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COMMISSION STAFF WORKING DOCUMENT

IMPACT ASSESSMENT REPORT

Accompanying the document

Proposal for a COUNCIL DIRECTIVE

on administrative cooperation in the field of taxation (recast)

{COM(2026) 308 final} - {SEC(2026) 186 final} - {SWD(2026) 164 final} - {SWD(2026) 166 final}

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Glossary

Acronym	*Meaning or definition*
AEOI	Automatic Exchange of Information
ATAD	Anti-Tax Avoidance Directive
AUTOMATIC MATCHING	Automatic matching is the automated process of linking information reported under DAC to the relevant taxpayer in the national tax database using identifying information (e.g. TIN).
BEPS	Base Erosion and Profits Shifting
BO	Beneficial ownership
BRIS	Business Registers Interconnection System
CbCR	Country-by-Country Reporting
CfE	Call for Evidence
DAC	Directive on Administrative Cooperation in the field of direct taxation
DF	Directors' Fees
ECA	European Court of Auditors
GDPR	General Data Protection Regulation
GIR	GloBE Information Return
IE	Income from Employment
IIR	Income Inclusion Rule
IP	Income from immovable property
LIP	Life Insurance Products
LPP	Legal professional privilege
MBT	Main Benefit Test
MCAA	Multilateral Competent Authority Agreement
MDR	Mandatory Disclosure Rules

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MNE	Multinational Enterprise
OECD	Organisation for Economic Co-Operation and Development
OECD MRDP	OECD Model Rules for Reporting by Digital Platform Operators
PC	Public Consultation
PEN	Pension Income
PO	Policy Option
QDMTT	Qualified Domestic Minimum Top-up Tax
SDG	Sustainable Development Goal
SME	Small and medium sized enterprise
TIN	Taxpayer Identification Number
TFEU	Treaty on the Functioning of the European Union
UPE	Ultimate Parent Entity
UTPR	Undertaxed Profits Rule
VIES	VAT Information Exchange System

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1. INTRODUCTION: POLITICAL AND LEGAL CONTEXT

1.1. Political context

The Political Guidelines of the European Commission[1] have set the objective of making business easier and faster in Europe by reducing administrative burdens and simplifying implementation, while upholding high standards, with a view to strengthening European competitiveness.

The Competitiveness Compass[2] highlighted the need to simplify the regulatory environment and reduce administrative burdens in order to strengthen competitiveness across all sectors. Subsequently, in its Communication on implementation and simplification[3], the Commission reiterated the need for a bold approach to enhance EU competitiveness and introduced new targets to reduce administrative burdens. Under the new approach, the burden-reduction targets of at least 25% for all companies and at least 35% for small and medium-sized enterprises (SMEs) will be applied to a baseline covering the full range of administrative costs rather than focusing solely on reporting obligations.

To achieve these objectives, the Commission committed to prioritise proposals that simplify, consolidate and codify legislation in order to eliminate overlaps and inconsistencies while ensuring that the EU's priorities continue to be met. The 2025 Commission Work Programme[4] therefore placed a stronger focus on simplification than ever before and included a series of omnibus packages and other simplification initiatives addressing priority areas identified with stakeholders.

The 2026 Commission Work Programme[5] builds on this momentum by including a new cycle of simplification initiatives and omnibus packages aimed at simplifying rules across key policy areas, including taxation. In particular, the Omnibus on Taxation will streamline, simplify and clarify the EU direct tax acquis including the Interest and Royalties Directive[6], the Tax Merger Directive[7], the Parent-Subsidiary Directive[8], the Anti-Tax Avoidance Directive[9], the Dispute Resolution Mechanisms Directive[10], and the Faster and Safer Relief of Excess Withholding Taxes Directive[11] with a view to reducing administrative burdens for businesses and ensuring a level playing field across Member States.

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[1] European Commission, *Political Guidelines for the Next European Commission 2024–2029: Europe's Choice*, July 2024, available at: https://commission.europa.eu/priorities-2024-2029_en

[2] European Commission, *Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions: A Competitiveness Compass for the EU*, COM(2025) 30 final, 29 January 2025, available at: https://commission.europa.eu/document/download/10017eb1-4722-4333-add2-e0ed18105a34_en

[3] European Commission, *Competitiveness Compass*, COM(2025) 30 final.

[4] European Commission, *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Commission Work Programme 2025 – Moving forward together: A Bolder, Simpler, Faster Union*, COM(2025) 45 final, 11 February 2025, available at: EUR-Lex - 52025DC0045 - EN - EUR-Lex

[5] European Commission, *Communication from the Commission: Commission Work Programme 2026 – Europe's Independence Moment*, 21 October 2025, available at: https://commission.europa.eu/strategy-and-policy/strategy-documents/commission-work-programme/commission-work-programme-2026_en

[6] Council Directive 2003/49/EC of 3 June 2003 on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States, OJ L 157

[7] Council Directive 2009/133/EC of 19 October 2009 on the common system of taxation applicable to mergers, divisions, partial divisions, transfers of assets and exchanges of shares concerning companies of different Member States and to the transfer of the registered office of an SE or SCE between Member States, OJ L 310

[8] Council Directive 2011/96/EU of 30 November 2011 on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States (recast), OJ L 345

[9] Council Directive (EU) 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices that directly affect the functioning of the internal market, OJ L 193

[10] Council Directive (EU) 2017/1852 of 10 October 2017 on tax dispute resolution mechanisms in the European Union, OJ L 265

[11] Council Directive (EU) 2025/50 of 10 December 2024 on Faster and Safer Relief of Excess Withholding Taxes (FASTER), OJ L, 2025/50

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The proposal to recast the Directive on administrative cooperation in the field of direct taxation (**DAC**)[12] will complement these simplification efforts by clarifying, streamlining and improving the functioning of the EU framework for administrative cooperation in direct taxation. The objective is to reduce the administrative burden on businesses while increasing the efficiency of tax administration without undermining the overarching policy objective of combating tax fraud, evasion and avoidance.

Member States unanimously support simplification in the field of direct taxation and on 20 March 2025, adopted Council Conclusions[13] calling for efforts at EU, national and regional levels to ensure a clear, simple and smart regulatory framework that reduces administrative, regulatory and reporting burdens for businesses and public administrations without undermining the policy goals.

This initiative is consistent with the recent proposal for a regulation on the 28th Regime Corporate Legal Framework – EU Inc[14], which includes the "once-only" principle for the submission of information, as well as with the FASTER Directive, which simplifies procedures for claiming relief of excess withholding taxes while, at the same time, providing for reporting obligations to increase transparency. The DAC, once recast, will continue to be coherent and complementary with the EU Accounting Directive[15] which intends to promote the public transparency of the MNE group.

In addition, the DAC recast initiative is consistent with the Union's commitment to the United Nations 2030 Agenda for Sustainable Development[16]. It contributes in particular to Sustainable Development Goal (SDG) 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation and Infrastructure), SDG 10 (Reduced Inequalities), SDG 16 (Peace, Justice and Strong Institutions) and SDG 17 (Partnerships for the Goals). A more detailed analysis of these aspects is included in Annex 3.

1.2. Legal context

The DAC is the main piece of EU legislation governing administrative cooperation in direct taxation. It provides harmonised tools such as exchange of information (on request, automatic and spontaneous) as well as other cooperation instruments (presence in administrative offices or during administrative enquiries, simultaneous controls and joint audits). These mechanisms enable Member States' tax authorities to cooperate efficiently in combating tax fraud, evasion and avoidance. By increasing tax transparency, the DAC helps protect the financial interests of Member States and the EU, ensures the proper functioning of the internal market and contributes to a fairer taxation system.

The most impactful cooperation tool under the DAC is the automatic exchange of information **(AEOI).** In most cases, this mechanism operates through a two-step process: **i)** reporting to the tax authorities by the taxpayer or a third-party (e.g. financial institutions)

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[12] Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC, OJ L 64

[13] European Council, *European Council conclusions, 20 March 2025*, EUCO 1/25, 20 March 2025, available at: https://www.consilium.europa.eu/media/viyhc2m4/20250320-european-council-conclusions-en.pdf

[14] European Commission, *Proposal for a Regulation on the 28th Regime Corporate Legal Framework – 'EU Inc.'*, COM(2026) 321 final, 18 March 2026

[15] Directive (EU) 2021/2101 of the European Parliament and of the Council of 24 November 2021 amending Directive 2013/34/EU as regards disclosure of income tax information by certain undertakings and branches; OJ L 429, 1.12.2021, pp. 1–14, ELI: http://data.europa.eu/eli/dir/2021/2101/oj.

[16] United Nations, *Transforming our world: the 2030 Agenda for Sustainable Development*, Resolution adopted by the General Assembly on 25 September 2015, A/RES/70/1, available at: https://undocs.org/en/A/RES/70/1

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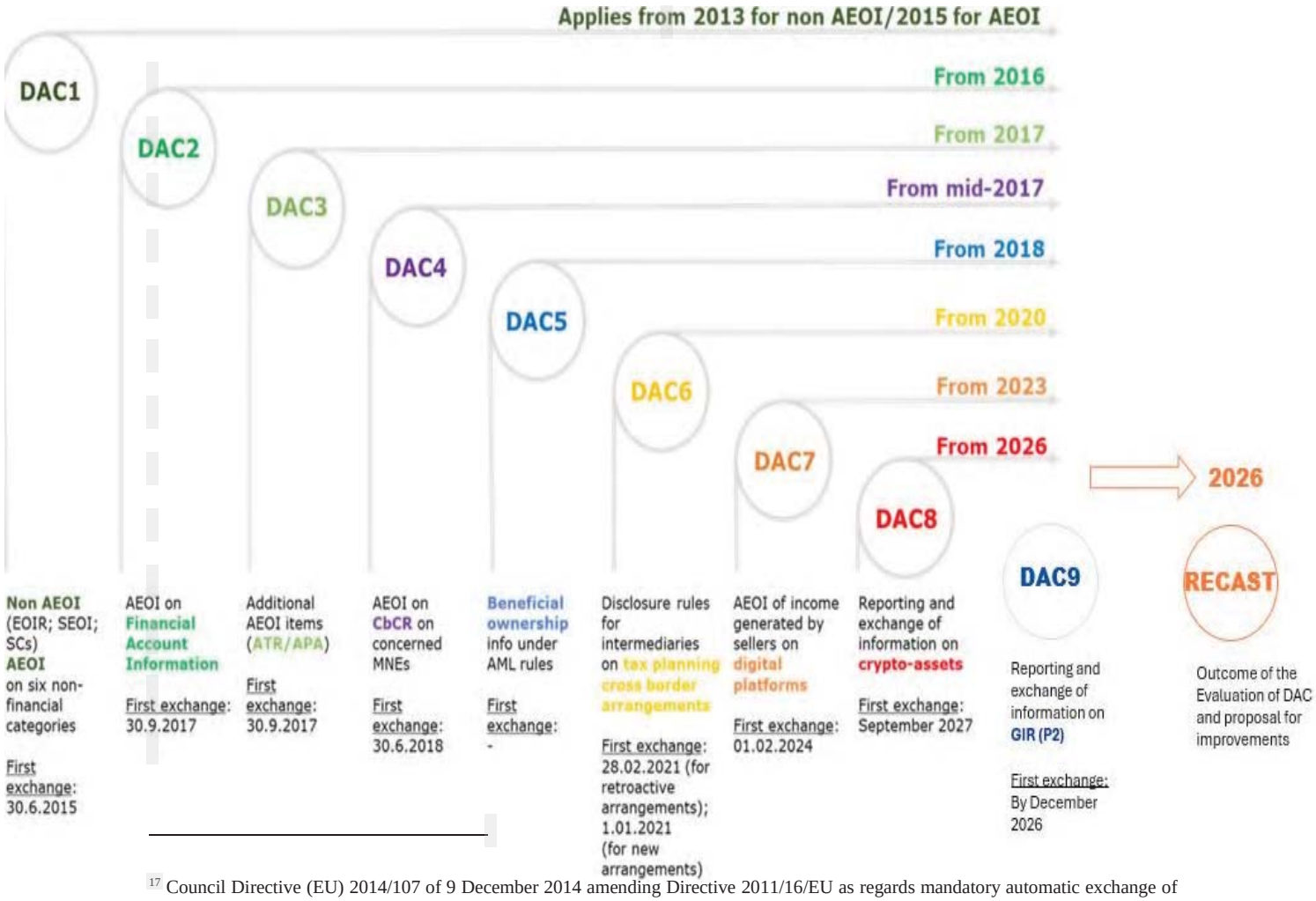
and **ii)** automatic exchange between the tax authorities concerned of the information that has been reported. The scope of AEOI under the DAC has been expanded several times over recent years, in order to respond to emerging challenges and evolving economic realities. While the initial framework covered AEOI on five categories of income and capital **(DAC1)**, the framework was subsequently expanded to provide for third-party reporting and AEOI on financial accounts **(DAC2)**[17], cross-border tax rulings **(DAC3)**[18], country-by country reporting (CbCR) on the activities of multinational enterprise (MNE) groups **(DAC4)**[19], reportable cross-border arrangements **(DAC6)**[20], income earned through digital platforms **(DAC7)**[21], crypto-asset transactions **(DAC8)**[22] and information related to the global minimum tax for MNE groups **(DAC9)**[23]. In addition, **(DAC5)**[24] provides access for tax authorities to beneficial ownership registers.

Figure 1: Evolution of the DAC



[17] Council Directive (EU) 2014/107 of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation, OJ L 359

[18] Council Directive (EU) 2015/2376 of 8 December 2015 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation, OJ L 332

[19] Council Directive (EU) 2016/881 of 25 May 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation, OJ L 146

[20] Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements, OJ L 139

[21] Council Directive (EU) 2021/514 of 22 March 2021 amending Directive 2011/16/EU on administrative cooperation in the field of taxation, OJ L 104

[22] Council Directive (EU) 2023/2226 of 17 October 2023 amending Directive 2011/16/EU on administrative cooperation in the field of taxation, OJ L 2023/2226

[23] Council Directive (EU) 2025/872 of 29 April 2024 amending Directive 2011/16/EU on administrative cooperation in the field of taxation, OJ L 2024/1263

[24] Council Directive (EU) 2016/2258 of 6 December 2016 amending Directive 2011/16/EU as regards access to anti-money-laundering information by tax authorities, OJ L 342

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In 2025 the Commission published an evaluation report on the application of the DAC[25].The report covers the period from 2018 to 2023 and all amendments up to DAC6. The report is supported by an accompanying staff working document (the SWD)[26], which is based inter alia on the findings of an external study[27]. The evaluation report and SWD concluded that that the DAC provides a robust legal framework that has facilitated the exchange of substantial volumes of information. It also found that there has been a progressive increase in both the matching of information and the use of exchanged information by tax authorities, which has had a positive effect on Member States' tax bases and revenues[28]. However, the evaluation also identified several areas for improvement[29]. In particular, the evaluation concluded that frequent amendments to the DAC since 2011 and the absence of a consolidated legal text have made the framework more complex and less user-friendly. The evaluation also highlighted the need to simplify reporting obligations, in particular under **DAC6**, to eliminate inefficient reporting practices, thereby reducing administrative burdens for stakeholders. In addition, the evaluation found that, despite progress made, challenges remain with respect to the automatic matching of information and the identification of taxpayers, which increases the burden on tax administrations to cross check the information received.

These findings are consistent with the conclusions and recommendations of the European Court of Auditors (ECA) in its 2021 Special Report[30] on **DAC1 – DAC4** and their 2024 Special Report[31] on **DAC6**. The targeted consultations carried out by the Commission services on the simplification of the EU direct tax acquis and the public consultation and call for evidence [32] conducted to inform this impact assessment also confirmed that there are a number of issues related to **DAC6** while also identifying further areas for simplification with respect to the interaction of notification obligations to support reporting under **DAC4** and **DAC9** as well as **DAC7**. No significant issues were identified with respect to **DAC2**, **DAC3, DAC5** and **DAC8** (further information is provided in Annex 7)**.** The latter only entered into application on 1 January 2026.

2. PROBLEM DEFINITION

This section describes the problems and tries to estimate their magnitude.

A problem tree **(Figure 2)** has been included to visually present the problem, its drivers and consequences.

Figure 2: Problem tree

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[25] European Commission (2025), *Report from the Commission to the European Parliament and the Council on the evaluation of Council Directive 2011/16/EU on administrative cooperation in the field of taxation*, COM (2025) 695 final, 19 November 2025. Available at: https://taxation-customs.ec.europa.eu/document/download/c24ef108-3dce-4169-84e3-0d024f419efd_en?filename=COM_2025_695_1_EN_ACT_part1_v3.pdf

[26] European Commission (2025), *Commission Staff Working Document accompanying the Report on the evaluation of Council Directive 2011/16/EU on administrative cooperation in the field of taxation*, SWD(2025) [final], Brussels. Available at: https://taxation-customs.ec.europa.eu/document/download/c1235b9c-8c70-4c36-8270-fc908d3d28fa_en?filename=Soon.pdf

[27] Ramboll, London School of Economics and Political Science, and Syntesia (2025), *Study supporting the evaluation of Directive 2011/16/EU (DAC)*, external study for the European Commission. Available at: https://taxation-customs.ec.europa.eu/document/download/2206de45-1576-4eab-826a-4cb22aa7f80d_en?filename=Soon_0.pdf

[28] See COM(2025) 695 final, pp. 6–8; SWD(2025), pp. 33–40.

[29] European Commission (2025), COM(2025) 695 final, Section 3

[30] European Court of Auditors, *Special Report 03/2021: Exchanging tax information in the EU: solid foundation, cracks in the implementation*, 2021, available at: https://www.eca.europa.eu/en/publications/SR21_03

[31] European Court of Auditors, *Special Report 27/2024: Combatting harmful tax regimes and corporate tax avoidance*, 28 November 2024, available at: https://www.eca.europa.eu/en/publications/SR-2024-27

[32] European Commission, *EU rules on administrative cooperation in the field of taxation – recast (call for evidence and public consultation)*, available at: EU rules on administrative cooperation in the field of taxation – recast

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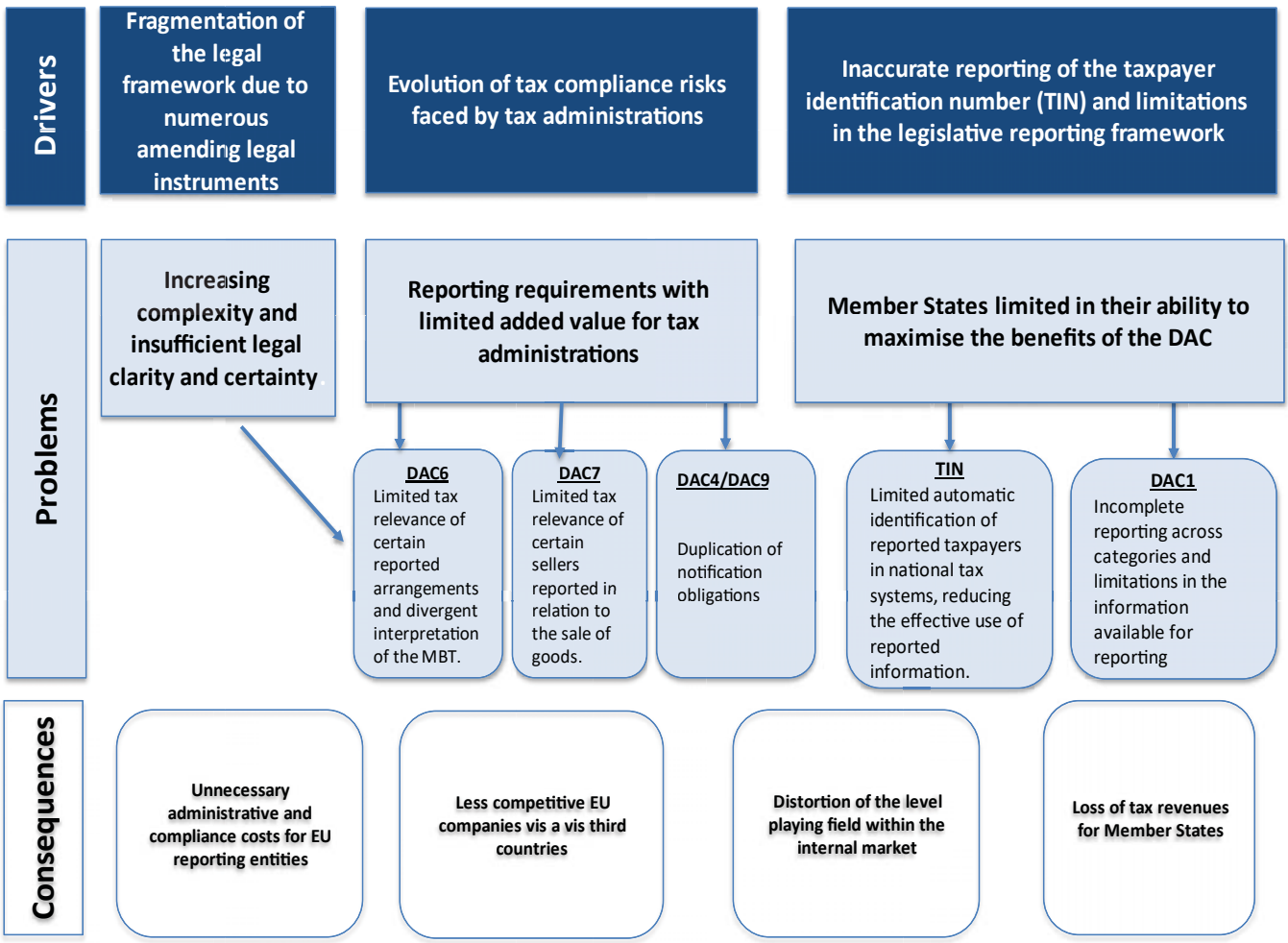

2.1. What are the problems?

2.1.1 Increasing complexity and insufficient legal clarity and certainty

The DAC is a patchwork of nine different legal instruments comprised of the initial **DAC1,** multiple amending directives (**DAC2-DAC9**) and corresponding annexes. This leads to increased complexity and lack of legal clarity and certainty as tax administrations and reporting entities are often required to interpret and apply provisions that are dispersed across several legal instruments. The DAC evaluation concluded that the frequency of amendments since 2011 has made the legal text more complex and less user-friendly[33]. These conclusions were corroborated by both Member States and business stakeholders, during the consultation activities. Stakeholders unanimously emphasised that the complexity of the existing acquis has created practical difficulties in understanding, interpreting, and applying the rules consistently across the Union.

[33] See COM(2025) 695 final, pp. 7–9; SWD(2025), pp. 20–24.

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2.1.2 Reporting requirements with limited added value for tax administrations

The conclusions from the DAC evaluation, recommendations from the 2024 ECA Special Report and outcomes from the targeted consultations highlight that certain aspects of the framework create legal uncertainty and result in reporting/notification outcomes that provide limited added value for tax administrations. These aspects primarily relate to the **DAC4/DAC9**, **DAC6** and **DAC7** which have led to disproportionately high volumes of notifications and reporting that are either redundant or do not present a risk of tax fraud, evasion or avoidance. These outcomes limit the effectiveness and efficiency of the DAC, as they create high compliance burdens for business stakeholders and high administrative costs for tax administrations who must process and analyse high volumes of information that provide limited added value in tackling tax fraud, evasion and avoidance.

a. DAC6

DAC6 requires intermediaries (e.g. tax advisers, accountants, financial institutions) or, in some cases the taxpayer to report to the tax authorities of Member States information on certain potentially aggressive cross-border tax arrangements. This information enables tax authorities to react promptly against harmful tax practices by enacting legislation to close loopholes or by undertaking risk assessments or carrying out tax audits. These arrangements must be reported whereupon they meet specific characteristics known as "**hallmarks**". These hallmarks serve as indicators of potentially aggressive tax planning arrangements and are grouped into five categories: A (Generic hallmarks), B (Specific hallmarks), C (Specific hallmarks related to cross-border transactions), D (Specific hallmarks concerning exchange of information and beneficial ownership) and E (Specific hallmarks concerning transfer pricing). Reporting requirements under hallmark A, hallmark B and points b(i), (c) and (d) of paragraph 1 of hallmark C are linked to the application of a Main Benefit Test (MBT). The MBT is intended to operate as a filter that reduces reporting volumes as it requires that obtaining a tax advantage must be one of the main benefits that a person can reasonably expect to obtain from an arrangement for that arrangement to be reportable.

While DAC6 is intended to discourage the use of aggressive tax planning arrangements, it has generated significant volumes of reporting. Since reporting first commenced in 2020 more than 60,000 cross-border arrangements comprised of 79,274 disclosure reports have been reported by Member States to the DAC6 Central Directory. While multiple different hallmarks may be reported in each disclosure report, the SWD from the DAC evaluation identified the proportion of reporting under each hallmark as follows[34]: hallmark A (35%), hallmark B (34%), hallmark C (16%), hallmark D (4%) and hallmark E (12%). These high volumes of reporting underline the importance of ensuring that the information reported remains proportionate and targeted to achieving the objectives of tackling tax fraud, evasion and avoidance.

<u>Limited tax relevance of DAC6 reporting for MNE Groups within the scope of the Pillar 2 Directive</u>

Since the adoption of DAC6, the legal environment at both the EU and international level has significantly evolved with the implementation of the Pillar 2 Directive. The Pillar 2 Directive prevents base erosion and profit shifting by ensuring that MNE groups in scope pay a minimum effective tax rate of 15% on profits in each jurisdiction that they operate.

[34] See SWD(2025) [final], p. 96.

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The main mechanism to achieve this objective is an Income Inclusion Rule (IIR) which requires the ultimate parent entity (UPE) of a group to pay an additional amount of tax ("top-up tax") on profits from entities in the group that are subject to an effective tax rate below 15%. The rules also include an Undertaxed Profits Rule (UTPR), which is designed to operate as a backstop to the IIR. Finally, the rules allow jurisdictions to collect any top-up tax due from domestic entities before the application of the IIR top-up tax or UTPR top-up tax.

As the Pillar 2 Directive was only recently transposed by Member States the actual effects of the interaction between the two sets of rules are not yet possible to assess in a reliable manner. That said, the core objective of DAC6 is to target cross-border aggressive tax planning arrangements which are developed to take advantage of disparate national tax rules. However, the introduction of a global minimum effective tax rate has significantly reduced the risk of shifting profit to low tax jurisdictions via these types of tax planning arrangements.

In their contributions to the public consultation 14 stakeholders expressly highlighted that DAC6 should only focus on high-risk arrangements that are not already covered by other EU rules. Several business stakeholders involved in the targeted consultations called for a complete carve out from DAC6 reporting for MNE groups within the scope of the Pillar 2 Directive. Currently there are approximately 4,700 MNE groups with at least one subsidiary in the EU that are within the scope of the Pillar 2 Directive. It is estimated that 3,000 of these MNE groups have a sufficiently large operational footprint in the EU, in particular in terms of multiple subsidiaries and cross-border intra-group transactions, to give rise to DAC6 reportable arrangements. Such MNE groups have complex organisational structures and high volumes of cross-border transactions that necessitate dedicated in-house compliance functions for DAC6 purposes, which result in high compliance costs. These groups are estimated to incur compliance costs of around EUR 300 million per year[35].

Limited tax relevance of certain arrangements reported under Hallmark A

The findings from the DAC evaluation report highlighted that business stakeholders and EU tax administrations view certain DAC6 hallmarks as no longer fit for purpose[36]. Tax administrations highlighted that reporting associated with A1 is frequently precautionary in nature and triggered by standard confidentiality clauses that are not specifically related to tax arrangements. The SWD from the evaluation noted that this practice has led to significant administrative workload without necessarily increasing the value of the reports[37] Tax administrations also highlighted that the application of A3 has been problematic due to its broad and ambiguous language and that this has led to excessive reporting[38].

During the targeted consultations, 4 Member States accounting for 75% of all reporting under DAC6 highlighted that reporting linked to A1, A2 and A3 provides limited added value in identifying tax fraud, avoidance and evasion while creating significant operational processing burdens for tax administrations. The ECA also identified that tax administrations

[35] This estimate is based on approximately 3,000 MNE groups within the scope of Pillar 2 and an average annual compliance cost of EUR 100,000 per group, drawing on evidence from the evaluation of the Anti-Tax Avoidance Directive. This results in an aggregate compliance cost of around EUR 300 million per year (see Chapter 6 and Annex 4 for details).

[36] COM(2025) 695 final, p. 6.

[37] SWD(2025) 695 final, p. 109

[38] SWD(2025) 695 final, p. 109

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face difficulties filtering and prioritising large volumes of DAC6 information including arrangements that do not necessarily present a substantive tax risk[39].

In their contribution to the public consultation, 17 business stakeholders expressly highlighted the necessity to review and refine the DAC6 hallmarks to better target arrangements that pose a genuine risk of aggressive tax planning. In this respect, they converged on the need to remove hallmark A. In particular they indicated that A1 does not provide any added value for tax administrations, A2 concerns transactions that are already prohibited by law in many Member States and advised that A3 has led to excessive reporting that has negatively impacted on the efficiency and effectiveness of the framework. These findings broadly correspond to those of the targeted consultations of business stakeholders.

Since reporting commenced in July 2020, the volumes of reports linked to these hallmarks are as follows, A1 (19,256), A2 (704) and A3 (33,785) representing an annual average of 8,300 reports by companies outside of the scope of the Pillar 2 Directive. For these companies, compliance costs are more closely linked to the preparation and submission of individual reports, and they often rely upon external advisory services for these purposes[40]. Based upon the average cost per report of EUR 5,000, as indicated during stakeholder consultations with tax advisory firms (see Annex 2 for more details on stakeholder consultations), the corresponding total compliance burden is estimated at approximately EUR 41 million per year.

Divergent interpretation of the Main Benefit Test (MBT)

A consistent interpretation and application of the MBT is of critical importance to the effective and efficient functioning of the framework. Reporting requirements under hallmark A, hallmark B and points b(i), (c) and (d) of paragraph 1 of hallmark C are linked to the application of the MBT. The MBT is intended to operate as a filter to reduce reporting volumes, however reports linked to these hallmarks are listed in 77% of all disclosure reports (**Annex 7**). The findings from the DAC evaluation SWD[41] indicate that the MBT is interpreted and applied differently across the Union. These divergent interpretations, which reflect variations in administrative practices and approaches to risk assessment reduce legal certainty for intermediaries and taxpayers that operate cross-border. They also negatively impact on reporting behaviours resulting in inconsistent reporting outcomes across Member States which limits the efficiency and effectiveness of the framework.

Similar findings were included in the 2024 ECA Report[42] where it was identified that there is persistent uncertainty in determining whether obtaining a tax advantage constitutes the main or one of the main benefits of an arrangement, including whether such assessments should rely on a quantitative comparison of expected benefits. Consequentially, the ECA concluded that similar cross-border arrangements may be treated differently across Member States in terms of reportability.

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[39] ECA, Special Report 27/2024, paras 59–63

[40] DAC6 reporting obligations are primarily imposed on intermediaries, which account for approximately two thirds of all disclosures, while the remaining one third are filed directly by taxpayers. For the purpose of this analysis, no distinction is made between intermediary and taxpayer filed reports, as the associated compliance costs are assumed to be broadly comparable. In practice, costs incurred by intermediaries are typically passed on to the underlying taxpayer, such that the overall economic burden is borne by companies irrespective of the reporting channel.

[41] See SWD (2025), pp. 118–128; COM (2025) 695 final, pp. 8–9.

[42] ECA, Special Report 27/2024, paras 59–63

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b. DAC7

Limited tax relevance of certain sellers reported in relation to the sale of goods

DAC7 introduced reporting obligations for digital platform operators to improve tax transparency and tax compliance in the platform economy. Platform operators must collect and report information on sellers engaging in activities such as selling goods, providing personal services or renting immovable property or means of transport. This information is then automatically exchanged with the Member State where the seller is resident and where the immovable property is located. Under the current rules and with respect to activities involving the sale of goods, sellers carrying out fewer than 30 transactions not exceeding EUR 2,000 in a calendar year are excluded from reporting. Consequentially the reporting obligation will apply even where the monetary value of transactions is minimal e.g. a seller carrying out 30 transactions with a value of EUR 1 each would still be reportable.

