



Council of the European Union
General Secretariat

Brussels, 08 July 2025

WK 9550/2025 INIT

LIMITE

ECOFIN

FISC

COMPET

RC

This is a paper intended for a specific community of recipients. Handling and further distribution are under the sole responsibility of community members.

MEETING DOCUMENT

From: General Secretariat of the Council
To: Delegations

Subject: Tax incentives to support the Clean Industrial Deal
- Presentation by the Commission

As a follow-up to the meeting of the Working Party on Tax Questions on 7 July 2025, delegations will find attached the presentation by the Commission on tax incentives to support the Clean Industrial Deal.

PUBLIC

Tax incentives to support the Clean Industrial Deal

Working Party on Tax Questions

07/07/2025

Agenda

PUBLIC

1. Context: Competitiveness Compass & Clean Industrial Deal
2. Tax incentives recommendation: Objectives
3. Types of tax incentives
4. Design considerations



1. Context: Competitiveness Compass & Clean Industrial Deal

- Competitiveness Compass adopted on 29 January
 - Three strands: innovation, decarbonisation, and security of supply
- Clean Industrial Deal adopted on 26 February
 - Prioritising competitiveness while maintaining climate targets (and fostering resilience)
 - Mobilising resources to encourage private investment is crucial



2. Tax incentives recommendation: Objectives

- The Commission announced in the Clean Industrial Deal Communication that it would publish a Recommendation to Member States that their corporate tax systems support a clean business case
- The Recommendation was adopted on 2 July. Its aim is to:
 - i. Encourage the use of tax incentives as a supporting tool for clean investment to reach joint EU climate targets; and
 - ii. Set common guiding principles for Member States' tax incentives to support the CID, while limiting distortions to competition in the Single Market
- Link to Clean Industrial Deal State aid Framework (CISAF)



3. Types of tax incentives

- The Commission encourages the use of:

1. Accelerated depreciation/ immediate expensing

- Shorter depreciation periods for clean technology assets, allowing businesses to quickly write off costs and benefit from tax incentives that offset high initial investments

2. Tax credits

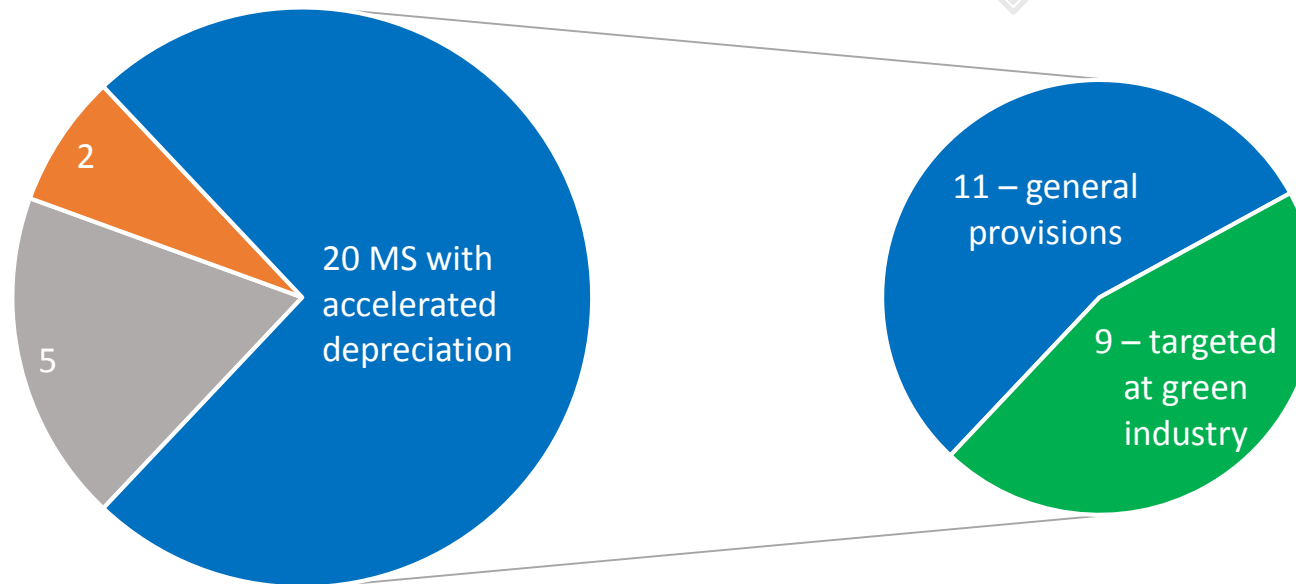
- For businesses in strategic sectors for the clean transition, to make it more financially attractive to invest in decarbonised practices
- Tax incentives can be a complement, or alternative, to other policy tools to encourage clean investment, e.g. grants, carbon taxes or regulation



Accelerated depreciation

Current state of play in MS

PUBLIC



- Member States that do not have accelerated depreciation provisions
- Member States with a distribution-based tax system (which precludes accelerated depreciation)
- Member States with general accelerated depreciation provisions
- Member States with accelerated depreciation provisions targeted at green industry



4. Design considerations

- Cost-effective:
 - Incentive effect of expenditure-based tax incentives (vs. income-based tax incentives)
 - Coherence and effectiveness of overall policy mix (price signals support clean business case – review tax expenditures and scale down / phase out fossil fuel subsidies)
- Well targeted:
 - Support clean tech (Net Zero Industry Act and CISAF provide examples of such lists) and industrial decarbonisation
 - Support to zero-emission vehicles, in line with Automotive Action Plan & Decarbonising Corporate Fleets initiative
- Simple for companies and administrations to understand and use:
 - Fast and efficient administrative procedures; easy-to-apply conditions and in sync with CISAF
- Contribution to resilience – reduce dependence on third countries
- Provide certain and timely support to firms making clean investment decisions:
 - Carry-forward provisions & refundability can increase certainty and evenness of support, and ensure loss-making companies can benefit



PUBLIC

Thank you



© European Union 2025

Unless otherwise noted the reuse of this presentation is authorised under the [CC BY 4.0](https://creativecommons.org/licenses/by/4.0/) license. For any use or reproduction of elements that are not owned by the EU, permission may need to be sought directly from the respective right holders.

