

DIRECTIVE ON ADMINISTRATIVE COOPERATION (DAC7)



Cyprus enacts law implementing tax transparency rules for reporting digital platform operators

DAC 7, outlined in Legal Notice 8 of 2023, implemented on 20 January 2023, incorporates the seventh update to Council Directive 2011/16/EU on taxation cooperation into Cyprus law. DAC 7 extends EU tax transparency regulations to digital platforms, mandating "reporting platform operators" to collect, verify, and report specific details about "reportable sellers" engaged in "relevant activities" on their platforms.

Additionally, DAC 7 introduces automatic information exchange among EU tax authorities concerning taxable events and income generated through these digital platforms. It also establishes a legal framework for joint audits, where multiple countries collaborate to form a single audit team, enhancing issue resolution speed, fact-finding efficiency, and compliance effectiveness.

Here are key definitions and criteria:

1. Platform Definition:

- A platform includes any software, website, or application allowing sellers to connect for relevant activities.
- Exclusions comprise software exclusively processing payments, enabling users to list or advertise activities, or redirecting/transferring users.

2. Reporting Platform Operator:

- A "reporting platform operator" falls under reporting obligations if resident for tax purposes in an EU Member State or incorporated/having management or a permanent establishment in an EU Member State.
- Alternatively, a platform operator facilitating a relevant activity by a seller in an EU Member State or involving rental of immovable property in an EU Member State may be considered.

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3. Reportable Seller:

- A reportable seller, registered on the platform, is an individual or entity conducting relevant activities and residing in or renting property located in an EU Member State.
- Exclusions cover government entities, entities with regularly traded stock, those with over 2,000 relevant activities facilitated in a reporting period, or those with fewer than 30 transactions totalling less than Euro 2,000.

4. Relevant Activity:

A "relevant activity" for reporting obligation includes rental of immovable property, personal services, sale of goods, and rental of any mode of transport. Activities by sellers acting as employees of the platform operator or related entities are exempt.

5. Reportable Information:

Extensive information, such as seller name, tax identification numbers (TIN and VAT), tax residence, and financial accounts, is collected. Verification and periodic renewal are required. Data may be obtained directly from sellers or from public sources.

6. Entry into Force and Reporting Deadlines:

- DAC 7 became effective through Legal Notice 8 of 2023 on 20 January 2023.
- Reporting platform operators must submit specific information to local tax authorities by 31 January of the following year for identified reportable sellers.
- The first declaration was due by 31 January 2024 (covering 2023), and information exchange between EU Member States occurs by the end of February 2024.
- Non-compliance may result in effective, proportionate, and dissuasive penalties imposed by Member States.

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