In their response to the public consultation 6 business stakeholders, mainly online platform associations, expressly highlighted issues concerning the current threshold for the sale of goods. These respondents considered this current threshold as too low and proposed amendments including raising the monetary threshold (e.g. to EUR 5,000) and removing the transaction threshold. These views are largely consistent with those expressed by business stakeholders during targeted consultations where platform operators indicated that the current threshold is leading to the reporting of many non-professional sellers that carry out many transactions for minimal income and that this is particularly prevalent in the second-hand goods market. They also indicated that the current thresholds discourage private individuals from selling their second-hand goods with many of these individuals concerned by the requirement to provide their TIN. According to them, this has reduced the number of sales of second-hand goods, conflicting with the broader Union objective of promoting the circular economy[43].

Sixteen out of 19 Member States that expressed a view highlighted that the current threshold is not sufficiently proportionate and is leading to the reporting of information that is of limited value from a tax perspective, as under national tax rules income from the occasional sale of personal goods is generally not taxable. Moreover, the reporting of large volumes of low-value transactions that do not present a tax risk creates operational challenges and resourcing costs for tax administrations. Seven out of 12 Member States that expressed more specific views supported removing the activity threshold while there were diverging views on the appropriate level for the monetary threshold, with 2 supporting the retention of EUR 2,000, 3 favouring a threshold of between EUR 3,000 and EUR 5,000 and 2 supporting a threshold above EUR 5,000. Since these views were expressed all relevant jurisdictions and 26 Member States reached a provisional agreement at technical level at the OECD, to remove the activity threshold and increase the monetary threshold to EUR 3,000. in relation to the Model Rules for Digital Platform Operators (MRDP), which are implemented in the EU through DAC7. This provisional technical agreement is reflective of the fact that Member States do not view an increase of the threshold as negatively impacting on their ability to effectively apply their national taxation rules. While the application of national

[43] European Commission, *A new Circular Economy Action Plan: For a cleaner and more competitive Europe*, COM(2020) 98 final, 11 March 2020, available at: Circular Economy Action Plan (COM(2020) 98)

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taxation rules is dependent on specific personal circumstances e.g. entitlement to tax credits and allowances based on marital and parental status, general case study examples of national taxation rules are included at Annex 8.

DAC7 reporting has reached a significant scale across the Union. According to statistics made available by the Member States to the Commission services approximately 52,000 platform operators were active in the EU in 2024. These operators reported information on approximately 13.5 million sellers out of an estimated total seller base of approximately 71 million individuals engaged in platform-based activities. According to information provided by major platform operators in the EU almost 80% of sellers reported for activities involving the sale of goods consist of those exceeding the activity threshold of 30 transactions but remaining below the EUR 2,000 monetary threshold. Platforms operators incur the compliance costs associated with reporting these low value sellers, which are estimated at approximately EUR 640 million per year across all platform operators. At the same time, tax administrations are required to process and analyse large volumes of information that are of limited relevance for assessing tax liabilities, which reduces the overall effectiveness and efficiency of their risk analysis and enforcement activities.

c. DAC4/DAC9

Duplication of notification obligations

DAC4 requires certain MNE groups to file a country-by-country report (CbCR) with the relevant tax authorities of Member States. CbCR applies to MNE Groups with an annual consolidated group revenue of EUR 750 million or more in the preceding fiscal years. The report includes information on revenue, profits, income tax paid, number of employees, etc. Tax authorities can use this information to perform high-level transfer pricing risk assessments, evaluate other BEPS related risks and for economic and statistical analysis.

DAC4 requires entities of the MNE group to notify the tax authorities of the entity responsible for reporting for the group. DAC9, which also applies to MNE groups with an annual consolidated revenue of EUR 750 million or more, enables central filing of the GloBE Information Return (GIR). However, each entity of the MNE group is required to notify the tax authorities of the entity responsible for reporting for the group

While the content of these notifications are not directly aligned, they do contain duplicate informational requirements. With respect to the filing deadline for these notifications, DAC4 requires that the filing should take place before the last day of the reporting fiscal year of the MNE group, however there is no such filing deadline prescribed for the notification obligations which support the DAC9 reporting requirements. This has led to diverging filing deadlines across the Union.

In their response to the public consultation, 12 stakeholders expressly highlighted the need for a centralised Union wide system for such notifications. Ten of these stakeholders supported a single DAC4/DAC9 group level notification in tandem with a ‘change only’ approach, standardised template and EU wide harmonised filing deadline. These respondents highlighted that the absence of standardised notification procedures and templates has led to divergent approaches across the Union which increases the compliance burden for MNE groups.

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According to Orbis there are approximately 4,700 MNE groups comprised of around 109,000 constituent entities with activities in the Union. These entities are subject to notification obligations under both DAC4 and DAC9. Groups that are subject to the existing notification obligations under DAC4 estimate that the associated administrative costs of compliance are approximately EUR 135 million per year. In the absence of streamlining, the combined compliance costs for DAC4 and DAC9 could reach around EUR 270 million per year.

2.1.2. Member States limited in their ability to maximise the benefits of the DAC

Limited automatic identification of reported taxpayers in national tax systems reducing the effective use of reported information

The TIN is a unique identifier issued by public authorities to taxpayers to facilitate the administration of their national tax affairs. The TIN is a fundamental element of the DAC framework as it ensures that information exchanged between tax authorities can be accurately matched to the correct taxpayers, thereby facilitating the correct assessment of tax obligations. Under the DAC, the TIN and other information is collected and reported by the relevant reporting entity to the relevant tax administration. The information is then automatically exchanged with the tax administrations of other Member States. The evaluation SWD[44] identified weaknesses in the completeness and quality of reported TINs and highlighted that automatic matching rates remain relatively low for certain categories of exchanged information. In some cases, the automatic matching rate is below 30% (**Figure 3 below**), a detailed rationale for the diverging automatic matching rates between DAC1 - DAC7 is included at Annex 9.

Figure 3: Average automatic matching rates for TIN for 2025

DAC1 IE	DAC1 DF	DAC1 PEN	DAC1 LIP	DAC1 IP	DAC2	DAC3	DAC4	DAC6	DAC7
39.3%	41.6%	46.9%	24.2%	35%	67.9%	27.3%	81.5%	56.8%	69.7%

Source: European Commission statistics
Legend: Income from employment (IE), directors' fees (DF), pension income (PEN), life insurance products (LIP), income from immovable property (IP)

The inaccurate reporting of TINs constrains the ability of tax administrations to automatically reconcile data received from other Member States with national taxpayer databases. This constraint inhibits effective risk assessment and follow-up compliance actions and substantially increases reliance on manual processing and follow up requests, which in turn increases administrative costs and burden for tax administrations. This assessment is corroborated by the findings of the 2021 ECA Special Report[45], which identified that matching performance (automatic and manual) varies significantly across Member States and that unmatched information cannot be readily used for compliance purposes.

[44] See SWD(2025), pp. 95–97
[45] ECA, Special Report 03/2021, paras 57–63.

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Where information cannot be automatically matched this reduces the scope for tax administrations to automate and digitalise their processes for using information. Simultaneously operational costs increase due to the necessity to manually match information and submit follow up requests for information to the tax administration that exchanged the information. This limits the effective use of all information by tax authorities and negatively impacts on the efficiency and effectiveness of the framework. In their response to the public consultation 7 stakeholders expressly highlighted the necessity for a centralised TIN verification system.

d. DAC1

Incomplete reporting across categories and limitations in the information available for reporting

Under DAC1 Member States must exchange information that is "available" in their tax files on at least 5 of the 7 DAC1 income categories. The evaluation SWD identified significant differences between Member States in the number and type of income categories exchanged under DAC1[46] (**see figure 4**). Furthermore, the ECA in their 2021 Special Report also highlighted the large differences between the number of categories reported and exchanged by Member States and that this may contribute to situations where income is not taxed in the Member State of residence of the taxpayer because the relevant information is not exchanged[47]. These structural limitations reduce the effectiveness of the administrative cooperation framework, in particular, where the information is already held at national level but not made available to tax administrations, thereby further constraining the ability of tax administrations to maximise the benefits of the DAC.

Figure 4: Categories of information exchanged by Member States

Category of Income and Capital	Number of Member States exchanging information
Income from employment	26
Directors Fees	23
Income from life insurance products	10
Pensions	25
Ownership and income from immovable property	24
Royalties	18
Non-custodial dividend income	AEOI will start in 2027

Source: European Commission statistics

In particular, income from life insurance products (LIP) is exchanged by only 10 Member States and represents less than 1% of both the number of taxpayers and the total value of income exchanged under DAC1. This limited use partly reflects the fact that several Member States do not hold relevant information in their tax files due to the absence of national tax provisions applicable to LIP. Moreover, certain LIP are already covered by exchanges under

[46] See SWD(2025), pp. 45–49
[47] ECA, Special Report 03/2021, para. VIII; see also paras 29–33, 108

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DAC2. This overlap arises because certain LIP are treated as financial accounts and are therefore reported by financial institutions under the DAC2 framework.

2.2. What are the problem drivers?

Fragmentation of the legal framework due to numerous amending legal instruments

Since its first adoption in 2011, the DAC has been amended 8 times to introduce new reporting requirements and administrative cooperation mechanisms. While these amendments have progressively expanded the scope of administrative cooperation, particularly AEOI, they have also resulted in a fragmented legal framework that must be read and interpreted together. This has increased the complexity of the legal framework and has contributed to challenges in ensuring consistent interpretation and implementation of the DAC across the Union.

Evolution of tax compliance risks faced by tax administrations

The compliance risks faced by tax administrations have evolved significantly since 2011, due to increased cross-border economic activity, digitalisation and the growing complexity of MNE structures. In response, the administrative cooperation framework has expanded to include additional reporting obligations under instruments such as DAC4 for MNE groups, DAC6 for cross-border tax arrangements and DAC7 for activities carried out through digital platforms. While these instruments were introduced to address specific tax compliance risks, the cumulative expansion of reporting obligations has also increased the complexity and compliance costs associated with the framework.

Certain tax compliance risks that were once prevalent have now significantly reduced particularly since the introduction of the Pillar 2 Directive (which was adopted in 2022) and which has established a comprehensive framework for ensuring a minimum effective level of taxation for MNE groups in each jurisdiction they operate. Simultaneously, the evolution of tax compliance risks in other areas such as activities carried out via digital platforms means that certain reported information may now be of limited value for tax administrations. This affects the efficiency and proportionality of the reporting system and increases administrative burdens for both tax administrations and reporting entities.

Inaccurate reporting of the TIN and limitations in the legislative reporting framework

The DAC evaluation identified that weaknesses remain in the accurate reporting of TINs. While the DAC requires reporting entities to validate the TIN of the reported taxpayer, it does not prescribe the method by which the TIN should be validated. At present there is no centralised system for reporting entities and tax administrations to validate that a TIN is correct and that it corresponds to the relevant taxpayer. The Commission has developed an online tool (i.e. the TIN-on-the Web module[48]). However, the tool is limited to verifying whether the structure of the TIN is valid (types and number of characters i.e. syntax).

Moreover, and as highlighted by the ECA in their 2021 Special Report, there are structural limitations in the design of the legal framework governing the exchange of information under DAC1[49]. Member States are required to exchange information on at least five of the

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[48] European Commission, *TIN on the Web (Taxpayer Identification Number)*, available at: TIN on the Web

[49] ECA, Special Report 03/2021, para. VIII; see also paras 29–33, 108

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seven DAC1 income categories. In addition, only information that is "available" in the tax files of the competent tax authority must be exchanged, meaning that if relevant information exists within a Member State's public administration but is not recorded in the tax administration's databases, Member States are not obliged to exchange this information. For example, information on ownership of immovable property may be held by a land registry or another public authority but not systematically captured in the tax authority's records. Where such information is not available in the tax administration's files, it is not considered "available" for the purposes of DAC1 and is therefore not exchanged. This "availability" provision substantially limits the scope of information exchanged between Member States.

2.3. How likely is the problem to persist?

The DAC and its subsequent amendments constitute Union legal acts intended to ensure that there is a coherent and comprehensive framework for administrative cooperation within the Internal Market. To this end the DAC establishes harmonised reporting and exchange of information requirements across Member States.

In the absence of amendments to the existing Union acquis, the problems identified are expected to persist and, in several areas, intensify over time. The complexity of the current legal framework stems from the cumulative development of the DAC through successive amendments. Without EU action, tax administrations and reporting entities would continue to interpret and apply provisions dispersed across several legislative instruments. Divergent interpretations of certain provisions across Member States would therefore likely remain, creating legal uncertainty for businesses operating cross-border and potentially affecting the level playing field.

At the same time, available evidence points to a continued increase in the volume of information exchanged under the DAC framework. For example, under DAC1, between 2018 and mid-2022, Member States exchanged information covering approximately 36.7 million taxpayers and EUR 239.5 billion in income. On an annual basis (2018–2021), this corresponds to around 8.6 million taxpayers and EUR 54.8 billion in income exchanged, with a clear upward trend compared to earlier periods ([50]). In the absence of reform, this trend is expected to continue, further increasing the volume of data handled by tax administrations.

At the same time, the evolution of reporting obligations introduced under different DAC instruments would continue to generate situations where certain notification obligations overlap and reporting requirements result in the reporting of large volumes of information that may be of limited added value for tax administrations. This is particularly evident in the case of DAC6, where stakeholder consultations indicate that continued reporting at current levels would generate substantial volumes of disclosures, a significant share of which are considered to have limited tax relevance ("noise").

This assessment is substantiated by the fact that during the targeted consultations, 4 Member States accounting for 75% of all reporting under DAC6 highlighted that reporting linked to A1, A2 and A3 provides limited added value in identifying tax fraud, avoidance and evasion while creating significant operational processing burdens for tax administrations. This concern is reinforced by observed trends since the introduction of DAC6, with more than

([50]) Evaluation of the Directive 2011/16 and its amendments, Final Report, 2025, Figure 5.

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60,000 arrangements reported between mid-2020 and 2025. In the absence of reform, these volumes are expected to remain high or increase further, thereby exacerbating administrative burdens and reducing the capacity of tax administrations to focus on high-risk cases.

Similarly, for DAC7, while time series data are still limited, broader economic developments such as the continued expansion of the platform economy and increasing digitalisation suggest that the number of platform users and transactions will continue to grow. This is expected to translate into a rising number of reportable sellers and corresponding reporting obligations over time.

In the absence of legislative amendments, compliance costs would continue not to be proportionate to the contribution of these obligations to the underlying policy objectives. More generally, the combination of increasing reporting volumes and overlapping obligations is expected to lead to rising compliance costs for both businesses and tax administrations, as also evidenced in the DAC evaluation.

Limitations affecting the completeness and use of exchanged information would also persist. In particular, the optionality associated with certain reporting requirements under DAC1 and the obligation to exchange only information available in the tax files of the competent authority would continue to result in differences in the scope of information exchanged across Member States. In addition, challenges related to the accurate identification of taxpayers would remain as weaknesses in the verification of TINs would continue to limit the ability of tax administrations to automatically match exchanged information with national taxpayer databases and, therefore, to effectively and efficiently use exchanged information for risk assessment and compliance purposes.

These trends indicate that, in the absence of policy intervention, the current challenges related to complexity, fragmentation, data quality and administrative burden are likely not only to persist but to become more pronounced over time, driven by increasing volumes of exchanged information and the evolving economic environment.

3. WHY SHOULD THE EU ACT?

3.1. Legal basis

The legal basis of DAC relies on Articles 113 and 115 of the Treaty on the Functioning of the European Union (TFEU). Article 113 of the TFEU provides a legal basis for the harmonisation of indirect tax systems of Member States, as far as is needed to ensure the functioning of the Internal Market and to avoid distortion of competition. Article 115 of the TFEU provides for the approximation of such laws, regulations or administrative provisions of the Member States, which directly affect the establishment or functioning of the Internal Market and make the approximation of laws necessary. The key objective of the DAC is to ensure that there is a robust legal instrument based on uniform conditions and harmonised practices to facilitate administrative cooperation and exchange of information in the field of direct taxation. This is necessary to ensure the proper functioning of the Internal Market and reduce the negative effects of tax fraud, evasion and avoidance in the EU.

3.2. Subsidiarity: Necessity of EU action

The DAC and its 8 amendments are legal acts of the EU. The political objectives of simplification necessitate proposals to codify, simplify and clarify the existing framework to eliminate any overlaps and contradictions, cut unnecessary and low-value reporting and

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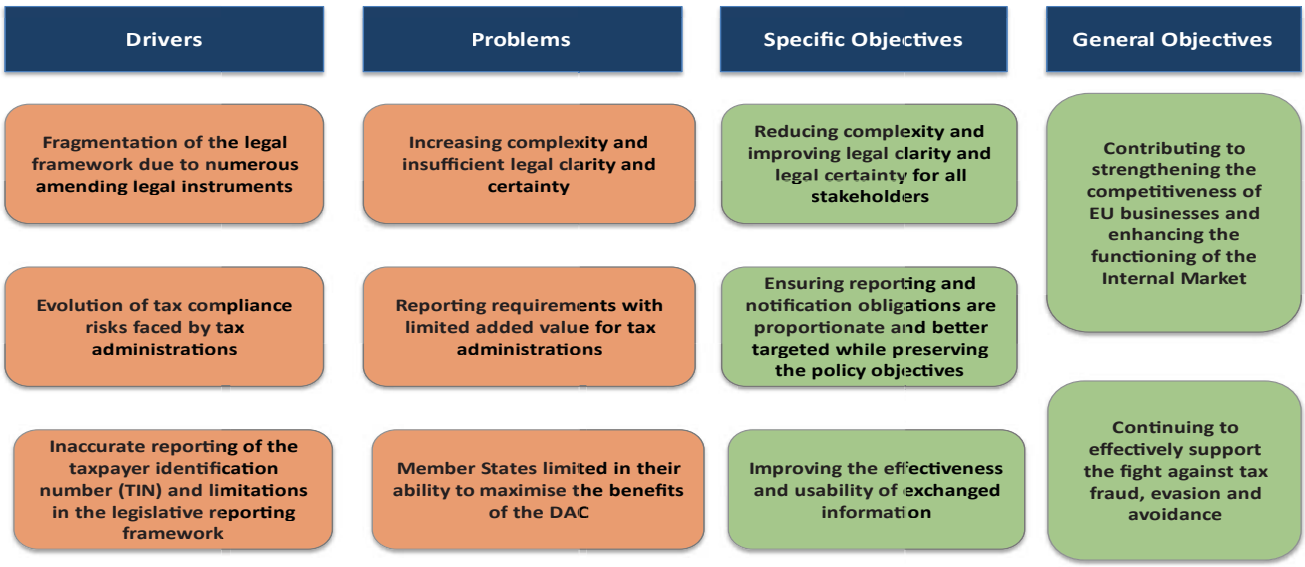
ensure consistent implementation, while not undermining the policy objectives of the legislation. Given the need to act and the nature and extent of the problem as set out in chapter 2, an EU approach is the only option to ensure that there is a comprehensive and uniform solution that conforms with EU law, does not distort competition and maintains the level playing field. Individual actions taken by Member States could not achieve these objectives. At the same time, the current inefficiencies in the effective functioning of the DAC acquis, as identified in the DAC evaluation and the Special Reports of the ECA are linked to several existing reporting and exchange obligations contained in the DAC, which can only be comprehensively and uniformly addressed by an EU legislative initiative.

3.3. Proportionality: Added value of EU action

The added value of EU action is that it ensures that there is a coherent, uniform and complete solution at EU level, which achieves the targeted reductions in reporting burdens and associated administrative costs for EU businesses, and which could not be achieved by individual actions taken by Member States. At the same time, EU action will comprehensively address the current identified inefficiencies in the functioning of the DAC with targeted improvements to the existing acquis ensuring that tax administrations, reporting entities and taxpayers benefit from a more efficient and effective functioning of the DAC. More specifically, these uniform and coherent enhancements will support improvements in data completeness, data quality and use of information and therein advance the capabilities of the tax authorities of Member States to effectively tackle tax fraud, avoidance and evasion.

4. OBJECTIVES: WHAT IS TO BE ACHIEVED?

Figure 5: Intervention logic



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4.1 General objectives

In response to the problems identified, the general objectives of this initiative are to **contribute to strengthening the competitiveness of EU businesses and to enhance the functioning of the Internal Market.** These objectives are consistent with the priorities set out in the Competitiveness Compass[51] and the 2025 Single Market Strategy[52], which emphasise the importance of regulatory efficiency as a means of supporting competitiveness and economic resilience.

At the same time, the initiative aims to **continue to effectively support the Union's efforts to fight against tax fraud, evasion and avoidance** with a view to safeguarding Member States' tax bases, ensuring fair taxation, and maintaining a level playing field within the Single Market. A key objective of the DAC is to ensure that Member States receive information, which enables their tax administrations to effectively enforce their national tax rules. The information is intended to support compliance and effectively address non-compliance. In certain instances, non-compliance may take the form of tax fraud or tax evasion both of which are illegal activities. In other instances, non-compliance may take the form of tax avoidance, which is not by its nature an illegal activity, but is an activity that is usually contrary to the intention of the legislation. Attaining these objectives requires that Member States' tax administrations remain equipped with effective and proportionate tools to detect, assess, and address non-compliance with tax obligations.

4.2 Specific objectives

Reducing complexity and improving legal clarity and legal certainty for all stakeholders

This objective addresses the fragmentation resulting from successive amendments to the DAC and aims to improve legal clarity and certainty for tax administrations, reporting entities and taxpayers by consolidating the Directive into one legal text. Greater clarity will facilitate easier readability and usability thus facilitating more consistent implementation of reporting obligations across the Union and supporting a more predictable, streamlined and cost-efficient compliance environment for stakeholders.

Ensuring reporting and notification obligations are proportionate and better targeted while preserving the policy objectives

This objective seeks to reduce reporting requirements and notification obligations that generate limited added value for tax administrations while preserving and upholding the policy objectives of tackling tax fraud, evasion and avoidance. Aligning reporting requirements and notification obligations with the tax compliance risks that they are intended to address will improve the relevance of the information collected, reported and exchanged under the framework thereby ensuring that the framework remains proportionate, efficient and effective.

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[51] European Commission, *Competitiveness Compass*, available at: https://commission.europa.eu/topics/competitiveness/competitiveness-compass_en

[52] European Commission, *The Single Market: our European home market in an uncertain world – A Strategy for making the Single Market simple, seamless and strong*, COM(2025) 500 final, 21 May 2025, available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A52025DC0500

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Improving the effectiveness and usability of exchanged information

This objective focuses on improving the completeness, accuracy, and usability of exchanged data, including the automatic identification of taxpayers via their TIN. This will enhance the ability of tax administrations to automatically identify taxpayers and effectively use all exchanged information for risk assessment and compliance purposes. The objective also seeks to address the current limitations in the legislative framework that are leading to incomplete and fragmented reporting under DAC1.

5. WHAT ARE THE AVAILABLE POLICY OPTIONS?

5.1 What is the baseline from which options are assessed?

The policy options are assessed against a baseline scenario in which no Union level action is taken to amend the existing acquis under the DAC. Under this baseline, the current legislative framework, consisting of 9 separate legal instruments, would remain unchanged. Tax administrations and reporting entities would therefore continue to operate under the existing notification, reporting and automatic exchange of information obligations established under the DAC.

Under DAC6, the reporting framework for cross-border arrangements would remain unchanged, including the existing scope of reportable arrangements and the application of the MBT. Since the reporting regime became operational in 2020, more than 60,000 cross-border arrangements and over 79,000 disclosure reports have been reported through the DAC6 Central Directory. Approximately 35% of all reporting is attributable to Hallmark A, while around 8% of total disclosure reports are filed by MNE groups within the scope of the Pillar 2 Directive.

Under DAC7, platform operators would continue to report information on sellers in accordance with the existing thresholds for the sale of goods. In the baseline scenario, it is estimated that approximately 13.5 million sellers in the EU are currently reportable corresponding to around 20% of all individuals engaged in platform-based selling activities.

Under DAC4 and DAC9, entities of MNE groups would continue to be subject to multiple duplicative notification obligations across Member States. In the baseline scenario, approximately 4,700 MNE Groups and 109,000 constituent entities are subject to these notification obligations.

As regards TINs, the baseline is reflected in the current automatic matching rates achieved by the receiving tax administrations when linking exchanged information with national taxpayer databases. These automatic matching rates represent the baseline performance of the system across the Union (**see figure 3**). Available administrative data indicates that a share of exchanged records cannot be automatically matched to national taxpayer databases due to incorrect or inconsistent taxpayer identification information (including invalid or mismatched TINs). This necessitates manual verification or follow-up requests between tax administrations.

Finally, under DAC1, Member States would continue to exchange information on five categories of income and capital and only where such information is “available” in the tax

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files of the competent authority. As a result, differences in the scope and completeness of the information exchanged across Member States would remain under the baseline scenario.

5.2 Description of the policy options

As regards the legislative approach it is proposed to **recast the DAC** to simplify and reduce the complexity of the acquis, to enhance legal clarity of the provisions and to provide legal certainty for all stakeholders. The recast of the DAC will: **(i)** codify the initial legal act (DAC1) and all its subsequent amendments (DAC2-DAC9) by bringing them together, into a single, legally binding act; and **(ii)** introduce new substantive changes, in line with the preferred policy options stemming from measures 1 to 5 below. The new text of the DAC will repeal and replace all earlier versions.

Measure 1 - Ensuring that DAC6 reporting obligations remain proportionate and effective while promoting a more harmonised application of the MBT

The policy options aim to ensure that reporting obligations under DAC6 remain proportionate and effective in supporting the overarching aims of tackling tax fraud, evasion and avoidance. At the same time, they are intended to improve legal certainty and achieve a more harmonised application of the MBT, which will in turn contribute to strengthening the competitiveness of EU businesses and enhancing the functioning of the Internal Market.

Measure 1			
Baseline (Status Quo)	**Policy Option 1a**	**Policy Option 1b**	**Policy Option 1c**
Intermediaries and, in certain instances, relevant taxpayers are required to report information on cross-border arrangements based on hallmarks with reportability for certain hallmarks conditional on the MBT being met.	Excluding all companies within the scope of Pillar 2 from the reporting under DAC6.	**Policy Option 1a +** Removing all reporting requirements related to hallmark A + Issuing guidance on application of the MBT to remaining hallmarks subject to the test.	**Policy Option 1a +** Removing all reporting requirements related to hallmark A + Removing the MBT + revising the remaining hallmarks previously subject to the test

Policy Option 1a would exclude all companies within the scope of the Pillar 2 Directive from reporting under DAC6. **Policy Option 1b** would build on **Option 1a** and would also remove all reporting obligations related to hallmark A for all other companies and intermediaries within the scope of DAC6. In addition, the Commission services would issue guidance to support a more harmonised interpretation and application of the MBT with respect to the remaining hallmarks subject to the test (hallmark B and C(1)(b)(i), C(1)(c) and C(1)(d)). **Policy Option 1c** would build on **Option 1a** and on **Option 1b** and in addition would remove the MBT from the remaining hallmarks currently subject to the test (hallmark B and C(1)(b)(i), C(1)(c) and C(1)(d)). These hallmarks would be revised to make them fit for purpose without the MBT.

Measure 2 - Amending the reporting threshold for activities involving the sale of goods under DAC7

The proposed policy options aim to ensure that the information reported and exchanged in relation to activities involving the sale of goods remains proportionate and relevant for tax

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authorities in supporting the policy objectives of tackling tax fraud, evasion and avoidance. This will in turn contribute to strengthening the competitiveness of EU businesses and enhancing the functioning of the Internal Market. The options also seek to ensure coherence with the OECD Model Rules for Reporting by Digital Platform Operators (OECD MRDP) and with broader Union policy objectives that promote longer product lifetimes under the Commission's Circular Economy Action Plan[53].

Measure 2			
Baseline (Status Quo)	**Policy Option 2a**	**Policy Option 2b**	**Policy Option 2c**
Platform operators report information on sellers who carry out 30 or more activities or receive income of EUR 2,000 or more during the calendar year.	Removing the activity threshold of 30 transactions and retaining the monetary threshold of EUR 2,000.	Removing the activity threshold of 30 transaction and increasing the monetary threshold to EUR 3,000.	Removing the activity threshold of 30 transaction and increasing the monetary threshold to EUR 5,000.

Policy Option 2a would remove the current activity-based threshold of 30 transactions and retain only the existing monetary threshold of EUR 2,000. Under this option, the number of activities carried out by a seller would no longer be relevant for reporting purposes. A seller would be reportable only where the total consideration received during the calendar year reaches or exceeds EUR 2,000. **Policy Option 2b** would also remove the activity-based threshold and, in addition, increase the monetary threshold to EUR 3,000, in line with the approach agreed at technical level at the OECD in relation to the MRDP, which are implemented in the EU through DAC7. Under this option, the number of activities carried out by a seller would no longer be relevant for reporting purposes and a seller would be reportable only where the total consideration received during the calendar year reaches or exceeds EUR 3,000. **Policy Option 2c** would also remove the activity-based threshold and in addition, increase the monetary threshold to EUR 5,000. This option would implement a more ambitious adjustment of the monetary threshold, as suggested by some Member States and business stakeholders, to further reduce the reporting of low-value transactions.

Measure 3 - Streamlining notification obligations for MNE groups under DAC4 and DAC9

The proposed policy options aim to streamline the notification obligations applicable to MNE groups under DAC4 and DAC9 to ensure that they are proportionate and better targeted to achieving the policy objectives of tackling tax fraud, evasion and avoidance. This will in turn contribute to strengthening the competitiveness of EU businesses and enhancing the functioning of the Internal Market. The notifications are an important preliminary step to inform tax authorities of the relevant reporting entity for the group.

Measure 3		
Baseline (Status Quo)	**Policy Option 3a**	**Policy Option 3b**

[53] European Commission, *A new Circular Economy Action Plan*, COM (2020) 98 final; see also ongoing work on a Circular Economy Act (2025–2026)

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Each entity of the MNE group is required to submit a separate notification under DAC4 and DAC9 identifying the entity responsible for filing the relevant group-level report, without harmonised deadlines or notification template.	Introducing a single notification obligation covering both DAC4 and DAC9 including a harmonised filing deadline and a common notification template.	**Policy Option 3a +** Introducing central filing of the single notification in one Member State by one entity of the MNE group, followed by exchange of the notification information between Member States.

Policy Option 3a would introduce a single notification obligation covering both DAC4 and DAC9 for entities of the MNE group. Under the single notification obligation, each entity would submit this information only once, and it would be accompanied by a common notification template and a harmonised filing deadline. **Policy Option 3b** would build on **Policy Option 3a** with the introduction of central filing of the notification. Under this approach, only one entity within the MNE group would submit the single notification covering both DAC4 and DAC9 on behalf of the entire group. The information contained in the notification would subsequently be exchanged between Member States through the existing administrative cooperation framework.

Measure 4 - Improving the accuracy of reported TINs

The proposed policy options aim to address the current limitations in the verification of TINs that prevent automatic matching of the information by tax administrations. Therein these options are designed to improve the use of exchanged information and effectively support the fight against tax fraud, avoidance and evasion.

Measure 4		
Baseline (Status Quo)	**Policy Option 4a**	**Policy Option 4b**
There is no centralised system for reporting entities and tax administrations to validate the accuracy of the TINs.	Introducing a centralised TIN verification system, accessible only to Member States tax administrations.	Introducing a centralised TIN verification system, accessible to both Member States tax administrations and reporting entities.

Policy Option 4a would introduce a centralised TIN verification system at Union level. Access to the system would be limited to tax administrations and would allow them to verify whether a reported TIN corresponds to an identifiable taxpayer in the relevant Member State. Under this option, the sending Member State would verify the TIN before transmitting information to the receiving Member State. Where a TIN cannot be verified, the sending tax administration would revert to the reporting entity to obtain corrected information from the taxpayer. **Policy Option 4b** would also introduce a centralised TIN verification system at Union level but would extend access to reporting entities. Under this option, reporting entities may on a voluntary basis also use the centralised TIN verification system to verify TINs before submitting information to tax administrations, allowing incorrect TINs to be corrected at source. As a result, tax administrations would receive information that has already been verified.

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Measure 5 - Improving the completeness of information exchanged under DAC1

The proposed policy options aim to address limitations in the current DAC1 legislative framework that contribute to incomplete reporting and differences in the scope of information exchanged between Member States. Therein these options are designed to improve the use of exchanged information and effectively support the fight against tax fraud, evasion and avoidance. The policy options focus on adjustments to the scope of income categories exchanged and the sources from which information may be obtained by tax administrations for reporting purposes. Moreover, the proposed policy options aim to address the current duplicate reporting issues associated with the category of life insurance products (LIP).

