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**Attachment to Technology Industries of Finland's submission to the public consultation regarding VAT in the Digital Age**

**5 May 2022**

**TIF's summarised comments on eInvoicing and digital reporting:**

The main target should be to enhance competitiveness by digitalisation. EU should become a well-functioning single-market, by making it easy to locate and do business in the EU.

- Another main target is to really make taxation simple and easy, for taxpayers in all Member States. In addition, the VAT reporting is not just basic reporting, but when drafting the system, it should be considered how possible corrections to reports can easily be done. The tax reporting model should be made simple with utilising advanced automation and cutting down on routine manual work.
- Examples how to make taxation and reporting easier should be taken from countries which have small VAT gaps, highly digitalised and light VAT reporting. For example, the Nordic Countries.
- VAT reporting should not be planned only to fulfil the information requests of tax administrations but also to make real-time data available for companies, so that they can benefit from detailed financial data in their own business. Also, real-time economy can and should absolutely be enhanced when drafting the model. Making financial data and transactions digital would create new business models, as well as diminish the need to use natural resources (such as wood, water and oil).
- Reporting should be as harmonised as possible and scaled, so that reporting would be possible by using just one system. If fully harmonised system is not possible, then for example one tax return form where countries can choose which information they require. E.g., if the full form is 10 pages, some countries could opt for the full 10 pages and some just 2 pages. Or some companies might need to fill in more data and some less (e.g., based on the size of the company). The countries could also be required to explain why they collect the extra data and what it is used for. The model should not have room for unilateral adjustments. Exemptions make systems difficult and expensive.
- The purpose of the reporting systems should be clear. Based on the VAT directive, VAT reporting is for collecting info necessary to pay the correct amount of VAT. However, if the goal is to also collect info for tax audits or transfer pricing, this should be openly declared and discussed.
- The reporting model and system should be as simple as possible so that all companies can learn to use it. A part of VAT gap is due to human errors – companies wanting to report and pay the correct amount of tax but not having enough knowledge to do so.

- There is a conceivable risk that the model is made too burdensome and complicated and consequently only the biggest companies manage to be compliant. Should this risk actualise, for SMEs the compliance costs might cause even harder struggle than today.
- Data privacy, business secrecy and access to data issues must be considered.

### **Benefits derived from Real-Time Economy (including also eInvoicing and eReceipt)**

For **companies** in general, the benefits would include

- Significant savings in process and compliance costs: e.g. automated real-time accounting, VAT and other tax reporting, asset management and financial statements based on structured and standardised data.
- Access to real-time financial data consequently making companies' decisions more informed.
- Easy access to other finance-related data, e.g. storage status, warranty information.
- Lower risks in invoicing, taxation and tax reporting.
- Cost cuts in credit processes, improved credit quality, increased financing and automated credit quality monitoring.
- Emergence of new businesses and business models in developing applications for companies or consumers based on the accumulated structured transaction data, possibly combined with other datasets.
- Advertising and customer loyalty programmes added to eReceipts.
- Transaction cost reductions and diminishing administrative burden allowing the companies to concentrate on their core business and contribute to boosting growth, increase employment and tax revenue.
- New services: It could be possible for the tax administrations to provide additional services for companies based on the transaction data (e.g. to support know your customer - functions). For example, in Estonia <https://www.emta.ee/eng/business-client/taxation-payment-taxes/tax-behaviour-ratings>

For **accounting companies**, RTE would give a chance to eliminate routine manual work, lessen the administrative burden and focus on economic consulting. Consequently, these companies could offer better job profiles for their employees as well as improved and versatile services to their customers. Lower costs could make better accounting services available also for smallest SMEs.

**Consumers** would benefit from real-time information concerning their expenditures and wealth, to help improve management of their financial situation. RTE would enable new customer services like information on the carbon footprint of their groceries or having the warranty receipts easily available.

RTE would also have a positive impact for the **environment**. It is evident that eliminating use of paper would have an impact in lowering CO<sub>2</sub> emissions given the dramatic number of receipts and invoices now on paper.

Furthermore, in **public sector** process cost reductions would be noteworthy.

- Savings can be expected from saving working hours, better quality of data and lower risk of errors.
- RTE brings new management tools for decision making, e.g. real-time taxation data and transaction data enable better tax administration services. Tax auditing can be targeted to risky companies.
- Real-time income register would save social security process costs.



- Diminishing grey economy will benefit the public sector and the society at large.
- Real-time data will allow better understanding of the economy and improve forecasting.
- RTE would increase tax revenues due to companies having more means for investments, hiring, new business.

The mere cost reductions, substantial indirect benefits and the enhanced possibility to smooth cross-border transactions would give a boost to the EU Single Market RTE would provide more transparency to transactions and significantly reduce the proliferation of grey economy in Europe. Developing RTE is a concrete step in enforcing the single market and make it function fully.

**Global co-operation is needed. The Nordic countries have been working together to boost Real-Time Economy:**

- Please see the Nordic countries' Real-Time Economy project for additional info on building a national digital ecosystem for business actors that would be compatible with similar systems in other Nordic countries. It would allow seamless, real-time and secure transmission of orders, e-invoices, digital receipts and business data between parties.  
<https://www.yrityksendigitalous.fi/en/>
- Please see Nordic Smart Government (NSG) on benefits of digitalisation and real-time economy in general and for evaluations on the monetary benefits of real-time economy.  
<https://nordicsmartgovernment.org/>

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Technology Industries of Finland (TIF) represents Finnish technology industries and has over 1,600 member companies, sizes varying from small SMEs and start-ups to world leading MNEs. The technology industry is comprised of five sub-sectors: electronics and the electrotechnical industry, mechanical engineering, metals industry, consulting engineering and information technology. Technology industry is the most important export industry in Finland, with operations constituting over 50 % of all Finnish exports and responsible for 70 % of all private investments in R&D carried out in Finland. Over 300,000 Finns work in technology companies, while a total of around 700,000 people work in the technology sector directly or indirectly (of a total population of 5,500,000). For further information of TIF's member companies, please see <https://teknologiateollisuus.fi/en>