
VAT listings – implementation in EU Member States

Report

by Fiscalis Project Group 074

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This report compiles information of Member States' experience with implementations of so-called VAT listings. This is a public version of the report.

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SUMMARY

With the aim of fighting VAT fraud and improving compliance a number of Member States have introduced a requirement for VAT registered traders to report data on business-to-business transactions – so called VAT listings. The level of detail of these reports differs but in essence they break down VAT return into transactions giving tax administrations a more complete look of who does business with whom. Data is almost exclusively collected electronically making it possible to do a complicated analysis in an automated manner. Data from supplier and customer is crosschecked to make sure that both report the transaction in the same way. Supply chains can be created and potentially risky traders highlighted with no or little human input.

Not all Member States can quantify the benefits of VAT listings mostly because some systems have been introduced many years ago and the analysis of the impact was not performed at the time. Often VAT listings were introduced as a part of a comprehensive anti-fraud package making it difficult to isolate the impact of one measure. However a few Member States report increase in yields and improved targeting of audits while the number of audits dropping. Collection of VAT has improved with the value added coefficient increasing in a number of cases. A more complete picture of businesses allowed some tax administrations to shorten time necessary to process VAT reimbursement claims. VAT listings seem to have a major preventative effect as taxpayers become aware that data reported by them will be crosschecked with data reported by their trading partners.

To minimize compliance costs to businesses policy makers made an effort not to require traders to collect data for VAT listings in addition to what they already collect to comply with the VAT return obligation. VAT listings had a substantial impact on tax administrations. For example approach to audit has changed since detailed transaction data allows a tax auditor to be much better prepared as supply chains are known in advance. As a result less time is spent on collection of information leading to shorter, more productive and better targeted audits. Machine-readable data allowed automating some processes freeing up human resources for more meaningful tasks. A number of tax administrations are reflecting data back to taxpayers allowing them to correct possible mistakes further reducing the need for tax administration to contact taxpayers. Tax administrations can also compute industry specific indicators based on VAT listings data which allows traders to compare themselves against their peers which can have a preventative effect.

Based on the experience of Member States that have implemented VAT listings there are a number of lessons that can be learned. The main lesson is that exceptions that allow traders not to identify their trading partners on VAT listings will be abused by fraudsters. For that reason, for example, a number of Member States that had thresholds allowing traders not to identify their trading partners have changed their threshold systems or lowered/abolished thresholds.

VAT listings data can be useful for administrative cooperation. Information on intra-EU acquisition can be extremely useful as it allows checking the validity of reported intra-EU supplies and application of the VAT exemption. A number of Member States share such information with each other. Knowing how the supply chain develops in another country can be highly beneficial when analysing domestic transactions. For this reason Member States could explore possible ways to share such data as it can increase their ability to identify fraud while decreasing the need to have a physical contact with the tax administration in another Member State.

1 INTRODUCTION

In response to the VAT missing trader fraud a number of Member States introduced systems of domestic VAT listings that allow tax authorities to collect data in addition to what is being reported in VAT returns. Usually traders are required to report detailed data on incoming and outgoing invoices for a specific reporting period – in other words, Business to Business (B2B) transactional data. Ideally this allows tax authorities to perform cross-matching between buyers and suppliers to avoid different parties of the same transactions reporting it differently. Added benefits of such systems could be an early detection of missing traders and ability to uncover and monitor fraudulent chains, whereby a domestic supply is inserted in an intra-EU supply chain.

The purpose of this report is to give an overview of what is the state of play in the EU Member States when it comes to VAT listings. This report describes data collected by Member States as well as ways they use this data (Chapter 2 and 3). Subsequently the report talks about compliance aspects of VAT listings and what Member States did or can do to make it easier for businesses to comply with the reporting requirements (Chapter 4). Outcomes and impacts of introduction of VAT listings are presented in Chapter 5. Chapter 60 lists recommendations on (1) what should Member States considering such a system account for during the design phase (what works and does not work), (2) how can Member States that introduced such a system improve their approach to using B2B transactional data and (3) how such data can be used to improve administrative cooperation. Chapters 7 and 8 give an overview of data collected by Member States with VAT listings and provide a detailed description of systems implemented by Member States.

Although the basic idea behind VAT listings is the same across all Member States, there are slight differences in how each Member State approaches the topic. For that reason this report does not go into every nuance of Member States' implementation of VAT listings and usage of B2B transactional data as doing so would dramatically increase the size of the report risking main messages being lost in the large amount of details. Instead this report focuses on the main aspects of VAT listings system that are largely common across all Member States. It provides a high-level overview that can be used to approach a particular Member State in case some aspect of their version of VAT listings system is of interest.

This report assumes that a reader has some knowledge regarding the functioning of the VAT system as well as the ways fraudsters cheat that system. For that reason the report does not go into details of every possible type of fraud.

This report was written by Fiscalis Project Group 074 in which experts from Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Finland, Hungary, Italy, Latvia, Lithuania, Poland, Romania, Slovakia and Spain participated. Except Denmark and Finland all of the listed countries have a system of VAT listings in place. Readers should account for that only representatives of tax administrations were involved in drafting of this report. Representatives of business communities might have a different perception of topics discussed in this report.

2 DESCRIPTION OF VAT LISTINGS SYSTEM

2.1 What are VAT listings and what is their purpose?

VAT listings require traders to regularly – often along with the VAT return – submit to a tax administration data on received and issued invoices: Business-to-Business (B2B) transactional data. This information allows tax administrations to look beyond VAT return data and to understand who are clients and suppliers of a particular trader.

Domestic VAT listings have two main goals:

1. Fighting VAT fraud by giving a tax administration a tool that allows easier and faster detection of fraudsters and fraudulent chains.
2. Increasing voluntary compliance by introducing a form of a third party reporting where each trader identifies its clients and/or suppliers as well as the amount of the transactions.

2.1.1 Fighting fraud

Missing trader fraud is costing Member States billions of euros per year. For an efficient response it is crucial that tax administrations can swiftly detect fraudsters. The VAT return, no matter how detailed, offers only aggregated data delivered by a company itself. VAT listings allow to look beyond the VAT return and to understand what transactions resulted in aggregated values. VAT listings data is structured and machine-readable which allows executing automatic cross-checks between clients and suppliers. Resulting mismatches can hint at potential fraud.

Relying only on data from VAT returns does not allow executing such analysis with the same efficiency and speed. Tax administrations can detect potentially suspicious traders as often (not always) data reported by fraudsters in VAT returns stands out when compared to "normal trade". However to understand what transactions are behind aggregated values an auditor must contact the taxpayer and ask for additional data. When (and if) the taxpayer replies an auditor must analyse new data manually, identify partners of the

taxpayer and assess whether there are risky transactions. If there is need to go further up or down the supply chain, an auditor must contact trading partners of the taxpayer and ask for data on their clients and suppliers. The same steps are taken over and over until it is possible to recreate the supply chain and make conclusions on whether suspicions were justified or not. Depending on

What is Missing Trader fraud?

Missing Trader fraud is a type of VAT fraud where a trader collects VAT from his client and then goes missing without paying the VAT owed to the treasury. Often Missing Trader is situated in the beginning of the supply chain and purchases goods without VAT: for example, Intra-EU purchase where the supply is VAT-exempted (such type of fraud is called Missing Trader Intra-Community fraud or MTIC) or domestic purchases from non-VAT registered persons (e.g. private persons). By purchasing goods without and selling them with VAT the Missing Trader accrues large sums of VAT payable that allows maximizing the benefit when he goes missing. Often such schemes are combined with subsequent Intra-EU sale further down the chain resulting in a claim for reimbursement by the trader who executes such a sale. When such chains are combined throughout multiple Member States resulting chains are referred to as Carousel fraud.

To make detection and investigation more difficult fraudsters use buffer companies between Missing Traders and beneficiaries. This results in sophisticated chains and it can take months or years just to understand who does business with whom.

domestic administrative practices and the level of complexity of the chain this process can take from months to years. This allows fraudsters to continue while tax administration spends valuable resources on trying to understand what has happened.

VAT listings allow tax administrations to largely skip manual data collection steps and automate the process of recreating supply chains. As client-supplier data is machine readable, chains can be recreated and potentially suspicious traders identified within days after data is reported to a tax administration. Human intervention is needed only when there are clear suspicions – e.g. mismatches in customer/supplier data – and an auditor can analyse the supply chain without having to contact any of the traders belonging to that chain.

2.1.2 Increasing voluntary compliance

VAT listings have a preventive effect as taxpayers become aware that data they report will be crosschecked with data reported on them by their clients and suppliers. Analogy can be drawn with the third-party reporting extensively used in payroll taxes where, for example, not-declaring income from employment becomes difficult as the information reported by the taxpayer can be cross-checked with the information reported by 3rd parties, e.g. employer. Relying only on VAT returns does not have such an effect as aggregated data is not suitable for automated cross-check and information only stems from the taxpayer himself. This allows taxpayers to optimise VAT by cheating just enough not to stand out from the general taxpayer population and not to trigger an audit.

Knowing that data reported can be easily crosschecked can have an effect on taxpayers' choice of trading partners. Taxpayers become aware that doing business with a shady company is much likely to come up in the risk analysis which might trigger an audit.

Experience of Estonia (Chapter 8.4) shows that the biggest monetary gain from introduction of VAT listings does not come from organised and professional fraudsters, but from ordinary businesses that used to inflate their input tax. Previously those companies did not stand out in the general trader population which made cheating low-risk. Introduction of VAT listings allowed Estonian tax administration to move from trying to compare similar taxpayers to each other to using transactional data to detect fraud.

2.2 Data collected by Member States

Currently there are at least 12 Member States in the European Union that collect data on domestic transactions¹. VAT listing is a domestic measure so there are no international standards on data collected and the format². This results into a somewhat motley picture in terms of which data Member States require traders to report. For example Belgium that introduced its' system in 1970s' requires reporting on an annual basis and only global sales amounts have to be reported. Member States that introduced their systems in the last five years tend to ask for both sales and purchases to be reported and the reporting period is often linked with the reporting period for the VAT return.

¹ Member States that collect data on domestic transactions only in relation to domestic reverse charge are outside of the scope of the definition of domestic VAT listings.

² SAF-T comes closest to an international standard. However the scope of SAF-T goes beyond VAT listings and application of SAF-T is voluntary.

There are also differences on the level of detail of the reporting. Most Member States require traders to **report on an invoice level** – each invoice is reported on a separate row. However Romania for example requires **reporting** to be done aggregated **on a trading partner level** – each trading partner is reported on separate row and the amount of invoices issued/received is summarised per partner (similarly to the system used for reporting Intra-EU supplies in the recapitulative statement). Latvia combines the two depending on the amount of transactions to minimize administrative burden for smaller businesses. Chapter 7.1 gives an overview of the required level of detail of the reporting.

Since VAT listings achieve their purpose by allowing tax administrations to automatically cross-check data between clients and suppliers, every Member State asks their taxpayers to identify their trading partners. For this purposes VAT number, domestic business registry code and/or name of the counterparty are required. Where reporting is invoice-based data related to invoice is required to be reported as well. Normally the date and the number of the invoice are required. In addition some countries also ask for the nature of the transaction to be specified (e.g. goods sold or purchased) which should enhance tax administrations' ability to recreate supply chains.

In relation to the **reporting period** there are also differences amongst Member States. For example Belgium and Spain³ require reporting to be done on an annual basis. However in most Member States the reporting period is linked to the reporting period for VAT returns and two reports are filed simultaneously.

Member States that apply **thresholds** require invoices that fall below that threshold to be reported on a summarising row. As a result it is not possible to identify trading partners without contacting the taxpayer⁴. Potentially that leaves a door open for fraud as it is possible to inflate amounts declared on those summarising rows. In relation to thresholds the approach differs amongst Member States. Bulgaria, Italy, Lithuania, Poland and Romania do not apply any thresholds. Those Member States that do have thresholds in place apply them to different things. For example Hungary applies a threshold to the tax value of the invoice meaning that if the tax amount of the invoice does not exceed a certain limit it must not be reported on a separate row. Estonia, despite having an invoice-based reporting, applies threshold to the total value of transactions meaning that if the sum of all invoices per trading partner exceeds the threshold, those invoices must be broken down on separate rows.

Chapter 7 gives an overview of what data each Member State requires traders to report on each invoice and/or trading partner.

2.3 Filing/data collection

For VAT listings to be an efficient tool in the fight against fraud voluntary compliance is important – taxpayers non-complying does not allow to perform a complete analysis of data.

When it comes to **filing** VAT listings all Member States provide taxpayers with electronic filing options. Only in Belgium, Bulgaria and Estonia paper filing is possible. However those options are

³ In Spain the frequency of reporting depends on the size of the business with large enterprises having to report more frequently, see Chapter 0.

⁴ Spain does not require to report transactions that fall below the threshold (Form 347, see chapter 0 for more details).

used only in exceptional cases. For example in Estonia paper filing is allowed only when the length of the report does not exceed five rows. Electronic filing minimizes costs both to the taxpayer and the tax administration and allows data to be validated at the time of the filing. The result is a cleaner data set that can be analysed in an automated way.

A thought-through filing process can act as a measure to increase compliance and can minimize tax administrations' costs on dealing with bad data and mistakes. One of the advantages of VAT listings is that there is the same set of structured data on all VAT registered taxpayers which allows automating risk analysis. This advantage can be diminished by mistakes in data making it less suitable for automated crosschecks and resulting in false positives. Therefore data validation mechanisms are used by some Member States to ensure data quality. For example at the filing stage tax administration can check if the identification information of clients and customers provided by the taxpayers is valid (e.g. do companies with such VAT number or registry code exist). Dates of transactions/invoices can be compared against the taxable period. In addition VAT listings data can be compared against VAT return to identify possible contradictions. As a preventative measure tax administrations can check the validity of VAT numbers at the time of the transaction/date of the issuance of the invoice. Possible contradictions and mistakes can be highlighted and taxpayers can either correct data or confirm it.

To further reduce mistakes and minimize compliance costs some tax administrations (e.g. Estonia) designed their system in a way that it allows transferring data from accountancy software directly into the online tax portal. In Spain the new Information Supply System (SII) effectively requires traders to keep bookkeeping of VAT ledgers in the portal of Spanish tax agency which makes data available to the tax administration almost in real time and reduces problems with data quality.

To minimise compliance costs many Member States have linked the obligation to file VAT listings with the obligation to submit VAT return. This way both reports are submitted in one go. This also allows doing an immediate crosscheck between the two reports. On the other hand Czech Republic treats two reports separately with VAT listings in some cases having to be submitted more frequently than the VAT return: legal persons submit the report on a monthly basis whilst natural persons must do it together with the VAT return. For this reason Czech Republic introduced a separate set of sanctions into VAT Act that are linked with the obligation to file VAT listings.

Designing an efficient VAT listings filing system – Latvian experience

The full benefit of VAT listings can be realised only when data submitted to the tax administration is structured and machine-readable. This implies having an effective report filing system. In this context experience of Latvia is very valuable as this country went from filing on paper and manual processing of data to an obligatory electronic filing that allows executing automated analysis straight after data was submitted.

Electronic filing of tax returns was optional since 2001. At that time many taxpayers did their bookkeeping on paper and special IT tools were rarely used. The State Revenue Service of Latvia had to deal with more than 1 million of VAT returns each year that had to be entered into database manually. These factors caused data quality problems such as typing errors, arithmetical mistakes, logical mismatches, etc slowing down the VAT administration process, VAT refunds and tax control procedures. It took at least two months to file, crosscheck, and contact a taxpayer to correct minor mistakes. Only after that it was possible to have good data for risk analysis.

