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From: Secretary-General of the European Commission, signed by Ms Martine  
DEPREZ, Director

date of receipt: 25 June 2026

To: Ms Thérèse BLANCHET, Secretary-General of the Council of the  
European Union

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Subject: COMMISSION STAFF WORKING DOCUMENT  
EXECUTIVE SUMMARY OF THE EVALUATION  
of Council Directive (EU) 2016/1164, as amended by Council Directive  
(EU) 2017/952, laying down rules against tax avoidance practices that  
directly affect the functioning of the internal market

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Delegations will find attached document SWD(2026) 177 final.

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**COMMISSION STAFF WORKING DOCUMENT**

**EXECUTIVE SUMMARY OF THE EVALUATION**

**of Council Directive (EU) 2016/1164, as amended by Council Directive (EU) 2017/952,  
laying down rules against tax avoidance practices that directly affect the functioning of  
the internal market**

{SWD(2026) 168 final}

## Background

The Anti-Tax Avoidance Directive (ATAD)<sup>1</sup> was first adopted in 2016 as part of the EU Anti-Tax-Avoidance Package implementing the OECD/G20 Base Erosion and Profit Shifting (BEPS) recommendations.

ATAD comprises five core anti-abuse rules:

- The **Interest Limitation Rule** discourages debt arrangements designed to minimise taxation;
- The **Exit Taxation Rule** prevents companies from avoiding tax when relocating assets;
- The **General Anti-Abuse Rule (GAAR)** counters aggressive tax planning when other rules do not apply;
- The **Controlled Foreign Company (CFC) Rule** deters profit shifting to a dependent company in a low-tax country to reduce taxable profits;
- The **Hybrid Mismatch Rules** prevents companies from exploiting national mismatches to avoid taxation.

Collectively, these measures set a minimum standard across the EU to prevent corporate tax avoidance, profit shifting, and aggressive tax planning, and aim to safeguard Member States' tax bases, ensure that profits are taxed where the underlying economic activity takes place, and reduce internal market distortions that may arise from uncoordinated national approaches.

## Purpose and scope of the evaluation

Pursuant to Article 10 of ATAD, the evaluation assesses the implementation and impact of the Directive, from the entry into force of the first provisions (1 January 2019) to mid-2025.

The main objectives of the evaluation are:

- assessing the implementation of ATAD in the Member States;
- evaluating the functioning of ATAD on the basis of the Commission's 'Better Regulation' criteria (effectiveness, efficiency, relevance, coherence, and EU added value);
- examining the potential need for future-proofing ATAD.

The evaluation builds on the findings of an external study conducted for the European Commission. Other sources include the results of the Call for Evidence on the evaluation of ATAD, and a collection of data, such as feedback provided by Member States and private stakeholders.

## Key findings

Prior to ATAD, anti-tax avoidance rules adopted by Member States were highly fragmented. While most Member States already had rules limiting the deductibility of interest for tax purposes and GAARs, provisions on exit taxation, CFCs and hybrid mismatches were often

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<sup>1</sup> Council Directive (EU) 2016/1164, as amended by Council Directive (EU) 2017/952.

limited or absent. ATAD was introduced to address such disparities and prevent further fragmentation which could have arisen from an uncoordinated implementation of the OECD BEPS actions. Its transposition was generally considered timely and satisfactorily.

ATAD established a common minimum EU standard, which facilitated reducing fragmentation and limiting regulatory arbitrage. However, it provided numerous implementation options which led to Member States adopting diverse approaches to optional carve-outs and safe harbours, particularly for Interest Limitation and CFC rules. Overall, the optionality provided for in ATAD created differing national approaches and interpretations, which has resulted in fragmentation, complexity, and legal uncertainty.

While the dissuasive effect of rules can be inherently difficult to quantify, consultations and economic analysis indicates that ATAD had a deterrent impact on corporate tax planning strategies, especially in Member States where new rules were introduced or stricter policy approaches were adopted, with the Interest Limitation Rule having the greatest impact.

Due to limited available data, the costs of ATAD implementation for tax authorities were difficult to estimate. Compliance costs for taxpayers varied based on pre-ATAD frameworks and corporate complexity. EU-wide one-off compliance costs are estimated at EUR 25–27 billion, while recurrent costs (e.g. data collection, internal compliance checks, documentation) vary depending on the size and corporate complexity of each taxpayer. Costs are further increased by divergent national approaches to, and interpretations of, ATAD.

ATAD's primary added value lies in establishing a legally binding and enforceable framework that strengthened national tax bases and reduced opportunities for tax avoidance across the EU. Despite the lack of recent data-based estimates, evidence suggests tax avoidance in the EU has decreased since ATAD's introduction. On this basis, ATAD remains essential for ensuring a minimum anti-tax avoidance standard in the EU. However, this does not preclude the possibility of further improvements of the Directive.

### **Lessons learned**

Overall, ATAD has proven to be a valuable instrument for establishing a minimum level of anti-tax avoidance legislation in the EU. However, differing national treatment of the rules creates legal uncertainty and fragmentation in the internal market. These challenges are mainly driven by the nature of ATAD in establishing a 'minimum standard' and by the various options offered to Member States in their transposition of the rules. The fragmented national implementation has increased administrative burdens, since companies have to adapt to multiple approaches, definitions and thresholds when operating in different Member States.

More specifically, the evaluation has concluded the following on the five individual measures:

- **The Interest Limitation Rule** is broadly considered by stakeholders to be the most impactful rule of ATAD. Nevertheless, challenges in its functioning were identified, as it is widely seen as insufficiently targeted and not up to date with current economic realities and restraining genuine business activities in the EU. The flexibility of the rule,

leaving multiple policy choices to Member States, was also found to lead to excessive fragmentation in the implementation of the rule.

- **The Exit Taxation Rule** did not appear to have significant effects on tax base protection, while the implementation costs for both tax authorities and private stakeholders remained minimal. The main practical challenge lies in determining the market value of assets, particularly intangible assets.
- **The GAAR** constitutes an important safety net, which is generally deemed necessary to address rapid developments in tax optimisation strategies. However, the interpretation and application of the rule, e.g., based on recent CJEU jurisprudence and the vague delineation of its scope, have introduced legal uncertainty and raised questions about the prospect for aligning with other EU directives, such as Pillar 2.
- **The CFC Rule** appears to exert its main impact through its deterrent effect., which makes it difficult to accurately assess the functioning of the rule, particularly in quantitative terms. Stakeholder feedback indicates that it imposes a significant administrative burden which is further exacerbated by a fragmented implementation of the rule. On the basis of the evolution of the tax landscape, taxpayers generally found that the introduction of Pillar 2 has made the CFC rules redundant, notably for the groups in scope of Pillar 2.
- **The Hybrid Mismatch Rules** represent the most innovative aspect of ATAD. Although they are rarely activated due to their deterrent effect, economic analysis highlighted that when applied in practice, they can be effective in increasing corporate taxation and protecting the tax base. However, the complexity of the rules, particularly regarding imported mismatches, were identified as key challenges for both tax authorities and taxpayers.

While ATAD and its objectives remain fully relevant, consideration should be given to addressing some of the identified challenges, for example through legislative amendments and/or administrative guidance, in order to make the rules more targeted and less burdensome and to achieve a better balance between costs and benefits at the societal level. This could also contribute to other EU policy priorities, such as competitiveness, since ATAD-related challenges may create tax barriers to cross-border business activities within the internal market.