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Delegations will find attached document C(2025) 4319 final.

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EUROPEAN
COMMISSION

Brussels, 2.7.2025
C(2025) 4319 final

COMMISSION RECOMMENDATION

of 2.7.2025

**on tax incentives to support the Clean Industrial Deal and in light of the Clean
Industrial Deal State aid Framework**

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 292 thereof,

Whereas:

- (1) On 29 January 2025, the European Commission published the Competitiveness Compass Communication¹, which lists priority actions to reignite economic dynamism in Europe. It sets out three transformational imperatives to strengthen competitiveness: (1) closing the innovation gap; (2) a joint roadmap for decarbonisation and competitiveness; and (3) reducing excessive dependencies and increasing security.
- (2) On 26 February 2025, the European Commission published the Clean Industrial Deal Communication (“CID”)². The CID presents the business case for decarbonisation as a source of growth and prosperity. Building on the Competitiveness Compass and its decarbonisation pillar, the CID delivers a joint roadmap for decarbonisation and competitiveness. It confirms the EU’s commitment to its climate goals by offering clear business incentives for industry to decarbonise within Europe, including through circular economy practices, and, in so doing, enhance EU competitiveness. The CID’s objective is hence to bring together – and foster – climate action and competitiveness under one overarching growth strategy, while also reinforcing the EU’s resilience. It focuses on (1) energy-intensive industries, which require urgent support to decarbonise, electrify, increase circularity, and confront high energy costs, unfair global competition and complex regulations, all limiting their competitiveness; and (2) the clean-tech sector, which is at the heart of future competitiveness and necessary for industrial transformation, decarbonisation, and advancing the circular economy.
- (3) Mobilising resources to encourage private investment is crucial to accelerate the deployment of renewable energy and reduce greenhouse gas emissions. The EU needs to increase its annual investments in energy, in industrial innovation and upscaling, and in the transport system, by around EUR 480 billion compared to the previous decade³. In this regard, it is important that elements of Member States’ corporate tax systems which impact on private investment decisions set price signals that support a clean business case and do not undermine other decarbonisation policies.
- (4) Tax incentives can serve general investment and growth objectives or target specific objectives, for example, to support the take-up of new clean technologies or to incentivise investments in industrial decarbonisation. They can therefore encourage companies to invest

¹ COM (2025) 30 final.

² COM (2025) 85 final.

³ SWD (2023) 68 final – Between 2021 and 2030.

in clean assets and technologies that are strategic for the transition towards a decarbonised and circular economy.

- (5) The CID Communication announced that the Commission would recommend to Member States appropriate tax measures to support clean investment, including shorter depreciation periods for clean technology assets and the use of tax credits for businesses in strategic sectors for the clean transition.
- (6) The new Clean Industrial Deal State Aid Framework (“CISAF”)⁴ enables necessary and proportionate State aid that crowds in private investment. Given that this may also relate to tax measures, when measures set out in this Recommendation involve State aid, Member States are reminded that CISAF provides the relevant compatibility rules. Therefore, for such instances, the Recommendation must be read in conjunction with the latter.
- (7) Building a business case for decarbonised products depends on several factors. Tax incentives should be seen as one element of an evolving policy mix that also includes cross-cutting measures such as carbon pricing and energy taxation, as well as concrete measures on the demand side. Businesses will only make the necessary investments if they are sure there is a market for their products. Given the evolving level of technological readiness and hence cost of respective products, tax incentives, the extent of relief they give and the scope of eligible assets should be subject to regular review, in addition to respecting the State aid framework where applicable. This review process should take into account the desirability for firms of having stability and predictability in the depreciation rules that apply to their investments and assets.
- (8) The content of this Recommendation has been informed by targeted consultations with the Member States and stakeholders from specific sectors that are important for delivering on the objectives of the CID. It has also been informed by responses to the public consultation carried out for CISAF, which included feedback on the tax incentives set out in this Recommendation⁵.
- (9) This Recommendation sets out common guiding principles to guide Member States when introducing tax incentives to contribute to the objectives of the CID, focusing primarily on policy options linked to corporate income tax. Support for the deployment of clean technologies and industrial decarbonisation differs across Member States. To ensure a level-playing field between companies across the internal market and increase legal certainty, tax incentives should to the extent possible follow common guiding principles.
- (10) The details of the scope, type and design of tax incentives that the Recommendation suggests using are underlain by the principles that tax incentives should be cost-effective, well targeted, simple for companies and administrations to understand and use, and provide certain and timely support to firms making clean investment decisions. The effect of tax incentives is maximised where companies making decisions on clean investments can be confident that they will receive the full value of an incentive in place in a Member State and that they will receive the benefits relatively soon after making the investment. The Recommendation therefore suggests using accelerated tax depreciation and loss carry-forward rules for clean investments. It also recommends that, where it is feasible within a national tax system,