To make electronic filing more attractive, taxpayers submitting their tax returns and reports electronically were given 5 extra days to the submission deadline. Already at the filing stage built-in data quality controls allowed to detect and correct arithmetical, typing and logical mistakes and mismatches.

Since 2011 electronic filing of tax returns is obligatory for all legal persons. This allows data to be processed and analysed electronically. Data quality checks were introduced already at the submission stage in the Electronic declaration system (EDS). Criteria to identify logical and data mismatches and sophisticated types of fraud were developed.

3 USAGE OF DATA

Data on B2B transactions opens many possibilities to tax administrations. Risk analysis procedures, auditing techniques, measures to improve voluntary compliance and services offered to taxpayers can all benefit from the fact that data is structured and can be handled by a machine with minimal human intervention. This chapter explains how Member States use VAT listings data. Examples presented in this chapter are explained from the technical perspective and were developed by Member States accounting for their specific legal framework. When taking over experiences of other Member States tax administrations should account for existing legal limitations.

3.1 Risk analysis

For a tax administration to decide whether a VAT return is correct it is important to understand what transactions hide behind aggregated data in the return. In other words a tax administration wants to know the actual content of the business as often a seemingly non-suspicious taxpayer can be a part of a fraudulent chain with missing traders or conduit companies situated further up or down the supply chain. Therefore knowing who trades with whom is crucial when fighting VAT fraud. When the only source of information is the VAT return itself, tax administration must contact taxpayers and ask for additional data which is often a list of clients and suppliers. If it is necessary to go further up or down the supply chain tax administration must contact those clients and suppliers, ask for their data and so on. As it is impossible to contact all taxpayers, tax administration must make a selection of companies to contact based on indicators that may hint that there is something wrong with the taxpayer. When trading partners of a taxpayer are not known, those indicators can be applied only to data available on the taxpayer itself. This means that the main source of information is data reported by the taxpayer to tax administration. This allows fraudsters to hide within the general taxpayer population by imitating data reported by honest businesses.

VAT listings add *a new dimension* into risk analysis and allow to improve *automated process of selecting risky taxpayers*.

VAT listings overcome this limitation by adding a new dimension of input data for risk analysis. Knowing trading partners of a taxpayer from the very start allows applying risk indicators not only to data reported by the taxpayer itself, but to data reported on that taxpayer by its clients and suppliers.

VAT listings function as a form of a third party reporting. They make it difficult for a fraudster to hide within the compliant taxpayer population as risky traders further up or down the chain can be a reason why a particular trader is selected to be investigated. The fact that data is structured and is available from the onset on all VAT registered taxpayers allows improving the automated process of selecting risky taxpayers or supply chains to be looked at by a tax auditor. Compliant taxpayers are therefore less likely to be targeted and tax administrations can concentrate their resources on fighting fraud.

3.2 Offering services to taxpayers and prevention

In addition to better risk analysis and audit capabilities, B2B transaction data allows tax administration to offer services to taxpayers. Most of the services are aimed at eliminating possible mistakes and improving voluntary compliance.

One of the most commonly offered services is data validation at the time of the filing of the report. As mentioned before tax administrations check whether data reported in VAT listings is valid, logical and in coherence with the VAT return. A taxpayer can immediately correct data in case mistakes are found. Such preventative measures ensure that data is of good quality and reduces the need for human contact during later stages.

Reflecting back to the taxpayer the outcome of the matching of VAT listings with data supplied by its' trading partners can further reduce the need for human interaction. For example in Latvia, Lithuania and Hungary a taxpayer through his own virtual space can access such data and see which transactions were reported on him by his trading partners. In Spain, this service is limited to taxpayers included in the SII. Italy uses warning letters to achieve the same goal. Possible mismatches and trading partners that have suspended their economic activity are highlighted. This option allows the taxpayer to further correct possible mistakes reducing the need for human interaction with the tax administration. Furthermore it enables the taxpayer to reduce the possibility of being a part of a fraudulent transaction hence limiting the fraud. However most Member States do not use such form of feedback citing tax secrecy rules that prohibit such activity.

Since VAT listings are basically a VAT return broken down into transactions prefilling could theoretically be an interesting area to explore. Potentially both the VAT return of the taxpayer itself and VAT listings of the trading partners can be prefilled with data supplied by the taxpayer in his VAT listings. However specificities of the VAT system make such activity complicated. For example not all purchases by the VAT registered person are liable for deduction as some of those can be not related to business activity. It is not possible for a tax administration to determine the amount of deductible VAT by only looking at a list of purchase invoices. For the same reason the prefilling of trading partners' VAT listings is considered complicated as certain invoices may not be liable for deduction. Prefilling the return and allowing the taxpayer to check and correct it will probably result in more effort than simply uploading a new one generated by the tax accountancy software.

Hungary applies prefilling and uses electronic cash register data to fill parts of VAT listings. Since 2017 in Lithuania a taxpayer has an option to have his VAT return pre-filled with VAT listings data. The same principle can be used to estimate in an automated way tax due for taxpayers that do not submit VAT returns: customers' data can be used to generate a preliminary tax return and to estimate tax due.

Reflecting back to a taxpayer how his tax behaviour compares with his peers can also be enriched with VAT listings data. For example Estonia publishes sector-specific benchmarks allowing taxpayers to compare themselves with traders operating in the same sector.

4 COMPLIANCE ASPECTS OF VAT LISTINGS

As with any other tax related measure, introduction of VAT listings causes certain compliance costs for businesses. Compliance costs can be split into one-time and recurrent costs.

One-time costs are necessary for business to adapt their processes to comply with new requirements. As VAT listings do not modify other aspects of VAT system⁵ it is believed that it is fairly easy for businesses to learn new rules. In case of VAT listings one-time costs are mostly limited to the necessary adjustments to the IT accountancy system so that it is able to generate a form that can be easily uploaded into tax administrations' portal. Such one-time costs are difficult to estimate as those are business specific and depend on many factors. Only Czech Republic managed to provide rough estimation of those costs: EUR 370 for SMEs and EUR 740 – 3000 for large enterprises⁶. It is worth noting that frequent changes to VAT listings system create additional compliance costs.

Recurrent costs are costs associated with businesses having to submit periodic reports. None of the Member States have estimations as to what those costs could amount to. However it is generally believed that VAT listings do not considerably raise recurrent compliance costs as submitting the report is made easy for the taxpayer. VAT listings do not require business to collect data in addition to what they would have collected anyways to comply with an obligation to file a VAT return. There might be additional costs linked to the physical action of having to submit VAT listings: having to log-in into the tax administrations' portal and to upload the report. However in most cases VAT listings are submitted alongside the VAT return and by the same deadline⁷. Therefore a taxpayer can submit both forms in one go. If the IT accountancy system was adapted to generate reports then submitting VAT listings can be done in a few clicks depending on the design of the tax portal of the tax administration. In short if business was complying with the obligation to submit the VAT return then VAT listings should not have substantially affected its' recurrent compliance costs.

Most Member States do not have estimations of the compliance costs businesses had to endure to adapt to new legislation. In some cases that is due to the fact that the obligation to submit VAT listings was reinstated many years ago (e.g. in Belgium the obligation to submit VAT listings was put in place in the early 1970s). Czech Republic (chapter 8.3.3), Lithuania (chapter 8.8.3) and Poland (chapter 8.9.3) have provided some estimations of the compliance costs. However it is difficult to put those numbers into context as those are Member State specific.

Member States that have introduced their' systems in the last 5-8 years made a conscious effort to minimize potential compliance costs. The cornerstone of this approach was to make sure that **businesses must not collect additional data** to what they collect in order to comply with already existing rules. In order to generate a VAT return a taxpayer must record transactions as VAT return is

⁵ E.g. VAT listings do not change taxation rules but merely require taxpayers to report more detailed data that they collect anyways.

⁶ The Czech Chamber of Commerce

⁷ That is the case in most Member States. Exceptions are (1) Belgium (from nr 725) and (2) Spain (from 347) where VAT listings are submitted annually and not linked with VAT return filing deadline, (3) Italy, where VAT listings are submitted quarterly or, optionally, on a six month basis while VAT return is submitted on annual basis and (4) Czech Republic, where in certain cases VAT listings must be submitted more frequently than the VAT return.

an aggregated version of those transactions. Since VAT listings is a detailed report with transactions used to generate the VAT return, the introduction of VAT listings in most cases did not require taxpayers to modify their everyday work⁸. It is enough for businesses to record their transactions as they did for the general purposes of accounting for VAT to gather data necessary for VAT listings. Not to disturb usual business processes some tax administrations took over data handling on themselves. In Estonia, for example, when filing VAT listings businesses can identify their trading partners both with registration code and with a business name. When business name is used the system will automatically convert it into a registration code. Therefore businesses that previously used business name as an identifier of their trading partner in their accountancy did not have to change it due to the introduction of VAT listings.

Micro businesses that do not have proper accounting might have to make greater adjustments in their day-to-day life. To make life easier for those businesses Bulgaria, for example, offers **free software** that can be downloaded from the web page of the tax administration. In Estonia the government offers on-line accountancy software that can generate VAT listings. Businesses can use it for free during the first year and after must pay up to EUR 5 per month. Italy provided financial assistance in the form of EUR 100 tax break to some businesses to make the transition less financially burdensome.

Despite the fact that VAT listings are a VAT return broken down into transactions, no Member State has abolished the requirement to file the VAT return or changed the form of the VAT return. This might be because such simplification measure would also require adjustments on behalf of business which mean compliance costs as well. In addition other legal changes would be necessary as VAT assessment is now done via VAT Return. Tax administration would also have to adjust as there are processes that were built based on the VAT return data (e.g. certain parts of the risk analysis). Another justification is that abolishing or changing the VAT return could make VAT listings more complicated with more fields. Therefore it made sense to continue with old practices and use VAT listings as an additional source of information. Italy, however, starting from 2018 intends to abolish the requirement to file an intra-EU acquisitions report as this data is going to be reported also through VAT listings.

All Member States offer extensive guidelines on how to comply with reporting requirements. During the implementation phase tax administrations consulted with stakeholders in order to design a system that required minimal modifications to the existing accountancy software and in such a way that businesses had enough time to adapt to the new requirements.

⁸ In certain cases it may not be true as SII system in Spain will require traders to report data on invoices within 4 days following their issuance/registration which probably will require changes to the usual business processes.

5 OUTCOMES

This chapter describes the impact VAT listings had on compliant taxpayers, fraudsters and tax administrations. Unfortunately very few Member States have figures on the impact of the system. Some Member States introduced their systems many years ago and at that time did not perform the analysis of the impact. In other cases VAT listings were a part of a larger anti-fraud package which makes it difficult to single out their effect as multiple measures were introduced simultaneously.

5.1 Impact on compliant taxpayers

The biggest negative impact of VAT listings on taxpayers is the obligation to comply with reporting requirements (see Chapter 4 for more details) along with potential penalties in case of non-compliance.

However having a tax administration that is capable to better target fraudsters and is more efficient during audits is beneficial for the honest businesses. On a higher level VAT listings contribute to a fairer business environment as they allow tax administrations to be more efficient in performing their duties.

Data on transactions allows doing automated checks to see possible mismatches between customer and supplier data. Such checks can be done without contacting the taxpayer during the pre-audit phase. This leads to much **better targeting of audits** as tax administrations can focus on cases where the risk of fraud is the highest. As a result compliant businesses are less disturbed as tax administration can monitor their activities through VAT listings and do not need to start audits to verify the correctness of VAT declared. For example in Hungary in five years following the introduction of VAT listings the number of VAT audits decreased by more than 70% while average assessment almost doubled (see chapter 8.5.4) and VAT receipts increased substantially. Similarly Czech Republic also reports around 25% decrease of on premises controls in just one year following the introduction of VAT listings. Czech Republic manages to solve many cases in pre-audit stages as reports with discrepancies are automatically generated and sent to taxpayers (via summons) who must correct or confirm their reports. Slovakia also managed to decrease the number of audits while the amount of average findings has increased (chapter 8.11.3).

Another positive effect for honest businesses is the improved capability of some tax administrations to process claims for VAT reimbursements. This leads to **reimbursement claims being either satisfied or rejected faster** leading to savings for businesses. Estonia (see chapter 8.4.3) has decreased the amount of outstanding claims for reimbursement that are controlled for longer than 9 day almost by 5 times following the introduction of VAT listings. Hungary managed to decrease the amount of reimbursement claims that are audited whilst increasing the outcomes of those audits (see chapter 8.5.4). Czech Republic noticed that the total amount of reimbursement claims following the introduction of VAT listings decreased substantially on a year-on-year basis (see chapter 8.3.3).

When it comes to changes in taxpayer behaviour then all Member States noticed an **increase in VAT collected**. However despite being an anti-fraud measure, VAT listings seem to have the most effect on VAT collection from largely compliant businesses that used to optimise their VAT payable by inflating input VAT or under reporting turnover. Relying solely on VAT return data does not allow to

detect such activity as such companies do not stand out from the general trader population. This results in a low probability of detection making VAT optimization profitable. However VAT listings allow highlighting all discrepancies making such simple VAT optimization difficult. Such change in behaviour is best illustrated by data reported by Estonia who monitors an indicator "domestic added value" coefficient that correlates best with VAT payable. This coefficient monitors the ratio between domestic sales and acquisitions. Following the introduction of VAT listings this coefficient increased dramatically. It is interesting to note that the domestic sales hardly increased while domestic purchases decreased drastically leading to additional VAT receipts. To simplify – all of a sudden businesses managed to sell more with less deductible expenses (see chapter 8.4.3).

Hungary also noticed a steady increase in VAT receipts but it is impossible to estimate how much of it was due to VAT listings as the system was introduced as a part of a comprehensive anti-fraud strategy. Slovakia noticed an increase in the effective VAT rate which grew steadily from below 12% in 2012 to over 15% in 2017.

5.2 Impact on tax administrations

From the perspective of tax administrations the key word associated with VAT listings is efficiency. Data on transaction level allows tax administrations to be more targeted when selecting cases for controls, conduct controls faster, process claims for reimbursement faster and in general to be better informed when contacting a taxpayer. In particular audit efficiency increased. Hungary and Slovakia saw a decrease in the number of audits started and an increase in amounts assessed. Czech Republic also saw decrease in on the spot controls while increasing the efficiency of control measures.

Having data on transactions level allows tax administrations to go deeper during investigation without having to contact a taxpayer. VAT listings **reduce** the tax administration's **reaction time** to potential fraud as well as the time it takes to conduct audits. For example VAT listings enabled Latvia and Slovakia to **focus only on particular transactions** when controlling claims for overpaid VAT. As a result when controlling claims for reimbursement tax administrations can hold the VAT only in relation to suspicious transactions and refund the rest of the VAT to the taxpayer compared to the ordinary practise of holding the full claim until final results of the investigation are available.

VAT listings allow to modify the approach towards audits from auditing a single trader to auditing the whole supply chain. Knowing the whole supply chain prior to starting an audit allows to perform control measures more efficiently approaching traders involved in the chain simultaneously. Czech Republic notes that previously it took months to recreate a supply chain as opposed to just a few days with data from VAT listings.

