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EU Parliament Holds Structured Dialogue With Commissioner Hoekstra on 2026 Tax Files

On 9 February 2026, Commissioner for Taxation Wopke Hoekstra [appeared](#) before the European Parliament's Committee on Economic and Monetary Affairs (ECON) and the Subcommittee on Tax Matters (FISC) for a structured dialogue on the taxation elements of the 2026 Commission Work Programme. The meeting took place against the backdrop of the Commission's decision to withdraw a number of long-standing tax legislative proposals.

Opening the exchange, the Chair of ECON requested specific clarification on why certain important files were being removed from the legislative agenda and which elements might be pursued through alternative initiatives. In his [introductory remarks](#), Commissioner Hoekstra acknowledged the frustration expressed by Members and stated that the "merit" and underlying logic of the proposals remained valid. However, he referred to "sobering realities", citing significant changes in the geopolitical and economic climate and persistent resistance among Member States. He explained that the Commission had applied a "reality check" in preparing the 2026 Work Programme, assessing whether pending files had any realistic prospect of adoption.

The Commissioner then addressed the five files identified for possible withdrawal. On the Financial Transaction Tax (FTT), he noted that the proposal had been on the table for 12 years without any realistic prospect of unanimous agreement or enhanced cooperation. Regarding transfer pricing, he stated that there was "no appetite in Council" for binding harmonised EU rules. On the Unshell proposal, he reported that discussions in Council had failed to generate sufficient political support for either the Commission's approach or alternative options. Concerning the proposal to introduce qualified majority voting for certain technical VAT matters, he observed that Member States had favoured improving the existing system and that discussions had ended in deadlock. Finally, on the Debt-Equity Bias Reduction

Allowance (DEBRA), he stated that a significant number of Member States had questioned the fundamentals of the proposal and that the file had been put on hold in Council.

While defending the decision to withdraw the files, Commissioner Hoekstra indicated that the Commission would seek to preserve key principles and technical work by integrating relevant elements into future initiatives, including through forthcoming workstreams and the omnibus process. He emphasised the need to focus political capital on files with a realistic chance of progress and described the decision as a pragmatic assessment of Council dynamics.

During the debate, many MEPs [expressed](#) dissatisfaction with what they characterised as a row-back from previously tabled proposals. Suggestions were made that stronger political backing at Commission level could assist in overcoming resistance in Council. Members also raised the possibility of pursuing DEBRA through enhanced cooperation and sought clarification on future action regarding digital taxation and Unshell. In outlining his priorities for 2026, Commissioner Hoekstra identified tobacco taxation, simplification, the Directive on Administrative Cooperation and the Energy Taxation Directive as key areas of focus.

Separately, a [written parliamentary question](#) addressed the impact on EU competitiveness of certain jurisdictions' non-implementation of the OECD Pillar Two agreement and the implications of the recently agreed G7 "side-by-side" approach. In his [reply](#) of 4 February 2026, Commissioner Hoekstra stated that the Commission is actively monitoring the effects of non-implementation on EU competitiveness and inward investment. He underlined that non-implementing countries do not escape the impact of Pillar Two, as implementing jurisdictions may apply top-up taxes to low-taxed profits, a commitment reaffirmed in the 5 January 2026 Side-by-Side agreement.

The Commissioner further noted that Pillar Two has been widely implemented, with approximately 60 jurisdictions, including the majority of G20 countries, having enacted the rules. He indicated that the Inclusive Framework had recognised similarities between the US global minimum tax system and Pillar Two. To safeguard EU competitiveness, he stated that the Side-by-Side agreement provides for the full application of domestic top-up taxes to US businesses operating in implementing jurisdictions, alongside compliance simplifications and improved treatment of certain tax incentives.

UN Intergovernmental Negotiating Committee Advances Drafting of International Tax Cooperation Convention

The [Fourth Session of the Intergovernmental Negotiating Committee](#) on the United Nations Framework Convention on International Tax Cooperation concluded last week. In the second week of the Session, substantive discussions shifted from the updated [Draft Framework Convention template](#) under Work Stream 1 to the [draft protocol on the taxation of cross-border services under Workstream 2](#) and the [draft protocol on dispute prevention and resolution under Workstream 3](#). The week marked the transition from exploratory exchanges to more structured consideration of drafting parameters under both protocols.

