

**Outline of possible principles of a Common
Corporate Tax Base - current status
Opportunities for the Romanian business
environment**

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Why CCCTB

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- Transnational companies; cross-border business operations in the EU
- Ongoing harmonisation within the European Economic and Monetary Union
- Differences in effective tax burden affect investors' decision (investment location, type of investment, source of financing)
- High compliance costs



Background

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- 2001 – “Towards an Internal Market without tax obstacles” Commission study
- Several strategies to tackle distortion, CCCTB -the most favoured
- Current status within EEC
 - CCCTB Working Group (12 meetings, 62 working papers)
 - Next (envisaged final) meeting in April 2008
 - [Article 94](#) of the EC Treaty (98?; 308?)



CCCTB Goals

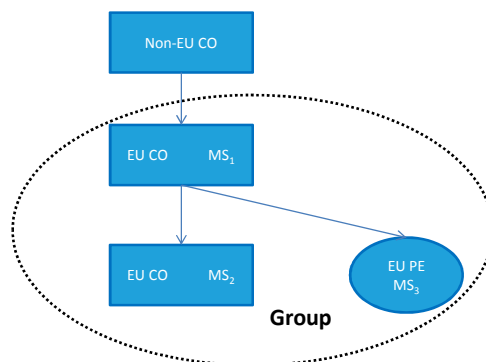
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- Hamper tax competition
- Allow cross-border loss-offset
- Reduce overall administration burden
 - Optionality (MS should make available an option to their domestic companies and multinationals, i.e. eligible EU companies may opt for CCCTB, eligible non-EU companies may opt in respect of their EU PE-s)
 - Redundancy of transfer pricing within Group



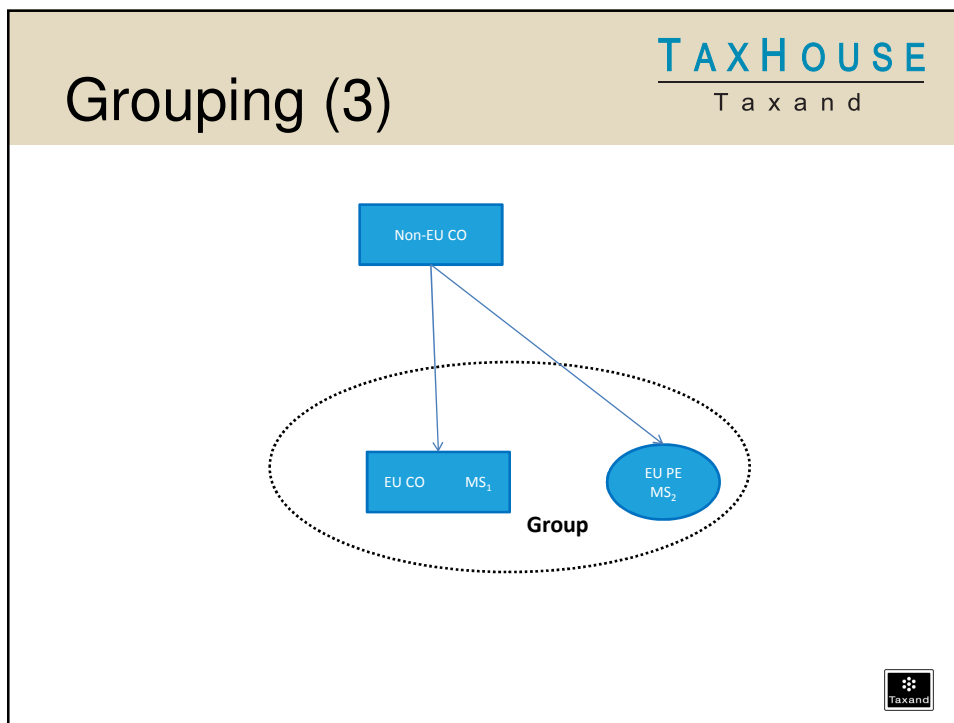
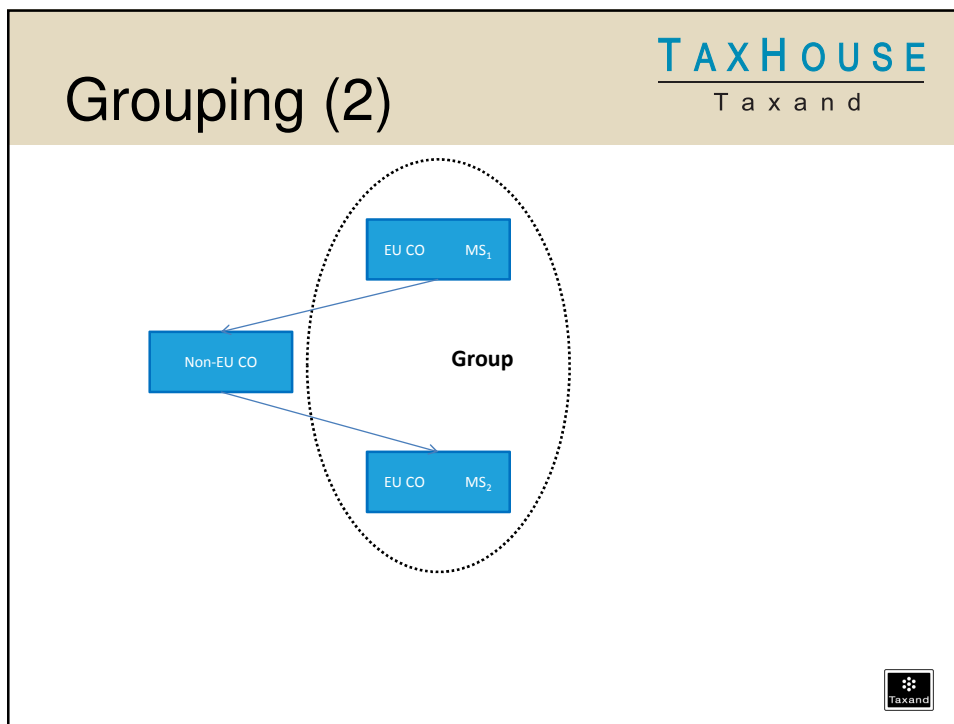
Grouping (1)

