TAX TRIBUNE

MAGAZINE

CYPRUS TAX
DEPARTMENT – OUR WAY AHEAD

LEADING BY KNOWLEDGE
IN FINLAND

HUNGARY:
THE CUSTOMER HAS THE
RIGHT TO KNOW

SOFTWARE FISCALISATION
IN BULGARIA

CROATIA:
TAXATION OF THE DIGITAL
ECONOMY

RECEIPT LOTTERY
IN LATVIA

REAL-TIME INVOICE
REPORTING IN HUNGARY

LITHUANIA:
VIRTUAL ASSISTANT SIMAS

CONTENTS

ANNA FANTAROU

CYPRUS TAX DEPARTMENT – OUR WAY AHEAD

by Anna Fantarou External Communication Manager, Cyprus Tax Department

The Cyprus Tax Department was established on 1st July 2014 as a result of the integration of "Inland Revenue Department" and "Value Added Tax (VAT) Services", which till that time were operating under two separate, independent administrations.

The integration of the two Departments was deemed necessary not only for the purpose of streamlining the public administration, but also to provide better services to the taxpayers through the simplification of the procedures and the modernization of the information systems.

The integration of the two Departments led to a lot of challenges, not only for the Taxpayer but also for the management of the newly established Tax Department, with the main ones being the:

- **Creation of a new culture**
- **Creation of an efficient organizational structure**
- **Reengineering of Procedures and Processes**
- **Establishment of new information systems**
- **Accommodation of colleagues in integrating workplaces/premises**
- **Establishment of a legislative framework to accommodate the needed changes**

From the above, one can understand that these changes could not happen all at once; it takes time as people need to be retrained so as to reach the desired levels of effectiveness and efficiency.

To that end, we would like to share with you our latest achievements at the Cyprus Tax Department:

1. The Relocation of work, from five (5) different premises to one single new building in Nicosia; the largest district in Cyprus, both in terms of revenue generation and workforce.

All of our colleagues in the Nicosia district are now working together, upgrading the quality of the services provided. Relocation is progressively being achieved starting with smaller Districts (Famagusta and Larnaca).

2. The signing of a contract (beginning of November 2020) for an Integrated Tax Administration System, to implement a Commercial off-the-shelf (COTS) system named **"Tax For All - TFA".**

It is one of the biggest and most important IT projects ever to be implemented in Cyprus with a timeframe of 3 years of staged implementation, expecting to be fully implemented by October 2023. Integration has not yet been completed.

The electronic services provided are being continuously upgraded, the legislative framework is empowered, tax revenues and voluntary compliance are improving.

We have just started.

Stay with us.

TIMO LAUKKANEN

LEADING BY KNOWLEDGE: SHARED GOALS AND TRANSPARENT INFORMATION

**by Timo Laukkanen, Director, Strategy Realization Office
Finnish Tax Administration**

The Finnish Tax Administration has renewed its operating model to enable and strengthen two central capacities: 1) agile and continuous improvement and 2) flexible use of resources. The main driver that leads our new operating model is renewal in general, and more specifically, self-directedness that is goal-driven and based on information.
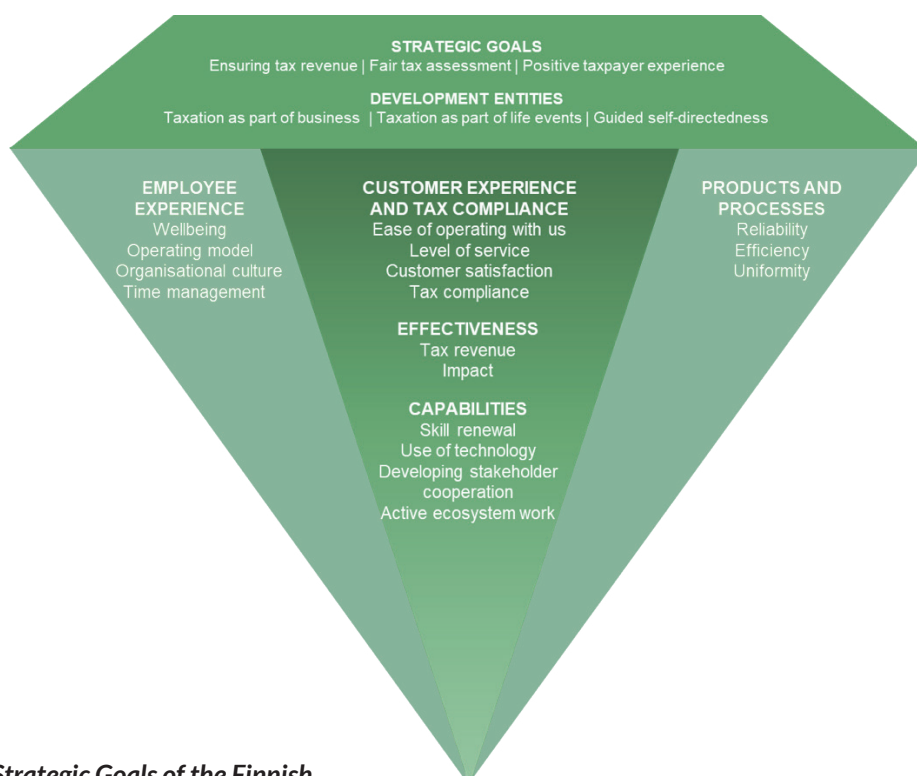
The basis for our way forward is our strategy. It sets out the most important goals we are trying to achieve, and the ways we are going to get there. To be able to lead the whole organization by knowledge, the strategy needs to be broken into measurable goals. The aim is to make sure that every part of the organization works towards the same goals and moves into the same direction. Therefore, leading by knowledge essentially means connecting the dots between the everyday work of individual teams and the larger goals of the organization. With self-directedness, we aim at being fast and agile, in reacting to the changing needs of our customers and the constant change of our environment. Our teams have the mandate, and the responsibility, to participate in the planning and developing their own work. Everyone knows what the team's objectives and measures mean in their everyday work life. Each team decides how they strive to reach the goals within the boundaries of standardized processes.

The direction for our actions comes from the shared goals, and we aim to base all our decision-making on information. In order to do that, we have digital "status centres", which provide transparent and unified metrics for the teams on every level of our organization. The status centres contain a vast amount of information on our operational progress and results, currently standing at approx. 9 billion data points.

