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General Secretariat

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WORKING DOCUMENT

From: To:	General Secretariat of the Council Antici Group (Simplification)
N° Cion doc.:	ST 11141 2026 INIT
Subject:	Commission presentation - Omnibus XI

Delegations will find attached the Commission presentation on the Omnibus XI on taxation for the Antici Group on Simplification on 13 July 2026.

13 July 2026

PUBLIC

Omnibus on taxation

Meeting of the Antici Group (Simplification)

DG TAXUD

Tax Omnibus
-
High-level overview

Why is simplification needed?

EU direct tax rules:

- Increasingly complex
- Fragmented
- Costly to apply

BUSINESSES

1
- Higher compliance costs
- Legal uncertainty
- Cross-border obstacles

MEMBER STATES

2
- Inconsistent implementation
- Numerous options
- Administrative complexity

EU ECONOMY

3
- Underused Internal Market
- Investment barriers
- Reduced competitiveness

Cumulative effect

Higher costs · Lower investment · Reduced competitiveness

From identifying problems to selecting solutions

Problems identified

- Outdated provisions
- Overlaps with newer rules
- Fragmented implementation
- Burdensome procedures

Options compared

- Baseline scenario
- Less ambitious options
- More targeted legislative options

Preferred package selection

- Preferred option selected per issue
- Highest simplification potential
- Highest net benefits
- Anti-abuse safeguards preserved

Better regulation approach

Identify → Compare → Select

An evidence-based proposal

ATAD evaluation

- External study
- Interviews with tax authorities and private stakeholders
- Additional survey evidence

Stakeholder consultation

- Call for evidence
- Targeted consultations
- Business & Associations
- Tax practitioners

Member States input

- In-depth questionnaires
- Working Party IV
- High-level Working Party
- Implementation experience

Comprehensive evidence gathered

Measures selected through robust evidence and impact assessment

Impact assessment methodology

DEFINE PROBLEM

- Evidence
- Who is affected?
- Baseline scenario

COMPARE OPTIONS

- Status quo
- Alternatives

ASSESS IMPACTS

- Effectiveness
- Efficiency
- Proportionality

PREFERRED OPTION

- Best fit to the objective
- Highest benefits
- Safeguards preserved

How did we calculate impact estimates?

Data sources

- Eurostat & national accounts
- Orbis company data
- External studies
- Stakeholder & MS input

❯

Direct cost estimates

- Business compliance costs
- Administrative costs
- Reporting & procedures
- Legal advice / refund claims

❯

JRC CORTAX model

- Investment
- GDP
- Employment
- Revenue feedback

❯

Conservative quantification principles

- Quantify where robust data exist
- Qualitative where needed
- Conservative assumptions
- Limits acknowledged

Impact estimates combine direct cost evidence with JRC macroeconomic modelling

Quantitative or qualitative impact?

Quantified where evidence is robust

- Compliance cost savings
- Administrative costs
- Macroeconomic effects

Qualitative evidence where needed

- Legal certainty
- Simpler application
- Reduced disputes
- Coherence of tax framework

Avoid overclaiming: quantify only where evidence is robust

Macroeconomic effects assessment

What is captured

- Corporate tax changes
- Compliance savings
- Investment responses
- Cross-border effects

Model outputs

- GDP
- Capital stock
- Employment / Wages
- Tax revenues

Interpreting results

- Long-term effects
- Baseline comparison (no change)
- Includes all feedbacks effets, e.g., from growth, investment, consumption, etc.
- Beyond immediate savings

CORTAX captures long-term macroeconomic effects beyond immediate compliance savings

What does the proposal deliver?

