INREV response to the EU Tax Omnibus proposal

4 November 2026

The European Association for Investors in Non-Listed Real Estate Vehicles (INREV[1]) welcomes the European Commission's proposal to simplify EU rules on direct taxation and its commitment to reducing administrative burdens and increasing legal certainty for taxpayers. The proposal offers an opportunity to make cross-border investment more predictable and to improve the conditions for deploying long-term institutional capital into European real estate.

INREV's membership comprises institutional real estate investors and investment managers that acquire, develop, manage and renovate buildings across Europe. Their investments support housing delivery, economic activity and the improvement of the existing building stock. These activities require substantial upfront capital, while income and investment returns arise over extended periods. Tax rules should reflect these characteristics and preserve the neutrality of investment through collective vehicles.

We welcome the proposed removal of minimum participation thresholds for access to withholding-tax exemptions under the Parent-Subsidiary and Interest and Royalties Directives, while maintaining the other applicable eligibility and anti-abuse conditions. We also welcome the simplification of relief procedures and the more consistent treatment of interest deductibility. We particularly support the recognition that interest limitation rules can disproportionately affect capital-intensive sectors, including real estate. These improvements should be preserved during negotiations and made effective throughout the investment chain.

Our recommendations focus on preserving tax neutrality when investors pool capital, making financing rules work across the real estate investment cycle, enabling investment in housing and renovation, and delivering practical simplification. On interest limitation, this response carries forward the recommendations in the joint paper published by INREV and other European real estate organisations in September 2026.

INREV's five priorities are:

- preserve tax neutrality for qualifying pooled investment, including access to dividend relief;
- remove or appropriately limit the outbound-interest safeguard;
- make interest limitation rules work across the real estate investment cycle, including centrally

[1] INREV is the European Association for Investors in Non-Listed Real Estate Vehicles. We provide guidance, research and information related to the development and harmonisation of professional standards, reporting guidelines and corporate governance within the non-listed property funds industry across Europe.

INREV currently has over 530 members. Our member base includes institutional investors from around the globe including pension funds, insurance companies and sovereign wealth funds that provide critical income security for more than 172 million people, as well as investment banks, fund managers, fund-of-funds managers and advisors representing all facets of investing in non-listed real estate vehicles in Europe (both the EU and UK). Our fund manager members manage more than 500 non-listed real estate investment funds, as well as joint ventures, club deals and separate accounts for institutional investors.

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raised third-party financing;

- enable investment in social and affordable housing and qualifying renovation; and
- deliver practical simplification and bring forward implementation.

Preserve tax neutrality when investors pool capital

Recognise the commercial purpose of investment structures

Cross-border real estate investment commonly involves an alternative investment fund (AIF) holding assets through intermediary entities, including property companies established where the real estate is located. These arrangements accommodate legal and operational requirements, investor participation, risk management and financing. Institutional investors, including pension funds and insurance companies, use pooled structures to access diversified portfolios and professional management.

Pooling capital should not, in itself, create an additional layer of taxation compared with an otherwise comparable direct investment. Depending on the applicable legal and tax framework, this neutrality may be achieved through tax transparency or, preferably, a clearly defined fund-level exemption mechanism subject to appropriate eligibility conditions, which would provide greater certainty. Certain underlying investors, notably qualifying pension institutions, may also benefit from statutory tax exemptions.

EU tax directives should preserve the intended neutrality of collective investment consistently with applicable taxing rights and effective anti-abuse safeguards. Fully taxable holding companies should not be prevented from obtaining directive benefits solely because they form part of an investment fund structure, provided that the relevant eligibility conditions are met. Assessments of substance should reflect the functions and activities of the entity concerned, including the commercial role of holding and financing companies within a professionally managed investment structure.

Ensure that the safeguard on outbound interest appropriately addresses collective investment

The proposed Article 5(3) of the Interest and Royalties Directive would require a source Member State to levy withholding tax or deny deductibility where interest or royalties are paid to a recipient established in a third-country jurisdiction meeting the specified conditions concerning the absence of corporate taxation or a nominal zero rate, subject to the stated exceptions.

