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COMMON CONSOLIDATED CORPORATE TAX BASE WORKING GROUP (CCCTB WG)

Draft Work Programme

Meeting to be held on Tuesday 23 November 2004

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WORKING DOCUMENT

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Common Consolidated Corporate Tax Base Working Group ("CCCTB WG")

Draft Work Plan

The Work Plan is designed to be updated on a regular basis as work progresses. The main objective of the Working Group is to examine from a technical perspective the definition of a common consolidated tax base and four main areas of work have been identified. Although at this stage it is suggested that the four main areas of work should be initially addressed consecutively all areas will remain 'open' for further discussion and refinement as the work progresses. The sequencing of discussions on the individual subjects within each area of work is open for discussion by the Working Group. The list of individual subjects is for illustration rather than a conclusive listing.

As regards timing the initial assumption is that each subject will need to be discussed at least two meetings; the initial discussion based on papers submitted to the first meeting and a second discussion at the subsequent meeting. At each meeting two subjects would be discussed, one for the first time, and one for the second time. Input from sub-groups is expected to be an important feature of the work.

For each subject the Commission Services will endeavour to provide a discussion paper and, where appropriate, a brief summary of the general range of approaches across the EU for the first discussion in the Working Group. It is expected that the accounting and measurement definitions in the International Accounting Standards (IAS)¹ and International Financial Reporting Standards (IFRS) will provide a useful neutral starting point for discussion on some subjects.

I

General Tax Principles: to be used to guide the development of a CCCTB and evaluate the treatment of the different structural elements

[for further useful background see Part I, Chapter 4 of the Company Tax Study SEC 1681 2001, and the IASB Framework]

For example –

General economic principles which can serve as criteria, eg

Equity, efficiency, effectiveness, simplicity, certainty, transparency, welfare and distortion, and

Tax accounting principles such as:

Valuation or measurement of assets and liabilities, separation of assets and liabilities (no netting off), timing or recognition of income and expense recognition, materiality,

¹ The full set of endorsed IAS and IFRS were published in OJ L261, 13 October 2003 (Regulation 1725/2003) and OJ L111, 17 October 2004 (Regulation 707/2004) and are available on the following web-pages:
http://europa.eu.int/eur-lex/en/archive/2003/l_26120031013en.html
http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexapi!prod!CELEXnumdoc&lg=en&numdoc=32004R0707&model=guichett

substance over form, prudence, possible distinction between capital and revenue expenditure.

II

Traditional Structural Elements of the Tax Base

[for further useful background see Part II, A of the Company Tax Study]

Depreciation

For example –

Types of assets, and rates and methods of tax deductible depreciation.

See also IAS 16, 36,37,38

Provisions

Capital Gains

Inventories

Expenses

Losses

Inter-company dividends

Tax accounting rules

Mergers & Acquisitions

Special incentives, eg Research and Development

III

Additional Elements of a Common Consolidated Tax Base

Method of consolidation

Legal and administrative framework, including auditing etc

Anti-avoidance regime (including Controlled Foreign Company legislation)

'Waters Edge' – definitions and rules for EU/non EU delineation

Double Taxation Agreements - EU and non-EU (and EU participants and EU non-participants)

Mechanism for 'sharing' the consolidated tax base between individual Member States

IV

Application of the Common Consolidated Tax Base

Technical Implications of partial implementation by Member States (enhanced cooperation)

Compulsory or optional

Restriction to certain categories of companies, eg by size, by sector

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