

Brussels, 28 February 2025  
(OR. en)

6432/25

LIMITE

FISC 34  
ECOFIN 189

## NOTE

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From: General Secretariat of the Council  
To: Permanent Representatives Committee  
Subject: Council Conclusions on a tax decluttering and simplification agenda which contributes to the EU's competitiveness  
- Approval

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### I. BACKGROUND

1. In its conclusions approved at its meeting on 17 and 18 April 2024<sup>1</sup>, the European Council stressed the need for a ‘new European competitiveness deal, anchored in a fully integrated Single Market’. In this context, the European Council recalled that the ‘regulatory framework should ensure legal certainty and predictability, be better integrated, coherent across policy areas, open to innovative approaches and digital by default, while reducing the administrative burden that weighs on companies.’ The European Council also invited the Commission to ‘significantly reduce the administrative and compliance burden on companies and national authorities, prevent over-regulation and ensure the enforcement of EU rules’.

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<sup>1</sup> Doc. EUCO 12/24.

2. On 8 November 2024, the European Council approved the Budapest Declaration on the New European Competitiveness Deal <sup>1</sup>, in which it welcomed the reports ‘Much more than a market’ by Enrico Letta and ‘The future of European competitiveness’ by Mario Draghi. In this declaration, the European Council stressed the pressing need for decisive action, including to launch a ‘simplification revolution, ensuring a clear, simple and smart regulatory framework for businesses and drastically reducing administrative, regulatory and reporting burdens, in particular for SMEs’.
3. At its meeting on 21 January 2025, the Council held a policy debate on ‘Ensuring a globally competitive business environment in Europe - simplification, decluttering and regulatory burden reduction’. During the debate, in which ministers were asked for concrete suggestions for simplifying or reducing regulatory burdens, some ministers mentioned the need to simplify tax systems and the scope for decluttering the EU tax legislation.

## **II. DRAFT CONCLUSIONS**

4. During a discussion at the meeting of the Working Party on Tax Questions (High Level) (HLWP) on 8 January 2025 devoted to the taxation aspects of the Draghi report, the Presidency proposed to start work on a set of Council conclusions which would represent the Council’s views and give orientation on possible upcoming initiatives in the context of improving the EU’s competitiveness and reducing administrative, regulatory and reporting burdens. Delegations were also asked to provide concrete examples in the tax field where decluttering is needed and concrete suggestions for possible improvements. The proposal to draft conclusions received broad support from delegations, and the Presidency concluded it would start working on conclusions based on the input received from delegations.
5. The Presidency proceeded to present a set of draft conclusions entitled ‘Draft Council conclusions on a tax decluttering agenda which contributes to the EU’s competitiveness’ on 14 February 2025. These conclusions were examined by the Working Party on Tax Questions (Direct Taxation) at its meeting on 20 February 2025.

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<sup>1</sup> Budapest Declaration on the New European Competitiveness Deal, <https://www.consilium.europa.eu/en/press/press-releases/2024/11/08/the-budapest-declaration/>

6. For the meeting of the HLWP, a set of revised conclusions on the basis of delegations' comments was prepared, which received broad support from delegations, with some suggestions to clarify the text. The Presidency has accommodated these suggestions in the attached conclusions, which should, in the Presidency's view, be acceptable to all delegations.

### **III. WAY FORWARD**

7. Against this background, the Committee of Permanent Representatives is invited to:
- a) confirm the agreement on the text, and
  - b) suggest to the Council to approve the conclusions in the Annex to this note at a forthcoming meeting.

## **Draft Council conclusions on a tax decluttering and simplification agenda which contributes to the EU's competitiveness**

The Council of the European Union:

1. STRESSES the need to increase EU competitiveness by reducing administrative burdens and increasing certainty in order to foster growth and innovation and provide an efficient and attractive environment for doing business in the Single Market.
2. WELCOMES the report on “The future of European competitiveness” presented by Mario Draghi, which highlights the need to improve European productivity in order to enhance competitiveness, including by deepening the Single Market. RECALLS the Budapest Declaration on the New European Competitiveness Deal of 2024 which called for “launching a simplification revolution, ensuring a clear, simple and smart regulatory framework for businesses and drastically reducing administrative, regulatory and reporting burdens, in particular for SMEs”.<sup>1</sup>
3. HIGHLIGHTS the fact that the functioning of the Single Market is essential for competitiveness and NOTES that it would be worth analysing further how to improve the EU tax regulatory framework in order to foster growth and innovation and provide an efficient and attractive environment.
4. WELCOMES the simplification agenda of the EU and considers that decluttering the EU acquis in the domain of taxation should play a part in this wider agenda. TAKES NOTE of the Commission Work Programme for 2025, in particular as regards the Directive on administrative cooperation in the field of taxation (DAC) and the evaluation of the Anti-tax Avoidance Directive (ATAD).