There are **implementation costs** associated with VAT listings. However it must be noted that most legislative changes imply implementation costs. From the perspective of the state budget benefits far outweigh the costs.

VAT listings not only affect tax administrations of the Member States where they were implemented but also those of the neighbouring countries. Following the introduction of VAT listings in the Baltic countries, Finland noticed a significant change in VAT fraud patterns and in the profile of the fraudsters behind them. Finland was hit by fraudsters of neighbouring Member States. There might be multiple reasons for that, but based on the Anti-Fraud risk analysis and findings during field

operations (tax audits, tax-police-customs cooperation), one major reason is believed to be the introduction of VAT listings systems in the Baltic States. As VAT listings limit the space and possibilities for fraudulent activities, fraud shifts to Member States not having such a system.

6 RECOMMENDATIONS

This chapter summarises the recommendations made by the members of the project group. Chapter 6.1 is addressed mostly towards countries that are thinking of implementing VAT listings and contains advice on what to consider when designing such a system. Chapter 6.2 is addressed towards both the countries that are thinking of implementing VAT listings and those who already have such a system in place. The former talks about analysing data and using it to reduce compliance costs while the latter makes suggestions on how administrative cooperation can be improved with additional data.

6.1 Designing VAT listings

6.1.1 Which data to collect?

When designing the system of VAT listings policy makers must be very clear as to what they are trying to achieve. Depending on the goals data collected may differ. For example if the objective is to purely check that both suppliers and customers declare transactions correctly then VAT registration number can be used as an identifier⁹. However if the scope is larger and tax administration would also like to monitor sales to and purchases from non-VAT registered traders then a registry code can be used as an identifier.

Similarly policy makers have to decide whether reporting should be done on an invoice level (most Member States) or by summarising transactions per trading partner (Romania and Belgium). The reporting on an invoice-level provides the tax administration with a more detailed dataset which improves risk analysis and preparation of the audits. More questions can be answered by looking at VAT listings data without having to contact a taxpayer. The advantage of reporting on a trading partner level is that the amount of data that has to be dealt with by a tax administration is smaller. Potentially this can decrease the size of the initial investment needed for implementing the system (although it is hard to make definitive conclusions on this aspect as countries are difficult to compare). However since the purpose of VAT listings is to conduct a quality risk analysis while minimising the need to contact a taxpayer then **it is advised to implement an invoice based reporting** where each transaction/invoice is reported on a separate row. It is also important to **collect both sales and purchases** from each trader as doing otherwise will decrease the accuracy of an automated risk analysis.

Added benefits of reporting on an invoice level are lower compliance costs for businesses. This is somewhat counterintuitive as reporting transactions summarised per trading partner would require traders to report less lines to the tax administration. However the need to summarise data would require tax administration to prescribe rules for the summarisation which traders would have to implement and follow. This adds an extra layer of complication into the reporting process. As filing VAT listings is done almost exclusively electronically with accounting systems being adapted to generate standardised reports, then having to report more lines should not raise compliance costs. The same logic applies to thresholds (see chapter 6.1.3).

⁹ Characteristic by which trader will identify its' trading partner.

From the perspective of improving administrative cooperation and helping other Member States to fight fraud it is advisable to **consider including intra-EU acquisitions in the scope of VAT listings**. Such data can be extremely useful for other Member States to validate the intra-EU supplies declared by traders in their Member State. Intra-EU acquisitions data can be extremely useful also for the tax administration of the Member State where the trader is registered as it will allow to cross-check data reported by the trader with data available in VIES and will improve tax administrations' ability to monitor the whole supply chain from start to finish.

Minimum data necessary to conduct a quality cross-check between supplier and customer data are:

- Identifier of a trading partner: name (optional), VAT number and/or Registry code,
- Amounts of transactions: taxable base and VAT preferably broken down by rate,
- Data on an invoice: number of the invoice and date. In case of reporting on trading party level the reporting could include taxable period.

Additional data that can improve automated risk analysis could include:

- Indicator showing whether goods or services were subject to transaction,
- Transaction type classifier: e.g. reverse charge, margin scheme, import/export data (in case tax administration does not already have a direct access to such information).

Policy makers should be realistic when designing reporting requirements as to what they expect to get from VAT listings and what will be their ability to analyse data. For example free-text field such as the content of an invoice (e.g. asking traders to specify goods indicated on invoices) can be difficult to use in an automated analysis. The same can be said for invoice numbers unless there is a nationwide universal system for numbering invoices. However those fields can be extremely useful during the manual analysis of data to track supply chains, in particular when preparing audits.

When defining the scope of the reporting policy makers should **evaluate whether extending the scope brings additional compliance costs to businesses**. For example if traders already collect and properly record intra-EU acquisitions in their accounting systems then including them in the scope of VAT listings should not increase recurrent compliance costs. That is due to the fact that accounting systems will be configured to generate a report that can be uploaded to tax administrations' system and including additional invoices should not affect the costs of generating that report.

6.1.2 Periodicity

Having different reporting periods for VAT for different taxpayer segments will create holes in data complicating the analysis. For this purpose it might be tempting for Member States that have multiple reporting periods and to ask VAT listings to be submitted more frequently than the VAT return. However it is advisable to **link the obligation to submit VAT listings with the obligation to submit VAT return**. Decoupling the two reports and requiring traders to submit VAT listings with different periodicity can create additional problems for tax administrations as VAT return is the official document based on which the obligation to pay VAT arises. For this reason it can be difficult for tax administration to react on data received through VAT listings (e.g. start an investigation) since the obligation to pay VAT is yet to occur. In addition a separate reporting period for the VAT return and VAT listings is likely to lead to multiple corrections in previously submitted VAT listings. For this reason conclusions that tax administration might have made based on VAT listings might not be valid by the time the VAT return is submitted. Having the two obligations interlinked should also decrease

compliance costs for businesses as well as allow a tax administration to do the initial data cross-check between the VAT return and VAT listings at the time of the filing.

However in case the reporting period for VAT is long, e.g. on an annual basis, then having VAT listings data on a more frequent basis can be helpful.

6.1.3 Thresholds

Member States experience shows that thresholds leave the door open for fraud. Fraudsters simply break down a single transaction into multiple invoices just to ensure that those fall below the threshold. This way they can legally avoid identifying their trading partners in VAT listings. Most Member States that had thresholds in their VAT listings have either lowered or abolished them completely.

Therefore **it is recommended not to have thresholds as a part of VAT listings**. In case this is not possible, it is advisable to have a threshold per trading partner, not per invoice. Under such a mechanism transactions are summarised per trading partner and when they exceed the threshold taxpayer must identify the trading partner in its' VAT listings (see examples of Estonia and Latvia). Although this will still allow certain types of abuses, it will no longer be legally possible to split a large invoice into multiple smaller ones and avoid identifying the trading partner.

The reasoning behind having a threshold is often to reduce compliance costs, in particular for SMEs. However in order for a compliant business to determine whether certain transactions fall under a threshold, it must record and monitor them. At the filing stage instead of submitting all transactions, the trader will have to select only the ones that are above the threshold. Granted all of this is likely to be automated in the accounting software. Nevertheless threshold create an exception to a general rule and therefore can complicate the adaptation of the accounting software to generate new reports without actually cancelling the need for business to record and monitor transactions that fall below the threshold. For this reason it is not evident that thresholds actually reduce compliance costs.

For the tax administration a threshold can reduce the amount of data records that have to be analysed. However having an exception to a general rule is also likely to complicate the system for the analysis of data. Coupled with additional risk of fraud, thresholds can create many problems for tax administrations as demonstrated by Hungary, Latvia and Slovakia.

6.1.4 Data collection/filing stage

The filing stage is highly important to ensure voluntary compliance. Tax administrations should ensure that user experience at the filing stage is smooth and leaves an impression of rapid upload of data. This means that the capacity of the IT system to handle data must be adequate. Solutions such as public cloud could be considered (as demonstrated by Poland) that allow to rapidly increase the capacity available to the tax administration to handle user traffic during the spikes around filing deadlines.

Since benefits of VAT listings realize themselves through automated risk analysis, **data should be collected electronically**. Possibility for machine-to-machine communications should be considered enabling taxpayers to submit the report straight from their accounting systems. Tax administrations

are also advised to **validate data already at the filing stage** and highlight potential mistakes to taxpayers as it saves resources on the follow-up checks. For example the validity of VAT numbers of trading partners can be checked straight away with immediate feedback to the taxpayer. Logical checks between the VAT return and VAT listings can be done to ensure that there are no obvious contradictions. However those checks should not decrease compliance (e.g. in case of a mistake the report is not accepted) as this would diminish the usefulness of VAT listings. Therefore possible mistakes should only be highlighted without however blocking the report from being submitted.

6.1.5 Minimising compliance costs

To minimise compliance costs associated with VAT listings the first question policy makers should ask is **what data do taxpayers already collect and record in order to comply with current obligations**. In order to comply with obligation to submit VAT return traders must track and record ingoing and outgoing invoices as those are the basis to calculate the aggregated values for VAT return. Therefore, unless VAT listings require traders to collect information in addition to what they already do to comply with obligation to submit VAT return, recurrent compliance costs to submit VAT listings should be small or even non-existent.

There will be **one-time compliance costs associated with adapting accountancy software** for it to generate a report that can be filed to the tax administration. Efforts should be made to minimise those costs. Policy makers should announce the reporting format as soon as possible. Particular attention should be paid to SMEs in order to make complying easy. Policy makers can consider offering free or cheap software that can do simple accounting. Guidelines should be published giving clear instructions on how to fill and submit the form. It is also advised to keep close contact with accountancy software developers and representatives of business organisations to get feedback on their ability to adapt to new rules. Close contacts with business can make it easier to agree on the “game rules” and to create a common understanding that the system helps to increase the compliance of all taxpayers and that business environment becomes more transparent.

VAT listings will require the tax administration to handle huge amounts of data. In case of large Member States additional data volumes can be particularly difficult to handle. In such cases Member States should consider rolling out their system in stages. Poland who first introduced VAT listings for large, then for medium and finally for small business can be used as an example. Such step-by-step approach will not allow tax administration to build complete supply chains straight away as there will be holes in data. However tax administration should not expect to be able to do so even when complete data is available from the very beginning. There will be a considerable adjustment period to fine-tune analysis software, change the approach towards audits and handling communication with the taxpayer. Only then will the tax administration see the full benefit of VAT listings.

6.2 Using VAT listings data

6.2.1 Maximising benefits for businesses

Tax administrations can give taxpayers feedback on data they submit via their VAT listings. Feedback should increase voluntary compliance, enable taxpayers to correct their data voluntarily and as a result diminish the need for manual interventions by the tax administration. Feedback can

be limited to data submitted only by the taxpayer itself – for example obvious mistakes that come out when comparing data of VAT return and VAT listings. It is also possible to go further and show to the taxpayer data filed on him by his trading partners either by invoice, aggregated per trading partner or total amounts. Tax administrations can also consider providing a trader with background of his trading partners as to how they are viewed by the tax administration if legislation allows such feedback. On a higher level tax administration can calculate sector specific indicators allowing a taxpayer to compare himself with his peers.

Tax administrations should also make an effort to improve the selection of taxpayers to be audited as a better selection will lead to honest taxpayers being audited less lowering their compliance costs. A few Member States have managed to improve their ability to process VAT reimbursement claims lowering the time it takes to reimburse VAT. Other Member States should also evaluate if VAT listings data can help to distinguish between risky reimbursement claims and the ones that can be approved without an in-depth investigation.

7 REPORTING OBLIGATIONS

7.1 What do you require traders to report?

		Belgium ¹⁰	Bulgaria	Czech Republic ¹¹	Estonia	Hungary	Italy ¹²	Latvia	Lithuania	Poland	Romania	Slovakia	Spain ¹³
Sales	Domestic B2B sales to VAT registered traders	X	X	X	X	X	X	X	X	X	X	X	X
	Domestic B2B sales to non-VAT registered traders		X	X	X				X	X	X	X	X
	Domestic B2C sales		X	X			X ¹⁴		X	X	X	X	X
	Information on export		X				X		X				X
Purchases	Domestic B2B purchases		X	X	X	X	X	X	X	X	X	X	X
	Domestic purchases from non-VAT registered companies		X							X	X	X	X
	Intra-EU purchases		X	X			X	X	X	X		X	X
	Information on imports		X				X	X	X	X			X
Level of detail	Transactions have to be broken down to an invoice level		X	X	X	X	X	X	X	X		X	X
	Transactions have to be broken down to a counterparty level (one row per trader with total sum)	X				X ¹⁵		X ¹⁶			X	X ¹⁷	X ¹⁸

¹⁰ The declarant applying the special business scheme (SBS) must mention the global turnover he did realize during the year the listing relates to or, if he started during the year, the date starting from which he began enjoying the SBS. The declarant applying the special farmer's scheme must indicate whether or not he is obliged to file an IC-listing.

¹¹ In addition traders report: domestic B2B supplies and purchases in reverse charge regime, Domestic supplies with investment gold, services received from taxable persons established in another Member State including goods with installation and assembly, energies (place of supply in CZ), services received from taxable persons established outside the European Union (place of supply in CZ). Except for small value domestic taxable supplies that are not subject to the reverse charge mechanism (up to CZK 10,000, approximately EUR 370, including VAT) - all must be declared in detail of an invoice.

¹² The Legislation rules any kind of transaction for which invoices are issued or received. According to the Italian Law sales through cash register do not require the invoice issuing, unless it is asked by the final customer.

¹³ The new Information Supply System (SII) provides all previous information as well as money received in cash for an amount exceeding of €6,000. The taxpayers not included in the SII provide only information about domestic sales and purchases. As well as compensation and insurance premiums, royalties collected on behalf of its members, money received in cash for an amount exceeding of €6,000 and the amount of real state transactions shall be enter separately.

¹⁴ Domestic B2C sales are reported when the final consumer requires the invoice to be issued. This is a residual option.

¹⁵ For transactions below the threshold

¹⁶ Transactions have to be broken down to a counter party level (one row per trader with total sum) if invoice value (without VAT) does not exceed 1 430 EUR but the total value of invoices (without VAT) received from the certain counterparty during reporting period do exceed 1 430 EUR. As of 1st January 2018 the threshold will be lowered to EUR 150.

¹⁷ Counterparty level: Purchases broken down on suppliers (exceeding limit 3 000 €) on simplified invoices

¹⁸ The new Information Supply System (SII). Transactions have to be broken down to an invoice level.

7.2 Data collected – reporting on invoice level

		Bulgaria	Czech Republic ¹⁹	Estonia	Hungary	Italy	Latvia	Lithuania	Poland	Slovakia	Spain
Sales	Invoice Date	X	X	X	X	X	X	X	X	X	X
	Invoice Number	X	X	X	X	X	X	X	X	X	X
	Invoice Content	X									X
	Type of the transaction	X	X	X		X	X	X	X	X	X
	Taxable rate	X	X	X		X		X	X	X	X
	Amount net of VAT	X	X	X	X	X	X	X	X	X	X
	Amount including VAT	X		X				X			X
	VAT amount	X	X		X	X	X	X	X	X	X
	Trading partner Name	X		X		X	X	X	X		X
	Trading partner Address					X			X		
	Trading partner Registry code			X				X			
	Trading partner VAT number	X	X		X	X ²⁰	X	X	X	X	X
Acquisitions	Invoice Date	X	X	X	X	X	X	X	X	X	X
	Invoice Number	X	X	X	X	X	X	X	X	X	X
	Invoice Content	X									X
	Type of the transaction	X	X	X		X	X	X	X	X	X
	Taxable rate	X	X			X		X		X	X
	Amount net of VAT	X	X		X	X	X	X	X	X	X
	Amount including VAT	X		X				X			X
	VAT amount	X	X	X	X	X	X	X	X	X	X
	Trading partner Name	X		X		X	X	X	X		X
	Trading partner Address					X			X		
	Trading partner Registry code							X			
	Trading partner VAT number	X	X	X	X	X	X	X	X	X	X

¹⁹ In addition Czech Republic asks on an invoice level the following information: VAT Regime code (Standard versus margin scheme and travel services), specification of VAT correction for receivables from debtors in insolvency proceedings – Article 44 of CZ VAT Act, code of supply in domestic reverse charge regime. For the domestic Investment gold supplies the following data is required: the customer's VAT registration number, or the name, date of birth and address of an individual who is not a taxable person, the invoice's full serial number, the date of supply and the value of the exempt supply.

