

Simplification and Decluttering of EU Direct Tax Legislation

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In recent years, the European Union has recognized the need to simplify its complex and fragmented tax landscape, which challenges its goal of enhanced competitiveness. This note provides a brief overview of how the tax simplification and decluttering movement has taken shape, followed by a summary of the most concrete actions taken to date in the area of direct taxation.

1. The Emergence of the Tax Simplification and Decluttering Movement in the European Union

The accumulation over time of EU (direct) tax legislation, along with complexity and implementation difficulties, significantly impact Europe's competitiveness. Additionally, the proliferation of recent complex proposals such as [Unshell](#), [BEFIT](#), [HOT](#), [FASTER](#), [DAC8](#), [DAC9](#), [SAFE](#), [DEBRA](#), the digital levy, [Significant Digital Presence \(SDP\)](#) and the [digital services tax \(DST\)](#) has significantly contributed to the complexity of the EU direct tax framework. Tax professionals, Member States and taxpayers must constantly adapt to overlapping proposals and regulations, increasing compliance burdens and legal uncertainty, and require significant resources for interpretation and monitoring.

Against this background, the European Union is currently developing a competitiveness plan, as detailed in the [Draghi Report](#): A Competitiveness Strategy for Europe of 9 September 2024. The report highlights in the foreword that over half of Europe's small and medium-sized enterprises (SMEs) identified regulatory obstacles and administrative burdens as major challenges in expanding and fully leveraging the opportunities of the Single Market.

In the [Budapest Declaration on the New European Competitiveness Deal](#) of 8 November 2024, the European Council stressed the need for "a simplification revolution, ensuring a clear, simple and smart regulatory framework for businesses and drastically reducing administrative, regulatory and reporting burdens, in particular for SMEs".

The 2025 Commission Work Programme titled [Moving forward together: A Bolder, Simpler, Faster Union](#) of 11 February 2025 sets out the agenda for the next 5 years, highlighting the importance of simplifying rules and ensuring effective implementation. The Commission's Work Programme of 2025 has a stronger focus on simplification than ever before. The [Communication on a Simpler and Faster Europe](#) published together with the work programme notes that simplification will radically lighten the regulatory load for people, businesses and administrations in the European Union. To better achieve policy objectives, the Commission plans to simplify existing rules, improve implementation and adapt the regulatory framework to meet the needs of people and businesses. To translate this new drive into practical action, the Commission plans to use different tools and actions, such as new targets to reduce the administrative burden, prioritizing new simplification measures, gradual stress-testing of the body of EU legislation and a simpler, more focused and more impactful EU budget.

As evidenced, the emphasis on simplification and decluttering – terms increasingly prominent in both recent

academic literature and official EU publications/communications – of tax legislation within the European Union has recently gained momentum, aligning with its broader objective of enhancing competitiveness. Section 2. identifies some of the actions taken so far in the area of EU direct taxation.

2. Progress to Date on Tax Simplification and Decluttering in EU Direct Tax Legislation

Concretely, the simplification and decluttering agenda is starting to unfold. The 2025 Commission Work Programme introduced an initial set of omnibus proposals ([Omnibus I](#)), focusing primarily on simplifying EU sustainability and environmental reporting. In the area of direct taxation, the Commission communicated the aim to finalize the [evaluation](#) of the Anti-Tax Avoidance Directive ([ATAD](#)) by the fourth quarter of 2025. Reflecting the same priorities, the Commission also launched, in 2024, a [call for evidence](#) on the [DAC](#) Directive to “assess the effectiveness, efficiency and continued relevance of the DAC and its amendments (DAC2 to DAC6), as well as its coherence with other policy initiatives & priorities and the EU added value”.

On [11 March 2025](#), the Council of the European Union approved conclusions setting a tax decluttering and simplification agenda, with a view to contributing to the European Union’s competitiveness. The conclusions urge a review of the current EU tax legislation framework, guided by four key principles that should also apply to both ongoing and future tax initiatives:

- reduce reporting, administrative and compliance burdens;
- remove outdated and overlapping tax rules;
- enhance clarity of tax legislation; and
- streamline application of tax rules, procedures and reporting.

