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## Luxembourg Newsflash - 25 May 2023

### Law implementing DAC 7 in Luxembourg passed

The Law contains several provisions that complement and extend existing domestic rules on tax transparency and exchange of information.

On 16 May 2023, the Luxembourg Parliament adopted a **law** (the "**Law**") which implements Council Directive (EU) 2021/514 of 22 March 2021 amending Directive 2011/16/EU on administrative cooperation in the field of taxation ("**DAC 7**").

The Law contains several provisions that complement and extend existing domestic rules on tax transparency and exchange of information. These include:

- Introduction of new rules on mandatory automatic exchange of information reported by digital platform operators.
- Introduction of automatic and mandatory exchange of information on persons resident in other Member States with respect to their ownership of real estate assets (exchange to cover information on taxable periods from 1 January 2025).
- Introduction of a framework for conducting joint audits with other Member States.
- Clarification of the scope and mechanism of the exchange of information between tax authorities of different Member States via, *inter alia*, the definition of the concept of "foreseeable relevance" and clarification as regards requests about a group of taxpayers who cannot be individually identified.
- Clarification of the data protection obligations imposed on Luxembourg reporting financial institutions by the amended Luxembourg law of 18 December 2015 implementing the Common Reporting Standard (CRS), along with introduction of data protection obligations for Luxembourg reporting intermediaries under the Luxembourg law of 25 March 2020 implementing Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements (DAC 6).

[Read our previous newsflash on the topic here](#)\_

## Conclusion

The Law is largely in line with DAC 7. It is intended to strengthen administrative cooperation with other Member States and sets out new provisions that target the challenges posed by the digital platform economy, in which income earned through digital platforms often goes unreported, and the tax due on it unpaid.

The clarification of the definition of “foreseeable relevance” is not expected to result in any substantial change to how the related rules are applied in Luxembourg. However, one could expect tax administrations to further develop the use of group requests for information under the new legal framework. This should be closely monitored by actors in the market.

Luxembourg financial institutions which have to report certain information to the Luxembourg tax authorities under CRS (or any other automatic exchange of information regime) should review their internal processes with respect to notifications to individuals in light of the above provisions.

Luxembourg intermediaries which have to report certain information on reportable cross-border arrangements to the Luxembourg tax authorities under DAC 6 will need to reflect these provisions in their internal processes.

The new rules will apply as from 1 June 2023, save for the new framework on joint audits, which will apply from 1 January 2024.

## How can we help?

The Tax Law partners and your usual contacts at Arendt are at your disposal to advise on how the Law is likely to impact your operations within the EU and your internal processes.

### your contacts



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