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The Nordic finance sector 's comments on the Tax Omnibus and DAC recast

Tax Omnibus

1. Executive summary

The Nordic financial sector welcomes the Tax Omnibus and DAC recast as important steps towards a more coherent, competitive and administratively efficient EU tax framework. The proposals are broadly aligned with the EU's competitiveness agenda and the objectives set out in the Draghi report, including the need to reduce unnecessary regulatory complexity as well as supporting investment, digitalisation, sustainability and capital market development.

However, several aspects of the proposals should be clarified or improved to ensure that the intended simplification benefits are achieved in practice. In particular, the Nordic financial sector recommends that investment funds be included within the scope of the Parent-Subsidiary Directive and the Interest and Royalties Directive and that the proposed transition periods are shortened. Further, the interaction with FASTER, Pillar Two, CFC rules and listed bond markets should be revised to ensure unintended administrative burdens. With regard to Pillar Two the Tax Omnibus does not yet address the competitiveness concerns or the need for genuine simplification. These issues should be tackled as a priority.

With regard to the DAC recast, the Nordic financial sector supports the consolidation and streamlining of reporting obligations, including the maintenance of the Main Benefit Test and the proposed simplifications for DAC4, DAC6 and DAC9. Further improvements are nevertheless needed for a genuine centralisation of notifications, practical filing deadlines, legal certainty and effective TIN validation.

2. General comments

The Draghi report on the EU's competitiveness highlights the need to make Europe more competitive and to ensure financing for transition processes in areas such as sustainability, digitalization, and defence. The report also points to the need to provide EU citizens with broader access to capital markets, to create better financing opportunities for businesses, and to strengthen the EU's competitiveness.

Against this background, the Tax Omnibus proposal is in line with the Draghi Report and an important step towards a simpler and more coherent EU corporate tax framework. It would broaden intra-EU withholding tax exemptions under the Interest and Royalties Directive (IRD) and the Parent-Subsidiary Directive (PSD), abolish upfront authorization procedures, significantly reduce overlaps between CFC rules and Pillar Two, and remove imported mismatches from the hybrid mismatch rules.

The Nordic financial sector also welcomes the proposed easing of the interest deduction limitation rules in several respects—including by technically extending the list of financial undertakings. As regards the proposed changes to the interest deduction limitation rules, it is important that the provision on third-party loans appropriately recognizes the core feature of the banking business model namely the on-lending of external funds

Overall, it is a positive proposal, which Finance Finland, Finance Sweden and Finance Denmark view as a significant step in the right direction. However, there are still aspects of the proposal that require improvement and additions, which we discuss in more detail below.

3. Specific comments and recommendations on the Tax Omnibus

3.1 Expansion of the PSD and IRD scope

The Nordic financial sector welcomes the proposed expansion of the scope of the Parent-Subsidiary Directive and the Interest and Royalties Directive by removing minimum shareholding requirements. The Nordic financial sector also welcomes the proposed derogation from the subject-to-tax requirement, which would allow pension institutions, including Institutions for Occupational Retirement Provision and social security schemes, to benefit from automatic relief at source on intra-EU dividend payments.

Recommendation: For Denmark, Article 3(7)(2a) should include all pension funds, including pension funds regulated by the Solvency II Directive and their investment vehicles. For Sweden, the rules should ensure that life insurance companies managing occupational pension assets are able to benefit from the withholding tax relief[1].

3.2 Inclusion of investment funds

In addition to allowing pension institutions to profit from PSD and IRD directives also the investment fund vehicles (e.g., at least UCITS, ELTIFs and AIFs) should be included within the scope of this new mechanism to eliminate double taxation on dividend payments. That would be in line with the competitiveness agenda in the EU and will make a huge contribution to building an even stronger Savings and Investments Union.