²⁰ If the invoice is issued to a private person (final consumer) fiscal code will be used instead of the VAT number.

7.3 Data collected – reporting on trading party level

		Belgium ²¹	Hungary	Latvia	Romania ²²	Slovakia	Spain ²³
Sales	Name of the counterparty			X	X		X
	Address of the counterparty						X
	Registry code of the counterparty (e.g. business registry code)				X		
	VAT number of the counterparty	X		X	X		X
	Value (amount) of transactions including VAT						X
	Value (amount) of transactions without VAT	X		X	X		
	Value (amount) of VAT calculated	X		X	X		
	Amount of invoices within the value of transactions				X		
	VAT rate				X		
Acquisitions	Name of the counterparty			X	X		X
	Address of the counterparty						X
	Registry code of the counterparty (e.g. business registry code)				X		
	VAT number of the counterparty		X	X	X	X	X
	Value (amount) of transactions including VAT						X
	Value (amount) of transactions without VAT			X	X	X	
	Value (amount) of VAT calculated		X	X	X	X	
	Amount of invoices within the value of transactions				X		
	VAT rate				X	X	

²¹ The value of the transactions (= the global turnover) excl. VAT = the total amount of the sales, minus the credit notes and other negative corrections, which the submitting trader has realized during the past year with each of the clients/traders mentioned.

²² Registry code is required in case of transactions with persons not registered for VAT

²³ If the counterparty is resident in Spain, the full address is not required - only the province (administrative division). If the counterparty is not resident in Spain, only the country of residence is required.

8 COUNTRY SYSTEMS' OVERVIEW

This chapter provides an overview of how Member States implemented their systems of VAT listings. The main focus is on the description of data gathered, usage of these data, compliance factors and outcomes. Descriptions vary in the level of detail as, for example, not all Member States can quantify the impact of their VAT listings system.

8.1 Belgium

8.1.1 General description of the system

The obligation to file domestic VAT listings, which the Belgian VAT regulation imposes since 1971 on every taxable person registered for VAT purposes in Belgium, was mainly intended as a measure to counter VAT fraud committed by Belgian taxable persons.

The domestic VAT listing of the clients taxable persons which the taxable person A must file on an annual basis, has to include every other taxable person, registered for VAT purposes in Belgium, to whom A has supplied goods or rendered services during the past year.

Reporting rules

The domestic VAT listing is a pure sales listing, on which the supplier A must mention, per line and client taxable person B (identified solely by means of his BE-VAT identification number): the total amount of the sales, excluding VAT, which A has achieved during the past year in his relation with B, as well as the total amount of the VAT, related to those sales, which figure on the invoices issued by A to B. Apart from these fields, 2 more general fields are provided, which must only be completed by the declarant applying the small business scheme or the special farmer's scheme.

Reporting period: the VAT listing is supposed to cover all the supplies made and services rendered during the past calendar year

Deadline for filing: the VAT listing must be filed at the latest on the 31st of March of the year following the year which the VAT listing relates to.

What: description of data reported can be found in Chapter 7. If no B2B sales or only B2B sales for a total amount less than the threshold of 250 EUR excl. VAT have been made during the past year, a nil VAT listing must not be filed (except by the declarant applying the special farmer's scheme).

Who: must be filed by every taxable person registered for VAT purposes in Belgium

Threshold: a client taxable person B must not be mentioned on the VAT listing of the supplier A if the total amount of sales which A has achieved with B during the past year does not exceed 250,00 EUR, excluding VAT (notice: amount calculated taking into account the credit notes and the negative corrections related to these supplies).

Filing

The VAT listing must in principle be filed electronically (via the application INTERVAT, manually or as an XML-file). However, some categories of taxable persons can be exempt from the obligation to file

the VAT listing electronically. If so, they will have to complete and file their VAT listings on the paper forms (nr. 725) supplied by the tax administration, suited for scanning and further digital treatment.

The process of filing, receiving and treating VAT listings is almost completely automatized. The local tax agents only have to intervene whenever a VAT listing appears not having been completed according to the rules. The anomaly or anomalies detected relate in general to the content of the VAT-listing e.g. the VAT regime of the declarant being not allowed, incorrect filing of the boxes regarding the status of farmer, the mention of an incorrect client VAT identification number etc.

Taxable persons who do not have to file periodical VAT returns are exempt from the obligation to file the VAT listing electronically. Exceptionally, paper filing can be allowed too when a taxable person is able to prove that he was technically speaking (Act of God) unable to file his VAT listing electronically.

The overall costs for the tax administration in relation to VAT listings cannot be determined. During the year 2015, there have been about 93.000 interventions by the local VAT-offices to correct or amend VAT listings filed (of which about 38.000 concerned cases where the tax agent himself proceeded to a manual encoding of the VAT listing in the application INTERVAT).

8.1.2 Compliance aspects of VAT listings

Belgium introduced its' system of VAT listings in 1970s which makes the estimation of one-time or continuous compliance costs difficult. There are no estimations available for the costs businesses incur to comply with the obligation to file VAT listings. It should however be mentioned that the costs rather differ according to the size and the nature of the enterprise and her clientele: e.g. filing a nil listing doesn't take more than a minute, whilst completing and filing an extensive VAT listing with hundreds of clients can take much more effort and time, unless of course one can rely on a special software program or even special accounting and IT-system to get the job done. In principle, each taxable person has to put all the amounts which he invoiced to his Belgian clients taxable persons in his accounting books. To comply with VAT listings obligations he only needs to summarize all the amounts per client and to put them in the right format ready for filing. A great deal of the accounting software packs available in Belgium provide the option to have the VAT listing established automatically on the basis of the accounting books and the client files.

Belgium provides guidelines to taxpayers on obligations in relation to VAT listings. The form (nr. 725) and guidelines (nr. 725²) are updated almost annually and are published on the website of the FPS of Finance.

8.1.3 Results/Outcomes

The VAT listing is an important anti-fraud measure as it reduces the possibilities for taxable persons to purchase goods and services on the black market. The risk profiles which are established on the basis of the VAT listing allow the TA to focus more on controlling those taxable persons who are lacking to fulfil their tax obligations or who do not correctly assess their turnover (by means of recreating the turnover based on the proven sales and the application of a certain output ratio to these sales)

VAT listings contribute to a correct collection of VAT as VAT listing and her counterpart, the listing suppliers, together allow controlling the VAT deducted by the taxable persons. The transparency of

the economy is increased since the TA is able to know and understand better the business relations which exist between different enterprises via VAT listings they have filed. TA can detect fraudsters faster due to VAT listings.

The VAT listing is one of the many means to combat tax fraud. However, it's not possible to create a direct link between the obligation to file a VAT listing and the collection of VAT. Nevertheless, it is quite clear that this obligation has a positive impact on the budget.

8.2 Bulgaria

8.2.1 General description of the system

All Bulgarian companies registered for VAT purposes are obliged to submit VAT returns together with sales and purchase ledgers monthly even if they have not executed any purchases or sales during the taxable period. VAT listings provide details of all sales, purchases to/from companies or individuals both registered and non-registered for VAT purposes. The VAT return should be generated based on data filed in VAT listings.

Reporting period: monthly

Deadline for filing: within 14 days following the end of the taxable period. All corrections should be done by this deadline.

What: description of data reported can be found in Chapter 7. Null return is required in case of no activity during the taxable period.

Who: must be filed by every taxable person registered for VAT purposes in Bulgaria

Threshold: none

Filing: VAT registered taxpayers may choose to submit their monthly VAT return and listings on paper in case they have less than 5 records per month, on a CD or electronically with the use of universal electronic signature. 97% of VAT listings are submitted electronically. The CD or paper systems are rarely used and act as back-up options when technical obstacles hamper the submission of documents electronically.

Data quality checks (excluding verification and validation) are done during submission according to predefined requirements for data format provided by the tax administration²⁴. VAT returns and VAT listings are considered as submitted if the sender has a valid VAT number, the fields are properly filled and the content corresponds to a certain structured format²⁵. Pre-submission and post-submission quality checks are performed to reduce bad data. Pre-submission checks test if data meet the predefined requirements. Post-submission checks are related to the validity of data. Desk controls are often performed to clarify if bad data is reported intentionally or due to a mistake. Significant data inconsistencies are subject to post-submission risk analysis.

Reports of mismatches and mistakes are not automatically sent to taxpayers. Data of selected companies is analysed both with software and manually. Mistakes are communicated to companies to be corrected and to be further avoided in their VAT ledgers. All unintentional mistakes/mismatches can be clarified through a dialog with a business or during desk controls, inspections or audits.

²⁴ When VAT listings are submitted on paper no quality checks are performed.

²⁵ E.g. date format, compare to current date, match between aggregated data in VAT listings and VAT return, amount of VAT charged should appear when a delivery is declared as taxable, etc.

8.2.2 Compliance aspects of VAT listings

Business compliance costs depend on the market price of the IT tool (or for timely updates of the IT tools) for extracting necessary information from the accounting. VAT listings were introduced in Bulgaria in 1999 and there is no assessment available on the extent of the administrative burden associated with this obligation. Compliance cost estimations are also not available.

Since VAT listings were implemented years ago, business needs are properly met by a selection of software products at a low price. VAT listings modules are integrated in each accounting software. Businesses do not need to collect additional information to comply with VAT listings obligations. Data included in VAT listings can be easily extracted from the bookkeeping.

To reduce compliance costs National Revenue Administration (NRA) provides a free software application “VAT listings” which can be downloaded via NRA Internet site. The application enables companies to enter data and generate files for VAT return, Sales and Purchases ledgers.

All amendments to the VAT law that concern VAT listings are communicated to stakeholders (IT companies) as early as possible. Guidelines are available to taxpayers on how to comply with the obligation.

8.2.3 Results/Outcomes

Impact on taxpayers

VAT listings ensure a reasonable level of transparency and fair business environment. Each VAT registered trader should include all documents for transactions made during a taxable period so that mismatches can be avoided. VAT listings contribute to a better tax discipline as taxpayers know that their transactions are monitored by the tax administration. To avoid being audited or inspected, taxpayers are trying to fulfil all their VAT obligations. In addition, feedback provided to legitimate business on irregularities in their VAT data as well as indications of fraud up and down in the supply chains helps them to improve their compliance.

Impact on tax administration

VAT listings is the main source of information used for economic analysis, monitoring taxpayers' behaviour, identifying trends and patterns for tax fraud. With VAT listings Bulgaria improved tax discipline and transparency, taxpayer's compliance, selection of risky traders, risk assessment and information exchange, as well as implemented more effective anti-tax fraud measures. VAT listings allow verifying that all documents reported by customers are issued and properly declared by suppliers and that VAT deducted by clients was charged by suppliers. Due to the detailed information available in the NRA database, the number of desk enquires increased on the expense of inspections and audits. VAT listings make audits more focused and effective. VAT listings also benefit the information exchange based on Regulation 904/2010 when data for a particular transaction is available in VAT ledgers submitted to the NRA. Swift exchange of information through EUROFISC network is also possible.

8.3 The Czech Republic

8.3.1 General description of the system

As of 1 January 2016 taxable persons registered for VAT purposes in the Czech Republic are obliged to submit the Domestic VAT Listings Form – a special recapitulative statement (“Kontrolní hlášení DPH”).²⁶

Domestic VAT Listings is one of many measures that the Czech Republic implemented to fight VAT fraud and in particular the carousel fraud. All data requested with Domestic VAT Listings form were already part of tax records (accountancy of VAT-payers) and traders were not required to collect additional information to comply with the reporting.

Reporting rules

Domestic VAT Listings Form is treated as a separate report from the VAT return, but individual parts of this form must be interlinked (agree) with relevant VAT Return²⁷. Domestic VAT listings form is, in principal, key lines of the VAT return broken down into details. All data from domestic VAT listings are used to assess the correctness of the tax in related VAT return.

Reporting period: monthly except individuals (natural persons) who submit the form together with the VAT return (i.e. monthly or quarterly).

Deadline for filing: within 25 days after the end of the relevant month/taxable period.²⁸

What: description of data reported can be found in Chapter 7. „Zero“ domestic VAT Listings Form is not required to be submitted.

Who: must be filed by every taxable person registered for VAT in the Czech Republic.

Threshold: small value domestic taxable supplies that are not subject to the reverse charge mechanism (up to CZK 10,000, approximately EUR 370, including VAT) are declared in summary lines of the form.

Domestic VAT Listings Forms can be submitted only electronically (XML format) without any exceptions. There are two ways to submit VAT listings:

- Through Tax Portal where basic data quality checks are performed at the time of the filing (e.g. legal, logical, mathematical relationships, correct format of VAT IDs, summary for respective lines of the VAT Return etc.)
- Through a third-party interface via secure network of data boxes²⁹ where only correct XML format can be submitted.

Both options ensure that the quality of data reported is good. Data quality is primarily determined by the prescribed data structure of VAT Listings Form. If the pre-defined structure (XML) is not followed then the submission of VAT Listings Form is not valid.

²⁶ Legal base is Article 101c and foll. of the CZ VAT Act (235/2004 Coll.)

²⁷ When VAT return is submitted without VAT listings the taxpayer gets an official summons to submit the form.

²⁸ Non-compliance with the obligation to submit VAT Listings is subject to a separate sanction system.

²⁹ Data box is compulsory for legal persons in CZ.

8.3.2 Compliance aspects of VAT listings

The maximum total costs for all VAT-payers³⁰ in relation to introduction of VAT listings were estimated at about EUR 37 million. However this figure was based on an assumption that almost all businesses will fill in their VAT Listings Form manually. Follow-up research of compliance costs has not been done but those are believed to be lower than initial estimates as current practice shows that most of VAT-payers fill in the form through accounting software automatically. According to data from public sources³¹, the real costs of businesses for technical development (IT update) were estimated at around EUR 370 for SME and EUR 740 – 3000 for large enterprises. Those are one-time costs to adjust the accounting software to be able to produce VAT listings forms.

Introduction of VAT listings did not require taxpayers to collect data in addition to what they have already been collecting prior. Invoicing rules and accountancy principles were also unaffected.

VAT-payers have the possibility to submit corrective Domestic VAT Listings form within 5 working days after the detection of a discrepancy/mistake or as a reaction to an official summons. The system automatically generates a list of discrepancies and sends it to the taxpayer via officially issued summons through a Tax Office. The process of cross-checking data and notifying the taxpayer about discrepancies is automated.

