Response to European Commission Initiative for a Directive on Business in Europe: Framework for Income Taxation (BEFIT)

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Please find the Insurance Europe response to the European Commission survey on Initiative for a Directive on Business in Europe: Framework for Income Taxation (BEFIT). Please have look at page 11 for the final remarks and more general and technical comments.

Problem definition

Q1. *Do you think the current situation, with 27 different national corporate tax systems, gives rise to problems in the internal market?*

- ■ **Agree**
- ☐ Partly agree
- ☐ Neutral
- ☐ Partly disagree
- ☐ Disagree
- ☐ Do not know

If you agree/partly agree with the above, what do you think are the problems?

	Not at all	To a very limited extent	To some extent	Neutral	To a great extent	To a very great extent	Do not know
Competitive disadvantage for EU businesses, compared to businesses operating in large markets outside the EU			X				
High tax compliance costs					X		
Risk of erosion of EU countries' tax bases due to aggressive tax planning							

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You can add to this non-exhaustive list in the box below:

- Problems with withholding tax relief (lengthy procedures, differing legal opinions among member states on the implementation of CJEU rulings).
- The competitive disadvantage of EU businesses compared to businesses operating outside the EU, which seems to be mainly due to an overall high level of corporate taxation in the EU, rather than the coexistence of 27 different tax systems.

If you identify high tax compliance costs as a problem, please provide an estimate of the magnitude of compliance costs:

The timeframe for the consultation and the lack of details on the future BEFIT regulation do not allow for a practical assessment of the potential benefits of a harmonised corporate tax base over the current situation.

***Q2**. What should the ultimate aim of a new EU corporate tax framework be? Rank the elements below from 1 to 7 in order of importance.*

	1	2	3	4	5	6	7	Do not know
Growth of business activity in Europe								
A more competitive single market that is more attractive to investors								
Greater legal certainty								
More tax revenues							**X**	
A more robust corporate tax system that can withstand tax avoidance								
Reduction of tax compliance costs for businesses								
Reduction of administrative costs for national tax authorities						**X**		

Main features of BEFIT

A. Scope

To determine whether a company that is tax-resident in the EU or an EU-located permanent establishment of a company established outside the EU falls within BEFIT's scope, it is envisaged to draw inspiration from the Pillar 2 rules and set a revenue threshold at group level or for each company.

Possible options would be to align BEFIT as much as possible with the Pillar 2 threshold, or further broaden its scope through mandatory or optional application, for example to cover SMEs.

Q3. *If the EU acted to establish the key features of a common tax base, which of the following options for the initiative's scope do you consider the most appropriate/effective, from the taxpayer's point of view and from a tax administration point of view?*

	Very effective	Effective	Not very effective	Not effective at all	Do not know
A compulsory system without a threshold				X	
A threshold for compulsory application without a possibility for groups below the threshold to opt in			X		
A threshold for compulsory application with a possibility for groups/companies (including SMEs) below the threshold to opt in					

Would you suggest different ways of determining who BEFIT should cover? Please elaborate.

Insurance Europe believes that a purely optional approach is applicable. Further details can be found in the document in Annex under the heading "The need for optionality". BEFIT should be established as a mandatory initiative only once in-scope groups have been able to assess that the drafted rules do not add an extra layer of compliance requirements to existing local and global applicable rules for determining a corporate tax base.

Q4a *Were a threshold established, which of the following alternatives do you consider the most effective?*

	Very effective	Effective	Not very effective	Not effective at all	Do not know
Groups with over EUR 750 million of consolidated global revenues	X				
Groups with over EUR 250 million of consolidated global revenues				X	
Groups with over EUR 50 million of consolidated global revenues				X	
All groups, regardless of their revenues (including SMEs)			X		
Standalone companies, regardless of their revenues			X		

If "Other", please explain:

Insurance Europe believes that a purely optional approach is applicable. Further details can be found in the document in Annex under the heading "The need for optionality". BEFIT should be established as a mandatory initiative only once in-scope groups have been able to assess that the drafted rules do not add an extra layer of compliance requirements to existing local and global applicable rules for determining a corporate tax base.

Q4b

	Very effective	Effective	Not very effective	Not effective at all	Do not know
What do you think about an immediate mandatory application of BEFIT rules to the first category (groups under the first option), followed by their gradual extension to the other categories, then general mandatory application after a certain period of time?			X		
Do you think that mandatory application to all companies from the beginning would be more effective?				X	

If you do, please say why, e.g. benefits vs costs of introducing such an obligation for the companies likely to be affected by it.

