

Evolving tax schemes and e-invoicing

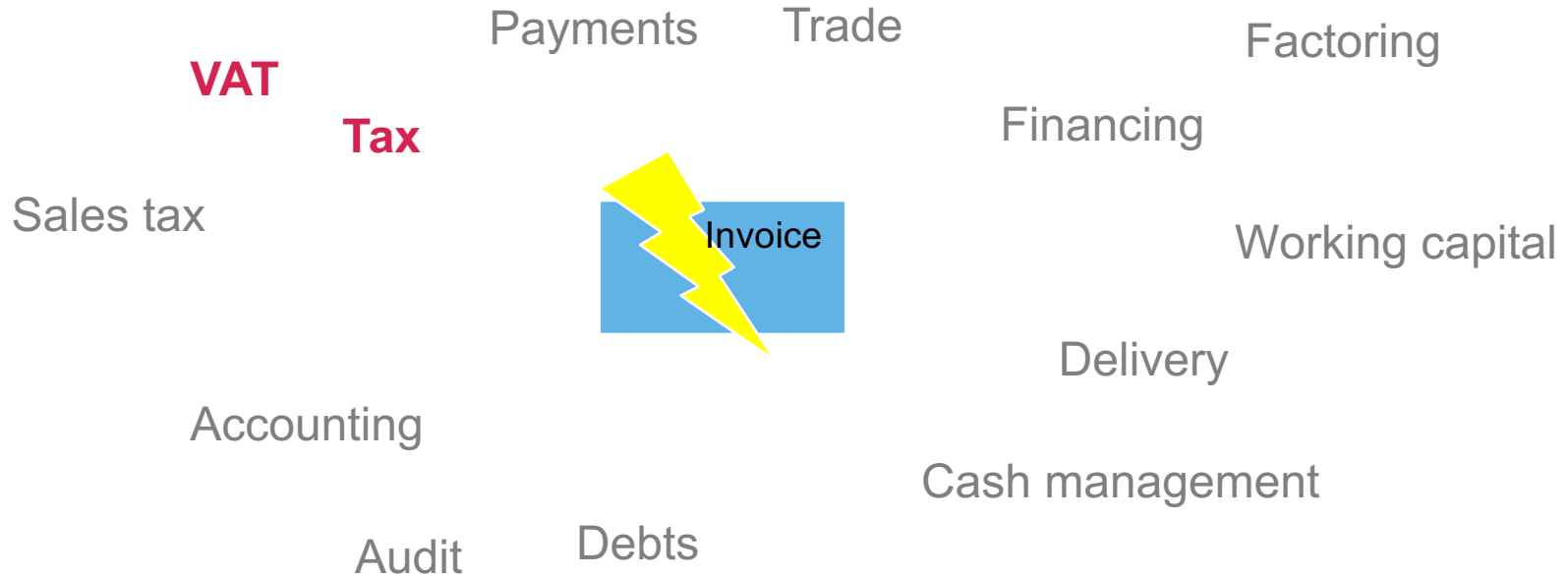
Need to see forest from trees

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Invoice have interest from multiple directions



Traditional VAT scheme

- Seller:
 - Collects VAT as part of invoicing
 - Reports periodically afterwards VAT to tax authority
 - Pays periodically VAT afterwards to tax authority
- Buyer:
 - Pays VAT included in the invoice
 - Deducts paid taxes when having right for it
- What if
 - Seller don't report all sales
 - Seller don't report all collected VAT
 - Seller don't pay all collected VAT
 - Buyer deducts VAT that seller have not paid

VAT gap
VAT fraud

E-invoicing makes it possible to ...

- Make seller VAT reporting real-time on transaction basis
 - Payment terms may still extend collection (14-90 days?)
- VAT authority validation of invoices before delivered to buyer
 - Buyer knows that VAT& have reported and validated
 - No risk in deduction

SPLIT PAYMENT=buyer pays VAT directly to tax authority

Good means to fight against fraud and close the VAT gap but....

Different models are popping up

Traditional model; seller collection – reporting afterwards – payment afterwards – audit afterwards

Reporting model; seller collection – reporting real-time – payment - audit

Validation model; seller collection – Tax authority validation before invoice delivery – payment - audit

Clearance model; seller collection – Tax authority validation - invoice delivery from Tax authority platform – payment - audit

Suite of other different issues

- Does invoice contain data that is required in reporting?
 - Does reporting require other data from ERP or is invoice self-containing transaction
- Is reporting allowed from distribution infrastructure?
- Is reporting organization mandated to be legal entity in specific country?
- Where invoice is created or issued?
- Specific certifications for systems?

Conclusions

There is real risk that we harmonize certain things in EU (e-invoicing) and at the same time we develop very diversified requirements in VAT area that may discard harmonization efforts

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