Basic information

2005/2120(INI) INI - Own-initiative procedure	Procedure completed
Taxation of undertakings: a common consolidated corporate tax base CCCTB **Subject** 3.45.04 Company taxation	

Key players

European Parliament	**Committee responsible**	**Rapporteur**	**Appointed**
	ECON Economic and Monetary Affairs	BERSANI Pier Luigi (PSE)	23/09/2004

Council of the European Union	**Council configuration**	**Meetings**	**Date**
	Economic and Financial Affairs ECOFIN	2804	2007-06-05

Key events

Date	Event	Reference	Summary
07/06/2005	Resolution/conclusions adopted by Council		
04/07/2005	Committee referral announced in Parliament		
29/11/2005	Vote in committee		Summary
02/12/2005	Committee report tabled for plenary	A6-0386/2005	
12/12/2005	Debate in Parliament		
13/12/2005	Decision by Parliament	T6-0511/2005	Summary
13/12/2005	Results of vote in Parliament		
13/12/2005	End of procedure in Parliament		
05/04/2006	Non-legislative basic document published	COM(2006)0157	Summary
05/06/2007	Debate in Council		

Technical information

Procedure reference	2005/2120(INI)
Procedure type	INI - Own-initiative procedure

Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 55
Stage reached in procedure	Procedure completed
Committee dossier	ECON/6/24449

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Amendments tabled in committee		PE364.681	18/10/2005	
Committee report tabled for plenary, single reading		A6-0386/2005	02/12/2005	
Text adopted by Parliament, single reading		T6-0511/2005	13/12/2005	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(2006)0157	05/04/2006	Summary
Follow-up document	COM(2007)0223	02/05/2007	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
EESC	Economic and Social Committee: opinion, report	CES0241/2006	14/02/2006	

Taxation of undertakings: a common consolidated corporate tax base CCCTB

2005/2120(INI) - 05/04/2006 - Non-legislative basic document

The European Commission has prepared this document in response to a number of recent developments. Most recently, the Parliamentary “Bersani Report” (see below) but also the setting up of the Common Consolidated Corporate Tax Base (CCCTB) Working Group in 2004. The purpose of this Communication is two-fold. Firstly, to report on progress to date on the CCCTB and secondly to draw attention to those areas where further political support and direction is desirable.

In presenting this Communication the Commission draws a link between the creation of a simplified corporate tax base and the Lisbon Agenda. The Lisbon Strategy is intended to play a key role in achieving competitiveness, growth and jobs in the EU. Eliminating tax obstacles, such as high compliance costs for cross-border operations and transfer pricing in the internal market, can contribute to these goals. The CCCTB, according to the Commission, promises a number of advantages. It would, for example, significantly reduce the compliance costs of companies operating across the internal market, resolve existing transfer pricing problems, allow for the consolidation of profits and losses, simplify many international restructuring operations, reduce some of the complexities arising from the co-existence of the classical and exemption approaches to international taxation (without extending into the personal tax field), avoid many situations of double taxation and remove many discriminatory restrictions. In addition, the CCCTB would contribute to greater efficiency, effectiveness, simplicity and transparency in company tax systems and remove the hiatuses between national systems.

Regarding progress to date, the Commission document discusses in detail the on-going work on the CCCTB Working Group. A distinction is drawn between the development of a common corporate tax base and a common rate. The Commission stresses that work being carried out does *not* include changes to the current level of Member State taxation. The level of taxation has not, and will not, form part of the discussions since this would involve

discussion of the tax rate and the Commission does not intend to extend the work on the *base* to include work on the *rate*. The Commission also notes the encouraging development of Member State participation on the working group

As far as the “look” of the CCCTB is concerned the Commission distinguishes between a general objective and more specific actions. On a more general front, the Commission proposes that the CCCTB should be uniform and represent an overall simplification and broadening of the corporate tax base. As far as the details are concerned, work in the CCCTB Committee indicates that international standards should only be used as a tool in designing the base because they provide a common language and some common definitions. However, they should not form the norm given that they are not suitable to every situation and in light of the fact that they change frequently and often.

In other elements, the Commission, the European Parliament and the European Economic and Social Committee are convinced that the base should be introduced, from the outset, as a consolidated tax base. This approach, although ambitious, will bring the greatest benefits to the Internal Market. The Commission, together with the European Parliament, also continues to believe that the primary goal of the CCCTB should be optional for companies given that the primary goal is to improve the operation of the internal market rather than Member State domestic economies.

What next for the CCCTB? Internally, the Commission is committing the necessary resources to meet the ambitious work programme with a view to submitting a legislative proposal in 2008. Externally, the CCCTB Working Group has been established and provides the necessary mechanisms for discussions with Member State experts, administrations, academia and business.

In future workings on the CCCTB the Commission document notes that there are a few challenges which need to be addressed if work is to continue effectively. Firstly, there is a tendency for some experts to defend aspects of their current tax system rather than to seek a solution which could be applicable across the whole EU. Secondly, there is a tendency to postpone “difficult” elements and decisions. Thirdly, there is a growing discrepancy in the amount of resources which Member States are committing to the work, which may lead to delays in implementation. The Commission reminds its readers that it is precisely because there are so many differences between the existing national rules that there is a need for a single common solution. If each Member State were to insist on retaining its own existing rules then there could be no common base.

Further, the Commission cautions against adopting two quite different technical solutions that co-exist with national options. Such a scenario would sacrifice the principle of simplification – a central element in the establishment of a CCCTB.

In its Conclusions the Commission makes the following points:

- No formal link should be made between the definition of the CCCTB and corresponding international accounting standards (IAS/IFRS) given that not all companies are able to use them and given that the standards change frequently. The CCCTB legislation should be a self-standing document containing all the necessary definitions for determining taxable profits.

- The best approach for the CCCTB remains that of an optional tax base for companies, with consolidation and a shared approach between the Member States central to its creation.

- To continue working closely with the Member State experts given that the Commission’s eventual legislative proposal needs to be accepted by the Member States. Co-operation with business and academics will also continue in its current format.

- The quality of further work will depend on the active involvement of Member States and the Commission.

- The introduction of a simple, modern and transparent common consolidated tax base will necessarily involve each Member State making some changes otherwise the benefits of a common base will not be realised, hence the importance of open-mindedness and flexibility by all participants in this process.

The Commission would welcome political support and direction from the Member States for the Conclusions outlined above.

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.