.3	34.2	30.0	29.8	32.6	30.6	29.9	31.0	29.9	26.5	./.		30.5
Canada		40.1	42.8	31.4	34.7	40.8	44.5	30.6	18.3	43.1	36.3	35.7	49.3	40.9	29.7	31.4		36.6
USA		32.7	35.8	31.7	32.4	38.7	37.7	31.9	34.7	36.2	34.2	33.6	39.7	36.2	31.5	33.1		34.7
Mean		30.4	33.3	29.9	27.9	36.2	35.1	29.1	19.2	33.6	31.7	31.2	32.2	31.3	25.8	29.9		30.4

Table 20 Average Cost of Capital by Country
- domestic, average inbound and outbound
- only taxes on corporations
- average over sources of finance of subsidiary

Cost of Capital %	EU Average			EU Standard Deviation	
	Domestic	Inbound	Outbound	Inbound	Outbound
Austria	6.3	6.5	7.1	0.2	0.6
Belgium	6.4	6.7	6.3	0.3	0.6
Denmark	6.4	6.6	6.3	0.3	0.6
Finland	6.2	6.4	6.3	0.3	0.6
France	7.5	7.7	6.2	0.3	0.5
Germany	6.8	6.9	6.3	0.3	0.6
Greece	6.1	6.3	6.6	0.3	0.6
Ireland	5.7	5.9	6.4	0.4	0.6
Italy	4.8	5.0	6.5	0.3	0.4
Luxembourg	6.3	6.5	6.7	0.3	0.6
Netherlands	6.5	6.6	7.1	0.2	0.6
Portugal	6.5	6.7	6.3	0.3	0.6
Spain	6.5	6.7	6.3	0.3	0.6
Sweden	5.8	6.0	6.3	0.3	0.6
United Kingdom	6.6	6.8	6.4	0.3	0.5
EU Mean	6.3	6.5	6.5	0.3	0.6
EU Standard Deviation	0.6	0.6	0.3		
Canada	./.	./.	7.8	./.	0.8
USA	./.	./.	6.6	./.	0.6

Note. These are averages across either host (for outbound) or home (for inbound) countries of an overall average cost of capital for each pair of home and host countries. This overall cost of capital is found by taking an unweighted average of each element of Tables 3.1, 3.2 and 3.3.

Table 21 Effective Average Tax Rate by Country
- domestic, average inbound and outbound
- only taxes on corporations

Cost of Capital %	EU Average			EU Standard Deviation	
	Domestic	Inbound	Outbound	Inbound	Outbound
Austria	29.8	30.9	31.9	1.4	6.3
Belgium	34.5	35.3	30.0	0.9	6.1
Denmark	28.8	30.0	29.3	1.7	6.4
Finland	25.5	27.2	29.5	2.5	6.3
France	37.5	38.3	29.2	0.9	5.9
Germany	34.8	35.6	30.2	0.9	6.1
Greece	29.6	31.0	35.0	1.3	1.5
Ireland	10.5	14.3	30.9	7.2	3.7
Italy	29.8	30.5	30.2	0.9	6.3
Luxembourg	32.2	33.1	30.5	0.9	6.3
Netherlands	31.0	31.9	31.8	1.2	6.3
Portugal	32.6	33.6	30.0	0.9	6.2
Spain	31.0	32.2	29.1	1.2	6.4
Sweden	22.9	24.8	29.7	2.9	6.1
United Kingdom	28.2	29.7	31.1	2.1	3.1
EU Mean	29.2	30.6	30.6	1.8	5.5
EU Standard Deviation	6.1	5.4	1.4		
Canada	./.	./.	37.6	./.	8.8
USA	./.	./.	34.3	./.	3.1

Note. These are averages across either host (for outbound) or home (for inbound) countries of an overall average cost of capital. This overall cost of capital is found by taking an unweighted average of each element of Tables 3.7, 3.8 and 3.9.

Table 22 "Tax Efficient" Average Cost of Capital by Country
- domestic, average inbound and outbound
- only taxes on corporations
- only most favoured source of finance for the subsidiary

Cost of Capital %	EU Average			EU Standard Deviation	
	Domestic	Inbound	Outbound	Inbound	Outbound
Austria	6.3	6.0	6.3	0.5	0.4
Belgium	6.4	6.0	5.9	0.4	0.8
Denmark	6.4	6.1	6.0	0.3	0.7
Finland	6.2	6.0	5.8	0.4	0.6
France	7.5	7.0	5.9	0.6	0.7
Germany	6.8	6.5	6.0	0.4	0.8
Greece	6.1	5.7	5.9	0.3	0.9
Ireland	5.7	5.1	4.9	0.4	0.3
Italy	4.8	4.3	6.2	0.5	0.5
Luxembourg	6.3	5.9	6.0	0.5	0.8
Netherlands	6.5	6.1	6.4	0.4	0.5
Portugal	6.5	6.1	6.0	0.4	0.8
Spain	6.5	6.1	6.0	0.4	0.7
Sweden	5.8	5.6	5.7	0.4	0.5
United Kingdom	6.6	6.4	5.8	0.4	0.6
EU Mean	6.3	5.9	5.9	0.4	0.6
EU Standard Deviation	0.6	0.6	0.3		
Canada	./.	./.	7.1	./.	0.7
USA	./.	./.	6.0	./.	0.8

Note. These figures are based on the most tax-efficient means of financing the subsidiary - that is retained earnings, new equity or debt. This is found by taking the minimum cost of capital for each element in Tables 3.1, 3.2 and 3.3. Averages are then constructed across either host (for outbound) or home (for inbound) countries.

Table 23 "Tax Efficient" Effective Average Tax Rate by Country
- domestic, average inbound and outbound
- only taxes on corporations
- only most favoured source of finance for the subsidiary

Cost of Capital %	EU Average			EU Standard Deviation	
	Domestic	Inbound	Outbound	Inbound	Outbound
Austria	29.8	29.4	29.3	1.8	5.7
Belgium	34.5	33.2	28.6	1.5	6.9
Denmark	28.8	28.6	28.2	1.7	6.6
Finland	25.5	25.6	27.9	2.1	6.1
France	37.5	36.2	28.0	1.8	6.7
Germany	34.8	34.2	28.9	1.3	7.0
Greece	29.6	29.0	32.6	1.7	2.5
Ireland	10.5	10.9	26.0	6.0	3.2
Italy	29.8	28.6	29.3	1.4	6.9
Luxembourg	32.2	31.4	28.1	1.8	7.0
Netherlands	31.0	30.4	29.5	1.7	5.7
Portugal	32.6	31.9	28.9	1.4	6.9
Spain	31.0	30.5	28.2	1.7	6.8
Sweden	22.9	23.1	27.8	2.4	5.9
United Kingdom	28.2	28.1	29.4	1.9	3.3
EU Mean	29.2	28.7	28.7	2.0	5.8
EU Standard Deviation	6.1	5.7	1.4		
Canada	./.	./.	35.6	./.	8.4
USA	./.	./.	32.5	./.	3.8

Note. These figures are based on the most tax-efficient means of financing the subsidiary - that is retained earnings, new equity or debt. This is found by taking the minimum cost of capital for each element in Tables 3.7, 3.8 and 3.9. Averages are then constructed across either host (for outbound) or home (for inbound) countries.

ANNEX F
HYPOTHETICAL INVESTMENT MODEL :
SIMULATING HYPOTHETICAL POLICY SCENARIOS

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Table 0a: Base Case. Only Corporate Taxes, Domestic Distributions.

Cost of Capital and EATR (%)		Weighted Average over Sources of Finance of the Subsidiary										Most Tax Efficient Way of Financing the Subsidiary							
		Cost of Capital					EATR					Cost of Capital				EATR			
		Average			Stand. Dev.		Average			Stand. Dev.		Average		Stand. Dev.		Average		Stand. Dev.	
		Domestic	Inbound	Outbound	Inbound	Outbound	Domestic	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound
1	Austria	6.3	6.5	7.1	0.2	0.6	29.8	30.9	31.9	1.4	6.3	6.0	6.3	0.4	0.4	29.4	29.3	1.8	5.7
2	Belgium	6.4	6.7	6.3	0.3	0.6	34.5	35.3	30.0	0.9	6.1	6.0	5.9	0.4	0.8	33.2	28.6	1.5	6.9
3	Denmark	6.4	6.6	6.3	0.3	0.6	28.8	30.0	29.3	1.7	6.4	6.1	6.0	0.3	0.7	28.6	28.2	1.7	6.6
4	Finland	6.2	6.4	6.3	0.3	0.6	25.5	27.2	29.5	2.5	6.3	6.0	5.8	0.4	0.6	25.6	27.9	2.1	6.1
5	France	7.5	7.7	6.2	0.3	0.5	37.5	38.3	29.2	0.9	5.9	7.0	5.9	0.6	0.7	36.2	28.0	1.8	6.7
6	Germany	6.8	6.9	6.3	0.3	0.6	34.8	35.6	30.2	0.9	6.1	6.5	6.0	0.4	0.8	34.2	28.9	1.3	7.0
7	Greece	6.1	6.3	6.6	0.3	0.6	29.6	31.0	35.0	1.3	1.5	5.7	5.9	0.3	0.9	29.0	32.6	1.7	2.5
8	Ireland	5.7	5.9	6.4	0.4	0.6	10.5	14.3	30.9	7.2	3.7	5.1	4.9	0.4	0.3	10.9	26.0	6.0	3.2
9	Italy	4.8	5.0	6.5	0.3	0.4	29.8	30.5	30.2	0.9	6.3	4.3	6.2	0.5	0.5	28.6	29.3	1.4	6.9
10	Luxembourg	6.3	6.5	6.7	0.3	0.6	32.2	33.1	30.5	0.9	6.3	5.9	6.0	0.5	0.8	31.4	28.1	1.8	7.0
11	Netherlands	6.5	6.6	7.1	0.2	0.6	31.0	31.9	31.8	1.2	6.3	6.1	6.4	0.4	0.5	30.4	29.5	1.7	5.7
12	Portugal	6.5	6.7	6.3	0.3	0.6	32.6	33.6	30.0	0.9	6.2	6.1	6.0	0.4	0.8	31.9	28.9	1.4	6.9
13	Spain	6.5	6.7	6.3	0.3	0.6	31.0	32.2	29.1	1.2	6.4	6.1	6.0	0.4	0.7	30.5	28.2	1.7	6.8
14	Sweden	5.8	6.0	6.3	0.3	0.6	22.9	24.8	29.7	2.9	6.1	5.6	5.7	0.4	0.5	23.1	27.8	2.4	5.9
15	United Kingdom	6.6	6.8	6.4	0.3	0.5	28.2	29.7	31.1	2.1	3.1	6.4	5.8	0.4	0.6	28.1	29.4	1.9	3.3
16	Canada	./.	./.	7.8	./.	0.8	./.	./.	37.6	./.	8.8	./.	7.1	./.	0.7	./.	35.6	./.	8.4
17	USA	./.	./.	6.6	./.	0.6	./.	./.	34.3	./.	3.1	./.	6.0	./.	0.8	./.	32.5	./.	3.8
	Mean (EU)	6.3	6.5	6.5	0.3	0.6	29.2	30.6	30.6	1.8	5.5	5.9	5.9	0.4	0.6	28.7	28.7	2.0	5.8
	Stand. Dev.	0.6	0.6	0.3			6.1	5.4	1.4			0.6	0.3			5.7	1.4		

Table 0b: Base Case. Only Corporate Taxes, International Distributions.

Cost of Capital and EATR (%)		Weighted Average over Sources of Finance of the Subsidiary										Most Tax Efficient Way of Financing the Subsidiary							
		Cost of Capital					EATR					Cost of Capital				EATR			
		Average			Stand. Dev.		Average			Stand. Dev.		Average		Stand. Dev.		Average		Stand. Dev.	
		Domestic	Inbound	Outbound	Inbound	Outbound	Domestic	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound
1	Austria	6.3	6.5	7.1	0.3	0.6	29.8	33.0	31.9	5.3	6.3	5.8	6.3	0.6	0.4	31.0	29.3	4.4	5.7
2	Belgium	6.4	6.8	6.3	0.4	0.6	34.5	37.3	30.0	4.8	6.1	5.9	5.9	0.5	0.8	34.9	28.6	4.5	6.9
3	Denmark	6.4	6.6	6.3	0.3	0.6	28.8	32.2	29.3	5.1	6.4	6.0	6.0	0.5	0.7	30.3	28.2	4.4	6.6
4	Finland	4.7	6.5	6.9	0.3	0.6	20.0	28.4	43.7	4.8	4.7	6.0	5.1	0.4	0.6	26.7	39.4	4.4	4.3
5	France	5.3	7.7	6.9	0.4	0.5	31.0	39.1	45.7	3.1	4.1	7.0	5.7	0.6	0.3	36.9	43.0	2.9	3.5
6	Germany	6.8	7.0	6.3	0.3	0.6	34.8	37.5	30.2	4.5	6.1	6.3	6.0	0.6	0.8	35.6	28.9	3.8	7.0
7	Greece	6.1	6.5	6.6	0.3	0.6	29.6	33.2	35.0	5.2	1.5	5.6	5.9	0.4	0.9	30.8	32.6	4.7	2.5
8	Ireland	5.7	6.0	6.4	0.4	0.6	10.5	17.3	30.9	9.2	3.7	5.2	4.9	0.5	0.3	14.2	26.0	9.0	3.2
9	Italy	4.8	5.1	6.5	0.4	0.4	29.8	32.8	30.2	5.4	6.3	4.5	6.2	0.7	0.5	31.1	29.3	6.0	6.9
10	Luxembourg	6.3	6.5	6.7	0.3	0.6	32.2	35.1	30.5	4.8	6.3	5.7	6.0	0.7	0.8	32.9	28.1	4.0	7.0
11	Netherlands	6.5	6.7	7.1	0.3	0.6	31.0	34.0	31.8	4.9	6.3	6.0	6.4	0.6	0.5	32.0	29.5	4.1	5.7
12	Portugal	6.5	6.8	6.3	0.4	0.6	32.6	35.7	30.0	5.0	6.2	6.1	6.0	0.4	0.8	33.7	28.9	4.7	6.9
13	Spain	6.5	6.8	6.3	0.3	0.6	31.1	34.3	29.1	5.1	6.4	6.1	6.0	0.4	0.7	32.4	28.2	4.8	6.8
14	Sweden	5.8	6.1	6.3	0.3	0.6	22.9	27.2	29.7	6.0	6.1	5.5	5.7	0.4	0.5	25.2	27.8	5.4	5.9
15	United Kingdom	6.6	6.9	6.4	0.3	0.5	28.2	31.8	31.1	5.3	3.1	6.2	5.8	0.5	0.6	29.8	29.4	4.6	3.3
16	Canada	./.	./.	7.8	./.	0.8	./.	./.	37.6	./.	8.8	./.	7.1	./.	0.7	./.	35.6	./.	8.4
17	USA	./.	./.	6.6	./.	0.6	./.	./.	34.3	./.	3.1	./.	6.0	./.	0.8	./.	32.5	./.	3.8
	Mean (EU)	6.0	6.6	6.6	0.3	0.6	28.4	32.6	32.6	5.2	5.3	5.9	5.9	0.5	0.6	30.5	30.5	4.8	5.5
	Stand. Dev.	0.6	0.6	0.3			6.1	5.1	5.0			0.5	0.4			5.3	4.4		

Table 1a: Common Corporation Tax Rate, including Surcharges, at EU average. Only Corporate Taxes, Domestic Distributions.

Cost of Capital and EATR (%)		Weighted Average over Sources of Finance of the Subsidiary										Most Tax Efficient Way of Financing the Subsidiary							
		Cost of Capital					EATR					Cost of Capital				EATR			
		Average			Stand. Dev.		Average			Stand. Dev.		Average		Stand. Dev.		Average		Stand. Dev.	
		Domestic	Inbound	Outbound	Inbound	Outbound	Domestic	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound
1	Austria	6.2	6.3	7.2	0.2	0.4	28.3	29.0	32.6	0.8	2.9	6.2	6.4	0.1	0.3	28.4	29.9	0.4	2.5
2	Belgium	6.1	6.3	6.5	0.3	0.3	28.0	28.7	31.0	0.9	2.9	6.1	6.4	0.1	0.3	28.0	30.5	0.4	2.6
3	Denmark	6.4	6.6	6.4	0.3	0.4	29.0	29.8	30.0	0.8	3.0	6.4	6.4	0.1	0.3	29.1	29.8	0.4	2.6
4	Finland	6.5	6.7	6.4	0.3	0.4	29.3	30.1	30.0	0.9	3.0	6.4	6.4	0.1	0.3	29.4	29.7	0.4	2.6
5	France	7.1	7.3	6.4	0.3	0.3	31.4	32.1	30.3	0.9	2.9	7.1	6.3	0.1	0.3	31.4	29.9	0.4	2.6
6	Germany	7.1	7.3	6.5	0.3	0.3	39.0	39.6	31.1	0.9	2.5	6.7	5.9	0.1	0.3	37.9	29.3	0.4	2.2
7	Greece	6.2	6.4	6.4	0.3	0.3	28.3	29.8	30.1	2.6	2.8	6.1	6.4	0.2	0.3	28.9	29.9	1.6	2.5
8	Ireland	6.8	6.9	6.4	0.3	0.3	30.2	31.0	30.0	0.9	2.9	6.7	6.3	0.1	0.3	30.2	29.8	0.4	2.5
9	Italy	6.1	6.2	6.5	0.3	0.3	30.2	30.9	30.8	0.9	2.9	6.0	6.4	0.1	0.3	30.2	30.4	0.4	2.6
10	Luxembourg	6.4	6.5	6.9	0.3	0.4	33.0	33.7	31.2	0.9	2.8	5.9	6.2	0.1	0.4	32.0	29.0	0.5	3.0
11	Netherlands	6.3	6.4	7.2	0.2	0.4	28.6	29.2	32.5	0.7	2.9	6.2	6.4	0.1	0.3	28.7	29.8	0.4	2.5
12	Portugal	6.2	6.3	6.5	0.3	0.3	28.2	28.9	30.9	0.9	2.9	6.1	6.4	0.1	0.3	28.2	30.5	0.4	2.6
13	Spain	6.3	6.5	6.4	0.3	0.4	28.7	29.4	30.0	0.9	3.0	6.3	6.4	0.1	0.3	28.7	29.8	0.4	2.6
14	Sweden	6.0	6.2	6.5	0.2	0.3	26.3	27.4	30.2	0.8	2.8	5.9	6.3	0.1	0.3	26.5	29.6	0.6	2.4
15	United Kingdom	6.8	6.9	6.4	0.3	0.3	30.2	31.0	30.0	0.9	2.9	6.7	6.3	0.1	0.3	30.2	29.8	0.4	2.5
16	Canada	./.	./.	7.9	./.	0.6	./.	./.	38.4	./.	5.4	./.	7.4	./.	0.3	./.	36.9	./.	4.6
17	USA	./.	./.	6.6	./.	0.3	./.	./.	33.2	./.	2.8	./.	6.3	./.	0.4	./.	32.0	./.	2.8
	Mean (EU)	6.4	6.6	6.6	0.3	0.3	29.9	30.7	30.7	1.0	2.9	6.3	6.3	0.1	0.3	29.8	29.8	0.5	2.6
	Stand. Dev.	0.3	0.3	0.3			2.9	2.8	0.8			0.3	0.1			2.5	0.4		

Table 1b: Common Corporation Tax Rate, including Surcharges, at EU average. Only Corporate Taxes, International Distributions.

Cost of Capital and EATR (%)		Weighted Average over Sources of Finance of the Subsidiary										Most Tax Efficient Way of Financing the Subsidiary							
		Cost of Capital					EATR					Cost of Capital				EATR			
		Average			Stand. Dev.		Average			Stand. Dev.		Average		Stand. Dev.		Average		Stand. Dev.	
		Domestic	Inbound	Outbound	Inbound	Outbound	Domestic	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound
1	Austria	6.2	6.4	7.2	0.3	0.4	28.3	31.3	32.6	5.7	2.9	5.9	6.4	0.6	0.3	30.0	29.9	4.1	2.5
2	Belgium	6.1	6.4	6.5	0.4	0.3	28.0	31.2	31.0	5.9	2.9	6.0	6.4	0.2	0.3	30.0	30.5	5.1	2.6
3	Denmark	6.4	6.6	6.4	0.3	0.4	29.0	32.0	30.0	5.4	3.0	6.1	6.4	0.5	0.3	30.7	29.8	4.0	2.6
4	Finland	4.6	6.7	7.1	0.3	0.4	23.0	31.2	46.1	4.0	2.0	6.3	5.2	0.4	0.7	30.1	41.8	2.9	2.0
5	France	5.3	7.3	7.1	0.3	0.3	25.1	33.3	46.0	4.0	1.9	7.0	5.1	0.2	0.5	32.3	41.6	3.3	1.8
6	Germany	7.1	7.4	6.5	0.3	0.3	39.0	41.4	31.1	4.3	2.5	6.4	5.9	0.7	0.3	39.1	29.3	2.9	2.2
7	Greece	6.2	6.5	6.4	0.4	0.3	28.3	32.2	30.1	6.0	2.8	6.0	6.4	0.3	0.3	30.8	29.9	4.9	2.5
8	Ireland	6.8	7.0	6.4	0.3	0.3	30.2	33.2	30.0	5.3	2.9	6.5	6.3	0.6	0.3	31.7	29.8	3.8	2.5
9	Italy	6.1	6.4	6.5	0.4	0.3	30.2	33.3	30.8	5.6	2.9	5.9	6.4	0.2	0.3	32.1	30.4	4.8	2.6
10	Luxembourg	6.4	6.6	6.9	0.3	0.4	33.0	35.8	31.2	5.0	2.8	5.7	6.2	0.6	0.4	33.4	29.0	3.6	3.0
11	Netherlands	6.3	6.5	7.2	0.3	0.4	28.6	31.5	32.5	5.5	2.9	6.0	6.4	0.6	0.3	30.2	29.8	4.0	2.5
12	Portugal	6.2	6.5	6.5	0.4	0.3	28.2	31.4	30.9	5.9	2.9	6.1	6.4	0.1	0.3	30.3	30.5	5.1	2.6
13	Spain	6.3	6.6	6.4	0.4	0.4	28.7	31.8	30.0	5.7	3.0	6.2	6.4	0.2	0.3	30.6	29.8	4.8	2.6
14	Sweden	6.0	6.2	6.5	0.3	0.3	26.3	29.8	30.2	5.5	2.8	5.7	6.3	0.5	0.3	28.3	29.6	4.3	2.4
15	United Kingdom	6.8	7.0	6.4	0.3	0.3	30.2	33.2	30.0	5.3	2.9	6.5	6.3	0.5	0.3	31.8	29.8	3.8	2.5
16	Canada	./.	./.	7.9	./.	0.6	./.	./.	38.4	./.	5.4	./.	7.4	./.	0.3	./.	36.9	./.	4.6
17	USA	./.	./.	6.6	./.	0.3	./.	./.	33.2	./.	2.8	./.	6.3	./.	0.4	./.	32.0	./.	2.8
	Mean (EU)	6.2	6.7	6.7	0.3	0.3	29.1	32.8	32.8	5.3	2.7	6.2	6.2	0.4	0.4	31.4	31.4	4.1	2.5
	Stand. Dev.	0.6	0.3	0.3			3.5	2.7	5.2			0.3	0.4			2.4	4.1		

Table 2a: Common Corporation Tax Rate, Including Surcharges and Local Taxes, at EU average. Only Corporate Taxes, Domestic Distributions.

