

22nd February 2017

Double Taxation Dispute Resolution Mechanism

KEY MESSAGES



- 1** The Commission's Double Taxation Dispute Resolution Mechanism proposal can help to ensure that disputes between two or more member states claiming corporate tax on the same profit can be resolved more quickly and decisively.
- 2** By providing companies with a more certain and transparent tax environment, this mechanism has the potential to accelerate EU investment, and promote jobs and growth.
- 3** We particularly welcome the inclusion of enforcement blocks (the fast track enforcement mechanism) and the well-defined time-limit in the Commission's proposal.

WHAT DOES BUSINESSEUROPE AIM FOR?



- *European businesses should be able to operate in a tax environment that provides them with full certainty, improved access to dispute mechanisms, and better conclusiveness and timeliness.*
- *BusinessEurope stresses the urgency of this proposal and calls on the member states to provide a swift implementation.*



Double taxation impedes economic growth

Far too many European companies still face double taxation when two or more member states claim taxes on the same profit. According to the European Commission, there are today around 900 double taxation disputes ongoing in the EU between member states under the current dispute resolution mechanisms, which are estimated to be worth €10.5 billion. This issue should not be taken lightly. Not only may double taxation lead to reduced foreign investment and tax certainty, it may also lead to reduced employment and lower economic growth in the long run.

Therefore, the importance of adequate dispute resolution mechanisms cannot be overstated. In combination with uniform application and implementation of consistent and predictable international tax rules, effective dispute resolution provides companies with crucial legal certainty to foster cross border trade and investments and enhance a well-functioning and flourishing global economy. While the current mechanisms, such as Double Taxation Conventions (DTCs) and the Union Arbitration Convention, provides some relief, there is still vast room for improvement in terms of scope, enforcement, effectiveness and timeliness.

BusinessEurope supports the Commission's Dispute Resolution Mechanism

In October 2016, as part of its Corporate Tax Reform Package, the European Commission launched a proposal on Dispute Resolution Mechanisms which would resolve cases of Double Taxation within the EU. BusinessEurope believes that many businesses will very much welcome the Commission's long over-due proposal to improve the EU's double taxation dispute resolution mechanism. The Commission's proposal will help to ensure that tax disputes between two or more member states can be resolved more quickly and decisively. This has the potential to help saving businesses a significant amount of resources, money and time. European businesses will also profit from the more transparent and strengthened tax certainty.

We welcome in particular the addition of enforcement blocks which may improve today's Union Arbitration Convention and bring the mechanism more in line with the current global tax environment. Also, while the current mechanisms cover a number of instances of double taxation, there are still many cases that are not covered. With the new proposal, all instances of double taxation following cross-border transactions in the EU will fall under its scope.

Businesses rely on a speedy resolution to their double taxation disputes. We support the clear-cut and enforceable time-limit of up to 15 months in the proposal.

The damage to the European business and investment environment caused by double taxation disputes should not be underestimated. We therefore urge the Council to support this proposal and foster a swift implementation.