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By PwC Deutschland | 13 September 2023

EU Commission: New proposals to simplify tax rules and reduce compliance costs for cross-border businesses

On 12 September 2023, the European Commission adopted a key package of initiatives to reduce tax compliance costs for large, cross-border businesses in the EU, called “Business in Europe: Framework for Income Taxation” (BEFIT), to make life easier for both businesses and tax authorities by introducing a new, single set of rules to determine the tax base of groups of companies.

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Under the BEFIT rules

- Companies that are members of the same group will calculate their tax base in accordance with a common set of rules.
- The tax bases of all members of the group will be aggregated into one single tax base.
- Each member of the BEFIT group will have a percentage of the aggregated tax base calculated on the basis of the average of the taxable results in the previous three fiscal years.

The package also includes a proposal aiming at **harmonizing transfer pricing rules** within the EU and ensuring a common approach to transfer pricing.

The proposal will increase tax certainty and mitigate the risk of litigation and double taxation. The Directive will also further reduce the opportunities for companies to use transfer pricing for aggressive tax planning purposes.

More details to be found in the **EU press release of 12 September 2023**, providing additional links to the underlying COUNCIL DIRECTIVE on Business in Europe: Framework for Income Taxation (BEFIT), the COUNCIL DIRECTIVE on transfer pricing, and Questions and Answers on BEFIT and transfer pricing.

Keywords

cross border transactions