



Opinion to [proposal](#) for a "Unified Approach" under Pillar One by Confederation of Industry of the Czech Rep. (contribution to [public consultation](#)):

Basic opinions of Confederation of industry of the Czech Rep. (SP ČR) to Pillar One „Unified Approach“:

- *Before signing on to a Unified Approach, there should be an assessment of the economic impact of the proposals.*
- *The Arm's Length Principle should be largely retained and any changes should be targeted where existing rules fall short. Any changes should be based on clear economic principles that should be consistently applied, and lasting.*
- *Any profit reallocation must avoid double counting.*
- *If segmentation by business line is to be considered to calculate global profits, there must be certainty around it.*
- *Taxpayers should be allowed to use segment information from annual reports.*
- *Some form of binding dispute resolution, i.e. mandatory binding arbitration, must be agreed and implemented before any aspect of the agreement is effective.*
- *The tax system should not favour certain sectors or technologies over others, and should treat domestic and foreign firms equivalently.*
- *The distribution of taxing rights among countries should be clearly defined and not subject to a range of interpretations or assessments.*
- *It is essential that the treatment of losses in the proposed profit allocation rules are included as well. If loss in one jurisdiction cannot be fully set off with profit with another jurisdiction, it may put a drag on countries supporting risky R&D investments (as only 'profits' will be shared with others) and may question the support of OECD-economies for measures in R&D and innovation. Costs may occur during many years while the sale and profit may only take place in a particular year. How to include this in the allocation is not clear from the proposal but it is an essential part in achieving a fair allocation of taxing rights among countries.*
- *Notes to a Three Tier Mechanism:*
 - *Amount A: Not all countries that will be allocated an Amount A will have all double tax treaties required. Finally, a re-allocation on a formulary basis may well lead to 'economic' double taxation, which is typically not resolved by existing double taxation treaties; From a business perspective, the rules will have a significant impact on the business supply chain and IT-systems as cost and accounting policies have to be redesigned to ascertain the 'non-routine' profits in the affiliate market country; It should be clarified that capital gains and losses, for example from the sale of a subsidiary of the MNE group, are not included in Amount A.*
 - *Amount B: A fixed percentage rate for Amount B may probably not be the most proportionate way to address this issue. A more varied percentage rate (by industry or region) would be preferred. It is not clear from the proposal to what extent tax revenues should be transferred to market jurisdictions.*

- *Amount C: We are concerned about the lack of clarity regarding 'Amount C'. The right to tax according to such rules should be based on clear principles. These principles must be spelled out and agreed by all countries.*

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