Interoperability is the key factor in digitalisation of taxation

EU’s single market should be a competitive, appealing, and well-functioning environment and home market for all businesses, as well as fair and effective for all Member States. For companies, predictability and simplicity of taxation are important factors. Reporting and paying their fair share of taxes should not result in tax disputes, double taxation, excessive and administrative burdens, especially hitting the SMEs hardest as the relative administrative burden is heavier on them.¹

Real-Time Economy (RTE) is an environment where financial and administrative transactions connecting citizens, businesses and public sector entities are in structured standardised digital format, generated automatically and completed in real time.

RTE and digitalisation of taxation could lead to notable savings in process and compliance costs both to companies and tax administrations. Lower administrative burden allows the companies to concentrate on their core business and contribute to boosting growth, increase employment and tax revenue. There are also huge opportunities and value of structured, standardised data on transactions that could serve as a unique European basis for financial and other digital services. More examples of the benefits of RTE can be found in the picture below.

¹ The Commission has stated in its “Identifying and addressing barriers to the Single Market that compliance costs related to business taxation for SMEs can be as much as 30% of taxes paid. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Identifying and Addressing Barriers to the Single Market, SWD/2020/54 final https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020SC0054
EU could steer the development of real-time economy

Although real-time economy (RTE) is being enhanced in various EU Member States, the implementation of the RTE building blocks is different in each country. The EU can act as a thought leader and steer the development. But to do so, the EU should have a clear vision and ability to lead the process to develop the building blocks together with the businesses to reach interoperability and competitive, multi-player market in elements of real-time economy in the EU.

- Several of the EU building blocks are already existing or in the works, but a comprehensive study of the on-going and envisaged policy initiatives would be beneficial to allow interoperability.
- A thorough examination of the benefits and costs of real-time economy within the single market should be conducted. Such analysis would be followed by creating a “RTE for the EU” task force. Digitalisation of taxation and RTE elements cannot be created only from the tax administration’s point of view but engaging the customers (taxpayers) and the service providers (software companies, auditors, bookkeepers) to the development process from the very beginning.
- The work of the expert group should result in a concrete RTE roadmap including solutions and timelines towards real-time economy in the EU. Such steps should include e.g.
  - fast and coherent adoption of VAT in the Digital Age directive
  - rapid standardisation and adoption of eReceipt and general set of rules, data and communication models and codes of conduct for networks of companies involved in transfer of financial information.
  - a centralised reporting method for corporate income taxation, including required APIs and data models.
- A regulatory overview to be done for determining possibilities of boosting development by regulation and guidelines.
- A holistic EU model should be built on the best practices of all Member States’ such as the Nordic2 and Baltic3 states’ work with digitalisation and automation of taxation as well as real-time economy. The EU should encourage, observe and coordinate Member State actions, investigate experiments and ensure financial support for development, when needed.

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Finland: Real Time Economy -project https://www.yrityksendigitalous.fi/en/
3 Estonia: https://www.realtimeeconomy-bsr.eu/