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| From: | General Secretariat of the Council |
| To: | Working Party on Tax Questions (Direct Taxation – DAC)<br>Working Party on Tax Questions (High Level)<br>Fiscal Counsellors / Attachés |
| Subject: | Directive on administrative cooperation (recast) - Presidency steering note |

With a view to the meeting of the Working Party on Tax Questions (High Level) on 23 September 2026, delegations will find attached a note prepared by the Presidency on the above mentioned subject.

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**High Level Working Party on Tax Questions**

**23 September 2026**

**Update on DAC Recast Negotiations**

## Background

In its conclusions of 11 March 2025, the Council (Economic and Financial Affairs) called on Member States and the European Commission to pursue a tax simplification and decluttering agenda, including through the review of existing EU tax legislation, the reduction of unnecessary reporting and administrative burdens, and the application of simplification principles in future tax proposals[1]. Furthermore, the European Council, in Section III of its Council conclusions adopted on 20 March 2025, called for a commitment at all levels (EU, national and regional) to drastically reduce administrative and regulatory burdens for businesses and public administrations within the Union[2]. These calls are part of a broader and urgent effort underway across the EU to boost overall competitiveness.

On 24 June 2026, the Commission published its proposal for a recast of the Directive on Administrative Cooperation (DAC). The proposal aims to codify the nine existing DACs into a single, more coherent legal instrument, and improve legal clarity for both businesses and tax administrations, whilst also introducing several key simplifications aimed at reducing the administrative burden for business.

## DAC6: Proposed Carve-out for Pillar Two Groups

Some of these key simplification measures included in the DAC recast proposal relate to DAC6, which concerns the reporting and exchange of information in respect of cross-border arrangements. In particular, the Commission has proposed an exclusion from DAC6 reporting for groups in scope of Council Directive (EU) 2022/2523 (the Pillar Two Directive) and the OECD Global Anti-Base Erosion Model Rules (OECD GloBE Model Rules), or collectively 'Pillar Two rules', subject to meeting certain qualifying conditions (i.e. a 'carve-out').

The Commission does not propose that DAC6 and Pillar Two rules are like-for-like reporting frameworks. However, it is of the view that such a carve-out reflects the extensive reporting and transparency obligations already borne by groups in scope of Pillar Two rules as well as the fact that these groups face close scrutiny from dedicated audit teams within tax authorities. The carve-out is, therefore, a proportionate policy response in line with the wider

[1] Council conclusions on a tax decluttering and simplification agenda contributing to the EU's competitiveness, approved by the Council (Economic and Financial Affairs) on 11 March 2025 (ST 6748/25, FISC 44, ECOFIN 232)

[2] European Council Conclusions, 20 March 2025, EUCO 6/25, Section III

objective endorsed by the Council and European Council of reducing unnecessary administrative and compliance burdens.

The Commission estimates this measure would exclude approximately 3,000 multinational enterprise (MNE) groups that are already subject to Pillar Two rules from DAC6 reporting requirements and would generate annual compliance cost savings of approximately €300 million for EU firms. This is a significant cost saving for business and represents a substantial proportion of the approximately €500 million annual compliance costs expected to be incurred by groups subject to the Pillar Two framework.

## State of Play

The DAC recast proposal was first discussed by Council at the Working Party on Tax Questions (WPTQ) on 1 July 2026 under the Irish Presidency. At this meeting, a large number of delegations supported the objective of simplifying and streamlining the application of the DAC and were broadly supportive of the Commission's DAC recast proposal.

The DAC6 provisions were then examined at the meeting of the WPTQ on 16 July 2026, together with the notification, reporting and exchange provisions of DAC4 and DAC9. Delegations were given the opportunity to exchange views on the relevant provisions. In respect of DAC6, many delegations supported targeted measures designed to provide clearer, more proportionate reporting obligations and the elimination of hallmarks that result in overreporting or reporting that is ultimately not useful for risk assessment. At the same time, some delegations expressed various concerns, including the potential loss of information that may result from certain DAC6 amendments proposed. The Presidency noted these views and invited delegations to submit additional written comments to enable it to prepare a first partial compromise text on the DAC6, DAC4 and DAC9 provisions over the summer.

Based on feedback from delegations at the 16 July 2026 WPTQ meeting and in subsequent written comments received, the Presidency proposed retention of the carve-out but deferred its application until 1 January 2031 and proposed a review clause on the continued suitability of the carve-out based on a Commission report to be submitted by 31 December 2029.

The Presidency's rationale was as follows:

1. The carve-out is linked to the existence of a comprehensive Pillar Two reporting and minimum taxation framework. A carve-out from DAC6 reporting for Pillar Two groups acknowledges the unique and complex compliance obligations these groups have faced and will continue to face since the introduction of Pillar Two rules. In addition, the introduction of the global minimum taxation framework, by reducing tax rate differentials across jurisdictions, fundamentally alters for in scope MNE groups the underlying incentives for the potentially aggressive arrangements targeted by DAC6. Such targeted compliance relief also supports the broader objective of reducing unnecessary administrative burdens. Lastly, these groups also face ongoing close

scrutiny from dedicated audit teams within tax authorities. All this results in tax authorities having broad range of information on the Pillar Two Groups.

2. The deferral of the carve-out to 1 January 2031 would ensure that sufficient practical experience is available regarding the operation of the Pillar Two framework before it takes effect.

3. A review clause would then enable Member States to provide input into a Commission review and appraisal of the proposed carve-out, taking into account their experience with the Pillar Two Directive and the OECD GloBE Model Rules, as well as relevant international developments including the OECD evidence-based stocktake process. It is envisioned that this review would be completed by the end of 2029, before the carve-out would enter into force. Should the Commission conclude that the carve-out is no longer appropriate at that time, it could propose legislative changes to amend or repeal it.

The Presidency also simplified some of the qualifying conditions for MNEs to access the carve-out where the ultimate parent entity of the MNE group is located in a jurisdiction with a qualified side-by-side regime. These qualifying conditions referred to terms that were not defined and delegations had commented that these conditions would be difficult to administer and therefore risked creating uncertainty and a parallel EU standard (distinct from that of the OECD). The Presidency's rationale for amending the qualifying conditions was to improve legal certainty and administrability, and to ensure continued alignment with the OECD.

At the WPTQ meeting on 4 September 2026, the Presidency presented its first partial compromise text on the DAC6, DAC4 and DAC9 provisions with a view to identifying areas of convergence and a basis for further work. Proposed amendments were examined on a recital-by-recital and an article-by-article basis.

Many delegations considered that the Presidency compromise text could provide a useful basis for further work. However, specifically on the possibility of a carve-out, delegations continue to hold differing views. Some delegations noted that the information available through the Pillar Two framework is not equivalent to information reported under DAC6 and expressed concerns regarding a potential loss of information relevant for risk assessment. Some delegations also feel that more time is needed before introducing the carve-out because Pillar Two rules are too new and require time to be embedded and assessed.

Against this background and given the significance of this proposal in the context of the expected cost savings arising from its agreement, the Presidency considers that political guidance from HLWP delegations would help to further narrow differences and guide continued technical work on this important topic.

## Questions to Delegations

In light of the above, the Presidency invites HLWP delegates to consider the following questions:

1. *Does your delegation support providing groups within the scope of the Pillar Two framework with an exclusion from DAC6 reporting obligations (i.e. a carve-out)?*

2. *Can delegations support the Presidency's general approach to provide for a Pillar Two carve-out, with a deferred application and a Commission review mechanism, as basis for further work?*

3. *What further safeguards could be provided for, in order to facilitate your support for the Presidency's approach?*

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