Measure 5			
Baseline (Status Quo)	**Policy Option 5a**	**Policy Option 5b**	**Policy Option 5c**
Member States automatically exchange information available in their tax files on at least five out of seven DAC1 categories. Member States may choose which categories to exchange.	The life insurance products (LIP) category is removed.	**Policy Option 5a +** Member States are required to automatically exchange information available in their tax files on all remaining six categories of income and capital.	**Policy option 5a +** Member States are required to automatically exchange information available to relevant public authorities on all remaining six categories of income and capital.

Policy Option 5a would remove the requirement to exchange information on the category of LIP. Consequently, Member States would continue to be required to automatically exchange information on at least five of the remaining six categories of income and capital, while retaining the flexibility to choose which categories to exchange. Within each category, only information that is "available" in the tax files would be exchanged. **Policy Option 5b** would also remove the requirement for AEOI on the category of LIP. In addition, Member States would be required to automatically exchange information for all six remaining categories of income and capital. Within each category, only information that is available in the tax files would be exchanged. **Policy Option 5c** would also remove the requirement for AEOI on the category of LIP. Moreover, under this option Member States would be required to automatically exchange information available not only in their tax files but also in the files of other relevant public authorities in respect of all six remaining categories of income and capital.

5.3 Discarded Options

During the preparation of this initiative, stakeholders suggested additional measures that were considered but not retained for further analysis. These options were assessed against the specific objectives of this initiative, alignment with existing international standards and the policy objectives of the DAC in tackling tax fraud, evasion and avoidance.

Repeal of DAC6

Some business stakeholders proposed a repeal of DAC6 in its entirety. This option was not considered appropriate. DAC6 constitutes an important component of the EU administrative cooperation framework by requiring the early disclosure of potentially aggressive cross-

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border tax arrangements. In doing so, DAC6 provides a strong dissuasive effect that effectively discourages aggressive tax planning arrangements. Removing this reporting obligation would significantly reduce the ability of tax administrations to identify and address risks related to tax fraud, evasion and avoidance involving cross-border tax arrangements. The repeal of DAC6 would therefore undermine the effectiveness of the Union framework for combating harmful tax practices and would remove the dissuasive effects of the instrument.

Carve-out from DAC4 reporting for groups reporting under DAC9

Stakeholders also suggested introducing a full carve-out from CbCR obligations under DAC4 for MNE groups that are already subject to reporting under DAC9. This option was not retained for further consideration as DAC4 provides tax administrations with important information on the global allocation of income, taxes and economic activity within MNE groups, which is used in particular for transfer pricing risk assessment. Reporting under DAC9 does not cover this specific category of information.

Excluding DAC4 MNE groups that report under DAC9 would therefore lead to the loss of valuable transfer pricing information for tax administrations and consequently lower the current level of protection against tax fraud, evasion and avoidance. In addition, such a carve-out would create inconsistencies with the OECD BEPS Action 13 standard on CbCR with which DAC4 is aligned. Maintaining alignment with this international standard is essential for ensuring the effectiveness, comparability and international consistency of the information exchanged.

6. WHAT ARE THE IMPACTS OF THE POLICY OPTIONS?

This Chapter assesses the impacts of the policy options identified under each measure compared with the baseline scenario. The assessment focuses on how the policy options would affect reporting volumes, compliance costs, administrative burden, legal certainty and the effectiveness of administrative cooperation compared with the current framework.

In line with the Better Regulation Guidelines, the analysis considers economic, social, environmental and fundamental rights impacts, as well as the effects on competitiveness, SMEs and digitalisation. Given that the DAC primarily establishes reporting obligations and information exchange mechanisms between economic operators and tax administrations, the most significant impacts are expected to arise in the form of economic and administrative burden reduction. These relate mainly to **compliance costs** for reporting entities and tax authorities.

Methodology and analytical approach

The assessment combines quantitative estimates and qualitative analysis drawing on several sources of evidence. These include the DAC evaluation (published in 2025), statistical information reported by Member States through DAC reporting systems, available analytical studies and extensive stakeholder consultation activities with business stakeholders and Member States. In the latter context targeted consultations were carried out with stakeholders in 2025 with a public consultation and call for evidence carried out between the 16 December 2025 and 10 February 2026.

Where sufficient data were available, impacts were quantified using reporting volumes, compliance cost estimates and administrative workload indicators. Where reliable

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quantification was not possible, impacts were assessed qualitatively, based on the stakeholders' inputs and indicating the expected direction and relative magnitude of effects. The quantification relies on several simplifying assumptions, including the use of average compliance cost estimates derived from evaluation evidence and stakeholder input, and the use of recent reporting statistics as proxies for future reporting volumes. Further details on the methodology, assumptions and sensitivity analysis are provided in Annex 4 (Analytical Methods). In the case of DAC, the costs associated with regulatory obligations (i.e. adjustment costs) are by nature, administrative. As a result, compliance costs overlap with administrative costs unless otherwise specified.

6.1 Impact on simplification while preserving the policy objectives of the DAC framework (compliance costs and risks assessment)

Policy options under Measure 1 – Ensuring that DAC6 reporting obligations remain proportionate and effective while promoting a more harmonised application of the MBT

Baseline: Intermediaries and, in certain instances, relevant taxpayers are required to report information on cross-border arrangements based on predefined hallmark criteria, with reportability for certain hallmarks conditional on the MBT being met.

PO1a: Excluding all companies within the scope of Pillar 2 from the reporting under DAC6.

PO1b: PO1a + removing reporting requirements related to generic hallmarks (category A) and issuing guidance on application of the MBT to remaining hallmarks subject the test.

PO1c: PO1a + removing reporting requirements related to generic hallmarks (category A) + removing the MBT and revising the remaining hallmarks previously subject to the MBT.

All policy options have a direct and increasing impact on improving the proportionality of the framework by ensuring that reporting obligations are better targeted to compliance risks. Therein the options presented are intended to ensure that there is a much greater alignment between the reporting requirements and the associated compliance costs for business and tax administrations and the information that is necessary for tax administrations to tackle tax fraud, evasion and avoidance. Therefore, the analysis estimates the cost savings resulting from the reduced scope of reporting requirements while also assessing the extent to which these reductions may impact on the policy objectives of the DAC.

In assessing the impacts of Measure 1, companies within the scope of the Pillar 2 Directive and those outside its scope are considered separately. This distinction reflects both the different policy treatment envisaged and the underlying differences in their compliance cost structures. MNE groups within the scope of the Pillar 2 Directive would benefit from a full exemption from DAC6 reporting obligations, whereas companies outside this scope would remain subject to DAC6, albeit with a reduced set of reporting requirements. MNE groups typically have a broader operational and tax footprint, as they conduct activities and maintain entities across multiple jurisdictions. Consequentially they engage in a higher volume of transactions across more complex cross-border structures. This necessitates more extensive and dedicated internal resources to identify, assess and document potentially reportable arrangements. As a result, both the baseline compliance costs and the expected cost savings differ significantly between the two groups, justifying a separate assessment.

Under **Policy Option 1a** MNE groups within the scope of the Pillar 2 Directive are exempted from DAC6 reporting obligations. Approximately 3,000 MNE groups in the EU fall within

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the scope of Pillar 2 and are considered relevant for this exemption[54]. As the compliance activities under ATAD and DAC6 can be considered broadly comparable in nature, this assessment draws on evidence from the ATAD evaluation as a benchmark. Both ATAD and DAC6 require companies to continuously monitor and assess cross-border transactions against predefined tax rules, often involving detailed legal and economic analysis, internal coordination across group entities and the application of specialised tax expertise. Based on this parallel, MNE groups are estimated to dedicate around 1.5 FTE staff to DAC6 related administrative work, corresponding to an annual compliance cost of approximately EUR 100,000 per group ([55]). The total compliance cost savings are therefore estimated at approximately EUR 300 million per year.

DAC6 obligations are imposed on intermediaries and in certain instances relevant taxpayers meaning that, in principle, each entity within a MNE group could be required to report a relevant arrangement. However, in practice, large MNE groups typically centralise their DAC6 compliance processes within dedicated in-house tax departments. As a result, the incremental compliance burden is not proportional to the number of entities but reflects the overall complexity and volume of cross-border arrangements at group level. Modelling compliance costs on a per-entity basis would therefore risk significantly overstating the actual resource requirements. The present approach accordingly estimates compliance costs at group level, implicitly covering all constituent entities within the group structure.

Under this option and based on statistical reporting data covering the distribution of disclosure reports across hallmarks combined with company level information on the share of MNE's within the scope of the Pillar 2 Directive, the number of disclosure reports is estimated to decrease by approximately 2,000 to 3,000 per year.

This reduction is not expected to impact on the policy objectives of the DAC as MNE groups in scope will be subject to a minimum effective tax rate of 15%. While **ex post empirical evidence** is not yet available, given that Pillar 2 has only recently been implemented, existing **ex ante analyses** provide important insights in this respect. Notably, the OECD's impact assessment finds that the Pillar 2 framework, by ensuring a minimum level of effective taxation (15%) for MNE groups in each jurisdiction in which they operate, is limiting effective tax rate differentials across jurisdictions. Therefore, it is expected to reduce the extent of profit shifting by MNE groups from high-tax to low-tax jurisdictions ([56]). In this context, the reduction in DAC6 reporting obligations for Pillar 2 in-scope firms is not expected to materially weaken the framework's effectiveness in addressing tax avoidance risks but rather to remove reporting obligations which have become redundant

[54] Company level data from the ORBIS database indicate that approximately 4,700 multinational enterprise groups worldwide meet the relevant turnover threshold (EUR 750 million) and have a presence in the EU (as of 2024), of which around 1,900 are headquartered within the Union. Given that not all groups with a limited EU presence are equally exposed to DAC6 reporting obligations, a central estimate of 3,000 MNE groups is used as a pragmatic midpoint within this range (see Annex 4 for more details).

[55] Study prepared for the European Commission to support an evaluation of the Anti-tax Avoidance Directive (ATAD Evaluation), Final Report (2026). Estimates cited in the ATAD evaluation are based on targeted consultations with companies, which indicate that compliance costs vary significantly depending on the size and complexity of the firm. While some MNEs report relatively modest compliance efforts (e.g. below 1 FTE where rules are not binding), costs for large and complex groups are typically higher and often in the range of around EUR 100,000 per year, corresponding to approximately 2–3 FTEs. At the same time, the evaluation acknowledges considerable uncertainty, with some firms reporting even higher costs in specific cases (e.g. related to exit taxation or high reliance on external advisors). To reflect this uncertainty, we have complemented the central estimate with a sensitivity analysis, including alternative low and high-cost scenarios (EUR 75,000 and EUR 125,000 per year) in Annex 4.

[56] See in particular chapter 3.6 of the impact assessment on the expected impact on profit shifting, which has been singled out as the most substantive risk: OECD (2020), Tax Challenges Arising from Digitalisation – Economic Impact Assessment: Inclusive Framework on BEPS, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, https://doi.org/10.1787/0e3cc2d4-en.

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following the implementation of the Pillar 2 framework. Moreover, MNE groups are subject to extensive cooperative compliance programmes in many Member States of the Union, which ensure that MNE groups are subject to continuous audit interventions and have several dedicated caseworkers from the tax administration assigned to monitor their operations.

Policy Option 1b removes selected hallmarks (A1, A2 and A3) affecting approximately 8,300 disclosures annually[57] all of which were reported by companies outside of the scope of the Pillar 2 Directive. For those companies, compliance costs are approximated on the basis of an average cost per DAC6 disclosure report. Available evidence suggests that the administrative cost of preparing, assessing and submitting a report range between EUR 3,000 and EUR 5,000, depending on the complexity of the arrangement. The estimate is based on information obtained through stakeholder consultations, in particular from intermediaries such as tax advisory firms, which are responsible for filing a large share of DAC6 reports. These stakeholders indicated that the costs per report can vary depending on their complexity with higher costs associated with hallmarks requiring more extensive legal and economic analysis, such as those in hallmark A, as compared to the more specific hallmarks that often involve more straightforward assessments. The estimated cost of EUR 5,000 per report is consistent with this feedback and is broadly in line with available evidence from the DAC6 evaluation, which reports costs of up to approximately EUR 3,000 per report ([58]). It should be noted that the external DAC6 evaluation is based on evidence collected several years earlier. In this context, the somewhat higher estimate used in the present impact assessment reflects more recent stakeholder evidence and evolving reporting practices. At the same time, both estimates clearly fall within the same overall order of magnitude and should therefore be regarded as broadly consistent.

Given that the generic hallmarks covered by this option tend to involve broader and less clearly defined concepts, requiring more extensive analysis and documentation, the upper bound of EUR 5,000 per report is used as the central estimate. The associated compliance cost savings are therefore estimated as EUR 41 million per year, bringing the total savings from this and the previous measure under Policy option 1a to approximately EUR 340 million annually. These estimates are indicative, as arrangements may remain reportable under other hallmarks[59]. Under this option the number of disclosures reports is expected to further decrease by approximately 8,300 per annum. This reduction further improves the proportionality of the framework while not undermining the policy objectives as reporting linked to these hallmarks has provided limited added value for tax administrations. This assessment is supported by the findings from the evaluation, feedback from stakeholders and from the Member States where most of the reporting takes places. In particular, evidence gathered from Member States (i.e. the tax administrations that have used DAC6 information to establish if the reported arrangements pose a risk of tax fraud, evasion or avoidance) provides strong support for concluding that this measure is not expected to have significant

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[57] Over the period 2019–2025, the hallmarks linked to category accounted for a significant share of all disclosures (namely, A1: 24.3%, A2: 0.8%, A3: 42.6%). They account for approximately 9,000 disclosures annually in absolute terms. Combined with information from Member States indicating that around 92% of all disclosures are filed by companies outside the scope of Pillar Two, the final number of relevant disclosures is estimated at approximately 8,300 per year. See Annex 4 for further details.

([58]) See external support study by Ramboll "Evaluation of the Directive 2011/16 and its amendments", 2024, Table 30.

[59] DAC6 disclosures occasionally refer to more than one hallmark for the same arrangement. As a result, the removal of specific hallmarks does not necessarily imply that all corresponding disclosures would disappear entirely, as some arrangements may remain reportable under other applicable hallmarks (see Annex 4 for a discussion of this aspect).

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negative effects on the fight against tax fraud, evasion and avoidance. A broad majority of Member States, particularly high-reporting Member States such as Germany, the Netherlands, Luxembourg and Sweden find that the hallmarks in Category A generate a large volume of disclosure reports with limited tax relevance ("noise"). These disclosure reports are widely seen as imposing significant administrative burdens on both tax administrations and intermediaries without materially contributing to the detection of tax risks.

Policy Option 1c removes the MBT from the remaining hallmarks currently subject to it (notably those in Category B and certain hallmarks in Category C). The impact of this change on reporting volumes cannot be robustly quantified. This is because there is no historical evidence where identical hallmarks have alternated between being subject to and exempt from the MBT, which would allow isolating its effect on disclosure behaviour. The effect of the MBT is ambiguous. On the one hand, stakeholder consultations indicate that the MBT can provide useful guidance to intermediaries in assessing whether an arrangement is reportable, therefore limiting disclosures by acting as a filter. On the other hand, the MBT may also give rise to defensive reporting, as intermediaries may choose to report in cases of uncertainty, thereby increasing the number of disclosures. In the absence of reliable empirical evidence and given that comparisons across hallmarks with and without the MBT are not informative due to differences in their underlying scope, no quantitative estimate of the impact is provided.

The combined costs savings from **Policy Options 1a** and **1b** is approximately EUR 340 million per annum, while the impact from **Policy Option 1c** is not quantifiable. All policy options are not expected to lower the ambition or have any significant negative effect on the fight against tax fraud, evasion and avoidance.

Finally, concerning the cost savings for tax administrations, the proposed simplifications are expected to result in an overall reduction of administrative costs for tax administrations, primarily through a decrease in the volume and complexity of reported information. The removal of certain generic hallmarks and the clarifications or elimination of the MBT are likely to reduce the number of disclosure reports submitted, in particular those driven by defensive reporting. This would, in turn, lower the resources required for processing, validating, storing and analysing reports, as well as for the exchange of information between Member States.

In addition to the volume effects, the measures are expected to improve the quality and relevance of reported information. By reducing the reporting of arrangements with limited tax risk relevance, tax administrations may be able to allocate resources more efficiently towards higher-risk cases, thereby improving the effectiveness of risk assessment and audit selection. At the same time, the implementation of the revised framework may entail short-term administrative costs. Tax administrations may need to update IT systems, adapt reporting schemas, revise guidance and provide support to intermediaries and taxpayers during the transition phase. Changes to the interpretation or structure of hallmarks may also require internal training and adjustments to risk assessment tools.

At the same time, while the implementation of the revised framework may entail short-term administrative costs (e.g. updates to IT systems, reporting schemas, guidance and training), these costs are expected to be limited and largely marginal in nature. This is because the underlying DAC6 reporting infrastructure is already in place, and the proposed changes

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primarily affect the scope and interpretation of reporting obligations rather than requiring the development of new systems. As a result, adjustments are expected to concern incremental modifications (such as updates to reporting templates or system parameters) rather than substantial investments.

This assessment is supported by stakeholder feedback, which did not identify significant transition costs and generally indicated that the proposed changes would be straightforward to implement. Given their limited scale and the absence of robust and comparable data across Member States, these adjustment costs could not be meaningfully quantified.

Overall, while some transitional costs are expected, Measure 1 is likely to generate net administrative savings in the medium to long term, driven by reduced reporting volumes, improved data quality and more targeted use of administrative resources. However, the precise magnitude of these effects cannot be quantified due to differences in national systems and the absence of detailed data on current administrative costs.

Quantified Cost Savings under Policy Option 1

	PO1a	PO1b	PO1c
Companies	EUR 300mn	EUR 341mn	Not quantifiable

Policy options under Measure 2 - Amending the reporting threshold for activities involving the sale of goods under DAC7

Baseline: Digital platform operators are required to report information on sellers who carry out 30 or more activities or receive income of EUR 2000 or more during the calendar year.

PO2a: Removing the activity threshold of 30 and retaining the monetary threshold of EUR 2,000.

PO2b: Removing the activity threshold of 30 and increasing the monetary threshold to EUR 3,000.

PO2c: Removal of the activity threshold of 30 and increase of the monetary threshold to EUR 5,000.

All policy options have a direct and increasing impact on improving the proportionality of the framework by ensuring that reporting obligations are better targeted to compliance risks. Therein the options presented are intended to ensure that there is much greater alignment between the reporting requirements and associated compliance costs for business and the information that is necessary for tax administrations to tackle tax fraud, evasion and avoidance. Therefore, the analysis estimates the cost savings resulting from the reduced scope of reporting requirements while also assessing the extent to which these reductions may impact on the policy objectives of the DAC.

Under the current framework, a substantial share of reported sellers consists of individuals with low levels of economic activity. This information is of limited relevance for tax risk assessment yet generates significant data volumes for both platform operators and tax administrations. By narrowing the scope of reportable sellers, the policy options allow tax administrations to focus more effectively on higher-value and higher-risk cases, thereby improving the efficiency of risk analysis and enforcement activities. At the same time, they reduce the administrative burden linked to processing, validating and exchanging large amounts of low-value information without materially undermining the core objective of DAC7. However, as the monetary threshold increases and a larger share of sellers are

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excluded from reporting, the overall information available to tax administrations is reduced. While this may improve efficiency, it could also entail a risk of reduced visibility over certain segments of economic activity, potentially limiting the ability to detect non-compliance at the margin.

Evidence collected from major EU market participants suggests that annual compliance costs associated with the operation of DAC reporting systems are approximately EUR 50,000 per platform. Furthermore, DAC7 statistics indicate that approximately 52,000 platforms were operating in the EU in 2024. Taken together, this implies total recurrent reporting costs of around EUR 2.6 billion per year across all reporting and compliance functions supported by these systems, including DAC7 as well as other DAC-related, regulatory and tax reporting obligations.

To isolate the DAC7-specific component of these overall system costs, a share of 30% is applied, reflecting the fact that platform operators typically use the same reporting infrastructure for multiple compliance purposes.

Concretely, DAC7 constitutes the primary and, in many cases, the only EU tax reporting obligation specifically targeting platform operators ([60]). The chosen 30% share therefore represents a balanced assumption, acknowledging both the multi-purpose nature of reporting systems and the central role of DAC7 in driving compliance costs for platform operators. Therefore, under a simplifying assumption that 30% of total reporting costs relate to DAC7, total DAC7-related compliance costs are estimated at approximately EUR 780 million annually ([61]).

DAC7 statistics made available to the Commission services combined with the feedback from business indicates that approximately 13.5 million sellers in the EU are currently reportable under DAC7, corresponding to around 20% of all individuals engaged in platform-based selling activities while the remaining majority fall below the applicable thresholds[62]. While DAC7 covers several categories of reportable activities (including immovable property, transport, personal services and the sale of goods), it is not possible to isolate the share of sellers engaged in the sale of goods, to which the reporting threshold applies. Available evidence from France, a relatively service-oriented market (e.g. short-term accommodation platforms), suggests that the split between goods and services is broadly balanced (around 50/50 in value terms) ([63]). In other Member States, such as Sweden, the composition is expected to be more tilted towards goods-based activities. As a result, the estimates presented should be interpreted as upper-bound approximations.

On this basis and using an estimated total annual compliance cost of approximately EUR 780 million for platform operators, the average compliance cost per reported seller is estimated at around EUR 60 per seller per year. To reflect uncertainty in both the allocation

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([60]) This is further corroborated by evidence collected through the call for evidence, where approximately three quarters of responding platform operators indicated that DAC7 constituted the only DAC-related reporting obligation they had filed during the previous year. One quarter of respondents reported that they were also subject to DAC4 and/or DAC6 reporting obligations, suggesting that DAC7 represents the primary DAC-related compliance burden for the large majority of platform operators.

[61] The precise share of total reporting system costs attributable specifically to DAC7 cannot be observed directly and is therefore subject to uncertainty. The 30% assumption is based on stakeholder feedback and the operational characteristics of reporting systems used by platform operators. To account for this uncertainty, the assessment includes robustness checks further below and in Annex 4 using alternative parameter values in order to assess the sensitivity of the estimated compliance costs and cost savings to different assumptions.

[62] This estimate is based on survey evidence from Sweden on the share of individuals engaging in platform-based selling and the proportion of reportable sellers. The figures are extrapolated to the EU level by adjusting for differences in internet usage across Member States and applying these shares to national population data. See Annex 4 for further details on the methodology and underlying assumptions.

[63] Statistique publique de la fiscalité, "Près de 40 Md€ de ventes sur les plateformes en 2022 : une diversité de profils de vendeurs", DGFIP Analyses N° 09.

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of system costs to DAC7 and the estimation of the reportable seller base, a sensitivity range is applied, resulting in a per-seller cost of EUR 40 (low scenario), EUR 60 (central scenario) and EUR 80 (high scenario).

In respect of **Policy Option 2a** of the 13.5 million sellers that are reported by platform operators, around 79% are reportable solely due to exceeding the 30-transaction threshold while remaining below the EUR 2,000 monetary threshold ([64]). Applying this share to the total population of 13.5 million reported sellers implies that approximately 10.7 million sellers per year would be removed from scope under this option. The associated compliance cost savings are estimated as follows:

- Low-cost scenario: 10.7 million sellers × EUR 40 = EUR 428 million
- Central scenario :10.7 million sellers × EUR 60 = EUR 642 million
- High-cost scenario: 10.7 million sellers × EUR 80 = EUR 856 million

In respect of **Policy Option 2b,** according to platform data on seller income distribution, increasing the monetary threshold to EUR 3,000 is estimated to increase the share of non-reportable sellers by around 16 percentage points compared to the status quo, corresponding to approximately 11.3 million fewer reported sellers per year. The associated compliance cost savings are estimated as follows:

- Low-cost scenario: EUR 452 million
- Central scenario: EUR 678 million
- High-cost scenario: EUR 904 million

In respect of **Policy Option 2c** stakeholder information suggests that this option would increase the share of non-reportable sellers by around 17 percentage points compared to the status quo ([65]). Applied to the population of 71 million sellers, this corresponds to approximately 12.1 million fewer reported sellers per year. The associated compliance cost savings are estimated as follows:

- Low-cost scenario: EUR 484 million
- Central scenario: EUR 726 million
- High-cost scenario: EUR 968 million

Concerning the impact on tax administrations, the proposed changes are strongly expected to reduce administrative costs for tax administrations, primarily through a reduction in the volume of reported sellers and the associated data flows. By removing the activity threshold and increasing the monetary threshold, a significant share of low-value sellers would no longer be reported. This would decrease the amount of data to be processed, validated, stored and exchanged between Member States, thereby lowering the administrative workload.

[64] The estimate is based on evidence collected through stakeholder engagement, in particular input from major platform operators in the EU. These platforms provided detailed simulations on the distribution of sellers across different reporting thresholds, including the share of sellers reportable solely due to the activity threshold.

[65] This is based on information obtained through stakeholder consultations, in particular from major platform operators in the EU. These operators provided detailed simulations on the distribution of sellers across different thresholds and the corresponding number of sellers that would fall out of scope under alternative policy scenarios. This evidence was used to calibrate the estimates.

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In addition to reducing volumes, the measures are expected to improve the relevance of the information collected. In line with the rationale for Measure 1 by focusing reporting on sellers with higher levels of economic activity, tax administrations may be able to conduct more targeted and effective risk assessments, reducing the need to filter large amounts of low-value data. At the same time, some limited one-off administrative costs may arise from adapting IT systems and reporting processes to reflect the revised thresholds. However, these adjustments are expected to be relatively small compared to the ongoing efficiency gains.

Overall, Measure 2 is expected to lead to net administrative savings for tax administrations, driven by lower data volumes and improved targeting of enforcement activities, although the exact magnitude of these savings cannot be quantified.

Quantified Cost Savings under Policy Option 2

	PO2a	PO2b	PO2c
Companies	EUR 428mn (low-cost case) EUR 642mn (central case) EUR 856mn (high-cost case)	EUR 452mn (low-cost case) EUR 678mn (central case) EUR 904mn (high-cost case)	EUR 484mn (low-cost case) EUR 726mn (central case) EUR 968mn (high-cost case)

Policy options under Measure 3 – Streamlining notification obligations from MNE groups under DAC4 and DAC9

Baseline: DAC4 and DAC9 requires each entity of the MNE group to file separate notifications for reporting purposes often under different formats and timelines.

PO3a: Introduce a single notification obligation for DAC4/DAC9, including a harmonised deadline and a common notification template

PO3b: PO3a + central filing of notification followed by exchange of information between Member States.

Both policy options have a direct and increasing impact on improving the proportionality of the framework by eliminating duplicative notification requirements without undermining the policy objectives of the DAC. This will be achieved by ensuring that Member States receive the same information in a more streamlined manner, thereby ensuring a much greater alignment between the reporting requirements and associated compliance costs for business and the information that is necessary for tax administrations to tackle tax fraud, evasion and avoidance. Therefore, the analysis estimates the cost savings resulting from the reduced scope of reporting requirements while also assessing the extent to which these reductions may impact on the policy objectives of the DAC.

Under the current framework, there are overlapping notification obligations under DAC4 and DAC9. The duplication identified does not relate to the substantive reporting obligations under DAC4 and DAC9, which remain distinct, but rather to the notification layer that precedes reporting. While the information included in the notification is limited in scope, the associated compliance effort extends beyond the mere transmission of data. In practice, it requires internal coordination across the group to identify the reporting entity, verification of consistency across jurisdictions, preparation and validation of the notification, and submission in accordance with national formats and timelines. Where these processes must be carried out separately for DAC4 and DAC9, often at different points in time and under non-harmonised requirements businesses may need to replicate these steps, including

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internal communication, checks and administrative handling. The resulting duplication therefore arises primarily at the level of processes and workflows, rather than the data content itself. This assessment is supported by stakeholder feedback, including from businesses and national tax administrations, which highlighted the absence of alignment between the two frameworks in practice.

The proposed measures aim to streamline these processes and eliminate unnecessary duplication. The analysis therefore focuses on estimating the compliance cost savings resulting from the simplification and consolidation of notification requirements. The estimation is based on the number of MNE groups currently required to submit notifications and assumptions regarding the staff time needed to prepare them.

Available information from the company level database ORBIS indicates that approximately 4,700 MNE groups worldwide meet the relevant requirements under DAC4 and DAC9 and have operations within the EU. As of 2024, these groups collectively account for approximately 109,000 constituent entities (subsidiaries) located in the EU. Under the current framework each of those 109,000 constituent entities is required to submit a DAC4 notification. According to information made available by MNE groups, the administrative costs for collecting the relevant information, coordinating within the group and for submitting the notification can be estimated at around 28 hours per entity per year, that results in an overall compliance cost estimate of EUR 135 million per year ([66]). Assuming similar notification requirements under DAC9 and no operational synergies, the combined annual cost is EUR 135 million × 2 = EUR 270 million per year.

Under Policy Option 3a, a single harmonised notification (based on a common template and common deadline) would replace the current separate notification obligations under DAC4 and DAC9. This would streamline reporting for each entity in the group without affecting the content of the information provided to tax authorities. In practice, under the current framework, the ultimate parent entity (UPE) or designated reporting entity must first collect and coordinate relevant group-level information and subsequently disseminate this information to all constituent entities, which then submit separate notifications, to support the reporting requirements under the DAC4 and the DAC9 framework using different templates and timelines. Under Policy Option 3a, these notification requirements would be aligned and standardised, thereby eliminating duplication related to the preparation, coordination and submission of notifications across the two frameworks. Consequentially duplicative administrative processes would be effectively eliminated leading to estimated compliance cost savings of approximately EUR 135 million per year for affected businesses. These savings arise primarily from the elimination of duplicative notifications across constituent entities.

Policy Option 3b builds on **Option 3a** by introducing central filing, whereby a single entity submits the notification on behalf of the entire MNE group, instead of each entity of the MNE group. This would further reduce duplicative filings and allow groups to centralise compliance processes, while ensuring that all relevant tax administrations continue to receive the necessary information through automatic exchange. Under the current system, each constituent entity is required to submit a notification to its domestic tax authority containing largely identical information on the reporting entity, the fiscal year and group affiliation. This requires the dissemination of centrally held information throughout the

[66] Applying average EU labour costs for the sector "Accounting, bookkeeping and auditing activities; tax consultancy", the cost per notification is estimated at EUR 1,270 per entity.

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group and the coordination of multiple entity-level filings. Under Policy Option 3b, these separate filings would be replaced by a single notification submitted centrally by the UPE or another designated entity using one harmonised template and timeline applicable to both DAC4 and DAC9 obligations.

Importantly, the proposed centralisation would not materially affect the internal collection and analysis of information within MNE groups, which would largely remain necessary irrespective of the reporting channel. The main savings instead arise from eliminating the repeated dissemination, coordination and submission of notifications by individual constituent entities. Instead of entity-level notifications, one notification would be submitted per MNE group. The annual compliance cost would therefore be 4,700 × EUR 1,270 = EUR 6 million per year. The resulting compliance cost savings are therefore EUR 270 million − EUR 6 million = EUR 264 million per year.

As only one Member State would receive the notification, the information would need to be exchanged with other Member States. This would require the development of an appropriate IT exchange schema and the establishment of an exchange channel. The adjustment costs linked to this investment are expected to be limited, as tax administrations can build upon the existing secure communication infrastructure under the DAC framework. At the same time, the streamlining of notification requirements is expected to generate efficiency gains by reducing duplicative submissions and simplifying administrative processes across Member States. Fewer notifications and more harmonised formats would lower the need for data validation, reconciliation and manual processing, while improving the consistency and usability of the information received. Overall, while some limited one-off implementation costs are expected, the measure is likely to result in net administrative savings for tax administrations in the medium to long term, although their precise magnitude cannot be quantified.

Quantified Cost Savings under Policy Option 3

	PO3a	**PO3b**
Companies	EUR 135mn	EUR 264mn

Policy Options under measure 4 – Improving the verification of the taxpayer identification number

Baseline: No centralised system for reporting entities and tax administrations to validate accuracy of TINs.

PO4a: Introduce a centralised TIN verification system accessible only to the Member States tax administrations.

PO4b: Introduce a centralised TIN verification system accessible to both Member States tax administrations and reporting entities.

Policy Option 4a would introduce a centralised TIN verification system accessible to the tax administrations of Member States. The tool would allow tax administrations to verify whether a reported TIN corresponds to the indicated taxpayer before transmitting information to another Member State.

