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CORPORATE TAX IN EUROPEAN UNION AND THE THEORY OF CORPORATE FINANCE*

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Abstract

One of the main objectives to be accomplished by the European Union law is to eliminate barriers to the functioning of domestic market and in particular improve the competitiveness of enterprises. After several years of efforts, the European Commission approved a proposal for the directive on a Common Consolidated Corporate Tax Base which is to remove obstacles to the functioning of internal market and increase tax harmonization. The article is aimed at presenting the essence of CCCTB in the theory of corporate finance and its importance for enterprises, based on the survey of Polish and EU companies. The paper addresses issues relating to tax in corporate finance. Canons of taxation will be discussed and special emphasis will be placed on principles behind formulating fiscal law provisions (including the EU law). Furthermore, the article presents the results of surveys into the importance of taxation canons for Polish and EU companies.

Keywords: income tax, CCCTB, corporate finance

JEL classification: E62, E64, G3, H20, K34

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Introduction

Financial crisis faced by the European Union has revealed a problem of tax systems that are in operation in the Member States. Difficulties encountered by enterprises stem from different guidelines on calculating corporate income tax and the impossibility of consolidating financial statements for tax purposes. This problem is faced not only by transnational corporations, but all entities (legal persons) conducting activity in the European Union.

One of the main objectives to be accomplished by the European Union law is to remove barriers to the functioning of domestic market and particularly enhance the competitiveness of enterprises. In this context, the concept of Common Consolidated Corporate Tax Base (CCCTB) has been developed. Its role in a comprehensive reform of tax law is undeniable. The reform is to improve the competitiveness of the EU enterprises. CCCTB concept may become a new quality in tax system.

After several years of efforts, on 16 March 2011 the European Commission approved a proposal for the directive on a Common Consolidated Corporate Tax Base.

The article is aimed at presenting the essence of Common Consolidated Corporate Tax Base (CCCTB) in the theory of corporate finance and its relevance to firms, based on the survey of companies operating in Poland and other Member States.

Table 1 presents structural characteristics of Polish enterprises participating in the survey.

The data in Table 1 shows that the major group to have actively participated in the survey were companies with limited liability. This is due to the fact that these companies are the dominant form of business activity among entities with legal personality. It is also a result of the fact that the survey was answered by smaller companies. This is evidenced by the fact that the group of respondents was dominated by companies employing up to 49 people. Also, the fact that surveys in companies were mostly filled in by chief accountants indicates smaller entities, i.e. those where the chief accountant is also responsible for tax affairs and deals with settlement of taxes. This, however, is good for the representativeness of the study. It is also favourable that the entities surveyed were dominated by those with long period of activity, i.e. over 5 years, and more than 30 percent of them there had been operating longer than 10 years. Analysing the nature of the business, it should be highlighted that the group was dominated by service and trading businesses. These are the areas of economic activity that may be the most interested in the unification of taxes within the European Union. These entities trade within the EU and provide services (intra-Community supply of goods and services).

Table 1. Structural characteristics of Polish enterprises participating in the survey
(percentage share)

Type of organization	Joint-stock company	Limited liability company	Cooperative society	Other		Total
	3.57	82.15	3.57	10.71		100
Position	tax manager	chief financial officer	chief accountant	another position		
	3.57	1.79	60.71	33.93		100
Number of employees	up to 9 employees	up to 49 employees	up to 100 employees	up to 250 employees	more than 250 employees	
	37.5	41.07	7.14	8.93	5.36	100
Period of activity	less than 3 years	between 3 and 5 years	between 5 and 10 years	more than 10 years		
	12.5	16.07	41.07	30.36		100
Type of activity	production	trade	construction	service	other	
	8.93	23.21	12.5	35.71	19.65	100

Source: own elaboration based on the questionnaire survey

Table 2 presents structural characteristics of enterprises operating in the Member States that have responded to the survey.

