

ROADMAP

Roadmaps aim to inform citizens and stakeholders about the Commission's work in order to allow them to provide feedback and to participate effectively in future consultation activities. Citizens and stakeholders are in particular invited to provide views on the Commission's understanding of the problem and possible solutions and to make available any relevant information that they may have.

TITLE OF THE INITIATIVE	Communication on business taxation for the 21 st century
LEAD DG – RESPONSIBLE UNIT	DG TAXUD – D4
LIKELY TYPE OF INITIATIVE	Commission Communication
INDICATIVE PLANNING	Q2 2021
ADDITIONAL INFORMATION	-

This Roadmap is provided for information purposes only and its content might change. It does not prejudice the final decision of the Commission on whether this initiative will be pursued or on its final content. All elements of the initiative described by the Roadmap, including its timing, are subject to change.

A. Context, Problem definition and Subsidiarity Check

Context

Our societies and economies are undergoing transitions shaped by significant global developments and technological advancements, such as digitalisation, globalisation, climate change and population aging. Our existing business tax framework is ill equipped to face these developments and its sustainability is now put into question. These challenges are now further exacerbated by the COVID-19 pandemic. Fair and efficient taxation will be even more important in the months and years ahead, as the EU and the global community seek to recover from the fallout of the COVID-19 crisis.

As President von der Leyen observed in her Political Guidelines: “the EU and international corporate tax systems are in urgent need of reform. They are not fit for the realities of the modern global economy and do not capture the new business models in the digital world”. Too often, tax policy attempts to catch-up with a changing environment, and focuses on responding to specific problems, which often means we lag behind events. It also results in a patchwork of complex measures forming a business tax environment not sufficiently conducive to investment and growth. Beyond addressing current challenges, it will be necessary to set out a vision for business taxation in the medium to longer term.

This initiative will complement other EU initiatives in the area of taxation, such as the 2020 Action Plan on fair and simple taxation supporting the recovery strategy; and the 2020 Communication on Tax Good Governance in the EU and beyond, which set out the priority areas for action to enhance tax good governance standards and ensure fair taxation at global level. It will take stock of discussions at the Organisation for Economic Co-operation and Development (OECD) on the reform of the corporate taxation framework and articulate this with action at EU level. It will take also stock of the Commission’s pending proposals, such as the CCCTB, and propose the way forward towards an EU corporate tax framework fit for the 21st century.

Problem the initiative aims to tackle

COVID-19 and the subsequent economic crisis have severely strained public finances and sharply increased public spending, resulting in unprecedented public debt levels. Tax policies will have a role to play in the post-COVID economy, to support a swift and sustainable economic recovery. The challenges following the pandemic and economic crisis will be exacerbated by already ongoing larger developments that are transforming our economies and societies, including population aging, the globalisation and digitalisation of the economy, and climate change.

Several megatrends put pressure on our tax systems. For example, population aging is likely to lead to a shrinking working population and thereby reduce labour tax revenue while the costs of maintaining our social model increase. This is likely to increase public spending needs on the one hand and

decrease tax revenue in the absence of policy action. Tax policies also have a role to play in supporting businesses in their transition to a green Europe.

The increased globalisation and digitalisation of the economy create challenges for EU countries to tax corporate income fairly and efficiently and have exposed the limits of the current international corporate tax framework. While the Single Market has brought progress and prosperity, the removal of barriers to the free movement of goods, services, capital and labour, combined with the digitalisation of the economy, has intensified tax competition between European countries and with international partners, and has contributed to the emergence of new forms of tax competition, risking a new race to the bottom. In fact, statutory corporate tax rate in the EU have been on a continuous downward trend in recent years, as pointed out in the European Commission's Taxation Trends reports¹. In addition, the current international corporate tax framework is misaligned with the realities of the digitalised economy, and offers new tax avoidance opportunities for highly mobile business income. This threatens Member States' revenues needed to fund public spending and risks creating unfair burden sharing between taxpayers.

Furthermore, the patchwork of corporate tax systems in the EU creates barriers for cross-border investment and prevents stakeholders from fully reaping the full potential of the single market, while also creating loopholes that can be exploited for aggressive tax planning purposes, or conversely lead to double taxation.

These considerations generate a need for a holistic and ambitious vision for an EU business taxation environment fit for the 21st century.

Basis for EU intervention (legal basis and subsidiarity check)

This will be a Commission Communication without an accompanying legal proposal, therefore no legal basis from the Treaties will be invoked.

The aim of this Commission Communication is to set out a vision for business taxation in the EU and a medium-term agenda for the Commission's action in this area. It will set out principles and priorities for the EU business tax agenda over the coming years and articulate EU action with the on-going discussions at the international level on taxation of the digital economy and minimum effective taxation.

B. What does the initiative aim to achieve and how

The current corporate tax framework is out of step with the new realities of a globalised and digitalised economy, and even less fit for the challenges to come, such as climate change and population aging. Preparing ourselves for the future requires the right tax environment to support our economy to grow and to ensure that everyone shares in the benefits. In the short to medium term, this means a level-playing field between all companies, maintaining the EU's competitiveness in the global marketplace, avoiding unnecessary administrative complexity and providing tax certainty. It also means securing sufficient and sustainable funding for investment in public infrastructure as well as for supporting regions, business sectors, and those hit hardest by the changes. In the medium to long term, this means rethinking and adapting our tax systems to ensure they are fit for the significant developments to come in a fair and efficient manner.

To deliver on this ambition, the European Commission is proposing to set out a medium-term vision and actions for business taxation in the EU. It will also take stock of OECD discussions on the reform of the international corporate taxation framework and articulate this with action at EU level. This will take the form of a Communication presenting the Commission's proposed way vision, priorities and its underlying rationale.

C. Better regulation

Consultation of citizens and stakeholders

Given the focus of this Communication, targeted consultations will be the basis for engaging with stakeholders.

¹ Last report : [Taxation Trends in Europe 2020](#)

No impact assessment and therefore no public consultation is foreseen at this stage.

Targeted consultations have already taken place over recent months, and will continue to take place, with Member States, businesses, and non-governmental organisations active in the fair taxation area. Consultations carried out by the OECD and other relevant international fora will also be taken into account.

Evidence base and data collection

The initiative will be grounded on the best available evidence, building upon the extensive work of data collection and analysis conducted by the Commission to date, such as the Tax Survey in the European Union reports, the Taxation Trends in Europe reports and the data available via Eurostat. Resources from other organisations, such as the IMF Fiscal Affairs Department and the OECD Centre for Tax Policy and Administration will also be used.

The Communication will set out the general policy approach. At this stage, no impact assessment is envisaged. However, where appropriate, an impact assessment will be carried out for the follow-up actions. The Communication will draw on the recent evolution of discussions at the global level (OECD, G20) on the reform of the global tax system. The public consultations currently being carried out by the OECD will also be used in order to capture the views of international stakeholders.