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*Mr Călin POPESCU-
TĂRICEANU
President of the Senat
Calea 13 Septembrie nr. 1-3,
sector 5
RO – 050711 BUCHAREST*

Dear President,

The Commission would like to thank the Senat for its Opinion on the Communication "A fair and Efficient Corporate Tax System in the European Union: 5 Key Areas for Action" {COM(2015) 302 final}.

This Action Plan sets out an ambitious package of measures designed to combat aggressive tax planning within the EU.

While taking into account the necessity to reinforce the efficiency of the tax environment for businesses in the Single Market, the key objective of this Action Plan is to ensure that companies are taxed where their profits are generated and cannot avoid paying their fair share of tax through aggressive tax planning.

The Commission welcomes the Senat's broad support for the aims of the Action Plan which will provide the basis for the Commission's work on corporate tax policy during the coming years.

The Commission also welcomes the Senat's support for the inclusion of effective anti-abuse clauses in the proposed recast of the Directive on interest and royalty payments¹. The negotiations at Council level have already started and the technical aspects are being discussed in detail. It is for the Council, in which your government is represented, to decide how this project can be politically advanced.

Regarding the Code of Conduct for the Business Taxation Group, the Commission appreciates the Senat's Opinion on strengthening its role and takes note that Romania supports the implementation of the so-called nexus approach for Patent Boxes.

The Commission takes seriously the concerns expressed by the Senat regarding the consolidation elements and the cross-border recovery of losses in the Common Consolidated

¹ COM(2011) 714 final.

Corporate Tax Base (CCCTB) proposal. The CCCTB would be a major step forward for companies operating in the Single Market, as it would simplify tax compliance in the EU.

The Commission remains fully committed to consolidation which offers a holistic solution to the problem of profit shifting in the EU. The re-launched CCCTB will be deployed in two steps. Efforts would first be concentrated on agreeing the rules for a Common Corporate Tax base (CCTB). A cross-border loss relief regime is envisaged as an integral part of this first step in order to balance defensive measures with a guarantee of a better business environment. In the recent public consultation document on the CCCTB, a cross-border relief system was presented as an option. The Commission does not preclude engaging in further exploratory exchanges on the different technical and legal aspects of such a possible regime. In any event, this cross-border loss relief regime would automatically be cancelled when the full CCCTB enters into force.

As a second stage, discussions on consolidation will be postponed until the CCTB has been agreed and implemented, in order not to hold back progress on other important elements of the proposal such as anti-base erosion measures.

The new proposal is planned for autumn 2016 and will take into account the outcome of the discussions held in the Council on the various provisions of the tax base, as well as the results of the public consultation which closed in January.

Following the Action Plan, the Commission also presented an Anti-Tax Avoidance Package on 28 January 2016. This package reflects discussions in the Council, recommendations from the European Parliament and the outcomes of the OECD's Base Erosion and Profit Shifting (BEPS) project. The package also includes a proposal for an Anti-Tax Avoidance Directive, a proposal for country-by-country reporting between tax authorities and sets out a new EU strategy to protect the Single Market from external base erosion threats. The package aims at introducing common rules to ensure that anti-avoidance measures are implemented in a coordinated manner across the EU, thereby reinforcing Member States' defences against abuse, providing more legal certainty to businesses and enhancing coherency in the Single Market.

Taken together, the CCCTB and the Anti-Tax Avoidance Package will provide a more efficient tax system and more transparency within the EU. The measures proposed will contribute to achieving revenue stability, a stronger Single Market, greater corporate resilience and efficiency as well as a fair and level-playing field for businesses.

The Commission hopes that the explanations provided in this reply address the issues raised by the Senat and looks forward to continuing the political dialogue in the future.

Yours faithfully,

*Frans Timmermans
First Vice-President*

*Pierre Moscovici
Member of the Commission*