Compared with the baseline scenario, this option is expected to improve the verification of TINs prior to the exchange of information which would, in turn, reduce the need for post-exchange correction procedures and the associated administrative workload. In particular,

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the tax administration of the sending Member State would be able to detect inconsistencies between reported TINs and taxpayer identities before the information is exchanged. This would reduce the number of follow-up requests and corrections required after the exchange of information. For the tax administration of the receiving Member State, the receipt of information that has already been verified by the sending Member State would improve the automatic matching of exchanged data with national taxpayer records, thereby reducing the need for manual verification procedures and follow-up actions. Therefore, when the TIN has been verified, tax administrations can use the information much more effectively and efficiently and in a manner that maximises the benefits of the framework. The administrative burden for reporting entities would not change significantly compared with the baseline scenario, as reporting entities would continue to provide identification information as currently required under DAC. However, earlier detection of inconsistencies may reduce delays in the overall exchange process.

The implementation of this option would entail initial development and recurrent operational costs for the Commission, related to the creation and maintenance of the centralised TIN verification system, and for Member States' tax administrations, related to the development of national access points and the integration with the central system. At EU level, the development of the central component, including IT infrastructure, common specifications and training, is estimated to generate one-off costs in the range of approximately EUR 0.5 million to EUR 0.9 million. In addition, recurrent operational, maintenance and technical assistance costs are expected to amount to around EUR 0.6 million per year[67].

At national level, tax administrations would incur one-off costs related to the development of national access points and integration with the central system. These costs are estimated at approximately EUR 11 million across the EU. Recurrent costs would include both system maintenance and administrative costs associated with the validation of TINs. Maintenance costs are estimated at around EUR 1.4 to 2 million annually across Member States. In addition, the administrative burden linked to TIN validation activities, including the handling of mismatches and follow-up procedures, is not expected to exceed EUR 10 million per year at EU level. While tax administrations would need to process a large volume of TIN validations, a high degree of automation and economies of scale are expected to significantly limit the marginal cost of processing additional records. No significant additional costs are expected for reporting entities under this option, as the responsibility for TIN verification would remain entirely with tax administrations.

Policy Option 4b would extend access to the centralised TIN verification system to reporting entities. Under this option, reporting entities would, on a voluntary basis, be able to verify whether a collected TIN corresponds to the indicated taxpayer before submitting information to the tax authority of the sending Member State.

This option is expected to further improve the quality and reliability of information transmitted under DAC, as inaccuracies could be detected and corrected directly at source. Reporting entities would be able to identify incorrect or incomplete TIN information before submitting reports, thereby significantly reducing the number of correction requests initiated by tax administrations. In addition, this option will reduce the need for reporting entities to

[67] These estimates are based on cost benchmarks from comparable EU-level IT systems developed under the DAC and VAT frameworks. They draw in particular on experience with the development of common specifications, validation tools and training activities under programmes such as Fiscalis, as well as on the operational costs of existing central systems (e.g. the Excise Movement and Control System (EMCS), the VAT Information Exchange System (VIES) and DAC-related infrastructures). The figures should be understood as indicative and limited to the central EU component, excluding national implementation costs (see Annex 4 for details).

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collect and report additional identification information, such as date of birth or other supplementary identifiers, which are used by tax administrations to compensate for missing or inaccurate TINs. By allowing reporting entities to confirm the validity of TINs at the point of reporting, this option will simplify data collection requirements and generate administrative savings for reporting entities over time from a reduction of data collection points (e.g. date of birth). While these administrative savings are expected to be significant, they cannot be quantified.

Similar to **Policy Option 4a** for tax administrations in both the sending and receiving Member States, this option is expected to further increase automatic matching rates, reduce manual validation procedures and improve the efficiency of information exchange and risk analysis in a manner that maximises the benefits of the framework. Extending access to the verification tool will require additional system development and access arrangements, and reporting entities may need to adapt their internal systems and processes in order to use the tool. These adjustments will generate adjustment costs for reporting entities, although these costs may be partly offset over time by reductions in correction requests and compliance risks linked to incorrect reporting of the TIN.

Under Policy Option 4b the main costs arise from extending access to the centralised TIN verification system to reporting entities. At EU level, one-off costs would arise for developing the central component of the system, drafting common specifications and access rules, and training tax administrations. These one-off costs are estimated at approximately EUR 1.0 to 1.8 million in total. In addition, recurrent EU-level IT costs for infrastructure, operations, maintenance and technical support are estimated at around EUR 1.8 to 2.4 million per year. These costs are higher than under the tax-administration only option because the system development would need to accommodate access by a potentially very large number of private users. At national level, tax administrations would incur one-off costs related to the development of national access points, system integration and the implementation of access management arrangements for reporting entities. These one-off costs are estimated at around EUR 15 to 25 million across the EU. Recurrent national IT costs, including maintenance of national access points and user support, are estimated at approximately EUR 4.5 to 12 million per year EU-wide.

For reporting entities, access to the validation tool would be entirely voluntary and therefore would not give rise to mandatory compliance costs. While companies choosing to use the tool may incur certain adjustment and operational costs (e.g. related to IT integration and process adaptation), these would be offset, at least in part, by reductions in other data collection and verification requirements, such as the need to obtain and report additional identifiers (e.g. date of birth or address) to compensate for missing or inaccurate TINs. Given the voluntary nature of the measure and the interplay between additional costs and expected savings, it is not possible to derive a robust ex ante estimate of the net cost impact for reporting entities. Overall, while upfront costs are expected, the measure is expected to deliver net administrative savings over time through improved data quality, and use of information and reduced correction and validation efforts, although the precise magnitude of these effects cannot be quantified at this stage.

The cost estimates of both **Policy Option 4a** and **4b** should be assessed against the **costs of alternative approaches** that would achieve a comparable level of TIN matching in the absence of ex ante validation. In particular, under the current system, inconsistencies in TIN data are often identified only after the exchange of information, requiring follow-up procedures between Member States and reporting entities. According to DAC2 statistics,

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approximately 64 million financial accounts were reported in 2024, of which around 73% (i.e. approximately 47 million accounts) included a TIN that would be subject to validation. Assuming that 10% to 20% of these records require follow-up, this would correspond to approximately 4.7 to 9.4 million cases across the EU. In practice, this implies that, following an initial automatic matching exercise, the receiving Member State requests clarification from the sending Member State, which in turn must contact the reporting entity to verify or complete the information. These processes often involve multiple jurisdictions and require manual, case-by-case handling. Assuming that around 1 million such cases arise annually and that resolving each case requires approximately 1.5 hours of combined effort across the relevant stakeholders, the associated administrative costs would amount to up to approximately EUR 70 million per year (based on average EU labour costs for financial and tax specialists). This illustrates that, while the introduction of a TIN validation tool entails upfront and operational costs, it will also generate significant savings by reducing the need for resource-intensive ex post correction procedures.

Policy Options under measure 5 - Improving the completeness of information reported under DAC1

Baseline: Member States exchange information available in their tax files on at least five out of seven categories of income and capital.

PO5a: The category of life insurance products (LIP) is removed.

PO5b: PO5a + Member States are required to automatically exchange information "available" in their tax files on all six remaining categories of income and capital.

PO5c: PO5a + Member States are required to automatically exchange information available to relevant public authorities in the Member States with respect to all six remaining categories of income and capital.

This measure aims to address the structural limitations of the framework and enhance the effective functioning and efficiency of DAC1. Firstly, the measure seeks to improve the proportionality of the reporting framework by removing reporting requirements that are duplicate and of limited value for tax administrations. Secondly, the measure also seeks to enhance the scope and completeness of income categories that are subject to AEOI under DAC1. By removing categories of limited added value and where appropriate, enhancing the completeness and accessibility of relevant information, the measure aims to ensure that administrative resources are focused on data that is more effective in identifying non-compliance, while avoiding unnecessary processing and exchange of low-value information.

The main impact of **Policy Option 5a** is the simplification of the existing framework stemming from the removal of the LIP category. [68]Given the limited use of the LIP category and its partial overlap with information exchanged under DAC2, removing this category is expected to have minimal impact on the effectiveness of administrative cooperation, while slightly reducing the administrative workload associated with processing and exchanging information that appears to have limited operational relevance.

Policy Option 5b would, in addition to **Policy Option 5a**, require Member States to exchange information "available" in their tax files for all six remaining income categories. Compared with the baseline, this option is expected to improve the consistency and comparability of information exchanged across Member States, thereby strengthening the level playing field within the Union and reinforcing the overarching objective of tackling tax fraud, evasion and avoidance. Moreover, more complete exchanges of information

[68] According to the DAC Statistics, the LIP category is exchanged only by 10 Member States and represents less than 1% of both the number of taxpayer and the total value of income exchanges under DAC1.

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improve the effectiveness of risk analysis and enforcement activities carried out by tax administrations in relation to taxpayers.

The main impacts would arise for tax administrations that currently exchange information on fewer categories and would therefore need to activate exchange processes for additional data already available in their systems (see **Figure 4).** These adjustment costs relate to IT configuration, data extraction and processing changes for tax administrations, rather than new data collection. As such, the associated costs are not expected to be significant, as tax administrations can build on existing national IT systems and infrastructure. Nevertheless, the magnitude of these costs may vary across Member States depending on the state of digitalisation of their current systems and the extent of the required adaptations.

Policy Option 5c represents the most comprehensive reform. In addition to removing the LIP category (**Policy Option 5a**) and requiring the exchange of information on all 6 remaining income categories, it would require Member States to exchange information available to all public authorities at national level, rather than limiting exchanges to information contained in the files of tax administrations. Implementing this option would likely require organisational and technical adjustments at national level, including improved access for tax administrations to information held by other public authorities, such as pension institutions and land registries, and potentially the establishment of new data-sharing arrangements or IT interconnections between databases. This would therefore entail higher one-off adjustment costs for the Member States concerned compared to **Policy option 5b**. While these costs cannot be reliably quantified at this stage, information made available to the Commission services by Member States indicates that these costs will be significantly limited by several factors. Firstly, information made available to the Commission services by Member States indicates that tax authorities already intend to increase the number of categories of information that are exchanged by 1 July 2028. Consequentially, and as demonstrated by Figure 5, the impact of the requirement for Member States to exchange information on six categories will be limited to certain Member States and certain categories of information.

Figure 5: Categories of information to be exchanged by Member States for the taxable period 2026 with effect from 1 January 2028

Category of income and capital	**Number of Member States that will exchange as of 1/7/2028**
Income from employment	27 Member States
Ownership of and income from immovable property	27 Member States
Directors Fees	24 Member States
Pensions	23 Member States
Royalties	22 Member States
Non-custodial dividend income	8 Member States

With respect to the three Member States that do not currently exchange information on directors' fees this information is already available to the tax authorities of these Member

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States. However, these Member States are currently unable to exchange this information as directors' fees are reported nationally under the category of income from employment. Therefore, only limited technical national reporting adjustments are required to ensure that all Member States exchange information on directors' fees. The lower number of Member States that intend to exchange information on royalties and non-custodial dividend income is reflective of the fact that these categories of information were only recently introduced by DAC7 and DAC8 respectively. However, as this income is taxable in the vast majority of Member States[69], it is expected that this income will be available to the tax authorities.

PO5C also proposes that Member States shall exchange all information that is available at the national level. A key rationale for this proposal is to ensure alignment with the Commission's 'Once-Only Principle'[70] according to which citizens and businesses should provide the same information to public authorities only once. To achieve this objective the principle provides that public administrations should then securely reuse and share that information across authorities with an appropriate legal basis that will be provided for under this initiative, which upon transposition will then be applied in accordance with the domestic of law of Member States. Appropriate data sharing safeguards will be applied at the national level in accordance with the requirements of the GDPR, while the automatic exchange of information shall take place in accordance with the well-established secure transmission system of the European Commission.

DAC5 already provides tax authorities with access to certain beneficial ownership information that has been collected under anti-money laundering legislation. Consistent with the once-only principle and in accordance with the existing well-established access safeguards that have been applied at national level in accordance with the requirements of the GDPR, this initiative will enhance access to relevant information under DAC5 in line with the new Anti-Money Laundering Directive (Directive (EU) 2024/1640). More specifically this enhancement will ensure that the tax authorities of Member States have the necessary legal basis to access relevant information held by other public authorities at national level with respect to ownership of and income from immovable property, specifically the single access point for real estate information.

By providing tax authorities with a legal basis to access relevant information held by other public authorities at national level this is also expected to significantly reduce the associated technical implementation costs. However, these costs cannot be quantified, the main reasons for this is the significant heterogeneity across Member States in terms of existing data-sharing arrangements, IT infrastructures, legal frameworks and administrative capacities. In some Member States, tax administrations already have relatively broad access to information held by other public authorities, while in others such access remains limited and would require more substantial adjustments.

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[69] As at 2025, 24 of the 27 EU Member States impose, or may impose in specified cases, domestic withholding tax on outbound royalty payments falling outside the exemption in Council Directive 2003/49/EC; the exceptions are Hungary, Luxembourg and Malta. See IBFD, *European Tax Handbook 2025*, country surveys; see also IBFD, *European Tax Handbook 2025*, EU Direct Taxation chapter, section on the Interest and Royalties Directive."All 27 EU Member States include dividend income in the tax base of resident taxpayers. Following the introduction of the concept of 'non-custodial dividend income' in the DAC8 amendments, Member States are required to exchange information on dividends or dividend-equivalent income paid or credited to an account other than a custodial account, reflecting the fact that such income remains taxable in the residence State notwithstanding its exclusion from CRS custodial-account reporting." See Council Directive (EU) 2023/2226 (DAC8), recitals and Article 8; IBFD, *European Tax Handbook 2025*, country chapters.

[70] European Commission, *"The Once Only Principle System: A breakthrough for the EU's Digital Single Market"*, available at: European Commission – Once Only Principle System (accessed 17 May 2026).

A robust cost estimate would therefore require a detailed, country-by-country assessment of (i) the current level of data integration, (ii) the additional data sources to be covered under the policy option, and (iii) the technical and organisational changes needed to enable access and exchange. Such granular and comparable information is not available at EU level and goes beyond the scope of the present analysis. As a result, the magnitude of adjustment costs is expected to vary considerably across Member States. That said, this option would significantly improve the level playing field and completeness of the information available to tax administrations, thereby strengthening their capacity to effectively assess and tax cross-border income.

6.2 Impact on competitiveness and SME's

Impact on competitiveness

By introducing targeted simplifications, greater harmonisation and clarity across existing DAC instruments, the initiative is expected to have a positive impact on business cost **competitiveness.** The proposed measures reduce administrative burdens associated with reporting, notification and compliance obligations, thereby lowering recurring compliance costs for businesses operating in the Internal Market. In particular, the removal or streamlining of certain reporting requirements under DAC6 and DAC7, as well as the elimination of duplicative notification processes under DAC4 and DAC9 are expected to reduce operational complexity and associated costs for businesses.

The initiative is also expected to contribute to a **more level playing field within the Internal Market.** By reducing divergences in the interpretation and application of reporting obligations, the measures aim to facilitate cross-border activity and reduce compliance frictions for businesses operating in multiple Member States. This, in turn will enhance the overall competitiveness of EU businesses, including in comparison with businesses operating in jurisdictions with less complex reporting frameworks.

While the initiative does not directly target business **capacity to innovate**, the reduction in compliance costs may indirectly support investment and growth by freeing up resources that can be reallocated to productive activities. Depending on business-specific decisions, such resources could be used, for example, to support expansion, digitalisation, or innovation-related investments. The magnitude of such effects remains uncertain, as it depends on how businesses choose to use the resources made available through the reduction in administrative burdens. The impact on business competitiveness is further analysed in the Competitiveness Test **(Annex 5).**

Impact on SMEs

Although the initiative does not include measures specifically targeted at SMEs, it is expected to be particularly relevant for them due to the nature of tax compliance costs. Such costs typically weigh more heavily on smaller businesses in relative terms, as they have more limited administrative capacity and face higher fixed costs per reporting obligation compared to large enterprises (see also Annex 6 "SME check" for more details).

Evidence from DAC6 reporting indicates that, among taxpayer filed reports, only a relatively small share (around 8%) is attributable to large MNE groups with annual consolidated revenues of at least 750 million. This implies that the vast majority of taxpayer reporting entities, approximately 90% or more, consist of smaller businesses, including a

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significant proportion of large SMEs (those at the upper limits of the SME threshold [71]). As a result, it can be assumed that SMEs account for a substantial share of DAC6 reporting activity and are therefore directly affected by the associated reductions in compliance costs. This is further supported by evidence collected through the call for evidence, where more than three quarters of responding companies filing DAC6 reports identified themselves as small or medium-sized enterprises. Taken together, this suggests that a substantial share of the expected compliance cost savings from the proposed DAC6 simplifications is likely to accrue to SMEs.

The proposed simplification measures, in particular the reduction of reporting obligations under DAC6 and DAC7, are expected to reduce compliance costs for businesses across all size categories. However, given that SMEs typically face higher compliance costs relative to their size, these reductions are likely to be particularly beneficial for smaller businesses. In relative terms, the resources made available from reduced compliance obligations may represent a more significant share of operating costs for SMEs than for large enterprises.

More broadly, by reducing administrative complexity and improving legal clarity, the initiative may facilitate SMEs' participation in cross-border economic activities, where compliance burdens have traditionally been identified as a barrier. While the measures do not introduce SME-specific exemptions, they contribute to alleviating a structural disadvantage faced by smaller businesses in navigating complex tax reporting frameworks within the Internal Market. SME impacts are further analysed in the SME Test (**Annex 6).**

6.3 Other impacts

The measures considered are not expected to have any direct and immediate **impact on environmental** outcomes. However, by reducing compliance costs, they may indirectly free up financial resources within companies. Depending on business priorities and existing constraints, these resources could be channelled into a range of activities, including investments in more environmentally sustainable technologies or processes. From an **employment and social perspective**, lower compliance burdens may allow businesses to reallocate resources towards productive uses, such as business expansion, workforce recruitment, or employee training, and potentially also higher remuneration, resulting from higher productivities of workers. Alternatively, companies may decide to distribute part of these gains to shareholders. Improved tax transparency and more effective detection of tax avoidance may indirectly support fair taxation and public finances. The scale and direction of these indirect effects remain uncertain, as they depend on individual business decisions regarding the use of the resources made available.

The initiative has also been also assessed with regard to its **potential implications on fundamental rights,** in particular those enshrined in the Charter of Fundamental Rights of the European Union[72].

Regarding the exchange of increased data sets due to TIN identification measures, with respect to PO4b, it must be clarified from the outset there is no potential for an increase in the data that is collected and exchanged as this policy option only focuses on introducing a centralised system to enable tax authorities and, potentially, also reporting entities, to verify

[71] SMEs are defined in accordance with Commission Recommendation 2003/361/EC as enterprises with fewer than 250 employees and either annual turnover not exceeding EUR 50 million or a balance sheet total not exceeding EUR 43 million.
[72] Charter of Fundamental Rights of the European Union [2012] OJ C 326/391

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the correctness of the reported TIN. By enabling this TIN verification, PO4b envisages that certain data points may no longer be required (if a validated TIN is provided), which is therefore likely to lead to a reduction in the data points collected and exchanged. This privacy by design mechanism actively promotes the GDPR principle of data minimisation. For all configurations, by querying up-to-date national records rather than a centralised repository, the decentralised architecture minimises the risk of processing outdated or duplicated information.

TINs qualify as personal data and validation requests necessarily involve accompanying the TIN with additional taxpayer identifying elements (such as name, date of birth or place of birth). The operation of the TIN verification system would thus engage Articles 7 and 8 of the Charter, respectively, the rights to private and family life and to the protection of personal data, as it would involve the processing of personal data relating to a large number of EU taxpayers across all Member States on a continuous basis. The same applies to the automatic exchange of information under DAC 1, to the extent that the measures involve the collection, exchange or processing of information, including potentially personal data.

As regards the TIN verification system, first it must be clarified that it will be based on a decentralised architecture (a gateway) that avoids central data storage: the gateway acts as a distribution hub among the 27 national validation access points and does not itself store personal data or national registry information, which limits the scope of EU-level processing. Second, it will be designed based on a number of safeguard features, including the following:

- **Restriction of input and output data to predefined minimum sets** in light of data minimisation and purpose limitation to tax administration objectives: under PO4b, the system will only facilitate a yes/no confirmation for such operators.
- **Transient data retention for individual queries:** the Gateway will be designed to perform without accessing or storing underlying national registry data. The Union-level legal instrument establishing the verification system will clearly delineate the roles and responsibilities of the Gateway operator and the national tax authorities, to prevent accountability gaps, in particular as regards the handling of data subject rights and the allocation of liability.
- **Access controls**: The verification system will operate solely for the purpose of taxpayer identification in the context of administrative cooperation under the DAC. The Union legal instrument establishing the verification system will clearly define this purpose and preclude any secondary use incompatible with it. Moreover, to prevent function creep, the verification system will be accessible on a need-to-know basis only, with access limited to authorised personnel within tax authorities and, where applicable, reporting entities with each organisation responsible for defining internal access rights and procedures.
- **Audit logging**: Traceability of use will be ensured through an audit log function, which documents the actions carried out by each authorised account and, in the context of optional use by reporting entities, could also support tax authorities in avoiding duplicating validation requests already carried out.
- **Architectural and technical safeguards providing secure communication channels:** For the use by tax authorities, the system will leverage the existing private CCN/CSI network infrastructure of the European Commission, which substantially

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limits exposure to external threats. Communication between reporting entities and national validation access points will occur over the public Internet, requiring appropriate, hardened network level security measures—on the side of each national validation access points. At the data transport level, communication between reporting entities and national validation access points must deploy secure communication protocols, and digital certificates or credentials for system-to-system communication.

As regards the collection and exchange of information available in the files of other national public entities(PO5c), it is important to clarify that this policy option does not require the centralisation of information held by different national authorities in one single communication system but only requires that this information is shared with tax administrations or that tax administration have access to the information so that it can be subsequently exchanged. In other words, the fact that certain information is not immediately available in the tax files of the tax administration should no longer prevent tax administrations from exchanging this information, if that information is available in the files of other relevant public authorities at national level (therefore excluding regional and local level, which would be much more difficult and costly to implement).

As mentioned above, this will be achieved by enhancing the DAC5 legal basis to provide access to updated and relevant AML information for tax authorities. As regards additional safeguards required under the GDPR, those in place both at the level of Member States and at the level of the Commission covering the processing of personal data will continue to apply. For example, for tax authorities, user authentication and authorisation are managed through existing national Identity and Access Management (IAM) frameworks. In addition, for the use by tax authorities, the system will leverage the existing private CCN/CSI network infrastructure of the European Commission, which substantially limits exposure to external threats.

The initiative is therefore, overall, considered to be compatible with the Charter of Fundamental Rights.

7. HOW DO THE OPTIONS COMPARE?

The comparison assesses the extent to which the options contribute to achieving the specific objectives of reducing complexity and improving legal clarity and certainty, ensuring reporting and notification obligations are proportionate and better targeted while preserving the policy objectives, and improving the effectiveness and usability of information exchanged between Member States. The relative effectiveness of the different options against the general and specific objectives is summarised in each table. The symbol ‘0’ represents no change compared to the baseline ‘no action’ while ‘+’ (/ “ –“) symbols point to a better/ worse performance of the option compared to the baseline. Performance increases with the number of ‘+’ (/ “ –“) symbols.

Measure 1 – Ensuring that DAC6 reporting obligations remain proportionate and effective while promoting a more harmonised application of the MBT

PO1a excludes all companies within the scope of the Pillar 2 Directive from reporting under DAC6. **PO1b** involves PO1a + removing reporting requirements related to generic hallmarks (category A), combined with

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guidance on application of MBT to the remaining hallmarks subject to the test. **PO1c** involves PO1a + removing reporting requirements related to generic hallmarks (category A), removing the MBT and revising the remaining hallmarks previously subject to the test.

Effectiveness

Specific Objectives	**Baseline**	**PO1a**	**PO1b**	**PO1c**
Reduce complexity and improve legal clarity and legal certainty for stakeholders	0	+	+++	++
Ensure reporting and notification obligations are proportionate and better targeted while preserving the policy objectives	0	+	+++	++
Improve the effectiveness and usability of exchanged information	0	+	+++	++

The policy options contribute to different positive degrees, to the specific objectives of the initiative and to the reduction of compliance costs. **PO1a** would significantly improve the proportionality of the reporting framework and reduce the administrative burden for the 3,000 MNE groups within the scope of the Pillar 2 Directive. Simultaneously it is not expected to negatively impact on the fight against tax fraud, evasion and avoidance due to the Pillar 2 minimum effective tax rules. **PO1b** would have a greater impact on the proportionality of the framework than **PO1a** as it further reduces reporting volumes and their associated costs for arrangements that provide limited added value for tax administrations, thereby preserving the policy objectives. In addition, targeted guidance on the interpretation of the MBT for the remaining hallmarks would promote greater consistency in its application across Member States, thereby improving legal certainty for intermediaries and taxpayers. **PO1c** would go further by removing the MBT from the remaining hallmarks currently subject to the test and replacing it with revised hallmarks based on objective criteria. While this is expected to address the complexity related to the MBT, the impact on reporting outcomes is not predictable. While the removal of the MBT may reduce defensive reporting (i.e. situations where intermediaries choose to report in cases of uncertainty due to the complexity of the test), several business stakeholders have indicated that the MBT can provide useful guidance to intermediaries in assessing whether an arrangement is reportable therefore limiting disclosures by acting as a filter.

Moreover, the redesign of some of the hallmarks would involve higher adjustment costs for reporting entities than **PO1b** as this would require updates to internal procedures, compliance systems and staff training. This was one of the key findings from the targeted consultations with business stakeholders as they stated that further modifications to the DAC6 reporting hallmarks should be avoided as they would require businesses to once again adapt their internal reporting systems and compliance processes, which would increase compliance costs.

All options will reduce the complexity and enhance the legal certainty of the framework for all stakeholders. This is more limited for **PO1a** than **PO1b** and **PO1c,** as all companies and intermediaries benefit from the latter two options. All options are expected to improve the effectiveness and use of information. **PO1b** scores higher than **PO1a** as it ensures that tax administrations can better dedicate resources to arrangements that present a higher risk of tax fraud, evasion and avoidance thereby further improving the functioning of the Internal

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Market and strengthening competitiveness. **PO1c** scores slightly lower than **PO1b** due to the less predictable nature of revised reporting outcomes.

Efficiency

	Baseline	PO1a	PO1b	PO1c
Companies and intermediaries				
Administrative cost	0	-	---	--
One-off adjustment and implementation costs	0	0	0	++
Public authorities				
Administrative cost	0	-	---	--
One-off adjustment and implementation costs	0	0	+	++

Measure 2 – Amending the reporting threshold for activities involving the sale of goods under DAC7

PO2a removes the activity threshold of 30 transactions while retaining the monetary threshold of EUR 2,000. **PO2b** removes the activity threshold and increases the monetary threshold to EUR 3,000. **PO2c** removes the activity threshold and increases the monetary threshold to EUR 5,000.

Effectiveness

Specific Objectives	Baseline	PO2a	PO2b	PO2c
Reducing complexity and improving legal clarity and certainty for stakeholders	0	++	++	++
Ensuring reporting obligations are proportionate and better targeted while preserving policy objectives	0	++	+++	+
Improving the effectiveness and usability of exchanged information	0	++	+++	+

The policy options contribute to different degrees, to the specific objectives of the initiative and to the reduction of compliance costs. While all options reduce compliance costs for business stakeholders and improve legal certainty, certain options score lower as they do not fully preserve the policy objectives and improve the effectiveness and use of information. This is the case for **PO2c,** as increasing the monetary threshold to EUR 5,000 will mean that tax administrations may no longer receive information that is relevant for the application of national tax rules.

Under PO2a reporting obligations would be triggered solely by the value of the income received, eliminating reporting linked to sellers carrying out a high number of low-value transactions. **PO2b** further simplifies the framework by introducing a single monetary reporting threshold of EUR 3**,**000. This improves legal clarity for reporting entities and ensures that reporting obligations are triggered primarily by economically meaningful levels

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of activity. The option also improves the targeting of reporting obligations by excluding low-value sellers whose transactions are unlikely to generate tax relevant income. **Policy Option 2c** would reduce reporting volumes even further by increasing the monetary threshold to EUR 5,000. However, this option would also reduce the availability of tax relevant information and therefore performs less strongly in terms of effectiveness as it may negatively impact on preserving the policy objectives.

Efficiency

	Baseline	PO2a	PO2b	PO2c
Companies (platform operators)				
Administrative cost	0	-	--	---
One-off implementation and adjustment costs	0	0/+	0/+	0/+
Public authorities				
Administrative cost	0	-	--	--
One-off adjustment and implementation costs	0	0	0	0

All options generate efficiency gains by reducing reporting obligations for digital platform operators. **PO2a** would reduce the administrative costs for platforms related to reports linked to sellers carrying out a high number of low-value transactions, as reporting obligations would be triggered solely by the EUR 2,000 monetary threshold. **PO2b** would further reduce administrative costs for platforms by increasing the standalone monetary threshold to EUR 3,000 whilst continuing to ensure reporting on economically relevant activity. **PO2c** would result in the highest reduction of administrative costs for platforms as reporting volumes would significantly decrease due to the increase of the reporting threshold to EUR 5,000. However, there are expected to be one-off minor implementation costs for companies due to the reconfiguration of reporting processes.

Similarly, there will be a reduction of administrative costs for tax administrations as they will be able to deploy resources to areas that present a greater risk of tax fraud, evasion and avoidance. However, as far as **PO2c** is concerned, the savings are partially offset by the fact that Member States may lose information that is relevant for tax purposes and, therefore, may need to carry out additional compliance activities to effectively apply their tax rules. There are expected to be no adjustment and implementation costs for tax administrations as every option removes reporting obligations thereby negating the need for IT adjustments.

Measure 3 – Streamlining notification obligations for MNE group under DAC4 and DAC9

PO3a introduce a single notification obligation covering DAC4 and DAC9, including a harmonised filing deadline and a common notification template. **PO3b** builds on **PO3a** and adds a central filing of the single notification followed by exchange of information between Member States.

Effectiveness

Specific objective	Baseline	PO3a	PO3b

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Reducing complexity and improving legal clarity and certainty	0	++	+++
Ensuring reporting and notification obligations are proportionate and better targeted while preserving policy objectives	0	++	+++
Improving the effectiveness and usability of exchanged information	0	++	+++

Both options address the duplication in notification obligations for MNE groups under DAC4 and DAC9 and therefore positively contribute to all 3 specific objectives. **PO3a** would improve legal clarity and certainty and reduce complexity by introducing a single harmonised notification that supports the reporting requirements for both DAC4 and DAC9. This would reduce parallel compliance processes within MNE groups and simplify interactions with national tax administrations. **PO3b** performs more strongly across all objectives. By allowing a single entity within the MNE group to file the notification centrally in a Member State, this option would remove the need for multiple local notifications by entities across the Union. The subsequent exchange of the notification between Member States would ensure that all relevant tax administrations continue to receive the information required for effective tax enforcement.

Efficiency

	Baseline	PO3a	PO3b
Companies (MNE groups)			
Administrative cost	0	-	---
One-off adjustment and implementation costs	0	+	+
Public authorities			
Administrative cost	0	-	--
One-off adjustment and implementation costs	0	+	+

Both options generate efficiency gains by eliminating duplicative notification requirements. **PO3a** would reduce compliance costs and administrative burden by replacing 2 notifications, 1 under DAC4 and the other 1 under DAC9, with a single harmonised notification. **PO3b** would generate larger efficiency gains by allowing central filing of the notification. This would remove the need for local notifications by each entity of the MNE group and, therefore, further reduces compliance costs for them. Both options would require limited one-off adjustment and implementation costs for both companies and tax administrations due to the need to revise current processes and procedures. In addition, the exchange of notification information between Member States would require limited IT adjustments, which are expected to be modest relative to the compliance savings generated.

Measure 4 - Improving the verification of TINs

PO4a introduces a centralised TIN verification system, accessible only to Member States tax administrations while **PO4b** introduces a centralised TIN verification system, accessible to both Member States tax administrations and reporting entities.