Insurance Europe believes that a purely optional approach is applicable. Further details can be found in the document in Annex under the heading "The need for optionality". BEFIT should be established as a mandatory initiative only once in-scope groups have been able to assess that the drafted rules do not add an extra layer of compliance requirements to existing local and global applicable rules for determining a corporate tax base.

Q5 *What do you think about excluding companies that are active in specific sectors of activity from the scope of BEFIT?*

- ☐ Agree
- ☐ Partly agree
- ☐ Neutral
- ■ **Partly disagree**
- ☐ Disagree
- ☐ Do not know

Q6 *If certain companies/sectors are excluded, what are your views on how to deal with groups that operate in a mix of sectors excluded from BEFIT and/or sectors/activities covered by BEFIT?*
Would you be in favour of criteria referring to a revenue-based threshold for each group's activity?
For example, one possibility would be that where revenues arising from excluded activities exceed 50% of a company's total revenue (company, permanent establishment), the company's full income is excluded from the BEFIT tax base for the tax year in question. Or would you suggest a different way of doing things?

N/A

B. Calculation of the tax base

One of BEFIT's key objectives will be to reduce the complexity taxpayers are faced with in dealing with different tax systems when a group operates in several EU countries. With this in mind, several options can be envisaged for calculating the BEFIT tax base. One of these, in particular, is to establish a comprehensive set of tax rules to determine taxable income, or, drawing inspiration from Pillar 2, start from companies' financial accounting statements and make limited adjustments for taxation.

Q7a *Given the potential compliance costs of this, which option do you consider more effective for calculating the BEFIT tax base?*
Under the first option, all companies belonging to the same group would first prepare their individual financial accounting statements in accordance with the applicable accounting rules, then bring them into line with a single EU acceptable accounting standard (for the whole BEFIT Group), to ensure that all group members use the same accounting standard as a basis for computing their tax base under BEFIT. The financial accounting net income or loss of individual companies would require a limited number of interventions to take into account the main tax adjustments that usually form part of a tax base (e.g. accelerated depreciation of research and development (R&D) assets for tax purposes).
The second option would entail designing a comprehensive set of tax rules for all companies affected in all EU countries (BEFIT rules).

	Very effective	Effective	Not very effective	Not effective at all	Do not know
Make limited tax adjustments to companies' financial accounts (Pillar 2)		**X**			
Put a comprehensive set of corporate tax rules in place					

If other, please explain:

- Need an impact assessment
- Option 1 is effective in respect of compliance costs if the adjustments for the BEFIT assessment basis are prescribed precisely enough to ensure legal certainty
- No mandatory link to IFRS but national accounting standards are accepted If starting point is IFRS, realisation principle should be followed
- Changes in international accounting standards must be monitored and, if necessary, adjusted for BEFIT assessment basis
- Sunset clause should be added to the BEFIT

Q7b *If you've chosen the first option, would you be in favour of keeping these adjustments to a strict minimum?*

- ■ **Agree**
- ☐ Partly agree
- ☐ Neutral
- ☐ Partly disagree
- ☐ Disagree
- ☐ Do not know

Q8 *Which of the following could constitute key adjustments to financial accounts, in order to calculate an accurate tax base for BEFIT?*

If "Other", please explain:

- Need an impact assessment before a precise position on calculation of tax base based on Pillar II

In its absence:

- Full deductibility of expenses related to profit distributions since profit has been taxed in the hand of the distributing company
- Turning off anti-abuse rules when in the scope of Pillar 2
- Full deductibility for provisions of insurance companies regardless of the tax treatment of the corresponding income
- Permanent establishments outside the BEFIT scope must be tax exempt

As a next step, the individual tax bases of all group members (i.e. EU tax-resident companies or EU- located permanent establishments of companies established outside the EU) would be added together to form a consolidated tax base. Given consolidation eliminates intra-group transactions in the EU, it would no longer be necessary to apply transfer pricing to transactions between a consolidated group's companies. Instead, a formula would be used to allocate profits between the different EU countries in which the group operates with a taxable presence.

Another outcome of such consolidation would be the relief of cross-border losses if one group member is, or two or more group members are, loss-making for tax purposes.

