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## **Technology Industries of Finland supports the EC's work to make taxation simple and easier by using digitalisation – 1 April 2020**

The Commission has published an initiative (Roadmap) for an Action Plan to fight tax evasion and make taxation simple and easy. The Action Plan and the first package of legislative proposals is expected to be tabled already in June 2020. Technology Industries of Finland (TIF) supports especially the aims to simplify the tax procedures and tax system to make compliance easier, and to use digital tools for taxation.

The COVID-19 pandemic has led to terrible effects to European citizens and businesses. Many of our members are unable to provide their tax experts' time to respond the consultations. We know that the EC's officials and Member States' tax authorities are overloaded with work as well. Thus, we wish the EC would consider some postponement of consultation requests and offering more time to respond to consultations open or opening, including the legislative proposals linked to this Action Plan. In our view, postponing would better guarantee the involvement of all relevant stakeholders.

### Combating tax evasion by simplifying tax system

Technology Industries of Finland supports the EC's call for use of digital taxation tools and procedures. The goal should be to make the EU's single market a competitive, appealing and well functioning environment for all businesses, as well as fair and effective for all Member State. This can be achieved by building up on the best practices of all Member States' such as the Nordic and Baltic states' enthusiastic and fruitful work with digitalisation and automation of taxation as well as real time economy, which could lead to notable savings to both the tax administrations and the companies, as well as minimise the tax gap and tax evasion. In addition, automation of taxation would mean a better functioning Single Market, an appealing location for businesses to locate and grow.

Need for additional tax revenues will grow even more as Europe struggles with the economical crisis caused by the COVID-19 pandemic. TIF is of the view that the EC's proposals to simplifying tax system and making taxation simpler is the best way forward. Implementing new globally different taxes (e.g. EU digitax), causing double taxation and harming tax certainty for numerous years would harm the competitiveness and growth of the EU, and impose administrative burden of compliant businesses, especially hitting the SMEs hardest as the relative administrative burden is heavier on them.

### Making taxation easier and more efficient

TIF proposes the following means to make taxation procedures more efficient as well as limiting double taxation and disputes. Some of the means are already progressing:

- **Digitalisation and automation of taxation procedures could lead to notable savings** both to companies and tax administrations, as well as reduce tax gaps and tax evasion.
- **Centralised reporting method for corporate income taxation also**, for example similar type as the VAT MOSS or the CbC-reporting.
- Use of dispute preventive tools, such as **Pre-emptive Discussion and Cross-Border Dialogue also on a multilateral basis** to enhance certainty and prevent tax disputes.
- **Use of ICAP and joint audits also on a multilateral basis.**

### Digitalisation and automation of taxation procedures would also enhance RTE

The Finnish Tax Administration is the first country in Europe to combine all taxation software and processes into one system. The savings for the Tax Administration alone is estimated a total of approx. 6,5 % decrease in the total annual costs of the Finnish Tax Administration. The taxation procedures have been digitalised almost fully. Savings to companies due to the decrease in compliance costs, interest expenses and tax disputes cannot be estimated yet. Investments in software robots are estimated to save an additional 1,3 % of total annual costs. Similar savings could be achieved in all European countries with investments in the digitalisation and automation of taxation.

In order to build data economy, real time economy (RTE) should be enhanced. RTE is about digitalisation of the monetary processes and making them interoperable with all the other digital processes. The monetary data is produced and stored in banking, accounting, brokering, taxation and post-trade services. This data should be made accessible and interoperable. Three key drivers are 1) real time accounting and taxation, 2) digital growth and balance and 3) data economy. The first key driver is being processed in Finland, Nordic and Baltic countries with projects on making financial data collected from various data sources in a structured format, making it possible for the authorities to get real-time information and reports (e.g. financial statements and tax returns) automatically and close to real-time. One important element would be to enable use of **eReceipt** at EU level. The real-time financial data is valuable for the company in enhancing business and creating new business models. Making taxation as easy, effective and accurate as possible enables the company to concentrate on productive business activities, reduces risk of non-compliance. The Nordic countries have started the Nordic Smart Government -project, with a vision that of a data driven Nordic region, where data and digitisation enable value creation by sharing data across the Nordic region in an automatic, secure and intelligent manner, e.g. to reduce administrative work and to enhance innovation and growth.

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