



TEXTS ADOPTED

P9_TA(2024)0006

Debt-equity bias reduction allowance and limiting the deductibility of interest for corporate income tax purposes

European Parliament legislative resolution of 16 January 2024 on the proposal 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 – C9-0197/2022 – 2022/0154(CNS))

(Special legislative procedure – consultation)

The European Parliament,

- having regard to the Commission proposal to the Council (COM(2022)0216),
 - having regard to Article 115 of the Treaty on the Functioning of the European Union, pursuant to which the Council consulted Parliament (C9-0197/2022),
 - having regard to the reasoned opinion submitted, within the framework of Protocol No 2 on the application of the principles of subsidiarity and proportionality, by the Swedish Parliament, asserting that the draft legislative act does not comply with the principle of subsidiarity,
 - having regard to Rule 82 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A9-0387/2023),
1. Approves the Commission proposal as amended;
 2. Calls on the Commission to alter its proposal accordingly, in accordance with Article 293(2) of the Treaty on the Functioning of the European Union;
 3. Calls on the Council to notify Parliament if it intends to depart from the text approved by Parliament;
 4. Asks the Council to consult Parliament again if it intends to substantially amend the Commission proposal;
 5. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

Amendment 1

Proposal for a directive

Recital 1

Text proposed by the Commission

(1) Promoting a fair and sustainable business environment, including through targeted tax measures that incentivise investment and growth, is a high political priority of the Union. To support sustainable and long-term corporate financing, the tax system should minimise unintended distortions of business decisions, for example towards debt rather than equity financing. While the Commission's Capital Markets Union 2020 Action Plan¹⁴ includes important actions to support such financing, for example Action 4 - Encouraging more long-term and equity financing from institutional investors, targeted tax measures should be adopted in order to enhance such actions. Such measures should take into account fiscal sustainability considerations.

¹⁴ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 'A Capital Markets Union for people and businesses-new action plan', COM(2020)0590 final (https://eur-lex.europa.eu/resource.html?uri=cellar:61042990-fe46-11ea-b44f-01aa75ed71a1.0001.02/DOC_1&format=PDF)

Amendment

(1) Promoting a fair and sustainable business environment ***and improving the corporate tax system***, including through targeted tax measures that incentivise investment and growth, is a high political priority of the Union. To support sustainable, ***robust*** and long-term corporate financing, ***in particular after the three economic crises since 2008, with many companies having to rely on debt financing in order to cover economic losses***, the tax system should minimise unintended distortions of business decisions, for example towards debt rather than equity financing. While the Commission's Capital Markets Union 2020 Action Plan¹⁴ includes important actions to support such financing, for example Action 4 - Encouraging more long-term and equity financing from institutional investors, targeted tax measures should be adopted in order to enhance such actions. Such measures should take into account fiscal sustainability considerations.

¹⁴ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 'A Capital Markets Union for people and businesses-new action plan', COM(2020)0590 final (https://eur-lex.europa.eu/resource.html?uri=cellar:61042990-fe46-11ea-b44f-01aa75ed71a1.0001.02/DOC_1&format=PDF)

Amendment 2

Proposal for a directive Recital 1 a (new)

Text proposed by the Commission

Amendment

(1a) The promotion of a competitive and resilient capital markets union, with a strong equity market as one of its pillars, is essential for the promotion of jobs, economic growth and investment. More private investment through equity is needed in order to tackle the economic challenges that lie ahead. Therefore, the creation of a legal instrument to harmonise existing legislative provisions for reducing taxpayers' bias towards debt when making investment choices, without prejudice to the legitimate and effective use of debt instruments, is strongly advisable.

Amendment 3

Proposal for a directive Recital 2

Text proposed by the Commission

Amendment

(2) Member States' tax systems allow the taxpayers to deduct interest payments on debt financing, and thereby reduce the corporate income tax liability, while costs related to equity financing are non-tax deductible in most Member States. The asymmetric tax treatment of debt and equity financing across the Union induces a bias towards debt in investment decisions. Moreover, where Member States provide for a tax allowance on equity financing in their domestic law, such national measures differ significantly in terms of policy design.

