National Audit Office of Lithuania: Questionnaire on Smart Tax Administration system

On 29 January 2019, the National Audit Office of Lithuania circulated a questionnaire on Smart Tax Administration system to all EU supreme audit institutions and the European Court of Auditors. Replies were received from 13 SAIs and the ECA.

The questionnaire is related to the performance audit "Smart Tax Administration System" that the National Audit Office of Lithuania is currently carrying out. The audit aims to assess the efficiency of the collection of detailed transaction data (e.g., data of VAT invoices, consignment notes, and cash operations) from tax payers and the use of that data by the central tax administrator in Lithuania. To get a wider picture of the sector being audited, the NAOL would like to find out about the practice of EU SAIs in this area of tax administration.

Below is a summary of replies which contains all the replies to each question (10 questions in total).

Replies to the questionnaire:

Question 1: Has your country implemented/ is currently implementing a project aimed at introducing a national system for collecting the taxpayers' data about the carried-out transactions (e.g., collecting detailed data on invoices, etc.)?	
SAI:	**Answer:**
Belgium	Yes
Bulgaria	Other. Since 1994, according to the provisions of the *Value Added Tax Act (VATA)* information is collected about all issued and received tax documents and statements to be issued in accordance with the requirements of the Act. The following registers shall be mandatory for registered persons on the basis of the provisions of the Act: purchase ledger, sales ledger containing data on the numbers and dates of tax invoices issued during the month, the counterparties to relevant transactions, the value, the amount of VAT and the object of the specific supply (purchase, sale) (see point 7.1).
Czech Republic	Yes
Denmark	No
European Court of Auditors	N/A
Finland	Yes
France	No
Germany	No
Greece	Yes
Latvia	No
Luxembourg	N/A
Slovakia	Yes
Sweden	N/A

Question 2:
Please indicate what data on economic activity of taxpayers is collected by central tax authorities and when has the collection of data started:
- Value added tax invoice data. Data has been collected from year _____
- Data of consignment notes. Data has been collected from year _____
- Data of cash operations. Data has been collected from year _____
- Accounting data in a standard file. Data has been collected from year _____
- Other (please enter other data that is collected and not identified above): _____

Belgium	Value added tax invoice data. Data has been collected from year 1980 (Client listing) These data are collected before selection for auditing. Accounting data in a standard file. Data has been collected from year 2015 (BSAF). These data are collected after selection for

	auditing.
	Other: Internet data: scraping since 2010. Before and after selection for auditing.
Bulgaria	VAT data from invoices. Data has been collected from year *See points 1 and 7.1*.
	Data of consignment notes. Data has been collected from year *(see point 2.5.2)*
	2.2.1 As from 2013, data is requested from the licensed postal operators for consignment notes on delivery of cash-on-delivery items. There is no explicit legal basis to provide the data — it is required on the basis of the powers of the tax authorities under the *Tax and Social Security Procedure Code* (TSSPC).
	2.3 Data of cash operations. Data on daily financial statements with reset and recording in fiscal memory has been submitted to the NRA since 2010. The obligation was first introduced for the business premises selling liquid fuels (petrol/gas stations) using Electronic Fiscal Memory Systems (EFMS). In 2011 the same persons were obliged to transmit also data on quantities of supplied and sold liquid fuels at commercial sites through the implemented remote connection of the EFMS with NRA.
	2.4 Accounting data in a standard file. Data has been collected from year. See point 1 and point 7.1 relating to the application of the VAT Act. Pursuant to Article 92 of *the Corporate Income Tax Act* (CITA), annual tax returns (ATR) are submitted for each tax period — one calendar year, with an annual balance sheet and a statement of income and expenditure for legal entities. Natural persons have the same obligation to submit annual tax returns concerning their acquired income in Bulgaria and abroad under Article 50 of *the Personal Income Tax Act (PITA)*. Natural persons with a business of a sole trader should submit an annual profit and loss account, an annex to the ATR submitted for the relevant tax period of one calendar year.
	2.5 Other (please enter other data which are collected and not specified above):
	2.5.1 With the annual tax return (ATR) under Article 92 of the *Corporate Income Tax Act* (CITA) for the tax financial result and the due annual corporate tax data on the Main Activity Code is collected, according to the Classification of Economic Activities (CEA) 2008).
	2.5.2 Data related to the movement of goods of high fiscal risk * on the territory of Bulgaria — data on the type and quantity of goods, the consignor and the consignee, the carrier, the place and the date of receipt of the goods, the estimated time of receipt/unloading, registration number of the motor vehicle.
	* Note: The list of goods of high fiscal risk is approved by an order of the Minister of Finance following a reasoned proposal by the Director General of the National Revenue Agency (NRA). The list is published on NRA's website /www.nap.bg/.The number of controlled goods is currently 561. The data has been collected since 2014.
Czech Republic	Value added tax invoice data. Data has been collected since January 2016.
	Data on cash operations. Data has been collected since December 2016.
	Further on, the Czech Republic collects selected data on excise duty. The Czech Republic also collects transactions data among associated persons a data on persons running gambling business.
Denmark	Data of cash operations.

