



Mazars US tax desk update

Update on DAC7 - an extension of the EU transparency rules to digital platforms.

DAC7 - Agreement on reporting requirements for digital business

On 1 December 2020, the Economic and Financial Affairs Council of the European Union reached an agreement at a technical level on amendments to the European Council Directive on Administrative Cooperation in the field of taxation. This will mean extending the EU transparency rules to digital platforms and introducing an obligation for platforms operators to provide information on income derived by sellers through the platform. The proposed 'DAC 7', originally unveiled on 15 July 2020, forms part of the European Commission's Tax package. The information gathered will be exchanged automatically between the Member States. Online platforms such as eBay, Amazon and Alibaba will be affected by this.

The new rules aim to identify areas where tax has been avoided or evaded and harmonise reporting obligations in different jurisdictions, reducing the platforms' administrative burden. It will also foster the further exchange of information and cooperation between the tax authorities in another Member State.

Scope

Under the new DAC7 rules, which will come into force in 2023, platform operators will be required to collect and report information on income derived by sellers through any of the following Relevant Activities:

- The sale of goods,
- Provision of services,
- Rental of immovable property (both residential and commercial) and
- Rental of any mode of transport.

Whether the platform is located in the EU or not.

An earlier draft of the directive provided for reporting on investment and lending in the context of crowdfunding. However, such provisions were removed in the current draft. Only online platforms which connect seller and customer directly are reportable under DAC 7.

Platforms that engage solely in any of the following activities are excluded from the scope of DAC7:

- Allowing processing of payments in relation to Relevant Activity;
- Allowing users to list or advertise a Relevant Activity;
- Redirecting or transferring of users to a platform.

Platforms will need to declare the information on Reportable Sellers. A seller reportable under the directive includes an individual who is resident or in possession of a tax reference number or an entity with a PE in a member state, are all considered a resident and reportable under the provisions. Excluded from the provisions are platforms that facilitated less than 30 Reportable Activities for the total amount that does not exceed €2,000.

Reporting obligations:

DAC7 introduces new reporting obligations for platform operators acting as 'digital intermediaries'. Platform operators will be required to register in one Member State. If they are deemed reportable platform operators in more than one Member State, the entity must elect where the reporting will be made. Non-EU platform operators will also fall under the scope of DAC7. These will be allowed to select the Member State where the reporting will be made.

Platform operators will need to identify reportable suppliers and collect information on these. The platform operators are required to collect and report the following information regarding a reportable seller:

- Name;
- Date of birth,
- Address;
- Tax identification numbers, including states of issuance;

- VAT identification numbers;
- Business registration number;
- Details of any permanent establishment through which relevant activities are carried out in the Union, indicating each respective Member State;
- Financial account identifiers.



already published its roadmap for the seventh extension (DAC8), focusing on the exchange of information on alternative means of payment and investments such as crypto assets.

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