

Brussels, 30 March 2026

EFAMA COMMENTS ON THE EUROPEAN COMMISSION'S PUBLIC CONSULTATION ON OMNIBUS ON TAXATION

Executive Summary

The Commission's initiative to simplify EU law in direct taxation, with its focus on reducing administrative burdens, eliminating outdated/overlapping rules, and improving consistency and application across Member States, is urgently needed to ensure the EU's competitiveness

To reduce red tape, safeguard neutrality, and accelerate the SIU, benefiting European savers and businesses, EFAMA is calling on the Commission and Member States to:

- **Preserve funds tax neutrality** and avoid sector-specific levies (e.g. FTT/DST/CORE)
- **Simplify tax rules for funds' cross-border investments** (e.g. ATAD CFC, interest limitation)
- **Align policy options with the DAC recast and FASTER**
- **Simplify PSD/IRD procedures and remove participation thresholds** for intra-EU payments.

EFAMA stands ready to assist TAXUD and Member States with technical input and operational expertise as the impact assessment is finalised and proposals are prepared for June.

Scope and objectives of the tax omnibus initiative

This initiative is part of the Commission's wider agenda to simplify and clarify EU law and cut red tape for businesses, boosting competitiveness and improving the functioning of the EU framework for corporate taxation. Its focus is fourfold:

- reducing unnecessary reporting and compliance burdens;
- eliminating outdated or overlapping tax rules;
- simplifying and clarifying tax legislation; and
- improving the application and consistency of procedures and reporting requirements.

Within this framework, **the omnibus initiative will affect rules covering parent-subsidary relations, interest and royalties, corporate mergers, the prevention of tax avoidance, and tax dispute resolution mechanisms.** The objective is to improve the efficiency of the Interest and Royalties Directive (IRD), the Parent-Subsidiary Directive (PSD), the Anti-Tax Avoidance Directive (ATAD), the Tax Merger Directive and the Tax Dispute Resolution Mechanisms Directive, to strengthen the internal market.

EFAMA recently met with TAXUD and received additional details on the targeted legislative amendments in several areas, as well as the policy options being considered.

In more detail, the initiative will **address issues related to Pillar 2 to alleviate certain compliance burdens** on multinational groups. Regarding **Controlled Foreign Companies (CFC) rules**, overlaps with Pillar 2 will be reviewed and addressed (without amending Pillar 2) to enable taxpayers subject to both frameworks to comply with fewer duplicated administrative tasks.

Also, **targeted amendments to the PSD and the IRD are considered.** The proposal will seek to:

- remove the minimum holding of capital or voting rights of 10% for the PSD and 25% for the IRD while leaving other conditions in place.
- Update the list of entitled entities
- encompass and address the specific treatment of indirect participations.
- simplify PSD/IRD entitlement procedures to have no upfront procedures for intra-EU payments of dividends, interest and royalties and to use digital tools, such as eTRCs, to support identification, particularly in cases involving nominee accounts
- introduce an anti-tax avoidance mechanism to prevent situations where a withholding tax applies if no taxation applies at the level of the recipient of the interest/royalties.

The European Commission is further considering issuing EU guidance on the application of the EU directives on taxation. These features will be aligned with the FASTER Directive so that, where PSD/IRD benefits apply, FASTER procedures would not need to be duplicated. Guidance on topics such as the interaction among anti-abuse rules in the PSD, IRD and Merger Directive, and the definition of beneficial ownership, may follow, but **the immediate priority is to publish the simplification proposals and move to Council for technical and political discussions as soon as possible after June.**

Below, we share our comments on targeted areas that warrant exploration to address our industry concerns/recommendations.

EFAMA's comments on the Omnibus on Taxation

Funds' tax neutrality is to be preserved.

EFAMA continues to oppose tax measures that disproportionately burden the financial sector - specifically, financial transaction taxes (FTT), digital services taxes (DST) or the proposed CORE levy - because such measures distort savings and capital markets and add administrative burdens without advancing the SIU. Additionally, for EFAMA, **the confirmation and practical protection of fund tax neutrality is essential to ensure that fund structures remain neutral conduits (taxation takes place at investor level).**

EU tax directives were designed primarily for corporate structures and **may inadequately address investment funds' unique nature as intermediaries for indirect investments** as already acknowledged by the CJEU and Member States. In the past, this has led to inadequate or even sometimes discriminatory tax treatment of indirect investments compared to direct investments,.

