EC presents new Action Plan for Fair and Efficient taxation in the EU

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In brief

On 17 June, the European Commission (“EC”) presented an Action Plan for fundamental reforms of business taxation in the EU.

In detail

The plan covers five key areas, setting out a new approach to business taxation to meet the goal of fairer and more efficient taxation, and to tackle corporate tax avoidance effectively:

1. **Re-launch of the CCCTB** (Common Consolidated Corporate Tax Base): A new proposal for mandatory CCCTB will be presented in 2016.

2. **Ensuring effective taxation where profits are generated** by aligning profit generation and related taxation (adjusting the definition of PE, improving CFC (Controlled Foreign Companies) rules, changing Interest & Royalties Directive), developing an EU Transfer Pricing framework and tackling issues related to preferential regimes (e.g. IP / patent box regimes).

3. **Tax environment for business:** the possibility of cross-border loss offset and improvements to current mechanisms to resolve double tax disputes in the EU.

4. **Tax Transparency:** an EU ‘blacklist’ of non-EU tax jurisdictions that do not comply with standards of good tax governance (transparency, exchange of information and fair tax competition) will be updated periodically. A public consultation has also been launched on the disclosure of certain tax information for all MNEs in the future.

5. **EU tools for coordination between Member States** promoting a greater collaboration between Member States on tax audits, as well as a proposal to reform the Code of Conduct for Business Taxation to react more efficiently to harmful tax competition.

[Source: Communication from the Commission to the European Parliament and the Council]

The takeaway

This EC Action Plan is aimed at securing a strong EU approach to corporate tax issues, implementing OECD BEPS (Base Erosion and Profit Shifting), dealing with non-cooperative tax jurisdictions and increasing tax transparency.
Let’s talk

For a deeper discussion of how this issue might affect your business, please contact:

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