Simplification without lowering EU **anti-abuse standards**

Simpler rules

- ✓ Fewer implementation options
- ✓ Clearer rules
- ✓ Reduced administrative burdens
- ✓ Remove overlapping or outdated rules

Supporting investment

- ✓ Easier cross-border activity
- ✓ Lower compliance costs
- ✓ Stronger competitiveness

More legal certainty

- ✓ Harmonised implementation
- ✓ Greater consistency
- ✓ Better predictability

The Tax Simplification Package

Omnibus on taxation

Simplifies key direct tax directives

- ✓ Parent-Subsidiary Directive
- ✓ Interest and Royalty Directive
- ✓ FASTER Directive
- ✓ Anti-Tax Avoidance Directive
- ✓ Tax Merger Directive
- ✓ Dispute Resolution Mechanism Directive

DAC Recast

Modernises administrative cooperation

- ✓ Codification of DAC 1-9
- ✓ Streamlines reporting obligations
- ✓ Reduced reporting burden
- ✓ Streamlined procedures
- ✓ Better quality information

EXPECTED IMPACT

Combined estimated savings: EUR 7.9 billion

- ✓ Lower compliance and financial costs for businesses
- ✓ Simpler, clearer and more effective tax rules
- ✓ Stronger competitiveness

IRD, PSD and FASTER

Broaden the scope and simplify procedures

Key issues identified

Different material conditions and procedures
Unnecessary compliance costs
Legal uncertainty for cross-border payments
Impediments to applying current rules

Material Scope

- Different eligibility conditions
- Divergent interpretation
- Unequal access to relief
- Underused Internal Market

Procedures

Key finding: 67% of the CfE respondents raised the issues

- National procedures differ
- Complex administrative process
- Compliance costs exceed benefits : discourages use
- Impedes access to existing exemption

Selected measure

No more withholding tax + full tax relief

- ✓ On interests, royalties and dividends
- ✓ Paid between companies
- ✓ Within the EU

Broader scope
Simpler eligibility rules

Extension to pension funds

- ✓ For dividends received
- ✓ Irrespective of legal form
- ✓ By derogation from subject to tax rule

Simpler conditions

- ✓ No holding requirement
- ✓ No holding period
- ✓ Better predictability

Procedures improved

Self-assessment

- ✓ By the taxpayer
- ✓ No authorization
- ✓ No prior administrative procedure
- ✓ Ex post controls

No upfront procedures
Access to **FASTER**

Access to FASTER

- ✓ Publicly traded securities
- ✓ FASTER fast-track procedures

Fallback refund procedure

- ✓ Standard domestic refund procedure
- ✓ **1 year** maximum

Anti-abuse safeguards reinforced

Existing safeguards preserved
Targeted measures added
Double non-taxation prevented

Existing anti-abuse rules maintained

- ✓ Beneficial ownership
- ✓ Subject to tax rule
- ✓ Other domestic anti-abuse rules

Protective measure on outbound payments

- ✓ Tackle double non taxation
- ✓ Taking into consideration Pillar Two

Participation exemption safeguard

- ✓ Existing or new national anti-abuse measures are preserved
- ✓ Prevents avoidance through holding companies

Expected impact

Impact on companies

€5.34bn annual savings

- €750m direct compliance savings
- €790m opportunity cost savings
- €3.8bn withholding tax relief

Impact on tax authorities

- Fewer refund procedures
- Less verification work
- Reduced administrative costs

Macroeconomic impact

Tax revenue impact limited - 0.01% of GDP

Outweight by:

- GDP +0.043%
- Employment +0.024%
- Wages +0.016%
- Capital stock +0.07%

Lower compliance costs while supporting investment and growth

Why is this simplification?

Business benefits

- Lower compliance costs
- Long term macroeconomic effects
- Easier cross-border investment

Simpler System

- Fewer procedures
- More predictability
- Less fragmentation

Protection reinforced

- Existing safeguards preserved
- Ex post controls remain
- Protective measure at external borders
- Targeted anti-abuse rules added

Simplification without compromising protection

Tax Merger Directive

Alignment with company law

Why is action needed?

Misalignment with company law

Legal uncertainty
+
Lack of coherence

- Latest updates not considered (Mobility Directive)
- Compromises competitiveness

Selected measure and impact

Extend benefits to

"simplified merger" and "division by separation"

cross-border conversions

Expected impact

EUR 80 million savings (with certain ATAD and DRM measures)

- Annual compliance cost savings
- Principle of neutrality preserved
- Greater legal certainty

Dispute Resolution Mechanism

Ensure a more effective and consistent dispute resolution framework.