Work has been since done, and **we should have hope for the harmonisation measures arising from CJEU-driven remedies and from the current omnibus on taxation initiative**, which, if aligned with the SIU action plan, should be seen as another step in the right direction **to protect the funds' tax neutrality, the free movement of capital, boosting investors' confidence and EU's competitiveness**.

Tax rules for cross-border investments through funds can be simplified.

EFAMA supports an exemption from CFC rules for regulated funds, reflecting the principle of neutrality and the regulated nature of these vehicles. We are referring to regulated vehicles (UCITS/AIFs) with clearly defined organisational, supervisory, and governance structures; these funds should not be regarded as CFCs.

On the ATAD interest limitation rules, **EFAMA recommends excluding third-party loans from the interest barrier to avoid penalising financing that is typical and economically justified in fund and portfolio structures**, while maintaining targeted anti-abuse protections.

Additionally, there is a clear overlap between CFC and Pillar 2 where further clarity is needed to reduce duplication and legal uncertainty. Given current discussions on the Pillar Two Side-by-Side solution and its impact on the simplification measures that are being considered, **for EFAMA, it may be premature to have a clear picture of Member States' Pillar Two profiles, and we recommend the launch of a separate initiative (public or targeted consultation) to address possible overlaps with the existing tax Directives and Pillar Two.**¹

Please refer to [Appendix A](#), where EFAMA reviews the existing framework and provides additional recommendations and comments on possible amendments.

Procedural simplification, anti-abuse and third-country safeguards

EFAMA supports the Commission's focus on removing holding/voting rights thresholds in the PSD and IRD for intra-EU payments while preserving anti-abuse protections. This change should be accompanied by streamlined procedures that remove upfront burdens and rely on digital tools such as eTRCs, in alignment with the FASTER Directive. Where PSD/IRD coverage applies, FASTER procedures should not be duplicated; instead, interoperable digital processes should provide predictable timelines and proportionate, risk-based ex-post controls.

For outbound payments to third countries, **we support a targeted and administrable safeguard to prevent double non-taxation.** Rather than adopting complex effective tax rate tests, a simple rule that ensures that withholding taxes apply only where there is no taxation in the destination state would protect the internal market while remaining feasible for administrations and taxpayers to implement and control.

Finally, **we recognise the importance of targeted anti-abuse standards, including a practical, harmonised approach to beneficial ownership and a consistent treatment of indirect participations across Member States.** Clear guidance should support these standards without recreating de facto upfront barriers that deter legitimate cross-border investment and prevent eligible taxpayers from obtaining relief.

¹ In case TAXUD and Member States decide to address these overlaps in the context of the Omnibus on Taxation initiative, EFAMA takes the opportunity to comment on the need to harmonise the two frameworks, namely the treatment of Umbrella versus Sub-Fund across both CFC and Pillar 2. Additional comments and recommendations are delivered in **Appendix A items #5 and #6**.

Implementation and next steps

EFAMA welcomes the Commission's intention to publish the impact assessment and the proposals in June and to prioritise measures that reduce administrative burdens, simplify CFC rules, remove participation thresholds within the PSD/IRD for intra-EU payments and simplify procedures.

We encourage the Council and Member States to launch swift technical discussions following publication so that clear, targeted improvements can be implemented quickly to enhance competitiveness, deepen capital markets and advance the SIU.

We stand ready to assist TAXUD and DG FISMA in understanding our comments and recommendations and learning more about our industry's role and economic footprint. **Please refer to [Appendix B](#) for additional details.**

Appendix A - Possible targeted amendments to enhance the SIU and the use of investment funds

#	<u>ATAD</u>	EFAMA recommendations	Comments
#1	<p>Definition of “financial undertaking” Article 2 (5) (a), (f) and (g)</p> <p><i>“(5) ‘financial undertaking’ means any of the following entities:</i></p> <p><i>(a) a credit institution or an investment firm as defined in point (1) of Article 4(1) of Directive 2004/39/EC of the European Parliament and of the Council or an alternative investment fund manager (AIFM) as defined in point (b) of Article 4(1) of Directive 2011/61/EU of the European Parliament and of the Council or an undertaking for collective investment in transferable securities (UCITS) management company as defined in point (b) of Article 2(1) of Directive 2009/65/EC of the European Parliament and of the Council;</i></p> <p><i>(...)</i></p> <p><i>(f) an alternative investment fund (AIF) managed by an AIFM as defined in point (b) of Article 4(1) of Directive 2011/61/EU or an AIF supervised under the applicable national law;</i></p> <p><i>(g) UCITS in the meaning of Article 1(2) of Directive 2009/65/EC;”</i></p>	<p>We have no particular recommendations in this respect. These definitions are highlighted to ensure that the recommended amendments we present below align with them.</p>	<p>As mentioned above, EFAMA supports an exemption from CFC rules for regulated funds reflecting the principle of neutrality and the regulated nature of these vehicles.</p> <p>The entities covered by these definitions are regulated vehicles (UCITS/AIFs) with clearly defined organisational, supervisory, and governance structures.</p> <p>These funds should not be regarded as CFCs.</p>

