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# REPORT

on further reform of corporate taxation rules  
(2022/2146(INI))

Committee on Economic and Monetary Affairs

Rapporteur: Isabel Benjumea Benjumea

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## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

### on further reform of corporate taxation rules (2022/2146(INI))

*The European Parliament,*

- having regard to Council Directive 2003/49/EC of 3 June 2003 on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States<sup>1</sup> (the Interest and Royalties Directive),
- having regard to Council Directive 2011/96/EU of 30 November 2011 on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States<sup>2</sup> (the Parent Subsidiary Directive),
- having regard to Council Directive (EU) 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices that directly affect the functioning of the internal market<sup>3</sup> (the Anti-Tax Avoidance Directive I or ATAD I) and Council Directive (EU) 2017/952 of 29 May 2017 amending Directive (EU) 2016/1164 as regards hybrid mismatches with third countries<sup>4</sup> (ATAD II),
- having regard to Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC<sup>5</sup> (the Directive on Administrative Cooperation in the Field of Taxation or DAC 1), Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation<sup>6</sup> (DAC 2), Council Directive (EU) 2015/2376 of 8 December 2015 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation<sup>7</sup> (DAC 3), Council Directive (EU) 2016/881 of 25 May 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation<sup>8</sup> (DAC 4), Council Directive (EU) 2016/2258 of 6 December 2016 amending Directive 2011/16/EU as regards access to anti-money-laundering information by tax authorities<sup>9</sup> (DAC 5), Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements<sup>10</sup> (DAC 6), and Council Directive (EU) 2021/514 of 22 March 2021 amending Directive 2011/16/EU on administrative cooperation in the field of taxation<sup>11</sup>

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<sup>1</sup> [OJ L 157, 26.6.2003, p. 49.](#)

<sup>2</sup> [OJ L 345, 29.12.2011, p. 8.](#)

<sup>3</sup> [OJ L 193, 19.7.2016, p. 1.](#)

<sup>4</sup> [OJ L 144, 7.6.2017, p. 1.](#)

<sup>5</sup> [OJ L 64, 11.3.2011, p. 1.](#)

<sup>6</sup> [OJ L 359, 16.12.2014, p. 1.](#)

<sup>7</sup> [OJ L 332, 18.12.2015, p. 1.](#)

<sup>8</sup> [OJ L 146, 3.6.2016, p. 8.](#)

<sup>9</sup> [OJ L 342, 16.12.2016, p. 1.](#)

<sup>10</sup> [OJ L 139, 5.6.2018, p. 1.](#)

<sup>11</sup> [OJ L 104, 25.3.2021, p. 1.](#)

(DAC 7),

- having regard to Council Directive (EU) 2017/1852 of 10 October 2017 on tax dispute resolution mechanisms in the European Union<sup>12</sup> (the EU Dispute Settlement Directive),
- having regard to Directive (EU) 2021/2101 of the European Parliament and of the Council of 24 November 2021 amending Directive 2013/34/EU as regards disclosure of income tax information by certain undertakings and branches<sup>13</sup> (the Public Country-by-Country Reporting Directive),
- having regard to Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union<sup>14</sup> (the Pillar Two Directive),
- having regard to the Commission proposals awaiting adoption, in particular on a Common Corporate Tax Base (COM(2016)0685), a Common Consolidated Corporate Tax Base (COM(2016)0683) and a digital taxation package (COM(2018)0147) and COM(2018)0148), as well as to Parliament’s positions on these proposals,
- having regard to the Commission communication of 15 January 2019 entitled ‘Towards a more efficient and democratic decision making in EU tax policy’<sup>15</sup>,
- having regard to the Commission communication of 15 July 2020 entitled ‘An action plan for fair and simple taxation supporting the recovery strategy’ (COM(2020)0312),
- having regard to the Commission communication of 18 May 2021 entitled ‘Business Taxation for the 21st Century’ (COM(2021)0251),
- having regard to the Commission communication of 22 December 2021 entitled ‘The next generation of own resources for the EU Budget’<sup>16</sup>,
- having regard to the Commission proposal of 22 December 2021 for a Council directive on ensuring a global minimum level of taxation for multinational groups in the Union (COM(2021)0823), as well as to Parliament’s position on this proposal<sup>17</sup>,
- having regard to the Commission communication of 20 June 2023 entitled ‘An adjusted package for the next generation of own resources’<sup>18</sup>,
- having regard to the conclusions of the Economic and Financial Affairs Council of 6 December 2022,
- having regard to the Commission study of January 2022 entitled ‘Tax compliance costs for SMEs – An update and a complement: final report’,

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<sup>12</sup> [OJ L 265, 14.10.2017, p. 1.](#)

<sup>13</sup> [OJ L 429, 1.12.2021, p. 1.](#)

<sup>14</sup> [OJ L 328, 22.12.2022, p. 1.](#)

<sup>15</sup> [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_19\\_225](https://ec.europa.eu/commission/presscorner/detail/en/IP_19_225).

<sup>16</sup> [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_21\\_7025](https://ec.europa.eu/commission/presscorner/detail/en/ip_21_7025).

<sup>17</sup> [OJ C 479, 16.12.2022, p. 89.](#)

<sup>18</sup> [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_23\\_3328](https://ec.europa.eu/commission/presscorner/detail/en/ip_23_3328).

