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A new era for corporate taxation in the EU enters into force

Ground-breaking new EU rules come into effect from 1 January 2024 introducing a minimum rate of effective taxation of 15% for multinational companies active in EU Member States.

The entry into force of the minimum effective taxation rules, unanimously agreed by Member States in 2022, formalizes the EU's implementation of the so-called 'Pillar 2' rules agreed as part of the global deal on international tax reform in 2021.

In detail:

The rules will apply to multinational enterprise groups and large-scale domestic groups in the EU, with combined financial revenues of more than €750 million a year. They will apply to any large group, both domestic and international, with a parent company or a subsidiary situated in an EU Member State.

The Directive includes a common set of rules on how to calculate and apply a 'top-up tax' due in a particular country should the effective tax rate be below 15%. If a subsidiary company is not subject to the minimum effective rate in a foreign country where it is located, the Member State of the parent company will also apply a top-up tax on the latter. In addition, the Directive ensures effective taxation in situations where the parent company is situated outside the EU in a low-tax country which does not apply equivalent rules.

Source:

European Commission, [Press release from 1 January 2024](#).

Keywords

[minimum tax](#)