Less Red Tape, Same Transparency? Assessing the DAC Recast

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Ruxandra Vlasceanu | **IBFD EU Tax Law Study Group**

The author can be contacted at r.vlasceanu@ibfd.org

Carla Valério | **IBFD EU Tax Law Study Group**

The author can be contacted at c.valerio@ibfd.org

1. Introduction

On 24 June 2026, the European Commission adopted a tax simplification package that includes a proposal for a Recast of the Directive on Administrative Cooperation (Proposal for a Council Directive on administrative cooperation in the field of taxation (recast), hereinafter DAC Recast). Since its adoption by the Council of the European Union on 15 February 2011, the Directive on Administrative Cooperation (2011/16) (DAC) has been amended multiple times, resulting in a fragmented legal framework. The progressive expansion of reporting and exchange of information obligations has increased the administrative burden on both taxpayers and tax authorities, while also giving rise to overlaps between different reporting regimes. In addition, ensuring a consistent interpretation and implementation of DAC requirements across the European Union has become increasingly difficult.

The DAC Recast aims to address some of these challenges by codifying the existing DAC provisions into a single legislative instrument, while simplifying reporting requirements across the European Union. The DAC Recast aims to maintain the policy objectives of the DAC framework, while reducing compliance costs for both taxpayers and tax authorities. The DAC Recast introduces important changes across the entire DAC framework, including DAC1, DAC4, DAC6, DAC7 and DAC9, alongside broader horizontal provisions affecting the reporting framework as a whole. The main proposed amendments are examined below, organized according to the respective DAC they affect, with the horizontal provisions mentioned last.

2. Proposed Amendments

2.1. DAC 1: Adjustments to categories of income and capital

Thus far, the approach to the automatic exchange of information under DAC1 has been to allow Member States to exchange information on a minimum number of categories of income and capital, selected from a broader list. According to Commission data used for the DAC Recast Impact Assessment Report, the life insurance products category is the least exchanged among Member States. Moreover, there is a partial duplication of reporting due to an overlap between certain life insurance products and the information on financial accounts reported by financial institutions under the DAC2 framework.

Consequently, the proposal removes life insurance products from the list of categories of income and capital to be exchanged and requires Member States to automatically exchange information with respect to the remaining six categories of income and capital.

Moreover, following OECD developments, the category on ownership and income from immovable property is broadened to include information on beneficial ownership, as defined under the Anti-Money Laundering Regulation (2024/1624).

Finally, the proposal expands the scope of the exchange of information on categories of income and capital beyond data available in tax administrations' files to include information also available to other governmental authorities. In support of this measure, the concept of "available information" is introduced in the definitions. This amendment is expected to improve the "completeness and usability of information" available to tax administrations.

2.2. DAC 4 and DAC 9: Single notification requirement for CbCR and Pillar Two

The proposal also aims to streamline notification obligations under DAC4 and DAC9, eliminating duplicative notification obligations for MNEs subject to, respectively, Country-by-Country Reporting (CbCR) and Pillar Two reporting obligations in the European Union.

Current rules require that each entity within an in-scope MNE group notify the relevant tax authorities separately for DAC4 and DAC9 purposes of the group to which it belongs and specify which entity will file the relevant reports on its behalf and by when. Conversely, under the proposed rules, MNE groups would be allowed to file only one notification per group, covering both sets of reporting obligations. The proposed single notification requirement relies on a common standard template and introduces harmonized deadlines, which are currently mismatched.

The central filing would be followed by the exchange of the notification between all relevant tax authorities within three months of the filing deadline, ensuring that all relevant tax administrations continue to have access to the same information as they do today. DAC4 reporting requirements would remain aligned with the OECD CbCR framework, and information currently reported under DAC9 would not be affected.

2.3. DAC 6: Mandatory Disclosure Rules

A number of significant changes are introduced to the DAC6 framework on mandatory disclosure rules. First, the scope of covered arrangements is substantially reduced through the introduction of an exemption for MNE groups falling within the scope of the Pillar Two Directive, as well as through the removal of category A hallmarks. Those are generic hallmarks, covering arrangements that include confidentiality clauses, fee structures linked to tax savings, or standardized documentation and structures. Reporting under hallmark A was identified as primarily capturing low tax risk arrangements, while disproportionately accounting for up to 35% of all DAC6 reports. Second, under hallmark C1, the reference to the OECD work on non-cooperative jurisdictions has been adjusted to refer instead to the work of the EU Code of Conduct Group.

The proposal also identifies several aspects on which further clarifications are desirable. While it does not include additional guidance on the substance criteria set out in hallmark D2, it expressly states that such guidance will be developed at a later stage through a Council implementing act. Likewise, no changes are proposed to the Main Benefit Test (MBT) which remains relevant for the application of hallmark B and certain points of hallmark C. Nevertheless, the European Commission reiterates its intention to provide further guidance on the interpretation of the MBT.

The notion of legal professional privilege has also been amended, aligning it with recent ECJ Judgements (discussed here). The revised rules limit the waiver from reporting obligations on grounds of legal professional privilege to lawyers and other professionals authorized to provide legal representation. Clarifications regarding notification obligations have also been included. Professionals pursuing their activity under one of the titles referred to in article 1(2)(a) of Directive 98/5 remain liable to inform their client of the client's related reporting obligations. By contrast, other intermediaries benefiting from the legal professional privilege waiver, but not practising under one of these titles, are additionally required to notify other intermediaries of their reporting obligations, where such intermediaries exist.