The obligation to file VAT listings came into force on 01.01.2016. All necessary legal and methodological descriptions and instructions how to fill in VAT listings Form have been available for public since July 2015 via the website of the Financial Administration (www.financnisprava.cz). At the same time the XML scheme of VAT Listings Form was made available. Czech Financial Administration provides a free environment (portal) for submission including a description of XML schema. External XML files can be uploaded and submitted into/via this portal as well.

8.3.3 Results/Outcomes

Impact on taxpayers

VAT Listings form has had a positive impact on ensuring equal business environment as it enables the Financial Administration to fight fraud more efficiently. Introduction of VAT listings resulted in significant changes in the behaviour of VAT-payers in fraudulent chains.

Impact on the Financial Administration

Additional data from VAT listings improved Czech Financial Administrations' ability to target fraud. It is possible to check all data (VAT Return lines in detail, VAT Listings Forms) faster mainly during VAT audit. VAT listings changed the method of selecting taxpayers for control – the focus shifted to auditing activities of VAT fraud chains. VAT listings shortened the time needed to detect a fraudulent chain to a few days.

Implementation of Domestic VAT Listings Form had a positive impact on VAT collection in 2016. According to the estimation of the Ministry of Finance the planned VAT contribution for 2016 was 9

³⁰ Number of VAT-payers at the end of 2015 was 506 309.

³¹ The Czech Chamber of Commerce (<http://www.komora.cz>)

billion CZK, the actual effects estimated by the Ministry of Finance amounted to 10-12 billion CZK³². It is believed that the implementation of Domestic VAT Listings Form was one of the reasons which brought a positive impact on VAT collection in 2016.

In the year following the implementation of VAT listings the Financial Administration decreased the amounts of on the spot controls by about 25% (16 948 in 2015 compared to 13 451 in 2016). There was a decrease in the total amount of claims for VAT reimbursement (EUR 11 billion in 2016 opposed to EUR 10 billion in 2017) while the number of claims changed following control procedures increased (7 555 in 2015 opposed to 10 353 in 2016) which shows that more controls had a positive outcome.

³² Press release of the Czech Ministry of Finance, 03.01.2017: <http://www.mfcr.cz/cs/aktualne/tiskove-zpravy/2017/stat-v-roce-2016-hospodaril-s-rekordnim-27109>

8.4 Estonia

8.4.1 General description of the system

Estonia introduced its' system of VAT listings from 1st of November 2014. The purpose of the system is to increase tax compliance level by:

- allowing the tax administration to see who does business with whom – additional information allowed to better target control measures;
- making businesses aware that the tax administration receives information from their business partners which reduced noncompliance in cases, where transaction parties are not related or controlled by the same group of people³³;
- making committing tax frauds more difficult and expensive, meaning that not every tax evader would be able to figure out or finance new schemes.

Reporting rules

All VAT registered taxpayers are obliged to submit VAT listings together with the VAT return which cannot be submitted without VAT listings form. When there are no transactions to report, a taxpayer has to tick a box confirming this fact and submit an empty form. The purpose of this is to make taxpayers confirm that there are no transactions to report so that in case something comes up in the future it will be more difficult for taxpayers to justify reporting of false data as simple negligence.

Reporting period: monthly and is linked with the obligation to file VAT return.

Deadline for filing: linked with VAT return and is the 20th of every month.

What: description of data reported can be found in Chapter 7. All invoices to/from partners, with whom the total sum of transactions per month exceeds EUR 1000:

- Sales to all companies identified in taxpayer's accounting system³⁴.
- Purchase only from VAT registered identified partners.
- Transactions with individuals (natural persons) must not be declared.

Who: all VAT registered persons filing the VAT return.

Threshold: EUR 1000 per partner. Amounts below do not have to be reported.

Filing

Majority of data is collected electronically (99%+). Data can be submitted in the following ways:

- machine – machine reading: data is uploaded directly from the accounting software to the tax administration database, without a taxpayer having to separately log in into the tax administration's system,
- uploading a file (XLS, CSV; TXT) into the tax administration's database through the e-environment,

³³ In such cases it is more difficult for counter parties to cooperate and present matching data compared to organized fraud where fraudsters can collude to ensure that fake transactions are reported by both sides.

³⁴ It is believed that asking for sales to all customers identified in the taxpayer accounting system reduces administrative burden as a taxpayer does not have to filter out only certain traders.

- manual filling through the tax administrations' e-environment,
- submitting on paper is allowed only when there are 5 or less rows/invoices on the form.

8.4.2 Compliance aspects of VAT listings

The cornerstone of the Estonian system is that to comply with VAT listings obligation taxpayers must not collect any data in addition to what they were already obliged to collect under the bookkeeping regulations. The system was designed in a way that it would be as easy as possible for taxpayers to comply. Only minor changes to finance programs were necessary to make them compatible with submitting VAT listings data. During the design phase of the system there were discussions with finance software developers to reach most suitable and simple solutions. Wherever it was possible, data handling has been taken on by the tax administration. For example if a company used trading partners' name as an identifier in their accountancy then it have not had to change its' business process: taxpayer can report partners name and tax administrations' system will convert it to the registry code.

Total costs for businesses to adapt to the new system are unknown and costs vary depending on the business size and finance software solutions used. For some taxpayers it didn't cost anything as some finance software developers provided system updates for free. The biggest costs were for big, international corporations, which use their own accounting software. For the recurrent compliance costs, it is believed that those are negligible or inexistent as the system does not require taxpayers to collect additional information and the report can be filed easily in one go with the VAT return.

To minimize compliance costs tax administration consulted with stakeholders at initial stages of the project. In certain cases rules were changed to accommodate specificities of particular sectors³⁵. Discussions with developers allowed minimizing the effort needed to update accountancy software. Guidelines and trainings to bookkeepers were offered as well as active consulting in case of problems. In addition, tax administration offers free application on its' website to fill in the form.

8.4.3 Results/Outcomes

Impact on taxpayers

In Estonia VAT listings system was implemented in November 2014. To measure the impact tax administration focused on the declared added value from domestic transactions. This characteristic correlates with VAT collection. The expected outcome was an increase in domestic turnover and decrease of fictitious invoices used to increase input VAT (Figure 1). Starting from the implementation of the new system the domestic added value started to brake records and exceeded the levels of the economic boom of 2006 – 2007 despite the fact that the declared turnover did not increase remarkably compared to the previous year (year's growth 0,36%). The increase of added vale came at the expense of deductible input VAT (decrease of 2,5% compared to the year before). During 2015 the VAT payable has increased by EUR 156 million or 10,4% compared to the previous year. EUR 94 million of that is attributed to the introduction of VAT listings.

³⁵ It is not required to report such transactions on which the obligation to keep professional or official secrecy is required by the law (e.g. services offered by an attorney).

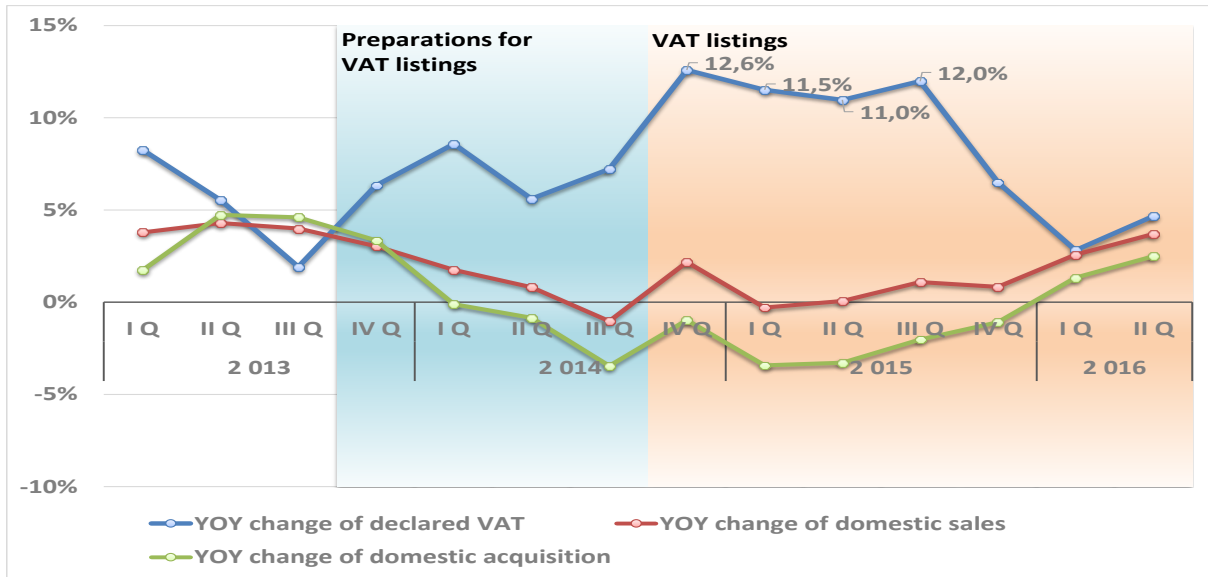
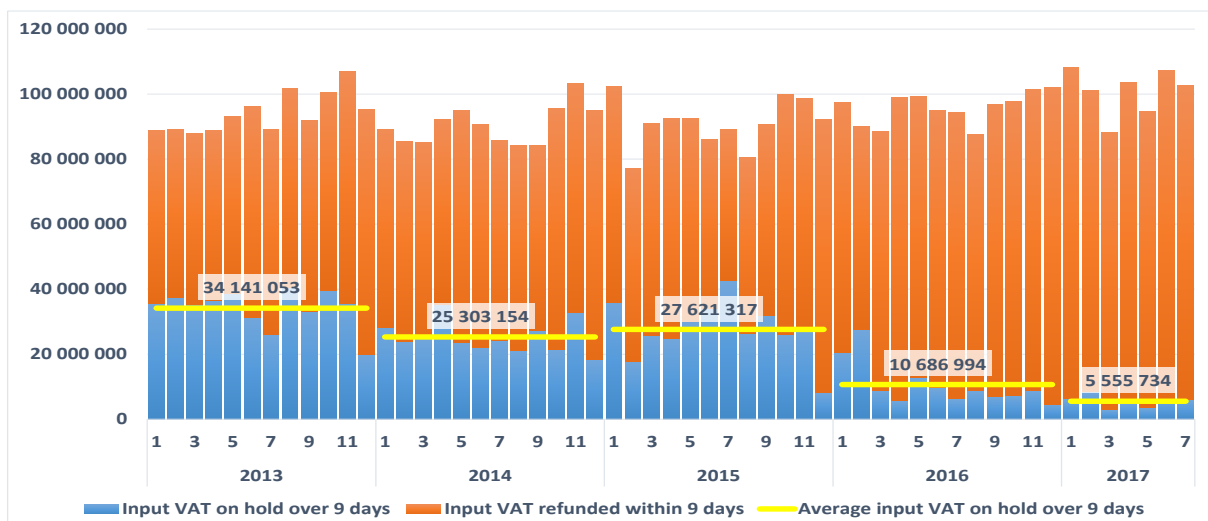


Figure 1: Year on year change of declared VAT, domestic sales and domestic acquisition on quarterly basis before and after implementing VAT listings. Source: Estonian tax and customs board.

As expected, the change in the behaviour and additional VAT did not come from the criminal fraudulent behaviour. The group impacted the most were mostly legitimate business who declared some fictitious input VAT to reduce VAT obligation. Criminals adapt quickly and find a way to submit fictive data on the form. However, having more detailed information makes it easier for tax administration to detect fraudulent behaviour.

The speediness of processing of claims for VAT reimbursement has drastically increased due to VAT listings. Estonian tax administration monitors the total amount of claims processed for longer than 9 days after the claim was submitted. On average the total amount of claims amount to EUR 100 million per month. If in 2014 prior to introduction of VAT listings claims amounting to around 20-25% of the total amount were processed for longer than 9 days, then in 2017 this amount decreased by almost 80% to EUR 5.5 million per month with 90-95% of claims being reimbursed within 9 days after the submission of the VAT return.

Figure 2: VAT reimbursement claims. Source: Estonian Tax and Customs board



VAT listings system creates an incentive for companies to use e-invoice systems³⁶, which eventually reduces the costs for bookkeeping especially when that service is bought in. Through that business processes are automatized allowing redirecting human resource to a more productive work.

Impact on tax administration

Better targeting of fraud and detecting risks based on transactions in addition to so called person based risks led to better collection of VAT and increased transparency. It is difficult to quantify the impact of VAT listings on audit process as in 2014 and 2015 many changes were introduced to that process. Approach to selecting audit cases has also changed. Before auditor had to start an audit with collecting additional basic information from taxpayer trying to understand what transaction are behind the numbers on the VAT return. To recreate the whole supply chain auditor had to dig deeper and data collection had several stages. Only after that it was possible to decide whether the suspicion was justified or it was a case of false positive. With VAT listings deeper analysis can be made behind the desk prior to contacting the taxpayer. Big part of this analysis can be automatized. This allows focusing on business partners or transactions, applying more effective audit tactics in case of bigger network. Automating the process of collection of information frees up resources to conduct actual audits and investigations.

8.5 Hungary

8.5.1 General description of the system

Domestic recapitulative statement or domestic listings were introduced from 1st January. The purpose of the new system can be summarized in three points:

- whitening of the black economy and increasing state revenues;
- enabling to track transactions with huge values by comparing and analysing tax returns, summary reports and invoice data of trading partners;
- facilitating targeted selection of taxpayers for audit.

Reporting rules and filing

Taxable persons must disclose detailed data in the attachment of the VAT return on supplies and purchases that exceed the threshold. Any modification or invalidation of the invoices must also be reported.

Reporting period and deadlines for filing: Taxable persons are obliged to file VAT listings monthly/quarterly or annually depending on the reporting period for the VAT return.

What: description of data reported can be found in Chapter 7.

Threshold: The initial threshold of EUR 6500 applicable to VAT value of the invoice was lowered to EUR 3250 from the 1st of January 2015 and will be lowered further to EUR 330 from July 2018.³⁷

³⁶ Machine readable e-invoices, not invoices sent in PDF format.

³⁷ The threshold has been lowered to curb abuse of the right not to identify trading partners. Over time it became clear that fraudsters abuse this right to inflate deductible VAT.

Filing: Data can be reported only in electronic form.

8.5.2 Usage of data

Collecting data

Since domestic listings are submitted as an attachment to the VAT return there is an automatic check built in the tax return filing program. The automatic checks in the tax return filing program function compare main fields of the VAT return and relevant values in VAT listings. In case of discrepancies the system does not allow to submit the tax return. Taxpayers are immediately alerted of mistakes and invited to make corrections. In data processing stage most frequent mistakes (e.g. wrong ID of a trading partner) are identified. By matching invoice data submitted by the supplier and the customer further data quality check are applied. For example in cases when trade partners submit invoices with the same value and date of fulfilment but with different invoice number, the system applies corrections automatically. In addition to the automatic data quality checks, manual checks are also an important part of data processing.

Prevention

From July 2013 taxpayers can check whether their partner have reported the same transactions. This service is enabled by the incoming domestic listing data. Starting from 2014 local directorates send out so called information or warning letters when they suspect tax evasion. The content of these letters is standardised. Letters do not contain detailed information but advise to suspend business with non-compliant or fraudulent partners.

8.5.3 Compliance aspects of VAT listings

There are no estimates available of the compliance costs for business in relation to VAT listings.

