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By PwC Deutschland | 27 May 2024

Infringement proceedings regarding the implementation of tax transparency rules on digital platforms

The Commission calls on Germany and a number of other countries to fulfil their obligation to cooperate with other Member States on tax transparency of income realized through digital platforms.

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The European Commission decided to open an infringement procedure by sending a letter of formal notice, i.a., to Germany, Hungary, Poland and Romania for failing to exchange timely information on income earned by individuals and companies through the use of online platforms.

Specifically, the Commission has decided to initiate infringement proceedings against Germany and 17 other Member States by sending letters of formal notice because these countries have not designated a competent authority to implement the data governance act or have not demonstrated that the competent authorities are authorized to carry out the tasks prescribed in the act.

Directive (EU) 2021/514 of 22 March 2021 introduced, as of 1 January 2023, new tax transparency rules for transactions on digital platforms. The objective is to better identify situations where tax should be paid. The reporting should happen at two stages. First, online platforms were obliged to collect the information about the income earned by individuals and companies throughout 2023 and report it to the Member State of the platform. Then, that Member State had to exchange that information by 29 February 2024.

The timely reporting and exchange is essential for ensuring a level playing field in the Union and the smooth functioning of DAC7 across all Member States. Germany, Hungary, Poland, and Romania have failed to fulfil their obligation in exchanging the necessary information with tax authorities of other Member States which hinders them to enforce local tax laws.

The Commission is therefore sending a letter of formal notice to Germany, Hungary, Poland, and Romania, who now have two months to respond and address the shortcomings raised by the Commission. In the absence of a satisfactory response by the Member States, the Commission may decide to issue a reasoned opinion.

Source:

European Commission, **press release of 23 May 2024** (see under point 5, Taxation and Customs Union).

Keywords

digital data