Tax dispute resolution mechanisms in the European Union

2016/0338(CNS) - 14/06/2017 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted, following a special legislative procedure (Parliament's consultation), the report by Michael THEURER (ALDE, DE) on the proposal for a Council directive on double taxation dispute resolution mechanisms in the European Union.

The committee called on the European Parliament to **approve** the Commission proposal as amended.

Double taxation represents one of the biggest obstacles to the Single Market as it creates barriers for cross-border investments.

The report noted that attempts to eliminate double taxation have often led to "double non-taxation", where, through the practice of base erosion and profit shifting, companies have managed to have their profits taxed in those Member States which have corporate taxes of close to zero. That ongoing practice distorts competition.

Furthermore, current dispute resolution procedures are too long, costly and often do not result in an agreement, with some cases receiving no acknowledgement at all.

For this reason, it is essential that mechanisms available in the Union ensure an effective, rapid and enforceable resolution of double taxation disputes and the effective and timely elimination of the double taxation at stake, with regular and effective communication to the taxpayer.

The main amendments are as follows:

CCCTB: in order to shape a fair, clear and stable tax environment and to reduce taxation disputes within the internal market, at least some minimum convergence in corporate tax policies is required. Members considered that the introduction of a common consolidated corporate tax base (CCCTB) as proposed by the Commission is the most effective way of eliminating the risk of double corporate taxation.

Stricter deadlines: the report stated that the competent authorities of the Member States concerned shall take a decision on the acceptance and admissibility of the complaint of a taxpayer within **three months** (as opposed to six) of the receipt of the complaint and inform that taxpayer and the competent authorities of the other Member States in writing of their decision within two weeks. In this regard, Member States should dedicate an adequate level of human, technical and financial resources.

Sanctions: when a taxpayer submits a complaint requesting the resolution of the double taxation, Members considered that it is vital not to impose sanctions on the taxpayer in relation to the same matters until a binding decision is taken.

Central contact point: in order to create a harmonised and transparent framework of the double taxation dispute resolution mechanisms, Members proposed that the Commission shall host a central contact point in all official languages of the Union, which is easily accessible to the public with up-to-date contact information for each competent authority and a full overview of applicable Union legislation and tax treaties.

Review: the Commission shall review the application of this Directive after five years with regard to the possible extension of its scope to cover all cross-border double taxation situations and double non-taxation, and if appropriate, an amending legislative proposal.