Table 2. Structural characteristics of the EU enterprises participating in the survey
(percentage share)

Type of organization	Joint-stock company	Limited liability company	Cooperative society	Other		Total
	50	35.71	0	14.29		100
Position	tax manager	chief financial officer	chief accountant	another position		
	17.86	46.43	10.71	25		100
Number of employees	up to 9 employees	up to 49 employees	up to 100 employees	up to 250 employees	more than 250 employees	
	32.14	0	0	0	67.86	100
Period of activity	less than 3 years	between 3 and 5 years	between 5 and 10 years	more than 10 years		
	0	35.71	0	64.29		100
Type of activity	production	trade	construction	service	other	
	21.43	7.14	21.43	42.86	7.14	100

Source: own elaboration based on the questionnaire survey

The data in table 2 shows that, unlike Polish operators, the group of EU respondents is dominated by joint-stock companies. These were large companies, as evidenced by the fact that

the biggest percentage of companies employed over 250 people. Surveys were mainly filled in by CFOs, i.e. those responsible for the department of taxes. It is characteristic of foreign operators that these companies have separate accounting and tax departments, and these are supervised by CFOs due to the direct impact of tax payments on the liquidity of the entity and its financial situation. While analysing the type of activity of the surveyed businesses, it should be emphasized that the group largely included service, manufacturing and trading companies.

1. Tax in corporate finance theory

Tax is a financial service and hence every payment of the tax depletes resources that a given company has at its disposal, i.e. capital. It changes the balance of cash generated by the firm. After all, financial resources are used to cover tax liabilities. Considered a burden that has assumed special importance in legal terms, tax has a direct effect on capital potential of the enterprise (Iwin-Garzyńska, 2010).

The essence and features of tax are the same in every fiscal system. Rules and financial regulations are subject to change. They determine tax effect, rate and importance for enterprises. The proposal for the directive on CCCTB has such relevance.

Attempting to define the essence of tax in corporate finance, an error can be noticed. It consists in ignoring the subjectivity of a company and its organization (Iwin-Garzyńska, 2011). Tax is not „only” a burden for the benefit of the country. The importance of *Common Consolidated Corporate Tax Base* should be highlighted in this context. It is aimed at eliminating barriers to the functioning of internal market as well as to the functioning of companies in the European Community. Problems faced by enterprises stem from different guidelines on calculating corporate income tax and impossibility of consolidating financial statements for taxation purposes.

2. Common consolidated corporate tax base – fundamental assumptions

In a document entitled “A Common Consolidated EU Corporate Tax Base” (*A Common...*, 2004) published on 7th July 2004 includes the assumptions of the concept aimed at reducing the costs and barriers to business activity in the European Union. *On 16th March 2011 (Proposal...*, 2011) the European Commission submitted a proposal for the directive on a Common Consolidated Corporate Tax Base (CCCTB). According to the proposal, the main goal of the concept is to eliminate at least some major tax problems impeding economic growth on the

EU single market. Due to the lack of uniform corporate tax regulations, interdependence of domestic tax systems often results in double taxation. Hence, enterprises have to deal with heavy administrative burdens and high costs associated with conforming to tax regulations. Such a state of affairs discourages companies from making investments in the EU and consequently hinders the achievement of priorities included in „*Europe 2020*” – a strategy for smart, sustainable and inclusive growth.¹

Common Consolidated Corporate Tax Base is a major initiative designed to eliminate obstacles to the creation of a single market.² It is considered³ an initiative stimulating growth that should be undertaken in the first place in order to facilitate economic development and create new jobs. CCCTB concept would guarantee the coherence of domestic tax systems but no the harmonisation of tax rates.

According to the proposal for the directive, tax rates ought to be subject to fair competition. Different rates enable particular countries to maintain certain level of tax competition on internal market. Furthermore, fair competition based on tax rates provides a greater transparency and allows the Member States to take account of the competitiveness of their markets and budgetary requirements while determining tax rates (Iwin-Garzyńska, 2013a).

The introduction of CCCTB would reduce or even eliminate barriers to conducting cross-border activity in the European Union. This is of profound importance for enterprises regardless of their size. In the case of small and medium-sized companies, costs involved in adjusting the activity to regulations imposed in particular countries are a major barrier. Compared to the turnover of such firms, these costs are an important item. As for large enterprises, the possibility of cross-border settlement of tax losses is the main advantage of the new solution (Iwin-Garzyńska, 2013b).

