Taxation of undertakings: a common consolidated corporate tax base CCCTB

2005/2120(INI) - 13/12/2005 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution drafted by Pier Luigi **BERSANI** (PES, IT) on a common consolidated corporate tax base by 392 votes in favour, 121 against and 89 abstentions. (Please see the summary of 29/11/2005.) It began by noting that European companies operating in the internal market are hampered by tax obstacles, problems of double taxation and high compliance costs when they invest or operate in another Member State. Closer cooperation between the Member States is needed with regard to the bases of company taxation, in order to remove the tax obstacles linked to specific issues such as cross-border offsetting of profits and losses, transfer pricing for tax purposes, merger and acquisition operations, and cross-border restructuring operations and the payment of dividends between associated companies.

Parliament welcomed the Commission's proposals but regretted that some Member States still reject the need for greater cooperation on tax matters, in particular with regard to the tax bases applicable to companies, bearing in mind the fact that coordination between the Member States with regard to company taxation is one of the instruments laid down in the 'integrated guidelines'

A common consolidated corporate tax base at European level: the introduction of a common consolidated corporate tax base will not in any way prejudice the fundamental prerogatives of the Member States regarding tax matters, and in particular their right to set the rates of national corporation tax. Parliament believed, however, that harmonisation of the corporate tax base will create the conditions for more transparent public and fiscal policies and enable capital to be put to the best possible use, thereby helping to attain the Lisbon goals. The best way of ensuring the creation of a common consolidated corporate tax base at European level is to define a framework of common standards via a regulation based on two complementary elements: the creation of a common tax base in accordance with European rules and the development of a method of consolidation, as well as a method of tax base apportionment among the Member States concerned, which will allow companies to offset and consolidate profits and losses globally throughout the EU. The objective of introducing a CCCTB at European level could also be achieved through the mechanism of enhanced cooperation if Member States are unable to reach unanimous agreement. The mechanism - though representing a second-best option compared to the unanimous agreement of Member States - would allow the great majority of European countries to progress in the field of a common framework for company taxation while affording the other Member States the possibility of joining in at a later stage. Parliament advocated a step-by-step approach, with the initial introduction of an optional common consolidated tax base - which will leave enterprises the choice between existing national tax bases and a European tax base - followed by an assessment in the medium term to examine the advisability of moving to a compulsory common consolidated tax base.

The system of home State taxation for SMEs: the potential of SMEs for growth, in terms of markets, cross-border activities and the capacity to establish themselves in other Member States, falls foul of the high costs of compliance with the different national tax systems, which have proportionately a far greater impact on SMEs than on large companies. The system of home State taxation could constitute a considerable simplification for the cross-border activities of SMEs. Parliament supported the Commission proposal for a pilot project based on this system, which will make it possible for SMEs to calculate the taxable revenue of the parent company and of all the branches and subsidiaries established in other Member States participating in the project by applying the tax rules in force in their home States.

Parliament deplored the fact that the Member States are not showing the requisite interest in and commitment to getting rid of tax obstacles which hamper the activities of SMEs, and that they are making

no effort to implement the pilot project proposed by the Commission. It urged Member States, and in particular those with economically integrated cross-border regions, to join the pilot project and thus supply worthwhile, reproducible experience.