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No use of electronic data collected by tax auditors against other taxpayers

The Supreme Tax Court has held that tax auditors may only evaluate taxpayer data in the taxpayer’s offices or in their own tax offices and must delete it once the assessments for the year in question are final.

A tax consultant refused a tax audit request for data on his client billings for fear that it might be used not only to audit his own revenue, but also as a source of information on his clients' affairs. The Supreme Tax Court has held that the tax auditors were entitled to request the data in question, but were not entitled to use it to test the returns of other taxpayers. Thus, they may store the data on their own computers and analyse it in the offices of the entity under audit. They may also take it to their own tax office for evaluation and analysis there. However, they may not process it in any other location or on any other computer (danger of theft by a third party) and must delete it once it is no longer needed in connection with the affairs of the owner. This is when the assessments for the year in question become binding, that is after resolution of any disputes.

Supreme Tax Court judgment VIII R 52/12 of December 16, 2014 published on August 19, 2015

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