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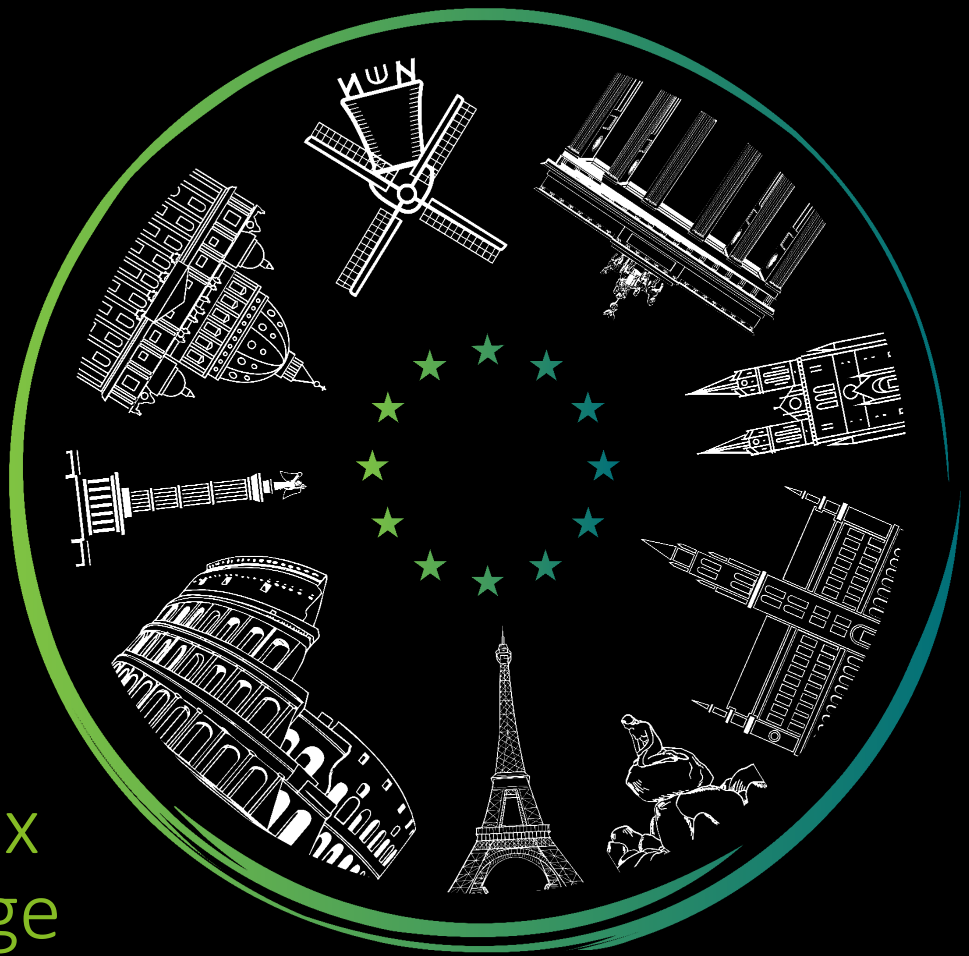


Navigating the EU Tax Simplification Package

EU TAX POLICY · WEBCAST

30 June 2026

Agenda

01 Who rules tax in the EU

The institutions, the Article 115 unanimity rule and the Pillar Two / side-by-side backdrop

02 The Direct Taxation Omnibus — seven measures

WHT · CFC · interest limitation · R&D expensing · hybrids & GAAR · mergers · dispute resolution

03 The DAC Recast — five measures

DAC6 · DAC7 · DAC4/DAC9 notification · TIN verification · DAC1 completeness

04 Impact, next steps & what it means

~€7.9bn of savings, the simplification agenda and next steps in Council

SETTING THE SCENE

Who rules tax in the EU?

- Direct taxation stays a national competence — yet a tightly defined set of EU and international actors shapes the rules cross-border businesses live by.

The institutional landscape of EU direct tax

Direct taxation is a competence shared with Member States. The EU can act only by approximating national rules that affect the internal market — so power is distributed across five actors:

RIGHT OF INITIATIVE

European Commission

Proposes and drafts directives; guardian of the Treaties and of the internal market. Author of the 24 June package.

ADOPTS THE LAW

Council of the EU

Decides by unanimity on tax under Art. 115 TFEU — every Member State holds a veto. The decisive body.

