

Welcome to

EFS conference: ‘VAT and Customs in the digital Age’

Erasmus Fiscal Studies

Rotterdam – Thursday 8th February 2024

**Erasmus
University
Rotterdam**



Introduction

Prof. mr. dr. Madeleine Merkx

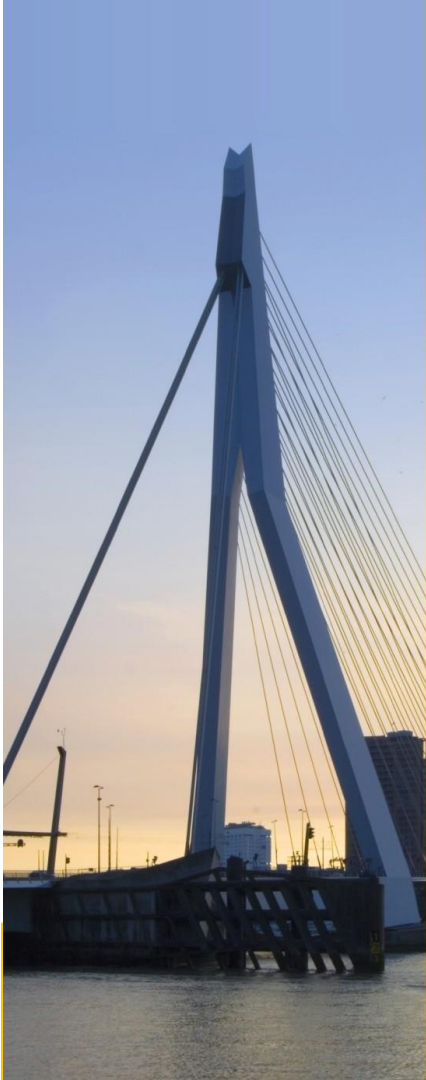
Programme Director EFS
Professor Erasmus School of Law
Partner at BDO

dr. Martijn Schippers

Programma Coördinator EFS
Associate Professor Erasmus School of Law
Senior Manager at EY

Agenda

- 14.05 – 14.20 **VAT in the digital age: an overview of the proposals** – Milja Bormann-Bakker
- 14.20 – 14.35 **Reform of the EU Customs Union: an overview of the proposals** – Martijn Schippers
- 14.35 – 15.00 **Collection of VAT via platforms** – Madeleine Merkx
- 15.00 – 15.20 Refreshment Break
- 15.20 – 15.45 **Deep-dive Customs** – Martijn Schippers
- 15.45 – 16.10 **Ever-increasing reporting obligations** – Rogier Vanhorick & Tayla Stocks
- 16.10 – 17.00 **Panel discussion** – Pascal Schrijver, Rogier Vanhorick, Tayla Stocks, Martijn Schippers & Madeleine Merkx
- 17.00 – 18.00 Networking drinks



VAT in the Digital Age: an overview of the proposals

Milja Bormann-Bakker

Rotterdam – 8 February 2024

VAT in the Digital Age

- >30 years after introduction of the single market, the world has changed drastically
- Are Indirect Taxes fit for purpose?
- ViDa proposals of 2023
- Where are we now?

Update and timetable

The EU's VAT in the Digital Age 3-pillars of reforms failed to achieve final agreement by EU Finance Ministers in 2023 as planned. The first-half of 2024 Belgian presidency of the EU Council is now aiming to complete negotiations:

- 9-2-2024: ECOFIN's Working Party on Indirect Tax will meet again to review the state-of-play, find common ground to outstanding issues and set a revised timetable from the initial 2025-28 launch. This latest meeting will review also customs issues around ViDA, including IOSS extension.
- New timetable likely to be **2026-2030**
- 14-5-2024: potential approval by EU Finance Ministers at their monthly ECOFIN meeting (before the summer EU Parliamentary elections).
- The EU Parliament's ECON voted on 23 October 2023 for a one-year delay to all 3 ViDA pillars. This is non-binding but certainly reflects concerns that businesses and tax authorities will not be ready by 2025 for pillars 2 and 3 (initial time table).

Update Pillar 1 (Deep Dive at 15.45)

Pillar 1, [Digital Reporting Requirements & e-invoicing](#), delayed from 2028 to 2030 or even 2032.

