

Basic information	
2023/0321(CNS)	Awaiting final decision
CNS - Consultation procedure	
Directive	
Business in Europe: Framework for Income Taxation (BEFIT)	
<b>Subject</b>	
3.45.04 Company taxation	
<b>Legislative priorities</b>	
Joint Declaration 2023-24	

Key players													
European Parliament	<table border="1"> <thead> <tr> <th>Committee responsible</th><th>Rapporteur</th><th>Appointed</th></tr> </thead> <tbody> <tr> <td>ECON Economic and Monetary Affairs</td><td>REGNER Evelyn (S&amp;D)</td><td>12/09/2024</td></tr> <tr> <td></td><td>Shadow rapporteur NERUDOVÁ Danuše (EPP) POKORNÁ JERMANOVÁ Jaroslava (PfE) BOYER Gilles (Renew) ANDRESEN Rasmus (Greens/EFA) AUBRY Manon (The Left) ZAJĄCZKOWSKA-HERNIK Ewa (ESN)</td><td></td></tr> </tbody> </table>	Committee responsible	Rapporteur	Appointed	ECON Economic and Monetary Affairs	REGNER Evelyn (S&D)	12/09/2024		Shadow rapporteur NERUDOVÁ Danuše (EPP) POKORNÁ JERMANOVÁ Jaroslava (PfE) BOYER Gilles (Renew) ANDRESEN Rasmus (Greens/EFA) AUBRY Manon (The Left) ZAJĄCZKOWSKA-HERNIK Ewa (ESN)				
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	Committee for budgetary assessment	Rapporteur for budgetary assessment	Appointed
	BUDG Budgets	NERUDOVÁ Danuše (EPP)	28/04/2025
Council of the European Union			
European Commission	Commission DG	Commissioner	
	Taxation and Customs Union	GENTILONI Paolo	

Key events			
Date	Event	Reference	Summary
12/09/2023	Legislative proposal published	COM(2023)0532 	Summary
15/01/2024	Committee referral announced in Parliament		
13/11/2024	Committee referral announced in Parliament		
24/09/2025	Vote in committee		
16/10/2025	Committee report tabled for plenary, 1st reading/single reading	A10-0194/2025	
12/11/2025	Debate in Parliament		
13/11/2025	Decision by Parliament	T10-0268/2025	Summary
13/11/2025	Results of vote in Parliament		

Technical information	
Procedure reference	2023/0321(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Directive
Legal basis	Treaty on the Functioning of the EU TFEU 115
Stage reached in procedure	Awaiting final decision
Committee dossier	ECON/10/00258

Documentation gateway				
European Parliament				
Document type	Committee	Reference	Date	Summary

Committee draft report		PE773.162	12/05/2025	
Amendments tabled in committee		PE774.491	13/06/2025	
Committee opinion	BUDG	PE772.187	18/07/2025	
Committee report tabled for plenary, 1st reading/single reading		A10-0194/2025	16/10/2025	
Text adopted by Parliament, 1st reading/single reading		T10-0268/2025	13/11/2025	<a href="#">Summary</a>

#### European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2023)0532 	12/09/2023	<a href="#">Summary</a>
Document attached to the procedure	SWD(2023)0308 	13/09/2023	
Document attached to the procedure	SWD(2023)0309 	13/09/2023	

#### National parliaments

Document type	Parliament/Chamber	Reference	Date	Summary
Contribution	CZ_SENATE	COM(2023)0532	26/01/2024	
Contribution	PL_SENATE	COM(2023)0532	14/02/2024	
Contribution	DE_BUNDES RAT	COM(2023)0532	14/02/2024	
Contribution	IT_CHAMBER	COM(2023)0532	20/02/2024	
Reasoned opinion	SE_PARLIAMENT	PE759.650	11/03/2024	
Reasoned opinion	MT_PARLIAMENT	PE759.652	11/03/2024	
Reasoned opinion	IE_HOUSES-OF-OIREACHTAS	PE759.651	13/03/2024	

#### Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
EESC	Economic and Social Committee: opinion, report	CES4143/2023	24/04/2024	

#### Additional information

Source	Document	Date
EP Research Service	Briefing	04/12/2023

#### Meetings with interest representatives published in line with the Rules of Procedure

## Rapporteurs, Shadow Rapporteurs and Committee Chairs

Transparency				
Name	Role	Committee	Date	Interest representatives
BOYER Gilles	Shadow rapporteur	ECON	16/07/2025	Mouvement des Entreprises de France

## Other Members

Transparency		
Name	Date	Interest representatives
BENJUMEA BENJUMEA Isabel	14/12/2023	CEO E
FERBER Markus	07/11/2023	WirtschaftsVereinigung Metalle e.V.
SCHIRDEWAN Martin	11/09/2023	OXFAM INTERNATIONAL EU ADVOCACY OFFICE

# Business in Europe: Framework for Income Taxation (BEFIT)

2023/0321(CNS) - 12/09/2023 - Legislative proposal

PURPOSE: to introduce a common framework for tax-base determination and aggregated corporate income taxation in the European Union for in-scope multinationals (Business in Europe: Framework for Income Taxation (BEFIT)).