Problem identified

Art. 25 OECD Multilateral Convention

Arbitration Convention

DRM
Low uptake

Private Stakeholders consultation

- **March 2024:** targeted consultation
- **Throughout 2025**, several bilateral meetings

Member States Consultation:

- **May 2024:** targeted consultation
- **November 2024:** New survey to identify problem
- **June 2025** WPIV meeting
- **January 2026** WPIV meeting
- **March 2026** WPIV meeting

Divergent interpretations of key concepts, particularly in the admission phase, create tax uncertainty and discourage the use of the Directive.

Proposed solution

A tailored combination of legislative amendments, implementing acts and, where needed, guidance to tackle the identified interpretative issues

Targeted legislative amendments

- Use legislative amendments where a quick fix is feasible and interpretative issues stem from the wording of the Directive.

Council implementing acts

- Retain the possibility to adopt binding implementing rules, where needed, to ensure the consistent application of the Directive's procedures across Member States.

Soft law Guidance

- Issue guidance, where needed, to complement legislative revisions and promote convergence through the exchange of best practices.

Key targeted amendments - overview

Subject and relevant article	Proposed solution (summary)
Affected person (Art. 2)	Clarify the definition of 'affected person' in multiple-entity cases.
Filing of complaints (Art. 3)	Clarify who should file the complaint in multiple-entity cases and replace simultaneous filing with a 30-day submission window.
Mutual agreement procedure (Art. 4)	Clarify that earlier access to arbitration is possible where no agreement can be reached.
Admissibility of complaints (Art. 5)	Clarify grounds for rejection while allowing taxpayers to remedy deficiencies or resubmit complaints.
Independent persons of standing (Art. 8)	Clarify the deadline for objections against independent persons of standing.
Alternative dispute resolution commission (Art. 10)	Clarify that ADR is possible also for admissibility disputes.
Rules of functioning (Art. 11)	Clarify qualification requirements for independent persons of standing.
Interaction with other procedures (Art. 16)	Clarify interaction with parallel procedures to avoid overlaps and preserve taxpayer protection.
Simplified filing system for SME (Art. 17)	Clarify the simplified filing procedure for individuals and SMEs.
Council implementing acts (Art. 19a)	Empower the Council to adopt binding implementing rules ensuring uniform application.
Statistical reporting (Art. 21)	Introduce a harmonised statistical reporting framework.

Expected impact

Targeted simplification delivering measurable benefits

Quantified benefit

- Estimated administrative cost savings for TMD, hybrid mismatches rules and DRM 80 ml

For businesses

- Greater tax certainty
- Easier access to a more effective dispute resolution procedure.

For Tax administrations

- Greater legal certainty and streamlined procedures facilitate the work of tax administrations, allowing resources to be used more effectively to resolve disputes.
- Greater use of the DRM is expected to replace other dispute resolution procedures, leaving the overall workload broadly unchanged.

ATAD amendments

ATAD
–
R&D tax incentive

Towards unlocking the EU's innovation potential

Key drivers for EU action

Fragmented national R&D tax incentives undermine **EU competitiveness**

Fragmented national regimes

- Different eligibility criteria
- Different definitions
- Different tax rates
- Different deductibility rules

Reduced EU competitiveness

EU R&D intensity: 2.2%

- US: 3.5%
- China 2.4%
- Japan: 3.3%
- South Korea: 4.9%

Declining public support

- Declining tax-based support
- Lower private R&D investment
- Need for coordinated EU action

The EU R&D measure

An EU-wide R&D tax incentive

Tax incentive

- ✓ Immediate full expensing
- ✓ Claimable in the year incurred or within the 4 following tax years
- ✓ Minimum harmonization: MS may offer more favourable regimes

Eligible expenditure and safeguards

- ✓ Tangible assets (plant, machinery, buildings) directly used for R&D
- ✓ Minimum use of eligible expenditure for at least 3 years
- ✓ Clawback mechanism in case of disposal

Definition of R&D

- ✓ Basic research
- ✓ Applied research
- ✓ Experimental development

Why this design?

