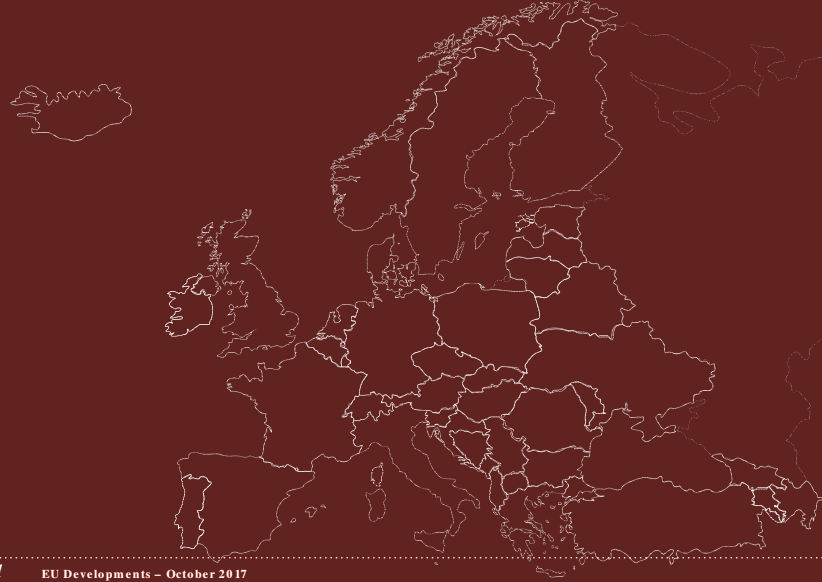
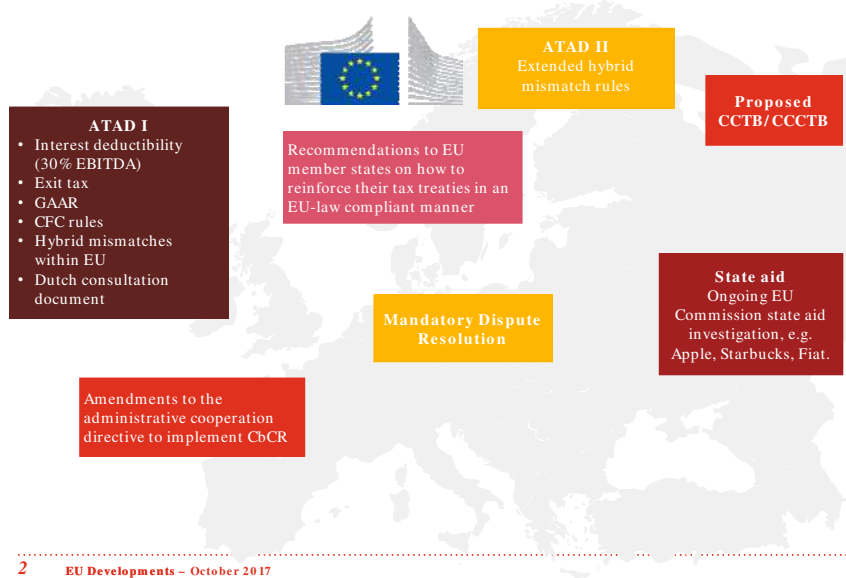


EU Development Overview



1 EU Developments – October 2017

Recent EU developments



2 EU Developments – October 2017

October 2016 C(C)CTB Proposal Re-launch 2017

Mandatory for companies which belong to groups beyond a certain size, based on the total consolidated revenue of the group which files consolidated financial statements and to which a company belongs.

Tax base calculation, including a super-deduction for R&D expenses and depreciation rules

Additional anti-avoidance measures: switch over clause and extended anti-hybrid rules (As included in ATAD II).

Timing: CCTB in 2019, CCCTB in 2021

Participation exemption for shareholdings of 10% or more

Loss carry forward rules

ATAD measures, although the current text deviates on some points from the ATAD

CCCTB formulary apportionment (mechanism to allocate the tax base to the Member States), based on three equally weighted factors (labour, assets and sales by destination).