Each team has their own view of the information, based on their goals and needs, but the basic data is the same. Top management's status centre provides a high-level view, making it possible for the top management to see the big picture and to make strategic decisions. Different units, processes and individual teams also have their own status centres, which focus on the relevant information from their perspective: how they are doing on e.g. work progress, employee experience and work culture.

Weekly status centre meetings allow teams to discuss how work is progressing, identify barriers to development, and give and receive feedback. With the basis, which these status centres form, top management can track our joint progress towards strategic goals and, therefore, better lead the organization by knowledge.

STRATEGIC GOALS
Ensuring tax revenue | Fair tax assessment | Positive taxpayer experience

DEVELOPMENT ENTITIES
Taxation as part of business | Taxation as part of life events | Guided self-directedness

EMPLOYEE EXPERIENCE
Wellbeing
Operating model
Organisational culture
Time management

CUSTOMER EXPERIENCE AND TAX COMPLIANCE
Ease of operating with us
Level of service
Customer satisfaction
Tax compliance

PRODUCTS AND PROCESSES
Reliability
Efficiency
Uniformity

EFFECTIVENESS
Tax revenue
Impact

CAPABILITIES
Skill renewal
Use of technology
Developing stakeholder cooperation
Active ecosystem work

Strategic Goals of the Finnish Tax Administration

KATALIN SZIKLAI

THE CUSTOMER HAS THE RIGHT TO CLARITY

by Katalin Sziklai, Expert, Communication Department
National Tax and Customs Administration, Hungary

Informed customers are more likely to be compliant customers. They are less likely to ask questions and make mistakes because they understand exactly what to do, how to do it and why. Simple communication following taxpayer logic can also reduce the number, length and complexity of cases. Recognising this correlation, the National Tax and Customs Administration of Hungary (NTCA) launched its Clarity Programme in 2019. In this article, we present the best practices of the Hungarian tax authority's work on clarity.

How did it begin?

It all started in 2016 with a pilot training course for customer information specialists. In this pilot training module, we first developed a set of principles of comprehensibility to help "translate" and simplify official professional communications and language.

What started as an isolated project had grown into an institutional programme by 2019. Its introduction was preceded by serious research: we examined international and national initiatives and trends, signed a cooperation agreement with the Hungarian Language Strategy Institute and, together with linguists, we identified the problems by analysing the text types and communication situations of the tax authority. Once we saw where intervention could and should be made, we developed the basis for a coherent programme.

Why are we doing this?

In the long run, the NTCA's Clarity Programme aims to achieve nothing less than the simplification of the Tax Authority's external communication, making all texts addressed to taxpayers more understandable and transparent.

In our view, clear communication is not a convenience, but a fundamental right of the customer. They need easy-to-understand information to fulfil their obligations just as much as they need a well-functioning tax return completion software.

As well as increasing customer satisfaction, clearer communication can also shorten and simplify cases, saving time and manpower for the tax authority.

How are we doing this?

We started with awareness-raising: in thematic events, with the help of expert speakers, linguists and representatives of partner authorities, we presented the why and how of the clarity efforts to senior managers of the Tax Authority. This was complemented by an internal communication campaign to change attitudes, to ensure that staff were as widely aware as possible of the programme's aims and expected benefits. We regularly feature the issue in our internal publications, presenting good practices, successes and difficulties of the programme.

Pillars of the programme:
- **Awereness - raising**
- **Assistance**
- **Training**
- **Community**

Pillars of the programme

We established the Office of the Clarity Programme, which is responsible for the coordination and strategic planning of the programme within the NTCA's communications speciality. We have integrated a comprehensi-

Communicating clearly

bility check into the NTCA's external communication process, which means that all communications addressed to customers undergo a comprehensibility review before publication. We have produced easy-to-use, practice-oriented guides to help colleagues learn how to write in plain language. Spelling glossaries, step-by-step transcriptions, and a deck of cards with tips on clarity and drafting - we support staff development with publications like these. We have set up a menu on the Office's intranet site where all the help is available in one place.

active workshops, where participants can gain real experience of using clearer language by jointly adapting and simplifying a piece of official text. The Programme Office also provides regular online advice to help people approaching them with specific problems.

Volunteers committed to the cause were recruited to form the National Network for Clarity. In almost all our territorial directorates, we have local people to whom they can turn, who will collect and channel local experiences and initiatives, who will help them to

applications, games, newsletters, and conceptual proposals.

Where are we now?
At the beginning of a very long journey. In recent years, the programme has made more than 17,000 pages of NTCA text more clear. Our communications have become more and more taxpayer-oriented, and our information is more consistent, simple and concise. We are also working to make decisions taken by the authorities easier to understand while maintaining the strict formal requirements for legally binding texts, decisions and rulings. We are planning to publish a tax dictionary, which will record the correct spelling of often very complex technical terms. We intend to set up an online language advisory service for immediate and efficient assistance.

Most of our relevant colleagues have already attended one of our training courses or consultations, but decades-old communication patterns and entrenched official language cannot be changed in a day or two, or even a year or two. That's why the focus of our programme development is on further training and further awareness-raising: we are always looking for new ways to reach staff.

Three of the programme's guides

We have launched a centralised training course on clarity, which gives hundreds of our staff across the country the opportunity to learn the theoretical basics and practical skills every year. Experts from the Office of the Clarity Programme regularly hold small-group consultations and interactive

adapt the programme successfully. We have set up a clarity award to bring to the surface the best ideas from our staff of 18,000. Cash prizes have been awarded for the best entries, and we are currently working to incorporate elements that can be used in the programme - automatic text correction

Clarity consultation

ROSEN BACHVAROV

SOFTWARE FISCALISATION IN BULGARIA

by Rosen Bachvarov, Communication Director
National Revenue Agency of the Republic of Bulgaria

Software Fiscalisation in Bulgaria. Is it possible to report sales without cash a register?
Sales reporting is one of the key issues for most tax administrations worldwide. Especially unreported sales, which remain out of reach in terms of taxation. Cash registers have undergone significant evolution during the last 30 years. The issue is becoming particularly important especially nowadays, with our everyday life intertwined with the Internet-of-Things, where electronic devices outnumber people and we experience the whooshing upward movement of e-commerce.

Evolution of cash registers

20 years ago the standard cash registers were electronic devices with two important characteristics – a physical fiscal memory, difficult to be manipulated and independent in terms of power, and a physical device located on-site at the point of sales and accessible for every tax inspector. These characteristics, combined with the efforts of tax authorities to encourage people to ask for and keep their cash receipts, were seen as a way to improve tax compliance. Many changes have taken place since then and much more is expected from tax authorities nowadays.