This pillar requires technical discussions and agreements. Major outstanding issues include:

- Pre-clearance, or at least some basic validations of e-invoice data, will be introduced in the eventual pan-EU scheme. The original ViDA proposal has planned to have no government checks;
- Delaying the ending the requirement for EC approval on e-invoicing until full DRR measures come into effect;
- IBAN numbers to be excluded on intra-community Digital Reporting;
- Lengthen the proposed 2-day digital reporting and e-invoicing deadline for intra-community transactions. Something closer to 10 days is likely;
- Withdrawal of EC's proposal to prohibit summary invoices;
- Allow 'certified private platforms' model for member states to choose. Also, perhaps the option of certified software to issue approved e-invoices;
- Providing sufficient notice and regulatory details for member states to plan development of IT; and
- Data security and integrity.

Pillar 2 (Deep Dive at 14.35)

- Pillar 2, [Platform Economy deemed supplier](#), still needs high-level agreement.
- Most of the member states are in agreement, but a few still pushing for optional deemed supplier. Likely delayed for one year until 2026. This pillar shifts VAT collections (deemed supplier) to home and ride sharing platforms and intermediaries.
- Other discussion points:
 - Exemptions for smaller businesses from the digital platform deemed supplier obligations
 - Shortening the proposed 45-days rental threshold for the new deemed supplier obligations to 31 days

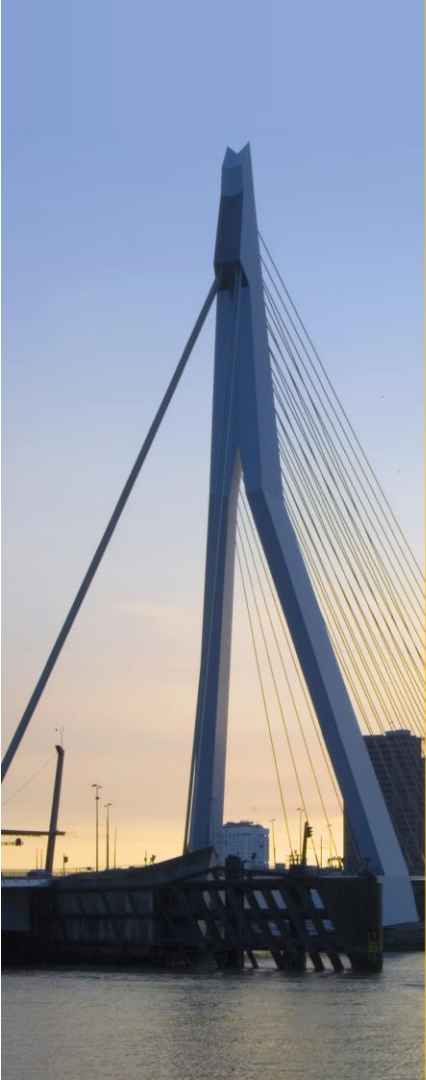
Pillar 3

Pillar 3, [Single VAT Registration](#), is largely agreed. Again, possible delay from 2025 to 2026.

This pillar covers an extension of OSS single VAT return for e-commerce and certain B2B goods movements cross-border movements; and harmonisation of non-resident VAT reverse charge rules. However, the following provisions have been dropped:

- extension of deemed supplier for marketplaces on EU seller trade;
- mandatory IOSS for all consignment imports postponed till [2028 EU Customs Reforms](#); and
- works of art and second-hand goods.

Thank you for your attention



Reform of the EU Customs Union – High-level overview

dr. M.L. (Martijn) Schippers LL.M
EFS / EUR / EY

Rotterdam – 8 February 2024

Background of the proposals



Why a reform of the Union Customs Code (UCC)?

The reform responds to the current pressures under which EU Customs operates, including a huge increase in trade volumes, especially in e-commerce, a fast-growing number of EU standards that must be checked at the border, and shifting geopolitical realities and crises.

Next steps and timeline

The legislative proposals have been sent to the European Parliament and the Council of the European Union for agreement, and to the European Economic and Social Committee for consultation.

Aim of the proposals

The reform aims to counter the ever-growing range of tasks that customs authorities need to fulfil and to align with other legislative and policy developments.

