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Hodžić, Sabina

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Sabina Hodžić
University of Rijeka
Faculty of Tourism and Hospitality Management
Primorska 42,
51414 Ika, Croatia
sabinah@fthm.hr
Phone: +38551294702

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THE IMPACTS OF THE COMMON CONSOLIDATED CORPORATE TAX BASE IN CROATIA

ABSTRACT

As of 1 July 2013, i.e. with Croatia's accession to the European Union, the number of Member States of the European Union rose to 28. The diversity of tax systems among the Member States causes interferences in cross-border activities of tax firms. That encourages transfer of income to countries with lower tax rates. The aim of this paper is to present the main points of view on the implications of the introduction of the Common Consolidated Corporate Tax Base (CCCTB) in Croatia. This paper also estimates the effects of the prospective apportionment procedure on corporate group entities in Croatia. The acceptance of the CCCTB system will make Croatia attractive to foreign investors. It will also enable foreign multinational companies to do business in Croatia, which will contribute to its economic growth.

Keywords: Fiscal policy, corporate income tax, common consolidated corporate tax base, formula apportionment

1. Introduction

In November 2004, the European Commission established a Working Group responsible for setting up basic standards and the structure of the CCCTB. The main objectives of the CCCTB Working Group were the following: discuss about principles that will govern the CCCTB, examine the technical definition of a common consolidated tax base for companies in more than one Member State, establish fundamental structural elements of a consolidated tax base and formulate a mechanism for the allocation of the consolidated tax base between different Member States. The CCCTB proposal aims to enable a simplified tax system for companies. It would

reduce tax compliance costs and remove existing tax obstacles that companies face when they operate in several Member States.

The CCCTB is a system of common rules for computing the tax base of companies which are tax residents in the EU and in EU-located branches of third country companies (COM, 2011: 121). A central feature of the CCCTB is cross-border consolidation and setting up a single rule that companies operating within the EU could use to calculate their taxable profits. The CCCTB regime ensures cross-border gain and loss offset and reduces operating costs in the long run. All of the above can be achieved through formula apportionment. The key benefit of the implementation of the formula apportion-

ment method among the tax system of EU Member States is the avoidance of double taxation and the prevention of income shifting. The main aim of its introduction is to establish tax profits and losses of international companies that have subsidiaries in different Member States. It would offer a possibility to cover profits and losses in order to reach common results of operations among companies. The overall taxable income, calculated in such a manner, would be assigned to individual Member States through a sharing mechanism. The introduction of a new consolidation and apportionment system would have two effects (Devereux and Loretz, 2007: 2). First, loss-making companies could benefit from international loss consolidation to the extent that they could offset losses against contemporaneous profits made by other companies within the same group in other countries. Second, the effects of the apportionment of group taxable profit to specific Member States depends on where the profit is allocated and the set of tax rates consequently applied.

Furthermore, the main aim of the paper will be explained, and the manner in which the formula apportionment impacts income distribution and tax burden will be succinctly discussed. Moreover, advantages and disadvantages of the CCCTB and some basic principles of the CCCTB and the European Commission's point of view will be presented, as well as the methodology for the calculation of the formula apportionment and implementation of the CCCTB system in Croatia.

2. Advantages and disadvantages of the CCCTB system

The introduction of the CCCTB would compensate trans-border income among Member States. Such an income tax base emphasizes economic benefits because consolidated companies could use their overall economic potential in both Croatia and any other Member State. By applying the CCCTB, the profit or loss realised by funds transfers within a group is postponed until it is realized on the real market. Costs and corresponding revenues from transactions are then calculated within the group on the market. After the introduction of this system in all Member States, expected benefits would include (COM, 2001: 16):

1. Significant reduction of compliance costs;
2. Disappearance of the double taxation problem within the EU;
3. Removing a major obstacle to the free movement of capital and unrestricted exercise of the right of establishment, through cross-border loss compensation of tax losses by reducing taxable profits of parent companies;
4. Disappearance of tax avoidance practices by using transfer pricing because inter-firm transaction prices can not affect the distribution of taxable income to tax jurisdictions;
5. Comparability of effective tax burdens in each jurisdiction resulting in an improvement in the quality of investment and hence of resource allocation to the whole EU.