Bulgarian experience in sales registration

Electronic cash registers with fiscal memory were introduced in 2000 becoming mandatory for businesses working with cash. Since then a paper cash receipt has been issued for each cash payment and violations have been penalized – fines have been imposed on both trader and client. There have been incentives as well – a cash receipt lottery with big prizes and communication campaigns explaining the importance of correct turnover reporting.

Since that time, 350 000 fiscal devices have been in operation and, no doubt, the introduction of cash registers has had a positive effect on the level of compliance.

In 2011 cash registers, which transferred data directly to the servers of the revenue agency, were introduced in Bulgaria, and this was done through the network of mobile operators. In this way, the possibilities for data manipulation were further reduced, and the data collected by NRA increased in volume and its processing became easier. Later a QR code was introduced on cash receipts allowing buyers to verify them through a mobile application of the National Revenue Agency as a way of public control.

In 2020, sales reporting through the so-called audit file, digitally transmitted, was given as a possibility. It is an option designed especially for e-shops that use card payments and submit a standardized audit file to NRA once a month. It is not mandatory for them to issue paper cash receipts.

Today, NRA's Team, together with business organizations, the IT community, financial software developers, and many other professionals in Bulgaria are working on e-trade software fiscalisation project, in order to respond to the technological changes, changes in consumer behaviour, and the challenges for tax control.

What is software fiscalisation

Software fiscalisation is a non-hardware fiscalisation. In other words, this is an instrument with no physical device, no fiscal memory or other hardware to guarantee the security and inalterability of information or physical access by tax inspectors. Instead, there is a specialized software, managing sales by generating an electronic document for each purchase, and sending fiscal data to the tax administration's systems in real-time. This is done via an internet Application Programming Interface (API), developed by the tax administration. The concept of software fiscalisation requires that e-shop owners enroll for the service through a standard web-service portal using e-signature. Upon approval, the software sends fiscal data to the users and to the tax servers through a pair of keys (known as PKI) infrastructure. Each transaction needs prior approval by the tax server and there is a grace period for operation in cases of Internet problems, network issues, or other technical difficulties.

Thus, the consumers have their e-documents, the tax authorities have real-time fiscal information, and Internet trade has full automation without manual processes and failing hardware devices.

Who can use this model?
The Bulgarian tax authorities believe that this approach should be introduced as a pilot project in e-commerce – among more than 20,000 e-shops registered with NRA, focusing specifically on remote transactions. This will allow us to analyze the effects on tax compliance by assessing the costs and benefits for all stakeholders. This approach would also allow testing the technology and the potential risks. One successful pilot project would allow implementing the model in other economic sectors.

Software fiscalisation in Bulgaria. Sounds good, but is it ready yet?
Not yet. At present, the joint team has defined the business requirements, technological rules, data transfer mechanisms, information protection and necessary legislative changes as well as the expected investments by the revenue agency. In the coming months by the end of the year, the process of technical details description should be finalized and legal changes should be adopted. The optimistic planning envisages software fiscalisation to be a fact by the end of 2022.
However, not everyone is happy with this project. Producers of conventional cash registers very often share their concerns that software is something intangible and might or might not report all sales. The truth is that technologies evolve incredibly fast and it is a must for tax administrations to keep up with the changes.
The lessons learned by the revenue agency, in general, are three-fold:
· **Joint work and cooperation with the business and the IT community are far more productive than unilateral enforcement of the law;**
· **Open technical solutions for support and encouragement of tax compliance are far more effective than sanctions and fear;**
· **A small-scale pilot project is required to allow for an assessment of advantages and risks.**

The future will show how effective this model can be.
Nevertheless, the cooperation between business, government and technical experts is a clear sign that tax control should change and adapt faster and deeper to be smartly fitting to the surrounding world.
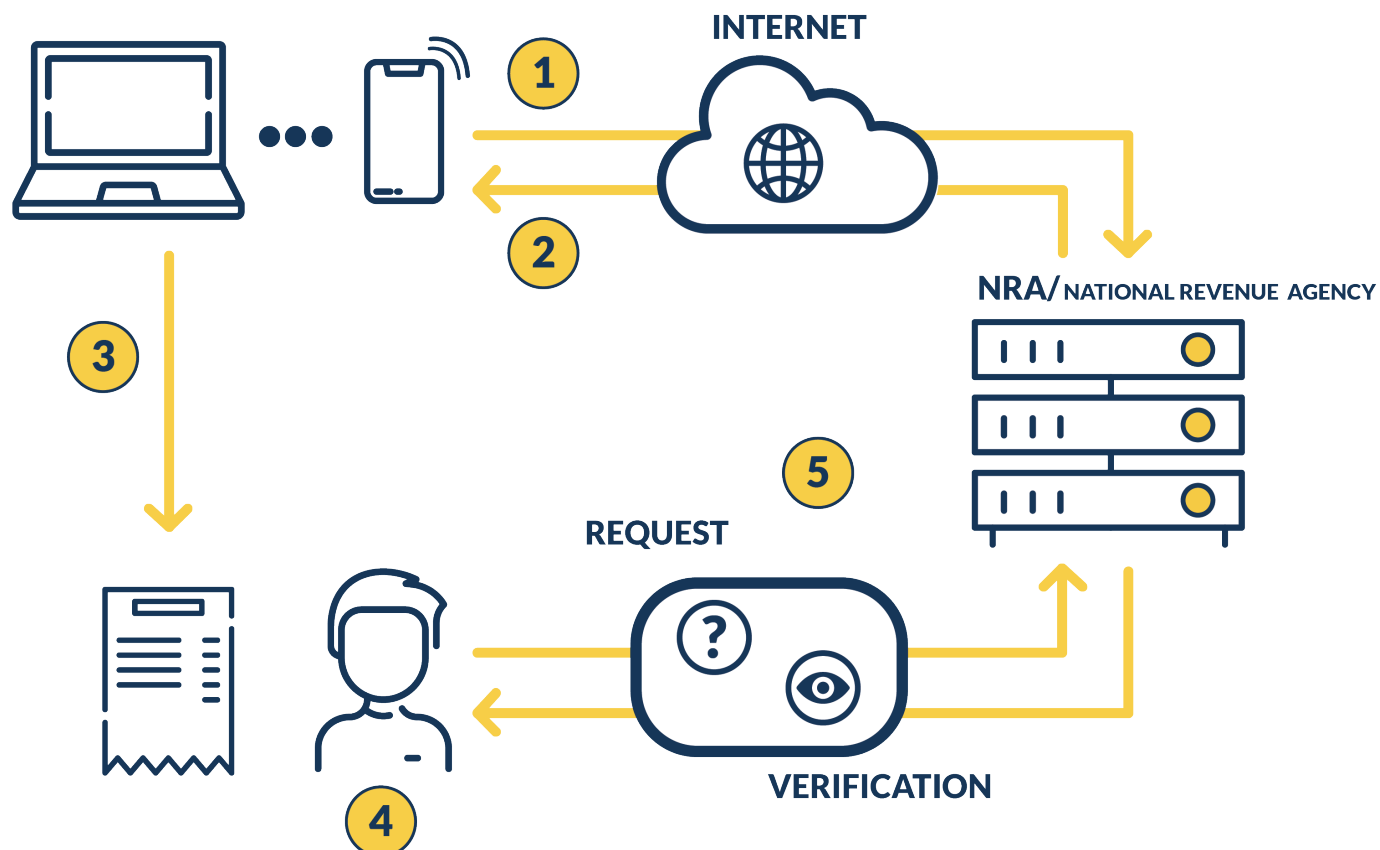
NRA, Headquarters, 2021
*(Headquaerters of the National Revenue Agency, 2021)*