Q9 *Should cross-border loss relief be part of the system?*

- ■ **Agree**
- ☐ Partly agree
- ☐ Neutral
- ☐ Partly disagree
- ☐ Disagree
- ☐ Do not know

If you agree/partly agree with the above, tell us what you think the implications will be:

It would imply increased investment activity by companies.

Another benefit would be the ability to offset gains and losses across the EU market for groups operating in various member states.

C. Distribution of the tax base across EU countries using a formula (formulary apportionment)

It is envisaged that the consolidated tax base of the BEFIT Group to the different EU countries in which the group operates will be apportioned using a formula. An international consensus, reached for the first time, on the use of a profit allocation formula in Pillar 1, could help pave the way for the use of a formula in BEFIT. The Pillar 1 formula only uses one factor, while the more complex BEFIT should use at least three factors. However, the principle that for the first time a formula replaces the use of the arm's length principle is an important precedent.

Formulary apportionment is a mechanism for allocating the tax base among eligible jurisdictions (EU countries) on the basis of a set of pre-determined weighted factors. This formula would replace the existing transfer pricing rules for allocating profit among eligible EU countries.

Q10 Would you agree that the tax base should be apportioned to the different EU countries using a formula (formulary apportionment)?

- ■ **Agree**
- ☐ Partly agree
- ☐ Neutral
- ☐ Partly disagree
- ☐ Disagree
- ☐ Do not know

If you agree/partly agree, please tell us what impact you think such an allocation mechanism may have:

Once there is an agreement on the offsetting of intra-group gains and losses, a tax base allocation proxy is merely consistent.

When a formula is used, the most frequent factors for allocating profit are tangible assets, staff numbers, payroll and sales by destination. The higher these are in an EU country, the greater the share of profit that will be allocated to this country. An alternative would be to also include intangible assets in the formula. As neither the categories of intangible assets recognised for accounting purposes nor the methods for evaluating them are harmonised across the EU, they could be taken into account using a proxy. This could include R&D expenses and marketing and advertising costs, combined with a nexus requirement (to be fulfilled by the company allocated a share of profits deriving from those intangibles).

Q11a *Would you be in favour of profit allocation using a formula based on a combination of weighted factors, such as tangible assets, labour (a combination of staff numbers and payroll) and sales by destination, but not intangible assets?*

- ☐ Agree
- ☐ Partly agree
- ☐ Neutral
- ■ **Partly disagree**
- ☐ Disagree
- ☐ Do not know

Q11b *Or would you be in favour of a BEFIT formula including the above and one or more intangible assets?*

- ☐ Agree
- ■ **Partly agree**
- ☐ Neutral
- ☐ Partly disagree
- ☐ Disagree
- ☐ Do not know

Do you have suggestions for any additional factors?

The weighting factors should be industry-based in order to better reflect the economic substance of each business line. For instance, payroll is not relevant as a substance-based factor for reinsurance. However, a generic method would be helpful for groups operating in several business lines.

Several options are considered regarding the weight of each factor. In the sample formula below, all four factors mentioned above are included and equally weighted (¼). The share of profit of group member F will be determined as follows (N.B. G refers to the whole group):

$$\begin{aligned} Share\ F = Consolidated\ Tax\ Base * [&\frac{1}{4}\left(\frac{Sales\ by\ destination\ F}{Sales\ by\ destination\ G}\right) \\ &+\frac{1}{4}\left(0.5\frac{Payroll\ F}{Payroll\ G}+0.5\frac{No\ of\ employees\ F}{No\ of\ employees\ G}\right)+\frac{1}{4}\left(\frac{Tangible\ assets\ F}{Tangible\ assets\ G}\right) \\ &+\frac{1}{4}\left(\frac{Intangible\ assets\ proxy\ F}{Intangible\ assets\ G}\right)] \end{aligned}$$

In this formula, the EU country of destination (market jurisdiction) is less represented than the EU country of origin, as only one quarter of all factors, i.e. sales by destination, allocates profit to the market jurisdiction. To compensate for this, a possibility could be to apply an increased weighting to sales by destination (e.g. a double weighting, giving two fifths of the overall weighting to sales by destination and three fifths to origin).

1.1.1. ***Q12*** *Do you think sales by destination should be given a higher weighting in the formula?*

- ☐ Agree
- ■ **Partly agree**
- ☐ Neutral
- ☐ Partly disagree
- ☐ Disagree
- ☐ Do not know

Q13 *For certain sectors of activity with specificities that cannot be addressed by the factors of the generally applicable formula, it may be necessary to adjust certain features and design sector-specific versions of the formula, to ensure a fair allocation of profit.*

For which sector(s) of activity would you see a potential need for a sector-specific formula and why?