The European Commission and the CCCTB system representatives are certain that the new system will offer numerous advantages to both international companies and the overall European economy. Such advantages include a decrease in expenses of harmonization and simplification of procedures, possibility to consolidate the company's incomes and losses in the community, increased transparency, decrease of tax uncertainty and increase in economic efficiency, elimination of discrimination, elimination of double taxation and prevention of non-taxation and misuse. The EU, as a whole, will benefit the most from consolidation when the system becomes compulsory and the tax rates harmonised (Van der Horst et al., 2007: 31).

The Commission's decision to support the introduction of the CCCTB system is based upon the assumption that, for example, the common tax base advantages of such a system take into consideration its weaknesses as well. Potentially negative consequences include loss of national tax systems, loss of fiscal policy instruments for regulation of relations on the national market, reduction of system advantages due to problems in the taxation of incomes that European companies make outside the EU, and decrease of budget revenues from corporate taxation. If all countries join the CCCTB reform, this benefit will be partly offset by two possible negative effects (Bettendorf et al., 2010: 475). The first is due to the mechanical reallocation of the tax base, which depends on the choice of the formula. The second is induced by the factor reallocation towards

low-tax countries. High-tax countries suffer from an outflow of production factors by multinationals towards low-tax countries because corporate tax rates work as excises on formula factors. Under a common consolidated base taxation, all or a group of Member States would agree on a set of common rules for establishing a taxable base of certain enterprises (Weiner, 2007: 521).

2.1 Principles of the CCCTB system

The CCCTB must provide a comprehensive and autonomous set of rules. According to Freedman and Macdonald (2007: 7) the role of principles should be twofold. From one point of view, they should provide both a reference point for determining the scope of the tax base through a legislative statement of a central concept which encompasses the substantive nature of the tax base. From another point of view, a constitutionally valid framework is the form of criteria for interpreting and applying the provisions of the Directive.

The principles are essentially normative standards applied in designing the tax system of each country. The common principles of the CCCTB are in line with the general principles of the tax system. These principles are vertical and horizontal equity, efficiency, effectiveness, simplicity, transparency and certainty, consistency and coherence, flexibility and enforceability. In a tax system, the vertical equity principle implies that the burden of taxation should be shared in accordance with the taxpayers' respective ability to pay. In horizontal equity, taxpayers in the same economic circumstances should receive equivalent treatment. An EU CCCTB would aim to provide equity between countries as part of the consolidation process and the subsequent sharing of the tax base between countries (European Commission, 2004: 4). Capital Export Neutrality (CEN) and Capital Import Neutrality (CIN) are concepts whose aim is to ensure neutrality (European Commission, 2004: 4). Vital elements of tax systems are principles of effectiveness, simplicity, transparency and certainty, consistency, flexibility and enforceability. Effectiveness is essentially the capacity of the tax base to achieve its basic objectives. The principles must also be certain and clear, relating to the transparency requirement. General principles are viewed from a national perspective; therefore, the

CCCTB Working Group still needs to clarify in detail how these principles will be considered in a definitive or final way.

2.2 European Commission's point of view of the CCCTB system

In order to prevent or eliminate existing tax obstacles in cross-border activity, the European Commission presented a proposal for a common consolidated tax base through which it wishes to support business activities of multinational companies. Based on that system, taxation will not depend on either constituent of separate accounting nor on the principle of arm's length transactions, but rather it will be based on common European accounting rules. This system is in fact an additional tax regulation with common rules for all member states. One of its goals is to eliminate tax planning, especially loss compensation due to separate accounting, debt financing and intergroup transactions (Schreiber, 2012: 117).