Under Protocol I, delegates examined the scope of taxes to be covered and the design of nexus rules for taxing income derived from cross-border services. Discussions focused on whether the protocol should apply solely to taxes on income or extend more broadly to taxes with equivalent economic effect, while generally excluding traditional VAT and sales taxes. Consideration was given to different nexus approaches, including physical presence, payment-based source rules and broader economic or market-based nexus concepts reflecting sustained engagement with a jurisdiction. Delegations debated whether differentiated nexus rules may be appropriate for different categories of services, such as in-person, remotely delivered or highly automated services. The method of taxation was also discussed, with differing views expressed on gross withholding, net basis taxation and hybrid approaches, noting administrative simplicity concerns and risks of over-taxation.

Discussions also addressed the implementation of Protocol I, including whether amendments to existing bilateral tax treaties should follow a multilateral instrument approach or require bilateral renegotiation. Diverging views were expressed on the feasibility of an MLI-style mechanism and the need to avoid unintended treaty override effects.

The Committee also commenced detailed consideration of dispute prevention and resolution. Delegates reviewed a structured “menu” of potential mechanisms, including advance pricing agreements, cooperative compliance arrangements, simultaneous and joint audits, mutual agreement procedures, mediation and arbitration. Discussions examined the scope of disputes to be covered, the balance between optionality and common minimum standards, and the role of capacity building in supporting effective implementation.

Work on both protocols is expected to continue at future sessions, with [written submissions invited](#) from Member States and stakeholders in advance of the [Fifth Session](#) scheduled for August 2026.

ECOFIN to Update EU Tax List & Budget Framework as Council Approves New Customs Duty Rules for Small Parcels

At its [meeting](#) this week on 17 February 2026, the Economic and Financial Affairs Council is expected to approve conclusions on the biannual revision of the EU list of non-cooperative jurisdictions for tax purposes. The blacklist, established in 2017 as part of the Union's external strategy on taxation, seeks to promote tax good governance worldwide. Jurisdictions are assessed against criteria relating to tax transparency, fair taxation and the implementation of international standards to prevent base erosion and profit shifting. The list is updated twice yearly, with the most recent revision having taken place in October 2025.

In the context of the 2026 European Semester, the Council is expected to approve the recommendation on the economic policy of the euro area. The recommendation addresses key issues for the functioning of the euro area and aims to strengthen the integration of national and euro-area dimensions of economic governance. The Council is also expected to approve a modified recovery and resilience plan submitted by Lithuania under the Recovery and Resilience Facility, the central instrument of NextGenerationEU.

Ministers are also expected to adopt a recommendation on the discharge to be granted to the Commission for the implementation of the 2024 EU general budget and to approve conclusions setting out guidelines for the 2027 annual budget. The budget guidelines will provide political direction to the Commission ahead of its draft proposal, due in June. Customs duties constitute a traditional own resource of the Union and therefore remain directly relevant to the EU's revenue framework.

Separately, the Council last week [formally approved](#) new customs duty rules abolishing the exemption from customs duties for small parcels valued at under €150 entering the EU. Under the new framework, normal customs tariffs will apply to all goods once the EU customs data hub becomes operational, currently expected in 2028. In the interim period from 1 July 2026 to 1 July 2028, Member States will levy a flat-rate customs duty of €3 per item category contained in small parcels sent directly to consumers, with item categories determined by tariff sub-headings. The reform responds to the rapid growth in e-commerce and forms part of the broader customs reform package currently under negotiation, including the

establishment of an EU customs data hub and a new EU customs authority.

OECD Publishes February 2026 Action 5 Peer Review Update on Harmful Tax Practices

The OECD Inclusive Framework on BEPS has released an [update](#) on the peer review of harmful tax practices under BEPS Action 5, reflecting conclusions reached by the Forum on Harmful Tax Practices at its November 2025 meeting and approved on 5 February 2026. The update covers determinations on preferential tax regimes and the fifth annual monitoring of substantial activities requirements in no or only nominal tax jurisdictions. Since the start of the BEPS Project, the has reviewed 326 preferential regimes, with almost 40% having been abolished.

In relation to preferential regimes, Fiji's original ICT business investment incentives and export income deduction regime were both found to be abolished, with the Forum noting that grandfathering for the ICT regime was not in line with its timelines but did not give rise to a BEPS impact. Ireland's participation exemption for certain foreign dividends and Peru's framework law on special economic zones were assessed as not harmful, having been designed in accordance with FHTP standards. The update also provides a consolidated overview of previously reviewed regimes.

