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Analyses and tax policies  
**Analysis and coordination of tax policies**

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Taxud E1/AAG

**CCCTB\WP\ 067 \doc\en**  
Orig. EN

## **COMMON CONSOLIDATED CORPORATE TAX BASE WORKING GROUP (CCCTB WG)**

*Request of input from national tax administrations  
for the Impact Assessment of the reforms at the EU  
level of corporate tax systems*

**Meeting to be held on 14-15 April 2008**

Centre de Conférences Albert Borschette  
Rue Froissart 36 - 1040 Brussels

**WORKING DOCUMENT**

## **I. Introduction**

1. On 12 September 2007 the Commission Services sent the Working Document *'Input from national tax administrations for the Impact Assessment of the reforms at the EU level of corporate tax systems'* together with its Annex *'The Assessment of the possible administrative costs for national tax administrations in the EU linked to the implementation of reforms at the EU-level of corporate taxation systems'* - CCCTB/WP/058, for discussion at the Common Consolidated Corporate Tax Base Working Group (CCCTB WG) meeting on 27-28 September 2007.

2. Having in mind the Impact Assessment (IA) report that should accompany a Commission legislative proposal for a reform at the EU level of corporate taxation systems, the purpose of that paper was to describe which information would 'ideally' be gathered from national tax administrations for assessing some of the key impacts that will be subject to analysis in such report. In particular, national tax administrations were asked to assess their possibilities to provide data for the examination of the effects of *alternative tax policy options*<sup>1</sup> on two basic aspects: the national corporate tax bases and the national tax administrations' costs.

3. On the first aspect, in summary, the data sought for analysing the impacts of these alternative tax policy scenarios on MS corporate tax bases is summarised in Tables 1 and 2 below. We were seeking for each of the scenarios:

- The number of relevant companies that would be affected in each MS.
- The current national tax bases of the relevant companies aggregated by MS.
- The new CCTB/CCCTB tax bases of the relevant companies aggregated by MS.


The first two columns of these tables (number of relevant companies and their current tax bases) are historical data that could be provided for a number of years backwards (e.g. 2001-2005). The last column however corresponds to **data that should be calculated simulating the conditions of a common or a common consolidated corporate tax base (ie CCTB and CCCTB)**, defined in accordance to the CCCTB/WP/057 –or its further revisions- containing the possible elements of the new tax base.


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<sup>1</sup> The following scenarios were proposed as possible *alternative tax policy options* that could be subject to analysis in the Impact Assessment: (i) an optional Common Corporate Tax Base (CCTB) for which only (but all) 'EU multinational groups' would be assumed to opt, (ii) a CCTB that all EU-based companies subject to corporate taxation would be assumed to adopt, (iii) an optional Common Consolidated Corporate Tax Base (CCCTB) for which only (but all) groups qualifying for consolidation would be assumed to opt, and (iv) a CCCTB that all EU-based companies subject to corporate taxation would be assumed to adopt. The definitions of 'EU multinational groups' and 'groups qualifying for consolidation' can be found in CCCTB/WP057 and CCCTB/WP058.

**Table 1. Alternative policy option: An optional Common Corporate Tax Base (CCTB)**


	Number of relevant companies within the Member State X	Aggregate current national tax bases of relevant companies (millions of euros)	Aggregate national CCTB-based tax bases of relevant companies (millions of euros)
<b>Scenario 1.1:</b> Only (but all) EU multinational groups (>50%) opt for CCTB			
<b>Scenario 1.2:</b> All EU-based companies adopt CCTB			


 Historical data for e.g. 5 years backwards

 Data based on simulations of the common tax base (defined in accordance to CCCTB/WP/057 and further revisions of this paper)

**Table 2. Alternative policy option: An optional Common Consolidated Corporate Tax Base (CCCTB)**

	Number of relevant companies within the Member State X	Aggregate current national tax bases of relevant companies (millions of euros)	Aggregate CCCTB-based national tax bases of relevant companies (millions of euros) <sup>2</sup>
<b>Scenario 2.1:</b> Only (but all) EU groups qualifying for consolidation (>75%) opt for CCCTB			
<b>Scenario 2.2:</b> All EU-based companies adopt CCCTB			

 Historical data for e.g. 5 years backwards

 Data based on simulations of the common consolidated tax base (defined in accordance to WP/057 and further revisions of this paper)

4. As regards the second part of the paper, it dealt with the assessment of the effect of alternative tax policy options on national tax administrations' costs. To address this issue systematically a **draft questionnaire** addressed to national tax administrations was developed. The structure of the questionnaire was the following:

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<sup>2</sup> Final results to be reported after calculations of three steps: (i) tax bases before consolidation; (ii) consolidation; (iii) apportionment.