Many external parties were involved in the negotiations beforehand (representatives of audit chamber, accounting software producers etc). Having a threshold in place was an external request for taxpayers to fulfil their obligation easier (accounting program need not filter out those invoices which do not exceed the threshold). VAT listings reporting obligation does not require collecting more information than it is otherwise necessary for accounting for VAT.

No software was developed by the tax administration to support reporting of domestic listings data. There was no real demand for such software as there are a lot of the accounting programs which have been promptly updated. Guidelines, FAQ and other relevant information were made available on the website of the tax administration.

8.5.4 Results/Outcomes

Additional data from VAT listings allowed the tax administration to perform its' task better. For example, according to the average tax assessment ratio after the introduction of the system a remarkably higher proportion of inspections ended with tax assessments (

Table 1). This shows that the selection process became more efficient.

Table 1: Hungary audit statistics, 2012-2016. Source: Hungarian tax administration.

Year	Audits implemented	Tax difference assessed (th HUF)		VAT reimbursement claims		
		sum	average	Number of checks	Average sum of retained VAT (HUF)	% of positive assessment
2012	35 493	410 196 135	11 700			
2013	29 566	455 929 811	11 557	4425	625 000	89,7%
2014	27 924	522 916 243	18 726	3837	694 000	89,4%
2015	27 006	501 267 922	18 561	2651	806 000	89,8%
2016	20 521	450 205 628	21 938	972	1 026 500	95,5%

The use of newly developed applications that are able to generate reports with risky tax differences became a part of an audit process. From the middle of 2013 preparing an audit is inconceivable without having analysed VAT listings data. Thanks to the automatic filtering of risky partners multiple audits can be started simultaneously to cover all risky traders in the supply chain. Such option can remarkably shorten the time it takes to conduct an audit.

In 2013 many measures aimed at fighting VAT fraud has been introduced in parallel: the introduction of online cash register system from 1st September 2013 and Electronic Public Road Trade Control System from 1st January 2015. The new systems altogether generated a remarkable whitening effect of the economy. Due to simultaneous introduction of many anti-fraud measures it is difficult to quantify the monetary impact of VAT listings on VAT collection but there is a clear trend of increasing VAT receipts to Hungarian budget (Figure 3).

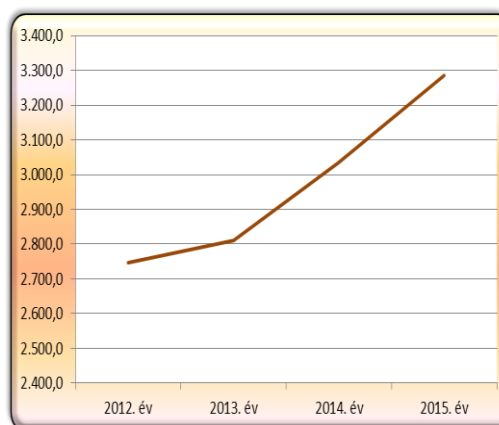


Figure 3: Hungarian VAT revenue in billions HUF. Source: NAVIRAD system of annual statistics.

8.5.5 Lessons learned

Introduction of VAT listings led to shortening of the reporting period for VAT. Monthly reporting is required from (1) newly registered taxpayers during the first two years, (2) taxpayers whose annual sales exceed HUF 50 million, (3) taxpayers whose annual VAT to be paid exceeds HUF 1 million and (4) taxpayers whose intra-EU transactions exceed EUR 50 000 per year. VAT listings allow tax administration to monitor the application of the correct reporting period. Shortening of reporting period reduces cases, where data cannot be crosschecked.

Hungary's experience shows that thresholds diminish the added value of VAT listings.

Overall VAT listings are a useful source of information in fight against VAT fraud. At the same time the usability of data is significantly affected by late filing and differences in reporting period. Monthly frequency would be optimal, but the real solution would be the real-time reporting.

IT developments to support processing and analysing data for the purpose of combating fraud³⁸ accelerate the detection of fraud allowing to start with control actions sooner and conduct them more efficiently. However controls and other measures are not always sufficient to stop frauds detected and often additional tax assessed remains uncollectable. Fraud may continue even during the inspections. In addition fraudulent traders or even entire networks can mutate if controls do not reach the real organizers and are unable to suspend their activities.

Further results can be achieved by clarifying the existing VAT listings rules and by closing "loopholes" currently allowed by legislation. These changes have already been transposed by the Hungarian tax authority and have been successfully legislated: reducing the reporting threshold, shortening of reporting periods. Abolishing the threshold at least for the acquisitions would improve fraud detection. The e-invoice system, in case implemented, will be able to provide real time data considerably reducing time it takes to detect suspicion transactions.

³⁸ The on-line cash register and Electronic Road Trade Control in addition to the VAT listings.

8.6 Italy

8.6.1 General description of the system

Starting from the 1st of January 2017 VAT taxable persons registered in Italy must transmit electronically to the Tax Administration data on the invoices issued and received (only those ones received and registered³⁹) in the reference period (data from Customs, imports/exports and the related variations is also included). Collected data will be used by the Tax Administration not only as a support to an audit activity to tackle VAT fraud and tax evasion, but also to support compliance by giving the taxpayer a chance to promptly remedy irregularities or omissions.

The new system replaces previous reporting requirements and makes reporting more detailed. Previous legislation gave a taxpayer a chance to transmit data both broken down into an invoice level and in an aggregate form summarised on a counterparty level. Under the new system data can only be transmitted on an invoice level. The threshold of EUR 3600 per invoice was abolished.⁴⁰ Reporting period also changed: previously reporting was on an annual basis while according to the new rules reports should be submitted quarterly.

Reporting rules

Data of all the invoices issued and received/registered must be submitted with no exceptions even when no VAT is due. In case of VAT exempt and non-taxable transactions (exports, intra-EU acquisitions, Reverse Charge etc.) data of the issued or received-registered invoices must also be submitted. In those cases the nature of transaction must be mentioned explaining why no VAT is due. VAT listings are not part of the VAT return and have different submission deadlines (VAT return must be submitted on an annual basis⁴¹).

Reporting period: reporting is done either on quarterly on biannual basis. The Revenue Agency will provide instructions about this option.⁴²

What: description of data reported can be found in Chapter 7.

Deadline to file the report: by the last day of the second month following the end of the reporting period.

Thresholds: EUR 300 per invoice. Instead of listing data of every single invoice, a taxpayer can register invoices below the threshold in a recap report. This report contains the number of invoices,

³⁹ According to the Italian Legislation when a company receives an invoice, its registration in the company accountancy is mandatory in order to deduct the VAT. The registration must be done within the deadline established by law for the related VAT return, in which the VAT amount will be deducted. This means that not all data of the received invoices must be submitted, but only of those which have been received and registered in the accountancy in order to deduct VAT.

⁴⁰ Previous Legislation established that taxable persons had to transmit data related to VAT relevant transactions. VAT-relevant transactions for which the issuance of the invoice was not mandatory (i.e. transactions documented by either cash register receipts or receipts) had to be communicated only if they exceeded the threshold of 3.600 Euro, VAT included. The new Legislation does not speak about VAT relevant transactions, it directly requires data of all the invoices issued and received-registered.

⁴¹ Starting from 1st January 2017, VAT operators have a new obligation: they must submit on a quarterly basis, a communication reporting periodic VAT credit/debit. This will allow a better alignment and a more efficient comparison (matching and mismatching) of data between invoices and VAT returns.

⁴² Revenue Agency provisions will specify any further detailed rules necessary for the implementation of this measure.

the total amount of the transactions (net of VAT) and the VAT amount broken down by taxable rate. A company can choose not to apply the threshold and identify all trading partners regardless of the value of transactions. From the moment a company decides not to apply the threshold it must submit detailed data (according to the general rule) on all trading partners.

Filing

Data can be submitted only electronically, through a web-interface specifically created in the official Revenue Agency web-site named “*Fatture e corrispettivi*” (*Invoices and Due Amounts*). The file format is XML and the XML Schema (XSD) and is explained in the technical specifications of the provision⁴³.

8.6.2 Usage of data

Improving compliance

Data transmitted with domestic VAT listings are also used for the compliance purposes. Warning letters is a new tool of the Italian Tax Administration. Taxpayers whose VAT return differs from VAT listings are informed by warning letters about the discrepancies. In 2017 20.362 warning letters related to 2013 and 28.440 warning letters related to 2014 will be sent electronically through certified mail. Taxpayers whose VAT turnover in 2013 and 2014 is lower than the supplies communicated by their customers through the domestic VAT listings, are informed about this difference and can double-check transactions. In detail the information provided in the warning letters is:

- Total amount of transactions reported by customers;
- Amount of sales not reported in the taxpayers' VAT return;
- List and identification data of counterparties (clients) involved in the transactions;
- Amount of acquisitions communicated by counterparties (clients).

Taxpayers are able to clarify their position by asking for a more information or providing further data. In case of errors, taxpayers are given an opportunity to correct their position and to pay reduced sanctions depending on the promptness of the correction.

In terms of compliance, it is important to underline that the new legislation rules that the taxpayer will have access to data and to the results of the evaluation done by the Tax Administration. In case of possible mismatches, the taxpayer will be promptly informed to have a chance to clarify his position or to remedy irregularities and omissions.

8.6.3 Compliance aspects of VAT listings

Trade associations and experts have been involved in the process of implementing the new system.

When introducing new obligations Italy considered abolishing some other reporting obligations. Starting from 2018 Italy intends to abolish the requirement to submit separately Intra-EU acquisition recapitulative statements.

⁴³ Provision of the Revenue Agency no. 58793 of the 27th March 2017 establishing the rules for submitting data.

The legislative change requires taxpayers to modify their accounting systems which will bring additional costs. A tax credit of EUR 100 will be provided to small taxpayers⁴⁴ to help them to afford the “technological change”. The estimated cost for the Tax Administration will be around € 1,8 Million, as stated in the technical report of November 2016.

8.6.4 Expected costs, results and outcomes

The new domestic VAT listings should have a positive impact on the taxpayer’s behaviour and on the relationship with the Tax Administration through giving the taxpayer a chance to justify possible discrepancies due to material errors. In addition this will allow the Tax Administration to promptly intercept evasion and fraud cases by better targeted audits and controls.

The measure is expected to bring additional revenue. According to government estimations the collected VAT in 2017 should increase by EUR 1.02 Billion and in 2018/2019 by EUR 2.04 Billion per year⁴⁵. For 2017 the expected increase in VAT collected is half of the one expected in 2018 and 2019 because the new law will fully enter into force starting from 1st July 2017.

Electronic VAT listings were introduced in Italy for the tax years 2006 and 2007 but for the following two years (2008 and 2009) they were abrogated. In 2010 they were reintroduced in their current form. As reported in 2013 by the Italian Court of Auditors the Revenue Agency did not estimate the direct effect on the revenues connected with the use/abrogation of VAT listings. However a strong growth of the percentage variation of the declared VAT turnover is evident in 2006 and 2007, in line with the operating period of VAT listings⁴⁶, as shown by the graph (Reference period 2005-2009).

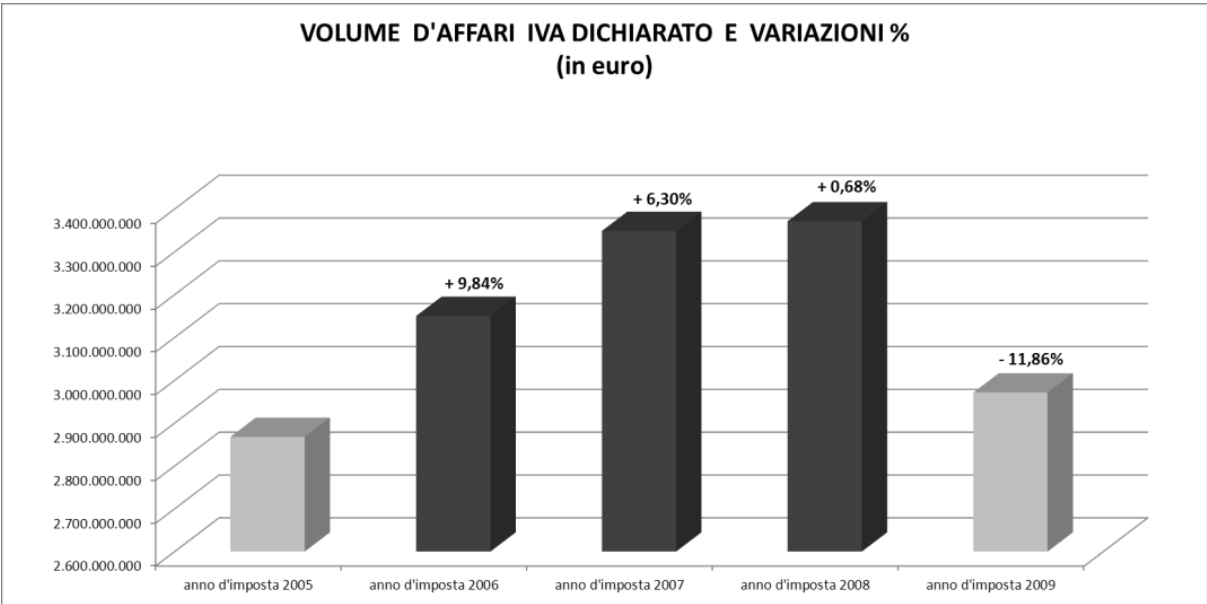


Figure 4: Percentage variation of the declared VAT turnover. Source: Italian Revenue Agency.

⁴⁴ Turnover is lower than 50.000,00 in the year preceding the technological innovation.
⁴⁵ Technical report no. A.S. 2595 of November 2016, accompanying the Law no. 225 of December 1
⁴⁶ <https://servizi.corteconti.it/bdcaaccessibile/ricercaInternet/SearchDelibera.do?selezione=dettaglio&id=4835-25/11/2013-SCCGAS>

8.7 Latvia

8.7.1 General description of the system

The main purpose of collecting information on taxpayers' supplies and acquisitions is to increase voluntarily compliance. VAT listings contribute to that by allowing tax administration to:

- verify the accuracy of the assessment and payment of VAT due,
- verify the accuracy of the application of rights to deduct VAT input tax,
- improve the quality of data reported in VAT returns.

Use of VAT listings' data also contributes to a more targeted selection of cases for controls, more effective controls (audits) of taxpayers and efficient fight against VAT fraud.

Reporting rules

VAT listings are integral part of the VAT return and must be submitted along with the VAT return. Obligations, requirements and the deadline for submission of VAT listings are the same as for the VAT return. There are special controls in the Electronic Declaration System (EDS) to prohibit the submission of the VAT return without VAT listings when VAT due and VAT deductible boxes in VAT return are filled.

Reporting period: Monthly for taxable persons with turnover exceeding EUR 50 000⁴⁷, excluding VAT, in previous continuous 12 calendar months or for taxable persons making intra-EU supplies of goods or services regardless of the amount of such supplies and **Quarterly** for taxable persons not meeting the criteria for monthly submission.

Deadline for filing: 20th of the month following the end of the reporting period

What: Data on every domestic or intra-EU supply to and purchase from VAT registered person broken down by invoice. Supply to and purchase from non-VAT registered persons must be shown on one line. Description of data reported can be found in Chapter 7.⁴⁸

Who: All registered VAT liable persons (legal and natural persons).

Threshold: EUR 1430⁴⁹ per invoice excluding VAT.⁵⁰

⁴⁷ EUR 40 000 as of 01.01.2018.