DAVOR BURIĆ

TAXATION OF DIGITAL ECONOMY - CROATIAN APPROACH

**by Davor Burić, Croatian Tax Administration
Central Office, Taxes and Audit Support Department**

Globalization and the development of technology, such as the Internet and smartphones, have enabled consumers to purchase goods and services around the world. Consumers are monitoring and evaluating delivery, services, prices and especially requirements on privacy when buying goods and services online. Business models based on intermediation in the purchase and sale of goods over the Internet are developing daily by connecting a large number of buyers and sellers through online platforms. Different business models have made it possible for small retailers to multiply their business opportunities globally.

In cases where goods and services are traded through the internet across borders, EU Member States levy VAT and customs duties, and any amount of unpaid tax affects Member States' budgets and, indirectly, the EU budget.

Web sales to own country and other EU countries, 2018
(% enterprises)

Legend: to own country · to other EU countries · web sales
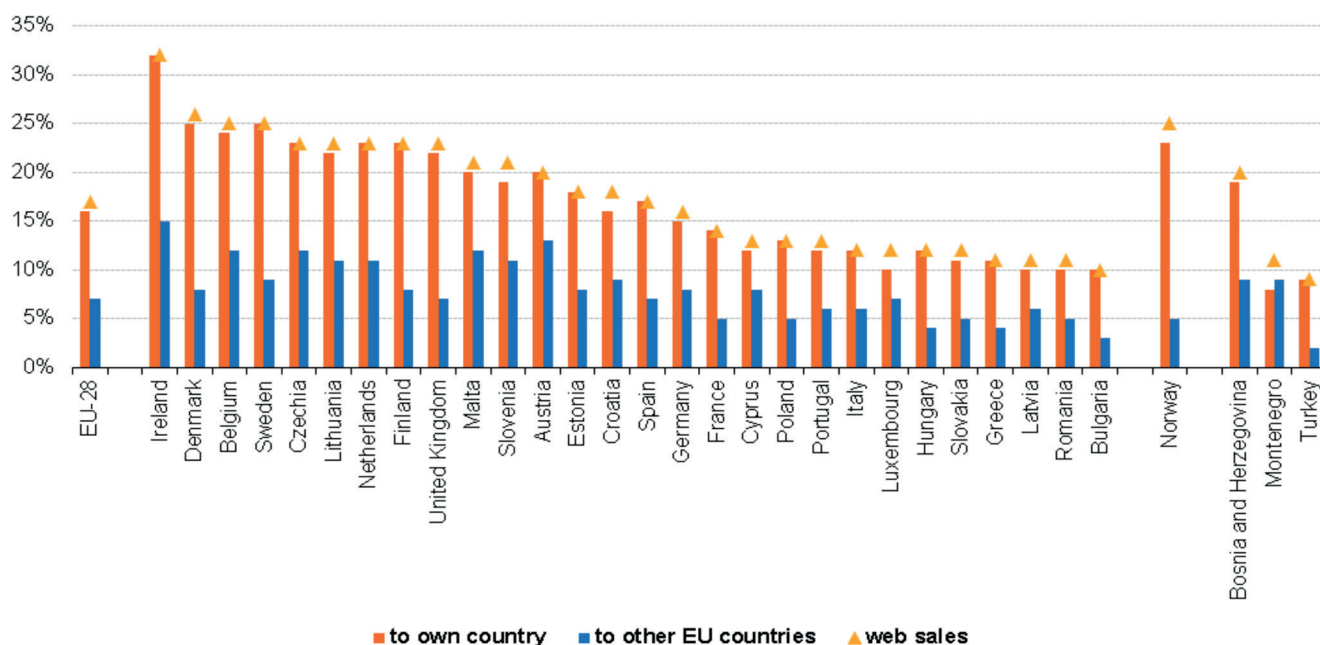
Not available: Iceland (no data), web sales for Serbia (unreliable), North Macedonia (no data)
Source: Eurostat (online data code: isoc_ec_eseln2)

eurostat

As tax fraud techniques have grown more sophisticated, Tax Administrations are under pressure to deploy more powerful methods to stop fraudulent behaviour in order to stop and prevent these kinds of activities.

A combination of data collected from third parties and the use of various tools, and developing systems for risk analysis and predictive analytics provide a method for tackling these problems. Instead of auditing more returns, it is possible to aggregate and consolidate data that Tax Administrations already collect from various sources.

Legislation concerning e-commerce in Croatia

Special **Law on e-commerce** defines services of information companies and entities as services providers electronically for a fee at the individual request of a user, in particular the internet sale of goods and services, provision of information on the Internet, Internet advertising electronic search engines, ability to search for data, services transmitted through an electronic network, media network access, and storing of user data.

The Law on e-commerce also provides that the Court or Public Administration body responsible for conducting supervision of e-commerce (competent authority) may, in proportion to the objective, take measures to restrict the provision of services for providers established in the EU, for the purpose of preventing, investigating, detecting and prosecuting the perpetrators of criminal offenses, public security, including defence and national security, consumer protection, and including investors.

