



EU Mandatory Disclosure Rules: Reporting of Tax Arrangements



Efficient management of reporting requirements using
the KPMG DAC6 Processor

Council Directive (EU) 2018/822 (“DAC6”) shall apply in the EU member states from 1 July 2020. It imposes new reporting requirements on certain types of tax transactions undertaken by taxpayers within the member states, sets out new rules for the exchange of information amongst tax authorities relating to information received regarding these tax arrangements and includes cross-border arrangements in the reporting obligations applicable retroactively to 2018.

Taxpayers with operations in any of the states will need to understand the impact of these rules, assess their activities and determine what to report, and to whom.

KPMG has developed an approach to assisting member firm clients with their processes and controls and a technology solution to help accumulate and assess potentially reportable transactions.

The challenge

DAC6 which took effect on 25 June 2018, is supposed to be implemented by all EU member countries by the end of 2019 and applied no later than 1 July 2020. Certain countries have already implemented the rules and others have issued guidance; in particular in Poland the rules have been applicable since January 1, 2019 with severe potential penalties in case of non-compliance. For all countries relevant: Any reportable tax arrangements enacted since 25 June 2018 must be reported retroactively by the taxable entities or their intermediaries, such as banks or certain advisors. The reporting obligation presents a number of challenges:

- **No uniform rules across the EU:** DAC6 sets forth common, or minimum, standards. National regulations in individual EU member states do not need to mirror DAC6 and can implement additional rules. Taxpayers therefore need to understand the differences between rules in determining their compliance obligations.
- **Difficulty in obtaining data:** Potentially reportable data is not readily accessible in most organization's IT system requiring additional people resources to define, analyze and obtain necessary information upon which decisions can be made.
- **Unclear demarcations of responsibility:** Certain companies may not have decided who will be ultimately responsible for filings. For example, will this be handled locally with some central review, or centrally with data provided from each EU member state.
- **Resource allocation:** The obligations are anticipated to be onerous, especially given the retroactive nature of the rules and tax departments need to determine how to most efficiently address compliance bearing in mind significant penalties and the need to be as thorough as possible for reputational reasons.
- **Understanding who is reporting what:** Certain intermediaries, such as those who qualify for legal privilege, may not be required to report transactions they advised on, in which case the taxpayer may be required to handle the reporting. Equally, in the case that multiple advisors assisted, it'll be important to understand which advisor is handling the reporting and, if multiple advisors intend to report, that the transaction is consistently reported by all.

Our services — your benefits

KPMG professionals can assist you in developing a process to educate stakeholders, accumulate and assess transactions and use technology through managed services technology to efficiently comply with your obligations through a standardized approach.

Well equipped to meet your needs

KPMG professionals can provide managed services and are experienced in both the relevant tax laws of the member states and IT implementation. Led by KPMG's EU Tax Center, KPMG has a dedicated network across the EU to assist you in interpreting the specific implementation of DAC6 in each country.

Equipping our services with technology to assist you

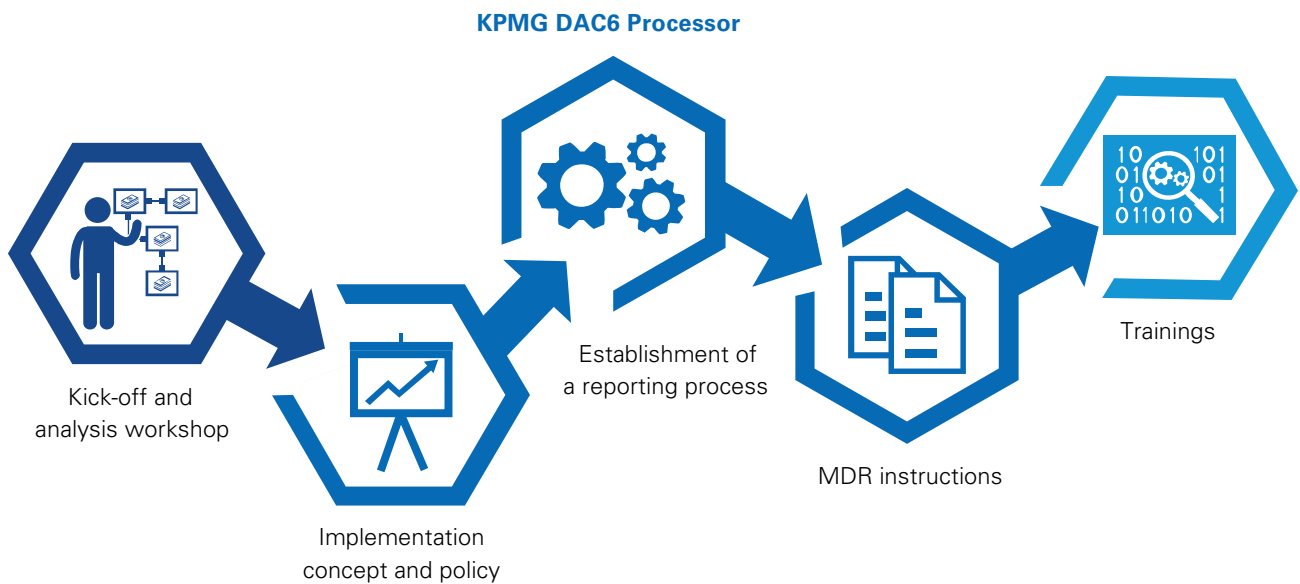
The KPMG DAC6 Processor can be deployed as a technology solution to support the assessment of reporting obligations.

KPMG project approach — modular design

1. Impact analysis

2. Organization of reporting management

3. Communication



Source: KPMG DAC6 Processor

Note: Accompanied by regulatory monitoring of legislative transposition procedures in the jurisdictions concerned.

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