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'I/A' ITEM NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
Subject:	Council conclusions on tax incentives to support the Clean Industrial Deal - Approval

1. In its conclusions approved at its meeting on 20 March 2025¹, the European Council underlined the urgent need to strengthen Europe's competitiveness and welcomed the presentation of the Competitiveness Compass of 29 January 2025 and the Clean Industrial Deal of 26 February 2025.
2. On 2 July 2025, the European Commission issued its recommendation on tax incentives to support the Clean Industrial Deal and in light of the Clean Industrial Deal State Aid Framework (CISAF).²

¹ Document EUCO 1/25, point 11.

² Document 11220/25.

3. This recommendation was presented and discussed at the meeting of the Working Party on Tax Questions (Direct Taxation) (WPTQ) on 7 July 2025, where the Presidency proposed to start work on a set of Council conclusions which would set out political guidance as regards tax incentives to support the Clean Industrial Deal. This proposal received support from delegations. Thereafter, the Presidency prepared the draft conclusions, presented them at the meeting of the WPTQ on 3 September 2025 and invited delegations to exchange views on the text. Taking into account the comments received and after having informal consultations with delegations, the Presidency prepared the revised draft conclusions and submitted them to the WPTQ (High Level) on 23 September 2025 with a view to finalising the text. It appeared that the revised draft conclusions strike a balance between different views. The text of the Council conclusions that is acceptable to all delegations is set out in the Annex to this note.
 4. Against this background, the Permanent Representatives Committee is invited to suggest that the Council, as an "A" item on the agenda of a forthcoming meeting, approves the conclusions set out in the Annex to this note.
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Draft Council conclusions on tax incentives to support the Clean Industrial Deal

The Council of the European Union:

1. STRESSES the need to reignite economic dynamism in Europe and strengthen competitiveness and resilience in order to secure prosperity and safeguard Europe's future as an economic powerhouse, an investment destination, and a manufacturing centre.
2. UNDERLINES the importance of reinforcing Europe's resilience with the aim of establishing a strong, investable clean technology ecosystem in Europe and safeguarding Europe's position in crucial global value chains, thus reducing excessive dependencies on a limited number of third-country suppliers in an ever-changing world.
3. RECALLS the Commission's Competitiveness Compass communication, which 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. NOTES the Commission's Clean Industrial Deal communication, which presents a stronger business case for decarbonisation as a source of growth and prosperity.
4. WELCOMES the Commission recommendation on tax incentives to support the Clean Industrial Deal and in light of the Clean Industrial Deal State Aid Framework, which sets out common principles to guide Member States when introducing tax incentives to contribute to achieving the objectives of the Clean Industrial Deal, with a focus on policy options linked to corporate income tax.

5. NOTES the Commission's newly adopted Clean Industrial Deal State Aid Framework (CISAF), which will support Member States in encouraging the development of clean energy, industrial decarbonisation and clean technology.
6. HIGHLIGHTS that the recommendation sets out common principles to guide Member States when introducing tax incentives to contribute to achieving the objectives of the Clean Industrial Deal. NOTES that tax incentives should be seen as one possible element to be considered by each Member State of an evolving policy mix to support the development of clean energy, industrial decarbonisation and clean technology.
7. RECOGNISES that Member States have different corporate taxation systems and approaches to be considered when deciding on policy options for tax incentives, including those set out in the recommendation.
8. STRESSES that, in the absence of binding rules at EU level, competence in the field of taxation lies solely with the Member States.
9. NOTES that the principles and tax incentives set out in the recommendation could be considered by some Member States to strengthen European competitiveness and resilience. UNDERLINES that flexibility is instrumental since Member States are in different situations and thus have different needs, resources and fiscal priorities. STRESSES that Member States are free to design, implement and apply the tax incentives set out in the recommendation in accordance with their individual situations, taking into account potential budgetary impacts.

10. ACKNOWLEDGES that some Member States already have tax incentives as set out in the recommendation.
11. HIGHLIGHTS that Member States may consider the technological scope when designing tax incentives in order to support development of clean energy, industrial decarbonisation and clean technology without hampering the development of a market or limiting companies' investment decisions.
12. RECALLS that expenditure-based tax incentives may be considered as being a more cost-effective means of generating additional investment than income-based tax incentives.
NOTES that not all companies might be in a position to benefit from all types of expenditure-based tax incentives, and thus Member States are encouraged to consider this when designing and implementing tax incentives.
13. HIGHLIGHTS the need to keep tax incentives simple for companies and tax authorities to understand and use and providing legal certainty for both companies and tax authorities.
RECALLS, in this regard, the principles set out in the Council conclusions of 11 March 2025 on a tax decluttering and simplification agenda which contributes to the EU's competitiveness.
14. INVITES the Commission to inform Member States of international developments in the area of tax incentives to support the Clean Industrial Deal.

15. ENCOURAGES Member States with the support of the Commission to evaluate, if appropriate, the effectiveness of any tax incentives they have implemented and to exchange good practices with other Member States. INVITES the Commission to consider further steps to support Member States in the implementation and application of tax incentives.
 16. RECOGNISES that reigniting economic dynamism in Europe to strengthen competitiveness calls for a long-term, well-structured and consistent approach, requiring cooperation between the Commission, the Council, national authorities and stakeholders.
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