

TAX Alert

KR Group | TAX Compliance Services | 15 November 2022

DAC7 Directive – new obligations for selected e-commerce entities

The Council Directive (EU) 2021/514 from the 22th of March 2021, known as the "DAC7 Directive," introduces new reporting obligations on digital platform operators who offer goods and services via these platforms. The new obligations should be implemented by the end of 2022 and will **take effect on January 1, 2023**.

Who will be affected by the new obligations?

The regulation will impose new obligations on digital platform operators who offer goods and services via their platforms. These rules will apply to platforms within the European Union, including Poland, as well as those in third countries.

The formal and reporting obligations introduced by the DAC7 Directive will apply to all software operators - of **both websites and mobile applications** – who provide their interface to sellers.

Mandatory reporting

Reporting will pertain to:

- rental of real estate, both residential and commercial;
- provision of personal services;
- sale of goods;
- rental of means of transportation.

The data of sellers (users of digital platforms) and the amount of income they have earned, will be reported.

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The digital platform operator will be required to collect information about sellers, such as:

Natural person

- name and surname;
- main address;
- tax identification number;
- date of birth;
- VAT identification number, if available.

Legal person

- company name;
- main address;
- tax identification number;
- VAT identification number, if available;
- business registry number;
- information on the possible permanent establishment, indicating each EU member state where the permanent establishment is located.

In case of rental property, the digital platform operator will also have to collect additional information about the property, such as: the address of each rental object, along with the registration number of the property in the Land Registry; as well as the number of days each group of rental objects was rented for during the reporting period. In certain situations, it is even expected that documents proving ownership of the property in question must be collected.

Important: The digital platform operator will be obliged to inform sellers about the scope of data provided to the tax authorities.

Due diligence

In addition to reporting obligations, the DAC7 Directive requires reporting platform operators to follow certain due diligence procedures, including verifying information obtained from vendors and determining their tax residency.

A Single Member State Selection Procedure

The information will be reported to tax authorities, which will be obliged to provide this information to the suitable authorities of other European Union Member States.

The reporting digital platform operator will be exempt from the obligation to report vendor information in case it is proven that another reporting platform operator, including one reporting in another member state, will report the same information.

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Dates and sanctions

The Ministry of Finance has prepared a draft of assumptions and preliminary regulations that define the reporting deadline and specific sanctions for a failure to comply. According to the current plans, the information should be reported to the **competent tax authority no later than January 31st of the year following the calendar year in which the reporting obligation occurred.**

If the reporting obligation is not fulfilled, the Ministry of Finance plans to introduce a fine for the platform operator of no more than **PLN 5,000,000 and no less than PLN 100,000.** As part of the sanction, the reporting platform operator may also be crossed off the register as a VAT taxpayer.

Additional obligations of digital platform operators

The implementation of the DAC7 Directive will entail further obligations. Digital platform operators will also have to:

- make additional registrations in order for them to obtain another number necessary to fulfill this obligation (the so-called individual platform number);
- implement procedures for verifying vendors who are provided with the opportunity to trade through their platform in order to exercise due diligence;
- adjust their IT systems to obtain relevant data required for the proper implementation of the new reporting obligations;
- implement procedures for RODO acquired in connection with the imposed reporting obligations;
- ensure proper business controls over the process of collecting and reporting information, as well as archiving it;
- updating the existing regulations and conditions for the provision of services;
- informing their customers (sellers) about new obligations and the related necessity to introduce changes in the mentioned areas.

The entry into force of the DAC7 Directive leads to a new obligations for digital platform operators, including fulfilling due diligence, as well as reporting obligations. It is not yet clear how they will be implemented into the Polish legal order. Experience with the Mandatory Disclosure Rules (MDR) regulations indicates that we may expect an expansion of obligations relative to the minimum provided by the EU directive.

About KR Group

KR Group was established in Poland in 2000. Over the years the company has built a considerable position on the highly competitive market of accounting, tax, audit, payroll and HR services. KR Group applies an excellent understanding of business realities to its core services, thus attracting the most renowned companies in its portfolio of clients.

Expanding in the CEE region? Choose a single regional provider

Instead of looking for service providers in each country and multiplying your expenses, cooperate with us. We can help you unleash your regional synergy by cutting unnecessary costs and speeding up your processes.

Our offer includes a variety of integrated services for pan-regional groups in CEE, such as:

- Single point of contact, including dedicated account manager and team to facilitate cooperation across KR Group offices
- Harmonization of VAT compliance processes and one-stop shop for settlement of VAT in the CEE-5
- One-time reporting system, including unified management reporting and HR & payroll reporting
- Centralized payment process management services
- Pan-regional tax team capable of dealing with cross-border transfer-pricing projects and accounting software localization
- Interfaces and integration developed for most accounting and reporting software
- Knowledge-sharing tools and procedures ensuring time efficiency
- In-house developed accounting data warehouse connected with local accounting software.

For more information visit our website at www.krgroup.eu



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