

## **DIGITALISATION IS HERE!**

### Future of VAT Roundtable

12 October 2017

On 12 October 2017 Accountancy Europe organised another one of its Future of VAT Roundtables. Aptly titled “Digitalisation is here!”, this year’s Roundtable focused on technology and the digitalisation of the economy.

**Paul Gisby** from Accountancy Europe opened the event by setting the scene. He emphasised that digitalisation brings both opportunities and challenges to the economy:

- it offers opportunities for tax authorities to fight against tax avoidance and fraud with the help of Big Data analytics and Artificial Intelligence
- it provides a more streamlined and efficient experience for taxpayers via the use of new technologies
- with digitalised business models, it challenges the ability of tax authorities to protect their tax base

### **UPDATE FROM THE EUROPEAN COMMISSION**

*“...technology allows for more effective tax and customs control, improves compliance and reduces burdens on taxpayers.”*

**David O’Sullivan** from DG TAXUD provided an overview of recent Commission initiatives in the area of VAT, and reflected on the impacts of digitalization. New business models and trends are challenging our tax systems, and risk creating an uneven level playing field between digital and conventional business models. Conversely, technology allows for more effective tax and customs control, improves compliance and reduces burdens on taxpayers.

Coordination is essential. The Commission issued its VAT for e-commerce proposal in December 2016. It aims to alleviate life for smaller businesses by introducing new exemption thresholds and simplified evidence requirements. The proposal also extends the Mini One Stop Shop (MOSS) to cover online supplies of goods and all cross-border services to end consumers.

Member states are currently negotiating on the file. Despite agreement on the broad principles, disagreements persist on specific details, such as the level of the thresholds. Notwithstanding such disagreements, the Estonian Presidency aims for a political agreement by the end of its term.

## EXPERIENCES FROM TAX ADMINISTRATIONS: LESSONS FOR THE FUTURE

*“...(by using technology) the VAT GAP [in Estonia] has decreased, VAT returns are processed faster, and compliance burdens have reduced.”*

The first panel brought together **Ivar Laur** from the Estonian Tax & Customs Board, and **Ian Broadhurst** from UK HM Revenue & Customs (HMRC).

The Estonian tax administration has harnessed technology for its activities. For example, it collects data on B2B sales and transactions, thus providing it with a holistic view of potential fraudulent activities. Moreover, the administration has worked closely with accounting associations, companies and software firms to identify solutions for automatic book-keeping and data transfers. As a result, the VAT GAP in Estonia has decreased, VAT returns are processed faster, and compliance burdens have reduced.

For its part, the UK's HMRC introduced the 'Making tax digital (MTD)' project. Due to compliance difficulties and taxpayers' mistakes, billions of pounds in tax income are lost yearly. MTD aims to improve this, for example by digitalizing record keeping and ensuring an automatic filling of tax returns. HMRC learned that in such digital transitions, it is pivotal to engage with stakeholders early on, and to gather views from a myriad of stakeholders with different concerns prior to making policy choices. MTD will require a significant behavioural change from taxpayers, so their input in designing a new digital tax system is fundamental.

## BUSINESS IMPACTS OF DIGITALIZED ECONOMIES

*“... tax administrations must digitalise and use the potential of technology to render compliance easier for businesses.”*

The last panel brought together **Christine Weinzierl** from Accountancy Europe's VAT Task Force, **Gerhard Huemer** from UEAPME, and **Alan Rhode** from Ecommerce Europe to reflect on how businesses are impacted by digitalization, and how the tax system should evolve.

In particular, the question of who or what constitutes a taxable person and what tax liability should be placed on platforms sparked discussion. Moreover, there was broad consensus that tax administrations must digitalise and use the potential of technology to render compliance easier for businesses. Despite broad agreement in the panel that data collection and more real-time data transfer from taxpayers to administrations can improve compliance and reduce burdens, data protection raised concerns.

Finally, **Gerhard Huemer** emphasized that with 28 different VAT systems in the EU and no real harmonization in the horizon, the One Stop Shop (OSS) offers a solid alternative.