September 23, 2026

Mr. Gerassimos Thomas
Director-General
Directorate-General for Taxation and Customs Union
European Commission
B-1049 Brussels
Belgium

Re: European Commission Proposal for Simplifying EU Rules on Direct Taxation - Omnibus

The National Foreign Trade Council (the "NFTC") is pleased to provide written comments on the Proposal for a Council Directive amending Directives 2003/49/EC, 2009/133/EC, 2011/96/EU, (EU) 2016/1164, (EU) 2017/1852, (EU) 2025/50 as regards the simplification of the Union framework on direct taxation and supporting growth and competitiveness of the EU (the "EU Tax Simplification Package") released on June 24, 2026.

The NFTC, organized in 1914, is an association of U.S. business enterprises engaged in all aspects of international trade and investment. Our membership covers the full spectrum of industrial, commercial, financial, and service activities. Our members value work in the European Union ("EU") and the European Commission (the "Commission") that strives to make business easier and faster in Europe by reducing administrative burdens and simplifying implementation. We particularly welcome work that focuses on establishing and maintaining international tax norms that provide certainty to enterprises conducting cross-border operations.

General Comments

We value the work put into the EU Tax Simplification Package, as there is a pressing need to reevaluate certain elements of the Anti-Tax Avoidance Directive ("ATAD") in light of the Pillar Two Directive, in particular removing duplication and unnecessary administrative burdens. The EU Tax Simplification Package (consisting of the Tax Omnibus and Directive on Administrative Cooperation ("DAC") Recast) takes these important steps towards supporting the EU's competitiveness while protecting the integrity of the EU tax system. Furthermore, the reduction in unnecessary reporting requirements across the framework is a welcome modification, as these provisions impose costly compliance burdens and distract limited tax authority resources.

We provide several suggestions to help fully meet the stated objectives, including modifying the CFC rules, interest limitation rules, and the review of the DAC regime. NFTC provided earlier comments on the EU's *Simplifying EU rules on direct taxation* (the "Call for Evidence"); we appreciate the consideration of those comments and reiterate our concerns expressed in that letter.

Specific Comments

Tax Omnibus

CFC Rules

The Controlled Foreign Company ("CFC") rules contained in Articles 7 and 8 of ATAD were introduced to counter the shifting of profits to low-tax jurisdictions. The Pillar Two framework now ensures that the income of multinational enterprises ("MNEs") is subject to a minimum effective tax rate of at least 15 percent through mechanisms such as the Qualifying Domestic Minimum Top-Up Tax ("QDMTT") and the Income Inclusion Rule ("IIR"), itself a variant of CFC rules.

Where a jurisdiction has implemented a QDMTT that increases the effective tax rate of entities located in that jurisdiction to the Pillar Two minimum level, the policy objective of the CFC rules is already achieved. In these circumstances, the continued application of CFC rules could impose unnecessary administrative burdens or lead to double taxation. ATAD should therefore be amended to clarify that entities located in jurisdictions that have implemented a QDMTT in accordance with the Pillar Two Directive are excluded from the application of Articles 7 and 8 of ATAD. Furthermore, the EU Commission should apply the full CFC exemption to groups subject to the Pillar Two Side-by-Side safe harbour ("SBS safe harbour"). The OECD Inclusive Framework concluded that the U.S. tax system contains robust anti-base erosion and profit shifting ("BEPS") measures and was equivalent to Pillar Two. The omnibus proposals should respect this decision and treat companies subject to the SBS safe harbour in the same way those subject to Pillar Two.

It is a significant burden to require companies to confirm whether each individual entity in low-tax jurisdictions would fall outside of the CFC exemption. This would potentially create double taxation and lead to unequal treatment between different jurisdictions.

Research & Development ("R&D")

NFTC welcomes the initiative to mandate full expensing for R&D expenditures. The EU Commission should consider being more ambitious in providing enhanced tax relief that incentivises R&D activities beyond what already exists, as well as incentivising investments in tangible and intangible assets in the EU. For example, enhanced deductions for the salaries of staff engaged in R&D could incentivise job creation, and tax incentives for partnering with universities could support academic institutions.

Interest Limitation

While the exclusion of third-party loans from the limitation calculation is a step forward, the requirement that the funding is used in the borrowing entity is a practical limitation on the value of the relief. Often, MNEs will have a centralised treasury function that will obtain third-party debt and then on-lend within the group to finance operations. Consideration should be given to amending the proposal to exclude from the limitation calculation debt that is on-lent within the group, where it is used for a commercial purpose.

Interest and Royalties Directive

The benefits of the proposed withholding tax changes under the IRD should be applied equally to all companies subject to Pillar Two, including those subject to the SBS safe harbour. As drafted, the safeguard clause does not apply to companies subject to Pillar Two; however, companies under the SBS agreement will have to ascertain whether the recipient is subject to a top-up tax, etc.

Implementation Timeline

We recognize the need to give member states sufficient time to adjust their revenue expectations and systems to accommodate the expected changes. However, an implementation window of up to eight years is excessive. This may lead to unintended consequences, with the provisions possibly coming into effect in different economic conditions than today. Furthermore, an eight-year window will lead to different treatment among EU member states during this period, creating compliance burdens instead of easing them.

<u>DAC Recast</u>

The reporting obligations introduced under the Directive on Administrative Cooperation (potentially tax-harmful cross-border arrangements) (Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU)("DAC6") were designed to identify cross-border arrangements that may produce tax advantages. However, the introduction of the Pillar Two framework fundamentally changes this environment by ensuring that large MNE groups are subject to a minimum effective tax rate of 15 percent in every jurisdiction. As a result, many tax outcomes that DAC6 hallmarks were originally designed to detect are now effectively neutralized through the operation of the Global Minimum Tax rules and the associated GloBE reporting framework. We recommend that the EU Commission consider scaling back DAC6 to align entirely with the hallmark recommendations made under BEPS Action 12. Furthermore, companies subject to the SBS safe harbour should be excluded from DAC6 to align with companies under Pillar Two.

Annex V includes an expansion of the definition of "Platform Operator." The definition of Platform Operator should not be expanded without a complete understanding of the justifications for the expansion and analysis of potential consequences. At a minimum, expansion of the definition to include entities registered on a Platform as a Seller would bring new businesses in scope and add another layer of compliance for businesses and tax authorities. At a minimum, it would seem premature for the EU Commission to adopt this definition before the OECD work on Model Reporting Rules is finalized.

<u>Unshell</u>

The Commission's commitment to proposing an implementing act within five years related to substance criteria creates unnecessary uncertainty for companies and departs from the Commission's broader focus on improving the workability of the DAC framework. Indeed, it is unclear why a common definition of substance is necessary in view of Pillar Two. Thus, we recommend that the Commission not proceed with this proposal. If the proposal does proceed, the Commission should ensure the establishment of any further common rules be made on the basis of unanimity among EU Member States and not a mere qualified majority, in order to support a coordinated and united taxation framework within the European Union.

Conclusion

NFTC appreciates the consideration of the Commission on these important reforms and the simplification of existing rules. NFTC encourages the Commission to prioritize reforms while preserving the important policy objectives of preventing double taxation and onerous compliance burdens. We welcome the opportunity to discuss further or provide any additional information that would be helpful as you finalize the EU Tax Simplification Package; please contact Anne Gordon, Vice President of International Tax Policy (agordon@nftc.org).