The fifth annual monitoring of the effectiveness in practice of substantial activities requirements, reflecting the 2024 year and incorporating legislative and regulatory developments since June 2019, indicates that all 11 jurisdictions reviewed have domestic legal frameworks meeting the BEPS Action 5 minimum standard. Most jurisdictions were assessed as not harmful with no issues identified in practice. However, the Forum identified areas requiring improvement in Anguilla, notably regarding exchanges of information, with focused monitoring also planned in relation to statistical data and its compliance programme, and in the Turks and Caicos Islands, where improvements to the compliance programme are required and focused monitoring will take place concerning statistical data.

CJEU: Decision on VAT Deduction Timing & AG Opinion on Indirect Taxes on the Raising of Capital

Last week, the Court of Justice of the European Union issued a [judgment](#) and an Advocate General's [Opinion](#) on two separate issues in EU tax law. The General

Court ruled on the timing of input VAT deduction under the VAT Directive where an invoice is received after the end of the tax period but before the VAT return is filed. Advocate General Kokott, in turn, examined whether a national real estate transfer tax applied to certain “share deals” falls within the scope of Directive 2008/7/EC concerning indirect taxes on the raising of capital.

[Case T-689/24, I. S.A. - VAT Directive - Timing of the Right of Deduction Where Invoice is Received in the Following VAT Return Period](#)

In this decision, the Polish Supreme Administrative Court referred to the Court of Justice the question of whether the VAT Directive, read in light of the principles of neutrality, effectiveness and proportionality, precludes national legislation under which a taxable person may not deduct input VAT in the return for the period in which the substantive conditions are satisfied if the invoice was not yet received during that period, even though it was received before submission of the VAT return.

Under Polish law, the right of deduction was treated as arising no earlier than the period in which the invoice was received. The key issue was therefore whether possession of the invoice is a condition for the arising of the right of deduction, or merely for its exercise.

The General Court reiterated that, under the VAT Directive, the right of deduction arises when the deductible VAT becomes chargeable, in principle at the time of supply. The requirement to hold an invoice constitutes a formal condition governing the exercise of that right, not a substantive condition determining its origin.

The Court emphasised the established distinction between substantive and formal conditions and held that only substantive requirements may determine when the right arises. A rule systematically deferring deduction to a later tax period, despite the invoice being available at the time of filing the return, temporarily shifts the VAT burden to the taxable person and undermines neutrality. While Member States may introduce control measures, these must respect proportionality and may not impair the immediate character of the right of deduction.

The Court therefore concluded that the VAT Directive precludes national provisions that make receipt of the invoice a condition for the arising of the right of deduction in such circumstances.

[Case C-837/24, Nova Iberomoldes - SGPS, S.A. v Autoridade Tributária e Aduneira - Directive 2008/7/EC Concerning Indirect Taxes on the Raising of Capital – Indirect Acquisition of Immovable Property Through Shareholding](#)

On 12 February, Advocate General Kokott issued an Opinion in Case C-837/24,

Nova Iberomoldes – SGPS, concerning the compatibility of Portugal’s municipal tax on transfers of immovable property with Directive 2008/7/EC on indirect taxes on the raising of capital.

Under Portuguese law, the acquisition of at least 75% of the shares in a company owning immovable property is treated as equivalent to a transfer of immovable property and is subject to the municipal tax. The case arose in the context of the formation of a holding company whose share capital was paid up by an in-kind contribution of shares in a property-owning company. The central issue was whether the municipal tax, when triggered in the context of such a capital contribution, constitutes an “indirect tax on the raising of capital” prohibited by Directive 2008/7/EC. The referring court also asked whether the transaction qualified as a contribution of capital or restructuring operation under the Directive and whether the Directive’s limitations on capital duty rates could apply.

Advocate General Kokott in her Opinion emphasises that the object of the municipal tax is the (direct or indirect) transfer of the right of disposal over immovable property, calculated by reference to the value of the underlying property and that it applies irrespective of whether the transaction occurs in a capital formation context. It therefore does not share the characteristics of a tax levied on the raising of capital as such. The Advocate General further reasoned that extending the municipal tax to controlling share acquisitions ensures equal treatment between asset deals and share deals and prevents circumvention of property transfer taxation. The Directive’s provision permitting transfer duties on immovable property was interpreted as confirming that such taxes remain outside its prohibition.

Advocate General Kokott therefore proposed in her Opinion that the Court should hold that the municipal tax is not an indirect tax on the raising of capital within the meaning of Directive 2008/7/EC and that the Directive does not preclude its application to indirect transfers of immovable property through the acquisition of a controlling shareholding. Consequently, her view is that the Directive’s capital duty rate limitations would not apply.

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