KPMG responds to EU Commission’s public consultation on the Common Consolidated Corporate Tax Base (CCCTB)


On October 8, 2015 the EU Commission opened a public consultation on the relaunch of the proposal for a Common Consolidated Corporate Tax Base (CCCTB). This consultation closed on January 8, 2016. The aim of the consultation was to gather the views of all interested parties and analyze potential policy directions as well as several technical elements of the project. After extensive discussion, a response was submitted on behalf of the EU-resident member firms of the KPMG EMA region. All responses have now been published on the EU Commission’s dedicated website.

Background

The consultation is part of the implementation of the EU Commission’s Action Plan for Fair and Efficient Corporate Taxation, launched in June 2015 (see ETF 253). In the Action Plan, the EU Commission sets out its strategy to re-launch its proposal for the CCCTB, after negotiations in
the Council had stalled largely because of the scale of the original proposal in 2011. Under a CCCTB, businesses would eventually have to comply with just one EU system for computing their taxable income, instead of different rules in each Member State in which they operate.

To make it easier for Member States to reach agreement, the new proposal for a CCCTB introduces a two-step approach. First, the EU Commission will propose a common tax base without consolidation. Consolidation – meaning that Member States would be allowed to tax their share of the base at their own corporate tax rate – will be introduced only after securing the common tax base. A legislative proposal is expected by November 2016, which would include a cross-border loss relief mechanism.

**Scope of consultation**

The consultation was, in particular, seeking views on the extent to which a CCCTB could function as an effective tool against aggressive tax planning without compromising its initial objective of making the single market a more business-friendly environment. Feedback was also requested on this two-step approach and on the criteria for determining which companies should be subject to a mandatory CCCTB. The consultation also welcomed ideas on how to address the ‘debt bias’ and the type of rules that would best foster Research and Development (R&D) activities in the EU.

**KPMG response**

Although the topics addressed are complex and the debates ongoing, it is, nevertheless, widely acknowledged that a CCCTB has the potential to enhance the international competitiveness of EU businesses by removing some of the tax and administrative obstacles to doing business cross-border within the EU.

The response submitted by KPMG is broadly supportive of the proposed rules, acknowledging that adopting a single set of tax rules could be a key element in reducing the administrative burden of complying with up to 28 different tax systems in the EU. Whether this goal would be achieved depends on factors such as the clarity of the rules, the way the tax base is defined, as well as the flexibility of the system to cope with different industries and changing business models. In particular, converting to a CCCTB should be optional, as making CCCTB mandatory for all groups could impose costs where there is no corresponding advantage.

As regards the scope of the CCCTB, KPMG stressed that the real benefit for business would require including tax consolidation as early as possible. Conversely, addressing the debt-equity tax bias during CCCTB’s first stage might prove controversial and it seems more appropriate to include this aspect in a second or third step. Finally, KPMG advocates introducing common incentive rules to better stimulate R&D, such as an incremental deduction for R&D or an EU IP box.

When addressing whether CCCTB could be an effective tool against aggressive tax planning, KPMG recognizes that certain aspects of the CCCTB regime would be suited to eliminating tax mismatches within the EU. However, the rules should not go further than related international initiatives, in order to retain their attractiveness for business.
If the initiative were to be introduced, KPMG advocates an optional system that includes cross-border loss relief as a permanent element, and that focuses on its primary aim of improving the competitiveness of EU-based businesses.

Further details of the consultation, together with a copy of the response submitted by KPMG, can be found on the EU Commission’s dedicated website.

Should you have any queries, please do not hesitate to contact KPMG’s EU Tax Centre, or, as appropriate, your local KPMG tax advisor.

Robert van der Jagt
Chairman, KPMG’s EU Tax Centre and Partner, Meijburg & Co

Barry Larking
Director EU Tax Services, KPMG’s EU Tax Centre and Director, Meijburg & Co

Privacy | Legal

You have received this message from KPMG International Cooperative in collaboration with the EU Tax Centre. Its content should be viewed only as a general guide and should not be relied on without consulting your local KPMG tax adviser for the specific application of a country’s tax rules to your own situation. The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

To unsubscribe from the Euro Tax Flash mailing list, please e-mail KPMG’s EU Tax Centre mailbox (eutax@kpmg.com) with “Unsubscribe Euro Tax Flash” as the subject line. For non-KPMG parties – please indicate in the message field your name, company and country, as well as the name of your local KPMG contact.

KPMG’s EU Tax Centre, Laan van Langerhuize 9, 1186 DS Amstelveen, Netherlands