CONSULTED ONLY

European Parliament

Direct-tax files use the special legislative procedure (CNS): Parliament gives a non-binding opinion.

INTERPRETS

Court of Justice (CJEU)

Rulings shape scope — e.g. recent case law on legal professional privilege now reflected in the DAC.

SETS THE GLOBAL FRAME

OECD / Inclusive Framework

Pillar Two, BEPS and the CRS/CARF standards drive much of what the EU then codifies into directives.

How EU direct tax law is actually made

THE ROUTE TO LAW

Commission proposes
Both 24 June texts are Commission proposals for a Council Directive.

Parliament & EESC consulted
Non-binding opinions under the consultation (CNS) procedure.

Council adopts — unanimously
Article 115 TFEU: special legislative procedure, all 27 must agree.

Member States transpose
Directives are written into national law by a set deadline.

WHY THIS MATTERS

Unanimity is the defining constraint

Because every Member State has a veto, EU tax reform is slow and consensus-driven. **Simplification that removes options and standardises rules is, in practice, easier to agree than brand-new taxes.**

Legal bases: *Art. 115 TFEU (both proposals); Art. 113 also cited for the DAC. Instrument: Council Directive (CNS).*

WHO RULES TAX IN THE EU

The 24 June 2026 package at a glance

On 24 June 2026 the Commission adopted an ambitious tax simplification package built on two legislative proposals — modernising the EU direct-tax framework while keeping protection against fraud, avoidance and evasion intact. Simpler EU tax reporting rules are meant to reduce compliance costs, support investment and strengthen competitiveness.

1 · The Direct Taxation Omnibus

Targeted amendments to six directives: Interest & Royalty Directive (**IRD**), Parent-Subsidiary Directive (**PSD**), Tax Merger Directive (**TMD**), Anti-Tax Avoidance Directive (**ATAD**), the Dispute Resolution Directive (**DRM**) and **FASTER**.

SIMPLER MATERIAL TAX RULES

2 · The DAC Recast

Codifies DAC1–DAC9 into one instrument and cuts low-value reporting, while keeping enforcement tools intact.

LIGHTER REPORTING & COOPERATION

~€7.9bn
estimated annual savings for business

6 + 9
directives simplified / codified

25% / 35%
burden-cut target — all firms / SMEs by 2029 (Competitiveness Compass)

Pillar Two — the global minimum tax

Why it matters here: Pillar Two (Council Directive (EU) 2022/2523) reshapes the incentives the older anti-avoidance rules were built to counter — so several Omnibus and DAC measures are designed around it.

HOW IT WORKS

A 15% floor, jurisdiction by jurisdiction

Large MNE & domestic groups with consolidated revenue ≥ €750m must pay an effective rate of at least 15% in every jurisdiction where they operate.

Top-up tax fills the gap

If the effective rate falls below 15%, a top-up tax is charged to reach the floor — collected via the Income Inclusion Rule (IIR) or the Undertaxed Profits Rule (UTPR).

QDTT keeps the tax at home

A Qualified Domestic Top-up Tax lets the jurisdiction where the low-taxed profit arises charge the top-up first, before any other country can.

THE KNOCK-ON FOR THIS PACKAGE

A 15% floor makes some legacy rules redundant

- CFC rules largely duplicate Pillar Two's income inclusion → a carve-out for in-scope groups.
- DAC6 targets aggressive planning that the 15% floor already neutralises → in-scope groups carved out.
- The GAAR is reworded so it expressly reaches Pillar Two top-up taxes.
- The withholding-tax safeguard stands down where the recipient is already inside the Pillar Two net.

The side-by-side regime & its ripple effects

What “side-by-side” means

Under the OECD/G20 Inclusive Framework side-by-side package (agreed 5 January 2026), a jurisdiction with a qualifying domestic minimum-tax regime is recognised as operating “side by side” with Pillar Two — so groups headed there are treated as already meeting the global minimum tax, read off the OECD Central Record. It matters because the carve-outs in this package do not apply blindly: where the ultimate parent sits in a side-by-side jurisdiction, the legacy rule can still bite.

WHERE THE SIDE-BY-SIDE PROVISO RE-ACTIVATES A RULE

WHT safeguard (IRD)

The safeguard against double non-taxation is switched off for Pillar Two groups — but can still apply where the ultimate parent is in a side-by-side jurisdiction.