(2) Member States' tax systems allow the taxpayers to deduct interest payments on debt financing, and thereby reduce the corporate income tax liability, while costs related to equity financing are non-tax deductible in most Member States. The asymmetric tax treatment of debt and equity financing across the Union induces a bias towards debt in investment decisions. ***The recent crises associated with the debt problems of companies in the internal market demonstrated that there is a need for a reform that puts equity and debt on equal footing and brings an end to the advantage of debt financing. This Directive is an answer to the numerous calls by Parliament to address the tax-related debt-equity bias^{1a}.*** Moreover, where Member States provide

for a tax allowance on equity financing in their domestic law, such national measures differ significantly in terms of policy design. *It is therefore essential to safeguard a level playing field for equity solutions and debt instruments, having regard to the need to guarantee minimum levels of systematic coherence between national tax frameworks, namely at the level of tax benefits.*

^{1a} See:

- *the European Parliament resolution of 8 October 2020 on further development of the Capital Markets Union (CMU): improving access to capital market finance, in particular by SMEs, and further enabling retail investor participation (2020/2036(INI)) (OJ C 395, 29.9.2021, p. 89);*
- *the European Parliament legislative resolution of 15 March 2018 on the proposal for a Council directive on a Common corporate tax base (2016/0337(CNS)) (OJ C 162, 10.5.2019, p. 181);*
- *the European Parliament 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) (2020/2254(INL)) (OJ C 347, 9.9.2022, p. 211);*
- *the European Parliament resolution of 15 February 2022 on the impact of national tax reforms on the EU economy (2021/2074(INI)) (OJ C 342, 6.9.2022, p. 14).*

Amendment 4

Proposal for a directive Recital 3

Text proposed by the Commission

(3) In order to remove possible tax related distortions among Member States, it is necessary to lay down a common framework of rules to address the tax related debt-equity bias across the Union in a coordinated manner. Such rules should ensure that equity and debt financing are treated in a similar way for tax purposes across the single market. At the same time, a common Union legislative framework should be sustainable also in the short term for Member States' budgets. Such framework should therefore include rules, on the one hand, for the tax deductibility of equity financing costs and, on the other, for limiting the tax deductibility of debt financing costs.

Amendment

(3) In order to remove possible tax related distortions among Member States, it is necessary to lay down a common framework of rules to address the tax related debt-equity bias across the Union in a coordinated manner, ***while respecting in full the Union's institutional framework on tax matters as established by the Treaties***. Such rules should ensure that equity and debt financing are treated in a similar way for tax purposes across the single market. At the same time, ***given the extensive tax deductibility of debt and the fact that creating an allowance on increases in equity could have a direct impact on public revenues***, a common Union legislative framework should be sustainable also in the short term for Member States' budgets. Such framework should therefore include rules, on the one hand, for the tax deductibility of equity financing costs and, on the other, for limiting the tax deductibility of debt financing costs. ***This Directive aims to strike a better balance between the different challenges related to the sustainability of Member States' public finances in the short term and, in doing so, should avoid Member States incurring substantial losses in revenues and aim to improve companies' financial stability.***

Amendment 5

Proposal for a directive Recital 3 a (new)

Text proposed by the Commission

Amendment

(3a) In order to further develop the capital markets union, this Directive aims to diversify funding sources for Union

companies, especially for SMEs. Therefore, it should avoid creating new costs and barriers in respect of access to financing for those companies that cannot yet easily access capital markets. Limiting the deductibility of those companies' interest costs could hamper investment across the Union, hence the interest deduction should not be limited for SMEs and medium-sized groups.

Amendment 6

Proposal for a directive

Recital 5

Text proposed by the Commission

(5) To neutralise the bias against equity financing, an allowance should be envisaged so that increases in a taxpayer's equity from one tax period to the next are deductible from its taxable base, subject to certain conditions. The allowance should be calculated by multiplying the increase in equity with a notional interest rate based on risk-free interest rate as laid down in the implementing acts adopted pursuant to Article 77e(2) of Directive 2009/138/EC. Such risk-free interest rates are already part of EU law and have been practically and effectively applied as such. Any part of the allowance that cannot be deducted in a tax period due to insufficient taxable profits may be carried forward. Taking into account the specific challenges that small- and medium-sized enterprises (SMEs) face in accessing capital markets, an increased allowance on equity should be envisaged for taxpayers that are SMEs. In order for the deduction of an allowance on equity to be sustainable for public finances in the short term, it should be limited in time. To safeguard the system from abuses, it is necessary to exclude the tax value of a taxpayer's own shares as well as that of its participation in associated enterprises from the calculation of changes in equity. In the same vein, it is necessary to provide for the