- having regard to the report on the final outcome of the Conference on the Future of Europe, and to the European Parliament resolution of 4 May 2022 on the follow-up to the Conference on the Future of Europe<sup>19</sup>,
- having regard to the Commission proposal of 11 May 2022 for a Council directive on laying down rules on a debt-equity bias reduction allowance and on limiting the deductibility of interest for corporate income tax purposes (COM(2022)0216),
- having regard to Council Regulation 2022/1854 of 6 October 2022 on an emergency intervention to address high energy prices,
- having regard to the Commission’s call for evidence for an impact assessment of 13 October 2022 on the proposal for a Council directive on Business in Europe: Framework for Income Taxation (BEFIT),
- having regard to the speech by Commission President Ursula von der Leyen at the European Parliament plenary on 19 October 2022 on the preparations for the European Council meeting of 20-21 October 2022,
- having regard to the state of the union speech by Commission President Ursula von der Leyen at the European Parliament plenary in September 2022,
- having regard to the 2023 Commission Country reports in its European Semester,
- having regard to the Commission communication of 16 March 2023 entitled ‘Long-term competitiveness of the EU: looking beyond 2030’ (COM(2023)0168),
- having regard to the Commission’s annual report on taxation 2023<sup>20</sup>,
- having regard to the European Council conclusions of 23 March 2023,
- having regard to its resolution of 7 October 2021 on reforming the EU policy on harmful tax practices<sup>21</sup> (including the reform of the Code of Conduct Group),
- having regard to its resolution of 15 February 2022 on the impact of national tax reforms on the EU economy<sup>22</sup>,
- having regard to its resolution of 10 March 2022 with recommendations to the Commission on fair and simple taxation supporting the recovery strategy (EP follow-up to the July Commission’s Action Plan and its 25 initiatives in the area of VAT, business and individual taxation)<sup>23</sup>,
- having regard to its resolution of 10 March 2022 on a European Withholding Tax framework<sup>24</sup>,

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<sup>19</sup> [OJ C 465, 6.12.2022, p. 109.](#)

<sup>20</sup> [https://taxation-customs.ec.europa.eu/taxation-1/economic-analysis-taxation/annual-report-taxation\\_en](https://taxation-customs.ec.europa.eu/taxation-1/economic-analysis-taxation/annual-report-taxation_en).

<sup>21</sup> [OJ C 132, 24.3.2022, p. 167.](#)

<sup>22</sup> [OJ C 342, 6.9.2022, p. 14.](#)

<sup>23</sup> [OJ C 347, 9.9.2022, p. 211.](#)

<sup>24</sup> European Parliament, [Report on a European Withholding Tax framework](#), February 2022.

- having regard to its resolution of 4 October 2022 entitled ‘Impact of new technologies on taxation: crypto and blockchain’<sup>25</sup>,
  - having regard to the Organisation for Economic Co-operation and Development (OECD) Action Plan of 19 July 2013 on Base Erosion and Profit Shifting (BEPS),
  - having regard to the Commission studies on ‘aggressive tax planning indicators’<sup>26</sup>,
  - having regard to the OECD/G20 BEPS final reports of October 2015,
  - having regard to the statement of the OECD/G20 Inclusive Framework on BEPS of 8 October 2021 entitled ‘Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy’, which has been joined and agreed to by 138 out of 141 members as of 16 December 2022,
  - having regard to the reports on the Pillar One and Pillar Two Blueprints adopted by the OECD/G20 Inclusive Framework on 14 October 2020, and to the results of the OECD economic analysis and impact assessment of 12 October 2020 entitled ‘Tax Challenges Arising from Digitalisation – Economic Impact Assessment’,
  - having regard to the Pillar Two model rules of the OECD/G20 Inclusive Framework on BEPS of 20 December 2021 for domestic implementation of a 15 % global minimum tax,
  - having regard to the statement of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) entitled ‘Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy’, which had been joined and agreed to by 137 out of 141 members as of 4 November 2021, – having regard to the Commission Proposal of 16 June 2023 for a Council Directive on Faster and Safer Relief of Excess Withholding Taxes (COM(2023)0324),
  - having regard to United States Public Law 117-169 of 16 August 2022, known as the Inflation Reduction Act,
  - having regard to Rule 54 of its Rules of Procedure,
  - having regard to the letter from the Committee on Budgets,
  - having regard to the report of the Committee on Economic and Monetary Affairs (A9-0359/2023),
- A. whereas Member States are free to decide on their own economic policies, in particular their own tax policies, as guaranteed by the EU Treaties, especially the rule of unanimity enshrined therein; whereas a well-functioning tax system is in the interest of Member States in order to ensure proper tax collection; whereas, although tax policy

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<sup>25</sup> [OJ C 132, 14.4.2023, p. 15.](#)

<sup>26</sup> ‘Study on Structures of Aggressive Tax Planning and Indicators – Final Report’ (Taxation paper No 61, 27 January 2016), ‘The Impact of Tax Planning on Forward-Looking Effective Tax Rates’ (Taxation paper No 64, 25 October 2016) and ‘Aggressive tax planning indicators – Final Report’ (Taxation paper No 71, 7 March 2018).

largely remains a responsibility of the Member States, the single market requires coordination and cooperation among the Member States and at EU level in setting tax policy in order to further single market integration, to avoid economic distortions and to avoid harmful tax competition;

