



European Commission
Rue de Montoyer, 59
1000 Bruxelles
Belgium

30 September 2025

Dear Sir or Madam,

Response to European Commission Consultation on the 28th regime – a single harmonized set of rules for innovative companies throughout the EU

We are pleased to respond on behalf of the Deloitte¹ firms in Europe to the European Commission Consultation on the 28th regime – a single harmonized set of rules for innovative companies throughout the EU. We welcome the opportunity to input views on this topic. This letter sets out background context and comments in relation to the tax aspects of this consultation.

1. Questions 40. What are the main obstacles related to taxation for companies, especially when they do business in more than one EU country? Please explain.

Companies operating in multiple EU countries face significant tax-related hurdles that undermine the goals of the Single Market. We observe that businesses must register and comply with different tax regimes in each jurisdiction, often running parallel payrolls in home and host countries. This duplication creates heavy administrative burdens.²

Corporate tax

The European Union (EU) operates as a single market with 20 Member States sharing a single currency in the Eurozone, yet 27 distinct tax systems and multiple currencies continue to coexist. Despite efforts towards harmonization through numerous Directives, tax remains a complex issue. Corporations and individuals must navigate 27 different sets of rules, often complicated further by insufficient coordination of tax legislation on cross-border transactions—an area vital to the EU's market integration. Tax law is continually evolving, with frequent domestic reforms adding to this complexity.

We generally welcome the ambition for a common corporate tax framework applicable to all corporate taxpayers. The BEFIT Proposal aims to "create a level playing field by simplifying the tax environment in the EU, enhancing legal certainty, reducing compliance costs, and encouraging cross-border business and investment." Simplifying the corporate tax system could stimulate economic growth by boosting the EU's competitiveness and attractiveness, provided it is well implemented.

However, as noted in the June 2025 ECOFIN report, several Member States have expressed reservations about the interaction of BEFIT with existing national tax laws, the OECD Pillar Two minimum tax rules, and other EU measures such as the Anti-Tax Avoidance Directives (ATAD) and administrative cooperation rules (DACs). These concerns

¹ For more information, see [Deloitte](#).

² P. 55, [Deloitte Ireland Pre-Budget 2026 submission](#).

underscore the importance of carefully considering how a single corporate tax system would interact with various existing frameworks, including AML directives and other anti-abuse measures.

Currently, further technical analysis and political negotiations are necessary before BEFIT can advance. Given its scope and features, the proposal in its current form may not fully achieve its objectives and could risk unintended consequences. Key amendments are needed to ensure it delivers tangible benefits for both taxpayers and tax authorities. BEFIT aims to simplify compliance by establishing (i) a single set of rules to define the EU tax base for multinational groups and (ii) a one-stop-shop mechanism for tax reporting through one Member State's administration. The European Commission estimates this could reduce compliance costs for EU businesses by up to 65%.

Ultimately, the pursuit of a single corporate tax system could be highly beneficial but must be balanced with the complexity arising from interactions with multiple existing rules and directives. Careful calibration and coordination will be essential to achieve genuine simplification and increase legal certainty without imposing disproportionate burdens.

Common corporate tax rules alone are not sufficient to ensure the EU's competitiveness on the global stage. They must be complemented by an effective tax incentive policy, as highlighted in the European Commission's 2025 Recommendation on Tax Incentives. This Recommendation, part of the Clean Industrial Deal, encourages Member States to adopt cost-effective, simple, and targeted tax measures supporting clean technologies and industrial decarbonisation. Such incentives are crucial to lowering investment barriers, fostering innovation, and strengthening the EU's competitive position worldwide.

However, accessing tax incentives remains challenging for businesses due to fragmentation across Member States, administrative complexity, and compliance burdens. In addition, modifications to tax incentive regimes under Pillar Two rules are essential to align them with the EU's strategic objectives (as only Qualified refundable and non-refundable tax credits do not currently have negative effects under Pillar Two rules). Pillar Two's 15% minimum tax can neutralize or reduce the benefits of many existing incentives, potentially discouraging investment in R&D and innovation. To support the EU's competitiveness and green transition, the 28th regime should introduce favorable tax treatment and specific incentives that encourage research, development, and innovation activities. This would ensure that Pillar Two does not unintentionally stifle key investments but rather complements broader EU goals of sustainable growth and technological leadership.

This underscores the need for a common EU framework to streamline access to tax incentives, making them more effective and easier to apply. Combining a harmonized corporate tax system with a robust, coordinated tax incentive policy would better support investment, legal certainty, and sustainable economic growth across the Union.

