EU VAT Digitisation

TJC GROUP

BECAUSE YOUR DATA MATTERS

EXECUTIVE SUMMARY

COVID-19 is hitting the EU VAT Gap. The financial implications of this are very serious - shrinking the **VAT Gap** for financial regulators is as hard as flattening the COVID-19 curve. Disruption created by the pandemic has sparked widespread economic recessions, which in turn have had a grave impact on EU economies and incomes from taxes. The VAT Gap in 2020 was forecast to reach EUR 164 billion, according to the European Commission's VAT Gap report, published in September 2020.

The COVID-19 pandemic has triggered the largest stimulus package ever offered by EU economies, intended to maintain business continuity and stimulate recovery. The key fiscal support measures adopted include business grants and low interest loans, postponements of tax payments, accelerated tax credit refunds and even tax rate cuts in some countries. Whilst the support measures were unavoidable, how will the vast sums of money involved ever be paid back? What will happen to taxes?

Since VAT is an important source of tax revenue for governments, tackling VAT fraud and evasion remains a top priority mission for EU member states in the post-pandemic world. Therefore, we can anticipate EU tax reforms and increased VAT compliance measures. Expect tax audits and fiscal controls to be more aggressive and tighter, in order to counter declining revenues.

At the same time, tax administrations are progressing full steam ahead with their digital transformation programmes and they require more granular information along with increasing frequency. Are you ready for the next wave of VAT compliance in the digital age?

In this e-book you will gain a detailed understanding of SAF-T requirements, real-time VAT reporting and e-invoicing obligations in every European country. It will equip you with the knowledge to fully prepare for future tax compliance challenges and to help identify the right B2G partner. You will be ready to deal with your tax compliance challenges as tax regulation and technology continue to evolve at their current rapid pace.

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INTRODUCTION

2020 was a tough year and 2021 looks set to be just as challenging. The world beyond a global pandemic will be more volatile, uncertain, complex and ambiguous (VUCA) than ever and tax compliance is no exception. Even though the EU's existing VAT Gap report shows a continuous improvement between 2015 and 2018, and a forecast projection for the Gap to reduce to 9.6% in 2019, this was not the case in 2020.

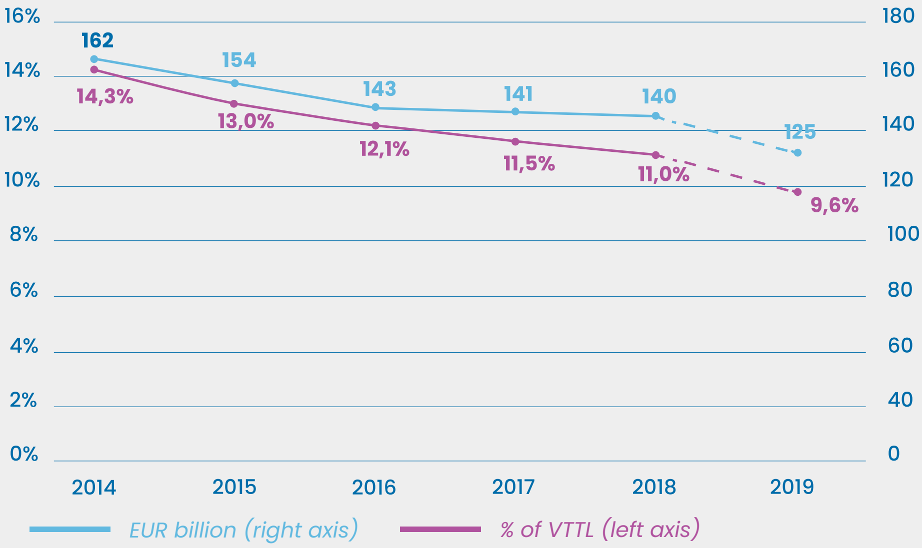


Figure 1. Evolution of the VAT Gap in the EU, 2014 – 2018 and estimate for 2019.

In 2020, the EU will have lost **€164 billion** in VAT revenue, due to the drastic effects of the coronavirus pandemic on the region's economy.

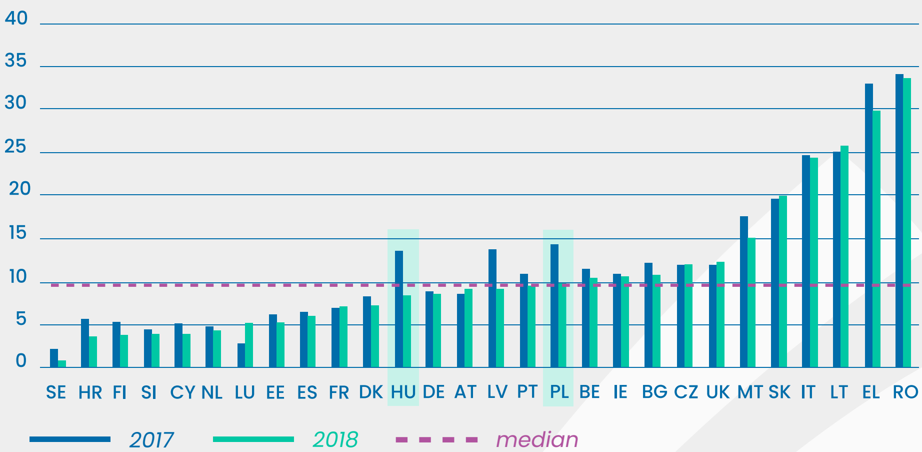


Figure 2. VAT Gap as a % of the VTTL in EU-28 Member States, 2017 and 2018.

SAF-T adoption enabled Poland to reduce its **VAT** gap from 24.7% in 2015 to 9.9% in 2018.

Real-time VAT reporting in 2018 enabled Hungary to see the largest VAT gap reduction (-5.1%) across Europe.

The largest gaps in 2018 were recorded in Romania (33.8 %), Greece (30.1 %), and Lithuania (25.9 %). What is their approach to close VAT gap? Find out more about the journey of EU VAT compliance in the next chapter.

WHAT CAUSES THE VAT GAP?

Fraud and tax evasion

Corporate insolvency

Corporate bankruptcy

Maladministration

Legal tax optimisation

A JOURNEY OF EU VAT COMPLIANCE

There has been a significant transformation in VAT compliance since 2005, when the OECD introduced the Standard Audit File for Tax (SAF-T) for the post audit model. This has now been adopted by many countries across Europe. In 2017, near real-time VAT reporting (SII) was introduced in Spain. This was followed by real-time reporting in Hungary in 2018 and in 2019 Italy became the first country to mandate B2B e-invoicing in Europe.