- B. whereas tax policy is a national competence under the treaties and tax sovereignty is a fundamental principle of the EU legal order; whereas unanimity, as it appears in the Treaties, must be counterbalanced by a very high level of responsibility from Member States and must be in line with the principle of sincere cooperation based on Article 4(3) TEU; whereas this primary law framework allows a high level of legislative coordination and administrative cooperation among EU Member States; whereas such coordination and cooperation is required in order to preserve the integrity of the Single Market and fair and transparent tax competition;
- C. whereas the notion of a fair and efficient tax system does not necessarily entail a higher overall level of taxation;
- D. whereas European citizens are struggling to make ends meet and, in addition to low-income households, the middle class is increasingly being affected, and a number of companies are facing various challenges; whereas other companies, particularly in the energy sector, have made windfall profits;
- E. whereas as of the 4 November 2021, 137 out of 141 members of the OECD/G20 Inclusive Framework on BEPS, including all EU Member States, agreed on the reform of the international tax system through a two-pillar solution to address the challenges stemming from the digitalisation of the economy, including placing multilaterally agreed limitations on profit shifting;
- F. whereas SMEs currently account for almost all European Union (EU-27+1) non-financial business sector enterprises (99.8 %), two-thirds of total EU-28 employment (66.6 %) and slightly less than three-fifths (56.8 %) of the value added generated by the nonfinancial business sector according to the Commission's report on 'Tax compliance costs for SMEs: An update and a complement of January 2022';
- G. whereas the BEPS action plan managed to establish a consensus within the OECD/G20 Inclusive Framework on BEPS bringing together over 139 countries and jurisdictions on many issues regarding the fight against tax avoidance and aggressive tax planning;
- H. whereas aggressive tax planning can have an impact on taxpayers being in line with tax compliance rules and on the competitiveness of companies and the stability of tax revenue; whereas aggressive tax planning and harmful tax competition can have a negative impact on the functioning of the single market;
- I. whereas the EU led by example in transposing international agreements into directives improving coordination and the EU's fight against tax fraud, tax avoidance and aggressive tax planning; whereas Member States showed some degree of diversity in addressing the OECD BEPS action plan;
- J. whereas the Code of Conduct Group on Business Taxation has continued their task to identify and curb Member States' harmful tax measures; whereas Finance ministers

agreed on 8 November 2022 to strengthen the code of conduct; whereas some companies seem to adapt to new tax rules and may apply aggressive tax planning schemes; whereas the Final BEPS package for reform of the international tax system to tackle tax avoidance was approved by OECD/G20 participating countries in 2015;

- K. whereas the average headline corporate income tax rate in EU countries has changed from 35 % in 1995 to 21.2 % in 2023;
- L. whereas as of June 2023, 143 jurisdictions, including all EU Member States, had agreed on the reform of the international tax system through a two-pillar solution;
- M. whereas the legally binding interinstitutional agreement of 16 December 2020 provides for the implementation of a roadmap of new resources; whereas the new own resources proposed by the Commission in December 2021 are intended to cover part of the repayment of Next Generation EU; whereas, in June 2023, the Commission proposed an own resource linked to the corporate sector;
- N. whereas tax policy fragmentation, complexity and inadequate digitalisation contributes to creating various obstacles for companies, including SMEs workers, self-employed and citizens in the Single Market legal uncertainty, red-tape, risk of double taxation, difficulties claiming tax refunds; whereas those obstacles discourage cross-border economic activity in the Single Market; whereas overcoming these obstacles requires multilateral cooperation between Member States and the urgent implementation by Member States of digital solutions that simplify and reduce the cost of tax compliance for businesses; whereas policy fragmentation also creates risks for tax authorities such as double non-taxation and arbitrage possibilities (tax planning); whereas some Member States have developed schemes that would cause lower taxation than the national nominal rate, and may put SMEs at a competitive disadvantage;
- O. whereas Member States continue to lose tax revenue due to harmful tax practices, and estimates of revenue lost as a result of harmful tax practices range from EUR 36-37 billion to EUR 160-190 billion per year; whereas policy fragmentation might increase the cost of enforcement for tax authorities;
- P. whereas the solidarity contribution applied to the windfall profits of some companies from the energy sector;
- Q. whereas within the EU's Social Market Economy adequate tax levels as well as simple and clear tax laws should not distort economic actors' decision making; whereas sound tax policies should support the creation of jobs and economic growth and improve the competitiveness of the EU and its Member States;
- R. whereas such tax policy fragmentation must be mitigated with increased coordination and cooperation and with a clear commitment of Member States with the swift and competent transposition of directives in the area of taxation;
- S. whereas most corporate taxation systems in the EU allow for generous tax deductions on interest payments<sup>27</sup>; whereas equity financing costs, which include dividend

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<sup>27</sup> European Commission, *Impact assessment accompanying the document proposal for a Council directive on*



payments, cannot be deducted in a similar manner; whereas there is a structural disadvantage facing companies that rely on equity financing, in particular if they are young and small companies with poor access to credit; whereas this bias creates problematic incentives towards over-indebtedness; whereas corporate equity allowances can have an impact on Member States' tax revenue and must be carefully designed;

- T. whereas private companies, including SMEs, play a fundamental role in society by being the main generators of employment; whereas through their business activity, these organisations create job opportunities for millions of people, which in turn drives the economic and social development of the communities in which they operate; whereas by fostering competition and innovation, private enterprises promote efficiency in the allocation of resources, resulting in increased productivity and economic growth; whereas, private business activity also generates tax revenues for the state, which can be used to finance essential public services; whereas private enterprises, as the main generators of employment, play an essential role in the economic and social development of societies, promoting progress and improving people's quality of life;
  - U. whereas the Commission issued a proposal for a single set of tax rules for doing business in Europe, the Business in Europe: Framework for Income Taxation (BEFIT);
  - V. whereas the Commission's legislative impetus on taxation should pursue clear priorities linked with fighting tax fraud and tax avoidance, promoting administrative simplification, bureaucracy reduction and compliance costs mitigation, particularly as regards SMEs;
1. Recalls that although tax policy remains a Member State responsibility, the single market requires a certain level of tax cooperation and harmonisation complete, improve and further develop it; notes, in addition, that a common approach on tax policies is crucial for addressing harmful tax competition and profit shifting, fighting against tax avoidance and evasion; points out that such cooperation requires mutual trust and good faith on the part of all Member States;
  2. Calls on the Commission and the Council to help companies to improve the investment climate and make corporate taxation simpler to comply with, more sustainable and oriented towards improving Europe's competitiveness;
  3. Underlines that EU Member States have a full responsibility for proper tax collection and they are entitled to decide on their own tax systems while respecting the single market and the taxing rights of other Member States; highlights that well-functioning tax systems and national tax administrations play a key role in tax collection and that sustainable tax revenue in the Member States' public budgets is important;
  4. Takes note of the package put forward by the Commission on tax simplification for SMEs and BEFIT; notes the European Council conclusions of 23 March 2023 calling for the general regulatory environment to be simplified and for the administrative burden to be reduced, and the Commission communication of 16 March 2023 underlining that the EU tax framework is key in supporting growth and private