Amendment

(5) To neutralise the bias against equity financing, an allowance should be envisaged so that increases in a taxpayer's equity from one tax period to the next are deductible from its taxable base, subject to certain conditions. The allowance should be calculated by multiplying the increase in equity with a notional interest rate based on risk-free interest rate as laid down in the implementing acts adopted pursuant to Article 77e(2) of Directive 2009/138/EC. Such risk-free interest rates are already part of EU law and have been practically and effectively applied as such. Any part of the allowance that cannot be deducted in a tax period due to insufficient taxable profits may be carried forward. Taking into account the specific challenges that small- and medium-sized enterprises (SMEs) **and medium-sized groups** face in accessing capital markets, **their higher financing costs, the lower availability of capital and the higher probability of them experiencing longer periods of losses**, an increased allowance on equity **as well as a longer period for tax deductibility** should be envisaged for taxpayers that are SMEs **or medium-sized groups**. In order for the deduction of an allowance on equity to be sustainable for public finances in the short term, it should be **properly and**

taxation of a decrease in a taxpayer's equity from one tax period to the following one, to prevent an equity increase from being effected in an abusive manner. Such a rule would also encourage the retention of a level of equity. It would apply so that where there is a decrease in equity of a taxpayer that has benefitted from an allowance on equity increase, an amount calculated in the same way as the allowance would become taxable for 10 tax periods; unless the taxpayer provides evidence that this decrease is exclusively due to losses incurred during the tax period or due to a legal obligation.

proportionately limited in time. To safeguard the system from abuses, it is necessary to exclude the tax value of a taxpayer's own shares as well as that of its participation in associated enterprises from the calculation of changes in equity. In the same vein, it is necessary to provide for the taxation of a decrease in a taxpayer's equity from one tax period to the following one, to prevent an equity increase from being effected in an abusive manner. Such a rule would also encourage the retention of a level of equity. It would apply so that where there is a decrease in equity of a taxpayer that has benefitted from an allowance on equity increase, an amount calculated in the same way as the allowance would become taxable for 10 tax periods ***for SMEs and medium-sized groups and for 7 consecutive tax periods for any taxpayer other than an SME or a medium-sized group***, unless the taxpayer provides evidence that this decrease is exclusively due to losses incurred during the tax period or due to a legal obligation. ***The Commission and Member States should implement information and communication actions relating to this Directive, especially as regards its possibilities and benefits for SMEs.***

Amendment 7

Proposal for a directive Recital 6

Text proposed by the Commission

(6) In order to avoid a misuse of the deduction of the allowance on equity, it is necessary to lay down specific anti-tax avoidance rules. Such rules should target, in particular, schemes put in place to circumvent the conditions on which an equity increase qualifies for an allowance under this Directive, for instance, through the intra-group transfer of participations in associated enterprises. Such rules should also target schemes put in place to claim an

Amendment

(6) In order to avoid a misuse of the deduction of the allowance on equity, it is necessary to lay down specific anti-tax avoidance rules. Such rules should target, in particular, schemes put in place to circumvent the conditions on which an equity increase qualifies for an allowance under this Directive, for instance, through the intra-group transfer of participations in associated enterprises. Such rules should also target schemes put in place to claim an

allowance in the absence of any equity increase at group level. For example, intra-group debt financing or contributions in cash could be used for these purposes. Specific anti-tax avoidance rules should also prevent schemes from being put in place to claim that an increase in equity, and the corresponding allowance, is higher than it actually is, for example, through an increase in loan financing receivables or overvaluation of assets. Moreover, the general anti-tax abuse rule in Article 6 of Council Directive (EU) 2016/1164¹⁵ applies against abusive acts which are not covered by the specific anti-tax avoidance framework of this Directive.

¹⁵ 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 (OJ L 193, 19.7.2016, p. 1).