- It first tried to estimate through a number of questions the administrative costs linked to the current systems of corporate taxation in each MS.
- And then it tried to estimate the administrative costs incurred/saved by changing to alternative policy scenarios, distinguishing between
  - one-off costs of the alternative scenarios, such as the costs of familiarising employees and companies with the new system
  - and recurring costs, in particular focusing on those recurring costs that would be affected by alternative tax scenarios in comparison with the current system. Among these, for example, the recurring costs for tax administrations associated to intra-EU transfer pricing, costs of general management of the corporate taxation systems (either a single one or two different systems), costs related to a new administrative framework, etc.

5. After the meeting on 27-28 September 2007, MS were invited to submit their comments. The answers from the experts of the MS that sent comments were summarized in the Room Document '*Summary of responses and points for discussion on 'Input from national tax administrations for the Impact Assessment of the reforms at the EU level of corporate tax systems' and its Annex (CCCTB/WP/058)*' (CCCTB/RD/012)<sup>3</sup>.

6. The main answers on the information sought from tax administrations, were summarised as follows:

*On the assessment of the effects of alternative policy options on national corporate tax bases:*

- *Most MS answering to the questions of the CCCTB/WP/058 are **able to deliver information about the current situation**: that is, the current number of companies subject to corporate taxation (e.g. approximation is possible via the total number of corporate income tax returns), and the current aggregated corporate taxable bases of these taxpayers, as calculated under their national tax regulations.*

- *However, the **information required to evaluate the current state of those companies that could take part in alternative scenarios of multinational group taxation seems difficult to obtain** (ie current number and tax bases of companies that could form multinational groups (>50%) under CCTB or qualify for consolidation (>75%) under CCCTB). For example, for most MS that answered, information such as how many companies would qualify for consolidation under the CCCTB group definition will not be available, because in their countries there is no consolidation or group taxation at all and/or because the information on shareholders/subsidiaries is not included in the tax returns of taxpayers. At the most, MS where there are currently rules for group taxation could provide the number of the companies that currently apply these national systems (as starting point for estimation of how many companies could qualify for consolidation under CCCTB: however, the national rules for definition of the group could be very different to the ones defining a group under CCCTB). Those MS that can identify the companies qualifying for group taxation under their national systems could also provide the current corporate tax bases of these companies. Two other respondents are able to identify and communicate the companies that could qualify for consolidation within their*

<sup>3</sup> This Room Document summarizes the answers of experts from 10 MS. Answers from experts of two other MS (Belgium and Slovak Republic) were received after release of this Room Document and thereby they are not included in such summary, though taken into account in this paper.

countries (ie ownership links between companies can be identified), but one of them only with reference to direct participations.

[...]

- On the request of **information on the new taxable bases** (ie simulations of the new tax base under different scenarios of alternative policy options and how the national aggregates would compare to the current ones), most respondents mentioned that it is too early to make a serious assessment of the impact, because that requires the system that is to be assessed to be more concrete. The details of the CCCTB have not been finalised (in particular issues such as personal scope, rules for the financial sector, all rules determining the new tax base –depreciation, etc seem indispensable) and thus, it is difficult to envisage how the impact assessment may be carried out now. However some MS recognise that even if the specifications were more concrete at a later stage, the calculations of the impact on national revenues of MS would not be possible anyway, because a relevant database is not existing and cannot be created or because it is not possible to simulate alternative taxable bases without building new data processing programs, which can be very costly for national tax administrations (several MS mention the limitation in their resources to participate in this IA).

- **On other calculations necessary to measure the effect of the new tax rules on the aggregated national corporate tax bases:** (i) Calculations on the increased possibilities of loss compensation is possible for a few MS, based on past data and on some national databases; (ii) on the contrary, in general, it does not seem possible to deliver information to assess the impact of the sharing mechanism/s, because the data on the factors (employees, sales, etc) may be known for the national but not for the foreign groups' companies.

On the assessment of the effects of alternative policy options on national tax administrations' costs:

- **Respondents could provide the costs of administration of their current systems of corporate taxation, but estimates of the costs of the alternative systems seem more complicated**, again because the proposal is not specific enough as yet. IT-related costs and human resources seem to be a priori the most important categories of costs affected. No MS declares to be willing, at this point in time, to test the feasibility of answering the questionnaire in detail.

## **II. Purpose of this paper**

7. The purpose of this paper is to formally request to national tax administrations the transmission to the Commission Services of the data that they could gather along the lines described above:

\* For assessing the impacts of alternative policy options on national corporate tax bases: historical data on number of companies and current tax bases and/or simulations of the new tax base (taken into account that the detailed rules of the new tax base are now far more developed).

\* For assessing the impacts of alternative policy options on national tax administrations' costs: answers to the enclosed questionnaire.

