

TAX BRIEFING: Monthly Insight

Recent Developments in Tax Legislation

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A. Draft Tax Bill Transposes DAC 7 on the Exchange of Information Regarding Cross-Border Passive Income

1. The digitalisation of the economy has been growing rapidly over recent years. This has given rise to an increasing number of complex situations linked to tax fraud, tax evasion and tax avoidance. The cross-border dimension of services offered through the use of platform operators has created a complex environment within which it can be challenging to enforce tax rules and ensure tax compliance.
2. There is a lack of tax compliance and the value of unreported income is significant. Tax administrations of Member States have insufficient information to correctly assess and control gross income earned in their country from commercial activities performed with the intermediation of digital platforms. This is particularly problematic where the income or taxable amount flows via digital platforms established in another jurisdiction.
3. Considering that most of the income or taxable amounts of the sellers on digital platforms flow cross-border, the reporting of information related to the relevant activity would bring additional positive results if that information were also communicated to the Member States that would be eligible for taxing the earned income. In particular, the automatic exchange of information between tax authorities is crucial in order to provide those tax authorities with the necessary information to enable them to correctly assess liability to income tax and value added tax (VAT).
4. The objective of preventing tax fraud, tax evasion and tax avoidance could be ensured by requiring platform operators to report income earned through digital platforms at an early stage before the tax authorities of Member States carry out their yearly tax assessments.

5. To facilitate the work of tax authorities of Member States, the reported information should be exchanged within one month following the reporting. In order to facilitate the automatic exchange of information and enhance the efficient use of resources, exchanges of information should be carried out electronically through the existing common communication network (CCN) developed by the Union.
6. To create a common framework for the exchange of information related to the use of digital platforms for income generation, the EU by way of Council Directive 2021/514 (DAC7) amended Directive 2011/16/EU on administrative cooperation in the field of taxation.
7. In August 2023, the Greek Ministry of Finance has submitted a draft bill that provides for the implementation of new rules on the exchange of information relating to income generated by sellers through digital platforms - DAC7.
8. DAC7 is meant to address issues resulting from the use of digital platforms, including that income earned through digital platforms is often unreported and tax is not paid, in particular when digital platforms operate across several countries.
9. To help address this issue, DAC7 creates an obligation for digital platform operators to report the income earned by sellers on their platforms and for EU Member States to automatically exchange this information.
10. The new rules will generally apply from 1 January 2023, with initial reporting required in January 2024.

B. Draft Source of Funds Declaration – Registration of Obligated Persons on the Ministry of Finance Platform

1. The list of declarants for the 2023 tax year that are obliged to submit Source of Funds Declaration (SoFD), including spouses, separated spouses or persons with whom a civil partnership has been entered into, commences on 4 September 2023 and ends on 4 October 2023.
2. Listed declarants whose marital status changed in 2022, compared to the latest initial or annual SoFD for 2022, as well as those who have not submitted an initial or annual SoFD for 2022, are required to log in to the new application "Disclosure of Spouse of the Obligated Individual" by 24 September 2023.

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