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BusinessEurope contribution to the public consultation on the Recast of the Directive on Administrative Cooperation in the field of direct taxation (Directive 2011/16/EU)

1. Executive Summary

BusinessEurope welcomes the Commission's initiative to recast the Directive on Administrative Cooperation and supports the objective of **achieving measurable reductions in administrative burden** while strengthening effective, proportionate and risk-based tax administration.

From a business perspective, the DAC framework has become increasingly fragmented following successive amendments (DAC1–DAC9), resulting in overlapping reporting obligations, legal uncertainty and disproportionate compliance costs, in particular under DAC6.

The recast represents a unique opportunity to move beyond technical consolidation and deliver genuine simplification. BusinessEurope therefore calls for a focused reform centred on three priorities:

- Eliminating obsolete or low-value reporting obligations, notably under DAC6.
- Streamlining duplicative obligations, particularly DAC4/DAC9 notification requirements.
- Ensuring future measures are objective, harmonised and digitally efficient across Member States.

In particular, BusinessEurope advocates:

- The repeal or substantial narrowing of DAC6, including the removal of generic hallmarks and the Main Benefit Test, and the refocusing of reporting on genuinely aggressive tax arrangements.
- The replacement of entity-level DAC4 and DAC9 notifications with a centralized group-level notification mechanism, whereby the Ultimate Parent Entity (UPE) established in the EU (or an EU-designated entity of non-EU parented groups)



submits a single notification specifying the entities for which it will file the Country-by-Country Report and the Global Information Return, with that information exchanged between tax administrations.

- A change-only notification approach, under which notifications remain valid unless and until the underlying information changes, supported by a mandatory and interoperable EU standard template.
- stronger alignment with OECD technical standards and the development of more proportionate, risk-based and digitally enabled reporting requirements across Member States.

These measures would deliver tangible and measurable burden reductions for businesses, improve legal certainty and allow tax administrations to focus resources on genuinely high-risk cases.

2. Introductory Remarks

BusinessEurope welcomes the opportunity to contribute to the European Commission's public consultation on the recast of the Directive on Administrative Cooperation (DAC – Directive 2011/16/EU).

We fully support the Commission's objective of simplifying EU tax legislation and reducing administrative burdens by 25% for businesses and 35% for small and medium-sized enterprises, in line with the Commission's long-term competitiveness agenda.

However, simplification will only be meaningful if it results in tangible and measurable reductions in compliance costs and operational complexity. **Recasting the DAC should therefore not be limited to technical consolidation or marginal adjustments**, but should focus on measures that demonstrably reduce duplication, legal uncertainty and administrative workload for both businesses and tax administrations.

BusinessEurope stands ready to engage constructively with the Commission throughout the preparation of the proposal to ensure that simplification measures are grounded in practical implementation experience.

3. Core Simplification Priorities

This section outlines the areas where simplification would deliver the most immediate and measurable reduction in compliance costs.



3.1. Streamlining Notification Requirements under DAC 4 and DAC 9

Both DAC4 and the EU Minimum Tax Directive (DAC9) require essentially the same core information: the identification of the MNE group and the designated entity responsible for filing the Country-by-Country Report or the Top-up Tax Information Return.

However, while DAC4 requires annual notifications on a fixed date, DAC9 leaves the form and frequency of notifications to Member States' discretion. This creates a risk of divergent national practices and unnecessary duplication for groups operating across several Member States.

In practice, this duplication and fragmentation of notification obligations generate concrete and recurring compliance costs for businesses. While precise figures vary across groups, companies consistently report that these notifications require several additional full-time equivalent (FTE) days per year per jurisdiction, mainly due to internal coordination, validation processes and local filing requirements.

These burdens are particularly significant for groups with fragmented legal structures and multiple constituent entities within the same Member State, where local notification obligations are multiplied without any corresponding increase in transparency. At the same time, duplicative and partially misaligned notification obligations increase the risk of sanctions triggered by minor or purely formal discrepancies (for example, differences in timing, entity identification or reporting entity designation), rather than substantive non-compliance. Simplification would therefore improve proportionality in enforcement and enhance legal certainty for compliant taxpayers.

