



TEXTS ADOPTED

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The role of simple tax rules and tax fragmentation in European competitiveness

European Parliament resolution of 9 October 2025 on the role of simple tax rules and tax fragmentation in European competitiveness (2024/2118(INI))

The European Parliament,

- having regard to the Treaty on the Functioning of the European Union, in particular Article 4 and Articles 63 to 66 thereof on the principles of the internal market, free movement of goods, services, capital and people, and of Articles 113, 114 and 115 thereof,
- having regard to Council Directive 2003/49/EC of 3 June 2003 on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States¹ (the Interest and Royalties Directive),
- having regard to Council Directive 2011/96/EU of 30 November 2011 on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States² (the Parent-Subsidiary Directive),
- having regard to Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation [15 %] for multinational enterprise groups and large-scale domestic groups in the Union³, which is the EU's response to international tax coordination,

¹ OJ L 157, 26.6.2003, p. 49, ELI:
<http://data.europa.eu/eli/dir/2003/49/oj>.

² OJ L 345, 29.12.2011, p. 8, ELI:
<http://data.europa.eu/eli/dir/2011/96/oj>.

³ OJ L 328, 22.12.2022, p. 1, ELI:
<http://data.europa.eu/eli/dir/2022/2523/oj>.

- having regard to the ongoing developments concerning the EU's two-pillar solution to address the tax challenges arising from the digitalisation of the economy,
- having regard to the final reports of October 2015 published by the Organisation for Economic Co-operation and Development (OECD) on the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project,
- having regard to the reports on the Pillar One and Pillar Two Blueprints adopted by the OECD/G20 Inclusive Framework on 14 October 2020, and to the results of the OECD economic analysis and impact assessment of 12 October 2020 entitled 'Tax Challenges Arising from Digitalisation - Economic Impact Assessment',
- having regard to the OECD/G20 Inclusive Framework on BEPS statement of 8 October 2021 on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy,
- having regard to the Pillar Two model rules of the OECD/G20 Inclusive Framework on BEPS of 20 December 2021 for domestic implementation of 15 % global minimum tax,
- having regard to United States Public Law 117-169 of 16 August 2022, known as the Inflation Reduction Act,
- having regard to the G20 Rio de Janeiro Leaders' Declaration of 19 November 2024 and the G20 Rio de Janeiro Ministerial Declaration on International Tax Cooperation of 25 July 2024,
- having regard to UN General Assembly Resolution 79/235 of 24 December 2024, on the promotion of inclusive and effective international tax cooperation at the UN,
- having regard to the Commission communication of 15 July 2020 entitled 'An action plan for fair and simple taxation supporting the recovery strategy' (COM(2020)0312),
- having regard to the Commission communication of 18 May 2021 entitled 'Business Taxation for the 21st Century' (COM(2021)0251),
- having regard to the Commission proposal of 22 December 2021 for a Council Directive on ensuring a global minimum level of taxation for multinational groups in the Union (COM(2021)0823), as well as to Parliament's position of 19 May 2022 on this proposal¹,

¹ OJ C 479, 16.12.2022, p. 89.

- having regard to the Commission study of January 2022 entitled ‘Tax compliance costs for SMEs: An update and a complement – final report’¹,
- having regard to the Commission proposal of 11 May 2022 for a Council Directive on laying down rules on a debt-equity bias reduction allowance and on limiting the deductibility of interest for corporate income tax purposes (COM(2022)0216),
- having regard to the Commission proposal of 8 December 2022 amending Directive 2006/112/EC as regards VAT rules for the digital age (COM(2022)0701),
- having regard to the Commission proposal of 8 December 2022 for a Council Regulation amending Regulation (EU) No 904/2010 as regards the VAT administrative cooperation arrangements needed for the digital age (COM(2022)0703),
- having regard to the Commission proposal of 8 July 2024 for a Council Directive amending Directive 2006/112/EC as regards the electronic value added tax exemption certificate (COM(2024)0278),
- having regard to the Council agreement on VAT in the digital age package of 5 November 2024,
- having regard to Council Directive (EU) 2025/50 of 10 December 2024 on faster and safer relief of excess withholding taxes² (FASTER),
- having regard to the Commission proposal of 12 September 2023 for a Council Directive on Business in Europe: Framework for Income Taxation (BEFIT) (COM(2023)0532),
- having regard to the Commission proposal of 12 September 2023 for a Council Directive establishing a Head Office Tax system for micro, small and medium sized enterprises, and amending Directive 2011/16/EU (COM(2023)0528),
- having regard to the Commission proposal of 12 September 2023 for a Council Directive on transfer pricing (COM(2023)0529),

¹ European Commission: European Innovation Council and SMEs Executive Agency, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, KPMG, VVA, Di Legge, A. et al., *Tax compliance costs for SMEs – An update and a complement – Final report*, Publications Office of the European Union, 2022, <https://data.europa.eu/doi/10.2873/180570>.

² OJ L, 2025/50, 10.1.2025, ELI: <http://data.europa.eu/eli/dir/2025/50/oj>.