INREV recognises the Commission’s objective of preventing double non-taxation of outbound interest and royalty payments. However, to ensure proportionality, the safeguard should be removed or, if retained, limited to abusive conduit arrangements and should not undermine genuine collective investment structures. Existing anti-abuse provisions and CJEU case law concerning beneficial ownership already allow Member States to deny Directive benefits in conduit or abusive cases. The need for an additional safeguard, and its interaction with those rules as well as ATAD I, ATAD II and Pillar II, should therefore be carefully assessed to avoid unnecessary duplication.

The provision should distinguish clearly between abusive arrangements and outcomes arising from fiscal transparency or statutory exemptions intended to preserve the neutrality of collective investment or retirement provision. In particular, the final text should make clear that an entity-specific exemption in a jurisdiction that otherwise taxes the relevant income does not, in itself, trigger the safeguard.

As recital 10 explains, the measure focuses on the direct recipient, thereby limiting the need to trace intermediary structures. This limitation should be reflected explicitly in Article 5(3). While this approach supports administrative simplicity, it may not fully address income received through fiscally transparent arrangements or on behalf of qualifying exempt investors. Cross-border investment structures may also include vehicles established to accommodate different legal, regulatory and investor tax requirements, including multi-tier AIF and fund-of-funds structures with diversified investor bases. Their treatment should be determined by their actual functions and the relevant tax treatment of the income, rather than solely by the location of a vehicle or certain investors.

Uncertainty about the safeguard's application could lead to additional withholding and refund claims, creating compliance costs and cash-flow consequences for legitimate financing and investment structures, including fund-financed credit, real estate platforms and widely held bond issuances. It could also require market participants to determine and evidence the tax status and jurisdiction of lenders, investors or financing counterparties at each payment date, even where that information is not reasonably available.

Such requirements could restrict access to financing and undermine the proposal's simplification objective by imposing obligations on a broad population of fully taxable and legitimate structures in order to address a comparatively limited category of abusive arrangements. They could also encourage financing activity to move outside the EU, including to jurisdictions such as the UK, without changing the underlying EU investments. This could weaken the competitiveness of EU financing platforms and would be difficult to reconcile with the objectives of both the Omnibus proposal and the Savings and Investments Union, including improving access to financing and supporting the efficient mobilisation of capital within the EU.

INREV therefore recommends removing the proposed safeguard because of its disproportionate effect on legitimate financing and investment structures. If it is retained, its application should be clarified in relation to fiscally transparent and exempt entities. It should be limited to abusive conduit arrangements and include a clear carve-out, or a rebuttable presumption of exclusion, for genuine collective investment structures, including regulated AIFs and fund platforms, subject to defined eligibility and anti-abuse conditions.

This protection should apply irrespective of whether the vehicle or certain investors are located in a low-tax jurisdiction, provided that the substantive conditions are met. It should not defeat the intended operation of fiscal transparency or a statutory exemption available to a qualifying institutional investor. Legitimate tax-neutral outcomes should be preserved to the extent that they are consistent with the tax treatment that would have applied to a comparable direct investment by the relevant qualifying investor. Regulatory status or ownership by an AIF should not, in itself, determine eligibility, but should be considered alongside the arrangement's actual functions and the relevant tax treatment.

The rules should also clarify the treatment of investor-owned feeder and other intermediary vehicles that are not subsidiaries of the AIF. Where these arrangements satisfy the same substantive conditions, their ownership configuration should not prevent access to the exception.

Documentation requirements should be clearly specified, proportionate and capable of being met using reasonably available information about the arrangement's functions and relevant tax treatment. Access to the protection should not depend on exhaustive tracing of the ultimate tax position of every investor, lender or financing counterparty, including separately at each payment date. Such tracing may be impracticable within payment and transaction timelines, particularly for multi-tier funds and funds of funds with diversified investor bases.

