

Euro Tax Flash from KPMG's EU Tax Centre

KPMG provides feedback on the European Commission's call for evidence on upcoming Tax Omnibus proposal

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On March 30, 2026, KPMG member firms in the EU submitted a [response](#) to the European Commission's [call for evidence](#) on the upcoming Tax Omnibus proposal.

KPMG welcomes the European Commission's initiative to streamline, enhance and clarify the corporate tax directives and the Tax Dispute Resolution Mechanisms Directive, with the aim of supporting the competitiveness of the EU. KPMG supports the use of the Tax Omnibus as a catalyst for genuine simplification and modernization of the EU direct tax framework, particularly in light of Pillar Two and the need to preserve the EU's global competitiveness.

KPMG also encourages the Commission to adopt a more ambitious, holistic tax simplification agenda, including tools to measure and manage tax complexity and compliance burdens over time.



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European Commission – Tax Omnibus – Simplification – Decluttering – ATAD – Parent-Subsidiary Directive – Interest and Royalties Directive – Merger Directive – Directive on Tax Dispute Resolution Mechanisms – EU Minimum Tax Directive

Background

On February 16, 2026, the European Commission (EC) [launched](#) a call for evidence on an “Omnibus on taxation”. The objective of the Tax Omnibus initiative is to simplify the existing EU legal direct taxation framework and boost competitiveness in the internal market, without undermining the objectives of the existing corporate tax Directives.

According to the call for evidence, key objectives of the initiative include:

- reducing unnecessary reporting and compliance burdens – the EC has committed to cutting the administrative burden by at least 25 percent for all businesses and by 35 percent for SMEs by the end of the mandate;
- eliminating outdated and overlapping tax rules;
- simplifying tax legislation with the objective of improving the competitiveness of the internal market;
- clarifying concepts in tax legislation;
- streamlining and improving the application of tax rules, procedures and reporting requirements.

As part of the Tax Omnibus, the EC will review and potentially amend a number of key EU direct tax directives – notably the Anti-Tax Avoidance Directive (ATAD), the Parent-Subsidiary Directive (PSD), the Interest and Royalties Directive (IRD), the Merger Directive (TMD) and the Directive on Tax Dispute Resolution Mechanisms (DRM).

Interested parties were invited to submit their feedback until March 30, 2026. A legislative proposal is scheduled to be released in the second quarter of 2026, likely in June. For more information, please refer to E-News [Issue 226](#).

The EC received a total of 117 responses, including a response letter submitted by KPMG member firms in the EU¹.

KPMG feedback

KPMG member firms in the EU were pleased to provide comments to the European Commission’s public consultation on “Simplifying EU rules on direct taxation - omnibus”. KPMG’s response welcomes the initiative as an opportunity to simplify and modernize the EU direct tax framework, while highlighting a number of concrete recommendations.

Key points highlighted in the KPMG submission include the need to:

- *reduce the compliance burden and complexity of operating across the EU by eliminating overlaps with Pillar Two*: On a priority basis, KPMG believes that certain elements of existing EU tax legislation have been rendered obsolete as a result of the introduction of Pillar Two. With a view to reducing the regulatory burden for tax administrations and for groups in scope of the Pillar Two rules, KPMG therefore recommends that the ATAD is amended to exempt these groups from EU CFC regimes and anti-hybrid rules, to avoid double layers of anti-avoidance rules and compliance.
- *boost investment in the EU by expanding the scope of withholding tax relief for intra-EU payments*: KPMG believes that the Tax Omnibus presents the EU with the opportunity to significantly enhance capital flows across the EU by removing barriers in the form of withholding taxes on intra-EU payments. KPMG is of the view that an exemption from withholding tax on dividends, interest and royalties paid to qualifying EU recipients would lower financing costs for EU companies, increase investment and productivity and therefore growth, reduce compliance costs and simplify the administration of taxes across the EU. Furthermore, we highlight that withholding taxes hinder the development of a true single capital

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market and of deeper financial integration in the EU. KPMG is therefore of the view that consideration should be given to applying such an exemption not only to entities subject to corporate tax in the EU, but also to entities that are tax-exempt for genuine public-policy reasons, such as pension funds, investment funds, charitable organizations, and government bodies. Doing so would boost cross-border investment flows and increase effective returns, therefore enhancing the liquidity and size of the EU's capital market and therefore the EU's competitiveness and autonomy.

