




# EU corporate taxation in the digital era

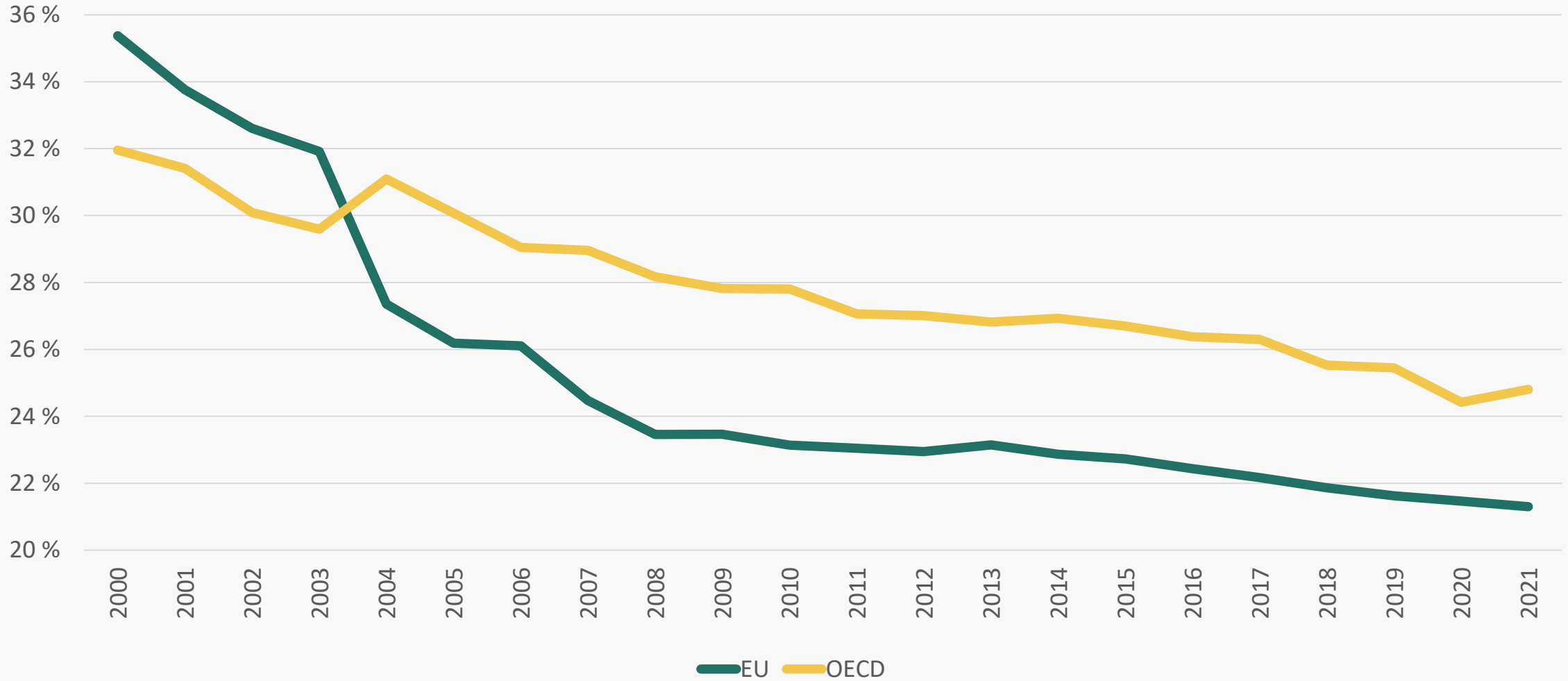
The road to a new international  
order

18 September 2023

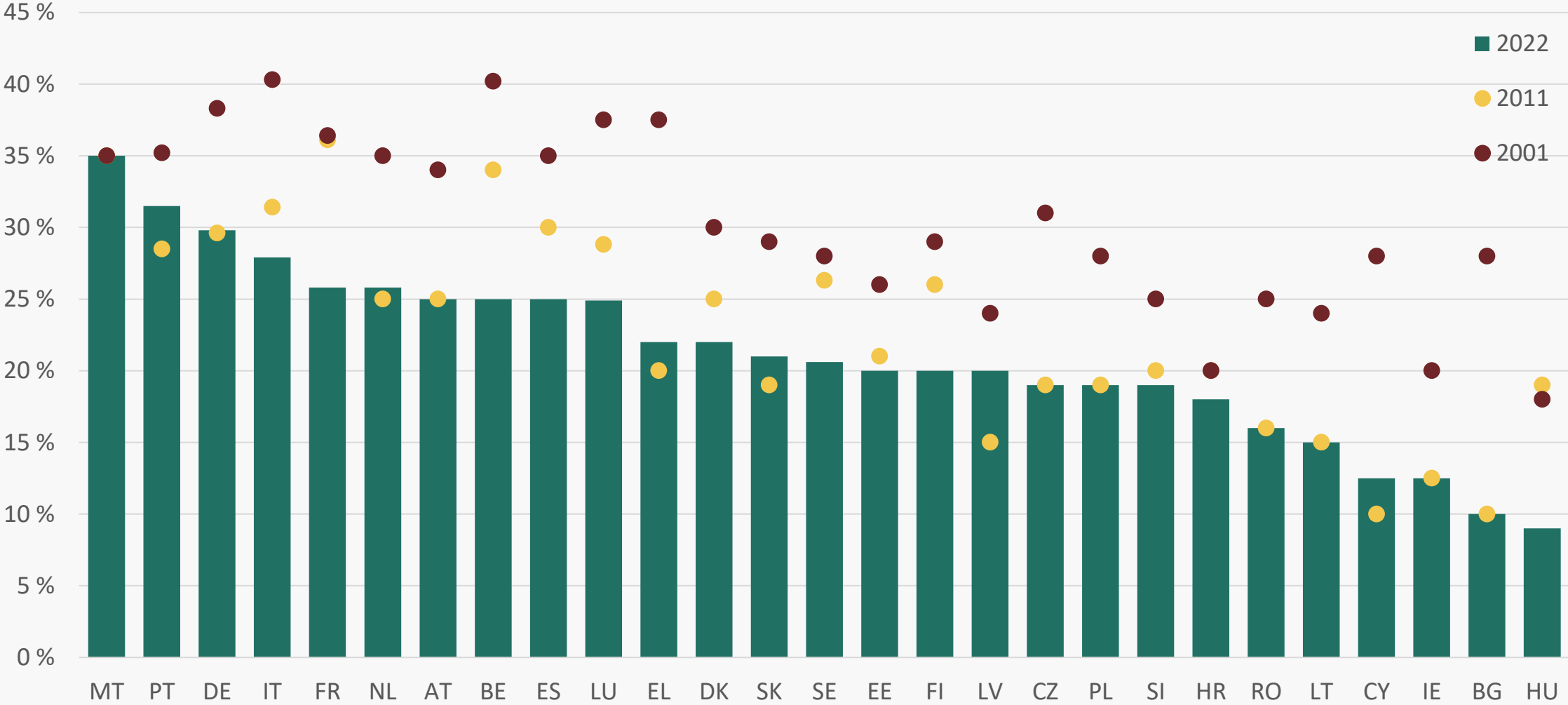
# European corporate tax system

- Proposals to harmonise taxes in the EU is not a new phenomenon
  - From Neumark and Segre to Van den Tempel and Ruding