E-invoicing is not new in Europe, it is already mandatory for B2G transactions and now attention is shifting towards B2B e-invoicing. Inspired by Italy's success, France has plans to emulate the Italian SdI pre-clearance model from 2023. Poland is also implementing B2B e-invoicing via a centralised platform (KSeF) which is expected by the end of 2021. This will initially operate on a voluntary basis and will become mandatory from 2023. Clearly, **SAF-T plays an important role in Europe for tax auditing** as some countries adopt both SAF-T and e-Invoicing models.

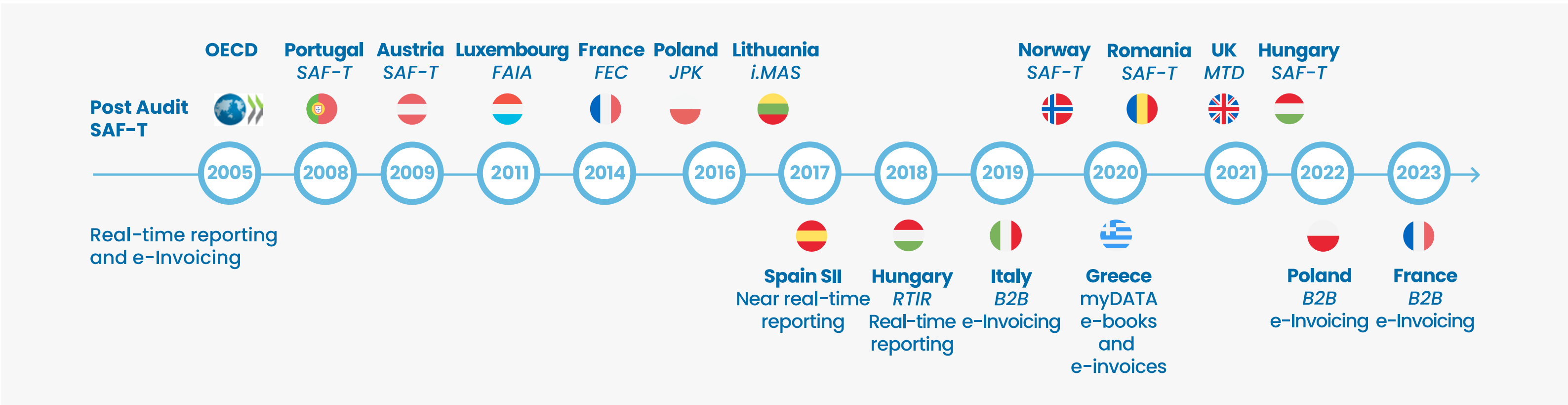


Figure 3. European VAT compliance transformation.

CONCLUSION

Although the OECD set the standard for Audit File, there is a lack of harmony at a European level when it comes to implementation. It has been left to individual countries to decide whether to adopt the full SAF-T standards or adopt some elements and enhance it with their own requirements. The result has been many different versions of SAF-T, making it difficult for multinational companies to deal with SAF-T in a consistent way across all countries.

Governments won't generate revenues by raising direct taxes now during the pandemic, because they need to support businesses and help them become more resilient. Instead, expect tighter fiscal controls and tax auditing to safeguard existing revenue streams. This means more countries implementing SAF-T, real-time reporting and mandatory B2B e-invoicing in the future.

A PARADIGM SHIFT TOWARDS REAL-TIME REPORTING

We can already see a paradigm shift from periodic to real-time reporting models. In the past tax audits would be paper based, with tax authorities requiring VAT returns to be filed electronically at the end of a period, whereas today, they require live data feeds. For instance, all aspects of SAF-T data, real-time reporting of every single business transaction, and in some countries, tax administrations need to pre-approve invoices before issue to customers with an e-invoicing model.

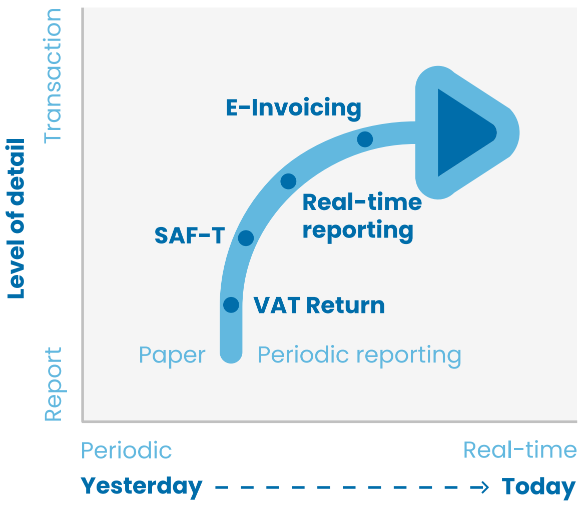
WHY HAS E-INVOICING GROWN SO MUCH IN EUROPE IN RECENT YEARS?

The driver is very clear. Using a Post Audit model like SAF-T, tax authorities have to wait until the end of the month or a set tax audit period to access and audit their taxpayer data. In the real-time reporting model, as used in Spain or Hungary, they have a copy of taxpayer data in near real-time (1 – 4 working days). E-invoicing offers the ultimate approach, because invoices must be pre-approved by tax administration before issuing to customers, eliminating potential revenue leaks.

« *The balance of power is shifting from each taxpayer's to tax administrators who are gaining access to invoices in real-time and can quickly detect irregularities. Taxpayers don't have the time to address errors and carry out reconciliations.* »

The VAT return process is being disrupted. Information provided in SAF-T, real-time reporting and e-invoicing can be used to pre-fill VAT declarations. There is no margin for error - all data must be coherent and consistently presented. Not only is real-time tax reporting being transformed, but the same is happening to real-time tax payments. Split payment mechanisms have been implemented to ensure customers pay tax directly into the relevant tax administrator's bank account when they make a payment.

Let's examine specific local requirements for each country in the next chapter.



The balance of power is shifting from Taxpayer to Tax Administration.

Figure 4. Fiscal control shifting from period to real-time reporting and requires granular information

STANDARD AUDIT FILE FOR TAX (SAF-T)

OECD

Organisation for Economic Co-operation and Development

The Organisation for Economic Co-operation and Development (OECD) initiated the Standard Audit File for Tax (SAF-T) in 2005. Designed as an international standard, it supports the electronic exchange of accounting data between organisations and national tax authorities or external auditors in XML format. The objective behind SAF-T is to enable tax audits to be performed more efficiently and effectively, making it easier to identify risks and address non-compliance in tax reporting. Version 1.0 of the standard was based on entries in a General Ledger, together with customer and supplier master data and details of invoices and payments. The ***revised version 2.0*** was introduced in 2010 to include information on Inventory and Fixed Assets.

