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From: General Secretariat of the Council
To: Delegations
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Subject: ECOFIN report on tax issues

Delegations will find attached the Council (ECOFIN) report on tax issues, which was approved by the Council (Economic and Financial Affairs) on 12 June 2026.

ECONOMIC AND FINANCIAL AFFAIRS COUNCIL (ECOFIN)

REPORT ON TAX ISSUES

A. INTRODUCTION

1. This report provides an overview of the progress achieved in the Council under the Cyprus Presidency and of the state of play of the most important dossiers currently under negotiation in the field of taxation. The report has been drawn up on the basis of discussions in the Working Party on Tax Questions (High Level) (HLWP) covering horizontal tax policy issues of strategic importance, in line with its mandate.
2. The Cyprus Presidency continued work on key dossiers focusing on the agreed priorities. Specifically, during the Cyprus Presidency's term, the Council:
 - a) reached a general approach on the Regulation on access of EPPO and OLAF to VAT information at EU level;
 - b) made progress on the tobacco taxation package;
 - c) made progress on the Directive on the abolition of the EUR 150 threshold and on customs warehouses for distance sales.
3. The Code of Conduct Group (Business Taxation) continued its work on the matters falling within its remit, including the EU list of non-cooperative jurisdictions for tax purposes, as set out in its six-monthly report.¹ The EU list was most recently updated by the Council on 17 February 2026².
4. More detailed information on specific topics and dossiers can be found below.

¹ Doc. 9626/26 + ADD 1-5.

² OJ C, C/2026/1465, 6.3.2026.

B. LEGISLATIVE ACTIVITIES

1) Direct taxation and administrative co-operation in the field of taxation

Negotiations with Norway for an agreement on administrative cooperation in the field of direct taxation

5. On 25 June 2025, the Commission submitted to the Council a recommendation for a Council Decision authorising the opening of negotiations on an agreement between the European Union and the Kingdom of Norway in the field of administrative cooperation in direct tax matters,³ together with a recommendation for the negotiating directives⁴. The aim of the envisaged negotiations with Norway would be to conclude an agreement in the field of cooperation for tax purposes in direct tax matters between the European Union and Norway.
6. Following the meetings of the Working Party on Tax Questions (WPTQ) on 7 July and 3 September 2025, as well as the ensuing consultations, all delegations were able to support the Presidency's compromise texts on the Decision and the negotiating directives. The HLWP was informed of the state of play on 23 September 2025.
7. On 10 October 2025, the Council (ECOFIN) adopted the Council Decision authorising the opening of negotiations with the Kingdom of Norway for an agreement on administrative cooperation in the field of direct taxation⁵ and agreed on the negotiating directives⁶. During the ongoing negotiations, the Commission has reported to the WPTQ on the steps taken pursuant to the Decision referred to above and consulted it on a regular basis, notably on 21 January, 19 February, 11 March and 24 April 2026.

³ Doc. 10939/25.

⁴ Doc. 10939/25 ADD 1.

⁵ Doc. 12709/25.

⁶ Doc. 12709/25 ADD 1.

2) Indirect taxation

a) Tobacco taxation package

8. On 16 July 2025, the Commission submitted to the Council a proposal for a Council Directive on the structure and rates of excise duty applied to tobacco and tobacco-related products (recast) (TTD)⁷, together with a proposal for amending the general arrangements Directive in respect of tobacco⁸.
9. The aim of the proposals is to modernise and harmonise the excise system by aligning fiscal policy with current market dynamics and public health objectives, thereby improving both the coherence of internal market rules and the effectiveness of control measures.
10. On 10 October 2025, the Council (ECOFIN) held a policy debate on the TTD proposal. The Ministers broadly welcomed the proposal and in particular the extension of the scope of the Directive to include new products. Ministers acknowledged the aim of updating and harmonising the taxation of tobacco and tobacco-related products within the internal market. Several agreed that taxation is an important measure in reducing tobacco prevalence and contributing to public health objectives. However, some Member States raised serious concerns about the size of the proposed increase in minimum excise duty rates for tobacco, inadequate transitional periods, and the mechanism for the periodic adjustments of these rates, which are partially linked to inflation and purchasing power parity.

