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By PwC Deutschland | 26 June 2026

EU Commission Simplification Packages Published

On 24 June 2026, the European Commission published two packages aimed at simplifying various corporate tax directives. The first package, a so-called “Tax Omnibus Package” proposes changes to the Parent-Subsidiary Directive, the Interest and Royalties Directive, and the Merger and Dispute Resolution Directives. The second package is intended to serve as a “DAC Recast,” under which certain thresholds for reporting obligations will be modified or abolished, corporate groups subject to Pillar 2 will generally be exempted from DAC6, and other amending directives related to DAC (the Mutual Assistance Directive) will be adapted or consolidated. The packages are designed to modernise the EU's direct tax framework, make it more efficient and better adapt it to the current economic environment, while maintaining the same level of strong protection against tax fraud, avoidance and evasion.

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Content

Key Provisions of the Omnibus Package 3

Key Provisions of the DAC Recast 5

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Key Provisions of the Omnibus Package

1. Amendments to the Parent-Subsidiary and Interest and Royalties Directives

Both Section 43b of the German Income Tax Act (ITA) (10%) and Section 50g of the German Income Tax Act (ITA) (25%) contain minimum ownership requirements. The provisions of the directives underlying these requirements are to be deleted, so that dividends, interest, and royalties within the EU remain exempt from withholding tax regardless of ownership thresholds. The personal scope of application of the Parent-Subsidiary Directive (PSD) is also to be extended to pension funds.

It is also planned to prohibit Member States from conducting advance verification of eligibility under the Parent-Subsidiary and Interest and Royalties Directives. This would effectively eliminate the exemption certificate under Section 50c(2) of the German Income Tax Act as a tool for advance verification of eligibility.

Instead, the verification of eligibility is to be shifted, as a first step, to the taxpayers or their advisors, without the Federal Central Tax Office (FCTO) having to issue a certificate. However, the draft allows for eligibility to still be reviewed by the tax authorities at a later stage (including the review of anti-abuse provisions, such as Section 50d(3) of the German Income Tax Act).

In addition, the Parent-Subsidiary Directive establishes deadlines for the refund procedure for the first time; specifically, the deadline for filing an application is at least two years. If a refund is not issued within one year, interest must be paid on the refund amount. This brings the provisions into line with the existing requirements of the Interest and Royalties Directive.

As a safeguard against double non-taxation of interest and royalty payments, a type of “subject-to-tax” clause is to apply in the future if the income of recipients resident in third countries is nominally taxed at 0% or not at all. However, an exception applies if the recipient is subject to a qualified domestic minimum tax (QDMTT) or is part of a multinational enterprise group subject to Pillar 2, with a further exception provided for the latter if the UPE of the enterprise group is resident in a country for which the side-by-side safe harbor applies (currently only the U.S.).

Member States may continue to apply corresponding disallowances for business expenses related to profit distributions only if the ownership interest is at least 10%.

2. Changes to the ATAD

i. Introduction of R&D Funding

The most extensive proposed changes concern ATAD:

In addition to the simplifications to existing regulations described below, provisions for tax incentives for research and development are to be introduced.

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The plan is to provide incentives for investments in depreciable tangible (!) fixed assets that are used exclusively for R&D for at least the first three years. This period begins no later than one year after the end of the tax assessment period in which the incentive was claimed for the first time. If the requirements for use are violated, the deduction will be disallowed or the amount will be added back at a later date, unless the violation is due to force majeure.

Taxpayers may claim the investment costs either in the tax assessment period in which they were incurred or, optionally, over the four subsequent tax assessment periods. The introduction of this incentive may be waived if alternative measures exist or are introduced, and it is demonstrated that these domestic measures treat eligible expenditure more favorably.

However, the scope of application of the incentive measures is significantly limited by the exclusion of intangible assets.

Also ineligible for support is the portion of the acquisition costs of land that does not relate to buildings, facilities, or machinery that have already been constructed. There are also restrictions for residential buildings.

ii. Further Development of the Interest Deduction Limit

An exception to the limitation on the deduction of interest expenses is envisaged in connection with loans granted by non-associate enterprises (e.g., third party loans). The prerequisite for this is that the loan is used for the company's own operations and, in particular, is not used to finance other affiliated companies, whether as equity or debt capital.

