



## Commission proposes major corporate tax reform for the EU

Strasbourg, 25 October 2016

**The Commission has today announced plans to overhaul the way in which companies are taxed in the Single Market, delivering a growth-friendly and fair corporate tax system.**

### [Common Consolidated Corporate Tax Base \(CCCTB\) – Good for Europe](#)

Recalibrated as part of a broader package of corporate tax reforms, the [Common Consolidated Corporate Tax Base](#) (CCCTB) will make it easier and cheaper to do business in the Single Market and will act as a powerful tool against tax avoidance.

First tabled in 2011, the CCCTB was designed to strengthen the Single Market for businesses. While Member States made considerable progress on many core elements of the previous CCCTB proposal, they were unable to reach a final agreement. Having sought the views of Member States, businesses, civil society and the European Parliament, we are today bolstering the pro-business elements of the previous proposal to help cross-border companies cut costs, red tape and to support innovation. The [re-launched CCCTB](#) will also create a level-playing field for multinationals in Europe by closing off avenues used for tax avoidance.

Two further [proposals](#) aim to improve the current system for dispute resolution on double taxation in the EU and to bolster existing anti-abuse rules. Taken together, these measures will create a simple and pro-business tax environment.

Vice-President Valdis **Dombrovskis** said: *"Tax policy should support the EU's goals of economic growth and social justice. Today's proposals aim to boost growth and investment, support enterprise and ensure fairness. The current corporate tax system treats debt financing of companies more favourably than equity financing. Reducing this debt-equity bias in the tax system is an important element of the Capital Markets Union Action Plan and underlines our commitment to deliver on this project."*

Pierre **Moscovici**, Commissioner for Economic and Financial Affairs, Taxation and Customs said: *"With the rebooted CCCTB proposal, we're addressing the concerns of both businesses and citizens in one fell swoop. The many conversations I've had as Taxation Commissioner have made it crystal-clear to me that companies need simpler tax rules within the EU. At the same time, we need to drive forward our fight against tax avoidance, which is delivering real change. Finance Ministers should look at this ambitious and timely package with a fresh pair of eyes because it will create a robust tax system fit for the 21st century."*

To encourage swift progress, the CCCTB has been broken down into a more manageable, two-step process. The common base can be quickly agreed to unlock key benefits for both businesses and Member States. Consolidation should be introduced soon afterwards and would allow all the benefits of the complete system to be reaped.

### **1. The Common Consolidated Corporate Tax Base (CCCTB)**

With the CCCTB, companies will for the first time have a single rulebook for calculating their taxable profits throughout the EU. Compared to the previous proposal in 2011, the new corporate taxation system will:

- Be mandatory for large multinational groups which have the greatest capacity for aggressive tax planning, making certain that companies with global revenues exceeding EUR 750 million a year will be taxed where they really make their profits.
- Tackle loopholes currently associated with profit-shifting for tax purposes.
- Encourage companies to finance their activities through equity and by tapping into markets rather than turning to debt.
- Support innovation through tax incentives for Research and Development (R&D) activities which are linked to real economic activity.

Corporate tax rates are not covered by the CCCTB, as these remain an area of national sovereignty. However, the CCCTB will create a more transparent, efficient and fair system for calculating the tax

base of cross-border companies, which will substantially reform corporate taxation throughout the EU.

### ***The CCCTB will improve the Single Market for businesses***

Companies will now be able to use a single set of rules and work with their domestic tax administration to file one tax return for all of their EU activities. With the CCCTB, time spent on annual compliance activities should decrease by 8% while the time spent setting up a subsidiary would decrease by up to 67%, making it easier for companies, including SMEs, to set up abroad.

Growth-friendly activities such as R&D investment and equity financing will be incentivised, supporting the wider objectives of reviving growth, jobs and investment. Once fully operational, the CCCTB could raise total investment in the EU by up to 3.4%.

Companies will be able to offset profits in one Member State against losses in another. Tax obstacles such as double taxation will be removed and the CCCTB will increase tax certainty by providing a stable, transparent EU-wide system for corporate taxation.

### ***The CCCTB will help to combat tax avoidance***

The CCCTB will eliminate mismatches between national systems which aggressive tax planners currently exploit. It will also remove transfer pricing and preferential regimes, which are primary vehicles for tax avoidance today. It also contains robust anti-abuse measures, to stop companies shifting profits to non-EU countries. Since the CCCTB will be mandatory for the biggest multinational groups operating in the EU, those companies most at risk of aggressive tax planning will be unable to attempt large-scale tax avoidance.

### ***The CCCTB will support growth, jobs and investment in the EU***

The CCCTB will offer companies solid and predictable rules, a fair and level-playing field and reduced costs and administration. This will make the EU a more attractive market in which to invest and do business. The re-launched CCCTB will also support R&D, a key driver of growth. Companies will be allowed a super-deduction on their R&D costs, which will particularly benefit young and innovative companies which choose to opt-in to the new system.

Finally, the CCCTB will take steps to address the bias in the tax system towards debt over equity, by providing an allowance for equity issuance. A set rate, composed of a risk-free interest rate and a risk premium, of new company equity will become tax deductible each year. Under current market conditions, the rate would be 2.7%. This will encourage companies to seek more stable sources of financing and to tap capital markets, in line with the goals of the [Capital Market Union](#). It would also provide benefits in terms of financial stability, as companies with a stronger capital base would be less vulnerable to shocks.

## **2. Resolving Double Taxation Disputes**

The Commission has also proposed an improved system to resolve double taxation disputes in the EU. Double taxation is a major obstacle for businesses, creating uncertainty, unnecessary costs and cash-flow problems. There are currently around 900 double taxation disputes in the EU today, estimated to be worth €10.5 billion. The Commission has proposed that current dispute resolution mechanisms should be adjusted to better meet the needs of businesses. In particular, a wider range of cases will be covered and Member States will have clear deadlines to agree on a binding solution to double taxation.

## **3. Addressing Mismatches with non-EU Countries**

The third proposal in today's Package contains new measures to stop companies from exploiting loopholes, known as hybrid mismatches, between Member States' and non-EU countries' tax systems to escape taxation. Hybrid mismatches occur when countries have different rules for taxing certain income or entities. Companies can abuse this to avoid being taxed in either country. The [Anti-Tax Avoidance Directive](#), agreed in July, already addresses mismatches within the EU. Today's proposal completes the picture by tackling mismatches with non-EU countries and is being made at the request of the Member States themselves.

The Package also contains a [Chapeau Communication](#), outlining the political and economic rationale behind the proposals, as well as impact assessments on the CCCTB and the dispute resolution mechanism.

These legislative proposals will now be submitted to the European Parliament for consultation and to the Council for adoption.

### **For more information:**

[Q&A](#) on the CCCTB

[Chapeau Communication](#) on CCCTB

[More information](#) on CCCTB

Video: "[CCCTB – it's good for Europe](#)"

[TAXUD on YouTube](#)

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Attachments

[CCCTB factsheet FINAL.pdf](#)

Photos & Videos



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