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<sup>1</sup> <https://www.consilium.europa.eu/en/press/press-releases/2024/11/08/the-budapest-declaration/>

5. RECALLS the important achievements in the field of taxation in the EU and Member States in recent years, which have created important tools at EU level to support the tax authorities of the Member States when exchanging tax information in order to safeguard tax revenues, streamline procedures and enhance tax collection, ensuring a coherent and consistent approach against tax avoidance throughout the Single Market, and levelling the playing field for businesses thereby allowing Member States to better protect their tax bases.
6. RECOGNISES that, while the tax rules that were introduced in this vein are broadly fulfilling their objectives, there is scope for decluttering the existing EU tax regulatory framework and for reducing certain duplicative or disproportionate administrative and reporting burdens for companies and tax administrations in the Single Market, also in the context of the wider simplification agenda of the EU, as well as taking into consideration, where appropriate, the decluttering exercise currently being developed at the OECD, in a timely manner.
7. STRESSES that efforts to reduce complexity should aim to preserve the successful achievements at EU level in terms of combating tax fraud, evasion and avoidance.
8. UNDERLINES that, within the tax simplification and decluttering context, the EU acquis in the area of taxation should be reviewed with the objective of simplifying existing rules and reducing the administrative, regulatory and reporting burdens for both businesses and tax authorities, with a view to enhancing competitiveness, while preserving the level of protection against tax fraud and aggressive tax planning. STRESSES that the review of 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.

9. **NOTES** that the reduction of reporting obligations in order to reduce administrative and compliance burdens for Member States' administrations and taxpayers should aim to eliminate superfluous obligations and avoid disproportionate implementing costs. Therefore, multiple reporting and reporting of data with a low additional information value should be avoided. Outdated and overlapping tax rules should be eliminated by reviewing pieces of regulation that aim to achieve similar objectives and that could therefore be considered redundant. The simplification of the application of EU tax rules should lead to providing legal certainty for both taxpayers and tax authorities allowing for a consistent application of the rules, ensuring a level playing field, and hence improving efficiency, leaving open the possibility to address identified divergences or inefficiencies that may affect the functioning of the EU Single Market.
10. **STRESSES** that in the field of taxation, the exercise of simplification and decluttering should be carried out in respect of the fact that, in the absence of rules at EU level, taxation remains the competence of Member States.
11. **UNDERLINES** the need to apply the concept of tax simplification and decluttering for any future EU legislative tax proposals. In that context it is necessary to avoid any unnecessary and disproportionate legislative proposals which could result in expensive and inconclusive legislative exercises. In that context, **INVITES** the Commission to continue the use of impact assessments within existing rules and to further enhance their quality, including by strengthening the application of SME tests and by assessing the expected effects on the EU's competitiveness. **INVITES** the Commission to include a specific analysis on the contribution to the tax simplification and decluttering agenda in the impact assessments concerned.
12. **HIGHLIGHTS** the fact that simplification and decluttering in tax matters require a thorough analysis of the EU legislative framework and a clear identification of its scope and term. To begin with, this process could include a review of the existing Directive on administrative cooperation in the field of taxation, in particular in relation to reportable cross-border arrangements, and the Directive laying down rules against tax avoidance practices that directly affect the functioning of the internal market. Furthermore, it should also cover a review of the complete EU taxation acquis, including indirect taxation.

13. INVITES the Commission to ensure that the principles of simplification and decluttering are applied in the development of any future legislative proposals and to increase the involvement of Member States when performing this exercise. INVITES the Commission to consider further steps to ensure legal certainty and to support a more consistent application of EU tax rules, for example by developing guidelines through a consensus-driven process in close cooperation with Member States. CALLS on Member States to ensure that no unnecessary regulatory burden is added when transposing agreed legislation and when negotiating on new proposals and the proposals currently on the table. STRESSES that when reducing the administrative burden, the effectiveness of tax rules should be preserved and possibilities for tax fraud and aggressive tax planning should not be created.
14. INVITES the Commission to introduce an operational, pragmatic and ambitious action plan including a feasible timeline on simplification and decluttering in the area of taxation and to report regularly to the Council on the progress of this initiative, with a view to maintaining it as a recurring item on the agenda of future Council Presidencies. CALLS upon the Commission to provide Member States with an initial report, including a road map of the envisaged work on the tax simplification and decluttering agenda before the end of Q3 2025 and to consult on that report with relevant stakeholders.
15. RECOGNISES that such an important initiative should involve a long-term, well-structured and consistent approach, which requires cooperation between the Commission, the Council, national authorities and stakeholders. CALLS upon upcoming Council Presidencies to include progress on simplification and decluttering as a discussion item in meetings of the Working Party on Tax Questions (High Level) and to reflect it in the Ecofin report to the European Council on tax issues, including a list of concrete measures under discussion.