Future of VAT: Reporting and invoicing

IDSt Digital Transformation in VAT

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The process for the work at STA

Phase one
• What are the problems and what is the current situation in different countries?
• What are the ongoing developments?

Phase two
• What is the likely future and the possible scenarios for the future?
• What should we advocate and prepare to implement?
Important dimensions describing handling of invoices and VAT

- Reporting
- Transaction-based
- Real time
- Clearance
- Customer confirm.

Information intake
All (?) countries and tax agencies are moving in the same direction

From
- Aggregated data
- Reporting after long time
- Limited book-keeping
- Companies own data
- On demand
- Buyer or seller are reporting
- Information is protected
- Information is investigated
- Separated data sources

To
- Detailed data – like invoices
- Reporting in real-time
- Extensive data from different systems
- States store and have access to data
- Continuous reporting
- Both parties, and third parties are reporting
- Information is shared
- Information is stored
- Network analysis
Conclusions – from the first phase of the work

- The development towards increased information collection in Europe and around the world is faster, broader and less coordinated than what we have understood earlier.
- Different technology, content, and timing of data collection increase complexity and costs for companies and limit coordination between tax agencies.
- E-invoicing is a key enabler of efficient handling of VAT, automation among companies, and digitalized information chains (compliance by design).
- There should be a high priority for more and better tools to combat MTIC.
- The government strategy "digital first" needs to be more evident in the legislation work, not least to secure verifications and processes.
- The Tax Agency will soon and over time need to handle larger data sets that requires more competence and tools to handle Big Data.
- Transaction Based Reporting will probably be a reality in Sweden within five to ten years. This will imply larger data volumes than we have handled to date.
Questions for the second phase

• What can make e-invoicing widespread in Sweden and other countries? Is there an alternative to regulating mandatory e-invoicing to make this happen?
• Is there any alternative to Peppol?
• The estimated benefits from e-invoicing based on estimates from the Nordics, Norway, Belgium, Australia would be between 1 and 2 billion Euro. Are there costs or problems for businesses? Can they be mitigated?
• What changes in legislation is needed for TBR and e-invoicing?
• How should we set up the IT-project for the implementation and what are the costs?
• In a scenario where we get “all” sales information in real time, what are the benefits for the STA, for businesses and society, from different TBR and e-invoicing models?
• How to contribute to this development in Sweden and the EU
The Peppol model
The Peppol CTC model

- **SUPPLIER (SNDER)**: C1
- **BUYER (RECEIVER)**: C4
- **C2 SERVICE PROVIDER**
- **SML**
- **SMP**
- **CS**
- **PEPPOL.IS**
- **TAX DATA**
- **CLEARED INVOICE**
- **INVOICE**
- **Regulated**
- **TAX ADMINISTRATION DATA VAULT**
More actors will see great benefits with access to the data – if allowed by the buyer/seller

Banks
Accountants
Tax accountants
Insurance Co
Bookkeeping Co
ERP-system Co
Tax Agencies
Other public agencies
Other companies
The model will be extended to new types of information and more processes – even those not present today

- Invoices
- Simplified invoices
- Product catalogues
- Orders
- Purchase to Pay
- Order to cash
- Other communication that can benefit from this way of communication, for example those who need encryption
The likely future

- TBR of cross border regulated by the EU
- TBR on domestic invoices regulated in Sweden and in most countries within the EU
- Most countries and businesses will favor Peppol
- Mandatory e-invoicing in Sweden with Peppol

- Real time?
- EDI?
- Storage and use of data?