Global Tax Policy
Alert

European Commission publishes its first review report on the Foreign Subsidies Regulation

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In brief

What happened?

The European Commission has published a report on the implementation and enforcement of the Foreign Subsidies Regulation (FSR), setting out its first assessment of how the regime has operated since becoming applicable in 2023 and signaling that while it believes the FSR does not need structural changes, it may introduce targeted procedural refinements. This study is based, in part, upon a much longer FSR Review Study that also has been published and contains interesting insights on the first years of the FSR.

Why is it relevant?

The report confirms that the FSR remains a central EU tool for addressing distortive foreign subsidies in the EU internal market and that no structural overhaul is currently envisioned. At the same time, the Commission notes stakeholder feedback that the existing framework can be administratively burdensome in practice, particularly for transactions and public procurement procedures requiring the collection and reporting of extensive foreign financial contribution (FFC) data. That FFC data would include not just direct subsidies, but many tax incentives, tax credits, and tax reliefs offered by any level (federal, state, local) of a non-EU government.

Actions to consider

Businesses involved in M&A, public procurement, and cross-border group financing in the European Union should continue to assess their FSR exposure under the current rules while keeping an eye on possible procedural simplifications in the future. Companies should nonetheless be prepared for possible adjustments, especially in relation to internal data collection, governance frameworks for tracking FFCs, and transaction planning, since any future reform could focus more on simplifying compliance than on reducing the scope of the regime.

PwC’s second **in-person conference on the FSR, titled** ’Growing Pains and Growing Power: The EU FSR Comes of Age’ will be held in Brussels on 3 November 2026. Again this year, the conference will provide an opportunity to gain more insights on the Commission’s plans. Reach out to any of the contacts below for more information.

In detail

Background--major milestones in the implementation and FSR enforcement

The FSR entered into force on 13 January 2023 and has applied since 13 July 2023. Since the notification obligations for certain concentrations and public procurement procedures started to apply on 13 October 2023, the Commission has continued to develop both its decisional practice and its interpretative framework. The first practical experiences with the application of the framework have already provided valuable insights into the Commission’s emerging approach (see our Tax Policy Bulletin), while the FSR Guidelines published in January 2026 offer further clarification on the interpretation of key concepts and the practical application of the regulatory framework (see our Tax Policy Alert).

In parallel, enforcement activity has continued to evolve across M&A and procurement cases, as well as in *ex officio* proceedings. Several of these cases have been widely regarded as landmark flagship matters and have attracted significant attention and discussion. At the same time, the Commission has increasingly relied on public communications, case summaries, and guidance materials to explain and illustrate its enforcement approach.

The Commission's public communications to date reflect a regime that has evolved from launch to practical enforcement: first through the establishment of the filing framework, then through early enforcement cases, and more recently through greater emphasis on guidance, transparency, and stakeholder engagement.

Potential changes under consideration and why they matter

The report's central conclusion is that the FSR is fit for purpose and does not currently require structural amendment. However, the Commission signals that it may consider targeted adjustments to the procedural set-up of the regime.

In line with stakeholder feedback gathered through two consultations and an external study, the report highlights significant practical challenges associated with FSR compliance, particularly the burden of collecting information across group entities and jurisdictions, and reporting channels, as well as the disproportionate costs generated by the FSR.

The feedback pointed to several recurring themes:

- the cost and difficulty of collecting FFC data;
- legal uncertainty regarding the practical application of certain key concepts (for example, the assessment of distortion or the identification of foreign subsidies most likely to distort the internal market);
- limited predictability due to the still-developing body of case practice; and
- concerns that the current framework may, in some cases, require the reporting of information that is of limited relevance to an actual distortion analysis.

Against that background, the Commission appears to be considering changes aimed at reducing administrative burden and facilitating compliance, while preserving the effectiveness of the regime. Although the report does not present detailed draft amendments, the overall direction suggests that any future reform could focus on procedure rather than substance (for example, recalibrating reporting expectations or otherwise simplifying how information is provided to the Commission).

Observation: If these changes are pursued, they could offer meaningful relief for companies active in EU transactions and tenders. Potential benefits could include more manageable filing exercises, lower internal compliance costs, and improved transaction planning. Businesses also could gain greater clarity as further guidance and case practice emerge.

Nevertheless, stakeholders should not expect any decrease in enforcement activity. The report makes clear that the Commission remains committed to using the FSR to address distortive foreign subsidies and continues to view the notification mechanisms as key components of the current framework. In practice, the message appears to be one of administrative simplification, rather than a retreat from scrutiny.

Expected timing and the current legal position

The Commission already has initiated work to develop targeted adjustments to the FSR procedural framework, focusing on the concentration and public procurement chapters. The Commission aims to adopt these targeted adjustments in 2027. In the meantime, it will continue to gather evidence to support the envisaged changes, including further input from stakeholders. In this context, the Commission plans to publish the draft text of the targeted adjustments this autumn, giving stakeholders additional opportunity to provide feedback.

Observation: These amendments remain prospective, and the precise scope and content have not yet been finalised. Several of the contemplated measures, including a potential increase of the turnover notification threshold for concentrations and adjustments to the FFC reporting thresholds in the Implementing Regulation, fall within the Commission's existing powers to adopt delegated or implementing acts. They would not require a full EU legislative process. However, any changes that go beyond the Commission's delegated or implementing powers would require amendment of the underlying Regulation through the ordinary legislative procedure, which may be significantly more time-consuming. Until any adjustments are adopted, the current procedural rules continue to apply in full.

What’s next?

Until any formal amendment is adopted and enters into force, the Commission remains bound to apply and enforce the FSR under the currently applicable legal framework. Businesses should therefore continue to prepare notifications, declarations, and internal assessments by reference to the rules in force today – including on the tax credits, incentives, reliefs, etc., mentioned above – rather than on the assumption that simplifications will be introduced in the near term.

Let’s talk

For a deeper discussion of how the EU Foreign Subsidies Regulation might affect your business, please contact:

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