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By PwC Deutschland | 04 April 2017

Tax administration issues guidelines on cross-border coordination of tax audits

In light of global trading of multinational corporations the tax offices are in constant pursuit of stronger international tax compliance. The German Federal Finance Ministry has now issued guidelines on coordinated external tax audits with foreign tax administrations.

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Coordinated external tax audits and joint audits are a new form of coordinated action between and among tax administrations. The circular to that effect by the Federal Finance Ministry dated 6 January 2017 was only published on 29 March 2017 and complements the international mutual assistance directive issued by the German authorities in November 2015. The main objective is to gather and determine - with the assistance of foreign officials and on a common basis - all relevant facts during an audit.

In addition to the international mutual assistance activities and the exchange of information bilateral and unilateral tax audits may be conducted in the course of so called simultaneous tax audits or joint external tax audits. Also, the assignment of staff (officials) to other EU Member States or third countries and vice versa are discussed in the circular of the German tax administration.

By way of coordinated external audits mutually binding agreements should be reached on the relevant facts. Also, conflicts of taxation should be avoided (double taxation/white income) and mutual agreement procedures may be simplified and shortened.

Keywords

coordinate, tax audit