120569/EU XXV. GP
Eingelangt am 27/10/16

Council of the
European Union

Brussels, 26 October 2016
(OR. en)

13730/16
ADD 3

Interinstitutional File:
2016/0337 (CNS)

FISC 170
IA 99

PROPOSAL

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	26 October 2016
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	SWD(2016) 342 final
Subject:	COMMISSION STAFF WORKING DOCUMENT EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT Accompanying the document Proposals for a Council Directive on a Common Corporate Tax Base and a Common Consolidated Corporate Tax Base (CCCTB)

Delegations will find attached document SWD(2016) 342 final.

Encl.: SWD(2016) 342 final

www.parlament.gv.at

EUROPEAN
COMMISSION

Strasbourg, 25.10.2016
SWD(2016) 342 final

COMMISSION STAFF WORKING DOCUMENT

EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the document

Proposals for a Council Directive

on a Common Corporate Tax Base and
a Common Consolidated Corporate Tax Base (CCCTB)

{COM(2016) 683 final}
{SWD(2016) 341 final}

EN EN

www.parlament.gv.at

Executive Summary Sheet
Impact assessment on a Common Consolidated Corporate Tax Base (CCCTB)
A. Need for action
Why? What is the problem being addressed? Maximum 11 lines
Currently, 28 different corporate tax systems in the EU create opportunities for aggressive tax planning, negatively affecting tax morale and tax fairness. This tax patchwork also results in high compliance costs and hampers investment. Most national tax systems favour debt over equity financing, which increases debt levels and affects the resilience of the economy. In addition, businesses in the EU underinvest in research and development compared to other big economies. These problems are driven by the internationalisation of businesses and increasingly mobile profits. At the same time, tax bases are decided nationally. This creates incentives for Member States to unilaterally protect their tax bases and attract mobile profits. Unilateral action cannot address the key problems. They increase complexity, further hampering the evolution of the single market and adding obstacles to investment and growth. Businesses are affected in a variety of ways. Notably, those active cross-borders suffer from high compliance costs, whereas those engaged in aggressive tax planning benefit at the expense of other businesses and citizens.
What is this initiative expected to achieve? Maximum 8 lines
One important aim is to enhance the fairness of the tax system by addressing some of the root causes of corporate tax avoidance. This should (i) significantly reduce cross-border tax planning, (ii) create a more level playing field between domestic and multinational companies, (iii) ensure that companies pay a fair share of the tax burden, and (iv) enhance general tax payer morale. At the same time the initiative aims to stimulate growth and investment by (i) simplifying the complex corporate tax system in the EU to reduce compliance costs and administrative burden; (ii) eliminating double taxation risks and other existing discriminations and restrictions, (iii) reducing tax-induced distortions of investment and financing decisions; and (iv) creating incentives to invest in the EU, inter alia by supporting R&D and innovation.
What is the value added of action at the EU level? Maximum 7 lines
The EU added value is to further improve capital mobility within the Union by decreasing compliance costs and cross-border tax obstacles. At the same time, EU action ensures that the activities of multinational companies within the EU do not avoid a fair level of taxation. A common approach to an EU corporate tax base helps to re-establish the link between taxation and value creation.
B. Solutions
What legislative and non-legislative policy options have been considered? Is there a preferred choice or not? Why? Maximum 14 lines
The main policy option that has been considered is a proposal for a common consolidated corporate tax base. A key choice to be made relates to the scope of such a tax base, i.e. to whom it would apply. The main options that have been considered are to make the CCCTB mandatory for all firms or just a subset of firms. A variety of options have been considered to address the bias towards debt induced by current tax systems. Two principle actions are available: allowing deductibility of both debt and equity financing costs or disallowing both. With respect to R&D incentives, the central options consider a tax allowance for expenses for R&D investments with varying degrees of generosity. Valuing the different options has led to a preferred option: a CCCTB mandatory for large companies, equipped with an 'allowance for growth and investment' and with an allowance for R&D expenses. The allowance for growth and investment grants deductions for financing costs for debt and equity within limits to avoid abuses and tax planning. The allowance for R&D expenses is designed to at least maintain existing R&D tax incentives. The analysis shows that the CCCTB has clear advantages over the alternative of not taking any action.
Who supports which option? Maximum 7 lines
A re-launch of the CCCTB received general support by all stakeholder groups. Support was highest among NGOs, private individuals and other respondents to the consultation, but also among companies, in particular

www.parlament.gv.at

among SMEs. NGOs, SMEs and private individuals are also strongly in favour of making the CCCTB (partially) mandatory; large enterprises are against this. On the other side, a clear majority of all stakeholders was in favour of creating an opt-in to the CCCTB. Companies, small and large, were also very much supporting a favourable treatment of R&D and the proposal to address the debt-equity bias with an allowance for equity within the re-launch.