General Tax Law gives power to the Croatian Tax Administration to request taxpayers to provide access to data that, directly or indirectly, has an impact on determining their tax base, such as network data, online data and

information stored on computers, regardless of where it can be found. The tax authority can undertake measures in order to secure evidence, such as listing or seizing computers and other equipment containing data, as well as by copying network data, online data and data stored on computers or other equipment.

Risks in area of e-commerce[1]

The area of e-commerce in which web platforms are used to buy and sell goods (indirect e-commerce), is still affected by several fraud phenomena at EU level. The sale channels most exposed to risk-fraud are those used by subjects operating via the internet, through:
- **web marketplace platforms;**
- **e-commerce platforms with affiliation;**
- **specialized online sales sites.**

The key risks for VAT taxation in the field of e-commerce are mainly related to:
- **no registration of the seller in the MS of taxation,**
- **hiding the real value of the sales,**
- **hiding transactions related information by involving third parties (couriers, e-payment providers)**
- **and involvement in MTIC/Carousel fraud.**

Detection and identification of the players are highly dependent on access to the necessary data and information. Also, in order to correctly tax a business, it's important to get information about the turnover, to quantify its activities.

There are two types of information sources in this respect:
- **web resources – use of special software or tools to extract and analyse data and identify businesses involved in e-commerce**
- **third party information – this information is very useful to identify the players, the real**

volume of the business, and the real beneficiaries of the trades. Third-party information includes information from couriers/logistics companies, information from marketplaces, information from payment services providers (PayPal), banking transactions, credit card data, information from websites hosting companies and service providers and other information.

Projects of monitoring and auditing e-commerce activities in Croatia

In 2017 the Croatian Tax Administration started projects monitoring and auditing various business activities performed on the Internet, prepared by a dedicated team of advisers and inspectors within the Tax Administration.

A project of checking of internet activities in the area of accommodation - started in April 2018:
- **Comparing data from VIES (EU VAT declarations system) and recapitulative statements submitted in Croatia**
- **Comparing data received from platforms for their taxpayers performing accommodation through platforms with VAT registration in Croatia**
- **Analysis of taxpayers (lump-sum income tax) with the largest difference in VAT between data from platforms and declared income (on beds & apartments) and VAT**

Results were that around 85% of taxpayers voluntarily changed their tax declarations (VAT and income) and paid the difference. For non-compliant taxpayers, audits were opened and in most audits additional VAT was charged.

The most significant result of the project was a turnover increase between 2017 and 2019 of around 200%, accompanied by an increased number of declared taxpayers.

---

[1]Multilateral Control Platform – Fiscalis Group (FPG/005), Subgroup on Multilateral controls on e-commerce, 2019 Good Practice
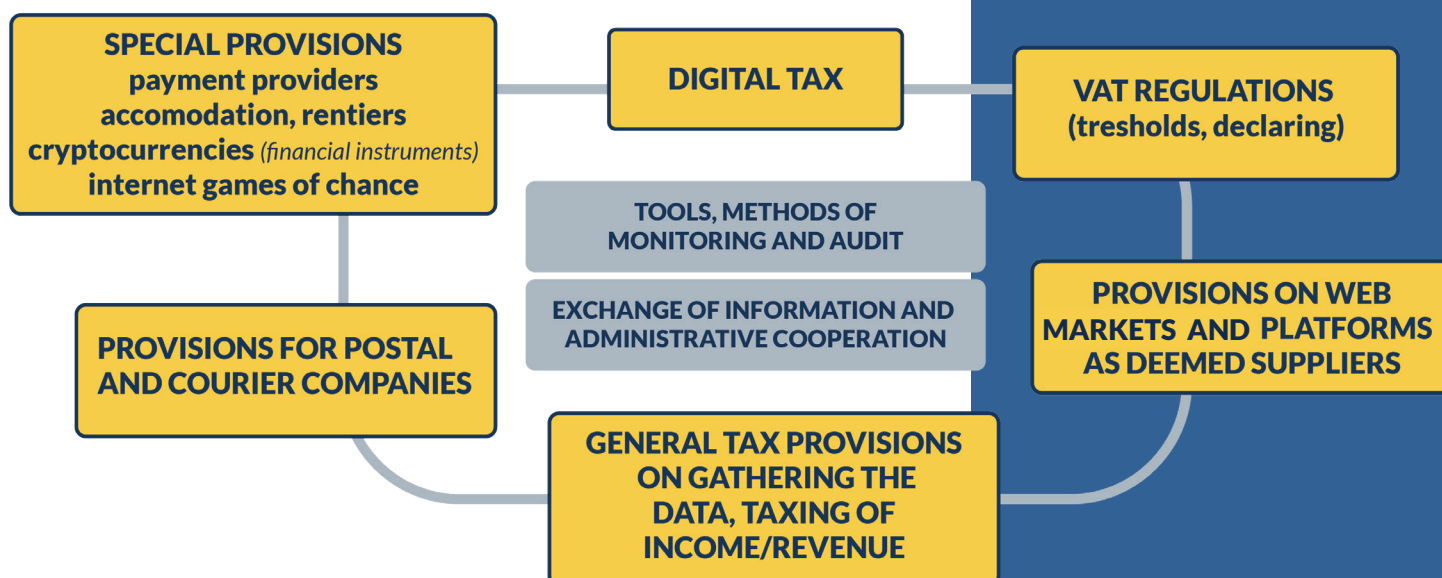
Other ongoing activities concerning e-commerce:

· **Pilot project checking the activities of taxpayers selling goods and services through social networks**
· **Further activities of checking of renting & accommodation by audit of taxpayers registered in E-Visitor (database of rentiers and visitors held by Croatian Tourist Board) as non-commercial customers**
· **Checking of renting & accommodation through other platforms (around 25 other platforms are in process of checking)**
· **Checking supplies of goods – deliveries by postal and courier companies (through international cooperation and exchange of information).**

Approach to e-commerce

Monitoring and control of e-commerce require a multidisciplinary approach which includes legislative changes, enhancement of skills of auditors and other specialists, and acquisition and training on tools and techniques in order to select risky taxpayers (risk analysis) and determine their tax treatment.

In addition, it is necessary to monitor the development of e-commerce, as well as experiences and activities of other countries and international bodies (EU, OECD and others), including new legislative solutions, in order to respond to the rapid development of e-commerce and regulate taxation of this area.