	Other (please enter other data that is collected and not identified above): Salary information, equity returns, third-party statements regarding public services and financial information.
European Court of Auditors	N/A
Finland	Value added tax invoice data. Not yet (we are planning to collect that data in the future). Data of consignment notes. N/A. Data of cash operations. Not yet. We are currently studying this issue. Accounting data in a standard file. Not yet, this might be in the scope of ongoing Nordic Smart Government project. Other (please enter other data that is collected and not identified above): N/A.
France	Companies report all output and deductible VAT at regular intervals (monthly under the "normal real scheme").
Germany	N/A
Greece	Value added tax invoice data. Data has been collected from year 2014.
Latvia	Please be informed that central tax authorities are not obliged to collect data on economic activity of taxpayers.
Luxembourg	N/A
Slovakia	Value added tax invoice data. Data has been collected since January 1, 2014. Data of cash operations. Data has been planned to be collected since July 1, 2019. Accounting data in a standard file. Data has been collected from year 2014. Other (please enter other data that is collected and not identified above): Payroll data related to tax withheld by employer has been collected since 2004.
Sweden	N/A
Question 3: What is the purpose for collecting the data identified in Q2?	
Belgium	Better audits and discovering fiscal fraud.

Bulgaria	The collection of data is performed for the purpose of carrying out tax and social security control as well as other activities related to the management of tax related risks.
	
	Clarifications:
	  ▪ for the data referred to in item 2.2.1 – control of persons and companies engaged in e- commerce.
	  ▪ for the data referred to in item 2.5.1 – for carrying out analysis of the distribution of the declared profit and the declared loss by industry sector.
	  ▪ for the data referred to in item 2.5.2 – for fiscal control – a set of actions carried out by revenue authorities /officials of NRA/ in order to prevent tax evasion and tax fraud which are performed in connection with the movement/transport of goods with a high fiscal risk on the territory of Bulgaria. Applicable to all goods of high fiscal risk, regardless of the place of destination/unloading: the territory of the country of another EU Member State or of a third country. Not applicable to goods under a customs procedure.

Czech Republic	The main reason is to eliminate tax fraud. The data obtained are used particularly in risk analysis and proof of taxation or traffic monitoring. Information about gambling players should be gathered in order to avoid gambling addiction.
Denmark	The purpose is for tax calculations and for control measures.
European Court of Auditors	N/A
Finland	The purpose is that we get more data for VAT-controlling and ensuring VAT revenue.
France	These declarations are transmitted when VAT is paid to the State, they break down the calculation resulting in the amount paid to the State.
Germany	N/A
Greece	Audit verifications and cross checking of tax records.
Latvia	N/A
Luxembourg	N/A
Slovakia	- Automated processing, comparison and evaluation of data in order to speed up tax administration. - An effective planning and performance ox 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 ant 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. - Payroll data related to tax withheld by employer.
Sweden	N/A

Question 4:

Are there any restrictions on the scope of the collected data, e.g., the data should be submitted by taxpayers whose turnover reaches a certain threshold?
- Yes, there are certain restrictions in place.
- No, there are no restrictions and data have to be submitted by all taxpayers.
- In case there are restrictions in place, please indicate the type of restrictions by the collected data sets.