NON-CONSISTENT APPROACH ADDS COMPLEXITY

SAF-T has been adopted in many countries throughout Europe. It exists to help businesses minimise their compliance costs across multiple jurisdictions by submitting a single standard reporting file rather than multiple filings in their own local formats. Since SAF-T is guidance rather than obligatory, each country can decide whether to implement it fully or select some aspects. Adopters also have the freedom to voluntarily enhance their local requirements. This allows each local tax authority to adhere to existing tax legislation, current reporting requirements and timeframes. Although the core structure of the audit file is based on original SAF-T standards, its non-harmonised SAF-T structure among different European countries makes it complicated for businesses to produce sophisticated SAF-T files.

THE KEY ELEMENTS OF AN SAF-T FILE INCLUDE:

- **General Ledger entries**
  - *Journals*
- **Accounts Receivable**
  - *Customer Master data*
  - *Sales Invoices*
  - *Payments*
- **Accounts Payable**
  - *Supplier Master data*
  - *Purchase Invoices*
  - *Payments*
- **Fixed Assets**
  - *Asset Master Files*
  - *Depreciation and Revaluation*
- **Inventory**
  - *Product Master data*
  - *Inventory Movements*

SAF-T is a best practice standard from OECD for extracting data for fiscal archiving and tax audits. TJC Group's recommendation is to incorporate SAF-T into your tax audit and verification methodologies too, even if it's not yet mandated by governments.

PORTUGAL
STANDARD: SAF-T PT

WHAT are the requirements?	Portugal was the first country to adopt SAF-T from OECD, which became mandatory on 1st January 2008. It was introduced to facilitate the collection of relevant tax data by tax auditors for the analysis of accounting records or as part of year end closing activities. Annual file for Audit Purposes: • General Ledger master data • Customer master data • Supplier master data • Product master data • Tax master data • General Ledger and entries • Sales invoices • Goods movements • Working documents • Payments Monthly file for Sales Invoice reporting (e-Factura): • Customer master data • Tax master data • Sales invoices • Payments
WHO is affected?	Companies that have established a business in Portugal, either as a fixed establishment or residence. Their business interests involve completing transactions subject to VAT and maintaining accounts and billing in computerised systems.
WHEN to submit?	The submission deadline for monthly sales invoices filing is the 12th of the following month. Starting from 2021, the annual accounting file became mandatory for pre-filling the annual tax and accounting information statement ("IES" - Informação Empresarial Simplificada). The accounting file must be submitted no later than 30th April of the year following the financial year being reported.
TAX **HOW to send files?**	Submit via the Portuguese Tax and Customs authority (AT) portal.
PENALTIES	Lack of suitable software to extract SAF-T files is €450 to €22,500. Accounting file submission delays of more than 90 days can be fined up to €5,000.
LEGAL basis	• Portaria n.º 321-A/2007 • Portaria n.º 1192/2009 • Portaria n.º 160/2013 • Portaria n.º 274/2013 - SAF-T version 1.03_01 • Portaria n.º 302/2016 - SAF-T version 1.04_01

AUSTRIA
STANDARD: SAF-T AT

WHAT are the requirements?	Austria introduced the Standard Audit File for Tax (SAF-T) on 31st January 2009.
	The Austrian SAF-T adopted the full structure according to OECD guidelines. It is only required upon request by the tax authorities.
	
	Required structures:
	• Header
	• Master Data files
	  • General Ledgers (Chart of Account)
	  • Customer master data
	  • Supplier master data
	  • Product master data
	  • Tax master data
	• General Ledger and accounting journals
	• Inventory stock levels
	• Sales invoices
	• Purchase invoices
	• Payments
	• Goods movement
	• Fixed asset statement

WHO is affected?	All taxpayers.
WHEN to submit?	Upon request prior to a tax audit by the Austrian tax authority.
LEGAL basis	Decree of March 20, 2009, BMF-010102/0002-IV/2/2009.

LUXEMBOURG
STANDARD: FAIA (Fichier Audit Informatisé Administration de l'enregistrement et des domaines)

WHAT are the requirements?	Luxembourg introduced the Standard Audit File for Tax (SAF-T) on 1st January 2011.
	Luxembourg's version of SAF-T is FAIA 2.01 (Fichier Audit Informatisé Administration de l'enregistrement et des domaines). FAIA is an XML-format report of accounting transactions but may also be delivered in XBRL or DBF formats. It is based on the OECD SAF-T model 2.0.
	
	Luxembourgian SAF-T audit files include:
	• Header
	• Master file
	    • General Ledger accounts
	    • Customers
	    • Suppliers
	• General Ledger entries
	• Source documents
	    • Sales invoices
	    • Purchase invoices

WHO is affected?	Businesses that are in principle subject to the Luxembourg SCA (Standard Chart of Accounts) fall in the scope of FAIA. Some businesses that fall in the scope of SCA may not be required to comply with the FAIA obligation. They are as follows: • Taxpayers not subject to PCN (Plan Computable Normalise), equivalent to SCA; • Taxpayers with simplified VAT compliance obligations; • Taxpayers with a turnover not exceeding €112,000 per annum; • Taxpayers with a limited number of annual accounting transactions (+/500 transactions) where manual control is more logical and efficient than an electronic audit.
WHEN to submit?	Only required on demand from the tax authorities, generally as part of a tax audit.
TAX **HOW to send files?**	Provide in electronic format e.g. CD-R, DVD-R, memory stick, external HDD, e-mail.
PENALTIES	Failure to comply with FAIA obligation could trigger penalties up to €25,000 per day.
LEGAL basis	Mémorial A-206 du 24 décembre 2008.

FRANCE
STANDARD: Fichier des Écritures Comptables (FEC)

WHAT are the requirements?	Fichier des Écritures Comptables (FEC) is an audit file for France. From 1st January 2014, it became mandatory for all companies established in France to provide a FEC file to the French Tax Administration in the event of a tax audit. The FEC contains all accounting entries for a closed fiscal year and the opening balance must comply with the French GAAP (PCG and LPF) standards.
WHO is affected?	It applies to companies established in France who maintain accounts in computerised systems. This includes French companies and French branches/subsidiaries of foreign companies. It does not include the self-employed.
WHEN to submit?	Upon receiving notice of a tax audit, a company has 15 days to prepare and remit the FEC file.
TAX HOW to send files?	The FEC should be saved as a flat file (.txt, .csv) and provided to the tax authorities on physical or electronic media, e.g. CD, DVD, USB key, external hard drive, secure DGFiP server.
PENALTIES	Failure to deliver the FEC file on time or in the event of non-compliance can trigger significant penalties up to €5000.
LEGAL basis	Article A47 A-1

POLAND
STANDARD: Jednolity Plik Kontrolny (JPK)

