Potential consequences of the CCCTB

- A Business Perspective

by

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September 19, 2011 (Slides 1-12)

and

October 8, 2018 (Slide 13)

The Completion of the Internal Market

Tax obstacles hampering growth and employment

- Tax uncertainty – suboptimal investment levels
- Exit taxes
- Transfer pricing
- Lack of Cross-Border Loss Consolidation
- Double taxation
- Administrative costs arising from 27 parallel and partly overlapping domestic tax systems and administrations

Comments on the proposal (1)

- Commendable work done by the European Commission to address cross-border obstacles in the corporate tax field

- Important barriers to the Single Market in the tax area relate in particular to the lack of cross-border profit and loss relief and the large number of transfer pricing disputes within the EU

Comments on the proposal (2)

- The proposed Directive could provide a lasting solution to these two problems.

- However, CCCTB must be a competitive option for companies and enhance the attractiveness of the single market as a location for global investments.

- In order to attract the interest and the support from the business community, the CCCTB needs to meet at least the following four key conditions.

Four key conditions on CCCTB

- In order to attract the interest and the support from the business community, the CCCTB needs to meet at least the following four key conditions:

1. Optional for companies
2. Consolidation from the start
3. One-stop-shop
4. No rate harmonization

1. The CCCTB needs to be optional for companies

- An opt-in approach would provide additional political pressure on the CCCTB to be a truly competitive tax system.

- For governments, an optional system entails the benefit of a gradual adoption by businesses, thereby ensuring a limited short term impact on corporate tax revenue.

2. The system needs to allow for consolidation from the outset

- The current lack of cross-border consolidation and the administrative costs of complying with up to 27 different tax regimes constitute major obstacles to cross-border business activity in Europe.
- To remove cross border tax obstacles, intra-group transactions should be disregarded for tax purposes.
- A common, but not consolidated, corporate tax base would suffer from the same transfer pricing problems and lack of loss relief as exist today within the EU.

3. CCCTB needs to reduce compliance cost with a one-stop-shop (1)

- Administrative simplification is an important factor.
- CCCTB should establish a tax system that allows for a single consolidated tax return.
- Such a system would not only reduce compliance costs but would also ensure a common tax treatment.

3. CCCTB needs to reduce compliance cost with a one-stop-shop (2)

- Would likely enforce better collaboration and exchange of information between national tax authorities.

- It could also lead to increased service level at tax authorities as a means to attract companies to locate their head quarters in their jurisdiction.

- It could also facilitate much needed cooperation in other areas such as e.g. joint audits and VAT.

4. The system should leave decisions on tax rates to national governments

- The objective of the CCCTB is to create a more efficient tax treatment for companies within the EU, not to harmonize tax rates among Member States.

- Different tax rates may in fact encourage sound tax competition and thus stimulate efficiency, enabling Europe to be competitive.

Some concerns…..

Sales included in the allocation key

- A sales by destination principle imposes a significant shift from the current principle of attributing the ultimate taxing rights to the source state.

- Questionable whether such a factor can be viewed as fair since it gives a clear advantage to countries with large markets.

Common Consolidated Corporate Tax Base

Correctly designed – a comprehensive measure to:

- Allow competition on a level playing field
- Enhance economic efficiency and welfare
- Revert to sound taxation principles; net taxation, comprehensive, realization, transparency
- Reduce compliance cost of 27 tax systems
- Remove Transfer Pricing problems
- Allow full intra-group consolidation
- Avoid double taxation
- Simplify EU corporate restructuring

New concerns in 2018 compared to in 2011

- Lack of a visionary European view among businesses and governments – too much focus on your own country
- Less focus on competitiveness – more on abuse and preventing tax competition
- Must all, including small purely domestic companies, have to calculate taxable profit in this new way?
- The sales component is on the rise – not being reduced – fewer countries therefore likely to be interested
- US tax reform – competitiveness concerns
- Added complexities: debt/equity and R&D
- Uncertainty must be reduced – CCCTB and not CCTB