- ■ Insurance industry
- ■ Asset management

What would you include in such a formula's factors?

- Technical provisions
- Deferred acquisition costs

D. Allocation of profit to companies outside the BEFIT Group

Under BEFIT, the arm's length principle[1] will continue to apply to pricing transactions between companies of the BEFIT Group and (i) companies of the same group that are tax-resident outside the EU (i.e. outside the BEFIT Group); and/or (ii) their associated companies[2] in the EU or a country outside the EU. The planned initiative could therefore simplify the methods for applying transfer pricing rules, to give taxpayers greater legal certainty but without deviating from the arm's length principle.

Q14 *Regarding transactions between BEFIT Group companies and companies outside it*

	Agree	Partly agree	Neutral	Partly disagree	Disagree	Do not know
Should the status quo be maintained for transfer pricing rules, as has been the case until now?			X			
Should compliance with transfer pricing rules be simplified even if the process involves the use of proxies?		X				
Do you agree that this can be done, e.g. using certain benchmarks?		X				

To provide tax certainty, the proposal envisages developing a system based on macro-industries' benchmarks. This would not replace the arm's length principle, and companies would still need to carry out the necessary transfer pricing analysis. But it would provide guidance on how tax authorities assess the risk of certain transactions without departing from the OECD rules.

Under such a system, the transaction between a company of the BEFIT Group and one outside it would be assessed as being of low, medium or high risk for not complying with the arm's length principle. This would depend on how payment for the transaction compares to a series of benchmarks for each category of macro-industry (e.g. automotive) and type of activity (e.g. distribution).

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[1] *An internationally acknowledged principle according to which the price agreed in a transaction between two related parties must be the same as the price agreed in a comparable transaction between two unrelated parties.*

[2] *Companies that are part of a group, but not of the BEFIT Group, so below the accounting threshold for consolidating financial statements.*

What this approach aims at is transparency, through the publication of certain profit markers (possibly in the form of a range) for tax authorities' risk assessment framework.

These profit markers are indicative illustrating what would be tax authorities' likely approach to certain transactions. For example, if the profit margin of a low-risk BEFIT Group company in the distribution sector fell into the 'low-risk' zone, tax authorities would generally not check the transfer pricing results of the relevant transaction.

Q15a *Do you agree with streamlining tax authorities' transfer pricing risk assessments of transactions between members of the BEFIT Group and companies outside it?*

- ☐ Agree
- ■ **Partly agree**
- ☐ Neutral
- ☐ Partly disagree
- ☐ Disagree
- ☐ Do not know

Administration

BEFIT will aim for a significant reduction in the compliance burden of taxpayers and the administrative costs for tax authorities. However, this does not exclude the fact that some additional compliance and administrative costs could arise in certain circumstances.

Q16 *As a taxpayer, do you see any benefits the BEFIT initiative would bring regarding your current compliance costs, e.g. their nature, size, etc.?*

As a tax administration, do you see any benefits the BEFIT initiative would bring regarding your current administrative costs, e.g. their nature, size, etc.? Please explain your response.

Multinational enterprises can apply one tax base instead of many national tax bases within the EU, provided that the rules are applied evenly. However, this simplification effect would be impaired if national additional taxes with diverting tax bases (eg, the German trade tax) were retained. In addition, a parallel run with the Pillar 2 tax base as far as possible could avoid multiple calculations. In principle, the BEFIT could significantly reduce tax compliance costs, depending on how the initiative is drafted.

Q17 *As a taxpayer, do you anticipate that the BEFIT initiative will bring additional compliance costs?*
As a tax administration, do you anticipate that the BEFIT initiative will bring additional administrative costs, apart from the obvious regulatory costs that most likely will arise at the beginning? Please explain your response:

The conversion from national accounting rules to IFRS accounting is likely to result in both a one-off conversion expense and a permanent additional expense.

The BEFIT initiative could generate additional compliance costs if new constraints are created: restatement of financial data, new reporting requirements, etc.

Final remarks, additional information

Is there anything else you would like to bring to the attention of the Commission?

If you wish to provide additional information (e.g. a position paper or a report) or raise points not covered by the questionnaire, you can upload this additional information here.

