EPIF response to the European Commission public consultation on BEFIT

January 2023

Introduction

On 17 October, the European Commission launched a public consultation on the Business in Europe: Framework for Income Taxation (BEFIT). This is a compressive initiative for a Single Corporate Tax Rulebook for the EU and EPIF members very much welcome the possibility to provide input to the European Commission on this Rulebook proposal.

General Principles

EPIF fully supports the European Commission's efforts **to remove tax obstacles and reduce administrative burdens** for European businesses with a view of creating a more business-friendly environment in the EU. A uniform corporate tax system within the EU is very much welcomed and the way forward for cross-border companies to expand, remain competitive and promote employment and growth. The proposal on BEFIT of course is set in the broader tax strategy for the EU, aimed at improving the sustainability of EU tax systems, reduce tax avoidance and help EU businesses – particularly small and medium enterprises (SMEs) – strive. For this reason, EPIF members observe closely the **potential interactions and overlaps between the different tax initiatives**, including the future proposal implementing Pillars 1 and 2 and the upcoming Digital Levy that will enhance the EU's own resources.

EPIF members maintain that the continued pursuit of a multitude of **unilateral corporate tax initiatives** will lead to a high degree of unnecessary complexity, uncertainty and inevitable multilayer taxation. We therefore strongly recommend for the European Commission to **remain as close as possible to multilateral tax agreements** of the OECD instead of pursuing unilateral European and/or Member States' initiatives.

We also recognize that BEFIT is expected to replace the pending proposal for a Common Consolidated Corporate Tax Base (CCCTB). It is therefore essential that the European Commission **takes into consideration the feedback received to the CCCTB in 2016**. At the time of the public consultation on CCCTB, EPIF stressed the importance of full consolidation whilst alerting that including digital aspects in the proposal could cause potentially negative effects to tax competition.

Specifically related to BEFIT

Deriving from the above-mentioned, EPIF stresses the importance of the EU and individual Member States to continue to focus on **simplifying their tax systems** rather than adding more complexity and unilateral measures. We see harmonisation and streamlining of tax rules as the way forward to continue to increase cross-border trade and support the recovery of the global economy and recognize tax certainty as the main benefit from BEFIT.

EPIF's main concern with BEFIT relates to the **potential misalignment of the problem statement, objectives and proposed measures**. We would strongly recommend **decoupling measures** designed to reduce complexity, high compliance costs and administrative burdens with measures seeking to increase or provide sustainable tax revenues and reduce perceived tax avoidable. It was previously noted that CCCTB was not designed as a tool to counter aggressive tax planning, rather it was originally introduced as a simplification measure to reduce the administrative costs for businesses operating across EU borders. Independent research submitted as part of the 2016 consultation process concluded that CCCTB would result in both higher administrative costs and a higher overall global effective tax rate for multinational companies operating in the EU.

EPIF welcomes the proposal's acknowledgement to build on the OECD's Inclusive Framework two-pillar approach and would highlight the importance that any measures introduced by the EU do not counter the objectives of the OECD process, thus ensuring that Member States, and the EU as a whole, operate on a level playing field with non-EU members of the OECD. EPIF members subject to Pillar 1 and the Pillar 2 GLOBE requirements have highlighted the substantial costs of compliance and we would caution against the EU introducing measures that increase the costs and complexity for taxpayers without providing appropriate time to measure the benefits and results of the OECD's two pillar solution

It is unclear at this point how any **BEFIT measures would coexist with globally recognised Transfer Pricing (TP) arm's length standards (ALS).** EPIF is mindful of its members that have operations both within the EU and in other parts of the world, and the potential to create requirements to comply with the ALS for intra-group transactions outside the EU while also complying with CCCTB rules. This would particularly be the case if intangible assets are excluded from any proposed tax base allocation, as such a shift away from globally recognised ALS principles will not assist in truly aligning taxation of profits to where value is created. If the proposed measures ultimately only apply to multinational groups with consolidated turnover above a EUR 750m threshold, a detailed impact analysis should be undertaken to ensure the desired objectives of the proposals are achieved, particularly if only applying to a relatively small number of businesses operating across the EU. The guiding principle of such a proposal should be that it **does not lead to higher compliance costs** for companies both in the short- and medium-term. Potentially making BEFIT optional for all companies could ensure that taxpayers are best placed to identify whether the objectives are achieved.

In its most ambitious form, a CCCTB would require application of common accounting standards to truly achieve the objective of reducing compliance costs and administration. Consideration will also need to be given to how existing tax balances, including tax losses brought forward in different companies and countries, and current and deferred timing differences would be dealt with in the transition to any CCCTB. EPIF welcomes the ongoing commitment to the consultation process as the proposal evolves.

ABOUT EPIF (EUROPEAN PAYMENT INSTITUTIONS FEDERATION)

EPIF, founded in 2011, represents the interests of the non-bank payment sector at the European level. We currently have over 190 authorised payment institutions and other non-bank payment providers as our members offering services in every part of Europe. **EPIF** thus represents roughly one third of all authorized Payment Institutions ("PI") in Europe. All of our members operate online. Our diverse membership includes a broad range of business models, including:

- Three-party Card Network Schemes
- E-Money Providers
- E-Payment Service Providers and Gateways
- Money Transfer Operators
- Acquirers
- Digital Wallets
- FX Payment Providers and Operators
- Payment Processing Services
- Card Issuers
- Independent Card Processors
- Third Party Providers
- Payment Collectors

EPIF seeks to represent the voice of the PI industry and the non-bank payment sector with EU institutions, policy-makers and stakeholders. We aim to play a constructive role in shaping and developing market conditions for payments in a modern and constantly evolving environment. It is our desire to promote a single EU payments market via the removal of excessive regulatory obstacles.

We wish to be seen as a provider for efficient payments in that single market and it is our aim to increase payment product diversification and innovation tailored to the needs of payment users (e.g. via mobile and internet).