

DAC 7 implementation law and amended transfer pricing documentation rules finally implemented

German DAC 7 rules stay close to the provisions of the EU directive. The general tax code has been updated to modernize procedural aspects of German tax law and to include updated TP documentation rules.

On 28 December 2022 the German bill implementing into domestic law [Council Directive \(EU\) 2021/514 of 22 March 2021 amending Directive 2011/16/EU on administrative cooperation in the field of taxation](#) (referred to as "DAC 7") (see [GTLN dated 07/21/22](#)), was published into the federal gazette after its final approval by the upper house of parliament on 16 December 2022. This bill also includes provisions to modernize various procedural aspects of German tax law, such as reducing the deadline for certain transfer pricing documentation submissions and introducing a simplified tax audit procedure. The lower house approved the bill on 10 November 2022.

DAC 7 extends to digital platforms existing EU tax transparency rules governing the exchange of information and administrative cooperation between member states, and introduces an obligation for digital platform operators to collect and report information on income derived by sellers offering certain services through those platforms. The rules are required to be effective as from 1 January 2023, and the first data reporting by platform operators is required by 31 January 2024. Although the first reporting for platform operators is not due until 2024, affected taxpayers should take action now to make sure that the required data is readily available and the reporting process is implemented.

The bill also includes provisions to amend both the general tax code ("Abgabenordnung") and the introductory law to the general tax code ("Einfuehrungsgesetz zur Abgabenordnung"). Most noteworthy among the provisions are the reduction of the statute of limitations to five years in the case of a tax audit, starting from the announcement of the audit (subject to certain exceptions); from 2025, a reduction from 60 to 30 days in the deadline to submit transfer pricing documentation following a request by the tax authorities (that period will start automatically on the announcement of a tax audit); and the introduction of a penalty of up to EUR 75 per day (capped after 150 days) in the case of noncompliance with certain requests for information from a tax auditor. The bill also includes a provision that allows qualifying companies to request a simplified tax audit procedure, which is available from 1 January 2023 to 31 December 2029. In order to qualify, a company must have implemented a Tax Compliance Management System (Tax CMS) that was approved in a prior tax audit. The tax authorities will evaluate the simplified procedure in early 2029 and submit their findings to the Ministry of Finance by 30 June 2029.

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