¹ The strategy is aimed at smart, sustainable and inclusive growth. The Strategy *Europe 2020* has defined the following three inter-related priorities:

- smart growth: development of the economy based on knowledge and innovation,
- sustainable growth: supporting the economy based on a more efficient use of resources, more environmentally friendly and more competitive,
- inclusive growth: supporting the economy characterized by a high employment rate, providing social and territorial cohesion.

Cf. Communication from the Commission *EUROPE 2020 A strategy for smart, sustainable and inclusive growth* – COM(2010) 2020 Brussels 3.3.2010.

² Communication from the Commission *Towards a Single Market Act – For a highly competitive social market economy – 50 proposals for improving our work, business and exchanges with one another* – COM(2010) 608 Brussels 27.10.2010.

³ Communication from the Commission *Annual Growth Survey: advancing the EU’s comprehensive response to the crisis*, COM(2011) 11 Brussels 12.01.2010.

A system will be chosen voluntarily. Since not all enterprises conduct their activity abroad, CCCTB will not require companies which do not intend to expand their business outside their homelands to cover costs associated with adopting a new tax system.

The main advantage of implementing CCCTB for enterprises is the reduction of costs associated with observing tax regulations. Data published by the European Commission indicates that the introduction of the aforementioned concept may lower such costs by circa 7%. Actual reduction of the costs under discussion may have a major impact on enterprises' potential and willingness to expand their business and enter foreign markets (especially the companies that have operated only on regional markets so far) (COM(2011) 121/4).

Optional implementation of CCCTB entails that it will be the 28th tax system adopted by the twenty-seven Member States. In other words, certain enterprises or individual tax-payers will choose fiscal regime referred to in the directive or follow their domestic tax systems. Therefore, the proposal is a major step toward the harmonisation of corporate income tax which, by improving the internal competitiveness of the EU, is to restrict harmful internal competition.

3. Income tax base vs. CCCTB

Corporate tax system is based on a general rule according to which tax amount to be paid by the entrepreneur depends on the tax base and tax rate. Tax base shall be subject to harmonisation, i.e. will be determined in line with rules and regulations uniform for all the companies that have adopted CCCTB system in the European Union. In other words, the tax base will be calculated as a difference between taxable income (minus exempt revenue) and tax deductible expenses. Therefore, in order to determine the tax base, one ought to bear in mind such notions as taxable income, exempt revenue and tax deductible expenses. Defining the above categories as part of CCCTB system, one should take account of a set of joint regulations on determining corporate tax base, not violating provisions included in the Council Directives 78/660/EEC⁴ and 83/349/EEC⁵ as well as Regulation (EC) No 1606/2002 of the European Parliament and of the Council.⁶

Tax revenue is an excess of revenues over tax deductible expenses in a given fiscal year, with special reference to the principles of determining income (revenue) from profit-sharing by legal persons as well as transactions between related parties and resident tax payers with

⁴ Dz.U. L 222 of 14th August 1978, p. 11. (Journal of Laws of the Republic of Poland).

⁵ Dz.U. L 193 of 18th July 1983, p. 1. (Journal of Laws of the Republic of Poland).

⁶ 10 Dz.U. L 243 of 11th September 2002, p. 1. (Journal of Laws of the Republic of Poland).

permanent establishments in tax havens⁷. If tax deductible expenses exceed revenues, the difference is a loss.⁸ In specific situations, tax base is a revenue itself and deductible expenses are not taken into account.⁹

As far as the EU concept of common consolidated corporate tax base is concerned, tax base is calculated by subtracting exempt revenues, tax deductible expenses and other deductible items from revenues.¹⁰ Apart from the definition, the concept presents a normative approach to detailed rules on calculating tax base. According to the idea, revenue is calculated in line with the following general principles:

- accrual basis,
- profits and losses are recognized when they are earned or incurred respectively (realization principle),
- transactions and taxable events are evaluated individually (principle of individual evaluation),
- revenues are calculated in line with uniform principles, unless exceptional circumstances justify the change (principle of coherence).¹¹

