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#### **NOTE**

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<b>From:</b>	General Secretariat of the Council
<b>To:</b>	Delegations
<b>Subject:</b>	Commission Recommendation of 2 July 2025 on tax incentives to support the Clean Industrial Deal and in light of the Clean Industrial Deal State Aid Framework - Note by the Presidency

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In view of the meeting of the Working Party on Tax Questions on 7 July 2025, delegations will find attached the Presidency note.

# Commission Recommendation of 2 July 2025 on tax incentives to support the Clean Industrial Deal and in light of the Clean Industrial Deal State Aid Frame- work

## Note by the Presidency

### Background

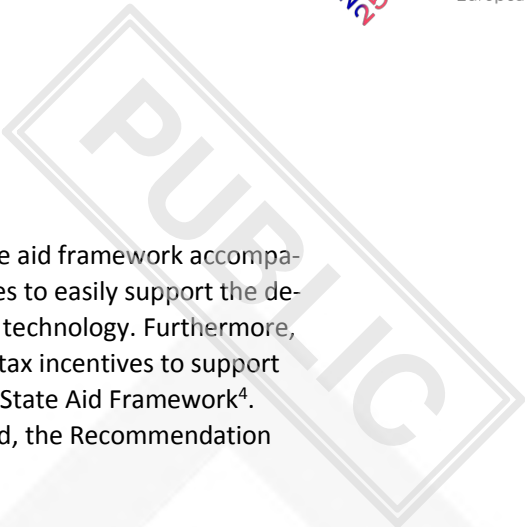
On 29 January 2025, the European Commission published a communication on a Competitiveness Compass<sup>1</sup> for the EU to reignite economic dynamism in Europe. It sets out three main pillars for strengthening competitiveness: (1) closing the innovation gap; (2) a joint roadmap for decarbonisation and competitiveness; and (3) reducing excessive dependencies and increasing security.

On 26 February 2025, the European Commission published the Clean Industrial Deal communication<sup>2</sup>. It presents the business case for decarbonisation as a source of growth and prosperity. The objective is to bring together and foster climate action and competitiveness under one overarching growth strategy, while also reinforcing the EU's resilience. Mobilising resources to encourage private investment is crucial to accelerate the deployment of renewable energy and reduce greenhouse gas emissions. In this regard, the Commission is suggesting, that the elements of Member States' corporate tax systems which impact private investment decisions support clean business cases.

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<sup>1</sup> Doc. 5785/25.

<sup>2</sup> Doc. 6515/25.



On 25 June 2025, the European Commission adopted a new State aid framework accompanying the Clean Industrial Deal (CISAF)<sup>3</sup>. This helps Member States to easily support the development of clean energy, industrial decarbonisation and clean technology. Furthermore, on 2 July 2025, the Commission adopted a Recommendation on tax incentives to support the Clean Industrial Deal and in light of the Clean Industrial Deal State Aid Framework<sup>4</sup>. When measures set out in the Recommendation involve State aid, the Recommendation should be read in conjunction with the CISAF.

Tax incentives can serve general investment and growth objectives or target specific objectives, for example, to support the take-up of new clean technologies or to incentivise investments in industrial decarbonisation. It can encourage companies to invest in clean assets and technologies that are strategic for the transition towards a decarbonised and circular economy.

### **Recommendation**

In the Recommendation, the European Commission sets out common principles to guide Member States when introducing tax incentives to contribute to the objectives of the Clean Industrial Deal, focusing primarily on policy options linked to corporate income tax. Tax incentives should be cost-effective, well targeted, simple for companies and tax administrations to understand and use and provide certain and timely support to companies making clean investments decisions. The aim is to support clean investment, i.e. investment in manufacturing capacity in clean technologies, demand for clean technologies including electric vehicles, and decarbonisation of industry, as part of a broader evolving policy mix.

The Recommendation suggests that Member States introduce:

- Tax credits, that can be subtracted from payable corporate taxes and offset the overall liability, to ensure sufficient manufacturing capacity in clean technologies and for industrial decarbonation. Any outstanding amount of tax credit could be carry-forward for four years, and if feasible, allowed to be offset against other applicable national taxes due. If the tax credit is still not exhausted at the end of a four-year period, a refund of the outstanding amount could be allowed.
- Enhanced tax credits for certain investment projects that can contribute to resilience.
- Accelerated depreciation for tax purposes to support demand for the acquisition or lease of clean technology equipment, from the highest depreciation rate allowed under national taxation rules and up to full and immediate expensing. Flexibility

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<sup>3</sup> C(2025) 7600 final, [Clean Industrial Deal State Aid Framework \(CISAF\) - European Commission](#).

<sup>4</sup> C(2025) 4319 final, [European Commission makes recommendations on tax incentives to accelerate the Clean Industrial Transition - European Commission](#).

- could be granted by allowing taxpayers to apply the depreciation to the full depreciable amount or only a fraction of that amount (discretionary depreciation).
- Enhanced accelerated depreciation (the most generous form of accelerated depreciation) for the acquisition or lease of clean technology equipment that can contribute to resilience.

The Recommendation notes that any tax incentives must comply with Article 107 and 108 TFEU, and the applicable State aid framework, including in particular the Clean Industrial Deal State Aid Framework, and be in line with Union law and Union international obligations.

The European Commission invites Member States that apply the tax incentives set out in this Recommendation to inform of the measures introduced or announced to implement this Recommendation, as well as of any similar measures already in place and changes to them.

### **Presidency approach**

Paving the way for a greener and more competitive Europe is a priority for the Danish Presidency, thus the Presidency is committed to work towards increased European competitiveness and productivity. In that regard, the Presidency believes that the recommendation sets out sound common principles which can guide Member States in their efforts to introduce tax incentives supporting this agenda. The Presidency is of the view that Council conclusions on this recommendation would be appropriate in order to consolidate Member States' support for the general principles and policy objectives. Such conclusions should also acknowledge Member States' different needs for tax incentives as set out in the recommendation.

The Presidency invites delegations to exchange views on the following questions:

### **Questions to delegations**

*Question 1:* What are the views of delegations on the Commission Recommendation?

*Question 2:* Would you support the idea of drafting Council conclusions in order to support the general principles and policy objectives on tax incentives supporting the take-up of new clean technologies or to incentivise investments in industrial decarbonisation?

*Question 3:* Member States that already have tax incentives or any similar measures in place, are invited to share their experience.