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BusinessEurope's comments in response to the public consultation on BEFIT (Business in Europe: Framework for Income Taxation)

BusinessEurope is the leading advocate for growth and competitiveness at the European level, standing up for companies across the continent and campaigning on the issues that most influence their performance. A recognised social partner, we speak for all-sized enterprises in 35 European countries whose national business federations are our direct members.

We welcome the opportunity to provide comments on the European Commission's Public Consultation on Business in Europe: Framework for Income Taxation (BEFIT).

BusinessEurope supports a corporate tax system in the EU that ensures a principles-based set of rules that enables businesses of all sizes to thrive, promotes competitiveness, domestic and cross-border business investment, innovation and the creation of jobs and growth.

In recent years, the global corporate tax landscape has undergone an unprecedented transformation. The international community has co-operated to come up with solutions, develop best practices and share expertise on combatting tax fraud and evasion. In the EU, Member States have adopted a significant body of tax directives aimed at coordinating and strengthening the tax rules. However, the implementation of these directives has not been carried out in a consistent and coordinated manner amongst Member States. This has led to misaligned tax bases in the EU, increased administrative burden and significant compliance costs for businesses of all sizes to deal with.

At this specific juncture, the international tax landscape continues to be focused largely on the adoption and implementation of the G20/OECD's Two-Pillar framework, specifically the use of a formula for the partial reallocation of profits under Pillar One, and common rules for calculating the tax base for the purposes of applying Pillar Two. In the next twelve months, businesses will need to focus their resources (people, time, and capital investment) on implementing the Pillar Two rules subsequent to the guidance released by the OECD, and subsequently expects further interpretation of these rules by each Member State. This will, over the next months and years, require the design and implementation of systems tools in order to provide the data required for the GloBE information return, which are, to a large extent, not available today for many companies.

Against this background, a revived discussion on a common corporate tax framework for EU groups operating cross-border (the BEFIT proposal) to be presented by the Commission in the Third Quarter of 2023 places an extraordinary amount of pressure on the business community at a time when the requirements of the Pillar Two rules still need to be grappled with and given that the OECD's Two-Pillar Framework still needs to be adopted in its entirety. The discussion on BEFIT should therefore consider this timing issue and focus on the methods for achieving a simple, predictable and stable tax regime in the EU.



BusinessEurope supports the objectives for BEFIT that are set out in the Call for Evidence, namely: (1) to increase businesses' resilience by reducing the complexity of tax rules and the compliance costs faced by EU businesses operating cross borders; (2) to remove obstacles to cross-border investment and make the Single Market a more attractive location for international investment; (3) to create an environment conducive to fair and sustainable growth by paving the way for administrative simplification; and (4) to provide sustainable tax revenue.

However, for these objectives to be achieved, there needs to be a deep debate with all relevant stakeholders involved to find the best path forward, with a clear but realistic timeline as opposed to adopting hurried legislation that potentially ends up proposing another layer of tax compliance. It is indeed crucial that any changes do not introduce additional administrative burden.

We strongly support the development of a One-Stop-Shop for corporate income tax, the principles and details of which could be fast tracked. The One-Stop-Shop could potentially be trialled for business groups operating in the EU for the recently adopted Pillar Two rules and, in time, extended to the BEFIT proposal to ensure that this materialises in a manner that is really fair and effective amongst Member States.

Considering the lengthy discussions on similar proposals that the Commission put forward in the past (with the CCCTB and the CCTB proposals), it will be necessary for BEFIT to establish clear aims and key principles that underpin it, to support competitiveness and growth given the loss in flexibility for Member States, particularly, for the smaller countries and to reduce the significant compliance costs and administrative burden for businesses operating in the EU.

There are still significant outstanding barriers to the Single Market. In this context, the lack of cross-border profit and loss relief within the EU and the large numbers of transfer pricing disputes frequently resulting in international double taxation, both need to be addressed in a BEFIT proposal.

In addition, in order to succeed for the EU as a whole and to attract the support of the business community, BEFIT rules should be optional for EU companies (i.e. not replace the national corporate tax systems), recognize the importance of intangible assets as valuable drivers for many businesses and leave any decision on tax rates to national governments.

The interaction of BEFIT with existing tax instruments in the EU, as well as outside the EU, will also need to be re-assessed in order to avoid the unnecessary duplication of taxation, documentation and transparency requirements. In this context, we support a competitiveness check of existing and new tax instruments to simplify rules that are too difficult to administer and to help businesses be more innovative and productive.

There will also need to be an increased focus on improving the efficiency of tax administrations to better equip themselves to become more transparent and to build capacity to deal with the implementation of new international standards and increased data flows that will result from the proposed rules in order to make their tax audits and assessments more effective.

Finally, in addition to ensuring a better functioning system within the EU, it is also crucial that the rules optimize the interaction with the tax rules in Third Countries. It is inevitable that the significant changes to the EU's tax framework will give rise to more tax controversy. In this regard, the EU should give due consideration to extending and further enhancing its Dispute Resolution Mechanism to new tax reforms.

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BusinessEurope will continue to make itself available to engage in a constructive dialogue with the European Commission and Member States to ensure that the development and specificities of the BEFIT proposal are conducive to increased economic efficiency, growth and job creation.