Cost of Capital and EATR (%)		Weighted Average over Sources of Finance of the Subsidiary										Most Tax Efficient Way of Financing the Subsidiary							
		Cost of Capital					EATR					Cost of Capital				EATR			
		Average			Stand. Dev.		Average			Stand. Dev.		Average		Stand. Dev.		Average		Stand. Dev.	
		Domestic	Inbound	Outbound	Inbound	Outbound	Domestic	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound
1	Austria	6.3	6.4	7.2	0.2	0.3	29.7	30.3	32.6	0.8	1.3	6.3	6.4	0.0	0.3	29.9	30.0	0.4	1.2
2	Belgium	6.2	6.3	6.5	0.3	0.3	29.3	30.0	31.0	0.9	1.2	6.2	6.4	0.0	0.3	29.4	30.7	0.3	1.3
3	Denmark	6.5	6.6	6.4	0.3	0.3	30.3	31.0	29.9	0.8	1.3	6.5	6.4	0.0	0.3	30.5	29.9	0.3	1.3
4	Finland	6.6	6.8	6.4	0.3	0.3	30.7	31.5	29.9	0.9	1.3	6.6	6.4	0.0	0.3	30.9	29.9	0.3	1.3
5	France	7.2	7.3	6.4	0.3	0.3	32.6	33.3	30.2	0.9	1.0	7.2	6.3	0.0	0.3	32.8	30.1	0.3	1.1
6	Germany	6.2	6.4	6.5	0.3	0.3	29.4	30.1	30.9	0.9	1.3	6.2	6.4	0.0	0.3	29.6	30.6	0.3	1.3
7	Greece	6.3	6.5	6.4	0.3	0.3	29.7	30.4	30.1	0.9	1.1	6.3	6.4	0.0	0.3	29.8	30.1	0.3	1.1
8	Ireland	6.9	7.0	6.4	0.3	0.3	31.5	32.3	30.0	0.9	1.0	6.8	6.4	0.0	0.3	31.7	29.9	0.3	1.1
9	Italy	5.9	6.1	6.5	0.3	0.3	28.4	29.1	31.0	0.9	1.2	5.9	6.4	0.0	0.3	28.6	30.7	0.3	1.2
10	Luxembourg	6.1	6.3	6.8	0.3	0.3	29.1	29.8	31.3	0.9	1.3	6.1	6.4	0.0	0.3	29.3	30.0	0.4	1.3
11	Netherlands	6.4	6.5	7.2	0.2	0.3	30.0	30.6	32.6	0.8	1.3	6.4	6.4	0.0	0.3	30.2	30.0	0.4	1.2
12	Portugal	6.3	6.4	6.5	0.3	0.3	29.5	30.2	30.9	0.9	1.2	6.2	6.4	0.0	0.3	29.7	30.7	0.3	1.3
13	Spain	6.4	6.6	6.4	0.3	0.3	30.0	30.8	30.0	0.9	1.3	6.4	6.4	0.0	0.3	30.2	29.9	0.3	1.3
14	Sweden	6.1	6.2	6.4	0.3	0.3	27.6	28.7	30.1	0.8	1.1	6.0	6.3	0.1	0.3	27.9	29.7	0.5	1.1
15	United Kingdom	6.9	7.0	6.4	0.3	0.3	31.5	32.3	30.0	0.9	1.0	6.8	6.4	0.0	0.3	31.7	29.9	0.3	1.1
16	Canada	./.	./.	7.9	./.	0.5	./.	./.	38.5	./.	4.4	./.	7.4	./.	0.3	./.	37.0	./.	3.7
17	USA	./.	./.	6.6	./.	0.3	./.	./.	32.8	./.	2.0	./.	6.3	./.	0.3	./.	31.9	./.	1.6
	Mean (EU)	6.4	6.6	6.6	0.3	0.3	30.0	30.7	30.7	0.9	1.2	6.4	6.4	0.0	0.3	30.1	30.1	0.3	1.2
	Stand. Dev.	0.3	0.3	0.3			1.2	1.2	0.9			0.3	0.0			1.2	0.3		

Table 2b: Common Corporation Tax Rate, Including Surcharges and Local Taxes, at EU average. Only Corporate Taxes, International Distributions.

Cost of Capital and EATR (%)		Weighted Average over Sources of Finance of the Subsidiary										Most Tax Efficient Way of Financing the Subsidiary							
		Cost of Capital					EATR					Cost of Capital				EATR			
		Average			Stand. Dev.		Average			Stand. Dev.		Average		Stand. Dev.		Average		Stand. Dev.	
		Domestic	Inbound	Outbound	Inbound	Outbound	Domestic	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound
1	Austria	6.3	6.5	7.2	0.3	0.3	29.7	32.6	32.6	5.8	1.3	6.1	6.4	0.6	0.3	31.5	30.0	4.1	1.2
2	Belgium	6.2	6.5	6.5	0.4	0.3	29.3	32.5	31.0	5.9	1.2	6.1	6.4	0.2	0.3	31.5	30.7	5.0	1.3
3	Denmark	6.5	6.7	6.4	0.3	0.3	30.3	33.3	29.9	5.4	1.3	6.2	6.4	0.5	0.3	32.1	29.9	4.0	1.3
4	Finland	4.6	6.8	7.1	0.3	0.4	24.1	32.6	46.8	4.0	0.9	6.5	5.2	0.4	0.6	31.7	42.5	2.8	1.5
5	France	5.2	7.4	7.1	0.3	0.3	26.2	34.5	46.4	4.1	0.7	7.1	5.1	0.2	0.5	33.7	42.2	3.3	1.2
6	Germany	6.2	6.5	6.5	0.3	0.3	29.4	32.5	30.9	5.6	1.3	6.0	6.4	0.6	0.3	31.2	30.6	4.0	1.3
7	Greece	6.3	6.6	6.4	0.4	0.3	29.7	32.8	30.1	5.8	1.1	6.2	6.4	0.2	0.3	31.8	30.1	4.8	1.1
8	Ireland	6.9	7.1	6.4	0.3	0.3	31.5	34.6	30.0	5.3	1.0	6.6	6.4	0.6	0.3	33.3	29.9	3.7	1.1
9	Italy	5.9	6.2	6.5	0.4	0.3	28.4	31.6	31.0	6.0	1.2	5.8	6.4	0.2	0.3	30.6	30.7	5.1	1.2
10	Luxembourg	6.1	6.3	6.8	0.3	0.3	29.1	32.2	31.3	5.6	1.3	5.9	6.4	0.6	0.3	31.0	30.0	4.1	1.3
11	Netherlands	6.4	6.6	7.2	0.3	0.3	30.0	32.9	32.6	5.6	1.3	6.1	6.4	0.6	0.3	31.8	30.0	3.9	1.2
12	Portugal	6.3	6.6	6.5	0.4	0.3	29.5	32.7	30.9	5.9	1.2	6.2	6.4	0.1	0.3	31.7	30.7	5.1	1.3
13	Spain	6.4	6.7	6.4	0.4	0.3	30.0	33.2	30.0	5.8	1.3	6.3	6.4	0.2	0.3	32.1	29.9	4.7	1.3
14	Sweden	6.1	6.3	6.4	0.3	0.3	27.6	31.1	30.1	5.6	1.1	5.8	6.3	0.5	0.3	29.7	29.7	4.3	1.1
15	United Kingdom	6.9	7.1	6.4	0.3	0.3	31.5	34.5	30.0	5.3	1.0	6.6	6.4	0.6	0.3	33.3	29.9	3.8	1.1
16	Canada	./.	./.	7.9	./.	0.5	./.	./.	38.5	./.	4.4	./.	7.4	./.	0.3	./.	37.0	./.	3.7
17	USA	./.	./.	6.6	./.	0.3	./.	./.	32.8	./.	2.0	./.	6.3	./.	0.3	./.	31.9	./.	1.6
	Mean (EU)	6.1	6.7	6.7	0.3	0.3	29.1	32.9	32.9	5.5	1.1	6.2	6.2	0.4	0.4	31.8	31.8	4.2	1.2
	Stand. Dev.	0.6	0.3	0.3			1.9	1.0	5.4			0.3	0.4			1.0	4.2		

Table 3a: Common Band of Corporation Tax Rates. Only Corporate Taxes, Domestic Distributions.

Cost of Capital and EATR (%)		Weighted Average over Sources of Finance of the Subsidiary										Most Tax Efficient Way of Financing the Subsidiary							
		Cost of Capital					EATR					Cost of Capital				EATR			
		Average			Stand. Dev.		Average			Stand. Dev.		Average		Stand. Dev.		Average		Stand. Dev.	
		Domestic	Inbound	Outbound	Inbound	Outbound	Domestic	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound
1	Austria	6.3	6.4	7.0	0.2	0.5	29.8	30.5	30.7	0.8	3.4	6.1	6.4	0.2	0.4	29.5	28.7	0.9	2.5
2	Belgium	6.2	6.4	6.3	0.3	0.5	30.2	30.9	29.0	0.9	3.3	6.0	6.1	0.3	0.6	29.7	28.2	0.9	3.8
3	Denmark	6.4	6.6	6.2	0.3	0.5	28.8	29.7	28.1	0.9	3.4	6.3	6.0	0.2	0.5	28.7	27.4	0.8	3.5
4	Finland	6.2	6.4	6.2	0.3	0.5	25.5	26.8	28.3	1.5	3.3	6.1	5.9	0.2	0.4	25.8	27.2	1.2	2.9
5	France	7.2	7.4	6.2	0.3	0.4	33.5	34.3	28.2	0.9	3.0	7.0	6.0	0.3	0.5	33.0	27.6	0.9	3.5
6	Germany	5.8	6.0	6.3	0.3	0.5	21.8	23.5	29.3	2.3	2.9	5.7	5.8	0.3	0.4	22.3	27.7	1.8	2.2
7	Greece	6.1	6.3	6.4	0.3	0.5	28.5	29.3	30.8	0.9	1.6	5.9	6.1	0.3	0.6	28.1	29.7	1.0	2.0
8	Ireland	6.3	6.5	6.2	0.3	0.5	23.7	25.4	28.5	2.2	3.2	6.2	5.8	0.3	0.4	24.2	26.9	1.8	2.4
9	Italy	5.0	5.2	6.4	0.3	0.3	26.3	27.0	29.3	0.9	3.3	4.8	6.2	0.4	0.4	25.8	28.6	1.3	3.7
10	Luxembourg	6.2	6.3	6.6	0.3	0.5	30.1	30.8	29.3	0.9	3.4	6.0	6.1	0.3	0.6	29.6	27.5	1.0	3.8
11	Netherlands	6.5	6.6	7.0	0.2	0.5	31.0	31.6	30.7	0.7	3.3	6.2	6.5	0.3	0.4	30.5	28.8	1.0	2.5
12	Portugal	6.3	6.5	6.3	0.3	0.5	30.5	31.3	29.0	0.9	3.3	6.1	6.1	0.3	0.6	30.0	28.2	0.9	3.7
13	Spain	6.5	6.6	6.2	0.3	0.5	31.0	31.8	27.9	0.9	3.3	6.3	6.1	0.3	0.6	30.6	27.4	1.0	3.8
14	Sweden	5.8	6.0	6.3	0.3	0.5	22.9	24.4	28.5	1.9	3.1	5.7	5.9	0.3	0.4	23.3	27.2	1.5	2.4
15	United Kingdom	6.6	6.8	6.3	0.3	0.5	28.2	29.3	29.1	1.2	2.2	6.5	5.9	0.2	0.5	28.3	28.1	0.9	2.2
16	Canada	./.	./.	7.7	./.	0.6	./.	./.	36.7	./.	5.9	./.	7.2	./.	0.5	./.	35.1	./.	5.2
17	USA	./.	./.	6.5	./.	0.5	./.	./.	32.7	./.	2.6	./.	6.0	./.	0.6	./.	31.1	./.	2.9
	Mean (EU)	6.2	6.4	6.4	0.3	0.5	28.1	29.1	29.1	1.2	3.1	6.1	6.1	0.3	0.5	28.0	28.0	1.1	3.0
	Stand. Dev.	0.5	0.5	0.3			3.3	3.0	0.9			0.5	0.2			2.9	0.7		

Table 3b: Common Band of Corporation Tax Rates. Only Corporate Taxes, International Distributions.

Cost of Capital and EATR (%)		Weighted Average over Sources of Finance of the Subsidiary										Most Tax Efficient Way of Financing the Subsidiary							
		Cost of Capital					EATR					Cost of Capital				EATR			
		Average			Stand. Dev.		Average			Stand. Dev.		Average		Stand. Dev.		Average		Stand. Dev.	
		Domestic	Inbound	Outbound	Inbound	Outbound	Domestic	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound
1	Austria	6.3	6.5	7.0	0.3	0.5	29.8	32.6	30.7	5.3	3.4	5.9	6.4	0.6	0.4	31.0	28.7	3.9	2.5
2	Belgium	6.2	6.5	6.3	0.4	0.5	30.2	33.2	29.0	5.4	3.3	6.0	6.1	0.3	0.6	31.6	28.2	4.7	3.8
3	Denmark	6.4	6.6	6.2	0.3	0.5	28.8	31.9	28.1	5.1	3.4	6.1	6.0	0.5	0.5	30.3	27.4	3.9	3.5
4	Finland	4.7	6.5	6.9	0.3	0.5	20.0	28.0	42.9	4.5	2.6	6.1	5.1	0.3	0.6	26.8	38.6	3.7	2.8
5	France	5.2	7.5	6.9	0.3	0.4	27.1	35.2	45.1	3.4	2.2	7.0	5.3	0.3	0.4	33.8	41.5	2.7	2.3
6	Germany	5.8	6.1	6.3	0.3	0.5	21.8	25.9	29.3	5.9	2.9	5.6	5.8	0.4	0.4	24.4	27.7	5.0	2.2
7	Greece	6.1	6.4	6.4	0.4	0.5	28.5	31.6	30.8	5.5	1.6	5.8	6.1	0.3	0.6	29.9	29.7	4.7	2.0
8	Ireland	6.3	6.6	6.2	0.3	0.5	23.7	27.8	28.5	5.7	3.2	6.1	5.8	0.4	0.4	26.2	26.9	4.7	2.4
9	Italy	5.0	5.3	6.4	0.4	0.3	26.3	29.4	29.3	5.8	3.3	4.9	6.2	0.5	0.4	28.2	28.6	5.9	3.7
10	Luxembourg	6.2	6.4	6.6	0.3	0.5	30.1	32.9	29.3	5.1	3.4	5.8	6.1	0.6	0.6	31.1	27.5	3.7	3.8
11	Netherlands	6.5	6.6	7.0	0.3	0.5	31.0	33.6	30.7	5.0	3.3	6.0	6.5	0.6	0.4	31.9	28.8	3.6	2.5
12	Portugal	6.3	6.6	6.3	0.4	0.5	30.5	33.5	29.0	5.4	3.3	6.1	6.1	0.3	0.6	31.9	28.2	4.7	3.7
13	Spain	6.5	6.8	6.2	0.4	0.5	31.1	34.0	27.9	5.2	3.3	6.2	6.1	0.3	0.6	32.3	27.4	4.4	3.8
14	Sweden	5.8	6.1	6.3	0.3	0.5	22.9	26.8	28.5	5.7	3.1	5.6	5.9	0.4	0.4	25.3	27.2	4.7	2.4
15	United Kingdom	6.6	6.9	6.3	0.3	0.5	28.2	31.5	29.1	5.2	2.2	6.3	5.9	0.5	0.5	29.9	28.1	4.0	2.2
16	Canada	./.	./.	7.7	./.	0.6	./.	./.	36.7	./.	5.9	./.	7.2	./.	0.5	./.	35.1	./.	5.2
17	USA	./.	./.	6.5	./.	0.5	./.	./.	32.7	./.	2.6	./.	6.0	./.	0.6	./.	31.1	./.	2.9
	Mean (EU)	6.0	6.5	6.5	0.3	0.5	27.3	31.2	31.2	5.2	3.0	6.0	6.0	0.4	0.5	29.6	29.6	4.3	2.9
	Stand. Dev.	0.6	0.4	0.3			3.5	2.8	5.1			0.4	0.4			2.7	4.2		

Table 4a: Common Corporation Tax Rate of 25%. Only Corporate Taxes, Domestic Distributions.

Cost of Capital and EATR (%)		Weighted Average over Sources of Finance of the Subsidiary										Most Tax Efficient Way of Financing the Subsidiary							
		Cost of Capital					EATR					Cost of Capital				EATR			
		Average			Stand. Dev.		Average			Stand. Dev.		Average		Stand. Dev.		Average		Stand. Dev.	
		Domestic	Inbound	Outbound	Inbound	Outbound	Domestic	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound
1	Austria	5.9	5.9	6.5	0.2	0.3	22.0	22.5	24.4	0.6	1.3	5.9	6.0	0.0	0.3	22.2	22.5	0.3	1.2
2	Belgium	5.9	6.0	6.0	0.2	0.3	22.0	22.6	23.3	0.7	1.2	5.9	6.0	0.0	0.3	22.2	23.1	0.3	1.3
3	Denmark	6.1	6.2	6.0	0.2	0.3	23.0	23.6	22.4	0.6	1.3	6.1	6.0	0.0	0.3	23.2	22.4	0.3	1.3
4	Finland	6.1	6.2	6.0	0.2	0.3	22.8	23.4	22.4	0.7	1.3	6.1	6.0	0.0	0.3	23.0	22.4	0.3	1.3
5	France	6.8	6.9	6.0	0.2	0.2	25.6	26.2	22.6	0.7	0.9	6.8	5.9	0.0	0.2	25.8	22.5	0.3	0.9
6	Germany	5.8	5.9	6.0	0.2	0.3	21.8	22.4	23.2	0.7	1.3	5.8	6.0	0.0	0.3	21.9	23.0	0.3	1.3
7	Greece	5.8	6.0	6.0	0.2	0.3	21.9	22.5	22.6	0.7	1.1	5.8	6.0	0.0	0.3	22.1	22.5	0.3	1.2
8	Ireland	6.3	6.4	6.0	0.2	0.3	23.7	24.3	22.4	0.7	1.1	6.3	6.0	0.0	0.3	23.9	22.4	0.3	1.1
9	Italy	5.6	5.7	6.1	0.2	0.3	21.0	21.6	23.3	0.7	1.2	5.6	6.0	0.0	0.3	21.2	23.1	0.3	1.2
10	Luxembourg	5.8	5.9	6.3	0.2	0.3	21.7	22.2	23.5	0.7	1.2	5.8	6.0	0.0	0.3	21.9	22.5	0.3	1.3
11	Netherlands	5.9	6.0	6.5	0.1	0.3	22.2	22.7	24.4	0.6	1.3	5.9	6.0	0.0	0.3	22.4	22.5	0.3	1.2
12	Portugal	5.8	6.0	6.0	0.2	0.3	21.9	22.5	23.3	0.7	1.2	5.8	6.0	0.0	0.3	22.1	23.1	0.3	1.3
13	Spain	5.9	6.0	6.0	0.2	0.3	22.3	22.9	22.4	0.7	1.3	5.9	6.0	0.0	0.3	22.4	22.4	0.3	1.3
14	Sweden	5.7	5.8	6.0	0.2	0.3	20.4	21.3	22.6	0.6	1.1	5.7	5.9	0.0	0.3	20.8	22.3	0.4	1.1
15	United Kingdom	6.4	6.5	6.0	0.2	0.3	23.9	24.5	22.4	0.7	1.1	6.4	6.0	0.0	0.3	24.1	22.4	0.3	1.1
16	Canada	./.	./.	7.3	./.	0.4	./.	./.	31.6	./.	5.0	./.	6.8	./.	0.3	./.	29.9	./.	3.8
17	USA	./.	./.	6.4	./.	0.3	./.	./.	31.0	./.	1.0	./.	5.5	./.	0.3	./.	28.0	./.	1.0
	Mean (EU)	6.0	6.1	6.1	0.2	0.3	22.4	23.0	23.0	0.7	1.2	6.0	6.0	0.0	0.3	22.6	22.6	0.3	1.2
	Stand. Dev.	0.3	0.3	0.2			1.2	1.2	0.7			0.3	0.0			1.2	0.3		

Table 4b: Common Corporation Tax Rate of 25%. Only Corporate Taxes, International Distributions.

Cost of Capital and EATR (%)		Weighted Average over Sources of Finance of the Subsidiary										Most Tax Efficient Way of Financing the Subsidiary							
		Cost of Capital					EATR					Cost of Capital				EATR			
		Average			Stand. Dev.		Average			Stand. Dev.		Average		Stand. Dev.		Average		Stand. Dev.	
		Domestic	Inbound	Outbound	Inbound	Outbound	Domestic	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound
1	Austria	5.9	6.0	6.5	0.2	0.3	22.0	24.5	24.4	5.0	1.3	5.7	6.0	0.4	0.3	23.6	22.5	3.6	1.2
2	Belgium	5.9	6.1	6.0	0.3	0.3	22.0	24.8	23.3	5.2	1.2	5.9	6.0	0.1	0.3	24.0	23.1	4.6	1.3
3	Denmark	6.1	6.3	6.0	0.2	0.3	23.0	25.5	22.4	4.7	1.3	6.0	6.0	0.4	0.3	24.6	22.4	3.4	1.3
4	Finland	4.8	6.2	6.5	0.2	0.3	17.9	24.4	36.9	3.5	1.1	6.0	5.3	0.3	0.6	23.7	33.6	2.5	1.7
5	France	5.6	7.0	6.4	0.2	0.2	20.8	27.2	36.7	3.5	0.7	6.8	5.2	0.1	0.5	26.6	33.3	3.0	1.4
6	Germany	5.8	6.0	6.0	0.2	0.3	21.8	24.4	23.2	4.8	1.3	5.6	6.0	0.4	0.3	23.4	23.0	3.5	1.3
7	Greece	5.8	6.0	6.0	0.3	0.3	21.9	24.6	22.6	5.1	1.1	5.8	6.0	0.1	0.3	23.8	22.5	4.4	1.2
8	Ireland	6.3	6.5	6.0	0.2	0.3	23.7	26.3	22.4	4.6	1.1	6.1	6.0	0.4	0.3	25.2	22.4	3.3	1.1
9	Italy	5.6	5.8	6.1	0.3	0.3	21.0	23.8	23.3	5.3	1.2	5.6	6.0	0.1	0.3	23.1	23.1	4.7	1.2
10	Luxembourg	5.8	5.9	6.3	0.2	0.3	21.7	24.3	23.5	4.8	1.2	5.6	6.0	0.4	0.3	23.3	22.5	3.5	1.3
11	Netherlands	5.9	6.0	6.5	0.2	0.3	22.2	24.7	24.4	4.8	1.3	5.7	6.0	0.4	0.3	23.8	22.5	3.4	1.2
12	Portugal	5.8	6.1	6.0	0.3	0.3	21.9	24.7	23.3	5.2	1.2	5.8	6.0	0.1	0.3	24.0	23.1	4.7	1.3
13	Spain	5.9	6.1	6.0	0.3	0.3	22.3	25.0	22.4	5.1	1.3	5.9	6.0	0.1	0.3	24.2	22.4	4.3	1.3
14	Sweden	5.7	5.9	6.0	0.2	0.3	20.4	23.4	22.6	4.8	1.1	5.6	5.9	0.4	0.3	22.3	22.3	3.6	1.1
15	United Kingdom	6.4	6.5	6.0	0.2	0.3	23.9	26.5	22.4	4.6	1.1	6.2	6.0	0.4	0.3	25.4	22.4	3.3	1.1
16	Canada	./.	./.	7.3	./.	0.4	./.	./.	31.6	./.	5.0	./.	6.8	./.	0.3	./.	29.9	./.	3.8
17	USA	./.	./.	6.4	./.	0.3	./.	./.	31.0	./.	1.0	./.	5.5	./.	0.3	./.	28.0	./.	1.0
	Mean (EU)	5.8	6.2	6.2	0.2	0.3	21.8	24.9	24.9	4.7	1.2	5.9	5.9	0.3	0.3	24.1	24.1	3.7	1.3
	Stand. Dev.	0.4	0.3	0.2			1.4	1.0	4.7			0.3	0.3			1.0	3.7		1.3

Table 5a: Common Tax Base. Only Corporate Taxes, Domestic Distributions.