PROPOSED ACT: Council Directive.

ROLE OF THE EUROPEAN PARLIAMENT: the Council adopts the act after consulting the European Parliament but without being obliged to follow its opinion.

BACKGROUND: with the EU there is currently no common approach to the computation of the taxable base for businesses. Therefore, Union businesses are obliged to comply with a different corporate tax system in each Member State in which they operate.

The existence of 27 different corporate income tax systems in the Union gives rise to complexity in tax compliance and leads to unfair competition for businesses. That has become more evident as globalisation and digitalisation of the economy have significantly altered the perception of land borders and business models. As governments have tried to adapt to that new reality, a fragmented response among Member States has led to further distortions in the internal market. The various legal frameworks inevitably lead to different tax administration practices across the Member States as well. This often entails long procedures characterised by unpredictability and inconsistency along with high compliance costs.

In this vein, it would be important for businesses which operate on the internal market that Member States introduce a common legal framework to harmonise the fundamental features of corporate income tax systems with a view to simplifying tax rules and ensuring a fair competition.

Together with this proposal, the Commission adopted a [separate proposal](#) on transfer pricing.

CONTENT: the Commission proposes this draft Council Directive on Business in Europe: Framework for Income Taxation (BEFIT). It aims at providing rules for a **common EU corporate tax system**. The **common framework will simplify the tax environment in the internal market as it will replace the current 27 different ways for determining the taxable base for groups of companies which have annual combined revenues exceeding EUR 750 million**. It will also replace the Commission's Common Corporate Tax Base and Common Consolidated Corporate Tax Base proposals, which are **withdrawn**. BEFIT will reflect the insights gained and the changes in modern economy characterised by increasing globalisation and digitalisation.

The main aspects include:

### Scope

The new rules will be mandatory for groups operating in the EU with an annual combined revenue of at least **EUR 750 million**, and where the ultimate parent entity holds, directly or indirectly, at least 75% of the ownership rights or of the rights giving entitlement to profit. For groups headquartered in third countries, their EU group members would need to have raised at least EUR 50 million of annual combined revenues in at least two of the last four fiscal years or at least 5% of the total revenues of the group. This ensures that the requirements of the proposal are proportionate to its benefits.

In addition, the rules will be **optional** for smaller groups which may choose to opt in as long as they prepare consolidated financial statements. This optional scope could be of particular interest to SME groups that operate cross-border, as they may have less resources to dedicate to compliance with multiple national corporate tax systems.

For certain sectors, sector-specific characteristics are reflected in relevant parts of the proposal. This is, notably, the case for international transport, shipping activities and extractive industries.

BEFIT will mean that:

- all companies that are members of the same group will calculate their tax base in accordance with a common set of tax adjustments to their financial accounting statements;
- the bases of all members of the group will be aggregated into one single tax base;
- each member of the BEFIT group will have a percentage of the aggregated tax base calculated on the basis of the average of the taxable results in the previous three fiscal years.

A traffic light system is proposed to measure the transfer pricing compliance of entities outside the BEFIT group. This system would apply to low-risk activities for which the distributor uses a method based on the OECD transfer pricing guidelines.

#### ***Administration of the system: a 'One-Stop-Shop' and a 'BEFIT team'***

A one-stop-shop will allow businesses to deal with one single authority in the Union for filing obligations, whenever feasible. The 'filing entity', which is in principle the ultimate parent entity, will file one information return for the whole BEFIT group with only its own tax administration (the 'filing authority'), which will share this with the other Member States where the group operates. Each BEFIT group member will also file an individual tax return to their local tax administration to be able to apply domestically set adjustments to their allocated part. For each BEFIT group, there will also be a so-called 'BEFIT Team' which will bring together representatives of each relevant tax administration from the Member States where the group operates.

Lastly, tax audits and dispute settlement will remain at the level of each Member State. In some cases, audits may need to be carried out jointly under the existing legislative framework.