To achieve genuine simplification, BusinessEurope considers that notification obligations should be centralized at group level, rather than replicated at entity level.

Where the Ultimate Parent Entity (UPE) is established in the EU, or where a group headed by a non-EU UPE has subsidiaries in the EU, a single notification should be submitted by the EU UPE or by a designated EU entity to its tax administration specifying the entities for which it will file the Country-by-Country Report and the Global Information Return. That information could then be exchanged between tax administrations in a common format, in the same manner as the CbCR and Pillar Two exchanges themselves.

Under such an approach, individual EU subsidiaries would be exempt from local notification obligations altogether. This would eliminate duplicative filings while preserving full transparency for tax administrations.



For large groups with multiple EU subsidiaries, this centralized notification mechanism would reduce the notification-related administrative burden by almost entirely removing entity-level obligations, while ensuring consistency, legal certainty and proportionality in enforcement.

To support this approach, **a standardised EU template** should be introduced and made mandatory and interoperable with national systems, in order to prevent Member State-specific formats from recreating fragmentation at technical level.

In addition, **notifications should be required only in the event of a change in the underlying information**, with existing notifications remaining valid unless and until such a change occurs. This centralized, change-based approach would be fully consistent with the Commission's objectives of simplification, digitalization and more efficient administrative cooperation, while delivering measurable and immediate reductions in compliance burdens for in-scope groups.

3.2. DAC 6: disproportionate burden with declining policy value

DAC6 represents the single largest source of administrative burden within the DAC framework while delivering declining policy value.

In light of recent international and EU tax developments, in particular the continued application of the full suite of the OECD/G20 Pillar Two rules in the EU, BusinessEurope considers that DAC6 has largely lost its policy relevance. Potentially low-taxed structures are now comprehensively addressed through Pillar Two and related domestic minimum taxation measures.

In addition, recent evaluations, including by the European Court of Auditors, national authorities and the Commission, have highlighted inconsistent application across Member States, limited usefulness of the information collected, and a disproportionate administrative burden for businesses.

On this basis, BusinessEurope believes that **DAC6 should be fully repealed** or, at a minimum, subject to drastic scope reduction. This should be achieved through the deletion of generic hallmarks and the replacement of the Main Benefit Test with objective, self-standing criteria for the remaining hallmarks.

We strongly caution against introducing further modifications to DAC6 that would require businesses to once again adapt internal reporting systems and compliance



processes. Such changes would run counter to the Commission's simplification objectives and risk increasing compliance costs.

Below we identify specific elements of DAC6 where deletion or substantive revision would be appropriate:

3.2.1. The Main Benefit Test

BusinessEurope strongly supports the abolition of the Main Benefit Test together with the removal of the generic nature of Hallmarks A1 to A3, in order to avoid creating unintended reporting obligations and further widening the scope of DAC6. These elements should therefore be considered together as part of a coherent and effective simplification package.

A tax advantage can only be considered the main benefit of an arrangement if it represents a significant portion (i.e. >50%) of the total expected benefit of an arrangement. However, business decisions are driven not only by tax efficiencies but also by commercial, regulatory and operational considerations. As a result, the Main Benefit Test has proven highly subjective and has triggered the reporting of many routine and non-aggressive transactions.

If retained, the Main Benefit Test should be limited to cases where the main benefit of an arrangement is the obtaining of a tax advantage, rather than "one of the main benefits".

A meaningful de minimis threshold could also exclude immaterial transactions from reporting obligations and promote a proportionate, risk-based compliance approach. Businesses should not be required to systematically document why arrangements are, for example, not standardised documentation or not round-tripping of funds in order to demonstrate non-reportability. This could be achieved through the introduction of clear whitelists or equivalent safe harbour mechanisms.

3.2.2. Hallmarks targeted for deletion or revision

From a simplification perspective, DAC6 reform should distinguish clearly between elements that should be removed entirely and those that could remain subject to objective, self-standing criteria. We set out below our rationale for repealing redundant elements of the framework. Simplification cannot be achieved by replacing one set of obligations with another.



