Feasibility of a 28th tax regime and its potential to support EU competitiveness

2025/2211(INI) - 09/07/2026 - Text adopted by Parliament, single reading

The European Parliament adopted by 366 votes to 192, with 39 abstentions, a resolution on the feasibility of a 28th tax regime and its potential to support EU competitiveness.

General principles

Parliament welcomed the Commission's legislative proposal for a 28th regime for companies (EU Inc.), stressing, however, that this proposal should not replace further legislative efforts to reduce fragmentation and disparities between Member States' regulatory frameworks.

Members called for the initiative on the 28th regime to be **ambitious in substance, including on taxation aspects, while fully respecting the treaties**, in order to allow SMEs, small mid-caps and innovative companies to scale-up develop and operate seamlessly without transnational barriers throughout the EU’s single market.

The resolution underlined that the 28th regime must not, under any circumstances, enable the **circumvention of mandatory domestic protection of workers**, their social rights, representatives and trade unions, nor become a vehicle to undermine, reduce or weaken existing levels of protection at EU or national level. It should effectively reduce the complexity of compliance for participating companies and should not create a parallel regulatory framework leading to increased legal distortions or an additional administrative burden.

Parliament stressed that the 28th regime should be established through a **modular approach** : the proposal for a regulation establishing a corporate legal framework (‘EU Inc.’) is a first step onto which other modules can be added, including on taxation (**tax module**).

For a tax module to be attainable under the existing Treaty framework, and where the applicable legislative procedure does not yield results, either an opt-in structure of the relevant legislation, or enhanced cooperation as a last resort, should be considered in order to address tax policy shortcomings. The scope of the tax module should be **limited** to, as a starting point, a subset of companies, such as cross-border growth-oriented start-ups and scale-ups, which typically generate only limited corporate income tax revenues for Member States.

Companies which voluntarily opt into the 28th regime and its tax module should be bound by its rules and that their choice to opt in must be **automatically recognised** by all Member States’ legal frameworks. Furthermore, only companies with real economic activities within the EU should have access to the tax module. This module should not lead to the creation of shell or letterbox companies.

Corporate Income Tax

Given the lack of harmonisation of corporate tax policies, Parliament proposed that, in order to establish a clear, efficient, and transparent tax regime, the future tax module should aim to create **a single consolidated corporate tax base** for participating companies across the EU. The tax module should not further restrict Member States' discretion in setting corporate tax rates. The 28th regime should prioritise genuine consolidation to ensure effective cross-border loss offsetting, thereby encouraging cross-border investment.

Members proposed that the 28th regime should seek to **simplify tax administration and reduce cross-border uncertainty**, including, where possible, by standardising tax returns. Double taxation must be effectively prevented through, for instance, the uniform definition and classification of capital gains, intra-regime payments or the automatic mutual recognition of tax status.

Parliament makes, *inter alia,* the following recommendations:

- reduce compliance burdens, regime participants must operate under a **centralised VAT framework**, where a single EU VAT number and digital One-Stop Shop portal must cover declarations and refunds across the Member States, including through timely and efficient refund procedures and a reduced need for multiple registrations;

- cross-border capital flows within the module should benefit from more coordinated and efficient treatment, whereby dividends, interest and royalties between participating entities and their associated investment vehicles should benefit and be subject to a **common simplified withholding tax procedure** and minimum effective taxation;

- the implementation of an **EU employee stock option scheme** should be mandatory under the tax module; gains should be treated as capital income rather than employment income, therefore aligning employee incentives with long-term company growth and removing the distorting effect of upfront taxation;

- to prevent compliance costs from becoming a structural barrier to expansion, **transfer pricing** complexity should be substantially reduced; Members propose, within the tax module, that the Commission should clearly specify the transfer pricing rules applicable to companies opting into the 28th regime;

- one of the goals of the new regime is to contribute to the development of a **genuine EU capital market**, enabling firms under its scope to obtain the necessary funding while maintaining their presence in the EU; the 28th regime should directly address structural obstacles that limit capital mobilisation in Europe;

- the tax module should introduce appropriate coordinated and strictly conditioned **tax incentives** focused on research, development and reinvestment; where reinvested profits are used for R&D, digitalisation or green innovation should be eligible to receive temporary additional deductions or tax deferrals.

The Commission is invited to carry out a **comprehensive review** and, where necessary, revisions of tax aspects of the 28th regime at regular intervals, including the potential to add new module legislation to the regime, an assessment of its adoption rates among companies, particularly SMEs, start-ups and scale-ups.