## **Business in Europe: Framework for Income Taxation (BEFIT)**

2023/0321(CNS) - 13/11/2025 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 370 votes to 160, with 107 abstentions (following a special legislative procedure), a legislative resolution on the proposal for a Council directive on a framework for the taxation of business income in Europe (BEFIT).

The BEFIT proposal aims to better organise and harmonise the EU corporate tax framework, playing a key role in facilitating cross-border business and investment. It will reduce costs and the complexity of administrative and tax compliance for both companies and tax authorities, while also limiting opportunities for corporate tax avoidance. The BEFIT proposal applies to large cross-border companies with an annual turnover of EUR 750 million or more, which constitute BEFIT groups.

Parliament approved the Commission's proposal subject to amendments.

#### ***Significant presence***

This directive should establish rules extending the concept of a permanent establishment, to include a significant economic presence through which a business is wholly or partly carried on. The underlying objective is to improve the resilience of the internal market as a whole in order to meet the challenges posed by the taxation of the digital economy.

Members consider it necessary in this regard to establish rules to ensure that these companies **pay their taxes in the jurisdictions where they make their profits** through the provision of services or the sale of products.

A significant economic presence should be considered to exist in a Member State in a tax period if total revenues derived by a BEFIT group from that Member State exceed **EUR 1 000 000**.

The Commission may issue recommendations to support adaptations to the double tax conventions of Member States with non-Union jurisdictions, in order to ensure that the concept of a permanent establishment, including a significant economic presence, and the related profit attribution rules are applied in a manner consistent with internationally agreed standards.

#### ***Structure of a BEFIT group***

A BEFIT group would be formed when at least two companies or permanent establishments meet the following conditions:

- the company is either the ultimate parent entity of the group or any other company of the group in which the ultimate parent entity holds, directly or indirectly, at least **50%** of the ownership rights or of the rights giving entitlement to profit;
- the head office of the permanent establishment is either the ultimate parent entity of the group or any other member (company or entity) of the group in which the ultimate parent entity holds, directly or indirectly, at least **50%** of the ownership rights or of the rights giving entitlement to profit.

#### ***Calculation of the preliminary tax result***

Where it is not reasonably practicable to determine the financial accounting net income or loss of a constituent entity based on the acceptable financial accounting standard or authorised financial accounting standard used in the preparation of the consolidated financial statements of the ultimate parent

entity, the financial accounting net income or loss of the constituent entity for the fiscal year may be determined using another acceptable financial accounting standard or an authorised financial accounting standard under certain conditions.

#### ***Limitation of royalties, entertainment costs***

To guarantee a minimal level of taxation of royalties, Members proposed to introduce a rule limiting royalties for BEFIT group members in accordance with the Subject to Tax Rule1a as proposed by the OECD/G20 Inclusive Framework in Pillar Two.

In addition, the financial accounting net income or loss of a BEFIT group member shall be adjusted to include 50% of the amount of expenses accrued for entertainment costs.

#### ***Controlled foreign companies***

Members proposed strengthening the rules relating to controlled foreign companies to increase resilience to profit shifting within BEFIT groups.

#### ***Accelerated depreciation rules***

Member States could apply accelerated depreciation to tangible fixed assets acquired by companies in the BEFIT group when these assets: (i) contribute to the climate, social and digital objectives of the European Union; (ii) support the United Nations Sustainable Development Goals for 2030; (iii) strengthen the Union's defence and resilience to threats and crises.

#### ***Tax incentives***

The post-allocation adjustment should focus on **input-based tax incentives**. Member States should refrain from offering output-based tax incentives such as patent boxes and other intellectual property regimes.

#### ***Transitional allocation rule***

For each fiscal year **between 1 July 2028 and 30 June 2033** at the latest (the transition period), the BEFIT tax base should be allocated to the BEFIT group members in accordance with the baseline allocation percentage. For groups that become subject to this Directive after the end of the first fiscal year when this Directive starts to apply, the transition period should be terminated by 30 June 2033 at the latest.

Before the end of the transition period, the Commission should present a legislative proposal to amend this Directive and **introduce a permanent method for allocating the BEFIT tax base**, replacing the transitional allocation formula. The permanent method for allocating the BEFIT tax base should incorporate the following four factors: sales, labour, assets, and digital presence.

#### ***One-stop shop***

Members stressed that improving corporate tax compliance depends largely on the establishment of a comprehensive one-stop-shop system that enables businesses to fulfil their tax obligations across Member States through a single, streamlined interface, thereby reducing administrative burdens, ensuring consistent enforcement, and enhancing legal certainty in the internal market.