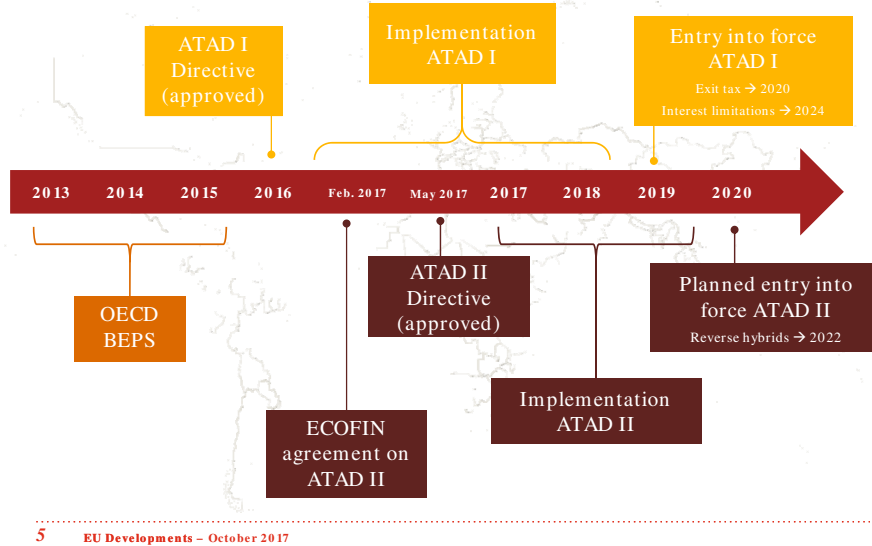
3 EU Developments – October 2017

Common (consolidated) corporate tax base (CCCTB) – Overview

- The EC proposed the CCCTB in 2011 as a single set of rules for cross-border companies to calculate their taxable profits in the EU.
- The EC published two interconnected proposals on October 25, 2016:
 - Draft directive on Common Corporate Tax Base (CCTB)
 - Draft directive on CCCTB
- Two-step process
 - First part would address immediate need and an opportunity to address specific avoidance issues (targeted effective date of January 1, 2019).
 - Second part would address all other CCCTB aspects (targeted effective date January 1, 2021).
- Companies can file one tax return for all of their EU activities, and offset losses in one Member State (MS) against profits in another.
- The consolidated taxable profits will be shared amongst the MSs in which the group is active, using an apportionment formula. Each MS will then tax its share of the profits at its own national tax rate.
- Re-launch September 2017

4 EU Developments – October 2017

ATAD I and II Timeline



Overview - ATAD I and II



Further Initiatives:

- Anti - Tax Avoidance Directive I & II
- Changes to the Parent - Subsidiary Directive
- Enhanced Administrative Cooperation for Tax
- Transparency on Tax Rulings
- Communication on External Strategy
- Re-launch Common Consolidated Corporate Tax Base (CCCTB) and CCTB
- EU State Aid investigations

- Anti-Tax Avoidance Directive (Council Directive (EU) 2016/1164 of 12 July 2016—"ATAD I")
 - ✓ Applicable to all taxpayers subject to corporate tax in an EU member state (EU corporate tax residents and EU PE of third country resident)
 - ✓ Minimum standard
 - ✓ No general grandfathering
 - ✓ Latest entry into force in national legislation by 1/1/2019, except:
 - ✓ Exit taxation: 1/1/2020;
 - ✓ Interest limitation: 1/1/2024 (or, if earlier, agreement of OECD on AP 4 minimum standard) if a country has existing targeted rules which are equivalently effective.
- The new directive ("ATAD II") amended ATAD I – Adopted by the ECOFIN Council on 29 May 2017:
 - ✓ Supersedes Hybrid Mismatch clauses in ATAD I
 - ✓ Extends actions to mismatches between Member States & third countries
 - ✓ Extension of the definition of a "mismatch"

6 EU Developments – October 2017

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