WHAT are the requirements?	SAF-T Poland - also known as "Jednolity Plik Kontrolny" (JPK) - is based on the OECD version 2.0. It was introduced on 1st July 2016 for large companies and it became compulsory for all taxpayers on 2018. The components of JPK include: **Mandatory monthly filing** • JPK_VAT - VAT register and VAT return From 1st January 2020 taxpayers must submit JPK_VAT in V7M format for monthly VAT declarations and use the V7K format for quarterly VAT declarations. Corrections to data submitted before 1st October 2020 must be submitted in JPK_VAT(3) format. **On-demand filing** • JPK_KR Accounting Ledgers and trial balance • JPK_WB Bank statements • JPK_MAG Stock movement • JPK_FA Sales invoices • JPK_PKPIR Revenue and expense ledger • JPK_EWP Record of revenue
WHO is affected?	• From 1st July 2016: large companies (250+ employees or €50+ million turnover). • From 1st January 2017: small and medium-sized companies (less than 250 employees with turnover up to €50 million). • From 1st January 2018: micro companies (less than 10 employees with turnover up to €2 million).
WHEN to submit?	Monthly JPK_VAT file must be submitted by 25th day of the month following the reporting period. Other submissions relate to on demand files as requested by the tax authorities as part of a tax audit. The deadline will be defined in the request and must be a minimum of 3 days.
TAX HOW to send files?	JPK_VAT files can be submitted through the Klient JPK WEB tool. On-demand files can be sent via the Klient JPK WEB client and Klient JPK 2.0 tool.
PENALTIES	JPK_VAT: PLN 500 for each irregularity found. Taxpayers may avoid these penalties by filing a reporting amendment within 14 days. On-demand files: any unjustified refusal to provide any SAF-T as requested by the tax authority may result in a fine of up to PLN 2,800.
LEGAL basis	Dz.U. 2015 poz. 1649, Art. 193a Dz. U. z 2019 r., poz. 1988

The new JPK_VAT (V7M/V7K consists of VAT records and declarations. It requires additional reporting information such as document type and grouping together of sensitive products and services. These requirements create complexity and are prone to taxpayer error. Since SAP design for each company is unique, the software to generate V7M and V7K files must be flexible enough to map JPK fields with diverse sources of data in order to automate JPK file generation.

LITHUANIA
Standard: i.MAS

WHAT are the requirements?	SAF-T Lithuania was introduced in 1st October 2016 enterprises. It is planned to roll out the SAF-T mandate to all businesses by 2020. Lithuania introduced the SAF-T based on i.MAS basis. The i.MAS consists of 3 parts: • i.SAF monthly reporting of sales and purchase invoices • i.VAZ reporting local transport of goods • i.SAF-T accounting transaction report.
WHO is affected?	From January 2017 for: businesses with revenues over €8 million per annum From January 2018 for: businesses with revenues over €750,000 per annum From January 2019: for businesses with revenues over €45,000 per annum From January 2020: for all businesses.
WHEN to submit?	• i.SAF monthly submission with the VAT return by the 20th day of the month end following the reporting period. • i.VAZ before each shipment • i.SAF-T as requested by the tax authority
TAX HOW to send files?	Submit online via the i.SAF and i.VAZ portal i.SAF-T can be submitted to the tax authority via "FileTransfer" software.
LEGAL basis	Order No. VA-78

NORWAY
STANDARD: SAF-T NO

WHAT are the requirements?	SAF-T is a new electronic XML-based reporting standard for tax, VAT and accounting in Norway. It became mandatory on 1st January 2020.
	
	Elements required:
	SAF-T Financial
	• Header
	• Master files
	    • General Ledger master data
	    • Customer master data
	    • Supplier master data
	    • Tax master data
	• General Ledger entries
	
	SAF-T Cash Register
	• Header
	• Company
	    • Location, Cash Register, Cash Transactions.

WHO is affected?	All companies under the Norwegian bookkeeping legislation are in the scope of SAF-T. Businesses with less than NOK 5 million in turnover are exempt from this requirement.
WHEN to submit?	Upon request by the tax authority.
TAX HOW to send files?	Submit via the Norwegian government Altinn portal.
LEGAL basis	The Bookkeeping Regulation.

WHAT'S NEXT?

ROMANIA

Romania's tax authority, National Agency of Fiscal Administration (NAFA), is expected to implement SAF-T for large businesses in 2020. Plans exist to make it mandatory for all businesses by no later than 2021.

HUNGARY

After successfully implementing real-time reporting in 2018, Hungary is considering whether to adopt SAF-T with a potential launch in 2021.

The adoption of SAF-T continues to sweep across Europe. Romania has been recorded as having the largest VAT gap and Hungary experienced the most significant decrease of its VAT gap in 2018. Both countries are implementing SAF-T with the same common objective to strengthen VAT compliance and minimise the VAT gap.

UNITED KINGDOM
STANDARD: MAKING TAX DIGITAL (MTD)

WHAT are the requirements?	The UK government launched Making Tax Digital (MTD) for VAT on 1st April 2019. HMRC's ambition is to be one of the most digitally advanced tax administrations in the world, modernising the tax system to make it more effective, more efficient and easier for customers to comply with. Businesses need to keep their business records digitally. This may include dedicated record-keeping software or a combination of software packages and spreadsheets. The software that prepares a VAT return to send to HMRC must be MTD-compatible for those mandated to use MTD. Data must also be exchanged digitally between all software used by a business for VAT. The information contained with the MTD VAT return is generated by pulling information from the digital records. This information is the 9 boxes required for the VAT return. HMRC has allowed a period of time, the "soft landing period", for businesses to have in place digital links between all parts of their functional compatible software. Businesses will not be required to have digital links between software programs until their first VAT Return period starting on or after 1st April 2021.
WHO is affected?	VAT-registered businesses with a taxable turnover above the VAT threshold (£85,000) are required to follow the MTDI rules since 1st April 2019 by keeping digital records and using software to submit their VAT returns. If you are below the VAT threshold you can voluntarily join the MTD service now. VAT-registered businesses with a taxable turnover below £85,000 will be required to follow MTD rules for their first return starting from April 2022.
WHEN to submit?	The VAT return deadline will not change after you sign up for Making Tax Digital for VAT. Check your VAT Return and payment deadlines in your VAT online account.
TAX HOW to send files?	The submission of VAT return to HMRC through an API. Details of MTD-compatible software products for VAT are available on *www.gov.uk*.
PENALTIES	HMRC will not penalise a business for not having a digital link in place during soft landing period until 1st April 2021. You can find details of surcharges and penalties on *www.gov.uk*.
LEGAL basis	VAT Notice 700/22: Making Tax Digital for VAT.

