Action plan on corporate taxation

The action plan on 'a Fair and Efficient Corporate Tax System in the European Union', which the Commission submitted on 17 June 2015, presents the second set of measures to combat tax evasion and aggressive tax planning – phenomena which impede the adoption of tax policies favourable to sustainable growth and investment.

A new stage in efforts to combat tax evasion by multinationals

The transparency package was the first step, based on exchanges of tax information. The action plan on corporate taxation is conceived as the basis for the Commission's work on corporate taxation policy in the years ahead. All the initiatives take account of the work in progress in international forums, particularly the G20, the OECD and the BEPS project (to tackle Base Erosion and Profit Shifting). The plan is based on the observation that harmful tax competition (also sometimes described as being fierce, unfettered or merciless), as opposed to fair and equitable competition, allows multinationals to evade tax by means of aggressive tax planning. Such planning takes advantage of the loopholes and disparities between national tax regimes to reduce the tax base (the taxable amount), particularly by means of transfer prices (the prices invoiced for transactions within a group) and licence fees for non-material rights (e.g. 'patent boxes'). As a result, the tax paid may be unrelated to the actual operations performed and the place where value is added.

The first steps, and a gradual approach

The action to be taken comprises existing measures, while new ones have also been announced, assigned to **five key areas for action**: 1. a relaunch of the Common Consolidated Corporate Tax Base (CCCTB); 2. ensuring effective taxation where profits are generated; 3. measures for a better tax environment for business; 4. further progress on tax transparency (publication of a list of third countries' non-cooperative tax jurisdictions on the basis of national lists, to be reviewed periodically, and launch of a public consultation exercise on country-by-country information); 5. EU tools for coordination. The measures expressly exclude harmonisation of corporate tax rates.

As regards the CCCTB, the 2011 proposal, which is under discussion within the Council, provides for the determination of a single set of rules for calculating the tax base. The action plan sets out a staged approach under which a common tax base would first be defined, before consolidation. The definition of a common tax base covers the question of assigning indebtedness more favourable treatment than investment and favourable treatment of research and development spending. The CCCTB is also the way of re-establishing the link between taxation and the place where profits are made. It offers a harmonised approach to the implementation of BEPS, with improvement of the framework for dealing with transfer prices (the recast of the directive on interest and royalty payments which is currently being worked on could serve as an example for the alignment of the directive on parent companies and their subsidiaries). The legislative proposal on CCCTB, in 2016, will '[adjust] the base accordingly, [introduce] the mandatory element and [provide] for a staged approach to the CCCTB'. The proposal will initially include a cross-border loss relief system, 'until consolidation is re-introduced at a later stage'.

Provision is also made for improving administrative cooperation in relation to fiscal audits, a reform of the group on the Code of conduct and an extension of the good governance platform in the fiscal sphere.

The European Commission will make a statement at the European Parliament's sitting on 24 June 2015 concerning the decision that it has taken on the action plan on a fairer corporate tax system in the European Union.

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