Belgium	Yes, there are certain restrictions in place. For client data: 250 €. For internet and bookkeeping data: should be considered professional, depending on the sector.
Bulgaria	Yes, there are restrictions — partial. The partial restrictions on the scope of the collected data are the following: - Regarding data collected according to the procedure described in item 1 – information is collected only from persons registered under the VAT Act; - Regarding data collected according to the procedure described in item 2.5 .1 – information is collected from the persons who should submit an ATR under Article 92 of the CITA. - Regarding data collected according to the procedure described in item 2.3 – exception for submission of data shall be

	applicable to persons not obliged to use a fiscal device for reporting sales at commercial premises. ▪ Regarding data collected according to the procedure described in item 2.2 .1 - data is collected by large licensed postal operators operating on the territory of the country.
Czech Republic	Yes, there are certain restrictions in place. Billing data on value added tax is collected individually for transactions which exceed CZK 10,000 threshold with tax included (below this threshold, only aggregated sum is being displaced). Cash transactions (Electronic records of sales - "EET") data are currently introduced in the catering and accommodation services, retail and wholesale businesses. In the area of excise duties, the measure does not apply to the handling of selected products for personal consumption, i.e. a small quantity of products defined by law. Data on related persons transactions: transactions are recorded by persons with an annual turnover of more than CZK 80 million.
Denmark	No, there are no restrictions and data have to be submitted by all taxpayers.
European Court of Auditors	N/A
Finland	Not yet determined.
France	Smaller companies are exempt from this declaration and the payment of VAT. Other companies must file monthly, quarterly or annual returns depending on their size.
Germany	N/A
Greece	No, there are no restrictions and data have to be submitted by all taxpayers.
Latvia	N/A
Luxembourg	N/A
Slovakia	Yes, there are certain restrictions in place. Vat listings must not be submitted by taxpayer, 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.
Sweden	N/A

Question 5: Is the collection of more data than indicated in Q2 planned in the future? • Yes, it is planned. • No, it is not. If YES, please indicate in brief what additional data you are planning to collect and what the reasons for collecting more data from taxpayers.	
Belgium	Yes, it is planned. BSAF Transfer pricing, BSAF Tax shelter, … for better audits.

	BASF stands for Belgian Standard Audit File. This is the Belgian application of the SAF-T (Standard Audit File for Tax), i.e. the international standard for electronic exchange of reliable accounting data from organizations to a national tax authority or external auditors. The standard is defined by the Organization for Economic Co-operation and Development (OECD).
Bulgaria	Yes, it is planned. With the latest amendments to Ordinance No. N-18/13.12.2006 for recording and reporting of sales in commercial premises through a fiscal device (FD), the software requirements for their management and the requirements for persons who sell through an electronic store (SG, iss. 80 of 28.09.2018), additional obligations have been introduced for persons holding business premises and reporting sales through FD, namely submission of data to the NRA for each fiscal receipt issued. The time limits within which persons should align their activities in accordance with the new requirements are: ▪ persons registered under the VAT Act with the exception of persons using EFMS and Integrated Automated Business Management Systems (EABMS) - by 31 March 2019. ▪ persons using EFMS and persons not registered under the VAT Act - by 30 June 2019. ▪ persons registering and reporting sales by means of EABMS - by 31 December 2019.
Czech Republic	Yes, it is planned. In the near future, it is planned to expand cash operation data collection ("EET") to other industries and services. These are data from taxpayers who run their business on a business license, special license or certifications, such as lawyers, accountants, doctors, bakeries or taxis and craftsmen such as furniture, woodworking, textiles, electricians, hairdressers, masseurs, computer repair workers, toy makers, etc. The reason to introduce these measures is to reduce tax evasion in the concerned areas and to increase tax revenues collection. In addition, it is also a "settlement" of the market environment.
Denmark	Yes, it is planned. The tax authorities want to collect more data, but in several cases they need changes in the law. Recently, there was adopted a law, that companies must have a digital cash register which supports automatic transmission. This should be implemented within seven years.
European Court of Auditors	N/A
Finland	No, it is not.
France	No, it is not.
Germany	N/A
Greece	Yes, it is planned. There is a plan for all entities to transmit electronically to the Tax Authorities the data of the issued accounting records/invoices, retail receipts irrespective of the way of their issuance, the data of bookkeeping records, the data/memory/files of the tax machines. Up until now the data is being transmitted aggregated.
Latvia	N/A
Luxembourg	N/A
Slovakia	Yes, it is planned. ▪ Provide pre-filled tax returns in order to avoid possible tax fraud to support voluntary tax compliance; ▪ The purpose of the project named "E-casa" is to collect and later analyse data on cash payments for goods and services from business entities. The voluntary option has been introduced since April 4, 2019 in order to use the evidence of cash payments for business entities. The evidence of cash payments has been mandatory since July 7, 2019. The Financial Administration of the Slovak Republic (FA) will keep all the information about cash payments.

