



***NFTC 2008 Tax Committee Fall Meeting***  
***Common Consolidated Corporate Tax Base (CCCTB)***  
***Update***

***October 10 2008***

Tom Neale  
Head of CCCTB Task Force  
DG Taxation and Customs Union  
European Commission



***Summary***

- Introduction to CCCTB
- Technical Outline, Administration and 'Sharing'
- Anti-abuse & 'special measures'
- Progress in 2008
- Q & A



## *CCCTB – What is it?*

- Common – same rules in all Member States
- Consolidated – automatic cross-border profit and loss offset, no intra group transfer pricing
- Corporate – for specified companies and corporate forms
- Tax Base – rules for base not rates, so sharing mechanism required



## *CCCTB – Why?*

- Aim is to remove tax obstacles to companies operating cross-border in the EU (27 jurisdictions) and
- Contribute to the Lisbon Strategy of growth, competitiveness and jobs
- An Internal Market policy – an additional option for companies
- Assist Member State administrations in maintaining a simple, competitive and legal set of company tax rules



## *History*

- Quarterly Working Group Meetings since late 2004 – experts from all Member States (MS)
- Six sub-groups
- Two Commission Communications
- Three annual meetings with MS, business and academics
- 60+ working papers
- [http://ec.europa.eu/taxation\\_customs/taxation/company\\_tax/common\\_tax\\_base/index\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/company_tax/common_tax_base/index_en.htm)



## *Key Documents*

- **Commission Communication - May 2007**
  - ‘...Further Progress during 2006 and next steps towards a proposal on the Common Consolidated Corporate Tax Base (CCCTB)’
- **DG Taxud Working papers**
  - **CCCTB: possible elements of a Technical Outline**
  - **CCCTB: possible elements of the Sharing Mechanism**
  - **CCCTB possible elements of the Administrative framework**
  - All available on web-site, & discussed in CCCTB Working Group September & December 2007 & April 2008



## *Communication*

### Communication (May 2007)

- Broad
- Optional
- Consolidated
- Simple
- Financial Services Sector
- NOT RATES



## *Technical Outline*

- General Approach
- Income & Expenses
- Depreciation of assets
- Consolidation
- Foreign Income – relief from double taxation
- Anti-abuse/protective measures
  
- ie – all the 'normal' aspects of a tax base



## *Income, Expenses & Depreciation*

- Business Purpose 'Test'/Assumption
- 'Public policy' – eg Entertaining expenditure
  
- Individual depreciation of long term assets
- Pooling of other assets



## *Consolidation and Foreign Income*

- Group definition – 50%+ voting and 75%+ capital/profits
- Joiners and leavers (CCCTB and Group) – hidden reserves, timing and historic values (depreciation, losses etc)
- Local taxes – local deduction or consolidated deduction
  
- Foreign Income (subject to existing Tax Treaties) exempt but a switch over clause to credit relief for 'low tax' jurisdictions



## *Administration (i)*

- 'One stop shop'
- Principal Tax Payer (PTP) and Principal Tax Authority (PTA)
- Consolidated Return PTP to PTA
- Common strict time limits
- Judicial Appeals against consolidated assessment to Courts in the country of the PTP and PTA
- ECJ final Court of Appeal



## *Administration (ii)*

- Interpretation of the Directive – eg 'circulars'
- 'Disputes' between tax administrations
- Level of cooperation between tax administrations
- Exchange of information



## *Sharing*

### Formula Apportionment

- Labour
- Capital – excluding intangibles
- Sales by destination – excluding intra-group



## *Anti-abuse and 'special' measures*

- General principle – wholly for tax avoidance etc?,
- Interest deductions – limited when subject to low tax?,
- Controlled Foreign Companies – deemed distributions?,
- Financial Services – credit institutions, insurance and 'in-house' equivalents;
  - Trading Book
  - Bad Debts
  - Technical Provisions
  - Factors for sharing



