

COMMUNICATION

**from the European Affairs Committee of the Federal Council
to the European Commission, the European Parliament and the Council**

pursuant to Article 23 f (4) of the Austrian Constitution

17 January 2017

COM (2016) 683 final

Proposal for a Council Directive on a Common Consolidated Corporate Tax Base (CCCTB)

and

COM (2016) 685 final

Proposal for a Council Directive on a Common Corporate Tax Base

Since 2011, the European Commission has pursued the project of creating a Common Consolidated Corporate Tax Base (CCCTB), which is to allow economic operators to treat the European Union as a single market for the purpose of corporate tax. This is to facilitate their cross-border activity and promote trade and investment.

The Federal Council wishes to thank the Commission for resuming this positive initiative and notes that the current rules of corporate taxation are no longer fit for the age of digitisation. Given the fact that the economic environment has become much more globalised, mobile and digital, a relaunch of the debate on the corporate tax base is urgently required. Moreover, business models and corporate structures have become more complex in recent years, making it easier to shift profits. Furthermore, the divergence of national corporate tax systems has allowed aggressive tax planning to gain ground in the past decade.

Currently, businesses with cross-border activities have to comply with 28 divergent corporate tax systems, which is very burdensome and time-consuming. A common tax base would simplify the conduct of business and lead to greater transparency, a development welcomed by the Austrian Federal Council.

The relaunch of the CCCTB project would not only make it easier for economic operators to

do business in the European Union, but also serve to combat tax avoidance strategies.

The Austrian Federal Council welcomes the Commission's objective of creating a system of corporate taxation under which corporate profits are taxed where they arise. Tax avoidance through transfer pricing schemes would no longer be possible.

While underlining its agreement in principle with the proposal submitted, the Austrian Federal Council wishes to draw attention to the following problematic areas:

- In the opinion of the Federal Council, the proposed directives harbour a certain number of risks, such as the possibility of a parallel regime of "old" corporate tax and CCCTB developing, which would create a considerably heavier administrative burden without contributing to the urgently needed increase in transparency.
- Furthermore, it should be examined if the envisaged tax privileges (e.g. for research expenses) would not ultimately lower the tax revenues of the Member States. This would be undesirable and difficult to explain to the population, as citizens expect the CCCTB to generate higher tax revenues and/or impose higher taxes on multinational corporations.
- Moreover, the Federal Council is of the opinion that a minimum tax rate should be established as a matter of urgency. The Federal Council wishes to point out that a uniform tax base without a minimum tax rate would further intensify tax competition within the European Union and therefore calls for the establishment of a minimum tax rate.
- It should also be underlined that the CCCTB only prevents the shifting of profits within the EU, whereas profits are frequently transferred beyond the borders of the EU to tax havens. Therefore, the common EU strategy against tax havens currently being elaborated will provide an important foundation for the CCCTB.
- The Federal Council rejects the proposal of introduction in two stages and advocates the simultaneous introduction of the common tax base and the corporate tax rates.

In conclusion, the Federal Council wishes to point out that within the framework of EU tax policy it should still be possible for Member States to set their own priorities with regard to corporate income tax.