- having regard to the European Council conclusions of 17 and 18 April 2024 on a new European competitiveness deal,
- having regard to the Council conclusions of 24 May 2024 on a Single Market for the benefit of all,
- having regard to the European Council's Budapest declaration on the New European Competitiveness Deal, adopted on 8 November 2024,
- having regard to the Council conclusions of 11 March 2025 on a tax decluttering and simplification agenda which contributes to the EU's competitiveness,
- having regard to the European Council conclusions of 20 March 2025 on competitiveness, with a focus on simplification and the reduction of regulatory and administrative burdens,
- having regard to its resolution of 16 February 2022 on the implementation of the Sixth VAT Directive: what is the missing part to reduce the EU VAT gap?¹,
- having regard to its resolution of 7 October 2021 on reforming the EU policy on harmful tax practices (including the reform of the Code of Conduct Group)²,
- having regard to its resolution of 15 February 2022 on the impact of national tax reforms on the EU economy³,
- having regard to its resolution of 10 March 2022 on a European Withholding Tax framework⁴, calling for a standardised withholding tax framework,
- having regard to its resolution of 4 October 2022 on the impact of new technologies on taxation: crypto and blockchain⁵,
- having regard to its resolution of 10 March 2022 with recommendations to the Commission on fair and simple taxation supporting the recovery strategy (EP follow-up to the July Commission's Action Plan and its 25 initiatives in the area of VAT, business and individual taxation)⁶,
- having regard to its resolution of 4 May 2022 on the follow-up to the conclusions of the Conference on the Future of Europe⁷,

¹ OJ C 342, 6.9.2022, p. 88.

² OJ C 132, 24.3.2022, p. 167.

³ OJ C 342, 6.9.2022, p. 14.

⁴ OJ C 347, 9.9.2022, p. 172.

⁵ OJ C 132, 14.4.2023, p. 15.

⁶ OJ C 347, 9.9.2022, p. 211.

⁷ OJ C 465, 6.12.2022, p. 109.

- having regard to the Commission Joint Research Centre's study of 19 April 2022 entitled 'Local taxes on economic activity in municipalities in EU Member States',
 - having regard to its resolution of 15 June 2023 on lessons learnt from the Pandora Papers and other revelations¹, also calling for the improvement of reporting and information sharing,
 - having regard to its resolution of 12 December 2023 on further reform of corporate taxation rules²,
 - having regard to the report of 9 May 2022 on the final outcome of the Conference on the Future of Europe³,
 - having regard to the report by Enrico Letta of April 2024 entitled 'Much more than a market'⁴,
 - having regard to the report by Mario Draghi of 9 September 2024 entitled 'The future of European competitiveness'⁵,
 - having regard to Rule 55 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A10-0155/2025),
- A. whereas effective, fair and efficient tax policies play a key role in promoting long-term sustainable growth and inclusive societies;
- B. whereas EU Member States collected EUR 6 712 billion in taxes in 2023 (including compulsory actual social contributions), which represents 4,7 % more than in 2022⁶;
- C. whereas the EU faces a significant investment gap; whereas closing this gap is crucial to ensuring sustainable economic growth,

¹ OJ C, C/2024/492, 23.1.2024, ELI:
<http://data.europa.eu/eli/C/2024/492/oj>.

² OJ C, C/2024/4165, 2.8.2024, ELI:
<http://data.europa.eu/eli/C/2024/4165/oj>.

³ Council of the European Union: General Secretariat of the Council, *Conference on the Future of Europe – Report on the final outcome – May 2022*, Publications Office of the European Union, 2022,
<https://data.europa.eu/doi/10.2860/637445>.

⁴ Letta, E., Letta, E., *Much more than a market – Speed, Security, Solidarity – Empowering the Single Market to deliver a sustainable future and prosperity for all EU Citizens*, April 2024.

⁵ Draghi, M., *The future of European Competitiveness*, 9 September 2024.

⁶ European Commission, 'Data on Taxation Trends', last updated on 10 March 2025.

enhancing competitiveness, and achieving the EU's green and digital transition objectives;

- D. whereas in 2023 the tax burden (i.e. overall tax revenues as a share of GDP) in the EU stood at 39,0 % of GDP, a slight decrease compared with 2022¹, but still a significantly high ratio;
- E. whereas estimates suggest that global uncollected tax revenue amounts to approximately EUR 500 billion, of which an estimated EUR 100 billion is uncollected from the EU area; whereas additional revenue is impacted by instances of tax non-compliance and aggressive tax planning strategies; whereas these losses deprive Member States of essential public funding;
- F. whereas in 2023 the VAT revenue-to-GDP ratio amounted to 7,1 % of EU GDP and 18,3 % of total government revenue²;
- G. whereas according to the Commission³, in 2022 the EU VAT compliance gap alone amounted to EUR 89,3 billion, or around 7 % of the total expected VAT revenue; whereas according to estimates, one quarter of the VAT compliance gap is directly linked to criminal VAT fraud⁴;
- H. whereas Member States differ in their reliance on taxation, in the taxes they levy to collect these revenues and how they have changed their tax mix over the past decade⁵;
- I. whereas tax compliance costs impose an additional financial burden on companies, which accumulates on top of the tax liability itself, diverting time and resources from other investment opportunities;
- J. whereas according to estimates, the total tax compliance costs in the 27 EU Member States plus the UK are estimated at EUR 204 billion, equating to 1,3 % of their combined GDP; whereas micro-enterprises bear the overwhelming majority of these costs (87 %), followed by

¹ *ibid.*

² *ibid.*

³ European Commission: Directorate-General for Taxation and Customs Union, Center for Social and Economic Research (CASE), Oxford Economics, Syntesia, Bonch-Osmolovskiy, M. et al., *VAT gap in the EU – 2024 report*, Poniatowski, G.(editor), Publications Office of the European Union, 2024, <https://data.europa.eu/doi/10.2778/2476549>.