#	<u>ATAD</u>	EFAMA recommendations	Comments
#2	<p>Purpose test Article 7 (2) (a)</p> <p><i>“ 2. Where an entity or permanent establishment is treated as a controlled foreign company under paragraph 1, the Member State of the taxpayer shall include in the tax base:</i></p> <p>(a) the non-distributed income of the entity or the income of the permanent establishment which is derived from the following categories: (...)</p> <p><i>This point shall not apply where the controlled foreign company carries on a substantive economic activity supported by staff, equipment, assets and premises, as evidenced by relevant facts and circumstances.</i></p> <p><i>Where the controlled foreign company is resident or situated in a third country that is not party to the EEA Agreement, Member States may decide to refrain from applying the preceding subparagraph.”</i></p>	<p>The following sentence should be added to Article 7 (2):</p> <p><i>“Point (a) of paragraph 2 does not apply to investment funds within the meaning of Article 2 (5) (f) and (g).”</i></p>	<p>Investment funds, in particular those subject to AIFMD or UCITS Directive, by definition, generally satisfy the ATAD's purpose test. By their very design, frameworks like the AIFMD and UCITS Directive require these funds to focus solely on collective investment strategies aimed at safeguarding both investors and the broader market..</p> <p>To align with the definitions established in Article 2(5), the proposed amendment eliminates the administrative hurdle that forces these funds to actively prove they pass the purpose test to avoid Controlled Foreign Company (CFC) classification.</p> <p>This change guarantees that anti-abuse tax mechanisms remain practical, proportionate, and fully consistent with the broader objectives of the EU SIU, particularly for regulated and supervised investment vehicles operating across the EU (namely AIFs and UCITS).</p>