To date, the ATAD has also provided for an exemption of up to €3 million, while the German interest barrier has an exemption threshold of €3 million. Since Member States will be **required** in the future (effective January 1, 2032) to provide for an exemption of €3 million—which must also be adjusted annually for inflation—implementation would necessitate adjustments to the German interest limitation rule.

Finally, no interest limitation will apply to a taxpayer when its EBITDA is reduced by 50% in a given tax year.

iii Relationship Between Controlled Foreign Company (CFC) rules and the Minimum Tax

CFC Rules significantly overlap with the minimum tax (income inclusion) rules (Pillar Two Framework) and the Minimum Tax Act also contains provisions for resolving the "conflict" between the two sets of regulations. The draft introduces an exemption from the CFC rule for taxpayers which fall within the scope of the Pillar Two Framework. All EU-located companies will benefit from this carve-out for their low-taxed subsidiaries, except where the group is headquartered in a jurisdiction which operates a qualified 'side-by-side' regime and the low-taxed controlled foreign subsidiary is not subject to qualified domestic top-up tax or, where it is subject to a qualified domestic top up tax, a refund or direct or indirect financial benefit is granted in relation to that tax.

In addition, there are plans to fully exempt small and medium-sized enterprises (SMEs) as defined by the

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EU Accounting Directive from the CFC taxation.

iv. *Hybrid Arrangements*

The draft proposes deleting provisions in the ATAD regarding so-called “imported mismatches”, as the application has proven particularly complex for both taxpayers and tax administrations. This would effectively require the deletion of Section 4k(5) of the Income Tax Act (ITA).

3. Amendments to the Merger Directive

The proposed amendments to the Merger Directive aim to align the tax framework established by the directive with the regulatory scope of the EU directives on company law.

To this end, the scope of the Merger Directive is to be expanded, in particular, to include an additional form of merger (simplified merger) as well as a division by separation.

In addition, the scope of the Merger Directive is to be extended to include cross-border changes of legal form.

4. Amendments to the Dispute Resolution Directive

The amendments to the Dispute Resolution Directive aim to simplify and expedite procedures as well as improve access to dispute resolution mechanisms.

In the future, complaints could be filed collectively by one affected person on behalf of all affected parties. The previous requirement that complaints be filed simultaneously is being eliminated. Under the proposal, complaints have to be filed in the respective Member States within a 30-day submission window.

For the first time, grounds for rejection are exhaustively defined in the Dispute Resolution Directive. These comprise:

- failure to submit information within the new 30-day submission window,
- failure to use an accepted language,
- failure to provide the same information to all competent authorities
- absence of a contentious issue
- a late filing of the complaint.

Competent authorities must give taxpayers the opportunity to remedy deficiencies within 30 days and allow taxpayers to resubmit a complaint, provided the overall time limit is respected.

Other ongoing dispute resolution proceedings are suspended upon the filing of a complaint and are not terminated until the complaint has been definitively accepted, in order to avoid parallel proceedings and “gaps in protection” for taxpayers.

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Key Provisions of the DAC Recast

The recast exercise concerns all DACs. Whilst the new measures included in the proposal concern DAC1, DAC4, DAC5, DAC6, DAC7 and DAC9, some provisions are of a general nature and will have an effect on all parts of the DAC.

The DAC proposal will now be submitted to the European Parliament for consultation and the Council for adoption. Most of the simplification measures should be implemented by 2028. The rest of the measures, including those that aim to improve the effective functioning of the Directive, should be implemented by 2030.

1. Reporting Requirements Under DAC6

i. Exception for Entities Subject to Pillar 2

Arrangements between parties that, as members of a corporate group, fall within the scope of the global minimum tax (Pillar 2) shall—subject to certain restrictions when countries are involved in which the side-by-side safe harbor applies (U.S.) or where a qualified domestic minimum tax (QDMTT) does not apply—no longer be subject to the reporting obligation under DAC6. The Commission views this as a targeted and balanced simplification measure, as it is not reasonable to assume that groups subject to a minimum tax engage in potentially aggressive tax planning, and tax authorities already receive extensive data via the CbCR and the minimum tax report.

ii. Selective Changes to the Hallmarks

The Category A hallmarks currently contained in Annex IV of the DAC6 Directive (concerning arrangements related to (i) qualified confidentiality clauses, (ii) success/contigency fees, and (iii) standardized documentation and structure, which are regulated in Germany under Section 138e(1)(1) and (2) of the German Fiscal Code, are to be abolished. Furthermore, with regard to Hallmark C1 concerning cross-border payments to a recipient resident in a non-cooperative jurisdiction (“blacklist”) (Section 138e(2)(1)(a)(bb) of the German Fiscal Code), the reference to the OECD’s “blacklisting” classification is to be removed. Consequently, only the EU list of non-cooperative jurisdictions—compiled under the EU Code of Conduct Group—would be authoritative.

