BUSINESSEUROPE

THE DIRECTOR GENERAL

Mr Yianis Varoufakis
Minister of Finance
Ministry of Finance of the Hellenic Republic
Karagiorgi Servias 10
105 62 Athens
Greece

15 June 2015

Dear Minister,

BUSINESSEUROPE is the leading advocate for growth and competitiveness at European level and an increasing number of our corporate members have alerted us to recent changes to the Income Tax Code in the Hellenic Republic. They have expressed concerns about the disruptions it may have on bilateral trade with Greece, and the negative long-term effects in the Greek economy, particularly as a result of a fall in investments.

In particular, the business community is concerned with the amending Law No. 4321/2015 and the adoption of a list of countries with allegedly preferential tax regimes, including three EU Member States. This decision assumes that all transactions involving these countries intend tax fraud or tax evasion purposes.

The nature of a country's tax rules have a significant impact upon the incentives for companies to set-up, expand and create growth and employment. We believe growth and employment is best supported by a tax system which is simple, robust, and not burdensome to administrate. Above all, it is important to have a system that encourages firms to do business both within a country and beyond its borders.

BUSINESSEUROPE shares the objective to fight fraud and evasion as it creates strong competitive distortions; however, new measures should be based on five key elements: proportionality, simplicity, consistency, neutrality and flexibility. Any anti-abuse tax provisions must be targeted, proportionate and in line with EU Law in order to be conducive to trade, growth and raising necessary tax revenues.

We share the concerns of the Minister of Finance of the Republic of Bulgaria, Mr Vladislav Goranov, when he notes that this law is "discriminatory and disproportionate to the intended goals" and that "such precedent would compromise and impair the overall functioning of the EU internal market and the newly adopted text is incompatible with the *acquis communautaire*". The Bulgarian example demonstrates the importance of international trade to the Greek economy, with Bulgaria alone having a bilateral trade volume with Greece of over € 3 billion euros.

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We believe countries should refrain from taking unilateral action ahead of the conclusion of the OECD Base Erosion and Profit Shifting project which is assessing how to address potential distortions regarding international taxation in a comprehensive manner. A uniform and global approach will be crucial when implementing the OECD conclusions at an EU and international level.

We understand that the European Commission is considering what action to take; however, the uncertainty around this process, before a decision is taken and implemented, is likely to create legal uncertainty and cash flow difficulties for companies, thus damaging business confidence across Europe in trading with Greek partners. The cost to the Greek economy could be substantial and should not be underestimated.

Given the concerns expressed by so many businesses and the likely negative effects on trade and investments, we strongly encourage an urgent reconsideration of the tax proposal and any other similar measures. We believe the tax rules are very counterproductive to the Greek economy, its trading partners and to the fulfilment of a productive Single market in Europe.

Yours sincerely,

Markus J. Beyrer