Sweden	N/A

Belgium	Yes. Algorithms and tests in SAS and Excel pivot tables in order to carry out better and more automated audits.
Bulgaria	Yes. 6.1. Data analyses take place in the context of the management of the risks of tax legislation non-compliance. Risky groups and activities are being examined in order to calculate the tax gap, the probability and the number of risky persons. Depending on the availability and quality of data, different standard statistical models have been applied and appropriate methodologies have been developed. As a result of these analyses, risk treatment programmes involving different (not only control) measures have been developed. Following the implementation of the programme measures, assessments of the results of treatment are being carried out, again on the basis of data on the economic activity of taxpayers, also using different statistical models. 6.2. For the purposes of fiscal control, a Fiscal Control Information System (FCIS) has been developed to draw up the protocols for the checks carried out for fiscal control on the movement of goods of high fiscal risk (GHFR) * on the territory of Bulgaria. The revenue authorities record the data on the type and quantity of the goods, the consignor and the consignee, the carrier, the place and date of receipt of the goods, the estimated time of receipt/unloading, the registration number of the motor vehicle. On the basis of the data available in the FCIS and NRA's big data sets, daily monitoring, selection and analysis of risky persons is being carried out. The reports of the analyses that have been carried out also contain indicative actions to the fiscal control teams. In the course of some of the analyses carried out, facts and circumstances leading to justified suspicion of tax evasion are being established, for which the Control Directorate is being notified in due time - for information and judgement on taking competent actions. * Note: The website of the NRA www.nap.bg has published a "Fiscal Control" section /with a thirteen-language access/. Detailed information has been structured about: what are GHFR; who are the competent control authorities and what procedural actions they carry out; the location of the fiscal control check-points; which persons are checked and what their duties are; when preliminary provisioning is applied in fiscal control and how the actions of revenue authorities can be appealed; 6.3 A Control Information System (IS) has been developed to support the control activity of the NRA. The system has modules corresponding to the main activities of the control function in NRA - selection, audits and checks. The Control IS allows for the preparation of risk profiles related to cases where VAT refund is being carried out. In addition, the product allows for the establishment of targeted risk profiles aimed at detecting persons for which control actions to be initiated in relation to specific risks of non-compliance or specific industries.

	6.4 According to the procedures and instructions in force, NRA maintains an information database for internal use for 'risky' tax entities, potential or actual perpetrators of tax and/or social security fraud. A Risk Entities Database (RE DB), an annex to an automatic investigation software, contains information about taxable persons with a tax registration in the Republic of Bulgaria or another EU Member State for which there is sufficient data on tax evasion, concealment of income and other unlawful actions. The maintenance and updating of the RE DB is linked to the implementation of one of the strategic objectives of NRA, namely the fight against tax and social security fraud and directly supports the activities of NRA's control authorities. 6.5 As regards data referred to in point 2.2.1, an analysis of the submitted data is being made for the purpose of carrying out control actions. Analytical models have not been developed.
Czech Republic	Yes. Collected electronic records of sales project (EET) data, value added tax data (VAT Control Statement) serves the tax administration to control the correctness of taxation. Data on each cash sales is transmitted in a real time to EET information system. Data on VAT transactions are compared by the information system and, in the event of irregularities, taxpayers are called for remediation eventually, the tax administrator's controls are initiated.
Denmark	Yes
European Court of Auditors	N/A
Finland	Yes. We will determine that later.
France	Yes. A tax administration department created in 2014 is developing models to better target taxpayers whose risk of fraud (for the various taxes and not just VAT) is a priori higher. To this end, many available data (and not only those relating to VAT) are used using statistical techniques (datamining). Models are used to model the characteristics of companies with a high propensity to commit fraud based on the use of past controls or to identify companies with the most atypical ratios. Other techniques seek to model network fraud situations.
Germany	N/A
Greece	Yes. Cross-checking of the transmitted data against filed VAT and TAX Returns for purposes of selection of audit cases.
Latvia	N/A
Luxembourg	N/A

