

Follow-up to the European Parliament non-legislative resolution on the role of simple tax rules and tax fragmentation in European competitiveness

- 1. Rapporteur:** Michalis HADJIPANTELA (EPP/CY)
- 2. References:** 2024/2118(INI) / A10-0155/2025 / P10_TA(2025)227
- 3. Date of adoption of the resolution:** 9 October 2025
- 4. Competent Parliamentary Committee:** Committee on Economic and Monetary Affairs (ECON)
- 5. Brief analysis/ assessment of the resolution and requests made in it:**

The resolution addresses critical aspects of taxation within the EU, focusing on fostering a business-friendly environment, enhancing competitiveness and economic growth, and simplifying tax regulations through digitalisation. It underscores the importance of international coordination under the Organisation for Economic Co-operation and Development (OECD) framework, addresses tax barriers impeding the single market, and emphasises combating tax evasion and aggressive tax planning. Additionally, it highlights the need for coherent cross-border taxation to facilitate labour mobility and supports innovation-driven tax incentives.

The resolution underscores the need for simplified and predictable tax rules within the EU to support a robust business environment. It highlights concerns over external threats, such as potential tariffs from the US. The European Parliament calls on the Commission to accelerate simplification and coordination of direct tax rules across the EU to boost competitiveness and reduce compliance burdens. This includes assessing the impact of new proposals, cutting duplicate reporting, guiding Member States toward more predictable tax systems and improving information-sharing between tax authorities, including through an EU Tax Data Hub.

Commitment to an international coordinated approach is reinforced, particularly regarding the OECD/G20 Inclusive Framework's two-pillar approach, despite challenges such as US opposition. The resolution emphasises maintaining EU interests and preventing harmful tax competition through secure implementation of global tax rules. The Parliament also encourages work to address cross-border tax barriers and explore optional common frameworks such as a "28th regime".

The report stresses alignment with the EU's tax fairness agenda. The Parliament urges continued implementation of the global minimum tax and stronger cooperation to tackle tax evasion and aggressive tax planning, including streamlining existing anti-avoidance rules and enhancing joint enforcement. It also calls for improved monitoring of tax

incentives to ensure they are transparent, effective and do not fragment the internal market.

For cross-border taxation and mobility, the resolution seeks simplification of tax rules to eliminate fragmentation that impedes labour mobility. It supports fair and, transparent tax policies that accommodate increased mobility without harmful practices. Finally, innovation is highlighted as a driver of economic growth, stressing the importance of tax incentives for R&D.

6. Response to requests and overview of actions taken, or intended to be taken, by the Commission:

(Paragraph 2): On the request addressed to the Commission to limit the corresponding trade turmoil and consult European stakeholders when making decisions in response to such tariffs, the Commission remarks that different consultations with stakeholders took place in the first half of 2025 and that the negotiations between the European Commission and the US led to a political agreement at the end of the July, which transformed into a Joint Statement on 21 August 2025. The European Commission and the United States are currently working on the implementation of the Joint Statement, with the aim of delivering concrete, results-oriented, and balanced outcomes that are mutually beneficial for the EU-US trade relationship, also taking into account the European Parliament's recommendations.

(Paragraph 5, 14): The Commission takes note of the call to keep business simplification at the core of our agenda and agrees on the necessity assess the impact of its proposals on SMEs. In this regard, a new SME competitiveness check has been added to the Commission's Better Regulation requirements. The Commission welcomes the call to make concrete progress and acknowledges the potential usefulness of a comprehensive, user-friendly toolkit for SMEs.

The Commission is working on several initiatives to simplify administrative burdens for companies, including for SMEs. As set out in the Commission Work Programme for 2026, the Commission will continue to use targeted Omnibus packages to deliver tangible cuts in administrative burdens without lowering standards. This includes, in particular, the planned Omnibus on taxation foreseen for Q2 2026. The Commission also confirms that it will carry out ex ante impact assessments for all policy initiatives, including tax-related legislative proposals, where significant impacts are expected, ensuring proportionate analysis and transparency in line with the Better Regulation guidelines.