⁴ C(2025) 7600 final; COMMUNICATION FROM THE COMMISSION Framework for State Aid measures to support the Clean Industrial Deal (Clean Industrial Deal State Aid Framework) of 25 June 2025

⁵ See here: https://competition-policy.ec.europa.eu/public-consultations/2025-cisaf_en

Member States look to make tax credits refundable and/or allow them to be offset against a wider range of taxes than corporate income tax.

- (11) Empirical evidence tends to point to expenditure-based tax incentives being a more cost-effective means of generating additional investment than income-based tax incentives such as reduced corporate income tax rates or patent boxes. Expenditure-based tax incentives can be deducted from the tax base, like accelerated depreciation, or from the tax due, like tax credits. This Recommendation focuses on expenditure-based tax incentives.
- (12) Tax incentives deducted from the tax base can take the form of an accelerated depreciation, which can have significant positive effects on productive investment. Depreciation rules are a fundamental feature of most corporate tax systems and have a substantial impact on the tax base. Slower tax depreciation rules reduce the real value to companies of the tax deduction for investment, due to inflation and the company's cost of capital. Accelerated depreciation allows for the recognition for tax purposes of higher depreciation expenses during the earlier years of an asset's lifetime. It therefore acts as a deferral of tax rather than a reduction in the amount of tax ultimately due.
- (13) Immediate expensing is one of the most favourable forms of accelerated depreciation for taxpayers, whereby the taxpayer is entitled to recognise the whole depreciable amount as a deduction for taxation purposes in the tax year in which the investment is made. This reduces the company's taxable base in the tax year of the investment, thus leading to a lower tax liability and freeing up funds for possible investments. Therefore, immediate expensing and accelerated tax depreciation rules provide a cash flow advantage for companies, as well as reducing or removing the negative impact of the corporate income tax on the affected investment decisions.
- (14) 'Discretionary' or 'flexible' depreciation allows companies to depreciate the assets at a time convenient to them, for example to defer immediate expensing if they do not have sufficient taxable income to take full advantage of it in a given year.
- (15) Tax incentives that can be offset against the amount of tax ultimately due are tax credits. With expenditure-based tax credits, the amount of the credit is calculated in relation to the expenditure actually incurred in making the relevant investment. Tax credits operate primarily within the corporate income tax system. The effectiveness and efficiency of tax credits in stimulating additional productive investment depends on design choices, including the extent of relief and flexibility provided, as well as on the economic context in which they are introduced. Some tax credits can have a similar effect to grants, in which case Member States should carefully consider whether and in what context tax credits or grants are the most appropriate form of investment support to deploy.
- (16) Some taxpayers may make a loss or modest taxable profits in the year in which the investment is made, or in some of the following years. In this case, taxpayers may not initially be able to fully benefit from immediate expensing or accelerated depreciation provisions, or to offset the value of a tax credit, due to an insufficient corporate income tax liability in the relevant year. To enable all taxpayers to benefit fully and equally from tax incentive policy, Member States are encouraged to implement generous provisions allowing companies to carry forward losses and unused tax credits for four years. Member States are also encouraged to examine the possibility of allowing companies the flexibility to deduct a fraction or the total amount of the investment as depreciation for tax purposes in the first or any subsequent tax year. Where it is feasible within their national system, Member States should consider allowing companies to offset tax credits against a wider range of taxes.