  - Harmonise CIT base: CCCTB and BEFIT now?
  - Merger, Parent-Subsidiary, Interest and Royalty Directive
  - More recently: ATAD1 & 2
  - Significant Digital Presence, Digital Services Tax, Digital Advertising Tax
  - Pillar Two Directive
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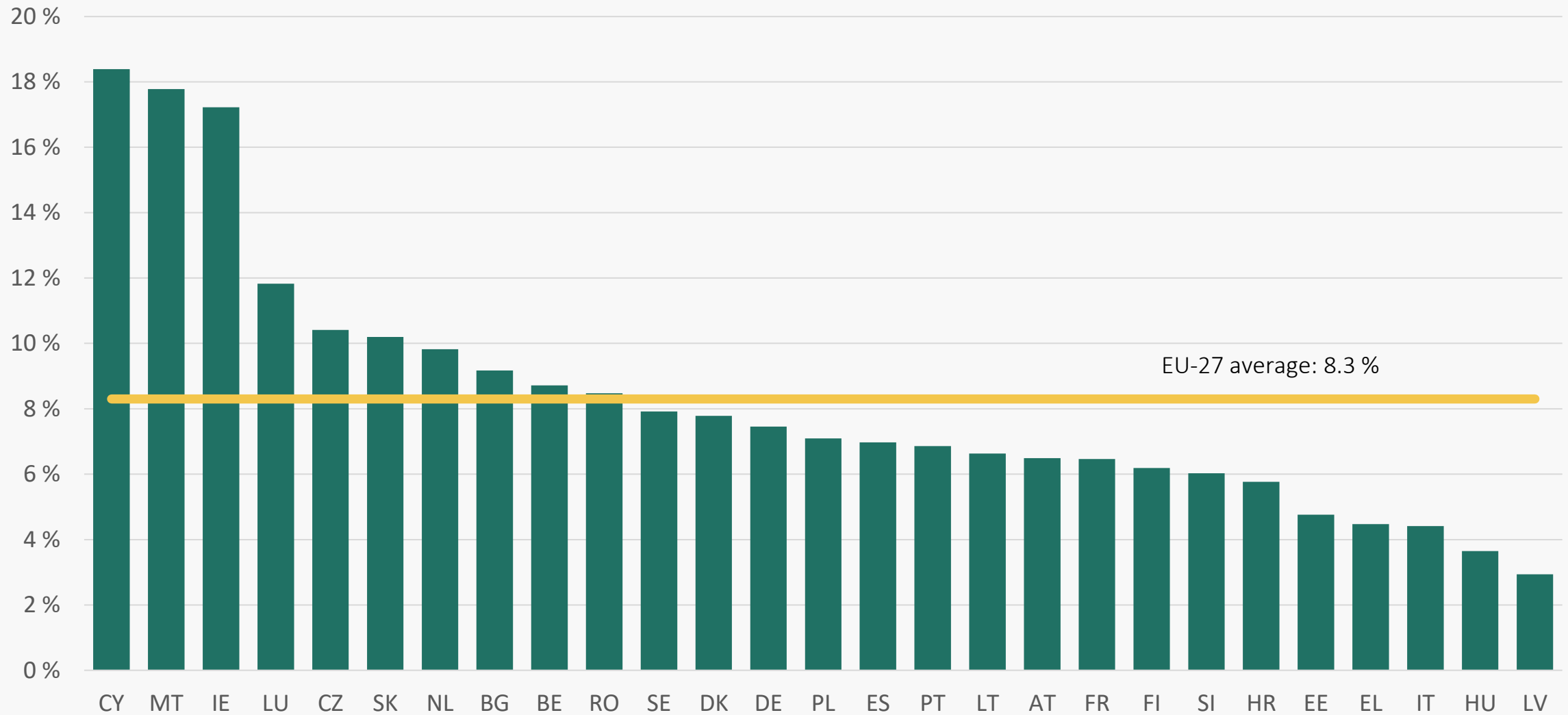
# CIT statutory rates



