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COVER NOTE

From: Secretary-General of the European Commission, signed by Ms Martine
DEPREZ, Director

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To: Ms Thérèse BLANCHET, Secretary-General of the Council of the
European Union

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EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT
Accompanying the document Proposal for a COUNCIL DIRECTIVE on
administrative cooperation in the field of taxation (recast)

Delegations will find attached document SWD(2026) 166 final.

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COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE 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) 165 final}

Executive Summary Sheet

Impact assessment for an initiative to recast Directive 2011/16/EU on administrative cooperation in the field of taxation

A. Need for action

Why? What is the problem being addressed?

The DAC provides a comprehensive framework for administrative cooperation in direct taxation within the EU, including reporting of information by certain entities and the subsequent automatic exchange of this information by tax administrations. The DAC framework has evolved through successive amendments (DAC2–DAC9), resulting in a fragmented and complex legal structure. This has created a lack of legal clarity and legal certainty for taxpayers, reporting entities and tax administrations. Moreover, some notification obligations and reporting requirements generate large volumes of information which has limited tax relevance, particularly in relation to DAC4 (country-by-country reporting)/DAC9, DAC6 (cross-border arrangements) and DAC7 (income earned through digital platforms). This had led to disproportionate compliance costs and, in particular, administrative burdens for all stakeholders. Furthermore, weaknesses in data quality, notably incomplete or inaccurate taxpayer identification numbers (TINs), and limitations in the DAC1 reporting framework reduce the effective use of exchanged information by tax administrations in tackling tax fraud, evasion and avoidance.

What is this initiative expected to achieve?

The initiative aims to clarify, simplify and improve the functioning of the DAC framework, while preserving its core objective of combating tax fraud, evasion and avoidance. It will reduce complexity and improve legal clarity and legal certainty for all stakeholders. It will ensure that reporting and notification obligations are proportionate, thereby reducing administrative burdens and contributing to the Commission's political priority of lowering such burdens by at least 25% for businesses and 35% for SMEs, to support EU competitiveness. At the same time, it will enhance the relevance and quality of reported information and strengthen the effective use of exchanged data by tax authorities.

What is the value added of action at the EU level?

EU action ensures a coherent, uniform and complete solution that cannot be achieved by Member States acting individually, enabling targeted reductions in reporting burdens and administrative costs for businesses across the Union. At the same time, it addresses inefficiencies in the current DAC framework through targeted improvements, enhancing data completeness, quality and the effective use of exchanged information. Overall, this strengthens the capacity of Member States' tax authorities to combat tax fraud, evasion and avoidance and maintains a level playing field in the Internal Market.

B. Solutions

What legislative and non-legislative policy options have been considered? Is there a preferred choice or not? Why?

As regards the legislative approach, it is proposed to recast the DAC by: (1) codifying the initial legal act (DAC1) and all its subsequent amendments (DAC2-DAC9) into one single legally binding act and (2) introducing new substantive changes in line with the preferred policy package stemming from the different options assessed.

The impact assessment considered a baseline scenario (no policy change) and the following **targeted legislative measures**, including different policy options to address identified shortcomings in the DAC framework:

- **Measure 1** – Ensuring that DAC6 reporting obligations (cross-border arrangements) remain proportionate and effective while promoting a more harmonised application of the Main Benefit Test (MBT).

- **Measure 2** – Amending the reporting threshold for activities involving the sale of goods under DAC7 (income earned through digital platforms).
- **Measure 3** – Streamlining notification obligations for multinational enterprise groups for the purposes of DAC4 (country-by-country reporting) and DAC9 (central filing of the top-up tax information return).
- **Measure 4** – Improving the accuracy of reported TINs.
- **Measure 5** – Improving the completeness of information exchanged under DAC1 (certain categories of income and capital).

The **preferred policy package** includes the following options under each measure:

- Excluding all companies within the scope of Pillar 2 Directive from reporting under DAC6; refining DAC6 reporting by removing hallmarks with limited added value (category A); issuing guidance on the application of the MBT to the remaining hallmarks subject to the test (**measure 1**).
- Adjusting DAC7 thresholds by removing the activity threshold and increasing the monetary threshold to EUR 3,000 (**measure 2**).
- Introducing a single notification obligation covering both DAC4 and DAC9, including a harmonised filing deadline, a common notification template and central filing (**measure 3**).
- Introducing a centralised TIN verification system, accessible to both Member States tax administrations (compulsory) and reporting entities (on a voluntary basis) (**measure 4**).
- Removing from DAC1 the life insurance products category and requiring Member States to automatically exchange information available to relevant public authorities at national level on all remaining six categories of income and capital (**measure 5**).