SPECIAL PROVISIONS
payment providers
accomodation, rentiers
cryptocurrencies *(financial instruments)*
internet games of chance

DIGITAL TAX

VAT REGULATIONS
(tresholds, declaring)

TOOLS, METHODS OF MONITORING AND AUDIT

EXCHANGE OF INFORMATION AND ADMINISTRATIVE COOPERATION

PROVISIONS FOR POSTAL AND COURIER COMPANIES

PROVISIONS ON WEB MARKETS AND PLATFORMS AS DEEMED SUPPLIERS

GENERAL TAX PROVISIONS ON GATHERING THE DATA, TAXING OF INCOME/REVENUE

ARTA KRĒSLINA

RECEIPT LOTTERY - TAX COMPLIANCE INITIATIVE IN LATVIA

Arta Krēslina, Receipt Lottery project coordinator
State Revenue Service of Latvia

Taking into account the experience of other countries in improving the tax payment culture and combating the shadow economy, a receipt lottery has been organised in Latvia beginning on 1 July 2019. Its purpose is to motivate citizens to demand receipts for goods or services, thus engaging them in the fight against the shadow economy and promoting the fair and voluntary payment of taxes.

ČEKU LOTERIJA

Receipt Lottery in Latvia

To participate in the lottery, Latvian residents may register transaction receipts), the value of which is at least 5 EUR, for goods and services received on a specially created website (www.cekuloterija.lv). In order to raise awareness of the importance of paying taxes among children and young people, there is no age limit for the lottery. Any Latvian resident who has registered a receipt for a transaction worth at least 5 EUR can participate in the lottery.

A ratio of 70:30 is used to determine the winner. All receipts are included in the lottery, but chances are that receipts issued for services rather than goods are more likely to win. This ratio was introduced specifically to encourage citizens to submit receipts from the service sector, which is more likely to engage in the shadow economy. The principles lof organising a receipt lottery are described in the Receipt Lottery Law [čeku loterijas likums]. The receipt lottery is organized by the State Revenue Service (SRS) in cooperation with technical solution provid-

er (Mobilly) and the State Joint Stock Company Latvijas Loto, which ensures the publication of results on television.

Latest news

Development of the lottery to comply with the current situation and attempts to make it more attractive to the population resulted in two new elements being added on 1 April 2021. The first is monthly thematic industry lotteries. SRS selects a specific sector each quarter, and participants can submit receipts for a special "industry lottery" and win three cash prizes of 500 EUR each month. Land passenger transport and vehicle repair and maintenance were selected as the first thematic sectors. This means that in April, May and June of this year, citizens are called upon to pay special attention to receiving a document for goods or services such as car repairs, annual maintenance, purchase of spare parts, or a ride in a taxi or some other carrier.

The second new development takes into account rapidly growing sales on

the Internet: as of 1 April, invoices for goods and services paid for via Internet banking can also be registered in the receipt lottery.

Prize fund

There is a monthly and annual draw. The total amount of monthly cash prizes is 30 000 EUR. Participants can win one of 35 cash prizes worth 100 EUR, three prizes of 5000 EUR and one prize worth 10 000 EUR. In addition, three cash prizes worth 500 EUR are drawn only from industry receipts every month.

Every month, in addition to the monthly cash prizes, 10 receipts are drawn and entered in the annual draw, in which the total cash prize fund is 70 000 euros: participants can win one cash prize of 20 000 euros, four cash prizes of 10 000 euros and

five cash prizes of 2000 euros.

An added bonus is the opportunity to win prizes provided by the participants of the In-Depth Cooperation Programme (SRS programme that includes especially honest taxpayers) – various interesting and useful goods and gift cards. By the end of 2020, 28 companies had offered a total of 469 prizes in the receipt lottery.

Citizen activity

The lottery has been running for almost two years with over 25 million documents registered. On average, 50 000 participants take part in the lottery monthly and around one million transaction documents are registered. Most participants and documents were registered in the first month of the lottery. The number of participants has decreased since then. In particular, citizen activity and the number of receipts registered were influenced by the restrictions imposed by the state due to the epidemiological situation.

Information and results

The information obtained through the receipt lottery is analysed: it provides an opportunity to identify taxpayers – receipt issuers – who violate the law and regulations. Various issues have been identified in the data, e.g. total transaction values declared in VAT returns are less than the total amount in receipts submitted to the lottery, VAT does not appear on the receipt, or receipts are issued by taxpayers whose economic activity has been suspended by the SRS. Preventative and promotional measures are taken based on analysis of data.

The data obtained is mainly used for preventative activities: the SRS invites companies to clarify tax returns. Over the last 18 months through preventative measures and thematic inspections, businesses have submitted 1441 corrected returns and declared additional taxes in the amount of 2 008 772 EUR; 51 thematic inspections revealed various types of violations, resulting in total fines of 25 620 euros. Thus, budget revenue has increased by 2 034 392 EUR (direct effect).

An indirect effect has also been taken into account: increased customer demand for receipts for goods and services has resulted in a more complete registration of business income in cash registers and more complete tax declarations. SRS calculations indicate that the preliminary indirect fiscal impact of the receipt lottery in the first year was 375 800 EUR.

~1 million
registered payment documents per month

~ 50,000
lottery participants per month

Receipt lottery results in 2019 and 2020

State budget revenue increased by more than 2 million EUR

Upon request by SRS, 1440 corrected declarations submitted

Total fines of 25 620 EUR applied

Changing society's habits

The purpose of the lottery is not only to generate additional revenue for the state but also to change society's habits regarding requesting and taking a receipt. To assess this, surveys of Latvian residents were conducted in January and September 2020, asking whether residents pay more attention to receipts after the start of the receipt lottery. Changing societal habits can take years or even decades, but the fact that approximately one in five respondents (21%) pays more attention to whether a transaction document is issued after making a purchase or receiving a service is to be welcomed.

One out of five

respondents have begun to pay more attention to transaction documents since the beginning of the Lottery

Receipt lottery – an effective tool

The receipt lottery provides SRS with extensive information, which can be used for preventative and promotional activities. The lottery can be viewed as an effective tool in SRS tax administration measures. It is an atypical, yet effective method that has succeeded in promoting the public's understanding of the details of documents that verify transactions as well as the importance of paying taxes.

The current plan is to continue the receipt lottery until the end of 2021. Whether the lottery will be continued next year will depend on the activity of the population and revenues gained.