(Paragraph 6) The Energy Taxation Directive (ETD) revision proposal was presented in July 2021 as a part of the EU Green Deal and Fit for 55 package. Since then, it has been under discussion at the Council where unanimity is required for adoption. In the context of the Clean Industrial Deal, and the Action Plan for Affordable Energy recently published, the

Commission recommended that Member States urgently conclude the negotiations on the ETD revision.

(Paragraph 8): The Commission welcomes the call of the resolution for better tax cooperation within the EU. The Commission continues the work on the reform of corporate taxation, including the negotiations on the corporate reform such as the Business in Europe: Framework for Income Taxation (BEFIT) proposal. In line with the call of the resolution, BEFIT aims to reduce fragmentation and complexity while fostering greater cooperation and trust among Member States. The Commission stresses that such a modernisation of the EU corporate tax environment is essential to enhance the competitiveness of the European economy. In addition, the Commission would like to stress the importance that Member States adhere to the fundamental freedoms and commonly agreed rules, which are key in the area of taxation to avoid non-discriminatory tax barriers that negatively affect economic activities on a cross-border basis in the Internal Market.

(Paragraph 10): The Commission fully agrees with the importance of stronger cooperation to promote a more consistent interpretation and application of EU tax legislation. In this context, the Commission and Member States established the informal high-level Tax Administration EU Summit (TADEUS ⁽¹⁾) network in 2019, bringing together the heads of tax administrations to jointly address challenges in the implementation of EU tax rules. TADEUS has already delivered tangible progress through practical cooperation projects. Furthermore, the Commission has proposed the creation of “BEFIT teams” to accompany the implementation of the future BEFIT Directive, enabling national administrations to exchange information efficiently, coordinate early on specific issues, and resolve questions through a collaborative online tool.

In parallel, the Commission is advancing several simplification initiatives aimed at reducing administrative burdens, eliminating unnecessary overlaps, improving clarity and addressing divergences that hinder the smooth functioning of the single market. Within this framework, the Commission would also be prepared to facilitate and encourage greater cooperation between the Member States and national tax administrations, to enable a more consistent interpretation and application of direct and indirect EU tax legislation, including through non-binding EU guidance, where relevant, while fully preserving the Commission’s role as guardian of the Treaties and subject to the jurisdiction of the Court of Justice.

(Paragraphs 9, 12, 21, 56, 57, 58): The Commission agrees with the resolution to ensure the effectiveness of tax incentives within the Pillar Two framework and acknowledges the call of the resolution for a study

¹ [Tadeus - Taxation and Customs Union - European Commission](#)

and recommendations. The Commission agrees that well-designed tax incentives can be a useful part of the tax policy mix of Member States, to foster investment, R&D and innovation, among other. The Commission aims to ensure a horizontally consistent approach across various policy fields as regards increased calls for the use of tax incentives to support various policy objectives. Tax incentives should be used in a cost-effective and judicious manner, be well-targeted, simple for companies, citizens, and administrations to understand. For example, the Commission's Recommendation on tax incentives to support the Clean Industrial Deal ⁽²⁾ sets out common guiding principles to guide Member States when introducing tax incentives in full alignment with the Clean Industrial State Aid Framework (CISAF), to reach the common goals of the Clean Industrial Deal. Many Member States already have R&D tax credits for research and development, and the Commission acknowledges the call of the resolution for further studies and recommendations to help maximise their effectiveness.

Tax incentives generally result in tax expenditures, as the tax relief associated with the incentive results in foregone tax revenues. Under Directive 2024/1265/EU (revising 2011/85/EU), which lays down requirements for budgetary frameworks, Member States are required to publish detailed information on the effect of tax expenditures on revenue (Article 14(2)). The Commission, together with the Member States, uses dedicated expert groups to discuss and exchange best practices on tax expenditures reporting and evaluation. On 11 December 2025, the Commission published a dedicated report with country-specific analysis of tax gaps that also include relevant analysis of tax expenditures as an approximation of the policy-induced tax gap ⁽³⁾.

(Paragraph 11) The Commission welcomes the acknowledgement of the Joint Research Centre's work and agrees that well-functioning local tax systems can support economic activity. At the same time, taxation, including local taxation, remains primarily a national competence, and Member States are responsible for the organisation of their tax systems and the distribution of revenues across levels of government. Within these limits, the Commission will continue to facilitate cooperation and promote mutual learning with the Member States.

