

A 2025 Journey through EU Direct Tax Law Initiatives Guided by ETF Notes

Update created: 12 December 2025

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1. Introduction

Summarizing the 2025 progress in EU direct tax initiatives and recently adopted directives (specifically [BEFIT](#), [HOT](#), [Unshell](#), [DEBRA](#), [TP Directive](#), [SAFE](#), [FASTER](#), [DAC8](#), [DAC9](#), [Pillar One](#) and the [Minimum Taxation Directive](#)) within a very limited number of words is a serious challenge. This note tries to meet the challenge, drawing on insights from prior EU Tax Focus (ETF) notes.

2. Progress in Direct Tax Law Initiatives

2.1. BEFIT

The European Commission adopted the BEFIT Proposal on 12 September 2023 (for an overview of BEFIT provisions and initial reactions and developments, see A. Xygka, [Through Thick and Thin: BEFIT under Scrutiny](#)). As highlighted by J. Carmona Lobita and F. Loureiro Ferreira in [Recent EU Direct Tax Initiatives: The End of Tax Sovereignty?](#), “a reform as profound as BEFIT requires considerable political momentum”. Indeed, BEFIT rules would represent a big shift in the corporate taxation architecture of the European Union and an agreement on this initiative is difficult to reach.

In 2025, BEFIT continues to feature on the European Commission’s agenda: according to the [written questionnaire](#) to the Commissioner-designate for Climate, Net-Zero and Clean Growth, Wopke Hoekstra, the development of a common corporate tax framework in the European Union will continue being a priority and the current Commission intends to look at the BEFIT Proposal through the lens of experiences with Pillar Two.

However, BEFIT was not a key focus for the Council of the European Union during 2025. On 20 June 2025, the Economic and Financial Affairs Council (ECOFIN) approved its biannual [report](#) on tax issues, providing an overview of the work done under the Polish Presidency of the Council. Regarding progress on the BEFIT Proposal, the report notes that the Polish Presidency decided to focus on some other tax priorities during its term. Denmark (holding the Presidency of the Council from 1 July to 31 December 2025) did not feature BEFIT in its [programme](#) setting out the main direct tax priorities for that period, suggesting the initiative was not prioritized during this timeframe.

At the level of the European Parliament, on 24 September 2025, the members of the European Parliament’s Committee on Economic Affairs (ECON) [voted](#) in support of the BEFIT Proposal and put forward several changes. On 13 November 2025, the European Parliament adopted a [Resolution](#) with a positive opinion on the BEFIT Proposal.

BEFIT’s success remains uncertain, mainly due to Member State sovereignty concerns and intensive discussions around implementation of Pillar Two (see section 3.2.), which discourage Member States from advancing with other structural reforms. However, BEFIT has not been abandoned – the envisaged transposition date remains 1 January

2028, with application from 1 July 2028 – and 2025 also marks a milestone of the Parliament issuing a positive opinion. Yet its momentum seems to have slowed, partly due to competing priorities (such as the simplification agenda, see O. Popa, [Simplification and Decluttering of EU Direct Tax Legislation](#), and Pillar Two implementation) but also due to political and technical challenges among Member States.

2.2. HOT

Even though the HOT Proposal initially seemed to be moving forward quite fast (see A. Xygka, [Tax Simplification 101: HOT is Moving Forward](#)), in December 2024, the Council reported that support for HOT remained “[very limited](#)” amongst Member States due to fundamental concerns about several aspects, such as the administrative or aggressive tax planning challenges that it may create for tax authorities, competitiveness risks and principal concerns about tax sovereignty. The initiative remains on the agenda (with some Member States having encouraged launching broader discussions on potential measures in the field of taxation that can support small and medium-sized enterprises (SMEs) and cross-border activity); however, adoption is less likely in the current form and the envisaged application by Member States from 1 January 2026 is not realistic.

2.3. Unshell, DEBRA and TP Directive

This year saw withdrawals of Unshell (see M. Cotrut, [Hopefully We Will Say Goodbye to the Unshell Proposal](#)), DEBRA and the TP Directive (see A. Aron, [Transfer Pricing Documentation in the EU: Courtroom Battles and Tax Authority Scrutiny](#)): the European Commission [announced](#) the withdrawal of these Proposals on 21 October 2025. The SAFE Proposal, directly connected to Unshell, is unlikely to ever be adopted by the European Commission.