Employment taxation and payroll

We observe that businesses must register and comply with different tax regimes in each jurisdiction, often running parallel payrolls in home and host countries. This duplication creates heavy administrative burdens.³

Differing rules on taxable income and reliefs compound the complexity – each Member State often has its own definitions of what employment income is taxable, which expenses are deductible, and how double tax relief is granted. For example, an employee on assignment may have income taxed and reported in two countries with cumbersome credit/refund procedures to avoid double taxation. Navigating 27 tax systems with specific rules is costly and may discourage cross-border expansion.⁴

³ P. 55, [Deloitte Ireland Pre-Budget 2026 submission](#).

⁴ [New proposals to simplify tax rules and reduce compliance costs for cross-border businesses - European Commission](#).

Another obstacle is inconsistent treatment of employee travel and subsistence allowances. Some Member States tax daily allowances or reimbursements after a short duration abroad (e.g., Germany’s 3-months rule; Belgium’s 30 days rule), turning basic business travel support into a taxable benefit. Employers could incur significant costs for sending staff on EU assignments if they need to “gross up” packages or offer premiums to offset tax on travel reimbursements, raising the cost of cross-border projects.

Additionally, the lack of a common rule on what constitutes a “normal place of work” in a hybrid work era leads to uncertainty in taxing remote-work-related travel expenses. For instance, without clear recognition of home office as a legitimate workplace, allowances for trips to company sites can be taxed inconsistently.⁵

These tax obstacles erode the efficiency and appeal of the Single Market. Companies must devote considerable time and money to multi-country tax compliance – diverting resources from other critical areas like innovation and growth. The European Commission itself notes that dealing with myriad national tax systems “discourages cross-border investment in the EU, putting European businesses at a competitive disadvantage”.⁶ Companies expanding abroad from any EU member state, or foreign firms considering entry into the EU, face complexity and uncertainty in forecasting employment costs across borders, potentially deterring investment. Over time, high-growth enterprises may limit their EU footprint or relocate activities to jurisdictions with simpler tax rules, undermining the EU’s ability to attract and retain innovative businesses.⁷

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In summary, fragmented national tax requirements – from double payroll obligations to taxable travel stipends – create barriers to cross-border mobility and scalability for companies. To bolster EU competitiveness, we recommend an optional 28th regime taxation framework that simplifies compliance and eliminates double taxation conflicts, allowing companies to interact with a single tax system for cross-border employees. Streamlining these rules in line with the EU’s simplification agenda (25% administrative burden reduction target⁸) would reduce costs and uncertainty, enabling innovative enterprises to expand across the EU with confidence. This one-stop tax regime would directly support the goal of a frictionless Single Market for high-growth companies.

2. Question 41. Are there any potential tax measures, including tax incentives, that you would consider helpful to support the future 28th regime’s goal of allowing start-ups and scale-ups to develop in the EU? Please explain.

To overcome the above obstacles, we call for targeted tax measures aligned with the “28th regime” vision of simplification and mobility. Two key proposals are:

“Single State” income taxation

We recommend mirroring the EU social security rule that a worker is subject to only one country’s system at a time⁹ by extending a similar principle to income tax. In practice, this would mean an employee on cross-border assignment pays employment income tax in only one Member State, rather than both home and host. Adopting this one-stop tax

⁵ P. 56, [Deloitte Ireland Pre-Budget 2026 submission](#).

⁶ [New proposals to simplify tax rules and reduce compliance costs for cross-border businesses - European Commission](#).

⁷ [EU Startup and Scaleup Strategy - European Commission](#)

⁸ P. 59, [Deloitte Ireland Pre-Budget 2026 submission](#).

⁹ EU social security coordination - European Commission, https://employment-social-affairs.ec.europa.eu/policies-and-activities/moving-working-europe/eu-social-security-coordination_en

approach (potentially through an EU-wide framework or elective regime) would remove the need for duplicate payrolls and reclaiming foreign tax credits. It builds on the idea of a territorial taxation approach, whereby only the country where the work is physically performed would tax that income.¹⁰ Such coordination, analogous to social security's "one country" rule, would vastly simplify compliance and prevent situations where companies and employees face overlapping tax claims. The result would be lower administrative costs and fewer incidences of double taxation disputes, encouraging companies to send talent across borders without tax friction. Notably, the OECD's model tax treaty and EU arbitration conventions¹¹ address double taxation *ex post*, but this proposal aims to prevent it upfront by designating a single taxing jurisdiction, providing certainty to both employers and employees.