8. The deadline for transmission of this requested data is 20 May 2008.



Brussels, 2 April 2008  
TAXUD E1, AAG

**Annex to CCCTB\WP\ \doc\en**  
Orig. EN

**THE ASSESSMENT OF THE POSSIBLE ADMINISTRATIVE COSTS  
FOR NATIONAL TAX ADMINISTRATIONS IN THE EU  
LINKED TO THE IMPLEMENTATION OF REFORMS AT THE EU-LEVEL OF  
CORPORATE TAXATION SYSTEMS**

**Explanatory note**

The European Commission intends to tackle most of the existing cross-border tax obstacles within the Internal Market by proposing a new system of corporate taxation in the EU, according to which a new set of rules will govern the calculation of firms' corporate tax bases. In accordance with current practice, such a Commission legislative proposal has to be accompanied by an Impact Assessment (IA)<sup>4</sup>, which should provide a description of the existing company tax obstacles, define a number of objectives to be achieved by the tax reforms, subject to analysis several alternative policy options that could address the existing problems and assess their respective economic, environmental and social impacts. In that regard, the possible impact on the tax administrations' costs of each of the alternative policy options for reform (compared to the current situation) is an important effect that the IA exercise should try to evaluate.

The following scenarios are proposed as possible alternative tax policy options that could be subject to analysis in the IA: (i) an optional Common Corporate Tax Base (CCTB) for which only (but all) 'EU multinational groups' are assumed to opt, (ii) a CCTB that all EU-based companies subject to corporate taxation are assumed to adopt, (iii) an optional Common Consolidated Corporate Tax Base (CCCTB) for which only (but all) groups qualifying for consolidation are assumed to opt, and (iv) a CCCTB that all EU-based companies subject to corporate taxation are assumed to adopt<sup>5</sup>.

Moreover, as another element of these alternative tax scenarios, it is also envisaged a simpler *administrative framework* that could facilitate the tax-related administrative requirements for companies operating cross-border (e.g. 'one stop shop' approach to administration and other reforms introducing *common* tax-related administrative

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<sup>4</sup> SEC(2005) 791, 15.06.2005, with March 2006 update.

<sup>5</sup> The definitions of 'EU multinational groups' and 'groups qualifying for consolidation' can be found in CCCTB/WP057 and CCCTB/WP058.

processes). This alternative administrative framework could also have an effect on the administrative costs of national tax administrations in the EU<sup>6</sup>.

In order to assess the impacts of each of these policy options and the new administrative framework on tax administrations' costs, compared to the current situation or 'no change' scenario, the following questionnaire has been developed. It is intended to collect from tax administrations information on the administrative costs that the 27 Member States' (MS) national tax administrations may incur/save following the implementation of a new system of calculating the corporate tax bases and a new administrative framework, as defined by the previous alternative policy options.

We should be grateful if you would answer as many of the questions as possible. No individual replies will be published or made available to the public. Costs should be representative for the whole of your administration and the currency used should be indicated. Please use separate sheets of paper if you wish to make further comments.

You are invited to submit your answers to the European Commission no later than 20 May 2008, preferably by e-mail to:

European Commission  
DG Taxation and Customs Union  
Contact person: Mr./Ms.  
E-mail:  
Phone:

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<sup>6</sup> The elements of the administrative framework under the alternative scenarios are those put forward in the Commission Working Paper CCCTB/WP&61: '*CCCTB: possible elements of the Administrative framework*'.

**QUESTIONNAIRE ON THE POSSIBLE ADMINISTRATIVE COSTS  
FOR NATIONAL TAX ADMINISTRATIONS IN THE EU  
LINKED TO THE IMPLEMENTATION OF REFORMS AT THE EU-LEVEL OF  
CORPORATE TAXATION SYSTEMS**

**Contact information:**

Country:.....

Name of national tax administration:.....

Contact person (in case of technical questions):.....

Tel. (incl. country code):.....

E-mail:.....

**Q.1. Which is the currency that you will use when giving cost estimates?.....**

**\* GENERAL ASSESSMENT OF TAX ADMINISTRATION COSTS LINKED TO  
THE CURRENT SYSTEM OF CORPORATE TAXATION**

**Q.2. Can you estimate in monetary terms the average annual costs of running the  
current national system of corporate taxation in your country (during the period  
2002-2006)?**

ANNUAL LABOUR COSTS			ANNUAL OVERHEAD COSTS (equipments, supplies, etc)	TOTAL ANNUAL COSTS
N° of employees (*)	Average annual salary	TOTAL LABOUR COSTS		

(\*) Number of employees (in full-time equivalents) who work directly and indirectly in the corporate taxation section currently (both federal and subcentral levels).

**\* ASSESSMENT OF TAX ADMINISTRATION COSTS LINKED TO THE  
ALTERNATIVE POLICY OPTIONS FOR TAX REFORM**



**Q.3. One off-costs** (i.e. costs that occur only once, at the implementation stage when switching to the relevant alternative policy option): **Choose the one-off actions from the list below that you think would occur with the corresponding tax reform and give a cost estimate for each of the alternative policy options** (if possible, with a breakdown between labour costs and other costs). For those actions that you do not expect to occur mark "N.A."