Make dividend relief accessible to pooled investment

INREV welcomes the proposed derogation from the legal-form and subject-to-tax conditions for qualifying pension institutions under Article 5 of the Parent-Subsidiary Directive. This recognises that a statutory exemption at recipient level should not necessarily prevent access to withholding-tax relief.

Dividend distributions also warrant distinct treatment from deductible interest payments. As recital 11 recognises, distributed profits are already taxed within the Union at the level of the distributing company or the recipient. This provides an important basis for addressing additional withholding-tax burdens arising when investors pool capital.

The removal of participation thresholds will improve access to relief for minority investments and joint ventures. However, it will not resolve the position of receiving funds that remain excluded by the legal-form or subject-to-tax conditions. The proposal does not extend the derogation to AIFs. INREV recommends that the co-legislators extend it to qualifying AIFs, with clearly defined eligibility conditions and effective anti-abuse safeguards. Eligibility could take account of EU regulatory status, professional or institutional investor participation, appropriate supervision, transparent ownership information and compliance with the applicable anti-abuse requirements, without treating regulatory status alone as determinative. This extension should preserve the intended neutrality of collective investment while maintaining the other applicable requirements for relief.

In parallel, EU guidance should provide practical examples of commercially motivated fund holding structures and the evidence relevant to anti-abuse assessments, including circumstances in which fully taxable intermediary companies perform genuine commercial functions within the investment structure. Regulatory oversight is relevant context, but should operate alongside an assessment of the facts, the functions performed and the commercial purposes of the arrangement.

Make financing rules work across the property investment cycle

Real estate investment requires substantial upfront capital, while the corresponding income often arises over a much longer period. As the Commission recognises in recital 25, the interest limitation rule “may disproportionately affect capital-intensive sectors, such as real estate”. Financing costs can accrue during acquisition, permitting, construction, refurbishment, vacancy and lease-up, before sufficient taxable earnings are generated. An annual interest limitation test can therefore restrict deductions for genuine commercial financing costs over extended periods. INREV supports reforms that better accommodate this timing mismatch while preserving effective protection against base erosion and profit shifting.

Preserve relief for external debt and address pooled financing

INREV strongly supports the mandatory exclusion for exceeding borrowing costs incurred on low-risk third-party loans in proposed Article 4(2a) ATAD. In this context, “low risk” should be understood by reference to the limited risk of base erosion and profit shifting, rather than as a credit-quality test. Recital 29 recognises that borrowing from non-associated enterprises generally presents limited risks of base erosion and profit shifting. The exclusion is therefore an important step towards proportionate treatment of qualifying external financing used for genuine commercial activities.

However, groups and pooled investment structures may raise external debt centrally and make the proceeds available to property companies undertaking investment and development activities. Article 4(2a) expressly excludes financing passed to associated enterprises or other entities within the same

consolidated group, including through capital or other equity contributions. Consequently, economically comparable external financing can receive different treatment depending on whether it is raised directly by the property company or through a central financing entity.

Consistent with the joint paper, INREV supports retaining the mandatory carve-out and exploring a targeted extension to intra-group lending or equivalent on-lending through pooled investment structures that demonstrably passes through genuine third-party debt. One workable approach could recognise a genuine group or pooled investment financing function: the regular activity of pooling external financing for the benefit of the group or pooled investment structure. This should be subject to proportionate safeguards establishing the external origin and commercial use of the funds, ensuring arm's-length terms and preventing double counting of excluded borrowing costs or deduction capacity.

Such an approach would preserve the anti-abuse rationale of the rule while improving neutrality between financing models and supporting investment in development, regeneration and renovation. The final text should also confirm that the exclusion applies to qualifying borrowing costs arising from the application date, including costs relating to loans already in place on that date.

Establish consistent and effective deduction parameters

INREV supports making the 30% EBITDA cap a uniform standard that Member States may no longer tighten and making the €3 million safe harbour mandatory with automatic annual indexation. These reforms would improve predictability and reduce differences between Member States.