According to Pirvu, Banica and Hagi (2011: 220) the main advantage of such a system is that it can create conditions for achieving important objectives of fiscal policy in the European Union. This can be achieved by supporting the success and development of a common market, thus allowing all Member States to compete fairly and have an advantage on the internal market, as well as sustainable reduction of the overall tax burden. A tax burden reduction ensures a balance between tax reductions, investments in the public sector and maintenance of fiscal consolidation.

According to Wendt (2009: 104), based on the CCCTB system there are three scenarios:

1. "The first scenario is a "no-change". This scenario is left on one side, as it would imply that the CCCTB is condemned.
2. The second scenario consists of providing companies with the possibility to opt for a Common Corporate Tax Base for the determination of taxable income resulting from their EU-wide activities. This scenario would not include a consolidation mechanism.
3. The third scenario would be the Common Consolidated Corporate Tax Base as originally intended by the Commission".

According to this concept, three distinct steps are necessary to arrive at the tax base for each jurisdiction (Wendt, 2009: 105):

1. "Each group member calculates its taxable profits separately but according to the same set of rules;
2. The individual tax bases are aggregated to the consolidated tax base;
3. The consolidated tax base is allocated to different Member States by applying specific factors (formula apportionment)".

Table 1 shows possible scenarios of a common tax base and their potential to eliminate tax obstacles.

Table 1 Scenarios of a Common Tax Base and their potential to eliminate tax obstacles

| Tax Obstacle to be Reduced | Scenarios of a Common Tax Base | |
|---|--|---|
| | Common Corporate Tax Base Harmonized Tax Accounting Rules | Common Consolidated Corporate Tax Base Harmonized Tax Accounting Rules + Formula Apportionment |
| Compliance Costs | Achieved | Achieved |
| Cross-Border Loss Relief | Not achieved Except to the extent that Member States already provide cross-border loss relief | Achieved |
| Transfer Pricing Issues | Not achieved Transfer prices are still required for the division of the tax base | Achieved Transfer pricing are only relevant if they affect the allocation formula (e.g. of based on sales) |
| Double Taxation | Not achieved | Achieved |
| Tax Charges of Restructuring Operations | Achieved But only if the tax treatment of reorganisations is harmonised | Achieved But only if the tax treatment of reorganisations is harmonised |

Source: Wendt, 2009, p. 107.

The European Commission proposed a directive as a tool for introducing the proposed CCCTB system with specific rules for determining a single tax base. Thus, the Commission proposes that companies be given a choice of opting for the CCCTB system or the former system for calculating the tax base according to national tax rules (European Commission, 2007a). The dilemma surrounding the mandatory or optional application of the CCCTB system and the consolidation of profits and loss has given rise to a divergence of opinions. An alternative so-

lution would be the mandatory application of the CCCTB system and the optional application of the consolidation of profits and loss. One possibility would be to leave the decision on mandatory or optional application of the CCCTB and consolidation in the hands of each Member State. Therefore, the Commission provides for the possibility of letting companies choose whether they want to use the CCCTB system or not due to the diversity of environments in which individual companies operate.

The Directive would apply to EU companies and third country companies which are subject to corporate income taxes in Member States of the European Union. Companies resident in the European Union would easily opt for the CCCTB system given that it would facilitate their business activities, but also companies not resident in the European Union which would use the system for their per-

manent establishments within the European Union. The option to choose this type of system would be valid for companies for 5 years and would be automatically renewed for another 3 years at the end of the annual period (European Commission, 2007a). The proposed system primarily depends on its level of attractiveness and efficiency for companies.

The proposed CCCTB system assumes a mandatory consolidation of profits and loss for all companies. These companies would include companies with a subsidiary or permanent establishment in another EU Member State (the 'all-in' or 'all-out' principle). Subsidiaries would have a total of 75% voting rights

owned directly or indirectly by a parent company or a group of companies. Groups of companies sharing 50-75% ownership would not have the possibility to consolidate profits and loss. Consolidation would not be possible for subsidiaries and permanent establishments from third countries since they already have permanent establishments in CCCTB countries (European Commission, 2007a)

