



EUROPEAN COMMISSION
DIRECTORATE-GENERAL
TAXATION AND CUSTOMS UNION
Analyses and tax policies
Analysis and coordination of tax policies

Brussels, 11 September 2007
TAXUD E1, AAG/AB

Annex to CCCTB\WP\058\doc\en
Orig. EN **DRAFT**

**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)¹, 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 adopt².

In order to assess the impacts of each of these policy options on tax administrations' costs, compared to the current situation or 'no change' scenario, the following draft questionnaire has been designed. It is intended to collect from tax administrations information on the administrative costs that the 27 Member States' (MS) national tax

¹ SEC(2005) 791, 15.06.2005, with March 2006 update.

² The definitions of 'EU multinational groups' and 'groups qualifying for consolidation' can be found in CCCTB/WP057 and CCCTB/WP058.

administrations may incur/save following the implementation of a new system of calculating the corporate tax bases, 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 comments to the European Commission no later than (date)....., preferably by e-mail to:

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

**DRAFT 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."

| <u>One-off actions</u> | LABOUR COSTS | OTHER COSTS | TOTAL COSTS |
|---|---------------------|--------------------|--------------------|
| <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</p> | | | |

| | | | |
|--|--|--|--|
| companies adopt it * 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 | | | |
|--|--|--|--|

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

.....

Q.4. Do you think that the one-off costs associated with the alternative policy options would depend on the number of companies opting for the reform?

| NO | YES, to a small extent | YES, to certain extent | YES, to a large extent |
|----|------------------------|------------------------|------------------------|
| | | | |

Further comments on the above:

.....

Q.5. 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 average³/expected⁴ 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.**

³ In the ‘no change’ scenario for the period 2002-2006.

⁴ In the alternative policy options.

| <u>Categories of recurring-costs that could be affected by a tax reform:</u> | LABOUR COSTS | OTHER COSTS | TOTAL COSTS |
|---|---------------------|--------------------|--------------------|
| <p>A) General management of the system⁵</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> | | | |

⁵ 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) | LABOUR COSTS | OTHER COSTS | TOTAL COSTS |
|--|---------------------|--------------------|--------------------|
| <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:

.....

Q.6. Do you expect the recurring costs that would be affected by any of the alternative policy options to increase/decrease in the future (beyond inflation), for instance because of organisational or technological adaptations? In case, please express changes in percentage

| | YES | | NO | DO NOT KNOW |
|--|---------|----------|----|-------------|
| | Decline | Increase | | |
| 1) No change | | | | |
| 2) CCTB: only/all EU multinational groups opt in | | | | |
| 3) CCTB: all EU-based companies adopt it | | | | |
| 4) CCCTB: only/all EU groups qualifying for consolidation opt in | | | | |
| 5) CCCTB: all EU-based companies adopt it | | | | |

Q.7. Do you think that the recurring costs associated with the alternative policy options would depend on the number of companies opting for the reform?

| NO | YES, to a small extent | YES, to certain extent | YES, to a large extent |
|----|------------------------|------------------------|------------------------|
| | | | |

*** GENERAL QUESTIONS**

Q.8. Please describe how (if applicable) you assess the administration costs' increments/savings of domestic tax reforms.

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Q.9. 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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