SPAIN
STANDARD: SII: Suministro Inmediato de Información del IVA

WHAT are the requirements?	From 1st July 2017, a SII declaration is required to file the following Registration Books to the AEAT Electronic Office and regional tax agencies: LRFE - Register Book of issued invoices LRFR - Register Book of received invoices LRDOI - Register Book of specific intra-community operations LRBI - Register Book of investment goods * LRFE – Register Book of cash collection ** LRFE – Register Book for Cobros *** LRFR – Register Book for Pagos *** LRVC – Register Book for intra-community consignment.
WHO is affected?	• Companies with turnover in excess of €6 million per annum • Companies belonging to a VAT group in Spain • Companies using the "REDEME" scheme. * File is only mandatory for companies in prorata VAT regime ** For customer annual total payments in cash higher than €6,000 *** Dependant on cash based VAT regime use.
WHEN to submit?	Submission deadline within 4 working days.
TAX **HOW** to send files?	Automatic daily data submission via web service to AEAT and regional tax agencies.
PENALTIES	Penalty is 0.5% of the missed amounts, with a minimum of €300 and a maximum of €6,000 per quarter.
LEGAL basis	Order HPF/417/2017 Order HPF/187/2018

HUNGARY
SOURCE: RTIR: Real-Time Invoice Reporting

WHAT are the requirements?	Hungary introduced RTIR for domestic B2B sales invoice data from 1st July 2018. It plans to extend this it to B2C invoices from 2021. The obligation will apply to Hungarian B2B sales invoices, in which at least HUF 100,000 (approx. €340) VAT is charged.
WHO is affected?	All Hungarian VAT registered businesses.
WHEN to submit?	Submissions should be made immediately at the time of invoice creation. • within 5 calendar days where the VAT charged on the invoice is between HUF 100,000 to HUF 500,000 (€320 - €1,600) • within 1 calendar day from the issuance date where the VAT charged exceeds HUF 500,000.
TAX **HOW to send files?**	Submit using a specific XML file format via a portal to the Hungarian National Tax and Customs Administration (NAV). If any of the data reported is incorrect, corrections should be submitted within 72 hours.
PENALTIES	Failure to provide invoice information in the prescribed format and on time may result in a fine of up to HUF 500 000 (approximately €1700) per invoice.
LEGAL basis	Act CXXVII of 2007 on Value Added Tax.

ITALY
STANDARD: SdI: Sistema di Interscambio

WHAT are the requirements?	Italy introduced mandatory B2B electronic invoicing on 1st January 2019. All relevant invoices must be issued and submitted to the Italian Revenue Agency's e-invoicing platform, Sistema di Interscambio (SdI). The ruling applies to all the following invoices: • B2G – Business to Government • B2B – Business to Business • B2C – Business to Consumer • Intercompany transactions
WHO is affected?	VAT registered businesses established in Italy.
WHEN to submit?	Submissions should be made immediately at the time of invoice creation.
TAX HOW to send files?	Submit to the Italian Revenue Agency's e-invoicing platform, Sistema di Interscambio (SdI).
PENALTIES	Invoices not submitted through SdI system attract penalties of between 90% and 180% of the VAT due.
LEGAL basis	EU VAT Directive Article 218 and 232.

GREECE
STANDARD: myDATA: my Digital Accounting and Tax Application

WHAT are the requirements?	myDATA (my Digital Accounting and Tax Application) is the IAPR electronic books platform. It is used to: • monitor input/output transactions of businesses and other entities keeping Accounting Records pursuant to the Greek Accounting Standards (GAS); • display the accounting and tax results of businesses, as per the information contained in their Electronic Books The Greek tax authority made the implementation of e-books and e-invoices through myDATA mandatory from 1st January 2021. The compliance requirement includes a hybrid of the e-invoicing and e-books schemes: • **e-invoicing** Sales invoices (domestic B2B transactions) and records of Purchase e-invoice received • **e-Books** General Ledger transactions, Cash ledger, Payroll and Fixed asset transactions including depreciation provisions. Includes B2C and cross-border transactions not included in e-invoice data.
WHO is affected?	All Businesses and other entities keeping Accounting Records following the GAS and in accordance with more specific legal provisions.
WHEN to submit?	E-invoices and E-books are transmitted to the AADE (Greek Independent Authority for Public Revenue) via myDATA portal on a monthly or quarterly basis, depending on the taxpayer's filling timeframe. The submission deadline is the 20th day after the end of the month in which the relevant invoices were issued.
TAX HOW to send files?	1. Accounting Source Documents are issued in the standard way. A Summary is transmitted to myDATA using the interoperability of software systems (commercial, accounting, ERP) already in use by the businesses. 2. Special Data Entry Form at www.aade.gr/myDATA for small businesses 3. Connected Electronic Tax Register Machines (ETRMs) for retail sales transactions (Online Cash Registers, OCR) 4. Electronic Invoices should be automatically transferred to the myDATA application by e-invoicing providers.
PENALTIES	Failure to register • Late registration €102.40 • Non-registration €2,500 • 50% of non-paid VAT amount forfailure to register during a tax audit Non-compliance with invoicing and accounting obligations penalty is between €250 - €500.
LEGAL basis	The Tax Reform Law L. 4646/2019

WHAT'S COMING NEXT ?

Poland
B2B e-invoicing

B2B electronic invoicing in Poland is planned for 2021, following the pilot of B2G e-invoicing in April 2019. As the next step in the continuing efforts to tackle VAT fraud, the Polish Ministry of Finance has announced a timeline to implement B2B e-invoicing via a centralised platform (KSeF). This is expected to be introduced by the end of 2021 initially on a voluntary basis and will become mandatory from 2023. Companies who issue e-invoices will benefit from reduced VAT refund timescales (down from 60 days to 40 days).

France
e-invoicing and e-reporting

The French government aims to mandate B2B e-invoicing from 2023 – 2025, as part of its efforts to combat VAT fraud. The Directorate General of Public Finance (DGFIP) proposed 2 models of e-invoicing to Parliament on 3rd November 2020.

The e-invoicing models proposed by DGFIP are as follows:

- **'V' model**

  Compulsory submission of invoices through a public platform which ensures the transmission of invoices to the customer via a private platform, if necessary, in the form of a single concentrator. The public platform would extract useful data from the invoices for the tax authority and transmit them to the DGFIP's IT system.

- **'Y' model**

  Invoices are transmitted directly between certified private platforms without going through the public platform. The certified private platforms extract information from the invoices for the tax authority and then transmit this to the public platform, which groups the data together and sends it to the DGFIP's IT system.

  A lack of consistency over the rules applicable to e-invoicing at European and global levels means e-invoicing cannot be extended to all B2C transactions carried out by a taxpayer.

  This obligation must be accompanied by e-reporting to cover a wider set of flows and obtain valuable information for the identification of the VAT treatment applied (e.g. payment of invoices).

Sources of information: *PwC Société d'Avocats*

VAT compliance process improvements are ongoing and we can expect more initiatives to increase taxpayer compliance and tackle VAT fraud. Regulation monitoring is essential for businesses to remain compliant.