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Effectiveness

Specific objective	Baseline	PO4a	PO4b
Reducing complexity and improving legal clarity and certainty	0	+	+
Ensuring reporting and notification obligations are proportionate and better targeted while preserving policy objectives	0	+	++
Improving the effectiveness and usability of exchanged information	0	++	+++

Both policy options are expected to improve legal clarity and legal certainty, as reporting entities and tax administrations can more effectively comply with their reporting and exchange of information obligations. Both policy options would ensure that reporting obligations are proportionate and better targeted as verification of the TIN ensures that accurate information is reported and exchanged thereby limiting following up requests for information. Simultaneously, they would both preserve the policy objectives of tackling tax fraud, evasion and avoidance, as accurate reporting facilitates the enforcement of tax rules. **PO4b** scores higher as it is envisaged that in situations where a validated TIN is provided by the reporting entity, they will no longer be required to provide other identification information (for example the date of birth of the taxpayer), which are used by tax administrations to compensate for missing or inaccurate TINs. This provides for more proportionate reporting obligations while not undermining the policy objectives of the framework. Finally, both policy options score very positively in improving the effectiveness and use of exchanged information as they are predicated on the fact that a verified TIN will increase the automatic matching rate of information thereby facilitating enhanced use of the information. **PO4b** scores higher in this area as in situations where the TIN cannot be verified the reporting entity can directly contact the taxpayer to correct the information whereas, under **PO4a** tax administrations must first contact the reporting entity who must then contact the taxpayer to correct the information, thereby reducing the effectiveness and efficiency of the framework.

Efficiency

	Baseline	PO4a	PO4b
Companies (Reporting entities)			
Administrative cost	0	0	-
One-off adjustment and implementation costs	0	0	+
Public authorities			
Administrative cost	0	--	--
One-off adjustment and implementation costs	0	+	++

PO4a does not envisage any reduction in administrative costs for reporting entities as access to the verification system is restricted to tax administrations. Consequentially there are no one-off adjustment and implementation costs for reporting entities. **PO4a** is expected to reduce administrative costs for tax administrations as it foresees that TINs will be validated by the sending Member State thereby reducing follow up requests for correction

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information. Simultaneously, it is expected that the reporting of verified TINs will lead to higher automatic matching rates in receiving Member States thereby reducing the human and technical resources assigned to manual matching processes and procedures. As clearly identified in Chapter 6 there are expected to be one-off adjustment and implementation costs for tax administrations arising from the introduction of a centralised verification system.

As **PO4b** envisages access by reporting entities, on a voluntary basis, administrative costs are expected to decline for those reporting entities because they will receive less follow up requests for correction information from tax authorities. Simultaneously in instances where a verified TIN is provided, reporting entities choosing to use the centralised TIN verification system, will no longer be required to verify and report additional identifying information (e.g. the date of birth of the taxpayer), thereby further reducing administrative costs. Under **PO4b,** tax authorities are expected to see a reduction in administrative costs as the reporting of a verified TIN will reduce the need for follow up requests for correction information while also reducing the necessity for human and technical investment in manual matching processes and procedures. Finally, as detailed in Chapter 6, one-off adjustment costs are expected to be higher than **PO4a**, as tax administrations will be required to verify authentication and access to the system by reporting entities.

Measure 5 - Improving the completeness of information reported under DAC1

Under **PO5a** the LIP category is removed. This is also applicable to **PO5b** where, in addition, Member States are required to automatically exchange information available in their tax files on all remaining six categories of income and capital. **PO5c** builds on the preceding options and requires Member States to automatically exchange information available to all relevant public authorities in the Member States on all remaining six categories of income and capital.

Effectiveness

Specific Objective	Baseline	PO5a	PO5b	PO5c
Reducing complexity and improving legal clarity and certainty	0	+	++	++
Ensuring reporting obligations are proportionate and better targeted while preserving policy objectives	0	+	++	+++
Improving the effectiveness and usability of exchanged information	0	+	++	+++

All options improve the functioning of AEOI under DAC1 by addressing limitations in the completeness and consistency of the data exchanged between Member States. **PO5a** would primarily simplify the existing framework, by removing the LIP category from the list of categories subject to AEOI. In doing so, this policy option would not significantly affect the overall effectiveness of administrative cooperation, given the limited use of the LIP category and its partial overlap with information exchanged under DAC2. **PO5b** would, in addition to the benefits brought about by **PO5a**, also improve the consistency and comparability of information exchanged across Member States and strengthen the level playing field. Moreover, by ensuring that all Member States exchange information on the same set of

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categories, this option would also improve the usability of exchanged information for tax compliance purposes. **PO5c** represents the most comprehensive approach, as it would extend the scope of information exchange to data available to other public authorities at national level. By enabling the exchange of relevant information held by other public authorities, this option would significantly improve the completeness and usability of the information available to tax administrations, while strengthening the level playing field within the Union.

Efficiency

	Baseline	**PO5a**	**PO5b**	**PO5c**
Companies				
Administrative cost	0	0	0	0
One-off implementation and adjustment costs	0	0	0	0
Public authorities				
Administrative cost	0	-	+	++
One-off implementation and adjustment costs	0	0	+	++

Because DAC1 exchanges take place between tax administrations with no specific reporting obligation for any reporting entity, none of the options introduce additional reporting obligations for taxpayers or companies. As a result, no direct compliance costs or savings arise for the private sector under this measure.

PO5a would generate limited efficiency gains for tax administrations by removing the LIP category, which currently has low operational relevance and overlaps partially with information exchanged under DAC2. This option would slightly reduce the administrative workload associated with processing and exchanging information. **PO5b** would entail an increase of administrative costs resulting from the increased volume of exchanged information. In addition, it would involve certain one-off administrative adjustments for some tax administrations that currently exchange information on fewer than 6 categories. These adjustments would mainly involve IT configuration, data extraction and processing changes rather than new data collection. However, the benefits associated with more consistent and complete information exchanges will improve the effectiveness of tax risk analysis and enforcement activities. **PO5c** would entail a larger increase of administrative costs resulting from the increased volume of exchanged information. It would also require more substantial organisational and technical adjustments at national level, including improved access for tax administrations to information held by other public authorities and the establishment of appropriate data-sharing arrangements. While this option may involve higher implementation costs, it would also provide the most comprehensive set of information for administrative cooperation and therefore generate the greatest benefits for the enforcement of taxation rules.

Coherence

All options ensure coherence with the existing framework of the DAC and its policy objectives of tackling tax fraud, evasion, and avoidance. In the context of the DAC6

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measure, the preferred policy option of **PO1b,** which excludes all companies within the scope of Pillar 2 from DAC6 reporting obligations and which removes the reporting requirements related to the generic category A hallmark for all other reporting entities and taxpayers is coherent with the existing international framework. The assessment is supported by the fact that DAC6 does not implement any existing international standard into EU legislation and the proposed carve out for Pillar 2 companies does not therefore have any impact on the ability of the Pillar 2 Directive to prevent base erosion and profit shifting by ensuring that MNE groups in scope pay a minimum effective tax rate of 15% on profits in each jurisdiction that they operate.

In the context of the DAC7 measure, the preferred policy option of **PO2b,** which removes the activity threshold of 30 transactions and increases the monetary threshold to EUR 3,000 ensures coherence with the existing international framework as the proposed amendment is consistent with the proposed amendment to the OECD MRDP, as provisionally agreed at technical level.

In the context of the DAC4/DAC9 measure, the preferred policy option of **PO3b** proposes the introduction of a single notification obligation including a harmonised filing deadline, common notification template, central filing and exchange of information of that single notification. This proposed measure will not affect the existing coherence with the international OECD frameworks of Country-by-Country Reporting (CbCR) and the Pillar 2 rules. The rationale for this assessment is underpinned by the fact that the measure will not amend the existing DAC4 reporting requirements and therefore remains aligned with the OECD CbCR framework. The same rationale applies in the context of the Pillar Two rules, as the measure does not in any way impact on the information that is reported under DAC9 to ensure that MNE groups and large domestic groups pay a minimum effective tax rate of 15% in each jurisdiction where they operate hence remaining aligned with the corresponding OECD Global Information Return (GIR).

In addition, the proposed measure will have no impact on the existing EU Public Country-by-Country Reporting (PCbCR) Directive which enhances the corporate tax transparency and accountability by requiring large MNE's to publicly disclose where they generate their profits and where they pay their taxes. The rationale for this assessment is underpinned by the fact that DAC4 CbCR and Public CbCR have two different objectives. The objective of DAC4 is to provide EU tax authorities with information on the structure, transfer-pricing policies and internal transactions of MNE groups. This information is used by tax authorities to check for risks of tax abuse due to aggressive tax planning and other base-erosion and profit-shifting risks related to the MNE group. Public CbCR requires MNE's to publicly disclose specific corporate tax information. The objective is to increase corporate transparency and enhance public scrutiny. In summary while the scope of both Directives covers the same MNE's, the differing objectives and possibilities to use the information will not be impacted by the measure therefore ensuring coherence with the existing broader EU framework.

In the context of the measure to improve the verification of the TINs, the preferred policy option of **PO4b** proposes the introduction of a centralised TIN verification system accessible to the tax administrations of Member States and to reporting entities on an optional basis. This measure is fully coherent with the existing EU and international legislative frameworks.

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Finally, in the context of the measure to improve the completeness of information reported under DAC1, the preferred policy option of **PO5c** proposes that the LIP category is no longer required to be exchanged and that Member States are obliged to automatically exchange information that is available to all national authorities in the Member State with respect to the remaining six categories of income and capital. DAC1 does not have a directly equivalent international framework for reporting and exchange of information.

However, the current scope of information reported and exchanged under the DAC1 category of ownership of and income from immovable property will be enhanced to ensure coherence with the recent OECD initiative to exchange readily available information on immovable property[73]

8. PREFERRED OPTION

8.1 Preferred policy options and option package

This chapter lists the preferred policy options under each measure, as resulting from the analysis performed in the previous chapter and then identifies the preferred policy package. The preferred policy package combines the options under each measure that best contribute to the specific objectives of the initiative. It also considers the quantitative and qualitative impacts identified in the previous chapter, including reductions in compliance costs for reporting entities, improvements in the efficiency of administrative cooperation between Member States, and the need to preserve the operational value of the information exchanged.

The preferred **policy options under each measure** are presented below.

Measure 1 – Ensuring proportionate and effective DAC6 reporting obligations while promoting a more harmonised application of the MBT

The preferred option is **Policy Option 1b**.

This option combines the exclusion of companies within the scope of the Pillar 2 Directive from DAC6 reporting obligations with the removal of the generic hallmarks (category A) and the issuance of guidance on the interpretation of the MBT for the remaining hallmarks subject to the test.

This option performs best across the evaluation criteria. It significantly reduces reporting volumes associated with hallmarks that generate large numbers of disclosures with limited added value for tax administrations, thereby improving the proportionality of DAC6 reporting obligations. At the same time, the issuance of guidance would contribute to greater legal clarity and more consistent application of the MBT across Member States.

Compared with **Policy Option 1a**, this option addresses the broader issues related to the functioning of DAC6 reporting beyond the interaction with the Pillar 2 Directive. Compared with **Policy Option 1c**, it achieves substantial simplification while avoiding the more extensive redesign of the DAC6 reporting framework which would involve an uncertain outcome in terms of reporting volumes and also an increase in one-off administrative burden

[73] Organisation for Economic Co-operation and Development, Framework for the Automatic Exchange of Readily Available Information on Immovable Property for Tax Purposes: OECD Report to G20 Finance Ministers and Central Bank Governors (OECD Publishing October 2025) https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/tax-transparency-and-international-co-operation/framework-for-the-automatic-exchange-of-readily-available-information-on-immovable-property-for-tax-purposes.pdf

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for business and tax authorities, stemming from the removal of the MBT from the remaining hallmarks.

Overall, **Policy Option 1b** provides the best balance between simplification of reporting obligations, legal certainty for stakeholders and the continued effectiveness of DAC6 as a tool for identifying potentially aggressive cross-border tax arrangements.

Measure 2 – Amending the reporting threshold for activities involving the sale of goods under DAC7

The preferred option is **Policy Option 2b**.

This option removes the activity threshold and introduces a single monetary reporting threshold of EUR 3,000. By relying on a single reporting trigger based on the value of income received, this option simplifies the DAC7 reporting framework and improves legal certainty and clarity for digital platform operators.

Compared with **Policy Option 2a**, which maintains the EUR 2,000 threshold, **Policy Option 2b** further improves the proportionality of reporting obligations by excluding additional low-value sellers whose activities are unlikely to generate tax-relevant income. At the same time, it ensures that tax relevant income remains subject to reporting and exchange of information.

Compared with **Policy Option 2c**, which would increase the threshold to EUR 5,000, **Policy Option 2b** provides a better balance between reducing administrative burden and preserving the effectiveness of DAC7 reporting. A threshold higher than EUR 3,000 would reduce the availability of information relevant for the enforcement of national tax rules. **Policy Option 2b** is also fully consistent with developments in the OECD MRDP, thereby contributing to greater international alignment in the design of digital platform reporting rules.

Overall, this option best ensures that reporting obligations remain proportionate while preserving the effectiveness of the DAC7 framework.

Measure 3 – Streamlining notification obligations for MNE group under DAC4 and DAC9

The preferred option is **Policy Option 3b**.

This option builds on the introduction of a single harmonised notification requirement by allowing central filing of the notification by a single entity within the MNE Group in a Member State, followed by the exchange of the notification information between Member States.

Compared with **Policy Option 3a**, which introduces a single notification requirement but still requires local filing in each Member State, this option further reduces the administrative burden for MNE groups by eliminating duplicative filings by multiple constituent entities. At the same time, the exchange of the notification between Member States ensures that all relevant tax administrations continue to receive the information necessary for effective administrative cooperation.

Policy Option 3b therefore achieves the greatest simplification of notification obligations while maintaining the effectiveness of the DAC reporting framework.

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Measure 4 – Improving the verification of TINs

The preferred option is **Policy Option 4b**.

This option envisages the development of a centralised TIN verification system that is accessible to tax authorities and reporting entities.

Policy Option 4b supports more proportionate and targeted reporting requirements by reducing the necessity, for reporting entities that choose to use the centralised TIN verification tool, to report additional identification information in circumstances where a verified TIN is reported. This option also preserves the policy objectives of the framework. Simultaneously, **Policy Option 4b** scores higher in improving the effectiveness and use of information, as reporting entities will have more streamlined processes and procedures in place to attain corrected information from the taxpayer than those of tax authorities.

As regards administrative costs, **Policy Option 4b** scores higher as it envisages that reporting entities that choose to use the centralised TIN verification too will benefit from a reduction in administrative costs stemming from less follow up requests for corrective information from tax authorities and the possibility to not require reporting of certain additional identification information in circumstances where a verified TIN is reported.

Measure 5: Improving the completeness of information reported under DAC1

The preferred option is **Policy Option 5c**.

This option removes the category of LIP from the list of categories subject to exchange and requires Member States to exchange information available to all public authorities with respect to the remaining 6 income and capital categories.

Compared with **Policy Options 5a** and **5b**, this option most effectively improves the completeness and usability of information exchanged between Member States. By extending the scope of information exchange beyond data contained in the files of tax administrations it addresses a key limitation which currently affect the completeness of DAC1 exchanges.

While this option may involve higher implementation costs for Member States due to the need to ensure access to information held by other public authorities, it provides the most comprehensive improvement in the functioning of AEOI and contributes to a more level playing field within the Union.

8.2 Summary of the preferred policy package

Taken together, the preferred options form a coherent package aimed at simplifying the DAC reporting framework, reducing administrative burdens for reporting entities and tax administrations and improving the effectiveness of administrative cooperation in taxation within the Union.

Specific Objectives	Reducing complexity and improving legal clarity and certainty for stakeholders	Ensuring reporting obligations are proportionate and better targeted while preserving policy objectives	Improving the effectiveness and usability of exchanged information

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Baseline	0	0	0
Measure 1 – DAC6 **PO1b:** Excluding companies within the scope of the Pillar 2 Directive from reporting under DAC6 + removing the generic hallmarks (category A) + guidance to promote a more harmonised interpretation of the MBT for the remaining hallmarks subject to the test.	+++	+++	+++
Measure 2 – DAC7 **PO2b:** Removing the activity threshold of 30 transactions and increasing the monetary threshold to EUR 3,000	++	+++	+++
Measure 3 – DAC4/DAC9 **PO3b:** Introducing a single notification requirement for DAC4/DAC9 via a common standard template and harmonised deadlines + central filing of the notification followed by exchange of information between Member States	+++	+++	+++
Measure 4 – TIN **PO4B:** Introducing a centralised TIN verification system accessible to both Member States tax administrations and reporting entities.	+	++	+++
Measure 5 – DAC1 **PO5c:** The LIP category is no longer required to be exchanged. Member States are obliged to automatically exchange information available to all public authorities in the Member States with respect to the remaining six categories of income and capital.	++	+++	+++

Efficiency

	Baseline	Measure 1 DAC6 PO1b	Measure 2 DAC7 PO2b	Measure 3 DAC4/DAC9 PO3b	Measure 4 TIN PO4b	Measure 5 DAC1 PO5c
Companies						
Administrative cost	0	---	--	---	-	0

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One-off implementation and adjustment costs	0	0	0/+	+	+	0
Public authorities						
Administrative cost	0	---	--	--	--	++
One-off implementation and adjustment costs	0	+	0	+	++	++

Total cost savings for the preferred policy measures

Policy Measure	**Cost Savings**
Measure 1: DAC6 (PO1b)	341 million
Measure 2: DAC7 (PO2b)	678 million
Measure 3: DAC4/DAC9 (PO3b)	264 million
Total Savings	**1,283,000,000 — One billion two hundred eighty-three thousand**

8.3 REFIT (simplification and improved efficiency)

The preferred policy package contributes to the simplification objectives of the Union and supports the REFIT programme by reducing unnecessary administrative burdens while improving the effectiveness of the administrative cooperation framework. These measures directly simplify existing reporting obligations and remove duplicative procedures. In particular, the removal of certain DAC6 hallmarks and the exclusion of MNE groups subject to the Pillar 2 Directive remove reporting requirements that generate limited operational value for tax administrations. Similarly, the simplification of DAC7 reporting thresholds reduces the volume of reports associated with low-value transactions, while the introduction of centralised notifications for the purposes of DAC4 and DAC9 eliminates the current duplicative notification obligations for MNE groups. Simultaneously the introduction of a new verification system for TINs combined with improvements in the completeness of the DAC1 framework improve the efficiency of the DAC. Together, these measures simplify compliance procedures for EU businesses and SME's and improve the quality, completeness and use of exchanged information by tax administrations.

8.4 Application of the 'one in, one out' approach

The simplification initiative generates significant reductions in reporting volumes and notification obligations for EU businesses and SMEs. Based upon the estimates presented in Chapter 6, the preferred options are expected to generate substantial compliance cost savings and consequential reductions in administrative burden for EU businesses and SMEs. These compliance costs savings will be primarily achieved via the simplification of certain DAC6 reporting requirements for example the exclusion of MNE groups within the scope of the Pillar 2 Directive is estimated to achieve compliance cost savings of approximately EUR 263 million per year. Additional cost savings will be achieved from the simplification of the DAC7 framework by increasing the reporting threshold for activities involving the sale of goods and by simplifying and streamlining the notification obligations under

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DAC4/DAC9. Overall, the initiative results in a significant net reduction in administrative burden for EU businesses and SMEs in line with the Commission's 'one-in, one-out' approach.

9. HOW WILL ACTUAL IMPACTS BE MONITORED AND EVALUATED?

The actual impacts of these measures will be monitored and evaluated by the Commission services in close cooperation with the Member States. The monitoring framework will assess whether the initiative is achieving its specific objectives, namely, reducing complexity and improving legal certainty, ensuring that reporting and notification obligations are proportionate and better targeted while preserving the policy objectives and improving the effectiveness and use of exchanged information. Collection of factual data on the suggested monitoring indicators will also provide the basis for the future evaluation of the initiative

The following indicators are suggested to measure the success of the initiative in light of the specific objectives (Chapter 4). An indication of the target for success is also provided.

Indicators[74]	**Targets**
Compliance cost from DAC6 reporting	Reduction of EUR 300 million/year for large MNEs Reduction of EUR 41.4 million/year for other MNEs
Compliance cost reductions from DAC7 reporting	Overall reduction from EUR 452 million to EUR 904 million for digital platforms.
Compliance cost from DAC4/DAC9	Reduction of EUR 264 million/year for large MNEs
Regulatory cost for Tax authorities	Cost for tax authorities is expected to decrease following the decrease in the number of disclosures. Given the difficulties to isolate such component from other costs, the decrease will be appreciated qualitatively. Reduction of the number of disclosures to be analysed by tax authorities: 9,000 disclosures less for DAC6: 11.3 million reported sellers less annually for DAC7 109,000 MNEs in scope of DAC9 not filing separate DAC4 and DAC9 notifications anymore.
Average automatic matching rate for TINs	Average automatic matching rate increased up to 100% within 3 years from the full implementation of the system by all Member States
One-off costs for development of IT system for TIN	For EU (central component): EUR 970,000–1,770,000; For Member States (national component): EUR 15–25 million
Recurrent IT maintenance and assistance for TIN	For EU (central component): EUR 1.8–2.4 million/year; For Member States (national component): EUR 5.5–18 million/year

The monitoring framework will largely rely upon the existing statistical reporting mechanisms under DAC. Where necessary, these may be complemented by additional relevant indicators to better assess the impacts of the proposed measures.

[74] The ability of the Commission services to effectively monitor the compliance cost savings for EU businesses will be dependent upon the detailed scope of information provided by EU businesses to the Commission service surveys.

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9.1. Monitoring arrangements

The following indicators will be used to monitor the implementation and impacts of this simplification initiative.

Specific objective	Indicator	Data source	Frequency
Ensure proportionate and legally certain DAC6 reporting (removal of certain MBT-related A hallmarks and exclusion of Pillar 2 entities)	Number of annual DAC6 disclosures	DAC6 central directory statistics	Annual
Ensure proportionate and legally certain DAC6 reporting (removal of certain MBT-related A hallmarks and exclusion of Pillar 2 entities)	Reductions in administrative compliance costs	Survey of intermediaries	Every 5 years in view of evaluation
Ensure proportionate and better targeted reporting of sellers under DAC7	Number of annual sellers reported for the sale of goods.	Statistics reported by Member States	Annual
Ensure proportionate and better targeted reporting of sellers under DAC7	Reductions in administrative compliance costs	Survey of Platform Operators	Every 5 years in view of evaluation
Eliminate duplicative (DAC4/DAC9) and non-harmonised notification obligations for MNE Groups	Number of notifications submitted by constituent entities and number of notifications submitted at group level	Statistics reported by Member States	Annual
Eliminate duplicative (DAC4/DAC9) and non-harmonised notification obligations for MNE Groups	Reductions in administrative compliance costs	Survey of Platform Operators	Every 5 years in view of evaluation
Improve the quality and completeness of DAC1 exchanges	Number of categories exchanged by Member States and increase in the volume of information exchanged	DAC1 statistics reported by Member States	Annual
Strengthen tax compliance and protection of tax bases	Member States qualitative and/or quantitative appreciation of the ability to protect tax base	Statistics reported by Member States	Annual

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Increase in tax revenues/tax base as a direct/indirect consequence of making all DAC1 categories mandatory and ensuring that all information that is available is exchanged	Assessment of the impact of the new reporting requirements on tax fraud, tax evasion and tax avoidance	Statistics reported by Member States or qualitative appreciation	Annual

Monitoring will be carried out via the existing cooperation structures involving the Commission services and the Member States. Accordingly, the Working Group on Administrative Cooperation in Direct Taxation (WG ACDT), will discuss the implementation and functioning of the revised framework. This forum allows the Member States and Commission services to discuss implementation practices, identify operational challenges and share experiences regarding the application of the framework.

Where appropriate, the Commission services will also collect feedback from relevant stakeholders (e.g. intermediaries, MNE groups, digital platform operators, etc.) to better assess the practical impact of the reforms. The Commission services will survey reporting entities to establish that the measures are delivering the expected reductions in administrative costs. The survey will cover the following areas:

- DAC6: Survey of intermediaries and Pillar 2 companies to confirm the expected reductions in administrative compliance costs as a direct consequence of the removal of hallmark A and the exclusion of Pillar 2 companies from the scope of reporting.
- DAC7: Survey of reporting platform operators to confirm the expected reductions in administrative compliance costs as a direct consequence of the increase in the reporting threshold for the sale of goods.
- DAC4/DAC9: Survey of MNE groups to confirm the expected reductions in administrative compliance costs as a direct consequence of streamlining the current dual notification obligations.

The information attained from these indicators will further inform the Commissions evaluation of the effective functioning of the directive.

Evaluation

The Commission is required to carry out an evaluation of the DAC every five years based on Article 27 of the Directive. The evaluation will assess the performance of the revised framework in terms of effectiveness, efficiency, relevance, coherence and EU added value. The evaluation will pay particular attention to assessing whether the simplification initiative has:

- reduced compliance costs for reporting entities and eliminated duplicate notification obligations;
- improved the quality, completeness and use of exchanged information,
- increased automatic matching rates; contributed to improvements in tax compliance, tax revenues and the protection of national tax bases;
- contributed to a more consistent implementation of reporting rules across Member States.

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Changes in tax revenues will be interpreted cautiously, as revenue developments may also be influenced by economic conditions or national policy changes. The evaluation will therefore assess the extent to which improvements in tax compliance and revenue outcomes can reasonably be linked to the enhanced availability and use of information under the DAC.

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ANNEX 1: PROCEDURAL INFORMATION

1. LEAD DG, DECIDE PLANNING/CWP REFERENCES

DG TAXUD, PLAN/2025/2140.

The initiative will complement the Omnibus initiative in the field of taxation that will streamline, simplify and clarify the EU direct tax acquis and which, in turn, is part of a series of simplification initiatives and omnibus packages aimed at simplifying rules across key policy areas.

The initiative is planned as a recast of the directive and its 8 amendments comprising a codification of the legal text with the addition of amendments that are aimed to simplify, clarify and improve the functioning of the DAC framework.

2. ORGANISATION AND TIMING

An inter-service steering group was set up to steer and provide input to this impact assessment report. The steering group was composed of the following services: SG, TAXUD, COMP, CNECT, EEAS, GROW, JUST, FISMA, ECFIN, SJ. The steering group met 4 times before the report was submitted to the Regulatory Scrutiny Board.

3. CONSULTATION OF THE RSB

On 8 April 2026, a draft version of the impact assessment was presented to the Regulatory Scrutiny Board. On 4 May 2026, the RSB issued a positive opinion with reservations. Afterwards, the draft report has been revised in order to take into account the recommendations for improvement, as explained in more detail in the table below.

RSB Recommendations	How have the recommendations led to changes to the report?
The report does not sufficiently specify key policy measures included under different policy options, in particular for options 'improving the accuracy of reported TINS and improving the completeness of information exchanged under DAC1'. The report does not adequately specify what type of information is to be collected and exchanged, and from which entities/public bodies the information is expected to be automatically collected and exchanged. The report should also clarify whether some measures are new or not.	Explanations have been developed further in Chapter 6. In the context of measure 4, the objective of which is to improve the accuracy of the reported TIN's. This is a new measure; however, no additional information shall be required to be collected. There is already an existing legal requirement to collect the TIN, measure 4 ensures that there is a new tool to verify the correct of the TIN. In addition, measure 4 also provides the possibility for reporting entities that opt to use this new tool, to report less identification information e.g. place of birth may no longer be required where a validated TIN is reported. As regards, measure 5, which implements a key recommendation of the ECA. The measure ensures that the existing legislative framework is enhanced by making all

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	categories of information (excluding LIP) mandatory and by requiring the tax authorities of Member States to exchange all information that is available to public authorities at national level. Currently, only information that is available in the tax files of tax authorities is required to be exchanged, and Member States are only required to exchange information on 5 of the 7 categories. The categories of information are income from employment, life insurance products, pensions, ownership of and income from immovable property, directors fees, royalties and non-custodial dividend income.
The report should better explain how the values used for the calculation of administrative costs have been derived. It should also assess, based on observational data, the related uncertainty and what difference the use of alternative assumptions would make. It should explain why it was not possible to quantify costs or cost savings resulting from the measures on tax administrations.	The evidence and robustness of assumptions have been explained further. Explanations have been developed further in Chapter 6. As regards, administrative costs for tax administrations, it is expected that the implementation of the revised framework may entail short-term administrative costs. Tax administrations may need to update IT systems, adapt reporting schemas, revise guidance and provide support to intermediaries and taxpayers during the transition phase. Changes to the interpretation or structure of hallmarks may also require internal training and adjustments to risk assessment tools. At the same time, while the implementation of the revised framework may entail short-term administrative costs (e.g. updates to IT systems, reporting schemas, guidance and training), these costs are expected to be limited and largely marginal in nature. This is because the underlying DAC6 reporting infrastructure is already in place, and the proposed changes primarily affect the scope and interpretation of reporting obligations rather than requiring the development of new systems. As a result, adjustments are expected to concern incremental modifications (such as updates to reporting

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	templates or system parameters) rather than substantial investments. This assessment is supported by stakeholder feedback, which did not identify significant transition costs and generally indicated that the proposed changes would be straightforward to implement. Given their limited scale and the absence of robust and comparable data across Member States, this adjustment cost could not be meaningfully quantified. Similarly in the context of measure 5 and given the existing heterogeneity across Member States it was not possible to meaningfully quantify the costs.
The report needs to assess the legal and technical feasibility, as well as the possible costs, of the obligation to automatically exchange the information held not only by tax authorities, but also held by other national public entities etc. This assessment should take into account the underlying reasons for some member states not collecting or exchanging such information at national level so far.	Explanations have been developed further in Chapter 6. In this context, the report now clarifies that the initiative will introduce a legal basis that facilitates tax administrations in obtaining information held by other public authorities at the national level. The absence of an existing legal basis and appropriate data sharing arrangements with other public authorities is the key reason that some tax authorities do not have access to this information. By providing a legal basis this will ensure that the costs of attaining the information are to the greatest extent possible limited, as the alternative would be to oblige third party entities to report information. As regards the safeguards that will apply, the safeguards will be in line with the GDPR while the reporting and exchange of information will take place in accordance with the existing well-established security processes and procedures in place for the DAC.
Based on a clear definition and an improved assessment of impacts and risks, the report must contain an adequate analysis of the measures included in options 4 and 5 to allow for the assessment of their proportionality.	Explanations have been developed further in Chapter 2, and Annex 9 has been added to provide further analysis of the matching rates across the EU Member States. In the context of measure 4, it is imperative to recall that this measure does not impose

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	any new reporting obligation. The objective of the measure is to ensure that the current reporting obligations are efficiently and effectively implemented in a manner that ensures that tax administrations can automatically use all information reported under the DAC. The proportionality of the measure is further enhanced by the fact that the system is optional for reporting entities and where such reporting entities report a valid TIN, additional identification information e.g. place of birth may no longer be required. In the context of measure 5, it is imperative to recall that the measure is intended to implement a key recommendation of the ECA, which cited the fact that the current DAC1 reporting framework was not sufficiently robust to prevent tax fraud, tax evasion and tax avoidance. The measure is intended to ensure that all Member States report all categories of information, which ensures a level playing and effective harmonization. Simultaneously, the proportionality of the measure is further enhanced by the fact that in line with the Commission once only principle, Member States are required to report information that is already to public authorities at the national level. The alternative of requiring third party reporting would therefore be disproportionate as it would lead to possible duplicate reporting.
The report should provide an assessment of the risks on fundamental rights, including privacy, resulting from the exchange of increased data sets due to TIN identification measures and the automatic exchange of information under DAC 1.	Explanations have been developed further in Chapter 6. In particular, section 6.3 of the report has been significantly enhanced. The TIN verification system will be based on a decentralised architecture (a gateway) that avoids central data storage: the gateway acts as a distribution hub among the 27 national validation access points and does not itself store personal data or national registry information, which limits the scope of EU-level processing. Second, it will be designed based on a number of safeguard features, including the following:

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	• **Restriction of input and output data to predefined minimum sets.** • **Transient data retention for individual queries** • **Access controls**: The verification system will operate solely for the purpose of taxpayer identification in the context of administrative cooperation under the DAC. • **Audit logging**: Traceability of use will be ensured through an audit log function. • **Architectural and technical safeguards providing secure communication channels:** For the use by tax authorities, the system will leverage the existing private CCN/CSI network infrastructure of the European Commission, which substantially limits exposure to external threats. As regards the collection and exchange of information available in the files of other national public entities(PO5c), it is important to clarify that this policy option does not require the centralisation of information held by different national authorities in one single communication system but only requires that this information is shared with tax administrations or that tax administration have access to the information so that it can be subsequently exchanged. As regards additional safeguards required under the GDPR, those in place both at the level of Member States and at the level of the Commission covering the processing of personal data will continue to apply. For example, tax authorities, user authentication and authorisation are

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	managed through existing national Identity and Access Management (IAM) frameworks. In addition, for the use by tax authorities, the system will leverage the existing private CCN/CSI network infrastructure of the European Commission, which substantially limits exposure to external threats.
For the introduction of a centralised TIN verification system, the analysis should also clarify what safeguards will be put in place. For collecting and exchanging information available in the files of other national public entities, the report should specify what measures will be taken to address data protection and privacy concerns. It should assess the resulting increased cybersecurity risks and the measures envisaged to mitigate them.	Explanations have been developed further in Chapter 6 and in particular 6.3. These explanations are detailed in the previous text box
The analysis supporting the comparison and identification of preferred options needs to be improved, including sensitivity analysis where relevant to illustrate the impact of different parameters, for example regarding the increase in reporting thresholds from EUR 3,000 to EUR 5,000. The report neither demonstrates why option PO1b is preferred over PO1c adequately, nor why PO2b is preferred over PO2a.	Explanations have been developed further in Chapter 2, and Annex 8 has been added. The rationale for selecting PO1b over PO1c is primarily due to feedback from business stakeholders who cautioned that removing the MBT and adapting the related hallmarks would result in increased costs for businesses due to the consequential requirement to adapt reporting systems, processes and procedures. The rationale for preferring PO2b over PO2a is to ensure alignment with the OECD MRDP framework. The removal of the activity threshold and increase of the monetary threshold from EUR 2,000 to EUR 3,000 was provisionally agreed at the OECD technical level and endorsed by 26 Member States. In addition, Annex 8 details practical examples of the application of national taxation rules in certain Member States, which further justifies the preferred policy option.
Coherence with other measures, outside of the strictly defined tax policy area, should also be analysed. The EU country-by-country reporting directive	Explanations have been developed further in Chapter 7. These explanations demonstrate that measure 3 will have no impact on existing international and EU

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is, for example, a relevant point of consideration for understanding whether policy options under DAC4 and Pillar 2 are coherent with the EU legal framework.	frameworks. In particular, the measure ensures that the DAC4 and OECD equivalent CbCR reporting requirements remain aligned. In addition, the measure does not have any impact on the information that is made available under DAC9 and the equivalent OECD Global Information Return to apply the Pillar 2 minimum tax rate of 15%. Finally, the measure does not in any way impact on the requirement of MNE's to publicly disclose certain information as part of the Public CbCR transparency initiative.
The monitoring and evaluation framework should contain specific and measurable indicators allowing for an understanding of what success would look like for this initiative.	Further details on consultations have been added, and explanations have been developed further in Chapter 9. These details and explanations include specific monitoring targets related to decreases in reporting volumes, increases in tax revenues, and reductions in compliance costs for EU businesses. These targets will be monitored and evaluated by the Commission services in collaboration with Member States and in tandem via dedicated survey questionnaires to EU businesses, to better establish ongoing savings.

