

# Preface

After intensive and extensive preparation, the European Commission released the awaited proposal for a Council Directive on a Common Consolidated Corporate Tax Base (CCCTB) on March 16, 2011. The CCCTB is a proposal to provide companies with the opportunity to determine taxable income following a three-step approach: (1) Determination of individual income based on a harmonised set of tax accounting regulations, (2) consolidation of individual incomes and (3) allocation of the consolidated tax base by formula apportionment.

Yet, as the second and third step of a CCCTB, i.e. the consolidation and the sharing mechanism, still suffer from considerable shortcomings, we recommend introducing the CCCTB in two steps. The first step merely concerns the replacement of the national tax accounting regulations across Member States by a single set of harmonised tax rules. Such a Common Corporate Tax Base (CCTB) only affects the calculation of the corporate tax base; the consolidation and allocation of the common tax base would be omitted for the present and considered at a later stage of tax harmonisation in Europe.

Our study contributes to the ongoing evaluation of the proposed Council Directive. For the first time, details on the determination of taxable income under the proposed Council Directive are being compared and contrasted to prevailing corporate tax accounting regulations as of January 1, 2011 in all 27 Member States, Switzerland and the US. In doing so, we present evidence on the extent of differences and similarities between national tax accounting regulations and the Directive's treatment in a complete, yet concise form.

The study was conducted by a research consortium of Ernst & Young (EY)<sup>1</sup>, the Centre for European Economic Research (ZEW) and the University of Mannheim. The detailed information on national tax accounting regulations in the 29 countries under consideration were compiled and provided by the Ernst & Young member firms in the respective countries. The ZEW and the University of Mannheim were responsible for the description of the proposed Council Directive and the comparative analysis.

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<sup>1</sup> In this publication, "Ernst & Young" and "we" refer to all member firms of Ernst & Young Global Limited. Neither Ernst & Young Germany nor any other member of the global Ernst & Young organization can accept any responsibility. On any specific matter, reference should be made to appropriate advisor.

We are grateful to all EY country contributors, who completed the questionnaire underlying this study. We owe our gratitude to Maria-Theresia Evers, Marcel Olbert and Stefanie Stohn for research assistance and to Henrik Schoch and Nadine Weinbauer for editorial work.

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Mannheim and Cologne, January 2012

Common Corporate Tax Base (CC(C)TB) and  
Determination of Taxable Income

An International Comparison

Spengel, C.; Zöllkau, Y. (Eds.)

2012, XXVIII, 104 p., Hardcover

ISBN: 978-3-642-28432-8