

# Tax treatment of losses in cross-border situations

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The Committee on Economic and Monetary Affairs adopted the own-initiative report by Piiia-Noora **KAUPPI** (EPP-ED, FI) in response to the Commission communication on tax treatment and losses in cross-border situations.

MEPs express concern over the negative impact that the different treatment of cross-border losses by Member States has on the functioning of the internal market. They consider that differing company tax regimes create obstacles to entering different national markets and the proper functioning of the internal market, distort competition, and prevent the maintenance of a level playing field for undertakings at EU level.

The report underlines that any targeted measure to introduce cross-border loss relief should be defined and implemented on the basis of a multilateral, common approach and coordinated action by the Member States. It recalls that such targeted measures represent an intermediate solution pending the adoption of the Common Consolidated Corporate Tax Base (CCCTB) which constitutes a comprehensive long term solution for tax obstacles linked to the cross-border offsetting of losses and profits.

MEPs consider that action in favour of groups of companies that do business in several Member States should be a priority, as it is precisely those groups that suffer from different treatment with regard to cross-border losses, compared to groups of companies that do business in one Member State only.

Acknowledging that simply extending domestic regimes to cross-border situations is difficult as the tax bases are different, the report urges that the relevance of cross-border loss relief be acknowledged whilst underlining that further in-depth elaboration is necessary as regards the cross-border loss relief scheme.

The committee believes that corporate groups present in several Member States should be treated as far as possible in the same way as groups present in a single Member State. In situations involving cross-border losses by foreign subsidiaries, double-taxation of the parent company must be avoided, fiscal competence must be fairly distributed between Member States, losses may not be offset twice and tax avoidance must be prevented.

The report reiterates the importance of defining the concept of 'corporate group' in order to prevent firms from opportunistically distributing profits and losses among Member States. It also notes that a further thorough analysis is of great importance with respect to assessing the extent to which the proposed cross-border loss relief scheme could promote the cross-border activity of SMEs.