Institut der Wirtschaftsprüfer
in Deutschland e.V.

Roßstraße 74
40476 Düsseldorf

+49 (0)211 45 61-0
info@idw.de
www.idw.de

Geschäftsführender Vorstand:
Melanie Sack, WPin StBin
(Sprecherin des Vorstands)
Dr. Torsten Moser, WP
Dr. Daniel P. Siegel, WP StB

Amtsgericht Düsseldorf,
Vereinsregister VR 3850

European Commission
DG TAXUD (Unit D1)
1049 Brussels
Belgium

Submission via the website of the European Commission

Düsseldorf, 3rd November 2026
703/562

Proposal for a Council Directive amending Directives 2003/49/EC, 2009/133/EC, 2011/96/EU, (EU) 2016/1164, (EU) 2017/1852, (EU) 2025/50 as regards the simplification of the Union framework on direct taxation and supporting growth and competitiveness of the EU – COM(2026) 560 final
Comments on the 'Tax Omnibus'

Dear Sir or Madam,

The Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer in Deutschland e.V. – IDW) would like to thank you for the opportunity to comment on the European Commission's proposal for a Directive as regards the simplification of the Union framework on direct taxation and supporting growth and competitiveness of the EU ('Tax Omnibus').

The IDW welcomes the proposal for a Directive as an important step towards a simpler, more coherent and more competitive European corporate tax framework. The proposal addresses numerous concerns that the IDW raised in its response to the Call for Evidence (*IDW comment letter dated 30th March 2026*). From the IDW's perspective, eliminating regulatory duplication and cumulative verification, documentation, and evidentiary requirements offers particular scope for reducing burdens. Lower tax compliance costs, greater legal certainty, and improved administrability can tangibly strengthen the competitiveness of European businesses. In this respect, the modernisation of the Tax Merger Directive, the simplifications under the ATAD, and the improvements to cross-border dispute resolution are particularly welcome. The removal of substantive thresholds for withholding tax exemptions is also welcome in principle. In the further legislative process, care should be taken to preserve measures that provide effective relief in practice, reduce national implementation options and regulatory duplication as far as possible, and further improve the practical applicability of the rules.

In addition to eliminating regulatory duplication, simplification requires a more coherent design of the rules across the EU. National implementation options and Member States' discretion should be reduced where they lead to parallel checks, repeated requests for evidence, fragmentation, legal

uncertainty or additional compliance costs. At the same time, appropriate flexibility must be retained where it accommodates different national circumstances without compromising the uniform effect and practical applicability of Union rules. Harmonisation is not an end in itself.

The proposed measures to reduce burdens should take effect promptly. This in particular applies to technically self-contained measures that provide immediate relief by eliminating regulatory duplication, additional evidentiary requirements or unnecessary procedural steps. Long transitional periods run counter to the objective of strengthening the competitiveness of European businesses in the short term. As regards the individual application dates, we refer to our comments on Article 7 of the proposal.

The simplification and more coherent design of existing Union rules governing cross-border situations is, in principle, compatible with the harmonisation framework under Article 115 TFEU. Insofar as the research and development allowance introduces a positive minimum tax standard for the first time, the Commission should explain, specifically for that measure, its concrete connection with the internal market and how it complies with subsidiarity and proportionality.

Interest and Royalties Directive – Article 1 of the proposal (amendments to Directive 2003/49/EC)

We recommend designing relief from withholding tax in a way that ensures swift and simple procedures and provides legal certainty, irrespective of the procedure chosen.

The amendments under Article 1 of the proposal are expressly welcome. In particular, the removal of prior authorisation, the self-assessment approach, the alignment with FASTER, and the dynamic updating of the list of company forms can significantly facilitate cross-border financing and royalty payment flows. The removal of the minimum shareholding requirement and minimum holding period is also welcome. The self-assessment approach is appropriate in principle and welcome. Uniform evidentiary requirements, clear responsibilities as well as appropriate rules on liability and the protection of legitimate expectations are necessary. It is essential that the planned measures lead to procedures that are genuinely faster and simpler as well as to legal certainty in applying the rules. This objective can be achieved through the proposed self-assessment approach, but potentially also by effectively accelerating and simplifying existing exemption or refund procedures. The choice of procedure may also depend on the scope for agreement in the further legislative process. From the IDW's perspective, the focus should therefore be on the actual reduction in burdens. Procedures providing legal certainty should also be available for more complex cases.

We recommend clearly defining the scope of the new protective measure, the relevant time for assessing its application and its interaction with national law, double taxation conventions and Pillar Two.