The starting threshold should also reflect inflation since its introduction in 2016: prospective indexation prevents further erosion but does not restore the value already lost. Consistent with the joint paper, INREV requests that the mandatory, annually indexed safe harbour apply from 1 January 2029, alongside the other interest limitation reforms, rather than being deferred to 1 January 2032.

An EBITDA-based test can nevertheless restrict deductibility even where a business is prudently capitalised and its level of debt is commercially sound. This is particularly relevant for development activities, where substantial financing is required well before the corresponding EBITDA is generated. INREV therefore supports exploring whether objective prudent-capitalisation criteria, such as a commercially sound debt-to-equity ratio, could provide a supplementary safe harbour or otherwise be taken into account.

INREV also welcomes proposed Article 4(3a), permitting full deduction of exceeding borrowing costs incurred in a tax period where EBITDA decreases by at least 50% compared with the immediately preceding tax period. This provides useful protection against sharp downturns. However, as the derogation applies only in the period of the qualifying decrease, it does not replace the need to accommodate extended development and renovation periods with low or negative EBITDA.

Allow relief to operate across investment cycles

The mandatory indefinite carry-forward of non-deductible exceeding borrowing costs is particularly valuable for long-term property investment. It allows financing costs incurred before sufficient income arises to remain available for deduction against future capacity.

However, the operative amendments do not fully deliver the intention expressed in recital 36, which states that "the carry-forward of exceeding borrowing costs and unused interest capacity should be made mandatory". Under the proposed text, carry-forward of unused interest capacity would remain a national option and, where available, would be limited to five years.

These mechanisms address two distinct timing mismatches. Carry-forward of non-deductible exceeding borrowing costs addresses costs arising before sufficient earnings are generated. Carry-forward of unused interest capacity allows capacity generated in one investment phase to remain available when financing costs arise in a subsequent phase. Both are relevant to development, regeneration and long-term ownership.

INREV therefore requests that Article 4(6)(c) become the mandatory baseline, aligning the operative text with recital 36. In addition, the carry-forward period for unused interest capacity should be extended from five to ten years to better reflect property investment and development cycles. Making the existing mechanism mandatory is valuable in its own right; extending its duration would further improve its effectiveness.

The proposed optional three-year carry-back can provide additional flexibility for taxpayers with sufficient capacity in earlier periods. However, it does not address the position of development projects that have no such earlier capacity.

Prevent national divergence from undermining the reforms

Harmonising the percentage does not harmonise the outcome. Differences in EBITDA calculations, tax consolidation, loss utilisation and overlapping national restrictions can continue to produce materially different results.

The proposed uniformity clause in Article 4(9) should expressly prevent parallel national interest limitation regimes from reintroducing stricter limits within the scope of the harmonised rule. Otherwise, Member States could undercut the uniform 30% cap and mandatory safe harbour through overlapping restrictions, weakening the legal certainty and simplification the proposal seeks to deliver. This should be without prejudice to the application of transfer-pricing rules, anti-hybrid provisions and general anti-abuse rules addressing their respective risks.

INREV also welcomes making the group escape mandatory. However, retaining national choices between the equity-ratio and group-ratio mechanisms would leave groups operating across Member States subject to different approaches. Consistent with the joint paper, INREV supports a single, harmonised, forward-looking mechanism or, at minimum, EU-level design standards ensuring that the mandatory group escape operates effectively in every Member State.

Finally, the text should clarify how the cap, safe harbour, third-party carve-out, group escape and carry-forward mechanisms interact and the order in which they apply. Taxpayers should be able to assess these provisions as a coherent set of rules, with consistent treatment of excluded costs and the associated adjustments to EBITDA and group calculations.

Summary of INREV recommendations

The recommendations below draw on the joint paper on interest limitation rules under the EU Tax Omnibus.

