

European Commission proposes recast of all Directives on Administrative Cooperation

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In brief

What happened?

The European Commission has published a [proposal](#) to recast all Directives on Administrative Cooperation (DACs) into a single legislative instrument covering DAC1 through DAC9, alongside targeted amendments intended to simplify compliance and improve the usefulness of information exchanged between tax authorities.

The proposal would narrow and streamline reporting where existing data is seen as of not high value, while also modernising certain exchange and verification tools. The most significant business-facing changes concern DAC6 (reporting of cross-border arrangements), DAC7 (reporting of income by digital platforms), the interaction between the DAC4 (country-by-country reporting of tax information) and DAC9 (Pillar Two exchange of information) notifications, and the interaction between DAC6 and Pillar Two.

Why is it relevant?

For businesses, the package signals a more proportionate approach to administrative cooperation and tax compliance, with potential relief in areas where current compliance reporting is viewed as overly broad or duplicative. At the same time, the recast aims to preserve the core transparency framework and, in some areas, sharpen the quality and comparability of data available to tax authorities.

Actions to consider

The proposal also introduces a new taxpayer identification number (TIN) verification tool, which could improve the quality of exchanged information and significantly increase automatic matching rates. The optional nature for reporting entities to use the TIN means adoption may depend on ease of integration, costs, and reliability of validation results. Businesses with recurring DAC reporting obligations should assess whether early use of the tool could reduce remediation cycles, but also should plan for cases where verification fails or local implementation differs. Businesses should be conscious of a new D2 'substance' hallmark for DAC6 reporting, but note that substance has not yet been defined for this purpose.

In detail

Scope of recast

The scope includes DAC1 to DAC9, which would be consolidated into a single Directive, with the stated objectives of simplification and greater effectiveness for tax authorities. The proposal also includes an anti-gold-plating clause, which would prevent Member States from layering on additional domestic reporting obligations. The clause would apply broadly in respect of the same or substantially similar data reportable under the DAC framework.

DAC1

The exchange of information on immovable property would be broadened, covering beneficial ownership in line with OECD developments. The concept of 'available information' is redefined to include information held in databases and registers of other governmental authorities at the national level, i.e., not exclusively held by tax authorities. By contrast, life insurance products (LIP) reporting is to be removed from the scope of DAC given limited sharing by Member States and overlap with reporting under the mandatory exchange of financial information.

DAC6

In redefining what constitutes a 'cross-border arrangement,' a targeted carve-out for MNE groups within the scope of Pillar Two would be introduced. While the Pillar Two carve-out may at first glance seem to raise residual tax avoidance concerns, those concerns are mitigated through conditions limiting the carve-out, similar to the newly proposed ATAD carve-out (see more details in [this alert](#)). In both situations, where an Ultimate Parent Entity (UPE) is in a qualified side-by-side regime jurisdiction, the carve-out only applies if the participants to the arrangement (one of which must be resident in an EU Member State) are subject to a qualified domestic top-up tax for the relevant tax period, and would not apply where related financial benefits are granted.

The proposal removes all Category A hallmarks, citing their generic nature. As noted above, a new D2 'substance' hallmark would be introduced, without details of the substance criteria. The Council of the EU would be required to adopt an implementing act establishing applicable criteria for hallmark D2 substance requirements within five years.

Observation: The D2 hallmark effectively preserves the ambition of the withdrawn proposal for an Unshell Directive by embedding economic substance scrutiny within the DAC6 hallmark framework. The Implementing Act could become one of the more politically sensitive parts of the package. Although the

proposal is framed as DAC simplification, the substance criteria may give rise to new concerns for group's holding, financing, IP licensing, or other intermediary entities.

Under the current DAC6 framework, an arrangement can become reportable at a relatively early stage. The proposed definition of reportable cross-border arrangement has now been streamlined to only include arrangements that are capable of being implemented, and by assessing the reporting deadline relative to when the first concrete step in implementation is taken. Moreover, the reporting deadline would be extended from 30 to 90 days, measured from the first step in implementation.

Observation: The updated definition of reportable cross-border arrangements narrows the scope. The definition of 'relevant taxpayer' would be any person who has implemented the first step of a reportable arrangement. Likewise, the reporting trigger would be limited to the date that first step is taken -- meaning a clear, verifiable action that puts the plan into effect and makes it legally binding or irreversible (for example, signing a contract).

The legal professional privilege rules would be aligned more closely with CJEU case law, limiting mandatory waivers to lawyers and professionals authorised under national law to ensure legal representation. Additional Commission guidance with practical examples also is expected.

DAC7

The current sales-of-goods threshold would be simplified by removing the 30-activity limit and increasing the monetary threshold from EUR 2,000 to EUR 3,000. Further changes include simplified due diligence and reporting for certain intermediary sellers, a carve-out for low-risk intragroup platform transactions, and a broader definition of platform operator for some intermediary entity sellers.

DACs 4 and 9

To reduce overlapping DAC4 (country-by-country reporting) and DAC9 (central filing of top-up tax information return) notifications, the proposal would introduce a single notification by the filing constituent entity or reporting entity using a harmonised template. This notification would be filed no later than the last day of the reporting fiscal year of the MNE group. Member States would have three months to exchange with other Member States concerned.

Verification and data tools

The Commission is developing a central tax identification number (TIN) verification tool, potentially relevant for DAC2 and DAC8, with the aim that successful verification would reduce the need for additional data collection by reporting entities. The TIN could potentially save up to EUR 70 million a year. Moreover, the communication infrastructure is being modernised by replacing the Common Communication Network with the Secure Digital Information Exchange (SDIE). The European Commission's [impact assessment](#) for the DAC recast initiative was also published alongside the recast proposal, with the finding that costs of the proposed measures are mostly limited to adapting reporting systems and procedures.

What's next?

The proposal requires unanimous agreement in the Council of the EU and remains subject to negotiation and amendment during the ordinary legislative process. The European Parliament must be consulted,

although its opinion is not binding. The Irish Presidency of the Council of the European Union, starting 1 July, will prioritise the DAC recast, aiming to agree the proposal by the end of 2026. If agreed, the proposal implementation would begin in 2027, with measures taking effect from 1 January 2028, and full-scale operation expected by 2030.

Let's talk

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

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