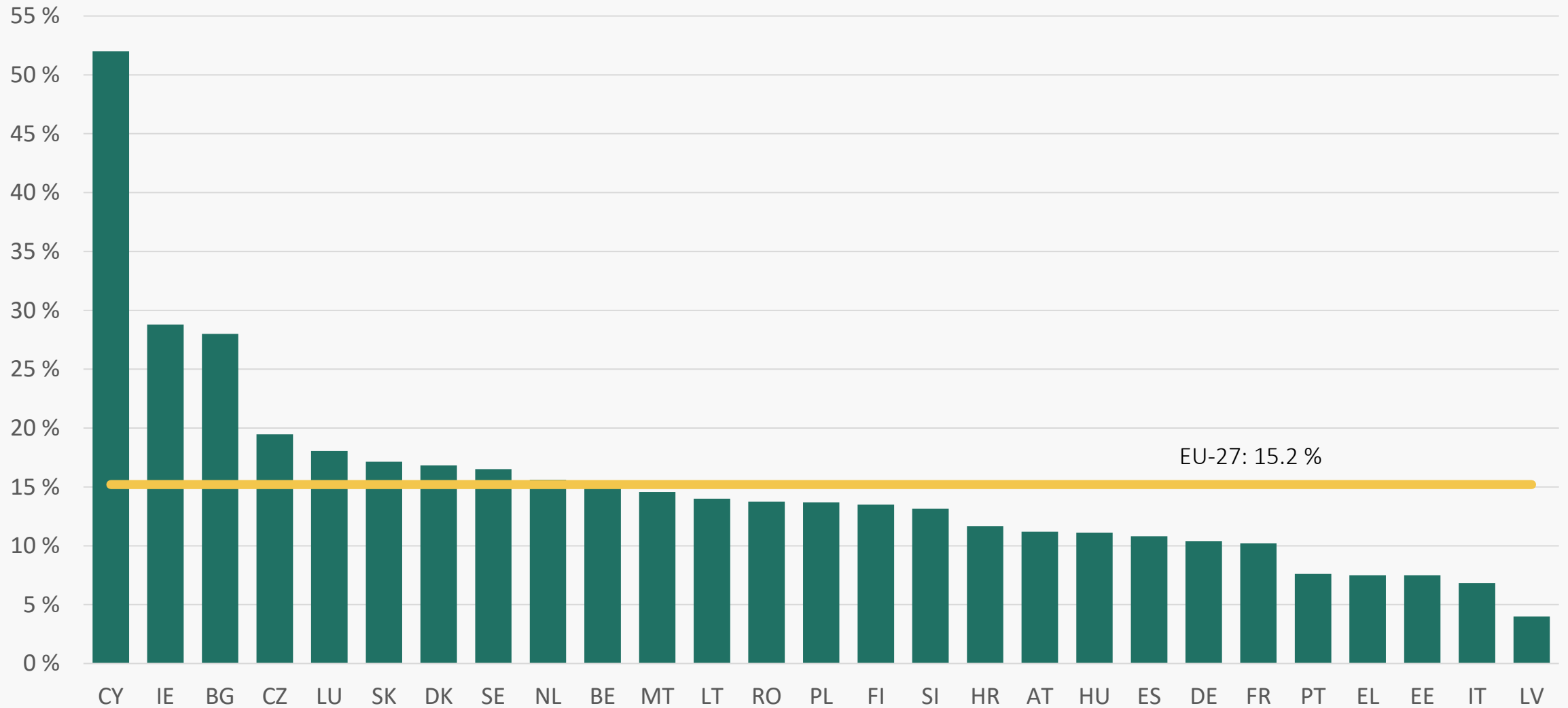
# CIT statutory rates across EU Member States