EU-wide tax exemption for work travel & subsistence

We recommend introducing an EU-wide tax exemption or standard allowance for short-term business travel and assignments.¹² This would ensure that travel reimbursements, accommodation, and daily allowances for employees working temporarily in another EU country are consistently tax-free (up to a reasonable threshold or duration). Such a measure would remove the current patchwork of rules where, for example, a few weeks' stay abroad can trigger taxable benefits in one country but not another. An EU-level tax free work travel allowance regime (perhaps modelled on existing international *per diem* standards¹³) would eliminate unwarranted tax costs on global employment mobility. Supporting this, European business groups have already called for relief from bureaucratic requirements on short trips – for instance, a 14-day exemption from cross-border social security certificates to reduce needless burdens.¹⁴ A coordinated tax exemption for short-term travel similarly acknowledges that temporary, transient work presence should not create a tax liability. This would directly incentivise cross-border projects, training, and collaboration within the EU by assuring companies that the expenses of these activities won't be clawed back as taxable income.

Additional supports

Beyond these two major ideas, the 28th regime's tax toolkit could include further measures such as mutual recognition of pension contributions and stock option gains (so employees don't lose tax benefits when moving between EU states) and a simplified "one-stop-shop" tax filing portal for companies in the regime. The European Commission's recent corporate tax initiative (BEFIT) shows the potential – a single set of rules for EU-wide taxable profits could cut compliance costs by up to 65%.¹⁵

Similarly, a single regime for employment taxes would free up resources currently sunk into multi-country tax filings. Importantly, any new measures should align with the EU Competitiveness Compass goals of reducing red tape and enhancing certainty.¹⁶ This alignment would ensure broad support and smooth implementation across Member States.

Adopting the above tax measures would markedly simplify cross-border operations for innovative companies. We recommend that the EU, as part of the 28th regime, implement a voluntary unified employment tax regime wherein companies can opt for one set of payroll tax rules and a single "home" taxing country for their internationally mobile employees. Coupled with a pan-European work travel exemption, this would remove tax disincentives for mobility and reduce compliance costs, directly supporting high-growth firms. Such policies strike at the core 28th regime

¹⁰ P.55, [Deloitte Ireland Pre-Budget 2026 submission](#).

¹¹ The following sources provide for after-the-fact ("ex post") relief from double taxation: Art. 25, OECD Model Tax Convention (Condensed Version 2017); OECD Manual on Effective Mutual Agreement Procedures; EU Arbitration Convention 90/436/EEC and EU Directive 2017/1852 EU Tax Dispute Resolution with Binding Arbitration.

¹² Finland, for example, recently expanded tax-free reimbursements for cross-border work to reduce mobility frictions.

¹³ For example, the Commission's per diem (daily subsistence) rules set flat rate allowances covering meals/local transport etc. can be used as a ready-made template for an EU-wide tax free allowance regime, see [Annex VI – Per Diem \(Daily Subsistence Allowance\) & Accommodation Ceiling](#).

¹⁴ [Press Release: BT4Europe Calls for Immediate Reform to Reduce Administrative Burden for Short-Term Business Travel in the EU](#).

¹⁵ [New proposals to simplify tax rules and reduce compliance costs for cross-border businesses - European Commission](#).

¹⁶ Pp. 22 and 59, Deloitte pre-Budget 2026 submission.

objectives – ease of doing business across the EU and support for scaling enterprises – by ensuring taxation does not stand in the way of an effective Single Market for talent and services.¹⁷

3. Question 42. What are the main obstacles related to employment for companies, especially when they do business in more than one EU country and employ people in various Member States? Please explain.

Beyond taxation, companies expanding across EU borders face significant employment law obstacles that can impede agility. In our experience, the divergence in national labour laws is a primary challenge. Every Member State usually has distinct rules on hiring, dismissals, collective consultation, and workplace rights – forcing businesses to navigate a maze of regulations when they employ staff in multiple countries. This lack of harmonization means policies that work in Ireland may conflict with stricter requirements elsewhere.

These legal inconsistencies translate into real operational obstacles. HR teams must manage multiple sets of employment contracts, payroll standards (e.g. different working time limits, leave entitlements, and social benefits), and termination costs. The inability to implement group-wide changes swiftly – say, a restructuring or role changes – due to lengthy consultations in one country can hold back the entire organisation’s adaptation to market conditions.

Cross-border remote work is another grey area: if an Irish employee works remotely from Spain, different leave and overtime laws might apply, creating compliance ambiguity over which national law governs their rights. This patchwork undermines consistency. Changes are needed across the EU to provide both agility and consistency in employment practices. Without some alignment, companies face a “two-tier” labour landscape, potentially resulting in hesitation to hire or invest in certain markets known for rigid regulations.