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*laying down rules on a debt-equity bias reduction and on limiting the deductibility of interest for corporate income tax purposes, (SWD(2022)0145).*

investment, in particular by removing tax barriers to cross-border investment, and that the EU's role on tax policies seeks to address distortions, ensure the good functioning of the Single Market and prevent its fragmentation; stresses the need to adopt solutions at EU level that are well designed, taking into account existing systems in the Member States and do not impose additional, disproportionate and unnecessary burdens on businesses, in particular SMEs;

5. Underlines that it is paramount to fight aggressive tax planning<sup>28</sup> and tax evasion while promoting fiscal fairness, transparency and certainty; highlights that addressing tax evasion, tax avoidance and aggressive tax planning will provide additional tax revenue that helps national governments to keep taxes at levels that support sustainable economic growth and the EU's fiscal attractiveness and competitiveness;
6. Calls on the Commission to remind Member States of the implementation of recommendations in the context of the European Semester and the assessment of the national recovery and resilience plans regarding aggressive tax planning;
7. Recognises the EU's past actions against tax evasion and aggressive tax planning in line with international developments at the level of the OECD/G20; takes note of the numerous tax directives since 2011 that have led to fairer, simpler and more effective corporate taxation in the EU, and to a higher number of tax compliance obligations on companies within the EU<sup>29</sup>; notes that the benefits of said directives should outweigh its costs, and that tax compliance obligations on companies within the EU, particularly SMEs, and the relevant costs should not be disproportionate; however, also notes that directives were blocked in the Council, such as the Financial Transaction Tax, or the CCTB and CCCTB proposals; highlights, in this regard, that Parliament adopted a common position on the Common Consolidated Corporate Tax Base Directive in 2018<sup>30</sup>;
8. Deplores the fact that in certain cases Member States have implemented and applied tax directives in a divergent manner, which may undermine the proper functioning of the single market and lead to misalignment in tax bases, more red tape and higher compliance costs; calls on the Member States to ensure that tax directives are transposed completely and meet the intentions set by the directive; deplores, in this regard, the fact that national tax systems, tax administrations and, in general, differences in the broader public administration of the countries have an impact on the burden of compliance, particularly for SMEs, as they have to cope with up to 27 different tax systems, as observed by the Commission in January 2022; calls on the Commission to make consistent, fair and clear recommendations on the transposition of the directives to individual Member States, as well as on their effective enforcement; calls on Member States and the European Commission to make the best use of the EU's existing forums to ensure a coherent implementation of EU tax legislation across Member States;

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<sup>28</sup> OECD, [Aggressive Tax Planning](#).

<sup>29</sup> See notably the Anti-Tax Avoidance Directives (ATAD I and ATAD II), the amendments of the Directive on administrative cooperation in the field of taxation (DAC 1 to DAC 7), the revision of the Parent Subsidiary Directive, the EU Dispute Settlement Directive, the Public Country-by-Country Reporting Directive, or the Pillar Two Directive.

<sup>30</sup> Texts adopted, [P8\\_TA\(2018\)0087](#).

9. Highlights that the tax environment, namely as regards corporate taxation, influences investment decisions and, therefore, is one of the factors influencing job creation, sustainable economic growth and competitiveness;

***Reducing the burden of compliance on EU companies, particularly SMEs***

10. Notes that according to the Commission the estimated tax compliance costs for large multinational enterprises (MNEs) amount to about 2 % of taxes paid, while for SMEs the estimate is about 30 % of taxes paid; deplores that some Member States have developed tax schemes allowing disparities between MNEs and SMEs thus putting SMEs at a competitive disadvantage; recalls that SMEs are the main enhancers of economic growth and job creation; calls on the European Commission to design tax policies in a way that makes them easy to implement for smaller companies, lowering the costs that they bear and reducing their administrative obligations under tax legislation;
11. Calls on the Commission to conduct an EU-wide study on the levels of tax compliance costs, on a country-by-country basis and an overall evaluation of the identified scenario; additionally, calls on the Commission to follow-up such assessment with an initiative to tackle high compliance costs and enhance cooperation to reduce the administrative burden;
12. Observes that in the single market, cross-border activities for workers and the self-employed remain administratively complex from a tax and social security perspective; observes, furthermore, that the greater prevalence of telework has exacerbated this issue;
13. Calls on the Commission to present an overall evaluation of previous actions taken on corporate taxation since 2011 and to publish a thorough impact assessment on the best options to ease the administrative burden on businesses, particularly SMEs, to map all differences in transposition in the EU, and identify areas for simplification and to ensure that businesses already under strain have a reasonable timeframe to implement policies; highlights the European Council's request on 22 March 2023 for the Commission to carry out competitiveness checks for new legislative proposals, including on taxation, and stresses that the submission of any new proposal, if necessary should contribute to the smooth functioning, integrity and level playing field of the Single Market and does not create a disproportionate burden on companies; calls on the Commission to also take into account, in new legislative proposals on taxation, the compatibility with solutions (including digital solutions) already introduced in individual Member States that help reduce the burden on businesses;
14. Takes note of the outcome of the Conference on the Future of Europe of 9 May 2022 and the proposals on enhancing the EU's competitiveness and further deepening the Single Market with the aim of achieving a certain level of harmonisation and coordination of tax policies within the Member States in order to prevent tax evasion and avoidance while supporting companies' economic success; awaits the proposal announced by Commission President Ursula von der Leyen of 19 October 2022 to introduce a standard competitiveness check in EU regulations; points out that maintaining the competitiveness of the EU economy should be considered when

developing new tax legislation; expects that competitiveness should fully respect existing EU labour and social standards;