The proposal for the directive provides definitions of such notions as revenue, profit and loss. “Revenues” are understood as proceeds of sales and other transactions, except for value added tax and other types of tax and tax receivables on behalf of government bodies, in monetary or non-monetary form, including proceeds from the disposal of assets and rights, interest, dividends and other profits, proceeds of liquidation, royalties, grants and subsidies, gifts received, compensation and ex-gratia payments. Furthermore, revenues include non-monetary gifts made by the tax payer. On the contrary, revenues are neither equity raised by the tax payer, nor debt repaid to it. According to the authors of the proposal, „profit” is an excess of revenues over tax deductible expenses and other deductible items in a given fiscal year, whereas „loss” is an excess of tax deductible expenses and other deductible items over revenues generated in a given tax year.

⁷ Cf. Corporate Income Tax Act, Article 7 (2), Article 10, Article 11.

⁸ Ibidem, Article 7 (2)

⁹ Ibidem, Article 21 and Article 22

¹⁰ *Article 10 Elements of the tax base*

¹¹ Cf. A proposal for the directive *Article 9 General principles*

1. *In computing the tax base, profits and losses shall be recognised only when realised.*

2. *Transactions and taxable events shall be measured individually.*

3. *The calculation of the tax base shall be carried out in a consistent manner unless exceptional circumstances justify a change.*

4. *The tax base shall be determined for each tax year unless otherwise provided. A tax year shall be any twelve-month period, unless otherwise provided.*

Also WP/066/2008, p. 2, point 5,

The proposal for the directive provides a relatively short list of exempt items. According to Article 11 *Exempt revenues*:

The following shall be exempt from corporate tax:

- a) subsidies directly linked to the acquisition, construction or improvement of fixed assets, subject to depreciation in accordance with Articles 32 to 42;*
- b) proceeds from the disposal of pooled assets referred to in Article 39 (2), including the market value of non-monetary gifts;*
- c) received profit distributions;*
- d) proceeds from a disposal of shares;*
- e) income of a permanent establishment in a third country.*

Exempt revenues shall also include dividends, proceeds from the disposal of shares in the company outside the group and profits generated by foreign permanent establishments. As for the relief for double taxation, in most Member States it is the case with dividends and proceeds from the disposal of shares. In this way, such countries avoid the need of calculating the tax payer's entitlement to a credit for the tax paid abroad. Particularly if the entitlement is to take account of corporate tax paid by the enterprise which distributes dividends. The exemption of foreign income also meets the simplicity requirement.

In the survey on common consolidated corporate tax base and its importance for companies operating in Poland and other Member States, the aforementioned entities have been asked about the significance of exempt revenues. Table 3 shows answers provided by Polish enterprises to the aforementioned question.

Table 3. Significance of exempt revenues in the opinion of Polish enterprises (%)

Detailing	0	1	2	3	4	5	Absence of answer	Total
1	2	3	4	5	6	7	8	9
Proceeds of forestry and farming activity	92.86	0.00	0.00	0.00	0.00	3.57	3.57	100.00
Accrued but not received interest on debt, bank deposits, etc.	66.07	16.07	7.14	3.57	1.79	1.79	3.57	100.00
Exchange gains calculated on a balance sheet date but unrealised	69.64	8.92	5.36	1.79	5.36	5.36	3.57	100.00
Dividends and other proceeds from profit-sharing by legal persons	80.36	1.79	3.57	8.92	0.00	1.79	3.57	100.00
Tax refund, fees and other non-deductible expenses	69.64	17.85	5.36	1.79	1.79	0.00	3.57	100.00
Received interest on overpaid tax	82.15	8.92	5.36	0.00	0.00	0.00	3.57	100.00

1	2	3	4	5	6	7	8	9
Grants and subsidies on the defrayal or reimbursement of expenses	87.50	7.14	1.79	0.00	0.00	0.00	3.57	100.00
Proceeds from the government of foreign country in the form of non-repayable assistance	92.85	1.79	0.00	0.00	1.79	0.00	3.57	100.00
Proceeds from business activity conducted in Special Economic Zone	94.64	1.79	0.00	0.00	0.00	0.00	3.57	100.00
Proceeds from the utilization of real estate free of charge	94.64	1.79	0.00	0.00	0.00	0.00	3.57	100.00
Proceeds defined by the Head of tax office	94.64	1.79	0.00	0.00	0.00	0.00	3.57	100.00

0 – insignificant; 5 – very significant.

