



Commissioner Pierre Moscovici

**ADDRESS TO THE OIREACHTAS FINANCE
COMMITTEE – IRISH PARLIAMENT**

Tuesday 24 January 2017, 13:15-14:45, Dublin

SPEECH

Honourable Members,

Let me begin by thanking you for this invitation to discuss the latest developments in EU corporate tax policy.

Since this Commission took office just over two years ago, we have been working hard to build a fairer, more effective and more competitive taxation framework across Europe.

We have been building a new, robust tax transparency framework, with increased openness and information exchange between tax authorities.

We have agreed binding anti-abuse rules, so that countries can better protect their tax bases and respond to aggressive tax planning.

We have a new EU strategy to promote international tax good governance and to tackle external threats of base erosion.

And with the CCCTB, we have proposed a major overhaul of corporate taxation to safeguard and strengthen our Single Market. We have of course received the Irish Parliament's negative Reasoned Opinion on this proposal and I will address your concerns this afternoon, ahead of our formal reply in the coming weeks.

Furthermore, all of the OECD anti-Base Erosion and Profit Shifting measures adopted at global level are now covered at EU level. This is a significant step forward and is essential for our international credibility. It is evidence that Member States can deliver on their global commitments. And it is also crucial for the strength and coherence of our Single Market.

COORDINATION

Each of these initiatives focussed on the twin goals of boosting competitiveness and increasing fairness. Through our transparency rules and our anti-abuse provisions, we are working to create the level-playing field that businesses need. For example, our action on the resolution of double taxation disputes responds to the needs of cross-border businesses in a way that national measures simply cannot. By coordinating national approaches, we are working to prevent legal clashes, cut administrative burdens and remove tax obstacles for businesses in the Single Market.

In short, we have been working to create a simpler, fairer and more stable tax environment, both for companies and for Member States.

And Ireland has contributed actively to this new EU tax agenda, giving valuable input on each proposal. Although Ireland is famously cautious on EU proposals in the taxation area, the Irish have always been fair and constructive negotiators and their contribution to shaping EU policy is valued and appreciated.

SOVEREIGNTY

The European Commission fully respects Ireland's sovereignty in this policy area. Indeed, this sovereignty is protected by the Treaties. And it is reinforced through the unanimity rule. So Ireland has no cause for concern on this front.

In fact, I would argue that EU coordination on tax matters reinforces – rather than threatens – national sovereignty. It means countries can effectively apply their chosen tax rates, without being undermined by

their neighbours' activities of. It prevents companies from exploiting national mismatches to avoid tax, and from blowing a hole in the public finances.

Coordination means governments have a clear legal environment in which to develop their national policies. It puts an end to the tensions between different national systems, which often discourage companies from investing across borders in the Single Market. And it means that Member States have a "strength-in-numbers" when defending their common interests on the international stage.

In the absence of such coordination, in practice it is not for national governments to decide who pays how much tax, it is for the biggest multinationals and the wealthiest individuals. Unsurprisingly, most of the time they prefer tax to be paid by others: workers, pensioners and smaller businesses.

CCCTB

All of this is key when it comes to the Common Consolidated Corporate Tax Base. I would like to focus today on how we have improved the CCCTB and transformed it into a modern, forward-looking initiative, which fully delivers on our two priorities of growth and fairness.

Why do I say the new CCCTB will be good for growth? Because by encouraging business investment and expansion in our Single Market, the CCCTB will have a positive economic impact on all Member States.

All of the proposal's original benefits are still there: simplicity, reduced costs, legal certainty and the possibility for cross-border loss offset.

And we have also introduced new incentives to reward companies that invest in innovation. A new super-deduction will be available to companies investing in research and development. Extra support will be given to young, innovative firms that are drivers of growth and jobs.

In addition, the new CCCTB will help businesses expand without taking on excessive debt. The Allowance for Growth and Investment addresses the debt-bias in taxation, by rewarding companies that increase their equity base for financing. This incentive is particularly important for small firms, which often struggle to secure loans. The CCCTB will enable them to explore more diverse sources of funding, and to follow a more secure path to expansion.

Why do I say the new CCCTB will be good for fairness? Because it is designed to be mandatory for the largest multinationals. They will all be subject to the same corporate tax rules, which is the best way to block tax avoidance and deliver fairer taxation. Other companies will be able to opt in if they wish, and I expect that many will, given its benefits.

And let me repeat one more time that the rate that will apply to the companies subject to CCCTB will remain a national prerogative. The CCCTB is not about removing Ireland's sovereign ability to determine its tax rates. That is not on the Commission's agenda.

BENEFITS FOR IRELAND

So what's in there for Ireland?

I truly believe that Ireland has a lot to gain from the CCCTB, especially given today's economic and political climate.

Firstly, the CCCTB will bring EU-wide economic benefits. Once it is in place, we expect a 1.2% rise in growth and nearly 90 billion euros in extra investments across Europe. That is good news for all EU countries!

Secondly, the CCCTB has much to offer Ireland specifically, as a dynamic and open economy. In addition to being a gateway to the Single Market for many big companies, Ireland will also be able to offer smaller businesses a simple and stable tax system, which applies to the entire EU. Ireland will be able to ensure that companies can enjoy a long-term, sustainable tax framework, which fits their business needs. These benefits – combined with Ireland's 12.5% corporate tax rate – can make this country an even more appealing investment location.

Thirdly, Irish businesses that want to operate cross-border will face fewer costs, less red tape and greater rewards for their innovative activities. This will give an important boost to domestic companies.

IRISH CONCERNS

I know Ireland's primary concern lies in the second step of the process: consolidation (*and the apportionment formula*). The way our proposal is designed means that the full benefits of the CCCTB will only come about when both the common base and consolidation are implemented. Businesses have called for consolidation and we see it as vital for completing this simple, fair and effective tax framework.

Now, what is on the table at this stage is the Commission's *proposal*. It is the starting point for negotiations. Proposals can always be improved during the legislative process. And that responsibility lies with the Member States.

The Commission will defend this proposal strongly, because we firmly believe that it is good for all Member States, for the reasons I have set out to you. There is no denying that consolidation is extremely complex, and intense technical discussions will be needed to reach a final deal. I know that Ireland will use its voice actively, and I trust constructively, to help shape consolidation in a way that works for everyone. All voices are equal here: in EU tax policy, no Member State can be overruled.

CONCLUSION

Ireland has done a lot to reform its corporate tax system and show that it is committed to fair taxation. It has also been an active contributor to the EU agenda and I urge you to continue in this spirit of constructive cooperation.

Honorable Members,

Ireland's success, Ireland's growth and Ireland's competitiveness give a boost to our Union as a whole. And a stronger, fairer and more competitive EU makes Ireland stronger too.

I am looking forward to hearing your views and to discussing what the EU can do to further support the needs of Irish businesses and people.