The inclusion of investment funds within the scope of the PSD and IRD Directives would be highly justified from a Nordic perspective, not only from a legal and economic policy

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[1] The Swedish life insurance companies are primarily mutual and limited liability companies. The value on policyholders' savings and investment assets, including occupational pensions (tjänstepension), is subject to standard rate taxation in the form of yield tax (avkastningsskatt), instead of conventional corporate taxation under the Income Tax Act. These companies manage the retirement savings of a vast majority of Swedes. However, the companies pay standard corporate income tax (bolagsskatt) on profits from commercial operations and risk insurance. It is vital that these companies are exempt from withholding tax, even for the business part subject to yield tax. This is crucial because these firms manage a large share of Sweden's occupational pension.

standpoint, but also in terms of capital market development. Investment funds are no longer merely an alternative or supplementary investment vehicle; they constitute a fundamental component of the modern European savings, investment and financing ecosystem. They efficiently pool capital from households, pension and insurance assets, institutional investors and other long-term investors, and channel these resources into the financing of companies, infrastructure projects, real estate, public entities and other investment targets. Fund-based investing is also a key mechanism through which retail investors can participate in capital markets with relatively small savings amounts through diversified, cost-efficient and professionally managed investment solutions. For this reason, the tax treatment of investment funds is directly linked to the EU's objectives relating to the Savings and Investments Union, the Capital Markets Union and the strengthening of European competitiveness.

The extension of the scope of the Directives would be of particular importance in the Nordic countries, where fund markets are highly developed and internationally significant relative to the size of their economies. In recent years, fund saving and fund-based investing have grown substantially across the Nordic region, and investment funds have become an integral part of both household wealth accumulation and institutional asset management. Denmark, Finland and Sweden are not merely small national participants in the fund market. Together, they constitute a fund market of significant scale and relevance, whose competitiveness is meaningfully influenced by the structural choices made in EU tax legislation.

Denmark has a large and well-developed fund market. At the end of 2025, there were 681 Danish-registered UCITS and 325 Danish-registered Alternative Investment funds. Total assets in Danish investment funds amounted to approximately DKK 2.814 billion (approximately EUR 370 billion). Net investments in funds amounted to approximately DKK 271 billion (approximate EUR 9,5 billion) during 2025. Fund saving is widespread among Danish households through direct fund ownership, Investment accounts, pension schemes and insurance products.

In **Finland** approximately 1.67 million Finns held fund investments in 2024. Around 550 domestic UCITS and special investment funds and approximately 450 other alternative investment funds are available in Finland, in addition to a significant number of foreign funds operating in the market. Finland is home to 19 fund management companies and 45 alternative investment fund managers (AIFMs). The total value of fund assets under management amounted to approximately EUR 210 billion at the end of 2025, while the assets of investment funds registered in Finland reached an all-time high of nearly EUR 202 billion by year-end 2025. Over the past decade, total fund assets have increased by approximately EUR 100 billion.

Sweden has a large and well-developed fund market. At the end of 2025, there were approximately 852 Swedish-registered UCITS and special funds. Total assets in Swedish investment funds amounted to approximately SEK 8,840 billion (approximately EUR 810 billion), the highest level ever recorded. Net investments in funds amounted to approximately SEK 202 billion during 2025. Fund saving is widespread among Swedish households through direct fund ownership, ISKs, pension schemes and insurance products.

These above figures demonstrate that Denmark, Finland and Sweden are a major Nordic and European fund market.

The importance of the fund industry to the Nordic economies extends well beyond assets under management. The sector generates substantial direct and indirect economic activity and employment. It supports highly skilled jobs in asset management, portfolio management, risk management, investment research, custody and brokerage services, fund administration, valuation, reporting, compliance, sustainability functions, taxation, legal services, audit, technology, data analytics and regulatory supervision. In addition, the fund industry strengthens the broader financial ecosystem and reinforces Nordic expertise in capital markets, taxation, regulation and investment management. A strong Nordic fund sector therefore contributes to the knowledge base and competitiveness of the Nordic economies and is not merely a provider of investment products. It also enhances the attractiveness of the Nordic countries as fund domiciles and service centres at a time when Member States increasingly compete to attract fund establishment, administration and related high-value employment.