Consistency with other existing policy provisions, e.g.:

- Market surveillance regulation
- Product safety regulations
- Digital Product Passport
- Forced Labor measures
- Deforestation Regulation
- Carbon Border Adjustment Mechanism

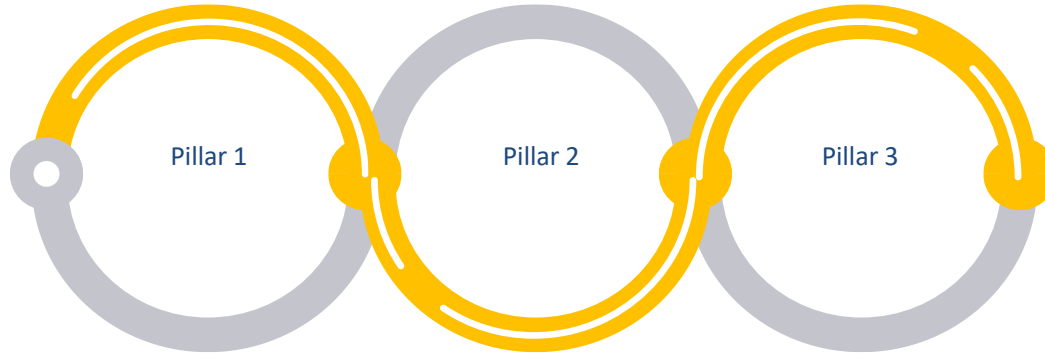
Consistency with other Union policies, e.g.:

- Legislation on own resources
- VAT (e-commerce) legislation
- Windsor Framework

Overview of the proposals

A smarter approach to customs checks

EU Customs Authority



A new partnership with business

The new EU Customs Data Hub

Trust and Check traders

A more modern approach to e-commerce

Make online platform key actors

Abolishment 150 EUR exemption

Five customs duty categories for low-value goods

EU Customs Authority

EU Customs Authority

- The EU Customs Authority is established as a central, operational capacity for the coordinated governance of the customs union in specific areas.
- The EU Customs Authority will be established as of 2026 and will become fully operational by 2028.

Core tasks

- Carry out risk management tasks
- Carry out tasks in relation to restrictive measures and crisis management
- Capacity building activities and provide operational support and coordination to customs authorities
- Carry out data management and processing activities necessary for the fulfilment of its tasks and for developing the national application to use the data from the EU Customs Data Hub

Other tasks

- Several tasks for the implementation of the customs-related funding programmes

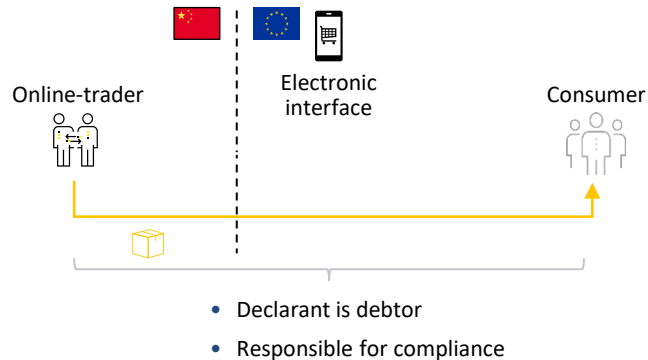
Further tasks

- The EU Customs Authority may be assigned further tasks in the area of free movement, import and export of third country goods, if so provided by relevant Union legal acts.

Current and future customs situation

Current situation for all goods

E-commerce platforms are generally not involved in the customs formalities at import.

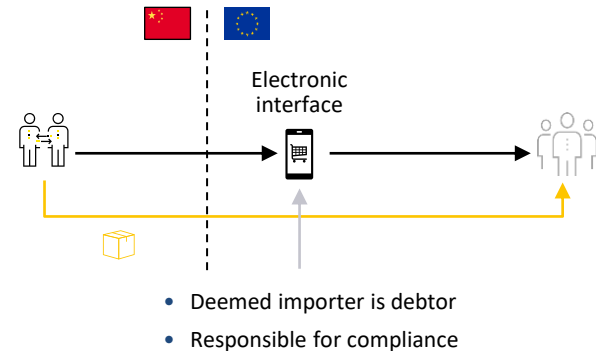


Future situation

Provided that the **IOSS** scheme is applicable.

The IOSS scheme (Title XII, Chapter 6, Section 4 of Directive 2006/112/EC) can be used if non-excise goods:

1. Are sold and shipped directly to a non-VAT-registered purchaser in the EU.
2. Are imported from a non-EU country.
3. Are dispatched or transported by or on behalf of the supplier.



150 EUR exemption

Abolishment of the 150 EUR exemption

- According to the proposal the EU would benefit from better prevention of revenue loss, and from the increased collection of customs duties arising from the removal of the EUR 150 threshold.
- The deemed supplier regime covers all distance sales of goods imported from third territories or third countries into the Union, irrespective of their value.
- IOSS and special arrangements for postal operators, express carriers, customs agents and other operators will also be possible for consignments exceeding an intrinsic value of EUR 150.