15. Welcomes the REPowerEU Plan and its priorities and calls on Member States to consider integrating tax measures to speed up the execution of funds, to achieve greater competitiveness and to help SMEs, companies and industry sector in achieving the objectives of this programme in their modified national recovery and resilience plans as suggested by the Commission;<sup>16</sup>. Takes note of the renewed debate on tax incentives following the adoption of Pillar Two Model Rules guaranteeing a minimum level of effective corporate income taxation at 15 % and in reaction to the US Inflation Reduction Act; calls on the Commission to analyse experimentation with tax credits, most notably within the revised framework of EU state aid; notes, nevertheless, that all decisions should be taken in a coordinated manner to preserve the functioning of the single market, in line with competition laws and preventing an international subsidy competition; emphasises that tax incentives should aim to attract real investments, taking into account concerns about an ageing society, decent labour and social standards, and the green and digital transitions;
17. Notes that Member States may consider engaging in policies of full expensing for capital investments and to make capital allowance provisions permanent in order to improve real investments, in particular investments in research and development and to reach the climate targets, as well as to assist Europe's competitiveness; considers that full expensing for capital investments requires coordinated implementation, a careful design and significant administrative diligence to prevent a vehicle for unwarranted tax subsidies or for tax abuse; considers, therefore, that such policies should go hand-in-hand with regular monitoring and spill-over analyses;
18. Calls on the Member States, in the light of high inflation rates, to relieve the burden on companies, especially SMEs, for instance through temporary tax measures to mitigate the increase in energy costs and to use the additional revenues based on higher energy prices to provide direct and targeted relief to help the most vulnerable citizens and the middle class and to relieve the burden on citizens and companies, especially SMEs that have been seriously impacted by the crisis;

### ***The Pillar Two Agreement***

19. Welcomes the fact that the two-pillar solution was agreed at the OECD/G20 Inclusive Framework on the allocation of taxing rights and the application of a minimum effective tax rate of 15 % on the global profits of MNEs and the adoption of the Pillar Two Directive implementing the international agreement in EU law; calls on the Commission to report back to Parliament on the success of the ratification process of the pillar 2 agreement in non-EU countries;
20. Observes that, in addition to coping with a volatile business environment and an increasing number of EU tax directives, companies are focusing their financial and human resources on applying the Pillar Two rules and respecting further OECD guidance and further interpretations by individual Member States; takes note of the package put forward by the Commission on 12 September 2023 on tax simplification for SMEs, BEFIT and transfer pricing; looks forward to starting negotiations on the

different files and to assess the effectiveness and impact of the Pillar Two rules, namely in the context of expected aims, cost-benefit analysis, fight against tax evasion and avoidance, harmful tax competition and higher tax revenue;

21. Observes that Pillar One and Pillar Two rules are only applicable to MNEs with a turnover above the thresholds, respectively, of EUR 20 billion and with profitability greater than 10 % and EUR 750 million; notes that most companies, notably SMEs, are therefore exempt from this agreement; takes note of the Commission's efforts to build BEFIT on the international pillar 2 agreement and the EU's Pillar Two Directive;
22. Understands that the G20/OECD IF agreement was intended as a package with the aim to have both pillars in force simultaneously; takes note of the OECD/G20 IF Outcome Statement of 11 July 2023 on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy; regrets the different time sequences of Pillar One and Pillar Two; takes duly note of the international scenario on the transposition of the pillar one and pillar two directives;
23. Takes note of the recent reform of the Code of Conduct Group on broadening its scope in 2022; calls on the Commission, Member States and the Code of Conduct Group on Business Taxation to present an assessment of past reforms; recalls its position of 7 October 2021 to include in the assessment tax measures leading to low levels of taxation in line with pillar 2;
24. Takes note the fact that the Commission considers the potential introduction of a new own resource based on BEFIT framework once adopted, in accordance with the Interinstitutional Agreement of 16 December 2020 between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources (interinstitutional agreement)<sup>31</sup>; recalls that, if the implementation of Pillar One is delayed beyond the current mandate, the Commission has committed to put forward a digital levy; takes note that the Commission reiterated its acknowledgment that BEFIT is also relevant from an own resource perspective;
25. Recalls that Parliament has already and on various occasions, including in the recently adopted resolution on 'Own resources: a new start for EU finances, a new start for Europe'<sup>32</sup>, expressed support for new own resources linked to corporate taxation such as the common consolidated corporate tax base (CCCTB), digital services tax and, most recently, for the 'Pillar One'-based own resource in the context of the OECD inclusive framework on BEPS; recalls furthermore, its call for a EU-wide Financial Transaction Tax (FTT) and to evaluate, as further options an excise duty on the repurchase of shares by corporations as proposed in the US Inflation Reduction Act and a common and standardised withholding tax framework;
26. Highlights that well-designed new own resources based on corporate taxes need to be fully compatible with the objective of a simplified tax regime, can promote fiscal fairness; calls on the Commission to identify synergies between tax rules modernisation

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<sup>31</sup> [OJ L 433I, 22.12.2020, p. 28.](#)

<sup>32</sup> Texts adopted, P9\_TA(2023)0195.

and potential tax-based own resources;

27. Takes note of the Commission's proposal for a transitional statistics-based own resource linked to the corporate sector, which could be implemented until the possible establishment of an own resource linked to BEFIT; holds that such an own resource, coherently conceived, should incentivise Member States to accelerate negotiations on BEFIT;
28. Reiterates its call on the Member States to adopt the new own resources meant to cover the repayment of NextGenerationEU (NGEU) borrowing costs and to sufficiently fund its policies and priorities as soon as possible;

