



To:

European Commissioner Wopke **Hoekstra**
Climate, Net Zero and Clean Growth
Rue de la Loi 200 / Wetstraat 200
1040 Bruxelles / Brussel



Subject:

Need for EU Action on global taxation framework following US policy shifts

Dear Commissioner Hoekstra,

At a time of increasing geopolitical and economic uncertainty, the European Union must continue to act as a reliable global partner, committed to the rule of law, multilateral cooperation, and fair economic governance. At the same time, there is a need to safeguard the competitiveness of European businesses, and so to refrain from subjecting them to burden resulting from global frameworks, which their non-EU counterparts would not be subject to.

Unfortunately, recent developments in US tax policy under President Donald Trump, particularly regarding the global minimum tax, poses significant risks to the global competitiveness of European companies. President Trump has not only ruled out his government's support of the global minimum tax but has also signalled potential retaliatory measures, including tariffs and punitive taxes on residents of countries whose tax rules the US Treasury deems discriminatory or extraterritorial. As an extraterritorial measure, the US is likely to target the Under-taxed Profits Rule (UTPR), a key component of the global minimum tax.

The European insurance industry is deeply concerned that these changes to US tax policy could put European companies at a significant competitive disadvantage. The potential imposition of additional US withholding taxes or other retaliatory measures could significantly affect both insurance companies and European policyholders, whose investment returns and long-term savings may suffer. Therefore, the European Union must take immediate and effective action to protect the interests of European companies. Specifically, the EU should:

- Raise the question of suspending the global minimum tax, to allow for negotiations within the G20/OECD Inclusive Framework and a thorough reassessment of the global minimum tax compliance requirements.
- Lead efforts at the OECD and within the G20 to negotiate the future of the global minimum tax in a way that ensures fairness for all global players. Any agreement with the US must uphold a level playing field and avoid undermining the competitive position of EU companies. One potential way forward could be an extension of the UTPR Safe Harbour for US companies, which would offer a straightforward and easy-to-implement solution.
- Undertake a thorough reassessment of its position on minimum taxation, evaluating whether the administrative burdens associated with Pillar 2 are proportional to the objective of establishing a global tax floor, and whether such burdens are justified given the unique complexities of the insurance industry.

If the global minimum tax project were to continue, rules would have to be significantly simplified to ensure broad acceptance, particularly among Inclusive Framework members. The following simplifications are essential for improving the overall viability and implementation of the system:

- Continuation of the transitional Country-by-Country Reporting (CbCR)-Safe-Harbour regime with targeted adjustments.
- Whitelisting of jurisdictions that can be expected to have effective tax rates of 15% or more.
- Addressing the treatment of investment entities to avoid overly burdensome compliance requirements and top-up tax charges that undermine the tax neutrality of funds.
- Reducing the granularity of reporting and computation requirements and enabling companies to rely on data that already exists in their accounting processes.
- Permitting companies to treat all deferred tax liabilities (DTLs) recorded in their financial accounts as "covered taxes" for the purposes of the effective tax rate computations, regardless of whether the DTLs are long-term or short-term. The current rules require a

retrospective re-computation of effective tax rates in cases involving long-term DTLs under the DTL recapture mechanism. This imposes a disproportionate administrative burden.

- Excluding immaterial entities from the scope of the GloBE Rules in order to focus compliance efforts.
- Reducing divergences between GloBE and financial accounting in order to minimise compliance burden.
- Revising the reporting requirements under the Global Information Return to reduce compliance burdens and improve usability for both taxpayers and tax authorities.
- Addressing the treatment of tax incentives by reducing limitations and clarifying eligibility criteria in view of supporting legitimate investment activities and easing compliance.
- Harmonising reporting deadlines and templates for Qualified Domestic Minimum Top-up Tax (QDMTTs) returns.

We also encourage the European Commission to streamline areas of overlap within the EU tax framework, such as the reporting requirements under the DAC 6 and the CFC rules under the ATAD, to enhance coherence, reduce administrative burdens, and support more efficient compliance for businesses operating across Member States.

We would welcome the opportunity to discuss these issues further and contribute to building constructive solutions to the evolving challenges in global tax policy. Should you require any further information or clarification, please do not hesitate to contact us.

Yours sincerely,

Frédéric de Courtois
Insurance Europe President