⁷ Doc. 11725/25 + ADD 1-4.

⁸ Doc. 11736/25.

11. Building on the progress made under the Danish Presidency, the Cyprus Presidency continued work on the package, which was analysed at the WPTQ meetings on 21 January, 25 February, 24 March and 13 May 2026 on the basis of compromise texts and explanatory notes prepared by the Presidency. On 24 April 2026, at the HLWP, delegations were invited to indicate whether they could support the Presidency's approach to the key issues (adjustment mechanism, minimum rates, modalities of cross-border acquisition for own use) as a package and to give guidance on the next steps. Following the examination of the compromise texts in Coreper on 3 June 2026, the item was withdrawn from the agenda of the Council (ECOFIN) of 12 June 2026.

b) Access to VAT data for EPPO and OLAF

12. On 14 November 2025, the Commission submitted to the Council a proposal for a Council Regulation amending Regulation (EU) No 904/2010 as regards the access of the European Public Prosecutor's Office (EPPO) and the European Anti-Fraud Office (OLAF) to value added tax (VAT) information at Union level.⁹

13. The proposal suggests amending Regulation 904/2010,¹⁰ which governs administrative cooperation between Member States in the field of VAT in order to strengthen cooperation between the European Public Prosecutor's Office (EPPO), the European Anti-Fraud Office (OLAF) and the Member States. It would provide a legal basis for the exchange of information and access to VAT data collected at EU level, thereby enhancing the EU's ability to combat fraud.

⁹ Doc. 15453/25.

¹⁰ Council Regulation (EU) No 904/2010 of 7 October 2010 on administrative cooperation and combating fraud in the field of value added tax (recast), OJ L 268, 12.10.2010, p. 1.

14. The proposal was presented on 16 January 2026 at the WPTQ (Indirect Taxation – VAT), followed by an article-by-article discussion. On 2 February 2026, in-depth discussions were held on the EDPS opinion on the proposal and on the impact on Eurofisc. Furthermore, at the request of several Member States, the EPPO and OLAF were invited to the WPTQ on 4 March 2026 to present their work and provide more insight into the context for the Commission proposal to amend the existing legal framework.
15. In parallel, the Presidency submitted a number of compromise texts to the Working Party, mainly to provide for additional safeguards for the access to data in line with the EDPS recommendations¹¹, to clarify the application of the proposed Regulation for the Member States not participating in the EPPO and, to specify the responsibilities of Eurofisc, EPPO and OLAF in terms of monitoring the access to data. Furthermore, the purpose for which OLAF may use the access was detailed, and standard forms were introduced for the transmission of specific Eurofisc analysis reports.
16. Delegations broadly welcomed the Presidency’s work on the texts. At the meeting of the HLWP on 24 April 2026, almost all delegations were able to support the Presidency compromise text, subject to a number of scrutiny reservations.
17. In Coreper on 29 April 2026, the Commission made two statements to be included in the Coreper and Council minutes,¹² on a number of aspects of the Regulation. All delegations except one lifted their reservations.
18. On 5 May 2026, the Council reached a general approach on the draft Regulation.

¹¹ Doc. 5541/26.

¹² Doc. 8538/26 ADD 1.

c) VAT rules on the abolition of the EUR 150 threshold and on customs warehouses

19. On 17 May 2023, the Commission issued a package of proposals as part of a broad and comprehensive reform of the customs union, accompanied by a communication entitled: “Customs reform: Taking the Customs Union to the next level”.¹³ This package also included a proposal on value added tax, namely a proposal for a Council Directive amending Directive 2006/112/EC as regards VAT rules relating to taxable persons who facilitate distance sales of imported goods and the application of the special scheme for distance sales of goods imported from third territories or third countries and special arrangements for declaration and payment of import VAT (the ‘Directive on distance sales of imported goods and import VAT’).¹⁴
20. One of the aims of the customs reform was to remove the customs exemption for goods worth up to a threshold of EUR 150. Currently, this EUR 150 threshold also exists for the application of the deemed supplier provision in the VAT Directive, and for the use of the VAT import one-stop shop (IOSS): its application is limited to distance sales of imported goods not exceeding EUR 150. The VAT proposal in the package aims to remove this threshold also for the purposes of the IOSS, in order to align the customs and VAT rules regarding e-commerce. The VAT proposal is not included in the Directive adopted by the Council on 18 July 2025 on incentivisation of the IOSS.
21. During the negotiations on this VAT proposal under the Belgian and Hungarian Presidency, a suggestion was made to insert into the text a provision to extend the definition of ‘distance sales of goods imported from third territories or third countries’ to supplies from customs warehouses for distance sales, given the possible benefits for customs control purposes. A parallel provision creating special customs warehouses for distance sales was agreed in the negotiations with the European Parliament on the Union Customs Code (UCC) reform.