Boosting competitiveness

- Incentivise private R&D investment
- Improves cash flow through immediate expensing
- Facilitates cross-border scaling

Simplicity

- Common EU baseline
- Greater legal certainty
- Reduced compliance burden

Flexibility for Member States

- Minimum harmonisation approach
- More generous national incentives remain possible
- Respects national tax autonomy

Supporting innovation while preserving flexibility

Expected impact

Businesses

€265 million savings

- Compliance costs savings
- Easier cross-border investment
- Better cash flow

Member States

Near-neutral impact

- -1,9% CIT revenues - broadly offset by macroeconomic feedback
- Lower administrative burden

Macroeconomic impact

+0.2% GDP annually over long run

- Higher private R&D investment
- Higher productivity
- Stronger EU competitiveness

Boosting innovation with a balanced impact

ATAD
–
Interest limitation rule

Simplifying access to financing

Reducing fragmentation for a common EU framework

Sources of fragmentation

- Fixed ratio of EBITDA for deductibility as a minimum standard
- Optional de minimis (+level)
- Optional timing mechanisms (carry-forward/back)
- Optional group escape rules
- Optional exemptions (long-term public infrastructure projects, grandfathered loans, financial undertakings)

Consequences

1536 possible combinations

- No MS implemented the ILR in the exact same way

Towards one single rule:

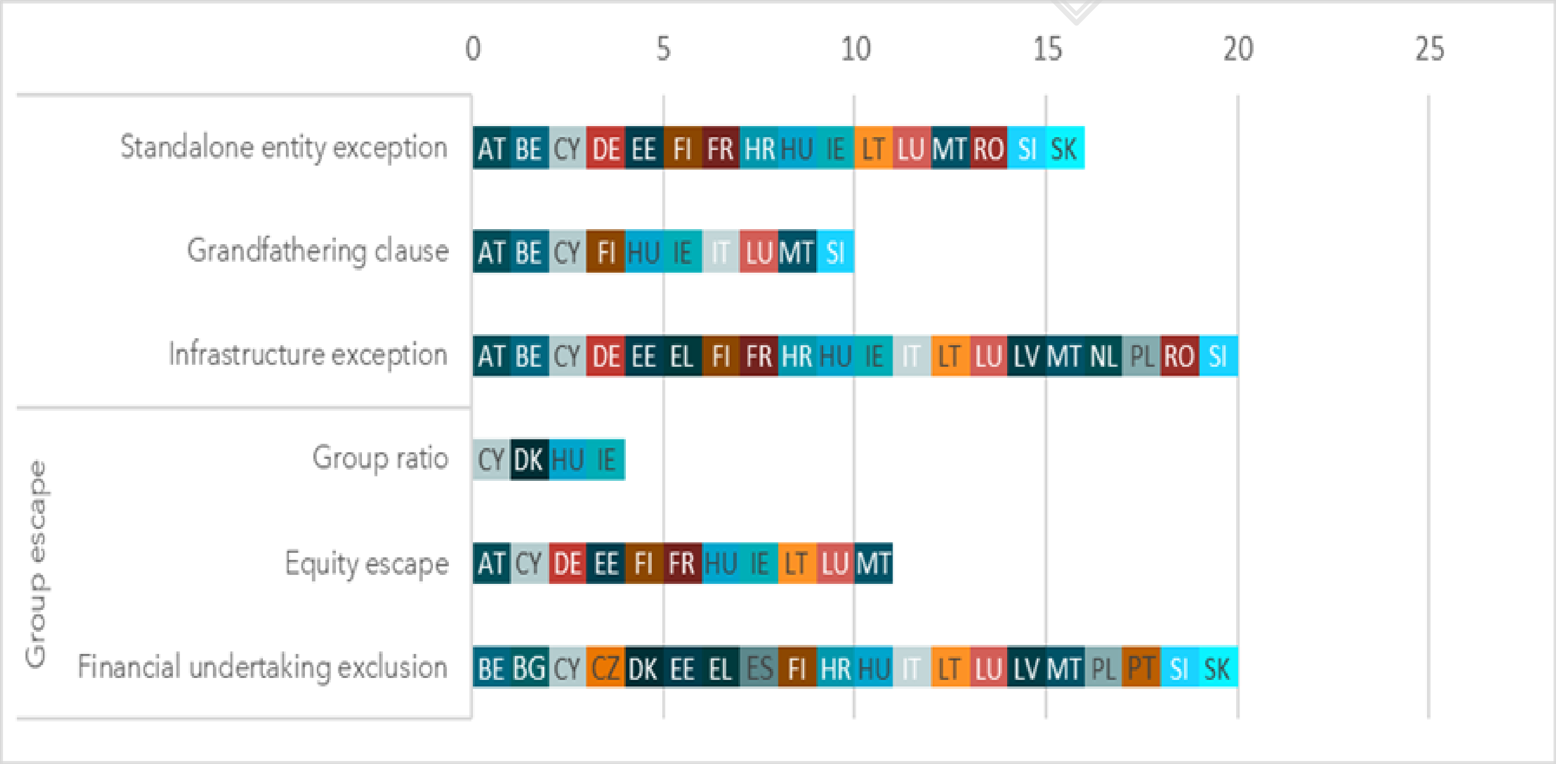
Mandatory:
- Fixed 30% EBITDA ratio
- €3m de minimis
- Group escape rule
- Carry-forward