SZABOLCS PÉTER CZÖNDÖR

REAL TIME INVOICE REPORTING IN HUNGARY

by Szabolcs Péter Czöndör, Head of Department
National Tax and Customs Administration, Hungary

The last few years have seen the introduction of a whole range of digital tax solutions across Europe. These digital solutions are not necessarily independent of each other, there is a very typical trend. In Hungary, this process started with the introduction of online cash registers, followed by the introduction of the EKAER system for the provision of data related to road freight transport (Electronic Public Road Trade Control System), and offering a prepopulated personal income tax returns can also be mentioned as examples. The real time reporting of invoice data, which in Hungary is embodied in the Online Invoice System, also fits into this range.

If you look at digital solutions in different countries in the EU, you will find more places offering transaction-based invoices, real time data reporting like the Hungarian Online Invoice solution. Spain and Italy are good examples. The obvious advantage of this solution is that tax administrations using them can react much faster and more efficiently to certain tax risks. The Hungarian tax administration has not only considered invoice data reporting as a new obligation, but has also had emphasis on the services related to the Online Invoice System from the very beginning.

The services of the Online Invoice System include the free invoicing program commissioned by the tax authority and the mobile application, which is available to all Hungarian taxpayers. The Online Invoice System also provides a significant service to accountants by storing the invoice data in the system available for retrieval on both the invoice issuer and the customer side. This means that the entry of supplier invoices in the books can be significantly automated through a proper accounting process and the time and capacity spent on data entry can be

significantly reduced. All the tax administration had to do was to share the data with the taxpayers. The Online Invoice system has significantly increased the overall level of digitalisation of Hungarian businesses indirectly and has also increased the use of electronic invoicing.

Digitalisation is not only seen as a positive trend, many question its future implications. Doubts have been phrased about its pace and also about the process as a whole. Accountants and tax advisers fear that they will have less work and their expertise will be less needed. In a world described by algorithms, in the end, the accounting process could essentially be a job done by machines.

The future is not necessarily black or white, however. It is very difficult to digitalise all processes currently managed by people. Human intelligence has to remain in this world. It is now clear that the introduction of the Online Invoice System has transformed the everyday life of businesses, as well as the accountant and tax advisor community. Digitalisation is no longer just a buzzword, it has become tangi-

ble in daily practice.

Development of the Online Invoice System

The Online Invoice System is a proven solution developed through continuous and collaborative learning, but it is not the secluded work of a few people. For the tax administration, it was very important to strike a healthy balance between obligation and service. It is perhaps the first tax administration solution that started as a liability, but the service perspective was equally important during the implementation. For companies today using these services, the Online Invoice System is not just an obligation, but an essential element of their digital processes.

The reporting obligation started on 1 July 2018, with at that time the reporting obligation for invoices issued to domestic taxpayers with a tax amount exceeding HUF 100,000. Subsequently, the obligation was continuously extended in 2020 and then again in 2021, so now all invoices issued by Hungarian taxpayers are subject to the data reporting.

The basic technical background of the system has not changed since 2018, but the data structure has undergone changes. This is partly due to changes in legislation and partly due to suggestions made by taxpayers to the tax administration. In the Hungarian public administration, the Hungarian National Tax and Customs Administration (NTCA) was the first organisation that used the GitHub forum to engage directly with customers and software developers. Many suggestions made during this dialogue have been incorporated into the system.

How the Online Invoice System works

The requirement to disclose data is twofold, it is an obligation on the part of the taxpayer on the one hand and an obligation for the software on the other. This means that if a business issues an invoice from a manual invoice pad, it has a maximum of four days to upload the invoice data to the tax administration's system. In case of an invoicing software, the data reporting is not a requirement of the person but of the machine. So in this case, the invoicing software is required to send the invoice data to the tax authority in XML format immediately after the invoice is issued, in an automated way and without human intervention.

Only a small proportion of invoices are generated from invoice pads, and using an invoicing software is the most typical method. The invoicing software starts the data transfer process after the invoice is closed. When the tax administration receives the XML, an automatic verification process starts. The XML file is validated by the Online Invoice System and filtered for both format and consistency errors. If the XML does not meet the format requirements (the XML is technically not valid) or if there are serious content deficiencies in the data, it will not be processed. Typical administrative errors are also filtered and although these data transmissions are processed, an automatic warning message is sent by the System to the client's invoicing program.

Impact of data reporting

The system has had a clear impact on businesses and invoicing software as well. Many businesses have changed decades of incorrect invoicing practices as a result of data reporting. It is a very typical experience that a significant proportion of businesses have reviewed their invoicing processes prior to implementing the new legislation. Since 2018, there has been a significant improvement in the invoicing processes of businesses, with a significant increase in compliance due to the prompt response messages and tax authority alerts.

Perhaps the most significant change has been in the invoicing software market. At the beginning of 2018, there were a relatively large number of invoicing software in Hungary, and their quality varied on a wide spectrum. The data reporting requirements presented a clear technical challenge for some software developers. Although the tax administration organised forums, provided detailed documentation (which is also available in English) and supported developers with test programs, more software developers were not technically able to meet the requirements. A number of invoicing software - typically of poor quality and outdated - disappeared from the market. In a number of cases, the NTCA found invoicing software that had already been operating in compliance with the legal environment for 10 years.

Data reporting has brought a drastic change. Software developers, cannot afford not to follow invoicing rules because of data reporting. This is also reflected in the fact that more than half of the questions from software developers were not technical, but rather of a legal nature following the introduction in 2018.

The way invoicing software works, supporting legal compliance and communication between software developers and users have evolved significantly in recent years. The invoicing software currently in use in Hungary is of significantly higher quality than before.

Next steps

The legislative change in 2021 has not only changed the invoicing obligation, but has also broken new ground in the field of electronic invoicing. It is now possible, if both parties choose, to issue their electronic invoices in XML format via the tax administration's system. This requires that the information provided includes not only the legal minimum, but also the full invoice details and the relevant decision. There is still room for further automation and digital development in the area of invoicing, which at the time of writing this article is seen as a future of possibilities. The tax administration is continuously gathering input from taxpayers and invoicing software developers on electronic invoicing and is continuously developing the Online Invoice System looking for these possibilities.

This year's ambitious tax administration project is also related to the Online Invoice System, offering a prepopulated, draft VAT return for businesses. Of course, the tax authority also needs sufficient quantity and quality of invoice data to achieve this. Offering prepopulated tax returns for taxpayers clearly does not pose any new obligations, but rather it is a new service.

