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EU Commission 2025 Work Programme: Summary of Tax-Related Initiatives

Last week, the European Commission published its [2025 Work Programme](#), which sets the planned initiatives of the new Commission. The European Commission's tax-related initiatives for 2025 focus on harmonisation, digitalisation, and sustainability.

President of the European Commission, Ursula von der Leyen said of the Programme that *"Citizens and businesses have called for a simpler EU that delivers prosperity. This work programme is our answer. We've heard you, we're simplifying, and we will deliver. This roadmap charts our course to a more competitive, resilient, and growth-oriented Europe."*

The Commission has decided to proceed with several key legislative proposals in direct and indirect taxation, including:

Direct Tax Initiatives

Business in Europe: Framework for Income Taxation (BEFIT)

This initiative aims to create a common corporate tax framework across Member States, simplifying tax calculations and compliance for businesses operating in multiple jurisdictions.

Planned Deadline: Pending, continuation in 2025.

EU Transfer Pricing Directive

A proposed EU-wide standard for transfer pricing rules, aligning EU regulations with OECD guidelines to ensure consistent tax treatment of intra-group transactions.

Planned Deadline: Pending, continuation in 2025.

Head Office Tax (HOT) System for SMEs

A simplified corporate tax regime allowing small and medium-sized enterprises (SMEs) operating across the EU to use home-country tax rules, thereby reducing cross-border compliance costs.

Planned Deadline: Pending, continuation in 2025.

Unshell Directive (Preventing Tax Avoidance through Shell Entities)

The Unshell Directive seeks to limit the use of shell companies for tax avoidance by introducing substance requirements that businesses must meet to prove genuine economic activity.

Planned Deadline: Pending, continuation in 2025.

Digital Services Tax (DST) and Significant Digital Presence (SDP)

Description: These proposals aim to tax digital companies fairly, ensuring that businesses with a significant digital footprint in the EU pay corporate tax where they generate revenue.

Planned Deadline: Pending, continuation in 2025.

Debt-Equity Bias Reduction Allowance (DEBRA)

A measure to address tax distortions by incentivising equity-based financing over excessive debt, encouraging financial stability.

Planned Deadline: Pending, continuation in 2025.

Financial Transaction Tax (FTT)

Description: The Commission continues to support enhanced cooperation in the area of financial transaction taxation, ensuring that financial markets contribute fairly to tax revenues.

Planned Deadline: Pending, continuation in 2025.

Evaluation of the Anti-Tax Avoidance Directive (ATAD)

The Commission will conduct a comprehensive review of ATAD to assess its effectiveness in combating aggressive tax planning and profit shifting. The evaluation may lead to revisions or enhancements to ensure stronger anti-avoidance measures across the EU.

Planned Deadline: Q4 2025.

Withdrawal of Certain Direct Tax Proposals

The Commission has withdrawn two long-standing tax proposals, deeming them obsolete:

- **Interest and Royalties Directive:** Initially proposed to create a uniform tax system for cross-border interest and royalty payments between associated companies, this directive has been largely replaced by the Minimum Taxation Directive (Pillar 2 Directive 2022/2523). Any outstanding concerns will be addressed through a future Omnibus act under the simplification agenda.
- **Administrative Cooperation in Taxation (Codification):** The Commission has cancelled plans to codify the existing framework but intends to introduce a fresh codified proposal at a later stage.

Indirect Taxation Initiatives

VAT Reform for Distance Sales and E-Commerce

Changes to VAT rules for online marketplaces and cross-border trade, focusing on simplified VAT obligations for businesses involved in distance sales of imported goods and enhanced responsibilities for digital platforms in VAT collection.

Planned Deadline: Pending, continuation in 2025

Customs Reform: New Union Customs Code

A new EU Customs Code will replace existing regulations, alongside the creation of a European Union Customs Authority. The reform aims to modernise customs procedures, enhance digital integration in tax collection and improve customs control efficiency.

Planned Deadline: Pending, continuation in 2025

Own Resources Collection from ETS, CBAM, and Corporate Tax Reallocation

The EU is developing a framework for collecting revenue from key environmental and economic policies, including: Emissions Trading System (ETS) revenues, the Carbon Border Adjustment Mechanism (CBAM) and the reallocation of multinational corporate tax revenues to Member States.