Cost of Capital and EATR (%)		Weighted Average over Sources of Finance of the Subsidiary										Most Tax Efficient Way of Financing the Subsidiary							
		Cost of Capital					EATR					Cost of Capital				EATR			
		Average			Stand. Dev.		Average			Stand. Dev.		Average		Stand. Dev.		Average		Stand. Dev.	
		Domestic	Inbound	Outbound	Inbound	Outbound	Domestic	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound
1	Austria	6.2	6.3	7.1	0.2	0.6	29.3	30.3	31.9	1.4	6.5	5.9	6.3	0.4	0.4	28.9	29.3	1.8	5.9
2	Belgium	6.8	7.0	6.3	0.3	0.6	35.5	36.3	29.9	0.9	6.2	6.3	5.9	0.4	0.8	34.3	28.5	1.5	6.9
3	Denmark	6.5	6.7	6.2	0.3	0.6	29.2	30.5	29.2	1.7	6.5	6.3	5.9	0.4	0.6	29.0	28.1	1.7	6.7
4	Finland	5.9	6.1	6.3	0.3	0.6	24.4	26.1	29.6	2.5	6.4	5.7	5.8	0.4	0.5	24.5	28.0	2.2	6.3
5	France	7.6	7.8	6.2	0.3	0.4	37.9	38.7	29.1	0.9	6.0	7.1	5.9	0.6	0.7	36.6	28.0	1.8	6.8
6	Germany	6.7	6.9	6.3	0.3	0.6	34.7	35.4	30.1	0.9	6.3	6.4	5.9	0.4	0.8	34.1	28.9	1.3	7.1
7	Greece	5.9	6.1	6.6	0.3	0.5	28.9	30.2	34.9	1.2	1.3	5.5	5.9	0.3	0.9	28.3	32.6	1.7	2.5
8	Ireland	5.6	5.8	6.4	0.4	0.6	10.0	13.9	30.9	7.3	3.8	5.0	4.9	0.4	0.3	10.5	25.9	6.1	3.4
9	Italy	5.2	5.3	6.4	0.3	0.5	30.9	31.6	30.1	0.9	6.4	4.7	6.1	0.5	0.6	29.7	29.2	1.4	7.1
10	Luxembourg	6.4	6.6	6.7	0.3	0.6	32.6	33.5	30.4	1.0	6.5	6.1	6.0	0.5	0.7	31.8	28.1	1.8	7.1
11	Netherlands	6.2	6.4	7.1	0.2	0.6	30.3	31.2	31.9	1.2	6.5	5.9	6.3	0.4	0.4	29.8	29.4	1.7	6.0
12	Portugal	6.4	6.6	6.3	0.3	0.6	32.4	33.4	30.0	0.9	6.4	6.1	6.0	0.4	0.7	31.7	28.9	1.4	7.0
13	Spain	6.2	6.4	6.3	0.3	0.6	30.3	31.4	29.1	1.2	6.5	5.9	6.0	0.4	0.7	29.8	28.2	1.7	7.0
14	Sweden	5.9	6.1	6.3	0.3	0.6	24.3	26.0	29.6	2.5	6.4	5.6	5.8	0.4	0.5	24.4	28.0	2.2	6.3
15	United Kingdom	6.4	6.6	6.3	0.3	0.5	27.4	28.9	31.0	2.1	3.4	6.2	5.8	0.4	0.6	27.3	29.4	1.9	3.5
16	Canada	./.	./.	7.8	./.	0.8	./.	./.	37.6	./.	8.9	./.	7.1	./.	0.7	./.	35.6	./.	8.5
17	USA	./.	./.	6.6	./.	0.5	./.	./.	34.2	./.	3.3	./.	6.0	./.	0.7	./.	32.5	./.	3.9
	Mean (EU)	6.3	6.5	6.5	0.3	0.6	29.2	30.5	30.5	1.8	5.7	5.9	5.9	0.4	0.6	28.7	28.7	2.0	6.0
	Stand. Dev.	0.6	0.6	0.3			6.3	5.6	1.5			0.6	0.3			5.9	1.4		

Table 5b: Common Tax Base. Only Corporate Taxes, International Distributions.

Cost of Capital and EATR (%)		Weighted Average over Sources of Finance of the Subsidiary										Most Tax Efficient Way of Financing the Subsidiary							
		Cost of Capital					EATR					Cost of Capital				EATR			
		Average			Stand. Dev.		Average			Stand. Dev.		Average		Stand. Dev.		Average		Stand. Dev.	
		Domestic	Inbound	Outbound	Inbound	Outbound	Domestic	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound
1	Austria	6.2	6.4	7.1	0.3	0.6	29.3	32.5	31.9	5.3	6.5	5.7	6.3	0.6	0.4	30.6	29.3	4.5	5.9
2	Belgium	6.8	7.1	6.3	0.4	0.6	35.5	38.3	29.9	4.7	6.2	6.3	5.9	0.5	0.8	35.9	28.5	4.4	6.9
3	Denmark	6.5	6.8	6.2	0.3	0.6	29.2	32.7	29.2	5.1	6.5	6.1	5.9	0.5	0.6	30.6	28.1	4.4	6.7
4	Finland	4.4	6.2	6.9	0.3	0.6	18.9	27.3	43.8	4.9	4.8	5.7	5.1	0.4	0.6	25.7	39.4	4.5	4.5
5	France	5.5	7.9	6.9	0.4	0.5	31.5	39.6	45.6	3.1	4.2	7.1	5.6	0.6	0.4	37.4	42.9	2.9	3.7
6	Germany	6.7	7.0	6.3	0.3	0.6	34.7	37.3	30.1	4.6	6.3	6.3	5.9	0.6	0.8	35.5	28.9	3.8	7.1
7	Greece	5.9	6.2	6.6	0.3	0.5	28.9	32.5	34.9	5.2	1.3	5.4	5.9	0.4	0.9	30.1	32.6	4.7	2.5
8	Ireland	5.6	5.9	6.4	0.4	0.6	10.0	16.9	30.9	9.2	3.8	5.1	4.9	0.5	0.3	13.8	25.9	9.0	3.4
9	Italy	5.2	5.5	6.4	0.4	0.5	30.9	33.8	30.1	5.2	6.4	4.9	6.1	0.7	0.6	32.1	29.2	5.9	7.1
10	Luxembourg	6.4	6.7	6.7	0.3	0.6	32.6	35.5	30.4	4.7	6.5	5.9	6.0	0.7	0.7	33.3	28.1	4.0	7.1
11	Netherlands	6.2	6.4	7.1	0.3	0.6	30.3	33.3	31.9	5.0	6.5	5.7	6.3	0.6	0.4	31.3	29.4	4.2	6.0
12	Portugal	6.4	6.7	6.3	0.4	0.6	32.4	35.5	30.0	5.0	6.4	6.0	6.0	0.3	0.7	33.6	28.9	4.7	7.0
13	Spain	6.2	6.6	6.3	0.3	0.6	30.3	33.6	29.1	5.2	6.5	5.9	6.0	0.4	0.7	31.7	28.2	4.8	7.0
14	Sweden	5.9	6.2	6.3	0.3	0.6	24.3	28.3	29.6	5.8	6.4	5.5	5.8	0.5	0.5	26.3	28.0	5.1	6.3
15	United Kingdom	6.4	6.7	6.3	0.3	0.5	27.4	31.1	31.0	5.4	3.4	6.0	5.8	0.5	0.6	29.1	29.4	4.6	3.5
16	Canada	./.	./.	7.8	./.	0.8	./.	./.	37.6	./.	8.9	./.	7.1	./.	0.7	./.	35.6	./.	8.5
17	USA	./.	./.	6.6	./.	0.5	./.	./.	34.2	./.	3.3	./.	6.0	./.	0.7	./.	32.5	./.	3.9
	Mean (EU)	6.0	6.5	6.5	0.3	0.6	28.4	32.6	32.6	5.2	5.4	5.8	5.8	0.5	0.6	30.5	30.5	4.8	5.6
	Stand. Dev.	0.6	0.6	0.3			6.3	5.3	5.0			0.5	0.4			5.5	4.4		

Table 6a: Common Tax Base, Following True Economic Depreciation. Only Corporate Taxes, Domestic Distributions.

Cost of Capital and EATR (%)		Weighted Average over Sources of Finance of the Subsidiary										Most Tax Efficient Way of Financing the Subsidiary							
		Cost of Capital					EATR					Cost of Capital				EATR			
		Average			Stand. Dev.		Average			Stand. Dev.		Average		Stand. Dev.		Average		Stand. Dev.	
		Domestic	Inbound	Outbound	Inbound	Outbound	Domestic	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound
1	Austria	6.7	6.9	7.7	0.2	0.7	31.2	32.2	33.8	1.4	6.9	6.4	6.9	0.4	0.5	30.8	31.2	1.7	6.3
2	Belgium	7.5	7.8	6.9	0.3	0.6	37.8	38.6	31.7	0.9	6.6	7.1	6.5	0.4	0.8	36.5	30.4	1.5	7.3
3	Denmark	7.1	7.3	6.8	0.3	0.7	31.0	32.3	31.1	1.7	7.0	6.8	6.5	0.4	0.7	30.7	30.0	1.7	7.1
4	Finland	6.4	6.6	6.9	0.3	0.7	25.9	27.6	31.5	2.5	6.8	6.1	6.4	0.4	0.6	26.0	29.9	2.1	6.7
5	France	8.4	8.6	6.8	0.3	0.5	40.2	40.9	31.0	0.9	6.4	7.9	6.4	0.6	0.7	38.8	29.8	1.8	7.2
6	Germany	7.4	7.6	6.9	0.3	0.7	36.9	37.6	32.0	0.9	6.7	7.2	6.5	0.4	0.9	36.2	30.8	1.3	7.5
7	Greece	6.6	6.8	7.2	0.3	0.5	31.1	32.5	36.7	1.3	1.4	6.2	6.4	0.3	1.0	30.5	34.3	1.7	2.9
8	Ireland	5.7	5.9	7.0	0.4	0.6	10.6	14.4	32.9	7.2	4.0	5.1	5.5	0.4	0.3	11.0	27.9	6.0	3.6
9	Italy	5.9	6.1	7.0	0.3	0.6	33.2	33.9	31.9	0.9	6.8	5.4	6.7	0.5	0.7	31.9	31.0	1.4	7.5
10	Luxembourg	7.1	7.3	7.3	0.3	0.7	34.7	35.6	32.3	1.0	6.9	6.7	6.6	0.5	0.8	33.9	29.9	1.8	7.5
11	Netherlands	6.8	7.0	7.7	0.2	0.7	32.2	33.1	33.8	1.1	6.9	6.5	6.9	0.4	0.5	31.7	31.3	1.7	6.4
12	Portugal	7.1	7.3	6.9	0.3	0.7	34.5	35.5	31.9	0.9	6.8	6.7	6.6	0.4	0.8	33.8	30.8	1.4	7.4
13	Spain	6.8	7.0	6.9	0.3	0.7	32.2	33.4	31.0	1.2	6.9	6.5	6.6	0.4	0.8	31.7	30.1	1.7	7.4
14	Sweden	6.3	6.5	6.9	0.3	0.7	25.8	27.5	31.5	2.5	6.8	6.1	6.4	0.4	0.6	25.9	29.9	2.1	6.7
15	United Kingdom	6.9	7.1	6.9	0.3	0.6	29.1	30.5	32.9	2.1	3.7	6.6	6.4	0.4	0.7	29.0	31.3	1.8	3.9
16	Canada	./.	./.	8.4	./.	1.0	./.	./.	39.3	./.	9.2	./.	7.7	./.	0.8	./.	37.3	./.	8.7
17	USA	./.	./.	7.2	./.	0.6	./.	./.	36.0	./.	3.6	./.	6.6	./.	0.8	./.	34.2	./.	4.3
	Mean (EU)	6.9	7.0	7.0	0.3	0.6	31.1	32.4	32.4	1.8	6.0	6.5	6.5	0.4	0.7	30.6	30.6	2.0	6.4
	Stand. Dev.	0.6	0.6	0.3			6.7	6.0	1.4			0.7	0.3			6.3	1.3		

Table 6b: Common Tax Base, Following True Economic Depreciation. Only Corporate Taxes, International Distributions.

Cost of Capital and EATR (%)		Weighted Average over Sources of Finance of the Subsidiary										Most Tax Efficient Way of Financing the Subsidiary							
		Cost of Capital					EATR					Cost of Capital				EATR			
		Average			Stand. Dev.		Average			Stand. Dev.		Average		Stand. Dev.		Average		Stand. Dev.	
		Domestic	Inbound	Outbound	Inbound	Outbound	Domestic	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound
1	Austria	6.7	6.9	7.7	0.3	0.7	31.2	34.3	33.8	5.1	6.9	6.3	6.9	0.6	0.5	32.4	31.2	4.3	6.3
2	Belgium	7.5	7.9	6.9	0.4	0.6	37.8	40.4	31.7	4.5	6.6	7.0	6.5	0.5	0.8	38.1	30.4	4.1	7.3
3	Denmark	7.1	7.3	6.8	0.3	0.7	31.0	34.4	31.1	4.9	7.0	6.6	6.5	0.5	0.7	32.3	30.0	4.2	7.1
4	Finland	4.9	6.6	7.5	0.3	0.7	20.5	28.8	45.1	4.8	5.1	6.1	5.6	0.4	0.7	27.2	40.7	4.4	4.7
5	France	6.3	8.6	7.4	0.4	0.6	33.8	41.8	46.9	2.9	4.4	7.8	6.2	0.6	0.5	39.5	44.1	2.7	4.0
6	Germany	7.4	7.7	6.9	0.3	0.7	36.9	39.5	32.0	4.3	6.7	7.0	6.5	0.6	0.9	37.6	30.8	3.5	7.5
7	Greece	6.6	7.0	7.2	0.3	0.5	31.1	34.6	36.7	5.0	1.4	6.1	6.4	0.4	1.0	32.3	34.3	4.5	2.9
8	Ireland	5.7	6.0	7.0	0.4	0.6	10.6	17.4	32.9	9.1	4.0	5.2	5.5	0.5	0.3	14.3	27.9	8.9	3.6
9	Italy	5.9	6.2	7.0	0.4	0.6	33.2	36.0	31.9	5.0	6.8	5.6	6.7	0.7	0.7	34.2	31.0	5.7	7.5
10	Luxembourg	7.1	7.4	7.3	0.3	0.7	34.7	37.5	32.3	4.5	6.9	6.5	6.6	0.7	0.8	35.3	29.9	3.8	7.5
11	Netherlands	6.8	7.0	7.7	0.3	0.7	32.2	35.2	33.8	4.8	6.9	6.3	6.9	0.6	0.5	33.2	31.3	4.0	6.4
12	Portugal	7.1	7.4	6.9	0.4	0.7	34.5	37.5	31.9	4.8	6.8	6.7	6.6	0.3	0.8	35.5	30.8	4.5	7.4
13	Spain	6.8	7.2	6.9	0.4	0.7	32.2	35.5	31.0	5.0	6.9	6.5	6.6	0.4	0.8	33.5	30.1	4.6	7.4
14	Sweden	6.3	6.6	6.9	0.3	0.7	25.8	29.8	31.5	5.6	6.8	6.0	6.4	0.5	0.6	27.8	29.9	4.9	6.7
15	United Kingdom	6.9	7.2	6.9	0.3	0.6	29.1	32.7	32.9	5.2	3.7	6.5	6.4	0.5	0.7	30.7	31.3	4.5	3.9
16	Canada	./.	./.	8.4	./.	1.0	./.	./.	39.3	./.	9.2	./.	7.7	./.	0.8	./.	37.3	./.	8.7
17	USA	./.	./.	7.2	./.	0.6	./.	./.	36.0	./.	3.6	./.	6.6	./.	0.8	./.	34.2	./.	4.3
	Mean (EU)	6.6	7.1	7.1	0.3	0.7	30.3	34.4	34.4	5.0	5.8	6.4	6.4	0.5	0.7	32.2	32.2	4.6	6.0
	Stand. Dev.	0.7	0.6	0.3			6.7	5.7	4.8			0.6	0.4			5.8	4.2		

Table 7a: Double Taxation of Dividends. Only Corporate Taxes.

Cost of Capital and EATR (%)		Weighted Average over Sources of Finance of the Subsidiary										Most Tax Efficient Way of Financing the Subsidiary							
		Cost of Capital					EATR					Cost of Capital				EATR			
		Average			Stand. Dev.		Average			Stand. Dev.		Average		Stand. Dev.		Average		Stand. Dev.	
		Domestic	Inbound	Outbound	Inbound	Outbound	Domestic	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound
1	Austria	6.3	6.5	7.1	0.2	0.6	29.8	30.9	31.9	1.4	6.3	6.0	6.3	0.4	0.4	29.4	29.3	1.8	5.7
2	Belgium	6.4	6.7	6.3	0.3	0.6	34.5	35.3	30.0	0.9	6.1	6.0	5.9	0.4	0.8	33.2	28.6	1.5	6.9
3	Denmark	6.4	6.6	6.3	0.3	0.6	28.8	30.0	29.3	1.7	6.4	6.1	6.0	0.3	0.7	28.6	28.2	1.7	6.6
4	Finland	6.2	6.4	6.3	0.3	0.6	25.5	27.2	29.5	2.5	6.3	6.0	5.8	0.4	0.6	25.6	27.9	2.1	6.1
5	France	7.5	7.7	6.2	0.3	0.5	37.5	38.3	29.2	0.9	5.9	7.0	5.9	0.6	0.7	36.2	28.0	1.8	6.7
6	Germany	6.8	6.9	6.3	0.3	0.6	34.8	35.6	30.2	0.9	6.1	6.5	6.0	0.4	0.8	34.2	28.9	1.3	7.0
7	Greece	6.1	6.3	6.6	0.3	0.6	29.6	31.0	35.0	1.3	1.5	5.7	5.9	0.3	0.9	29.0	32.6	1.7	2.5
8	Ireland	5.7	5.9	6.4	0.4	0.6	10.5	14.3	30.9	7.2	3.7	5.1	4.9	0.4	0.3	10.9	26.0	6.0	3.2
9	Italy	4.8	5.0	6.5	0.3	0.4	29.8	30.5	30.2	0.9	6.3	4.3	6.2	0.5	0.5	28.6	29.3	1.4	6.9
10	Luxembourg	6.3	6.5	6.7	0.3	0.6	32.2	33.1	30.5	0.9	6.3	5.9	6.0	0.5	0.8	31.4	28.1	1.8	7.0
11	Netherlands	6.5	6.6	7.1	0.2	0.6	31.0	31.9	31.8	1.2	6.3	6.1	6.4	0.4	0.5	30.4	29.5	1.7	5.7
12	Portugal	6.5	6.7	6.3	0.3	0.6	32.6	33.6	30.0	0.9	6.2	6.1	6.0	0.4	0.8	31.9	28.9	1.4	6.9
13	Spain	6.5	6.7	6.3	0.3	0.6	31.0	32.2	29.1	1.2	6.4	6.1	6.0	0.4	0.7	30.5	28.2	1.7	6.8
14	Sweden	5.8	6.0	6.3	0.3	0.6	22.9	24.8	29.7	2.9	6.1	5.6	5.7	0.4	0.5	23.1	27.8	2.4	5.9
15	United Kingdom	6.6	6.8	6.4	0.3	0.5	28.2	29.7	31.1	2.1	3.1	6.4	5.8	0.4	0.6	28.1	29.4	1.9	3.3
16	Canada	./.	./.	7.8	./.	0.8	./.	./.	37.6	./.	8.8	./.	7.1	./.	0.7	./.	35.6	./.	8.4
17	USA	./.	./.	6.6	./.	0.6	./.	./.	34.3	./.	3.1	./.	6.0	./.	0.8	./.	32.5	./.	3.8
	Mean (EU)	6.3	6.5	6.5	0.3	0.6	29.2	30.6	30.6	1.8	5.5	5.9	5.9	0.4	0.6	28.7	28.7	2.0	5.8
	Stand. Dev.	0.6	0.6	0.3			6.1	5.4	1.4			0.6	0.3			5.7	1.4		

Table 7b: Double Taxation of Dividends at Top Personal Rate.

Cost of Capital and EATR (%)		Weighted Average over Sources of Finance of the Subsidiary										Most Tax Efficient Way of Financing the Subsidiary							
		Cost of Capital					EATR					Cost of Capital				EATR			
		Average			Stand. Dev.		Average			Stand. Dev.		Average		Stand. Dev.		Average		Stand. Dev.	
		Domestic	Inbound	Outbound	Inbound	Outbound	Domestic	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound
1	Austria	4.8	4.8	5.6	0.5	0.6	41.8	43.3	43.3	2.8	4.4	4.4	4.8	0.5	0.4	42.3	41.6	2.9	4.0
2	Belgium	4.5	5.1	4.4	0.5	0.5	46.7	46.3	43.7	2.5	4.0	4.4	4.1	0.5	0.7	45.0	42.9	2.4	4.4
3	Denmark	5.1	5.1	4.9	0.5	0.6	44.7	42.6	45.0	2.7	4.0	4.6	4.6	0.5	0.6	41.6	44.3	2.8	4.1
4	Finland	4.3	4.9	4.3	0.5	0.5	45.9	40.3	48.3	2.6	3.5	4.5	3.8	0.5	0.5	39.2	47.4	2.8	3.4
5	France	5.0	6.1	3.8	0.4	0.4	49.3	48.2	44.1	2.3	3.7	5.4	3.5	0.6	0.6	46.8	43.4	2.4	4.1
6	Germany	5.3	5.2	5.0	0.5	0.5	43.8	46.6	40.5	2.4	4.5	4.8	4.7	0.5	0.8	45.6	39.7	2.6	5.1
7	Greece	4.6	4.7	5.1	0.5	0.6	40.1	43.6	44.0	2.4	1.1	4.1	4.5	0.5	0.8	42.3	42.7	2.4	1.6
8	Ireland	4.6	4.6	5.2	0.6	0.6	27.1	32.4	41.7	5.1	2.7	3.8	3.7	0.5	0.3	30.2	38.3	4.9	2.3
9	Italy	3.6	3.3	5.3	0.5	0.4	41.4	43.4	41.4	2.7	4.5	2.7	5.0	0.7	0.5	42.1	40.8	3.1	4.9
10	Luxembourg	4.9	4.8	5.3	0.5	0.6	42.8	44.9	41.5	2.5	4.5	4.3	4.6	0.6	0.7	43.8	39.9	2.7	5.0
11	Netherlands	4.4	5.0	5.1	0.5	0.6	45.3	43.8	45.8	2.5	4.0	4.6	4.3	0.5	0.4	42.8	44.4	2.7	3.6
12	Portugal	4.9	5.0	4.8	0.5	0.6	42.0	45.2	40.2	2.4	4.5	4.5	4.5	0.5	0.7	44.1	39.5	2.5	5.0
13	Spain	4.1	5.0	4.1	0.5	0.5	40.4	44.3	39.2	2.4	4.6	4.5	3.8	0.5	0.7	43.2	38.6	2.7	4.9
14	Sweden	4.7	4.6	5.1	0.5	0.6	42.5	38.9	46.7	3.0	3.7	4.1	4.5	0.5	0.5	37.9	45.5	3.2	3.6
15	United Kingdom	5.9	5.2	5.5	0.5	0.5	38.7	42.6	40.9	2.7	2.3	4.8	5.1	0.4	0.6	41.6	39.8	3.0	2.4
16	Canada	./.	./.	6.6	./.	0.7	./.	./.	42.9	./.	7.1	./.	5.9	./.	0.6	./.	41.4	./.	6.8
17	USA	./.	./.	5.5	./.	0.5	./.	./.	42.8	./.	2.4	./.	5.0	./.	0.7	./.	41.6	./.	2.7
	Mean (EU)	4.7	4.9	4.9	0.5	0.5	42.2	43.1	43.1	2.7	3.7	4.4	4.4	0.5	0.6	41.9	41.9	2.9	3.9
	Stand. Dev.	0.5	0.5	0.5			4.8	3.6	2.5			0.6	0.5			3.8	2.6		

Table 8: Full Imputation System, Crediting Foreign Source Income at Home Country Tax Rate.