Finally, according to the statements in the introductory section of the DAC Recast, guidance is to be provided for the interpretation of the so-called “main benefit test” (Section 138d(2)(3)(a) German Fiscal Code). This is intended to reduce the volume of purely precautionary DAC6 reports. It remains to be seen exactly what form this guidance will take.

iii. Elimination of the Reporting Requirement for Marketable Arrangements

Due to the changes to the criteria for Category A hallmarks, the separate reporting of marketable arrangements (Section 138h of the German Fiscal Code) is to be abolished.

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iv. Changes to the Definition of "User"

Currently, a "user" of a cross-border tax arrangement is defined as any natural or legal person, association of persons, or estate

1. to whom the cross-border tax arrangement is made available for implementation,

2. who is prepared to implement the cross-border tax arrangement, or

3. who has taken the first step toward implementing the cross-border tax arrangement (Section 138d(5) German Fiscal Code).

Criteria 1 and 2 are now to be deleted. In the future, user status will depend solely on the existing criterion 3, namely the first step toward implementation.

v. Extension of the Reporting Deadline and Change to the Event Triggering the Deadline

It is proposed to extend the reporting deadline from 30 to 90 days.

The proposed change to the definition of "user" (see above) would also affect the rule regarding the start of the deadline. In the future, the start of the filing deadline would depend solely on when the first implementation step of the cross-border tax planning was taken. According to the recitals, this is to be understood as concrete measures that are taken in the implementation of the arrangement, an initial verifiable act, which is the materialisation of the intent to implement the arrangement, that makes the arrangement's execution irreversible or legally binding, such as signing of contracts that enable implementation.

vi. Changes to the Information to Be Reported

The information to be reported under DAC6 is to be amended in specific areas:

· In the future, only the date of the first implementation step of the cross-border tax arrangement will need to be reported (concerns Section 138f(3)(6) of the German Fiscal Code).

· Furthermore—unlike the current situation—not only EU Member States but also third countries that are likely to be affected by the reportable cross-border arrangement must be specified (concerns Section 138f(3)(9) and (10) of the German Fiscal Code).

vii. *Changes Regarding Exceptions to the Statutory Duty of Confidentiality (Legal Professional Privilege)*

With the implementation of the ECJ case law (Cases C-694/20 - *Orde van Vlaamse and Others* and C-623/22 – *Belgian Association of Tax Lawyers and Others*), it has been clarified that the privilege of confidentiality, which exempts a person from the reporting obligation, applies exclusively to lawyers (and comparable professionals authorized to provide legal representation). Exempt lawyers/professionals are no longer required to notify other (non-mandated) intermediaries; however, they are obligated to inform their clients immediately of the clients' own reporting obligations. Other professionals do not receive this

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exemption and must immediately inform both other intermediaries and users of their reporting obligations.

2. DAC7 (Reporting Obligation for Digital Platform Operators)

The previous activity threshold for sales of goods on digital platforms (at least 30 transactions) is being completely eliminated. The monetary threshold is being raised from the current 2,000 EUR to 3,000 EUR to filter out minor cases that pose no tax risk.

3. Harmonization of DAC4 (CbCR) and DAC9 (Pillar 2)

There are plans to introduce a single notification requirement with harmonized deadlines and a common reporting form for country-by-country reports (DAC4) and the minimum tax report (DAC9).

4. Miscellaneous

Plans call for the establishment of an EU-wide centralized online verification system for Taxpayer Identification Numbers (TINs), accessible to both tax authorities and reporting institutions and platforms. This is intended to improve data quality, facilitate automatic matching, and reduce costly manual error corrections.

In addition, the category “life insurance products” is to be removed from the DAC1 catalogue. Member States will be required to automatically exchange information on the remaining six income and asset categories, provided that this data is available at the national level.

Keywords

DAC 6, DAC 7, Interest/Royalty Directive, Parent/Subsidiary, cross-border mergers, interest limitation