Recent Developments in Tax Legislation

A. European Commission Proposes Landmark Tax Simplification Package to Streamline Compliance and Boost Competitiveness
B. The Direct Taxation Omnibus Directive
C. Recast of the Directive on Administrative Cooperation (DAC)

A. European Commission Proposes Landmark Tax Simplification Package to Streamline Compliance and Boost Competitiveness

On 24 June 2026, the European Commission adopted an ambitious tax simplification package comprising two legislative proposals aimed at simplifying EU tax rules, reducing compliance burdens for businesses and strengthening the competitiveness of the Internal Market.

The Direct Taxation Omnibus and the Recast of the Directive on Administrative Cooperation (**DAC**) are designed to modernize the EU's direct tax framework, improve its efficiency, and better adapt it to the current economic environment, while maintaining robust protections against tax fraud, avoidance and evasion.

The Commission's proposals form part of a broader commitment to simplification, seeking to streamline the EU acquis, foster a more business-friendly environment across the EU and enhance EU competitiveness. By simplifying complex rules and eliminating unnecessary requirements, the package enables businesses to direct their resources towards growth, innovation and investment.

Both proposals will be submitted to the European Parliament for consultation and to the Council for adoption. The package forms part of the Commission's simplification agenda, which aims to reduce administrative burdens by at least 25% (35% for SMEs) by 2029.

B. The Direct Taxation Omnibus Directive

The Taxation Omnibus introduces a comprehensive set of measures to modernize the EU's direct tax framework, making it simpler, more efficient and more supportive of investment, growth and competitiveness across the Single Market.

The key elements of the package are as follows:

1. **Abolition of withholding taxes on cross-border payments:** Withholding taxes on cross-border payments of dividends, interest and royalties between EU companies will be abolished. By removing a longstanding barrier to cross-border investment, this measure will strengthen the Single Market, enhance the competitiveness of European businesses, and support the development of the Savings and Investment Union by facilitating the free movement of capital across the EU. In addition, the scope of the Parent-Subsidiary Directive will be extended to pension institutions, enabling them to benefit from withholding tax exemptions on dividends received from other Member States.
2. **Common minimum standard for R&D investment:** A common minimum standard will be introduced for the tax treatment of investments in R&D-related tangible assets. By permitting full and immediate deduction of such expenses in all Member States, this measure will make the EU a more attractive destination for research, innovation and high-value investment.
3. **Rationalization of CFC rules and Pillar Two:** The interaction between the Controlled Foreign Company (**CFC**) rules and the global minimum tax framework (Pillar Two) will be rationalized. Overlapping requirements will be removed and a harmonised model for the CFC regime will be introduced, ensuring more consistent application across Member States.
4. **Simplification of business-financing rules:** Business-financing rules will be simplified through the modernization of the interest-limitation provisions of the Anti-Tax Avoidance Directive (ATAD). The removal of implementation options and the increase of the mandatory de minimis threshold will reduce administrative burdens and improve the usability of the rules. In addition, low-risk third-party borrowing and market-based financing arrangements will be excluded from the scope of the limitation rule, providing targeted relief where there is no significant risk of tax avoidance.
5. **Strengthened tax dispute resolution mechanisms:** Tax dispute resolution mechanisms will be strengthened by addressing procedural shortcomings that have often delayed or prevented the settlement of cross-border tax disputes. This will enable businesses to resolve tax conflicts more swiftly and with greater certainty.
6. **Expansion of the Tax Merger Directive:** The Tax Merger Directive will be expanded to cover all forms of corporate reorganizations recognized under EU company law. As a result, mergers,

divisions and asset transfers will be able to take place on a tax-neutral basis, making cross-border restructuring more seamless and efficient.

C. Recast of the Directive on Administrative Cooperation (DAC)

The DAC Recast reduces reporting obligations while enhancing the efficiency and effectiveness of administrative cooperation.

By consolidating the nine existing directives into a single, more coherent legal instrument, the recast improves legal clarity for both businesses and tax administrations. At the same time, it introduces several key simplifications and improvements that will reduce administrative burdens for EU businesses and make the framework more efficient and effective.

The significant provisions are as follows:

1. **Reduction of reporting obligations:** The recast removes reporting requirements on cross-border tax arrangements for approximately 3k multinational enterprise groups that are already subject to the 15% global minimum tax under Pillar Two rules, generating annual compliance cost savings of €300m. Additionally, it eliminates reporting requirements for all other companies (including SMEs) in relation to certain cross-border tax arrangements that have been shown to be of limited added value to tax administrations, reducing overall reporting volumes by 35% and saving €40m each year.
2. **Increase of the reporting threshold for online sales of goods:** This change removes reporting obligations for over 10m sellers, particularly private sellers of second-hand goods, delivering compliance cost savings of €678m for digital platforms.
3. **Single notification obligation:** A single notification obligation will be introduced for the purposes of country-by-country reporting and the central filing of top-up tax information returns. This measure will save businesses over €260m annually by eliminating duplicate notifications.
4. **Improved taxpayer identification:** Taxpayer identification will be improved through the introduction of a new verification tool, ensuring that tax administrations can efficiently and effectively identify all reported taxpayers.
5. **Mandatory exchange of information on all categories of income and capital:** This will enable tax administrations to access more complete information in order to apply their national taxation rules effectively.



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