Cost of Capital and EATR (%)		Weighted Average over Sources of Finance of the Subsidiary										Most Tax Efficient Way of Financing the Subsidiary							
		Cost of Capital					EATR					Cost of Capital				EATR			
		Average			Stand. Dev.		Average			Stand. Dev.		Average		Stand. Dev.		Average		Stand. Dev.	
		Domestic	Inbound	Outbound	Inbound	Outbound	Domestic	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound
1	Austria	4.4	4.5	5.3	0.5	0.6	23.5	25.3	25.7	7.3	6.7	4.1	4.5	0.5	0.4	24.0	23.2	6.9	6.0
2	Belgium	4.1	4.7	4.0	0.5	0.5	26.3	30.3	21.2	6.8	6.6	4.0	3.7	0.5	0.7	28.4	19.9	5.9	7.4
3	Denmark	4.8	4.7	4.6	0.5	0.5	29.6	24.3	29.9	7.0	5.9	4.3	4.3	0.4	0.6	22.9	28.9	6.7	6.1
4	Finland	4.0	4.6	4.0	0.5	0.5	33.9	20.5	37.2	6.7	4.9	4.2	3.5	0.5	0.5	18.9	36.0	6.8	4.7
5	France	4.6	5.7	3.5	0.4	0.4	30.9	33.1	22.3	6.3	6.1	5.1	3.2	0.5	0.6	31.2	21.2	5.4	6.9
6	Germany	4.9	4.9	4.6	0.5	0.5	22.1	30.7	16.6	6.4	7.4	4.4	4.3	0.5	0.7	29.3	15.3	6.1	8.4
7	Greece	4.2	4.4	4.7	0.6	0.6	15.2	26.2	21.7	6.8	1.8	3.8	4.1	0.4	0.8	24.3	19.5	6.1	2.6
8	Ireland	4.6	4.3	5.1	0.5	0.5	21.5	7.3	37.8	10.4	2.9	3.5	3.6	0.5	0.3	3.9	34.0	10.7	2.5
9	Italy	3.2	3.0	4.8	0.5	0.4	16.1	26.0	16.2	7.0	7.6	2.3	4.6	0.7	0.4	24.0	15.2	7.8	8.4
10	Luxembourg	4.5	4.5	4.9	0.5	0.6	22.1	28.0	20.0	6.8	7.2	4.0	4.2	0.5	0.7	26.5	17.4	5.9	7.9
11	Netherlands	4.0	4.6	4.7	0.5	0.5	28.2	26.2	29.1	6.8	6.1	4.2	4.0	0.5	0.4	24.8	26.8	6.3	5.6
12	Portugal	4.5	4.6	4.4	0.5	0.5	20.9	28.5	18.0	6.7	7.2	4.1	4.1	0.5	0.7	27.0	16.8	6.0	8.0
13	Spain	3.9	4.7	3.8	0.5	0.5	20.7	26.9	18.9	6.8	7.0	4.2	3.5	0.5	0.7	25.4	17.9	6.3	7.6
14	Sweden	4.5	4.3	4.8	0.5	0.5	30.1	18.3	35.8	7.3	5.1	3.8	4.2	0.5	0.5	16.7	34.2	7.5	4.9
15	United Kingdom	5.6	4.9	5.2	0.5	0.5	22.1	24.1	25.2	7.2	3.3	4.5	4.7	0.4	0.6	22.6	23.6	7.2	3.4
16	Canada	./.	./.	6.6	./.	0.7	./.	./.	42.9	./.	7.1	./.	5.9	./.	0.6	./.	41.4	./.	6.8
17	USA	./.	./.	5.5	./.	0.5	./.	./.	42.8	./.	2.4	./.	5.0	./.	0.7	./.	41.6	./.	2.7
	Mean (EU)	4.4	4.6	4.6	0.5	0.5	24.2	25.0	25.0	7.1	5.7	4.0	4.0	0.5	0.6	23.3	23.3	6.8	6.0
	Stand. Dev.	0.5	0.5	0.5			5.3	6.0	7.1			0.6	0.4			6.3	6.9		

Table 9: Shareholder Relief System at Half Top Personal Rate.

Cost of Capital and EATR (%)		Weighted Average over Sources of Finance of the Subsidiary										Most Tax Efficient Way of Financing the Subsidiary							
		Cost of Capital					EATR					Cost of Capital				EATR			
		Average			Stand. Dev.		Average			Stand. Dev.		Average		Stand. Dev.		Average		Stand. Dev.	
		Domestic	Inbound	Outbound	Inbound	Outbound	Domestic	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound
1	Austria	4.4	4.5	5.3	0.5	0.6	22.5	23.3	24.7	2.5	6.7	4.1	4.5	0.5	0.4	21.8	22.2	2.6	6.1
2	Belgium	4.1	4.7	4.0	0.5	0.5	26.1	28.5	21.0	1.8	6.5	4.0	3.7	0.6	0.7	26.4	19.8	2.1	7.3
3	Denmark	4.7	4.7	4.5	0.5	0.5	22.0	22.7	22.4	2.6	6.7	4.3	4.2	0.5	0.6	21.3	21.3	2.6	6.9
4	Finland	3.8	4.6	3.8	0.5	0.5	15.0	19.6	19.6	3.3	6.8	4.2	3.3	0.5	0.6	18.0	18.0	3.2	6.6
5	France	4.7	5.7	3.5	0.5	0.4	27.4	31.5	18.3	1.6	6.4	5.0	3.2	0.6	0.6	29.4	17.2	2.2	7.2
6	Germany	5.0	4.9	4.7	0.5	0.5	28.7	28.2	23.9	1.9	6.4	4.4	4.4	0.6	0.7	26.8	22.8	2.0	7.3
7	Greece	4.3	4.4	4.8	0.5	0.6	22.8	23.6	28.5	2.6	1.5	3.8	4.2	0.5	0.8	21.6	26.7	2.7	2.2
8	Ireland	4.4	4.3	4.9	0.5	0.5	3.6	5.8	24.9	8.7	3.9	3.5	3.3	0.5	0.3	2.6	19.9	8.0	3.3
9	Italy	3.3	3.0	5.0	0.5	0.4	24.5	23.5	24.5	1.8	6.5	2.3	4.7	0.7	0.4	21.6	23.6	2.1	7.2
10	Luxembourg	4.5	4.5	5.0	0.5	0.6	25.7	25.8	23.7	2.0	6.6	4.0	4.3	0.6	0.7	24.2	21.3	2.4	7.3
11	Netherlands	4.0	4.6	4.7	0.5	0.5	21.4	24.6	22.4	2.3	6.8	4.2	4.0	0.5	0.5	23.1	19.9	2.4	6.2
12	Portugal	4.5	4.6	4.5	0.5	0.5	25.5	26.2	23.0	2.0	6.5	4.1	4.2	0.5	0.7	24.5	21.9	2.2	7.2
13	Spain	3.9	4.7	3.9	0.5	0.5	21.2	24.7	19.5	2.1	6.9	4.2	3.6	0.5	0.7	23.1	18.6	2.4	7.3
14	Sweden	4.3	4.3	4.7	0.5	0.5	16.2	17.1	23.3	3.9	6.4	3.8	4.1	0.5	0.5	15.5	21.4	3.6	6.2
15	United Kingdom	5.6	4.9	5.3	0.5	0.5	24.0	21.8	27.0	3.0	3.2	4.5	4.8	0.4	0.6	20.3	25.5	2.7	3.2
16	Canada	./.	./.	6.4	./.	0.7	./.	./.	32.7	./.	9.1	./.	5.7	./.	0.6	./.	30.7	./.	8.7
17	USA	./.	./.	5.3	./.	0.5	./.	./.	29.7	./.	3.2	./.	4.8	./.	0.7	./.	28.1	./.	3.7
	Mean (EU)	4.4	4.6	4.6	0.5	0.5	21.8	23.1	23.1	2.8	5.9	4.0	4.0	0.5	0.6	21.3	21.3	2.9	6.1
	Stand. Dev.	0.5	0.5	0.5			6.1	5.8	2.7			0.6	0.5			6.0	2.5		

Table 10: Comprehensive Business Income Tax with Taxation of All Capital Income at Corporate Level Only.

Cost of Capital and EATR (%)		Weighted Average over Sources of Finance of the Subsidiary										Most Tax Efficient Way of Financing the Subsidiary							
		Cost of Capital					EATR					Cost of Capital				EATR			
		Average			Stand. Dev.		Average			Stand. Dev.		Average		Stand. Dev.		Average		Stand. Dev.	
		Domestic	Inbound	Outbound	Inbound	Outbound	Domestic	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound
1	Austria	7.5	7.5	7.5	0.0	0.8	33.9	33.9	33.1	0.0	7.2	7.5	7.4	0.0	0.9	33.9	32.9	0.0	7.2
2	Belgium	8.0	8.0	7.5	0.0	0.7	39.1	39.1	32.7	0.0	7.0	8.0	7.4	0.0	0.9	39.1	32.5	0.0	7.0
3	Denmark	7.5	7.5	7.5	0.0	0.8	32.3	32.3	33.2	0.0	7.2	7.5	7.4	0.0	0.9	32.3	33.0	0.0	7.2
4	Finland	7.2	7.2	7.5	0.0	0.8	28.8	28.8	33.4	0.0	7.1	7.2	7.5	0.0	0.9	28.8	33.3	0.0	7.1
5	France	9.0	9.0	7.4	0.0	0.6	42.1	42.1	32.5	0.0	6.7	9.0	7.3	0.0	0.7	42.1	32.3	0.0	6.7
6	Germany	8.0	8.0	7.5	0.0	0.7	38.7	38.7	32.7	0.0	7.0	8.0	7.4	0.0	0.9	38.7	32.6	0.0	7.0
7	Greece	7.6	7.6	7.5	0.0	0.8	34.4	34.4	33.0	0.0	7.2	7.6	7.4	0.0	0.9	34.4	32.9	0.0	7.2
8	Ireland	5.9	5.9	7.6	0.0	0.6	11.7	11.7	34.6	0.0	4.0	5.9	7.6	0.0	0.8	11.7	34.5	0.0	4.1
9	Italy	6.3	6.2	7.6	0.0	0.7	34.2	34.0	33.0	0.0	7.2	5.5	7.6	0.0	0.7	31.8	33.0	0.0	7.2
10	Luxembourg	7.7	7.7	7.5	0.0	0.8	36.6	36.6	32.9	0.0	7.1	7.7	7.4	0.0	0.9	36.6	32.7	0.0	7.1
11	Netherlands	7.7	7.7	7.5	0.0	0.8	35.1	35.1	33.0	0.0	7.1	7.7	7.4	0.0	0.9	35.1	32.8	0.0	7.1
12	Portugal	7.9	7.9	7.5	0.0	0.8	37.0	37.0	32.8	0.0	7.1	7.9	7.4	0.0	0.9	37.0	32.7	0.0	7.1
13	Spain	7.7	7.7	7.5	0.0	0.8	35.2	35.2	33.0	0.0	7.1	7.7	7.4	0.0	0.9	35.2	32.8	0.0	7.1
14	Sweden	6.7	6.7	7.6	0.0	0.7	26.0	26.0	33.6	0.0	6.9	6.7	7.5	0.0	0.8	26.0	33.5	0.0	6.9
15	United Kingdom	7.7	7.7	7.5	0.0	0.8	31.8	31.8	33.2	0.0	7.2	7.7	7.4	0.0	0.9	31.8	33.1	0.0	7.2
16	Canada	./.	./.	7.7	./.	0.9	./.	./.	45.5	./.	7.4	./.	6.4	./.	0.8	./.	42.3	./.	7.1
17	USA	./.	./.	6.7	./.	0.6	./.	./.	45.3	./.	2.7	./.	5.2	./.	0.8	./.	41.8	./.	2.9
	Mean (EU)	7.5	7.5	7.5	0.0	0.7	33.1	33.1	33.1	0.0	6.9	7.4	7.4	0.0	0.8	33.0	33.0	0.0	6.9
	Stand. Dev.	0.7	0.7	0.1			6.9	6.9	0.5			0.8	0.1			6.9	0.5		

Table 11a: Abolition of Withholding Taxes on Interest for Payments from Subsidiary to Parent within EU. Only Corporate Taxes, Domestic

Cost of Capital and EATR (%)		Weighted Average over Sources of Finance of the Subsidiary										Most Tax Efficient Way of Financing the Subsidiary							
		Cost of Capital					EATR					Cost of Capital				EATR			
		Average			Stand. Dev.		Average			Stand. Dev.		Average		Stand. Dev.		Average		Stand. Dev.	
		Domestic	Inbound	Outbound	Inbound	Outbound	Domestic	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound
1	Austria	6.3	6.5	7.1	0.2	0.6	29.8	30.9	31.9	1.4	6.3	6.0	6.3	0.4	0.4	29.4	29.3	1.8	5.7
2	Belgium	6.4	6.6	6.3	0.3	0.6	34.5	35.2	30.0	0.9	6.1	5.9	5.9	0.6	0.8	33.1	28.6	1.8	6.9
3	Denmark	6.4	6.6	6.3	0.3	0.6	28.8	30.0	29.3	1.7	6.4	6.1	6.0	0.3	0.7	28.6	28.2	1.7	6.6
4	Finland	6.2	6.4	6.3	0.3	0.6	25.5	27.2	29.5	2.5	6.3	6.0	5.8	0.4	0.6	25.6	27.9	2.1	6.1
5	France	7.5	7.7	6.2	0.3	0.5	37.5	38.3	29.2	0.9	5.9	7.0	5.9	0.6	0.7	36.2	28.0	1.8	6.7
6	Germany	6.8	6.9	6.3	0.3	0.6	34.8	35.6	30.2	0.9	6.1	6.5	6.0	0.4	0.8	34.2	28.9	1.3	7.0
7	Greece	6.1	6.3	6.6	0.3	0.6	29.6	30.9	35.0	1.3	1.5	5.6	5.9	0.5	0.9	28.7	32.6	2.2	2.5
8	Ireland	5.7	5.9	6.4	0.4	0.6	10.5	14.3	30.7	7.2	3.6	5.1	4.8	0.4	0.4	10.9	25.5	6.0	3.1
9	Italy	4.8	5.0	6.5	0.3	0.4	29.8	30.5	30.2	0.9	6.3	4.3	6.2	0.5	0.5	28.6	29.3	1.4	6.9
10	Luxembourg	6.3	6.5	6.7	0.3	0.6	32.2	33.1	30.5	0.9	6.3	5.9	6.0	0.5	0.8	31.4	28.1	1.8	7.0
11	Netherlands	6.5	6.6	7.1	0.2	0.6	31.0	31.9	31.8	1.2	6.3	6.1	6.4	0.4	0.5	30.4	29.5	1.7	5.7
12	Portugal	6.5	6.6	6.3	0.3	0.6	32.6	33.5	30.0	1.0	6.2	6.1	6.0	0.5	0.8	31.7	28.9	1.8	6.9
13	Spain	6.5	6.7	6.3	0.3	0.6	31.0	32.2	29.1	1.2	6.4	6.1	6.0	0.4	0.7	30.5	28.2	1.7	6.8
14	Sweden	5.8	6.0	6.3	0.3	0.6	22.9	24.8	29.7	2.9	6.1	5.6	5.7	0.4	0.5	23.1	27.8	2.4	5.9
15	United Kingdom	6.6	6.8	6.4	0.3	0.5	28.2	29.7	31.1	2.1	3.1	6.4	5.8	0.4	0.6	28.1	29.4	1.9	3.3
16	Canada	./.	./.	7.8	./.	0.8	./.	./.	37.6	./.	8.8	./.	7.1	./.	0.7	./.	35.6	./.	8.4
17	USA	./.	./.	6.6	./.	0.6	./.	./.	34.3	./.	3.1	./.	6.0	./.	0.8	./.	32.5	./.	3.8
	Mean (EU)	6.3	6.5	6.5	0.3	0.6	29.2	30.5	30.5	1.8	5.5	5.9	5.9	0.4	0.6	28.7	28.7	2.1	5.8
	Stand. Dev.	0.6	0.6	0.3			6.1	5.4	1.4			0.6	0.4			5.7	1.4		

Table 11b: Abolition of Withholding Taxes on Interest for Payments from Subsidiary to Parent within EU. Only Corporate Taxes, International

Cost of Capital and EATR (%)		Weighted Average over Sources of Finance of the Subsidiary										Most Tax Efficient Way of Financing the Subsidiary							
		Cost of Capital					EATR					Cost of Capital				EATR			
		Average			Stand. Dev.		Average			Stand. Dev.		Average		Stand. Dev.		Average		Stand. Dev.	
		Domestic	Inbound	Outbound	Inbound	Outbound	Domestic	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound
1	Austria	6.3	6.5	7.1	0.3	0.6	29.8	33.0	31.9	5.3	6.3	5.8	6.3	0.6	0.4	31.0	29.3	4.4	5.7
2	Belgium	6.4	6.7	6.3	0.3	0.6	34.5	37.1	30.0	4.6	6.1	5.7	5.9	0.8	0.8	34.5	28.6	3.9	6.9
3	Denmark	6.4	6.6	6.3	0.3	0.6	28.8	32.2	29.3	5.1	6.4	6.0	6.0	0.5	0.7	30.3	28.2	4.4	6.6
4	Finland	4.7	6.5	6.8	0.3	0.6	20.0	28.4	43.3	4.8	4.5	6.0	4.5	0.4	0.5	26.7	38.2	4.4	3.5
5	France	5.3	7.7	6.8	0.3	0.5	31.0	39.1	45.4	2.9	3.9	6.9	5.3	0.7	0.4	36.7	42.3	2.4	3.1
6	Germany	6.8	7.0	6.3	0.3	0.6	34.8	37.5	30.2	4.5	6.1	6.3	6.0	0.6	0.8	35.6	28.9	3.8	7.0
7	Greece	6.1	6.4	6.6	0.3	0.6	29.6	33.0	35.0	5.0	1.5	5.4	5.9	0.7	0.9	30.3	32.6	4.4	2.5
8	Ireland	5.7	6.0	6.4	0.4	0.6	10.5	17.3	30.7	9.2	3.6	5.2	4.8	0.5	0.4	14.2	25.5	9.0	3.1
9	Italy	4.8	5.0	6.5	0.3	0.4	29.8	32.7	30.2	5.1	6.3	4.3	6.2	0.5	0.5	30.7	29.3	5.2	6.9
10	Luxembourg	6.3	6.5	6.7	0.3	0.6	32.2	35.1	30.5	4.8	6.3	5.7	6.0	0.7	0.8	32.9	28.1	4.0	7.0
11	Netherlands	6.5	6.7	7.1	0.3	0.6	31.0	34.0	31.8	4.9	6.3	6.0	6.4	0.6	0.5	32.0	29.5	4.1	5.7
12	Portugal	6.5	6.7	6.3	0.3	0.6	32.6	35.5	30.0	4.7	6.2	5.9	6.0	0.7	0.8	33.2	28.9	4.0	6.9
13	Spain	6.5	6.7	6.3	0.3	0.6	31.1	34.2	29.1	4.9	6.4	6.0	6.0	0.6	0.7	32.1	28.2	4.1	6.8
14	Sweden	5.8	6.1	6.3	0.3	0.6	22.9	27.2	29.7	6.0	6.1	5.5	5.7	0.4	0.5	25.2	27.8	5.4	5.9
15	United Kingdom	6.6	6.9	6.4	0.3	0.5	28.2	31.8	31.1	5.3	3.1	6.2	5.8	0.5	0.6	29.8	29.4	4.6	3.3
16	Canada	./.	./.	7.8	./.	0.8	./.	./.	37.6	./.	8.8	./.	7.1	./.	0.7	./.	35.6	./.	8.4
17	USA	./.	./.	6.6	./.	0.6	./.	./.	34.3	./.	3.1	./.	6.0	./.	0.8	./.	32.5	./.	3.8
	Mean (EU)	6.0	6.5	6.5	0.3	0.6	28.4	32.5	32.5	5.1	5.3	5.8	5.8	0.6	0.6	30.3	30.3	4.5	5.4
	Stand. Dev.	0.6	0.6	0.3			6.1	5.1	4.9			0.6	0.5			5.2	4.2		

Table 12: Limited Credit System, no Discrimination Against Foreign Source Income Originating in the EU. Only Corporate Taxes.

Cost of Capital and EATR (%)		Weighted Average over Sources of Finance of the Subsidiary										Most Tax Efficient Way of Financing the Subsidiary							
		Cost of Capital					EATR					Cost of Capital				EATR			
		Average			Stand. Dev.		Average			Stand. Dev.		Average		Stand. Dev.		Average		Stand. Dev.	
		Domestic	Inbound	Outbound	Inbound	Outbound	Domestic	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound
1	Austria	6.3	6.6	7.3	0.3	0.5	29.8	32.3	34.7	2.2	2.2	6.0	6.4	0.4	0.5	30.5	31.9	2.4	1.8
2	Belgium	6.4	6.6	6.6	0.3	0.6	34.5	35.0	35.1	1.0	1.6	6.0	5.8	0.4	0.9	33.0	32.6	1.3	2.5
3	Denmark	6.4	6.7	6.4	0.3	0.6	28.8	32.5	31.5	2.6	2.6	6.1	5.9	0.4	0.7	30.5	30.0	2.5	3.1
4	Finland	6.2	6.7	6.4	0.4	0.6	25.5	32.0	30.9	3.6	3.4	5.9	5.8	0.5	0.6	29.4	29.1	3.0	3.4
5	France	7.5	7.7	6.6	0.3	0.5	37.5	38.0	34.7	1.0	1.4	7.0	5.8	0.5	0.8	35.9	32.3	1.7	2.1
6	Germany	6.8	6.9	6.6	0.3	0.6	34.8	35.4	34.4	0.9	1.5	6.5	5.9	0.4	0.8	34.1	32.3	1.3	2.5
7	Greece	6.1	6.5	6.6	0.3	0.6	29.6	33.5	35.0	1.4	1.5	5.8	5.9	0.3	0.9	31.3	32.6	2.0	2.5
8	Ireland	5.7	6.8	6.4	0.4	0.6	10.5	32.1	30.9	3.8	3.7	4.8	4.9	0.5	0.3	25.7	26.0	2.9	3.2
9	Italy	4.8	4.9	6.6	0.3	0.3	29.8	30.4	33.4	0.9	1.4	4.3	6.1	0.5	0.6	28.5	31.8	1.4	2.4
10	Luxembourg	6.3	6.5	7.0	0.3	0.6	32.2	33.2	34.9	1.1	1.6	5.9	5.9	0.5	0.8	31.4	31.7	1.9	2.6
11	Netherlands	6.5	6.7	7.3	0.2	0.6	31.0	32.9	35.1	1.8	2.0	6.1	6.4	0.4	0.5	31.1	32.3	2.2	1.7
12	Portugal	6.5	6.7	6.5	0.3	0.6	32.6	33.8	33.4	1.1	1.6	6.1	5.9	0.4	0.8	32.0	31.6	1.6	2.6
13	Spain	6.5	6.7	6.4	0.3	0.6	31.0	33.1	32.3	1.7	2.0	6.1	6.0	0.4	0.8	31.2	30.8	2.1	2.8
14	Sweden	5.8	6.4	6.4	0.4	0.5	22.9	30.8	30.9	3.9	3.4	5.5	5.7	0.5	0.5	27.9	28.8	3.3	3.4
15	United Kingdom	6.6	7.1	6.4	0.3	0.5	28.2	33.3	31.1	3.1	3.1	6.3	5.8	0.4	0.6	30.9	29.4	2.7	3.3
16	Canada	./.	./.	7.8	./.	0.8	./.	./.	37.6	./.	8.8	./.	7.1	./.	0.7	./.	35.6	./.	8.4
17	USA	./.	./.	6.6	./.	0.6	./.	./.	34.3	./.	3.1	./.	6.0	./.	0.8	./.	32.5	./.	3.8
	Mean (EU)	6.3	6.6	6.6	0.3	0.5	29.2	33.2	33.2	2.0	2.2	5.9	5.9	0.4	0.7	30.9	30.9	2.1	2.7
	Stand. Dev.	0.6	0.5	0.3			6.1	1.8	1.7			0.6	0.3			2.4	1.8		

Table 13: Full Credit System, no Discrimination Against Foreign Source Income Originating in the EU. Only Corporate Taxes.

