

**Towards a fiscal harmonisation in the European Union
Common Consolidated Corporate Tax Base CCCTB**

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Mr. Chairperson, Members of the Committee, Ladies and Gentlemen,

- There are two main fields where the current European Commission promised to deliver and which our trade union members are very interested in:
 - ✓ social field and
 - ✓ fiscal field
- The European union has recently met “regressive shocks”, like the Brexit vote. It is high time for us all to work for our union that is not only about economy but importantly also about strong social rights and the political will to tackle tax avoidance.

I represent trade union members. They need to pay their taxes. They have witnessed cuts in public expenditure and cuts in salaries. They continue to pay their taxes. It is fair that they can also see multinational companies paying their due taxes. This a matter of coherence and fairness in society. The ETUC expects the EU to deliver tangible results to tackle tax avoidance and fiscal dumping/fiscal

shopping. This is the way to regain the trust between people and the EU.

I have three main points: 1) our general support for the CCCTB; 2) our amendments to the CCCTB and 3) our demand on the common corporate tax rate.

POINT ONE: THE ETUC'S GENERAL SUPPORT

- The ETUC supports all proposals which are intended to fight tax avoidance or fiscal dumping/fiscal shopping.
- Therefore, the ETUC supports CCCTB and its mandatory nature in general but we also propose amendments. We need CCCTB to build more coordinated economic policies and to fight tax avoidance. Markets on their own do not necessarily lead to satisfying situations, on the contrary, fiscal and social competition are economic dumping. We demand political will to construct the EU with the implementation of common taxation rules and principles. Links between politics and economics are very intertwined in the fiscal field.
- We believe the CCCTB is also positive because it sets common rules for businesses in the internal market. Could we not also call this a way to reduce the administrative burden on businesses? In the ETUC we are for fair rules and for fair rules-based business.

Our trade union members are interested in figures that show how big is the amount of lost taxes.

- Professor Murphy - I refer to your calculations. The taxes lost as results of tax avoidance represent 105.8% of the total healthcare spending in EU countries. Considered as an item

of cost, the taxes lost represent an average cost of 17.6% of total government spending in the Member States. In a number of countries, taxes lost can represent more than 20% of total government spending and as a proportion of government revenues the taxes lost exceed 30% of total income in some Member States.

- If I put the calculations in another way - and this was done by us in the ETUC - taxes lost represent 139.3% of the total EU annual deficit. Had these taxes been collected, no fiscal adjustment nor cuts in social expenditure would have been needed and deficit could have been kept for public investment financing.

POINT TWO: THREE MAJOR AMENDMENTS OF THE ETUC:

We demand three major amendments: two of them concern the scope of the directive: Firstly, concerning the threshold and secondly, concerning the geographical scope. Our third amendment concern a fast implementation of the CCCTB. Let me go through them:

1) THE THRESHOLD

- We demand that the directive's threshold should be set much lower than the level in the proposal. We demand the threshold to be set in accordance with the accounting directives. That would increase coherence and clearness of the rules. Therefore, the threshold should be at maximum 40 million euros. (According to the Commission's proposal, only multinationals with a consolidated group revenue exceeding 750 million euros during the financial year preceding the relevant financial year will be required to

produce revenue figures in accordance with the CCTB/CCCTB requirements.)

2) THE GEOGRAPHICAL SCOPE

- We demand that the directive should be complemented for multinational corporations' entities in the whole corporate group both in the EU Member States and in third countries. The entities in third countries fall already under the scope of the anti-tax avoidance directive but not exactly as ambitiously as we demanded. Thus the anti-tax avoidance directive fails to a large extent to remove incentives for transferring profits to third countries with low-taxes.
- There is interestingly also another link: it is between CCCTB and the current proposal regards disclosure of income tax information by certain undertakings and branches (i.e. Country-by-Country reporting).
- The ETUC is in favour of detailed country-by-country reports with full global transparency for all companies. CCCTB and Country-by-Country reports need to work together in an efficient way to gather enough valuable information from each country – including third countries. We in the ETUC are worried about the reluctance that some politicians have against the transparency that Country-by-Country reports would entail. We defend Country-by-Country reports because they are essential in the fight against profit shifting and tax avoidance and in showing effectively whether taxes are collected where profits are actually generated.

3) FAST IMPLEMENTATION OF THE CCCTB

- The ETUC urges rapid implementation of the CCCTB. We think its implementation should begin as of January 2019.

According to the proposed directive, once the CCTB is implemented, which is scheduled to the end of the next year, the CCCTB should be implemented. Remarkably, there is no timetable provided.

We underline that only with the CCCTB would the use of transfer mispricing on intra-group purchasing within the EU be eliminated. (N.B. Tax avoidance through accounting codes arbitrage i.e. picking the national accounting code which allows the highest profit maximisation would still be possible even in the case of CCCTB being in force if there will not be EU standardisation on this matter– and Professor Murphy has raised this issue well. But profit shifting through transfer mispricing would be tackled by the CCCTB.) Its extension to third-party States is therefore legitimate.

Before the CCCTB would be implemented, new loopholes can be found and the two-step approach -first Common Corporate Tax Base CCTB, only then afterwards Common Consolidated Corporate Tax Base CCCTB – might make it possible to find loop-holes.

To fight against tax avoidance and fiscal shopping effectively, we therefore demand a rapid implementation of the CCCTB.

POINT THREE: ETUC`S DEMAND FOR A COMMON CORPORATE TAX RATE.

- In addition to a common consolidated corporate tax base, we should have a common corporate tax rate in the EU. Our

members are in favour of this because they see a common corporate tax rate as an effective tool to tackle fiscal shopping. Therefore, the ETUC demands a common corporate tax rate of 25 per cent.

Ladies and gentlemen,

The European Union and its citizens deserve a common, consolidated and non-avoidable corporate tax base and a common corporate tax rate. It is a matter of coherence and fairness. It is my pleasure to thank Professor Murphy for his valuable research on this subject-matter¹.

¹ Just let me refer to two pieces of research calling for such standardisation:

- “a CCCTB makes little sense without standardisation, whether it is based upon an external set of conventions such as IFRS, or an internal set of tax provisions. So, whilst MS GAAP must inevitably be the starting point, standardisation has to be the end point.” Judith Freedman & Graeme Macdonald (2008), “The tax base for CCCTB: the role of principles” Oxford University Centre for Business Taxation, WP 08/07.
- “In the work on the CCCTB constant reference has been made to IAS/IFRS. As the Commission has stressed in the past, it is not possible to make a formal link between the base and IAS/IFRS. Such a link would, it is true, provide a common starting point and have the advantage of allowing the base to evolve over time in line with IAS/IFRS. However, many MS currently do not permit the use of IAS/IFRS for individual company accounts and not all IAS/IFRS are considered suitable for tax purposes. One therefore has to accept that most companies would start from accounts prepared in accordance with a number of different national GAAP (Generally Accepted Accounting Principles) and would be required to make a number of adjustments on key elements to satisfy the rules and definitions of the CCCTB in arriving at a uniform base. The rules for the CCCTB in the Directive would therefore define the tax base itself but would not define the methodology for adjusting the accounts (sometimes called the 'bridge') to arrive at the tax base – this is not possible as companies will potentially be starting from accounts prepared under twenty seven different national GAAP. Thus, to be clear, unless uniform treatment is explicitly provided for in the legislation the tax base would be computed by reference to national GAAP.” European Commission, Common Consolidated Corporate Tax Base Working Group (CCCTB WG), CCCTB/WP057\doc\en, 26 July 2007.