

The role of simple tax rules and tax fragmentation in European competitiveness

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The European Parliament adopted by 499 votes to 66, with 53 abstentions, a resolution on the role of simple tax rules and tax fragmentation in European competitiveness.

Taxation and business environment

The resolution highlighted the need for a **simple, predictable and competitive European tax system**, supporting both businesses and workers while accompanying the ecological and digital transition. It stressed the need to create a compliance-friendly and business-supportive EU, stressing that excessively complex tax rules risk discouraging investment.

Members are concerned by the US President's statements of 2 April 2025 on VAT in EU Member States, as part of the justification for imposing tariffs on imports to the US from the EU. Stressing that **trade wars** undermine businesses, they called on the Commission and the Member States to limit the corresponding trade turmoil and consult European stakeholders when making decisions in response to such tariffs.

Parliament recalled that **SMEs** face significant fiscal challenges on account of complex tax regulations and fragmented tax systems, which impose high administrative burdens and compliance costs, with SME compliance costs estimated at around 30 % of taxes paid compared with about 2 % for large companies, hindering their growth and innovation. It urged the Commission to assess the impact on SMEs of current and future proposals, and explore solutions that simplify tax procedures and reduce compliance costs.

Members called for the development of a user-friendly toolkit for SMEs and start-ups, including guidelines, templates and automated tax filing options for VAT, corporate tax, payroll and other obligations, freely available and regularly updated.

Competitiveness and economic growth

The resolution stressed that a competitive economy must ensure high levels of employment and social welfare, provide innovation capability and adequate educational opportunities and infrastructure, and be based on strong institutions and rule of law standards.

Parliament called on the Commission and Member States to agree on a coordinated approach to improving the **transparency** of national tax expenditures. It stressed that future EU initiatives on taxation should focus primarily on administrative simplification, eliminating overlapping tax rules, improving clarity and harmonising the application of tax rules, and addressing divergences or inefficiencies that could affect the functioning of the single market.

Moreover, Members called for a set of tools to be put in place to ensure dialogue, transparency and coordination between Member States on **tax incentives**. They called on the Commission and Member States to coordinate their efforts and examine the potential benefits of tax incentives for green investments. They also stressed the need to ensure legal certainty and tax predictability for EU businesses, recalling that several legislative initiatives in the area of taxation are not moving forward.

Tax simplification and digitalisation

Parliament called on the Commission to systematically carry out **ex ante impact assessments** of all new tax-related legislative proposals, to eliminate all cases of **double reporting** and to establish an effective system of data sharing between tax administrations, in order to relieve taxpayers from their double reporting obligations.

Members called for the creation of an **EU tax data hub** to improve the automatic exchange of tax information and reduce administrative burdens. They encouraged the Commission and Member States to build on existing tools and consider extending their application to areas such as direct taxation.

Parliament called on the Commission to make recommendations for a simplified and competitive tax system to reduce the administrative burden on businesses and citizens. It highlighted the potential of digitalisation, particularly artificial intelligence (AI), to reduce administrative burdens and compliance costs for businesses, especially SMEs, and to support the detection of VAT fraud.

The Commission is called upon to evaluate and **simplify the current VAT framework**. Members urged coordinated implementation at national level to ensure coherence and that the VAT one-stop shop model is efficient and user-friendly, especially for SMEs. They considered that a periodic review and assessment of reduced VAT rates will be useful as part of simplification.

Tax barriers within the single market

Parliament took note of the Letta report and the reference to a **voluntary 28th regime**, which aims to attract and retain innovative start-ups in the EU. Given the fragmentation of the EU's tax landscape, it called on the Commission to explore and assess the benefits and drawbacks of the option of a 28th regime.

Members also underlined the need to **address tax obstacles to cross-border investment** to decrease over-reliance on debt and to increase equity in business financing. In this regard, they recalled the Draghi report, which stresses that EU citizens should be able to invest in other Member States without complex tax procedures that lead, de facto, to double taxation. The Commission is invited to identify existing tax barriers to single market integration and submit an action plan to overcome them.

Lastly, the Commission and the Member States are invited to:

- improve cooperation in combating **aggressive tax planning**, including by improving the exchange of information, coordination of audits and enforcement;
- submit a study on how to simplify tax rules and address tax fragmentation for **cross-border workers** and the self-employed and, if necessary, a set of associated measures;
- conduct further studies on the cost-effectiveness of different types of tax incentives **for R&D and innovation** in terms of strengthening the EU's competitiveness on the global stage.