⁴ European Commission, 'Questions and Answers: VAT Gap 2022 report', European Commission website, 8 December 2022, https://ec.europa.eu/commission/presscorner/detail/en/qanda_22_7519.

⁵ European Commission: Directorate-General for Taxation and Customs Union, *Annual report on taxation 2024 – Review of taxation policies in the European Union*, Publications Office of the European Union, 2024, <https://data.europa.eu/doi/10.2778/10846>.

small businesses (10 %), placing a disproportionate administrative burden on smaller companies¹;

- K. whereas the Member States face major challenges that could impact their tax revenues and tax mix such as significant demographic changes, climate change, digitalisation and automation;
- L. whereas according to the Treaties, taxation is primarily a national competence of the Member States;
- M. whereas growing capital mobility, along with the broader trends of globalisation and digitalisation over recent decades, has had the unintentional impact of progressively diminishing the capacity of individual countries to ensure the effectiveness of their tax policies;
- N. whereas the 2022 Commission study estimated that in 2019, businesses within the then 28 Member States of the EU incurred, on average, an annual tax compliance cost equivalent to 1,9 % of their turnover; whereas among the various taxes, businesses regarded VAT and corporate tax as those with the highest compliance burden;
- O. whereas Draghi's comprehensive report on the EU's economic situation warns about the EU's declining productivity and competitiveness, and it was stated that, without decisive action, the EU faces a 'slow and agonising decline', also underscoring the necessity of coordinated policies – including, for example, eliminating unnecessary barriers and reducing bureaucratic taxation-related hurdles;
- P. whereas tax policy fragmentation and overly complicated tax policy design create various obstacles for companies and citizens in the single market, such as legal uncertainty, red tape, risk of double taxation and difficulties claiming tax refunds; whereas such barriers discourage cross-border economic activity in the single market and create risks for tax authorities, such as double non-taxation and opportunities for tax arbitrage; whereas Draghi's comprehensive report also highlights the need to 'eliminate any taxation obstacles to cross-border investing in the EU' to reduce capital market fragmentation and stresses that 'EU citizens should be able to invest in other Member States without complex taxation procedures, effectively resulting in double taxation';
- Q. whereas the Letta report highlights that tax fragmentation remains a major barrier for EU businesses and small and medium-sized

¹ European Commission: European Innovation Council and SMEs Executive Agency, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, KPMG, VVA, Di Legge, A. et al., *Tax compliance costs for SMEs – An update and a complement – Final report*, Publications Office of the European Union, 2022, <https://data.europa.eu/doi/10.2873/180570>.

enterprises (SMEs) in particular, and that better alignment through cooperation on an EU tax framework is key to facilitating the free movement of workers, goods and services and in supporting growth and private investment¹; whereas robust and fair taxation is a key instrument in generating the revenues necessary to invest in and maintain services of general interest across all regions of the EU;

Taxation and the business environment

1. Emphasises that simple and predictable tax rules should make it easier for taxpayers to pay their taxes and for governments to administer and collect revenue; highlights the need to create a compliance-friendly and business-supportive EU, where productive sectors can compete and thrive and workers can earn a fair wage while supporting the twin transition; stresses that overly complex taxation rules risk deterring investment, while also noting that tax policy design should avoid distorting economic actors' decision-making;
2. Is deeply concerned by the threat to EU tax sovereignty expressed in the US President's statements of 2 April 2025 on VAT in EU Member States, as part of the justification for imposing tariffs on imports to the US from the EU; emphasises that trade wars undermine businesses and urges the Commission and the Member States to limit the corresponding trade turmoil and consult European stakeholders when making decisions in response to such tariffs;
3. Stresses, as stated in the Draghi report, that divergent tax rules across the EU are a significant hurdle to achieving a true single market; acknowledges that the EU tax framework must strictly uphold the principles of subsidiarity and proportionality, as well as cooperation, to reduce compliance costs for businesses; emphasises that the Member States have the right to tailor their tax systems to their specific national needs, while adhering to common standards, and coordinating efforts to combat tax fraud and evasion, ensure timely information exchange and promote a level playing field; believes that these outcomes can be achieved, specifically, by striking a balance between respect for national competences and ensuring consistent interpretation;
4. Stresses that, aside from harmonisation efforts, substantial progress can be achieved in simplifying tax compliance and eliminating administrative hurdles in the internal market through common implementation tools- for example, standardised templates for data gathering and reporting, guidance from the Commission, and

¹ Letta, E., *Much more than a market - Speed, Security, Solidarity - Empowering the Single Market to deliver a sustainable future and prosperity for all EU Citizens*, April 2024, p. 91, 111.

dialogue and exchange of best practices between the Member States;

