EU Commission releases 'Omnibus' simplification & competitiveness package

27 February 2025

In brief

What happened?

On 26 February 2025 the European Commission (EC) released a new package of proposals to simplify European Union (EU) rules, boost competitiveness, and unlock additional investment capacity. The package brings together competitiveness, climate and simplification goals with the aim to attract and boost investment in the EU. While the package includes limited tax measures, the reporting and other changes are relevant for tax functions.

The package consists of the following proposals:

- Omnibus I:
  - Simplifying and streamlining reporting requirements based on the **Corporate Sustainability Reporting Directive (CSRD)** and **EU Taxonomy**;
  - Simplifying the sustainability due diligence requirements based on the **Corporate Sustainability Due Diligence Directive (CSDDD)**.
- Omnibus II: unlocking investment opportunities.
  - **Simplifying the Carbon Border Adjustment Mechanism (CBAM)**.
  - **Clean Industrial Deal**: outlines concrete actions (including tax incentives) to enhance competitiveness through decarbonisation.

Why is it relevant?

These Omnibus proposals seek to reduce the red tape and administration and stimulate investments in the EU, supported by unlocking public and private capital. This can be directly traced back to the publication of the 2024 "Draghi Report," which encouraged a renewed EU competitive outlook, with supporting tax policies. In June 2025, we expect an EC communication on state aid reform, including guidelines for tax incentives.

Actions to consider

The EC has indicated that the "stop the clock" measures delaying implementation of CSRD and CSDDD (as set out below) will be fast tracked to give businesses certainty, especially those preparing 2026 CSRD reports now. The European Parliament and Council must approve the proposed changes, before any amendments become law.

In detail

CSRD

The Omnibus proposals significantly reduce the number of organisations in scope of CSRD and defer and simplify reporting obligations. Under the proposals, CSRD would only apply to undertakings with 1,000+ employees, and either turnover above EUR 50 million or a balance sheet above EUR 25 million. In addition, reporting under the EU Taxonomy would become voluntary for companies in scope of CSRD but with net turnover below EUR 450 million. The CSRD reporting deadline for the so-called wave 2 and 3 companies would be delayed by two years. The proposals also aim to simplify the reporting obligations of those organisations in scope. This includes fewer data points to report and removal of sector-specific standards.

Observation: *Although the proposed changes to CSRD aim to alleviate the administrative burden on smaller companies, the reduction in application/scope may lead to a fragmented reporting landscape. For organisations remaining in CSRD scope, there are tax components that still need to be considered (e.g., implications of the Taxonomy tax minimum safeguards).*

CSDDD

The proposed amendments to CSDDD would adjust its scope and liability. The Omnibus proposal includes a one-year delay in the transposition by Member States, moving the implementation date to 27 July 2028. The main requirements remain unchanged.

The importance of supply chain mapping is underscored as a means of identifying reasonably foreseeable risks. Due diligence requirements are now limited to direct business partners; however, if there is any indication of adverse impacts down the value chain, companies will have to apply due diligence to indirect suppliers as well. Liability provisions have been amended but not removed. There will be civil liability for damages caused by non-compliance as provided for in national law.

CBAM

For CBAM, the EC aims to simplify reporting obligations for importers of goods into the EU, enhancing compliance efficiency and reducing administrative burdens. There are two primary simplifications envisaged: 1) Broader Exemptions: importers of very small quantities of CBAM goods would be exempt from CBAM requirements; and 2) Streamlined Requirements: a set of simplifications aimed at importers of CBAM goods above the exemption threshold, to ease compliance with complex reporting demands.

These proposed simplifications are anticipated to exempt approximately 90% of importers from CBAM obligations while keeping over 99% of embedded emissions within CBAM's scope, thereby ensuring the environmental integrity of the mechanism.

Observation: The scope of CBAM remains unchanged for now but may be widened according to an EC announcement. A proposal is expected early in 2026.

Clean Industrial Deal

The Clean Industrial Deal (CID) aims to boost Europe's industrial competitiveness while advancing decarbonisation. It seeks to do this by raising funds and driving innovation within Europe for achieving climate neutrality and fostering a circular economy. Ensuring access to affordable energy, particularly for energy-intensive sectors, is a cornerstone of the strategy, with the Affordable Energy Action Plan.

The new Clean Industrial Deal State Aid Framework simplifies state aid rules, enabling quick approval for decarbonization projects and clean tech manufacturing. Additionally, the proposed Industrial Decarbonisation Bank aims to provide 100 billion Euro in funding, leveraging private investment and enhancing the effectiveness of state aid to support industrial transition and clean tech innovation. Tax incentives will also play a crucial role. Member States are recommended to adopt tax incentives supporting clean investments.

Observation: *Making a general suggestion to the Member States about incentives, with no guidelines or parameters, may fuel internal EU competition rather than making the EU bloc more competitive as a whole. Note that the CID does not deal with incentives classification as Qualifying Refundable Tax Credits under the Pillar Two rules.*

Let's talk

For a deeper discussion of how the Omnibus might affect your business, please contact:

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