

Comments on document CCCTB/WP066
Common Consolidated Corporate Tax Base Working Group
-Various detailed aspects of the CCCTB-

The BUSINESSEUROPE Task Force on CCCTB is grateful for having the opportunity to comment on the above mentioned document. We would like to give some comments with respect to the treatment of local taxes.

Para. 10 – As a main principle, all local taxes shall be deductible as expenses for carrying on the business and generating profits. The immediate question is whether such taxes shall be deducted before or after the tax base has been allocated to the respective Member State. In this respect, it is important to strike a proper balance between achieving a fair allocation of the deductions to the Member State levying the tax and the fundamental objective of finding a simple system for the taxpayer which is feasible from a practical perspective.

A majority of the experts at the meeting in September 2006 expressed the view that local taxes should be deducted from each individual Member State's share of the consolidated tax base and not from the consolidated tax base. In principle we share that view and think that it should apply with respect to the more substantial local taxes. We recognise that allowing all local taxes to be deducted from the consolidated tax base could have an undesired impact on the apportionment of the CCCTB for Member States that do not levy such local taxes. Furthermore, this could lead to a scenario where more Member States consider introducing such taxes thus eroding the exclusiveness of the CCCTB.

Para. 11 – From a practical point of view and in order to limit the administrative burden in terms of compliance, however, we believe that a distinction need to be made between local taxes that are substantial from an economic point of view and less significant ones. The latter taxes, numerous as they are, should be recognised as an immediate cost of doing business and therefore be deductible in the company to which it refers before the consolidated profits are allocated to the Member States via the Formulary Apportionment. In contrast, the significant local taxes should be deductible not against the consolidated base before the apportionment but in the relevant Member State against its share of the base.

Furthermore, we concur that it should be easy for the taxpayer to identify which local taxes that should be regarded as substantial and hence be deductible against each Member State's respective share of the tax base (i.e. after the allocation). To enhance simplicity, this should preferably be facilitated by a list accompanied by general rule providing deductibility of any such substantial taxes introduced after the CCCTB.

On behalf of the BusinessEurope Task Force on CCCTB
May 16, 2008



Krister Andersson