

Common consolidated corporate tax base

MEPs set sights higher than Commission

By Elise Mertens | Wednesday 21 March 2012

The European Parliament's Committee on Economic and Monetary Affairs (ECON) wishes to see the common consolidated corporate tax base (CCCTB) become mandatory after a transitional period, while the European Commission recommends a voluntary approach. The legislative resolution, adopted by MEPs on 21 March, proposes a road map: as soon as the directive comes into force, all companies would have the possibility to opt in to the CCCTB system. After two years it would be mandatory for all transnational companies and after five years it would apply automatically to all companies operating on European territory, with the exception of SMEs, which could nevertheless opt in if they wish.

Parliament has set its sights higher than the Commission, underlining the CCCTB's significant advantages in terms of "completing the single market and enhancing competitiveness".

"I am very grateful to all my fellow MEPs because this was a very difficult issue, but we held discussions and managed to build consensus in spite of our political differences," reacted rapporteur Marianne Thyssen (EPP, Belgium).

Considering the 425 amendments tabled, it was legitimate to wonder whether the text could overcome all the hurdles. But Thyssen "was remarkably open-minded, which made it possible to work out a broad compromise among members of our committee," welcomed Liem Hoang Ngoc (S&D, France).

MEPs note that this directive in no case represents a prelude to harmonisation of corporate tax rates in member states. "Consequently, member states retain the right to apply certain advantages to enterprises, in particular through tax credits," states the resolution. It also invites the Commission to report three years after the directive's entry into force on its impact on the breakdown of tax bases between member states and on SMEs.

"Parliament has sent the Commission a strong signal for it to continue its work on the text, because there is still a lot of work ahead in Council," observed the rapporteur.

Indeed, the Commission has obtained Parliament's approval but it still has to convince the Council, and unanimously at that. Since its inception ten years ago, the CCCTB project has sparked strong opposition in certain member states, which fear the undermining of their tax sovereignty, a collapse of tax revenues and an attempt to challenge tax competition.

The possibility of enhanced cooperation has not been ruled out if the Council should create a stalemate.

They note that this directive in no case represents a prelude to harmonisation of corporate tax rates in member states

Background

The Commission presented, on 16 March 2011, a proposal for a directive - 2011/0058 (CNS) – on the common consolidated corporate tax base (CCCTB) with the aim of resolving corporate tax problems and enhancing the attractiveness of the European market.

At present, companies that operate beyond their home state's borders are potentially subject to 27 different tax systems, which results in high compliance costs. Even intragroup transactions are subject to a complicated system that often leads to double taxation and legal squabbles between member states.

The CCCTB would give multinationals the possibility to opt for a single set of rules for calculating their tax base for all their activities in the EU and to deal with only the tax administration in the country where their registered office is established. They would thus consolidate their results at EU level: profits earned in one country could offset losses in another in a single tax return.