(Paragraph 13): The Commission notes the Parliament's remarks and would like to draw attention to the Commission Work Programme for 2026, which provides full transparency regarding the strategic priorities in the field of taxation. The Work Programme sets out the new initiatives

² Commission Recommendation of 2 July 2025 on tax incentives to support the Clean Industrial Deal and in light of the Clean Industrial Deal State aid Framework C(2025) 4319 final.

³ [Mind the Gap Report 2025](#), European Commission.

the Commission intends to bring forward, identifies the proposals that will continue to be pursued, and clearly indicates those that are to be withdrawn. This approach ensures predictability for stakeholders and supports effective legislative planning.

(Paragraph 15): As part of the wider simplification initiative, and with a view to a future legislative proposal for a recast of the Directive on Administrative Cooperation (DAC) foreseen for Q2 2026, the Commission is currently reviewing the effective functioning of the DAC with the objective of clarifying and enhancing this regulatory framework and reducing the administrative burden for all relevant stakeholders involved. This review will also seek to identify possible instances of duplicate reporting and, where appropriate, seek solutions that streamline reporting for relevant stakeholders, while ensuring that Member States have the information necessary to correctly assess, administer, and enforce tax liabilities. A project group has been set up recently under TADEUS (network of heads of Tax Administrations) to contribute to this work.

(Paragraph 16) As part of the efforts to bolster European defence capabilities, the European Defence Industry Programme (EDIP) Regulation of 16 December 2025 establishes the Structure for European Armament Programme (SEAP), which will facilitate cooperative projects among Member States. and the procurement of jointly owned defence products through the SEAP may benefit from VAT exemption where all the conditions set out by the VAT directive are met

(Paragraph 17)

The Commission agrees that using digital technology is essential to improving tax administration and reducing administrative burden. In recent years, the Commission and the Member States have developed technical solutions that simplify compliance for taxpayers, streamline tax collection, and support tax authorities in combating fraud. Further enhancements to existing IT systems are already planned for the coming years. The Commission remains committed to move from the current IT systems towards new data-based systems that allow for better integration of information and new and better functionalities. Within the TADEUS framework, the Commission is exploring with heads of tax administrations the best way forward in this area.

(Paragraph 21) The Commission is actively working with Member States to streamline and strengthen the effective use of Taxpayer Identification Numbers (TINs) across the Union. With the adoption of Directive (EU) 2023/2226, Member States will be required to ensure the consistent use of TINs in automatic exchanges of information, with phased entry into force in 2028 and 2030 for different categories of automatic exchanges. To support implementation and facilitate validation, the Commission is expanding the publicly available “TIN on Europa” tool to cover legal persons. Further, it has launched a study to serve as a basis for the introduction of an improved verification tool and

coordination of TIN formats. These measures contribute to greater tax certainty, simpler procedures and reduced administrative burdens, in line with the Union's broader simplification agenda.

(Paragraph 22): The Commission agrees that facilitating retail participation in capital markets is important for strengthening the Savings and Investments Union. The Commission will continue advancing work in this area to support a more efficient, user-friendly and growth-oriented EU tax environment. A recent example is the Commission recommendation on Savings and Investment Accounts (SIA) in the context of the Savings and Investment Union (SIU) where the Commission adopted targeted recommendations towards Member States to introduce well targeted tax incentives and benefits. The ultimate objective of this is to unlock existing savings and channel them into investments into assets that generate higher returns. Furthermore, the Commission is also working on building trust between tax authorities and (large) taxpayers via a European cooperative compliance project, where on a voluntary basis Multinational Enterprises (MNEs) and Member States have the possibility to improve compliance and risk focus in the form of a pilot project.