From both a legal and tax policy perspective, excluding investment funds from the scope of the PSD and IRD Directives would be difficult to justify when the explicit objective of the proposed reforms is to remove unnecessary barriers to intra-EU investment, simplify withholding tax treatment and reduce double taxation. Economically, a fund functions as a collective investment or pooling vehicle for investors regardless of its specific legal form under national law. Its tax treatment should not result in cross-border fund investments being placed at a disadvantage compared with direct investments or corporate investment structures. If UCITS, ELTIF and AIF funds continue to remain outside the scope of the Directives, situations may arise where the same underlying investment is subject either to irrecoverable withholding taxation in the source state or to lengthy and uncertain refund procedures, even where the ultimate beneficial owners are EU investors and the intended outcome under tax treaties or domestic law would be tax neutrality. Such outcomes would be inconsistent with both the fundamental principles of the internal market and the objective of regulatory simplification.

The Nordic countries would benefit from the inclusion of investment funds within the scope of the Directives on several levels. First, it would reduce the administrative burden on funds, custodians, intermediaries and investors by providing clearer and more harmonised withholding tax procedures. Second, it would improve the predictability of investment returns for Nordic investors and reduce situations in which final returns are diminished by delays, uncertainty or costs associated with reclaim procedures. Third, it would facilitate a more efficient allocation of Nordic capital to European corporate financing, infrastructure, innovation, the green transition and other strategic investments. The reform would therefore support both regional interests and the EU's broader objectives relating to competitiveness and capital market integration.

The Nordic financial sector therefore believes that the scope of the Directives should not be limited solely to traditional corporate taxpayers and pension institutions. It should also recognise the central role of collective investment vehicles in modern financial markets. At a minimum, the inclusion of UCITS, ELTIF and AIF funds within the scope of the Directives would represent a coherent and competitiveness-enhancing solution. It would strengthen tax neutrality between different investment structures, reduce unnecessary friction in cross-border investment and support the development of Nordic capital markets while enhancing the growth potential and international competitiveness of the Nordic financial sector.

Recommendation: The Nordic financial sector recommends that the proposed amendments to the PSD and IRD be extended to cover collective investment undertakings, including at least UCITS, ELTIFs and AIFs, irrespective of their legal form under national law.

The Nordic financial sector therefore proposes that Article 5 of the proposed Parent-Subsidiary Directive be amended as follows:

> *'Article 5*
> 1. Profits which a distributing company distributes to its receiving ~~company~~ ***entity*** shall be exempt from withholding tax.
> 2. By derogation from Article 2(a), points (i) and (iii), paragraph 1 shall also apply where the receiving ~~company~~ ***entity*** **is a pension institution,** ***or a Collective Investment Undertaking.***
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> ***For the purposes of the second subparagraph, 'Collective Investment Undertaking' means a UCITS, an EU AIF or an EU AIFM that, regardless of its legal form, is in scope of the definitions included in Article 3 paragraph 1, points 7, 36, 37 or 38 of the Council Directive (EU) 2025/50 of 10 December 2024.***

3.3. Transition period

Many of the proposed simplifications to the PSD and IRD risk falling short of their competitiveness and simplification objectives, as certain withholding tax measures would apply only after an eight-year delay.

Such an extended transition period would significantly delay the intended simplification benefits and is not aligned with the proposal's competitiveness objectives.

Recommendation: The transition period for the proposed withholding tax simplifications should be shortened materially to ensure that the competitiveness and simplification benefits are realised within a reasonable timeframe.

3.4 R&D incentive

The Nordic financial sector welcomes the proposed EU-harmonised R&D incentive for tangible capital investments. However, to better support the banking sector's digital and green transition, the scope of the incentive should be broadened to include relevant intangible investments and operating expenditure. Any such extension should be designed carefully to avoid unintended tax costs or additional complexity, including under the Pillar Two rules.

Recommendation: The R&D incentive should be expanded to cover relevant intangible investments and operating expenditure, subject to appropriate safeguards to avoid added complexity or adverse Pillar Two consequences.