5. Notes that EU companies, particularly SMEs, are key drivers of economic growth and job creation across the continent; recalls that SMEs face significant fiscal challenges on account of complex tax regulations and fragmented tax systems, which impose high administrative burdens and compliance costs, with SME compliance costs estimated at around 30 % of taxes paid compared with about 2 % for large companies, hindering their growth and innovation; urges the Commission to assess the impact on SMEs of current and future proposals, and explore solutions that simplify tax procedures and reduce compliance costs, in strict cooperation with the national tax authorities; calls, furthermore, on the Commission to assess why the proposed directive establishing a Head Office Tax system for SMEs has not gained traction in the Council and asks for concrete progress and feasible solutions to advance on this; calls for the development of a comprehensive, user-friendly toolkit for SMEs and start-ups, including guidelines, templates and automated tax filing options for VAT, corporate tax, payroll and other obligations, freely available and regularly updated;
6. Takes note of the Draghi report on sector-specific taxation proposals, specifically the recommendations on lowering the cost of electricity consumption without undermining the EU's competitiveness, deterring investment, damaging job creation or weakening business confidence; in this respect, acknowledges the EU finance ministers' informal reflections of January 2025 on high energy prices and their prioritisation; takes into account the ongoing work on the revision of the Energy Taxation Directive¹, highlighting the importance of climate ambitions, current economic realities, high energy prices and connectivity needs;

Competitiveness and economic growth

7. Highlights that competitiveness is a broad term, which refers to rate of productivity that is able to drive sustainable growth and, consequently, income and welfare for all; stresses that a competitive economy is not merely business-friendly, but rather one that delivers high levels of employment and social welfare, provides innovation capability, adequate educational opportunities and infrastructure, and strong institutions and rule of law standards; acknowledges that efficient and effective taxation – including measures to curb harmful tax competition and a race to the bottom, in terms of tax rates – is critical, in order to generate the public resources needed for

¹ Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity (OJ L 283, 31.10.2003, p. 51, ELI: <http://data.europa.eu/eli/dir/2003/96/oj>).

sustained public and private investment that will enhance the EU's competitiveness, social and economic cohesion, and growth;

8. Welcomes the European Council conclusions on the New European Competitiveness Deal; regrets, in this regard, the omission of the field of taxation in improving Europe's competitiveness; calls for better tax cooperation within the EU, reducing fragmentation and complexity while fostering greater cooperation and trust among Member States as this is essential to enhance the competitiveness of the European economy;
9. Calls on the Commission and the Member States to agree on a coordinated approach to enhance the transparency of government tax expenditure, to ensure that it is producing the desired policy goals in line with EU common objectives and priorities in a cost-effective way, has no unexpected or negative impacts on the internal market, and does not offer opportunities for tax evasion and aggressive tax planning;
10. Welcomes the European Council conclusions on tax decluttering and simplification; stresses that future EU initiatives on taxation should focus with priority on administrative simplification, elimination (where relevant) of overlapping tax rules, increasing clarity and streamlining the application of tax rules, and addressing identified divergences or inefficiencies that may affect the functioning of the single market; stresses that the Commission should facilitate and encourage more robust cooperation between the Member States and national tax administrations to enable more consistent interpretation of direct and indirect tax legislation;
11. Takes note of the research done by the Commission's Joint Research Centre in 2022, which finds that revenues to local budgets from taxes on local economic activities can work as an incentive for municipalities to act locally and boost local economic activities; calls on the Commission, in this regard, to intensify this research and engage in mutual learning exercises with the Member States to encourage municipalities to take care of their businesses, thereby unleashing untapped potential for more economic growth across the EU;
12. Stresses that well designed and justified tax incentives with economic substance and socio-economic benefits can support economic activities that advance public goals, including peripheral and otherwise geographically disadvantaged areas in the EU; notes that tax incentives should not only comply with the Treaties and constraints relating to fiscal space, but should also not lead to internal market fragmentation, and calls for a set of tools to ensure dialogue, transparency and coordination between the Member States on tax incentives; welcomes the Commission's intention to issue non-binding guidelines on tax incentives and calls for a further study on

the effect of the implementation of the OECD's Pillar Two rules on tax incentives and issue recommendations to ensure their effectiveness within the Pillar Two framework; underlines the importance of ensuring that tax incentives remain consistent with the EU State aid framework; recalls the EU's climate change commitments and Parliament's continued support for these targets, and urges the Commission and the Member States to coordinate efforts and consider the potential benefits of tax incentives for green investments;

13. Recalls that several legislative initiatives in the field of taxation are not moving forward; underlines, in this regard, the need to provide legal certainty and predictability to EU businesses; takes note of the Commission's clarifications on which initiatives are to be withdrawn in the field of taxation;

Tax simplification and digitalisation

14. Recalls the Commission's priority to ensure business simplification across all policies, including taxation within its competences, with the goal of reducing reporting requirements by at least 25 % (and for SMEs by at least 35 %); calls, in this respect, on the Commission, in close and continuous dialogue with the Member States, to systematically conduct ex ante impact assessments of all new tax-related legislative proposals, as well as a competitiveness check on current measures, to quantify the expected reduction in administrative burdens and ensure that new rules align with the EU's economic growth, and green and digital transition objectives;
15. Urges the Commission to identify and eliminate all instances of duplicate reporting and establish a system for efficient data-sharing between tax administrations, thereby relieving taxpayers of double reporting obligations; notes that, in this context, simple gains could be made, such as amending Directive (EU) 2021/2101¹ on public country-by-country reporting to grant equivalence of the EU rules with the Global Reporting Initiative's 207 reporting standard for tax; calls on the Commission to assess the merits of such equivalence;
16. Calls on the Commission and the Member States to streamline tax obligations for the defence industry, by expanding and simplifying VAT exemptions for procurement in the context of joint EU defence initiatives;
17. Calls for the establishment of an EU Tax Data Hub to improve the automatic exchange of tax information and reduce administrative

