



Questions and Answers: DAC8

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Why do we need another update to the Directive on Administrative Cooperation (DAC)?

Fair and efficient taxation is crucial to secure revenues for public investment and services and create a business environment in which innovation can prosper.

However, tax authorities currently lack the necessary information to monitor proceeds obtained using crypto-assets, which are easily traded across-borders. This update of the Directive on Administrative Cooperation (DAC) will expand the reporting and exchange of information between tax authorities within the EU to cover income or revenue generated by users residing in the EU while operating with crypto-assets.

The recently agreed [Markets in crypto-assets \(MiCA\) Regulation](#) will provide the conditions for access to the EU market for crypto-assets, replacing national rules currently governing the issuance, trading and custody of crypto-assets. However, MiCA does not provide a basis for tax authorities to collect and exchange the information that they need in order to tax crypto-asset income. DAC8 is aligned with the definitions laid out in MiCA and relies on the authorisation requirement introduced by MiCA, thereby avoiding additional administrative burdens for crypto-assets service providers.

DAC8 is also consistent with the recently approved [OECD Crypto-Asset Reporting Framework \(CARF\), as well as the amendments to its Common Reporting Standard](#). These standards have also been endorsed by the G20. This initiative aims at introducing greater tax transparency on crypto-assets.

Why are crypto-assets particularly problematic for national authorities?

The rapid digitalisation of our economies brings opportunities and the development of new technologies, but also raises a number of questions on how to handle certain new digital transactions, such as in the crypto-assets market.

The characteristics of crypto-assets make it difficult for tax administrations to trace and identify taxable events. The problem is intensified in particular when trading is carried out using crypto-assets service providers or crypto-assets operators located in another country, or when it takes place directly between individuals or entities established in another jurisdiction.

What will DAC8 mean in practice?

The DAC8 proposal will contain provisions on reporting and exchange of information on crypto-assets for direct tax purposes. The proposal also aims at improving existing provisions to close loopholes and ensure the correct functioning of the rules.

In practice, the proposal will improve the ability of Member States to detect and counter tax fraud, tax evasion and tax avoidance by:

- requiring all reporting crypto-asset service providers, irrespective of their size or location, to report transactions of clients residing in the EU. The proposal covers both domestic and cross-border transactions. In some cases, reporting obligations will also cover non-fungible tokens (NFTs).
- requiring financial institutions to report on e-money and central bank digital currencies.
- extending the scope of the automatic exchange of advance cross-border rulings for high net-worth individuals. The persons concerned are those who hold a minimum of €1.000.000 in financial or investable wealth, or in assets under management. These exclude the individual's main private residence. Member States will exchange information on the advance cross-border rulings issued, amended or renewed between 1 January 2020 and 31 December 2025.
- establishing a common minimum level of penalties for the most serious non-compliant behaviour, such as complete absence of reporting despite administrative reminders.

Will this put an extra strain on SMEs?

DAC8 is expected to have a limited impact on small and medium-sized businesses. The information to be reported is largely available to reporting crypto-asset service providers for their daily operations. Although the initiative will bring compliance costs, it will be easier for SMEs to have a single set of rules across the EU, than a potential patchwork of reporting requirements across Member States. The initiative will also ensure a level playing field across all categories of players, to the benefit of SMEs.

Is there a risk that EU rules on reporting will lead crypto-assets service providers located in the EU to move elsewhere?

The DAC8 proposal covers businesses that provide their services to EU residents, regardless of where such service providers are located. This means that the scope is global and that EU service providers will have nothing to gain from leaving the EU.

MiCA provides a clear and transparent framework for the EU crypto-assets market, so any crypto-asset service provider offering its services to users residing in the EU will need to be authorised and established in the territory of the EU. However, there are crypto-asset operators that fall outside the scope of MiCA and are therefore not regulated and authorised, although they have users resident in the EU.

DAC8 has a different purpose from that of MiCA. DAC8 covers both crypto-asset service providers regulated under MiCA and those that are not. Without regulating entities as such, DAC8 provides rules for the reporting of information of crypto-asset service providers and crypto-asset operators.

Why did the Commission decide to include the exchange of rulings for high-net-worth individuals in DAC8?

Besides integrating the new OECD framework on crypto-assets into EU legislation, DAC8 also aims to further improve administrative cooperation that guarantees tax transparency and tax fairness among EU Member States.

Rulings for high-net worth individuals are not offered by all Member States and their numbers are expected to be relatively limited, but significant from a tax perspective. The absence of reporting and exchange of this type of information leaves loopholes that can be exploited for tax evasion and avoidance since rulings for high-net-worth individuals are often related to corporate taxation.

Are Member States responsible for regulating minimum penalties?

The reporting and exchange of information for direct tax purposes is harmonised under DAC, which means this framework should be applied and interpreted in the same way across the EU. However, penalties and compliance measures vary greatly from one Member State to another. This jeopardises the efficiency of the DAC as it leads to different standards in the EU.

It is therefore important to establish a minimum level for these measures through the Directive on Administrative Cooperation. This minimum level would not limit the ability of Member States to shape their compliance system in accordance with their own traditions and overall legal system.

For more information

[Press release](#)

[More information on the DG TAXUD website on tax transparency for crypto-assets \(including legislative text\)](#)

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