Furthermore, Member States are encouraged to explore the scope for providing for refundability of any amounts of tax credits that remain unused after four years.

- (17) On 5 March 2025, the Commission published the Automotive Action Plan Communication⁶ and the Communication to Decarbonise Corporate Fleets⁷. It has also announced a legislative initiative to Decarbonise Corporate Fleets by the end of 2025, a Recommendation on fiscal and non-fiscal demand side incentives for 2026, and a Sustainable Transport Investment Plan. It is imperative that the European automotive industry not only navigates, but also shapes, the transition to zero-emission vehicles. In particular, accelerating the uptake of zero-emission vehicles in corporate fleets can benefit the European automotive industry and help increase its competitiveness and resilience. In general, for company cars, the fiscal treatment is a key factor in determining the choice of vehicles. Fiscal measures, such as the tax incentives and principles set out in this Recommendation, therefore represent a significant opportunity to accelerate the shift to zero-emission vehicles.
- (18) Simple, fast and efficient administrative procedures are important for increasing the take-up of tax incentives and ensuring that companies take full account of the benefit they will provide when making their investment decision. Member States are therefore recommended to keep administrative burdens related to the use of tax incentives to the minimum, while designing them in a way that ascertains that companies will be able to take advantage of the full value of the incentive in a timely fashion. As the CID highlights, for both energy-intensive industries and clean technologies, it is important that we can produce the technologies of the future in the Union.
- (19) While the Net-Zero Industry Act will increase the competitiveness of the net-zero technology sector, attract investments, and improve market access for clean tech in the EU, certain clean tech investments may require additional support to make sure that capacity is increased in the Union. This would allow the acceleration of the net-zero transition and increasing European resilience in this area, in particular with a view to strengthen the European value chain in clean technology contributing to the 40% benchmark set by NZIA. In addition to the resilience considerations above, Member States are encouraged to consider social policy objectives to anticipate the changes resulting from the transition to a net-zero economy and promote equitable labour market outcomes such as fair wages, decent working conditions, training, and fair job transitions. This will contribute to the creation of quality jobs and their durability as well as to the net zero-objectives.
- (20) Some Member States may need to accommodate the temporary or permanent fiscal costs of using tax incentives to stimulate clean investment. In this case, an option available to Member States is to examine possibilities to reduce tax gaps. This could include conducting a cost-benefit assessment of existing tax expenditures, especially those that may not be cost-effective, may stimulate fossil fuel consumption, and/or may set incentives that are not aligned with the objectives of the CID and of Regulation 2021/1119 of the European Parliament and the Council (European Climate Law). To ensure the coherence and effectiveness of the policy mix, it is crucial to combine tax incentives for clean investment with other policies that continue to provide proper price signals to activities with negative environmental externalities, including by phasing out fossil fuel subsidies. Efforts to improve

⁶ COM(2025) 95 final.

⁷ COM(2025) 96 final: *There is currently no definition in EU legislation of what entails a corporate fleet. For the purpose of this Communication, all vehicles registered by a legal entity (as opposed to a physical person) are considered corporate vehicles. With the exception of inter alia ambulances, fire trucks, etc.*

tax compliance can also contribute to offsetting the cost of support for clean investment, while making the overall tax mix more conducive to investment and growth.