Notably, the European Parliament’s draft for the 28th regime chose not to override national labour laws, instead proposing conflict-of-law rules (e.g. employment contracts governed by the place of work).¹⁸ This means that without additional measures, companies under an EU-wide company status (ESSU) could still juggle different national labour regimes – limiting the potential simplification the 28th regime could deliver on the HR front.

4. Question 43. Are there any potential employment related measures that you would consider helpful to support the future 28th regime’s goal of allowing start-ups and scale-ups to develop in the EU? Please explain.

See comments on questions 41 and 42 above.

¹⁷ [New proposals to simplify tax rules and reduce compliance costs for cross-border businesses - European Commission.](#)

¹⁸ [28th regime initiative.](#)

5. Question 47. What are the main barriers that companies face when trying to use employee stock options (ESOs) or similar equity-based instruments to attract and retain talent? Please explain.

In our view, all companies operating in the innovation economy would benefit from a harmonised EU stock option regime, with particular impact for startups, scale-ups, and other high-growth or innovative businesses.

Equity-based remuneration (stock options, RSUs, employee share purchase plans, etc.) is a critical tool for these companies to attract and retain talent when they cannot match the cash salaries of larger competitors. However, today's landscape is highly fragmented – Europe lacks a unified approach, and the effective tax rate on stock options ranges from ~7% in some countries to as high as 70% in others.¹⁹ This extreme divergence means that a startup granting equity to employees faces drastically different outcomes depending on the country. For example, a French startup benefits from the BSPCE regime (low tax on startup options), while an Irish startup's employees may face income tax up to 52% on option exercise (if not using the limited KEEP scheme). Such inconsistencies distort where talent is willing to work and where companies choose to locate.²⁰ They also create complex compliance issues when employees move across borders with unvested equity, or when a company expands and must juggle multiple national tax regimes for its equity plan.

A useful analogy is the recent Pan-European Personal Pension Product (PEPP), which introduced a voluntary EU-wide retirement savings product with the same features across countries. Similarly, one can envisage a Pan-European Employee Stock Option scheme. If an employee of a 28th regime company exercises stock options, the tax treatment could be standardized – for example, no tax on exercise (if shares are held for a minimum period) and then a capital gains tax on sale, or a uniform rollover relief if proceeds are reinvested. Poland has rules that apply CGT treatment on sale with no tax on exercise. Portability would be key: an employee moving from, say, Spain to Ireland would not lose the favorable tax treatment on their existing options. This portability and consistency would make stock rewards far more effective as an incentive for cross-border talent. It would also prevent scenarios where employees in different EU offices of the same company receive grossly different net benefits from identical equity grants, which today can breed discontent and talent migration.

All innovative companies – from nascent startups to established tech unicorns – stand to gain from an EU-harmonised stock option regime, with startups and scale-ups most immediately impacted by the removal of current barriers. We recommend that the European Commission, as part of the 28th regime, implement an optional Union-wide employee equity scheme. This scheme should draw on best practices (e.g. no taxation at grant, reasonable tax deferral and reliefs) and could be administered via a central platform or “intermediary” to help with cross-border plan management. Crucially, the scheme's design must be competitive globally – the aim should be to match or exceed the attractiveness of stock option regimes in the US/UK, so that Europe can recruit and retain top talent. By instituting common rules, the EU would remove a major source of fragmentation in its talent market²¹ and send a strong signal that entrepreneurs and employees can “Choose Europe” to start and scale their ventures.²² In summary, our policy recommendation is for a Pan-European Stock Option framework under the 28th regime that ensures employees of high-growth companies across all Member States can share in the upside of innovation under equal, tax-efficient conditions. This will support the 28th regime's broader goals of making Europe a magnet for innovative enterprise and talent.

¹⁹ EU Inc: A Vision for a Unified European Corporate Structure.

²⁰ *Ibid.*

²¹ *Ibid.*

²² EU Startup and Scaleup Strategy - European Commission.

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We would be happy to discuss any comments or questions you may have regarding our responses. We can be reached as follows: pzalba@deloitte.es or rpozacid@deloitte.es.

Yours sincerely,

A stylized, handwritten signature in blue ink, consisting of several overlapping, sweeping strokes.

Pablo Zalba
Managing Director EU Policy Centre

A handwritten signature in blue ink, featuring a series of connected loops and a long, horizontal flourish at the end.

Roberta Poza Cid
EU Tax Public Policy Leader