Hallmarks A1 to A3

Experience shows that the vast majority of cases triggered by Category A hallmarks are ultimately deemed non-reportable following a Main Benefit Test assessment. Their removal would therefore significantly reduce internal reviews and administrative burden. The rationale for this is as follows:

- **Hallmark A1 (Confidentiality):** Confidentiality clauses are standard commercial practice and do not constitute a reliable indicator of aggressive tax planning.
- **Hallmark A2 (Fee structure):** Success-based or variable fees reflect market dynamics, and do not in themselves provide a meaningful indication of aggressive tax arrangements. Any retention would require significant narrowing and clarification.
- **Hallmark A3 (Standardised documentation):** Standardised contracts are designed to ensure legal certainty and consistent risk allocation, not to facilitate tax planning. Template contractual agreements for common transactions are published by various professional bodies. These agreements have been developed over time for commercial reasons and ensure consistent allocation of commercial and legal risks between counterparties. They have not been developed as tax products or schemes and, to the extent they include tax clauses, these assign tax risks and responsibilities between the parties in a pre-agreed manner.

Hallmarks B1 to B3

Based on business experience, Hallmarks B1 to B3 have proven largely redundant and have generated significant over-reporting of routine commercial transactions without delivering meaningful risk intelligence to tax administrations.

These hallmarks are intrinsically linked to the Main Benefit Test and rely on broad and subject concepts such as the conversion of income into categories taxed at a lower level, circular transactions or the use of loss-making entities. In practice, these features frequently arise in ordinary business operations driven by commercial, regulatory or operational considerations rather than by aggressive tax planning motives.

Potentially low-taxed or mismatched outcomes are now comprehensively addressed through the OECD/G20 Pillar Two framework and related domestic minimum taxation measures. This significantly reduces the residual policy value of Hallmarks B1 to B3, as



arrangements that could previously have been perceived as creating tax advantages are now subject to effective minimum taxation and increased transparency.

Hallmark C1

Reported cases under Hallmark C1 have often been driven by external non-tax factors rather than aggressive tax planning. A targeted refinement would therefore be appropriate, for example through a clearer deduction/non-inclusion criterion to exclude non-critical transactions. Elements related to preferential tax regimes (such as C1(d)) should also be reconsidered in light of Pillar Two, notably where a Qualified Domestic Minimum Top-up Tax or Income Inclusion Rule applies, in which case additional DAC6 reporting provides limited value.

Hallmarks D1 to D2

Based on businesses' experience, Category D hallmarks have had very limited practical relevance, and this is expected to be more so with the introduction of public Country-by-Country reporting, voluntary tax contribution reports and strengthened beneficial ownership frameworks. As such, the deletion of these hallmarks would contribute to reducing complexity without undermining the objectives of the DAC.

Should these hallmarks nonetheless be maintained, any remaining obligations should be strictly aligned with the OECD Mandatory Disclosure Rules and should not go beyond the corresponding international standards. This would ensure consistency, avoid EU-specific gold plating and prevent the creation of additional compliance burdens that are not justified by incremental policy benefits.

Hallmarks E1 to E3

Hallmark E illustrates the duplication of reporting obligations for information already available to tax administrations. As this hallmark is not subject to the Main Benefit Test, it has an excessively broad scope. Reports generated under Hallmark E often have no bearing on actual tax liability.

Given existing mandatory transfer pricing documentation obligations, DAC6 reporting under this hallmark is largely redundant and should be removed. Routine legal entity restructuring (such as legal mergers, intra-group reorganisations or business consolidations) often results in an EBIT reduction of more than 50% for the transferor entity that ceases to exist or transfers its activities. Such transactions are typically driven by operational or organizational considerations and do not in themselves indicate aggressive tax planning. Given that tax authorities are already notified via notaries and commercial registries and the transaction is



fully reflected in tax returns and existing documentation, subjecting them to DAC6 reporting leads to duplicate reporting without providing additional relevant information to tax administrations.