<b><u>One-off actions</u></b>	<b>LABOUR COSTS</b>	<b>OTHER COSTS</b>	<b>TOTAL COSTS</b>
<p>A) Familiarising/training employees and companies with the new tax system</p> <p>1) CCTB: only (but all) EU multinational groups opt in</p> <p>2) CCTB: all EU-based companies adopt it</p> <p>3) CCCTB: only (but all) EU groups qualifying for consolidation opt in</p> <p>4) CCCTB: all EU-based companies adopt it</p>			
<p>B) Adaptation/construction of informatics systems</p> <p>1) CCTB: only (but all) EU multinational groups opt in</p> <p>2) CCTB: all EU-based companies adopt it</p> <p>3) CCCTB: only (but all) EU groups qualifying for consolidation opt in</p> <p>4) CCCTB: all EU-based companies adopt it</p>			
<p>C) Other significant one-off costs:</p> <p>* .....</p> <p>1) CCTB: only (but all) EU multinational groups opt in</p> <p>2) CCTB: all EU-based companies adopt it</p> <p>3) CCCTB: only (but all) EU groups qualifying for consolidation opt in</p> <p>4) CCCTB: all EU-based companies adopt it</p>			

* .....  1) CCTB: only (but all) EU multinational groups opt in  2) CCTB: all EU-based companies adopt it  3) CCCTB: only (but all) EU groups qualifying for consolidation opt in  4) CCCTB: all EU-based companies adopt it			
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If you have additional comments on the above, please elaborate here:

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**Q.4. Recurring -costs** (i.e. costs that are repeated in subsequent years). **The following tries to assess just *those categories of recurring costs that would be affected by a switch to any of the alternative policy options (either because they would increase or decrease with respect to the current situation)*. The average<sup>7</sup>/expected<sup>8</sup> annual amount of each of these categories of recurring costs should be reported for each of the policy options, including the ‘no change scenario’ (if possible, with a breakdown between labour costs and other costs). This will enable to calculate the additional costs or savings of each alternative option compared to the current system.**

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<sup>7</sup> In the ‘no change’ scenario for the period 2002-2006.

<sup>8</sup> In the alternative policy options.

<b><u>Categories of recurring-costs that could be affected by a tax reform:</u></b>	<b>LABOUR COSTS</b>	<b>OTHER COSTS</b>	<b>TOTAL COSTS</b>
<p>A) General management of the system<sup>9</sup></p> <p>1) No change</p> <p>2) CCTB: only (but all) EU multinational groups opt in</p> <p>3) CCTB: all EU-based companies adopt it</p> <p>4) CCCTB: only (but all) EU groups qualifying for consolidation opt in</p> <p>5) CCCTB: all EU-based companies adopt it</p>			
<p>B) Coordination with other tax administrations</p> <p>1) No change</p> <p>2) CCTB: only (but all) EU multinational groups opt in</p> <p>3) CCTB: all EU-based companies adopt it</p> <p>4) CCCTB: only (but all) EU groups qualifying for consolidation opt in</p> <p>5) CCCTB: all EU-based companies adopt it</p>			

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<sup>9</sup> In particular, take into account in the assessment of these costs that the policy options 1), 3) and 5) require the management of just one system of corporate taxation (either the national one under 1) or the EU common one under 3) and 5)) while options 2) and 4) require the management of two different systems of corporate taxation (the national one together with the EU common one).

C) Costs related to intra-EU transfer pricing (monitoring, resolving disputes, etc)	<b>LABOUR COSTS</b>	<b>OTHER COSTS</b>	<b>TOTAL COSTS</b>
<p>D) Other significant recurring costs that may be affected (saved/increased) by a switch to any of the alternative policy options:</p> <p>* .....</p> <p>1) No change</p> <p>2) CCTB: only (but all) EU multinational groups opt in</p> <p>3) CCTB: all EU-based companies adopt it</p> <p>4) CCCTB: only (but all) EU groups qualifying for consolidation opt in</p> <p>5) CCCTB: all EU-based companies adopt it</p> <p>* .....</p> <p>1) No change</p> <p>2) CCTB: only (but all) EU multinational groups opt in</p> <p>3) CCTB: all EU-based companies adopt it</p> <p>4) CCCTB: only (but all) EU groups qualifying for consolidation opt in</p> <p>5) CCCTB: all EU-based companies adopt it</p>			

If you have additional comments on the above, please elaborate here:

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**\* GENERAL QUESTIONS**

**Q.5. Please comment on any other issues that you consider relevant to the administration costs that would be incurred/saved as a result of the tax changes. Give specific examples and explain the associated costs.**

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