

DAC7 approved - Digital platform operators



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On 22 March 2021, the EU Council adopted the proposal of the EU Commission to amend Directive 2011/16/EU on administrative cooperation in the field of taxation (DAC). Taking into account that this is already the sixth amendment, this new Directive is referred to as DAC7.

What is it about?

The first pillar of DAC7 addresses exchange of information, which will lead to increased transparency with respect to the digital economy. The new amendment of the DAC introduces new documentation and reporting obligations imposed on digital platforms. The platforms in scope (very wide scope of application) will have to put in place a due diligence procedure to collect, verify and exchange information regarding the transactions of their users. This information will be also subject to exchange of information between tax authorities.

The second pillar addressed by DAC7 is administrative cooperation, allowing tax authorities to conduct coordinated cross-border tax audits. DAC7 provides for:

- (i) the legal basis for active investigation rights for foreign officials;
- (ii) the legal framework for joint audits by two or more tax authorities from Member States; and
- (iii) amendments to improve the efficiency of the existing procedures.

When will it apply?

The DAC7 provisions must be implemented into domestic law by 31 December 2022 (application from 1 January 2023). By way of derogation, the provisions regarding joint audits must be implemented by 31 December 2023 (application from 1 January 2024). As a precursor to DAC7, Belgium has already introduced reporting obligations for digital platform operators (Law of 20

December 2020, Official Gazette of 30 December 2020). This preliminary version of the DAC7 obligations is applicable as of 9 January 2021 and will be replaced by the transposition of the final version of DAC7 into Belgian legislation. This means that, already today, multiple requirements apply for digital platforms active in Belgium.

Relevance for businesses

The digital platforms covered by DAC7 are required to install new internal compliance procedures. These procedures will need to be put in place in a timely manner in order to avoid penalties for non-compliance. Furthermore, and this applies for all businesses and not only digital platforms: businesses should be prepared for increased tax transparency but also for cross-border tax audits, which may result from this transparency, and new procedures available to the authorities for cross-border cooperation.

For more information we invite you to listen to [our DAC7 podcast](#)