CFC carve-out (ATAD)

Pillar Two groups are exempt from CFC — except where the UPE sits in a side-by-side jurisdiction and the low-taxed CFC is not subject to a QDTT (or gets a refund/benefit).

DAC6 carve-out

In-scope groups are carved out — but reporting survives where the group is headquartered in a side-by-side jurisdiction with EU entities arranging with non-QDTT jurisdictions.

PROPOSAL ONE

The Direct Taxation Omnibus

- Simplification of Direct Taxation – Seven measures across six directives for simpler and more effective tax rules, facilitating the financing of the economy and boosting competitiveness of the internal market.

Context & objectives

THE PROBLEM

- Decades of layered directives have created a complex, fragmented framework with divergent national implementation.
- Pillar Two now overlaps with older ATAD measures — causing duplicative calculations and disproportionate burdens.
- Withholding-tax relief under the IRD and PSD is slowed by procedural barriers and legal uncertainty.
- No common EU rule on R&D expenditure leaves the Union fragmented and less competitive than its trading partners.

THE OBJECTIVES

Reduce compliance cost

Cut red tape and remove obstacles to cross-border activity and investment.

Improve legal certainty

Eliminate overlaps and outdated provisions; harmonise concepts across the EU.

Support growth & innovation

Make the EU more attractive for R&D, capital and corporate restructuring.

Keep safeguards intact

No weakening of anti-abuse rules — protection against avoidance is preserved.

Abolishing intra-EU withholding taxes

Directives: Interest & Royalties (IRD) · Parent-Subsidiary (PSD) · FASTER

WHAT CHANGES

- Full exemption regardless of holding: dividends, interest and royalties between EU companies are exempt — the minimum shareholding / holding-period tests in the “associated” and “parent” company definitions are deleted.
- Pension institutions brought in: PSD scope extended to pension funds (any legal form) via a derogation from the subject-to-tax condition.
- No upfront procedures: prior authorisation at the time of payment is banned — eligibility is self-assessed, subject to ex-post controls and anti-abuse rules. Where tax is still withheld, a refund must follow within a reasonable time.
- FASTER opened up: relief-at-source / quick-refund procedures are extended to listed securities held via nominees, where the payer cannot identify the investor upfront.

PILLAR TWO & SIDE-BY-SIDE EFFECT

A new safeguard prevents **double non-taxation** on interest/royalties paid to zero-tax jurisdictions: the source state must either levy WHT or deny the deduction.

It stands down where the recipient is subject to a QDTT (with no refund) or sits in a Pillar Two group — **unless** the ultimate parent is in a side-by-side jurisdiction, where it can still apply.

CFC rules today — Model A vs Model B

Directive: Anti-Tax Avoidance Directive (ATAD) — the choice Member States make now

CFC rules re-attribute the income of a low-taxed controlled subsidiary back to the parent. ATAD lets each Member State pick one of two methods:

Model A

ENTITY / CATEGORICAL APPROACH

≈ 14
Member States

Attributes defined categories of passive income — interest, royalties, dividends, financial-leasing, insurance & banking, and income from invoicing companies — earned by the low-taxed CFC.

In practice: *Mechanical and administrable; the broader of the two nets.*

Model B

TRANSACTIONAL APPROACH

≈ 9
Member States

Attributes only the undistributed profit from non-genuine arrangements put in place essentially to obtain a tax advantage — judged by where the significant people functions sit.

In practice: *Narrow; overlaps heavily with transfer-pricing / arm's-length analysis.*

Mixed picture across the 27: *the Netherlands combines both models; Bulgaria, Finland and France follow their own approach; and Belgium switched from Model B to Model A from 2024 — illustrating exactly the fragmentation the Omnibus seeks to end.*

CFC rules — what the Omnibus changes

Directive: ATAD — streamlined and de-overlapped against Pillar Two

Model A becomes the only approach

Model B — and its related de minimis rule — is deleted. Evidence showed Model B added little beyond transfer-pricing rules; a single model ends fragmentation and improves legal certainty.

Pillar Two carve-out

Groups within the scope of Pillar Two are exempt from CFC rules, because the income-inclusion rule already addresses the same low-taxed income — removing duplicative calculations and economic double taxation.

Side-by-side proviso

The carve-out is qualified: where the ultimate parent is in a side-by-side jurisdiction and the low-taxed CFC is not subject to a QDTT (or receives a refund/benefit), the CFC charge can still apply.