(Paragraph 23) The Directive on Administrative Cooperation (DAC1 to DAC9) establishes a fully digital framework for the automatic exchange of tax information among EU Member States, using standardised formats and IT schemes aligned with OECD standards. This systematic digitalisation simplifies procedures for tax administrations and reduces reporting burden for taxpayers—especially MNEs—through centralised filings and harmonised procedures. At the same time, it enhances cooperation between tax authorities, ensuring transparency and consistency in applying global tax rules with the same IT instruments. Best practices are, in addition, promoted by different workstreams (e.g. The Visits to Member States Directive on Administrative Cooperation (VISDAC) project). Also, their implementation is supported by the Commission through Technical Support Instrument (TSI) in those Member States who applied for it.

The Digital Reporting Requirements (DRR) stemming from the VAT in the Digital Age (ViDA) package will fully digitalise the reporting of cross-border transactions for VAT purposes with the aim of reducing compliance costs by an estimated EUR 4.1 billion and reducing VAT fraud by EUR 11 billion per year. In the implementation of the DRR and the accompanying new electronic system called central VIES, the Commission services will explore the possibility, legal and technical, for using artificial intelligence for detecting VAT fraud.

Moreover, the Commission actively supports the efforts of tax administrations in the Union to intensify their cooperation for the benefit of their digital transformation, be it at strategic level under TADEUS or at operational level through the cooperation activities and

co-financing under the Fiscalis programme. Through strategic discussions, TADEUS promotes the use of digital tools like Data Science and Artificial Intelligence, encourages a streamlined use of platforms like EUROFISC, and supports joint initiatives under the Fiscalis programme to enhance data sovereignty, digital security and operational efficiency. This collaborative forum ensures alignment on digital transformation priorities and strengthens administrative cooperation across the EU.

(Paragraph 24) The current Fiscalis programme supports the development and operation of the major trans-European digital systems for taxation, as well as establishing networks of officials across the EU. This cooperation programme, that allows tax administrations to create and exchange information and expertise, runs until the end of 2027. The Commission has recently presented a proposal, the Single Market and Customs programme ⁽⁴⁾, which, among other objectives, aims to enable the continuation of the Fiscalis programme's interventions. The proposed programme should continue to support the work of the tax authorities, by ensuring a solid digital environment, reinforcing expert networks, the sharing of good practices, and by complementing the national efforts for training tax officials and professionals with Union level solutions. The future programme should further support the continued collaboration and cooperation between the national tax authorities, the Commission and with other national authorities. It should also support digital, administrative, human and operational capacity building, including development and operation of Union level digital solutions for taxation.

(Paragraph 25) The Commission is already working to simplify the current VAT framework. The ViDA package will bring simplification and reduce administrative burden. It modernises the EU's VAT system, enhances its efficiency for businesses, increases its resilience against fraud, and addresses the challenges in VAT raised by the development of the platform economy.

Following its adoption, the Commission now focuses on ensuring the smooth implementation of the 3 aspects of ViDA: (i) Digital Reporting Requirements (DRR), (ii) Platform economy, and (iii) Single VAT Registration (SVR). This requires laying down further detailed legal provisions, adapting and developing Member States' and EU Digital systems, as well as rolling out a communication strategy. It will be

⁴ COM(2025) 590 final, Proposal for a Regulation of the European Parliament and of the Council establishing the Single Market and Customs Programme for the period 2028-2034 and repealing Regulations(EU) 2021/444, (EU) 2021/690, (EU) 2021/785, (EU) 2021/847 and (EU) 2021/1077.

accompanied by guidelines and explanatory notes. To that end, the Commission recently published an Implementation Strategy.

ViDA is expected to improve tax compliance in the field of VAT and therefore to contribute to a reduction of the VAT compliance gap.

The Commission sees the implementation of ViDA as a matter of priority and welcomes the European Parliament's support. In taking this forward, it will continue to engage with Member States and businesses via dedicated expert groups or through targeted meetings. As implementation dialogues are a key tool to ensure that policy objectives are achieved, ViDA implementation was on the agenda of the implementation dialogue held by Commissioner Hoekstra with the business community on 28 October 2025.

