

# **EU Corporate Tax Reform : Progress and New Challenges**

Session 2 « Pilot schemes as a  
concrete way of making progress  
towards an Internal Market without  
company tax obstacles »

Panel Discussion

Saturday, 6 December 2003

# 1. Panelists

- Stella RAVENTOS CALVO, Chair of the Direct Taxation Committee of the Confédération Fiscale Européenne;
- Wolfgang NOLZ, Director General Austrian Ministry of Finance;
- Jan VAN DER BIJL, Chairman of Unice Fiscal Affairs Working Group;

# 1. Panelists

- Chas ROY-CHOWDHURY, President of the Taxation Committee of the small business grouping UEAPME, member of the Tax Working parties of FEE.

## 2. Organization of our discussions

- **Three topics :**

- 1 - *' Home State Taxation ' for small and medium-sized enterprises - the way forward in practice*
- 2 - *A common consolidated EU tax base for the Societas Europaea - the options; assessment of potential discrimination issues; the role of accounting harmonisation*
- 3 - *The ' comprehensive approaches ' for removing the tax obstacles in the Internal Market of 25 Member States - an overall assessment.*

- Each one will be introduced by a panel member before comments / discussions by the other members.
  - 1 - Home State : Chas ROY-CHOWDHURY
  - 2 - Common consolidated EU tax base : Stella RAVENTOS CALVO
  - 3 - Comprehensive approaches : Jan VAN DER BIJL

ROME CT REFORM CONFERENCE  
HOME STATE TAXATION

Chas Roy-Chowdhury  
Head of Taxation  
Association of Chartered Certified Accountants

# INTRODUCTION – HOME STATE TAXATION (HST)

- HST theoretical or practical
  - Quick recap of the theory
  - Is it practical
  - Why might it happen – actual majority voting

# THE MELTING POT

- Definition issues – what is the Home State
  - keep simple
  - maybe based upon election by company

## Otherwise

- look at management and control
- turnover
- employee head count
- first country of registration



# HST SHOULD ALL COMPANIES BE IN

- Fiscal risk will determine the scope of the scheme.
- Large companies already operate across borders
  - tax risk already quantified
- SMEs from most EU States do not participate in the single market
  - fiscal risk depending upon definitions probably less than 2-3% of CT tax take.
  - but greater revenue opportunities from increased trade and employment

# PRACTICAL DIFFICULTIES - PROFIT SHARE

- No clear cut attribution method
  - turnover is it representative
  - number of employees
  - payroll size etc.
- All have flaws could be manipulated
- Governments need to be bold to help SMEs
- Trust between governments

# PILOT SCHEME

- Actual and factual – no to theory
- No short termism – long-term/permanent
- Geographically varied and wide
- Tax neutrality issues but these can be studied in the pilot

A common consolidated EU tax base  
for the *Societas Europaea*

Stella Raventos-Calvo

# Why?

- **Application to a limited group of companies would allow useful practical experience to be gained**
- **The European Company Statute without proper EU tax rules will be of no practical benefit**
- **SEs display an EU “vocation”**
- **The new legal format will set the SE apart from other companies**

# Why not?

- **Possible discrimination towards those companies which cannot transform themselves into an SE/Competition issues**
- **In what cases?:**
  - Domestic versus international businesses?
  - Those companies which will not be able to adopt the SE form? Why?
- **Possible solutions?**
  - Compulsory or optional for companies?
  - Compulsory or optional for Member States? (taking into account that the European Company Statute is compulsory)

# **Technical issues (to be tackled in the future)**

- **IAS application as basis of taxation**
  - **who issues the IAS?**
  - **tax rules often diverge from accounting rules**
- **The allocation formula**
  - **the same problems as in the case of HST**
  - **one formula for all sectors?**

# Comprehensive approaches

J.A.A. van der Bijl



# Why?

- **One market, 15 - 25 jurisdictions**
- **Tax obstacles**
  - **Transfer pricing**
  - **Allocation of international/regional cost**
  - **Cross-border restructuring**
  - **Cross-border loss compensation**
  - **Branches vs subsidiaries**
- **ECJ**

# **What?**

- **Common base?**
- **Consolidation?**

**BOTH**

# What?

- **HST for SME**
- **CCBT for MNE**
- **Key Issues:**
  - **Allocation key**
  - **What basis for CCBT**
  - **Non-EU income**
  - **Intangibles**
  - **Currency (non-Euro countries)**
  - **Optional?**

# How?

- **Develop a common base adapting IAS to tax principles (IAS only used as a starting point for the first draft)**
- **Set up a ‘High Level’ group to monitor and change if and when necessary**
- **Unanimity vs QMV?**
- **Enhanced co-operation?**
- **Pilot projects?**