¹ Directive (EU) 2021/2101 of the European Parliament and of the Council of 24 November 2021 amending Directive 2013/34/EU as regards disclosure of income tax information by certain undertakings and branches (OJ L 429, 1.12.2021, p. 1, ELI: <http://data.europa.eu/eli/dir/2021/2101/oj>).

burdens; encourages the Commission and the Member States to build on existing tools, such as the VAT Information Exchange System (VIES) and the Excise Movement and Control System (EMCS), and explore extending their application to areas such as direct taxation; emphasises that such a hub should enable joint analysis of information relevant to the control process of taxation with a cross-border component, prevent duplication and serve as a single access point for tax administrations across the EU;

18. Highlights the key role electronic invoicing can play in enhancing transparency, reducing administrative burdens, and enabling the practical and efficient use of reported data;
19. Recalls that in the absence of robust reporting, tax administrations would lack the basic information necessary to detect, investigate and prevent abusive tax practices; underlines that access to timely and comprehensive tax data is essential for safeguarding the fairness of tax systems and protecting public revenues;
20. Recognises that to justify the costs of compliance with reporting requirements, there is a need for well-resourced and efficient tax administrations, equipped with adequately trained personnel and modern digital infrastructure; stresses the need to invest in the capacity of tax authorities to ensure that existing reporting obligations are used to their full potential;
21. Recalls that simple, stable and predictable tax rules are essential for a competitive economy and will contribute to the creation of jobs and economic growth; calls on the Commission to issue recommendations towards a simplified, competitive tax system to reduce the administrative burden for companies and citizens, where deemed appropriate, for example by streamlining the use of the Tax Identification Number across the Member States, and in the area of tax incentives; acknowledges that tax certainty, simplifying refund procedures and deductions are key solutions to reduce the administrative burden, especially for SMEs;
22. Notes the importance of tax simplification across the board; stresses the need to increase retail participation in capital markets by simplifying tax declaration procedures for savings and investment accounts, particularly when these accounts are accompanied by tax incentives; further notes the Commission's pilot projects on cooperative compliance for businesses, which aim to reduce audits and improve dispute resolution for companies meeting high compliance standards;
23. Underlines the potential of digitalisation, especially artificial intelligence (AI), as a tool for reducing administrative burdens and compliance costs for companies, particularly SMEs, and for supporting VAT fraud detection, while still maintaining a human

element for quality checks and to ensure safeguards against risks of discrimination; notes that digitalisation can also enhance public tax administration, provided that transparency and sufficient oversight of automated tax-related decision-making are guaranteed; urges the Commission and the Member States to advance digitalisation and simplification of tax administration, while enhancing cooperation, coordination and the exchange of best practices and know-how among national authorities, with the Commission acting as a facilitator;

24. Stresses that the Member States should allocate adequate human and financial resources for the implementation of any new tax legislation and the modernisation of tax administrations, particularly through investing in staffing, training, and integrated, interoperable IT systems and consultations with the private sector; calls on the Commission to enhance its support through the Fiscalis programme and to explore a dedicated EU funding programme to further support such investments;
25. Calls on the Commission to assess and simplify, within the limits of its competence and in close and continuous dialogue with the Member States, the current VAT framework, to reduce administrative burdens, including for businesses and community organisations, enhance competitiveness and reduce the gap between expected revenue and the amount actually collected (VAT gap); reiterates its call for a simplified and modernised VAT system with limits on exemptions and non-standard rates, aimed at promoting fair competition, reducing compliance costs and improving voluntary compliance; takes note of the VAT in the Digital Age (ViDA) package and calls on the Commission to issue clear and consistent guidelines to support the smooth implementation of Directive (EU) 2025/516¹, specifically regarding the EU Digital Reporting Requirement; highlights that the VAT compliance gap varies significantly between the Member States and welcomes the ViDA package as a tool to enhance transparency and reduce fraud; urges coordinated implementation at national level to ensure coherence and that the VAT One Stop Shop model is efficient and user-friendly, particularly for SMEs; calls for further reforms to facilitate electronic VAT registration for small businesses and to increase the digitalisation of VAT collection; calls on the Commission to build on and expand the VAT One Stop Shop for cross-border business-to-consumer e-commerce, with the aim of reducing administrative burden and compliance costs;
26. Notes the marked shift in purchasing behaviour in the past decade, with a surge in e-commerce during the COVID-19 pandemic that

¹ Council Directive (EU) 2025/516 of 11 March 2025 amending Directive 2006/112/EC as regards VAT rules for the digital age (OJ L, 2025/516, 25.3.2025, ELI: <http://data.europa.eu/eli/dir/2025/516/oj>).

persists today; acknowledges that online purchases should contribute to greater VAT compliance due to the electronic audit trail, yet the Commission's report on the 2024 VAT gap underlines that the correlation is not as clear due to the complexities arising from online sales; urges the Commission to assess whether the VAT *acquis* is fit for purpose, given the increasing popularity of e-commerce;

