

European Union

Preferential Personal Income Tax Regimes in the European Union: A New Form of Permitted (Harmful) Tax Competition?

Rita Szudoczky^[1]
and Camilo Rodríguez Peña^[**]

Issue: World Tax Journal, 2024 (Volume 16), No. 2

Published online: 10 September 2024

<https://doi.org/10.59403/g98bvq>

The aim of this contribution is to examine whether the current normative framework of the European Union is adequately equipped to deal with the potentially harmful effects of the so-called preferential personal income tax regimes (PPITRs). For that purpose, after providing an overview of these special tax measures within the EU landscape, the article analyses whether these regimes could be considered a new form of harmful tax competition under the international soft law instruments developed by the OECD and European Union. It is highlighted that these instruments at present do not cover personal income tax rules, although the effects of PPITRs can be as harmful as those of preferential corporate income tax regimes. With regard to other EU instruments (State aid rules, fundamental freedoms and the fundamental right to equality), it is concluded that they are not adequate to tackle in a systematic way the potential harmful effects of special tax regimes targeting individuals. To remedy this hiatus, a proposal is made to extend the mandate of the EU Code of Conduct and adapt the currently applicable criteria under the Code to enable it to capture harmful PPITRs.