(Paragraphs 25 and 46) The Commission is working closely with Member States and other stakeholders on the development of methodologies suitable for EU wide tax gap measurement, beyond the existing VAT gap estimates. The TADEUS forum already includes a dedicated workstream on tax gap estimation. It explores the development of tax gap methods applicable across the EU for PIT and CIT, as well as methods to estimate different sub-sets of the VAT compliance gap, such as the VAT compliance gap due to Missing Trader Intra-Community fraud (MTIC gap) and e-commerce (e-commerce gap). The Commission is also fostering the development of excise gap measurement. Related insights and evidence have been put into a recent dedicated report that the Commission published on 11 December 2025. The Mind the Gap Report provides country-specific analysis on Member States' efforts to close the tax gaps, including an assessment of the efficiency of tax collection and efforts to digitalise tax administrations and rolling out AI at Member State level ⁽⁵⁾.

(Paragraphs 26 and 27) It is essential for the VAT acquis to be adapted to the new reality created by the digital transition. The adoption of ViDA serves that very objective but improvement may still be needed. With a view to assess whether further action is required to make the VAT acquis fully fit for purpose, the Commission has launched a study looking at the challenges of VAT beyond ViDA. That study will serve as basis for the work to be taken forward by the Commission.

(Paragraph 28) The Commission subscribes to the need for key taxation concepts to be applied consistently across Member States. Paving the way for common definitions, soft law efforts such as Explanatory Notes drawn up by Commission services and guidelines

⁵ [Mind the Gap Report 2025](#), European Commission.

agreed by the VAT Committee are of the essence. The Commission services will continue to pursue these efforts.

(Paragraphs 29 and 30) VAT is a general consumption tax. Neutrality is amongst its main characteristics and should be kept in mind when striving to make the VAT system sustainable and equitable. The Commission is currently exploring other avenues to greening VAT such as reviewing the second-hand scheme. For VAT rates, steps were already taken with the reform adopted in 2022 which provides for regular review of these rates based on a report submitted by the Commission. The first report is due by 31 December 2028.

(Paragraphs 25 and 39): In relation to studies to assess the current fragmentation, the Commission launched in June 2024 an external study that will analyse, inter alia, potential challenges on cross-border operations stemming from the current taxation framework of the financial sector (VAT exemption for financial services and national, uncoordinated sectoral taxes).

(Paragraph 31) Commission has proposed the withdrawal of the DEBRA and UNSHELL proposals in the 2026 Commission Work Programme.

(Paragraph 33): The Commission is continuing the work on the reform of corporate taxation and encourages incoming Council Presidencies to bring the discussions on the BEFIT proposal back on to the table in Council. The Commission agrees with the call of the resolution for an effective and balanced approach that benefits all Member States, respecting the principle of subsidiarity and aligning coherently with the implementation of the OECD Global Minimum Tax set of rules.

(Paragraph 34): The Commission is working closely with Member States on the implementation of the global agreement on international tax reform at the OECD/G20 Inclusive Framework. The global minimum effective tax rate for MNEs, is being implemented in the EU through the Pillar Two Directive ⁽⁶⁾. The Commission agrees with the resolution to prioritise work that maintains and protects the agreement. As regards Pillar Two, the Commission and EU Member States have ensured that the side-by-side agreement with the United States and other countries within the Inclusive Framework preserves the important role and benefits of Pillar Two while providing greater stability, simplicity and certainty. This agreement provides a solution on the respective application of the Pillar Two rules and the existing U.S. minimum tax

⁶ Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union (OJ L 328, 22.12.2022, p. 1, ELI: <http://data.europa.eu/eli/dir/2022/2523/oj>).

rules, in a way that must prevent a return to harmful tax competition, safeguard the integrity and effectiveness of the Pillar Two Directive, protect EU interests, and prevent retaliatory measures. In addition, as part of the agreement, the EU also obtained material simplifications for EU tax administration and businesses in the implementation of the Pillar Two, not only as regards its application in the EU but also around the world. As stated at the ECOFIN Council of 12 December 2025, the Commission also remains committed to further simplifying the implementation of Pillar Two and will assess the impact of the side-by-side package on EU competitiveness, including the possibility of an extension of the delayed implementation by smaller EU Member States under Article 50 of the Directive, at the latest by 2029 when the stocktake by the Inclusive Framework is also due.