27. Calls for the improvement of Council Directive 2008/9/EC¹; underlines the importance of exploring the integration of cross-border VAT refunds into the One Stop Shop model, in order to further simplify VAT compliance for businesses engaged in cross-border trade, while ensuring alignment with existing VAT obligations across the Member States;
28. Calls for a consistent application of key concepts and the streamlining of definitions for a more effective VAT system, including, for example, the application of common interpretations for 'goods installed and assembled', as outlined in Article 36 of the VAT Directive², and the consistent application of definitions of permanent establishment and fixed or other establishments;
29. Highlights the need for a more sustainable and equitable VAT system with further consideration on how VAT rates can be utilised to achieve sustainability goals; suggests that the Commission assess whether VAT charges can be eliminated on goods supplied free of charge for social and environmental benefit;
30. Notes that while reduced VAT rates have a legitimate purpose in supporting the broad social and economic goals of the Member States, including support for the vulnerable members of society and for children, their broader application increases legal uncertainty and the complexity of the tax system; highlights that while reduced VAT rates can lead to a decrease in prices for the consumer, this is also dependent on other factors; considers, therefore, that a periodic review and assessment of which reduced VAT rates remain necessary and effective in achieving Member States' intended policy goals will be useful in undertaking the simplification task;

¹ Council Directive 2008/9/EC of 12 February 2008 laying down detailed rules for the refund of value added tax, provided for in Directive 2006/112/EC, to taxable persons not established in the Member State of refund but established in another Member State (OJ L 44, 20.2.2008, p. 23, ELI: <http://data.europa.eu/eli/dir/2008/9/oj>).

² Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax (OJ L 347, 11.12.2006, p. 1, ELI: <http://data.europa.eu/eli/dir/2006/112/oj>).

31. Reiterates Parliament's position on the proposed Head Office Tax system for SMEs, the proposed 'Unshell' directive and the proposed debt-equity bias reduction allowance (DEBRA);
32. Stresses that the complexity of, and discrepancies in, the interactions between different national tax systems can create an uneven playing field, and can have an adverse effect on the functioning of the internal market; emphasises that this can discourage cross-border investments, which can be particularly disadvantageous to SMEs and purely domestic businesses, who lack the resources to engage in complex tax planning schemes, and therefore face an unfair competitive environment that is not conducive to scaling-up;
33. Takes note of the work on the Business in Europe: Framework for Income Taxation (BEFIT) proposal; recalls the Commission's objectives, in proposing BEFIT, to reduce the complexity of tax rules and the compliance costs for EU businesses with cross-border operations; takes note of its potential to reduce fragmentation and create a level playing field for businesses within the internal market; emphasises that any EU initiative must deliver added value both in the legal and economic sense, and calls for an effective and balanced approach that benefits all of the Member States, respects the principle of subsidiarity and aligns coherently with the implementation of the OECD's Pillar Two rules;

OECD Pillars One and Two, and international taxation

34. Reiterates the EU's strong commitment to the implementation of the OECD/G20 Inclusive Framework's two-pillar approach, while taking into account the current situation regarding Pillar Two rules, including the recent Executive Order issued by the US President on 20 January 2025 declaring that the OECD Global Tax Deal has no force and effect in the United States; urges the Commission to prioritise work that maintains and protects the agreement, so as to prevent a return to harmful tax competition at the cost of public revenue and EU interests; urges the Commission to inform Parliament of contingency plans and take prompt, targeted action to safeguard the integrity and effectiveness of the Pillar Two Directive¹, protect EU interests and prevent retaliatory measures; notes the possibility of administrative simplification in the implementation of the Pillar Two Directive;
35. Stresses that Pillar Two should ensure a global minimum level of taxation for multinational and large-scale domestic groups in the EU; welcomes its transposition into national law; calls for legal clarity,

¹ Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union (OJ L 328, 22.12.2022, p. 1, ELI: <http://data.europa.eu/eli/dir/2022/2523/oj>).

taking into account differences between OECD Pillar Two rules and their implementation by the Member States, specifically in relation to shipping activities, to avoid creating conflicting taxation regimes which can lead to confusion; expects the process of negotiating and publishing the administrative guidance to be finalised soon and provide companies falling under the scope of Pillar Two with the necessary certainty; expects further developments with regard to existing safe harbours to ease compliance, such as the development of a permanent safe harbour;

36. Highlights the impactful role that the European Public Prosecutor's Office (EPPO) and the European Anti-Fraud Office (OLAF) have had in identifying and investigating tax fraud and evasion, and stresses the need for effective collaboration between these bodies and with the national tax authorities;
37. Acknowledges the publication by the OECD of the Multilateral Convention in October 2023, laying down the technical rules to implement Amount A of Pillar One and the ongoing negotiations; calls on the Commission to assess the potential effects of a Digital Services Tax;

Tax barriers in the single market

38. Takes note of the Letta report and the reference to a voluntary 28th regime, which aims to attract and retain innovative start-ups in the EU; notes that the fragmented EU tax landscape creates complexity, uncertainty and high compliance costs for EU businesses, especially SMEs, and invites the Commission to explore and assess the benefits and drawbacks of the option of a 28th regime; underlines the need to address tax obstacles to cross-border investment to decrease over-reliance on debt and to increase equity in business financing; recalls, in this regard, the Draghi report, highlighting the fact that EU citizens should be able to invest in other Member States without complex taxation procedures, effectively resulting in double taxation; emphasises that adherence to these principles is essential to making the EU a competitive and innovation-driven investment hub; underlines the importance of exploring avenues for simplifying and standardising transfer pricing documentation rules across the EU, including a careful and balanced assessment of existing thresholds and materiality criteria while accounting for Member State specificities, with the aim of reducing compliance costs for transactions, without compromising transparency standards and without facilitating aggressive tax planning and tax evasion;
39. Regrets that the Commission's Competitiveness Compass lacks concrete guidance on removing taxation barriers to cross-border investments; calls on the Commission to conduct targeted studies assessing the economic and competitive effects of this fragmentation, with a focus on identifying the most affected sectors

and proposing concrete measures to simplify tax systems and strengthen mutual trust between the Member States, particularly to support SMEs;

