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EU Parliament FISC Hearings on Anti-Avoidance Rules & Pillar Two Implementation

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On 15 May 2025, the European Parliament's Subcommittee on Tax Matters (FISC) held a workshop and two public hearings in Brussels addressing key developments in tax policy across the EU and internationally. The sessions examined research and development (R&D) tax incentives, the future of EU anti-avoidance rules, and the implementation of the OECD's global minimum tax framework under Pillar Two.

The morning opened with a workshop entitled *"Tax incentives and investments in the EU: best practices and ways to stimulate private investments and prevent harmful tax practices."* The discussion centred on the comparative effectiveness of input- and output-based R&D tax incentives. Findings presented during the session indicated that input-based incentives—such as volume-based, refundable tax credits—are more effective in generating additional R&D investment, particularly among SMEs. In contrast, output-based measures like IP Box regimes were found to produce mixed results, with limited overall impact and higher potential for profit shifting. The interaction of these incentives with the OECD's Pillar Two rules, particularly their effect on effective tax rates (ETRs), was also highlighted. The session emphasised best practice elements such as broad eligibility, administrative simplicity, and designs resilient to top-up tax adjustments under the global minimum tax.

This was followed by a public hearing on *"The future of EU anti-avoidance tax rules, including simplification."* Expert speakers from academic and civil society organisations reviewed current challenges in the implementation of measures such as the Anti-Tax Avoidance Directive (ATAD), interest limitation rules, and Controlled Foreign Company (CFC) provisions. Concerns were raised regarding fragmented national approaches and excessive complexity. Recommendations included reducing the use of optional provisions in ATAD and enhancing coordination among

Member States. Speakers also called for greater attention to tax avoidance risks associated with high-net-worth individuals and the possible introduction of EU-level rules on wealth taxation and differential treatment of capital income.

The second hearing, held later in the morning, titled *"The implementation of the 2 Pillar framework in view of international developments and the EU-US relations"* focused on the rollout of Pillar Two, under which more than 50 jurisdictions—with over half of those EU Member States—are enacting a 15% global minimum effective tax rate on large multinational enterprises. Panellists discussed the implications of the United States' stance and concerns about competitive imbalances for EU-based firms, noting that the US does not consider itself bound by Pillar Two provisions.

Commenting on the US position, Ms Manal Corwin, Director of the OECD Centre for Tax Policy and Administration, noted the United States still remains involved in the OECD Inclusive Framework discussions. She also noted that the US seeks recognition for its existing Global Intangible Low-Taxed Income (GILTI) regime, which was an early example of a minimum tax system. Ms Corwin emphasised the current focus of the OECD on stabilising the Pillar Two framework and acknowledged the broader need to address complexity and ensure coherence across jurisdictions.

Mr Benjamin Angel, Director for Direct Taxation at the European Commission, also appeared at the hearing, and noted that the EU is open to technical engagement with the United States on the alignment of GILTI with Pillar Two requirements. Mr Angel also reiterated the importance of maintaining the integrity of the Pillar Two rules while safeguarding EU competitiveness.

The possibility of an EU digital levy and the merits of returning to broader tax base consolidation proposals such as the Common Consolidated Corporate Tax Base (CCCTB) were also raised in the discussion. Speakers throughout the session noted the economic implications of international tax reform, including potential asymmetries arising from the US position, and emphasised the need for continued cooperation to reduce uncertainty and compliance burdens for multinational enterprises.

OECD Report Confirms Carbon Taxex ETS Incentivises Emission Cuts

The OECD has issued a policy paper entitled [*"The Effects of Climate Policies on Emissions"*], providing a review of 187 empirical studies assessing how well climate mitigation policies have performed in practice. The findings show that most policies are effective, with a typical annual reduction in emissions of around 5%. This review covers five key sectors—agriculture and land use, buildings, industry, power, and transport—and synthesises nearly 450 impact estimates using harmonised metrics.

Carbon pricing tools such as emissions trading systems (ETSs) and carbon taxes emerged as particularly effective, especially in the power and industry sectors. However, the results vary considerably depending on policy design, implementation, and regional context. Subsidies in the building sector, for instance, showed mixed results due to issues like free-riding and behavioural responses, suggesting a need for more targeted or complementary measures.

The findings reinforce the importance of robust policy evaluation and the value of well-designed economic instruments.