Slovakia	Yes.
	Risk analysis
	VAT listings data allows FA to detect:
	▪ Carousel fraud and chain fraud;
	▪ Issued invoices that are not included in the VAT return or tax deduction without fulfilling legal conditions;
	▪ Changes in the accounting and replacement of invoices;
	▪ Avoiding the usage of electronic cash registers;
	▪ Non-taxable persons issuing invoices with tax included;
	▪ Multiple usage of the same invoice to deduct VAT;
	▪ Exceeding the turnover limit for quarterly taxable period.
	FA has two layers of data quality checks – formal data quality check and analytical data quality check. Analysis of VAT listings is fully automated and consists of the following steps:
	1st step "Output 1" is created: The system analyses "formal" differences between supplier and buyer declared transactions and creates a lot of "unpaired transactions". Numbers of invoices, tax liability dates, taxable amounts and VAT due are crosschecked. Formal data quality check helps to distinguish between mistakes and fraud.
	2nd step "Output 2" is created: Pairs of suppliers and buyers are created and the sum of undeclared sales is counted according to the actual taxable period (it is possible to see also the total amount of undeclared sales from the previous taxable periods). After that, risky invoicing chains are generated based on the identification of a typical fraudulent role (missing trader, buffer, broker, etc.). Risk criteria are applied during the chain generation process.
Sweden	N/A

Question 7:

Is the project also focused on the development of new electronic services for taxpayers?
- Yes
- No

If you have pointed out that electronic services have been developed or that there is a plan to develop them in the future, please specify what kind of e-services they are, what they allow or will allow users to perform (e.g., cross-check of invoice data against data of business partners; fully automated completion of tax returns based on the received data, etc.).

Belgium	Yes, fully automated tax audit, creation of compliance ratings, horizontal monitoring, etc.
Bulgaria	Yes.
	7.1 Since 2004, the administration has developed a service for submission of returns and reporting registers under the VAT Act by electronic means. From 2017, an electronic service was provided for checking of the declared sales by persons registered under the VAT Act for a certain tax period. The service allows interested parties to verify the correct reporting of their purchases by suppliers, the fulfilment of the requirement to charge VAT which provides for the possibility to use tax credit for them, as well as the existence of recorded sales regarding which the person is not the actual recipient.

	7.2. It is planned to extend the scope and improve the mechanism for the implementation of fiscal control by introducing an obligation for economic operators to declare in advance specific data on the transport of goods which starts from the territory of another EU Member State and ends on the territory of the country (intra-Community acquisition) or starts from the territory of the country and ends on the territory of another EU Member State (intra-Community supply). A draft amendment of the TSSPC has been prepared /currently published for public consultation/. It has been envisaged to develop an e-service for pre-declaration of data by means of which a unique number for each transportation of goods will be created, with the possibility /where necessary/ to make corrections of the declared data. Expected effect – prevention and countering of VAT fraud through targeted, effective fiscal control of risky persons only, on the basis of risk analysis based on pre-declared data. 7.3 On the website of NRA /www.nap.bg/ exists a functionality for taxpayers to check for persons registered under the VAT Act from the published "Public VAT Bulletin", "VAT Reference Number of EU Counterparty" and "Reference for the tax numbers of EU citizens".
Czech Republic	No. Currently, a new project called "My taxes" (Modern and easy taxes) is being prepared. This project is at the beginning of its development. The main aim is to establish a new form of communication between taxpayers and tax authorities by the web portal "My taxes" using an electronic identification system (eID). It should contain online tax forms, invoices, etc. The operation of this new web portal should start at the end of 2020.
Denmark	Yes. Cross-check of invoice data against data of business partners.
European Court of Auditors	N/A
Finland	Maybe automated completion of tax returns. In addition to e-services it is planned that we will also offer information via interfaces.
France	Yes (Relates mainly to income taxation). Fully automated preparation of tax returns from the data received. Since 2006, salaries have been pre-filled, and bank income since 2009. In addition, since 1 January 2019, taxes have been levied directly on income.
Germany	N/A
Greece	Yes. There is a current project under development named as "Standard Accounting Records" which aims to the electronic transmission of standardized accounting records and electronic bookkeeping display of all entities in order to achieve, among other, the automated completion of tax returns, the cross-check of invoice data etc.
Latvia	No
Luxembourg	N/A
Slovakia	Yes. ■ Pre-filled of tax returns based on the received data; ■ Further development of two – way electronic communication.
Sweden	N/A

