

# News Release

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## **MULTINATIONAL COMPANIES ARE SCEPTICAL ABOUT THE BENEFITS OF A COMMON CONSOLIDATED CORPORATE TAX BASE**

The introduction of a Common Consolidated Corporate Tax Base (CCCTB) across Europe is highly likely, if not almost certain. The European Commission intends to present a full legislative proposal on a CCCTB to the European Council of Finance Ministers and to the European Parliament by the end of 2008. However, multi-national companies are not optimistic about the effectiveness of the new system, particularly with regards to the impact it could have on a company's effective tax rate.

Only one third (35%) of tax directors from European based multi-national companies, who were questioned at the annual PricewaterhouseCoopers Global Tax Symposium, believe that a CCCTB will be good for European business and just under half (43%) of respondents said that they believed a CCCTB would increase their effective tax rate. This would suggest that businesses wouldn't choose to join the system even for simplification benefits.

The advantages of a CCCTB could include the potential to reduce compliance costs of 25 (soon 27) member states' tax systems, reduce transfer pricing issues and simplify EU corporate restructuring. It is intended that the system will be optional but, as seen with the osmosis that occurred with the convergence to International Financial Reporting Standards (IFRS), the introduction of a CCCTB could lead to other national tax bases incorporating the principles of the system as a form of best practice. This could present strong political pressure for domestic tax systems that do not adhere to the CCCTB.

Peter Cussons, tax partner, PricewaterhouseCoopers LLP, said:

“With CCCTB it's not a case of if it will happen, but when. Therefore, businesses should be considering their tax strategies now in preparation and reassessing their EU structuring.

“Businesses with concerns about the proposed system should make their views known locally and to the European Commission, either directly or via representative bodies or focus groups, such as the PricewaterhouseCoopers European Business Initiative on Taxation (EBIT).”

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The formula by which the CCCTB will be allocated to EU Member States in which a multinational company operates is going to be the most challenging issue. The work by the European Commission to develop the formula has not yet started. The degree of impact of CCCTB on business will depend on the application of the final form of CCCTB to a particular multinational's corporate footprint and existing tax profile within the EU, and in particular in those countries which participate in CCCTB.

It is anticipated that not all EU Member States will be in agreement with the legislative proposal for a CCCTB. If this is the case, then it will be put forward by the European Commission as a proposal for 'enhanced cooperation'. EU Commissioner Kovács would then expect to find more than the minimum of eight Member States required for an 'enhanced cooperation' project.