3.5 Cash-pooling and banking on-lending

Cash-pooling arrangements are an essential treasury tool for corporate groups. They enable groups to optimise liquidity, reduce external borrowing costs and allocate surplus cash efficiently within the group.

Under the proposed amendments to ATAD, genuine low-risk third-party loans may be excluded from the interest limitation rules. However, the exemption appears to apply only where the loan is obtained from an unrelated party and used for the borrower's own activities. This may create uncertainty for cash-pooling arrangements where a cash-pool leader borrows externally and on-lends funds to group companies.

If the exemption does not apply in such circumstances, each participant's net position and use of funds may need to be analysed separately. This would create a significant administrative burden and may be difficult to apply in practice.

Recommendation: The Directive should clarify that ordinary commercial cash-pooling and treasury arrangements do not fall outside the exemption solely because externally raised funds are on-lent within the group as part of a genuine treasury function.

3.6 Listed bonds

Listed bonds raise particular practical concerns. In Sweden, Finland and Denmark, interest on listed bonds is generally not subject to domestic withholding tax. As a result, issuers and custodians are not currently required to verify the beneficial owner of each interest payment.

Under the proposal, withholding tax may need to be levied, or an interest deduction denied, where the beneficial owner is established in a jurisdiction that does not levy corporate income tax or applies a zero corporate tax rate, unless an exception applies. In practice, issuers of listed bonds will generally not know the identity or tax status of the beneficial owner of the interest income. Requiring issuers or custodians to verify this information would create a significant and potentially impracticable administrative burden.

Recommendation: Listed bonds should be explicitly excluded from the proposed rule.

3.7 Impact on cross-border lending activities

In several Nordic jurisdictions, including Sweden and Finland, and in most situations also Denmark, interest payments to foreign lenders are generally made without withholding tax. As a result, lenders and borrowers are not normally required to collect extensive documentation regarding the tax treatment of the recipient in order to make gross interest payments.

Under the proposed rules, withholding tax consequences or denial of interest deductions may depend on whether the recipient is established in a jurisdiction that does not levy corporate income tax or applies a zero corporate tax rate to the relevant income, unless an exception applies. This may require taxpayers and financial institutions to collect and maintain extensive documentation regarding tax residence, taxation of the recipient, beneficial ownership and the application of any relevant exceptions.

Recommendation: The rules should be clarified and simplified to avoid creating disproportionate documentation and compliance obligations for ordinary commercial lending activities.

3.8 Interaction with FASTER

The inclusion of the Parent-Subsidiary Directive and the Interest and Royalties Directive within the scope of FASTER may create a structural inconsistency with the stated objective of simplification. While the Tax Omnibus aims to remove minimum shareholding thresholds and prior administrative procedures, the operational requirements under FASTER may introduce new ex ante due diligence obligations for Certified Financial Intermediaries.

These obligations may include the collection and verification of Registered Owner Declarations, which may vary between Member States and include information on beneficial ownership and financial arrangements. As a result, administrative complexity may be shifted from Member States to intermediaries rather than being reduced.

Recommendation: The interaction between FASTER, the PSD and the IRD should be clarified to ensure that the simplification objectives are achieved in practice and that intermediaries are not subject to disproportionate due diligence obligations.

3.9 Pillar Two and CFC

While we welcome the Tax Omnibus as an effort to improve and simplify the listed EU Directives, it does not yet address the competitiveness concerns arising from the Pillar Two Side-by-Side Package or the need for genuine simplification of the complex Pillar Two rules and related tax compliance obligations. These issues should be tackled as a priority. In particular, the absence of a Pillar Two dispute-resolution mechanism in the proposed changes to the DRM framework remains a clear gap in the Tax Omnibus.

The Nordic financial sector supports the proposed amendment to ATAD providing that CFC rules should not apply where taxpayers fall within the scope of the Pillar Two framework and are subject to the global minimum tax rules. The explanatory memorandum appropriately recognises that the objectives and effects of the ATAD CFC rules and the Pillar Two Income Inclusion Rule overlap to a significant extent.