- (21) As part of the policy coordination envisaged under the Clean Industrial Deal, Member States should inform the Commission of national measures taken to implement this Recommendation and on their actual use by taxpayers. It is important to evaluate the effectiveness of tax incentives at regular intervals. Where relevant, existing EU processes and forums, including the Expert Group of Structures of Taxation Systems or the Working Party IV, can also be used to support the monitoring of the implementation of the Recommendation and to exchange best practices, also making use of digital solutions to increase transparency and efficiency. These steps will also enable the Commission to report on Member States' measures to implement the Recommendation at regular intervals, including when closely monitoring progress made under the CID towards decarbonisation and competitiveness in its Annual Single Market Competitiveness Report.
- (22) Measures implemented by Member States pursuant to this Recommendation are without prejudice to Article 107 and 108 TFEU.
- (23) Where tax incentives introduced to implement this Recommendation involve State aid, CISAF provides for a specific set of conditions for the aid to be compatible with the internal market⁸. In particular, tax credits may be granted up to certain ceilings, in accordance with Section 6.1 of CISAF, to promote manufacturing capacity of clean technologies. Moreover, State aid in the form of, amongst others, tax credits may be granted to support industrial decarbonisation, under the conditions set out in Section 5 of CISAF.
- (24) Furthermore, when State aid is granted through accelerated or flexible depreciation to support demand for net-zero technology equipment, Section 6.3 of CISAF sets out the conditions under which such tax incentives will be considered compatible with the internal market. Section 6.3 of CISAF provides in particular that the assets must be new and be used primarily for the activities of the beneficiaries.
- (25) Where State aid in the form of tax incentives to implement this Recommendation does not fall within the scope of CISAF, Member States may also consider other compatibility grounds under Article 107 TFEU. If the incentives meet the requirements under Commission Regulation (EU) No 651/2014 (GBER)⁹, and in particular Chapter III, Section 7, they are exempt from the notification obligation. Other measures may be notified under the Guidelines on State aid for climate, environmental protection, and energy ("CEEAG"). The Commission encourages Member States to make full use of the existing possibilities to reach the common goals of the Clean Industrial Deal and will treat such cases as a priority,

RECOMMENDS:

- 1. General principles
- 1.1. This Recommendation sets out common guiding principles to guide Member States when introducing and designing tax incentives to contribute to the objectives of the Clean Industrial Deal ("CID"). It aims to support clean investment, i.e. investment in

⁸ The Recommendation needs to be read in conjunction with CISAF as well as any amendments to CISAF that may be adopted in the coming years.

⁹ Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 187 26.6.2014, p.1. Furthermore, the forthcoming review of the GBER will streamline its conditions and administration.

manufacturing capacity in clean technologies, demand for clean technologies, and decarbonisation of industry, as part of a broader, evolving policy mix.

- 1.2. The provisions of the Recommendation are without prejudice to Articles 107 and 108 of the TFEU, and the applicable State aid framework. This includes in particular the Clean Industrial State Aid Framework (“CISAF”). When implementing this Recommendation, and to the extent the tax measures involve State aid and cover the same scope as CISAF, the relevant sections of CISAF lay down the conditions for the aid to be compatible with the internal market¹⁰ on the basis of Article 107(3), point (c) of the Treaty. Member States are recommended to take into account the temporary nature of CISAF where applicable.
 - 1.3. When introducing tax incentives aimed at contributing to the objectives of the CID, Member States are strongly encouraged to design such incentives with due consideration of the main principles underlying the judicious and cost-effective use of tax incentives within a sound and efficient tax system.
 - 1.4. The scope, type and design of tax incentives advocated with this Recommendation are underlain by the principle that tax incentives should be cost-effective, well targeted, simple for companies and administrations to understand and use, not applicable to investments in fossil fuel infrastructure and/or machinery that consumes fossil fuels, and provide certain and timely support to companies making clean investment decisions. Tax incentives on clean investment are encouraged to be designed in a way that means companies making investment decisions will receive the full benefit of an incentive in place in a Member State relatively quickly. On that basis, the Recommendation suggests using accelerated tax depreciation, up to immediate expensing, and loss carry forward rules for clean investments. It also recommends that, where it is feasible within a national tax system, Member States look to make tax credits refundable and/or allow them to be offset against a wider range of taxes than corporate income tax.
 - 1.5. Member States are also strongly encouraged to pair the introduction of tax incentives that contribute to the objectives of the CID with further actions to scale down and phase out fossil fuel subsidies.
2. Tax credits to ensure sufficient manufacturing capacity in clean technologies and for industrial decarbonisation
 - 2.1. Member States are recommended to provide for a tax relief in the form of a tax credit for investment projects that create additional manufacturing capacity for final products, main specific components and critical raw materials, as referred to in Section 6.1 of CISAF.
 - 2.2. When granting State aid in the form of tax credits to implement point 2.1, Member States need to observe the compatibility conditions set out in Section 6.1 of CISAF. In particular, it requires that the aid amount does not exceed EUR 150 million per project and the maximum aid intensity of 15% of the eligible costs when the investment project takes place outside assisted areas, or EUR 200 million or EUR 350 million per project and the maximum aid intensity of 20% or 35% of the eligible costs when the investment project takes place in certain specific assisted areas. CISAF also allows for the aid intensity to be increased when the projects are undertaken by small and medium-sized enterprises.

