

ATOZ ALERT

Directive on administrative cooperation in taxation (DAC) recast proposal: Key developments

29 June 2026

On 24 June 2026, the European Commission published a [proposal to recast the Directive on administrative cooperation in taxation](#) (the “**Recast Proposal**”). Since 2011, the Directive on administrative cooperation in taxation (“**DAC**”) framework has expanded significantly to cover multiple categories of information exchange, including financial accounts (“**DAC2**”), tax rulings (“**DAC3**”), country-by-country reporting (“**DAC4**”), cross-border arrangements (“**DAC6**”), digital platforms (“**DAC7**”), crypto-assets (“**DAC8**”), and global minimum taxation (“**DAC9**”).

The Recast Proposal consolidates DAC1 to DAC9 into a single instrument and introduces targeted simplification measures, which are supposedly aimed at reducing administrative burdens while preserving the effectiveness of tax transparency rules.

While this expansion has strengthened tax transparency, it is acknowledged that it has also led to:

- increased complexity and overlaps;
- high compliance costs;
- inconsistent application across Member States.

The Recast Proposal is intended to address these shortcomings. A key focus is recalibrating DAC6 to improve proportionality and reduce compliance costs associated with cross-border reporting obligations. It seems that the original version of DAC6 lost sight of proportionality and focus on information that might be relevant to tax authorities.

The Recast Proposal follows a consultation by the EU Commission that showed a need to simplify and clarify DAC 6, by removing reporting requirements with limited added value for tax administrations and considering the relevance of DAC 6 in light of the implementation of Pillar Two.

This Alert outlines the main takeaways from the proposed DAC recast.

General architecture of the recast

The Recast Proposal introduces horizontal measures to improve data quality and streamline cooperation, including:

- a **centralised TIN verification system** and improved **automated matching**;
- enhanced **access to public registers** (in particular beneficial ownership data);
- a **secure digital exchange infrastructure** (“SDIE”);
- **broader access to “available information”** across public authorities;
- **closer alignment with global standards** (notably the OECD/G20 global minimum taxation framework (“Pillar Two”) and DAC9 top-up tax exchanges).

Administrative cooperation tools are also strengthened, including joint audits, simultaneous controls and improved feedback mechanisms between Member States.

Recalibration of DAC6

The Recast Proposal also aims to reduce excessive reporting and focus DAC6 on arrangements presenting a genuine tax risk, trying to address the current mismatch between reporting volume and analytical value.

REFINEMENT OF SCOPE AND DEADLINES

The Recast Proposal introduces a series of targeted adjustments aimed at clarifying the scope of DAC6 and simplifying its practical application. In particular, reporting obligations are expressly **limited to arrangements that are effectively implemented**, thereby excluding purely theoretical or preparatory structures that have not materialised in practice.

At the same time, the **definition of the “relevant taxpayer” is narrowed** to the entity that initiates and carries out the **implementation of the arrangement**, which reduces the risk of duplicative reporting across multiple parties involved in the same structure.

The proposal further **removes the distinction between “marketable” and “bespoke” arrangements**, a concept that has proven difficult to apply consistently and has contributed to interpretative uncertainty. Its elimination simplifies the classification of arrangements and reduces administrative complexity.

Finally, the **reporting deadline is extended from thirty to ninety days**, calculated **from the first step in the implementation** of the arrangement. This extension is intended to provide intermediaries and taxpayers with sufficient time to assess reporting obligations and to ensure the completeness and accuracy of the information submitted.

Overall, these measures are designed to enhance legal certainty, reduce unnecessary reporting and improve the quality and consistency of DAC6 disclosures.

EXCLUSION OF PILLAR 2 GROUPS

Under the Recast Proposal, multinational groups subject to the global minimum tax (15%) are excluded from DAC6 reporting where no arrangement reduces taxation below that level.

This reflects the reduced incentive for aggressive tax planning and avoids duplication with existing Pillar Two reporting obligations.

REMOVAL OF CATEGORY A HALLMARKS

Category A hallmarks constitute generic indicators of potential tax avoidance, which apply only where the Main Benefit Test (“**MBT**”) is satisfied. They were designed to capture broadly defined features of arrangements that may signal a tax-motivated purpose, irrespective of their specific legal or economic context.

In particular, these hallmarks cover: (i) arrangements subject to confidentiality conditions restricting disclosure of the tax advantage, (ii) arrangements involving success-based or contingent remuneration linked to the tax benefit obtained, and (iii) arrangements based on standardised documentation or structures made available to multiple taxpayers without substantial customisation.

Due to their inherently broad formulation and limited targeting, Category A hallmarks have been identified as a significant source of defensive and low-value reporting. The Recast Proposal therefore provides for their complete removal, with a view to refocusing DAC6 on more specific indicators of tax risk and improving the proportionality of the disclosure regime.

REFORM OF HALLMARK D2

Under the current framework, hallmark D2 is broadly formulated and closely linked to transparency concerns, particularly in relation to the Common Reporting Standard (“**CRS**”) and the Foreign Account Tax Compliance Act (“**FATCA**”) obligations and beneficial ownership identification. The DAC recast proposes to clarify hallmark D2 (circumvention of reporting and beneficial ownership transparency) through the introduction of **harmonised substance criteria**.

This aims to:

- reduce uncertainty and inconsistent application;
- introduce more objective indicators of economic substance;
- increase scrutiny of structures lacking operational substance.

The proposed reform does not amend the wording of the hallmark itself but introduces a **structural change in how it is applied**, by providing for the adoption of harmonised “substance criteria” through a **Council implementing act**.

Unlike EU Commission implementing acts, which are subject to comitology procedures involving Member State representatives, EU Council implementing acts involve direct decision-making by the Member States themselves. According to the recast proposal, the EU Council shall, within 5 years from the date of entry into force of the recasted DAC, adopt an implementing act, establishing the applicable criteria, on the basis of a proposal from the EU Commission.

The Recast Proposal does not mention the future substance criteria. However, they are likely to rely on measurable elements of economic substance, such as the existence of real business activity, the presence of personnel and decision-making functions, the functional role of entities within a structure.

From a broader policy standpoint, this development reflects a clear convergence with the substance-based approach previously envisaged under the Unshell proposal (“**ATAD 3**”). Although DAC6 remains a disclosure regime (rather than a substantive anti-abuse rule), the introduction of substance criteria effectively embeds within it a similar analytical framework. The tools differ, but the underlying objective is aligned: ensuring that cross-border structures reflect genuine economic reality and transparency.

Targeted Adjustments to Other DAC Regimes

The Recast Proposal also introduces targeted simplifications beyond DAC6:

- DAC7: removal of the 30-transaction threshold and increase of the reporting threshold to EUR 3,000;
- DAC4 and DAC9: introduction of a single notification and centralised filing for multinational groups.

These measures reduce duplication and simplify compliance obligations.

What's next?

The Recast Proposal is currently under discussion at Council level, where it will require unanimous approval. Implementation is expected to take place in stages, with key simplification measures planned from 2028 onwards.

Questions?



OLIVER R. HOOR

Partner & Head of [Transfer Pricing International & Corporate Tax](#)
oliver.hoor@atoz.lu
T +352 26 940 464



MARIE BENTLEY

Chief Knowledge Officer
marie.bentley@atoz.lu
T +352 26 940 903