18 June 2009

Letter to the Editor of the Financial Times

EUROPE NEEDS TAX REFORMS

Sir, we want to react on behalf of the European business community to the article by the Finnish Prime Minister "Europe will need to raise taxes in harmony" (Comments, 9 June). We agree with Mr Vanhanen that the EU must get its act together to define a common exit strategy from high and unsustainable public deficits.

Yet, coordinated tax increases can hardly be considered an appropriate strategy to put Europe back on the path of growth and job creation. In a globalised economy the migration of people and capital does not stop at the borders of Europe.

Instead, EU governments should engage in growth-enhancing tax reforms. Not to raise overall tax rates but to re-think tax structures, simplify tax systems and remove double taxation. With business activity and corporate profits falling at a dramatic pace, most of the pressure on public finances comes from the collapse of tax revenue and the rise in unemployment.

If we enhance the attractiveness of the internal market and pursue structural reforms, we create the conditions for a rapid recovery and restore the revenue base. Instead of preventing the risk of capital outflows, we enhance the chance for capital inflows. This will contribute to the growth of our economies and lead to significant additional public revenue.

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