In addition, the proposal adjusts the reporting moment, linking it to the date on which the first step in the implementation of the arrangement is taken. This tightens the current rules, under which reporting obligations may also arise when an arrangement is merely made available for implementation, or when such an arrangement is ready for implementation. At the same time, the existing 30-day reporting deadline is extended to 90 days.

2.4. DAC 7: Reporting Requirements for Digital Platforms

With respect to DAC7, the DAC Recast introduces several measures aimed at reducing low-value reporting. First, a new exemption is proposed for small and medium-sized platform operators with an annual consideration not exceeding EUR 50,000. In addition, transactions carried out by sellers related to the platform operator are excluded from reporting. Moreover, for online sellers of goods, the reporting threshold is increased from EUR 2,000 to EUR 3,000, while the 30-relevant transaction threshold is removed altogether. This latter change is particularly significant in practice, as it eliminates reporting obligations for occasional sellers of goods on online platforms such as Vinted, who may easily exceed the transaction threshold while generating only limited sales proceeds. Such sellers are estimated to account for almost 80% of all online sellers of goods on those platforms.

2.5. Taxpayer Identification Number Verification Tool

The DAC Recast proposal introduces a digital, centralized verification system for the Taxpayer Identification Number (TIN) that is accessible to both Member States' tax administrations and reporting entities. The tool aims to provide confirmation of whether a reported TIN corresponds to the taxpayer whose information is subject to exchange under the DAC.

The use of the tool would be mandatory for Member States' tax authorities and optional for reporting entities. Specifically, tax authorities would be required to confirm the validity of the TIN provided by taxpayers subject to exchange of information on categories of income and capital (DAC1) and advance cross-border rulings and advance pricing arrangements (DAC3). Where reporting entities are involved, they may opt for the use of the TIN verification tool with respect to taxpayers whose information they are required to report for the purposes of the exchange of information. Broadly, this refers to financial information under DAC2, CbC Reporting under DAC4, reportable cross-border arrangements under DAC6, income from digital platforms under DAC7, crypto-asset transactions under DAC8, Pillar Two information under DAC9, and the newly proposed DAC4/DAC9 single notification regime. Where the reporting entity has obtained confirmation of the validity of the TIN via the verification tool, the identification information that the reporting entities are required to collect and report is limited to the name and verified TIN of the taxpayer concerned.

The TIN verification system will require adjustment costs at both the EU and national levels, with one-off and recurrent costs in both cases. Nevertheless, the Commission anticipates that implementing the new system would result in cost reductions linked to fewer correction procedures and reduced identification reporting requirements, while maintaining a high level of data quality.

3. Implementation Timeline

The European Commission has proposed the most ambitious implementation timeline in the package for the changes affecting DAC6 and DAC7, aiming for transposition by 31 December 2027. Unlike the proposed amendments to the "older" Corporate Taxation Directives as included in the Taxation Omnibus (discussed here), these changes are not expected to have a direct budgetary impact on Member States, except for short-term administrative costs related to their implementation, particularly in relation to DAC6. In addition, the simplification benefits are expected to be immediate and tangible for both taxpayers and tax administrations, with total cost savings estimated at EUR 1 billion. These factors help explain why this aspect of the DAC Recast has been prioritized within the European Commission's broader simplification efforts.

Regarding other amendments to the DAC framework, such as those to DAC1, the streamlining of the DAC4/DAC9 notification obligations and the introduction of the TIN verification tool, the Commission proposes a later transposition deadline of 31 December 2029. It should be noted, however, that the Commission is required to provide

Member States with the TIN verification tool only by the end of 2030.

4. Initial Observations

The DAC Recast is a welcome change to the existing complex DAC reporting framework, better aligning reporting requirements to the real risk of tax fraud, evasion or avoidance. The proposed changes aim to curb defensive overreporting, ensuring that tax authorities receive less but more meaningful data. In addition, the DAC recast factors in the evolving landscape of reporting obligations under newer regimes, such as the reporting requirements for multinational groups within the scope of the Pillar Two Directive, which would otherwise lead to duplicate reporting. Further, it takes a pragmatic stance in removing low-value reporting requirements, such as those covered by hallmark A under DAC6 or the existing reporting thresholds for occasional sellers of goods on online platforms under DAC7. Last but not least, the DAC Recast proposes significant improvements across the entire administrative cooperation framework, notably with the introduction of the TIN verification tool. While aiming to ease compliance burdens, reduce costs, and improve the quality and usability of exchanged information, the proposal seems to preserve the high transparency standards built over more than a decade.

IBFD References:

- EU tax law developments are reported on the daily IBFD Tax News Service page.
- For more details on Administrative Cooperation in the European Union, *see* C. Valério & D. Arsenovic, Direct Taxation, Global Topics IBFD.
- For an overview of legislative initiatives at the EU level on direct tax matters, *see* the EU Direct Tax Law Initiatives Tax Dossier.
- For in-depth guidance on the implementation of DAC6-8 across EU Member States, *see* DAC6/DAC7 Compliance Tables and DAC8 Compliance Tables.
- For an overview of the implementation status of DAC6-DAC9 across the European Union, *see* the DAC6-DAC9 Implementation Status Tax Dossier.
- R. Vlasceanu, Legal Professional Privilege under DAC6 in the Wake of Recent ECJ Judgements, EU Tax Focus (23 December 2024)
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