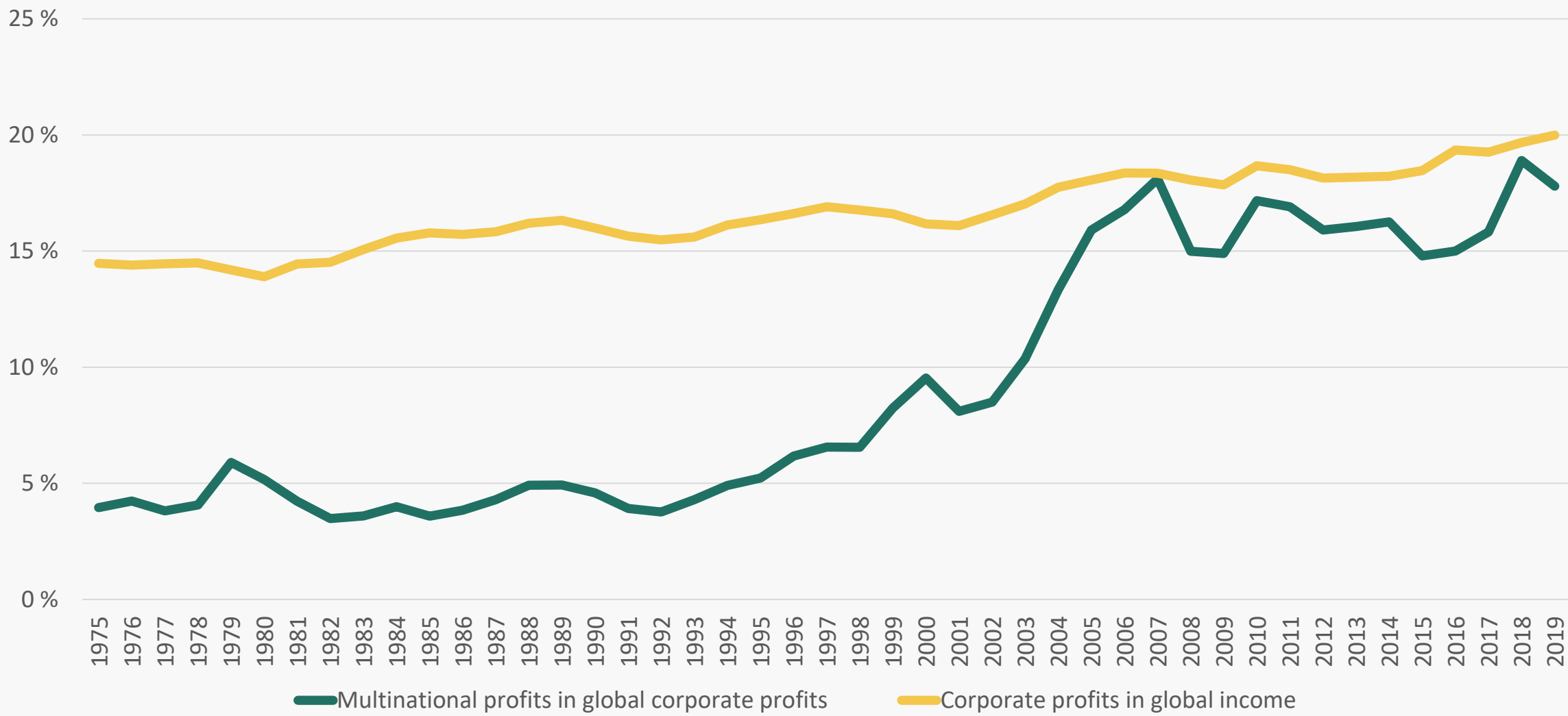
# CIT revenue across EU Member States (% of tax revenue, 2021)



