KPMG Meijburg & Co Tax & Legal

Critical government assessment of the Omnibus Directive

The Omnibus Directive

On 24 June 2026, the European Commission published a comprehensive proposal to revise six existing directives in the field of direct taxation: the Omnibus proposal. This proposal is part of the broader European agenda to strengthen the EU's competitiveness, promote investment and reduce administrative burdens for businesses. We reported on this on 24 June 2026.

The proposed Omnibus Directive is based on Article 115 TFEU and therefore requires unanimity in the Council. The European Parliament has only a consultative role. If the directive is adopted, whether or not amended, Member States will be obliged to implement the changes contained therein in their respective national laws. Under the current proposal, most of the changes would enter into force on 1 January 2029, while the most far-reaching changes to the Interest & Royalty Directive and the Parent-Subsidiary Directive would not take effect until eight years later – in 2037.

BNC-fiche

On Friday, August 28, 2026, the government sent its 'BNC-fiche' on the Omnibus proposal to the Lower and Upper House of Parliament. The BNC-fiche is the first official assessment of a new proposal from the European Commission by the government. The document explains what the government thinks of the proposal, assessed on the basis of various aspects and criteria, such as the legal basis, decision-making procedure, subsidiarity, proportionality and (of course) the financial consequences for the Dutch treasury. The BNC-fiche is valuable because it shows how the Netherlands enters the negotiations on the directive in Brussels. Of course, the outcome of the negotiations also depends on the position of the other member states. In principle, the government is positive about the objectives as set out in the Omnibus Directive, but has important reservations about the proposed relaxation of the ATAD Directive. The government considers parts of this proposal to be disproportionate.

Interest & Royalties Directive, Parent-Subsidiary Directive and FASTER (effective eight years after adoption of the directive)

The Commission proposes to largely abolish the existing thresholds for participation:

- under the Interest & Royalty Directive (IRR), the affiliation requirement will no longer apply;
- under the Parent-Subsidiary Directive (MDR), the participation threshold will no longer apply.

Dividend, interest and royalty payments within the EU would in principle be fully exempt from withholding tax and dividends received would give rise to the application of the participation exemption regardless of the size of the interest. Pension funds would also have wider access to the directive exemptions. Furthermore, according to the Omnibus Directive, taxpayers would in principle be able to apply exemptions immediately, followed by retrospective checks.

Finally, the procedures included in the FASTER directive (Faster and Safer Relief of Excess Withholding Taxes) would be extended to the MDR and IRR. The FASTER guideline has now been definitively adopted, but is still in the implementation phase. Member States must transpose this directive into national law by 31 December 2028 at the latest, after which the new rules would apply from 2030. The FASTER Directive introduces a harmonised European system for the refund and reduction of withholding tax, in particular on listed securities.

The government is critical of these proposals. According to the government, withholding taxes within the internal market are an obstacle to capital flows and cross-border investments. Scrapping this is in line with the ambition to create a deeper European capital market. The extension for pension funds is also welcomed because of the benefits for Dutch pension funds that invest in other member states. At the same time, the government notes that the measures must not lead to new opportunities for avoidance or arbitration against third countries. The government will work for 'robust options' to combat arbitration and abuse.

The government is very critical of the abolition of the participation thresholds. The current national 5% limit in corporation tax and dividend withholding tax (the MDR has a limit of 10%, but is limited to dividends) is considered to be a fundamental element. Abolishing the current MDR possession requirement would lead to national measures to 'ensure equivalence'. We suspect that this means that domestic situations should not be treated worse than intra-EU situations. It is also expected that there will be knock-on effects on other schemes, such as the relationship between box 2 and box 3 in the Personal Income Tax.

Merger Directive

The Commission is aligning the Merger Directive with the Mobility Directive by also treating new forms of cross-border reorganisation in a tax-neutral way, including cross-border conversions, simplified mergers and divisions by separation.

The government supports these changes almost in full, and will focus exclusively on a few technical improvements.

Generic interest deduction limitation

The Omnibus Directive contains a number of relaxations of the current generic ATAD interest deduction limitation, which have been implemented in the Netherlands in the earnings stripping measure:

- mandatory introduction of a threshold at €3 million (currently € 1 million in the Netherlands), as of 2032;
- mandatory introduction of a permissible deduction percentage of 30% of the (tax) EBITDA (interest deduction margin) (currently 24.5% in the Netherlands);
- mandatory group exception;
- full deduction for third-party loans for a company's own activities;
- full interest deduction in the event of an EBITDA decline of more than 50%;
- extension of the infrastructure exception for social and affordable housing;

- a temporary exception for defence-related companies;
- a mandatory possibility of forward settlement.

