Council of the
European Union

Brussels, 13 September 2023
(OR. en)

12951/23
ADD 2

Interinstitutional File:
2023/0320(CNS)

ECOFIN 868
FISC 189

PROPOSAL

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	13 September 2023
To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
No. Cion doc.:	SEC(2023) final
Subject:	Impact assessment / Business in Europe: Framework for Income Taxation (BEFIT)

Delegations will find attached document SEC(2023) final.

Encl.: SEC(2023) final

EUROPEAN COMMISSION

31.7.2023

SEC(2023) 308

REGULATORY SCRUTINY BOARD OPINION

Business in Europe: Framework for Income Taxation (BEFIT)

{COM(2023) 528}

{SWD(2023) 302, 303}

EUROPEAN COMMISSION
REGULATORY SCRUTINY BOARD

Brussels,
RSB

Opinion

Title: Impact assessment / Business in Europe: Framework for Income Taxation (BEFIT)

Overall opinion: POSITIVE WITH RESERVATIONS

(A) Policy context

There are currently 27 different national systems to calculate the corporate tax payable by companies in the EU. The lack of a common system and the multitude of national tax rules create a complexity in doing business across borders.

The Business in Europe Framework for Income Taxation (BEFIT) proposes a comprehensive solution to business taxation for the EU, based on a common set of rules for the tax base and a more structured approach to the allocation of profits between Member States. This initiative builds on the 2021 OECD/G20 Inclusive Framework Two-Pillar Approach.

(B) Summary of findings

The Board notes the additional information provided and commitments to make changes to the report.

However, the report still contains significant shortcomings. The Board gives a positive opinion with reservations because it expects the DG to rectify the following aspects:

(1) The report does not clearly substantiate the magnitude of the problem.

(2) The impact analysis is not sufficiently developed.

(C) What to improve

(1) The report should elaborate on the lessons learned from the previous corporate tax initiatives. It should better explain how the initiative fits with the OECD Pillar I and Pillar II work. It should also summarise the main features of the national tax frameworks.

(2) The report should better discuss the robustness of the Corporate Income Tax-related compliance cost estimates under the baseline. It should also better substantiate, with further

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This opinion concerns a draft impact assessment which may differ from the final version.

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evidence, the description of the consequences. It should clarify the causal link between the design of a particular tax system and business decisions and discuss the available evidence on the magnitude of double taxation and/or over-taxation. It should explain how the problem will evolve without EU intervention, with a consideration of relevant ongoing and existing legislation (including international policies).

(3) The report should better explain the analysis of benefits. It should clarify the validity of the cost saving estimates. It should better explain the 'simplified tax regime' variable used in the regression analysis and clarify whether this is a reasonable representation of the options proposed in this initiative. The report should better discuss the likely uptake (and hence aggregate cost saving potential) of the option packages with voluntary elements. When presenting the macroeconomic benefits, the report should explain the assumptions and method behind the estimates. It should strengthen, with further evidence, the claim that international companies are more productive than their non-multinational counterparts.

(4) The report should quantify the costs introduced by this initiative. The analysis should build on relevant examples as well as stakeholder views. In line with this, the report should strengthen the presentation of the one in, one out approach and revise the presentation of costs and benefits in Annex 3.

(5) The report should better present and discuss the distributional impacts of the initiative. It should provide the estimates of the GDP and tax revenue % increases in absolute (EUR) terms.

(6) The report should present a consistent description of the monitoring arrangements with indicators that more clearly outline what success would look like for this initiative.

The Board notes the estimated costs and benefits of the preferred option in this initiative, as summarised in the attached quantification tables.

Some more technical comments have been sent directly to the author DG.

(D) Conclusion

The DG must revise the report in accordance with the Board's findings before launching the interservice consultation.

If there are any changes in the choice or design of the preferred option in the final version of the report, the DG may need to further adjust the attached quantification tables to reflect this.

Full title	Business in Europe: Framework for Income Taxation (BEFIT) Proposal for a Directive on Business in Europe: a Framework for Income Taxation
Reference number	PLAN/2022/663
Submitted to RSB on	26 April 2023
Date of RSB meeting	24 May 2023

ANNEX: Quantification tables extracted from the draft impact assessment report

The following tables contain information on the costs and benefits of the initiative on which the Board has given its opinion, as presented above.

If the draft report has been revised in line with the Board's recommendations, the content of these tables may be different from those in the final version of the impact assessment report, as published by the Commission.

