

**Euro Tax Flash**  
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## **Euro Tax Flash from KPMG's EU Tax Centre**



### **EU Commission to launch public consultation on Double Taxation Dispute Resolution Mechanisms**

European Commission – Double Taxation – Dispute Resolution – Action Plan on Corporate Taxation – Business tax environment

On February 16, 2015 the EU Commission launched a public consultation to help identify ways to facilitate dispute resolution for businesses experiencing problems with double taxation in the EU.

#### **Background**

The consultation is part of the implementation of the EU Commission's Action Plan for Fair and Efficient Corporate Taxation, launched in June 2015 (see [ETF 253](#)). In the Action Plan, the Commission acknowledged that double taxation - by leading to economic distortions and inefficiencies - can be a serious obstacle for businesses operating in more than one Member State, and can thus create a negative impact on cross-border investment. While reiterating that the implementation of a Common Consolidated Corporate Tax Base (CCCTB) would eliminate the risk of double taxation in the EU, the EU Commission also acknowledged that other solutions are needed until this is agreed.

The current mechanisms (Mutual Agreement Procedure, Arbitration) provided by bilateral tax treaties entered into by Member States and, specifically, by the EU multilateral Arbitration Convention offer relief for double taxation when it occurs, but still result in lengthy procedures if

agreement is not reached. The [2010 survey](#) launched by the EU Commission on Double Tax Conventions confirmed these inefficiencies.

### **Scope of consultation**

The consultation focuses on improving the double taxation dispute resolution mechanisms. The general objective of the initiative is to create a more attractive investment and business environment and to achieve greater legal certainty at a time when recent significant changes to increase tax transparency and combat tax fraud and tax evasion may contribute to an exponential increase in disputes. It is particularly aimed at gathering stakeholders' views on:

- the relevance of removing double taxation for enterprises engaged in cross-border operations;
- the impact and effectiveness of the abovementioned double taxation dispute resolution mechanisms for business and enterprises established in the European Union,
- how these mechanisms can be improved, and,
- the solutions presented.

According to the EU Commission, a wide range of views is sought from businesses, civil society and other stakeholders. The consultation will close on May 10, 2016.

Further details of the consultation can be found on the [EU Commission Website](#).

### **Next steps**

The EU Commission is expected to propose improvements to the current mechanisms by the summer of 2016, in order to create a coordinated approach to dispute resolution, with clearer rules and more stringent timelines, building on the systems already in place. The EU Commission will also review whether the scope of the Arbitration Convention should be extended within the EU and whether turning it into an EU instrument would be more effective in improving the functioning of the Single Market.

### **EU Tax Centre Comment**

As this issue has also been raised by the OECD as part of its Base Erosion and Profit Shifting guidelines (especially Action 14 on Making Dispute Resolution Mechanisms More Effective) it remains to be seen whether, and if so how, the EU Commission will build on the work done on this by the OECD.

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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[Back to top](#)

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