

Mr Frits Bolkestein  
Member of the European Commission  
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THE SECRETARY GENERAL

6 September 2004

Dear Commissioner,

**Re: Commission 'non-paper' on Common Consolidated Base Taxation**

UNICE has taken note of the recent Commission non-paper to the informal Ecofin Council on a common consolidated EU corporate tax base, and wishes to express the following views.

Following up on its strategy towards a Single Market without tax obstacles, the Commission has published a non-paper on Common Consolidated Base Taxation (CCBT). In previous position papers UNICE has consistently argued in favour of CCBT and endorsed the initiatives taken by the Commission. UNICE therefore welcomes the Commission's initiative to start the discussion on CCBT with the Member States.<sup>1</sup>

In that context UNICE would like to reiterate its view that only CCBT would, in the longer term, fully and effectively address the tax obstacles to cross-border business integration within the European Union.<sup>2</sup> Having to satisfy the requirements of 25 different tax authorities runs counter to the concept of the Single Market and seriously affects the competitiveness of European business and industry.

UNICE therefore concludes that the introduction of CCBT would be extremely instrumental for achieving the Lisbon goals in full and that it is crucial to provide EU companies with a modern and attractive tax base which encourages investment and economic risk-taking, and which allows them to compete in a global economy.

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<sup>1</sup> CBI, the Confederation of British Industry, does not support this initiative at this time given the very significant issues raised in the Commission Non-paper concerning enhanced cooperation.

<sup>2</sup> IBEC, the Irish Business and Employers Confederation, is opposed to the development of a common consolidated corporate tax base in the EU because the members of IBEC are convinced that the existence of a consolidated tax base will inevitably lead, through political pressure, to full harmonisation of taxes and higher taxes generally on European business.

The non-paper's primary goal is to gauge the Member States' interest in CCBT, but it also gives a preliminary overview of issues related to CCBT. Although strongly in favour of CCBT as a concept UNICE cautions that the effectiveness of CCBT strongly depends on the way these issues are resolved.

The business community particularly welcomes that the Commission makes a clear distinction between the establishment CCBT and tax rate harmonisation. Under no circumstances should CCBT be perceived as a step towards corporate tax rate harmonisation, either in the form of a minimum or any other harmonised rate.

According to UNICE such harmonisation of corporate tax rates is unacceptable and rules out business and industry support for the project. It negates the interdependency between the different types of tax that Member States levy on an independent sovereign basis and it would deprive the Member States of an important economic policy instrument. Last but not least, such a development would impede tax competition between the Member States, which is an indispensable counterweight to the upward pressure on government spending.

Another issue brought forward by the Commission is the choice between compulsory and optional application of CCBT. In order to be acceptable to the business community, any CCBT system needs to be optional and therefore UNICE fully supports the Commission's rationale for adopting an optional system.

Furthermore, UNICE wishes to emphasise that it is the consolidation of the base that eliminates the tax obstacles to the Internal Market. The application by the Member States of a Common Taxable Base without consolidation does not achieve anything in this respect. As consolidation is indispensable for CCBT to be effective, UNICE opposes a two-step approach (harmonised tax base to be followed by consolidated tax base) and urges the Commission to introduce consolidation simultaneously, and not consecutively, with a common tax base.

Addressing the question as to what companies should be allowed to apply CCBT UNICE would like to propose that the system be open to all companies that are active in more than one Member State, regardless of their size. Any classification in companies that would or would not be entitled to the use of the system would be arbitrary.

As expressed in its response to the Commission consultation on "The application of International Accounting Standards in 2005 and the implications for the introduction of a consolidated tax base for companies", UNICE believes that IAS can not provide more than a first reference point for CCBT. This is mainly due to the fact that a number of principles underlying accounting, notably the fair value approach, are just not appropriate for taxation and rule out a continuous interplay between IAS and the tax base.

The application of a consolidated common tax base necessarily requires a system, agreed upon by all participating Member States, on a fair and equitable method of profit (and loss) split of the taxable results of the consolidated group. The non-paper is rather vague in this respect, the solution of which, however, seems mandatory for the success of CCBT.

UNICE would like to strongly encourage the Member States to speed up the process of removing tax barriers in Europe and stresses that European competitiveness would be best served by an EU-wide approach. In its non-paper the Commission refers to the possibility of applying the concept of enhanced cooperation. Looking at all implications of using this concept UNICE is not able to express an opinion on the use of these rules at this stage, but will do so later, after further study and internal consultation.

Finally, UNICE wishes to emphasize the importance of active involvement of the business community in the development of CCBT and offers its assistance and technical support to the Commission and the Council in bringing this project further.

I thank you in advance for your attention to this matter and remain at your disposal for further clarifications.

Yours sincerely,

*très cordialement,  
Philippe de Buck*

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