Competition, Pillar 2 & Wealth Taxes in Focus at EU Tax Observatory Conference

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The EU Tax Observatory Conference held in Brussels last week brought together EU officials, academics, MEPs and civil society representatives to examine current developments in tax policy and administration. Opening remarks by Gerassimos Thomas, Director General of DG TAXUD at the European Commission and Pasquale Tridico, Chair of FISC at the European Parliament, underscored policy shifts towards simplification, competitiveness, and coordination, alongside efforts to measure tax gaps and reduce inequalities. Gabriel Zucman, Director of the EU Tax Observatory, raised concerns over the effects of tax competition and the persistently low effective tax rates faced by multinationals and wealthy individuals.

Panel discussions focused on the design and effectiveness of tax incentives. Research presented by Sarah Godar of the EU Tax Observatory indicated that many recent EU tax reforms narrowed the tax base without delivering the intended economic effects. Benjamin Angel, Director for Direct Taxation at the European Commission, and EU Parliament MEP Kira Peter-Hansen discussed the need for regular reassessment of tax credits, such as those for R&D, and raised concerns about their potential to distort competition. Panellists suggested exploring an EU-wide framework to improve the coherence and transparency of tax expenditures.

Discussions also addressed the implementation of the global minimum tax (Pillar Two) and related negotiations with the United States. Speakers noted efforts to reconcile differences between the OECD's two-pillar framework and the US GILTI regime, while warning against potential risks of reopening agreement terms.

The role of tax enforcement and technical administration featured in later panels, with updates on cross-border information exchange, beneficial ownership reporting, and transfer pricing complexities. While business representatives advocated for simplified reporting, particularly DAC6 reporting obligations, Reinhard Biebel of the European Commission emphasised the importance of detailed reporting for enforcement purposes and to detect tax avoidance.

ECOFIN Ministers Agree Approach on VAT Rules for Distance Sales of Imports

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At the ECOFIN meeting on 13 May 2025, EU Finance Ministers reached agreement on the general approach of Member States concerning simplifying VAT collection for distance sales of imported goods and import VAT. The approach centres on enhancing compliance by shifting VAT liability from consumers to suppliers and online platforms. This approach will encourage wider use of the Import One-Stop Shop (IOSS), allowing businesses to declare and remit VAT through a single EU Member State, streamlining cross-border e-commerce processes.

Under the approach, foreign traders or platforms will be responsible for VAT in the Member State of delivery, eliminating the current exemption on low-value consignments and improving revenue collection. This approach aligns with broader efforts under the Union Customs Code reform to modernise import procedures and combat VAT fraud. Although the Commission's original proposal sought to remove the customs duty relief for goods under €150, that element has been deferred for discussion in the wider customs reform negotiations. The directive will now progress to European Parliament for consultation and eventual formal adoption.

Ministers also discussed simplifying financial services regulation and strengthening the Savings and Investment Union. Additionally, the Ministers debated the establishment of the Security Action for Europe (SAFE) and discussed outcomes from the recent G20 and IMF spring meetings.

EU DG COMP Chief Economist Team Conference Explores Intersection of Competition, Industrial Policy & Taxation

At a conference held last week in Brussels to celebrate the 20th anniversary event of the European Commission's Chief Economist Team, officials and academics reflected on the role of economics in shaping EU competition and industrial policy.

EU Commission Executive Vice-President Teresa Ribera highlighted the role of competition policy and economic analysis in maintaining a dynamic Single Market. She emphasised that fairness remains a foundational objective of EU economic governance, with the Chief Economist Team providing critical expertise in designing policies that balance efficiency, innovation and consumer welfare. Emanuele Tarantino, Chief Competition Economist, reflected on the evolution of enforcement over the past two decades, noting a shift from structural to effects-based approaches, particularly with increased attention to innovation impacts and digital markets.

Panellists at the conference discussed the intersection of competition, trade, tax and industrial policy. Speakers examined the EU's productivity and innovation gap relative to the US and China, the stable R&D intensity in the EU versus rising levels abroad, increased market concentration, and the need for coordinated public intervention to support competitiveness and resilience. There was consensus on the need for coherent EU-level strategies to avoid fragmentation, with fiscal tools—such as targeted tax incentives and subsidies—identified as key instruments in supporting innovation and resilience. However, several speakers cautioned against the potential for distortion, advocating for policies that complement, rather than substitute, competitive market dynamics. The discussions reflected an ongoing policy shift towards a more integrated and data-driven approach to EU economic governance, with competition policy continuing to serve as a core element of that framework.

Across both panels, participants emphasised the importance of aligning EU and national policies, particularly in areas such as state aid, industrial strategy, and trade. The conference also addressed the need to strengthen capital markets—particularly venture capital—and to integrate strategic considerations such as security of supply and technology protection into policymaking. The event highlighted a growing emphasis on interdisciplinary approaches that connect economic theory, legal frameworks, and public policy design in response to evolving geopolitical and market challenges.

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