SME carve-out

Small and medium-sized groups are exempt — administrations recorded almost no SME CFC cases in ~10 years, so the rule's burden is disproportionate to its risk.

Resetting the interest limitation rule

Directive: ATAD — the 30% EBITDA cap on deductibility of exceeding borrowing costs

30% EBITDA cap made mandatory

Member States can no longer set lower national thresholds — one uniform deductibility ceiling.

Third-party loans carved out

Borrowing from non-associated lenders (funding the taxpayer's own activities) is excluded — BEPS risk sits in intra-group debt, not genuine external finance.

€3m safe harbour mandatory & indexed

The fixed monetary allowance becomes compulsory within 3 years and is inflation-indexed; the standalone-entity exclusion is dropped as redundant.

Anti-procyclicality safeguard

No interest limitation applies in a year where the taxpayer's EBITDA falls by 50% or more.

Group escape & carry-forward mandatory

Both become compulsory — relief for highly-leveraged groups and for volatile earnings / start-ups.

Public-benefit & defence exclusions

Long-term public-benefit projects are covered; a temporary defence-sector exclusion applies to loans in the first 5 tax periods.

R&D immediate expensing

Directive: ATAD — a new chapter creating an EU-wide minimum R&D allowance

WHAT CHANGES

- New EU-wide minimum standard: full deductibility of qualifying R&D capital expenditure — plant, machinery and tangible assets used directly for R&D or to provide R&D facilities.
- Timing flexibility: deduct in the tax period the cost is incurred, or spread it across any of the four subsequent periods.
- Anti-abuse conditions: assets must be used for R&D for at least three years; rules on withdrawal of the allowance and balancing charges apply on disposal, demolition or cessation of ownership.
- EBITDA add-back: the allowance is added back when computing EBITDA, so it does not erode interest-deductibility capacity. Member States may grant more generous national treatment.

WHY IT MATTERS

+0.2%

projected long-run lift to EU GDP from immediate expensing of R&D assets

≈ €265m / yr in compliance savings

Hybrid mismatches & the GAAR

Directive: ATAD – imported mismatches and general anti-abuse rule (GAAR)

Imported mismatches — deleted

The Art. 9(3) rules on **imported hybrid mismatches** are removed. Their elaborate definitions and multi-layered compliance proved excessively complex for taxpayers and administrations alike, generating significant burden without achieving their intended results — so their deletion is justified on proportionality grounds.

GAAR — scope clarified

The general anti-abuse rule is reworded so it expressly covers **all taxes companies are subject to** — removing doubt over whether it reaches withholding taxes and, in particular, the **Pillar Two top-up taxes** under Directive (EU) 2022/2523. A consistency fix, not a new tax.

Widening tax-neutral reorganisations

Directive: Tax Merger Directive (TMD) — aligned with EU company law

WHAT CHANGES

- Definitions aligned with the Company Law Directive (as amended by the Mobility Directive), closing the gap between tax rules and company law.
- Two new operations brought into scope: the “simplified merger” and “division by separation”, which the TMD did not previously cover.
- New chapter for cross-border conversions / transfers of registered office: capital-gains taxation is deferred until the assets are actually disposed of, provided they stay connected to the departure State.
- Annex of eligible company forms updated, with a delegated-act power to add future legal forms.

THE PRINCIPLE

Tax neutrality

Mergers, divisions, asset transfers and now conversions can take place without immediate taxation — so cross-border restructuring is no longer blocked by a tax charge that only arises on a genuine disposal.

Sharper cross-border dispute resolution

Directive: Dispute Resolution Mechanism Directive (DRM) — procedural fixes

“Affected person” clarified

Where one question hits several taxpayers, each qualifies as an affected person — removing uncertainty in multi-entity (e.g. transfer-pricing) cases.

30-day window replaces “simultaneous”

The hard-to-interpret “simultaneous submission” test becomes a clear 30-calendar-day window; each person may file in its State of residence.

Fewer rejections, right to cure

Grounds for rejecting a complaint are minimised; taxpayers get 30 days to remedy defects and may resubmit within the overall time limit.

Faster route to arbitration

If authorities agree no resolution is possible, they must tell the taxpayer without delay rather than waiting out the two-year MAP period.

Binding implementing acts

The Council is empowered to adopt uniform technical and procedural rules; a harmonised statistical framework is added.