C. Impacts of the preferred option

What are the benefits of the preferred option (if any, otherwise main ones)? Maximum 12 lines

Implementing the preferred choice is expected to increase the fairness of tax systems and to create a level playing field by effectively removing incentives for aggressive tax planning in the EU. This would facilitate to ensure that corporations pay a fair share of the tax burden and enhance taxpayer morale. Furthermore, cross-border tax obstacles would be effectively eliminated within the EU. The distortions in the financing decisions of companies are reduced with an allowance for growth and investment which puts equity and debt financing on similar footing. R&D tax incentives are not only maintained but also enhanced and streamlined.

The expected economic benefits of the proposal are positive. The CCCTB with an allowance for growth and investment would lead to an increase in investment and employment of up to 3.4% and 0.6%, respectively. Overall, growth would increase by up to 1.2%. Compliance costs are expected to decrease (10% in compliance time and 2.5% in compliance costs). The cost of setting up a subsidiary would decrease by up to 67%, making it easier for companies (including SMEs) to go abroad.

There are no relevant environmental impacts expected from the preferred option. Social impacts will also be limited.

What are the costs of the preferred option (if any, otherwise main ones)? Maximum 12 lines

The costs of the proposal in terms of national tax revenue depend on the way Member States adjust their tax rates to the new tax base, on the generosity of the allowance for growth investment and on the R&D incentives. The compliance and administrative costs of the preferred option are mostly related to the transition from existing corporate systems to a CCCTB. These costs are however incurred only once. There is no quantitative data available on the costs for tax authorities of administering a specific tax or introducing a new one. The reason is that most tax administrations (and the corresponding IT systems) are organised by functions and not anymore by type of tax.

How will businesses, SMEs and micro-enterprises be affected? Maximum 8 lines

For large companies which fall under the scope of the mandatory element, the common base will be compulsory. This is a major change for the companies and creates a more level playing field within the EU For all other companies, the CCCTB will offer the possibility to opt in. Accordingly, for these companies, there is no immediate impact if they choose to continue using the national system. Where companies decide to apply the CCCTB, they consider that the system offers benefits, e.g. in terms of lower compliance costs and better efficiency. Consequently, the impact is positive.

Will there be significant impacts on national budgets and administrations? Maximum 4 lines

There are two direct effects on tax revenues. First, the CCCTB changes the rules for the computation of the tax base compared to national systems, reducing it for most Member States. Second, the tax base of a multinational group will be attributed to Member States based on a formula which measures economic activity based on labour, capital stock and sales. It is difficult, however, to predict the exact final changes since the revenue impact also depends on how the Member States will adjust the tax rates in response to the new tax base as well as on the behavioural answer by companies.

Overall, the parallel application of national tax systems and the CCCTB will increase the burden in tax administrations since two, albeit close, taxes need to be managed. However, multinational companies will only file one tax declaration in the EU, easing the burden for tax administrations. Also, the administration of transfer pricing documentation will be greatly reduced.

Will there be other significant impacts? Max 6 lines

The CCCTB will make the EU more attractive for investment. Investors will not have to deal with analysing and evaluating differences and provisions of 28 tax systems when investing in the EU, reducing compliance and

www.parlament.gv.at

administrative costs. Also, the tax base with the incentives for R&D and an allowance for growth and investment will increase the competitiveness of the EU since investment will be more profitable and the economy more resilient.
D. Follow up
When will the policy be reviewed? Maximum 4 lines
The policy will be evaluated three to five years after its implementation. Such a period seems reasonable given that adjustment by companies and tax administrations need time to adjust and provide the relevant data.