France provides a good example of how greater compliance can be achieved with the implementation of post audit FEC and e-invoicing and e-reporting for CTC.

NEW EU TAX PACKAGE: CHALLENGES AHEAD

Fair taxation will be crucial in helping the EU economy to bounce back after the Coronavirus pandemic and the European Commission introduced 25 initiatives to support recovery from the impact of COVID-19. Its aim is to reduce obstacles for businesses in a single market with greater tax simplification, reinforcement of existing tax rules and improved taxpayer compliance. The new EU Tax Package will make taxation simpler, fairer and better adapted to the digital world, whilst also supporting the fight against tax fraud, avoidance and evasion.

TIMELINE OF 25 ACTIONS IN THE EU TAX PACKAGE:

	2020/2021	2022/2023
Registration		**1.** Single EU VAT registration **2.** Efficient use of taxpayers' data with the EU data protection rules
Reporting	**3.** EU cooperative compliance framework and transparency amongst tax administrations	**4.** Modernisation of VAT reporting obligations. Real-time and more detailed exchange of information and expanded e-invoicing **5.** Extended scope of the VAT One Stop Shop (OSS) to e-commerce and including remaining B2C transactions
Payment	**6.** Recommendations for improving recovery assistance for unpaid taxes	**7.** More consistent determination of tax residence within the Single Market **8.** Common, standardised, EU-wide system for withholding tax relief at source, accompanied by an exchange of information and cooperation mechanism among tax administrations and taking into account OECD Treaty Relief and Compliance Enhancement (TRACE) initiatives
Verification, monitoring and administrative cooperation	**10.** Update the directive on administrative cooperation to expand scope to an evolving economy and strengthen the administrative cooperation framework	**9.** Eurofisc 2.0: to establish a true EU capability against VAT fraud in cross-border transactions and EU hub for tax information. This would extend beyond VAT to include financial market authorities

	2020/2021	2022/2023
Verification, monitoring and administrative cooperation	**11.** Launch an EU Tax Observatory to monitor and quantify trends in the level and scope of tax abuse	customs, OLAF and Europol, for example. Tax administrations would benefit from shared resources inside the EU capable Eurofisc, serving all Member States in an automated way. **12.** Verification of cross-border transactions reinforced to secure VAT. The exchange of information between Member States to switch from manual to automation through electronic systems. **13.** Make cross-border transactions easier for honest businesses that want to be compliant with VAT rules. **14.** Closer dialogue with international partners. Effective cooperation with third countries is often necessary to ensure EU tax policy works in a global economy
Disputes	**15.** Monitoring of dispute resolution mechanism directive	**16.** VAT dispute prevention and resolution
Simplify EU tax rules for more competitiveness in the Single Market	**17.** Charter on taxpayer's rights **18.** Update VAT rules on financial services which are outdated to account for the rise of the digital economy (fintech) **19.** Transform the VAT Committee status **20.** Organise a conference on Data Analytics and Digital Solutions **21.** Establish an expert group for transfer pricing	**22.** Revise the special VAT scheme for travel agents **23.** Adapt VAT frameworks for the platform economy **24.** Greener taxation of the passenger transport sector **25.** E-commerce package for excise duties

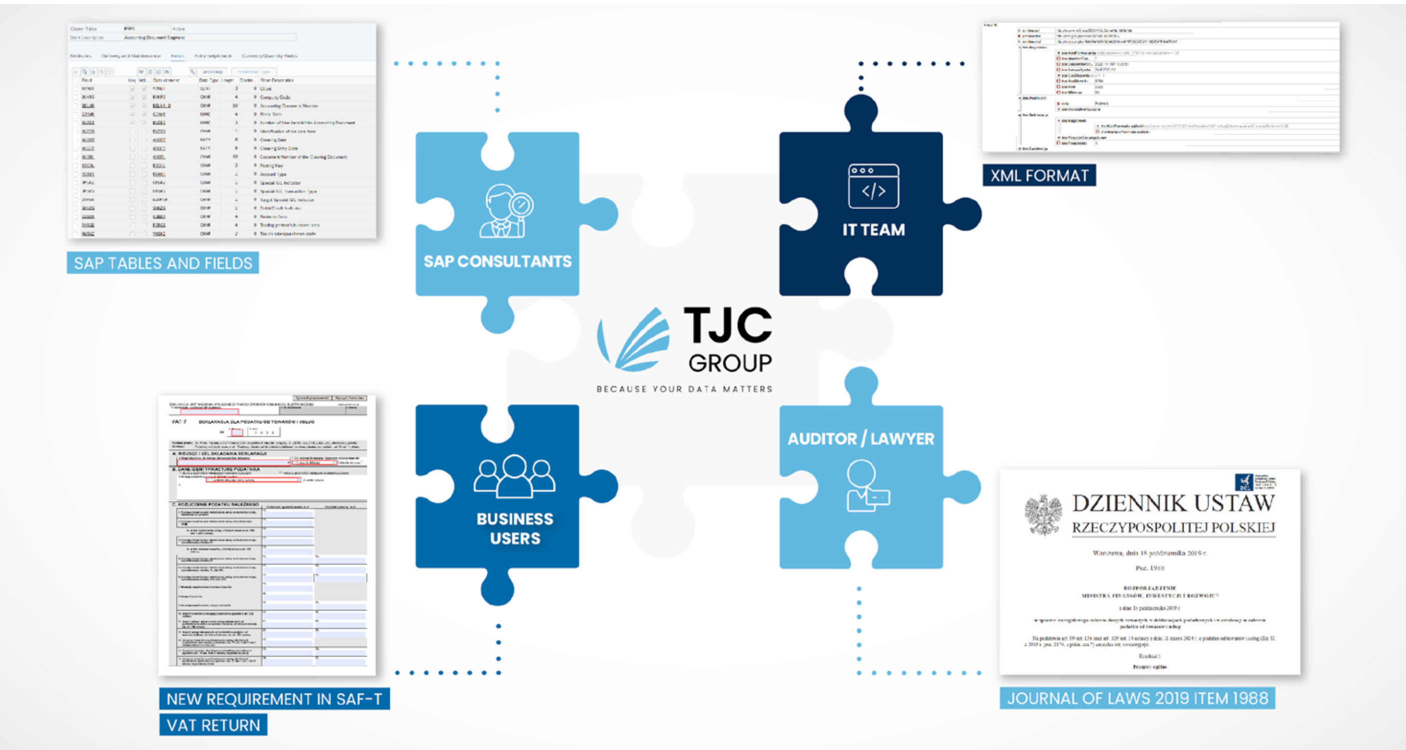
EU tax reform can help the European economic region recover from the current crisis and we can anticipate challenges ahead for businesses implementing government e-reporting. Expect to see widespread digital transformation of tax administrations, expanded e-invoicing, improved collaboration and greater tax transparency among EU member states and third party counties.

