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Business in Europe: Towards a framework for income taxation (BEFIT)

This is a joint statement of UFE and CESI to reply to the European Commission's call for evidence consultation on 'Business in Europe: Towards a framework for income taxation (BEFIT)', open from October 13 2022 to January 26 2023 (European Commission consultation document Ref. Ares(2022)7086603).

UFE, the Union of Finance Personnel in Europe, represents the interests of national tax and customs administration unions at the European level, uniting more than 400.000 affiliates from over 20 European countries.

CESI, the European Confederation of Independent Trade Unions, brings together more than 40 national trade union organisations from across Europe, with a total of more than 5 million affiliates. CESI represents the interest predominately of civil servants and personnel in the different fields of local, regional, national and European administrations and public services.

1. Introduction

The lack of a common corporate tax system in the EU is a burden for both multinational companies and Member States' tax administrations.

The existence of different tax systems and a lack of interfaces renders administrative cooperation between Member States difficult. In addition, declarations of cross-border companies are subject to a higher susceptibility to error if they are submitted under different tax systems. Currently, this ties personnel and resources – which are finite, especially in times of a progressive shortages of skilled workers.

This problem could be effectively tackled with a uniform or harmonised corporate tax system within the EU.

2. On the possible scope of a new system

Limiting a new corporate tax system exclusively to multinational enterprises (MNEs) with a consolidated turnover of EUR 750 million would not lead to a desired standardisation and thus to simplification, as too many companies would be left out to bring about a real change. Rather, this limit is arbitrary and susceptible to fraud. A holistic approach is therefore needed, including both large enterprises and transnational small and medium-sized enterprises (SMEs).

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3. Possibilities for calculating a common tax base

To date, International Financial Reporting Standards (IFRS) have been used to calculate a common tax base. However, the disclosures made by companies in this way are of different quality, which is not least due to the complexity of the IFRSs (frequent changes and increasing disclosure requirements).

By contrast, uniform EU minimum corporate tax standards can effectively help avoid tax competition. Although the establishment of such a system would mean an additional one-off increase in administration burden, it would bring about a harmonisation of national laws and thus ensure greater tax justice.

An example of a successful implementation of European standards is the EU's VAT Directive of 2006.

4. Possibilities for consolidating tax bases of members of a corporate group and for allocating a consolidated tax base among the eligible Member States

In order to avoid distortions of competition, it is imperative to include intangible assets in the tax base.

5. Allocation of profits from transactions between members of a corporate group and outside companies (in the EU and in non-EU countries)

The current transfer pricing rules should be maintained. These are already established and commonly accepted.

The implementation of a simplified concept would not offer any significant benefits, as typical transnational corporations also have to set transfer prices outside the EU.

6. Ways to simplify system management

The main objective of BEFIT must be to reduce compliance and administrative costs for both taxpayers and Member States. To this end, improved cooperation between relevant authorities is urgently needed.

On the one hand, this can be achieved by harmonising corporate tax systems, but on the other hand, common interfaces are needed to improve administrative cooperation. Only in this way can data and circumstances be swiftly, effectively and efficiently checked.

The establishment and maintenance of common interfaces for administrative cooperation should take place at the EU level. This requires uniform standards, financial resources and personnel.



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