Removal:
- Standalone entity exclusion

Flexibility:
- De minimis: 3-year phased-in implementation to mitigate impact on national budgets
- Group escape and carry-forward: possibility to implement either existing sub-options
- LT public-benefit projects: optional but clarified
- Financial undertakings: optional but updated

Reducing fragmentation for a common EU framework

Transposition of exceptions and carve-outs



Source: Study to support an evaluation of ATAD, Final Report, p. 31

Towards a more resilient interest limitation rule

Procyclical effect of the rule

- Capacity to deduct interest shrinks when earnings decline
- Insufficient existing relief (carry-forward, de minimis)
- Affects highly leveraged businesses and long-term investments

Consequences

- Higher tax burden during downturns
- Discourages productive investment
- Slower recovery

Profitability shock safeguard

- 50% EBITDA yearly decline
  - **Full-deduction of borrowing cost**

+

Adaptation to economic trends

- Annual inflation-based indexation of the 'de minimis'

Supporting investments in EU common priorities

Problems

- Diverging interpretations (e.g. social and affordable housing)
- Narrow concept: common priorities left out (e.g. defence)
- Substantial upfront borrowing and long payback periods.

Consequences

- Higher costs for key sectors
- Chilled investments in essential projects for the EU's competitiveness and strategic autonomy

Ensuring common interpretation

- Broader, clarified scope for long-term **public-benefit projects**
- **Defence** mandatory carve-out

Retaining some flexibility

- Long-term public-benefit projects: **optional**
- Defence: **temporary application** for rinvestment initiated in the first 5 years of entry into force of the Directive

Targeted carve-out for low-risk third-party loans

Problem

- Around **17% of groups** cannot fully deduct low-risk third party interest expenses
- Low-risk third-party financing remains subject to the ILR on same terms as intra-group financing structures
- This may unnecessarily affect genuine financing

Consequences

- Higher after-tax cost of financing
- Reduced investment
- Context of higher interest rates
- Greater impact on capital intensive sectors

Targeted carve-out

- Loans granted by an independent third-party
- Used to finance the taxpayer's own economic activity
- Interest expense on qualifying loans is excluded from the ILR calculation

Preventing abuse

- No on-lending within the group
- No direct or indirect capital contribution
- Existing anti-abuse rules continue to apply

Expected impact of the proposal

Annual compliance cost savings:

- **€ 69 million** for the 'de minimis'
- **€ 430 million** for the low-risk third-party loans carve-out
- **€ 80 million** for other measures (in aggregate)

Businesses

- Reduced compliance burden
- Increased legal certainty
- Safeguarding businesses during economic downturns
- Lower financing costs for highly-leveraged sectors