REIMAGINING YOUR B2G TEAM

In the digital economy, tax authorities are embracing emerging technologies such as Data Analytics, Artificial Intelligence (AI), Robotic Process Automation (RPA) and Machine Learning, to analyse big tax data and root out VAT carousel fraud. Numerous tax compliance initiatives have been launched in recent years with more to follow in the near future.

THE CHALLENGES FACED BY B2G TEAMS

B2G teams who are tasked with handling their organisations' tax compliance and governmental requirements need to develop a combination of Tax and Technology knowledge, in order to understand the complex requirements and provide accurate information to tax authorities. Ultimately, a tax issue is also a business issue. If something is wrong with tax data sent to tax administrators, this will impact your organisation's reputation. Over or under tax payment of tax could be considered tax evasion or VAT fraud. It is vital to be taking action now to review and re-skill your B2G team for the future.



Do your organisation's tax compliance projects experience communications issues? If your answer is "YES", rest assured you are not alone. It's quite normal to encounter communication difficulties because tax compliance projects involve so many stakeholders, each of whom speaks their own language. It is difficult for IT or SAP consultants to understand legal terminology and tax jargon. Likewise, tax may not understand SAP language or IT technical terms. It's a classic problem that can lead to misinterpretations, especially when interpreting tax and regulatory information. SAP requires data to be presented in very specific format in order to firstly generate accurate legal reporting and then send that information via a black box interface to the relevant government body.

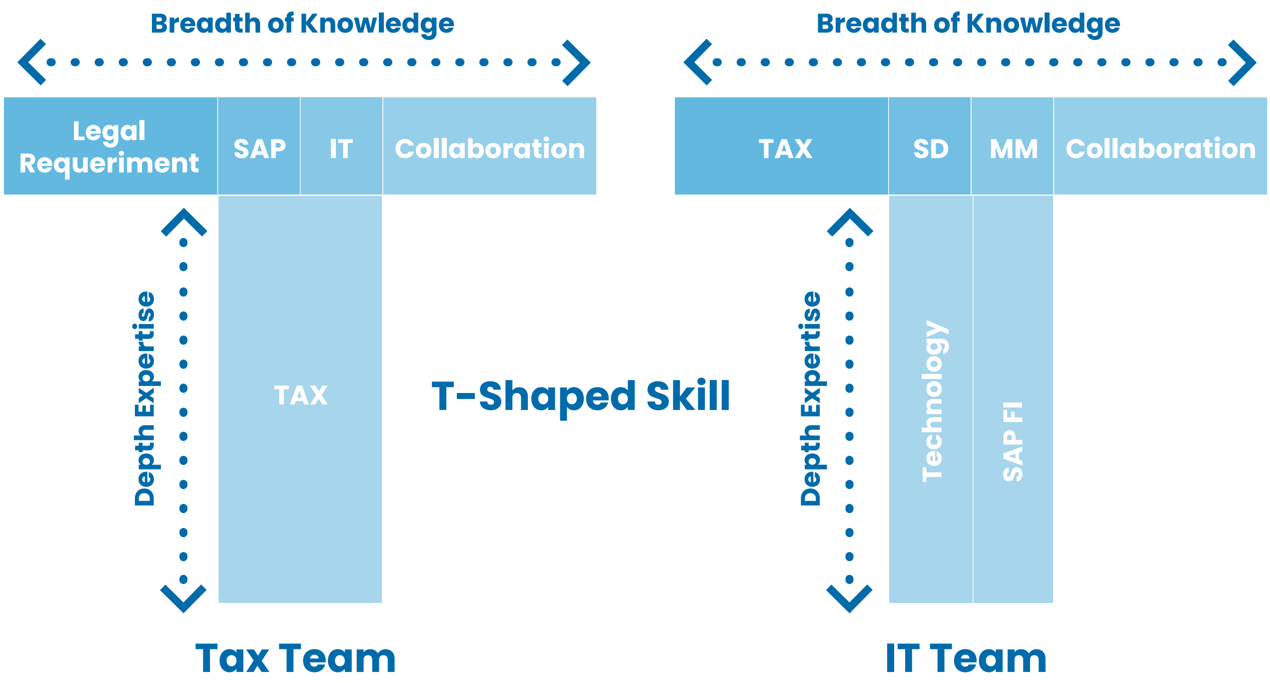
THE NEED FOR "T-SHAPED' SKILLS

This complexity has made 'T-shaped' skills essential for today's compliance projects. In the digital world, having a single skill is not enough to ensure tax compliance - collaboration between Tax and IT teams is an essential success factor. To satisfy the administrators' latest compliance requirements, tax departments can't just rely on their tax expertise to get by. They require other skills – an understanding of current global and local legal requirements, basic technology and SAP knowledge, plus the ability to work with IT departments and SAP consultants.

The same is true of IT. An IT team might have a deep knowledge of technology and ERP systems like SAP, but how can they understand what's required by the tax authorities without an awareness of tax legislation and regulations? Governments today want evidence of every single transaction made, not only in financial and accounting systems, but also in sales and purchase transactions, stock movements and asset reports. Having a detailed knowledge of SAP's module FI is not enought either, SAP consultants work with many different modules - FI, SD, MM and AA.

PRIORITISING COLLABORATION AND COMMUNICATION SKILLS

Tax and IT teams both need a breadth of knowledge across other relevant topics, bound together with essential soft skills like collaboration, as shown in the examples below.



Given that communication and collaboration are such important factors, any issues should be treated as a clear wakeup call to transform each department's skills profile. The talent transformation process needed should be "fast and furious". Up-skilling and re-skilling cannot occur in a short space of time and there are many constraints. An alternative approach is to find a B2G partner with the breadth of knowledge to help your organisation develop T shaped skills, but on an outsourced basis. A partner to bridge the gap between key stakeholders in tax management, relieve your tax compliance burden, improve collaboration, create synergies between your IT and Tax teams and safeguard your reputation.

How TJC can help you manage VAT compliance and reputational risk in the digital era

HOW TO FIND THE RIGHT B2G PARTNER

Digitalisation of tax compliance is moving very quickly at both a global and country-specific level. This is increasing the range of challenges for businesses worldwide to overcome - especially MNEs with centralised IT services. The breadth and diversity of SAF-T regulations plus the growing mandate of real time reporting and e-invoicing are creating substantial burdens for Tax and IT teams alike.

B2G APPROACH BY TJC

TJC understands how big a challenge this is for our customers. It's why we provide B2G Services, combining expertise, certified products and technology, to help you to remain compliant and respond to governmental demands. When you choose to work with TJC, a B2G specialist becomes your single point of contact, helping you to monitor, analyse and interpret ever-changing tax legislation in relation to SAP and improve channels of communication with your IT and SAP teams. We help you reduce the burden of regulatory compliance and the risk of financial penalties. This means you can concentrate on more strategic, value adding tax activities instead.