Amendment 8

Proposal for a directive Recital 6 a (new)

Text proposed by the Commission

allowance in the absence of any equity increase at group level. For example, intra-group debt financing or contributions in cash could be used for these purposes. Specific anti-tax avoidance rules should also prevent schemes from being put in place to claim that an increase in equity, and the corresponding allowance, is higher than it actually is, for example, through an increase in loan financing receivables or overvaluation of assets. Moreover, the general anti-tax abuse rule in Article 6 of Council Directive (EU) 2016/1164¹⁵ applies against abusive acts which are not covered by the specific anti-tax avoidance framework of this Directive. ***Member States should also ensure that the measures they adopt to transpose this Directive into national law comply with the guidance provided by the Code of Conduct Group (business taxation).***

¹⁵ 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 (OJ L 193, 19.7.2016, p. 1).

Amendment

(6a) The possible fiscal costs arising from the implementation of this Directive should be assessed together with the benefits of ensuring a more robust financing base for Union companies, which would be of utmost importance in cases of financial stress.

Amendment 9

Proposal for a directive

Recital 7

Text proposed by the Commission

(7) To effectively address the tax-related debt-equity bias in a manner sustainable for the Union's public finances, an allowance for equity financing should be accompanied by a **limitation on the deductibility of debt financing costs. An interest limitation rule should therefore limit the deductibility of exceeding borrowing costs and apply independently from the allowance.** Given the different objectives between such a rule and the existing anti-tax avoidance rule on interest limitation of Article 4 of Directive (EU) 2016/1164, both rules should be maintained. Taxpayers should first calculate the deductibility of exceeding borrowing costs under this Directive and then under ATAD. In the event that the latter results in a lower amount of deductible exceeding borrowing costs, the taxpayer should deduct this lower amount and carry forward or back any difference between the two amounts in accordance with Article 4 of ATAD.

Amendment 10

Proposal for a directive

Recital 9

Text proposed by the Commission

(9) In order to evaluate the effectiveness of this Directive, the Commission should prepare and publish an evaluation report on the basis of the information provided by Member States and of other available data.

Amendment

(7) To effectively address the tax-related debt-equity bias in a manner sustainable for the Union's public finances, an allowance for equity financing should be accompanied by a **rule limiting the deductibility of exceeding borrowing costs for groups that are not medium-sized groups and undertakings that are not SMEs. However, given the adverse economic conditions stemming from the COVID-19 crisis and from the Russian war of aggression against Ukraine, that limitation rule should only be introduced as of 2027.** Given the different objectives between such a rule and the existing anti-tax avoidance rule on interest limitation of Article 4 of Directive (EU) 2016/1164, both rules should be maintained. Taxpayers should first calculate the deductibility of exceeding borrowing costs under this Directive and then under ATAD. In the event that the latter results in a lower amount of deductible exceeding borrowing costs, the taxpayer should deduct this lower amount and carry forward or back any difference between the two amounts in accordance with Article 4 of ATAD.

Amendment

(9) In order to evaluate the effectiveness of this Directive, **as well as its impact on SMEs and on tax revenues in Member States,** the Commission should prepare and publish an evaluation report on the basis of the information provided by Member States and of other available data.

That report should pay special attention to SMEs, and should in particular assess whether the special conditions made available to SMEs have proven to be sufficient to increase the attractiveness to them of equity financing. In the case of a negative evaluation in that report, the Commission should, without undue delay, submit to the European Parliament and to the Council a legislative proposal addressing that issue. The Commission's report should be published.

Amendment 11

**Proposal for a directive
Article 3 – paragraph 1 – point 5 a (new)**

Text proposed by the Commission

Amendment

(5a) 'large undertaking' means a large undertaking within the meaning of Article 3(4) of Directive 2013/34/EU;

Amendment 12

**Proposal for a directive
Article 3 – paragraph 1 – point 5 b (new)**

Text proposed by the Commission

Amendment

(5b) 'medium-sized group' means a medium-sized group within the meaning of Article 3(6) of Directive 2013/34/EU;

Amendment 13

**Proposal for a directive
Article 3 – paragraph 1 – point 5 c (new)**

Text proposed by the Commission

Amendment

(5c) 'large group' means a large group within the meaning of Article 3(7) of Directive 2013/34/EU;

Amendment 14

Proposal for a directive

Article 4 – paragraph 1 – subparagraph 1

Text proposed by the Commission

An allowance on equity shall be deductible, for 10 consecutive tax periods, from the taxable base of **a taxpayer** for corporate income tax purposes up to 30% of the taxpayer's earnings before interest, tax, depreciation and amortisation (“EBITDA”).