The consolidated tax base would not include any profits and losses on intra-group transactions between members of the group (profits and losses on disposal of stock, fixed assets, etc.). Nor would it include intra-group provisions. This implies that only transactions between the group of companies and third parties, as well as other companies of the group not consolidating their tax base, have a tax effect (European Commission, 2007a). Any losses incurred by taxpayers before entering the CCCTB system would not be taken into account in the consolidation. "Such losses would be offset against the share of the future consolidated profits attributed to this taxpayer in accordance with national rules" (European Commission, 2007a: 26). When a taxpayer leaves a group, the loss remains in the group. When a group terminates, then the loss of the group is attributed to the taxpayers belonging to the company.

The European Commission maintains that the income of a taxpayer non-resident in the European Union would be subject to corporate income taxation under the worldwide principle. The CCCTB system would include equal treatment of income of EU companies and of third country companies. The income of companies located in a third country would be included in the tax base under the worldwide principle while adhering to the rules for relieving double taxation. The tax base would be calculated on an annual basis for the period of 12 months, while the following rules would be used to calculate the tax base (European Commission, 2007a: 8): "The tax base of a company would be calculated as the difference between income subject to tax less exempt income and deductible expenses and other deductible items".

The definition of tax income would be based on international accounting rules. It would be broad so as to cover monetary or non-monetary income, including proceeds from business activities and assets, interests, dividends, other profit distributions, subsidies, donations and compensation. Income such as subsidies directly linked to acquisition or

improvement of a depreciable business asset, proceeds from the disposal of pooled assets and certain dividend and permanent establishment income and capital gains would be exempt.

Deductible expenses would mean all business-related expenses that are fully and exclusively necessary for the production, maintenance and securing of taxable income. Along with costs of research and development, these would include costs related to debts for business purposes and other expenses. "Non-deductible expenses would mean profit distributions, repayments of equity and debt, any payment to and expenditure incurred for the benefit of shareholders or related persons; expenses related to assets that are not necessary; 50% of entertainment and representation costs; appropriation of retained earnings forming a part of equity; bribes; fines and penalties payable to public authority for breach of any legislation; management costs; monetary gifts and donation (except to charitable bodies meeting certain criteria); and costs relating to the acquisition, construction or improvement of fixed assets except those relating to research and development" (European Commission, 2007a: 9).

It is very questionable whether the specific idea can be concretized and realized through the common consolidated tax base. There exist three different interpretations of the harmonised tax base, with each of them presuming a different level of cooperation and elimination of tax obstacles in cross-border activities within the European Union (Mijatović, 2012: 92). At the minimal level would be a harmonised tax base built on a single set of tax and accounting rules. Although this system would reduce accounting costs, all other tax obstacles in cross-border activities would still remain. A harmonised tax base is the prerequisite for corporate tax relief for the current year due to the transfer of loss from the previous year in case of cross-border activity. Specific accounting rules for determining foreign losses along with all other accompanying difficulties should also exist. In order to completely eliminate tax obstacles in cross-border activities, a consolidated tax base should be designed. In this consolidation scenario, the distribution of the total taxable income incurred by subsidiaries will no longer be able to be based on accounting prices. Rather, a distribution system should be established that would include the distribution of the total tax base to different Member States.

The proposed CCCTB system would reduce harmful tax competition and introduce anti-abuse regulations for the protection of the CCCTB system tax base. The CCCTB system anti-abuse protection is structured on two levels in the form of general anti-avoidance rules (GAAR) and specific anti-avoidance rules (SAAR). Some countries apply general rules, while other countries implement specific rules. Regardless, many countries apply both sets of rules. Under the proposed CCCTB system, general rules aim to prevent fictitious transactions, i.e. such transactions are removed in order to calculate the tax base. Specific rules include: "thin capitalization rules or more general rules to limit the deductibility of interest, switch over rules from the exemption to the credit method, CFC rules, rules to re-characterise the scale of shares as a scale of assets to avoid the abuse of the consolidation rules in connection with the participation exemption, rules to avoid the possible double deductions (double dips) and possible rules to avoid the manipulation of the factors in the Formulary Apportionment" (European Commission, 2008: 3). Specific rules for legal tax avoidance always come hand in hand with general rules on legal tax avoidance and should be harmonised with the EC Treaty requirements. In 2011, 12 countries applied specific and thereby general rules for legal tax avoidance: Germany, France, United Kingdom, Sweden, Norway, Finland, Spain, Portugal, Denmark, Hungary, Estonia and Italy. Their common goal was to protect the domestic tax base from tax distortion. The harmonization of the corporate income tax base within the CCCTB system is not the only objective; another objective is the harmonization of regulations preventing tax avoidance in that system.