Cost of Capital and EATR (%)		Weighted Average over Sources of Finance of the Subsidiary										Most Tax Efficient Way of Financing the Subsidiary							
		Cost of Capital					EATR					Cost of Capital				EATR			
		Average			Stand. Dev.		Average			Stand. Dev.		Average		Stand. Dev.		Average		Stand. Dev.	
		Domestic	Inbound	Outbound	Inbound	Outbound	Domestic	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound
1	Austria	6.3	6.4	7.1	0.4	0.6	29.8	29.7	32.4	7.0	2.0	5.9	6.2	0.4	0.7	28.0	29.5	7.4	2.1
2	Belgium	6.4	6.3	6.6	0.5	0.6	34.5	28.8	35.0	6.7	1.8	5.7	5.8	0.6	0.9	27.0	32.6	7.9	2.6
3	Denmark	6.4	6.6	6.2	0.4	0.6	28.8	30.5	28.0	6.6	2.0	6.1	5.7	0.4	0.9	28.6	26.3	6.7	3.0
4	Finland	6.2	6.7	6.0	0.5	0.6	25.5	30.9	24.6	6.6	2.1	5.9	5.4	0.5	0.9	28.3	22.6	6.2	3.2
5	France	7.5	7.3	6.5	0.5	0.5	37.5	32.3	34.6	6.3	1.6	6.8	5.8	0.6	0.8	30.5	32.3	7.5	2.3
6	Germany	6.8	6.6	6.6	0.5	0.6	34.8	30.0	34.2	6.6	1.8	6.0	5.8	0.7	0.9	27.9	32.0	8.0	2.6
7	Greece	6.1	6.2	6.6	0.5	0.6	29.6	28.5	34.9	6.8	1.8	5.5	5.9	0.6	0.9	26.3	32.6	7.9	2.7
8	Ireland	5.7	6.8	5.4	0.4	0.6	10.5	32.1	9.3	3.8	2.7	4.8	4.3	0.5	0.9	25.7	4.5	2.9	4.1
9	Italy	4.8	4.6	6.6	0.5	0.3	29.8	23.3	32.7	7.5	0.9	3.4	6.1	0.8	0.6	19.2	31.1	9.4	1.8
10	Luxembourg	6.3	6.2	6.9	0.4	0.6	32.2	28.9	34.2	6.8	1.9	5.8	5.9	0.5	0.8	27.4	31.0	7.7	2.5
11	Netherlands	6.5	6.5	7.2	0.4	0.6	31.0	29.9	33.3	6.7	1.9	6.0	6.3	0.5	0.6	28.3	30.5	7.3	2.1
12	Portugal	6.5	6.4	6.5	0.5	0.6	32.6	29.5	32.6	6.8	1.9	6.0	5.9	0.5	0.9	27.9	30.7	7.6	2.7
13	Spain	6.5	6.6	6.3	0.5	0.6	31.0	30.1	30.6	6.8	1.9	6.1	5.8	0.5	0.9	28.4	28.9	7.2	2.8
14	Sweden	5.8	6.4	6.0	0.4	0.6	22.9	29.8	23.3	6.6	2.2	5.5	5.4	0.5	0.9	27.0	21.1	6.1	3.3
15	United Kingdom	6.6	7.0	6.1	0.5	0.6	28.2	31.8	26.2	6.5	2.0	6.3	5.5	0.4	0.9	29.5	24.4	6.3	3.0
16	Canada	./.	./.	7.8	./.	0.8	./.	./.	37.6	./.	8.8	./.	7.1	./.	0.7	./.	35.6	./.	8.4
17	USA	./.	./.	6.3	./.	0.6	./.	./.	30.6	./.	1.9	./.	5.9	./.	0.9	./.	29.0	./.	2.8
	Mean (EU)	6.3	6.4	6.4	0.4	0.6	29.2	29.7	29.7	6.5	1.9	5.7	5.7	0.5	0.8	27.3	27.3	7.1	2.7
	Stand. Dev.	0.6	0.6	0.5			6.1	2.0	6.6			0.8	0.4			2.5	7.1		

Table 14: Exemption for All Foreign Dividends, no Discrimination Against Foreign Source Income Originating in the EU. Only Corporate Taxes.

Cost of Capital and EATR (%)		Weighted Average over Sources of Finance of the Subsidiary										Most Tax Efficient Way of Financing the Subsidiary							
		Cost of Capital					EATR					Cost of Capital				EATR			
		Average			Stand. Dev.		Average			Stand. Dev.		Average		Stand. Dev.		Average		Stand. Dev.	
		Domestic	Inbound	Outbound	Inbound	Outbound	Domestic	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound
1	Austria	6.3	6.4	7.1	0.2	0.6	29.8	30.5	31.9	0.8	6.3	6.0	6.3	0.4	0.4	29.1	29.3	1.5	5.7
2	Belgium	6.4	6.7	6.3	0.3	0.6	34.5	35.3	30.0	0.9	6.1	6.0	5.9	0.4	0.8	33.2	28.6	1.5	6.9
3	Denmark	6.4	6.6	6.3	0.3	0.6	28.8	29.6	29.3	0.9	6.4	6.1	6.0	0.3	0.7	28.2	28.2	1.2	6.6
4	Finland	6.2	6.4	6.3	0.3	0.6	25.5	26.3	29.5	0.9	6.3	6.0	5.8	0.4	0.6	24.9	27.9	1.2	6.1
5	France	7.5	7.7	6.2	0.3	0.5	37.5	38.3	29.2	0.9	5.9	7.0	5.9	0.6	0.7	36.2	28.0	1.8	6.7
6	Germany	6.8	6.9	6.3	0.3	0.6	34.8	35.6	29.9	0.9	6.1	6.5	6.0	0.4	0.8	34.1	28.8	1.3	6.9
7	Greece	6.1	6.3	6.3	0.3	0.6	29.6	30.6	29.2	0.9	6.4	5.7	6.0	0.3	0.8	28.6	28.2	1.4	7.2
8	Ireland	5.7	5.8	6.4	0.2	0.6	10.5	11.3	30.9	1.0	3.7	5.1	4.9	0.4	0.3	8.4	26.0	1.4	3.2
9	Italy	4.8	5.0	6.5	0.3	0.4	29.8	30.5	30.2	0.9	6.3	4.3	6.2	0.5	0.5	28.6	29.3	1.4	6.9
10	Luxembourg	6.3	6.5	6.7	0.3	0.6	32.2	32.9	30.5	0.9	6.3	5.9	6.0	0.5	0.8	31.3	28.1	1.7	7.0
11	Netherlands	6.5	6.6	7.1	0.2	0.6	31.0	31.6	31.8	0.8	6.3	6.1	6.4	0.4	0.5	30.2	29.5	1.5	5.7
12	Portugal	6.5	6.6	6.3	0.3	0.6	32.6	33.4	30.0	0.9	6.2	6.1	6.0	0.4	0.8	31.8	28.9	1.3	6.9
13	Spain	6.5	6.6	6.3	0.3	0.6	31.0	31.9	29.1	0.9	6.4	6.2	6.0	0.4	0.7	30.3	28.2	1.5	6.8
14	Sweden	5.8	6.0	6.3	0.3	0.6	22.9	23.7	29.7	0.9	6.1	5.6	5.7	0.4	0.5	22.3	27.8	1.3	5.9
15	United Kingdom	6.6	6.8	6.3	0.3	0.6	28.2	29.1	29.3	0.9	6.4	6.4	5.9	0.3	0.6	27.7	28.0	1.2	6.4
16	Canada	./.	./.	7.8	./.	0.8	./.	./.	37.6	./.	8.8	./.	7.1	./.	0.7	./.	35.6	./.	8.4
17	USA	./.	./.	6.6	./.	0.6	./.	./.	34.3	./.	3.1	./.	6.0	./.	0.8	./.	32.5	./.	3.8
	Mean (EU)	6.3	6.5	6.5	0.3	0.6	29.2	30.0	30.0	0.9	6.1	5.9	5.9	0.4	0.6	28.3	28.3	1.4	6.3
	Stand. Dev.	0.6	0.6	0.3			6.1	6.1	0.9			0.6	0.3			6.3	0.8		

Table 15: Home State Taxation, no Discrimination Against Foreign Source Income Originating in the EU. Only Corporate Taxes.

Cost of Capital and EATR (%)		Weighted Average over Sources of Finance of the Subsidiary										Most Tax Efficient Way of Financing the Subsidiary							
		Cost of Capital					EATR					Cost of Capital				EATR			
		Average			Stand. Dev.		Average			Stand. Dev.		Average		Stand. Dev.		Average		Stand. Dev.	
		Domestic	Inbound	Outbound	Inbound	Outbound	Domestic	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound	Inbound	Outbound
1	Austria	6.3	6.8	7.2	0.9	0.8	29.8	31.6	32.2	3.0	7.5	6.8	6.5	0.9	0.7	31.3	29.6	3.1	7.6
2	Belgium	6.4	7.4	8.0	0.5	1.5	34.5	37.4	34.2	1.6	9.2	7.3	7.9	0.5	1.6	36.9	34.0	1.4	9.3
3	Denmark	6.4	7.2	6.2	0.8	0.7	28.8	31.4	28.8	2.7	7.3	7.0	6.1	0.8	0.8	30.9	28.6	2.8	7.3
4	Finland	6.2	6.3	6.9	0.7	0.8	25.5	25.7	31.4	2.5	7.6	6.2	6.9	0.7	0.9	25.2	31.3	2.6	7.6
5	France	7.5	8.8	5.8	1.1	0.5	37.5	41.5	27.2	3.2	6.9	8.7	5.7	1.1	0.6	41.0	27.1	3.4	6.8
6	Germany	6.8	7.6	6.1	1.1	0.7	34.8	37.4	28.1	3.2	7.3	7.4	6.0	1.1	0.8	36.9	27.9	3.4	7.3
7	Greece	6.1	7.0	6.2	1.1	0.7	29.6	32.4	28.8	3.3	7.6	6.9	6.2	1.2	0.8	31.9	28.7	3.5	7.6
8	Ireland	5.7	5.1	7.7	0.3	0.7	10.5	8.0	34.9	1.3	4.5	5.0	7.6	0.2	0.8	7.5	34.8	1.0	4.5
9	Italy	4.8	5.6	8.1	0.5	1.4	29.8	32.3	34.6	1.6	9.1	4.9	8.1	0.7	1.4	30.2	34.6	2.0	9.1
10	Luxembourg	6.3	7.4	6.4	1.0	0.7	32.2	35.7	29.4	3.2	7.3	7.3	5.9	1.0	0.8	35.3	27.7	3.2	7.2
11	Netherlands	6.5	7.0	7.3	0.9	0.8	31.0	32.7	32.2	3.0	7.6	6.9	6.5	1.0	0.7	32.4	29.6	3.1	7.7
12	Portugal	6.5	7.4	6.2	1.0	0.7	32.6	35.5	28.5	3.1	7.4	7.2	6.1	1.0	0.8	35.0	28.3	3.3	7.4
13	Spain	6.5	7.0	6.4	0.9	0.8	31.0	32.9	29.5	3.0	7.6	6.9	6.4	1.0	0.8	32.4	29.3	3.1	7.6
14	Sweden	5.8	5.8	8.3	0.4	1.4	22.9	22.8	36.1	1.5	8.4	5.7	8.3	0.3	1.5	22.3	35.9	1.2	8.5
15	United Kingdom	6.6	6.9	6.7	0.8	0.8	28.2	29.1	30.5	2.6	7.6	6.8	6.6	0.8	0.9	28.6	30.3	2.7	7.6
16	Canada	./.	./.	7.8	./.	0.8	./.	./.	37.6	./.	8.8	./.	7.1	./.	0.7	./.	35.6	./.	8.4
17	USA	./.	./.	6.6	./.	0.6	./.	./.	34.3	./.	3.1	./.	6.0	./.	0.8	./.	32.5	./.	3.8
	Mean (EU)	6.3	6.9	6.9	0.8	0.9	29.2	31.1	31.1	2.6	7.5	6.7	6.7	0.8	0.9	30.5	30.5	2.7	7.5
	Stand. Dev.	0.6	0.9	0.8			6.1	7.6	2.7			0.9	0.8			7.6	2.8		

ANNEX G

Tax Analyser model:

METHODOLOGICAL CONCEPT OF THE "EUROPEAN TAX ANALYSER" MODEL

The European Tax Analyzer is a computer program for a model-firm. It calculates and compares effective average tax burdens for companies located in different countries. Since the model firm is designed as a corporation, the tax burden can be calculated at the level of the corporation as well as at the level of the shareholders. The effective average tax burden is derived by simulating the development of a corporation over a ten year period. For the computation of the tax burden the model uses the economic data of the corporation and the shareholders as well as tax data as inputs.

The development of the corporation is based on the initial capital stock and the data of the corporate plans containing variable estimates for the future development of the capital stock.

- *Initial capital stock*: The capital stock in the first period includes the firm's total assets and liabilities that either can be new or already existing. The *assets* consist of real estate, office and production buildings, plant and machinery, office furnishings, fixtures, intangibles (patents and royalties), financial assets, shares in other corporations (both domestic and foreign), inventories, trade debtors, cash funds, and deposits. The *liabilities* include new equity capital, long-term and short-term debt, and trade creditors.
- *Development of capital stock*: *Corporate planning* supplies data about the expected development of the capital stock over the simulation period of ten years. The estimates are based on periodical assumptions for production and sales, acquisition of goods, staff expenditure (e.g. number of employees, wage per employee and pension costs), other receipts and expenses (e.g. R&D-expenses), investment, distribution, and costs of financing. It is assumed that in each period the corporation produces goods which are either inventoried or sold on the market. Therefore, multi-period production is possible. Additional variable assumptions are made with regard to the production costs for material and labour. It is further assumed that depreciable assets (i.e. buildings, plant and machinery, office furnishing, fixtures, and intangibles) are worn out at the end of their expected economic life. Optionally, fixed assets can also be sold for their market value before the end of expected economic life. In either of the two cases, reinvestments in new assets are made at that time based on the historical costs of the assets adjusted for inflation. The model's assumptions regarding investment ensure that the initial capital stock at least remains constant.¹³ In addition to differing rates of price increases, other macro-economic data considered are credit and debit interest rates, exchange rates for the given countries and the costs of energy and electricity.

¹³ It is also possible to allow additional new investment which results in an increase of the capital stock during the simulation period.

- *Corporate finance*: The initial capital stock contains new equity as well as both long and short term debt capital. Since the corporate plans, inter alia, make assumptions about the distribution policy, the company can be financed by retained earnings (e.g. the distribution rate is below 100%) in addition to new equity and debt financing. Moreover, if the national tax codes allow for internal book reserves (e.g. book reserves for bad debts), the money put into these reserves also serves as a source of internal financing.

Due to differences between the corporation tax systems as well as the taxation of capital income (e.g. dividends, interest, and capital gains) in the hands of the *shareholders*, a valid comparison of the tax burdens has to include the shareholders. The model allows the inclusion of up to 10 groups of shareholders with different shareholding (e.g. participation rate) and personal status. The latter distinguishes between natural and legal persons, domestic or foreign shareholders, taxable or tax-exempt entities, and other aspects (e.g. family status, number of children). According to the financing of the corporation, the shareholders receive dividends from new equity or interest from loans to the corporation. In addition to this income, the underlying assets (e.g. shares and loans) are considered for non-profit taxes.

For the sake of comparability, it is assumed that the model-firm in each country shows identical data before any taxation. Due to this necessary assumption any differences between pre- and post-tax data in the model can be solely attributed to taxation in the different countries.

The tax burden is expressed in two ways: The *absolute effective average tax burden* in currency units is the difference between the pre-tax and the post-tax value of the firm at the end of the simulation period (i.e. period 10). An equivalent expression of the effective average tax burden is the *effective average tax rate* (EATR). The EATR is the difference between the pre-tax and the post-tax return on the equity capital invested in the corporation divided by the pre-tax return. These returns are derived from the value of the firm at the end of the simulation period. The effective average tax burden is calculated separately for the level of the corporation and the level of the shareholders (if their taxation is included). The computation of total tax burdens and the EATR takes four steps.

In the *first step*, the pre-tax value of the firm at the end of the simulation period is calculated. The pre-tax value of the firm is derived from the estimated cash flows and the value of the net assets at the end of the simulation period. The cash flows are derived from estimates in the corporate planing for the cash receipts (sales and other receipts, gains upon the disposal of assets, interest and dividend income) and expenses (wages and pension payments, expenses for material, energy consumption and other expenses, new investment, interest expenses and distributed profits). The cash flow (= liquidity) is calculated in each period. Thereby it is assumed that any given amount of surplus cash flow at the end of a single period can be invested at a given interest rate and any given deficit can be covered by borrowing money at a given debit rate (balancing investment or credit). The interest receipts or expenses plus the amount of the underlying balancing investments or credits are considered for the calculation of the

cash flow in the following period. The value of the net assets at the end of the simulation period is computed by deducting the liabilities of the corporation (and, if relevant, of the shareholders) from the assets. Both the assets and the liabilities are valued at calibrated parameters that are the same in each country. For the assets we take their replacement prices and for the liabilities their nominal values.

	pre-tax cash flow at the end of the simulation period (companies' or overall level)
+	value of the net assets at the end of the simulation period (companies' or overall level) (= assets in the capital stock at replacement prices - liabilities in the capital stock at nominal values)
=	pre-tax value of the firm at the end of the simulation period (companies' or overall level)

In the *second step*, the post-tax value of the firm at the end of the simulation period is calculated. The determination of the post-tax value of the firm has only cash flow effects and no impact on the value of the net assets. The post-tax cash flow is derived in each period by deducting the tax liabilities from the pre-tax cash flow. The tax liabilities are derived by transforming the receipts and expenses into items of the tax bases (i.e. on the one hand assets and liabilities and on the other hand profits and losses/charges) respect given to depreciation allowances according to the relevant national rules and then applying the (functions of the) tax rates and, if necessary, other relevant provisions (e.g. loss carryover and tax credits). The reduction of the cash flow due to tax payments (liabilities) also has an impact on the balancing investment or credit and the connected interest receipts or credits. By taking these tax-induced effects on the interest income or expense of each period into account, the deferral of tax payments is integrated into the model.

	pre-tax cash flow at the end of the simulation period (companies' or overall level)
-	tax liabilities in each period
=	post-tax cash flow at the end of the simulation period (companies' or overall level)
+	value of the net assets at the end of the simulation period (companies' or overall level) (= assets in the capital stock at replacement prices - liabilities in the capital stock at nominal values)
=	post-tax value of the firm at the end of the simulation period (companies' or overall level)

	pre-tax value of the firm at the end of the simulation period (companies' or overall level)
-	post-tax value of the firm at the end of the simulation period (companies' or overall level)
=	total average tax burden in currency units (companies' or overall level)

In contrast to models which compute tax burdens solely based on pre-tax returns (yields), calculations based on cash receipts and cash expenses considering balancing investments allow the entire computation of all tax bases at any time during the period of simulation (because all relevant income and assets have been entered into the tax base). As a consequence, the model can include complicated tax provisions such as progressive tax rates, tax credits (e.g. for foreign taxes) with upper ceilings, and loss carryovers without any difficulty.

In the *third step*, both the pre-tax and the post-tax value of the firm at the end of the simulation period are transformed into the pre-tax and post-tax return respectively:

$$r = [V_f(T) / V_i(0)]^{1/T} - 1 \quad \text{and} \quad r_s = [V_{fs}(T) / V_i(0)]^{1/T} - 1$$

r = pre-tax return

r_s = post-tax return

V_i = value of the firm at beginning of the simulation period

V_f = pre-tax value of the firm at the end of the simulation period

V_{fs} = post-tax value of the firm at the end of the simulation period

T = simulation period

The return r (r_s) represents the internal rate of growth of the value of the firm during the simulation period before taxes (after taxes) taking into account all the assumptions about the investment, financing and distribution policy at the beginning of the simulation.

In the *fourth step*, the effective average tax rate (EATR) is computed by deducting the post-tax return from the pre-tax return and dividing this difference by the pre-tax return.

$$\frac{r - r_s}{r} = \text{EATR}$$

The EATR is measured as the difference between the pre-tax and the post-tax value of the firm or the return derived from the changes of the value of the firm. A cross-country comparison can thus allow for the following conclusion. A higher EATR indicates that taxation takes away a higher share of the pre-tax value of the firm (or the return). This may indicate as a result that countries with a higher EATR will be less attractive as a location for the firm than a country with a lower EATR.¹⁴

¹⁴ This interpretation is similar to the interpretation of the EATR in the model of Devereux and Griffith. See Bond and Chennells (2000), p. 15. It is of high empirical relevance since managers admit that they choose an investment location by comparing the post tax returns of similar location opportunities. See Luther (1994).

ANNEX H

Tax Analyser model:

DESCRIPTION OF THE PRINCIPAL HYPOTHESES AND TAX PARAMETERS

The EATR is calculated for companies in France, Germany, Ireland, the Netherlands, the UK and the USA. In order to calculate the tax liability in each country the European Tax Analyser takes into account all *taxes* that may be influenced by the investments and financing both at the level of the corporation and the level of the shareholders (see Tables in Annex B).

In calculating the *tax bases*, the most relevant elements with regard to the assets and liabilities included in the capital stock and the effects of the corporate planning are considered. Furthermore, the tax module of the model allows the selection of several accounting options (tax electives) enabling a company to influence its taxable profits. The *rules for profit computation* cover:

- depreciation (methods and tax periods for all considered assets, extraordinary depreciation),
- inventory (stock) valuation (production costs, FIFO, LIFO and the average costs method, inflation reserves),
- development costs (immediate expensing or capitalisation),
- taxation of capital gains (roll-over relief, inflation adjustment, special tax rates),
- employee pension schemes (deductibility of pension costs, contributions to pension funds, book reserves),
- provisions for bad debts,
- elimination and mitigation of double taxation on foreign source income (exemption, foreign tax credit, deduction of foreign taxes),
- and loss relief.

Table 1: Considered taxes

	Company	Shareholder
F	Taxe foncière (<i>real property tax</i>) Taxe professionnelle (<i>trade tax</i>) Taxes assises sur les salaires (<i>employer's contributions</i>) Impôt sur les sociétés (<i>corporation tax</i>)	Impôt sur le revenu (<i>income tax</i>) Prélèvements fiscaux (<i>surcharges on income tax</i>) Impôt de solidarité sur la fortune (<i>property tax</i>)
D	Grundsteuer (<i>real property tax</i>) Gewerbeertragsteuer (<i>trade tax on profits</i>) Körperschaftsteuer (<i>corporation tax</i>) Solidaritätszuschlag (<i>solidarity levy</i>)	Einkommensteuer (<i>income tax</i>) Solidaritätszuschlag (<i>solidarity levy</i>) Kirchensteuer (<i>church tax</i>)
IRL	Business rates Corporation tax	Income tax
NL	Vennootschapsbelasting (<i>corporation tax</i>) Onroerendbelasting (<i>real property tax</i>)	Inkomstenbelasting (<i>income tax</i>) Vermogensbelasting (<i>property tax</i>)
UK	Business rates Corporation tax	Income tax
USA	Property tax Franchise tax on corporate income Accumulated earnings tax Corporate income tax	Income tax Property tax

Finally, referring to the *tax rates*, the calculations consider statutory linear as well as progressive tax rate structures. In the case of progressive rates or income brackets the tax rates enter in the model as functions of the relevant income or net assets (non-profit taxes) as provided by the tax laws. As far as Ireland is concerned, the base-case scenario takes into account the manufacturing relief resulting in a statutory corporation tax rate of 10%. The Appendix shows also the results for the basic 28% Irish corporation tax rate.

Various assumptions have to be made in order to define and describe the model-firm analysed in this report, and the economic conditions which are assumed to prevail. The following is assumed in the base case (Section B). Later, Section C performs a sensitivity analysis in order to test the importance of these assumptions.

Table 2: Model firm's structure of the balance sheet (period 6)

ASSETS	EURO	LIABILITIES	EURO
A. Fixed assets		A. Shareholders' equity	
I. <i>Intangible assets</i>	647.898	I. <i>Share capital</i>	3,067.751
II. <i>Tangible fixed assets</i>		II. <i>Profit brought forward</i>	5,146.276
1. Real estate	4,017.936	III. <i>Net income</i>	1,367.177
2. Machinery	2,623.644	B. Provisions for Pensions	3,269.915
3. Office furniture and fixtures	1,337.024	C. Creditors	
III. <i>Financial assets</i>	5,112.919	I. <i>Loans from third parties</i>	8,180.670
Investments	766.938	II. <i>Loans from shareholders</i>	1,533.876
Long-term loans		III. <i>Trade creditors</i>	2,327.868
B. Current assets	7,523.749	IV. <i>Short-term debt</i>	10,021.321
I. <i>Stock</i>	7,049.872		
II. <i>Trade debtors</i>	3,269.915		
III. <i>Fund's assets</i>	2,564.959		
IV. <i>Deposits</i>			
Total	34,914.854	Total	34,914.854

Table 3: Model firm's structure of the profit and loss account (period 6)

	Position	EURO
	Net sales or revenues	44,061.700
-	Cost of goods sold	35,031.442
=	Gross profit	9,030.258
-	Selling expenses	1,389.415
-	General and administrative expenses	3,969.264
+	Other revenues	2,607.339
-	Other expenses	3,908.701
+	Investment earnings (dividends)	577.029
+	Interest income	225.620
-	Interest expenses	582.873
=	Operating income	2,589.993
-	Income tax expenses (if deductible)	401.154
-	Other taxes	2.718
=	Taxable income (income before corporation tax)	2,186.121

As a base case for the model-firm we refer to a typical medium-sized German¹⁵ manufacturing company. The data was taken from published German statistics.¹⁶ Table 2 shows the balance sheet and Table 3 the profit and loss account at the end of year six (the mid-point of the ten year comparison) based on the assumption of German taxation. Table 2 shows the different types of assets (investments) and sources of finance considered here in detail. It also serves to highlight the relative weight of these investments and sources of finance. Table 3 shows the sales and the amounts and structure of the expenses. From this information we can derive the following most important financial ratios of the base case model-firm:

¹⁵ The reason for taking Germany is simply the easy availability of reliable data. From a methodological point of view it would be no problem to use any other data instead.

¹⁶ See Deutsche Bundesbank (1997a); Deutsche Bundesbank (1997b); Industriekreditbank (1997); Statistisches Bundesamt (1997), pp. 193-195, 206-207, 228-230, 464.