(Paragraph 35): The Commission agrees on the need for legal clarity as regards the implementation of Pillar Two rules by the Member States. To this effect, the Commission adopted the proposal for a Council Directive to implement Pillar Two in a uniform manner across the EU and will continue to ensure its consistent transposition into national law and further application, including for shipping activities. The side-by-side package will provide further legal clarity, as regards the operation of Pillar Two and other global minimum tax rules internationally. It will provide further certainty to businesses and ease compliance burden through the permanent Simplified Effective Tax Rate (ETR) Safe Harbour. The Commission will also make sure that work on further simplifications to the global Pillar Two framework continues to be prioritised at the Inclusive Framework in 2026.

(Paragraphs 36 and 51) The importance of close cooperation between competent authorities at EU level for tackling VAT fraud and the key role of the European Public Prosecutor's Office (EPPO) and the European Anti-Fraud Office (OLAF) in the fight against cross-border VAT fraud were highlighted in the Commission's White Paper for the Anti-Fraud Architecture Review published in July 2025. In particular, the White Paper recalled that the VAT-based own resource is calculated on the basis of VAT actually collected by Member States. Accordingly, any shortfall in VAT collection not only reduces revenue for Member States but also reduces VAT own resources for the general budget of the EU, with consequences for the level of the GNI-resource for all Member States. Moreover, a significant amount of loss stems from cross-border VAT fraud.

According to the Commission study on the Missing Trader Intra-Community fraud of December 2025, cross-border VAT fraud amounts to between EUR 12.5 and 32.8 billion per year and is often committed in the framework of criminal organisations. Therefore, the Commission will work in the short term on reinforcing the EU multidisciplinary approach to tackling VAT fraud and establishing an EU front composed of administrative authorities, judicial and law enforcement bodies. The

Commission proposed giving EU targeted access to VAT data for the EPPO and OLAF as well as enhancing their cooperation with the Eurofisc network to leverage synergies between administrative and judicial means against VAT fraudsters at EU level (7). Against this background, the control of VAT is primarily in the hands of Member States and the success of the fight against VAT fraud depends on their involvement. The Commission is working with the Heads of Tax Administrations in the framework of TADEUS to guarantee Member States stay committed to this joint effort.

(Paragraph 37) There is no proposal for a digital services tax under active consideration at this stage. The Commission's preferred option to address the tax challenges arising from the digitalisation of our economies is, and remains, a multilateral and global solution under Pillar One of the OECD/G20 Inclusive Framework. This approach is superior to the proliferation of unilateral measures, that would fragment the international tax system and risk creating double taxation. The proposed 'side-by-side' system between Pillar Two and the US tax rules envisaged in the G7 Statement of 28 June 2025 provides an opportunity to soon restart discussions on Pillar One and the Commission remains fully committed to resume and actively engage in those discussions. However, if the global discussion were to fail, the Commission would reassess its options and remain in close contact with the European Parliament and Member States on the best way forward. The Commission would have to conduct an impact assessment on any possible policy proposal, in line with the Better Regulation principles, as is done for any Commission proposal.

(Paragraph 38, 39, 43, 44): The Commission will assess the costs and benefits of the future proposal for a 28th regime for innovative companies in the impact assessment that will accompany such a proposal. The Commission concurs that tax barriers to cross-border investment must be tackled, and Member States must avoid introducing discriminatory tax legislation. In this regard, it notes that tackling such barriers to the free movement of capital are a key priority in the area of taxation in its enforcement policy. As communicated in the Commission's Communication on Savings and Investment Union, the Commission will take action to remove differences in national taxation procedures creating administrative burden and barriers to cross-border investment and support Member States' actions for this purpose. Additionally, to follow up on the SIU communication, the Commission has released a SIA recommendation, which calls on Member States to introduce SIAs to increase retail participation to capital markets, thereby improving their returns on retail investments. Greater retail participation will also benefit depth and liquidity of EU capital markets and increase the supply of long-term capital in the EU. By moving some

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eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025PC0685&qid=1763137998609

of their savings into more productive investments, citizens can also facilitate the financing of businesses, driving economic growth and job creation across Europe, in line with the SIU objectives. The Commission acknowledges the call to carry out further targeted studies on the economic and competitive effects of the taxation barriers to cross-border investments. A recent study carried out for the Commission ⁽⁸⁾ identified cross-border tax fragmentation as one of the barriers to the scaling-up of funds investing in innovative and growth companies. The Commission also acknowledges that differences in capital taxation can also act as a barrier to cross-border investment but notes that this is challenging to address as it is linked to the design of national tax systems.