The new protective measure for payments to third-country jurisdictions that do not levy corporate income tax or apply a zero tax rate pursues an objective that is understandable in principle. Without clear requirements, however, even ordinary royalty and loan arrangements could trigger additional checks on the tax treatment of the recipient. This applies particularly to transactions between independent companies, which generally have only limited information about the tax circumstances of the direct recipient of the payment. The Directive should therefore clearly state that only the tax situation of the direct recipient is relevant and that no tracing of intermediary structures is required.

Evidentiary requirements should accordingly be limited to information reasonably accessible to the payer.

Tax Merger Directive – Article 2 of the proposal (amendments to Directive 2009/133/EC)

The extension of the definitions in Article 2 of Directive 2009/133/EC by Article 2, point (1), of the proposal – in particular to cover additional types of mergers and divisions, as well as cross-border conversions – is an important step towards modernisation. Extending the scope to cross-border conversions is appropriate and supports the mobility of companies within the internal market. This brings tax neutrality more closely into line with the expanded range of reorganisations available under company law. The provisions in Article 2, points (2) and (3), of the proposal for dynamically updating the personal scope through Articles 3, 3a and 3b of Directive 2009/133/EC are also welcome.

We recommend clarifying that a cross-border conversion does not trigger exit taxation to the extent that the departure Member State retains its taxing rights. Where taxing rights are actually lost, the envisaged payment relief should apply consistently to cross-border conversions.

The new provisions are intended to facilitate cross-border conversions for tax purposes. This objective would be achieved only in part if exit taxation was nevertheless triggered where taxing rights are retained. Where taxing rights are actually lost, coordinated payment relief should avoid liquidity disadvantages.

In addition, consideration should be given to whether DAC6 reporting can be dispensed with for standard reorganisations that fully comply with the Directive, where it provides no additional information of value to the tax administration thus merely constituting a redundant reporting obligation.

DAC6 reporting should be dispensed with for standard reorganisations that fully comply with the Directive, in order to avoid potentially redundant reporting obligations.

Parent-Subsidiary Directive – Article 3 of the proposal (amendments to Directive 2011/96/EU)

The amendments to the Parent-Subsidiary Directive provided for in Article 3 of the proposal – in particular the new Articles 5a to 5c on the removal of prior authorisation procedures, refunds, and FASTER as well as the extension of Article 5 to certain pension institutions – can lead to significant simplifications. The removal of the minimum shareholding requirement and minimum holding period is also welcome. The key practical criterion is whether the procedures are genuinely accelerated and simplified and provide legal certainty in their application. This requires clear digital standards for supporting evidence, risk-based ex post controls, clear liability rules, appropriate protection of legitimate expectations, and safe harbours. The choice of procedure may also depend on the scope for agreement in the further legislative process. From the IDW's perspective, the decisive consideration should be to achieve effective acceleration and simplification while ensuring legal certainty and administrability. A particular procedure is not an end in itself. Improving existing exemption or refund procedures may therefore also be appropriate.

We recommend significantly bringing forward the date from which interest accrues on withholding tax refunds and linking it to a substantially shorter processing period that is uniform across the Union.

The proposed payment of interest on withholding tax refunds is welcome. However, interest should not start to accrue only one year after a complete refund application has been submitted. Such a long interest-free processing period is inconsistent both with the objective of timely relief and with the accelerated withholding tax procedures envisaged under FASTER.

We recommend avoiding multiple tax burdens arising from flat-rate management costs in chains of shareholdings. Where taxpayers are allowed to demonstrate lower actual management costs, this should be optional and as simple as possible.

Repeated application of the flat rate to the same income from a participation should be avoided. The option to demonstrate lower actual management costs, already raised in the response to the Call for Evidence, should not lead to new mandatory evidentiary or documentation requirements. Providing such evidence should therefore be entirely optional, standardised and as simple as possible.

ATAD – Article 4 of the proposal (amendments to Directive (EU) 2016/1164)

In its response to the Call for Evidence, the IDW already recommended critically reviewing the global minimum tax and suspending its application until effective and uniform implementation at global level is ensured. We maintain this position in principle. Independently of this, we welcome the fact that the present proposal for a Directive at least reduces specific overlaps between the global minimum tax and other Union anti-abuse rules. As long as Pillar Two applies, cumulative verification, documentation, and compliance obligations as well as multiple economic tax burdens should be avoided as far as possible.