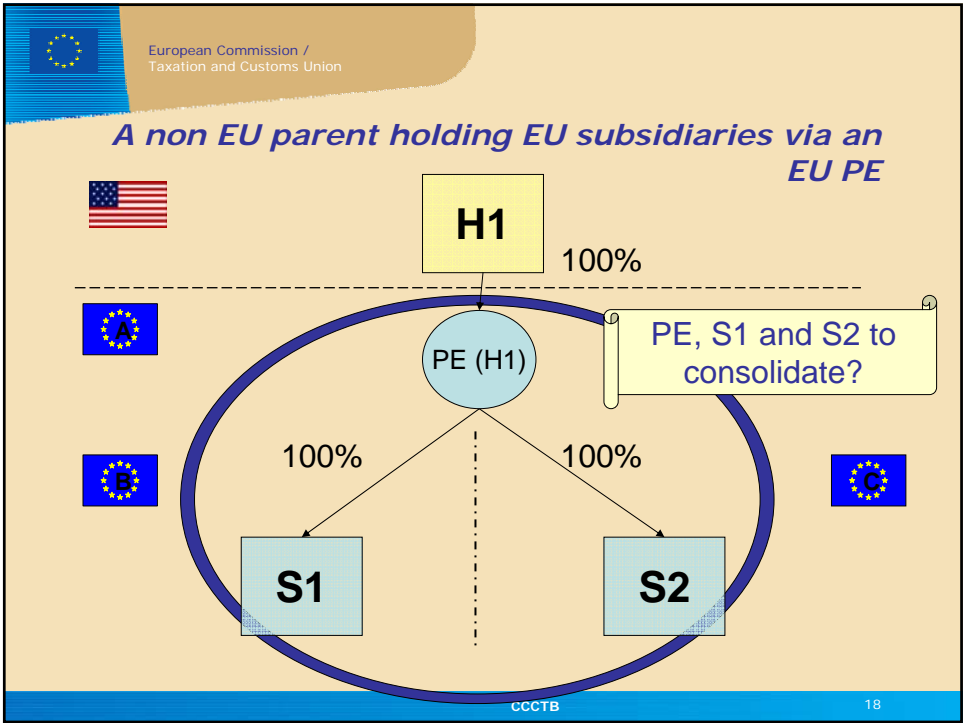
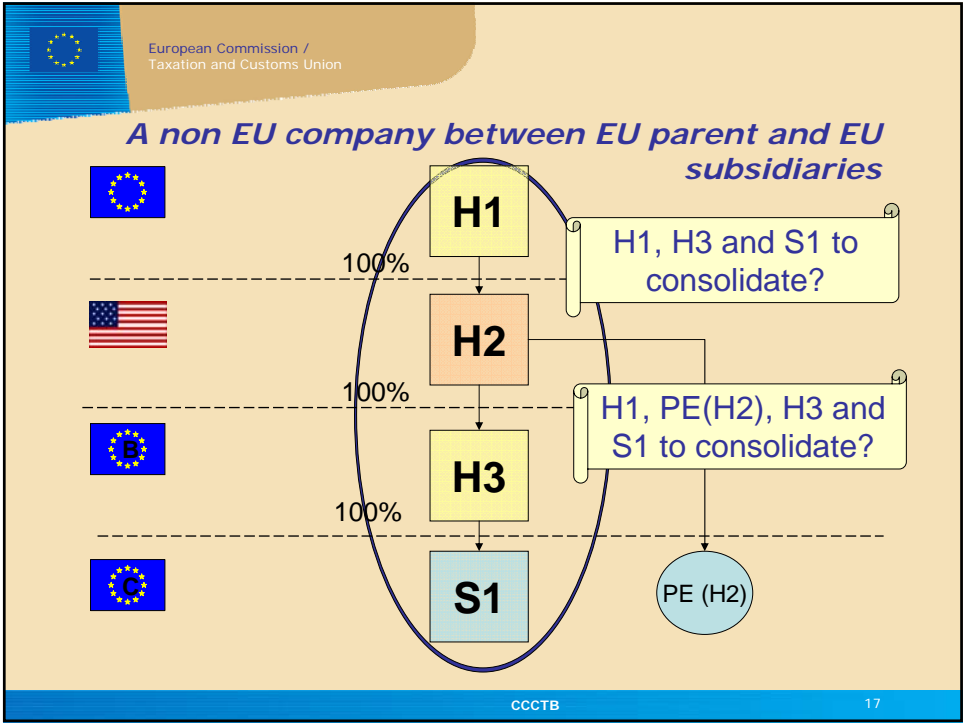
## *Progress*

- Some very detailed technical areas still need further work
- No 'artificial' deadline
- When proposal and impact assessment properly ready Commissioner Kovacs will present them to the College
- Ongoing work to include continuing discussions and consultations with outside experts



## *Summary*

- Introduction to CCCTB
- Technical Outline, Administration and 'Sharing'
- Anti-abuse & 'special measures'
- Progress in 2008
  
- **Q & A**





### *A non EU parent with EU subsidiaries*



**H1**

100%

100%



**S1**



**S2**

S1 and S2 to  
consolidate?