



Taxation: new proposals to simplify tax rules and reduce compliance costs for cross-border businesses

Strasbourg, 12 September 2023

Today, the European Commission adopted a key package of initiatives to reduce tax compliance costs for large, cross-border businesses in the European Union.

Today's proposal, called "Business in Europe: Framework for Income Taxation" (BEFIT), will make life easier for both businesses and tax authorities by introducing a new, single set of rules to determine the tax base of groups of companies. This will reduce compliance costs for large businesses who operate in more than one Member State and make it easier for national tax authorities to determine which taxes are rightly due. The new, simpler rules could reduce tax compliance costs for businesses operating in the EU by up to 65%.

BEFIT will mean that:

- Companies that are members of the same group will calculate their tax base in accordance with a common set of rules.
- The tax 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.

Dealing with 27 different national tax systems, each with its specific rules, makes it costly for companies when it comes to tax compliance. This discourages cross-border investment in the EU, putting European businesses at a competitive disadvantage compared to companies elsewhere in the world.

In more detail

The proposal builds on the OECD/G20 international tax agreement on a global minimum level of taxation, and the Pillar Two Directive adopted at the end of 2022. It replaces the Commission's CCTB (common corporate tax base) and CCCTB (common consolidated corporate tax base) proposals, which are withdrawn^[1]. The new rules will be mandatory for groups operating in the EU with an annual combined revenue of at least €750 million, and where the ultimate parent entity holds at least 75% of the ownership rights or of the rights giving entitlement to profit.

The rules will be discretionary for smaller groups, which may choose to opt in as long as they prepare consolidated financial statements. This might be of particular interest to SMEs.

Transfer pricing

Today's package also includes a proposal aiming at harmonising transfer pricing rules within the EU and ensuring a common approach to transfer pricing.

The proposal will increase tax certainty and mitigate the risk of litigation and double taxation. The Directive will also further reduce the opportunities for companies to use transfer pricing for aggressive tax planning purposes.

Next steps

Once adopted by the Council, the proposals should come into force on 1 July 2028 (for BEFIT) and as of 1 January 2026 (for the transfer pricing proposal).

For more information

[Questions and Answers on BEFIT and transfer pricing](#)

[BEFIT legal proposal](#)

[Transfer Pricing](#)

[BEFIT Factsheet](#)

Quotes:

Today, the Commission is taking another step towards simplifying the EU's tax laws and making them fairer for companies active in more than one Member State. SMEs will be able to use one set of rules for filing their tax returns, instead of dealing with 27 different national regimes. This will save them in compliance costs and stimulate more cross-border investment and competitiveness. In corporate taxation, today's proposals build on work done by the OECD/G20 to establish a common set of rules to determine the tax base of companies and to address problems related to transfer pricing – such as profit shifting, tax avoidance and double taxation – so as to improve tax certainty while reducing opportunities for aggressive tax planning. Valdis Dombrovskis, Executive Vice-President for an Economy that Works for People - 12/09/2023

Today's proposals aim to make it easier for businesses large and small to operate in the EU, reducing tax compliance costs and freeing up resources for them to invest and create jobs. Our proposals will also facilitate tax authorities' efforts to ensure that companies pay what is rightly due. After the adoption of the EU Directive ensuring a minimum effective tax rate for large multinational groups, today we take another key step towards simpler, clearer and more cost-effective tax systems in the EU. Paolo Gentiloni, Commissioner for Economy - 12/09/2023

Press contacts:

[Daniel FERRIE](#) (+32 2 298 65 00)

[Francesca DALBONI](#) (+32 2 298 81 70)

General public inquiries: [Europe Direct](#) by phone [00 800 67 89 10 11](#) or by [email](#)

Related media

 [Social Europe - The European Pillar of Social Rights](#)