Completing the Tax Simplification Package Series: Amendments to Dispute Resolution Mechanisms and Initial Developments

EU Tax Focus, 19/2026 (21 August 2026)

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1. Introduction

On 24 June 2026, the European Commission adopted the Tax Simplification Package to streamline compliance and enhance competitiveness of the Single Market. The package comprises the Taxation Omnibus Proposal and the Proposal for a DAC Recast. The Taxation Omnibus Proposal introduces amendments to six major Directives, amongst which the Tax Dispute Resolution Mechanisms Directive (2017/1852) (DRM). This EU Tax Focus (ETF) note looks into the proposed amendments to the DRM and concludes the series on the Tax Simplification Package with initial responses and developments in the legislative process. Section 3. below provides references and links to all ETF notes of the series.

2. Proposed Amendments to the DRM

The DRM had to be transposed into national legislations of the EU Member States by 30 June 2019 and has been effective since 1 July 2019. The DRM lays down rules for resolving disputes related to the interpretation of tax treaties for both businesses and individuals and covers issues on double taxation. The DRM has meant a significant step forward but still leaves a lot to be improved, as was demonstrated in the comments the Commission received to its consultation on the Taxation Omnibus from various stakeholders: around 38% of the stakeholders found that dispute resolution remains too slow and complex (according to the Impact Assessment Report). The stakeholders hoped for, inter alia, a more meaningful participation of the taxpayer, enhanced transparency, ensuring consistent interpretation of the admission criteria and enforcing stricter timelines, interest and penalties, where applicable.

The Commission has taken on board many of the wishes expressed by the stakeholders. The preferred approach is a combination of targeted legislative amendments to the text of the DRM coupled with the possibility of adopting Council implementing acts, depending on the nature of each issue. The original objective of the DRM, i.e. improving procedures for resolving double taxation disputes between Member States, will not be affected. The proposed amendments to the DRM are detailed below.

2.1. Clarification of scope

The proposed amendment to article 2 clarifies that, where the taxation of more than one person is directly affected by the same question in dispute, each of these persons qualifies as an "affected person" for the purposes of the DRM. This would remove uncertainty in multiple-entity cases.

2.2. Amendments to streamline and clarify the complaint stage of the procedure

Under amendments to article 3, in cases where multiple affected persons are involved, Member States must either allow each affected person to submit a complaint individually to its state of residence or, alternatively, permit one affected person to file on behalf of all affected persons. This approach seeks to combine legal certainty with procedural flexibility.

Secondly, the concept of "simultaneous submission" is replaced with a 30-calendar-day submission window. This amendment responds to divergent national interpretations of the term "simultaneously", which in practice ranged from requiring filing on the same day to allowing broader time frames.

2.3. Earlier access to arbitration in the absence of MAP

Under the proposed amendment to article 4, if competent authorities conclude that no agreement can be reached, they must inform the taxpayer without delay rather than waiting for the expiry of the 2-year MAP period. This would allow taxpayers to access the arbitration phase earlier and avoid unnecessary delays.

2.4. Strengthening of taxpayer protection

The proposed amendments to article 5 require competent authorities to give taxpayers the opportunity to remedy deficiencies in respect of the procedural requirements, such as failure to use an accepted language, within 30 days and to allow taxpayers to resubmit a complaint, provided the overall time limit is respected. The purpose is to avoid disproportionate procedural rejections and facilitate access to the mechanism.

2.5. Limiting late objections against independent persons of standing

The amendment to article 8 clarifies that objections against independent persons of standing that participate in the advisory commission may only be raised until the final decision has been accepted by all competent authorities. This is intended to prevent late procedural challenges from undermining legal certainty and delaying the conclusion of the procedure.

2.6. Enhancing procedural flexibility

Under the proposed amendment to article 10, an alternative dispute resolution commission may also be set up for disputes relating to the admissibility of complaints and not only for the substantive resolution of double taxation disputes. The objective is to broaden procedural flexibility and facilitate the efficient settlement of disputes at an earlier stage.

2.7. Clarification of qualifying requirements

The proposed amendments to article 11 clarify that qualification requirements apply only to independent persons of standing and not to representatives of competent authorities. This is intended to avoid unnecessary interpretative uncertainty.

2.8. Aligning parallel procedures

Under the amendment to article 16, other ongoing procedures are suspended once a DRM complaint is submitted and are terminated only once the DRM complaint has been accepted by all competent authorities concerned. This is to ensure that taxpayers are not left without protection against double taxation while at the same time avoiding overlaps between parallel procedures.

2.9. Clarifications regarding special provisions for individuals and smaller undertakings

Article 17 introduces additional clarifications for individuals and smaller undertakings making use of the simplified filing system. It aims to avoid unclear procedural situations and facilitate coordination between competent authorities where communications are submitted only to the competent authority of the taxpayer's state of residence.