3.2.3. Design principles for a simplified DAC6 framework

BusinessEurope considers that, if DAC is maintained, simplification should be guided by the following principles:

- **Clear quantitative thresholds for hallmarks**

Clear financial thresholds should be established to distinguish low-risk from high-risk transactions, particularly for financial transactions and transfers of intangible assets. Internal reorganisations should not trigger reporting solely because they result in accounting variations (such as an EBIT change exceeding 50%) where no value shifting occurs.

- **De minimis rules**

Clear de minimis thresholds should be introduced to exempt routine transactions that do not pose significant tax risk from DAC6 reporting and to promote a proportionate, risk-based compliance approach. This would also reduce incentives for defensive over-reporting driven by uncertainty.

- **Harmonisation and proportionality of penalties**

Significant divergences currently exist between Member States with regard to penalties for non-compliance with DAC reporting obligations, both in terms of amounts and in the circumstances under which sanctions are applied. This creates legal uncertainty for cross-border groups and exposes businesses to disproportionate risks for minor or purely formal errors.

Penalty regimes across the EU should be greatly harmonized, based on clear principles of proportionality, legal certainty and risk-based enforcement. Penalties should focus on cases of deliberate non-compliance or genuinely high-risk arrangements, rather than technical mistakes or differences in interpretation.

- **More practical deadlines for reporting obligations**

The current 30-day deadline is impractical and creates unnecessary time pressure for businesses without increasing the informational value for tax authorities. Deadlines should better reflect the complexity of the assessment required and operational realities.



- **More accessible and readable guidance**

Existing guidance is often fragmented across multiple sources, highly technical and difficult to navigate. Taxpayers would benefit from structured, consolidated and user-friendly guidance, written in clear and accessible language while preserving legal accuracy.

- **Horizontal integration and standardized templates to avoid double reporting**

DAC6 should be better integrated with existing compliance frameworks (e.g. Pillar Two, Country-by-Country Reporting and Transfer Pricing documentation), allowing taxpayers to rely on existing documentation.

All information already in the possession of tax authorities (e.g. APAs, local files, legal mergers, audited transactions) should be excluded from DAC6 reporting. To ensure that such integration is effective in practice, uniform and standardized EU templates and formats should be introduced, enabling taxpayers to reuse existing data consistently across reporting regimes and across Member States.

Concrete examples illustrating when reporting obligations apply and when they do not would be particularly helpful. DAC6 should be reduced to what it was originally intended to capture: aggressive tax schemes, not routine or already transparent transactions.

- **Audit exemptions for compliant taxpayers**

Exemptions from DAC6 reporting should be granted to taxpayers with high compliance standards or those subject to continuous audits (e.g. APAs). This would reduce the reporting burden for well-governed companies already under close scrutiny.

- **One central EU reporting portal**

One of the most impactful improvements would be the introduction of centralized EU-level reporting solutions, such as a single EU platform for DAC-related submissions. The portal would handle the dissemination of information between tax authorities, eliminating the need for taxpayers to maintain access to multiple national interfaces and would encourage the development of fully integrated end-to-end reporting solutions by service providers.



3.3. DAC 7

Where activities are conducted through subsidiaries established in different Member States, each subsidiary is required to report separately to its respective tax authority. In such cases, administrative burden and compliance costs are significant, particularly due to differences in reporting formats and technical requirements.

BusinessEurope therefore supports the introduction of a harmonised XML reporting standard interoperable with domestic systems. At present, several Member States use XML schemas that diverge from the OECD model schema, making compliance highly resource-intensive. A unified EU-level technical standard would reduce operational complexity, facilitate cross-border compliance and contribute to a more consistent application of DAC7.

BusinessEurope encourages the Commission to clarify that DAC7 should not apply to purely B2B platforms where all sellers are fully registered businesses or public entities and where transaction data are already available to tax authorities through existing VAT, accounting and reporting frameworks. In such cases, DAC7 reporting does not generate meaningful additional control information, but instead risks duplicating existing data and imposing disproportionate administrative burdens, particularly on smaller platform operators. BusinessEurope therefore calls for an explicit exclusion or proportionality-based safe harbour for B2B platforms that do not involve unregistered private individuals, do not intermediate payments, and operate exclusively between regulated and traceable counterparties. This would ensure that DAC7 remains targeted at genuinely hard-to-detect income.