40. Welcomes the recent entry into force of the FASTER Directive¹ on withholding tax as an important first step towards modernising and streamlining cross-border tax procedures within the EU; notes the recommendations of the Draghi report and recalls Parliament's recommendations in its resolution on a withholding tax framework², the establishment of which is essential to reduce complexity, increase legal certainty for investors, and stem the practice of treaty shopping; additionally points out that tax policy reform could also facilitate the further integration of EU capital markets, in the context of the savings and investments union;
41. Calls on the Commission to survey the existing taxation-based obstacles to single market integration, and produce an action plan for tackling them;
42. Calls for guiding principles on taxpayers' rights to pinpoint lingering tax barriers within the single market and recommend best practices drawn from across the EU to enhance taxpayers' experiences, while ensuring that such guiding principles do not limit the ability of the Member States to have in place anti-abuse measures to ensure proper enforcement of their tax laws; acknowledges the Commission's reluctance to present the planned communication on citizens' rights as taxpayers that was announced in its action plan for 2021;
43. Welcomes the Commission communication on the savings and investments union, and in particular the willingness to remove the differences in national taxation procedures that create administrative burden and barriers to cross-border investment, and also to support Member State action for this purpose;
44. Notes that disparities in the tax treatment of capital income can create complexity and legal uncertainty for cross-border investors; highlights that Draghi's comprehensive report acknowledges the need to 'eliminate any taxation obstacles to cross-border investing in the EU' to reduce capital market fragmentation; underlines the importance of a more balanced tax mix for economic resilience, and invites the Commission and the Member States to assess the merits of further coordination and simplification in this field, in order to foster cross-border investment;

¹ Council Directive (EU) 2025/50 of 10 December 2024 on faster and safer relief of excess withholding taxes (OJ L, 2025/50, 10.1.2025, ELI: <http://data.europa.eu/eli/dir/2025/50/oj>).

² European Parliament resolution of 10 March 2022 on a European Withholding Tax framework (OJ C 347, 9.9.2022, p. 172).

Combating tax evasion and avoidance, and aggressive tax planning

45. Recalls that, as the Pillar Two rules are implemented, it is important to monitor new forms of harmful tax competition that may develop;
46. Commits to fighting aggressive tax planning, by both companies and individuals, for a fair European economy, taking into account the specific situation and interests of SMEs, and of low- and middle-income households; recognises the substantial revenue implications of aggressive tax planning, which tilts the playing field for economic actors, threatens to undermine tax morale and erodes the tax base of the Member States; urges the Commission and the Member States to improve cooperation between the Member States in addressing aggressive tax planning, particularly through enhanced information exchange, coordinated audits and improved enforcement; recalls its resolutions on the implementation of the EU requirements for exchange of tax information¹, on reforming the EU list of tax havens² and on reforming the EU policy on harmful tax practices; highlights that increasing the complexity of tax regimes can create perverse incentives for aggressive tax planning and evasion, which may be opaque; calls for the Member States and the Commission to apply a risk-based and appropriate approach to fighting tax fraud and aggressive tax planning;
47. Stresses the importance of existing mechanisms under the Directive on Administrative Cooperation³ (DAC), the Anti-Tax Avoidance Directive⁴ (ATAD) and the Multilateral Competent Authority Agreement (MCAA), which have significantly improved transparency and cross-border cooperation between tax authorities, enabling a more effective response to aggressive tax planning; underlines the increasing administrative burden and compliance costs on tax administrations and taxpayers under the DAC and ATAD, and welcomes their review and simplification while still maintaining current standards;

¹ European Parliament resolution of 16 September 2021 on the implementation of the EU requirements for exchange of tax information: progress, lessons learnt and obstacles to overcome (OJ C 117, 11.3.2022, p. 120).

² European Parliament resolution of 21 January 2021 on reforming the EU list of tax havens (OJ C 456, 10.11.2021, p. 177).

³ Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC (OJ L 64, 11.3.2011, p. 1, ELI: <http://data.europa.eu/eli/dir/2011/16/oj>).

⁴ Council Directive (EU) 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices that directly affect the functioning of the internal market (OJ L 193, 19.7.2016, p. 1, ELI: <http://data.europa.eu/eli/dir/2016/1164/oj>).