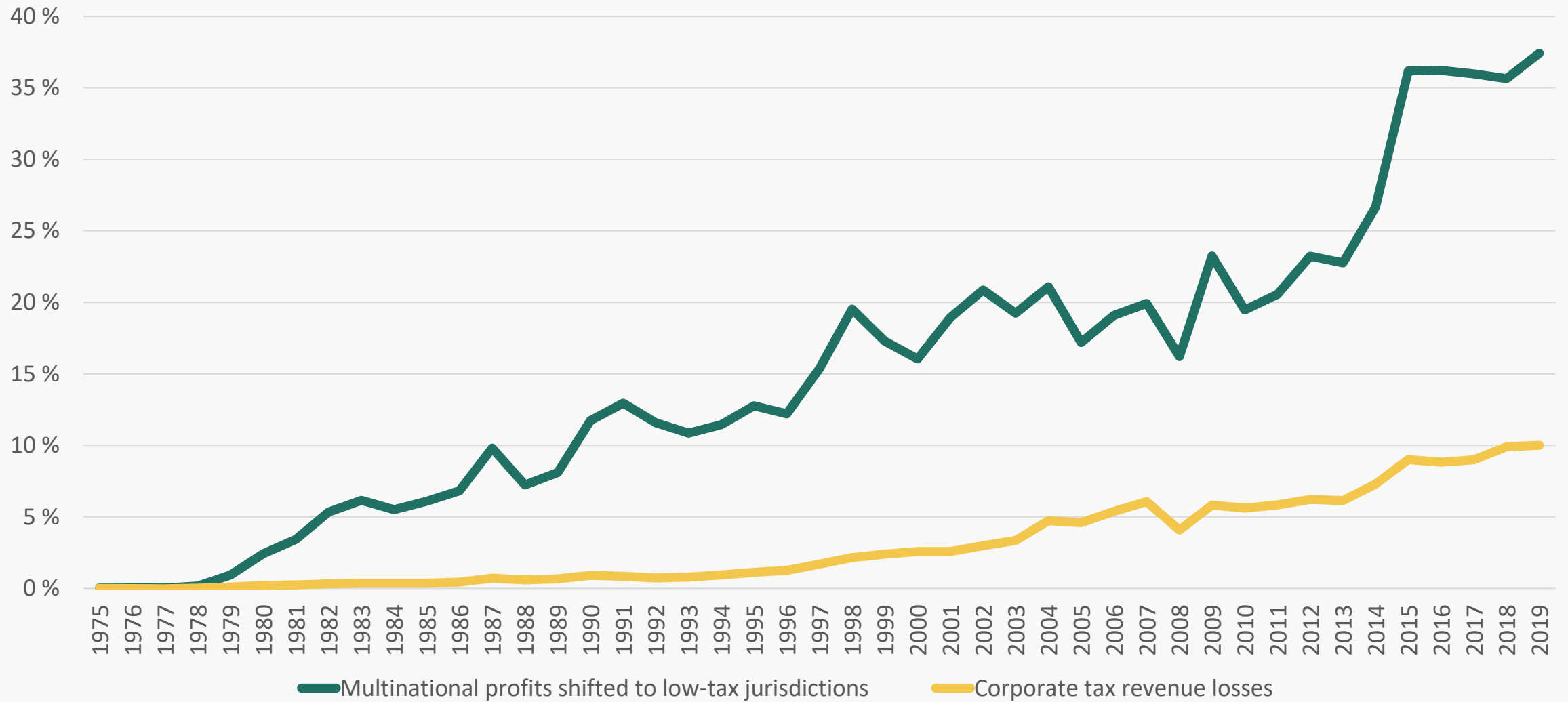
# CIT productivity across EU Member States (2021)