3. Progress of Recently Adopted Directives

3.1. FASTER, DAC8 and DAC9

2025 began with the publication of the newly FASTER Directive in the [Official Journal of the European Union](#) (for details on the initiative and its progress, see C. Valério, [FASTER, but softer: How the Council lowered the standards to make a quick match](#) and A. Xygka, [EU FASTER Proposal: Are we moving towards more efficient withholding tax procedures within the EU?](#)). Member States will have to transpose it by 31 December 2028 and domestic measures should apply from 1 January 2030. The European Commission [announced](#) on 21 February 2025 that it is preparing an implementing regulation to promote the uniform implementation. There were no additional developments on FASTER this year, as Member States have significant time before they must transpose the Directive.

Both DAC8 (for an overview, see C. Valério, [Let me brief you on DAC8: Key contextualized topics on crypto and beyond](#)) and DAC9 (for an overview, see K. Ilieva, [The Latest Proposed Amendment to DAC: A Short Introduction of DAC9](#)) need to be transposed before the end of 2025, and therefore prompted more action at Member States’ level (for details, see M. Alvarado, [Towards a Simplified Reporting under DAC9 and Its Status of Implementation across Member States](#); an ETF note on the implementation of DAC8 will be published in early 2026).

3.2. Pillar Two

As at the moment of writing this note, five EU Member States have not yet fully implemented the Minimum Taxation Directive: Estonia, Latvia, Lithuania, Malta and Slovak Republic, all having notified the European Commission that they have exercised the option granted under article 50 of the Directive, which allows Member States with no more than 12 ultimate parent entities of groups located therein to delay the application of the income inclusion rule (IIR) and the undertaxed profits rule (UTPR). The other EU Member States have implemented the key elements of the Directive: the qualified domestic top-up tax (QDMTT), the IIR and the UTPR.

Despite the European Union being at the forefront of implementing Pillar Two, the US position on Pillar Two in 2025 (see D. Schirripa, [The New US Administration Has the European Union Navigating Between Scylla of Pillar 2 and Charybdis of US Retaliation](#)) created growing tensions. The European Union also faces ongoing pressure in light of the G7 deal on a side-by-side system (announced in June 2025) and on identifying ways of implementing this system. A delegation comprising members of the European Parliament's Subcommittee on Tax Matters (FISC -own) visited the United States in October 2025. The Chair of the FISC Subcommittee, Pasquale Tridico, subsequently issued a [statement](#) in which he expressed regret regarding the withdrawal of the United States from the global tax deal in 2025 but noted that "the G7 deal on a side-by-side system for a global minimum tax rate of 15% is an important step forward". He also urged to restart the dialogue on Pillar One, noting that "[f]inding a global solution is the best way forward", in order to avoid unilateral digital service taxes. Pillar One negotiations are currently stagnating (see A. Myzithra, [OECD Pillar One Reform and the European Union: Do good things come to those who wait?](#)). This seems to rekindle the discussion at the EU level on ways of taxing the digital economy (for example, a potential digital levy as an EU own resource or a revival of the 2018 Digital Services Tax ([DST](#)) and Significant Digital Presence ([SDP](#)) Proposals, which are both currently blocked).

4. Conclusion

The present note focused on providing a summary of the main developments in EU direct tax initiatives during 2025 (the year also brought notable advances in various other areas, including indirect taxation and ECJ case law, which lie outside the focus of this overview, but have been selectively covered by other ETF notes).

While some initiatives were withdrawn and others saw limited progress, the recently adopted directives are currently being transposed or sparking new debates and tensions. No direct tax initiatives were introduced this year; instead, efforts focused on preparing for possible developments in 2026 and beyond, such as simplifying the EU anti-tax avoidance framework (see F. De Lillo, [Towards a Simpler and More Efficient EU Anti-Tax Avoidance Framework: Key Priorities for Future Reform](#)), considering a 28th regime (see L. Ambagtsheer-Pakarinen, [28th Regime – Enough to Boost Innovation in EU?](#)) or exploring a Corporate Own Resource for Europe (CORE) (see C. Valério, [The CORE of the Matter: A First Look into the Proposed Corporate EU Budget Own Resource](#)). Additionally, attention was given to the EU's participation in negotiations for the UN Framework Convention (see B. Obuoforibo, [Negotiating the UN Framework Convention – what next for the European Union](#) and X. García, [UN Framework Convention: An Update from the European Perspective](#)).

Clearly, 2026 is expected to bring developments worth watching. Readers can look forward to forthcoming ETF notes.

But before we shift our attention to upcoming issues, the ETF editors would like to express their appreciation to all contributors for their work in 2025 and wish everyone a joyful holiday season!

IBFD references:

- All EU Tax Focus (ETF) notes are available on the [EU Tax Law Study Group website](#).
- 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](#).