EU policy outcome

- Reduced gold-plating
- Better targeted rule
- Strengthened economic stability
- Fostering EU strategic autonomy and geopolitical objectives

Driving single market cohesion and encouraging genuine commercial investment

Targeting the rule to economically significant and cross-border interest

State of Play

The ILR applies to all taxpayers, irrespective of their size

99.8% of businesses in the EU are **SMEs**
Only 10% have **cross border activities**
42% of SMEs are **standalone entities**

Mandatory 'de minimis' safe harbour

+

Carve-out for low-risk third-party loans

=

De facto carve-out of SMEs from the ILR

ATAD – Controlled Foreign Company rules

Carve-out for Pillar 2 companies and SMEs

Key issues identified

Paralell application of CFC and Pillar 2

Limited practical relevance for SMEs

Pillar 2

- Overlapping objectives
- Risk of over-taxation
- Duplicate complex compliance obligations

SMEs

10% cross-border activities
2% subsidiaries outside EU

- Limited BEPS risk
- Complexity disproportionate to risk

Selected measure

1 Carve-out of P2 groups

Eligible groups

- MNEs groups in-scope of P2 with parent entities in the EU
- UPE in the EU or elsewhere

Safeguards

- SbS exception
- Broader Pillar Two tax base

2 Carve-out of SMEs

Eligible SMEs

- SMEs groups (Accounting Directive)
- Standalone entities, with foreign PE

Safeguards

- Entire group meets the SME definition

Why is this the preferred option?

Compliance burden

- Reduction for taxpayers and tax authorities
- No overlaps / no inefficient rules

Protection maintained

- Effectiveness anti-abuse framework maintained
- Proportionate application (SMEs)

Pillar 2: No over-taxation

- P2 groups no longer subject to two similar sets of rules
- Increase legal certainty: common set of internationally agreed calculation rules

Simplification without compromising protection

Expected impact

Quantified benefit

€250 million savings

- Annual compliance cost savings
- Pillar 2: €160m
- SMEs: €90 million

Businesses

- Reduces red tape
- Reduces compliance burden
- Greater legal certainty

EU Policy outcome

- Streamlines EU law
- Better alignment with Pillar Two
- Safeguards high-tax standards

Targeted simplification with measurable benefits

ATAD
–
Controlled foreign company rules

Towards a common EU model

Key issues identified

Coexistence of two models creates fragmentation

Problems

- Models differ substantially in determining the CFC income
- Model B: overlaps with transfer pricing + little additional value

Consequences

- Fragmented application
- Legal uncertainty
- Higher compliance costs for businesses operating cross-border
- No level-playing field

Selected measure

Model A mandatory

What changes?

- One CFC Model for the EU: model B is removed
- Harmonised treatment of low-risk cases with a mandatory low-risk carve-out

Why is this the preferred option?

- Model A provides greater legal certainty than Model B
- Model A avoids duplication with transfer pricing rules → preserves the effectiveness of CFC rules
- Common EU approach to CFC →reduced fragmentation
- Simplifies compliance for businesses operating in several Member States → lower compliance costs

Expected impact

Quantified benefit

€45m annual administrative cost savings

For businesses

- Facilitates compliance
- Reduces costs for cross-border activities

EU Policy outcome

- Reduces red tape by simplifying CFC rules
- Better functioning of the internal market
- Safeguards high-tax standards and level-playing field

Targeted simplification delivering measurable benefits

ATAD
–
Hybrid mismatches rules

Removing the rules on imported mismatches

Why is action needed?

Excessive complexity of imported hybrid mismatch rules

Limited application

- Confirmed through consultation of stakeholders and MS
- ATAD evaluation

High complexity

- Complex and difficult to apply
- Compliance costs for no value added
- Disproportionate rule

Selected measure and impact

Remove the imported hybrid mismatch rule

Drivers for selection of measure:

- Principle of proportionality
- Limited practical relevance
- Anti-abuse protection maintained through remaining hybrid mismatch rules

Expected impact

EUR 80 million savings (with TMD and DRM measures)

- Annual compliance cost savings
- Simpler hybrid mismatch rules
- Greater legal certainty
- Lower compliance burden