- *boost investment by streamlining tax limitations with respect to financing needs:* KPMG is of the view that the ATAD interest deduction limitation rules should be revisited to ensure they remain fit for purpose in the current economic and interest rate environment. Furthermore, KPMG suggests making the exclusion for long-term public infrastructure projects mandatory across Member States and expanding it to projects aligned with EU investment priorities (e.g. green transition, digitalization, strategic infrastructure, programs such as NextGenerationEU or guided by the EU Competitiveness Compass). The Commission is encouraged to review thresholds, de minimis limits, equity escape and group ratio rules, as well as carryforward/carryback mechanisms, with a view to greater consistency and reduced fragmentation.
- *reduce complexity and uncertainty triggered by fragmented implementation and application of EU legislation to the detriment of the taxpayer:* KPMG also agrees with the Commission's observation in the call for evidence that there is a need to rectify the current fragmentation in the implementation of the corporate tax Directives by Member States. KPMG believes that there are areas of EU direct tax law where the competitiveness of the internal market could be enhanced through increased consistency across Member States. In particular, KPMG is of the view that the adoption of provisions that allow for exemptions or relief that benefit taxpayers (e.g., group escape rule under the interest limitation rules in the ATAD), should be mandatory and not optional for Member States, so that taxpayers benefit from these provisions across the EU.

KPMG also calls for greater alignment in the design and implementation of the PSD and the IRD— including possibly merging key features of the two Directives, where appropriate. Areas where alignment would be beneficial include, amongst others, holding requirements, anti-abuse rules, and the list of companies eligible to benefit from the two Directives,

- *enhance the effectiveness of the DRM by strengthening procedural consistency:* KPMG believes that the DRM has significantly improved the tax dispute resolution mechanism within the EU, but that several enhancements would strengthen its effectiveness and taxpayer protection. As such, KPMG's recommendations would be to promote uniform implementation of the mutual agreement procedure (MAP) across Member States, supported by guidance on key concepts such as timing requirements and exclusion grounds. Additional improvements could also include preventing taxpayers from bearing late-payment interest where tax was already paid in another Member State. KPMG also recommends enhancing coordination with other instruments, such as the Arbitration Convention, and exploring an expansion of the scope to cover disputes related to VAT and Pillar.

Broader policy considerations

KPMG encourages the Commission to go beyond the current exercise and pursue a more ambitious and holistic tax project taking into account other key areas of direct taxation (e.g., Pillar Two, tax incentives, tax implications of cross-border remote working arrangements), as well as the need for clear guidance and robust monitoring tools such as a tax simplification index. KPMG considers this essential to deliver a coherent, future-proof framework that is simpler, more predictable, and better aligned with the EU's broader economic and policy objectives.

ETC Comment:

The upcoming Tax Omnibus initiative represents a timely opportunity to streamline and modernize the European Union's direct tax framework. It should be noted, however, that any changes to the EU Directives require unanimous approval by EU Member States in the Council. The outcome of the Omnibus will therefore be shaped through negotiations at the level of EU Member States. Interested stakeholders should monitor opportunities to provide constructive feedback as the process progresses.

In parallel with the preparatory work on the Tax Omnibus, the Commission is working on the a recast of the Directive on Administrative Cooperation (Council Directive 2011/16/EU), which is expected to be published at the same time as the Omnibus. Please refer to E-News [Issue 225](#) for the KPMG response to the DAC recast public consultation.

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