

Common tax base for corporate income: for the relaunch of the European Single Market

Is it possible to reinterpret the CCTB project as the key to a **paradigm shift** in corporate taxation?

In order to answer this question, we must first look at our baggage of elements, to be able to understand what is missing and what needs to be added; only then will we have the tools to look further, in perspective, towards a common corporate income taxation in the European Union.

The knowledge base: where do we start?

The debate on tax harmonization of business taxation in the European Union: from the Neumark Report to the present.

The principles and legal instruments of European Treaty law, for the approval of the CCCTB project, for **overcoming unanimity**, for granting delegations or implementing acts to the European Commission or the Council of the European Union.

Two draft directives that have already been defined, with an organic framework.

A set of applicable **general principles**, as defined in Article 6 of the CCTB Directive, and a precise identification of the **factors** of the apportionment formula in the CCCTB.

A **political endorsement** from France and Germany, which paved the way for discussion with the Meseberg Declaration.

Existing experiences of formular implementation, such as those of Canada and the United States.



2 What is missing? And what should be implemented?

A defined system of **common accounting principles**, to be used as the starting for the tax base, assessing the appropriateness of a tax system based on enhanced derivation or direct taking from the balance sheet.

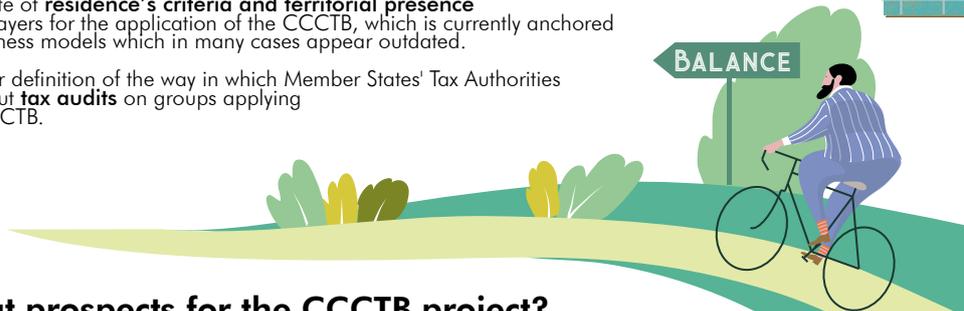
A defined framework of the scope for Member States to **introduce tax incentives**, and an assessment of the effects of the AGI (Allowance for growth and investments) and the deduction of R&D expenditure that does not only look at the overall tax burden effect.

A rewrite of the **intra-group loss deductibility regime**, in line with the indications of the Court of Justice.

An appropriate **valorization of intangible assets**, both as regards the determination of the tax base and as a possible allocation key of the formulaic allocation mechanism.

A rewrite of **residence's criteria and territorial presence** of taxpayers for the application of the CCCTB, which is currently anchored to business models which in many cases appear outdated.

A better definition of the way in which Member States' Tax Authorities carry out **tax audits** on groups applying the CCCTB.



3 What prospects for the CCCTB project? Is a reinterpretation possible?

Recognize the merits of **alternative proposals** for determining the corporate tax base at European level, such as the "fractional taxation of income system", the "destination based corporate tax", the "Home State Taxation" and the project for a European corporate tax residence.

Abandon the rigid perspective of the necessary invariance of tax revenues for Member States for the approval of the project and look at the possible **long-term benefits** in terms of attractiveness and legal certainty for the European tax system.

Simplify the income allocation formula by introducing a **single factor**, e.g. sales and supply of services, which would make it possible to overcome the necessary physical link between the taxpayer and the Member State in which it operates, and thus make the choice of location neutral for the company, enabling States to compete with non-tax capital attraction instruments.

Overcome, through the legislative instruments of the European system, the **difficulties** in applying **international multilateralism**, as already encountered in the context of the MLI.

FUTURE

