

EUROPEAN PARLIAMENT COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

Note for the attention of Representatives of National Parliaments

ECON Committee Exchange of Views with National Parliaments on "Country specific Recommendations"

For the sixth consecutive year, an exchange of views with National Parliaments on the 2017 cycle of the European Semester will take place in the context of an ordinary meeting of the Economic and Monetary Affairs Committee (the ECON Committee) of the European Parliament, and as part of the parliamentary work on the ECON Report on the European Semester ("*European Semester for economic policy coordination: economic policies of the euro area*"). Although this meeting cannot be considered as a traditional interparliamentary meeting, it is nevertheless intended to foster a frank discussion between the National Parliaments and the European Parliament on the European Semester.

This exchange of views reflects the willingness of the ECON Committee to use innovative meeting formats in order to gather the national parliaments' views on issues relating to the European Semester before ECON concludes its work.

Purpose of the meeting

The Economic and Monetary Affairs Committee (ECON) of the European Parliament will discuss at its meeting of 10 October (15:00 - 16:30) the draft report on economic policies in the euro area. At this occasion, the committee will debate on the assessment of the 2017 European Semester in particular in euro area countries, as well as on the priorities for the 2018 Annual Growth Survey, which will be the basis for the next year's Semester. Due to the high importance of the subject matter, we would welcome your personal attendance to express your committee views on the Country-Specific Recommendations that are addressed to your country by the Council of the Union and to comment on the draft European Parliament's report prepared in the ECON Committee.

The country-specific recommendations adopted by the Council before the summer break will now have to be implemented in the draft budget laws that are currently being discussed. This is therefore a topical moment to have a debate on the outcome of the 2017 cycle of the European Semester.

Moreover, in the context of the ongoing discussion for the need to find an adequate balance between fiscal consolidation and growth enhancing measures, and due to the fact that the decisions taken by each national parliament in the context of the adoption of draft budget laws can have an impact on other Member States, it is vital to discuss the outcome of the 2017 cycle of the European Semester together.

An own initiative report on the 2017 cycle of the European Semester is currently being discussed at the European Parliament (Rapporteur: Mr Hökmark). The purpose of the debate is therefore also to feed in the discussion before this report is formally adopted by the European Parliament, in view of giving feedback to the European Commission on the 2017

cycle of the European Semester before it releases the latest Annual Growth Survey, setting the economic and budgetary priorities for next year.

Practical organizational details

Sitting arrangements

Representatives of national parliaments will be seated in the center of the Committee meeting room, but behind Members of the ECON Committee, with one member of their staff next to each of them. Other accompanying staff will be seated in the rear rows.

Speaking-time rules

The exchange of views will be interpreted in 22 languages.

The meeting will start with a short presentation by the EP rapporteur M. Hökmark of his report on the 2017 cycle of the European Semester. The floor will then be given to representatives of national parliaments and MEPs.

Speaking cards will be used to facilitate the debate: representatives of national parliaments willing to speak will have to fill in a speaking card and hand it to the ushers.

The floor will be given alternatively to 2 representatives of national parliaments and 1 member of the ECON Committee.



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COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS**

Note for the attention of Representatives of national Parliaments

Exchange of Views with national Parliaments on

Common Consolidated Corporate Tax Base (CCCTB)

10 October 2017, 16.30-18.30, European Parliament, Brussels

This exchange of views with national Parliaments will take place in the context of the meeting of the Economic and Monetary Affairs Committee (the ECON Committee) of the European Parliament, and as part of the parliamentary work on the Reports on Common Corporate Tax Base (CCTB) and Common Consolidated Corporate Tax Base (CCCTB). The aim is to foster a discussion between the national Parliaments and the European Parliament on the key political issues such as taxation of the digital economy, how to support research and innovation and how to tackle debt bias from the taxation point of view.

Context

In October 2016 the Commission put forward two legislative proposals - on a Common Corporate Tax Base (CCTB) and on a Common Consolidated Corporate Tax Base (CCCTB) to facilitate business within the internal market by subjecting taxpayers to a single rulebook and to make the system more robust and resilient to aggressive tax planning. Although the Commission proposed CCTB and CCCTB simultaneously, it advocated for a two-staged approach. However, the European Parliament considers that both reports need to be treated as a package. This would ensure that businesses and public administrations could reap full benefits of the new system sooner. More specifically, companies operating in the EU would no longer have to deal with 28 different sets of national rules when calculating their taxable profits and would only need to file one tax return within the EU.

The European Parliament is consulted on the basis of Article 115 of the Treaty on the Functioning of the EU. ECON Committee has nominated Mr Tang (S&D/NL) as rapporteur for the CCTB and Mr Lamassoure (EPP/FR) as rapporteur for the CCCTB. To maximise benefits of this new taxation system, the CCTB rapporteur Mr Tang believes that the threshold for application of this Directive should be lowered from €750 million to €40 million. After 5 years period the new system should apply to all companies for simplicity reasons. With regard to the R&D super-deduction he recommends lowering additional deductible R&D expenses proposed by the Commission from 50% to 33%. Concerning the Allowance for growth and investment (AGI) which will serve as a debt bias correction mechanism, Mr Tang suggests limiting deductible AGI to €2 million.

Both rapporteurs believe that C(C)CTB should take into account the digital economy and to this end they propose that digital presence of a company should be treated in the same way as a company having a physical establishment. The CCCTB rapporteur Mr Lamassoure

proposes to include the 4th factor 'DATA' into the apportionment formula (known as "Massachusetts formula comprising of three equally weighted factors: sales, assets and labour) which should include collection and use of personal data of online platforms and services users. Furthermore, to compensate losses of Member States that encounter significant losses of revenues due to the introduction of the CCTB system, Mr Lamassoure recommends creation of a compensation fund to be financed from excessive gains in fiscal revenues of other Member States. Rapporteurs believe that both Directives should enter into force simultaneously. Hence, the proposed cross-border loss relief would not be necessary any more. Finally, rapporteurs propose limitation of carried forward losses to 5 fiscal years. The vote in the ECON Committee is foreseen for late 2017 and the vote in the plenary in early 2018.

Practical organizational details

The meeting is public and web-streamed and will be interpreted in 22 languages. It will start with short presentations by the EP rapporteurs Mr Tang (S&D/NL) and Mr Lamassoure (EPP/FR). The floor will then be given to representatives of national Parliaments and Members of the European Parliament. Speaking cards will be used to facilitate the debate: representatives of national Parliaments willing to speak will have to fill in a speaking card and hand it to the ushers. The floor will be given alternatively to 2 representatives of national Parliaments and 1 member of the ECON Committee.

1. Introductory remarks by the rapporteurs Mr Tang Mr Lamassoure

2. Debate

National Parliament representatives and Members of the European Parliament are invited to express their views in particular on:

- *How to best define the scope and the threshold of application of the CCTB? Should mandatory application concern only multinational companies or rather all businesses operating in the EU? Should it apply to all businesses would there be a need for a transitional period for SMEs?*
- *How to best support research and development activities of businesses and how to tackle debt bias from the taxation point of view? Which limitation rule for the deduction would be appropriate?*
- *How to tax fairly the digital economy (for example by introducing a concept of the virtual permanent establishment or by inclusion of the 4th data factor in the apportionment formula)?*
- *Is there a need for a flexibility with regard to introducing a consolidation element (for instance by creating a temporary compensation fund for Member States suffering from a loss of fiscal revenues)? How do you see advantages and disadvantages of such arrangements?*

3. Closing remarks by rapporteurs