A Consolidated European Corporate Tax Base?

*The proposal for a Common Consolidated Corporate Tax Base (CCCTB) was re-launched by the European Commission through the **European Commission proposal COM (2016) 685 final on 25 October 2016**. This project that began in 2011 was marked and considerably slowed by debate between European Union (EU) Member States due to divergence on European tax harmonization.*

The CCCTB should allow companies to view the EU as a single market in relation to corporation tax, facilitate cross-border activities and promote trade and investment. Develop a single European system to determine the taxable income of companies, rather than the current different national tax schemes in which the activity is carried out.

Who is affected? According to certain criteria companies and groups with a consolidated turnover of more than € 750 million, carrying out cross-border activities, must compulsorily comply with this single European system to determine their taxable income rather than the different national schemes in which their activity is exercised. For other groups and companies, this system would be optional.

When is it effective? If the "CCCTB" directive is adopted this year, it will have to be transposed into national law in the Member States no later than 2 years after its publication date, i.e. **2018-2019**.

How would it work? The group's consolidated taxable income would be **allocated according to one formula** (depending on the factors: assets, labour and sales) between each company and then subject to a rate according to the State of residence. Groups subject to the CCCTB would have the option of completing only one consolidated tax declaration for all their activities within the EU (via a 'one-stop shop' system).

Implementation of this system will take place in two stages:

1- Implementation of the common tax base = Way of taxing profits;
2- Implementation of consolidation = net income for the whole of the EU.

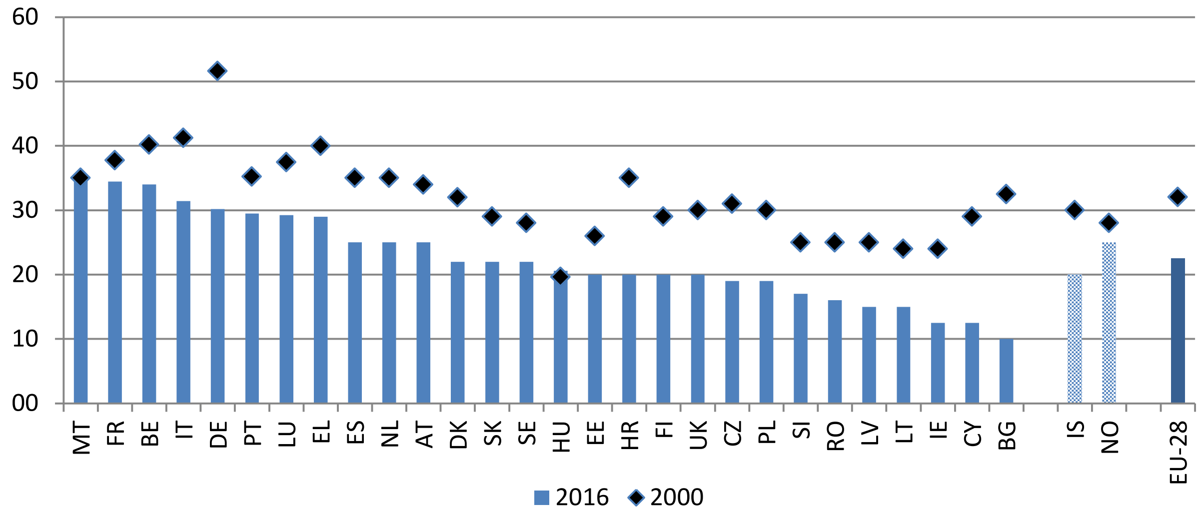
The overall effect of this legislation:

- Improvement of the business environment in the EU**: application of common rules** for the calculation of the broad tax base (including compensation for profits made in one Member State by losses incurred in another Member State);
- Combat tax evasion (cf. Directive ATAD): respect to the anti-abuse clause and the clause of "switch-over"[1] targeted against certain types of income;
- Supporting **growth, employment and investment** in the EU: combating tax distortions in favour of indebtedness and to the detriment of equity financing;
- Encouragement of **investment in research & development** (R&D): super-deduction of R & D costs;
- Encouraging **stable financing**: taxation that disadvantages debt and benefits the use of capital markets (see Capital Markets Union).

1 Disposition with the aim of modifying the corporate income tax territory.

Primexis
Management Consulting and Accounting Specialists
Tour Opus 12 - La Défense 9 - 77, esplanade du Général de Gaulle - 92914 Paris La Défense Cedex
Tél. : 33 (0) 1 49 68 20 00 - Fax : 33 (0) 1 49 68 21 00

Tax rates for companies in and outside the EU (EU acronyms for states):



Source: European Commission

Primexis, a leading independent Accounting and Consulting firm who has assisted French and International groups and subsidiaries for over 30 years, ensures you the best calculation on your company's and your French subsidiaries the tax base, and assisting you in compliant and beneficial tax declarations.

Stefan Petrovski
Supervisor,
Qualified Chartered Accountant
International Business Services

- Proposal for a Directive COM (2016) 685 final of 25 October 2016
- DLA Piper, "EU publishes CCTB, CCCTB, ATAD II directives proposing major tax reform for multinationals", 25/10/2016

More information on our website www.primexis.eu