

## **Comments on document CCCTB\WP\006 – Common Consolidated Corporate Tax Base Working Group - Reserves, Provisions and Liabilities**

Reserves and provisions represent an important part of the tax base. The paper from the CCCTB WG on reserves, provision and liabilities raises many interesting and complex issues.

We believe that it is important to find some key principles which can be generally agreed upon. It appears suitable that some of the tax principles outlined in WP001 are used when trying to define common rules. It also appears appropriate, as suggested by the Commission, to first focus on establishing a general policy for provisions which are applicable for all companies and business sectors. Work on possible sector specific policies should be commenced when such general policies are established. Considering the many differences between MS's current rules and policies on this area, a close reference to their existing practices or a focus on specific business sectors might hamper the goal to reach some generally accepted principles.

It appears appropriate that reserves, provisions and liabilities are discussed together. The amount and timing of the recognition of a liability and the issue of deductibility of provisions and reserves are key issues.

Provisions and reserves are closely linked to several "elements of judgement" such as timing and amount. In order to achieve a "true" common tax base, attention must thus be paid not only to the adoption of uniform rules but also to a coherent application thereof. This issue is not discussed in the paper and should be given attention in the future.

Legally required provisions or transfers of reserves inhibit a company's freedom to allocate profits and to use them in the most efficient way. We believe that the most straightforward way of compensating for this loss of freedom is to allow them to be tax deductible.

In order to promote simplicity and flexibility on this complex area, the rules should be kept as simple as possible and be based on the principle of prudence rather than the principle of exactness. Detailed and differentiated rules do not necessarily lead to better compliance.

An issue not dealt with in the paper is the treatment of provisions and reserves upon the transfer of businesses from one member state to another. In order to remove tax obstacles for companies operating within the EU market and to comply with the principles of free movement, it is imperative that reserves and provisions as regulated under the CCCTB rules are not subject to any forms of exit taxes.

On behalf of the UNICE Task Force on CCCTB

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