- Net income: EURO 1.4 m;
- Tangible fixed assets to total balance sheet-ratio: 22.9%;
- Equity capital to total balance sheet-ratio: 27.4%;
- Return on equity capital (after taxes): 16.6%;
- Return on total capital (after taxes): 5.9%;
- Turnover: EURO 44.1 m;
- Net profit ratio (after taxes): 3.1%;
- Personnel expenditure: EURO 10.2 m;
- Personnel expenditure to turnover-ratio: 24.6%;
- Taxable income: EURO 2.2 m.

It has to be kept in mind that the above ratios are typical for the German manufacturing sector and therefore differ somewhat from the ratios used in other studies. For example, the weights for the sources of finance used in the other report prepared for the European Commission or in OECD (1991) and the Ruding Report (European Commission (1992)) are: retained earnings 55%, new equity 10% and debt 35%. The equivalent weights used here are: retained earnings 19% ($6,513.453/34,914.854$), new equity 9% ($3,067.751/34,914.854$) and debt 72% ($25,333.650/34,914.854$). Therefore only new equity carries approximately the same weight. When comparing the results of different studies these differing weights can explain varieties of effective tax burdens to a great extent.

The following lists the other important assumptions:

- Expected economic lifetimes for assets: production buildings (40 years); office buildings (50 years); patents and concessions (5 years each); plant and machinery (five assets are considered, 5 to 10 years); office furniture and fixtures (4 and 9 years); financial assets (all zero); stocks (zero).
- Rates of price increase: consumer price index (2.3%); price index for basic material (1.4%); price index for wages (2.5%); price index for investment goods (2.5%).
- Interest rates for creditors and debtors: short term credit (3%); long term credit (4.7%); short term debit (7%); long term debit (6%).
- Shareholders and distributions: The base case example of a medium-sized company includes 10 shareholders (natural persons) who are located in the same country as the corporation (i.e. domestic shareholders). It is further assumed that all shareholders have identical pre-tax data such as participation rate (10%), family status (married) and number of children (1 child). The latter assumptions are relevant for the income tax tariff to be applied and for other personal allowances. The profit distributions (gross dividends) to the shareholders amount to EURO 511.290 (16% of the share capital) per period in each country. This means that each shareholder receives a gross dividend of EURO 51.129 per period. Moreover, the shareholders earn income from other sources (EURO 51.129 each per period) and receive interest on the loan granted to the corporation. The gross interest receipts amount to EURO 92.033 (6% of EURO 1.533.876) each period, i.e. each shareholder receives periodical interest income from loans of EURO 9.203.

Although the European Tax Analyzer takes only domestic investment into account the results provide some information for *economic distortions within the EU*. The relevant scenario covers companies in different countries which export their products to other countries where they compete with each other. In that case, a lower domestic effective tax burden in one country means a competitive advantage for *exporting companies* resident in that country.

ANNEX I

Tax Analyser model:

DETAILED RESULTS FOR EACH COUNTRY INCLUDING THE CASE OF THE GERMAN TAX REFORM

Table 1: Impact of types of taxes on the Effective Average Tax Rate
- Only corporate taxes

EATR - corporation	F	D	IRL	NL	UK	EU-5 Average	USA	IRL 28%	D 2001
absolute in EURO	12,954.033	11,290.464	3,504.761	8,793.437	7,937.863	8,896.112	10,480.517	7,706.237	10,503.163
corporation tax and surcharges	7,037.881	8,689.994	2,704.136	8,659.264	7,033.418	6,824.939	8,392.151	7,078.738	6,891.882
trade/ franchise tax on income	-	2,517.630	-	-	-	503.526	1,327.614	-	3,504.603
trade tax on capital/ taxe professionnelle	4,199.789	-	-	-	-	839.958	-	-	-
employer's contribution	1,385.938	-	-	-	-	277.188	-	-	-
property tax	-	-	-	-	-	-	760.752	-	-
real property tax	330.425	82.840	800.625	134.173	904.445	450.501	-	627.498	106.678
relative in %	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
corporation tax and surcharges	54.3	77.0	77.2	98.5	88.6	79.1	80.1	91.9	65.6
trade/ franchise tax on income	-	22.3	-	-	-	4.5	12.7	-	33.4
trade tax on capital/ taxe professionnelle	32.4	-	-	-	-	6.5	-	-	-
employer's contribution	10.7	-	-	-	-	2.1	-	-	-
property tax	-	-	-	-	-	-	7.2	-	-
real property tax	2.6	0.7	22.8	1.5	11.4	7.8	-	8.1	1.0

Table 2: Impact of types of taxes on the Effective Average Tax Rate
- Corporate and personal taxes

EATR	F	D	IRL	NL	UK	EU-5 Average	USA	IRL 28%	D 2001/2005
Corporation (Table A1)									
absolute in EURO	12,954.033	11,290.464	3,504.761	8,793.437	7,937.863	8,896.112	10,480.517	7,706.237	10,503.163
effective in %	39.7	32.8	8.3	24.0	21.0	25.2	29.7	20.5	30.1
Shareholder									
absolute in EURO	5,664.355	4,249.136	4,697.939	4,955.073	3,530.026	4,619.306	3,306.954	4,697.939	2,674.425
...income tax	5,559.481	4,249.136	4,697.939	4,539.377	3,530.026	4,515.192	3,256.842	4,697.939	2,674.425
...property tax	104.874	--	--	415.696	--	104.114	50.112	--	--
Overall level									
absolute in EURO	18,618.388	15,539.600	8,202.700	13,748.510	11,467.888	13,515.417	13,787.471	12,404.176	13,177.588
effective in %	48.8	37.4	17.2	32.0	25.6	32.2	32.0	28.1	30.1

Table 3: Effective Average Tax Rate across 5 EU Member States and the USA
 - Variation of tangible fixed assets to total balance sheet ratio
 - Only corporate taxes

Tangible fixed assets to total balance sheet-ratio %	18.3	19.5	20.6	21.8	22.9	24.0	25.2	26.3	27.5
F	30.7	31.2	31.9	32.8	33.6	33.9	34.8	36.0	36.6
D	30.4	29.7	29.7	29.7	30.0	29.4	29.1	28.9	28.5
IRL	5.9	5.6	6.1	6.2	6.3	6.5	6.6	6.7	7.2
NL	17.8	17.7	17.9	17.8	17.8	17.3	17.6	17.6	17.4
UK	16.3	16.2	16.7	17.0	17.0	16.5	16.8	17.2	17.0
EU-5 Average	20.2	20.1	20.5	20.7	20.9	20.7	21.0	21.3	21.3
EU-5 Standard Deviation	9.4	9.5	9.4	9.6	9.8	9.8	9.9	10.2	10.2
D 2001	21.9	21.4	21.7	22.0	22.1	21.8	21.7	21.8	21.7
IRL 28%	14.8	14.7	14.8	15.1	15.0	14.9	15.2	15.1	15.3
USA	21.9	21.8	21.7	22.0	22.1	21.8	22.1	22.2	22.1

Table 4: Effective Average Tax Rate across 5 EU Member States and the USA
 - Variation of equity to total capital ratio
 - Only corporate taxes

Equity to total capital ratio %	25	50	75	100
F	43.1	43.9	44.2	44.7
D	35.3	39.0	40.4	42.6
IRL	7.8	8.9	8.7	9.6
NL	21.0	23.6	26.0	27.7
UK	20.4	22.8	24.0	25.5
EU-5 Average	25.5	27.6	28.7	30.0
EU-5 Standard Deviation	12.4	12.5	12.7	12.8
D 2001	27.5	29.3	30.8	31.9
IRL 28%	18.0	20.3	22.1	23.4
USA	26.3	29.3	30.8	33.0

Table 5: Effective Average Tax Rate across 5 EU Member States and the USA
 - Variation of pre tax return
 - Only corporate taxes

Pre-tax return %	20.2	21.5	22.8	24.0	25.3	26.6	27.8	29.1	30.4
F	51.5	42.1	38.9	35.7	33.6	32.0	30.2	28.6	27.3
D	31.2	30.8	30.5	30.3	30.0	29.7	29.1	28.6	28.3
IRL	7.9	7.5	7.1	6.6	6.3	6.0	5.8	5.5	5.6
NL	18.3	18.2	18.1	17.8	17.8	17.7	17.6	16.9	17.1
UK	18.3	17.8	17.7	17.0	17.0	16.5	16.2	15.9	15.5
EU-5 Average	25.4	23.3	22.5	21.5	20.9	20.4	19.8	19.1	18.8
EU-5 Standard Deviation	15.0	12.0	11.1	10.3	9.8	9.5	9.0	8.7	8.4
D 2001	23.8	23.4	23.0	22.4	22.1	21.8	21.2	20.7	20.4
IRL 28%	16.8	16.4	15.9	15.4	15.0	15.0	14.7	14.1	14.1
USA	24.8	23.8	23.5	22.4	22.1	21.8	21.6	21.0	20.7

Table 6: Effective Average Tax Rate across 5 EU Member States and the USA
 - Different industries
 - Differences with reference to the average EATR of the 5 EU Member States
 - Only corporate taxes

Differences to EU-5	Transport	Commerce	Service Trade	Building and Construction	Metal Production	Engineering	Automotive Vehicles	Food and Beverages	Electrical Engineering	Chemical Engineering	Manufacturing Industry
F	36.4	37.0	40.5	102.2	71.5	50.3	40.7	43.7	55.5	28.6	45.6
D	20.6	16.6	13.5	-10.1	1.1	13.9	12.8	4.4	14.7	16.2	26.9
IRL	-26.2	-14.8	-21.5	-30.7	-26.5	-22.9	-21.4	-19.5	-26.7	-18.7	-60.6
NL	5.2	-3.5	-10.8	-25.2	-26.4	-14.2	-9.9	-16.1	-18.6	-7.2	-1.2
UK	-35.9	-35.3	-21.7	-36.2	-19.7	-27.1	-22.3	-12.6	-24.9	-18.9	-10.6
EU-5 Standard Deviation	27.4	25.0	24.0	51.8	37.1	28.9	24.0	23.3	31.6	19.2	36.3
USA	27.6	12.1	8.4	-12.7	-7.8	2.1	7.4	0.5	1.5	19.1	17.8
D 2001	33.3	11.4	12.3	-8.1	-10.0	7.2	18.6	0.9	8.4	17.4	18.0

Table 7: Effective Average Tax Rate across 5 EU Member States and the USA
 - Variation of rate of distribution
 - Corporate and personal taxes

Distribution rate %	0	25	50	75	100
F	45.8	47.3	51.5	56.7	61.9
D	37.4	37.4	40.1	42.8	46.7
IRL	12.3	18.2	24.8	32.3	41.1
NL	29.1	31.5	35.1	39.3	43.7
UK	22.7	25.6	28.7	32.3	36.0
EU-5 Average	29.5	32.0	36.0	40.7	45.9
EU-5 Standard Deviation	11.6	9.9	9.3	9.0	8.7
D 2005	27.6	30.0	32.2	35.3	38.1
IRL 28%	22.2	27.6	34.2	41.3	49.2
USA	26.6	31.0	35.1	40.3	45.7

Table 8: Effective Average Tax Rate across 5 EU Member States and the USA
 - Variation of equity to total capital ratio
 - Corporate and personal taxes

Equity to total capital ratio %	25	50	75	100
F	73.0	71.9	70.8	71.1
D	55.1	55.1	56.2	56.5
IRL	49.4	49.4	48.3	48.9
NL	59.6	57.3	55.1	53.3
UK	42.7	42.7	43.8	44.4
EU-5 Average	56.0	55.3	54.8	54.8
EU-5 Standard Deviation	10.2	9.7	9.2	9.1
D 2005	46.1	46.1	46.1	46.7
IRL 28%	53.9	55.1	56.2	58.9
USA	49.4	51.7	53.9	57.3

ANNEX J

Tax Analyser model:

SIMULATING HYPOTHETICAL POLICY SCENARIOS

Table 1: Results for simulations of reforming elements of the corporation tax base
 - Effective average tax rates
 - Only corporate taxes

	F	D	IRL	NL	UK	EU-5 Average	EU-5 Stand. Dev.	US A	D 199 9	IRL 28%
Base case	39.7	30.1	8.3	24.0	21.0	24.6	10.4	29.7	32.8	20.5
1. Common depreciation on intangibles	39.7	30.1	8.3	24.0	21.0	24.6	10.4	29.7	32.8	20.5
2. Common depreciation on buildings	40.2	29.3	8.3	23.6	21.0	24.5	10.4	28.8	32.8	20.5
3. Common SL depreciation on tangible fixed assets	44.1	30.6	8.4	24.5	21.4	25.8	11.7	32.3	36.7	20.6
4. Common DB depreciation on tangible fixed assets	41.0	28.4	7.9	22.3	19.7	23.9	10.9	29.8	32.8	19.2
5. Common valuation of inventories	38.0	29.7	7.9	21.8	19.2	23.3	10.1	27.5	32.8	18.8
6. Common pension scheme (book reserve)	44.5	30.1	9.2	27.1	24.0	27.0	11.3	34.1	32.8	22.7
7. Common pension scheme (pension fund)	39.7	26.2	8.3	24.0	21.0	23.8	10.1	29.7	27.5	20.5
8. Common book reserves for bad debts	36.2	26.6	7.9	21.4	18.8	22.2	9.3	26.6	28.8	18.3
9. Common overall tax base (IAS)	46.7	29.7	8.7	24.5	21.4	26.2	12.4	32.3	35.4	21.0

Table 2: Results for simulations of reforming elements of the corporation tax base
 - Effective average tax rates
 - Corporate and personal taxes

	F	D	IRL	NL	UK	EU-5 Average	EU-5 Stand. Dev.	US A	D 199 9	IRL 28%
Base case	48.8	30.0	17.2	32.0	25.1	30.6	10.4	32.0	37.4	28.1
1. Common depreciation on intangibles	48.8	30.0	17.2	32.0	25.1	30.6	10.4	32.0	37.4	28.1
2. Common depreciation on buildings	49.3	30.0	17.2	31.5	25.6	30.7	10.5	31.5	37.4	28.1
3. Common SL depreciation on tangible fixed assets	52.7	31.0	17.2	32.5	25.6	31.8	11.7	34.5	40.4	28.1
4. Common DB depreciation on tangible fixed assets	49.8	29.1	16.7	30.5	24.1	30.0	11.0	32.0	37.4	27.1
5. Common valuation of inventories	46.8	30.0	16.7	30.0	24.1	29.5	9.9	30.0	37.4	26.6
6. Common pension scheme (book reserve)	53.2	30.0	17.2	35.0	27.6	32.6	11.8	35.5	37.4	30.0
7. Common pension scheme (pension fund)	48.8	27.1	17.7	32.0	25.6	30.2	10.4	32.0	33.0	28.1
8. Common book reserves for bad debts	45.3	27.6	16.7	29.6	23.6	28.6	9.5	29.6	34.0	26.1
9. Common overall tax base (IAS)	54.7	30.0	17.6	32.5	25.6	32.1	12.4	34.0	39.9	28.6

Table 3: Results for simulations of reforming tax rates and local taxes

- Effective average tax rates

- Only corporate taxes

	F	D	IRL	NL	UK	EU-5 Average	EU-5 Stand. Dev.	US A	D 199 9	IRL 28%
Base case	39.7	30.1	8.3	24.0	21.0	24.6	10.4	29.7	32.8	20.5
10. Common CT rate, at EU mean	36.7	34.1	23.6	21.8	22.7	27.8	6.3	28.4	25.8	-
11. Common CT rate incl. local profit taxes, at EU mean	37.1	24.0	24.5	23.1	24.0	26.5	5.3	25.3	17.0	-
12. Common CT rate of 25% incl. local profit taxes	33.6	17.0	18.3	16.6	17.5	20.6	6.5	19.7	12.2	-
13. Common CT rate of 25% incl. all local taxes	9.6	17.0	16.2	16.2	14.8	14.8	2.7	16.2	12.2	-

Table 4: Results for simulations of reforming tax rates and local taxes

- Effective average tax rates

- Corporate and personal taxes

	F	D	IRL	NL	UK	EU-5 Average	EU-5 Stand. Dev.	US A	D 199 9	IRL 28%
Base case	45.8	33.0	31.0	30.0	27.1	33.4	6.5	31.0	37.4	28.1
10. Common CT rate, at EU mean	45.8	33.0	31.0	30.0	27.1	33.4	6.5	31.0	31.0	-
11. Common CT rate incl. local profit taxes, at EU mean	46.3	25.1	32.0	31.0	27.6	32.4	7.4	28.6	23.6	-
12. Common CT rate of 25% incl. local profit taxes	43.3	20.2	26.1	25.6	22.7	27.6	8.1	23.6	19.7	-
13. Common CT rate of 25% incl. all local taxes	21.7	20.2	24.6	25.1	20.2	22.4	2.1	20.7	19.2	-

Table 5: Results for corporation tax system reform simulations

- Effective average tax rates
- Corporate and personal taxes

	F	D	IRL	NL	UK	EU-5 Average	EU-5 Stand. Dev.	US A	D 199 9	IRL 28%
Base case (only corporate taxes)	39.7	30.1	8.3	24.0	21.0	24.6	10.4	29.7	32.8	20.5
Base case (corporate and personal taxes)	48.8	31.0	17.2	32.0	25.6	30.9	10.4	32.0	37.4	28.1
14. Common CT system, classical system (only corporate taxes)	48.0	30.1	8.3	24.0	21.0	26.3	13.0	29.7	38.4	20.5
15. Common CT system, classical system (corpo-rate and personal taxes)	55.7	32.0	17.2	37.4	26.6	33.8	12.8	32.0	40.9	28.1

Annex 1

The recommendations of the Ruding Committee and their follow-up

The following table gives a detailed overview about the recommendations of the Ruding Committee and the follow-up thereto.

The Commission's comments and immediate reactions are explained in detail in the "Commission Communication to the Council and to Parliament subsequent to the conclusions of the Ruding Committee indicating guidelines on company taxation linked to the further development of the internal market" [Sec(92)1118] of 26 June 1992. In this communication, the Commission basically indicated that

- priority should be given to the elimination of double taxation on cross-border income flows;
- a more qualified assessment of the second part of recommendations was required, as some of these seem to go beyond what is strictly necessary at Community level. The proposed measures could have the effect of reducing the tax-base, which might involve an increase in tax rates.

The Council considered both the Ruding recommendations and the Commission's comments thereon and published a press release (10088/92 – Presse 216) after the ECOFIN Council meeting of 23 November 1992: "Guidelines on Company Taxation linked to the Further Development of the Internal Market – Council Conclusions". Basically, the Council

- stressed the need to limit Community action on business taxation to the minimum necessary to ensure that the internal market functions smoothly,
- introduced a number of criteria for deciding whether action is appropriate at Community level; special measures should be only proposed if they
 - take account of the general fiscal environment of the Member States as well as the budgetary constraints;
 - recognise that taxation is only one factor amongst others in investment decisions;
 - take account of the effect on trade and investment flows not only between the Member States, but also between the Community and the rest of the world;
 - take account of the importance of simplicity and administrative practicability;
 - take account of the need to combat tax evasion and avoidance;
 - follow comprehensive consultations with the Member States and appropriate consultations with other interested parties.
- recognised the need to eliminate double taxation but, at the same time, underlined the need to ensure effective single taxation.
- expressed concern about the phenomenon of "harmful tax competition".

Clearly, the Council's reaction and the stalemate reached on existing initiatives caused some reluctance on the Commission's side to embark into new initiatives, although suggested by the Ruding Committee and explicitly welcome by the Commission. Moreover, the Ruding Committee logically structured its recommendations into three subsequent phases.

The Ruding Committee ...	Comment by the European Commission	Follow-up / Comment
... recommends that the scope of the parent-subsidiary directive be extended to cover all enterprises subject to corporate income tax, irrespective of their legal form (Phase I). Subsequently, the directive should be extended to all other enterprises subject to income tax (Phase II).	welcome by the Commission in its communication SEC(92)1118 (pt. 29) (+ extension of merger directive in pt. 30)	Proposal for a Council Directive extending the scope of the merger and parent and subsidiary directives [COM(93)293; OJ C 225, 20.8.1993, p.3]; pending in the Council but a stalemate was reached in discussions in mid-1997
... recommends a substantial reduction in the participation threshold prescribed in the parent-subsidiary directive (Phase I).		
... recommends that the Commission propose by way of a directive a uniform withholding tax of 30% on the dividend distributions by EC resident companies, subject to waiver where appropriate tax identification is provided (Phase II).		Discussion with Member States in working group on withholding tax procedures; no immediate result
... recommends that the proposed ‘interest and royalties’ directive be adopted, that the scope of the directive be extended to encompass all such payments between enterprises, and that the directive include accompanying measures to ensure that the corresponding income is effectively taxed within the Community in the hands of the beneficiary (Phase I).	welcome by the Commission in its communication SEC(92)1118	<p>Proposal for Council directive on a common system of taxation applicable to interest and royalty payments made between parent companies and subsidiaries in different Member States [COM(91)571]; withdrawn 20.11.1996 (OJ C 2, 04.01.1997, p.6)].</p> <p>Proposal for Council directive on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States [COM(98)67]</p> <p>Reinforcement via the “tax package” in the conclusions 98/C2/01 of the ECOFIN Council of 1 December 1997</p>

The Ruding Committee ...	Comment by the European Commission	Follow-up / Comment
... urges all Member States to ratify the Arbitration Convention as soon as possible (Phase I).	welcome by the Commission in its communication SEC(92)1118 (pt. 31)	<p>Convention on the elimination of double taxation in connection with the adjustment of profits of associated enterprises (90/436/EEC)</p> <p>On 25 May 1999 Member States have signed a protocol on the extension of the Arbitration Convention.</p>
... recommends that the Commission together with the Member States take action to establish appropriate rules or procedures concerning transfer pricing adjustments by Member States (Phase I).	endorsed by the Commission in its communication SEC(92)1118 (pt. 31)	Due to the Council's reaction and the stalemate reached on existing initiatives no specific initiative was undertaken.
... recommends that Member States adopt the draft directive dealing with losses of permanent establishments and subsidiaries in another Member State (Phase I).	welcome by the Commission in its communication SEC(92)1118 (pt. 37)	<p>Proposal for a Council Directive concerning arrangements for the taking into account by enterprises of the losses of their permanent establishments and subsidiaries situated in other Member States [COM(90)95];</p> <p>pending in the Council but since discussions in technical group in 1992 the work has been interrupted because of the request of a vast majority of Member States to limit the scope to losses of permanent establishments.</p>
<p>... recommends that all Member States introduce full vertical and horizontal off-setting of losses within groups of enterprises at the national level (Phase II).</p> <p>The Committee also recommends extension of the draft directive to allow full Community-wide loss offsetting within groups of enterprises (Phase III).</p>	pros and cons discussed by the Commission in its communication SEC(92)1118 (pt. 38)	

The Ruding Committee ...	Comment by the European Commission	Follow-up / Comment
... urges Member States not only to conclude bilateral income tax treaties where none exist between them, but also to complete those where their coverage is limited (Phase I).	welcome by the Commission in its communication SEC(92)1118 (pt. 34)	Due to the Council's reaction and the stalemate reached on existing initiatives no specific initiative was undertaken.
... recommends action by the Commission in concert with Member States aimed at defining a common attitude with regard to policy on double taxation agreements with respect to each other and also with respect to third countries (Phase I).	welcome by the Commission in its communication SEC(92)1118 (pt. 34)	Due to the Council's reaction and the stalemate reached on existing initiatives no specific initiative was undertaken.
... recommends that existing discrimination in the taxation of dividends distributed from profits earned in another Member State be removed. To this end:	generally welcome (with exception of the reciprocity clause) by the Commission in its communication SEC(92)1118	Due to the Council's reaction and the stalemate reached on existing initiatives no specific initiative was undertaken.
<p>(i) Member States which apply imputation taxes on the distribution of profits earned in another Member State should be obliged, on a reciprocal basis, to allow such tax to be reduced by corporate income tax paid in the other Member State in respect of dividends remitted by a subsidiary, or profits earned by a permanent establishment (Phase I); and</p> <p>(ii) Member States with various forms of tax relief for dividends received by domestic shareholders from domestic companies should be obliged, on a reciprocal basis, to provide equivalent relief for dividends received by domestic shareholders directly from companies in other Member States (Phase I).</p>	some discussion about technicalities (pt. 40),	
... recommends that the Commission and the Member States examine in the course of Phase I alternative approaches to determine the most appropriate common corporation tax system for the Community (Phase III)	generally welcome by the Commission in its communication SEC(92)1118 (pt. 56)	