The government is positive about the proposed harmonisation of the threshold and the interest deduction margin, because it will lead to a (more) level European playing field. But according to the government, the accumulation of exceptions means that the earnings stripping measure will largely lose its function as an anti-abuse scheme. According to the government, the exception for third-party loans is not neccessary if calculation rules are harmonized and a group exception is introduced. According to the government, the exception for third-party loans used for own activities raises new demarcation questions, and the government does not consider the exception for EBITDA decline of 50% to be necessary either, because non-deductible interest can be carried forward indefinitely. The government is committed to harmonizing the calculation rules, but maintaining the policy space for all other measures. The Omnibus Directive threatens to change the character of the ATAD Directive; However, the Netherlands does not see the ATAD Directive as a harmonization vehicle, but rather as a minimum standard and wishes to keep it that way. The government is therefore negative about the question of whether the directive is proportionate in this area. In our opinion, this is a rather serious disqualification of the Omnibus Directive on these points.

CFC rules

The Commission only wants to allow CFC model A, and scrap model B completely. The Commission also wants to create an exception for groups already covered by Pillar 2 and introduce an exception for SMEs.

The government is largely positive about this. The Netherlands supports a single, uniform European approach to CFC rules. The reduction of overlap between CFC rules and Pillar 2 is also welcomed. However, the Netherlands does want to avoid adding additional conditions that make the scheme more complex than necessary. At the time, the Netherlands also opted for the model A approach in the CITA 1969 for interests of more than 50% in designated low-tax countries, as an additional measure to the total profit and at arm's length principle. This regulation will need to be adjusted on a number of points.

Hybrid Mismatches and General Anti-Abuse Provision (GAAR)

The Commission proposes to abolish the imported hybrid mismatch rules, a fairly technical part of the ATAD2 interest deduction restrictions. It is also proposed to raise the affiliation threshold from 25% to 50% and to extend the general anti-abuse provision to withholding taxes and Pillar 2.

The government supports the expansion of the GAAR so that it also applies, for example, to withholding taxes and the global minimum tax, but expressly asks for clarification of the relationship between this provision, specific anti-abuse rules and the case law of the EU Court of Justice. The government wishes to prevent legal uncertainty from arising from the three layers of abuse doctrines that would soon arise side by side, namely specific anti-abuse provisions, the GAAR from the ATAD Directive and the abuse principle developed by the EU Court of Justice. In addition, the Netherlands opposes the proposal to exclude national additional anti-abuse measures. According to the Netherlands, ATAD should retain its character as a minimum standard.

New European R&D deduction

A new element is the introduction of an immediate cost deduction for assets that are used exclusively for R&D for at least three years. This effectively introduces a European fiscal investment facility.

The government endorses the goal of stimulating innovation, but at the same time questions the chosen design. The Netherlands is investigating whether it would be easier to implement the integration with existing instruments, for example through forms of arbitrary depreciation. Simplicity and practicality are central to this.

Tax Arbitration Directive

The Commission proposes a number of practical improvements to the dispute settlement and arbitration procedures between Member States, including standardisation of certain procedural concepts.

The Netherlands fully supports these changes, as they improve the practical functioning of the scheme for taxpayers.

Budgetary consequences

For the Netherlands alone, the budgetary loss is currently estimated at € 2 to € 2.5 billion for the amendments to the Parent-Subsidiary Directive, € 1.5 to € 2 billion for the relaxation of the interest deduction limitation and € 50 to € 200 million for the new R&D facility. These amounts make it clear that the negotiations are likely to be substantially modified before a political compromise is possible.

Comments by KPMG Meijburg & Co

The Omnibus proposal marks a remarkable change of course in European direct tax law. Whereas the past fifteen years have mainly been dominated by anti-abuse measures, the focus has now shifted to competitiveness, investment and administrative simplification. In particular, the proposals concerning the Parent-Subsidiary Directive and the Interest & Royalty Directive are fundamental. The complete removal of participation thresholds would be one of the biggest changes since the introduction of these directives and could greatly simplify the tax treatment of cross-border holdings within the EU. On the other hand, in our opinion, the Commission is pushing the boundaries of political feasibility in the earnings stripping measure. It is precisely the mandatory exceptions and the limitation of national anti-abuse measures that affect elements that many Member States consider essential for the protection of their tax base. The critical Dutch response on this point seems to be representative of broader concerns that will exist within the Council.

It is possible that the directive will be adopted in a substantially amended form. Elements such as the extension of FASTER, the amendment of the Merger Directive, improvements in dispute resolution and certain aspects of the CFC rules have a good chance of reaching the finish line. For the far-reaching relaxation of the earnings stripping measure and the complete abolition of participation thresholds, substantial adjustments are conceivable during the negotiations. The final directive will then be considerably less far-reaching than the current Commission proposal, but will still mark a clear shift from anti-avoidance to simplification and strengthening of the European investment climate.

Finally, it is not inconceivable that the entire Omnibus Directive will prove politically unfeasible, but the attitude of the other Member States to it is also important. The Council, EU Parliament and Commission have indicated that they aim to reach an agreement in the fourth quarter of 2027.

If you would like to know more, please feel free to contact us or your usual Meijburg advisor.

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