In addition, co-sourcing your B2G function with a specialist reduces expenditure on employee related direct costs e.g. salary, benefits and insurance, leaving more resources available to focus on core business activities. Spending less time overseeing payroll means more attention can be redirected back into managing and growing your business.

"CO-SOURCING"
A NEW APPROACH TO B2G COLLABORATION

KEY BENEFITS:

- 'Flexible not fixed' approach
- Combines benefits of outsourcing and insourcing
- Reduce the burden of tax compliance
- Blended team with the right mix of skills and experience (SAP + Tax + Technology)
- Build 'T-shaped skills' - plug the skills gaps between compliance stakeholders
- Improve collaboration and create synergies
- Cost effective
- Reduces Total Cost of Ownership (TCO)
- Mitigate the risks of non-compliance
- Protect your reputation

OVER 20 YEARS OF EXPERIENCE

At TJC, our goal is to help customers to maximise their returns after investing in SAP systems, with a range of off the shelf and bespoke SAP solutions for tax management. Whatever your requirements, we've got an SAP tax compliance solution to meet your exact business need.

Why TJC? TJC's B2G footprint began in France in 1997, with SAP consulting services. We started removing data from databases (a.k.a. data archiving), which progressed to working with professionals interested in the solving problems created by old data - people like internal auditors, compliance officers, CFO's. They needed help with extracting data for tax audits and providing software. Our skills here led us to the Big 4 consultants, working with their legal and tax experts to co-develop compliance solutions for SAF-T, SII and the FEC. Today we continue to work with FI, SD, MM, and other SAP consultants to implement these standards. Our core expertise is in working with expert business users, helping them submit governmental compliance data and providing data management services not served by a traditional help desk.

All this brings a unique diversity of expertise, language skills and business acumen to solving our customer's compliance problems.

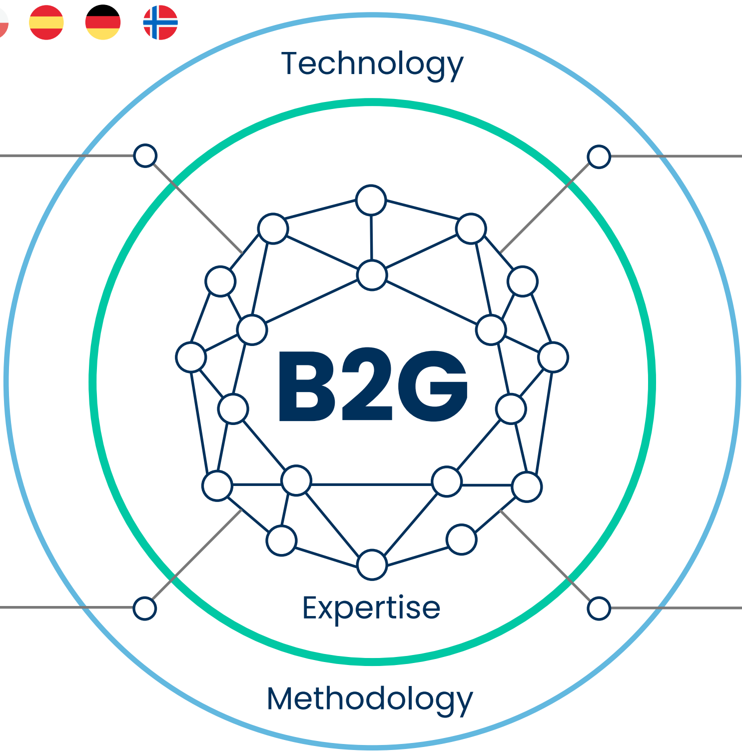
B2G BY TJC

TJC Solutions
for Audit and Tax

- Audit Extraction Cockpit (AEC)
- Fichier des Écritures Comptables (FEC)
- Standard Audit File for Tax (SAF-T)
- Real-time reporting (Sii)
- DART workspace
- DART Sessions Cockpit (DSC)

TJC Solutions
for Tax Management

- Standard Audit File for Tax (SAF-T)
- SAP Advanced Compliance Reporting (ACR)
- SAP Document Compliance (e-Document)
- SAP Tax Compliance (Ensure accuracy of tax data)



Consulting Services
Expertise on demand

- B2G new requirements, process improvement
- Best practices for EU VAT, Plants Abroad, Split Payment, Drop shipment, Triangulation, Intercompany, etc.
- Assistance on Period-end Closing activities
- Extension, Integration, Automation
- Workshops / Trainning

Move to S/4HANA
with TJC

- Certified solutions in S/4; AEC and FEC
- Digital transformation to simplify and streamline business processes

Consulting, Project Management and Business Process Outsourcing (BPO)

APPENDIX TERMINOLOGY

List of terms, acronyms and abbreviations used in this book.

Term	Definition
AA	SAP Module AA – Asset Accounting
ACR	Advanced Compliance Reporting
AEC	Audit Extraction Cockpit
AI	Artificial intelligence
B2B	Business to Business
B2C	Business to Customer
B2G	Business to Government
CTC	Continuous Transaction Control
DGFiP	Direction Générale des Finances Publiques
EC	European Commission
e-Invoice	Electronic Invoice
EU	European Union
EU-28	28 Member States of the European Union, UK inclusive
FI	SAP Module FI – Financial Accounting
GL	General Ledger
JPK	Jednolity Plik Kontrolny (SAF-T Poland)
JPK FA	Sales VAT invoices
JPK KR	Trial balance and accounting documents
JPK MAG	Stock Movement
JPK V7K	VAT return (Quarterly declaration)

Term	Definition
JPK V7M	VAT return (monthly declaration)
JPK VAT	VAT register
JPK WB	Bank statement
KOBAK	Hungarian web portal
MM	SAP Module MM – Material Management
MNE	Multinational enterprise
myDATA	my Digital Accounting and Tax Application
OECD	The Organisation for Economic Co-operation and Development
OSS	VAT One Stop Shop
RPA	Robotic process automation
RTIR	Real-Time Invoice Reporting
SAF-T	Standard Audit File for Tax
SAP	System Applications and Products in Data Processing
SD	SAP Module SD – Sales and Distribution
SdI	Sistema di Interscambio
SII	Suministro Inmediato de Información del IVA
TRACE	OECD Treaty Relief and Compliance Enhancement
VAT	Value Added Tax
VAT GAP	The difference between expected VAT revenues and the amount actually collected
VTTL	VAT total tax liability
VUCA	Volatile, Uncertain, Complex and Ambiguous
XML	eXtensible Markup Language

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