⁴⁸ In case no invoices were received or issued during the reporting period taxpayers must submit a zero VAT listings along with the VAT return.

⁴⁹ EUR 150 as of 01.01.2018.

⁵⁰ All purchases and sales below the threshold may be shown in one (summarising) line indicating the total amount of such purchases or supplies. There is no requirement to provide detailed information on VRN and name of the supplier or client and document data reported in the summarising row. Purchases from supplier or sales to a client where the amount per invoice does not exceed the threshold but the total amount of transactions in the reporting period exceeds the threshold must be shown on a separate line for each supplier or client. Information on VRN and name of the supplier or client and the total amount of transactions must to be shown in this case but there is no requirement to provide detailed data on documents for each purchase or supply (invoice, receipt, etc.) included in this line. There are special codes to identify transactions falling below the threshold.

Filing: Electronic submission of VAT returns and VAT listings by means of EDS of the State Revenue Service is mandatory for all VAT liable persons. Taxpayers can submit the VAT return and VAT listings by filling a template available in the EDS or import documents from their accounting systems.

Quality controls and arithmetic calculations are built-in into the EDS ensuring basic checks of the VAT return and VAT listings data. These include:

- basic arithmetic calculations for the VAT return and VAT listings lines with aggregated values;
- cross-checks of values referring to the same figures reported in the VAT return and VAT listings;
- syntax checks of VRNs (domestic counterparties and counterparties from other EU member states);
- checks of the validity of VRNs of domestic counterparties (automatic cross-check with VAT registry data)
- check of the submission of all required VAT return's documents (VAT listings) etc.

There are controls in place to prohibit taxpayers from submitting VAT returns and VAT listings containing obvious errors and mistakes, thus ensuring a better quality of data transmitted to the State Revenue Service.

8.7.2 Compliance aspects of VAT listings

According to the accounting legislation in force, taxpayers are obliged to maintain registries of customers and suppliers in their bookkeeping records. Therefore, the obligation to include these data in VAT listings does not require taxpayers to collect it solely to comply with VAT listings. The obligation requires taxpayers to transmit data that they already have in their systems.

Availability of such information to the tax administration decreases time taxpayers spend on communication with the State Revenue Service and time to prepare and provide information and the documents necessary to verify the accuracy of the assessment and payment of VAT. Due to VAT listings, the State Revenue Service contacts taxpayers only in cases where inconsistencies and serious suspicion of non-compliance is identified.

Using data from VAT listings allows identifying at an early stage errors and mistakes made by taxpayers unintentionally or due to lack of knowledge. Thus, the tax administration is helping taxpayers to identify and correct mistakes timely without applying any fines and penalties.

EDS is compatible with the main accounting systems and uses the same data format for imported and exported data. Data quality controls used in EDS supplement controls used in accounting systems of taxpayers to refine accounting data quality and help taxpayers to timely detect errors, mistakes and mismatches.

Partial VAT refund

VAT listings are valuable not only for evaluation of risks regarding the correct calculation of VAT due/overpaid VAT. This information allows concentrating on risky transactions or counterparties during the VAT refund checks and further tax controls. According to internal procedures implemented in the State Revenue Service it is possible to refund partially overpaid VAT before the check is complete and when there are doubts only about particular transactions.

In such cases, the State Revenue Service informs the taxpayer of a check of overpaid VAT. Transactions with higher non-compliance risk are highlighted and the taxpayer is informed about the control and about the fact that VAT from non-suspicious transactions will be refunded. The amount reserved until the end of the control is calculated as a difference between calculated VAT and deducted input VAT that needs to be checked. The remaining VAT is then refunded to the taxpayer.

8.7.3 Results/Outcomes

Since Latvia has implemented its' first version of VAT listings in 2001 and then modified reporting requirements, it is difficult to quantify compliance costs for businesses associated with VAT listings. However, it is believed that VAT listings:

- Improved data quality of VAT returns and VAT listings data through controls of arithmetical mismatches and basic data quality checks in the process of submission of the VAT return and VAT listings in EDS.
- Improved compliance through additional services provided through EDS - warnings about risky clients and suppliers and mismatches with clients and suppliers are available to taxpayers on a regular basis (e.g. every month)

It is hard to evaluate the impact on the tax administrations' work as from the very beginning of the implementation of risk analysis these data were available to the State Revenue Service and used as one of the main information sources for identification of non-compliance risks.

8.8 Lithuania

8.8.1 General description of the system

Until the 1st of October 2016 only selected taxpayers⁵¹ had to submit VAT listings with the purpose of increasing VAT collection, reducing fraud as well as controlling newly registered companies. Since the 1st of October 2016 new legislative and IT framework were implemented with all VAT taxpayers having to submit VAT listings (both sales and purchases) periodically in i.SAF (VAT listings system based on Standard Audit File for tax purposes xml format (SAF-T format)). The result is that under the new system VAT listings can be analysed without tax administration having to contact the taxpayer as all taxpayers must submit their VAT listings. The main purpose of the new VAT listings system is to decrease taxpayers' administrative burden by allowing to submit their VAT listings in a standardized electronic format as well as to facilitate electronic services.

Reporting rules

Reporting period: VAT listings are not a part of the VAT return but the reporting period matches with VAT reporting period and is 1 month for most of the VAT taxpayers (6 months for others).

Deadline for filing: 20th of each reporting period⁵².

What: description of data reported can be found in Chapter 7.

Threshold: No threshold for VAT invoice.

Filing

VAT listings are submitted electronically⁵³. Data quality is partially checked during the filing stage. Taxpayers main information (code, name, region, etc.) and arithmetical data (does the sum of the fields match the total sum, is the amount of payable tax logical (not greater than maximum possible), etc.) are checked during or right after the filing.

Exceptions to the VAT legislation are a problem as some taxpayers (e.g. those involved in the agricultural business) use different accounting method. Because of this, differences between VAT listings and returns occur.

8.8.2 Usage of data

Improving compliance

VAT listings data is used for return prefilling. A taxpayer can request it as a service through the website of the tax administration. For that reason VAT listings must be submitted earlier than VAT returns. The web application used for submitting, reviewing and managing VAT listings data is also used as a service platform for taxpayers to crosscheck data submitted by them with data submitted

⁵¹ Selection was based on various risk criteria's, e.g. results of previous audits, being late with the VAT return

⁵² VAT reporting date is 25th. VAT listing data arrives earlier to ensure prefilling service and give an option to review the outcome of crosschecking with trading partners to correct VAT listing data and to submit the correct VAT return.

⁵³ Previous system allowed listings to be submitted on paper.

by their trading partners. Taxpayers are notified automatically about discrepancies and can correct their reports.

8.8.3 Compliance aspects of VAT listings

For businesses the main costs were related with complying with the i.SAF system (since 1st October 2016). Until then businesses already had an obligation to keep VAT listings records. Because of that the costs were only related to filing (accountants work time while transferring data to the return) and adjustments to accounting systems to export files into the right structure.

To comply with VAT listings obligation taxpayers do not have to collect additional information, but must be able to submit VAT listings data using i.SAF. If a taxpayer is already compliant with the SAF-T standard, then compliance costs of filing VAT listings are minimal. Taxpayers compliance costs related to accounting software modifications from October 1st 2016 were estimated to be around EUR 3.8 million.

In the long term the implementation of SAF-T standard is expected to minimize compliance costs and VAT listings is a step in that direction. Lithuanian tax administration uses VAT listings data to prefill VAT returns which should further decrease compliance costs. Additional benefit of the new system is that to claim the VAT reimbursement taxpayer does not have to submit VAT listings as the data is already there. Taxpayers without discrepancies in VAT listings data can get benefit from faster VAT refunds.

8.8.4 Results/Outcomes

Because all taxpayers must submit their VAT listings only from the 1st of October 2016, estimation of the impact on the budget has not yet been calculated. However, there are some noticeable changes in taxpayers' behaviour. Prior to 1st of October 2016 Lithuania ran a pilot project to determine the best selection and control practices leading to implementing VAT listings in their current form. During this pilot project, a group of taxpayers were asked to monthly submit their VAT listings. The pilot showed that the VAT payable by taxpayers that had to submit VAT listings increased at a faster rate compared to those taxpayers who did not have to report their transactions. As a result of VAT listings tax administration can faster identify risky transactions, fraud and cases of possible VAT avoidance. For tax administration the main costs are related to data processing and storage resources (servers, programs, etc.). Other costs are related to dealing with taxpayers' services and non-compliant taxpayers.

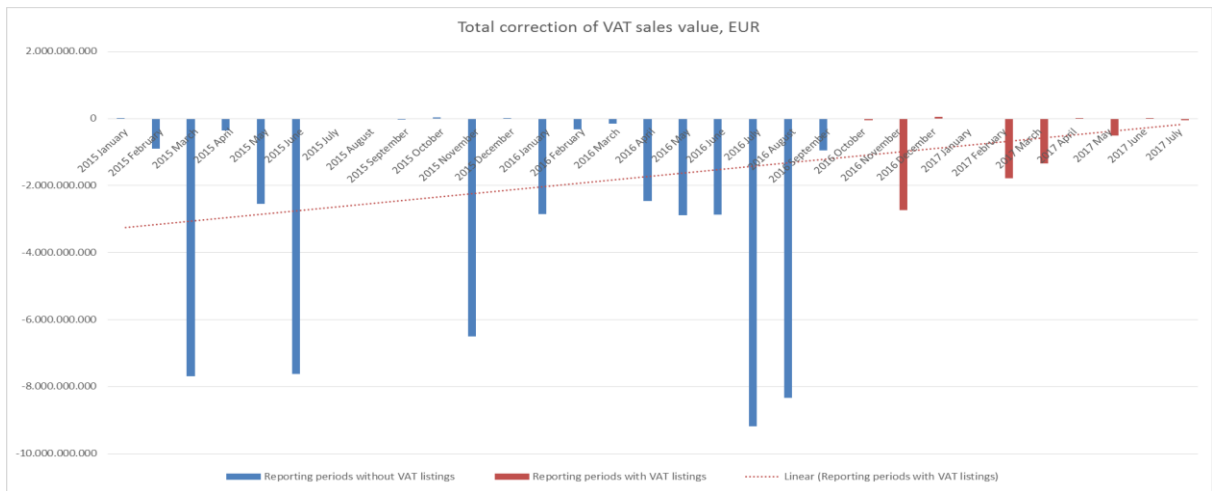


Figure 5: Corrections of VAT sales. Source: Lithuanian tax administration.

Lithuania noticed that VAT listings had a positive effect on voluntary compliance. Lithuanian tax administration estimates the difference of VAT sales values reported in the primary VAT return and last actual (corrected) VAT return. Since the introduction of VAT listings the value of this indicator is decreasing. This means that more taxpayers are reporting correct sales values in the initial VAT return as they are aware that non-reporting sales will become apparent following a cross-check with data submitted by their customers.

8.9 Poland

8.9.1 General description of the system

The main purpose of VAT listings is to provide Ministry of Finance with enhanced management and control system of VAT - the establishment of an effective system for identifying fraud and tax evasion. Poland is rolling out its' system in three stages: 1 July 2016 for so called "big entities", 1 January 2017 for medium and small entities and 1 January 2018 for micro entities.

So far taxpayers are implementing the system at a satisfactory level. VAT listings oblige taxpayers to make significant progress in preparing the report and the VAT Return. Ministry of Finance offered some solutions, such as the file transfer application⁵⁴, that have played a significant role in the implementation of reporting.

Reporting rules

VAT listings report is independent of the VAT return (different communication way) but data must reconcile with the VAT return.

Reporting period: monthly

Deadline for filing: 25th of the month following the end of the reporting period.

What: description of data reported can be found in Chapter 7.

Threshold: none

To ensure the quality of data at the time of the filing the XML validation process is performed. Dedicated team of analysts clean and clear data submitted.

8.9.2 Compliance aspects of VAT listings

Compliance aspects were evaluated carefully during the implementation phase. Poland has a fairly complicated VAT system and it is important to maintain the stability of reporting schema. These schemas should not be changed often. Changes should also be announced at least 6 months before the implementation deadline.

A taxpayer doesn't have to collect additional information to comply with VAT listings obligations. All data should have already been available in the accounting systems prior to implementation of the measure. Reporting rules are simple and clear (VAT listing must match with VAT return) but Polish VAT system and invoicing rules are highly complicated.

Publicizing the project is important as the right media campaign should explain the purpose of the initiative - automating clearance of accounts and limiting VAT fraud.

During the development phase Ministry of Finance held a public consultation to involve stakeholders.

To minimise compliance costs Ministry of Finance provides an application for preparing and submitting VAT Listings. Application is free of charge and can run on Windows and Linux platform.

⁵⁴ The SAF-T Client 2.0 application allows taxpayers to prepare, sign and send VAT Listings and other data to the Ministry of Finance's Data Processing Center.

Ministry of Finance put at the taxpayers' disposal a complete documentation, guidelines and sample files to make it easier to comply with new obligations.

Overall compliance costs were estimated at approximately EUR 110 million⁵⁵ (2012 prices). Taxpayers complained about the costs of implementation of the new standard.

8.9.3 Results/Outcomes

For the tax administration VAT listings is an additional analytical tool for fighting fraud and improving compliance. Once fully implemented, identification of irregularities will be much faster and more accurate.

VAT listings along with other activities increased tax revenues. In 2016, tax revenue increased by more than EUR 1.7 billion compared to 2015⁵⁶. Comparison of the first three quarters of 2017 and the first three quarters of 2016 shows that VAT receipts have increased by approximately 23.3%. Increased revenues are the result of a number of measures to improve compliance. Nevertheless, VAT Reporting is a key element in these activities.

Refunds claims for VAT require less time. In 2015-16 it took approximately 42-43 days to repay the claim. In 2017 this indicator reduced approximately by 10% to an average of 38 days. For 2018 Poland aims at reducing the waiting time further to 25 days. In the following years, with the introduction of new solutions (banking alerts and split payments), further reductions in fraud and better taxpayer services are expected.

⁵⁵ <http://legislacja.rcl.gov.pl/projekt/230100/katalog/230129#230129>

⁵⁶ „Wstępne szacunkowe wykonanie budżetu państwa w 2016 r.”

8.10 Romania

8.10.1 General description of the system

The main purpose of the system is early identification of potentially fraudulent behaviour and improvement of voluntary compliance. The system enables indirect inspections through the analysis of the collected data resulting in a more efficient usage of resources of the tax administration. VAT listings should also shorten the time needed for the settlement of VAT claims for reimbursement.

Reporting rules

Statement 394 – Romanian VAT listings – covers only taxable operations and is submitted by all taxable persons registered for VAT, regardless of whether transactions were carried out during the reporting period or not.

Reporting period: the same as for the VAT return - monthly, quarterly, every six months or yearly.

Deadline for filing: 30th of the month following the end of the reporting period.

What: data regarding the delivery of goods and services and the acquisitions taking place within Romania. Description of data reported can be found in Chapter 7.

Filing: must be submitted in an electronic format.

In case a taxable person becomes aware of omissions or errors in data reported, a new statement must be filed. It is not necessary to resubmit the statement in case an invoice is received in another reporting period compared to the issue date of that invoice.