Applying both regimes in parallel may result in overlapping calculations, duplicative reporting and compliance obligations, and potential economic double taxation. The proposed exemption is therefore a proportionate and appropriate simplification measure. It would improve the coherence of the EU tax framework, reduce unnecessary administrative burdens for taxpayers and tax authorities, and avoid unintended outcomes while preserving the underlying objective of preventing base erosion and profit shifting.

The proposed carve-out would also support the competitiveness of EU-based multinational groups by reducing unnecessary complexity and layered regulation arising from the coexistence of multiple anti-base erosion regimes.

In addition, the Nordic financial sector emphasizes the importance of making the ownership threshold requirement of 50 per cent under CFC rules mandatory_for all Member States to narrow the scope of 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.

Recommendation: The proposed ATAD exemption on CFC-taxation for taxpayers within the scope of Pillar Two should be retained. In addition, the Tax Omnibus should be expanded to include further Pillar Two simplification, a dedicated Pillar Two dispute resolution mechanism and a mandatory 50 per cent ownership threshold for CFC rules across all Member States.

3.10 Beneficial ownership concept

The Nordic financial sector considers it utmost essential to introduce a common EU concept of beneficial owner and beneficial ownership for the purposes of the Interest and Royalties Directive, the Parent-Subsidiary Directive and the FASTER Directive. A harmonised concept would support legal certainty and reduce divergent implementation across Member States. In this context, it is worth noting that the term "beneficial owner" is already used elsewhere in EU law, e.g. in the anti-money laundering framework, and, via the related term "controlling person", under the automatic exchange of information framework where it is intended to reflect the AML definition. In our view it would be helpful to ensure consistency where possible, to avoid adding unnecessary administrative complexity.

Recommendation: A common EU concept of beneficial ownership should be introduced and applied consistently across the IRD, PSD and FASTER framework, preferably harmonised with existing EU law.

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DAC recast

1. General comments and Main Benefit Test

The Nordic financial sector supports the objectives of the DAC recast and welcomes the Commission's efforts to simplify and consolidate the regulatory framework. The successive amendments to the Directive on Administrative Cooperation have made the framework increasingly complex and difficult to navigate, resulting in overlapping reporting obligations for multinational groups and unnecessary administrative burdens.

The Nordic financial sector welcomes the maintenance of the Main Benefit Test and the Commission's intention to develop guidance aligned with OECD work. Clear and practical guidance is essential to reduce defensive reporting of ordinary commercial transactions.

Recommendation: The Commission should provide practical guidance on the Main Benefit Test to ensure that standard commercial transactions do not give rise to unnecessary or precautionary reporting.

2. DAC4 and DAC9 notifications

The Nordic financial sector welcomes the proposed option for multinational enterprise groups within the scope of Country-by-Country Reporting and Pillar Two to submit a combined notification form identifying the group and the entity responsible for filing the relevant report.

However, the simplification benefit will only be achieved if the notification can be submitted centrally in one Member State and does not need to be filed separately in each Member State. Merely combining the forms will not materially reduce administrative burden if parallel local filings continue to be required. The filing deadline should also be practical and should allow sufficient time to take account of transactions occurring towards the end of the financial year.

The Nordic financial sector further notes that Recital 62 primarily refers to the centralisation of notification obligations, whereas the wording of Article 1(4) appears capable of extending beyond notifications and applying more broadly to reporting obligations. In this regard, the Nordic financial sector would support an approach under which centralised filing of the Pillar Two GIR would eliminate the need for separate local Pillar Two returns in Member States where no local top-up tax is payable. Several Member States currently require local filings even where the return would effectively be a nil return. Removing such duplicative filing obligations would be consistent with the objective of reducing administrative burdens and creating a genuinely streamlined EU reporting framework.