Once the CCCTB system is introduced, corporate income tax rates would become the leading tax element in making investment decisions. This would eliminate tax base differences in the European Union. Member states would be faced with increased pressure on their corporate income tax rates. High rates could no longer be compensated through better accounting and tax rules. The transfer of income by way of accounting prices and debt financing would no longer be possible in the CCCTB system. A common tax base would lead to companies having a transparent tax burden. As a result, the tax competition within EU Member States would intensify due to corporate income tax rates.

3. Methodology for calculating the formula apportionment

According to Fuest, Hemmelgarn and Ramb (2006: 20), the revenue effects of the introduction of the formula apportionment discussion in the EU include a system of cross-border loss relief. They also found an expected decrease in the tax revenues of EU Member States. Choosing the apportionment formula is important for two reasons (Bettendorf et al., 2010: 454). Firstly, the formula determines the distribution of the tax base across jurisdictions. Secondly, the formula apportionment imposes an implicit excise tax on the apportionment factor. Companies can influence their corporate tax liability by locating the factors that enter the formula in low-tax jurisdictions. As long as tax rates differ across jurisdictions, the allocation of investment and employment will be influenced based on the formula apportionment. Corporate income taxation is based on a consolidated tax base, and tax revenues are apportioned among countries according to the formula (Pethig and Wagener, 2007: 633). Based on the formula apportionment, a multinational would report its EU-wide taxable income to every EU country in which it is active and this income would be allocated among each EU country for tax purposes based on a formula that could use a variety of relative cost and revenue ratios (Gresik, 2010: 134). A multinational company's global income would be assigned to countries by a formula based on the fraction of their worldwide activity that occurred in each country (Clausing and Lahav, 2011: 99).

Within this taxation system international companies would be allowed to cover their losses on the EU level. Incomes and losses of one group of companies would not be separated by countries in which certain subsidiaries from a group are located. Instead, all taxable losses and incomes would be consolidated at the beginning. By doing so, spillover among particular companies from a group would become pointless. Taxable profit would be firstly governed by common rules. All parts of the group would be consolidated and the group profit would be allocated by formula apportionment to different member states. The corporate tax rate would be agreed upon according to a single taxing system. The apportionment formula includes three factors. These factors are Sales (S), Labour (L) and Assets (A). The labour factor is divided into two factors.

These factors are the payroll of the work force and the number of employees. According to Article 86 (COM, 2011: 47) the apportionment formula:

$$\text{Share A} = \left[\frac{1}{3} \times \frac{\text{Sales}^A}{\text{SalesGroup}} + \frac{1}{3} \left(\frac{1}{2} \times \frac{\text{Payroll}^A}{\text{PayrollGroup}} + \frac{1}{2} \times \frac{\text{Employees}^A}{\text{EmployeesGroup}} \right) + \frac{1}{3} \times \frac{\text{Assets}^A}{\text{AssetsGroup}} \right] \times \text{CTB} \quad (1)$$

with CTB representing the consolidated overall results of the group.

Equation (1) shows a system according to which distributed tax base would be located in different Member States.

The choice of apportionment factors of a formula should follow the objectives according to which the formula should (CCCTB, 2007: 5):

1. Be as simple as possible to apply for taxpayers and tax administrations and easy to audit for tax administrations,
2. Be difficult to manipulate by the taxpayers;
3. Be considered to lead to a fair and equitable distribution of the tax bases among the various entities concerned;
4. Not lead to undesirable effects in terms of tax competition.