48. Highlights the need to address inconsistencies between the ATAD and the OECD's Pillar Two approach to ensure coherence and legal certainty across the EU, including considering the streamlining of options and exceptions granted to Member States; takes note of the Commission's announcement that it will evaluate the ATAD in the light of Pillar Two and present a comprehensive report on the measures in Q3 2025, in accordance with the Pillar Two agreement; calls on the Commission to provide guidance to the Member States on the interpretation of the general anti-abuse rule laid down in the ATAD and calls for a revision to make the ATAD simpler to implement and increase its effectiveness;
49. Notes the role of the DAC in reducing tax evasion and avoidance, and aggressive tax planning, and in increasing transparency, while also highlighting the complexity and administrative burden, especially under DAC 6¹; stresses the need for the revision of DAC 6 and calls on the Commission to conduct an assessment of compliance costs under this Directive, as well as to strengthen guidance, enhance risk analysis, and leverage technology for better data collection so as to ensure effectiveness in promoting tax transparency, and prevent disproportionate costs and administrative burdens; states that this reassessment should consider shielding SMEs from unnecessary reporting obligations and provide more clarity regarding the benchmarks for reportable cross-border arrangements; suggests an assessment for a possible review of DAC 7² to consider whether the exchange of information can be reduced with the introduction of real-time reporting under the ViDA package;
50. Notes, in particular, the need to take advantage of the review process to address current overlapping rules, and to streamline and simplify the application of common rules and concepts; points out that standardisation of terms and concepts is crucial to simplify compliance, since various domestic interpretations may give rise to fragmentation and complexity;
51. Calls for enhanced collaboration between the EPPO and Eurofisc to strengthen intelligence-sharing, coordinated enforcement efforts and cross-border investigations in the fight against VAT fraud and other forms of tax evasion and avoidance; stresses the need for streamlined cooperation between these bodies to ensure a more effective and unified EU response to cross-border tax fraud,

¹ Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements (OJ L 139, 5.6.2018, p. 1, ELI: <http://data.europa.eu/eli/dir/2018/822/oj>).

² Council Directive (EU) 2021/514 of 22 March 2021 amending Directive 2011/16/EU on administrative cooperation in the field of taxation (OJ L 104, 25.3.2021, p. 1, ELI: <http://data.europa.eu/eli/dir/2021/514/oj>).

leveraging their respective mandates and expertise; urges the Commission and the Member States to facilitate this cooperation by improving data exchange mechanisms, ensuring adequate resourcing and fostering joint investigative efforts; stresses that further tax coordination between the Member States in tackling tax evasion and avoidance is necessary for facilitating cross-border economic activity; notes that the EU must ensure that all imported products are properly subject to adequate customs duties;

Cross-border taxation and labour mobility

52. Calls on the Commission to present a study and, if necessary, a package of measures on how to simplify tax rules and address tax fragmentation for cross-border workers and the self-employed, to boost competitiveness by deepening the internal market and to protect tax revenues by creating a level playing field; notes that divergent national tax systems create significant hurdles, administrative burdens, legal uncertainty and double taxation, hindering labour mobility and cross-border entrepreneurship;
53. Notes that the mobility of individuals across borders is increasing at an unprecedented rate and that such a high level of global mobility has a substantial impact on tax systems; stresses that such mobility and its impact on tax systems must be carefully considered in policymaking, while not discouraging mobility and employment opportunities in the EU; notes, in this respect, that Member States use tax incentives to foster labour mobility and cross-border entrepreneurship; stresses, however, that Member States must also prevent harmful tax practices attracting individual taxpayers and the distortion of competition by having clear caveats and safeguards;
54. Acknowledges the increasing cross-border mobility of highly skilled workers and other individuals driven by freedom of movement and preferential tax regimes in some of the Member States; underlines the importance of ensuring that tax policy in the internal market remains fair, transparent and compatible with the sustainability of public finances across the EU; reiterates its call for the Council to revise the mandate of the Code of Conduct Group on Business Taxation;
55. Recalls that tax implications arise from the risk of a taxable presence, or of permanent establishment, when cross-border workers engage in activities such as business trips or teleworking; notes that a safe harbour rule for teleworking coordinated between the Member States could provide tax certainty for employers and reduce administrative burdens, simplifying individual taxation;

Taxation and innovation

56. Highlights that innovation is a key driver of economic growth, global competitiveness, welfare and that, according to the OECD, tax

incentives are a widely used and economically significant innovation-support policy instrument; takes the view that governments should ensure that research and development (R&D) tax incentive schemes provide value for money, through regular evaluation and the adoption of targeted incentives that drive investment and growth, and enhance EU competitiveness on the global stage, in line with the proposals of the Draghi report;

57. Calls on the Commission to conduct further studies on the cost-effectiveness of the different kinds of tax incentives for R&D and innovation, in enhancing EU competitiveness on the global stage, in line with the proposals of the Draghi report, ensuring that these incentives are well designed to achieve set policy objectives, without eroding tax revenues and contributing to the risk of tax avoidance; invites the Commission to explore different solutions and mechanisms in supporting R&D for start-ups, including, among other things, transferable tax credits, in a coordinated approach with the Member States and based on common criteria, to improve the accessibility and effectiveness of such measures; calls on the Commission to further assess the cross-border effects of such incentives in other Member States, including risks of tax avoidance; stresses the need for wider availability of tax incentives, including tax breaks, credits, accelerated depreciation and super deductions; in this respect, calls for the Commission to issue recommendations and properly integrate tax incentives, specifically related to R&D where appropriate, without exacerbating economic asymmetries in the EU; stresses that it would be prudent to align incentives for innovation and R&D with tailored incentives for investment; calls for strengthened cooperation and trust between the Member States, promoting a level playing field for e-commerce, digital services and other rapidly growing sectors;
58. Stresses the importance of ensuring that tax incentives remain fully consistent with the current EU State aid framework; highlights the value of the EU State aid framework in preserving fair competition within the internal market and ensuring legal certainty and a level playing field for all Member States;

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59. Instructs its President to forward this resolution to the Council and the Commission.