

Euro Tax Flash
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Moscovici presents the Commission's working programme for 2016 on corporate tax

Commission's working programme – anti-BEPS Directive – Country-by-Country reporting – CCCTB – FTT – Minimum Effective Taxation

On January 11, 2016 Commissioner Moscovici addressed the Economic and Monetary Affairs Committee (ECON) and the Special Committee on Tax Rulings and Other Measures Similar in Nature or Effect (TAXE 2) of the European Parliament in a joint meeting. This was a first exchange of views on the European Commission's working programme for 2016 in the corporate tax area, including the upcoming proposals on anti-corporate tax avoidance.

Background

The discussions that were held yesterday between the European Parliament's committees and Commissioner Moscovici on the Commission's working programme for 2016 should be seen as part of the Commission's Action Plan for Fair and Efficient Corporate Taxation, launched in June 2015 (see [ETF 253](#)). In the Action Plan, the Commission announced its intention to re-launch its proposal for the CCCTB. The Luxembourg Presidency subsequently put forward the idea of splitting off certain international anti-BEPS aspects of the CCCTB proposal that would lead to an "anti-BEPS Directive".

Details of the Commission's programme

During his introductory speech, Commissioner Moscovici reiterated the strong political commitment of the Commission to play a major role in Europe's fight against tax evasion and tax fraud. He also clarified the next steps in the Commission's legislative plans for corporate taxation this year, underlining that work is progressing on CCCTB, Transfer Pricing and the Interest and Royalties Directive.

Anti-BEPS Directive

On 27 January 2016, the Commission will present a new anti-tax avoidance package.

- The package will go beyond the OECD recommendations on BEPS. It is a comprehensive package including both legislative proposals to address BEPS issues (especially on non-public reporting, GAAR, and anti-hybrid rules, see [ETF 269](#)) and a pan-European strategy vis-à-vis third countries on tax good governance.
- The new Dutch presidency already expressed the wish to adopt the anti-BEPS directive before the end of its 6-month mandate (see the [Presidency's programme](#)). On this basis, Moscovici expects a strong cooperation between the Commission and the Presidency.
- Generally, he expressed his confidence that there will be a strong political support to adopt the anti-BEPS Directive, as agreement on most features have already been reached at OECD level and by the G20.

When challenged by some members of the European Parliament (MEPs) on the quality of the compromise reached by the Council on automatic exchange of tax rulings, he expressed his satisfaction.

CCCTB

As already reported on several occasions, Moscovici repeated that the project for a Common Consolidated Corporate Tax base (CCCTB) will be re-launched in 2016. Proposals will be presented to implement a 2-step approach. The Commission is currently conducting a public consultation on the CCCTB proposal as a whole (see [ETF 260](#)).

Country-by-Country Reporting

The Commission's package to be presented end of January should already entail a proposal to implement Country-by-Country (CBC) reporting to the local tax administrations (i.e. implementation of the OECD recommendations on BEPS).

Impact assessments addressing *inter alia* the issues relating to EU companies' competitiveness in case of public CBC reporting and the possibility to implement a Fair Taxpayer Label should be finalized by the Commission's services by the end of March 2016. Based on this analysis, the Commission should present additional proposals in 2016.

During the joint meeting, Moscovici expressed his personal preference for public reporting standards within the European Union that would go beyond the OECD recommendations. When questioned by certain MEPs, he stated he does not share the views that public CBC reporting

could represent a competitive disadvantage for EU companies, if not implemented at a global level. Nevertheless, he also underlined that any proposals made by the Commission on CBC reporting will have to take into account the impact assessment, which is yet to be finalized, advocating for an approach that is “determined but not irresponsible”.

Minimum Effective Taxation

Minimum effective taxation was discussed at the last informal ECOFIN. Moscovici’s personal opinion is that there is no need for a minimum tax rate to achieve fair and effective taxation, but that it is crucial to ensure *effective* taxation, i.e. taxation of profits where they are generated.

Financial Transaction Tax

The implementation of an EU-wide Financial Transaction Tax (FTT) under the enhanced cooperation mechanism was shortly discussed, including in relation to the debate on the EU’s own resources.

Moscovici underlined that the 10 participating countries have committed to find a compromise on the open issues by the end of June 2016 (see [ETF 267](#)). Although a number of issues such as the tax rate, or the destination of the tax still need to be discussed, Moscovici strongly believes that FTT will become a reality.

State Aid

Moscovici refused to comment on the recent state aid decisions (e.g. on the Belgian Excess Profit tax rulings) or in respect of questions asked by MEPs on e.g. procedural state aid rules, arguing that such questions do not fall within the scope of his mandate. Commissioner Verstager is expected to be interviewed by the TAXE 2 Committee in the coming weeks.

Addressing the ECON report

On December 16, 2015 the European Parliament adopted the ECON’s report entitled “Bringing transparency, coordination and convergence to Corporate Tax policies in the Union” (see [ETF 268](#)). Under this legislative own-initiative procedure, the Commission has three months to respond to the recommendations made by the European Parliament, either with a legislative proposal or with an explanation for not doing so. Moscovici informed the MEPs that the Commission will address the report’s recommendations in February 2016.

Other issues

VAT fraud will also be discussed during 2016 and the Commission should present a VAT package in the coming months.

The fight against financing of terrorism was briefly mentioned during the discussions with the MEPs. Moscovici reported that the Commission is ready to make proposals upon request of the Council.

Moscovici's comments should be interpreted in light of the EU's overall focus on aggressive tax planning and the Commission's agenda to tackle tax evasion and avoidance. Moscovici highlighted the strong political support the Commission is receiving from the European Parliament, and how such cooperation helps maintain a political momentum in the fight against aggressive tax planning.

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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