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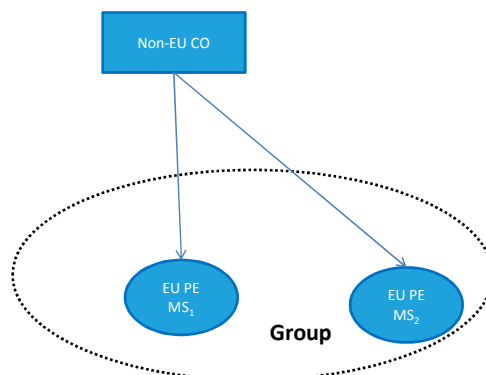
Qualifying subsidiary – 75%-50% voting rights (to be re-discussed)





Grouping (4)

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How (1)

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- *Step 1*: each group member calculates its taxable income separately, but based on the same set of rules
- *Step 2*: individual tax bases are consolidated to a common tax base
- *Step 3*: the consolidated tax base is reallocated to group companies and subject to taxation in different MS according to the [distribution formula](#)

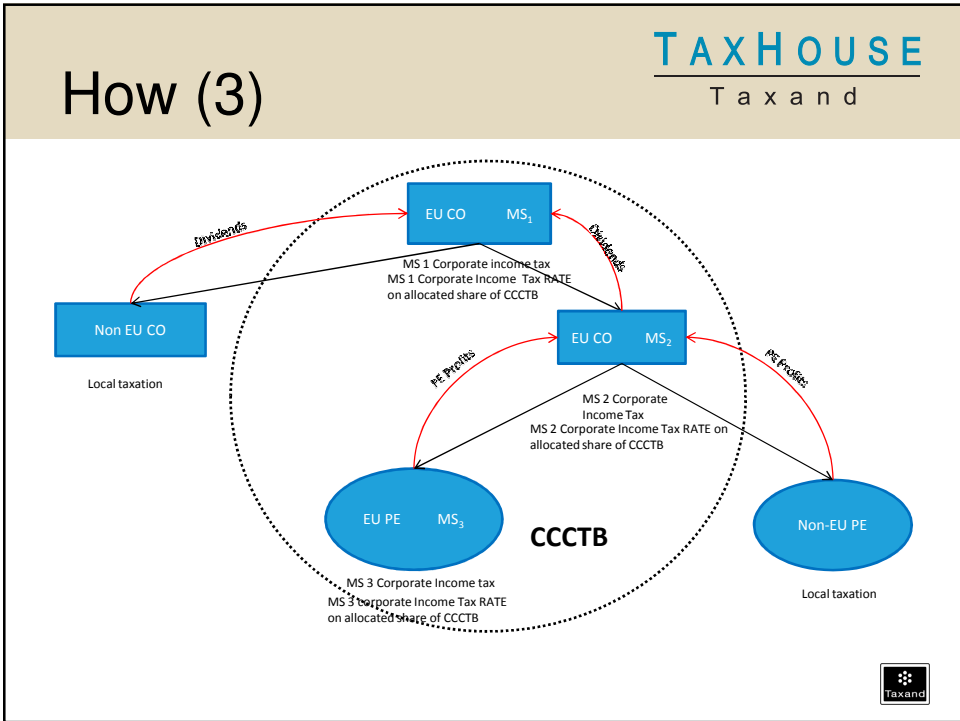


How (2)

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- CCCTB taxpayers subject to corporate tax on their worldwide income (subject to double tax relief)
- No withholding taxes or any other source taxation on payments of any kind between taxpayers of the same consolidated group
- Common set of rules to determine individual tax base





Romania - business opportunities Tax and

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- [CCCTB Goals](#) – attained
- [Distribution formula](#) – maximise allocation at 16% tax rate
- Discussion on possible SWOT analysis



Distribution Formula

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Tax and

$$Tax\ Base\ A = \left[\frac{1}{3} \left(\frac{1\ Payroll\ A}{2\ Payroll\ G} + \frac{1\ No\ of\ employees\ A}{2\ No\ of\ employees\ G} \right) + \frac{1\ Assets\ A}{3\ Assets\ G} + \frac{1\ Sales\ A}{3\ Sales\ G} \right] CCCTB$$



Article 94

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- The Council shall, acting unanimously on a proposal from the Commission and after consulting the European Parliament and the Economic and Social Committee, issue directives for the approximation of such laws, regulations or administrative provisions of the Member States as directly affect the establishment or functioning of the common market



Articles 98 and 308

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- Article 98
 - Where the Commission finds that a difference between the provisions laid down by law, regulation or administrative action in Member States is distorting the conditions of competition in the common market and that the resultant distortion needs to be eliminated, it shall consult the Member States concerned.
 - If such consultation does not result in an agreement eliminating the distortion in question, the Council shall, on a proposal from the Commission, acting by a qualified majority, issue the necessary directives. The Commission and the Council may take any other appropriate measures provided for in this Treaty.
- Article 308
 - If action by the Community should prove necessary to attain, in the course of the operation of the common market, one of the objectives of the Community, and this Treaty has not provided the necessary powers, the Council shall, acting unanimously on a proposal from the Commission and after consulting the European Parliament, take the appropriate measures.



Contacts

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