4. EVIDENCE, SOURCES AND QUALITY

The evidence for the impact assessment report was gathered through various activities and from different sources:

- 2025 Evaluation of the Directive on administrative cooperation.
- 2021 Special Report of the European Court of Auditors.
- 2024 Special Report of the European Cour of Auditors.
- Study by an external contractor: "Evaluation of the Directive 2011/16 and its Amendments"[75]
- Study by an external contractor: "Study on Taxpayer Identification Numbers (TIN) and possible verification instruments"
- Targeted consultation with Member States in the Working Party IV (WPIV) Commission Expert group on direct taxation.

[75] Final Report, 11 January 2024, Ramboll

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- Outcome from work in the VISDAC Expert Team (Fiscalis program) which collected evidence through on-site visits to Member States tax administrations.
- Consultations in the expert group Platform on Tax Good Governance which gathers experts from business, interest groups and Member States.
- Yearly questionnaires to Member States on automatic exchange of information and other forms of administrative cooperation, respectively.
- Targeted consultation with relevant stakeholders, such as business associations, tax consultants, and leading corporations in the global market.
- Public consultation and Call for evidence.
- Desk research.

5. EXTERNAL EXPERTISE

Two studies by external consultants have been used to inform this impact assessment: a study supporting the 2025 evaluation of the DAC, and a Study on Taxpayer Identification Numbers (TIN) and possible verification instruments.

The study supporting the evaluation of the DAC covers directives DAC1 to DAC6. It provides a basis for assessing the usefulness of DAC1 income categories and DAC6 hallmarks and MBT. The study also provides a general analysis of the quality and use of data for all DAC's, which is used for the assessment of all of the measures in this impact assessment.

The TIN study specifically targets the use and quality of the TIN and assesses different options to improve these. The preliminary results have been used in this report for assessing the costs of a centralised verification tool.

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ANNEX 2: STAKEHOLDER CONSULTATION (SYNOPSIS REPORT)

1. INTRODUCTION

To inform the preparation of this initiative, DG TAXUD carried out the following consultation activities:

- targeted consultations of business stakeholders;
- targeted consultations of Member States;
- Call for Evidence (CfE) and public consultation (PC).

The targeted consultations of business stakeholders took the form of interviews and meetings with different private stakeholders, including businesses of different sizes operating in different sectors, business associations, associations of tax consultants and academia. The consultations were mainly aimed at identifying areas for simplification in relation to DAC4/DAC9, DAC6 and DAC7.

As far as Member States are concerned, DG TAXUD organised 5 Working Party IV meetings. These meetings focused on potential topics for simplification/improvement and possible solutions related to DAC4/DAC9, DAC7, DAC1 and DAC6.

Finally, on 16 December 2025, DG TAXUD launched a CfE and, in parallel, a PC to collect stakeholders' views on the main policy options for simplification and their possible impact, including potential cost savings associated with the simplification of reporting requirements. The possibility to participate in the consultation process was published on the Commission's 'Have your say' portal, allowing stakeholders to submit feedback in any official EU language and to upload additional supporting documents. The consultation remained open until 10 February 2026 and received a total of 60 written responses.

The PC consisted in the submission of a close-ended questionnaire, structured to gather views on the proposed recast, including aspects such as simplification of reporting obligations (e.g., under DAC4 and its interplay with DAC9, DAC6, and DAC7), potential administrative burden reductions, and overall impacts on stakeholders. Respondents to the PC could also upload additional documents integrating their answers or more generally covering the subject of the consultation.

2. RESULTS OF CONSULTATION ACTIVITIES

2.1 Results of targeted consultations of business stakeholders

The targeted consultation of business stakeholders covered overall 50 stakeholders. These were business organisations for the whole economy as well as for specific industries, individual businesses in different industries and tax consultants.

Overall, the stakeholders favour the objectives of simplification and burden reduction, but their current issues and needs vary relatively to their activities. The key take-aways from the discussions are summarised below.

Concerning the interaction between DAC4/DAC9, many business stakeholders asked for a carve-out from reporting under DAC4 for MNEs group in scope of the Pillar 2 Directive (therefore reporting under DAC9), arguing that the transparency framework brought about

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by DAC9 makes DAC4 redundant. More generally, business stakeholders supported the harmonisation of reporting requirements to eliminate the current fragmented landscape. In particular, there is significant support for merging DAC4 and DAC9 notifications into a single, group-level submission and adopting a "change-only" approach to reduce redundant filings.

As far as DAC6 is concerned, respondents emphasised the disproportionate administrative burden and high staffing costs associated with DAC 6 and some of them called for a complete repeal. In particular, the Main Benefit Test (MBT) was considered as particularly complex and difficult to apply, also considering the different interpretation of the concept across Member States. To mitigate this issue, the large majority of the business stakeholders called for harmonised EU-level guidance. While few of them supported, instead, the complete removal of the MBT, coupled with a revision of the hallmarks subject to the test to make them more objective, several other opposed this idea, arguing that it would result in an increase of the reporting and would also entail the need to change their current practices. To make DAC6 more targeted and efficient, some stakeholders proposed narrowing the directive's scope through quantitative *de minimis* thresholds, "whitelists" for routine commercial transactions, and the deletion of redundant hallmarks that overlap with Pillar 2 rules or carving out from DAC6 all MNEs groups that are withing the scope of the Pillar 2 Directive. There was a very broad consensus on the need to repeal the 'generic hallmarks' (category A) as it has led to excessive burden with limited impact on Member States' revenues.

Finally, in relation to DAC7, two umbrella organisations for platform operators, two tax advisers specialised in DAC7 and five single platform operators were consulted. The consultations focused mainly on platforms specialised in the sale of goods and rental of immovable property, but platforms for rental of transport modes and for personal services were consulted in the context of the umbrella organisations. A major point of contention is the current reporting thresholds: stakeholders strongly advocated for raising the monetary threshold (EUR 2000) and removing the activity threshold (30 transactions) to avoid capturing occasional, non-professional sellers. Additionally, there is a clear demand for enhanced EU-level TIN verification tools to ease the data collection burden.

2.2 Results of targeted consultations of Member States

As far as DAC1 is concerned, Member States stressed the need to avoid duplications with respect to the LIP category, since information may also be included in DAC2 reports. However, they insisted that no information should be lost.

Regarding mandatory categories of information, Member States stressed that not all information is readily available, and access other public databases can be very costly to build. Most of them could however support, provided that the implementation timeline is adequate.

Member States were overall sceptical on the streamlining of reporting under DAC4 and DAC9, due to the risks of introducing discrepancies with the international standards that would create different reports inside and outside the EU.

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As regards DAC6, the large majority of the Member States expressed the view that the MBT is an essential filter to prevent reporting of arrangements with little value. Therefore, several of them were in favour of clarifying the MBT, as opposed to removing it and revising the hallmarks subject to the test, to make them more objective.

Member States were also consulted on the relevance of hallmarks, and no Member State opposed the deletion of the category A (generic hallmarks). Regarding the rest of the hallmarks, views of Member States were varied and there was no clear preference to remove or significantly change any other hallmark.

On DAC7, the majority of the Member States that gave an opinion expressed a clear preference for the removal of the activity threshold. However, there was a divergence of views on the possible increase of the monetary threshold, with some Member States supporting the current threshold, others supporting a threshold between EUR 3,000 and EUR 5,000 and a minority even favouring an increase above EUR 5,000.

2.3 Results of CfE and PC

Identification of respondents

Overall, a total of 50 different stakeholders participated in the consultation process. Of these, 30 respondents completed the PC questionnaire, and the remaining 30 stakeholders contributed exclusively through written feedback submissions in the CfE[76]. The largest share of responses came from tax intermediaries, accountants, and tax advisors (14), reflecting the strong engagement of professionals directly involved in tax reporting and compliance. Online platforms (13), banking and financial services (12), and general business associations (12) were also well represented among respondents. By contrast, very few contributions were submitted by individual EU citizens and no feedback was received from SMEs or SME-specific business organisations.

[76] Although 10 of them contributed by written feedback and online questionnaire, and 4 respondents did not include their identification data.

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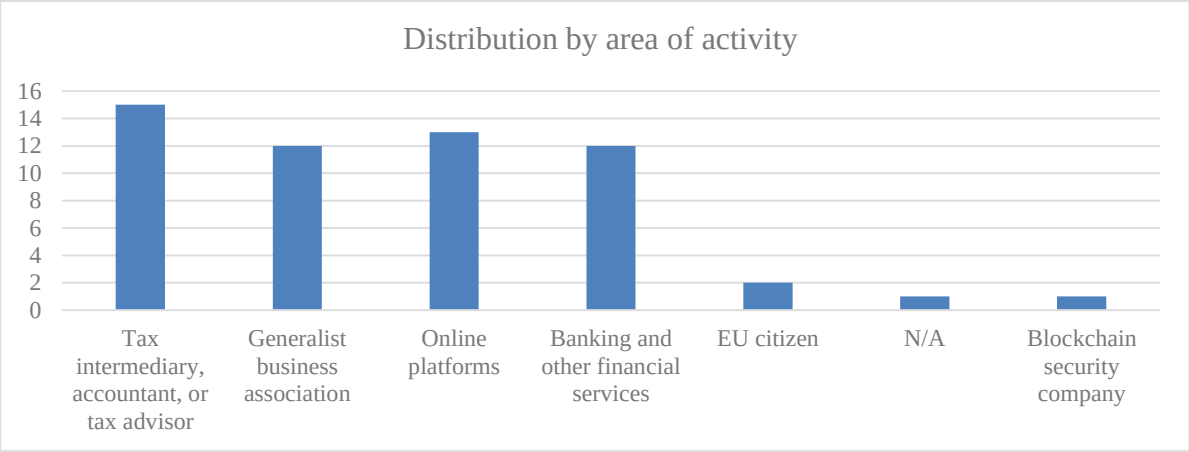
Figure 1: Distribution of respondents by area of activity



General Comments

The distribution of comments across the different DAC instruments highlights which parts of the framework stakeholders considered most relevant or impactful. DAC7 (the rules for online platforms) received by far the highest number of comments, followed by DAC6, and DAC4/DAC9.

A strong consensus emerged from the business sector on the need for **codifying the DAC** by bringing together DAC1 and all its eight amendments (DAC2-DAC9) into a single new legal act which would replace the current fragmented legal framework. There was also broad agreement that the existing framework creates disproportionate administrative and compliance burdens for reporting entities. 5 stakeholders from business and associations proposed simplification and burden-reduction measures, such as simplified (5 inputs) or excluded reporting for low-risk, or low-value transactions. The once-only reporting principle was emphasized by 4 associations, along with the elimination of overlaps which was supported by 2 associations.

5 business and tax advisor associations suggested relying on existing national identification systems combined with a centralised validation tool. As regards the latter, contributors advocated for centralised validation tools connected to authoritative sources, made available to reporting entities early in the process, with interoperable verification mechanisms preferred over new obligations on taxpayers.

More generally, business stakeholders emphasised the need for technical modernization and digital-friendly infrastructures to support efficiency and prevent future administrative burdens from piecemeal updates.

Finally, 2 contributors stressed that reporting obligations should remain limited to objective data already held by reporting entities, without imposing investigative or interpretative roles. 3 stakeholders from business associations stressed the need to ensure full alignment and consistency with existing international frameworks to avoid duplicative or conflicting requirements.

Specific comments

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DAC4/DAC9

The feedback provided by business stakeholders and tax advisors on this topic can be summarised as follows.

Tax advisors and business stakeholders (12) strongly supported a **single notification to support the reporting requirements under DAC4/DAC9**, based on a common template and a harmonised timeline, to avoid duplications and address the current fragmentation within the MS. They also advocated in favour of "central filing", i.e. enabling one entity of the group which is located in the EU to file the notification on behalf of the entire group, thereby avoiding multiple notifications. To further simplify the notification requirements, stakeholders proposed the **"change-only" approach**, which would keep the existing notifications valid until there is a change in the underlying data.

On the contrary, tax advisors and businesses stakeholders expressed mixed views on **merging DAC4 and DAC9 reporting schemas**, with 4 stakeholders supporting the proposal, as a means to cut duplication and costs, and 2 others considering it premature given the need to keep full consistency with international standards.

DAC6

30 respondents to the PC and CfE provided feedback on DAC6. 12 stakeholders from business, and intermediaries called for **clear and harmonised EU-level guidance** to ensure consistent interpretation and application of DAC6 across MS. One intermediary therefore stressed the need for uniform guidelines clarifying key concepts such as "arrangement," "participant," and "tax advantage". 2 associations also suggested that guidance should clarify the relationship between DAC6 and other EU frameworks, such as ATAD, the Parent-Subsidiary Directive, the Interest and Royalties Directive, and Pillar 2 rules, to prevent overlapping reporting obligations.

The **Main Benefit Test (MBT)** has been widely recognised as a key filtering tool to limit the number of reporting under DAC6. However, 2 intermediaries reported that there have been practical difficulties in applying the MBT. The divergence of national approaches, particularly with regard to the requirement for the relevant tax advantage to arise within the EU or to include third countries, has been a source of concern.

5 intermediaries' associations (tax advisors, lawyers) emphasised the **significant compliance burden associated with DAC6**. In particular, businesses must systematically assess every cross-border transaction to determine whether it falls within the scope of the directive, even when it ultimately does not trigger a reporting obligation. This screening process requires substantial internal resources, with 3 tax advisors reporting the need for several full-time employees to manage DAC6 compliance.

Similarly, business respondents argued that the **scope of DAC6 reporting should be more narrowly targeted** to **arrangements presenting genuine tax risks**. In the light of this, several business stakeholders argued in favour of carving out from DAC6 reporting all companies that are within the scope of the Pillar 2 Directive. Other business stakeholders suggested limiting reporting to implemented arrangements rather than potential ones, assigning the primary reporting obligation to taxpayers to avoid duplicative reporting, and removing reporting obligations for secondary intermediaries that are not directly involved with taxpayers. 5 business respondents also proposed introducing safe harbours for

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transactions already covered by other EU frameworks and exempting entities subject to extensive regulatory oversight, such as companies participating in cooperative compliance programmes or continuous audits. 17 stakeholders from business and tax advisors recommended reviewing and refining the DAC6 hallmarks to better target arrangements that pose a genuine risk of aggressive tax planning. Business stakeholders were aligned on the need to remove the **category A hallmarks (generic hallmarks),** which was regarded as having a very limited added value in terms of identifying potentially harmful tax arrangements. However, their views were very divergent on the potential removal of other hallmarks, with each of them suggesting different hallmarks, linked to the sector in which they operate.

Evidence gathered through stakeholder consultations with business representatives consistently indicates that the cost of preparing and filing a DAC6 report is approximately EUR 5,000 per report on average. Similar estimates were also reported by tax intermediaries, accountants and tax advisory firms involved in DAC6 compliance processes. Stakeholders highlighted that these costs primarily reflect the need for legal and tax analysis, internal coordination, documentation and the preparation and submission of the report, with costs varying depending on the complexity of the arrangement and the applicable hallmarks.

DAC7

22 respondents to the PC and CfE (including tax advisors, online platforms, and associations) gave their opinion on DAC7. 6 stakeholders (4 of them associations representing online platforms, 1 online platform and 1 tax adviser) expressed concerns regarding the **thresholds for the sales of goods**. They argued that the thresholds are too low, which results in reporting sales that are not relevant for tax purposes. In this respect, 2 stakeholders from online platforms and an association suggested raising the current monetary threshold up to EUR 5,000. Stakeholders also suggested removing the activity thresholds (30 transactions) and keeping only the monetary threshold.

Two tax advisor associations stressed the need for **increased harmonisation of reporting systems** within the MS. These stakeholders identified that there are considerable variations in national portals, formats, documentation requirements, timelines, and technical specifications, which cause operational problems for cross-border platforms. One business suggested that there is a need for the development of a **unified reporting system for the EU**, including the adoption of a single XML reporting template that is accepted within all the MS. Some suggestions were raised from 6 stakeholders about the **reporting deadlines,** 2 associations expressed their views that the current reporting deadline is giving rise to certain problems, as the availability of certain information concerning the transactions that took place in the later part of the year might only occur after the reporting date. 8 stakeholders (associations, business and online platforms) requested **the development of a centralised verification tool for TIN**. Platforms face challenges in obtaining certain seller information, such as place of birth as it may not be recorded in identification documents. To address these issues, stakeholders suggested focusing on essential data points like name, address, and TIN, while also developing enhanced verification tools for TIN at the EU level. They highlighted the fragmented nature of current verification tools across MS and expressed concerns about the costs, burdens, and GDPR/cybersecurity implications for sellers and platforms.

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Some respondents expressed concerns about the uneven enforcement between EU and non-EU platforms, uncertainty regarding sanctions for incomplete data, and situations where platforms must retain seller funds while awaiting missing information.

ANNEX 3: WHO IS AFFECTED AND HOW?

1. PRACTICAL IMPLICATIONS OF THE INITIATIVE

The initiative aims to streamline and simplify the DAC, significantly reducing administrative burdens for reporting entities while improving the efficiency of tax administrations.

On the business side, we distinguish between large MNE groups which are in scope of the Pillar 2 Directive, other companies outside of the scope of the Pillar 2, and platform operators of any size.

MNE groups within the scope of the Pillar 2 Directive (consolidated annual revenues of at least EUR 750 million) will no longer be obliged to report cross-border arrangements under DAC6, as risks are deemed covered by the global minimum tax rules. This will directly reduce the associated compliance costs for those companies. They will also benefit from a single notification to support the reporting requirements under DAC4/DAC9, filing only once per group via a common template and harmonised deadline, instead of separate notifications for DAC4 and DAC9 purposes by each of the 109,000 subsidiaries of MNEs in scope of Pillar 2.

Smaller MNE groups, i.e. those outside the scope of the Pillar 2 Directive, will benefit from a reduction in the number of DAC6 disclosures (about 8,300 per year). Given their larger population, a significant share of the resulting compliance cost savings is expected to accrue to smaller companies, including those with fewer than 50 employees. Within the population of MNEs in Europe, companies with fewer than 50 employees account for nearly two thirds, meaning that a substantial proportion of the benefits is likely to be concentrated among these smaller entities.

Platform operators, both larger and smaller ones, will see a reduction in reporting volumes due to increased monetary thresholds (to EUR 3,000) and the removal of the 30-transaction activity threshold for sellers of goods, eliminating the need to report low-value occasional sellers. The preferred option has the potential to reduce the number of reported sellers by up to 11.3 million per year.

Finally, tax intermediaries, e.g., advisors and accountants, will benefit from the removal of Category A (generic) hallmarks under DAC6 and clearer guidance on the Main Benefit Test (MBT), reducing “defensive reporting” of standard commercial transactions.

Tax authorities will process higher-quality data due to centralized TIN verification and more complete DAC1 exchanges, while the volume of low-value information from DAC6 and DAC7 will decrease, allowing for better-targeted risk assessments. Costs are expected to be driven primarily by the need to adjust IT systems and data-sharing arrangements in order to access and exchange information held by a broader set of public authorities. The magnitude of these costs will depend on the existing level of digitalisation and interoperability of public sector databases in each Member State. In more advanced systems, where data is already centrally accessible, the required adjustments may be relatively limited. By contrast, Member States with more fragmented data infrastructures may face higher initial investment costs related to system integration, data standardisation and governance frameworks.

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Evidence from national assessments, such as in Sweden [77], suggests that while such reforms may entail upfront IT development and coordination costs, they can also lead to efficiency gains over time through improved data quality, reduced manual processing and more effective risk analysis.

2. SUMMARY OF COSTS AND BENEFITS

I. Overview of Benefits (total for all provisions) – Preferred Option		
Description	***Amount***	***Comments***
Direct benefits		
Compliance cost reductions from DAC6	EUR 300 million/year for large MNEs EUR 41.4 million/year for other MNEs	Large MNEs are those within the scope of Pillar 2. "Other MNEs" are those outside of the scope of Pillar 2.
Compliance cost reductions from DAC7	From EUR 452 million to EUR 904 million for digital platforms	Estimated EU-wide savings for DAC7 compliance costs, based on a range of costs per reported seller from EUR 40 to EUR 80.
Compliance cost reductions from DAC4/DAC9	EUR 264 million/year for large MNEs	Large MNEs are those within the scope of DAC9 reporting.
Compliance cost reduction for the overall DAC framework	Quantification is not available	Recast of Directive 2011/16/EU to reduce complexity and strengthen legal certainty.
Regulatory cost reduction	Quantification is not available	For tax authorities dealing with a reduced number of disclosures (DAC6: 9,000 disclosures from A hallmarks and those filed by companies in scope of Pillar 2 under other hallmarks; DAC7: up to 11.3 million reported sellers annually less; DAC4: 109,000 entities of MNEs in scope of DAC9 not filing separate DAC4 and DAC9 notifications anymore).
Protect MS tax base (DAC1 and TIN)	Quantification is not available	Tax administrations will benefit from improved effectiveness of risk analysis stemming from (1) information on all six income categories (DAC1) and (2) centralised TIN verification system.
Support EU business competitiveness trough simpler, harmonised and less burdensome DAC reporting obligations	Quantification is not available	The initiative supports EU business competitiveness by simplifying and streamlining DAC reporting obligations, thereby reducing administrative and compliance costs for companies. Greater harmonisation across Member States improves legal certainty and reduces the need for businesses to navigate divergent national requirements. Taken together, these changes facilitate cross-border activity and allow businesses to allocate more resources to productive and growth-enhancing activities.
Indirect benefits		

[77] Skatteverket, "Rapportering och utbyte av upplysningar om inkomster från digitala plattformar och vissa andra ändringar i EU:s direktiv om administrativt samarbete på direktskatteområdet", 2022.

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(1) Estimates are gross values relative to the baseline for the preferred option as a whole (i.e. the impact of individual actions/obligations of the preferred option are aggregated together); (2) Please indicate in the comments column which stakeholder group is the main recipient of the benefit;(3) For reductions in regulatory costs, please describe in the comments column the details as to how the saving arises (e.g. reductions in adjustment costs, administrative costs, regulatory charges, enforcement costs, etc.).

II. Overview of costs – Preferred option							
		Citizens/Consumers		**Businesses**		**Administrations**	
		One-off	**Recurrent**	**One-off**	**Recurrent**	**One-off**	**Recurrent**
All actions (1 to 7)	Direct adjustment costs	None	None	Potential set-up costs for TIN verification scheme if used by reporting entities	Potential recurrent costs for IT maintenance TIN verification scheme if used by reporting entities	Development of IT system, access points, and training of staff for TIN verification scheme. For EU (central component): EUR 970,000–1,770,000; For Member States (national component): EUR 15–25 million	Recurrent IT maintenance and assistance: For EU (central component): EUR 1.8–2.4 million/year; For Member States (national component): EUR 5.5–18 million/year
	Direct administrative costs	None	None	None	Potential recurrent costs for TIN verification scheme if used by reporting entities	None	
	Direct regulatory fees and charges	None	None	None	None	None	None
	Direct enforcement costs	None	None	Non-identified	Non-identified	Non-identified	Non-identified
	Indirect costs	None	None	Non-identified	Non-identified	Non-identified	Non-identified

(1) Estimates (gross values) to be provided with respect to the baseline; (2) costs are provided for each identifiable action/obligation of the preferred option otherwise for all retained options when no preferred option is specified; (3) If relevant and available, please present information on costs according to the standard typology of costs (adjustment costs, administrative costs, regulatory charges, enforcement costs, indirect costs).

III. Contribution to the administrative burden reduction targets – Preferred option(s)

Measure 1 (DAC6): Excludes Pillar 2 companies and removes Category A hallmarks. It targets a EUR 341 million total annual reduction in compliance costs for businesses.

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Measure 2 (DAC7): Increases threshold to EUR 3,000 and removes the 30-transaction rule, reducing platform reporting costs by approximately EUR 678 million/year.

Measure 3 (DAC4/DAC9): Introduces central filing for notifications, saving MNEs EUR 264 million/year.

Measure 4 (TIN): Establish a centralised TIN verification system accessible to the tax administrations of Member States and reporting entities.

Measure 5 (DAC1): Removes life insurance products (LIP) from exchange requirements while mandating the exchange of all "available" information across other categories to close reporting gaps.

There is no reliable element to assess the following removed costs in Euro. However, the overall benefit / costs balance should be in favour of the private stakeholders, and relatively neutral for the tax administrations.

Administrative costs [M€]	**New recurrent costs (INs)** (nominal values per year)	**Removed recurrent costs (OUTs)** (nominal values per year)	**Net cost (INs – OUTs)** (nominal values per year)	**New one-off costs (INs)** (annualised total net present value over the relevant period)	**Removed one-off costs (OUTs)** (annualised total net present value over the relevant period)
All businesses	None or negative (if reporting entities opt-in for access to the centralised TIN verification system)	EUR 1,283 *	EUR 1,283 net savings*	Yes (adaption to new TIN schemas)	None
- in which SMEs	Possibly	Yes (Quantitative estimates not available)	Yes	Yes (adaption to new schemas)	None
Public administrations	Yes (Quantitative estimates not available)	Yes (Quantitative estimates not available)	No	Yes (adaption to new schemas) (Quantitative estimates not available)	None
Citizens	None	None		None	None

3. RELEVANT SUSTAINABLE DEVELOPMENT GOALS

IV. Overview of relevant Sustainable Development Goals – Preferred Option(s)		
Relevant SDG	**Expected progress towards the Goal**	**Comments**
SDG 8 – Decent work and economic growth	The initiative reduces tax compliance costs and administrative burdens for businesses, in particular through simplification of DAC6 and	Lower compliance costs may free up resources for productive investment, employment or wage growth. Impacts are

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	DAC7 reporting obligations and the streamlining of notification requirements. This is expected to improve the business environment, support productivity and facilitate cross-border economic activity within the Internal Market.	indirect and depend on companies' allocation of cost savings.
SDG 9 – Industry, innovation and infrastructure	By simplifying reporting obligations and improving the coherence of EU tax information systems, the initiative contributes to a more efficient regulatory framework and supports digitalisation of tax administration processes, including data exchange and verification systems.	Reduced administrative complexity and improved legal certainty may indirectly support innovation and investment decisions, although no direct R&D incentives are introduced.
SDG 10 – Reduced inequalities	By improving the effectiveness of tax transparency frameworks, the initiative may contribute indirectly to fairer taxation and a more level playing field across taxpayers.	Effects are indirect and depend on enforcement outcomes. Simplification measures are designed not to undermine core anti-avoidance objectives.
SDG 16 – Peace, justice and strong institutions	The initiative strengthens tax transparency, administrative cooperation and the effectiveness of tax enforcement across Member States, while improving the proportionality of reporting obligations.	Enhanced data quality, reduced duplication and improved exchange of information contribute to more efficient and fair tax systems. Some measures (e.g. DAC7 threshold adjustments) may slightly reduce available information but aim to better align reporting with risk relevance.
SDG 17 – Partnerships for the goals	The initiative enhances cooperation and information exchange between Member States' tax administrations, including through harmonised reporting frameworks and potential centralised systems (e.g. TIN verification, DAC4/DAC9 notifications).	Improved administrative cooperation supports coordinated action at EU level and strengthens the functioning of the Internal Market.

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ANNEX 4: ANALYTICAL METHODS

This appendix provides the technical details underlying the quantification of compliance cost savings associated with the DAC Recast measures. It describes the data sources used, the assumptions applied and the methodologies to estimate the magnitude of the savings across the different policy options. In particular, it sets out the numerical inputs, calculation steps and simplifying assumptions used in deriving the estimates presented in the main text. The purpose of this appendix is to ensure transparency regarding the analytical approach and to allow the estimates to be reproduced and interpreted in light of the underlying data limitations and methodological choices.

1. DAC6 (Measure 1)

The quantification of compliance cost savings under Measure 1 is based on the estimated number of DAC6 disclosures affected by the removal or modification of certain hallmarks and on the average cost of preparing a DAC6 disclosure.

In estimating the compliance cost savings under Measure 1, companies within the scope of Pillar 2 and those outside its scope are considered separately, both because they are affected to different extents by the proposed simplifications and because their compliance cost structures differ. Large MNE groups within the scope of Pillar 2, i.e. those with consolidated turnover of at least EUR 750 million, would benefit from a full exemption from DAC6 reporting obligations, whereas companies outside this scope would remain subject to DAC6 but would experience a reduction in reporting obligations through the removal or modification of specific hallmarks. This distinction is particularly relevant as Pillar 2 entities are typically large MNEs with more complex business models, a significantly higher volume of cross-border transactions and more complex group structures, requiring substantial resources to identify, analyse and document reportable arrangements.

At the same time, companies differ in how they organise their tax compliance functions. Entities outside the scope of Pillar 2 are more likely to rely on external advisory services due to more limited in-house capacity, meaning that compliance costs can be reasonably approximated using a cost per disclosure, based on the EUR 3,000–5,000 range identified in stakeholder consultations. By contrast, large MNE groups typically maintain dedicated in-house tax and compliance departments and manage reporting obligations on a continuous basis. For these entities, compliance costs are better captured through an estimation based on internal resources, e.g., expressed in FTE staff devoted to DAC6-related activities. This approach reflects economies of scale in internal compliance functions and provides a more realistic representation of their cost structure than a per-disclosure methodology. Consequently, the simplification measures are expected to generate comparatively larger compliance cost savings for entities within the scope of Pillar 2, both in absolute terms and in terms of the intensity of administrative effort avoided.