The insurance industry considers the BEFIT initiative as an opportunity to improve the competitiveness of businesses operating in the EU. However, the initiative must be carefully designed to avoid additional regulatory constraints, as there are already many global regulatory requirements (IFRS 9, IFRS 17, GloBE). If the design includes limited adjustments to financial data, effective consolidation and a balanced profit allocation method for all business lines, BEFIT could be a crucial step towards tax harmonisation in the EU.

General comments

- Insurance Europe supports the European Commission's aim to simplify the determination of taxable income and reduce compliance costs for companies operating cross-border. Similarly, Insurance Europe supports any measure designed to counter aggressive tax planning and avoidance.
- Insurance Europe would like to emphasise that it is only through consolidation that the expected advantages of the Business in Europe: Framework for Income Taxation (BEFIT) initiative can be truly achieved in terms of reinforcing the European Single Market because this would recognise companies' cross-border activities within the EU. The expected advantages include: cross-border loss offset; addressing transfer pricing and double taxation concerns; the possibility of EU-wide tax-neutral restructuring; and the equal treatment of incorporated subsidiaries and permanent establishments within the EU. Insurance Europe therefore welcomes the intention of the EC to build BEFIT based on a consolidated approach.
- At the same time, Insurance Europe considers that, in this phase, it is too early to have a view on the calculation of the tax base. In fact, in parallel to the drafting and implementation of the legislation, there should be some impact assessments of the Pillar Two reform. Only after an analysis of the effects of the execution of that initiative could Insurance Europe have an informed view on the calculation of the tax base.

In particular:

  - In terms of consolidation, Insurance Europe would like to address the need to consider participation exemption regimes.
  - Insurance Europe points out that the existing local Generally Accepted Accounting Principles (GAAP) and domestic tax rules have evolved and developed over time to take into account the various local legal customs and conditions. Thus, the current domestic tax rules have been drafted and adjusted to reflect the unique local landscape in terms of different types of legal entities (eg, different types of solutions for occupational pensions and mutual entities, and regulatory statutory requirements for institutions overseen by the financial supervisory authority). Tax rules not adapted to these circumstances could lead to issues for which existing sets of domestic rules already have an effective solution. If BEFIT is introduced in the various existing national legal environments without a thorough impact assessment, both from a European perspective as well as from that of each member state, it could lead to adverse consequences for taxation, as well as other areas.
  - It should also be pointed out that many groups are currently in the process of performing an impact assessment of the Pillar Two minimum global tax reform. Assessing the effects and implementing Pillar Two, while at the same time assessing the impacts of a new corporate tax base, is a complex task and therefore sufficient time should be given for analysis. The necessary assessments must also cover other fields apart from taxation, such as financial reporting

obligations, and they will therefore be particularly time-consuming. The EC should also take into account that Pillar Two rules are currently being drafted and the full scope of the regulations is not yet clear. This means that businesses are already struggling to interpret the rules and be ready for the Pillar Two implementation deadline.

Technical comments

In Insurance Europe's view, BEFIT's implementation should avoid certain flaws that characterised the draft of the CCTB Directive. If not addressed, they would result in inconsistencies with respect to the computation of the tax base.

- **Cross-border VAT groupings for financial services should complement the BEFIT initiative**

The advantages of consolidation will not be achieved if they are not accompanied by new VAT rules for financial services. Under current VAT rules, there are no cross-border VAT groupings, thus routinely leading to a VAT burden across the EU market. For VAT purposes, the consolidation of tax bases should be linked with the simultaneous introduction of a VAT group that is admissible across borders.

- **The need for optionality**

Insurance Europe believes that an *optional* approach to the BEFIT should be followed.

  - BEFIT is driven by cross-border businesses and optionality should be possible, at least for a group with only limited cross-border business, as it would not be proportional for those businesses to be obliged to apply BEFIT.
  - Moreover, many non-listed groups with over €750m in consolidated revenues prepare their accounts in accordance with national accounting standards. If International Financial Reporting Standards (IFRS) are prescribed as a starting point under the first option or a comprehensive set of tax rules is established under the second option, those groups with over €750m in consolidated revenues would have to shift to new accounting rules/a new tax base computation. Therefore, an optional approach would spare companies the effort of shifting to a new system.
  - An optional approach would consequently allow taxpayers the flexibility to weigh up the pros and cons of either keeping the traditional local tax base or shifting to BEFIT.
  - BEFIT should be established as a mandatory initiative only once in-scope groups have been able to assess that the drafted rules do not add an extra layer of compliance requirements to existing local and global applicable rules for determining a corporate tax base.

