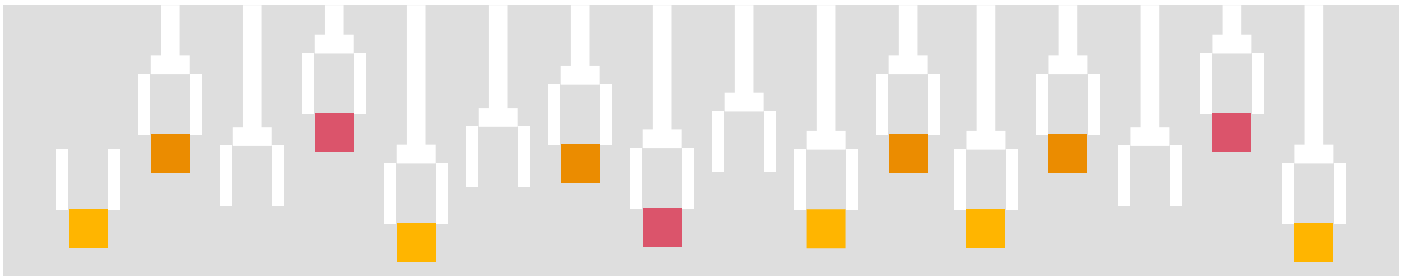


Reporting obligations for Payment Service Providers as of 1 January 2024



This newsletter is based on the information that is available as at 11 April 2022

In brief

As of 1 January 2024, Payment Service Providers, established in the EU, will be required to keep electronic records of payment data for cross-border payments and report this information to local tax authorities. Local Tax authorities will, in turn, exchange these data with a newly established central EU database called Central Electronic System of Payment Information ('CESOP'). Each Member State's tax authorities will have access to, allowing an authorized group of people (called 'Eurofisc liaison officers') to process and analyze those data for fraud purposes.

The PSP Directive has been introduced as part of an EU-wide regime to detect and combat VAT fraud within the framework of the digital economy, considering the difficulties in taxing cross-border e-commerce transactions in the digital era.

Details

I. To whom these new rules apply?

The new rules are aimed at all PSPs who fall within the definition of PSP, as outlined in the PSD2 Directive. In principle this includes:

- credit institutions
- payment institutions
- electronic money institutions, and
- post office giro institutions

II. How does this new framework work?

PSPs will have to collect and report certain payment data when they provide more than 25 cross border payments to the same payee in one calendar quarter. Domestic payments fall outside the scope of the Directive.

The obligation of PSPs to report depends on the location of the PSPs of both the payee and the payer. More specifically if:

- i. the PSP of the payee is non EU located then the PSP of the payer is subject to the reporting requirement.
- ii. both the PSPs of the payee and the payer are located in the EU, it is the PSP of the payee that is subject to the reporting requirement.

PSPs will need to report the information on a quarterly basis to the Member State where it has its registered office or its Head Office, as well as any Member State where it has a branch or agent.

On 6 April 2022 an implementing Regulation was adopted by the European Commission providing essential details for PSP's on how to report the payment data in a harmonized format, main functionalities of CESOP and the tasks of the Commission and Member States regarding its management, access to data, security and personal data protection.

III. The Key Takeaway

PSPs need to ensure that they will be able to comply with the provisions of the new Directive by 1 January 2024. PSPs will need to understand the scope and extent of the new provisions for their business and make an assessment as to whether and to what extent they have a record keeping and reporting obligation and to which Member State. It is also important to identify and assess whether they have access and can retrieve the reportable payment data. They also need to ensure that they can comply with the reporting obligations and to assess how to store this data in a centralized manner to simplify the exchange of data to the tax authorities.

PwC, with its network of expertise, can assist you in carrying out an impact assessment, explain in detail the provisions of the Directive and relevant Regulations, assist you in identifying the information/records/data that needs to be reported and develop the relevant procedures for such records.

Let's Talk!

For a deeper discussion of how this issue might affect your business, please contact:

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