Compliance cost savings for companies falling within the scope of the Pillar 2 Directive

Starting with policy option 1a, the estimation of compliance costs for companies within the scope of Pillar 2 requires an approximation of the number of MNE groups with a relevant presence in the EU. Company-level data from the ORBIS database indicate that approximately 4,700 global ultimate owner (GUO) groups worldwide meet the turnover threshold of EUR 750 million and have at least one subsidiary in the EU, of which around

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1,900 are headquartered within the Union. However, for DAC6, the relevant unit of analysis differs, as reporting is trigger-based and depends on the existence of potentially reportable cross-border arrangements. As a result, not all MNE groups in scope of DAC4/Pillar Two will necessarily generate DAC6 reporting obligations, in particular those with only a limited footprint in the EU.

For the purpose of estimating DAC6-related compliance costs, the analysis therefore focuses on MNE groups that are likely to be actively engaged in DAC6 compliance activities. The upper bound is given by all MNE groups with a presence in the EU (around 4,700), while the lower bound corresponds to those headquartered in the EU (around 1,900), which are assumed to have a sufficiently significant footprint to systematically assess DAC6 obligations. Against this background, a central estimate of approximately 3,000 MNE groups is used as a pragmatic midpoint, capturing those non-EU groups with a sufficiently substantial operational presence, such as multiple subsidiaries and cross-border intra-group activities, that are most likely to give rise to DAC6-relevant arrangements. The estimation of compliance costs for MNE groups within the scope of Pillar 2 is informed by evidence from the evaluation of the Anti-Tax Avoidance Directive (ATAD), which suggests that large entities incur compliance costs of approximately EUR 100,000 per year ([78]). While ATAD and DAC6 differ in their specific objectives and instruments, both frameworks require entities on a continuous basis to identify, monitor and assess cross-border transactions against predefined criteria, implying a comparable level of analytical effort and operational complexity. Given that DAC6 compliance involves highly specialised tax expertise, including the assessment of complex legal and economic arrangements, it is appropriate to base the cost estimation on sector-specific labour costs. Using average EU labour costs for tax specialists in the sector "Accounting, bookkeeping and auditing activities; tax consultancy" of approximately EUR 45 per hour (average value for the EU in 2024), an annual compliance cost of EUR 100,000 corresponds to around 2,200 hours of work input. This is equivalent to approximately 1.3 to 1.5 full-time equivalent (FTE) staff dedicated to DAC6-related compliance activities per MNE group. This approach provides a reasonable approximation of the internal resources required by large MNEs to comply with DAC6 obligations.

Taken together, the estimated compliance cost savings for entities within the scope of Pillar 2 amount to approximately 3,000 MNEs × EUR 100,000 = EUR 300 million per year in total ([79]).

The ATAD evaluation indicates that compliance costs vary significantly depending on the size and complexity of the MNE group. While some firms report relatively limited compliance efforts, large and complex groups often incur annual compliance costs in the range of around EUR 100,000, corresponding to approximately 2–3 full-time equivalent staff dedicated to compliance activities. At the same time, the evaluation also highlights considerable uncertainty, with some firms reporting substantially higher costs in specific cases, for example where significant external advisory support is required.

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[78] Study prepared for the European Commission to support an evaluation of the Anti-tax Avoidance Directive (ATAD Evaluation), Final Report (2026).

[79] This estimate is consistent with the findings of the 2025 DAC Evaluation (Evaluation of the Directive 2011/16 and its amendments, Final Report, Table 32, p. 149), which identifies recurrent administrative burdens of approximately EUR 300 million per year for large and very large MNE groups in relation to DAC6 reporting over the period 2020–2022. This aligns with the central estimate used in the present impact assessment for the compliance cost reductions associated with exempting Pillar 2 in-scope entities from DAC6 reporting obligations.

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To reflect this uncertainty, sensitivity analysis was carried out using alternative low- and high-cost scenarios. Under a lower-bound assumption of annual compliance costs of EUR 75,000 per MNE group, the estimated compliance cost savings would amount to approximately EUR 225 million per year (3,000 MNEs × EUR 75,000). Under a higher-cost scenario assuming annual compliance costs of EUR 125,000 per MNE group, the estimated savings would increase to approximately EUR 375 million per year (3,000 MNEs × EUR 125,000).

Overall, this suggests that the estimated annual compliance cost savings for Pillar 2 in-scope entities are likely to fall within a range of approximately EUR 225 million to EUR 375 million, with EUR 300 million representing the central estimate used in the impact assessment.

Compliance cost for companies outside of the scope of the Pillar 2 Directive.

Policy option 1b extends policy option 1a by removing reporting obligations related to generic hallmarks in Category A. According to the DAC evaluation, the average cost of screening, assessing and reporting a DAC6 arrangement is estimated to range between EUR 3,000 and EUR 5,000 per disclosure. This range reflects the heterogeneity of reporting obligations across different hallmarks. Some hallmarks require a more detailed assessment, including legal and economic analysis, documentation of the underlying structure and the preparation of comprehensive descriptions for reporting purposes. These cases often involve significant input from tax, legal and compliance functions and may require external advisory support. By contrast, other hallmarks are more straightforward in nature and may rely on relatively simple criteria, in some cases amounting to binary ("yes/no") determinations with limited additional documentation requirements. In the case of the generic hallmarks under Category A, which tend to involve broader and less precisely defined concepts and may therefore require more extensive assessment and documentation, the upper bound of EUR 5,000 per disclosure is used for the purpose of the quantification to reflect their relatively higher complexity.

For Policy Option 1b, which removes the generic hallmarks A.1, A.2(a), A.2(b) and A.3, the estimation relies on DAC6 reporting statistics indicating that approximately 9,000 disclosures per year are associated with these A hallmarks [80].

According to the available information from Member States, approximately 8% of disclosures are submitted by MNE groups within the scope of Pillar 2. Assuming that the same proportion applies to the affected disclosures, 92% of those disclosures are filed by companies outside of the scope of Pillar 2. Thus, the estimated annual compliance cost savings for companies outside of the scope of Pillar 2 are calculated by multiplying the number of relevant disclosures by the average cost per disclosure [81].

[80] The respective numbers of disclosures between July 2020 and December 2025, i.e. over a time horizon of roughly six years, were as follows: A.1: 19,256, A.2(a): 672, A.2(b): 32, A.3: 33,785 (Source: DAC6 Reporting Statistics).

[81] Estimates are based on disclosures associated with the relevant hallmarks. As DAC6 reports may refer to multiple hallmarks for a single arrangement, the removal of a given hallmark does not necessarily eliminate all corresponding reports. However, the generic hallmarks concerned are broad in scope and account for a significant share of disclosures, such that their removal is expected to eliminate most associated reporting. Any residual reporting under more specific hallmarks is considered limited and not quantifiable. Estimates should therefore be interpreted as indicative.

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9,000 disclosures × 92% × EUR 5,000 = EUR 41.4 million ([82])

Under **Policy Option 1c**, in addition to excluding companies within the scope of Pillar 2 from DAC6 reporting (Policy Option 1a), the MBT would be removed from the remaining hallmarks currently subject to it, notably those in Category B and certain hallmarks in Category C.

The impact of this change on disclosure volumes cannot be robustly quantified. There is no historical evidence in which identical hallmarks have alternated between being subject to and exempt from the MBT, which would be necessary to isolate its effect on reporting behaviour. Alternative attempts to approximate the impact using comparisons between different hallmarks are subject to significant limitations, as differences in disclosure volumes across hallmarks are primarily driven by differences in their scope rather than by the presence or absence of the MBT.

In the absence of reliable empirical evidence and given the methodological limitations outlined above, no quantitative estimate of the impact on disclosure volumes or compliance costs is provided.

2. DAC7 (Measure 2)

The quantification of compliance cost under Measure 2 is based on an approximation of recurrent reporting costs incurred by platform operators and the estimated reduction in the number of reportable sellers under the alternative threshold options.

According to DAC statistics ([83]), there were approximately 52,000 platforms operating in the EU in 2024, reporting information on around 5 million sellers. Evidence from the Impact Assessment on "Tax fraud and evasion – better cooperation between national tax authorities on exchanging information" ([84]), provides an estimate of EUR 50,000 in recurrent annual compliance costs incurred by platform operators to operate reporting systems under the DAC framework ([85]).

However, the reporting systems used by platform operators typically also serve multiple regulatory and tax-related purposes beyond DAC7, including other DAC obligations (where applicable) and, in some cases, requirements linked to other tax or regulatory frameworks such as digital services taxation. As a result, only a share of the overall system costs can reasonably be attributed specifically to DAC7. At the same time, DAC7 often constitutes the primary reporting obligation for platform operators, suggesting that its cost share is non-negligible. On this basis and considering both multi-purpose use and the central role of DAC7 for platforms, a working assumption of 30% of recurrent reporting system costs being

[82] The DAC Evaluation does not separately isolate costs for this specific group. Instead, it reports costs for "small-scale MNEs" of approximately EUR 20 million, while grouping larger non-Pillar 2 MNEs together with the largest MNE categories (Evaluation of the Directive 2011/16 and its amendments, Final Report, Table 32, p. 149). Given that compliance costs for larger firms are substantially higher than for small-scale MNEs, the implied costs for all non-Pillar 2 firms combined would likely exceed EUR 20 million and move closer to the EUR 40 million estimated in the present impact assessment.
[83] DAC7 Statistical Reporting – EU Statistics 2025.
[84] European Commission, Impact Assessment – Tax fraud and evasion – better cooperation between national tax authorities on exchanging information, 2020.
[85] Available evidence from Eurostat indicates that prices in the relevant category "Information and communication (equipment)" have remained broadly stable, if not slightly declining, over the period 2018–2025. This suggests that the EUR 50,000 estimate remains a reasonable proxy in current prices. The report will include a reference to this evidence to justify the continued use of this figure.

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attributable to DAC7 is applied. This results in estimated annual DAC7-related compliance costs of 52,000 × EUR 50,000 × 30% = EUR 780 million.

With regard to the overall number of sellers active on platforms, no harmonised EU-wide data are currently available. The analysis therefore relies on survey-based evidence from Sweden as a benchmark. A representative household survey indicates that approximately one in four individuals aged 16 and above sold goods or services via an online platform in 2024 ([86]). When extended to the total population, this corresponds to roughly 20% of the population, or approximately 2.1 million individuals. This estimate is particularly relevant for the present analysis, as the Swedish platform economy is predominantly goods-based, with major platforms such as Blocket, Tradera and eBay focusing on the sale of second-hand goods.

At the same time, the Swedish Tax Agency estimates that approximately 400,000 sellers were reportable under DAC7 in 2024. This implies that around 19% of all platform sellers fall within the current DAC7 reporting scope in Sweden.

This evidence is used as a basis to approximate the total number of platform sellers in the EU through extrapolation. To account for differences in digital uptake across Member States, countries are grouped into three terciles based on internet usage. For the tercile with the highest level of internet usage ([87]), it is assumed that 20% of the overall population engages in platform selling, consistent with the Swedish benchmark. For the middle tercile ([88]), a share of 16% is assumed, and for the lowest tercile ([89]), 12%.

Applying these shares to the 2024 EU population results in an estimated total of approximately 71 million individuals selling goods or services via platforms. Assuming that the proportion of reportable sellers among all sellers is broadly comparable to the Swedish case (19%), this implies that approximately 13.5 million sellers are currently reportable under DAC7, while around 57.5 million sellers (81% of all sellers) fall below the current reporting thresholds.

Dividing the estimated total DAC7-related compliance costs by the number of reportable sellers yields an indicative per-seller compliance cost of approximately EUR 780 million ÷ 13.5 million ≈ EUR 60 per reported seller.

To reflect uncertainty in both the allocation of system costs to DAC7 and the estimation of the reportable seller base, a sensitivity range is applied, resulting in a per-seller cost of EUR 40 (low scenario), EUR 60 (central scenario) and EUR 80 (high scenario).

Note that DAC7 covers several categories of reportable activities, including immovable property, transport, personal services and the sale of goods. Due to limited data availability, the analysis does not distinguish between these categories, and in particular does not allow for an identification of the share of sellers engaged in the sale of goods, to which the reporting threshold applies. Empirical evidence from France, a relatively service-oriented market (e.g. short-term accommodation platforms), suggests that the split between goods

[86] Befolkningens it-användning 2024, E-handel, Statistics Sweden.
[87] The first tercile (highest internet usage) comprises the following Member States: Austria, Belgium, Spain, Finland, Sweden, Luxembourg, Ireland, the Netherlands and Denmark.
[88] The second tercile (medium level of internet usage) comprises the following Member States: Estonia, Malta, Latvia, Romania, Hungary, Czechia, Germany, Cyprus and France.
[89] The third tercile (lowest level of internet usage) comprises the following Member States: Croatia, Greece, Bulgaria, Portugal, Lithuania, Poland, Italy, Slovenia and Slovakia.

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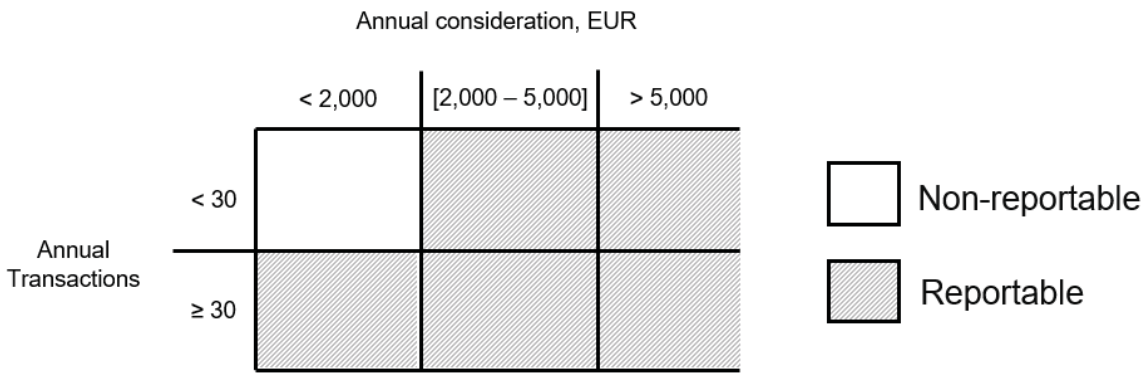
and services is broadly balanced (around 50/50 in value terms) ([90]). In other Member States, such as Sweden, the composition is expected to be more skewed towards goods-based activities. Accordingly, the estimates should be interpreted as indicative and may represent an upper-bound approximation.

Policy option 2a – Removal of the activity threshold

Under the current rules, sellers must be reported if they either exceed 30 transactions or receive more than EUR 2,000 in annual consideration (see illustration below). Option 2a removes the activity threshold while maintaining the monetary threshold.



According to information collected from some mayor platforms in the EU, approximately 79% of the reportable sellers are reported solely due to exceeding the 30-transaction threshold while remaining below the EUR 2,000 monetary threshold.

Applying this share to the population of reported sellers of 13.5 million sellers implies that approximately 10.7 million sellers per year (13.5 million sellers × 79%) would fall out of scope under Policy option 2a.

The associated compliance cost savings are estimated as follows:

Low-cost scenario: 10.7 million sellers × EUR 40 = EUR 428 million

Central scenario: 10.7 million sellers × EUR 60 = EUR 642 million

High-cost scenario: 10.7 million sellers × EUR 80 = EUR 856 million

Policy option 2b – Removal of the activity threshold and increase of the monetary threshold to EUR 3,000

Policy Option 2b removes the activity threshold and increases the monetary threshold from EUR 2,000 to EUR 3,000.

[90] Statistique publique de la fiscalité, "Près de 40 Md€ de ventes sur les plateformes en 2022 : une diversité de profils de vendeurs", DGFIP Analyses N° 09.

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Evidence from stakeholders' consultation [91] suggest that the share of non-reportable sellers is estimated to increase from approximately 81% under the current framework to around 97% under Option 2b, corresponding to an increase of about 16 percentage points. Applied to an estimated seller population of 71 million, this implies that approximately 11.3 million sellers (71 million sellers × 16%) would fall out of scope compared to the status quo.

The associated compliance cost savings are estimated as follows:

Low-cost scenario: 11.3 million sellers × EUR 40 = EUR 452 million

Central scenario: 11.3 million sellers × EUR 60 = EUR 678 million

High-cost scenario: 11.3 million sellers × EUR 80 = EUR 904 million

Policy option 2c – Removal of the activity threshold and increase of the monetary threshold to EUR 5,000

Policy option 2c removes the activity threshold and increases the monetary threshold from EUR 2,000 to EUR 5,000.

Under this option approximately 98% of sellers would fall below the reporting threshold, compared with approximately 81% under the current framework, according to information collected from affected platform companies. This implies an increase of roughly 17 percentage points in the share of non-reportable sellers. This is based on information obtained through stakeholder consultations, in particular from major platform operators in the EU. These operators provided detailed simulations on the distribution of sellers across different thresholds and the corresponding number of sellers that would fall out of scope under alternative policy scenarios. This evidence was used to calibrate the estimates.

Applying this change to the seller population of 71 million sellers results in an estimated reduction of approximately 12.1 million reported sellers per year (71 million sellers × 17%).

The associated compliance cost savings are estimated as follows:

Low-cost scenario: 12.1 million sellers × EUR 40 = EUR 484 million

Central scenario: 12.1 million sellers × EUR 60 = EUR 726 million

High-cost scenario: 12.1 million sellers × EUR 80 = EUR 968 million

3. DAC4 and DAC9 (Measure 3)

The current framework gives rise to a clear duplication of compliance costs for MNE groups, stemming from overlapping notification requirements under DAC4 and DAC9. In practice, constituent entities within an MNE group are required to submit separate notifications identifying the reporting entity responsible for filing group-level information under each framework, despite the fact that these notifications largely concern the same underlying information. Differences in scope, timing and national implementation mean that these notifications cannot be consolidated, requiring companies to establish parallel internal

[91] Data are available for thresholds at EUR 2,000, EUR 5,000 and EUR 10,000. These were used to approximate the intermediate value by applying a non-linear interpolation, reflecting the fact that the share of exempted sellers increases at a decreasing rate and gradually converges towards 100% at higher thresholds.

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processes for data collection and submission. As a result, MNE groups must devote additional administrative resources to monitor multiple reporting obligations across jurisdictions, often involving repeated coordination across the group structure for essentially identical information. This duplication increases compliance costs and creates unnecessary complexity, without generating corresponding additional benefits for tax administrations.

Policy Option 3a introduces a single harmonised notification requirement covering both DAC4 and DAC9. The estimation is based on the number of MNE entities currently required to submit such notifications and on assumptions regarding the staff time required to prepare them.

Under the current framework, each constituent entity is required to submit a DAC4 notification identifying the reporting entity within the group and the jurisdiction where the Country-by-Country report will be filed. This requires internal coordination to gather the relevant information, communicate across the group structure and prepare and report the notification; according to information from stakeholders, it can be assumed that these activities require approximately 28 hours per entity per year.

Applying average EU labour costs for the sector "Accounting, bookkeeping and auditing activities; tax consultancy", the estimated labour cost of preparing a notification corresponds to approximately EUR 1,270 per entity.

Available information from the company level database ORBIS indicates that approximately 4,700 MNE groups worldwide meet the relevant DAC4 and DAC9 reporting thresholds, i.e. are within the scope of Pillar 2, and have operations within the EU. These groups collectively account for approximately 109,000 constituent entities (subsidiaries) located in the EU as of 2024.

The annual compliance cost burden for DAC4 notifications can therefore be approximated as 109,000 entities × EUR 1,270 ≈ EUR 135 million per year ([92]).

Assuming a similar notification obligation for DAC9 and that no operational synergies arise between DAC4 and DAC9 notifications, the combined compliance burden for both notifications could reach approximately EUR 135 million × 2 = EUR 270 million per year.

Under Policy Option 3b, a single harmonised notification covering both DAC4 and DAC9 would be introduced. Instead of each constituent entity submitting a separate notification, a single notification would be prepared and submitted for the entire MNE group.

Assuming that the internal coordination effort required to prepare this notification remains approximately 28 hours per MNE group per year, the associated compliance costs can be approximated as 4,700 groups × EUR 1,270 ≈ EUR 6 million per year.

[92] The DAC Evaluation reports total recurrent compliance costs of approximately EUR 56 million in 2022, with estimated firm-level costs ranging from around EUR 8,000 for smaller MNE groups to approximately EUR 45,000 for larger groups (Evaluation of the Directive 2011/16 and its amendments, Final Report, Table 27, p. 145). In the present impact assessment, DAC4-related compliance costs are estimated at around EUR 135 million for approximately 4,700 MNE groups, corresponding to average annual costs of around EUR 29,000 per group. Importantly, this average lies well within the range identified in the DAC Evaluation. The difference in aggregate estimates mainly reflects different assumptions regarding the distribution of firms across cost categories. While the DAC Evaluation assumes that only around 10% of MNE groups incur higher compliance costs, stakeholder evidence collected for the present impact assessment suggests a more balanced distribution between lower- and higher-cost firms, resulting in a higher aggregate estimate.

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The resulting reduction in compliance costs is therefore estimated as EUR 270 million − EUR 6 million ≈ EUR 264 million per year.

These estimates are intended to illustrate the order of magnitude of the potential savings associated with eliminating duplicative notification requirements. They rely on simplifying assumptions regarding the time required for internal coordination and the average labour costs involved in preparing notifications.

4. Improving the verification of TINs (Measure 4)[93]

Policy option 4a – Centralised TIN verification system (access limited to tax administrations)

The cost estimates for the introduction of a centralised TIN verification system accessible only to Member States' tax administrations are based on benchmark comparisons with existing EU IT systems (notably VIES and DAC infrastructures), complemented by available evidence from the DAC evaluation and limited stakeholder input. Estimates are presented separately for EU-level (central component) and national-level (Member State) costs.

At EU level, one-off development costs for the central component are estimated in the range of EUR 300,000 to EUR 700,000. This range is derived from two benchmarks. The lower bound reflects the cost of the modernisation of the VIES-on-the-web application (approximately EUR 300,000), while the upper bound is informed by the development of the central component for DAC3 exchanges (approximately EUR 715,000, based on the DAC evaluation). Given that the TIN validation tool would require additional functionalities compared to VIES (notably bulk request splitting, routing and reassembly) but remains less complex than a full central repository such as DAC3, these two benchmarks are considered appropriate lower and upper bounds.

In addition, the development of common specifications and validation rules is estimated at EUR 150,000, based on the cost of developing a comparable "call-off stock" module within VIES. Training costs for tax administrations are estimated at EUR 20,000, based on average costs for in-person IT training under the Fiscalis programme. This results in total EU-level one-off costs in the range of EUR 470,000 to EUR 870,000.

Recurrent EU-level costs, including infrastructure, operations, maintenance and technical assistance, are estimated at EUR 600,000 per year. This estimate is based on two consistent benchmarks: the operational costs of VIES-on-the-web (approximately EUR 600,000 annually) and the recurrent costs associated with DAC6 central systems, which are of a similar magnitude.

At national level, one-off implementation costs are estimated at approximately EUR 11 million across the EU, corresponding to roughly EUR 265,000 per Member State on average. This estimate is based on observed public procurement data for the implementation of the BRIS, which provides a relevant benchmark for interoperability projects between

[93] For the purpose of the cost assessment under Policy Options 4a and 4b, it is assumed that the TIN verification system would provide only a binary yes/no response indicating whether the taxpayer identifiers match the information held in the relevant national register. An alternative design would be to provide "close match" feedback for individual queries, indicating that the information submitted is sufficiently close to the correct taxpayer identifiers and signalling the degree of proximity to the correct information. Such a functionality could improve error resolution but would also imply additional technical and operational complexity.

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national systems and EU-level infrastructure. A multiplier of 1.5 has been applied to account for additional complexity in cases where TIN data are held by multiple authorities (e.g. separate registries for natural and legal persons), including the need for coordination arrangements and system integration. The resulting estimate reflects an average cost across Member States, with potentially significant variation depending on national institutional setups.

Recurrent national costs consist of both maintenance costs and administrative costs associated with TIN validation. Maintenance costs are estimated at 12% to 18% of initial development costs, corresponding to EUR 1.4 to 2 million annually at EU level, in line with standard industry benchmarks for IT systems.

The administrative burden for TIN validation is estimated not to exceed EUR 10 million per year across the EU. This estimate is derived by benchmarking against overall recurring administrative costs for the AEOI under the DAC framework, which are estimated at EUR 20 to 40 million annually at EU level. Given that TIN validation represents a more narrowly defined and highly automatable task within this broader framework, the associated costs are assumed to be significantly lower. This assumption is further supported by limited stakeholder input, which indicates substantial variation across Member States. Reported estimates range from approximately EUR 40,000 per year in low-cost cases to up to EUR 0.5 million per year (corresponding to around 10 FTEs) in higher-cost scenarios. Even the upper bound of these estimates would imply aggregate EU-level costs in the order of EUR 13–14 million annually, which supports the use of EUR 10 million as a conservative upper-bound estimate.

No additional costs are expected for reporting entities under this option, as the validation process would be carried out exclusively by tax administrations.

Policy option 4b – Centralised TIN verification system (optional access to reporting entities)

This option assumes a centralised TIN validation tool providing binary (yes/no) feedback and accessible to reporting entities. Costs are assessed at EU level, national level (tax authorities), and for reporting entities.

At EU level, one-off development costs for the central component are estimated at EUR 600,000 to EUR 1.4 million, reflecting the need to scale the system to accommodate potential access by reporting entities. This estimate builds on the cost range identified for the tax-administration-only system (EUR 300,000–700,000) and applies an approximate doubling factor to reflect higher system capacity requirements, including increased concurrency, authentication and bulk processing functionalities. The development of common specifications and access management rules is estimated at EUR 350,000, based on benchmarks from VIES developments and the expected need for coordination among Member States (comparable to the cost of an expert team under Fiscalis). Training costs for tax administrations are estimated at EUR 20,000. Overall, total EU-level one-off costs are estimated at EUR 970,000 to EUR 1.77 million.

Recurrent EU-level costs, including infrastructure, maintenance, and technical support, are estimated at EUR 1.8 to 2.4 million per year. This estimate reflects a three- to fourfold increase compared to systems limited to tax authority access (e.g., DAC6), driven by higher

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expected system load, authentication requirements and fragmented user access patterns. The resulting range is broadly consistent with observed costs for systems with private-sector access, such as VIES-on-the-web.

At national level, one-off costs for tax administrations are estimated at EUR 15 to 25 million across the EU. These costs include the development of national access points (estimated at EUR 14–20 million), based on public procurement benchmarks for interoperability systems such as BRIS, and additional costs for implementing authorisation and access management systems (estimated at EUR 1–5 million). The increase compared to the tax-authority-only scenario reflects the need to accommodate higher volumes of concurrent requests and to implement secure access for reporting entities.

Recurrent national IT costs are estimated at EUR 4.5 to 12 million per year across the EU, comprising maintenance of national access points (EUR 3–7 million annually) and technical assistance and troubleshooting (EUR 1.5–5 million annually). These estimates are based on standard industry benchmarks for maintenance (20–28% of development costs) and on expected increases in user support needs resulting from a broader and more heterogeneous user base.

The administrative burden for tax authorities associated with TIN validation is expected to be significantly reduced compared to a tax-administration-only validation model. Reporting entities would perform a share of validations voluntarily, reducing the volume of TINs to be processed by tax authorities. Residual administrative costs are estimated at EUR 1 to 6 million per year at EU level, corresponding to validation of approximately 5% to 60% of TINs not pre-validated by reporting entities.

Under this option, reporting entities would be granted access to the validation tool on a voluntary basis and would not be subject to any legal obligation to use it. As a result, no mandatory compliance costs arise for businesses. Reporting entities that choose to make use of the tool may incur certain implementation and operational costs, including IT integration and adjustments to existing processes. However, these costs are expected to be at least partially offset by reductions in other data collection and verification requirements, such as the need to obtain and report supplementary identifiers (e.g. date of birth or address) in cases of missing or inaccurate TINs. Given the voluntary nature of the instrument and the offsetting effects between additional costs and potential savings, it is not possible to provide a robust ex ante quantification of the net cost impact for reporting entities under this PO.

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ANNEX 5: COMPETITIVENESS CHECK

1. Overview of impacts on competitiveness

Dimensions of Competitiveness	Impact of the initiative (++ / + / 0 / - / -- / n.a.)	References to sub-sections of the main report or annexes
Cost and price competitiveness	++	Chapters 5, 6, 7
International competitiveness	+	Chapters 5, 6, 7
Capacity to innovate	++	Chapters 5, 6, 7
SME competitiveness	+	Chapters 5, 6, 7

2. Synthetic assessment

The preferred options are expected to have a positive overall impact on competitiveness. By simplifying and streamlining reporting and notification obligations across several DAC instruments, the initiative reduces administrative burdens and recurring compliance costs for businesses operating within the Internal Market. The removal of certain reporting requirements, the clarification of legal concepts, and the reduction of duplication in reporting and notification processes are expected to improve legal certainty and reduce operational complexity.

These changes are likely to strengthen business' cost competitiveness by lowering fixed compliance costs and reducing the need for external advisory services. In addition, greater consistency in the application of rules across Member States is expected to facilitate cross-border business activities and reduce frictions associated with divergent national practices as well as regulatory arbitrage. This is expected to contribute to a more efficient functioning of the Internal Market and improve the overall business environment for EU businesses.

While the initiative does not directly target innovation, the reduction in compliance costs will free up financial and administrative resources that can be dedicated to support investment and growth. These resources may be reallocated to productive activities, including digitalisation, expansion or innovation-related investments, depending on company-specific decisions.

3. Competitive position of the most affected sectors

The initiative is horizontal in nature and does not target specific sectors. It applies broadly to businesses subject to reporting obligations under the DAC framework. However, the impact is expected to be more pronounced in sectors with a higher exposure to cross-border transactions, complex organisational structures or platform-based business models.

In particular, MNE groups engaged in cross-border activities may benefit from reduced duplication in notification and reporting requirements (notably under DAC4 and DAC9) and from increased legal clarity under DAC6. Similarly, digital platform operators subject to DAC7 reporting obligations are expected to benefit from simplified thresholds and reduced

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reporting scope, particularly where large volumes of low-value transactions are currently captured.

It should be noted that SMEs and smaller businesses are generally less engaged in cross-border activities and are therefore, both in absolute and relative terms, less frequently captured by DAC reporting obligations compared to large MNEs. As a result, they are, to some extent, in a more favourable starting position under the baseline. At the same time, while the initiative does not include SME-specific measures, SMEs and smaller businesses are still expected to benefit from the proposed simplifications alongside larger businesses. In addition, SMEs are likely to benefit disproportionately in relative terms, as compliance costs tend to represent a higher share of their operating costs. The reduction in administrative burdens may therefore improve their ability to participate in cross-border economic activities within the Internal Market.

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ANNEX 6: SME CHECK

Overview of impacts on SMEs

Relevance for SMEs
The initiative is relevant for SMEs as tax compliance costs generally impose a proportionally higher burden on smaller businesses compared to large enterprises. While the DAC Recast does not introduce SME-specific exemptions, it aims at simplifying and streamlining reporting and notification obligations under several DAC instruments. These simplifications are expected to reduce administrative complexity, legal uncertainty and recurring compliance costs for all businesses, including SMEs. *Evidence from DAC6 reporting suggests that, among taxpayer-filed reports, only a limited share (approximately 7–9%) is attributable to large MNE groups within the scope of Pillar 2. This implies that the majority of reporting companies are outside this group and include a significant number of SMEs. For example, the share of SMEs, i.e. those with less than 50 employees, in all European MNEs accounts to as much as two thirds of the total. Thus, they are directly affected by the compliance burden and are expected to benefit from its reduction. In addition, evidence collected through the call for evidence indicates that more than three quarters of responding companies filing DAC6 reports identified themselves as small or medium-sized enterprises. This further illustrates that SMEs potentially account for a substantial share of DAC6 reporting activity and are therefore expected to benefit significantly from the reduction in compliance burdens resulting from the proposed simplifications. A similar pattern can be expected for platform operators under DAC7, where a substantial proportion are SMEs, which are likely to benefit directly from the simplification of reporting obligations.* *Given that compliance costs tend to be relatively higher for SMEs in proportion to their size, any reduction in reporting obligations is expected to have a comparatively stronger positive effect on SMEs. In addition, greater legal clarity and reduced fragmentation across Member States may facilitate SMEs' participation in cross-border activities within the Internal Market.*

(1) IDENTIFICATION OF AFFECTED BUSINESSES AND ASSESSMENT OF RELEVANCE
Are SMEs directly affected? *(Yes/No)* **In which sectors?**
Yes, SMEs are directly affected across all sectors to the extent that they are subject to DAC reporting obligations (notably under DAC6 and DAC7).
Estimated number of directly affected SMEs
Not available. DAC reporting data do not provide a comprehensive breakdown of reporting entities by company size at EU level.
Estimated number of employees in directly affected SMEs

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Not available.
Are SMEs indirectly affected? *(Yes/No)* **In which sectors? What is the estimated number of indirectly affected SMEs and employees?**
SMEs are primarily directly affected. Indirect effects may arise through improved functioning of the Internal Market and reduced administrative complexity, but these are not quantifiable.

