

European Conference on Company Taxation

11.15 - 13.00: 29 April 2002

Panel Discussion - The Choice of Approach

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PRELIMINARY QUESTIONS

1. Should compulsory harmonisation be a priori excluded?
2. What are the common issues and differences between a mutual recognition and a harmonisation approach?
3. Do all Member States need to participate or is there potential for “enhanced co-operation” for a group of Member States?

THE FOUR TAX BASES

Home State Taxation (HST)

A multinational group can opt for computing its consolidated tax base according to the rules of the Member State where its headquarters are based.

Common Consolidated Base Taxation (CCBT)

A multinational group can opt for computing its consolidated tax base according to a completely new set of restructured EU wide rules.

European Corporate Income Tax (EUCIT)

Company tax would be levied at the European level and revenues would go (at least partly) to the EU budget.

Compulsory Harmonisation of Existing Tax Bases

All companies in the EU would compute their consolidated tax base according to harmonised rules.

Home State Taxation

A multinational group can opt for computing its consolidated tax base according to the rules of the Member State where its headquarters are based.

- Home State rules would apply to consolidated profits of entire enterprise
- Tax rates would be set in each Member State
- Profits would be allocated (and paid) locally
- Similar enterprises may be subject to different rules

Common Consolidated Base Taxation

A multinational group can opt for computing its consolidated tax base according to a completely new set of restructured EU wide rules.

- Optional choice to apply new rules to consolidated profits
- Enterprise deals only with one (headquarter) Member State
- Tax rates would be set in each Member State
- Profits (and tax) would be allocated to each Member State

European Corporate Income Tax

Company tax would be levied at the European level and revenues would go (at least partly) to the EU budget.

- Single tax code applicable across the EU
- Administered by a new tax authority
- Tax revenue would fund EU institutions with excess rebated to Member States
- Compulsory for all companies

Compulsory Harmonisation of Existing Tax Bases

All companies in the EU would compute their consolidated tax base according to harmonised rules.

- Existing separation of tax systems would continue but ...
- ... all Member States would apply the same rules
- cross-border offset of losses would be achieved through use of consolidated tax base
- compulsory for all companies

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CLOSING QUESTION

Is one of the four bases to be preferred?