PROPOSAL TWO

The DAC Recast

- Five targeted simplifications on top of codifying DAC1–DAC9 into one instrument, without lowering protection against fraud, evasion and avoidance.

Context & objectives

ONE FRAMEWORK, NINE LAYERS (DAC1–DAC9)

DAC1	Income & capital categories
DAC2	Financial accounts (CRS)
DAC3	Cross-border tax rulings
DAC4	Country-by-country reporting
DAC5	Access to anti-money-laundering data
DAC6	Reportable cross-border arrangements
DAC7	Income via digital platforms
DAC8	Crypto-asset transactions
DAC9	Pillar Two top-up tax returns

WHY RECAST — AND TO WHAT END

Codify & clarify

Eight amendments since 2011 made the DAC complex; codification into one act improves legal certainty and usability.

Cut low-value reporting

Evaluation and the European Court of Auditors found reporting that is redundant or inconsistently applied — especially DAC6.

Improve efficiency

Better taxpayer identification and automatic matching of data to national databases reduce manual cross-checking.

Protection unchanged

Safeguards against fraud, evasion and avoidance are fully preserved — this is simplification, not deregulation.

DAC6 — narrowing arrangement reporting

Subject: Reportable cross-border arrangements — the most-criticised reporting stream

WHAT CHANGES

- Generic Category A hallmarks deleted — they generated high reporting volumes of little value to administrations.
- Reporting clock now starts at the first implementation step (an irreversible / legally-binding act); intermediaries get 90 days, up from 30, for better-quality filings.
- Legal professional privilege narrowed to lawyers (and those authorised to provide legal representation), reflecting the CJEU rulings in Orde van Vlaamse Balies and Belgian Association of Tax Lawyers.
- Hallmark C1 — EU list (EU Code of Conduct Group) replaces the OECD reference to “non-cooperative jurisdiction”.
- Hallmark D2: The “substantive economic activity” test for the non-transparent beneficial-ownership-chain hallmark is to be defined in a Council implementing act.

PILLAR TWO & SIDE-BY-SIDE EFFECT

Groups within the scope of Pillar Two are **carved out of DAC6** — the 15% floor is expected to neutralise the aggressive planning DAC6 targets, and these groups already face dedicated audit scrutiny.

But reporting survives where the group is headquartered in a side-by-side jurisdiction and its EU entities implement arrangements with a jurisdiction that has no QDTT in effect (or where related benefits are received).

DAC7 — a higher platform threshold

Subject: Reporting on the online sale of goods through digital platforms

TODAY

- Activity threshold: report once a seller makes 30+ transactions a year.
- Monetary threshold: €2,000 of consideration a year.
- Result: very low thresholds sweep in large numbers of small / private sellers.

UNDER THE RECAST

- Activity threshold removed entirely.
- Monetary threshold raised to €3,000 a year.
- Result: ~10 million sellers — mostly private second-hand sellers — fall out of scope, supporting the circular economy.

~10m

sellers taken out of scope

€678m

annual compliance saving for digital platforms

Aligned with the OECD Model Rules for digital platforms to avoid global fragmentation.

DAC4 / DAC9 — one notification, not two

Subject: Country-by-country reporting (DAC4) and central filing of the top-up tax return (DAC9)

TODAY — DUPLICATE NOTIFICATIONS

- Every entity of an MNE group notifies under DAC4 and again under DAC9 — who files, and by when.
- The two regimes run on different timelines, and Member States have implemented divergent notification rules.
- Result: duplicative, fragmented filings across the group.

UNDER THE RECAST — SINGLE NOTIFICATION

- Option for one notification per MNE group covering both DAC4 and DAC9 purposes.
- A common template and a harmonised deadline (the last day of the group's fiscal year).
- Filed once with one tax authority, then exchanged with all relevant authorities within 3 months.

Saving: *over €260m a year by eliminating duplicate notifications.*

TIN verification — reliable taxpayer ID

Subject: A new EU tool to verify the Taxpayer Identification Number before reporting

HOW IT WORKS

- A central tool digitally checks whether a reported TIN matches the taxpayer on the identifying information given — or flags that no match could be established.
- Compulsory for tax administrations; optional for reporting entities that wish to validate before they file.
- Where the tool (or an equivalent verified identifier such as the EUID) is used, only the name and TIN need be reported — lighter data collection at the same level of quality.
- Tackles a long-standing problem: poor identification and weak automatic matching that forced administrations to cross-check data by hand.

