



European Conference on Company Taxation 29/30 April 2002

“ War is too important to leave to Generals ”

**“ Taxation is too complicated to leave to tax
specialists ”**

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Commission Communication & Services' Study

- **Identified the tax obstacles hindering cross-border economic activities in the EU**
 - **Analysed targeted solutions to the different tax obstacles**
 - **Analysed comprehensive solutions**
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Targeted Solutions (I)

- **Amendment of existing Merger and Parent/Subsidiary Directives**
 - 📄 Discussions started with MS in Commission Working Group
 - **Provision of non-binding guidance to Member States on application of EU law**
 - 📄 Discussions started with MS in Commission Working Group
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Targeted Solutions (II)

- **Discussions with a view to preparing a new proposal on cross-border loss-offset**
 - 📄 Old proposal formally withdrawn, discussions late 2002/2003 (possibly linked to a consolidated common base)
 - **Preparation of a Communication on double taxation treaties in the light of the EC Treaty principles**
 - Work planned for 2003
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Targeted Solutions (III)

- **Establishment of a joint EU Transfer Pricing Forum**
 - ↳ **Member State and business representatives; OECD secretariat and candidate countries as observer**
 - **Aiming for:**
 - ↳ **A more uniform application of the OECD Guidelines in the EU**
 - ↳ **Exchange of best practice in the EU**
 - ↳ **Improvement of the Arbitration Convention and transformation into a Directive**
-  **Welcomed by Council, final arrangements under way, Official Journal call for business representatives April 16**
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Lessons from the Conference

- **Enormous interest from across the EU and beyond in Company Tax Policy in the EU and in particular the concept of a common consolidated tax base for companies in the Internal Market**
 - **There is a real need for this type of structured debate between all interested parties**
 - **Comments from participants have not been ‘Why is the Commission holding such a conference?’, but rather ‘Why not hold such a conference more often?’**
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Home State Taxation

- **Not the preferred or the ideal solution**

But

- **There is still some interest in the possible application of such a ‘mutual recognition’ approach for small and medium sized enterprises**
 - **Even for wider application it should probably ‘remain on the table’ , a ‘back stop’ if progress on a more preferred option is completely blocked**
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Common Consolidated Base

- **There is strong support from some sides**

And

- **Some concerns about an additional tax base alongside the existing ones, but little outright opposition**
 - **Overall it deserves close attention - particularly since the *Societas Europaeae* needs a tax regime to be a useful corporate vehicle, and it could be a useful pilot project**
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EUCIT and Harmonisation

- **Some interesting comments on the merits of harmonisation which mean it should not be ruled out altogether**

But

- **Complicated by significant institutional and political difficulties and**
 - **Perhaps more than is needed to resolve the tax obstacles**
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Where next? Commission initiatives

- Commission to work on longer term background - eg formula apportionment, implications of IAS, *Societas Europaeae*
 - Need to understand practicalities & re-distributive implications for MS tax bases
 - Need to examine opportunities created by the introduction of IAS across the EU - implications for existing national accounting standards relatively well developed, but work on tax implications required
 - Need to ensure *Societas Europaeae* receives appropriate tax treatment - work on possible options
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Commission initiatives (continued)

- **Commission to also work on**
 - Possible distortions caused by a new approach - in particular the implications of an 'optional' approach
 - Possible application of a Home State approach for Small and Medium Enterprises
- **Commission Communication on progress early 2003**

And

- **Ongoing dialogue with Member States and all the interested parties**
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