Amendment

An allowance on equity shall be deductible, for:

- 10 consecutive tax periods, from the taxable base of **an SME or medium-sized group** for corporate income tax purposes up to 30% of the taxpayer's earnings before interest, tax, depreciation and amortisation (“EBITDA”);
- **7 consecutive tax periods, from the taxable base of any large undertaking or large group for corporate income tax purposes up to 30% of the taxpayer's EBITDA.**

Amendment 15

Proposal for a directive

Article 4 – paragraph 1 – subparagraph 1 a (new)

Text proposed by the Commission

Amendment

Member States shall ensure that taxpayers are able to carry forward, for a maximum of 3 tax periods, the part of the allowance on equity which exceeds the percentages of EBITDA in a tax period laid down in the first subparagraph.

Amendment 16

Proposal for a directive

Article 4 – paragraph 1 – subparagraph 2

Text proposed by the Commission

Amendment

If the deductible allowance on equity, in

If the deductible allowance on equity, in

accordance with the first subparagraph, is higher than the taxpayer's net taxable income in a tax period, Member States shall ensure that the taxpayer may carry forward, ***without time limitation***, the excess of allowance on equity ***to the following periods***.

accordance with the first subparagraph, is higher than the taxpayer's net taxable income in a tax period, Member States shall ensure that the taxpayer may carry forward the excess of allowance on equity ***as follows***:

- ***for a maximum of 3 tax periods, where the taxpayer is a large undertaking or a large group;***
- ***without time limitation, where the taxpayer is an SME or a medium-sized group.***

Amendment 17

Proposal for a directive Article 4 – paragraph 1 – subparagraph 3

Text proposed by the Commission

Member States shall ensure that the taxpayers may carry forward, for a maximum of 5 tax periods, the part of the allowance on equity which exceeds 30% of EBITDA in a tax period.

Amendment

deleted

Amendment 18

Proposal for a directive Article 4 – paragraph 2 – subparagraph 1

Text proposed by the Commission

Subject to Article 5, the base of the allowance on equity shall be calculated as the difference between the level of net equity at the end of the tax period and the level of net equity at the end of the previous tax period.

Amendment

Subject to Article 5, the base of the allowance on equity shall be calculated as the difference between the level of net equity at the end of the tax period and the level of net equity at the end of the previous tax period, ***in other words, the year-on-year increase in net equity.***

Amendment 19

Proposal for a directive

Article 4 – paragraph 2 – subparagraph 2

Text proposed by the Commission

The allowance on equity shall be equal to the base of the allowance multiplied by the 10-year risk-free interest rate for the relevant currency **and** increased by a risk premium of 1% **or, where the taxpayer is an SME, a risk premium of 1.5%.**

Amendment

The allowance on equity shall be equal to the base of the allowance multiplied by the 10-year risk-free interest rate for the relevant currency, increased by a risk premium of 1% **for SMEs.**

Amendment 20

Proposal for a directive

Article 4 – paragraph 3

Text proposed by the Commission

3. If, after having obtained an allowance on equity, the base of the allowance on equity is negative in a tax period, an amount equal to the negative allowance on equity shall become taxable for 10 consecutive tax periods, up to the overall increase of net equity for which such allowance has been obtained under this Directive, unless the taxpayer provides sufficient evidence that this is due to accounting losses incurred during the tax period or due to a legal obligation to reduce capital.

Amendment

3. If, after having obtained an allowance on equity, the base of the allowance on equity is negative in a tax period, an amount equal to the negative allowance on equity shall become taxable for 10 consecutive tax periods **for SMEs or medium-sized groups or 7 consecutive tax periods for any taxpayer other than an SME or a medium-sized group**, up to the overall increase of net equity for which such allowance has been obtained under this Directive, unless the taxpayer provides sufficient evidence that this is due to accounting losses incurred during the tax period or due to a legal obligation to reduce capital.

Amendment 21

Proposal for a directive

Article 5 – paragraph 3 a (new)

Text proposed by the Commission

Amendment

3a. Member States shall ensure that the measures they adopt to transpose this Article into national law comply with the guidance provided by the Code of

Conduct Group (business taxation) on notional interest deduction regimes.