– I. Overview of Benefits (total for all provisions) – Preferred Option		
Description	***Amount***	***Comments***
– ***Direct benefits***		
Significant reductions of CIT-related compliance costs for cross-border operating firms (large and small enterprised).	EUR 3 to 4 billion per year	An estimated 1.8 million cross-border operating firms will enjoy compliance cost reductions of 32%, relative to no simplification (without BEFIT). Moreover, purely domestic firms will expand their operation cross-border, incentivised by BEFIT. They will then also enjoy lower CIT-related tax compliance costs.
Cost saving in legal advice and litigation procedures concerning transfer pricing , included in the above-mentioned EUR 3 – 4 bn.		
More legal certainty, higher tax rule transparency will bring more cross-border investment, thereby higher productivity.	In the long run: EU GDP could be higher by +0.7%, tax revenue by +1.1%, relative to the status quo.	The share of cross-border operating firms is an estimated 11% today. It could double in the future due to BEFIT's major simplifications and harmonisations.
Indirect benefits		
Administrative cost savings related to the 'one in, one out' approach*		
Recurrent (direct/indirect)	EUR 3 to 4 billion per year	
One-off	none	

*(1) Estimates are gross values relative to the baseline for the preferred option as a whole (i.e. the impact of individual actions/obligations of the preferred option are aggregated together); (2) Please indicate which stakeholder group is the main recipient of the benefit in the comment section; (3) For reductions in regulatory costs, please describe details as to how the saving arises (e.g. reductions in adjustment costs, administrative costs, regulatory charges, enforcement costs, etc.;); (4) Cost savings related to the 'one in, one out' approach are explained in Tool #58 and #59 of the 'better regulation' toolbox. * if relevant. They should be presented as "recurrent annual costs savings" and "one-off costs savings" (presented as net present value of one-off cost savings over the whole period)*

• **II. Overview of costs – Preferred option**						
•	• **Citizens/Consumers**		• **Businesses**		• **Administrations**	
	One-off	**Recurrent**	**One-off**	**Recurrent**	**One-off**	**Recurrent**

BEFIT Element 1 – Common Rules for a Tax Base and Allocation of Income for Large Groups	Direct adjustment costs	N/A	N/A	Cost for IT investment Cost of staff training to become familiar with the new rules	Cost of IT system updates	• Cost of IT programmes and software customised to accommodate exchange of information in BEFIT. Cost of staff training to become familiar with the new rules	Cost for IT maintenance system updates
	Direct administrative costs	N/A	N/A		The cost of fulfilling the procedures under BEFIT will soon become business-as-usual and replace the current system		Staff devoted to exchange of information among tax administrations in MS where each BEFIT group maintains taxable presence
	Direct enforcement costs	N/A	N/A				Cost for: - participation in the BEFIT Committees - coordinating actions among different tax authorities in case of inspections - cost of running the 'Traffic Light System'
Element 2 – Simplification for SMEs with PE(s) in (an)other Member State(s)	Direct adjustment costs	N/A	N/A	Cost of staff training to become familiar with the new rules		Cost of staff training to become familiar with the new rules	
	Direct administrative costs	N/A	N/A		The cost for fulfilling the new BEFIT procedures will soon become business-as-usual and replace the current system(that is much more burdensome)		

	Direct enforcement costs						
Element 3 - Common Approach to Transfer Pricing	Direct adjustment costs			Cost of training to become familiar with the new rules		Cost of training to become familiar with the new rules	
	Direct administrative costs						

As explained above, it has not been possible to estimate costs for stakeholders with any precision.

• ***Costs related to the 'one in, one out' approach***							
• **Total**	• Direct and indirect adjustment costs						
	• Administrative costs (for offsetting)						

(1) Estimates (gross values) to be provided with respect to the baseline; (2) costs are provided for each identifiable action/obligation of the preferred option otherwise for all retained options when no preferred option is specified; (3) If relevant and available, please present information on costs according to the standard typology of costs (adjustment costs, administrative costs, regulatory charges, enforcement costs, indirect costs;). (4) Administrative costs for offsetting as explained in Tool #58 and #59 of the 'better regulation' toolbox. They should be presented as "recurrent annual costs" and "one-off costs" (presented as net present value of costs over the whole period). The total adjustment costs should equal the sum of the adjustment costs presented in the upper part of the table (whenever they are quantifiable and/or can be monetised). Measures taken with a view to compensate adjustment costs to the greatest extent possible are presented as relevant in the section of the impact assessment report presenting the preferred option.