Art. 4(2a) – low-risk third-party loans	Retain the mandatory nature of the third-party carve-out unchanged. Explore how it can extend to intra-group lending or equivalent on-lending through pooled investment structures that demonstrably passes through genuine third-party debt, subject to appropriate safeguards.

Art. 4(1) and 4(3) – 30% cap and €3m safe harbour	Support the uniform mandatory 30% cap and the mandatory indexed €3 million safe harbour. Explore whether objective prudent-capitalisation criteria could provide a supplementary safe harbour or otherwise be taken into account.
Art. 4(9) – uniformity clause	State expressly that stricter parallel national regimes cannot continue to apply alongside the harmonised parameters. Clarify how the cap, safe harbour, carve-out, group escape and carry-forward mechanisms interact and the order in which they apply.
Art. 4(5) – group escape	Harmonise a single, forward-looking escape mechanism; failing that, establish EU-level design standards so that national variants do not undermine its effectiveness in practice.
Art. 4(6) – carry-forward	Align the operative text with Recital (36): make mechanism (c) the mandatory baseline; extend the carry-forward of unused interest capacity from five to ten years.
Art. 4(4)(b) – public-benefit exclusion and housing	Anchor social and affordable housing, including its construction, transformation and renovation, in the operative text. Confirm that public-authority participation is not a condition and that qualifying projects are treated on a provider-neutral basis. Make the exclusion mandatory for social and affordable housing and extend it to renovation projects that support the Union's decarbonisation, energy-efficiency and urban-regeneration objectives.
Art. 7 – transposition and timing	Apply the mandatory, annually indexed €3 million safe harbour from 1 January 2029 rather than 1 January 2032, in line with the rest of the interest limitation package. Confirm that the third-party carve-out applies to loans in place on the date of application.

Enable investment in housing and renovation

INREV welcomes the proposed broadening of the public-infrastructure exclusion to long-term public-benefit projects. Recital 33 expressly recognises social and affordable housing, including the construction, transformation and renovation of buildings for those purposes. This recognition should be reflected clearly in the operative provision, giving investors and housing providers greater certainty when financing qualifying projects.

Article 4(4)(b) should expressly include social and affordable housing and the construction, transformation and renovation of buildings for those purposes. The exclusion should be mandatory for qualifying social and affordable housing projects, reducing differences in the availability of relief across Member States. This should preserve the role of national, regional and local authorities in defining affordability conditions that reflect local housing needs.

Eligibility should be linked to the project's public-interest purpose and compliance with the applicable affordability conditions, with equal treatment for qualifying public, non-profit and private providers. The

provision should clarify that public ownership, public-authority participation or public financing is not a prerequisite. Privately financed projects meeting the same conditions should be eligible, subject to the other requirements of the exclusion and without prejudice to applicable EU and national law, including State aid rules.

The retained reference to a “large-scale asset” should be clarified. Social and affordable housing may be delivered through programmes comprising several smaller, locally designed projects. The Directive should clarify that the large-scale requirement may be satisfied at programme or portfolio level where the constituent projects pursue a common public-benefit objective and individually meet the applicable affordability conditions. This would allow long-term capital to be deployed at scale while respecting the diversity of local housing needs and delivery models.

As a secondary recommendation, the co-legislators should consider a targeted extension to renovation projects beyond social and affordable housing only where they meet clearly defined public-benefit conditions linked to decarbonisation and energy efficiency. Eligibility should depend on demonstrable public-interest outcomes, providing a targeted framework for financing improvements to the existing building stock.

A clearer and more consistently available exclusion would help long-term institutional capital support the construction, renovation and operation of qualifying housing projects, while maintaining the public-interest and affordability conditions that justify the relief.

Deliver practical simplification and timely implementation

Make withholding tax procedures predictable

INREV welcomes the proposed removal of prior-authorisation requirements for withholding-tax exemptions under the Parent-Subsidiary Directive and Interest and Royalties Directive. The introduction of refund deadlines and interest on late repayments under the Parent-Subsidiary Directive, aligning its procedures with those of the Interest and Royalties Directive, is also welcome. Lengthy certification procedures and uncertainty over supporting evidence can delay distributions and reduce predictability in cash flows for cross-border real estate investment structures.