Planned Deadline: Pending, continuation in 2025.

Simplified Tariff Treatment and Import Duty Adjustments

Simplification for import tax regulations, particularly for low-value goods. This includes: introducing a simplified tariff system for distance sales and eliminating certain customs duty relief thresholds.

Planned Deadline: Pending, continuation in 2025

Energy Taxation Directive Review

The Commission is reviewing EU energy taxation rules to align with environmental goals. The expected reforms may: adjust tax rates on fossil fuels to reflect their environmental impact; incentivise the adoption of cleaner energy sources and address taxation disparities in energy-intensive sectors.

Planned Deadline: Ongoing into 2025.

OECD Consolidation Report on Amount B

Last week, the OECD held a [webinar](#) to discuss the latest updates regarding the development and implementation of the Amount B Framework. This framework, established under the OECD/G20 Inclusive Framework on BEPS, aims to provide a more standardised and efficient approach to applying the arm's length principle to routine marketing and distribution activities within a country, with a particular emphasis on supporting low-capacity jurisdictions.

The webinar covered key aspects of the framework, including its scope and pricing mechanisms. Participants were also given a demonstration of the newly introduced Pricing Automation Tool. Additionally, the OECD provided an update on the implementation process and the next steps for Amount B.

During the session, the OECD confirmed that it will publish the [Consolidated Report on Amount B](#) on 20 February. This report forms part of the broader Two-Pillar Solution to address tax challenges arising from the digitalisation of the economy, as agreed in October 2021. The report will compile all relevant materials on Amount B that have been released by the Inclusive Framework between February and December 2024 into a single document.

[Register Now : CFE Forum | 27 March 2025 | Brussels](#)

CFE Tax Advisers Europe will hold the [2025 CFE Forum](#) in Brussels on 27 March, on the topic “*Navigating Tax Transformation: From Compliance to Competitiveness*”, with the focus of discussions to centre on critical global and European tax developments.

The panel topics will explore: Global Tax Reform: BEPS implementation, the UN Framework Convention, and EU competitiveness; ECJ Case-Law Insights: significance of recent ECJ rulings on state aid and DAC6, Technical Tax Matters:

Delving into transfer pricing, VAT challenges and opportunities; and, Digital & Green Taxation: The EU's path toward sustainable and innovative fiscal policies.

Further information and registration is available via the CFE website [here](#).

EU Responds to US Reciprocal Tariff Policy

The European Commission has issued a [statement](#) opposing President Trump's proposed "[reciprocal](#)" trade policy, arguing that it undermines the principles of free and open trade. The EU maintains some of the lowest tariffs globally and sees no justification for increased US tariffs on its exports. The Commission emphasises that tariffs act as taxes on domestic consumers, raising business costs, slowing economic growth, and increasing inflation. The EU highlights that trade has flourished under predictable and transparent rules, with decades of cooperation between the EU and the US aimed at reducing barriers rather than increasing them.

With over 70% of its imports entering at zero tariff, the EU continues to advocate for a balanced and transparent trade system. The statement reiterates that the EU will respond firmly to any unjustified barriers imposed by the US, ensuring the protection of European businesses, workers, and consumers. The EU also stresses that it has built the largest and fastest-growing network of trade agreements in the world, reinforcing its commitment to a rules-based trading system.

OECD Tax & Development Days

The OECD Centre for Tax Policy and Administration will host the [OECD Tax and Development Days 2025](#) on 12-13 March 2025. The conference will take place fully virtually, and will bring together tax professionals from international organisations, governments, businesses, and civil society to discuss key tax policy and capacity-building issues in developing countries.

The conference will feature two parallel session tracks covering topics such as beneficial ownership transparency, VAT collection in a digital economy, carbon pricing, tax incentives, tax transparency, and revenue mobilisation. Sessions will be conducted in English, French, and Spanish, with recordings available post-event.

The event is open to the public and will be held via Zoom. For full session details and registration, visit the OECD [event page](#).

The selection of the remitted material has been prepared by:
Aleksandar Ivanovski & Brodie McIntosh