Feedback on Simplifying EU rules on direct taxation – omnibus

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The Nordic finance sector in Denmark, Finland and Sweden would like to give the following feedback on the Have Your Say “Simplifying EU rules on direct taxation – omnibus”.

At the outset, we would like to emphasize the importance of the forthcoming Tax Omnibus for the competitiveness of European companies. Tax regulation has increased significantly in recent years, and the administrative burden caused by regulation has grown considerably. From the perspective of our sector, we would like to highlight in particular the following proposals for alleviation.

Main issues

- **Complex taxation procedures and reporting**: Taxation procedures are burdensome and unclear and cause high compliance costs. We appreciate this initiative to review and simplify the EU corporate tax system.
- **Overlapping EU and national legislation and requirements:** The Draghi report on EU competitiveness well describes this problem, also referring to tax legislation as a topic often affected by this phenomenon called “gold-plating”.
  - EU directives set policy goals, but each Member State decides the exact measures.
  - Member States’ national legislation is stricter than the minimum level set in the directive, because EU legislation deliberately leaves flexibility in the level of harmonization: fully harmonized vs. minimum level with no ceiling.
  - Member States leave national legislation in place on matters regulated by EU law, creating a dual regulatory regime.
- **The EC should leave less margin to the Member States in implementing EU directives.** To promote consistency and minimize unnecessary administrative burdens, future EU tax legislation should be implemented wherever possible at the national levels in as much harmonized manner as possible.**EC should evaluate the implementation and give guidance.**
- **More harmonized EU legislation regarding tax compliance** is needed especially to secure the competitiveness of multinational groups.

Technical details have big impact

Taxation procedures would be simpler and more effective by using digital taxation tools, harmonising and digitalising the tax reporting & process. It is, however, extremely important in terms of digitalisation that the reporting of tax processes is carried out in a harmonised manner across different European Union member states. The current trend, in which states appear to be pursuing digitalisation projects that apply solely to their own jurisdictions, forces companies to undertake several separate, costly and labour-intensive system changes.

Quick wins could be reached for example by harmonising the technical elements of reporting processes:

- legislation coming into force at the same time in all Member States
- non-binding but simple and easy to implement reporting templates
- aligned understanding of the content of the data points
- harmonized due dates of reporting
- always accepting reporting also in e.g. English and French
- ensuring the same reporting format (XML, XBRL) to enable use of the same reporting tools

Current overlapping rules increase administrative burdens without clear additional policy benefits

The Nordic Finance sector observes several areas where overlapping rules increase administrative burdens without clear additional policy benefits, including:

GloBE/Pillar Two and ATAD duplications

- Controlled Foreign Company (CFC) rules under ATAD and the Pillar Two framework both seek to address profit shifting to low-tax jurisdictions, but apply different mechanisms, resulting in overlapping analyses and additional compliance work and administrative complexity.
- The Hybrid Mismatch Rules under ATAD overlap with Pillar Two's treatment of flow-through and reverse hybrid entities, leading to parallel assessments and reporting obligations.
- Interest limitation rules under ATAD and the Pillar Two Income Inclusion Rule pursue similar objectives but rely on different calculation methodologies, further increasing complexity and compliance costs.

To address these overlaps more effectively, greater alignment of methodologies should be considered. In particular, CFC rules could be better aligned with GloBE concepts, including greater reliance on financial accounting as a starting point and avoiding duplicative calculations for multinational groups already subject to the global minimum tax. Such alignment would significantly reduce parallel compliance processes while preserving the underlying policy objectives.

Cross-directive anti-abuse overlap

- ATAD includes both general anti-abuse rules and specific provisions covering CFCs, interest limitation, and hybrid mismatches. At the same time, the Parent-Subsidiary Directive contains mandatory anti-abuse rules that deny tax benefits where arrangements are not considered genuine. The cumulative application of these rules often results in multiple layers of anti-abuse assessments for the same transactions.

Reporting burden proliferation

- Large institutions are subject to a growing number of complex reporting obligations to the local tax authorities under EU tax initiatives, significantly increasing administrative effort and compliance costs. Examples include Pillar Two, Country-by-Country Reporting, and DAC6.
- DAC6 in particular is broad in scope, implemented inconsistently across Member States, and may require reporting of arrangements that are fully legitimate and already addressed under other EU tax rules, including ATAD and Pillar Two.

In light of the introduction of the global minimum tax, it would therefore be appropriate to assess whether certain elements of DAC6 — or potentially the Directive as a whole — have become redundant. A targeted reassessment could help eliminate unnecessary overlap, reduce duplicative reporting, and refocus disclosure obligations on arrangements that present a genuine risk of abuse.

Harmonisation of beneficial ownership concepts across EU tax directives is urgently needed

The concept of beneficial ownership — who is considered the owner of an asset or income — has been adopted on a non-harmonised basis in different countries and across EU Member States. In practice, tax authorities apply this concept alongside other tax principles, such as anti-tax avoidance rules and general anti-abuse rules. A clear and consistent determination of the beneficial owner is critical for the correct tax treatment of transactions, including the application of withholding taxes on dividend and interest payments across EU Member States.