Recommendation: The proposal should ensure genuine centralisation of DAC4 and DAC9 notifications in one Member State, avoid repeat annual notifications where there has been no relevant change, and set the notification deadline at six or twelve months after the end of the financial year. In addition, the recitals should clarify that centralised filing principles may also apply to Pillar Two reporting and should eliminate local GIR filing requirements where no local tax liability arises.

3. DAC6

We welcome the proposed reporting exemption for groups in-scope of Pillar Two and the changes to the list of hallmarks (e.g., removal of generic hallmarks under section A), the reporting period (i.e., trigger point only where the first implementation step is taken and extension of the filing deadline from 30 to 90 days) and the notification requirements for intermediaries subject to legal professional privilege.

The Pillar Two exclusion is welcome in principle, but the Nordic financial sector notes that its design is complex and may not deliver the expected simplification in practice. It operates arrangement by arrangement and only where each participant satisfies the prescribed conditions. The concepts of “participant” and “intermediary” remain broad, while the proposal does not clearly address permanent establishments, excluded entities, joint ventures, funds, special-purpose vehicles, smaller groups or non-qualifying third-country counterparties. A bank may be able to establish its own group’s Pillar Two status, but it cannot reasonably be expected to verify another group’s QDMTT position, side-by-side eligibility or the absence of a direct or indirect related benefit. The practical scope and compliance-saving effect of the exclusion may therefore be limited or, at a minimum, uncertain - particularly for client-facing and multi-party transactions. It should not be presented as a general exemption for banking groups subject to Pillar Two.

This limitation is reinforced by Article 3(22), which retains a broad intermediary definition and does not sufficiently distinguish tax advisers or arrangement promoters from regulated banks that merely provide ordinary financing, payment, custody, safekeeping, execution or settlement services. Such institutions generally hold only partial and fragmented operational information and should not be required to reconstruct a customer’s wider tax structure, aggregate information across unrelated functions or audit representations made by taxpayers and their advisers.

The Pillar Two carve-out should be simplified and supported by clear definitions and an EU-standard self-certification on which intermediaries may rely in good faith. In parallel, a role-based safe harbour should exclude ordinary regulated financial services where the institution neither designs nor markets the arrangement, provides no tax advice and has no actual knowledge, based on information readily available to the relevant service function, that a reportable arrangement is being implemented.

Furthermore, the Nordic financial sector notes regarding DAC6 that the Commission proposes the Article 8, paragraph 13, points (g) and (h) are being amened to expand the scope of the information to be communicated to include the identification of “third country jurisdictions”, likely to be concerned or affected by the reportable arrangements. This would increase the administrative burden of the taxpayers significantly. The Nordic financial sector would prefer that these proposals not be implemented.

Recommendation: The Nordic financial sector therefore calls for the removal - or, at a minimum, a substantial simplification - of obsolete and low-value DAC6 reporting obligations. In addition, the proposed expansion relating to third-country jurisdictions should not be implemented unless it is clearly limited, proportionate and supported by practical guidance.

4. Substance requirements and Unshell

The Nordic financial sector notes that the Commission seems to plan to reopen the Unshell proposal via creating substance requirements by means of a Council implementation act. The recent withdrawal of the Unshell proposal was a welcome initiative. Moreover, if the Commission intends to introduce the substance requirements envisaged under the Unshell proposal, these requirements should be established through a directive and not through an implementing act.

Recommendation: Any EU substance requirements should be introduced through a directive and should be subject to the ordinary legislative process, rather than through an implementing act.

5. TIN validation tool

The Nordic financial sector supports the introduction of a digital tool enabling automated verification of Tax Identification Numbers. Such a tool would be a welcome response to persistent TIN matching issues.

However, the practical benefits of the tool would be limited if implementation is delayed until 31 December 2030, if use of the tool remains optional, if real-time bulk access is not guaranteed, or if institutions relying on official validation results are not granted appropriate legal protection.

Recommendation: The TIN validation tool should be implemented as soon as possible, made available free of charge through high-volume APIs, and supported by timestamped evidence, harmonised response codes, correction procedures, service-level standards and a legal safe harbour for institutions relying in good faith on successful validation results.

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