We welcome the fact that the proposal for a Directive reduces overlaps between ATAD and the global minimum tax. In addition, the remaining ATAD obligations should be proportionate and risk-based.

The proposed amendments recognise that the effects of the CFC rules and the global minimum tax may overlap in certain areas, although the two sets of rules differ in their conceptual design and scope. Their parallel application may give rise to cumulative checks, duplicate documentation, and evidentiary requirements as well as multiple economic tax burdens. Differences in national implementation may create additional questions concerning the interaction between the rules and legal uncertainty. Where the effects of the rules actually overlap, their requirements should therefore be coordinated and proportionate simplifications, in particular standardised supporting evidence, should be provided for low-risk situations. This would avoid unnecessary burdens without compromising effective protection against abusive arrangements.

Research and development allowance – Article 4 of the proposal; new Articles 3a to 3c ATAD

When introducing a common minimum tax standard to support research and development activities, due account should be taken of the Union legal framework under Article 115 TFEU, including

the requirements of subsidiarity and proportionality. In this respect, a more detailed explanation of the specific connection with the internal market and the need for Union legislation would be helpful.

The following points, in particular, should be taken into account in the further development of Union support for research and development:

We recommend making the scope more technology-neutral and considering the inclusion of amortisable intangible assets.

The new Articles 3a to 3c ATAD provide for a minimum standard for the full deduction of qualifying expenditure in the tax period in which it is incurred or, at the taxpayer's choice, in any of the four subsequent tax periods. This can promote innovation and competitiveness. However, the scope is limited to tangible assets. To reflect typical research and development activities, the scope should also be extended to software, data, and other intangible resources.

We recommend establishing clear minimum requirements and delineations across the Union, while allowing appropriate national support schemes where they achieve the intended objectives at least as effectively.

Uniform terminology and clear delineations can avoid legal uncertainty and additional compliance costs. Beyond this, however, Member States should retain sufficient flexibility to maintain existing or alternative support instruments, provided that these ensure at least equivalent support. Here too, the decisive consideration should be whether the objectives are actually achieved, rather than the mandatory application of a particular support method across the Union.

We recommend replacing the requirement that assets be used wholly and exclusively for research and development activities with a predominant-use requirement or proportionate relief based on the demonstrated share of research and development use.

The requirement that assets be used wholly and exclusively for research and development activities for three years is often impracticable for laboratory, analytical and measuring equipment, pilot plants, and technical infrastructure. A practical rule should permit minor non-R&D use and could, for example, link the relief to the actual share of research and development use. Other technically simple solutions could also be considered, provided that they appropriately reflect mixed use. Account should also be taken of the fact that assets initially used for research and development may be transferred to production following successful completion of the development phase. Such a commercially sound transition must not give rise to adverse tax incentives or the complete retrospective denial of relief. Simplified supporting evidence and safe harbours should be provided, and the rules on balancing charges should be limited to material changes in use within the minimum use period. Ordinary changes in business use should not trigger disproportionate balancing charges and documentation requirements.

<u>Interest limitation rule – Article 4 of the proposal; Article 4 ATAD</u>

We recommend extending the exclusion for low-risk third-party loans to centralised treasury structures where external refinancing can be demonstrated.

The mandatory Union-wide limitation of deductible exceeding borrowing costs to 30% of EBITDA, the EUR 3 million safe harbour including indexation, the mandatory group escape rule, carry-forward mechanisms and relief in the event of significant declines in EBITDA are important steps

towards a more coherent and less procyclical interest limitation rule. The exclusion should also cover centralised treasury financing to the extent that it is economically based on external refinancing. The supporting evidence required for this purpose should be simple and standardised; in particular, individual tracing of funds borrowed and on-lent within the group should not be required.

Controlled foreign company rules – Article 4 of the proposal; Articles 7 and 8 ATAD

When defining the scope of the CFC exemptions, new difficulties relating to thresholds, supporting evidence and transitional arrangements should be avoided as far as possible.

The proposed exemptions for SMEs and groups within the scope of the global minimum tax are welcome as a means of eliminating regulatory duplication. In defining their scope, care should be taken to ensure that companies falling between the respective thresholds are not subject to disproportionate additional eligibility checks or documentation requirements. The exemptions relating to QDMTT and side-by-side regimes should reliably prevent multiple tax burdens as well as cumulative verification and evidentiary requirements. The restriction to Model A requires clear and administrable transitional rules.

General anti-abuse rule and hybrid mismatches – Article 4 of the proposal; Articles 6 and 9 ATAD

We recommend expressly clarifying the relationship between the ATAD GAAR, specific anti-abuse rules and the Pillar Two Directive.

