

Editor: Andrés Báez Moreno

COMPUTATION OF TAXABLE BUSINESS PROFITS

Book-Tax Conformity and Other Issues



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Computation of Taxable Business Profits

Why this book?

Each state that levies taxes on business profits faces the inevitable challenge of deciding how to compute these profits. With both individual entrepreneurs and companies obligated by commercial law to ascertain annual profit or loss, the key question emerges: to what extent, if at all, should the calculation of taxable business profits adhere to commercial accounting rules?

While the response to this question may differ, mirroring the diversity of domestic tax systems, this book strives to unveil shared normative patterns and fiscal policy rationales outlined in the 25 national reports it contains. Crucially, it also contemplates the most significant deviations from these established patterns.

Additionally, the book delves into four overarching issues: (i) the underlying rationale behind the book-tax conformity principle; (ii) the EU law dimension of the topic; (iii) the prospective role of book-tax conformity within the internationalization initiatives of corporate taxation (Pillars One and Two, BEFIT); and (iv) procedural aspects governing the interplay between accounting and tax law. These topics align with the thematic reports featured in the book, forming the foundation for discussions at the 2023 EATLP Congress hosted at the University of Luxembourg.

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Computation of Taxable Business Profits

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Preface

This volume results from a research project on the relationship between accounting and tax conducted on behalf of the European Association of Tax Law Professors (EATLP) in the academic year 2022-2023. However, the work started much earlier, when the Academic Committee of the EATLP selected this topic during the EATLP Online Congress 2021. The General Reporter immediately began work, assisted by a committee of tax lawyers and accountants, on designing a questionnaire that would make it possible to draw up the National Reports of the various branches of the EATLP. The Academic Committee approved the final version of the questionnaire during the EATLP Congress 2022 at Wirtschafts Universität Wien so that the National Reporters could begin drafting the documents due by the end of 2022. Based on the 25 National Reports received, the General Reporter drew up its conclusions document (*see* chapter 1, General Report) and proposed to five renowned authors the elaboration of the topical reports on which the 2023 EATLP Congress in Luxembourg would be based. These distinguished academics produced four topical reports on the pros and cons of linking commercial accounts and taxable profits, the topic's European and procedural law facets, and the future of book-tax conformity under Pillars One and Two and the Business in Europe Framework for Income Taxation.

The editor has found nothing but help and goodwill at every door he has knocked on in the three years of the project. It is, therefore, time to be grateful. Of course, my main thanks go to the national and topical reporters whose contributions form the backbone of this book. It would be too long to mention them by name and unnecessary as they appear in each relevant chapter. However, I would like to mention in particular the academics who, without being tax lawyers, made a decisive contribution to the work of an association (the EATLP), which, in principle, was alien to them. Their help was crucial in the Committee of Experts, who helped the editor prepare the questionnaire (Prof. David Alexander and Prof. Dr Christoph Spengel), in developing the Congress itself as chairs or speakers (Prof. Dr Chris Nobes and Prof. Dr Erlend Kvaal), in preparing topical reports, and even in all these functions simultaneously (Prof. Dr Eva Eberhartinger). Special thanks are also due to Prof. Dr Daniel Gutmann, who, far beyond his commitments as Academic Chairman of the EATLP, was fully involved in the project, facilitating some problematic aspects with his *savoir faire* and overcoming some blockages with unquestionable *auctoritas*. I would also like to thank Dr Marina Castro Bosque for her invaluable help in the hard editing of the book's contents. Her proactive attitude – even going so far as to make

pertinent suggestions on a topic where she is not, or at least was not, a specialist – shows that her many successes in her fledgling academic career have not been accidental. The editor is also grateful to the IBFD for publishing this volume, in their usual efficient manner.

Madrid, 21 October 2023

Andrés Báez Moreno

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Notes

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