



Newsflash

EU Direct Tax Group

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The EUDTG is one of PwC's Thought Leadership Initiatives and embedded in the International Tax Services Network. The EUDTG is a pan-European network of EU tax law experts and provides assistance to organizations, companies and private persons to help them to fully benefit from their rights under EU law.

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French/German approximation of corporation tax - green paper published

On August 16, 2011, German chancellor Angela Merkel and French president Nicolas Sarkozy declared their intention to have proposals drawn up for a possible approximation of the corporation taxes in their respective countries. On February 6, 2012, a green paper on possible areas of convergence was published. According to the German Ministry of Finance, the green paper wishes to show the direction for more tax convergence in the EU and to support the European Commission initiative for a CCCTB-Directive. After further consultations, in particular with parliament and industry in both countries, the plan is - where appropriate - a step by step implementation of the approximation measures starting in 2013.

Areas of approximation

The possible convergence areas discussed in the green paper are in summary the following:

- **Organschaft/Group taxation:**
DE: Abolishment or changing of the profit-pooling agreement requirement and an increase of the holding percentage
- **Dividend exemption:**
DE: Minimum holding requirement of 5 % for dividend exemption
- **Interest deduction:**
FR: With caveat that detailed calculations on the economic effect

are needed for approximation in this area, convergence options could be: Neutral treatment of dividends and interest payments, general interest deduction limitation as the current German one, interest deduction limitation in connection with acquisition of securities generating tax exempt income or special anti-abuse rules.

- **Losses**
DE: Increasing the loss carry back to EURO 1 Million and making it mandatory, cross-border loss utilisation provisions
FR: Reassessment of the criteria of "significant change of business" for forfeiting of losses
- **Depreciations**
Both countries agree that the principle of individual evaluation should be maintained.
FR: Tightening of depreciation on a declining balance, reassessment of the efficiency of special depreciations, possibility of goodwill depreciation
- **Partnerships**
FR: Reassessing the reform initiative from 2010 on abolishing the option for corporation tax
- **Tax rates**
FR: Gradual reduction of the standard corporate tax rate, so that the corporation tax plus the CVAE corresponds to the German corporate and trade tax, i.e. compare the overall tax burden.

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