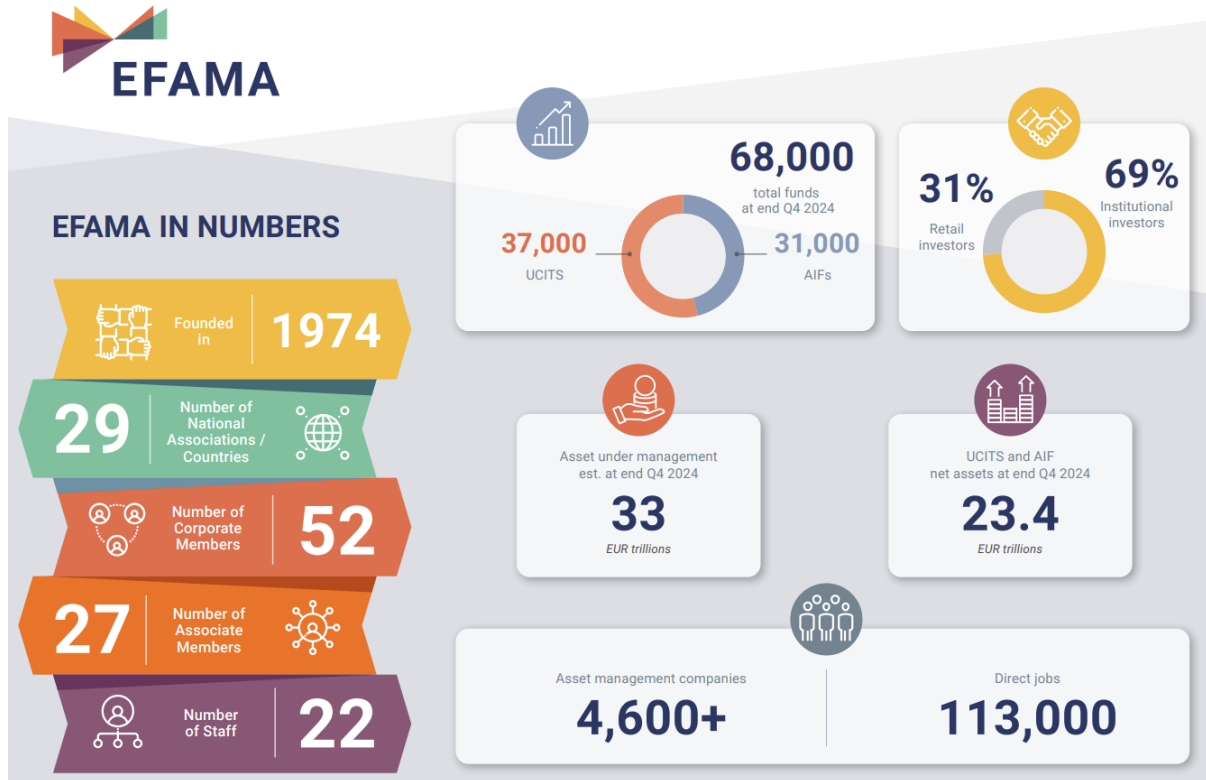
#	<u>ATAD</u>	EFAMA recommendations	Comments
#3	<p>One-third rule Article 7 (3)</p> <p><i>“ 3. Where, under the rules of a Member State, the tax base of a taxpayer is calculated according to point (a) of paragraph 2, the Member State may opt not to treat an entity or permanent establishment as a controlled foreign company under paragraph 1 if one third or less of the income accruing to the entity or permanent establishment falls within the categories under point (a) of paragraph 2.</i></p> <p><i>Where, under the rules of a Member State, the tax base of a taxpayer is calculated according to point (a) of paragraph 2, the Member State may opt not to treat financial undertakings as controlled foreign companies if one third or less of the entity's income from the categories under point (a) of paragraph 2 comes from transactions with the taxpayer or its associated enterprises.”</i></p>	<p>The following sentence should be added to Article 7 (3):</p> <p><i>“In the case of a financial undertaking as defined in Article 2 (5) (f) and (g), the Member State should not treat these as a controlled foreign companies, regardless of whether one third or less of the entity's income from the categories under point (a) of paragraph 2 comes from transactions with the taxpayer or its associated enterprises.”</i></p>	<p>The existing framework imposes a disproportionate burden on regulated funds, and this proposal would significantly simplify compliance for the industry. ATAD's CFC rules were not designed to capture legitimate asset management structures that are already governed by the aforementioned regulatory frameworks. Our industry structures are strictly supervised vehicles that play a critical role in financing European infrastructure and serve the SIU objectives in the best interest of retail and institutional investors (e.g., pension funds and insurance companies).</p> <p>The existing rules unintentionally impose unjustified compliance burdens on investment structures and, ultimately, on investors. Standard, heavily regulated operational strategies must not be treated as abusive tax practices. These funds, by design, are not the intended targets of the ATAD and should fall outside the scope of its rules, as the framework should focus on high-risk taxpayers. By amending this rule, we can bring clarity to the existing framework and make these rules truly fit for purpose.</p>

#	<u>ATAD</u>	EFAMA recommendations	Comments
#4	<p>Interest limitation rule Article 4 (4)</p> <p><i>“4. Member States may exclude from the scope of paragraph 1 exceeding borrowing costs incurred on:</i></p> <p><i>(a) loans which were concluded before 17 June 2016, but the exclusion shall not extend to any subsequent modification of such loans;</i></p> <p><i>(b) loans used to fund a long-term public infrastructure project where the project operator, borrowing costs, assets and income are all in the Union.</i></p> <p>(...)</p>	<p>The interest limitation rule should be limited to intra-group financing. The following option should be added to Article 4 (4):</p> <p>“(c) loans contracted with external third parties.”</p>	<p>The current interest limitation rule was designed to prevent intra-group profit shifting, but it unintentionally penalises standard third-party loans used by the industry (e.g., real estate and infrastructure funds). With interest rates rising significantly, Member States should consider fixing this issue by ensuring that, under the ATAD, there is an option to exclude third-party loans from the interest limitation rule, as market-rate bank loans cannot structurally be used to shift profits.</p>