The apportionment formula can only allocate a share of the consolidated group income to the group entity that equals the group entity's pre-consolidation income if all used apportionment factors are uniformly distributed between the group entity and the corporate group (Petutsching, 2010: 23).

As soon as Croatia joins the EU, each Member State will have the right to tax the allocated share of the consolidated tax base by applying its own national corporate tax base.

A multinational company consists of Company A and Company B. Company A resides and sells its output in Croatia, and Company B resides and sells its output in Slovenia. Information about sales, payroll, employees and assets for both countries are provided in Table 2. Corporate income tax rate for Slovenia in 2013 is 17% and for Croatia it is 20%.

Table 2 Formula apportionment application

| Companies | Sales | Payroll and Employees | Assets | Taxable Income |
|----------------------|-------|-----------------------|--------|----------------|
| Croatia (Company A) | 50 | 50 | 50 | 40 |
| Slovenia (Company B) | 70 | 30 | 30 | 50 |
| Total | 120 | 80 | 80 | |

Source: Author's calculation

Considering the above information, the tax burden under separate accounting per company and the total tax burden for the group amounts to 16.5.

$$T_A = 40 \times 0.2 = 8 \quad T_B = 50 \times 0.17 = 8.5 \quad T = T_A + T_B = 16.5$$

Applying the apportionment formula from Article 86 and assuming an identical tax base, the tax burden per company and the total tax burden for the group amounts to 17.1.

$$T_A = 0.2 \times (40 + 50) \times \left(\frac{1}{3} \times \frac{50}{120} + \frac{1}{3} \times \frac{50}{80} + \frac{1}{3} \times \frac{50}{80} \right) = 10.1$$

$$T_B = 0.17 \times (40 + 50) \times \left(\frac{1}{3} \times \frac{70}{120} + \frac{1}{3} \times \frac{30}{80} + \frac{1}{3} \times \frac{30}{80} \right) = 7$$

$$T = T_A + T_B = 17.1$$

This example shows that formula apportionment would significantly change the total tax burden for groups of companies. It may also provide incentives to increase tax competition. Increasing tax competition under the proposed CCCTB may encourage Member States to further decrease tax rates on corporate profits (Spengel and Zöllkau, 2012: 14). According to this example, it can be concluded that Member States with a higher income tax rate have a higher total tax burden. This is one of the factors that adversely affects multinational companies' decision to locate their enterprises in those countries. By comparing companies in Croatia and Slovenia,

it can be concluded that it is easy for multinational companies to do business in Slovenia because their tax burden is lower. A lower tax burden allows companies to earn more. Besides, they become more attractive to foreign investors.

4. Implementation of the CCCTB system in Croatia

All rules of the CCCTB system should be implemented in the Republic of Croatia, now the youngest Member State. The application of the common consolidated corporate tax base would reduce tax compliance costs. By applying the formula apportionment, this consolidated tax base would be distributed among Member States. By applying the concept of consolidation, multinational companies that do business in several member states would have to calculate taxes according to only one tax system. The use of a consolidated base would mean that the profit and loss of the entire multinational company are accumulated to a simple general tax base. Thus, there would be no more need for transfer pricing and international double taxation would disappear. By accepting a consolidated base within income tax, multinational companies should be allowed to calculate overall income by applying common regulations.

The expected results of the application of the CCCTB are as follows (COM, 2011: 15):

1. To allow cross-border loss-offset;
2. To reduce occurrences of double or over-taxation;
3. To reduce undue or unintended tax planning opportunities for companies by the parallel application of 28 corporate tax system in the EU;
4. To introduce a one-stop shop approach for tax declarations and assessment;
5. To provide companies with the option to apply a common system for taxation in the EU;
6. To reduce transfer pricing compliance obligations.