¹³ Doc. 9622/23.

¹⁴ Doc. 9638/23.

22. Building on the work of the Danish Presidency, the Cyprus Presidency organised meetings of the WPTQ on 31 March, 21 April and 18 May 2026 to exchange views on the text of the relevant provisions, and to take stock of the interaction between the UCC reform and the VAT rules on importations. During the debates, many delegations expressed concerns about the robustness of the IOSS, which following the abolition of the EUR 150 threshold would be confronted with imported goods of a higher value and a greater scope for fraud. Many delegations also expressed misgivings about the interaction of the VAT provisions with certain provisions from the agreed UCC reform.
23. The Presidency proceeded to present a compromise text to address delegations' concerns, coupled with further explanations. While appreciation was expressed for the progress made, it was concluded that further work would be required to reach agreement on this file.

d) VAT reverse charge mechanism

24. The VAT Directive provides for Member States to use, on an optional basis, the reverse charge mechanism (RCM) for the payment of VAT on supplies of pre-defined goods and services that are susceptible to fraud, in particular, Missing Trader Intra-Community (MTIC) fraud. That Directive also provides for the Quick Reaction Mechanism (QRM) special measure, which offers Member States, under certain strict conditions, a faster procedure that allows for the introduction of the RCM, resulting in a more adequate and effective response to sudden and massive fraud. Both mechanisms were extended in 2022, and will expire on 31 December 2026.
25. At the meeting of the WPTQ (Indirect Taxation - VAT) on 18 May 2026 under the AOB, the Commission announced it would issue a proposal after the summer break to extend these mechanisms further.

C. NON-LEGISLATIVE ACTIVITIES

1) Tax decluttering and simplification

26. On 11 March 2025, the Council approved conclusions on a tax decluttering and simplification agenda which contributes to the EU's competitiveness.¹⁵ In the conclusions, the Council called "upon upcoming Council Presidencies to include progress on simplification and decluttering as a discussion item in meetings of the HLWP and to reflect it in the Ecofin report to the Council on tax issues, including a list of concrete measures under discussion."
27. The Cyprus Presidency therefore included regular items on the relevant progress in the agendas of all meetings of the HLWP to take stock of the state of play in that regard.
28. In April 2025, the trio of Presidencies (Poland, Denmark and Cyprus), presented a structured approach to tax decluttering and simplification, noting that the Council stressed that "the existing EU legislative framework in the area of taxation, as well as with regard to current and future tax initiatives, should be based on four principles: (1) reducing the reporting, administrative and compliance burdens for Member States administrations and taxpayers, (2) eliminating outdated and overlapping tax rules and, where relevant, (3) increasing the clarity of tax legislation and (4) streamlining and improving the application of tax rules, procedures and reporting requirements".¹⁶
29. The trio of Presidencies noted that these principles could be applied in the area of direct and indirect taxation to review existing EU legislation, the proposals currently on the table and any future EU legislative proposals.

¹⁵ Doc. 6748/25.

¹⁶ Doc. 6748/25, point 8.