Amendment 22

**Proposal for a directive
Article 6 – paragraph 1**

Text proposed by the Commission

1. Member States shall ensure that a taxpayer is able to deduct from its taxable base for corporate income tax purposes exceeding borrowing costs as defined in Article 1, point (2), of Council Directive (EU) 2016/1164³⁵ up to an amount (a) corresponding to 85% of such costs incurred during the tax period. If such amount is higher than the amount (b) determined in accordance with Article 4 of Directive (EU) 2016/1164, Member States shall ensure that the taxpayer be entitled to deduct only the lower of the two amounts in the tax period. The difference between the two amounts (a) and (b) shall be carried forward or back in accordance with Article 4 of Directive (EU) 2016/1164.

³⁵ 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 (OJ L 193, 19.7.2016, p. 1).

Amendment 23

**Proposal for a directive
Article 6 – paragraph 2**

Text proposed by the Commission

2. Paragraph 1 shall apply to exceeding borrowing costs incurred from ***[OP insert the date of entry into force of this Directive]***.

Amendment

1. Member States shall ensure that a taxpayer, ***other than an SME or a medium-sized group***, is able to deduct from its taxable base for corporate income tax purposes exceeding borrowing costs as defined in Article 1, point (2), of Council Directive (EU) 2016/1164³⁵ up to an amount (a) corresponding to 85% of such costs incurred during the tax period. If such amount is higher than the amount (b) determined in accordance with Article 4 of Directive (EU) 2016/1164, Member States shall ensure that the taxpayer be entitled to deduct only the lower of the two amounts in the tax period. The difference between the two amounts (a) and (b) shall be carried forward or back in accordance with Article 4 of Directive (EU) 2016/1164.

³⁵ 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 (OJ L 193, 19.7.2016, p. 1).

Amendment

2. Paragraph 1 shall apply to exceeding borrowing costs incurred from ***1 January 2027***.

Amendment 24

Proposal for a directive

Article 7 – paragraph 1 – point b

Text proposed by the Commission

(b) the number of SMEs that have benefitted from the allowance in the tax period, including as a percentage of the total number of SMEs falling within the scope of this Directive and the number of SMEs that have benefitted from the allowance, which are part of large groups within the meaning of Article 3(7) of Directive 2013/34/EU;

Amendment

(b) the number of SMEs ***and medium-sized groups*** that have benefitted from the allowance in the tax period, including as a percentage of the total number of SMEs ***and medium-sized groups*** falling within the scope of this Directive and the number of SMEs that have benefitted from the allowance, which are part of large groups within the meaning of Article 3(7) of Directive 2013/34/EU;

Amendment 25

Proposal for a directive

Article 8 – title

Text proposed by the Commission

Reports

Amendment

Reports ***and review***

Amendment 26

Proposal for a directive

Article 8 – paragraph 1

Text proposed by the Commission

1. By 31 December **2027**, the Commission shall present a report to the European Parliament and to the Council on the implementation of this Directive.

Amendment

1. By 31 December **2028**, the Commission shall present a report to the European Parliament and to the Council on the implementation ***and impact*** of this ***Directive accompanied, if appropriate, by a legislative proposal to amend this*** Directive.

That report shall assess the impact of this Directive, paying special attention to:

(a) SMEs, in particular assessing whether the special conditions available to SMEs have proven to be sufficient to increase the attractiveness of equity

financing to them;

(b) the limitation to interest deduction, in particular as regards the impact of amount (a) referred to in Article 6(1) on the fiscal revenues of Member States;

(c) the link with legislative acts in the field of corporate tax, namely a Directive ensuring a minimum effective tax rate for the global activities of large multinational groups and a Directive on a Framework for Income Taxation in Europe (BEFIT).

Amendment 27

Proposal for a directive Article 11 – paragraph 2

Text proposed by the Commission

2. Member States may defer the application of the provisions of this Directive to taxpayers that on [1 January 2024] benefit from an allowance on equity under national law for a period up to **10** years and in no case for a period longer than the duration of the benefit under national law.

Amendment

2. Member States may defer the application of the provisions of this Directive to taxpayers that on [1 January 2024] benefit from an allowance on equity under national law for a period up to **five** years and in no case for a period longer than the duration of the benefit under national law.

Amendment 28

Proposal for a directive Article 11 – paragraph 3 a (new)

Text proposed by the Commission

Amendment

3a. Each Member State shall, before it transposes this Directive into national law, make public an assessment of the estimated fiscal costs of the measures to be adopted and the resulting decrease in the effective tax rate for companies, and take proper measures to protect tax revenues if needed.