Source: own calculation based on the questionnaire survey.

The analysis of the data presented in Table 3 indicates that exempt revenues are rather insignificant for Polish companies. This may stem from the fact that certain exempts have a special character and are the case with specific companies, e.g. conducting forestry or farming activity, conducting activity in Special Economic Zone. As for the enterprises participating in the survey, this was a relatively low percentage.

According to the proposal of the directive on a CCCTB, *deductible expenses shall include all costs of sales and expenses incurred by the tax payer with a view to obtaining or securing income, including costs of research and development and costs incurred in raising equity or debt for the purposes of the business.*¹² What arises from the above is that deductible expenses associated with conducting business activity normally include all the costs involved in sales as well as generating and securing the income. Furthermore, deductible expenses include R&D costs as well as costs incurred in order to generate equity or foreign capital for the sake of business activity.¹³

As for tax deductible expenses in the concept of CCCTB, cause and effect relationship between exempt revenues and tax deductible expenses is of particular relevance. According to the proposal for the directive, deductible expenses include *expenses incurred by the tax payer for the purpose of the business, with the view to obtaining or securing income*. This condition, referred to as „economic purpose test”, is ambiguous (Iwin-Garzyńska, 2013b, p. 77) and imprecise.

¹² Article 12 of the proposal for a Council Directive *Deductible expenses*

¹³ Issues relating to costs associated with raising equity and incurring debt, treated as tax deductible costs, will be addressed in next sections of the present paper.

Article 14 of the proposal lists non-deductible expenses, namely:

- profit distributions and repayments of equity or debt,
- 50% of entertainment costs,
- the transfer of retained earnings to a reserve which forms part of the equity of the company,
- corporate tax,
- bribes,
- fines and penalties payable to a public authority for breach of any legislation,
- costs incurred by a company for the purpose of deriving income which is exempt pursuant to Article 11; such costs shall be fixed at a flat rate of 5% of that income unless the tax payer is able to demonstrate that it has incurred a lower cost.

In order to analyse deductible expenses in the context of income tax and CCCTB concept, it is essential to get to know entrepreneurs' attitudes toward the burden placed by non-deductible expenses.

Table 4. Significance of non-deductible expenses in the opinion of Polish enterprises (%)

Detailing	0	1	2	3	4	5	Absence of answer	Total
1	2	3	4	5	6	7	8	9
Costs incurred for the purpose of land purchase or perpetual usufruct	66.07	10.71	8.93	1.79	0.00	8.93	3.57	100.00
Costs incurred for the purpose of using personal car in the amount set, based on the value of the car, exceeding 20 000 Euro	60.72	12.50	8.93	7.14	3.57	3.57	3.57	100.00
Costs incurred for the purpose of loan (credit) repayment except for capitalized loan (credit) interest	46.43	21.42	8.93	8.93	1.79	7.14	5.36	100.00
Accrued but unpaid or amortized interest on debt including loan	62.50	16.06	1.79	3.57	8.93	1.79	5.36	100.00
Interest, commission and exchange difference on loan (credit) increasing the costs of investment during its realization	73.22	7.14	3.57	1.79	3.57	7.14	3.57	100.00
Collection costs associated with defaulting on the debt	75.00	14.29	3.57	0.00	3.57	0.00	3.57	100.00
Fines and penalties	76.78	10.71	5.36	1.79	1.79	0.00	3.57	100.00
Deductible (barred) debt	58.93	19.64	3.57	0.00	3.57	1.79	12.50	100.00
Default interest on untimely contributions to the budget and other contributions	55.36	32.14	5.36	3.57	0.00	0.00	3.57	100.00
Reserves created in line with Accounting Act	62.50	7.14	10.71	3.57	5.36	1.79	8.93	100.00
Entertainment costs	55.36	32.14	5.36	3.57	0.00	0.00	3.57	100.00