#	<u>ATAD</u>	EFAMA recommendations	Comments
#5	<p>CFC vs Pillar Two Article 7</p> <p>After the implementation of Pillar Two rules, Constituent Entities located in a Member State that are members of an MNE Group and are subject to the global minimum tax should not be treated as CFCs, and should be deemed as being sufficiently taxed for Article 7 purposes.</p>	<p>Entities subject to the global minimum tax under Pillar Two should be excluded from the scope of CFC taxation under Article 7.</p>	<p>This alignment is anticipated to substantially decrease the regulatory burdens on both taxpayers and tax authorities. At the same time, it fulfils the fundamental goals of both directives.</p>
#6	<p>CFC vs Pillar Two Umbrella vs Sub-fund</p> <p>ATAD CFC and Pillar 2 rules may become relevant for investment funds and their shareholders in limited circumstances, for example, during fund launch or liquidation or when a sub-fund is dedicated to a significant shareholder. The distinction between Umbrella and Sub-Fund is central to ensuring proportionate compliance. Although the ATAD does not specify whether the 50% control test should apply at the Umbrella or Sub-Fund level, practice shows that this is not always the case, and we may have scenarios where we need to question whether the Umbrella should be considered the relevant entity for CFC purposes. By contrast, for Pillar 2, we may question whether the Sub-Fund should be treated as the relevant entity, because each Sub-Fund prepares separate financial accounts in line with the definition of “entity” under Article 3(3) of the Pillar 2 Directive.</p> <p>This creates legal uncertainty for managers and investors and should be fixed.</p>	<p>EFAMA recommends that the Commission should clarify and harmonise the treatment of Umbrella versus Sub-Fund across both ATAD CFC and Pillar 2 rules and across Member States, leaving no room for divergent national implementation.</p>	<p>For instance, UCITS SICAVs are typically widely held, making it uncommon for a single shareholder to hold a significant participation at the Umbrella level; however, it is more common for a single shareholder to hold a significant stake in a specific Sub-Fund. When a new Sub-Fund is launched, a US-related entity may seed it and be required to consolidate the Sub-Fund if it holds at least 10% at any point during the financial year. In such cases, Pillar 2 could apply - provided the Sub-Fund is considered the relevant entity - highlighting the need for clear and harmonised rules.</p> <p>A non-aligned approach has clear downsides. It requires that, in these cases, we need to maintain two separate shareholder monitoring frameworks - one at the Umbrella level for CFC, and another at the Sub-Fund level for Pillar 2 - thereby increasing administrative burden and operational complexity.</p> <p>The recommended alignment avoids duplicate monitoring frameworks, promote legal certainty, and reflect how accounts are prepared and how governance operates in regulated fund structures.</p>

Appendix B - Our industry's role and economic footprint

Investment funds - encompassing UCITS and AIFs - **enable institutional and retail investors to access diversified portfolios that support wealth creation, pension schemes and participation in global markets.** These vehicles, primarily regulated under the UCITS Directive and AIFMD, promote investor protection, risk diversification and cross-border distribution in the Single Market.



In Europe, there are more than 4,600 asset management companies, employing around 130,000 people directly. Asset managers typically manage both investment funds and discretionary mandates. Institutional clients often invest via mandates, while retail investors typically access markets through investment funds. Total assets under management amounted to EUR 30 trillion at end-2023, of which approximately 57% were in investment funds and 43% in discretionary mandates. As stock markets continued to rise during 2024, we estimate that AuM in Europe reached a record EUR 33.7 trillion at end-Q4 2024. Net assets of UCITS and AIFs domiciled in Europe totalled EUR 23.4 trillion at end-Q4 2024. Fund ownership held by investors in Europe (EU-27 plus UK), excluding European-domiciled funds sold outside Europe, amounted to EUR 18.6 trillion at end-Q4 2024, compared to EUR 10.5 trillion in 2015. Cross-border funds accounted for EUR 11.81 trillion in net assets versus EUR 11.76 trillion for domestic funds, with the cross-border share rising from 43% in 2015 to 50% in 2024. Insurance and pension funds, households and long-term funds are the principal investor groups.

More information is available [here](#) and in the following publications.





ABOUT EFAMA

EFAMA is the voice of the European investment management industry, which manages EUR 28.5 trillion of assets on behalf of its clients in Europe and around the world. We advocate for a regulatory environment that supports our industry's crucial role in steering capital towards investments for a sustainable future and providing long-term value for investors. Besides fostering a Capital Markets Union, consumer empowerment and sustainable finance in Europe, we also support open and well-functioning global capital markets and engage with international standard setters and relevant third-country authorities. EFAMA is a primary source of industry statistical data and issues regular publications, including Market Insights and the EFAMA Fact Book.

More information is available at www.efama.org

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