4. Additional issues under consideration in the DAC recast

4.1. EU Tax Identification Number

BusinessEurope acknowledges the Commission's interest in improving taxpayer identification and data matching through the possible introduction of a common EU tax identification number.

Many companies already operate with multiple existing identifiers at national level. Introducing a new EU tax identification number would require substantial administrative and technical adjustments, notably in relation to master data management IT systems, internal interfaces and reporting processes. These changes would entail significant implementation costs without necessarily delivery proportional benefits.



Any harmonization efforts should therefore build on existing national identifiers rather than replace them. Improvements in data matching and exchange could be achieved through technical solutions at tax authority level, including interoperable systems and back-end interfaces, without imposing new obligations on taxpayers.

In the current economic context, characterised by cost pressures, resource constraints and limited growth prospects, additional layers of bureaucracy should be avoided. Measures aimed at improving administrative cooperation should focus on enhancing efficiency within public systems rather than shifting further compliance and technical burdens onto businesses.

A new EU identifier should only be considered if a clear net reduction in compliance costs for businesses can be demonstrated.

4.2. Economic ownership and shell entities

BusinessEurope continues to support the combating of tax abusive practices involving shell entities. However, measures addressing economic ownership or shell structures should not be included within the scope of the recast of the Directive on Administrative Cooperation.

Such issues should instead be assessed in the broader context of existing anti-tax abuse frameworks, with a view to ensuring that any new requirements are strictly targeted, well coordinated with current instruments and proportionate to the risks identified.

In particular, it is essential that initiatives in this area do not run counter to the Commission's simplification and competitiveness objectives. Valid commercial business entities should not be subjected to new, cumbersome administrative procedures that generate additional compliance burdens without clear policy benefits.

Any future action should therefore focus on genuinely abusive arrangements and avoid extending reporting or administrative obligations to ordinary commercial structures that serve legitimate economic purposes.

5. Evidence base and implementation reality

5.1. Observations on the Commission's DAC Evaluation (November 2025)

BusinessEurope takes note of the Commission's evaluation of the DAC published in November 2025. However, the headline conclusions on cost-benefit ratios rely on underlying



data and modelling assumptions that are not fully transparent or reproducible for stakeholders. This is particularly relevant given that the Commission's own evaluation acknowledges important data gaps, including incomplete coverage of recurring compliance costs.

Moreover, the recurring compliance costs linked to DAC6 obligations also do not appear to be comprehensively captured, despite DAC6 being widely recognised as the most complex and resource-intensive component of the framework.

5.2. Need for business-based evidence

Against this background, BusinessEurope strongly urges the Commission to ensure that simplification efforts are grounded in more robust and transparent methodologies, so as to strengthen confidence that burden reduction targets reflect genuine progress. In addition, reforms should be informed by the concrete, day-to-day compliance experience of businesses operating across multiple Member States, rather than relying solely on aggregate estimates whose methodological basis remains unclear.

Real-life implementation has revealed significant legal uncertainty, over-reporting of routine transactions and disproportionate administrative burden, especially under DAC6.

BusinessEurope therefore encourages continued structured dialogue with business stakeholders to support evidence-based simplification.

Concluding Remarks

The recast of the Directive on Administrative Cooperation should not be limited to technical consolidation of existing provisions but should represent a strategic opportunity to remove obsolete obligations and streamline overlapping reporting regimes.

Only such an approach will ensure that the DAC recast contributes meaningfully to the Commission's competitiveness and simplification agenda, while preserving the effectiveness of administrative cooperation in taxation. BusinessEurope therefore encourages the Commission to prioritise the removal of obsolete obligations, the consolidation of overlapping regimes and the introduction of objective, proportionate reporting requirements grounded in real-life business practice.

BusinessEurope remains at the Commission's disposal for further dialogue on these issues.