

DAC7: reporting obligation for digital platforms

2/27/21



PwC manager, tax reporting, accounting and strategy
Juris Boiko



PwC senior tax associate
Kristine Skrastina

On 22 March 2021 the EU Council adopted [Directive \(EU\) 2021/514 \(“DAC7”\)](#) amending Directive 2011/16/EU on administrative cooperation in the field of taxation, to extend the EU tax transparency rules and reporting obligations to digital platforms and platform operators. Digital platforms and platform operators are required to provide information on the income of sellers using digital platforms from 2023. These rules impose a reporting obligation on digital platforms operating within and outside the EU.

The DAC7 reporting obligation

The purpose of DAC7 proposals is to extend the EU tax transparency rules to digital platforms. The new rules provide for automatic information exchange between the member states on income that sellers gain through digital platforms. This will allow the national tax authorities to identify situations where tax is due. Also, putting standardised reporting requirements in place will ease the administrative burden on platforms, which have so far been subject to a variety of reporting requirements at national level.

The DAC7 reporting obligation for digital platforms and platform operators is designed in the light of the OECD’s model rules for platform operators to ensure seller reporting in the gig and sharing economy.

The reporting obligation will cover digital platforms and platform operators within and outside the EU. To secure the enforcement of reporting rules and to ease the administrative burden on digital platforms, the reporting obligation will apply to cross-border as well as domestic transactions.

The DAC7 reporting obligation will cover the following activities:

- a) Lease of real estate, including residential and commercial property, as well as any other type of real estate and car parks;
- b) Individual services;
- c) Sales of goods; and
- d) Any type of rental transport.

Digital platforms that only process payments, record or advertise goods/services and redirect/forward users will be exempt from the reporting obligation. The exemption will also cover platform operators for one-off sellers of goods (up to 30 sales with annual fees of up to EUR 2,000) and for rental agreements of companies, such as hotel chains or travel organisers, that have provided more than 2,000 rental agreements through the platform in a tax period.

The member states have to pass DAC7 into their national laws by 31 December 2022 with effect from 1 January 2023. Digital platforms and platform operators will have to file their first reports to the member states for 2023 by 31 January 2024.

Although 2023 is still far away, digital platforms and platform operators should now begin considering the potential impact of DAC7 on the operations of platforms and information to be filed, by checking their

systems, processes, contractual relations, data protection, data retention, and other key requirements.