# Share of global corporate profits and multinational profits

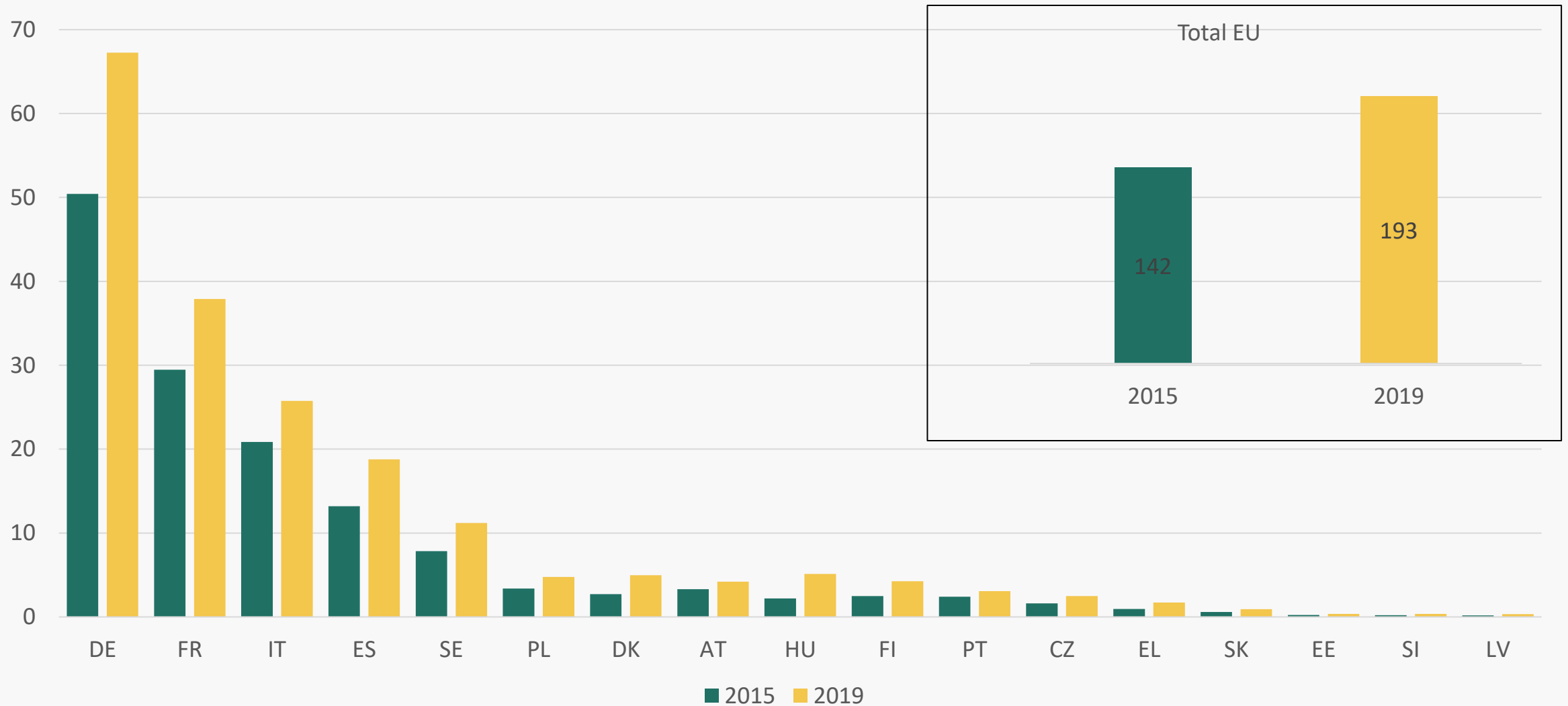


# Share of multinational profits shifted to low-tax jurisdictions

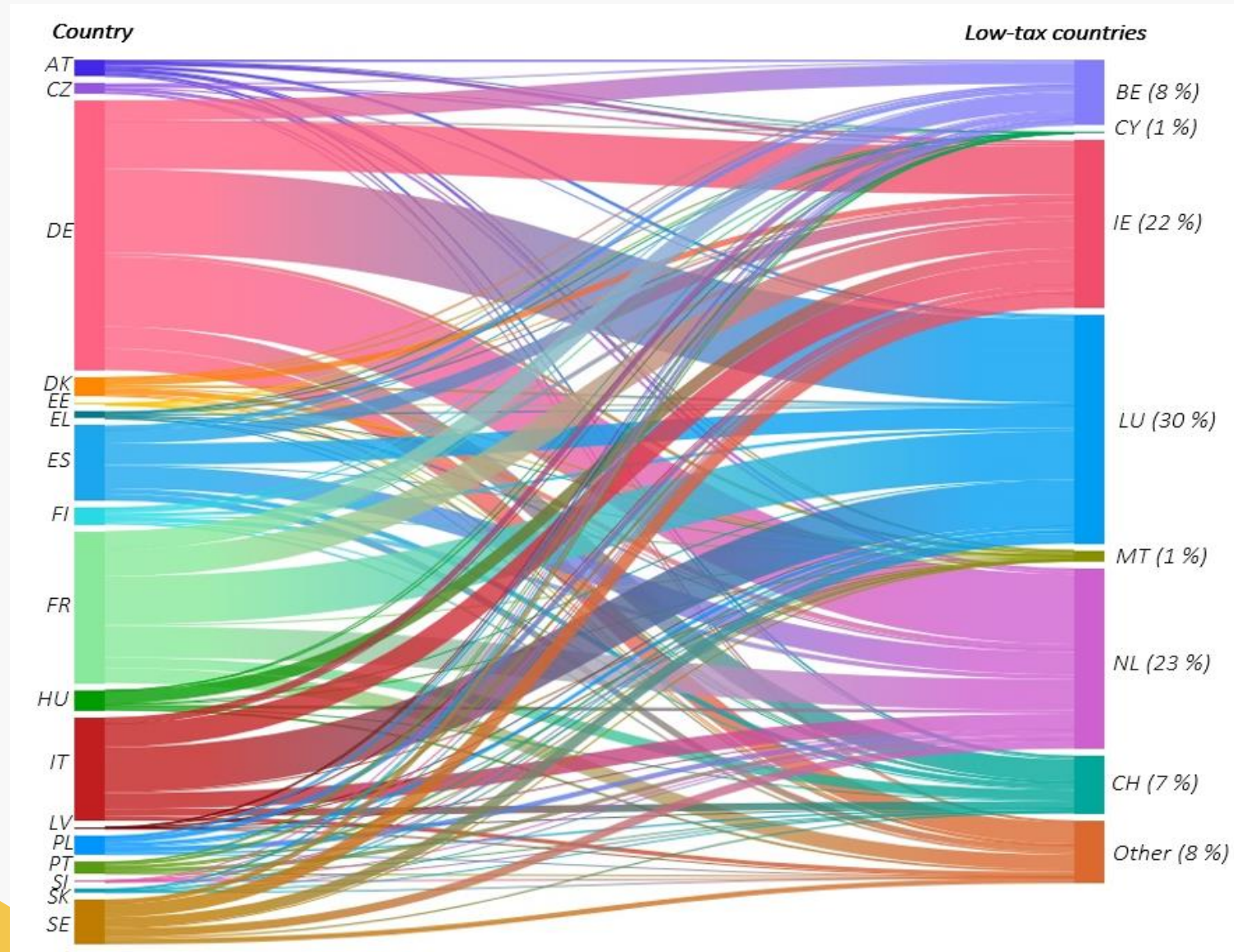




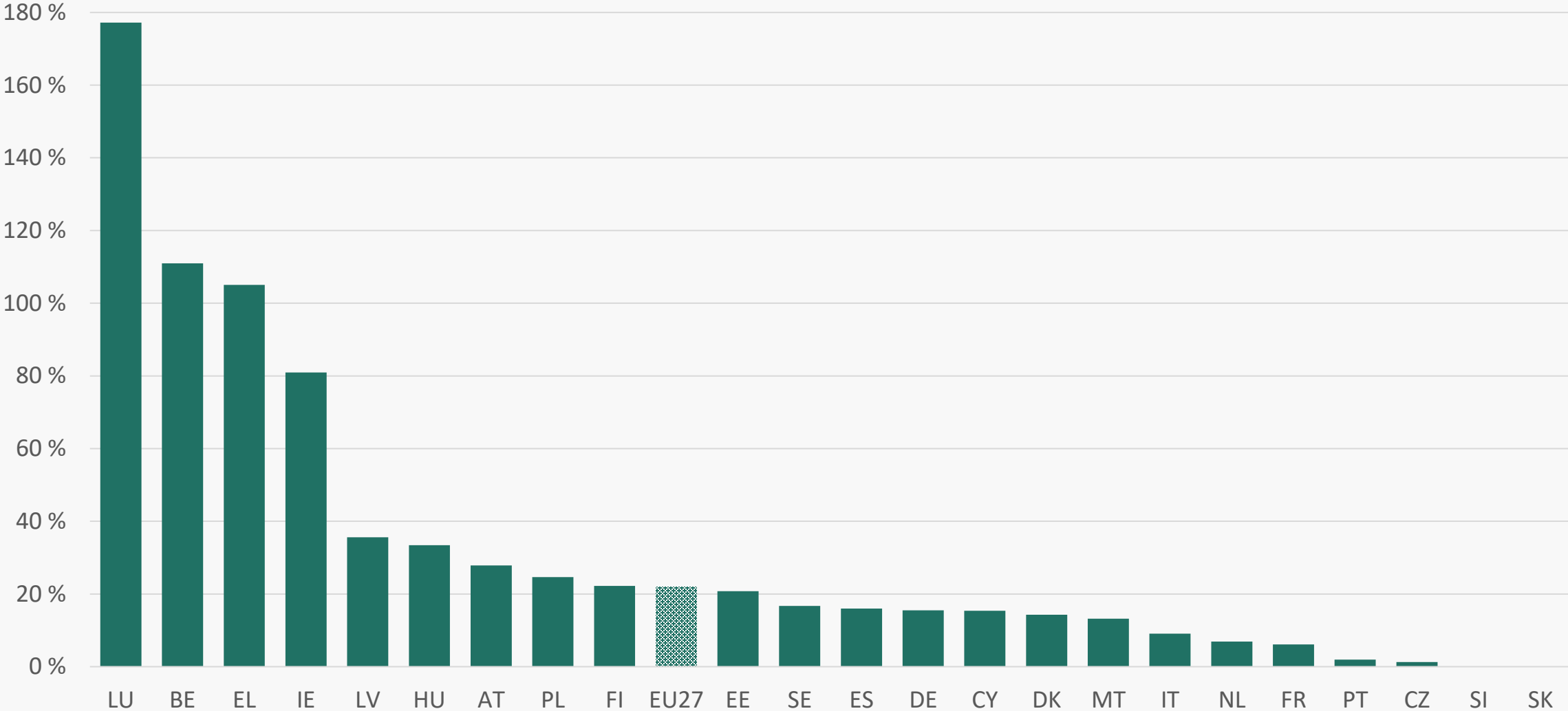
# Share of multinational profits shifted to low-tax jurisdictions



# Flow of profit shifting (% of total EU profits shifted, 2019)



# Tax deficit as % of CIT revenue for a 15 % minimum tax rate



# Moving forward

To improve the functioning of Pillar Two:

1. There should be consistency between the sequencing of the Global Anti-Base Erosion (GloBE) rules in the EU Directive and the OECD's Administrative Guidance.
2. The principles of the single market must be adhered to, while the constant streamlining of national rules should be promoted.
3. Clearly defining safe harbours should stabilise and substantially simplify the GloBE rules, and if this takes longer than anticipated to finalise, extending the transitory country-by-country safe harbour rules should be considered.
4. The rules for settling litigation should be a high priority within the Inclusive Framework, while special rules at EU level should also be considered.

# Moving forward

To ensure the coordination of Pillar Two with the BEFIT:

5. BEFIT should aim for simplification, a reduction in compliance costs and uniformity within the EU to increase the EU's competitiveness. It should build on Pillar Two rules as much as possible, while the optionality of rules could be considered, at least on a temporary basis.
6. BEFIT should be based on strict derivation from financial reporting (IAS, IFRS), with very few corrections.
7. As for BEFIT's implementation, an adequate timespan relating to the implementation of the GloBE rules would be best, to avoid overburdening tax administrations and taxpayers.



# THANK YOU



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