***Towards a more coordinated and simplified corporate tax regime (BEFIT)***

29. Takes note of BEFIT and the SME Relief Package on taxation being complementary and both aiming at enhancing simplification for businesses; calls on the Commission to suggest measures to help all Member States to move towards a simplified, effective and competitive tax system to reduce the administrative burden for companies, especially SMEs; acknowledges that simplifying refund procedures, deductions and litigation are other solutions to reduce the administrative burden, especially for SMEs; notes, in this regard, the Commission proposal from June 2023 on Faster and Safer Relief of Excess Withholding Taxes (FASTER) aiming to boost cross-border investment and help prevent tax abuse via a reform of withholding tax procedures and calls for its swift adoption and implementation;
30. Notes that since 1997 the Code of Conduct for Business Taxation has been the EU's primary instrument in preventing harmful tax competition among companies; underlines that in this framework Member States should re-examine, amend or abolish their existing tax measures that constitute harmful tax competition, as well as refrain from introducing new ones in the future; welcomes in this regard the Council conclusions from 8 November 2022 on the reform of the Code of Conduct for Business Taxation regarding the scope of the tax measures under scrutiny when examining harmful tax practices within the EU; calls on the Code of Conduct Group on Business Taxation to make full use of its revised mandate;
31. Invites the Council to continue negotiations on the UNSHELL proposal without further delay; recalls the Commission's initial intention and Parliament's position of 17 January 2023<sup>33</sup>;
32. Looks forward to the expected effects of BEFIT and HOT on reducing the complexity of the legal framework for corporate tax systems, thereby helping to attract foreign direct investment, improving the EU's competitiveness and so reducing the risk of companies relocating to non-EU countries; notes the Commission's Communication on Business taxation for the 21st century stating that 'the lack of a common corporate tax system in the Single Market acts as a drag on competitiveness ... and that it creates a competitive disadvantage compared to third country markets'; recalls that a simpler

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<sup>33</sup> Texts adopted, [P9\\_TA\(2023\)0004](#).



framework also reduces the possibilities for aggressive tax planning;

33. Notes the Commission's BEFIT proposal, with a view to designing a new and single EU corporate tax rulebook and a common tax base of income taxation for businesses; in this context, calls on the Commission to ensure that the new proposal provides clarity and predictability for companies, and will facilitate cross-border economic activity; stresses that any such proposal must take into consideration agreements reached or discussions ongoing at the global level protecting EU interests; reiterates that agreements on corporate tax frameworks are most effective when reached at a global level;
34. Understands that the BEFIT initiative is an opportunity to tackle the costs associated with tax compliance and to reduce the administrative burden, while helping to minimise aggressive tax planning and foster a level playing field for SMEs; considers that fixing loopholes that allow for tax evasion, avoidance and fraud should be covered in legislative initiatives in the realm of taxation; notes that it requires continuous work on the corporate tax framework to make adjustments in this regard;
35. Recalls that it considers that the BEFIT initiative should be supported by the political process in building political support for change; takes note of the revised impact assessment report clarifying the lessons learned from previous corporate tax initiatives and adding the links with the OECD Two-Pillar Approach;
36. Welcomes the intended BEFIT objectives, as addressed in the Commission's call for evidence for an impact assessment, to increase businesses' resilience by reducing the complexity caused by different sets of national tax rules and the compliance costs faced by EU businesses with cross-border operations, to remove obstacles to cross-border investment and make the single market a more attractive location for international investment, to create an environment conducive to fair and sustainable growth by paving the way for administrative simplification, and to provide sustainable tax revenue for Member States' national budgets, which is particularly important in view of the currently challenging economic climate and social challenges; considers that the implementation of a single tax rulebook may help reduce the scope for harmful tax competition and tax avoidance between Member States while simplifying corporate tax rules in the EU;
37. Highlights the prominent role of tax administrations in ensuring the implementation of a BEFIT reform; advises that sufficient means, including training, are allocated by Member States and through the future FISCALIS programme;
38. Recalls that previous attempts by the Union to define a common rulebook considered three factors: labour, assets and sales; takes note of the Commission's commitment to assess, within a comprehensive review of the transition rule, a possible amendment to introduce a formula-based allocation for the BEFIT tax base;
39. Notes that companies doing business across the EU have to deal with different tax laws and tax authorities; highlights the idea of a one-stop-shop allowing for the filing of one consolidated tax return as a possible way of reducing administrative burdens and minimising tax obstacles to the Single Market; calls, in this regard, on Member States to step up their efforts to introduce electronic filing system that benefits the taxpayer; calls on the Commission to assess whether the introduction of a one-stop-shop requires

further harmonisation of the corporate tax base and the establishment of a formula for fair and effective allocation of taxation rights between Member States; calls on the Commission to assess whether the one-stop-shop could potentially be tested for business groups operating in the single market applying the pillar two rules, with the new BEFIT rules incorporated later as a follow-up; welcomes in this regard the Commission communication of 16 March 2023 (COM(2023)0162), which highlighted the usefulness of one-stop-shops for bringing down barriers;

40. Considers that all very large firms operating in the EU should come within the scope of the future BEFIT proposal; calls on the Commission to make sure that the specific demands of SMEs are met, by keeping BEFIT optional for SMEs, especially those not doing cross-border business; welcomes, nonetheless, any proposal allowing smaller firms to rely on voluntary, simplified and harmonised corporate taxation framework;
41. Stresses that the debt-equity bias in corporate taxation, which allows for generous tax deductions of interest payments, while equity financing costs cannot be deducted in a similar manner, highlights the structural disadvantages faced by companies relying on equity finance, which are often younger and smaller companies with worse access to credit; takes note that, in the past, allowances for corporate equity have been misused by illegal activities; takes note of the Commission's proposal of 11 May 2022 addressing the debt-equity bias as a means of promoting finance through capital markets rather than disincentivising debt finance, while recognising Member State ownership in taxation issues and the Council decision of 6 December 2022 to suspend examination of the proposal; invites the Council to reassess and possibly restart negotiations on this proposal with the help of the Commission; supports the incorporation of strong anti-avoidance provisions including those laid down in article 5 in the Commission's proposal and calls, in this regard, on Member States to guarantee a high level of protection against base erosion;
42. Considers that tax certainty would be reinforced if Member States had a common understanding of what constitutes non-distortionary tax incentives; calls on the Commission to evaluate the effectiveness of patent boxes and other intellectual property (IP) regimes under the new nexus approach defined by Action 5 of the BEPS Action Plan on harmful tax practices;
43. Calls on the Commission and the Member States to significantly boost research, development and innovation budgets to achieve the objective of 3 % of EU GDP in a coordinated manner; highlights that targeted tax incentives applied in a fiscally responsible manner for private research and development (e.g. via tax credits, enhanced allowances or adjusted depreciation schedules) can help lift private spending towards these purposes, which often can come with positive externalities; stresses that regular analysis of such positive externalities should be conducted and be adjusted or repealed, if the incentives fail to produce the intended result, takes note of the assessment that such incentives are more effective for SMEs if they are expenditure-based<sup>34</sup>; underlines that such tax incentives must be strictly in line with existing laws and EU's overall political priorities; recalls that corporate spending on research and development was equal to only 1.5 % of EU GDP in 2020, compared to 2.6 % in the United States and