(Paragraph 40): With the Faster and Safer Tax Relief of Excess Withholding Taxes (FASTER) Directive, which will be applicable from 1 January 2030, an important step was taken towards removing barriers to cross-border investments by streamlining, harmonising and digitalising withholding tax procedures across the EU. The quick and fast procedures laid down in the FASTER Directive will avoid double taxation on dividend payments. The standardised reporting obligation will allow national tax administrations to check eligibility for the reduced rate and detect potential abuse. Therefore, the FASTER Directive has, to a large extent, already addressed the recommendations of the European Parliament's resolution on a withholding tax framework. The Commission will consider the European Parliament's suggestions when developing the implementing acts for the FASTER Directive and when offering support to Member States as they implement the Directive.

(Paragraph 41) The Commission concurs with the message of the report that tax-related barriers in the Internal Market should be eliminated as a matter of priority. In this regard, based on complaints it receives, stakeholder enquiries, and meetings, the Commission takes a strategic approach towards engaging with Member States in achieving (informally) a correct application and implementation of the fundamental freedoms and EU direct and indirect tax legislation. In this regard, the Commission services regularly hold bilateral package meetings with Member States in the area of taxation to address tax barriers. Where such an approach does not lead to tangible or timely results, the Commission initiates infringement action. In addition, the Commission undertakes horizontal studies to map potential obstacles to the internal market. For instance, the Commission is currently exploring simplification measures in the field of excise duties. We are holding regular discussions with businesses and Member States tax authorities to identify potential areas. Notably, in the context of the Fiscalis programme, Member States experts are currently discussing

⁸ Bourse Consult, CIVITTA and EBAN, *Study of barriers to, and drivers of, the scaling-up of funds investing in innovative and growth companies*, Publications Office of the European Union, 2025, <https://data.europa.eu/doi/10.2874/0565970>

simplification and harmonisation of the procedures applicable to the business-to-consumer distance selling of excise goods. Other areas for simplification concerning the movements of excise goods are being explored, while minimising risks of avoidance and abuse. Another example concerns the request for information that has been sent on 26 September 2025 to the Member States regarding the tax treatment of the Pan-European Pension Product (PEPP). In its legislative proposal published in November 2025, the Commission proposes that PEPP products receive the same tax treatment as national pension products in the respective Member State, thereby ensuring that labour mobility is not hindered. In the past, the Commission undertook a horizontal study to map cross-border tax obstacles for pension funds and life insurers, key actors for investment in the companies in the internal market and followed up, and will continue doing so, on detected issues with Member States to achieve compliance. The Commission is also undertaking a study on the taxation of financial sector actors with a view to draw lessons on VAT treatment.

(Paragraph 42): The Commission wishes to reassure the European Parliament that the rights of EU citizens who are making use of the fundamental freedoms in the Internal Market, in particular the right of movement for workers, self-employed, but also retirees to go live and work in another Member State is at the centre of its enforcement priorities whenever tax barriers are detected in Member States tax legislation.

(Paragraph 46): The Commission shares the Parliament's strong commitment to tackling aggressive tax planning, which can undermine fair competition and erode public revenues. The EU has significantly strengthened the legislative framework to address tax avoidance and enhance transparency, among others, through the Anti-Tax Avoidance Directive (ATAD), the Directive on Administrative Cooperation and the work of the Code of Conduct Group on Business Taxation. The Commission continues to support Member States in improving cooperation and enforcement, including through enhanced information exchange, coordinated audits and capacity-building under the Fiscalis programme.

In addition, the Commission is ensuring that the commitments taken by the Member States to act against aggressive tax planning in their Recovery and Resilience Plans are carried out accordingly. Several Member States, which have received country specific recommendations to act against aggressive tax planning, are putting into place defensive measures against aggressive tax planning. These include introducing withholding taxes on interest, royalty and dividend payments exiting the EU towards zero or low-tax jurisdictions, or non-deductibility of interest and royalty payments to zero or low-tax jurisdictions.