The preferred option is therefore a **combined package of targeted legislative measures accompanied by guidance** for certain provisions, which ensures simplification, reduces administrative burdens and improves legal clarity, while preserving the effectiveness of the framework in tackling tax fraud, evasion and avoidance. It provides the most proportionate and efficient solution by focusing on high-risk information and eliminating redundant or low-value reporting, while ensuring consistent implementation across Member States and improving the effective use of exchanged information.

Who supports which option?

Stakeholders broadly support simplification. Businesses and tax intermediaries favour reducing low-value reporting, streamlining notifications and improving clarity. Member States support measures that improve efficiency and data quality while maintaining effective tax transparency. Views converge on the need for targeted adjustments rather than major structural changes.

C. Impacts of the preferred option

What are the benefits of the preferred option (if any, otherwise main ones)?

The preferred policy package delivers significant simplification benefits through a set of targeted measures within the scope of this initiative, reducing compliance costs and administrative burdens for both businesses and tax administrations. It removes low-value reporting under DAC6 and DAC7, where current obligations generate substantial costs for business, with DAC6 compliance costs estimated at up to around EUR 340 million annually and DAC7 costs at around EUR 678 million per year. It also streamlines the duplicative notification obligations which support the reporting requirements under DAC4 and DAC9, reducing compliance costs that could otherwise reach up to EUR 264 million annually. In parallel, measures to improve TIN verification enhance data quality and increase automatic matching rates, enabling more efficient and automated use of exchanged information, have been identified. Improvements to the completeness of DAC1 exchanges further strengthen risk assessment and enforcement. Overall, the preferred policy package improves the efficiency, effectiveness and proportionality of the DAC framework, while supporting EU competitiveness through the reduction of administrative burdens and related costs.

What are the costs of the preferred option (if any, otherwise main ones)?
Limited adjustment costs are expected for businesses and administrations for most of the measures, mainly related to adapting reporting systems and procedures. The centralised TIN verification system will entail adjustment costs at EU level (approximately EUR 1.0 to 1.8 million for on-off costs and EUR 1.8 to 2.4 million per year for recurrent costs) and national level (approximately EUR 15 to 25 million for on-off costs and EUR 4.5 to 12 million per year for recurrent costs). Given the voluntary nature of the measure for the reporting entities, 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. While the introduction of a TIN validation tool entails upfront and operational costs for all stakeholders, it will also generate significant overall savings by reducing the need for resource-intensive ex post correction procedures, that can be quantified to up to approximately EUR 70 million per year.
How will businesses, SMEs and micro-enterprises be affected?
Businesses will benefit from a significant reduction in compliance costs and administrative burdens resulting from the simplification measures included in the preferred policy package, in line with the Commission's targets of reducing such burdens by at least 25% for businesses and 35% for SMEs. The removal of low-value reporting requirements under DAC6 and DAC7, together with the streamlining of notification obligations related to DAC4 and DAC9, will substantially reduce unnecessary reporting and duplication. SMEs and micro-enterprises are expected to benefit in particular from the simplification of reporting requirements under DAC6 and DAC7, where compliance costs are proportionally higher, while measures related to DAC4 and DAC9 mainly affect larger multinational groups. Overall, the initiative supports a more favourable business environment and enhances EU competitiveness.
Will there be significant impacts on national budgets and administrations?
Tax administrations may incur initial implementation costs for example with respect to the TIN validation measure but will benefit from reduced processing of low-value data and improved data matching, leading to overall efficiency gains.
Will there be other significant impacts?
The initiative strengthens the functioning of the internal market, supports competitiveness and contributes to improved governance and transparency. This initiative is also compatible with the Charter of Fundamental Rights.
D. Follow up
When will the policy be reviewed?
The policy will be reviewed through a structured monitoring and evaluation framework. Monitoring will be carried out on an ongoing basis using indicators such as reporting volumes, data quality, matching rates and compliance costs, in cooperation with Member States and business stakeholders. In line with Article 27 of the DAC, the Commission will carry out an evaluation of the framework every five years. This evaluation will assess the effectiveness, efficiency, relevance, coherence and EU added value of the initiative, including its impact on administrative burdens and tax compliance.