Week 5: Locating DAC6 in the RegTech Ecosystem
Thursday 13th August 2020

Hansuke DAC6 Academy brings together leading tax practitioners, academics and experts to share their practical industry insights.

Speakers

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Summary

With rising FCA fines for non-compliance, amidst an uncertain and perpetually shifting regulatory landscape, innovation via automated solutions in the form of 'RegTech' is becoming an increasingly popular tool for financial firms to build into their reporting methods. The webinar examined the pivotal role played by technology in the DAC6 reporting requirement, a crucial component of one of the most challenging and significant developments in cross-border tax reporting. The topics discussed include DAC6 and industrial design, multiple intermediary reporting, big data, tax transparency and data privacy, as well as important operational features.

Given the regime's heavy focus on compliance aspects, not just a simple tax reporting function, DAC6 solutions must be more 'process' than 'data-driven'. Technological solutions therefore should focus specifically on users and processes, including features such as questionnaires and quality checks. It is also necessary to note the substantial variations in reporting requirements on a country-by-country basis. Whilst automated solutions may appeal as more effective, latest jurisdiction-specific information must be incorporated into the operationalisation of these mechanisms. For example, the deviation in the MBT interpretations certainly requires country-specific guidance, and thus must be built into solution implementation.

One key challenge of DAC6 reporting lies with multiple intermediaries. Intermediaries, such as private banks, wealth managers, custody banks, lawyers and accountants, have different business models, needs and transaction volumes. Solutions must support users in quantification of the information and provision of automatisation with a country-specific aspect, given that many intermediaries have international operations. RegTech solutions must facilitate the establishment of communication pathways between intermediaries for easier exchange of information and proof of reporting.

Key take-aways

- The DAC6 reporting requirement is crucial but complicated; RegTech can facilitate AEoI via automated data processing, affording data oversight and independence.
- RegTech for DAC6 is process-driven, given the regime's focus on compliance rather than simple data reporting. Effective technological solutions are individualised and enable rule localisation.
- Cumulative knowledge capture and automation is vital for mitigating tax authority audit risks.
- Variances in DAC6 transposition into domestic laws create complexities in reporting. As DAC6 requirements evolve, it will necessitate recalibration of the reporting functionality.