2.10. Implementing acts

A new article 19a authorizes the Council to adopt implementing acts laying down binding technical and procedural rules necessary to ensure a uniform and effective application of the DRM.

2.11. Reporting framework

The amendment to article 21 introduces a harmonized statistical reporting framework and empowers the Commission to adopt implementing acts concerning the format and conditions for the communication of statistical data. The purpose is to ensure consistency of reporting across Member States and alignment with the OECD statistical framework, thereby improving transparency and the evaluation of the functioning of the Directive.

3. Some Remarks on the Tax Simplification Package and Initial Developments

The European Union needs to enhance its long-term competitiveness, and this is not a matter of choice but a strategic necessity in response to the various challenges it faces today, such as climate change, artificial intelligence and geopolitical tensions.

The current European Commission (2024-2029) placed simplification of EU rules at the heart of its agenda for competitiveness. Within the area of direct taxation, this agenda is primarily advanced through the Taxation Omnibus and the DAC Recast proposals. The run-up to the package was an extensive process: the Taxation Omnibus was preceded by a key consultation that generated 117 feedback responses, and the DAC Recast follows a Call for Evidence on the DAC and the second 5-year evaluation report on the DAC.

Now that the Tax Simplification package has finally been published, the concrete measures are available for assessment and debate. The IBFD EU Tax Law Study Group has dedicated a series to the Tax Simplification package to comprehensively summarize the proposed measures:

- Simplifying the "Older" Corporate Taxation Directives: Can the Omnibus Deliver on Such a Complex Task? focuses on the proposed changes to the "older" Directives: the IRD, PSD and MD, concluding that, while the measures mark a significant step for the functioning of the Single Market, their ultimate success will depend on whether the benefits of simplification outweigh Member States' concerns over revenue losses and potential tax avoidance risks during the forthcoming legislative negotiations.
- Less Red Tape, Same Transparency? Assessing the DAC Recast describes how the DAC Recast is a welcome change to the existing complex DAC reporting framework while preserving the high transparency standards built over more than a decade.
- The ATAD through Taxation Omnibus Lenses explores the amendments to the ATAD and concludes that, while most measures are likely to enhance business competitiveness and reduce compliance burdens, those with a negative budgetary impact and the new research and development (R&D) allowance could be more difficult to agree upon.
- The current ETF details the targeted legislative amendments to the text of the DRM, designed to keep its original objective while introducing clarifications and procedural simplifications, and concludes the series.

Additionally, in a special interview edition of ETF, Benjamin Angel (DG TAXUD) offered an inside perspective on the policy thinking behind proposed measures, the extensive groundwork that shaped the package and how these changes could meaningfully simplify the European Union's taxation framework.

The European Commission has done the difficult work of selecting policy options and has taken the bold decision of proposing a Comprehensive Omnibus (*see* the other two options in section 3 of the Explanatory Memorandum). But this package of measures marks only the beginning of a potentially lengthy legislative process. The adoption of the Proposal requires unanimous agreement in the Council of the European Union. The Proposal falls under the consultation procedure, which requires the Council to take into account the opinion of the European Parliament, as well as, in this particular case, the European Economic and Social Committee (EESC). The implementation timelines for the amendments are detailed in the various ETFs.

According to Simon Harris, Minister for Finance of Ireland, in his capacity of President of the ECOFIN Council during the Irish Presidency (July-December 2026), the Presidency seeks to adopt the DAC Recast during its term and commits to advancing work on the Taxation Omnibus.

Discussions are unfolding. In the European Parliament, the FISC held two public hearings on 14 July 2026 on the DAC Recast and on the Taxation Omnibus. The Council of the European Union has also held and scheduled several Working Party meetings aimed at advancing the files, with the meeting of 17 August 2026 appearing to have examined a Presidency compromise text for the DAC Recast, although this document is not publicly available.

No legislative proposal can be perfect. Initial reactions range from concerns that some measures are too ambitious (e.g. the amendments to the material scope of the PSD and IRD) to arguments that some are not ambitious enough (e.g. the fact that the mentioned amendments to the scope of the PSD and IRD would only apply from 1 January 2037 and the limited scope of the R&D expensing). Additionally, there are ongoing debates as to whether simplification can be achieved without compromising the underlying objectives of existing frameworks (e.g. the anti-tax avoidance framework) and discussions on the implications of the proposed changes for the fiscal sovereignty of Member States (in particular resulting from replacing the minimum standard in the ATAD with uniform measures). Yet this is a historic moment in the evolution of EU tax policy, and we will witness together the developments in the legislative process as they unfold in the pages of future ETFs.

IBFD references:

- EU tax law developments are reported on the daily IBFD Tax News Service page.
- C. Valério & D. Arsenovic, European Union – Direct Taxation, Global Topics IBFD.
- For an overview of legislative initiatives at the EU level on direct tax matters, *see* the EU Direct Tax Law Initiatives Tax Dossier.