The absence of a harmonised definition of beneficial ownership in EU tax directives has led Member States to rely increasingly on evolving CJEU case law, resulting in divergent national interpretations and reduced legal certainty. This development has significantly increased administrative burdens, as taxpayers are required to repeatedly demonstrate eligibility based on differing and expanding substance and anti-abuse assessments. A clear and common EU definition would therefore be essential to ensure consistent application and predictable outcomes across the internal market.

The Nordic Finance sector therefore supports the introduction of a common EU concept of beneficial owner/ownership when applying the Interest and Royalties Directive, the Parent-Subsidiary Directive, and the FASTER Directive. Such a definition could be based on the OECD 2014 Commentary (as reflected in the OECD 2017 Commentary), according to which a beneficial owner is the person who can use and enjoy the income, is not under a duty (a legal or contractual obligation) to pass it on, and is not acting as a nominee, trustee, or custodian.

In addition to the points set out above, the Nordic financial sector hopes that the Commission will take note of the following directive-specific considerations when preparing the Tax Omnibus.

ATAD- interest deduction rules

- **Interest deduction limitations** set in the ATAD (Anti-Tax Avoidance Directive) restrict investments in the EU. The multiple crises worldwide have depleted companies' equity, forcing them to rely more on loans for investments. On the other hand, industries with heavy tangible assets have no other option but to use loans. Obtaining reasonably priced loans for investments has become more challenging. The recent high interest rates are also causing increased interest costs. Due to the strict interest deduction limitations, companies' financing costs are unreasonably high, even resulting to transferring financing functions outside of the EU. Safe harbour clause regarding interest deductions should be expanded. **The limitation should be fully lifted for bank loans, and the limit for corporate group loans should be significantly increased from the current 3 million euros**. The safe harbour clause should be made obligatory for Member States. (Article 4, paragraph 3)
- **Streamlining of balance sheet test rules**: The **balance sheet test should be made obligatory for Member States**, and the conditions should be streamlined to prevent Member States from imposing additional conditions on applicability. (Article 4, paragraph 5)
- **Definition of interest expenses**: The definition of borrowing costs should be exhaustive meaning that all costs covered by the rules must be explicitly stated in the directive. Furthermore, no reference should be made to the domestic definitions. These changes would harmonize the scope of the rules across Member State and enhance legal certainty. (Article 2, point 1))
- The coexistence of the **ATAD and the Minimum Taxation Directive (Pillar Two**) risks creating overlapping and disproportionate compliance obligations. Simplification should therefore also focus on the **interaction between these regimes**, with a view to eliminating duplicative calculations and reporting. In particular, consideration should be given to aligning the application of **CFC rules** with GloBE methodologies where appropriate.
- In light of the introduction of a global minimum tax, the continued scope and necessity of the **ATAD hybrid mismatch rul**es should be reassessed. These rules **should remain targeted and proportionate**, avoiding unnecessary overlap with Pillar Two outcomes and reducing the risk of multiple layers of anti-avoidance measures applying to the same arrangements.

CFC rules

- **Obligatory ownership threshold**: The 50 per cent threshold for the applicability of CFC rules could be made obligatory for Member States to narrow the scope these rules. For instance, Finland's threshold of 25 per cent may hinder or complicate larger investments when investor seek to avoid the application of CFC rules. (Article1, point a)).

Merger Directive

- **Division consideration**: The wording of the directive should be amended to permit a division without the mandatory requirement to pay division consideration, thereby aligning it with the provisions related to mergers. (Article 2 (1)(b))
- **Threshold for cash payments**: The threshold for cash payment in mergers, divisions and exchanges of shares should be abolished or alternatively increased to enhance a level playing field in reorganizations. (Article 2)
- **Scope of tax neutral share exchanges**: The scope of the share exchange provision should be expanded to include situations where the company acquiring the shares is a company

residing outside the EEA. The expansion would facilitate receiving funding from outside the EU and enhance growth opportunities. This change would also align with the principle of free movement of capital. (Article 2)

Parent-Subsidiary Directive

- **Safe harbour rules**: Consideration should be given to whether safe harbour provisions could be incorporated at the directive level to enhance legal certainty, thereby ensuring access to the benefits conferred by the directive. Such safe harbour rules could be derived from the "Danish beneficial ownership cases" (Joined Cases C-116/16 and C-117/16 and joined cases C-115/16, C-118/16, C-119/16, C-299/16). For instance, a safe harbour rule could stipulate that directive-based benefits are granted if the following conditions are met:
  - the dividend recipient has a board operating in its resident state, with the necessary expertise and authority to decide on the use of funds, as well as sufficient resources to conduct board activities; and
  - there are legitimate business grounds for the holding structure. (Article 1 (2))
- The Directive should also be **reviewed to clarify its application to indirect shareholdings and partnership-based ownership structures**. The absence of explicit guidance in this area creates uncertainty for modern group structures and may prevent the Directive from achieving its intended effect in practice. Targeted clarifications would support cross-border investment and simplify group structuring decisions.
- The application of the general anti-abuse rule under Article 1(2) of the Parent–Subsidiary Directive varies significantly across Member States, in particular due to divergent substance requirements and documentation practices. To improve legal certainty and reduce compliance costs, consideration should be given to **introducing harmonized EU-level substance criteria and standardized documentation requirements** for demonstrating entitlement to Directive benefits. This would avoid repeated and duplicative assessments in multiple jurisdictions.
- To enhance legal certainty and ensure uniform application of the Parent–Subsidiary Directive, the Directive should be clarified to explicitly confirm that **profit-related municipal or local taxes** fall within its scope. Divergent national interpretations regarding the treatment of such taxes undermine the Directive's objective of eliminating double taxation and result in unnecessary disputes and administrative burdens for cross-border groups.
- In addition to substantive amendments, procedural simplifications should be considered to facilitate the practical application of the Directive. These could include, for example, **longer validity periods for tax residence certificates, increased reliance on digital and automated processes**, and reduced formalities where the relevant conditions are met. Procedural streamlining is essential to ensure that the benefits of the Directive can be accessed efficiently. In addition this would streamline compliance and promote a more uniform application across Member States.