With DAC6, which was adopted in 2018, a legal framework for combating tax evasion through mandatory exchange of information on potentially aggressive cross-border tax arrangements was introduced

EU-wide. Aligning with the goals of DAC in terms of prevention of tax evasion and tax avoidance, and in compliance with the principle of proportionality, the mandatory exchange of information on potentially aggressive cross-border tax arrangements has been designed to be used for tax-risk assessment as a trigger to further analysis by tax authorities. It is complemented by Commission's support based on the provision of IT infrastructure and collaboration with Member States to enhance data utilisation in risk analysis through projects like Fiscalis.

Moreover, the Commission provides crucial support to the EU Advanced International Administrative Cooperation (AIAC) Community, an expert network focused on collaborative efforts in international tax cooperation. Fiscalis acts as the financial backbone, funding the network's activities, including promoting cooperation instruments like simultaneous and joint audits to combat tax fraud and evasion. The Commission also facilitates crucial functions for the network, including the operation of secure IT systems for the exchange of tax information between Member States and the provision of training opportunities to upskill tax and customs officials. This support is particularly relevant for ensuring the effective and reliable implementation of EU tax law and helping national tax administrations address complex cross-border arrangements, as this activity led to several billions in additional tax base over the 5 past years.

In its commitment to supporting the necessary simplifications combined with the constant need to improve risk-analysis techniques and tools, the Commission will continue to propose appropriate developments, whether in the context of the recast of the DAC, the improvement of joint approaches (Direct taxation / VAT), or the pooling of data in IT (central registers).

(Paragraph 48) The Commission is currently reviewing the ATAD with the aim to simplify its application and enhance its effectiveness and efficiency at the national level. This includes exploring ways for addressing the potential inconsistencies between certain elements of the ATAD and the OECD Pillar Two approach. These efforts are carried out in the context of the evaluation of the ATAD and within the broader simplification exercise and involve very extensive and detailed technical consultations with the Member States and private stakeholders. The Commission also agrees with the need to provide further guidance on the interpretation of the general anti-abuse rule and intends to discuss with Member States potential ways forward.

(Paragraph 49) As part of the wider simplification initiative, and with a view to a future legislative proposal for a recast of the DAC, the Commission is currently reviewing the effective functioning of the DAC with the objective of clarifying and enhancing this regulatory framework and reducing the administrative burden for all relevant stakeholders involved.

This review will be informed by the outcomes from the recently concluded Evaluation of the DAC, which assessed the effective

functioning of DAC1 - DAC6 and examined issues pertaining to compliance costs, data quality, data completeness and use of information.

In addition, the review will also be informed by the recommendations arising from the 2021 and 2024 Reports by the European Court of Auditors (ECA), the latter Special Report having issued specific recommendations on guidance, to support the implementation of legislation. Finally, the results of the extensive consultations of Member States and stakeholders have been carried out since the start of 2025 will be considered to identify further possible reductions in the administrative burden for business and in particular SME's covering DAC1 - DAC9.

(Paragraph 52) In view of cross-border tax obstacles concerning citizens from all Member States and frontier workers who pursue an economic activity in one or more Member States in which they do not reside, the Commission will be working on a Recommendation calling for the elimination of tax obstacles for remote cross-border working and for relocation of employees in order to allow in particular start-up and scale-up companies to compete for the best talents in Europe and ensure a level playing field across all Member States for improving the functioning of the internal market.

With regard to the call on the Commission to present a study, the Commission currently does not see the need for mandating a further study. The FISC Subcommittee of the European Parliament published a study on "Tax Barriers and Cross-border Workers: Tackling the Fragmentation of the EU Tax Framework" in June 2025. Furthermore, although not recent, most of the Conclusions of the Report of the Expert Group on "Ways to tackle Cross-border tax obstacles facing individuals within the EU" from 2015 continue to apply to the present tax landscape. A new study most likely would confirm the results of the existing studies.

(Paragraph 54) The Commission recalls that the 2021 proposal for extension of the mandate of the Code of Conduct Group to cover individual taxation did not get much traction with the Member States, who seem to be reluctant to extend the mandate beyond the business taxation.