Using the real time cash register and invoice data available, the tax authority prepares a prepopulated, draft tax return, which can be reviewed by businesses or their accountants and, with minimal further effort, they may submit it as their tax returns. Offering VAT returns thus relieves businesses of many administrative difficulties.

The prepopulated, draft VAT return is obviously not a complete and automatically acceptable tax return for all businesses. Also, taxable persons will still have the option of using the traditional method of filing their VAT return, so they do not necessarily need to use this method. In essence, they will have the freedom of choice in filing their VAT return by being able to see the data available to the tax authority, their context and also indication of any problems.

There is no doubt that the range of digital solutions will continue to grow in the coming years. The IT solutions may seem isolated at first, but over time the right synergies can be found between them, creating a more efficient tax administration and a seamless tax process in the long run.
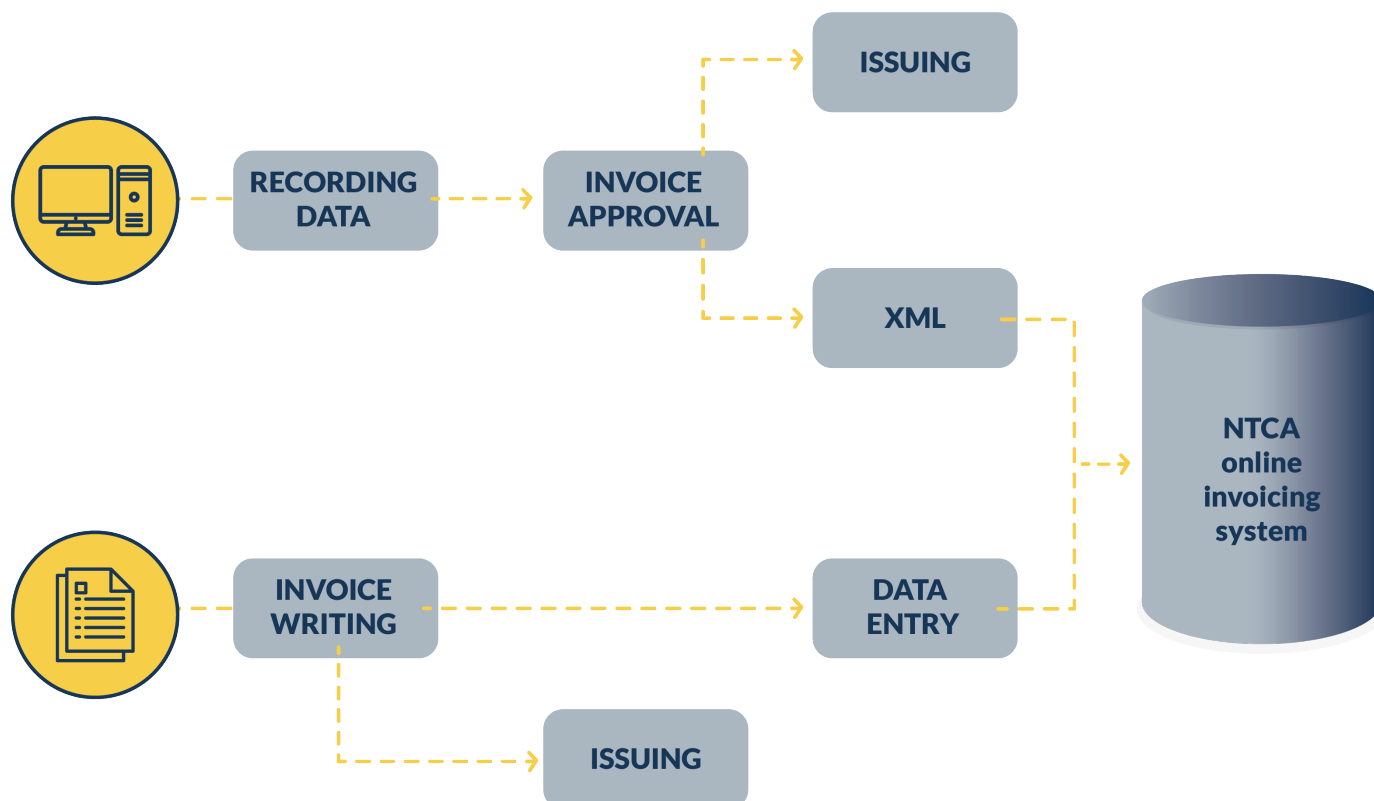
LINA KURLENSKAITE

VIRTUAL ASSISTANT SIMAS – THE NEW TAX CONSULTANT

by Lina Kurlenskaite, Advisor, Tax Information Department State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania

„Hello. I am an STI virtual assistant named SIMAS. I am here to answer your questions on the following topics: Business Certificates / Individual activity / Fines / Land Tax".

Such are the words of a new virtual assistant named SIMAS that from 2 December 2020 has greeted the users of the website of the State Tax Inspectorate. The name SIMAS was chosen not by coincidence. It means someone who carefully listens and hears everything. And in Lithuanian, the acronym SIMAS means a fast and intelligent tax assistant. In creating and updating a virtual environment of the State Tax Inspectorate, convenient and fast provision of information is one of the top priorities. Thus, an integrated virtual assistant should reduce the flow of people who call the State Tax Inspectorate and give them an opportunity to get information in real time not only by phone but also in writing.

Facilitating the search for relevant information, prompts and targeted responses to issues of concern to residents, providing links to additional information are the main tasks of a virtual assistant SIMAS. It is a modern approach to consulting and a tool that improves the quality of information provision.

The virtual assistant provides information related to individual activity, business licenses, administrative fines, land, real estate, and income taxes. Residents not only can choose from subtopics or questions provided by SIMAS, but also start a real conversation. In other words, they can write their question even in irregular spoken language, maintaining a natural conversation. SIMAS can learn from the questions asked: and with the help of artificial intelligence, it can collect and analyse information until it can provide the most appropriate answer in real time. Requests are answered not only in writing but also in a form of an online link, visual material, or forwarded file.

The number of people asking questions, and the time of day when a request is made does not affect this way of providing information. Therefore, external factors do not affect the effectiveness of consultations. The program is easy to manage by the organisation staff, and it supports such functions as accumulation of conversations that have taken place, expansion of topics, situations and database.

The virtual assistant allows creating a more attractive virtual space of the State Tax Inspectorate, it increases the efficiency of the tax information centre, improves the availability of information, and creates the image of an innovative organization.

Lina Kurlenskaite

IOTA

TAX TRIBUNE

MAGAZINE