1	2	3	4	5	6	7	8	9
Capital allowance calculated for tax purposes faster than for accounting purposes	62.50	7.14	10.71	3.57	5.36	1.79	8.93	100.00
Interest on loans granted by shareholders	44.64	25.00	16.07	1.79	3.57	3.57	5.36	100.00
Revaluation of assets in books of account	71.42	1.79	12.50	5.36	3.57	1.79	3.57	100.00

0 – insignificant; 5 – very significant.

Source: own computation based on the questionnaire survey.

Polish companies do not regard non-deductible expenses as particularly significant. Fines and penalties, collection costs and exchange differences (in the case of loans) are considered the least important. On the contrary, interest on loans granted by shareholders seem to be more relevant in the opinion of the tax payers under discussion.

4. Corporate finance, capital structure vs. CCCTB concept

Issues relating to the effect that income tax has on capital structure are very complex. Attention should be paid to fundamental questions regarding tax solutions suggested in CCCTB concept in the context of corporate finance theory.

As far as research on capital structure and its impact on value are concerned, major breakthrough was achieved by Franco Modigliani and Merton H. Miller. In 1958 they published an article entitled *The Cost of Capital, Corporation Finance and the Theory of Investment* (Modigliani, Miller, 1958). It has initiated a number of publications on the subject and started a discussion that is in fact held up to the present day. The discussion centres on the consequences of the capital structure imposed by the company for its finance and value (Modigliani, Miller, 1963). According to the theory developed by Modigliani and Miller, in the world without taxes both the value and weighted average costs of capital (WACC) do not depend on capital structure.

In 1963 Modigliani and Miller published an article which was a correction to the capital structure irrelevance proposition (Modigliani, Miller, 1963). It was then that they addressed the problem hitherto explored by corporate finance. Major difficulty lay in defining the role of tax in shaping the financial policy to be pursued by the company (Ashton, 1991). The authors under discussion presented a different view on the effect that the capital structure had on the value. Having in mind corporate income tax, they were inclined to believe that under such circumstances the level of foreign funding to the enterprise was optimum and therefore the capital structure was optimum. Taking account of tax differentiation (tax asymmetry) was a key to the analysis.

The asymmetry is between income generated by shareholders and creditors at the company level (Matin et al., 1988). Costs associated with interest on foreign capital reduce income tax base, unlike retained dividends and profits (Schall, Haley, 1991). Hence, the utilization of outside capital involves interest tax shield. If interest is subtracted from corporate tax base, the value of business entity which utilizes debt financing exceeds the value of the company which does not utilize foreign capital (by the compound value of tax shield) (Modigliani, Miller, 1963).

Introducing the tax system allowing to reduce the tax base by expenses such as interest on debt, Modigliani and Miller proved that less expensive foreign capital (due to interest tax shield) increased the value. At the same time, they were the first to stress the importance of tax for financial policy pursued by the company and aimed at increasing its value.

The theory formulated by Modigliani and Miller in 1963 highlighted the role of tax in corporate finance. They proved that it was possible to shape the capital structure and value through tax policy. It is worth emphasizing that this aspect to tax has not yet been noticed by employees responsible for tax management in enterprises. Nowadays tax is often treated as a fiscal burden and not a flow that may be managed in order to exert an influence on the value. With reference to the concept of CCCTB, the aforementioned theory states reasons for introducing one corporate tax system in the entire European Union so that all entities have equal opportunities for developing their value through tax policy.

The analysis of the theories referred to in the present paper suggests that debt and interest tax shield are particularly relevant to shaping the optimum structure of capital. So are system solutions for recognizing tax effects of debt financing.

Solutions aimed at determining the level and structure of capital have been included in the proposal for the directive on CCCTB. It would be a simplification to put into practice an assumption that interest lessens the debt cost by recognizing it as a deductible expense.

Table 5 shows the survey results.