The Ruding Committee ...	Comment by the European Commission	Follow-up / Comment
... recommends that a draft directive be prepared by the Commission prescribing a minimum statutory corporation tax rate of 30% in all Member States for all companies, regardless of whether profits are retained or distributed as dividends (Phase I).	cautiously welcome by the Commission in its communication SEC(92)1118 ; requiring further discussion with Member States; problems (pts. 42, 43, 44)	Due to the Council's reaction and the stalemate reached on existing initiatives no specific initiative was undertaken.
... recommends adoption by all Member States of a maximum corporation tax rate of 40% (Phase II).	not seen as necessary by the Commission in its communication SEC(92)1118 (pt. 45)	
... recommends that there should be only one kind of tax on corporate income in Member States. If this cannot be achieved, local income taxes should be taken into account when fixing the statutory corporation tax rate so that the combined rate of tax falls within the range of 30 to 40% prescribed by the Committee (Phase II).	discussed by the Commission in its communication SEC(92)1118 ; political difficulties (pt. 46)	
... recommends the Commission to establish an independent group of technical experts to examine, and make firm recommendations for action on, various aspects of the tax base identified in this report for such study (Phase I).		Due to the Council's reaction and the stalemate reached on existing initiatives no specific initiative was undertaken.
... recommends the Commission to take appropriate measures to reduce the differences between commercial accounts and the accounts used for tax purposes (Phase III).		
... recommends that the Commission should propose measures by way of a directive on depreciation practices. This should provide for historic cost as the basis for depreciation. It would allow a free choice for the taxpayer between declining-balance and straight-line depreciation for all depreciable assets other than buildings. Declining-balance depreciation rates should not exceed three times the rates applicable for straight-line depreciation. At the same time all special depreciation rules with an incentive effect should be abolished (Phase I).	judged by the Commission as too far-reaching in its communication SEC(92)1118 (pt. 48, 49)	

The Ruding Committee ...	Comment by the European Commission	Follow-up / Comment
<p>... considers that there should be harmonised rules regarding the depreciation of buildings, and also as regards the minimum life and maximum rates of depreciation that should apply to different categories of assets. The Committee recommends that the Commission present proposals on these issues, by way of a directive, after appropriate consultation with the proposed group of technical experts (Phase II).</p>	<p>judged by the Commission as too far-reaching in its communication SEC(92)1118 (pt. 48, 49)</p>	
<p>... recommends that the Commission should propose measures by way of directive to implement uniform tax treatment for the depreciation of goodwill and other intangible assets. It should also harmonise the basic income aspects of leasing (Phase I).</p>	<p>judged by the Commission as too far-reaching in its communication SEC(92)1118 (pt. 48, 49)</p>	
<p>... recommends the introduction of a free but irrevocable choice for business enterprises to use the following methods of stock valuation: FIFO, LIFO, average cost or base stock ('stock outil') (Phase I).</p>	<p>judged by the Commission as too far-reaching in its communication SEC(92)1118 (pt. 48, 49)</p>	
<p>... recommends that the technical group of experts should elaborate the details of these principles (to include for example technical details of a uniform approach to stock valuation provisions for slowly rotating stocks), after which the rules should be implemented by way of directive (Phase II).</p>	<p>judged by the Commission as too far-reaching in its communication SEC(92)1118 (pt. 48, 49)</p>	
<p>... recommends that the Commission introduce by way of directive proposals after consultation with the technical group to permit the deduction of provisions such as those for bad debts, warranty charges, and foreign exchange in so far as they are based on generally agreed accounting practice, without no arbitrary limits being set (Phase II).</p>	<p>judged by the Commission as too far-reaching in its communication SEC(92)1118 (pt. 48, 49)</p>	

The Ruding Committee ...	Comment by the European Commission	Follow-up / Comment
... recommends that the Commission, with the assistance of the group of technical experts study, as a matter of urgency, the implications of harmonising the deductibility of companies' provisions designed to meet their commitments relating to the retirement of their employees (Phase I).		Green Paper on supplementary pensions in the Single Market [COM(97)283] Commission Communication "Towards a Single Market for Supplementary Pensions" [COM(99)134]
... recommends that the Commission urgently study solutions to this problem so as to ensure that contributions paid to pension schemes are tax-deductible, regardless of where the pension fund is situated or whether any subsequent benefits paid out would be taxable in the same Member State (Phase I).	welcome by the Commission in its communication SEC(92)1118 (pt. 50)	Commission Communication on the elimination of tax obstacles to the cross-border provision of occupational pensions [COM(01)214]
... recommends that the Commission should propose common rules by way of a directive for the deduction of business expenses on the basis of that all expenses related to a trade or business should be deductible (Phase II).		
... recommends that the Commission should, by way of a directive, establish rules for the allocation of headquarters' costs and the invoicing for inter-company pricing of centrally provided group services. This should also include a common definition of 'shareholder costs' to avoid non-deductibility of such costs in the country of both parent and subsidiary (Phase I).	welcome by the Commission in its communication SEC(92)1118 (pt. 33)	Due to the Council's reaction and the stalemate reached on existing initiatives no specific initiative was undertaken.
... recommends that the Commission should take action to co-ordinate with the Member States a common approach to the definition and treatment of thin capitalisation (Phase II).	welcome by the Commission in its communication SEC(92)1118 (pt. 32)	

The Ruding Committee ...	Comment by the European Commission	Follow-up / Comment
<p>... recommends that the Commission propose by way of directive a proposal to the effect that capital gains on depreciable or non-depreciable fixed assets should not upon reinvestment within a fixed period of time in such assets (both depreciable and non-depreciable) be taxed but there would be a roll-over of the tax base of the old assets into the new assets (Phase II).</p>	<p>judged by the Commission as too far-reaching in its communication SEC(92)1118 (pt. 48, 49)</p>	
<p>... recommends that the Commission propose by way of directive a proposal to the effect that upon reinvestment within a fixed period of time, either in fixed assets or in another controlling shareholder, capital gains realised on the disposal of a controlling shareholding should not be taxed but there would be a roll-over of the tax base of the old assets into the new assets. Under the proposal the concept of a controlling shareholding would be harmonised (Phase II).</p>	<p>judged by the Commission as too far-reaching in its communication SEC(92)1118 (pt. 48, 49)</p>	
<p>... recommends that the Commission propose by way of directive a proposal to the effect that in the absence of reinvestment within a certain period of time all capital gains realised on fixed assets and controlling shareholdings be taxed at the ordinary rate of corporate income tax and that for all gains realised on fixed assets and on all financial holdings that do not constitute treasury placements, inflation should be taken into account by indexing the cost of acquisition. At the same time losses should be made deductible (Phase II).</p>	<p>judged by the Commission as too far-reaching in its communication SEC(92)1118 (pt. 48, 49)</p>	
<p>... recommends that the Commission should seek to establish common rules by way of directive to harmonise the dates at which taxes of common application are payable (Phase II).</p>	<p>judged by the Commission as too far-reaching in its communication SEC(92)1118 (pt. 48, 49)</p>	

The Ruding Committee ...	Comment by the European Commission	Follow-up / Comment
... recommends that Member States adopt the draft directive on the carry-forward and carry-back of losses of enterprises (Phase I).	welcome by the Commission in its communication SEC(92)1118 (pt. 50)	COM(84)404; proposal for a directive on the harmonisation of the laws of Member States relating to tax arrangements for the carry-over of losses of undertakings, OJ C 253, 20.09.1984, p.5 – the proposal was discussed only once (and dismissed) in the technical Council group in 1984 and withdrawn by the Commission on 20.11.1996 (OJ C 2, 04.01.1997, p.6)]
... recommends that the Commission should seek to establish common rules which would permit unincorporated enterprises the option of being taxed as if they were a company, with the provision that such a regime should apply for a minimum period of time (Phase II).	welcome by the Commission in its communication SEC(92)1118 (pt. 52)	<p>Commission recommendation of 25 May 1994 on the taxation of small and medium-sized enterprises [OJ L 177, p.1]</p> <p>Commission recommendation of 27 July 1994 concerning the taxation of small and medium-sized enterprises [OJ L 385, p.14]</p> <p>Commission (communication and) recommendation of 7 December 1994 on the transfer of small and medium-sized enterprises [OJ C 400, p.1]</p> <p>Commission Communication on the improvement of the tax environment of small and medium-sized enterprises, [COM(94)206, OJ C187, p.5]</p>
... recommends that Member States having such multibase local business taxes replace them by an on-profits tax levied on the same base as the central government corporation tax (Phase II).		

Estimates of compliance cost for international and cross-border economic activity

Compliance costs can be defined as costs incurred by taxpayers or third parties in meeting the requirements of a given tax structure (time, documentation and legal advice). These include both costs that are incurred because of the requirements of the tax system and other costs incurred voluntarily in order to minimise taxes, for instance in relation with "tax planning". For some taxpayers, notably large multinationals, the latter may be substantial. This raises a methodological difficulty: Should tax planning costs matter in a welfare analysis? Where should one draw the line between compliance costs incurred to satisfy statutory requirements and costs incurred in a process of tax minimising? For the purpose of this analysis, tax planning costs are taken into account in the measure of compliance costs. This is because as a pure welfare cost to the society, i.e. a directly unproductive activity, compliance costs, whatever they consist in, are undesirable and should be minimised. However, the estimates of compliance costs presented below do not include costs related to tax evasion. Illegal activities are generally not included in the appropriate surveys and evaded taxes are, by definition, not known and thus excluded from the measures of ratios of compliance costs to taxable income or taxes raised.

Moreover, this definition of compliance costs does not include all costs linked to the tax-raising process. There are a number of non-economic costs linked to compliance (stress etc.). Administrative costs (or collection costs) incurred by the tax authority in administering an existing tax code are also excluded, although they are evidently very important for policy decisions and also interlinked with the business compliance cost. They are therefore addressed in the detailed analysis of the tax obstacles in the Single Market.

Finally it is noteworthy that costs related to tax compliance may be necessary for other reasons, such as accounting or management information systems, thus creating fixed or "joint" costs in many cases. This can lead to over- or under-estimations of the compliance costs.

On this basis, economic research has come forward with a number of estimates of compliance costs for corporate taxation. The available estimates concerning relatively large firms are presented in the following box. Most concern unfortunately non-European countries (which are however economically broadly comparable to the EU economies).

Box 1:
Estimates of corporate income tax compliance costs

- USA: \$2.11 million for a *Fortune 500* firm and \$1.57 million, i.e. 3,2% of the tax revenue raised for the 1.329 (usually large) corporations included in the Coordinated Examination Program (CEP) of the Internal Revenue Service (average annual compliance cost 1993)¹⁷.
- Australia: A\$56.896 for a group of 77 companies with an annual turnover exceeding \$100 million (annual mean compliance cost), i.e. a cost-to-revenue ratio of 3,2%¹⁸.
- UK: 2,2 % of company income tax revenues¹⁹.
- Canada: C\$507.000 for a *Financial Post 500* company (average compliance cost), as obtained from a survey of 59 of the very largest Canadian corporations, i.e. 2,7% of tax revenues raised.²⁰
- Netherlands: 4% of the tax revenues (compliance costs for the corporate income 1994)²¹.

These figures can be compared to the estimates for European countries presented in the Ruding report²². The Ruding committee commissioned a survey of businesses in all the EC and five EFTA countries²³. In total, 965 companies of all branches of activity and various sizes responded²⁴. As can be seen in the following table, more than 85% of respondents estimated the compliance costs to represent less than 3% of the total *income* of the company.²⁵ Generally, the differences in the sample and in the methods used for each survey do not allow for a clearcut comparison of compliance costs in the countries

¹⁷ Slemrod, J. and M. Blumenthal (1993), "The income tax compliance cost of big business", University of Michigan, Office of tax policy research, Working paper, 93-11, July.

¹⁸ Pope, J., Fayle, R. and D.L. Chen (1990), "The compliance costs of public companies' income taxation in Australia 1986-87", Australian Tax Research Foundation, Sydney.

¹⁹ Sandford, C. (1995), Tax compliance costs: measurement and policy, Fiscal Publications, Bath, cited in Productivity Commission (1997), Compliance costs of taxation in Australia, July 1996

²⁰ Erard, B. (1997a), "The income tax compliance burden on Canadian big business", Department of economics, Carleton University, Working paper, 97-2.

²¹ Data for 1989. See Allers, M.A., Administrative and compliance costs of taxation and public transfers in the Netherlands, Wolters-Noordhoff, Groningen, 1994

²² Report of the Committee of independent experts on company taxation (Ruding Committee), European Commission 1992

²³ The sample includes 17 countries: the current EU members plus the two remaining EFTA countries.

²⁴ The median turnover of the responding companies was £38,5 million for all companies and £281,5 million for those identified as parent companies of multinational groups. Slightly more than two-thirds of the respondents were in the industrial sector.

²⁵ In order to be compared, compliance costs in the US and in the EU (+2 EFTA) countries have to be expressed both as a proportion of the income of the companies or as a proportion of the tax paid. Blumenthal and Slemrod (1995), using the data of the Ruding report and their US survey, obtain a cost-to-income ratio of 1,3% for US companies, compared to 1,7% for the European companies. However, this comparison "ought to be treated with great caution due to the quite different survey methodologies used in the two studies"; see Blumenthal, M. and J. B. Slemrod (1995), "The Compliance Cost of Taxing Foreign-Source Income: Its Magnitude, Determinants and Policy Implications", *International Tax and Public Finance*, 2(1) May 1995, pp. 37-54.

presented here. However, the figures clearly indicate that compliance costs for large companies usually amount to 2 - 4% of the tax revenues raised.

The research reveals that compliance costs are apparently regressive to the size of the company. Small and medium enterprises *ceteris paribus* suffer from relatively higher compliance cost than bigger firms. This is due to significant fixed compliance costs.

Box 2:
Estimates of compliance costs in relation to company size

- Australia: Pope (1994), based on a survey among listed companies, notes that "compliance costs as a percentage of tax paid are extremely regressive, falling from nearly ten times greater than tax paid for the smallest (taxable) companies to 0,5 % for the largest companies. The regressive pattern is also confirmed when internal costs are expressed as a percentage of annual turnover, with costs falling from 0,3 % to 0,01 %".²⁶
- USA: Blumenthal and Slemrod (1995) conclude that "while larger firms ... experience larger compliance costs, there are clear economies of scale since the average cost per unit of size decreases as size increases". Turner (1996) concludes, based on the Ernst and Young survey of transfer-pricing documentation 1996, that "compliance fall relatively more heavily on smaller companies"²⁷.
- Canada: A study based on 8.823 surveys completed by small and medium-sized members of the Canadian Federation of Independent Businesses comes to a somewhat more contradictory conclusion. It stresses that, unlike very large businesses, the vast majority of small and medium-sized businesses rely on outside professional assistance to comply with their corporate income and capital taxes, the high cost of this assistance being "the most commonly reported source of compliance problems". But, "somewhat surprisingly", the firm size does not seem to be related to the *perception* of corporate income tax compliance cost²⁸. However, another Canadian study based on interviews of accountants specialized in small businesses stresses that compliance costs do "not vary significantly by size of business or industry. This means that as a percentage of business revenue or profit, the cost of the return is proportionally much higher for small firms than for larger companies"²⁹.

For the tasks defined in the mandate it is evidently of interest to determine, if possible, specific (additional) compliance cost for cross-border economic activities. The available studies are presented in the following box.

²⁶ Pope, J. (1994), "Compliance costs of taxation: policy implications", Australian tax forum, Vol. 11, pp. 85-121.

²⁷ Turner, R. (1996), "Study on transfer pricing", Working paper, 96-10, Prepared for the Technical committee on business taxation, December 1996, Toronto.

²⁸ Erard, B. (1997b), "The income tax compliance burden on small and medium-sized Canadian Business", Department of economics, Carleton University, Working paper, 97-12, Prepared for the Technical committee on business taxation.

²⁹ Plamandon and Associates Inc. (1996), "Compliance issues: small business and the corporate income tax system", Working paper, 96-9, Prepared for the technical committee on business taxation.

Box 3:
Estimates of compliance costs related to foreign activity

- Canada: Erard (1997a) finds that a 10 percent increase in the number of forms T106 (signifying a corresponding increase in non arm's-length transactions with foreign entities) increases compliance costs by 2,6%. "In other words, corporate groups with a large number of foreign subsidiaries tend to engage in relatively more research and planning activities"³⁰.
- USA: Blumenthal and Slemrod (1995) indicate in their in-depth US study of compliance costs related to foreign activity that compliance costs of foreign source operations (39,2% of the total for federal taxes) are disproportionately high compared to either the foreign share of assets (21,1%), sales abroad (24,1%), or employment abroad (17,7%). Further, they note that, for instance, for a firm of given worldwide size, as measured by total employment, shifting employment abroad to raise the foreign ratio by ten percentage points will increase total compliance costs by 6,5%. In other words, "holding size constant, costs are higher with greater foreign presence"³¹.
- EU: The Ruding report also deals with the specific compliance costs related to foreign activity of European firms. As can be seen in the table below, there is no clearcut evidence that the compliance-cost ratio is higher for foreign-source compared to domestic income. Indeed, almost exactly the same percentage of firms evaluate the costs to be less than 1% in both cases and 85,2% of the respondents assess the cost to be less than 3% for foreign-source income, compared to 87,1% for domestic-source income. Using these figures, Blumenthal and Slemrod (1995) estimate "the average compliance cost-to-income ratio for all respondents to be very similar – 1,69% for foreign-source income compared to 1,74% for domestic-source income"³².

At first sight, the available studies do not allow for a clear conclusion on compliance costs linked to foreign activity. On the one hand, the results from Canada and the USA demonstrate that there is some measurable and statistically significant impact of foreign operations on overall compliance costs of companies. This is, on the other hand, not confirmed by the large survey of European firms presented in the Ruding report. However, this somewhat surprising result for Europe could be explained by differences in the methodology used or by the sample of respondent firms. In any event, the Ruding-survey is relatively old and portrays a situation before the introduction of the Single Market and when, for instance, documentation requirements for transfer-pricing were much less developed than today. Moreover, it should be noted that the above surveys refer to large or very large companies. In view of the other survey findings there are good reasons to believe that the results would have been different for small and medium-sized enterprises.

³⁰ Erard, B. (1997a), op. cit.

³¹ Blumenthal and Slemrod (1995), op. cit. These authors also relate to a study where compliance cost-to-revenue ratio for foreign source income may be even higher than 8,5%. See Grubert, H. and J. Mutti (1995), "Taxing multinationals in a world world with portfolio flows and R&D : is capital export neutrality obsolete ?", International tax and public Finance.

³² Blumenthal and Slemrod (1995), op. cit.

Table: Distribution of responses to Ruding Committee survey questions about compliance costs

	<i>Less than 1%</i>	<i>1%-3%</i>	<i>3%-5%</i>	<i>5%-10%</i>	<i>Over 10%</i>	<i>Number of responses</i>	
1. With reference to foreign-source income, approximately what are the costs incurred by your firm (e.g. tax accounting salaries, fees , etc.) in tax planning and complying with the provisions of the domestic tax system ? Express such costs as a percentage of the actual income flows net of foreign tax from the foreign source.	57,7%	27,5%	9,7%	4,2%	1,0%	714	
2. With reference to domestic income, approximately what are the corresponding costs of tax planning and compliance with the provisions of the domestic tax system ? Express such costs as a percentage of total domestic source income.	57,4%	29,7%	7,6%	3,4%	2,0%	802	
	<i>0%</i>	<i>1%-10%</i>	<i>11%-20%</i>	<i>21%-35%</i>	<i>Over 35%</i>	<i>Number of responses</i>	
3. With reference to foreign-source income, approximately what proportion of income actually received from the foreign source (including all forms of income net of foreign taxes) is taken in tax by your country of residence ?	37,0%	31,2%	12,4%	9,8%	9,6%	733	
	<i>0%</i>	<i>1%-25%</i>	<i>26%-50%</i>	<i>51%-75%</i>	<i>75%-99%</i>	<i>100%</i>	<i>Number of responses</i>
4. Insofar as it is possible to distinguish between compliance costs and tax planning costs, what proportion of the total costs referred to in question (1) go on tax planning ?	19,6%	50,4%	14,1%	10,1%	5,1%	0,7%	276
5. Insofar as it is possible to distinguish between compliance costs and tax planning costs, what proportion of the total costs referred to in question (2) go on tax planning ?	13,2%	58,5%	15,4%	9,2%	2,9%	0,7%	272

Source : Devereux, M. (1992), "The impact of taxation on international business : evidence from the Ruding Committee Survey", EC tax review, 1992/2

Annex 3

Analysis of the responses to the Commission Services' questionnaire addressed to Member States on dispute resolving mechanisms in the area of transfer pricing

1. Introduction

In June 2000 the Commission Services circulated a questionnaire to the tax administrations of the Member States on dispute resolving mechanisms in the area of transfer pricing. This covered the mutual agreement procedures under double tax treaties (MAP) and the EU Arbitration Convention (EUAC) for the period 1995 to 1999. A copy of the questionnaire forms part of this annex. The main objective of the questionnaire was to compile an overview about the use of these transfer pricing dispute settlement mechanisms. This note summarises and analyses Member States' responses to the questionnaire.

Fourteen Member States provided responses, although because of some difficulties with data classification for the most part the analysis is based on the responses of thirteen Member States. The responses had to be prepared very quickly and as a result were not always entirely complete nor directly comparable, therefore it has not been possible to resolve all the inconsistencies. In addition some Member States had to base their answers on certain assumptions, including for example the assumption that all double taxation disputes are eventually resolved successfully.

As a result, in the view of the Commission Services, the responses to the questionnaire tend to give a rather too optimistic picture of some of the key points, including for example the actual number of cases resolved and the duration of the proceedings. However, the responses still provide valuable information and a good overview of the use of MAP and the EUAC in the EU during the period from 1995 to 1999.

2. Main findings

Number of cases, length of negotiations etc. on cases within the EU³³

- The total number of reported transfer pricing adjustments referred to MAP or to the EUAC 1995-1999 was 126. As not all adjustments are referred to MAP/EUAC the actual number of adjustment cases will be higher. According to a recent survey³⁴, 42% of all adjustments are not referred to MAP/EUAC. Extrapolating from this, the actual figure, increased to take into account that the figure of 126 relates to 13 Member States, could be as high as 250.
- The number of annual reported adjustments being referred to MAP or to the EUAC more than doubled in the period from 1995 to 1998. However in 1999 the number remained at the 1998 level.

³³ Generally based on answers from 13 Member States.

³⁴ Transfer Pricing – 1999 Global Survey, Released November 1999 by Ernst & Young

- The vast majority of taxpayers' requests for MAP/EUAC are accepted by Member States.
- In approximately 85% of all MAP cases double taxation is relieved.
- The calculated average duration of a MAP case is 18 months. This low figure is partly because one Member State, which is involved in a substantial number of cases, reports an average of only 13 months to resolve a case. However, for methodological reasons relating to a number of Member States the average duration is probably over 18 months.
- In a number of individual cases it takes much longer than 18 months to complete a MAP case. The longest period mentioned is 60 months.
- A reasonably significant number of pending EUAC cases are more than 24 months old, and as they have not reached the panel stage one objective of the Convention, to resolve cases within 36 months, does not appear to be being achieved.
- No EUAC cases have yet involved the establishment of an EU Arbitration Panel.

Number of cases, length of negotiations etc. on all cases, i.e. also with non-member States

- The number of total reported transfer pricing adjustments referred to MAP or to the EUAC 1995-1999 was 414.
- Generally, the patterns with respect to success ratio, length of procedure etc. are in line with the cases within the EU.

Member States' view on "problem areas"

- Examples of areas where tax administrations have reported difficulties in reaching agreement or which give rise to particular problems are:
 - disagreement over the use of comparables;
 - transactions involving intangibles/royalties;
 - use of profit methods (especially in the case where the whole group is loss making); and
 - lack of adequate information; particularly where under MAP cases concern periods in the past for which enterprises do not have such detailed documentation as they do currently.
- One Member State mentioned that generally the reason for failure in the first phase of EUAC is that the other Member States do not reply within the two-year period.

Members States' view on scope for improvements/clarifications of the EU Arbitration Convention

- One Member State requested a co-ordinated approach with respect to conducting functional analysis. This Member State would also like a Code of Good Practice of how to apply the panel phase.
- Member States express very different views on the starting point of the two-year period of the first phase in the EUAC; many Member States would like this to be clarified.