¹⁰ The aid cannot concern the reduction of taxes or levies which reflect the essential costs of providing energy or related services (for example, network charges or charges financing capacity mechanisms).

- 2.3. Member States are equally recommended to incentivise and provide for a tax relief in the form of a tax credit for investments that reduce greenhouse gas emissions or improve the energy efficiency of industrial activities, in particular to companies implementing and disclosing corporate transition plans aligned with the European Climate Law.
 - 2.4. When granting State aid in the form of tax advantages to implement point 2.3, Member States need to observe the compatibility conditions set out in Section 5 of CISAF. In particular, it requires that the aid amount does not exceed EUR 200 million per project and the aid intensity can rank from 20% to 60% depending on the type of investment. It also provides that the aid intensity can be increased when the projects are undertaken by small and medium-sized enterprises¹¹.
 - 2.5. The tax credit corresponding to the eligible costs incurred in a tax year is to be deducted primarily from the corporate tax due by the taxpayer. If the tax credit is not exhausted in the relevant tax year, Member States are recommended to allow the carry-forward of the outstanding amount of the tax credit for four years. Where it is feasible within their national system, Member States could also allow taxpayers to offset tax credits against other national taxes due.
 - 2.6. If the carry forward is applied and the tax credit is still not exhausted within four years, Member States are recommended to refund the outstanding amount to the taxpayer at that point. Where applicable, such refunding must respect the provisions regarding qualified refundable tax credits set out in Council Directive (EU) 2022/2523 of 14 December 2022.
3. Enhanced tax credits for investment projects with a contribution to resilience
 - 3.1. Without prejudice to the compatibility conditions set out in Section 6.1 of CISAF, when designing tax credits for investment projects as referred to in point 2.1, Member States are encouraged to include resilience policy objectives, as long as such inclusions are in line with Union law and Union international obligations. This can potentially be in the form of higher tax credits. For that purpose, Member States are encouraged to have particular regard to the following design conditions:
 - (a) the investment project leads to the production of a net-zero final product or a net-zero main specific component that currently has a high level of dependency on a single third country, in accordance with the implementing act and the updated information published following Article 29(2) of Regulation (EU) 2024/1735;
 - (b) the investment project has been recognised as a strategic project in accordance with Article 13 and Article 14 of Regulation (EU) 2024/1735;
 - (c) the investment project is located in an area designated by Member States as a net-zero technology acceleration valley in accordance with Article 17 of Regulation (EU) 2024/1735;
 - (d) the investment project has been positively assessed under the Innovation Fund and has been awarded a 'Sovereignty Seal' referred to in Article 4 of Regulation (EU) 2024/795 of the European Parliament and of the Council; or
 - (e) The investment project has been recognised as a strategic project in accordance with Article 6 and Article 7 of Regulation (EU) 2024/1252.

