EUROCHAMBRES believes that it is important to tackle cross-border obstacles in corporate taxation within the Internal Market. The proposed system for a Common Consolidated Corporate Tax Base (CCCTB) aims at creating an additional, unified corporate tax base throughout the EU and should be fully instrumental to ease businesses life, create a further option for businesses to choose from in terms of corporate taxation systems, bring administrative simplification, increase competitiveness and enhance the attractiveness of the Single Market for investors.

Many fundamental questions remain on the table on how the CCCTB system will work between member states, particularly as regards the revenues’ apportionment, whether SMEs will actually benefit from the CCCTB by opting into the system, how a common and unified corporate tax base will affect countries’ individual choices and overall dynamics regarding tax rates and whether proposed measures will effectively contribute to administrative simplification. EUROCHAMBRES expresses its view on a number of issues below and remains interested to contribute further to the long-standing debate on the CCCTB.

Rationale for a CCCTB

EUROCHAMBRES welcomes the rationale behind the CCCTB proposal and believes that such a base could facilitate the life of companies trading cross-border by reducing their tax compliance burden and easing administrative procedures.

Optionality

EUROCHAMBRES agrees with the Commission proposal that the CCCTB should be optional for companies and should in no way replace national tax systems. The CCCTB should represent a competitive instrument that businesses are free to choose if they wish so; many SMEs operate in local markets and would not want to change tax regime and adopt the CCCTB instrument.

At the same time, Chambers underline that, if and once the CCCTB is in place, businesses with operations in different countries would actually have three different tax systems (two national ones plus the CCCTB) to analyse in order to fully appreciate the merits of opting into the CCCTB system. While this is usual business practice for many businesses active cross-border, it is worth noting that the creation of a 28th tax regime will to some extent increase administrative costs (time and resources needed to monitor different the different systems) for businesses, particularly SMEs.

National autonomy to decide own tax rates

As CCCTB harmonization regards only the corporate tax base and not the tax rates, member states effectively retain their tax autonomy, particularly in deciding on corporate tax rates in their jurisdictions. EUROCHAMBRES argues that member states should fully retain their discretion in setting their corporate taxation rates, which constitutes for many EU countries a core instrument for promoting a healthy competitive fiscal environment for attracting investment.

1 ‘Chambers Ireland does not share the views expressed in this position paper and is against the Commission proposal on the CCCTB.’
Looking forward, the directive should in now ay be seen as a first step to the introduction of the single corporate tax rate, which should remain in the exclusive competence of Member States: it would be inappropriate to include the issue of rates in the framework of the CCCTB’s review clause.

5-year opt-in period

The envisaged opt-in period will ensure the much-needed stability and predictability of the CCCTB system. At the same time, Chambers underline that it raises questions as to whether it would act as a deterrent to the instruments’ take-up. National taxation systems can change dramatically within a short period of time and could well prove to be more favourable to businesses than the CCCTB system. The opt-in period thus creates an unknown when attempting to examine the relative merits of opting in or remaining outside of the CCCTB system. Last but not least, predictability of the tax regulations will be an important criterion for the businesses’ decision to opt in or not and for the tax authorities’ efficient management of the system.

Administrative simplification

EUROCHAMBRES welcomes the fact that the implementation of a CCCTB has the potential to decrease administrative costs for businesses, particularly through the creation of one-stop-shops in member states, the possibility to file a single tax return for all activities in the EU, enhanced cooperation among national tax authorities and elimination of administrative procedures. This would be a positive development for both businesses and national tax authorities. At the same time, new elements included in the CCCTB proposal, such as the proposed apportionment formula, could create a new set of administrative costs, depending on the precise characteristics of its structure. Clarification on how this system will work and how disputes will be settled is therefore needed – the option for a national administration or a business to refer to the European Court of First Instance/European Court of Justice, beside national courts, should be made available.

Transparency and double taxation

EUROCHAMBRES takes the view that the CCCTB system should aim at greatly reducing the number and relative costs of transfer pricing disputes, which often result in cross-border double taxation. The European market will become more attractive to foreign investors as fiscal matters become more transparent and double taxation is avoided. Transparency could also be enhanced by the fact that in a CCCTB system the tax rates will be the only instrument left in terms of fiscal competition among member states.

CCCTB: an instrument for SMEs?

The European Commission estimates potential administrative savings stemming from the CCCTB for SMEs doing business cross-border. However, Chambers believe that these estimates need to be substantiated, as they depend greatly on whether more SMEs, as a result of the CCCTB implementation, will decide to ‘go cross-border’ in the future and to take part in the CCCTB system. Moreover, if created, the CCCTB will not be easily taken up by SMEs, as it is not specifically designed for them. In this framework, to increase the CCCTB appeal vis-à-vis SMEs, the simplification of accounting rules for SMEs could be considered.

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