Co-operation between Member States - and other aspects

- The level of practical co-operation between tax authorities in terms of simultaneous audits etc. is very modest.
- Domestic rules on penalties, possibilities for suspension of collection of taxes when adjustments are referred to MAP etc. differ widely among Member States.
- This is also the case with respect to the question of whether a taxpayer, in order to apply under the EUAC, must give up right to domestic appeal. In general, such suspension rules are only available when adjustments are referred to national courts, and not when referred to MAP or to the EUAC.

3. Number of cases, initiation of procedures, length of procedures and success rates

3.1. Introduction

In the first part of the questionnaire Member States were asked about their experience with MAP within the context of double tax agreements from 1995-1999.

Questions 1(1)–1(5) requested information about the number of MAPs tax administrations had been involved in, the number of these relating to other Member States, how many requests from the tax payer they had accepted, whether the MAP was initiated by the Member State itself or by the treaty partner, to what extent it was possible to reach an agreement and the length of the procedures (average, longest and shortest period). Member states were asked to complete a table with their responses.

Similar information was requested in the second part (questions 2(1)–(5)) with respect to the EUAC plus some additional questions referring to the second phase (Panel) in the Convention.

Section 3.2. includes summary tables of the information received from Member States. Section 3.3. describes some assumptions and uncertainties, including methodology issues which may affect the analysis and the conclusions. Section 3.4 analyses the information in the summary tables.

3.2. Summary tables³⁵.

Table 1 summarises the information received from the individual Member States with respect to the MAP. The number of the cases referred in each year which have been successfully completed has been used to calculate 'success' rates - the ratios of successfully completed to new requested cases, to those cases actually initiated and to those cases closed respectively.

Total I represent the number of total MAP cases reported 1995-1999. Total II is an estimate of the total number of adjustments made by the tax authorities, which led to MAPs. An intra-EU (both parties of the transaction are EU enterprises) income adjustment will be registered as a MAP case in two Member States, notwithstanding that there is in fact only one adjustment. For Total I intra-EU cases, the figure of 135 has simply been divided by two; thus the amount of adjustments is 67. For Total II cases, which also include non-member States, the total intra-EU adjustments has been subtracted from the total cases. Thus Total I all cases: 421, less intra EU adjustment to avoid double counting: 67, equals Total II all cases: 354.

³⁵ The information from Austria (10 MAP) does not make a distinction between transfer pricing cases and other cases. These MAP are therefore not included.

Table 1 - Mutual agreement procedures (MAP)

Period	Total number Of new cases ³⁶ Intra EU/(All)	Procedure initiated		Successful completion		Closed cases ³⁷ Intra EU/(All)
		Yes Intra EU/(All)	No Intra EU/(All)	Yes Intra EU/(All)	No Intra EU/(All)	
1995	22 (74)	22 (73)	0 (1)	17 (60)	5 (13)	18 (63)
1996	15 (75)	15 (75)	0 (0)	12 (60)	3 (15)	12 (67)
1997	26 (76)	25 (75)	1 (1)	11 (40)	14 (35)	13 (43)
1998	41 (111)	40 (110)	1 (1)	12 (40)	28 (70)	12 (40)
1999	31 (85)	30 (84)	1 (1)	10 (38)	20 (46)	14 (42)
TOTAL I ³⁸	135 (421)	132 (417)	3 (4)	62 (238)	70(179)	69 (255)
TOTAL II ³⁹	67 (354)	64 (350)	-	-	-	-
Period	Success-rate in %			Duration (in month)		
	Of new cases Intra EU/(All)	Of initiated cases Intra EU/(All)	Of closed cases Intra EU/(All)	Average ⁴⁰ Intra EU/(All)	Shortest Intra EU/(All)	Longest Intra EU/(All)
1995	77 (82)%	77 (82) %	94 (95) %	18 (21)	1 (1)	60 (72)
1996	80 (80) %	80 (80) %	100 (90) %			
1997	42 (53) %	44 (53) %	85 (93) %			
1998	29 (36) %	30 (36) %	100 (100)%			
1999	32 (49) %	33 (45) %	71 (90)%			
TOTAL I/II	46% (57%)	47% (57%)	90%(93%)			

Table 2 summarises the information received from the individual Member States with respect to the EUAC. As Table 1, it has been supplemented with calculated success rates. As for Table 1, a Total II has also been added in order to provide an estimate of the total amount of transfer pricing adjustments.

Cases in brackets include cases from the Netherlands (16) and Portugal (4). The information given from these Member States is not detailed enough to be included in the rest of the table, as for instance no information is given on which 1995 cases have been resolved/failed etc. These cases have therefore not been included in the rest of the table.

³⁶ For Belgium (20 MAP), the Netherlands (16 MAP in total and 4 with Member States) and Portugal (1 MAP, which was with a Member State), the year of initiation was not listed. They have therefore been “distributed” proportionately to each year (the Portuguese case has been placed in 1997). Belgium don’t make a precise distinction between cases with Member States and total cases, but mention that most cases are with the U.S. – therefore all cases have been treated as non-EU cases. The Netherlands also reported on cases requested in year 2000 and don’t mentions how many of the 7 cases with Member States from 1995-2000 falling within the period 1995-1999, the figure of 4 cases with Member States is therefore estimated.

³⁷ The UK did not detail how many of the total cases (i.e. including cases with non-member states) were still pending. It has therefore been assumed that the ratio of closed cases equals the ratio for intra-EU cases (the adjustments have been done on a year per year basis).

³⁸ Total MAP cases.

³⁹ Total transfer pricing adjustments.

⁴⁰ Does not include cases from Sweden (51 MAP in total; 19 with Member States), the Netherlands (20 & 7, including 6 cases from 2000) and Spain (5 all with Member States) as average duration not listed.

Table 2 - The EU Arbitration Convention

Period	Total number of new cases Ex NL&P/ (Inc NL&P)	Procedure initiated		Number of cases Still in the first phase	End of the first phase	
		Yes	No		Solved	Failed
1995	18 (19)	18	0	6	12	0
1996	25 (26)	22	3	10	12	0
1997	40 (44)	39	1	18	19	2
1998	36 (43)	36	0	24	11	1
1999	47 (54)	47	0	38	9	0
TOTAL I ⁴¹	166 (186)	162 ⁴²	4	96	63	3
TOTAL II ⁴³	83 (93)	-	-	-	-	-

Period	Second phase			Success rate in %	
	Initiated	In progress	Solved	Of requested cases	Of initiated cases
1995	0	0	0	67%	67%
1996	0	0	0	48%	55%
1997	2	0	0	48%	48%
1998	1	0	0	31%	31%
1999	0	0	0	19%	19%
TOTAL I	3	0	0	39%	40%
TOTAL II	-	-	-	-	-

⁴¹ Total amount of EUAC cases.

⁴² Includes one case where France refused to initiate the procedure as it abandoned the adjustment.

⁴³ Total amount of transfer pricing adjustments.

Table 3 – Total Mutual Agreement Procedures (including EU Arbitration Convention) of Member States

Period	Total number of new cases Intra EU/(All)	
1995	30	(82)
1996	31	(91)
1997	52	(104)
1998	71	(141)
1999	68	(122)
TOTAL I	252	(540)
TOTAL II	126	(414)

Table 3 provides an overall figure of total cases (Total I) and total adjustments (Total II). Cases in brackets include cases with non-member States.

In principle, Table 3 simply merges Table 1 and Table 2. However, the UK reported that they were unable to determine whether cases were MAP cases or EUAC cases and therefore assumed that the taxpayer always filed a request for both procedures. The cases reported by the UK have therefore been included in both Table 1 and Table 2. Table 3 adjusts for this to avoid double counting and for the intra-EU cases these UK cases have only been included once. This is also the case for Total I (total *cases* including with non-member States). For the bracketed figure in Total II (total *adjustments* including with non-member States), double counting of intra EU adjustments has been avoided by removing Total EU II (126) cases from the Total I MAP of cases including non-member States (540).

3.3. Factors and assumptions relevant for the analysis

The following describes the main assumptions and uncertainties, including methodology issues, which may affect the analysis, and findings based on the responses from the Member States:

i) As indicated above fourteen Member States responded to the questionnaire. In addition one Member States did not distinguish between transfer pricing cases and other cases and their data has therefore been omitted. The analysis is therefore based on data from thirteen Member States.

ii) It has been assumed that only the UK has reported each case as both a MAP case *and* an EUAC case. Should this assumption be incorrect the amount of total cases or total adjustments in Table 3 could overestimate the number of actual cases and adjustments.

iii) The “true” success rate of a given number of requested or initiated cases in principle can only be calculated when all the cases have been closed. This may explain the declining success rates in the more recent years for new and initiated cases as a number of these will not yet have been closed.

It is not entirely clear to what extent ‘non’-successfully completed MAP cases include only closed cases (i.e. competent authorities have ceased negotiations and closed their files) or also include pending cases which are still under negotiation and may in the future be successfully completed. For Denmark, Ireland, France, Luxembourg, the Netherlands, Spain, Sweden and the UK it was possible to separate pending cases from completed cases. Belgium takes a quite different approach and reports all cases as successfully completed. This approach is presumably based on the assumption that all pending cases will be successfully completed in the future. For Germany it cannot be determined where pending cases (if any) have been reported.

iv) As the number of pending cases could not be identified with sufficient accuracy some are included in the calculation of the average length of the MAP and accordingly the true average will actually be longer than reported in Table 1. Even if these pending cases were completely excluded, i.e. if all Member States in their calculations disregarded pending cases, this would still underestimate the average duration of MAP as such pending cases tend to be the longer running ones.

v) It should also be mentioned that with respect to the average length of the MAP Spain, the Netherlands and Sweden are not included, as they did not indicate any average duration periods. However, the Netherlands did report the shortest period as 22 months but gave no indication of the longest period and Sweden reported the shortest period as 20 months and the longest as 60 months but gave no average.

Taking into account the above the “true” average length is longer than the 18 months calculated in Table 1.

vi) The UK did not identify accurately when MAPs were initiated and/or considered successfully completed, and was not always able to determine whether a request was accepted or refused: “Sometimes a case cannot be presented which includes accounting periods that are out of time for being considered under the procedure”. The UK also reported that: “In a few cases, the business withdrew the request. In all other cases, agreement was reached, although in a few double taxation was *not fully eliminated*” [emphasis added]. Similarly, Belgium states that; “*Except* [emphasis added] in cases where application had to be refused because they had not complied with time limits laid down by the convention or administrative practice, agreement was reached to eliminate double taxation in *virtually* [emphasis added] all cases”. All UK MAP with third countries, and all Belgium MAP and EUAC cases, have been treated as both initiated and successfully completed.

Taking into account the above the “true” figures of initiated and successfully completed cases are lower than calculated in Table 1-2.

vii) It should also be noted that it is assumed that no Member States (other than the UK) have listed MAP where double taxation was (only) partly successfully avoided as successfully completed. To the extent this is not the case the actual figure of successfully completed cases will again be lower than listed in Tables 1-2.

viii) Finally it should be noted that the German response, due to time constraints, is partly based on assumptions, as is the UK response.

3.4. Analysis

Number of cases

The tables reveal that 126 intra-EU transfer pricing adjustment cases have been referred to MAP or to the EUAC from 1995-1999. The total figure, i.e. including MAP with non-member States, is 414 adjustments in total. This gives an average of approx. 25 adjustments per year intra-EU, or approx. 2 adjustments per Member State⁴⁴ (83 total cases per year).

At first sight this does not seem to be an alarming number of adjustments. However, it is important to note that the questionnaire does not cover all transfer pricing adjustments, as adjustments accepted by the taxpayer (or only domestically appealed against) are not listed; nor does it take into account that although an adjustment may cover a number of accounting periods it may only be treated as a single adjustment. A recent Ernst & Young survey on transfer pricing⁴⁵ indicated that 42% of all adjustments led to double taxation, and the main reason given was that business did not request the MAP. Extrapolating from this, the actual figure increased to take into account that the figure of 126 relates to 13 Member States, could be as high as 250 (800).

The number of cases (including within the EUAC) tends to increase year by year. From 30 (82) in 1995, 31 (91) in 1996, 52 (104) in 1997, 71 (141) in 1998 to 68 (122) in 1999. This means that the number of intra-EU cases from 1995-1996 to 1998-1999 has increased by more than 100% (70% from 1995-1997 to 1997-1999). A similar trend can be seen for cases involving non-member States. This development is probably caused by the increasing focus on transfer pricing in a number of tax authorities in the OECD countries, including Member States. However, this trend seems to have stopped in 1998, as the number of cases fell from 1998 to 1999.

From the individual answers it can be seen that the UK is involved in a very large percentage of the cases – 26 % of intra-EU cases and 39% of the total cases - followed by France, Germany and Sweden. Belgium, Denmark, Luxembourg and the Netherlands are involved in a modest number of cases, whereas Ireland, Finland, Greece, Portugal and Spain either are involved in a few or in no cases at all.

The EUAC seems generally well known within the Community. Except for Austria, Finland and Sweden where the Convention has not, or has only recently, entered into force, all bar Luxembourg and Greece have been involved in cases within the EUAC. The EUAC is initiated more often than the MAP; 186 EUAC cases vs. 135 MAP cases, and this tendency clearly increased in the period 1995-1999.

Initiated cases – rejected cases

Member States have – positively reported - rejected only a few MAP requests (less than 10). This is also the case for requests under the EUAC. However, as mentioned above, the Belgium and UK cases include an unknown amount of rejected cases.

⁴⁴ Calculation made on the basis of responses from the 13 Member States fully included in the table.

⁴⁵ Transfer Pricing – 1999 Global Survey, Released November 1999.

Resolved cases – relief of double taxation

Table 1 reveals that quite a large percentage of MAP transfer pricing cases from 1995-1999 have not yet been resolved. Intra-EU the success rate is 46%; i.e. in 46% of all cases where a taxpayer requested the MAP procedure, double taxation has been resolved. The success rate of initiated MAP cases is 47%. However, the reason for these low ratios is partly caused by the significantly number of MAP still pending. Based on the relatively few cases *positively* reported closed unsuccessfully (intra-EU; 7 cases (3-4 adjustments) and in total 20 cases), most of these pending cases can be expected to be resolved. If the success rate is calculated excluding pending cases the rate is 90%.

The total MAP success rate is higher than the success rates intra-EU, respectively 57%, 57% and 93%. This is partly because the Belgium MAPs (Belgium has only had MAP with non-member states) include pending cases which have been listed as successfully completed.

The “true” success-rates of both initiated and successfully completed cases are most likely less than 90% (93%) because resolved MAP from Belgium, Germany and the UK to some extent include either closed or pending cases not successfully resolved.

With respect to the EUAC a large number of cases are still pending in the first phase. Only France reports (three) cases that have failed in the first phase and therefore consequently referred to the second phase. No other Member State seems to be a counterpart. The explanation for this is however simple time: at the time of the questionnaire the other Member States concerned had maybe not yet received the information from the French authorities that these consider the first phase as failed. In two cases, despite the French position, the other Member States concerned considered it still worthwhile pursuing the first phase. Interestingly enough one of these states is apparently of the opinion that it is not possible to set up an arbitration panel as the Convention is no longer in force since 1 January 2000 and as the prolonging protocol is not yet in force (due to the slow ratification process).

Only 39% of requested cases have been successfully resolved (40% for initiated cases); and of the 1995 cases only 67% have been resolved (1996 – 48%, 1997 - 48%), which must be considered to be quite disappointing. Also, a total of 34 cases, of which only 2 have proceeded to the second phase, are from 1995-97. It can be concluded that as in practice the time period of the first-phase is often longer than two years the objective of a maximum duration of 3 years has not been achieved; and that, for some reason, Member States do not initiate and progress the panel phase after 2 years of negotiation between the competent authorities. The responses do not reveal to what extent this is because business has appealed cases to the national courts etc. (see further below Section 8).

Length of procedures

The calculated average length of a MAP is 18 months intra-EU and 21 in total. This must be considered to be a reasonable time period taking into account that transfer pricing cases are often very complex. However, the average time of completing a MAP in reality is likely to be longer.

It in this context it should also be mentioned that the main contributor to this calculated average is the UK who account for more than 50% of all reported cases, and apparently manage to resolve them in an average of 13 months.

The questionnaire reveals large variations between the Member States. The lowest average is Luxembourg with 7 months; the UK comes close with 13 months. In the middle group are Germany, Belgium, Ireland and Portugal (average 20 – 30 months), whereas France, Finland and Denmark report averages of between 48 and 72 months.

The longest period mentioned is 72 months.

4. What are the main reasons for MAP and first phase of the EU Arbitration Convention being unsuccessful – Which are the areas where tax administrations have difficulties to agree?

In question 1(6) and 2(7), Member States were asked why the two competent authorities were unable to resolve the double taxation.

France lists disagreement over use of comparables (also Denmark), transactions involving intangibles (also UK and Spain), the fact that MAP may concern periods in the past, for which enterprises did not have such detailed documentation as today and the use of profit-methods (also Finland and Sweden) especially in the case where the whole group is loss making. Sweden also mentions lack of adequate information.

France also mentions that generally the reason for the first phase in the EUAC to fail is that the other Member State does not reply within the two-year period. In this case, France holds the opinion that the normal rules apply, i.e. either the first phase is prolonged in agreement with the business concerned or the arbitration panel must be set up.

Germany mentions 5 cases (with non-member States) where the treaty partner refused to apply the double tax agreement.

5. What are the main reasons for refusal of the EU Arbitration Convention?

In question 2(7), Member States were asked what were the main reasons for refusing the tax payer access to the EUAC (as seen in Section 3 above, taxpayers are only very rarely rejected access to the Convention).

Denmark mentions a case where another Member State holds the opinion that thin capitalisation rules do not fall within the scope of the EU Arbitration Convention.

France lists two cases where the request was not submitted within the time limits.

Member States do not report any case rejected due to Article 8 (penalty clause). This, however, does not imply that one can conclude that the penalty clause does not restrict the use of the Convention. If enterprises who have their taxable income adjusted are penalised they may decide not to invoke the Convention at all in which case the tax authorities have no need to deny its use.

6. How would Member States like the EU Arbitration Convention to be improved?

Member States were in question 2(8) asked to suggest possible improvements to the EUAC.

France would like the development of a code good practice of how to apply the second phase of the Convention, including how to set up the panel, appointment of the Chair etc.

Germany, the Netherlands and Denmark suggest a clarification of the earliest date of which a business may invoke the EU Arbitration Convention (see further on this issue below at Section 7).

Denmark also suggests that it should be clarified whether rules on thin capitalisation are covered by the EU Arbitration Convention.

Spain mentions that the EU Arbitration Convention works satisfactorily as it is. The Netherlands also expresses this view.

The remaining Member States did not comment on this issue.

7. What is the starting point of the two-year period in Article 7(1) of the EU Arbitration Convention?

An important question (question 2(9)) is of course when the taxpayer can make a request for the EUAC triggering the beginning of the two-year period for the competent authorities. Member States express very different views on the starting point of this.

Denmark, Spain, Ireland and Belgium mention that the two-year period starts when the tax authorities receive a request from the taxpayer.

This is also the position of the UK and Germany. However, these Member States express the view that a request cannot be made until the tax authorities have actually made the adjustment, as no double taxation will occur until this point.

France takes the position that the two-year period does not start until all necessary information has been provided to the tax authorities. In cases appealed to court or to the tax authorities, the two-year period does not start until the appeal is withdrawn.

According to the Netherlands the two-year period does not start until the competent authority of the state which has not imposed the adjustment formally announces that it will not grant a corresponding adjustment *and* it is also a condition that the tax assessment is final (i.e. that all appeal procedures are exhausted).

The remaining Member States do not comment on this issue.

8. To what extent does the exercise of remedies in domestic courts prevent the use of the EU Arbitration Convention?

According to Article 7(3) Member States whose internal law does not permit the competent authority to derogate from decisions from their judicial bodies are not obliged to set up a panel, unless the enterprise of that state gives up its possibility to court appeal. The UK and France have in Declarations to Article 7(3) positively declared that they will apply this provision. In question 2(10), Member States were asked to provide information on the use of the clause.

In Germany, the Netherlands and Spain the exercise of remedies in the domestic court does not prevent setting up a panel.

In Belgium, Denmark, France and the UK enterprises are not allowed to apply both remedies. In Ireland, if a company took a transfer pricing issue to the Irish Courts and the courts gave a judgement on the issue, it would not be possible by the way of the setting up of a panel under the Convention to overturn that judgement. France also mentions that if successful mutual agreement is reached before the case has been settled at court this will not be implemented until the enterprise withdraws from internal dispute remedies.

The remaining Member States do not comment on this issue.

9. Administrative issues (control, penalties)

Part III of the questionnaire concerned administrative issues about co-operation with other tax administrations, the use of penalties and the possibilities of suspension of tax collection in cases of income adjustment.

9.1. To what extent do the tax administrations co-operate?

Member States were in question 3(1) asked whether they co-operate on a regular basis with other tax administrations in the assessment and/or auditing of international transfer prices, including whether they carried out simultaneous tax audits in this area and if so with which Member States.

A number of Member States expressly state that they do not perform simultaneous audits. Some Member States report that they do co-operate (e.g. exchange information, perform simultaneous audits etc.) in the transfer pricing area. However, these answers are quite general.

The clear overall impression is that Member States generally are aware of the possibilities (and sometimes they might also have entered into working agreements etc.) but that the actual the level of simultaneous audits etc. is very modest.

As mentioned above, France would like a co-ordinated approach with respect to conducting functional analysis.

9.2. Principles of fixing and enforcing transfer pricing penalties

Member States were in question 3(2) asked to explain the principles for fixing penalties when transfer pricing adjustment are made, and explain whether penalties were automatically applied following the adjustment. In the view of the Commission Services the term “penalty” could be interpreted in either a limited or a broad context.

The first understanding would be reserved for sanctions that involve a (subjective) punitive element for understating of income involving intent or negligence or non-compliance with documentation requirements etc. Belgium, Ireland, Greece and the UK appear to apply penalties in this strict sense in transfer pricing cases. Most other Member States reserve the use of these types of penalties to cases which involve an element of tax evasion or gross negligence, and report, that penalties are in practice not levied in transfer pricing cases.

However, in a broader context penalties can also include the use of surcharges (e.g. 10% of the tax payable) and/or interest penalties for late payment. The main objective of the latter will be to financially compensate the Member State for not having received the correct amount of tax in due time. However surcharges and interest-penalties can also involve a punitive element. Some Member States; France, Spain report the use of surcharges and interest-penalties. Other Member States, e.g. Austria, Denmark, and Luxembourg report that penalties are not levied, but this may be because these Member States do not consider surcharges etc. to be penalties. The same could be the case for the Netherlands, Sweden and the UK. Finland reports that in reality further payments will not be required.

9.3. Are transfer pricing adjustments immediately followed by enforcement or are there instruments allowing for suspension?

The following summarises the answers from Member States to question 3(3):

Belgium: Possibility of suspension exists. The Belgium answer does not mention any conditions for granting a suspension or report on the percentage of cases where suspension is actually granted.

Denmark: Possibility of suspension of four years in the case of a court appeal or arbitration. No further details are provided.

France: Possibility of suspension by the tax authorities if MAP is requested; however in some cases this is subject to guaranties.

Finland: The court of appeal can grant suspension. No further details are provided.

Ireland: Subject to two conditions suspension can be granted in case of appeal. First, a full return must be submitted and, second, the taxpayer must pay the amount of tax due on the basis of this return. In certain cases, interest on additional tax due on determination of the appeal may be calculated from the original date of assessment. Generally, to avoid interest the pre-appeal tax paid must be greater than 90% of the final tax payable.

Luxembourg: Tax authorities have discretionary power to suspend collection of tax in case of appeal. The conditions are that the applicant's arguments prima facie can be justified and that the taxpayer can show that immediate implementation will cause serious and irreparable injury.

Greece: The rules provide partly for a suspension in case of appeal.

Netherlands: Tax claims are generally suspended in case of appeal or arbitration.

Portugal: Adjustments are immediately enforced, and there are no means for suspension in case of appeal or arbitration.

Spain: Collection of tax can be suspended provided certain guaranties laid down by the law are supplied.

Sweden: Suspension is not automatic in case of appeal or arbitration; a request is required. The request can be met if it is likely that the tax payer will get release from his tax debt, would case him great damage or seems unreasonable.

UK: Procedures are available to suspend collection of tax. No further details are provided.

It can – with care - be concluded from the answers that some Member States in principle provide for suspending of enforcement if the adjustment is appealed; however the practical application of these rules is uncertain. In case of MAP requests suspension instruments are only very rarely available.