¹¹ CISAF points (154) and (155).

4. Accelerated depreciation for tax purposes to support demand for clean technology equipment, up to full and immediate expensing
 - 4.1. Member States are recommended to provide for relief for taxation purposes in the form of accelerated depreciation, up to full and immediate expensing, of costs incurred in a tax period for the acquisition or lease of clean technology equipment, as defined under point (182) in Section 6.3 of CISAF.
 - 4.2. When implementing point 4.1, Member States are recommended to prioritise the full and immediate depreciation of such costs or the highest depreciation rate allowed under the national taxation rules. Where full immediate expensing is not allowed, Member States are recommended to allow that an amount equal to at least 30% of the eligible costs can be expensed in the year of acquisition.
 - 4.3. When granting State aid in the form of accelerated depreciation to implement points 4.1 and 4.2, Member States need to observe the compatibility conditions set out in Section 6.3 of CISAF. This means, in particular, that the assets must be new and used primarily for the activities of the beneficiaries. It further establishes that no gross grant equivalent needs to be calculated and the accelerated depreciation can be provided in addition to any other State aid, or support from centrally managed Union funds, in relation to the same eligible costs. Immediate expensing should not apply for assets depreciable over a period of more than 15 years¹².
 - 4.4. Member States are also recommended to grant flexibility to taxpayers eligible for accelerated depreciation, allowing them to decide upon the depreciation schedule to apply to the total depreciable amount of those assets. Taxpayers could then opt to apply either the standard depreciation rules, accelerated depreciation to the total depreciable amount of those assets, or accelerated depreciation to only a fraction of that amount ('discretionary depreciation').
 - 4.5. Without prejudice to the application of the State aid rules, Member States could consider also making zero-emission vehicles for corporate fleets¹³ eligible for accelerated depreciation. Where such measures involve State aid, Commission Regulation 651/2014, and in particular Chapter III, Section 7, provides for conditions and thresholds for the aid to be compatible with the internal market and exempted from the notification requirement of article 108(3) TFEU.
5. Enhanced accelerated depreciation for acquiring clean technology equipment that contributes to resilience
 - 5.1. With due consideration to the applicable compatibility conditions set out in CISAF or in GBER, Member States are encouraged to provide the most generous form of accelerated depreciation for the acquisition or lease costs referred to in points 4.1 and 4.5, and which contribute to resilience, provided such treatment is in line with Union law and Union international obligations.

¹² CISAF point (181), footnote 103.

¹³ COM(2025) 96 final: *There is currently no definition in EU legislation of what entails a corporate fleet. For the purpose of this Communication, all vehicles registered by a legal entity (as opposed to a physical person) are considered corporate vehicles. With the exception of inter alia ambulances, fire trucks, etc.*

5.2. When implementing this point, with a view to ensuring the specific net-zero final products supported contribute to resilience, Member States are encouraged to draw inspiration from the secondary legislation adopted on the basis of Article 29(2) of Regulation (EU) 2024/1735.

6. Implementation and Reporting

- 6.1. Member States are invited to apply the tax incentives set out in this Recommendation. As a first step, Member States are invited to inform the European Commission by 31 December 2025 of the measures introduced or announced to implement this Recommendation, as well as of any similar measures already in place and changes to them. Existing *forums*, in particular the Expert Group on Structures of Taxation Systems, and reporting tools, in particular the joint EC-OECD questionnaire on tax reforms, will also be considered for the purposes of reporting and monitoring the implementation of this Recommendation.
- 6.2. Member States are recommended to regularly evaluate the effectiveness of the measures they have taken to implement this Recommendation and to exchange good practices using an existing EU forum.

Done at Brussels, 2.7.2025

For the Commission
Wopke Hoekstra
Member of the Commission

