



EUROPEAN COMMISSION

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C(2022) 4612 final*

*Mr Miloš VYSTRČIL
President of the Senát
Valdštejnské náměstí 17/4
CZ – 118 01 PRAGUE 1*

Dear President,

The Commission would like to thank the Senát for its Opinion on the proposal for a Council Directive on ensuring a global minimum level of taxation for multinational groups in the Union {COM(2021) 823 final}.

The proposal, which was announced in the Communication on “Business Taxation for the 21st Century”¹ adopted by the Commission on 18 May 2021, lays down rules for ensuring a minimum level of effective corporate taxation for large multinational groups and large-scale domestic groups operating in the Single Market. It implements within the EU the global agreement reached by the OECD/G20 Inclusive Framework on 8 October 2021 on Pillar 2 (minimum effective taxation). Its rules follow closely the OECD Model Rules on Pillar 2 agreed by the OECD/G20 Inclusive Framework, with some necessary adjustments, mostly aimed to guarantee full compliance with EU law.

The Commission welcomes the Senát’s broad support of the aims of the proposal and notes its doubts relating to the mandatory application of the proposed rules and the proposed transposition deadline.

The Commission’s proposal provides for the mandatory application of the primary rule, the ‘Income Inclusion Rule’, with a view to ensuring a coherent and coordinated approach throughout the Union. This is crucial for the good functioning of the single market and for avoiding any distortions in a closely integrated economy like the European Union. As a result, the number of cases where the backstop rule, the ‘Undertaxed Profits Rule’, is applicable to groups headquartered in Member States is expected to be limited.

¹ COM(2021) 251 final

The Commission's proposal provides for a transposition deadline of 31 December 2022 and the entry into effect of the Income Inclusion Rule as of 1 January 2023, and of the Undertaxed Profits Rule as of 1 January 2024. This timeline was established to comply with the commitments taken by Member States at international level.

Discussions concerning the proposal have been ongoing in the Council, and the Commission remains hopeful that an agreement will be reached in the near future.

The concerns expressed by the Senát in its Opinion have already been discussed by Member States in the Council and are largely addressed in the latest Presidency compromise text on the proposal. In respect of the non-mandatory application of the rules, a transitional solution is proposed, where Member States with less than 12 in-scope multinational groups headquartered in their territory can opt out from the rules for six years. In respect of the transposition deadline, the Presidency compromise puts forward a 12-month deferral of the transposition deadline and entry into effect of national rules.

The Commission hopes that the clarifications provided in this reply address the issues raised by the Senát and looks forward to continuing the political dialogue in the future.

Yours faithfully,

*Maroš Šefčovič
Vice-President*

*Paolo Gentiloni
Member of the Commission*