- **Assessing the effects arising from the detachment of the current connection between regulatory requirements, accounting and reporting, and tax**

The starting point of all tax base calculations is the accounts prepared according to the local GAAP. The local GAAP may differ between countries to reflect local customs and legal characteristics. The accounting directives differ between sectors and the size of companies.

  - There is also a difference between GAAP at group and legal entity level that could lead to differences in the financial accounts between group companies. Administrative relief for tax consolidation is only achieved if the underlying accounting regulations are the starting point, despite the fact that they may differ between groups and legal entities. Otherwise, businesses will have an additional accounting regulation to comply with for tax purposes instead of having the same GAAP for accounting and tax. Any new regime that steers businesses in one direction when it comes to which GAAP to use for tax purposes will inevitably also have an impact on other areas. It is therefore important to include an analysis of which general accounting principle should be the starting point of the tax calculation and how differences or local adjustments to IFRS at legal-entity level should be considered when calculating the tax base. This is especially important from an insurance sector point of view. Applying the same set of rules to companies that have different legal characteristics and conditions may not lead to the same result. One effect of BEFIT might be that there will be a disconnect between the entity that earns profits and recognises them for accounting purposes and the entity that taxes them.

- BEFIT may alter Pillar Two calculations, possibly increasing or decreasing any Pillar Two liability by relocating to places where local taxes are paid, but without changing the jurisdiction that recognises the accounting profits. As BEFIT shifts profits from one entity to another, it will inevitably impact the local tax, Pillar Two tax and total tax liabilities (and in turn the retained earnings available to support future business). The combined effect should be understood and considered by policymakers, especially from a financial perspective.

- **Need for legal certainty for taxpayers**

In the past, Insurance Europe suggested that the EC address the lack of mechanisms in both the proposed drafts of the CCCTB Directive to ensure the uniform application of law by member states.

- Moreover, Article 1 in both proposed drafts stated that recourse to national law is excluded in respect of all matters regulated by the directive. In Insurance Europe's interpretation, this meant that, where there are regulatory gaps, national law is applicable. Given that the proposed drafts did not reach the same level of technical complexity as national tax systems, taxpayers would be confronted globally with a lack of legal certainty. BEFIT should address this, as in such cases tax authorities will always opt for the revenue-friendly interpretation of the law.
- Furthermore, a new taxation framework will unavoidably lack the same level of granularity as a mature national tax system. It will therefore be difficult for taxpayers to evaluate the consequences of the determination of taxable income according to the new system, when in fact predictability and certainty are essential for the acceptance of a new tax system.
- Multinational enterprises and large domestic groups should be guaranteed the time needed to assess the impact of the GloBE rules, before an EU-harmonised tax base grounded on those rules can be drafted. Indeed, not all the specifics of Pillar Two are fully known yet.

- **National taxes as deductible operating expenditures**

Insurance Europe is concerned that BEFIT might replicate a list of non-deductible expenses previously featured in Article 11 and Annex III of the Commission's proposal for a CCCTB in 2011[3], with some modifications. Article 11 of the 2011 proposal prohibited the deduction of corporate income tax, whereas Annex III prohibited the deduction of taxes comparable to corporate tax in various jurisdictions.

- Insurance Europe would like to know whether the EU is taking the same approach as in the proposals of 2011. If this is the case, Insurance Europe would propose a critical assessment of whether the taxes are in fact comparable to an income tax. Insurance Europe would welcome the opportunity to work with the Commission on this review in the context of taxes that impact the European insurance industry.

- **Recognising the equalisation provision for tax purposes**

- Equalisation provisions are indispensable for enabling insurance companies to cover large claims, such as those that arise after natural catastrophes. Insurance Europe therefore suggests that BEFIT should address this issue.

[3] EC 2011 CCCTB proposal 2011/0058 (CNS)

- **Formulary apportionment**
  - The EC indicated that BEFIT will build on the formula for allocating profits from Pillar One of the two-pillar approach proposed by the Organisation for Economic Co-operation and Development (OECD). In principle, Insurance Europe agrees with a formulary apportionment of tax among member states. Whatever allocation factors are chosen, they must be easy to apply and unambiguous. The rules should be accompanied by an administrative framework. Whatever factors member states agree on for a formulary apportionment, if any, should be applicable, easy to implement, manageable and adapted to the insurance industry business model.