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Special CCCTB Update

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European Parliament votes on Common Consolidated Corporate Tax Base

European Parliament – CCCTB – consultation procedure – single reading

On April 19, 2012, the European Parliament (EP) voted on the European Commission's Proposal for a Common Consolidated Corporate Tax Base (CCCTB). The EP proposes certain amendments to the Commission's initial text, including making CCCTB compulsory for certain types of companies after a transitional period. Please see below a press release issued today by the EP's press service:

" The use of a common consolidated corporate tax base should be made compulsory, said Parliament in a vote on Thursday outlining its position on legislation proposed by the Commission. The Commission had proposed a voluntary scheme.

<<This harmonised system for calculating the tax base makes it possible for companies to consolidate the results of their individual branches, which allows them to compensate for any losses a group member might have. This makes it easier for companies to have and keep branches in different Member States and it reduces red tape. In addition, the system ensures that economic and social aspects are more important than purely fiscal reasons when companies choose their locations>>, said the lead MEP on the matter Marianne Thyssen (EPP, BE).

A mandatory system

The common consolidated corporate tax base (CCCTB) should become mandatory after a transition period, says the resolution, which was approved with 452 votes in favour, 172 against and 36 abstentions.

Initially, the CCCTB would only apply to European cooperative societies, which are by nature cross-border. After five years, it would apply to all companies except small and medium-sized enterprises (SMEs) which could opt in if they so wish. For SMEs, the Commission should work to reduce administrative burdens so as to enable those with cross-border activities to benefit from adhering to the CCCTB system.

Start with those in favour

Parliament's position also proposes that if not all Member States wish to take part in the scheme, then those that do could introduce it via the EU's enhanced cooperation procedure.

Minimum tax harmonisation?

The CCCTB system would give companies a single set of rules for calculating their taxable profits, rather than having to comply with differing accounting rules in each Member State in which they work.

As a set of rules for computing taxable income, CCCTB does not impose any common tax rates."

EU Tax Centre Comment

The European Parliament's role in the legislative process for the adoption of the CCCTB is only consultative. Today's vote is nevertheless an important step in this process and could influence debate at Council level (the legislator in this case). The Treaty on the Functioning of the European Union allows a minimum of nine Member States to introduce a Directive binding on the cooperating countries only (the "enhanced cooperation" procedure).

Should you require further assistance in this matter, please contact the EU Tax Centre or, as appropriate, your local KPMG tax advisor.

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