Minimum Tax directive

We greatly appreciate the Commission's efforts to simplify and improve the "corporate tax directives" (Interest and Royalties Directive, Tax Merger Directive, Parent-Subsidiary Directive, Anti-Tax Avoidance Directive and Tax Dispute Resolution Mechanisms Directive), as these initiatives are essential to reducing administrative burdens and enhancing the competitiveness of businesses within the EU. However, we would like to note that the Global Minimum Taxation Directive ("Minimum Tax Directive") is missing from this Omnibus on taxation. We believe that the Minimum Tax Directive should be explicitly included in the scope of Omnibus on taxation, as it is currently one of the most complex and burdensome parts of the EU corporate tax directives for large groups.

The introduction of the Minimum Tax Directive has created an unprecedented level of legal, technical and operational complexity for EU headquartered multinational groups, due to:

- multiple parallel rule sets (OECD Model Rules, the EU minimum taxation directive and divergent national QDMTT/IIR/UTPR designs) that must be reconciled;
- highly granular data requirements at jurisdiction and entity level (tracking of covered taxes, deferred tax items, safe harbour eligibility and jurisdiction specific adjustments) going far beyond existing tax accounting and financial reporting processes;
- parallel reporting requirements (GIR, local top-up returns and extensive reconciliations); and

- detailed, evolving administrative guidance that frequently requires dual calculations (under model rules and under national law).

A recent quantitative assessment by the Liebniz Centre for European Economic Research in Mannheim, Germany ("ZEW") finds one-off implementation costs for EU headquartered groups of roughly EUR 1.2 – 2.0 billion and recurring annual costs of around EUR 0.5 – 0.9 billion, confirming that these burdens are structural rather than marginal.

At the same time, global implementation of Pillar Two is uneven: the EU has implemented comprehensively and on time, while several major non-EU economies have delayed or only partially implemented comparable rules. In practice, EU-based groups therefore face full Pillar Two compliance, a jurisdiction-by- jurisdiction effective tax "floor" and no global blending, while some competitors operate under less restrictive or less burdensome regimes, e.g. the US headquartered groups. This asymmetry directly undermines the EU's efforts to improve competitiveness and reduce red tape for businesses.

We also note that the permanent safe harbour provisions, in their current form, do not appear to provide the degree of simplification that the Commission itself is seeking in light of its agenda to enhance the EU's global competitiveness, nor the level of relief that European businesses have consistently advocated for. A planned review of the rules in 2029 is, in our view, too late to address these issues: simplifications and streamlining are urgently needed now, given that systems, processes and investments are being locked in by groups and tax administrations in the current implementation phase.

As a result, these burdensome rules will remain applicable until at least 2029, meaning that the scheduled review will begin too late to effectively address current concerns. Furthermore, the scope of the planned review is expected to be limited by the parameters set forth in the recently introduced side-by-side solution, thereby risking the prevention of a comprehensive or substantive evaluation of the rules.

Excluding the Minimum Tax Directive from the Omnibus on taxation would leave untouched one of the main drivers of costs, complexity and administrative burden for large EU groups and would be difficult to reconcile with the Commission's stated objective of simplifying direct tax rules and cutting reporting costs for companies. Including it would allow the EU to:

- harmonise key procedural aspects (filing deadlines, formats, reliance on a single GIR per group in the EU and elimination of additional local filings) and reduce duplicative obligations across Member States;
- build on OECD simplification and safe harbour packages to design EU specific simplifications aligned with existing EU reporting (e.g. CbCR/public CbCR), rather than maintaining a parallel "second tax system"; and
- systematically assess adjustments to the Minimum Tax Directive through a competitiveness and administrative burden lens, in line with the Competitiveness Compass and the wider drive to reduce reporting obligations.

Such changes would not weaken the policy objective of global minimum taxation; they would make the framework more administrable, predictable and proportionate for EU based groups, which is precisely in line with the aims of the Omnibus initiative.

Overall, simplification should not be limited to individual directives in isolation but should also address procedural aspects and interactions between EU tax instruments, in order to deliver meaningful reductions in administrative burden and enhance legal certainty for cross-border economic activity.

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