(2) CONSULTATION OF SME STAKEHOLDERS
How has the input from the SME community been taken into consideration?
Stakeholder input was gathered through consultations with business representatives, including platforms and industry associations, which reflect the views of a broad range of businesses, including SMEs. These consultations highlighted the importance of reducing administrative burdens and simplifying reporting obligations, particularly for businesses with limited administrative capacity.
Are SMEs' views different from those of large businesses? *(Yes/No)*
Partially. While both SMEs and large businesses support simplification, SMEs tend to emphasise more strongly the burden of compliance costs and administrative complexity, which can represent a larger relative cost burden.

(3) ASSESSMENT OF IMPACTS ON SMEs[94]
What are the estimated direct costs for SMEs of the preferred policy option?
Qualitative assessment
No significant additional direct costs are expected for SMEs. The initiative primarily introduces simplifications and reductions in existing reporting and notification requirements.
Quantitative assessment
Not applicable.
What are the estimated direct benefits/cost savings for SMEs of the preferred policy option[95]?
Qualitative assessment
SMEs are expected to benefit from reduced compliance costs associated with DAC reporting obligations, particularly under DAC6 and DAC7. As SMEs typically face higher compliance costs relative to their size, these savings are likely to be proportionally more

[94] The costs and benefits data in this annex are consistent with the data in annex 3. The preferred option includes the mitigating measures listed in section 4.
[95] The direct benefits for SMEs can also be cost savings.

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significant for smaller businesses. *Simplified rules and reduced reporting obligations may also lower the need for external advisory services and internal administrative resources.*
Quantitative assessment
While overall compliance cost savings have been estimated at aggregate level, it is not possible to isolate the share accruing specifically to SMEs due to data limitations regarding the size distribution of reporting entities.
What are the indirect impacts of this initiative on SMEs?
The initiative may indirectly benefit SMEs by improving legal clarity, reducing fragmentation across Member States, and lowering barriers to cross-border activity. These effects may support SME growth and participation in the Internal Market, although they cannot be quantified.

(4) MINIMISING NEGATIVE IMPACTS ON SMES
Are SMEs disproportionately affected compared to large companies? (*Yes/No)* **If yes, are there any specific subgroups of SMEs more exposed than others?**
No
Have mitigating measures been included in the preferred option/proposal? (Yes/No)
No

CONTRIBUTION TO THE 35% BURDEN REDUCTION TARGET FOR SMES
Are there any administrative cost savings relevant for the 35% burden reduction target for SMEs?
Yes. The initiative is expected to generate compliance cost savings for businesses subject to DAC reporting obligations. Given that SMEs represent a large share of reporting entities and face relatively higher compliance costs, a substantial portion of these savings is expected to accrue to SMEs. However, due to data limitations, the exact contribution to the 35% burden reduction target cannot be quantified.

ADDITIONAL INFORMATION

None

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ANNEX 7: OVERVIEW OF SELECTED REPORTING AND EXCHANGE MECHANISMS IN THE DIRECTIVE ON ADMINISTRATIVE COOPERATION (DAC)

Council Directive 2011/16/EU on administrative cooperation in the field of taxation (DAC) establishes the framework for administrative cooperation and exchange of information between Member States' tax authorities. The Directive provides for different forms of cooperation, including exchange of information on request, spontaneous exchange of information and automatic exchange of information.

Since its adoption, the Directive has been amended several times in order to extend the scope of information exchanged between tax authorities and to address emerging risks related to tax evasion, tax avoidance and aggressive tax planning.

This annex provides a brief overview of the rationale for not amending DAC2, DAC3 and DAC8 and conversely details the amendments which are relevant for this impact assessment, namely **DAC1, DAC4, DAC6, and DAC7 and DAC9.**

DAC2 – Automatic exchange of financial account information

DAC2 implements into EU law the Common Reporting Standard (CRS) developed by the OECD. This is an international standard which is in force since 2014 and has already been subject to revision in 2022 to reflect global developments (the changes have been incorporated into EU law through DAC8). No further issues have emerged in relation to DAC2, and this directive has not been identified by stakeholders as an area where there is potential for simplification.

DAC3 – Exchange of cross-border rulings and advance pricing agreements

In 2015, the DAC was amended by Council Directive (EU) 2015/2376 (DAC3). DAC3 extends the scope of the existing provisions in relation to AEOI and administrative cooperation between EU Member States. DAC3 obliges tax administrations to automatically exchange information on advance cross-border tax rulings and advance pricing agreements with other Member States. No potential for simplification of this reporting framework has been identified by the Commission services or stakeholders.

DAC8 – Automatic exchange of crypto-assets information

DAC8 implements into EU law the OECD Crypto-Asset Reporting Framework (CARF). As the directive only applies from 1 January 2026 and no reporting has yet taken place, no potential for simplification of this reporting framework has been identified so far by the OECD, the Commission services or stakeholders.

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DAC1 – Automatic exchange of information on certain categories of income and assets

DAC1 introduced the **automatic exchange of information (AEOI)** between Member States (MS) on certain categories of income received and assets held by taxpayers in another MS than their MS of residence.

The main goal of DAC1 AEOI is to ensure tax fairness between the taxation of income received and wealth held nationally by EU taxpayers and income received and wealth held in other MS. MS can also use the information received to check if taxes have been levied in the other MS to avoid double taxation of the taxpayer.

The categories of information covered include:

- Employment income
- Directors' fees
- Pensions
- Ownership of and income from immovable property
- Life insurance products
- Royalties (added via later amendments, e.g., DAC7/DAC8 context)
- Non-custodial dividends (added as from 2026 via DAC8-related expansions)

MS have reported substantial revenue gains. For instance, in tax year 2022, DAC1-related exchanges on employment and pension income alone contributed to approximately EUR 117 million in additional tax revenues, primarily through enhanced risk assessments, audits, and voluntary disclosures.

DAC4 – Automatic exchange of Country-by-Country reports

DAC4 (Council Directive (EU) 2016/881) introduced the automatic exchange of **Country-by-Country (CbC) reports** for large MNE groups, implementing the OECD BEPS (Base Erosion and Profit Shifting) Action 13 standard within the EU legal framework.

Multinational groups with consolidated annual revenues exceeding EUR 750 million are required to file a Country-by-Country report with the tax authority of the jurisdiction of the ultimate parent entity of the group. The report shall contain aggregated information for each tax jurisdiction in which the group operates, including:

- Revenues
- Profit or loss before income tax
- Income tax paid and accrued
- Number of employees
- Stated capital, accumulated earnings, and tangible assets
- Other economic activity indicators

Key mechanisms:

- Filing deadline: 12 months after the last day of the reporting fiscal year.

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- Automatic exchange to all MS where the group has resident constituent entities or permanent establishments subject to tax.
- Used for high-level transfer pricing risk assessment and BEPS detection (not as direct audit evidence).

The information is intended to support high-level transfer pricing risk assessments and the identification of potential BEPS risks. Since first exchanges in 2018 (for 2016 data), DAC4 has significantly improved tax authorities' ability to identify profit-shifting risks, contributing to global efforts against aggressive tax planning.

DAC6 – Mandatory disclosure of cross-border arrangements

DAC6 (Council Directive (EU) 2018/822) introduced **mandatory disclosure rules (MDR)** for certain cross-border arrangements that may present a risk of tax avoidance. It reflects a fundamental shift in tax transparency from reactive enforcement towards **proactive information gathering**, enabling tax administrations to **detect emerging risks before they fully materialise**.

The reporting obligation primarily applies to **intermediaries**, meaning professionals who help design or implement tax-related structures. The notion of intermediary is intentionally broad and function-based, capturing both primary actors (e.g. designers and promoters) and secondary actors (e.g. service providers assisting with implementation), such as tax advisors, lawyers, accountants, and sometimes financial institutions. In practice, this broad scope has ensured extensive coverage of the advisory ecosystem, although it has also raised issues of overlap and duplication in reporting obligations.

Where no intermediary is involved, or where reporting is prevented (notably due to legal professional privilege), the obligation shifts to the taxpayer, creating a **cascade mechanism** to safeguard reporting completeness. This mechanism determines who must report the arrangement. It works like a chain of responsibility, ensuring that at least one party reports the information:

1. *First level: intermediary (primary responsibility)*
- The obligation normally falls on the intermediary who designed or promoted the arrangement. Example: A tax advisor creates a cross-border structure for a client → the advisor must report it.
2. *Second level: other intermediaries (if applicable)*
- If there are multiple intermediaries involved (e.g. a lawyer and a bank), any of them may have a reporting obligation. In practice, they may agree that one of them reports, but all remain potentially responsible.
3. *Third level: taxpayer (fallback)*
- The obligation shifts to the taxpayer if: there is no intermediary (e.g. the arrangement is designed in-house), or the intermediary is exempt from reporting (e.g. due to legal professional privilege), or the intermediary is located outside the EU and therefore not subject to DAC6.

Arrangements are reportable if they meet **one hallmark** (certain predefined characteristics). Some hallmarks are subject to the **main benefit test (MBT)**. This test asks whether it is reasonable to conclude that obtaining a tax advantage is one of the main reasons for the

arrangement. In simpler terms, if the main purpose of a structure is to save taxes, it is more likely to be reportable. The hallmarks are designed as **risk indicators** rather than legal definitions of avoidance, and their breadth allows the framework to capture both known and novel tax planning strategies:

- **Category A (Generic hallmarks- MBT)**: These cover common features of marketed tax schemes, such as confidentiality clauses (where clients are not allowed to disclose how the scheme works) or fee structures linked to tax savings. These are often standardized solutions sold to multiple clients.

  1. An arrangement where the relevant taxpayer or a participant in the arrangement undertakes to comply with a condition of confidentiality which may require them not to disclose how the arrangement could secure a tax advantage vis-à-vis other intermediaries or the tax authorities.
  2. An arrangement where the intermediary is entitled to receive a fee (or interest, remuneration for finance costs and other charges) for the arrangement and that fee is fixed by reference to:
  (a) the amount of the tax advantage derived from the arrangement; or
  (b) whether or not a tax advantage is actually derived from the arrangement. This would include an obligation on the intermediary to partially or fully refund the fees where the intended tax advantage derived from the arrangement was not partially or fully achieved.
  3. An arrangement that has substantially standardised documentation and/or structure and is available to more than one relevant taxpayer without a need to be substantially customised for implementation.

- **Category B (Specific hallmarks – MBT):** These refers to concrete strategies, such as buying a company mainly to use its tax losses to reduce taxable profits, even if there is little real economic activity behind the transaction.

  1. An arrangement whereby a participant in the arrangement takes contrived steps which consist in acquiring a lossmaking company, discontinuing the main activity of such company and using its losses in order to reduce its tax liability, including through a transfer of those losses to another jurisdiction or by the acceleration of the use of those losses.
  2. An arrangement that has the effect of converting income into capital, gifts or other categories of revenue which are taxed at a lower level or exempt from tax.
  3. An arrangement which includes circular transactions resulting in the round-tripping of funds, namely through involving interposed entities without other primary commercial function or transactions that offset or cancel each other or that have other similar features.

- **Category C (Specific hallmarks - Cross-border payments):** These focus on payments between countries that may reduce tax, for example when a company makes payments to another entity located in a country with very low or no taxation. This category captures many common international tax planning structures. (e.g., deductible payments to low-tax jurisdictions, misaligned tax treatments).
  1. An arrangement that involves deductible cross-border payments made between two or more associated
  enterprises where at least one of the following conditions occurs:

(a) the recipient is not resident for tax purposes in any tax jurisdiction;

(b) although the recipient is resident for tax purposes in a jurisdiction, that jurisdiction either:

(i) does not impose any corporate tax or imposes corporate tax at the rate of zero or almost zero; or

(ii) is included in a list of third-country jurisdictions which have been assessed by MS collectively or within the framework of the OECD as being non-cooperative;

(c) the payment benefits from a full exemption from tax in the jurisdiction where the recipient is resident for tax purposes;

(d) the payment benefits from a preferential tax regime in the jurisdiction where the recipient is resident for tax purposes;

2. Deductions for the same depreciation on the asset are claimed in more than one jurisdiction.

3. Relief from double taxation in respect of the same item of income or capital is claimed in more than one jurisdiction.

4. There is an arrangement that includes transfers of assets and where there is a material difference in the amount being treated as payable in consideration for the assets in those jurisdictions involved.

- **Category D (Transparency hallmarks -automatic exchange/ beneficial ownership):** These aim at arrangements that try to hide information from tax authorities, for example by obscuring who really owns assets or by circumventing international information exchange systems. (e.g., undermining CRS/DAC rules).

1. An arrangement which may have the effect of undermining the reporting obligation under the laws implementing Union legislation or any equivalent agreements on the automatic exchange of Financial Account information, including agreements with third countries, or which takes advantage of the absence of such legislation or agreements. Such arrangements include at least the following:

(a) the use of an account, product or investment that is not, or purports not to be, a Financial Account, but has features that are substantially similar to those of a Financial Account;

(b) the transfer of Financial Accounts or assets to, or the use of jurisdictions that are not bound by the automatic exchange of Financial Account information with the State of residence of the relevant taxpayer;

(c) the reclassification of income and capital into products or payments that are not subject to the automatic exchange of Financial Account information;

(d) the transfer or conversion of a Financial Institution or a Financial Account or the assets therein into a Financial Institution or a Financial Account or assets not subject to reporting under the automatic exchange of Financial Account information;

(e) the use of legal entities, arrangements or structures that eliminate or purport to eliminate reporting of one or more Account Holders or Controlling Persons under the automatic exchange of Financial Account information;

(f) arrangements that undermine, or exploit weaknesses in, the due diligence procedures used by Financial Institutions to comply with their obligations to report Financial Account information, including the use of jurisdictions with inadequate or weak regimes

of enforcement of anti-money-laundering legislation or with weak transparency requirements for legal persons or legal arrangements.

2. An arrangement involving a non-transparent legal or beneficial ownership chain with the use of persons, legal arrangements or structures:

(a) that do not carry on a substantive economic activity supported by adequate staff, equipment, assets and premises; and

(b) that are incorporated, managed, resident, controlled or established in any jurisdiction other than the jurisdiction of residence of one or more of the beneficial owners of the assets held by such persons, legal arrangements or structures; and

(c) where the beneficial owners of such persons, legal arrangements or structures, as defined in Directive (EU) 2015/849, are made unidentifiable.

- **Category E (Transfer Pricing hallmarks):** These relate to how MNEs price transactions within their group, such as transferring intellectual property between subsidiaries in different countries to shift profits, (e.g., unilateral safe harbours, hard-to-value intangibles).

1. An arrangement which involves the use of unilateral safe harbour rules.

2. An arrangement involving the transfer of hard-to-value intangibles. The term "hard-to-value intangibles" covers intangibles or rights in intangibles for which, at the time of their transfer between associated enterprises:

(a) no reliable comparables exist; and

(b) at the time the transaction was entered into, the projections of future cash flows or income expected to be derived from the transferred intangible, or the assumptions used in valuing the intangible are highly uncertain, making it difficult to predict the level of ultimate success of the intangible at the time of the transfer.

3. An arrangement involving an intragroup cross-border transfer of functions and/or risks and/or assets, if the projected annual earnings before interest and taxes (EBIT), during the three-year period after the transfer, of the transferor or transferors, are less than 50 % of the projected annual EBIT of such transferor or transferors if the transfer had not been made.'

Information reported to national tax authorities is subsequently **exchanged automatically between MS within a month**. This exchange is made by standardized XML schema for data via a central depository provided by the Commission services and accessible by Member States The data shared includes who is involved, what the arrangement looks like, which hallmarks apply, and when it was implemented. The system enables all Member States to access the information, creating a **shared repository of intelligence on cross-border tax arrangements**.

The reporting framework aims to provide **tax administrations with early information on potentially aggressive tax planning arrangements**, thereby supporting risk assessment and enforcement activities.

Figure 2 on the following page includes an explanatory chart on the functioning of the hallmarks and the Main Benefit Test.

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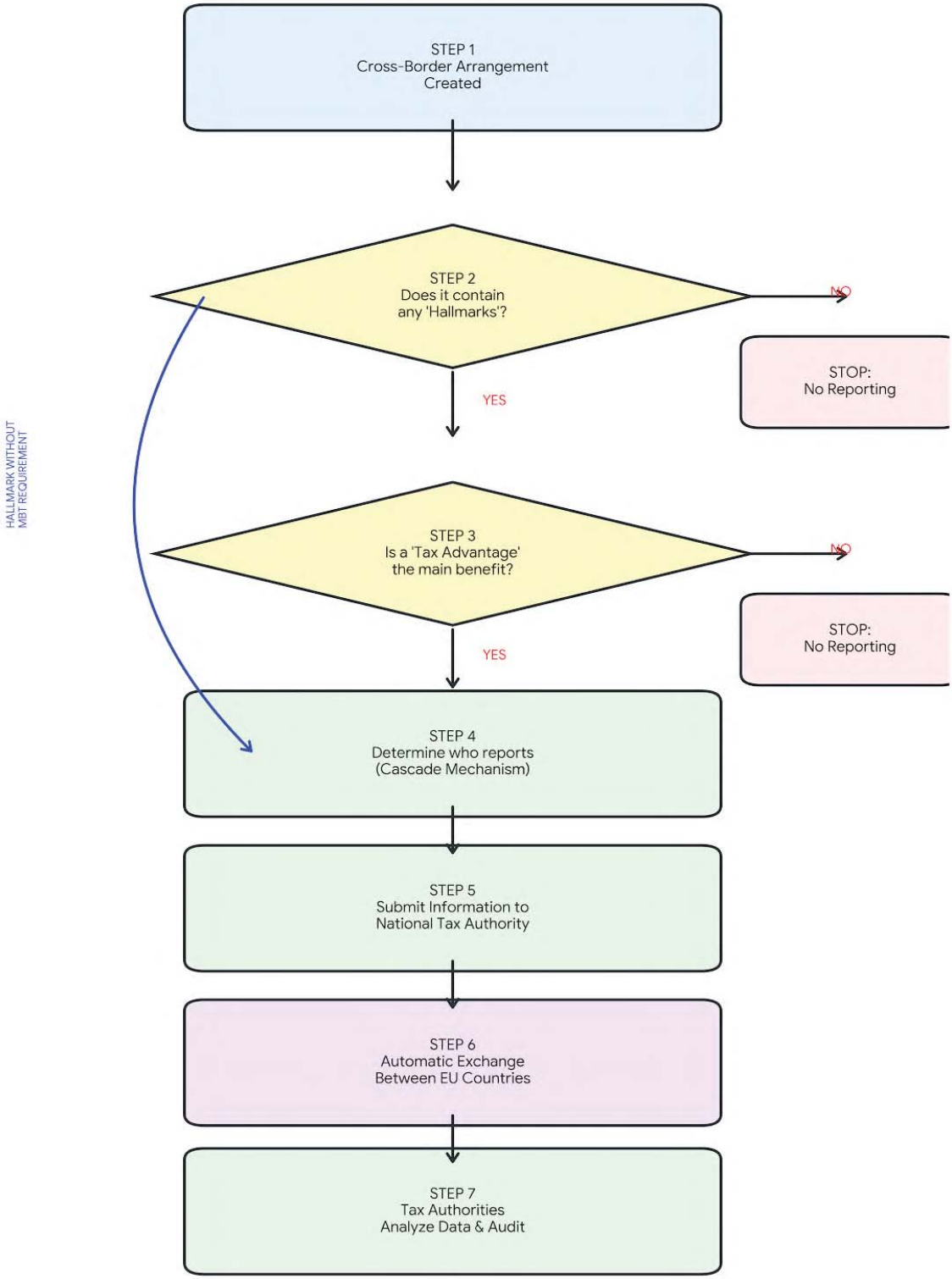
Figure 2- DAC6 explanatory chart



Focusing on the distribution of reported arrangements across the different hallmarks under DAC6. The total number of hallmark disclosures (**Figure 3**) does not equal 79,000 reports because a single report may include multiple hallmarks. As a result, the same arrangement

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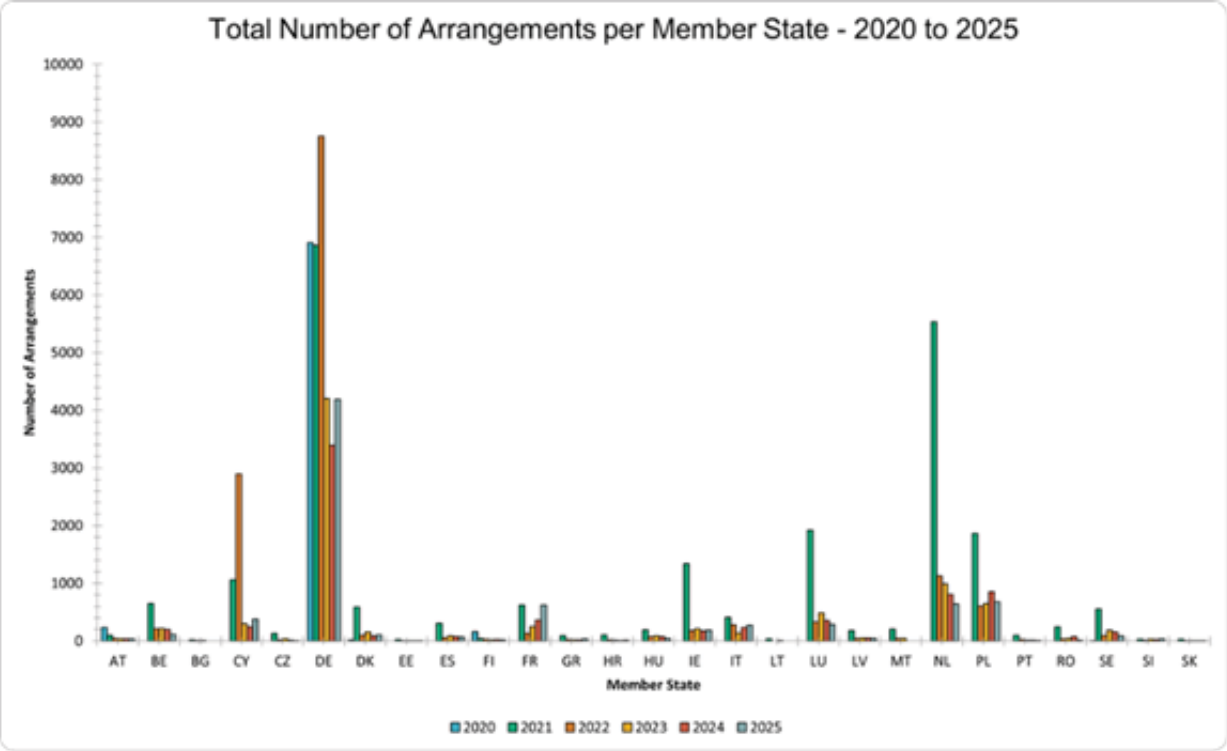
can be counted under more than one hallmark category, leading to a higher cumulative total when aggregating across hallmarks than the number of individual reports submitted.

Figure 3- Number of Disclosures affected by hallmarks

	Number of Disclosures - Breakdown by hallmark																									
	Generic hallmarks subject to MBT				Specific Hallmarks subject to MBT			Specific hallmarks related to cross-border transactions								Specific hallmarks concerning AEOI and beneficial ownership								Specific hallmarks concerning transfer pricing		
	A.1	A.2-a	A.2-b	A.3	B.1	B.2	B.3	C.1-a	C.1-b.i	C.1-b.ii	C.1-c	C.1-d	C.2	C.3	C.4	D.1-a	D.1-b	D.1-c	D.1-d	D.1-e	D.1-f	D.1-Other	D.2	E.1	E.2	E.3
Main benefit Test	MBT	MBT	MBT	MBT	MBT	MBT	MBT	no	MBT	no	MBT	MBT	no	no	no	no	no	no	no	no	no	no	no	no	no	no
Total	19.256	672	32	33.785	66	30.143	21.882	1.689	3.678	4.950	2.364	4.993	2.272	416	2.060	1.870	815	132	148	432	151	1.193	444	5.231	4.092	8.373
Percentage / total number of disclosures (79 274)	24,3%	0,8%	0,0%	42,6%	0,1%	38,0%	27,6%	2,1%	4,6%	6,2%	3,0%	6,3%	2,9%	0,5%	2,6%	2,4%	1,0%	0,2%	0,2%	0,5%	0,2%	1,5%	0,6%	6,6%	5,2%	10,6%

Figure 4- Total number of reported cross-border arrangements under the DAC6 Directive across MS from 2020 to 2025.



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DAC7 – Reporting obligations for digital platform operators

DAC7 (Council Directive (EU) 2021/514 amending Directive 2011/16/EU) introduced reporting obligations for **digital platform operators** facilitating certain activities carried out by sellers through digital platforms.

Platform operators are required to collect and report information on sellers generating income through their platforms. More concretely:

- *Relevant activities*: Rental of immovable property, personal services, sale of goods, rental of means of transport.
- *Reporting platform operators*: EU-resident/established operators; non-EU operators if facilitating EU sellers or EU immovable property rentals.
- *Reportable sellers:* Active sellers (≥30 transactions or >EUR 2,000 consideration annually for goods, with exemptions applicable to all activities for listed entities, government bodies, etc.).

The information reported includes, among other elements:

- identification details of the seller (individuals: name, address, TIN, DOB; entities: name, address, TIN, incorporation details)
- the total consideration paid or credited to the seller
- fees or commissions charged by the platform
- the number of relevant transactions carried out

The information is reported to the tax authority of the MS where the platform operator is registered and subsequently exchanged with the MS of residence of the seller.

The objective of this framework is to improve tax transparency in MS and facilitate the taxation of income generated through the platform economy.

DAC9 - Automatic exchange for the purposes of the Pillar 2 Directive

DAC9 operationalises the implementation in the EU of the Pillar 2 Directive by enabling in scope MNEs to file, at central level, the information to be reported and requiring Member States tax authorities to subsequently exchange this information. As the directive only applies from 1 January 2026 and no reporting has yet taken place, no potential for simplification of this reporting framework has been identified so far by the OECD, the Commission services or stakeholders.

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ANNEX 8: PRACTICAL EXAMPLES OF NATIONAL TAXATION RULES FOR THE SALE OF GOODS (DAC7)

As detailed earlier in this report, 26 Member States reached a provisional agreement at technical level at the OECD, to remove the activity threshold and increase the monetary threshold to EUR 3,000. in relation to the Model Rules for Digital Platform Operators (MRDP), which are implemented in the EU through DAC7.

This provisional technical agreement is reflective of the fact that Member States do not view an increase of the threshold as negatively impacting on their ability to effectively apply their national taxation rules. While the application of national taxation rules is dependent on specific personal circumstances e.g. entitlement to tax credits and allowances based on marital and parental status etc, general practical examples of certain national taxation rules applicable to personal income are included below.

Member State	Nature of tax-free amount	Tax free amount annual
Austria	Statutory % band	€0–€13,539 at 0%
Croatia	Personal allowance (deduction)	€7,200
Cyprus	Statutory % band	€0–€19,500 at 0%
Germany	Statutory basic allowance	€12,096
Ireland	Tax Credit System	€4,000 credits
Luxembourg	Statutory % band	€0–€13,230 at 0%
Malta	Statutory % band	€0–€12,000 at 0%
Poland	Statutory 0% band	30,000 PLN Approx €7,000
Slovakia	Likely exempt based on details on website.	If the taxpayer's tax base in 2025 is equal to or less than EUR 25,426.27, the non-taxable part is the amount of **EUR 5,753.79**
Slovenia	Statutory % band	€0–€9,210.26 at 0%
Spain	Personal allowance to reduce taxable income	€5,500 per annum
Sweden	Profit dependent	SEK 50,000 Approx €4,600

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ANNEX 9: RATIONALE FOR DIVERGING AUTOMATIC MATCHING RATES

The differences in the automatic matching rates across the individual DAC's can be explained by the fact that there is a direct correlation between the legislative requirements to collect and verify identification information and automatic matching rates. A detailed explanation of the divergent legislative requirements under each DAC is included below. While this represents the 'as is' position it is important to note that Article 27c of Council Directive (EU) 2023/2226 'DAC8' introduce new and improved requirements for reporting entities and tax administrations to report the taxpayer identification number (TIN). However, these new requirements do not apply until the commencement of the taxable period 1 January 2028 for DAC3, DAC4 and DAC6 and the taxable period 1 January 2030 for DAC1. Irrespective of these new requirements in the absence of a centralised tool to verify the TIN an automatic matching rate of 100% cannot be achieved.

For **DAC1** there are no third-party due diligence and reporting requirements. The tax authorities of Member States are only required to report and exchange information that is available in their tax files. Consequentially, the tax authorities of Member States routinely collect only the TIN relevant to their own Member State and do not routinely collect any other TIN. Therefore, receiving Member States receive a very limited subset of identification information i.e. name, date of birth and non-resident address to the extent that this information is routinely collected by the tax administration of the sending Member State. Also, the directive does not require tax administrations to verify this information. Consequentially, the automatic matching rates of 39.3% (Employment Income), 41.6% (Directors Fees), 46.9% (Pensions) and 24.2% (Life Insurance Products) are reflective of the current 'availability' limitations of the legislative framework and absence of a centralised tool to verify the TIN.

For **DAC2**, Financial Institutions are required to collect and report the name, address, Member State of residence, TIN, and date and place of birth of each reportable person. These reporting requirements are supplemented by due diligence requirements whereby Financial Institutions are required to attain a self-certification from every account holder of a new account, including any documentation collected pursuant to anti-money laundering/know your customer procedures. A new account is any account opened on or after 1 January 2016. A pre-existing account is any account opened prior to 1 January 2016. Financial Institutions are subject to less onerous due diligence requirements for pre-existing accounts as they are only required to rely upon their existing records. Consequentially, the associated accuracy and completeness of identification information that is reported and exchanged is lower for pre-existing accounts than for new accounts. Therefore, the automatic matching rate of 67.9% is reflective of the higher collection and validation requirements for new accounts and more limited requirements for pre-existing accounts. This is also compounded by the absence of a centralised tool to verify the TIN.

Under **DAC3,** tax administrations that issue, amend or renew an advance cross-border ruling or an advance pricing arrangement are required to automatically exchange certain information to all other Member States. The information that is required to be automatically

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exchanged includes the identification of the person, other than a natural person, and where appropriate the group of persons to which it belongs. However, the directive is not prescriptive on the type of identification information that must be provided for example the directive does not require that the TIN of the Member State of residence must be provided. Also, the directive does not require tax administrations to verify this information. Consequentially, the significantly lower automatic matching rate of 27.3% is reflective of the absence of the legislative requirement to collect and verify the TIN. This is also compounded by the absence of a centralised tool to verify the TIN.

For **DAC4**, MNE groups are required to report specified information on their constituent entities. The directive requires that in circumstances where the relevant constituent entity has a TIN this must be mandatorily provided, and where the constituent entity does not have a TIN, this information is not required. Consequentially, the automatic matching rate of 81.5% is reflective of these legislative requirements yet remains limited due to the absence dedicated verification requirements and the absence of a centralised tool to verify the TIN.

For **DAC6,** intermediaries and relevant taxpayers are required to report their name, date and place of birth (in the case of an individual), residence for tax purposes and the TIN. While the legislation supports the reporting of the TIN there is no requirement for intermediaries to verify the reported information. Consequentially, the automatic matching rate of 56.8% is reflective of the absence of a requirement to verify the reported information and a centralised tool to verify the TIN.

For **DAC7,** reporting platform operators are required to collect and report the name, address, TIN and in the absence of a TIN, the place of birth, the VAT identification number (where available) and the date of birth of the individual seller. Where the seller is an entity seller the business registration number is also required to be collected and reported. The directive requires reporting platform operators to also verify the collected information. The automatic matching rate of 69.7% is reflective of the fact that there is no centralised system to verify the TIN.

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