THE PAYOFF

up to €70m

a year saved by cutting resource-intensive ex-post correction of mismatched data.

Some upfront build cost at EU and national level, but net savings over time.

DAC1 — more complete exchange

Subject: The automatic exchange of categories of income and capital — the original DAC backbone

WHAT CHANGES

- Life-insurance products dropped as a category — exchanged by few Member States and largely duplicated by financial-account reporting.
- All six remaining categories become mandatory to exchange (where the information is available), ending the patchwork of partial exchange.
- "Available information" widened: not just tax-authority registers, but data held across all national-government registers and databases.
- Beneficial ownership of real estate added, in line with the latest OECD work and drawing on the EU anti-money-laundering registers.

THE SIX CATEGORIES THAT REMAIN

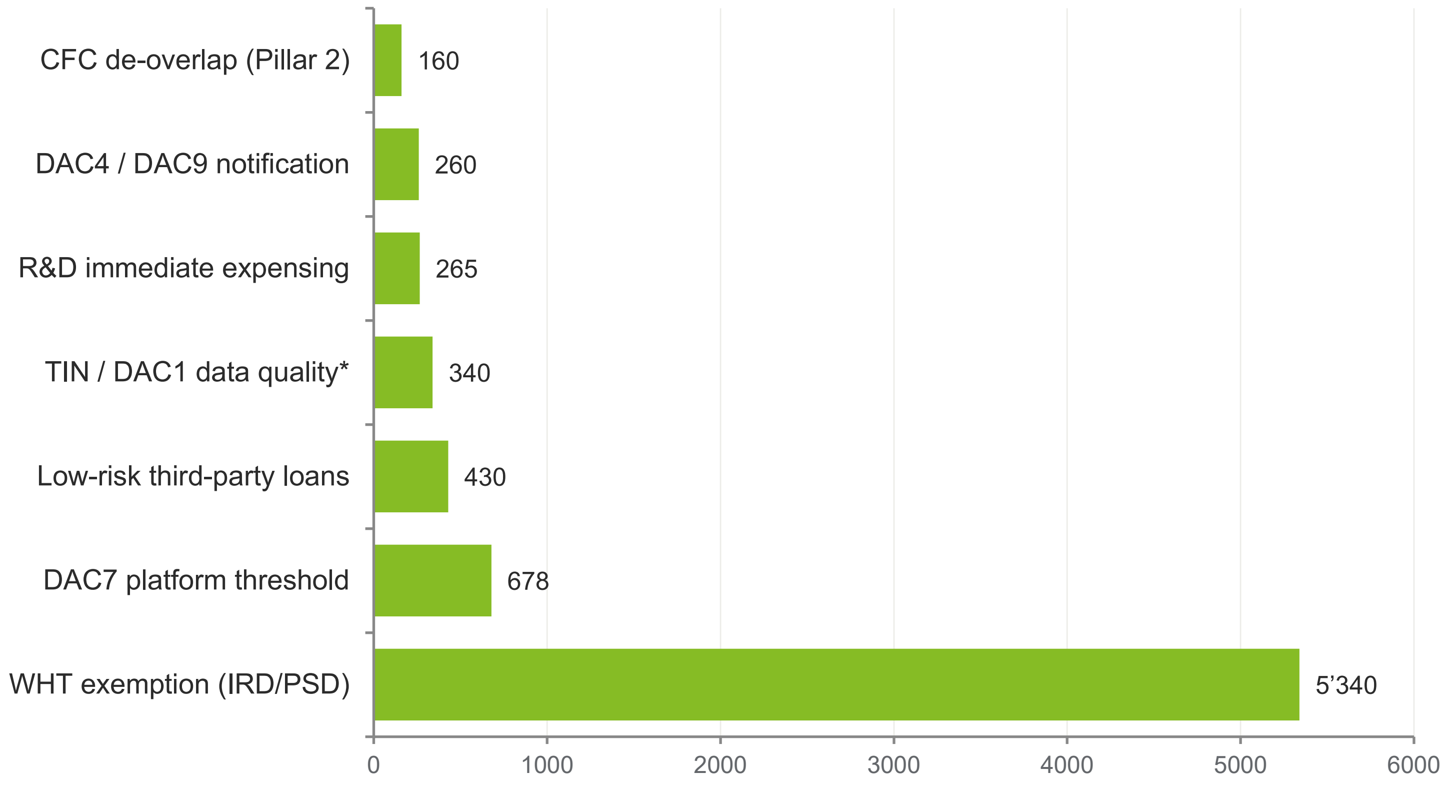
- Employment income
- Director's fees
- Pensions
- Immovable property & income (+ beneficial owner)
- ~~Life-insurance — removed~~
- Royalties