Consistent and proportionate documentation requirements, together with clear guidance on ex-post checks, would help ensure that these changes deliver practical simplification. Supporting evidence should enable tax authorities to verify entitlement without imposing equivalent clearance requirements before payment. For qualifying payments outside the scope of FASTER, the procedures under the two directives should provide effective and timely access to relief.

Facilitate commercial restructuring

INREV welcomes the proposed alignment of the Merger Directive with the EU company-law framework, including coverage of certain mergers without the issuance of new shares, divisions by separation and cross-border conversions. This would address practical obstacles to commercially justified reorganisations of real estate investment structures.

Clear and consistent application of the proposed conditions concerning permanent establishments and the preservation of unused losses in cross-border conversions would help ensure that these changes are effective in practice. In particular, guidance on the application of the proposed Articles 14a and 14b would support greater certainty for investors and tax administrations.

Reduce the complexity of hybrid mismatch assessments

INREV supports the proposed deletion of the imported hybrid mismatch rule in Article 9(3) ATAD. Identifying possible mismatches throughout international financing chains can depend on information that taxpayers cannot readily obtain and require extensive analysis across jurisdictions. Removing this requirement would address a practical compliance burden identified in INREV's earlier response, while the remaining anti-hybrid provisions would continue to apply to arrangements within their scope.

Improve access to dispute resolution

INREV welcomes the proposed procedural improvements to the EU tax dispute resolution framework, including the opportunity to remedy deficiencies before a complaint is rejected and the clearer interaction with treaty-based procedures. These changes would help cross-border investors obtain relief from double taxation.

The proposed requirements concerning submission deadlines, language and consistency of information should be accompanied by clear guidance and effective coordination between competent authorities. This would help ensure that formal requirements do not create unnecessary barriers to resolving disputes. The requirement to inform taxpayers without delay where competent authorities agree that no mutual agreement can be reached should also help avoid unnecessary waiting periods.

Timely resolution is particularly important for closed-ended real estate funds with defined investment horizons. Delays in obtaining relief can affect distributions to investors and the availability of capital for further investment. Clear communication with taxpayers and predictable handling of cases should therefore remain central to implementation.

Coordinate the wider simplification agenda

While the Directive on Administrative Cooperation falls outside the scope of this proposal, complementary simplification through the DAC review would help reduce the overall compliance burden. In line with INREV's earlier observations, clearer guidance, more consistent national implementation and a report-once approach would help address divergent interpretations and duplicative reporting requirements.

Bring forward the benefits for investment

The mandatory annually indexed €3 million threshold under the interest limitation rule should apply from the general application date of 1 January 2029, rather than 1 January 2032. Applying the interest limitation reforms together would provide a more coherent framework and allow taxpayers to benefit from simplification sooner.

Earlier application of the principal amendments to the Parent-Subsidiary and Interest and Royalties Directives than the proposed 1 January 2037 application date would allow the benefits to reach cross-border investors sooner. Maintaining existing procedural barriers for a further extended period would delay improvements in legal certainty and access to relief. Earlier implementation, supported by clear transitional arrangements and practical guidance, would better serve the proposal's simplification and competitiveness objectives.

Conclusion

The Tax Omnibus provides an important opportunity to make the EU direct-tax framework simpler, more consistent and better suited to long-term cross-border investment. The final measures should preserve the tax neutrality of collective investment, reflect the financing and investment cycles of real estate, and ensure that legitimate simplification is not undermined by divergent national implementation. With appropriately targeted safeguards, these reforms can strengthen legal certainty and support the deployment of long-term institutional capital across Europe.

INREV remains available to support the Commission's work on the Tax Omnibus and the wider EU tax simplification agenda. We would welcome continued dialogue on how the EU direct-tax framework and its implementation can better enable long-term institutional investment in European real estate.