30. On 21 October 2025, the Commission issued its work programme for 2026¹⁷ and announced that it would “*continue our work to cut administrative burdens by 25% overall and 35% for SMEs – without lowering standards. A new series of simplification initiatives and omnibus packages will simplify life for people and rules across key areas such as [...] taxation [...].*” The Commission indicated that the legislative proposal for an omnibus on taxation should be expected for the second quarter of 2026.
31. On 24 April 2026, the European Parliament, the Council of the European Union and the European Commission agreed on a roadmap to achieve ‘One Europe, One Market’ by the end of 2027, in which they set a target to agree on the omnibus on taxation by Q4 2027.
32. The Commission also announced that within six months it would withdraw the following proposals in the area of taxation (as stated in the programme - those proposals the adoption of which “*would no longer be in the general interest in view of their adoption date, lack of progress in the legislative process, potential burden and non-alignment with the Union’s priorities*”):
- a) Proposal for a Council Directive implementing enhanced cooperation in the area of financial transaction tax;¹⁸
 - b) Proposal for a Council Directive laying down rules to prevent the misuse of shell entities for tax purposes and amending Directive 2011/16/EU;¹⁹
 - c) Proposal for a Council Directive on laying down rules on a debt-equity bias reduction allowance and on limiting the deductibility of interest for corporate income tax purposes;²⁰
 - d) Proposal for a Council Directive on transfer pricing.²¹

¹⁷ Doc. 14261/25 + ADD 1.

¹⁸ 2013/0045 (CNS), also see doc. 15506/22, points 31-35.

¹⁹ 2021/0434 (CNS), also see doc. 10611/25, points 6-11.

²⁰ 2022/0154 (CNS), also see doc. 15506/22, points 15-17.

²¹ 2023/0322 (CNS), also see doc. 10611/25, points 12-17.

33. At its meeting on 27 January 2026, the HLWP held an exchange of views on the second report²² from the Commission on the evaluation of the Directive on administrative cooperation in the field of taxation (DAC) for the period from 2018 to 2023 and covering its amendments up to and including DAC 6.

2) **Energy taxation**

34. On 24 April 2026, the HLWP held an exchange of views on the taxation measures in the context of high energy prices and the developments in the Middle East as well as on the taxation aspects of the Commission's communication on the Citizens Energy Package²³. Furthermore, the Commission presented the taxation elements of its communication 'Accelerate EU - Energy Union. Affordable and Secure Energy through Accelerated Action'²⁴, which contains a reference to a legislative proposal on network charges and taxation.

35. Delegations exchanged information on taxation-related targeted temporary measures taken at national level to address the recent increases in energy prices, in particular those linked to imported fossil fuel. Delegations were of the view that, when considering taxation measures, their possible impact on Member States' budgets should be taken into account. Some delegations called for caution as regards a coordinated response at EU level in relation to taxation, referring to the specificities of Member States' energy taxation systems. However, they admitted that some coordinated action at EU level as regards taxation measures could be helpful, in accordance with Member States' needs.

²² Doc. 15663/25.

²³ Doc. 7214/26 + ADD 1.

²⁴ Doc. 8482/26 + ADD 1.

36. According to ‘One Europe, One Market Roadmap,’²⁵ the legislative proposal on network charges and taxation is expected in Q2 2026, with the objective of reaching an agreement in Q2 of 2027.

3) **OECD/G20 Inclusive Framework on BEPS**

37. Delegations were regularly debriefed on the ongoing work and state of play in the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (IF on BEPS), and on the tax policy aspects covered in the meetings of the G20 Finance Ministers and Central Bank Governors.

38. In particular, delegations were informed on the implementation of the IF on BEPS agreement on the ‘side by side’ package that was issued in January 2026²⁶. Delegations were also debriefed on the state of play of the latest work on the implementation of the Global Anti-Base Erosion Model Rules (Pillar Two) as well as other relevant workstreams of the IF on BEPS. At the HLWP meeting on 20 May 2026, delegations exchanged views on these matters with the Director of the Centre for Tax Policy and Administration at the OECD.

4) **Negotiations on the United Nations Framework Convention on international tax cooperation**

39. On 27 November 2024, the 79th session of the UN General Assembly adopted the resolution on the ‘Promotion of inclusive and effective international tax cooperation at the United Nations’ to begin the formal negotiations on a Framework Convention. EU Member States abstained from the vote.

²⁵ Doc. 8473/26.

