



EUROPEAN COMMISSION
IMPACT ASSESSMENT BOARD

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Opinion

Title **Impact assessment accompanying the Proposal for a Council Directive on a Common Consolidated Corporate Tax Base (CCCTB)**

(A) Context

This initiative aims to address the negative effects on the internal market associated with the existence of different corporate income tax systems. These may harm the competitiveness of EU firms as firms with cross-border operations have to make burdensome arrangements that entail considerable compliance costs. This initiative has been prepared over a period of 10 years in close cooperation with the Member States. The motivation for this initiative derives partly from article 26 TFEU, because the problems affect the Internal Market. The right for the Community to act in the field of direct taxation is set out in article 115 of TFEU.

(B) Overall assessment

While the report presents complex technical corporate tax issues in a well-structured manner it should clarify that the analysis builds on a consultative process in which the relevant technical details have been discussed extensively with Member States, stakeholders and tax experts. The report should explain that the specific impacts on individual Member States depend largely on the way in which their governments decide to apply the Directive, and whether and how they adapt their mix of taxation instruments. For the main issues identified in the problem description, and especially for compliance cost, the report should improve the presentation of the quantitative evidence, or explain why certain data were unavailable. The reduction of tax compliance costs should be prominently identified as the main objective and analysis on this issue should be presented systematically throughout the whole report.

(C) Main recommendations for improvements

(1) Clarify the scope and focus of the analysis. The report should indicate more clearly that the technical details on the construction of the tax base under the different options, as listed in Annex 5, have already been the subject of broad consultation and lengthy discussions. It should clarify that the analysis focuses on the two most critical parameters, (i) the applied rule for depreciation allowances and (ii) the formula for the apportionment of the consolidated tax base to the different Member States in which international group

entities operate. On that basis the report should explain that national variations in these two factors are decisive for the final impacts of the chosen option for the tax base calculation. To improve the readability of the report the main design elements of the tax base calculation under the various options should be summarised in the main text, with reference to the more detailed information in Annex 5.

(2) Emphasise that variations in implementation and application of the Directive are decisive for the impacts on individual Member States. The report should indicate more clearly that the impacts of the different options for individual Member States are difficult to determine at this stage, because they will depend on their subsequent decisions on how to implement and apply the Directive. It should therefore clarify that the final impact on overall tax revenues depends on Member States' own policy choices with regard to possible adaptations of the mix of different tax instruments or applied tax rates.

(3) Present quantitative data on the scale of the problem and the possible benefits more clearly. The report should improve the presentation of quantitative evidence on the scale of the main problems identified in the report, especially compliance cost, and should explain why more detailed data on double and over-taxation were unavailable.

(4) Make clear that the reduction of compliance costs is the main objective. The report should be more transparent in identifying reduction of tax compliance costs as the main objective early in the report, and should emphasise more clearly that under the baseline scenario these costs would be expected to continue to rise. Given the importance of tax compliance costs and their reduction, the analysis of this issue should be presented in a more systematic way throughout the report, particularly when comparing the options.

Some more technical comments have been transmitted directly to the author DG and are expected to be incorporated in the final version of the impact assessment report.

(D) Procedure and presentation

The report can be read as a standalone document, but its accessibility for the non-expert reader should be improved. Essential information in the Annexes should be summarised (in overview tables) and appropriately referenced in the main text. Where possible the report should use less technical language. A glossary of abbreviations and technical terms should be provided, as well as a reference list to improve the usefulness of the many literature references. The report could be shortened by moving some technical descriptions of analytic methods to the Annexes.

(E) IAB scrutiny process

Reference number	2008/TAXUD/001
External expertise used	No
Date of Board Meeting	15 December 2010