Polish companies do not attach considerable significance to tax solutions for recognizing costs associated with debt utilization as deductible costs. Over 45% of enterprises participating in the survey do not pay attention to the fact that costs associated with the repayment of loan (credit) are non-deductible. Only more than 7% of entities consider this a major restriction. Furthermore, the impossibility of reducing the tax base by accrued (but not paid or capitalized) interest is not a problem for Polish companies. Even a lower percentage of companies place profound importance on interest and commission paid during the realization of real investments and representing their original value. So is the case with interest on loans granted by shareholders. In other words, Polish entrepreneurs do not notice the role of deductible expenses in reducing

the effective cost of raising foreign capital in the form of loans and credits. In addition, the entities responding to the survey do not consider it problematic that interest on debt can be recognized as a tax deductible cost only if it is paid or capitalized. In this context, it can be stated that suggestions put forward by the European Commission could be adopted by Polish enterprises within the scope under discussion (Iwin-Garzyńska, 2012a).

Table 5. Significance of tax deductible expenses associated with debt utilization in the opinion of Polish enterprises (%)

Detailing	0	1	2	3	4	5	Absence of answer	Total
Costs associated with repayment of loan (credit) except for capitalized interest on the loan (credit)	46.4	21.4	8.9	8.9	1.8	7.2	5.4	100
Accrued but unpaid or amortized interest on debt, including loan (credit)	62.5	16.1	1.8	3.5	8.9	1.8	5.4	100
Interest, commission and exchange differences between loans (credits) increasing the cost of investment during its realization	73.2	7.1	3.6	1.8	3.6	7.1	3.6	100
Interest on loans granted by shareholders	80.4	1.8	5.3	1.8	1.8	5.3	3.6	100

0 – insignificant, 5 – significant.

Source: based on the questionnaire survey.

Developing the tax system as part of CCCTB concept, attention was paid to the balance between flexibility and standardization of regulations, particularity and generality, and attractiveness of solutions proposed in the concept compared to domestic solutions. If the companies are free to choose the taxation system, they will be able to shape the structure and rate of the tax base (Supera-Markowska, 2010).

Conclusions

Income tax system operating in the European Union requires standardization in order to be competitive compared to China, Russia, the United States of America, etc. Nowadays, the Member States are not a single organism as far as income tax is concerned. In fact, they represent twenty-seven different entities that have to compete with one another inside and outside the EU. The main objective is to harmonize corporate income tax system so that all the companies operating in the EU are provided with comparable conditions and represent one body outside the European Union. In line with CCCTB concept, tax base (i.e. principles underlying the formation of taxable income and deductible expenses) will be subject to harmonization.

The survey referred to in the present paper indicates that the proposed concept may be favourable for Polish and EU enterprises. Entrepreneurs notice benefits accruing from the suggested solutions. What may be a major concern is limited knowledge that business entities have and their unwillingness to participate in surveys. Unfortunately, the analysis of tax aspects does not suggest another method. There is a general unwillingness among companies to enter merit-based discussion on taxation issues. This unwillingness may stem from distrust in opening fiscal documentation for people from outside the organization, even for the sake of research. This is to the disadvantage of such fields as finance, corporate finance, law and the quality of civil law. A. Gomulowicz writes “*Empirical studies on tax law should become a reality in Poland. For the assessment of the tax burden expressed by taxpayers is important for both the employer and the authorities applying the tax law*” (Gomulowicz, Malecki, 2013). The questionnaire survey has enabled one to get to know general views held by Polish and EU enterprises about the proposed harmonization of income tax.

It seems that the Member States have had enough time to work on the details of the directive. However, political interests also play a crucial role. Some countries consider power to tax absolutely essential. Financial crisis, and particularly recent crisis of public finance, has revealed a number of problems with taxation. Nevertheless, the Member States want to protect their budget revenues and remain entirely autonomous in shaping income tax. It is beyond any doubt that CCCTB is a serious proposal. Hence, enterprises operating in the European Union should be aware of its implementation and take account of its possible financial implications. Nevertheless, it is difficult to define the final legal form of the directive on CCCTB or state whether it will come into force.

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