

Ladies and gentlemen,

One of the reasons of the poor competitiveness of the EU is that the 25 different tax systems result in the improper functioning of the Internal Market.

The 25 different methods to calculate the corporate tax base result in the lack of transparency as far as the tax burden is concerned, in huge compliance costs and administrative burden, in the lack of crossborder loss-relief and in a number of other problems.

So I am pleased to announce that the Commission has issued a Communication on "the progress to date and the next steps towards a Common Consolidated Corporate Tax Base".

This Communication reports on the work done by the Commission on the Common Consolidated Tax Base to date and the work program beyond 2006. It also draws attention to those areas where further political support and direction is desirable.

The Common Consolidated Corporate Tax Base would be a major step in reaching the goals of the Lisbon Strategy. It would enhance competitiveness, boost growth and promote the creation of jobs in the EU.

The Common Consolidated Corporate Tax Base

(1) would bring a significant reduction in compliance costs and burdens of companies operating across the internal market;

(2) would resolve existing transfer pricing problems;

(3) would allow cross-border offsetting of profits and losses;

(4) would help to avoid double taxation;

(5) and it would increase transparency in the tax competition.

I want to emphasise that harmonisation would only cover the tax base and would not relate to the tax rates. Setting the rates would remain in the competence of the Member States.

I would like to remind you that the introduction of a CCCTB has received full support from the European Parliament and from the European Economic and Social Committee. The idea also enjoys the broad support of the business community.

A large amount of work has already been done since the Working Group on the Common Consolidated Tax Base was created at the end of 2004.

This Commission led Working Group has up to now worked on the structural technical elements of the Common Consolidated Tax Base. Four main blocks of issues have been discussed so far:

(1) assets and depreciation,

(2) reserves,

(3) taxable income and

(4) international aspects.

For each of these structural elements a dedicated sub-group has been set up, each chaired by a different Member State (Germany, France, Italy and Spain). The work of those four sub-groups should be completed by the end of 2006.

We want to start work on three further important elements in 2006:

first, the consolidation of profits and losses;

second, the mechanism for sharing the common consolidated tax base among Member States; and

third, the structural and legal framework of the proposal.

Beyond 2006, planning is subject to the progress achieved in the Working Group. Anyhow, further 'progress reports' are planned after each Presidency.

The Commission has committed itself to present a legislative proposal by the end of 2008.

The participation of Member States in the Working Group has so far been encouraging. All Member States have participated in the Working

Group meetings, although it is acknowledged that participation does not necessarily imply a clearcut support for the concept of a Common Consolidated Tax Base.

The Communication of the Commission raises three key issues.

First, the Commission believes that the link between the International Accounting Standards (IAS) should be used only as a conceptual tool in designing the base because they provide a common language and some common definitions. Elements of these international standards which are not suitable for taxation will not be imported into the Common Consolidated Tax Base and there will be no direct formal link to the constantly changing standards.

Second, the Commission is convinced that the base should be introduced from the very beginning as a consolidated tax base. We believe that this approach will bring the greatest benefits to the Internal Market, as only the consolidation will solve the problems associated with the lack of cross-border loss relief or transfer pricing.

Third, the Commission also believes that the CCCTB should be optional for companies, having in mind that the primary goal is to improve the operation of the internal market. As apparently a number of companies operate only in their home state, there is no need to change the tax base for such companies.

It is recognised that Member States will not be able to make a final decision on whether or not to support the Common Consolidated Tax Base until a formal proposal has been presented by the Commission.

However, clear support for the work programme is essential for further progress.

I hope that our Communication will allow a broad debate on these key issues and on the work programme beyond 2006. Finance Ministers will deal with this Communication at their June ECOFIN-Council meeting and we would welcome political support and direction on that occasion.

What we are looking for the moment is broad support for continuing with this preparatory work as foreseen, without prejudging future political decisions.

Ladies and gentlemen,

Thank you very much for being here today and for your attention.