²⁶ OECD (2026), Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two), Side-by-Side Package: Inclusive Framework on BEPS, OECD, <https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/global-minimum-tax/side-by-side-package.pdf>

40. Negotiations at the Intergovernmental Negotiating Committee (INC) on the new Convention and two early protocols were launched in 2025, with the first substantive meetings taking place in New York from 3 to 6 February 2025. During this session, delegates agreed on procedural arrangements and launched three informal workstreams to guide the negotiations: workstream I on the Framework Convention, workstream II on Protocol 1 concerning the taxation of income from cross-border services, and workstream III on Protocol 2 addressing dispute prevention and resolution. These workstreams aim to develop draft elements and technical input to support progress on the negotiated texts.
41. The UN negotiations at the first and second sessions of the INC in New York (4-15 August 2025) focused on identifying key areas for the Framework Convention and its early protocols. Discussions covered the fair allocation of taxing rights, dispute prevention and resolution, and sustainable development. The negotiations also addressed the taxation of cross-border services, including nexus rules without physical presence and the choice between gross and net basis taxation. The prevention and resolution of tax disputes were also explored, with considerations of existing mechanisms and potential reforms.
42. On 29 September 2025, the Commission submitted to the Council a recommendation for a Council Decision authorising the negotiations at the UN for an agreement on the second early Protocol and on any provision of the Framework Convention related to or affecting that Protocol²⁷. The proposal was presented at the WPTQ on 6 October 2025. Presidency compromise texts of the draft Council decision were considered at the WPTQ on 16 October and the HLWP on 3 November 2025. At these meetings, there was no support for a negotiating mandate on this basis.

²⁷ Doc. 13344/25 + ADD 1

43. The UN negotiations at the third session of the INC in Nairobi (10-19 November 2025) focused on text-based discussions on draft articles of the Framework Convention, and detailed consideration of approaches to the future protocol on prevention and resolution of tax disputes, with cross-cutting implications for the future protocol on taxation of cross-border services.
44. The fourth session of the INC in New York (2-13 February 2026) served primarily as a brainstorming and scoping exercise on both the Framework Convention and its two early Protocols, while also allowing for preliminary drafting discussions on several key draft Articles of the Convention. The EU Member States and like-minded countries reiterated their support for a high-level, principles-based Framework Convention with more detailed provisions to be developed in Protocols or other legal instruments under the Convention.
45. The Cyprus Presidency organised informal coordination and information sharing through both video conferences and in-person meetings on the spot during the INC and ensured the HLWP received ongoing updates on the state of negotiations and Member State's views regarding the UN process.
46. The Presidency also facilitated coordination among Member States, notably through the organisation of an Informal videoconference of the members of the WPTQ on 18 March 2026 in preparation for the ECOSOC Special Meeting on international tax cooperation (27 March 2026). In this context, indicative "lines to take" were circulated, and Cyprus delivered a statement on behalf of the Member States of the EU at the ECOSOC Special Meeting. In parallel, the Presidency facilitated exchanges among Member States following the invitation to a High-Level Meeting of Finance Ministers on international tax cooperation (Washington, 17 April 2026). The meeting was subsequently postponed.
47. The work at the UN level is expected to intensify in the coming months in view of the fifth session of the INC (3-13 August 2026, New York).

5) Code of Conduct Group (business taxation)

48. The Code of Conduct Group (COCG) met on 28 January and 21 May 2026, and the subgroup meetings were held on 15 January, 13 March and 27 April 2026.
49. The biannual revision of the EU list of non-cooperative jurisdictions for tax purposes was approved by the Council on 17 February 2026 and published in the Official Journal on 6 March 2026²⁸.
50. A more extensive account of the activities of the Code of Conduct Group can be found in its dedicated biannual report²⁹, which was approved by the Council on 12 June 2026³⁰.

D. OTHER TAX POLICY ISSUES

1) Tax in non-tax areas (TINTA)

51. On 19 November 2013, the HLWP agreed that tax provisions in non-tax dossiers leading to any changes in Member States' tax laws or administrative practices or having other consequences on taxation should fall under an informal alert mechanism. The systematic approach of bringing these cases to the attention of tax experts, with the support of the General Secretariat, has continued to ensure that Member States are alerted in a timely manner, including on negotiations of agreements between the EU and third countries. The HLWP took note of the latest information in this regard at its meeting on 20 May 2026.