8.10.2 Compliance aspects of VAT listings

While developing the statement 394, the tax administration kept a constant communication with the business sector representatives resulting in a report that is not very complex. As a result of that communication reporting procedures were simplified. Information requested by the Statement 394 can be identified in the accounting records of the taxpayer. The accounting software had to be modified to better suit data requirements set by the tax administration and it can, generally, automatically feed data into the Statement 394. There are no estimates available regarding costs incurred by taxpayers to modify the accounting software. There is a variety of software solutions for accounting purposes. For this reason, the tax administration did not develop specific software. Each taxpayer is free to choose the most adequate software package.

The tax administration has published a guide to help taxpayers to comply with the regulation and clarifying the procedure for filing the Statement 394. This guide is available on the NAFAs' website and provides explanations regarding specificities of the normative act, as well as best practice examples. One of the objectives of this guide is to promote tax compliance by ensuring that taxpayers receive proper level of assistance from the tax administration.

In the future data from the statement 394 will feed into a system that will allow traders to check their business partners. As a result traders will be able to make a more informed choice as to with whom they do business with.

8.10.3 Results/Outcomes

VAT listings are a part of a wider strategy to prevent and limit tax evasion, to create a level playing field, as well as to clear the business environment from fraudsters. Statement 394 was implemented with the aim of changing taxpayers' mentality. Taxpayers are aware of the fact that the tax administration cross-checks information submitted by them with data submitted through tax forms or obtained from other sources. It is expected that a significant part of taxpayers will decide to voluntarily comply with reporting and paying the VAT due. At the same time, other taxpayers will develop new ways to evade taxes, for example, by switching from non-compliance based on non-reporting to a scheme where they report taxes due but default on their obligations.

B2B transactional data supports development of risk analysis and extends the tax administrations' capability to identify tax evasion at early stages. A more effective risk analysis leads to a more efficient resource and activity management as well as the implementation of preventive measures which can be applied to high-risk taxpayers. Reflecting data back to taxpayers and allowing them to check their trading partners should improve the transparency level between the tax administration and the taxpayer as well as between trading partners. Another benefit of the statement 394 is the increased efficiency of the tax audit department that makes a better use of its resources by focusing on inspections of the high-risk sectors and taxpayers. This is possible because of on-site/desk audits based on the analysis of data collected with the statement 394.

Not enough time has passed since the implementation of the new statement 394 to quantify its impact on the tax collection.

8.11 Slovak Republic

8.11.1 General description of the system

As of 1 January 2014, taxable persons registered for VAT in Slovak Republic are obliged to submit a special VAT Control Statement (Article 78a of the VAT Act), together with their VAT returns. The purpose of this measure was:

- an effective planning and performance of tax audits – elimination of human errors in auditing taxpayers, allowing to better prepare questions based on VAT listings data that can be evaluated during the tax audit,
- an improvement of voluntary compliance,
- early awareness of tax fraud and fraudsters, new trends and the territorial division,
- monitoring of high-risk taxable persons,
- preventing additional "editing" of the accountancy as all changes to the reports become instantly visible,
- increasing the effectiveness of tax collection.

Reporting rules and filing

VAT listings are not dependant on the VAT return and are submitted separately. Some cross-checking between VAT listings and VAT returns are built into the analytical system. In the future, Financial Administration (FA) is planning to integrate these two statements into one detailed VAT return. VAT listings must not be submitted, when:

- VAT return does not have to be submitted,
- VAT return is left blank because of no taxable transactions,
- VAT return contains only intra-EU supplies or exports.

Reporting period: according to the taxable period either monthly or quarterly.

Deadline for filing: within 25 days after the end of the taxable period.

Who: all taxable persons

What: description of data reported can be found in Chapter 7.

Threshold: Financial limit is not defined to prevent false splitting of transactions. According to FA's experience every exception can be misused by fraudsters. If the limit would be set for example to EUR 1000, fraudsters would issue thousands of invoices in the amount EUR 999 in order not to report them in VAT listings.

Supplies where a simplified invoice is issued by an electronic cash register are reported in an aggregated form. A supplier reports separately data related to all other supplies of goods and services that must not be recorded through an electronic cash register and there is no obligation to issue an invoice.

Data quality is checked automatically during each import. Data can be submitted electronically:

- Via portal of FA – eForm,
- Via application eDane/Java 2014 or eDane/win,

- Not to slow down the portal of FA VAT listings with huge number of transactions must be submitted with an accompanying letter with data uploaded in the background.

8.11.2 Compliance aspects of VAT listings

All data FA requires was already available in the accounting systems of the taxpayers prior to the introduction of VAT listings. Small adjustments into the accounting systems were necessary for the taxpayers to be able to export this information into the requested format. There was no estimation done of the compliance costs because the implementation of VAT Control Statement required only minor amendments into the accounting software. Taxpayers were informed in advance of VAT listings requirements. Information was available on the website of the FA and changes were communicated through different media channels. “Guidelines” were issued to help taxpayers.

Introduction of VAT listings brought many positive effects for businesses. Compliant businesses have a fairer business environment because of better targeting of fraudulent companies by FA. For the same reason compliant businesses will experience less audits as FA can better distinguish between fraudulent and honest businesses.

8.11.3 Results/Outcomes

The implementation of measures listed in “Action Plan to Combat Tax Fraud” where VAT Control Statement was one of the most important measures, brought remarkable results in various fields: decrease of VAT fraud, changes in the behaviour of taxpayers, improvement of tax discipline, more responsible approach in selecting business partners, increased revenues to the state budget and reduction of tax losses. FA has a powerful tool that increases the speediness of fraud detection.

Introduction of VAT Control Statement guided some taxpayers into voluntary compliance. At the same time some fraudulent taxpayers moved on to more sophisticated forms of tax frauds.

According to the estimates of the Institute of Financial Policy in the Ministry of Finance, in 2013 higher efficiency of VAT collection increased revenue by EUR 248 million, EUR 650 million in 2014 and EUR 744 million in 2015. While in 2012 the effective VAT rate stood at 11.8% then in March 2017 it reached historical maximum of 15.12% (Figure 6). Since 2012 the VAT revenue has increased by EUR 2.664 billion or 3.29% of GDP. In 2016 the additional benefit of the improved VAT collection attributed to the measures taken to combat tax evasion is estimated at EUR 1.04 billion or 1.3% of GDP compared to 2012. However growth in the efficiency of tax collection cannot be fully attributed to the implementation of the Action plan to combat tax fraud but its contribution was substantial. VAT Control Statement is definitely one of the most important measures that contributed to the increased effectiveness of tax collection.

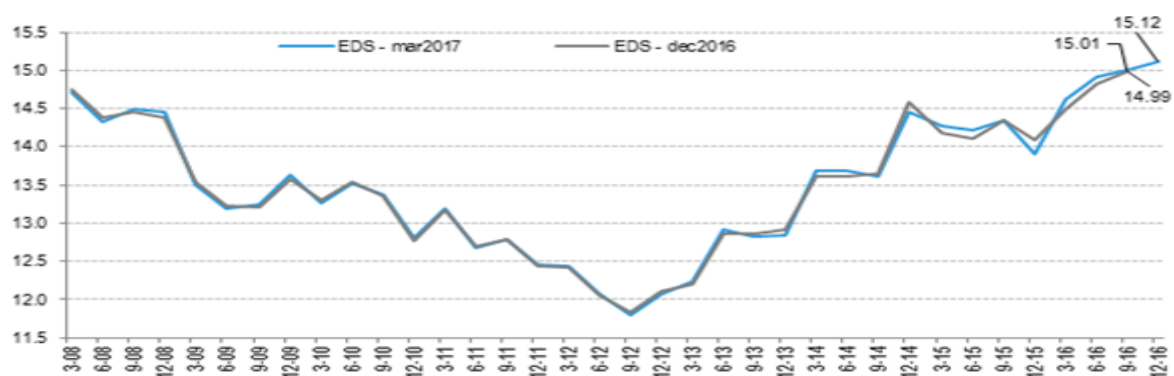


Figure 6: Effective VAT rate. Source: Slovak Financial Administration

Financial administration was able to improve its' performance as a result of introduction of VAT listings. Since 2012 tax audit findings have increased and that is mostly due to increases in VAT audit findings. At the same time the number of tax audits has decreased while the average finding per audit increased almost 4 fold.

Table 2: Slovak audit statistics, 2012-2016. Source: Slovak Financial Administration.

Slovak Financial Administration	2012	2013	2014	2015	2016
Tax audit findings (in thous. EUR)	525 096	573 215	646 893	647 293	701 364
Of that VAT audit findings (in thous. EUR)	305 212	379 169	490 458	516 801	582 001
Effectivity of tax audits (%)	41,6	42,4	46,9	41,6	43,6
Number of tax audits	16 053	13 059	12 488	10 417	11 832
Average findings per 1 audit (in thous. EUR)	33	44	52	62	123

8.12 Spain

8.12.1 General description of the system

Current VAT management system has been in place for more than 30 years. Until 1st of July 2017 in Spain there were four informative statements for VAT control:

- Annual VAT statement (Form 390) that summarizes all taxable transactions performed and received in the preceding year by taxable persons. This statement doesn't identify the customers and suppliers of the taxpayer.
- Annual Information statement of transactions with customers and suppliers (Form 347) where domestic transactions are summarized per trading partner. All transactions with one person or entity exceeding € 3,005.06 (VAT included) must be listed.
- Informative statement of VAT records (Form 340) - monthly form listing issued and received invoices, investment goods and certain Intra-EU operations.
- Recapitulative statement of intra-EU transactions (Form 349).

Starting from 1st of July 2017 form 340 has been replaced with a new Information Supply System known by its Spanish initials as SII. In addition, this new system is compulsory for some of the taxpayers that submitted the form 347.

The purpose of the SII system is to enable Spanish Tax Agency (AEAT) to obtain real-time information on the transactions and to improve tax control. Taxpayers not included in the SII continue to submit the form 347. Further description of the Spanish approach is centred on the annual statement (form 347) and the new SII system.

Reporting rules and filing – Annual statement (form 347)

Taxpayers must report in the annual return all persons or entities, with whom they have carried out operations⁵⁷ that as a sum for each person or entity exceed EUR 3,005.06 during the corresponding calendar year. Deliveries and acquisitions of goods and services are computed separately. These operations must be split per quarter by taxpayers in order to obtain more information about these.

Form 347 is not a part of the VAT return and covers different period. Data control checks between form 347 (annual submission) and VAT return (monthly or quarterly submission) are a part of the risk analysis procedures.

Reporting period: yearly

Who: This statement is compulsory for businesses (entrepreneurs and professionals; natural and legal persons) and public entities except those included in the SII.

What: Total amounts, in euros, of every operation made with each person or entity. Type of operation (e.g. A: purchases, B: sales, E: subsidies, etc).⁵⁸ Description of data reported can be found in Chapter 7.

⁵⁷ The concept of operations includes supply of goods and services as well as acquisitions.

⁵⁸ Compensation and insurance premiums, royalties collected on behalf of its members, money received in cash for an amount exceeding of €6,000 and the amount or real state transactions shall be entered separately.

When: The statement must be submitted from 1 to 28 February of the following year.

Threshold: Transactions are summarized per trading partner with all transactions with one person or entity exceeding € 3,005.06 (VAT included) having to be listed.

Public sector and companies are required to submit the statement electronically using an electronic certificate. Natural persons can use an electronic certificate or Cl@ve PIN⁵⁹.

There is a set of pre-validation checks, which help the taxpayer to reduce mistakes. The system highlights anomalies detected. Quality controls are done to correct mistakes in the Tax Identification Number of customers and suppliers.

Reporting rules and filing – SII

SII keeps VAT records on the website of the AEAT and includes the invoice register details. The reporting rules are as follows:

Reporting period: the invoice must be submitted within four days⁶⁰:

- After the invoice was issued for issued invoices.
- After the invoice was registered for received invoices

What: description of data reported can be found in Chapter 7.

Who: Immediate Information Supply System is mandatory for:

- Large companies (turnover exceeds EUR 6,010,121.04)
- VAT group entities
- Taxable persons registered in the REDEME (Monthly VAT Refund register)
- The new system is voluntary for all other taxpayers.

Thresholds: None

Electronic submission is compulsory for all liable persons. The information is sent electronically using Web Services based on XML message exchanges. For small number of transaction the online form can be filled manually. To ensure data quality there are some mandatory validations. When those fail the entire request is rejected. Other errors will result in the invoice being rejected but the rest of the invoices included in the request will continue to be processed.

8.12.2 Compliance aspects of VAT listings

Taxpayers included in the SII must adapt their software to the system. Cost depends on the software providers. The information required to be provided is be the same as that currently recorded in the VAT Books and certain additional information on invoices. At the same time, compliance costs are expected to be reduced as taxpayers will not have to submit Forms 347, 390 and 340.

Savings from of these reductions in the administrative burden are estimated at:

⁵⁹ A password issued for a brief time (usually 24 hours or less), targeted at occasional service users.

⁶⁰ During the transition period for invoices issued from July 1 and December 31, 2017 this period will be 8 days. Four days do not include Saturdays, Sundays and bank holidays.

- Not having to submit Annual VAT statement (Form 390). 62,000 taxpayers x (€500 +€2) =€31,124,000.00
- Not having to submit Information statement of transactions with customers and suppliers (Form 347). 62,000 taxpayers x (€500 +€2) =€31,124,000.00
- Not having to submit Information statement of VAT records (Form 340) 36,534 taxpayers x (€500 +€2) =€18,404,733.00

In general, VAT listings have positive effects on business because they ensure fairness of the business environment and lower compliances costs. AEAT believes that there are additional benefits that SII system should provide to taxpayers:

- Information from thirds parties will be made available in AEAT online system through "Fiscal Information" containing "filed" and "compared" Record Book. Taxpayers can check this information before submitting their monthly VAT return and correct mistakes made in the register details sent without having to be required to do so by AEAT.
- Decrease of information inquiries by AEAT, since many of the current inquiries are requesting the registration books, invoices or data contained in them to verify certain operations.
- Reduction in time it takes to refund VAT, as AEAT has detailed information in near real time.
- For the taxpayers included in SII the deadlines of submission and payment of VAT are extended by 10 days (the first 30 days of the following month currently vs the first 20 days).

To further reduce compliance costs the website of AEAT provides a support program to help taxpayers to fill information statements as well as general information about these statements. Technical information on the SII is available on AEAT website (www.aeat.es). Furthermore, AEAT sent more than 89 million information letters to citizens. In addition there is a specific channel on YouTube which contains videos published by the AEAT. During the development phase stakeholders were consulted on the technical specifications of the system. The mandatory application phase for the SII begins on 1 July 2017. A voluntary opt-in phase began on 2 January 2017 for companies participating in a pilot trial.

8.12.3 Results/Outcomes

Form 347 has a positive effect on business environment but it has limitations:

- Data is not provided immediately.
- Data provided only by counterparty with a threshold of EUR 3 005.06.
- The form 347 is submitted from 1 to 28 February of the following year so customers and suppliers can agree to submit the same false information.

The SII allows obtaining information in real time and contributes to better tax control and fairer business environment. It makes it more difficult for fraudsters to collude and present the same false information. It is still early to estimate the impact of the new system. The Spanish Government estimates that the collection of VAT might increase by 700 million euros divided between 2017 and 2018. Advantages for the taxpayers included in the SII system have been mentioned in chapter 8.12.2. The SII system has the following positive benefits for AEAT:

- Good-quality data in a near real time.
- More complete dataset compared to Form 347.

- Improving tax control and quicker and more effective checks of tax returns.
- Faster refunds when both customer and supplier are covered by the system, since the information is crosschecked automatically.
