BUSINESSEUROPE

THE DIRECTOR GENERAL

Mr Wopke Hoekstra
Commissioner – Climate, Net Zero and Clean Growth
European Commission
Rue de la Loi 200
BE – 1049 Brussels
BELGIUM

7 April 2025

Dear Commissioner,

RE: Urgent need to reassess the EU's approach to Pillar 2 to safeguard European competitiveness

The Executive Order issued by the President of the United States on January 20, 2025, on the "Global Tax Deal" (incl. Pillar 2), combined with recent developments in U.S. trade and tax policy, has significantly altered the international tax landscape. These developments risk placing European businesses at a significant structural disadvantage, undermining the objective of Pillar 2. An urgent reassessment of the EU's approach is necessary to prevent lasting economic harm, ensure a level playing field and safeguard the competitiveness of European businesses.

Pillar 2 is based on the principle of a common approach, where Inclusive Framework members who do not implement the rules still accept their application by other members of the Inclusive Framework. Without global consensus in this regard, Pillar 2 may lead to market distortions and expose European businesses to competitive and administrative disadvantages. Critical concerns also emerge regarding the framework's feasibility and fairness. This uncertainty may deter investment and complicate business planning.

While we support the objectives of a truly global Pillar 2, its implementation must not weaken Europe's global competitiveness. Before the adoption of the EU directive on Pillar 2, we warned that the minimum tax must not end up as an 'EU-only' agreement, with the United States not implementing it. The EU nevertheless took the lead, assuming global consensus on a common approach. That assumption no longer holds. The EU must now reassess its position to ensure that Pillar 2 does not undermine the competitiveness of European businesses or expose them to geopolitical and economic retaliation.

Given the position of the U.S. Administration on Pillar 2, notably regarding the UTPR, we urge the Commission to take immediate steps to prevent the risk of retaliatory measures, such as increased income and withholding taxes, against tax policies deemed disproportionate or extraterritorial. It is essential to ensure the competitiveness of European businesses and have a level playing field with businesses in other

AV. DE CORTENBERGH 168
BE-1000 BRUSSELS
BELGIUM
VAT BE 0863 418 279

BUSINESSEUROPE a.i.s.b.l.

WWW.BUSINESSEUROPE.EU
Follow us on Twitter @BUSINESSEUROPE

TEL +32(0)2 237 65 11
FAX +32(0)2 231 14 45
E-MAIL: main@businesseurope.eu
EU Transparency register 3978240953-79

jurisdictions. Further, simplifying the current framework must be a priority. The EU and its Member States should lead a process at the OECD level to create a streamlined, efficient, and practical system that minimises unnecessary compliance burdens for businesses as well as tax administrations. To achieve this, we believe that a Permanent Simplified Computation Safe Harbour must be based on a straightforward 'gateway approach'.[1]

A balanced and fair tax framework is essential for Europe's economic strength. The EU must ensure its tax policies do not disproportionately impact European businesses or unduly restrict the use of necessary tools for fostering innovation and growth, as outlined in the Commission's Competitiveness Compass. In this context, an assessment should be made of how the Pillar 2 rules can accommodate tax policies that support the EU's ambitious green and digital objectives set out in the Clean Industrial Deal.

To ensure Europe's long-term economic resilience, the EU must maintain a strong, predictable, and business-friendly tax environment. This means safeguarding fair competition, supporting investment, and enabling growth in an increasingly challenging and uncertain global landscape. It is essential to streamline the current tax regulatory framework, ensuring meaningful simplification. We welcome the Commission's intent in this regard and call for bold and concrete steps to identify and eliminate ineffective, duplicative, and redundant tax rules.

We remain at your disposal for further dialogue and urge decisive action to protect the competitiveness of European businesses.

Yours sincerely,

Markus J. Beyrer

[1] With a simplified ETR, routine profit, and de minimis tests.