²⁸ OJ C 2026/1465, 6.3.2026, pages 1-5.

²⁹ Doc. 9626/26 + ADD 1-5.

³⁰ Doc. 9627/26.

52. On 20 November 2025, the Commission adopted a package of proposals regarding pensions in the framework of the Savings and Investment Union strategy, in particular to improve the supply and demand of supplementary pension products in the Union. At the HLWP meeting on 27 January 2026, the taxation aspects of the legislative proposals (including the appropriateness of the legal basis) and the recommendation in the package were presented to delegations and discussed.
53. On 16 December 2025, the Commission published the European Affordable Housing Plan for affordable, sustainable and quality housing aimed at supporting the Member States in tackling the structural causes of the housing crisis. As regards taxation, the plan outlines that tax policies can mitigate the risk of speculative behaviours and that taxation is a key supporting tool in addressing housing affordability, as taxes constitute a major component of housing costs, including at the time of purchase. At the HLWP on 11 March 2026, delegations exchanged best practices on tax measures on housing taken at the national level, including on incentivising housing affordability, especially for young people and families. It was explained that taxes are only one element influencing housing prices and that the taxation of housing remains within Member States' competence. The Commission reported that it intended to publish topical guidance by the beginning of 2027.
54. On 18 March 2026, the Commission has adopted the proposal for a Regulation on the 28th regime corporate legal framework - 'EU Inc.' which aims to give companies a single EU rulebook to start, scale and raise investment more easily across the Union. At the HLWP meeting on 24 April 2026, the taxation aspects of the proposal (including the appropriateness of the legal basis) were presented to delegates and have been discussed.
55. During the discussions on tax decluttering and simplification, concerns were expressed regarding the process for discussing tax matters in Council working parties other than those specifically dedicated to tax matters, and the importance of preserving the established framework for tax discussions within the Council was underlined.

2) **Tax good governance clauses in international agreements**

56. At the HLWP on 11 March 2026, the Commission debriefed delegations on the state of play as regards the negotiations on tax good governance provisions in EU agreements with third countries. The Commission was invited to continue to regularly update the HLWP on this matter.

3) **Administrative cooperation on gambling**

57. On 8 January 2025, the HLWP held an exchange of views on enhancing administrative cooperation in the area of gambling to gather the Member States' views on online gambling activities and its taxation. Amongst other things, it was pointed out that the activities of offshore websites and platforms offering illegal gambling possibilities may create a risk of tax evasion and a loss of revenue for Member States. Considering this, it was stressed that gambling is a multi-disciplinary topic, with taxation only forming a part of the bigger picture.

58. At the HLWP on 24 April 2026, the Commission provided information on the state of play and invited Member States to make more efficient use of the information that is already accessible to them.

4) **Other international developments**

59. Issues related to the US Foreign Account Tax Compliance Act (FATCA) have been regularly brought to the attention of delegations at the HLWP meetings. As regards the issue of the so-called accidental Americans, in 2022, the US Internal Revenue Service (IRS) issued a notice that temporarily relaxes the rules for being determined as non-compliant due to missing tax identification numbers (TINs) for the years 2022, 2023 and 2024.

60. The HLWP has underlined that a permanent and wider solution is needed to prevent financial institutions in the EU from being treated as non-compliant due to missing TINs in cases where it is not possible for the financial institutions to collect TINs. A letter was therefore sent to the US in 2023 on behalf of the HLWP. In 2024, the IRS issued a notice extending the temporary relief to years 2025, 2026 and 2027. However, this is not a permanent solution and is limited in scope. On that basis, a letter was sent to the US in November 2025 and a meeting between the Danish Presidency and the US Treasury took place in December 2025. Delegations were debriefed on this meeting at the WPTQ on 15 January 2026 as well as at the HLWP on 27 January 2026. At the WPTQ on 15 January 2026, delegations were also informed about the decision of the Brussels Market Court to refer FATCA related questions for a preliminary ruling to the Court of Justice of the European Union (CJEU). On 24 April and 20 May 2026, the HLWP discussed a possible way forward and a letter was sent to the US IRS.
