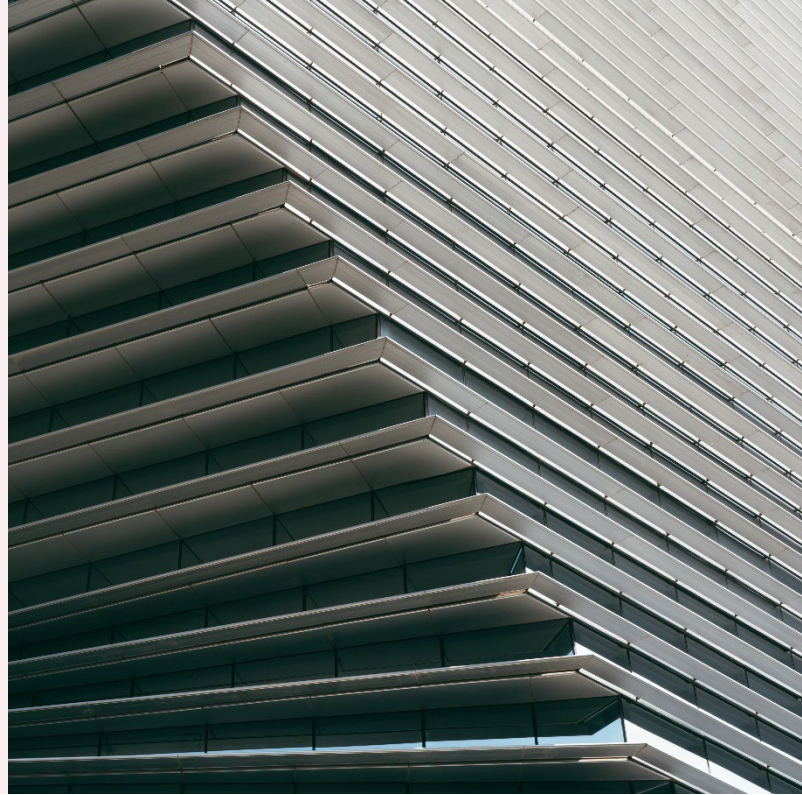


EU Tax Omnibus: Simplification meets political reality

29 June 2026



On 24 June 2026, the European Commission published its long-awaited Tax Simplification Package, comprising two ambitious legislative proposals: the **direct taxation Omnibus Directive** and the **recast of the Directive on Administrative Cooperation (DAC)**. Together, they represent the most comprehensive overhaul of the EU's direct tax framework in a generation – and one with particular relevance for Luxembourg, as a leading European financial centre and home to a significant number of holding companies, financing platforms and investment structures operating across the EU.

Key issues

- 1 Tax Simplification
- 2 Withholding tax
- 3 ATAD
- 4 DAC

The Omnibus Directive – six directives, one reform agenda

The Proposal amends six existing EU direct tax directives simultaneously, with the following headline measures:

- **Withholding tax relief:** Abolition of holding-period and minimum participation requirements for intra-EU dividend, interest and royalty payments. Cross-border financing within the EU becomes significantly less burdensome – though the most impactful changes under the Parent-Subsidiary and Interest & Royalties Directives carry a deferred application date of **1 January 2037**, a timeline that will itself attract scrutiny.
- **Research & Development investment incentive:** A common minimum standard introducing full and immediate expensing of qualifying R&D tangible assets across all Member States.
- **ATAD modernisation:** The mandatory 30% EBITDA cap and EUR 3 million *de minimis* threshold for interest limitation rules bring

welcome harmonisation. Equally notable is the third-party external debt carve-out – of direct relevance to Luxembourg entities acting as external borrowing vehicles for their groups – and the deletion of imported hybrid mismatch rules, which have generated significant compliance complexity. However, the removal of the standalone entity exclusion is a measure that Luxembourg entities currently relying on national implementations of that exclusion will need to assess carefully. The *de minimis* threshold changes apply only from **1 January 2032**.

- **CFC simplification:** The mandatory adoption of Model A and the targeted exemptions for Pillar Two-scoped groups are relevant for Luxembourg parent entities with low-taxed subsidiaries. Groups already within the Pillar Two framework should model the interaction between the proposed CFC exemption and their existing compliance obligations.
- **Tax-neutral restructuring broadened:** The expansion of the Tax Merger Directive to cover simplified mergers, divisions by separation and cross-border conversions of all EU legal forms – aligned with the EU Mobility Directive – opens new tax-efficient pathways for reorganisations.
- **Dispute resolution:** Faster access to arbitration and the ability to file collective complaints under Mutual Agreement Procedures.

The DAC Recast

The nine existing DAC instruments are consolidated into a single, coherent text. Key simplifications include: an exemption from DAC6 mandatory disclosure reporting for multinationals already within the Pillar Two framework, removal of certain hallmarks generating disproportionate burdens and a reduction of overall reporting volumes estimated at 35%.

What comes next?

Both proposals require **unanimous approval** by all EU Member States. The Commission targets agreement by Q4 2027, with transposition by 31 December 2028.

But the application dates are staggered: most provisions from 1 January 2029, the ATAD *de minimis* changes from 1 January 2032 and the core withholding tax reforms not until 1 January 2037. That 2037 horizon is not just a technical detail – it signals the political sensitivity of the most ambitious measures and the difficulty of securing consensus where national tax revenues are directly at stake.

Ireland, assuming the EU Council Presidency on 1 July 2026, has indicated the DAC Recast as a priority for conclusion during its term. The Omnibus Directive itself is expected to be the harder road.

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