Implementing the CCCTB system, Croatia will have a choice of implementing it as its individual tax base or as a tax base that is an alternative to the existing one. Furthermore, replacing the Croatian corporate income tax base with the CCCTB would cause numerous transitional problems of moving from the existing tax base to the CCCTB for both Croatian entities and entities moving between the two systems. Domestic tax incentives would no longer be available to firms on the Croatian market because they are not deductible under the CCCTB system. Likewise, issues on whether Croatia should adopt the CCCTB as its only tax base or as an additional tax base have been raised. The probability of Croatia implementing the CCCTB as its individual tax base is very limited. A more realistic situation would be the one in which the CCCTB exists side by side with the national tax base. If Croatia does not implement the CCCTB, at least as an alternative tax base, the CCCTB will be treated as just another foreign tax base. From a Croatian point of view, inbound and outbound investments in the CCCTB area would be taxed in the same way as investments in any other foreign jurisdiction. That would be very confusing and economically unacceptable to foreign investors on the Croatian market.

5. Conclusion

The current situation in the area of corporate taxation in the EU is characterized by diverse tax systems, great differences in tax burden on companies in particular Member States and strong tax competition. For individual Member States, the benefits from consolidation and formula apportionment are diverse and depend on the formula choice. The formula defines the distribution of the corporate tax base across EU countries and, thereby, the revenue implications of the reform.

The diversity of income taxation systems within the European Union causes interferences in cross-border business of multinational companies. Thus, it encourages shifting income to Member States with lower income tax rates in order to accumulate more profit. Besides having an adverse effect on the economic growth and economy of the country, it will also influence the European Union as a consolidated market. In order to eliminate these problems, the

European Union has taken precautionary measures. Establishing the CCCTB system is one of the measures.

On 16 March 2011 the European Commission published the adopted Proposal for a Council Directive on a Common Consolidated Corporate Tax Base with which it wishes to contribute to taxation favouring economic growth as advocated in the Europe 2020 strategy. This prompted intensive technical discussions regarding the proposal at the level of working groups of the Council of the European Union. A common consolidated corporate income tax base is one of the measures serving to reduce tax obstacles in cross-border activities within the European Union. It aims to establish a system of common rules for calculating the tax base of companies resident in the EU and EU-located subsidiaries of third country companies. The common fiscal frame-

work provides rules for calculating the business results of each company (or subsidiary), the consolidation of those results with other group members and the distribution of the consolidated tax base for each Member State in which the group operates, i.e. has established a company or subsidiary. Although some progress has been made with the proposal of a Directive on a Common Consolidated Corporate Tax Base, some Member States still have certain reservations and doubts regarding certain elements of the Directive Proposal. The implementation of this kind of system in Member States will present major challenges for the business sector. It will be a major challenge for Croatia as well since further modification of its tax system will be required. As a result, the Income Tax Act will be modified and companies will have to adjust to it.

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Sabina Hodžić

UTJECAJ ZAJEDNIČKE KONSOLIDIRANE OSNOVICE POREZA NA DOBIT U HRVATSKOJ

SAŽETAK

Nakon pristupanja Hrvatske Europskoj uniji, 1. srpnja 2013., broj zemalja članica povećao se na 28. Različitost poreznih sustava unutar 28 zemalja članica uzrokuje smetnje u prekograničnoj djelatnosti poreznih društava. To potiče premještanje dobiti u zemlje s nižim poreznim stopama poreza na dobit. Cilj ovoga rada jest prikazati glavne značajke uvođenja zajedničke konsolidirane osnovice poreza na dobit u Hrvatskoj. Rad također prikazuje učinke mehanizma za raspodjelu porezne osnovice na trgovačka društva u Hrvatskoj. Prihvatanje sustava zajedničke konsolidirane osnovice poreza na dobit, učinit će Hrvatsku privlačnom za strane investiture. To će također omogućiti stranim multinacionalnim kompanijama da posluju u Hrvatskoj što će doprinijeti ekonomskom rastu države.

Ključne riječi: fiskalna politika, porez na dobit, zajednička konsolidirana osnovica poreza na dobit, mehanizam za raspodjelu porezne osnovice