The clarification should ensure that regulatory duplication, parallel checks and divergent national application are avoided without restricting necessary safeguards against abuse. Coordinated Pillar Two outcomes must not be undermined by such divergent application. The removal of the rule on imported hybrid mismatches is a compelling example of genuine ‘decluttering’. Its practical effects, particularly in relation to third countries, should be monitored once the amendment applies, without calling the removal into question.

Dispute Resolution Mechanisms Directive – Article 5 of the proposal (amendments to Directive (EU) 2017/1852)

We recommend allowing affected taxpayers, at their request, to participate actively in the key stages of the procedure.

The proposed clarifications concerning the definition of an affected person, the 30-day submission window, the opportunity to remedy procedural deficiencies, early notification where the competent authorities agree that no mutual agreement can be reached, and the coordination of parallel procedures improve access, enhance legal certainty, and help shorten proceedings. Active participation by affected taxpayers in the procedure should, in particular, include the right to receive updates on its progress, to submit observations, and to provide additional evidence. This can accelerate fact-finding and avoid delays in taking account of information relevant to the decision.

In addition, consideration should be given to allowing taxpayers to propose a coordinated joint audit in suitable cross-border cases.

Joint tax audits are not an end in themselves. They may be useful, particularly in suitable cross-border cases, where they enable differing assessments of the facts to be reconciled at an early stage and subsequent dispute resolution procedures to be avoided.

FASTER Directive – Article 6 of the proposal (amendments to Directive (EU) 2025/50)

We recommend clearly specifying when relief is granted through self-assessment and when the FASTER procedures apply. As far as possible, the same supporting evidence should be usable under both procedures.

The inclusion of fully exempt interest, royalty, and dividend income in the standardised FASTER procedures is a logical step and welcome as a practical improvement. Self-assessment and FASTER may provide different procedural routes depending on the circumstances of the case. Where shareholdings are held directly, the distributing or paying company can often verify the conditions itself and grant relief through self-assessment. For publicly traded securities, by contrast, financial intermediaries generally stand between the payer and the recipient; in these cases, the standardised FASTER procedures are intended to enable relief at source or a quick refund. Clear delineation of the procedural routes, supporting evidence that is as uniform as possible and the avoidance of parallel evidentiary requirements or duplicate checks are essential.

Application dates – Article 7 of the proposal

We recommend bringing significantly forward the application dates of the key measures providing relief.

While the proposal generally provides for application from 1st January 2029, the main simplifications to the Interest and Royalties Directive and the Parent-Subsidiary Directive are not intended to apply until 1st January 2037, and the mandatory EUR 3 million safe harbour under the interest limitation rule, including its indexation, not until 1st January 2032. The amendment to the FASTER Directive under Article 6 is generally intended to apply from 1st January 2029; however, its practical effect for the new exemptions depends on their later application. European businesses face considerable competitive pressure. Against this background, it is unconvincing that the proposed measures to simplify Union legislation, reduce unnecessary administrative burdens, and strengthen competitiveness are not intended to enter into force for several years. This applies particularly to technically self-contained measures that provide immediate relief by eliminating regulatory duplication, additional evidentiary requirements or unnecessary procedural steps. The pace of developments in digitalisation and data- and risk-based verification procedures underlines that technical and administrative conditions can change substantially within a few years. Such measures should therefore apply as early as possible and, where appropriate, in stages. Otherwise, the practical relief provided by the proposal will be substantially delayed.

The Tax Omnibus offers an opportunity to make European corporate tax law simpler, more legally certain and more competitive. The IDW expressly supports the direction taken. In the further legislative process, particular attention should be paid to reducing regulatory duplication and repeated verification, documentation and evidentiary requirements, and to improving the practical applicability of the rules.

The priority should be to achieve these objectives in practice. The specific regulatory or procedural approach chosen may also depend on the scope for political agreement in the further legislative

process. From the IDW's perspective, it is therefore not necessary to insist on a particular method where alternative solutions ensure comparable relief, legal certainty, and administrability. Technically self-contained measures that clearly provide relief should take effect as early as possible.

We would appreciate it if our comments were taken into account in the further deliberations. We would be pleased to discuss our comments in further detail in a meeting or at a hearing.

Please do not hesitate to contact us if you have any questions.

Yours faithfully,

Dr. Moser

Brokamp, LL.M. Int'l. Tax (N.Y.U.),
Technical Director Tax