BRINGING IT TOGETHER

Impact, next steps & what it means

€7.9 billion of savings a year

The Commission estimates the package will save business and reduce compliance costs by roughly €7.9 billion a year. Indicative components:



HEADLINE NUMBERS

~€7.9bn
total annual saving for EU business

~€3.3bn
of that, annual administrative cost

>€1bn
annual saving from the DAC recast alone

>€18bn
cumulative simplification agenda to date

**Indicative; figures drawn from the Commission's explanatory memoranda and impact assessments. R&D and WHT measures are also projected to lift EU GDP over the long run.*

NEXT STEPS

From proposal to law — the road ahead

24 JUN 2026	NEXT	THEN	ON ADOPTION	BY 2029
Adopted	**Consultation**	**Council — unanimity**	**Transposition**	**Target**
Commission tables both proposals for a Council Directive.	European Parliament & EESC give their (non-binding) opinions — CNS procedure.	Adoption needs all 27 Member States to agree under Art. 115 TFEU. **DAC Recast: End 2026?** **Tax Omnibus: End 2027?**	Written into national law; some measures are phased in to allow time to adapt.	Feeds the ≥25% (35% for SMEs) administrative-burden-cut goal.

Bear in mind: these remain Commission proposals — text and timing can shift in Council, and the unanimity requirement makes the path inherently uncertain.

NEXT STEPS

Transposition deadlines & staged entry into force

Published 24 June 2026 and subject to Council agreement — the two proposals phase in over a decade. Transposition and application dates by measure:

Measure	Main content	Transposition	Application / entry into force
DIRECT TAXATION OMNIBUS COM(2026) 560 · transpose by 31 Dec 2028			
General rule	Core amendments to the IRD, PSD, Merger Directive and most ATAD simplifications	31 Dec 2028	**1 Jan 2029**
ATAD interest-limitation safe harbour	Deferred ATAD measure with a longer lead time	31 Dec 2028	**1 Jan 2032**
WHT / PSD / IRD standardisation	More complex WHT and coordinated PSD / IRD procedural changes	31 Dec 2028	**1 Jan 2037**
DAC RECAST COM(2026) 308 · transpose by 31 Dec 2027 (wave 1) / 31 Dec 2029 (wave 2)			
First wave	DAC6 & DAC7 simplifications; real-estate beneficial-ownership reporting	31 Dec 2027	**1 Jan 2028**
Second wave	TIN verification tool, upgraded IT, combined CbCR / Pillar Two notification	31 Dec 2029	**1 Jan 2030**
Repeal of existing DAC	Repeal of Directive 2011/16/EU and DAC1–DAC9 under the recast	n/a	**1 Jan 2030**

Baseline Omnibus application is 1 January 2029; only the ATAD interest-limitation safe harbour (2032) and selected WHT / PSD / IRD measures (2037) are deferred. All dates subject to final legal text.

WHAT IT MEANS

Six priorities for cross-border groups

Withholding tax

Model the cash-flow gain from full intra-EU WHT exemption and quicker FASTER refunds across group flows.

Financing

Re-run interest-limitation positions on the mandatory 30% cap, the €3m safe harbour and the third-party-loan carve-out.

Anti-avoidance

Re-test CFC under the single Model A regime and the Pillar Two carve-out; retire imported-mismatch analysis.

Pillar Two mapping

Map each group's Pillar Two / side-by-side status — it switches the CFC, DAC6 and WHT carve-outs on or off.

Reporting

Re-scope DAC6 (carve-out, hallmark changes, 90-day clock, narrowed LPP) and DAC7 (€3,000 threshold) obligations.

Restructure & innovate

Revisit cross-border reorganisations under the wider Merger Directive and the timing of R&D capital spend.

Reminder: these are proposals — confirm the final text before acting, and revisit positions as the files move through Council.

THANK YOU

Any Question?

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