Further reform of corporate taxation rules

2022/2146(INI) - 12/12/2023 - Text adopted by Parliament, single reading

The European Parliament adopted by 495 votes to 65, with 58 abstentions, a resolution on further reform of corporate taxation rules.

Members recalled 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. It is crucial to adopt a common approach on tax policies is crucial for addressing harmful tax competition and profit shifting, fighting against tax avoidance and evasion.

Parliament took note of the package put forward by the Commission on tax simplification for SMEs and BEFIT and 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.

Members deplored 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. Member States are called on to ensure that tax directives are transposed completely and meet the intentions set by the directive.

Reducing the burden of compliance on EU companies, particularly SMEs

The resolution revealed 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. The Commission is called on 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.

Parliament called 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, it called on the Commission to follow-up such assessment with an **initiative to tackle high compliance costs** and enhance cooperation to reduce the administrative burden.

Members took 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. They called on the Commission to analyse experimentation with tax credits, most notably within the revised framework of EU state aid. 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.

Member States are called on to:

- 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;

- 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.

Own resources

The Commission reiterated its acknowledgment that BEFIT is also relevant from an **own resource** perspective. Members recalled that Parliament has 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 Base Erosion and Profit Shifting (BEPS). Members recalled furthermore its call for an 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.

Towards a coordinated and simplified company taxation regime (BEFIT)

Parliament noted that the BEFIT initiative and the SME support package on taxation are complementary and both aim to improve simplification for businesses. The Commission is invited to **propose measures** to help all Member States move towards a simplified, efficient and competitive tax system in order to reduce the administrative burden on businesses, especially SMEs. Members noted that simplifying refund procedures, deductions and disputes are other ways of reducing the administrative burden, particularly for SMEs.

The resolution noted the Commission's intention to work on a BEFIT proposal, with a view to designing a **new single EU corporate tax rulebook** and a common tax base of income taxation for businesses. It called on the Commission to ensure that the new proposal provides clarity and predictability for businesses and facilitates cross-border economic activity.

Members consider 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.

Given that companies doing business across the EU have to deal with different tax laws and tax authorities, Members highlighted 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.

According to Members, all the very large firms operating in the EU should come within the scope of the future BEFIT proposal. They called on 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.

Members recalled 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 Japan, according to the European Investment Bank's 2022/2023 investment report. This shortfall could reduce the EU's long-term competitiveness. The Commission is called on 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.