The conclusions propose to start the analysis of the EU legislative framework by reviewing the ATAD and DAC and urge the Commission to deliver an operational plan by the end of autumn 2025.

More recently, and at a different institutional level, the European Economic and Social Committee (EESC) adopted, on 18 June 2025, an own-initiative [opinion](#) supporting the Commission’s plans to achieve simplification, reduce the administrative burden and enhance the competitiveness of the European economy.

As per the [ECOFIN report on tax issues](#) of 20 June 2025, the High Level Working Party on Tax Questions (HLWP) discussed the Unshell proposal as a file that could be analysed from the perspective of tax decluttering principles on 29 April 2025 (at a closed meeting). According to the same document, during an exchange of view in the Working Party on Tax Questions (WPTQ) on 27 May 2025, concerns were raised about overlaps between Unshell hallmarks and those in DAC6, potentially leading to duplicate reporting via separate IT systems. Since both frameworks share similar goals – enhancing tax transparency and combating tax avoidance – delegations suggested that the aims of the Unshell proposal could be achieved with clarifications or amendments of hallmarks in DAC6. In line with the decluttering and simplification agenda, delegations also highlighted that any future solutions should not create undue administrative burden. As a consequence, it emerged from that meeting and was reported in the ECOFIN report of 20 June 2025 that the analysis of the Unshell proposal should not be continued in the Council.

In parallel, the European Commission is currently working on the European 28th regime, which would bring about simplification in the areas of insolvency, labour and tax law. The European 28th regime was included in the [Competitiveness Compass for the EU](#) as a measure that would contribute to enhancing the competitiveness of innovative EU companies, and the proposal is planned to be adopted in the first quarter of 2026.

The ECON [report](#) on the role of simple tax rules and tax fragmentation in European competitiveness of 24 March 2025 introduces a timely dimension to the simplification debate: the potential of digitalization – particularly

artificial intelligence – to reduce administrative burdens and compliance costs for businesses, especially SMEs. The draft report is scheduled to be voted on in the meeting of the European Parliament’s Committee on Economic and Monetary Affairs (ECON) of 15 July 2025 and during the plenary sitting of the European Parliament on 1 September 2025.

3. Points for Consideration

Discussions on decluttering and simplification are emerging, and different initiatives are taking form at the EU level just as Pillar Two implementation is challenged by the US [denouncing](#) the OECD Global Tax Deal and as the UN negotiations for a new UN Framework Convention on International Tax Cooperation are underway. Although tax simplification ranks highly on the work agenda at EU institutions (as described in section 2.), it impacts the future of the EU corporate tax framework, so achieving it cannot happen overnight. It necessitates a thorough assessment of and significant amendments to the EU direct tax acquis and Member States’ domestic legislation, all while carefully considering current geopolitical developments. Before a revision of the EU legislative framework and laws, it is essential to conduct a detailed evaluation to determine whether, and to what extent, simplification is warranted, along with identifying specific areas that would benefit most from simplification.

Tax simplification and decluttering are intended to ease business operations, but they also present considerable challenges for Member States – particularly in deciding which rules should be preserved. To navigate this process effectively, Member States must develop strategies that reduce risks while pursuing simplification.

As tax simplification and decluttering efforts unfold over the coming years, the EU institutions have the task to ensure that the pursuit of simplicity does not come at the expense of tax effectiveness and fairness. This note marks the starting point of a broader discussion. More details will follow as new developments unfold.

IBFD references:

- > EU tax law developments are reported on the daily IBFD [Tax News Service](#) page.
- > For an overview of legislative initiatives at the EU level on direct tax matters, see the [EU Direct Tax Law Initiatives](#) Dossier.
- > For details on the Harmonization of Corporate Taxation in the European Union, see C. Valério & D. Arsenovic, Direct Taxation [section 3.](#), Global Topics IBFD.
- > Francesco De Lillo, [Towards a Simpler and More Efficient EU Anti-Tax Avoidance Framework: Key Priorities for Future Reform](#), EU Tax Focus (15 May 2025).
- > O. Popa, C. Valério, A. Xygka, [EU Tax Law and Policy of Tomorrow: Insights from the 2025 EU Tax Symposium](#), EU Tax Focus (18 March 2025).