Question 8:
Do central tax authorities conduct cost-benefit analysis of this project based on the prescribed criteria?
- Yes
- No

	If YES, please describe the applied assessment criteria.
Belgium	No, the Tax Administration develops this in-house, so there's only a minimal cost.
Bulgaria	NRA as a modern and effective revenue administration in service of society is constantly implementing modern management systems, advanced and innovative service and control technologies to promote voluntary compliance and collect revenue at minimum costs for society.
Czech Republic	Yes. Given the initial stage of the preparation of this project, cost-benefit analysis is not available. The "My Taxes" project will require a change in legislation requiring cost-benefit analysis and project objectives definition.
Denmark	N/A
European Court of Auditors	N/A
Finland	Yes. Will be conducted later.
France	This question deserves a much more in-depth analysis.
Germany	N/A
Greece	Yes. ▪ Release of Compulsory Tax Obligations. ▪ Prefilling of Returns. ▪ Update of tax status of Entities available immediately to them. ▪ Acceleration of Accounting tasks for entities. ▪ Enhancement of risk analysis criteria. ▪ Acceleration of audits.
Latvia	N/A
Luxembourg	N/A
Slovakia	Yes. The cost-benefit analysis is based on the evaluation of costs and revenues of planned projects by comparing its parameters with the current state. In terms of cost, implementation costs (CAPEX) and operating costs (OPEX) have been planned as the total cost of a project (TCO). The benefits of the project result from the new function's implementation and improvement of services of the Financial Administration of the Slovak Republic.
Sweden	N/A
Question 9: Are artificial intelligence solutions introduced in tax administration (i.e., are unsupervised models developed that are used to identify the previously unknown risks). If YES, please comment.	
Belgium	The Tax Administration is experimenting with this.

Bulgaria	At present, they are not in place.
Czech Republic	No
Denmark	The tax authorities use for example scoring models (where they rate companies after specific criterias) when planning controls.
European Court of Auditors	N/A
Finland	That is not yet decided.
France	Yes, the new tax administration department (question 6) carries out unsupervised models whose objective is to identify atypical characteristics of taxpayers grouped in homogeneous groups.
Germany	N/A
Greece	N/A
Latvia	No, tax administration institution in Latvia (State Revenue Service) has not introduced artificial intelligence.
Luxembourg	N/A
Slovakia	No
Sweden	N/A

Question 10:
If available, please provide a link to the primary source (a web link) to the information about the ongoing/completed project by the central tax authorities.

Belgium	There is no link available.
Bulgaria	Not applicable.
Czech Republic	EET project (English): https://www.financnisprava.cz/en/financialadministration/electronic-records-of-sales VAT Control Statement Project: https://www.financnisprava.cz/en/taxes/VAT-Control-Statement
Denmark	N/A
European Court of Auditors	N/A
Finland	N/A
France	For the implementation of the withholding tax: https://www.economie.gouv.fr/prelevement-a-la-source For the data mining: https://www.economie.gouv.fr/dnlf/data-mining-demarche-pour-ameliorer-ciblage-des-controles
Germany	N/A
Greece	Specifications of the project is planned to be uploaded in IAPR's web-site (www.aade.gr)
Latvia	N/A
Luxembourg	N/A
Slovakia	Not available.
Sweden	N/A