

European Commission puts forward proposal (DAC9) to simplify Pillar Two implementation

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In brief

What happened?

The European Commission has proposed amendments to the EU Directive on administrative cooperation in taxation ([DAC9](#)). These changes aim to facilitate the exchange of top-up tax information between Member States and allow multinational enterprises (MNEs) to switch from local to central filing. If adopted by the Council of the EU, the rules would enable MNE groups and large domestic groups to file a single Top-up tax information return in one EU Member State instead of multiple filings across different Member States.

Why is it relevant?

DAC9 aims to simplify reporting requirements by incorporating the [GloBE Information Return](#) (GIR) from the OECD/G20 Inclusive Framework on BEPS (IF) into EU law. This proposal sets up a system for tax authorities to exchange information with other EU Member States. Once adopted by the Council of the EU and the EU Parliament, governments have until 31 December 2025 to implement DAC9. The first Top-up tax information returns are due 30 June 2026, with information exchange required by 31 December 2026.

Actions to consider

Businesses should consider the Member State where they might wish to file their Top-up tax information return, using a designated filing entity if that is not the location of the Ultimate Parent Entity (UPE). They should also consider the data requirements if they have not already done so.

In detail

Introduction of a system for tax authorities to exchange information

The proposal sets up a system mandating tax authorities to automatically exchange Top-up tax information returns between Member States using a standardised template. Member States are required to communicate relevant parts of these returns to other Member States within three months of receipt (six months for the first return) using a standard digital form that will be developed by the European Commission.

The proposal includes a process for coordinating follow-up information requests among EU Member States. It provides that when the Top-up tax information return has been received and, after verification, the competent authority has reason to believe that it requires adjustments, they should notify the competent authority of the sending Member State who would then be obligated to obtain the necessary supporting/correcting information from the filing entity and exchange it with the relevant competent authorities of Member States.

Observation: This process may help reduce uncoordinated requests for further information in Member States, but it does not preclude any tax administration from making such follow-up information requests. To exchange Top-up tax return information with third-country jurisdictions, Member States will still have to sign appropriate international agreements to allow automatic exchange of GloBE information with those jurisdictions. The IF is also developing a Multilateral Competent Authority Agreement to facilitate such an exchange between jurisdictions as well as a Multilateral Instrument that will likely contain dispute resolution and information exchange mechanisms.

Introduction of a standard form for reporting relevant tax-related information

The proposal introduces a standard form for in-scope groups to report top-up tax information. The European Commission represents that this form is “fully in line with the GIR” adopted by the IF in July 2023. However, the OECD has noted that they are already working on amendments and improvements to the GIR, suggesting that the proposed EU standard form would be subject to change. Given this potential for future changes to the GIR, the European Commission has included a provision in the DAC empowering it to align this Pillar Two standard form with the OECD’s GIR.

The Top-up tax information return includes the election for the transitional simplified jurisdictional reporting framework (‘Simplified Framework’) as a temporary measure that allows for simplified reporting for all fiscal years beginning on or before 31 December 2028 (but not including a fiscal year that ends after 30 June 2030). Under the Simplified Framework, the in-scope group is generally not required to report adjustments to financial accounts net income and loss, current tax expense, or deferred tax expense on a constituent entity-by-constituent entity (‘CE-by-CE’) basis and all adjustments can be reported on a net basis. The Simplified Framework is only allowed for jurisdictions where either (1) no top-up tax liability arises or (2) top-up tax liability arises, but it does not need to be allocated on a CE-by-CE basis.

Observation: Both the DAC9 proposal and GIR report state that jurisdictions should generally refrain from requiring the reporting of additional data points beyond the Top-up tax information return as part of their routine tax return and payment requirements. The level of granularity required to complete the Top-up tax information return is already overwhelming for many taxpayers. Note that the obligation to prepare the Top-up tax information return is separate from any potential local tax return requirements. Local divergences or adaptations will pose additional complexities and compliance costs. Monitoring each implementing jurisdiction’s potentially unique adoption of the rules will be essential for developing a comprehensive data strategy to prepare for Pillar Two filings.

Let's talk

For a deeper discussion of how these proposed amendments in DAC9 might affect your business, please contact:

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