

## Common consolidated corporate tax base (CCCTB)

2016/0336(CNS) - 15/03/2018 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 438 votes to 145, with 69 abstentions, following Parliaments consultation, a legislative resolution on the proposal for a Council directive on a Common Consolidated Corporate Tax Base (CCCTB).

Parliament approved the Commission proposal subject to the following amendments:

Members noted that in times of globalisation and digitalisation, taxation of in particular financial and intellectual capital on a source base is becoming increasingly harder to retrace and easier to manipulate. The mainstream digitalisation of many sectors of the economy coupled with the fast developing digital economy calls into question the suitability of the Union corporate tax models.

Subject matter: Parliament called for a Directive which aims to establish a common base for the taxation in the Union of certain companies and lays down rules for the calculation of that base, including rules on measures to prevent tax avoidance and on measures relating to the international dimension of the proposed tax system.

Once implemented in all Member States, a CCCTB would ensure that taxes are paid where profits are generated and where companies have permanent establishment. Such an approach would best serve the aim of eradicating distortions in the functioning of the internal market and act as a powerful to tackle aggressive tax planning.

The amended text stressed the importance of ensuring the simultaneous entry into force of the [Directive](#) on a Common Corporate Tax Base and the Directive on a Common Consolidated Corporate Tax Base. Moreover, as the internal market encompasses all Member States, the CCCTB should be introduced in all Member States. If the Council fails to adopt a unanimous decision on the proposal to establish a CCCTB, the Commission should issue a new proposal in accordance with the ordinary legislative procedure. As a last resort, an enhanced cooperation should be initiated by Member States.

Scope: the rules of this Directive shall apply to a company that is established under the laws of a Member State, including its permanent and digital permanent establishments in other Member States, where the company meets specific conditions, in particular, that they belong to a consolidated group for financial accounting purposes with a total consolidated group revenue that exceeded EUR 750 million during the financial year preceding the relevant financial year. That threshold shall be lowered to zero over a maximum period of seven years.

Digital presence in a country to determine taxable profits: the amended text stipulated that a resident taxpayer shall be subject to corporate tax on all income generated by any activity, whether inside or outside the Member State where it is resident for tax purposes. A non-resident taxpayer shall be subject to corporate tax on all income from an activity carried on through a permanent establishment, including through a digital permanent establishment, in a Member State.

Effect of consolidation: the tax basis of a consolidated group shall be determined as if it were one single entity. For that purpose, the aggregate tax basis of the group shall be retreated in order to eliminate all profits or losses including those arising from any transaction, whatever its nature, between two or more entities within the group.

Where the consolidated tax base is negative, the loss shall be carried forward and be set off against the next positive consolidated tax base for a maximum period of five years.

Apportionment of the common consolidated tax base: in its proposal, the Commission suggested that taxable profits be shared between the different Member States where the company operates. The apportionment formula comprises of three equally weighted factors: sales, assets and labour. Members proposed adding the fourth factor - personal data collection and exploitation for commercial purposes (data) to ensure that CCCTB also applies to digital activities.

The volume of personal data collected pursuant to the data factor shall be measured at the end of the tax year in each Member State.

Informing the European Parliament: the European Parliament shall organise an interparliamentary conference to evaluate the CCCTB regime, taking into account the outcomes of the tax policy discussions held under the procedure of the European Semester. It shall communicate its opinion and conclusions thereon by means of a resolution addressed to the Commission and the Council.

Compensation mechanism: in order to compensate for sudden shocks in tax revenues across Member States arising from fiscal gains and losses directly and solely caused by the switch to the new regime introduced by this proposed Directive, the Commission shall establish a temporary compensation mechanism, operational from the entry into force of this Directive. Compensation shall be adjusted each year to take into account national or regional decisions taken prior to the entry into force of this Directive. The compensation mechanism shall be financed by the fiscal surplus from those Member States that experience gains in fiscal revenues, and shall be set for an initial period of seven years.

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Implementation report and review: the Commission shall, five years after the entry into force of this Directive, assess its application and report to the European Parliament and the Council on the operation of this Directive. The Commission shall propose the terms and conditions to allocate a part of the fiscal revenues generated from the common consolidated corporate tax base to the budget of the Union in order to proportionally reduce Member States contributions to the same budget.