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<sup>34</sup> Subcommittee on Tax affairs, hearing on 'The role of tax incentives and exemptions in the framework of the reform of corporate taxation and in the promotion of European economies' competitiveness', 11 July 2022.



Japan, according to the European Investment Bank's 2022/2023 investment report; notes that this shortfall could reduce the EU's long-term competitiveness; welcomes in this regard the Commission communication of 16 March 2023 encouraging Member States to provide support for research and innovation activities; calls on the Commission to present an assessment of the most effective and efficient tax incentives for private research and development;

44. Calls on the Commission to conduct an impact assessment on the use of new technologies to improve the speed, efficiency, reliability, transparency and resilience of tax-related administrative procedures; understands that the Commission may follow-up this impact assessment with a proposal to enhance cooperation between tax authorities, taking advantage of good practices identified, leading to a business-friendly environment, with less bureaucracy, compliance costs and administrative overburden;

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45. Instructs its President to forward this resolution to the Council and the Commission.

## EXPLANATORY STATEMENT

The COVID-19 pandemic followed by the Russian aggression on Ukraine have put an immense strain on European businesses in the form of high inflation, the side-effects of lockdowns, supply chain problems and scarcity of raw materials. These hurdles are an additional burden for the EU private sector, which was already facing high compliance costs following past EU tax legislations.

The fallout from these two crises has been particularly detrimental for European SMEs, while accounting for almost all European Union (EU-28) non-financial business sector enterprises (99.8%) and two-thirds of total EU-28 employment (66.6%) are in a competitive disadvantage due to higher compliance costs compared to MNEs and the debt equity biased.

To support the competitiveness of European companies, especially SMEs, the rapporteur is of the opinion that:

- The regulatory burden on European businesses should be immediately eased by enforcing a regulatory moratorium and assessing the impact of past actions on corporate taxation before suggesting new legislation. It is important to take on board the “competitiveness check” as proposed by the plenary of the Conference on the Future of Europe and followed up by the Commission President and the European Council. The additional tax revenue generated from inflated energy prices could relieve the impact of current high inflation rates.
- The use of tax breaks and other incentives should be considered to support present and future competitiveness of European businesses. However, the decision on the introduction of such support measures should be taken in a coordinated manner among the Member States not to jeopardize the functioning of the single market.
- The key to decreasing administrative burden on European businesses, especially SMEs, is to move towards a simplified tax regime. The Commission should guide Member States towards a simplification of the refund procedures, deductions and litigation. The reduction of the regulatory burden will increase the resilience of European companies, encourage international investments, and create an environment conducive to fair and sustainable growth.
- In light of the upcoming BEFIT proposal and the implementation of the OECD Pillar II rules, the Commission should sequence the implementation of these regulatory packages to provide European businesses the necessary breathing space and time to prepare for the changing regulatory landscape.

29.6.2023

## LETTER OF THE COMMITTEE ON BUDGETS

Ms Isabel Benjumea Benjumea, rapporteur  
Mr Paul Tang, Chair of the FISC subcommittee  
Ms Irene Tinagli, Chair of the ECON Committee

Subject: Opinion on further reform of corporate taxation rules (2022/2146(INI))

Dear rapporteur, dear Chairs,

Under the procedure referred to above, the Committee on Budgets' Coordinators decided at their meeting of 26 October 2022 to adopt an opinion under the Rule 56 in the form of a letter covering the own initiative report on Further reform of corporate taxation rules. Therefore, as BUDG Chair, and together with José Manuel Fernandes and Valérie Hayer, standing co-Rapporteurs for Own Resources, we hereby provide you with the BUDG contribution in the form of resolution paragraphs, which was adopted by BUDG at its meeting of 29 June 2023 and which I kindly request will be taken into account by your committee:

1. Recalls that the EP has already and at various occasions, including in the recently adopted resolution on Own resources: a new start for EU finances, a new start for Europe<sup>1</sup>, expressed support for new own resources linked to corporate taxation such as the common consolidated corporate tax base (CCCTB), digital services tax and, most recently, for the 'Pillar One'-based own resource in the context of the OECD inclusive framework on BEPS, given also their high revenue potential; recalls furthermore, its call for a Union-wide Financial Transaction Tax (FTT) and for exploring possibilities in the areas of corporate share buy-backs and a common and standardised withholding tax framework;
2. Highlights that well-designed new own resources based on corporate taxes can be fully compatible with the objective of a simplified tax regime, can promote fiscal justice and are instrumental for the further harmonisation of tax rules and accounting principles within the EU single market; calls on the Commission to identify synergies between tax rules modernisation and potential tax-based own resources; insists that the allocation of a pre-defined share of corporate tax-base or -income for the financing of the EU budget has no impact on the administrative burden of companies;
3. Looks forward to the Commission's upcoming BEFIT initiative; highlights that the

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<sup>1</sup> European Parliament resolution of 10 May 2023 on own resources: a new start for EU finances, a new start for Europe.

proposal would constitute an excellent starting point for a new own resource as foreseen by the roadmap in the IIA of 16 December 2020; recognises that BEFIT could have an important role in addressing issues of national differences in corporate taxation; stresses that the BEFIT framework should be designed in a way which allows for the establishment of a meaningful and stable own resource;

4. Considers that, in the absence of a fully-fledged harmonised tax base, a corporate sector statistics-based national contribution to the EU budget could be established as a transitional solution until the OECD or the BEFIT legislation is in force; holds that such an own resource, coherently conceived, should incentivize Member States to accelerate negotiations on BEFIT;
5. Reiterates its call on the Member States to adopt the new own resources meant to cover the repayment of NGEU borrowing costs and to sufficiently fund its policies and priorities as soon as possible.

