

Deferral of DAC6 deadlines due to COVID-19

The European Commission proposed to defer the initial deadlines with regard to the mandatory automatic exchange of reportable cross-border arrangements, commonly referred to as 'DAC6', due to the severe disruption caused by the COVID-19 pandemic. On 24 June 2020 the Economic and Financial Affairs Council (ECOFIN) approved this proposal, after receiving the green light from the European Parliament on 19 June 2020.



DAC 6

First, let's quickly remind ourselves again what DAC6 entails. DAC6 is a European Directive aimed at promoting transparency to detect aggressive international tax structures. The sixth version of the EU Directive on Administrative Cooperation (Consolidated version of Directive 2011/16/EU) provides for mandatory disclosure of certain cross-border arrangements by intermediaries or taxpayers to the tax authorities, and mandates automatic exchange of this information among the EU Member States. These cross-border arrangements have to be reported only when they meet one or more specified characteristics (hallmarks), and concern either more than one EU country or an EU country and a non-EU country.

Deadlines

On 24 June 2020 ECOFIN has approved the

European Commission's proposal to create a framework for the EU Member States to defer the initial deadlines for filing and exchanging information with regard to DAC6. As a result:

- » The date for the beginning of the period of 30 days for reporting cross-border arrangements which are included in Hallmarks listed in Annex IV to Council Directive 2018/822/EU changed from 1 July 2020 to **1 January 2021**;
- » The date for the reporting of the 'historical' cross-border arrangements (i.e. arrangements that become reportable from 25 June 2018 to 30 June 2020) changed from 31 August 2020 to **28 February 2021**;
- » The date for the first exchange of information on reportable cross-border arrangements that feature in Annex IV to Council Directive 2011/16/EU changed from 31 October 2020 to **30 April 2021**.

It is important to note that this is an optional deferral. Therefore, it is up to each EU Member State to decide on the deferral and its duration with a maximum of 6 months.

Subject to the development of the COVID-19 pandemic, the optional deferral period may be extended once more by the European Commission, for a maximum of three further months.

Take away

In response to the COVID-19 pandemic, the initial deadlines for filing and exchanging information with regard to DAC6 can be deferred by the EU Member States for a maximum period of six months.

However, despite this deferral period, taxpayers and their advisors must act now to have systems and processes timely in place for identifying and flagging reportable cross-border arrangements in order to avoid penalties.

Are you ready for DAC6 compliance?

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