Yours sincerely,



Johan Van Overtveldt,  
Chair of the Committee on Budgets



José Manuel Fernandes,  
standing Co-rapporteur on Own Resources



Valérie Hayer,  
standing Co-rapporteur on Own Resources

## INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE

<b>Date adopted</b>	24.10.2023
<b>Result of final vote</b>	+: 46 -: 5 0: 2
<b>Members present for the final vote</b>	Rasmus Andresen, Gerolf Annemans, Anna-Michelle Asimakopoulou, Manon Aubry, Gunnar Beck, Marek Belka, Isabel Benjumea Benjumea, Stefan Berger, Gilles Boyer, Engin Eroglu, Markus Ferber, Jonás Fernández, Giuseppe Ferrandino, Frances Fitzgerald, José Manuel García-Margallo y Marfil, Valentino Grant, Claude Gruffat, José Gusmão, Enikő Győri, Eero Heinäluoma, Michiel Hoogeveen, Danuta Maria Hübner, Stasys Jakeliūnas, France Jamet, Othmar Karas, Billy Kelleher, Ondřej Kovařík, Georgios Kyrtos, Ioannis Lagos, Aurore Lalucq, Philippe Lamberts, Aušra Maldeikienė, Pedro Marques, Costas Mavrides, Csaba Molnár, Siegfried Mureşan, Caroline Nagtegaal, Denis Nesci, Luděk Niedermayer, Lefteris Nikolaou-Alavanos, Dimitrios Papadimoulis, Piernicola Pedicini, Lídia Pereira, Kira Marie Peter-Hansen, Sirpa Pietikäinen, Eva Maria Poptcheva, Evelyn Regner, Antonio Maria Rinaldi, Dorien Rookmaker, Alfred Sant, Joachim Schuster, Ralf Seekatz, Pedro Silva Pereira, Paul Tang, Irene Tinagli, Ernest Urtasun, Inese Vaidere, Johan Van Overtveldt, Stéphanie Yon-Courtin, Marco Zanni, Roberts Zile
<b>Substitutes present for the final vote</b>	Marc Angel, Nicola Beer, Damian Boeselager, Cristian-Silviu Buşoi, Pascal Canfin, Damien Carême, David Casa, Fabio Massimo Castaldo, Olivier Chastel, Esther de Lange, Karima Delli, Tamás Deutsch, Herbert Dorfmann, Bas Eickhout, Nicolaus Fest, Niels Fuglsang, Gianna Gancia, Eider Gardiazabal Rubial, Elisabetta Gualmini, Henrike Hahn, Roman Haider, Valérie Hayer, Martin Hlaváček, Monika Hohlmeier, Ivars Ijabs, Patryk Jaki, Eugen Jurzyca, Martine Kemp, Maximilian Krah, Janusz Lewandowski, Chris MacManus, Margarida Marques, Fulvio Martusciello, Eva Maydell, Andželika Anna Mozdżanowska, Ville Niinistö, Johan Nissinen, Mikuláš Peksa, Tonino Picula, Dragoş Pişlaru, Jessica Polfjård, Clara Ponsatí Obiols, Erik Poulsen, René Repasi, Bogdan Rzońca, Laurence Salliet, Massimiliano Salini, Martin Schirdewan, Andreas Schwab, Monica Semedo, Sven Simon, Sergei Stanishev, Eleni Stavrou, Mihai Tudose, Mick Wallace

## FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE

46	+
ECR	Denis Nesci, Dorien Rookmaker
ID	Anna Bonfrisco, Elena Lizzi, Antonio Maria Rinaldi
PPE	Anna-Michelle Asimakopoulou, Isabel Benjumea Benjumea, Stefan Berger, Markus Ferber, José Manuel García-Margallo y Marfil, Danuta Maria Hübner, Othmar Karas, Siegfried Mureşan, Luděk Niedermayer, Lídia Pereira, Laurence Sailliet, Ralf Seekatz, Inese Vaidere
Renew	Gilles Boyer, Giuseppe Ferrandino, Martin Hlaváček, Ondřej Kovařík, Georgios Kyrtosos, Caroline Nagtegaal, Eva Maria Poptcheva, Stéphanie Yon-Courtin
S&D	Marek Belka, Theresa Bielowski, Jonás Fernández, Eider Gardiazabal Rubial, Eero Heinäluoma, Aurore Lalucq, Margarida Marques, Pedro Marques, Evelyn Regner, Alfred Sant, Joachim Schuster, Paul Tang, Irene Tinagli
Verts/ALE	Rasmus Andresen, Damien Carême, Claude Gruffat, Stasys Jakeliūnas, Philippe Lamberts, Piernicola Pedicini, Kira Marie Peter-Hansen

5	-
PPE	Aušra Maldeikienė
Renew	Billy Kelleher
The Left	José Gusmão, Chris MacManus, Dimitrios Papadimoulis

2	0
ECR	Johan Van Overtveldt
PPE	Frances Fitzgerald

Key to symbols:

+ : in favour

- : against

0 : abstention