Statement

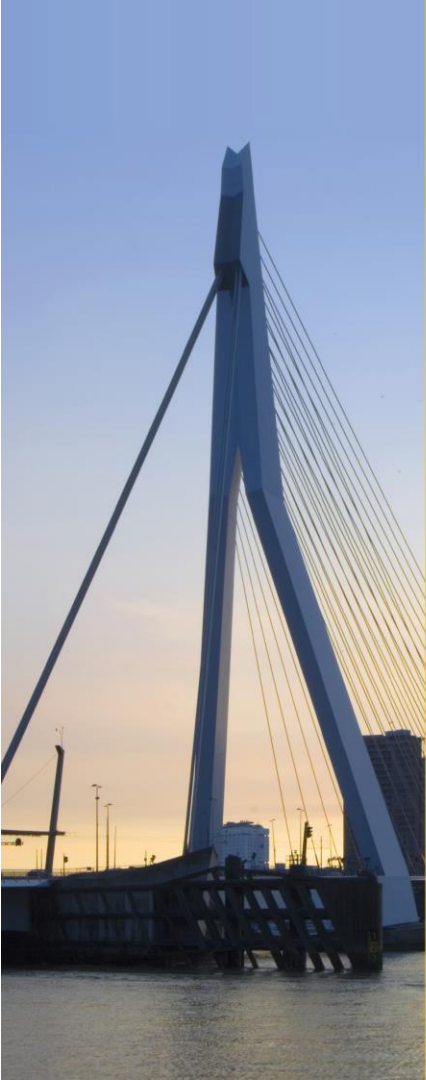
“Removing the 150 EUR exemption will reduce customs fraud”

Low-value goods – bucket system

Five customs duty categories for low-value goods

- Introduction of a simplified tariff treatment based on a five-tier bucket system (i.e., 0%, 5%, 8%, 12% or 17%), where each of the buckets is associated with a different duty rate in relation to goods sold to the final consumer.
- The use of the simplified duty treatment is optional.
- If the simplified duty treatment is used, the transport costs up to the final destination of the goods are to be included in the customs value.
- The use of the simplified duty treatment is not possible for:
 - Goods subject to harmonized excise duties and goods subject to anti-dumping, anti-subsidy and safeguard measures in case of distance sales of imported goods from third countries.
 - Goods contained in Chapters 73, 98 and 99 of the Combined Nomenclature are also excluded because the importation of such goods (iron and steel products, complete industrial plants and goods imported or exported under special circumstances) due to their nature should not benefit from any simplification.

Thank you for your attention



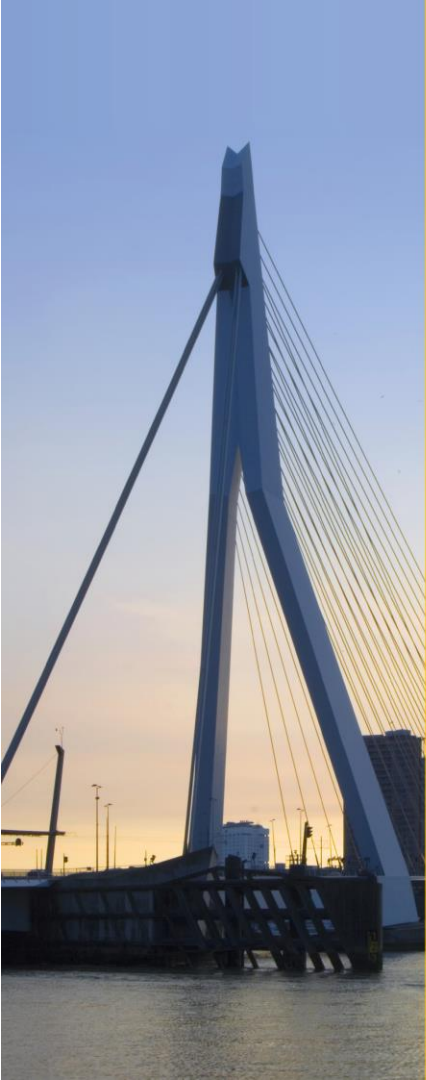
Platforms liable for VAT and import duties !?

Prof. Madeleine Merkx

Rotterdam – 8 February 2024

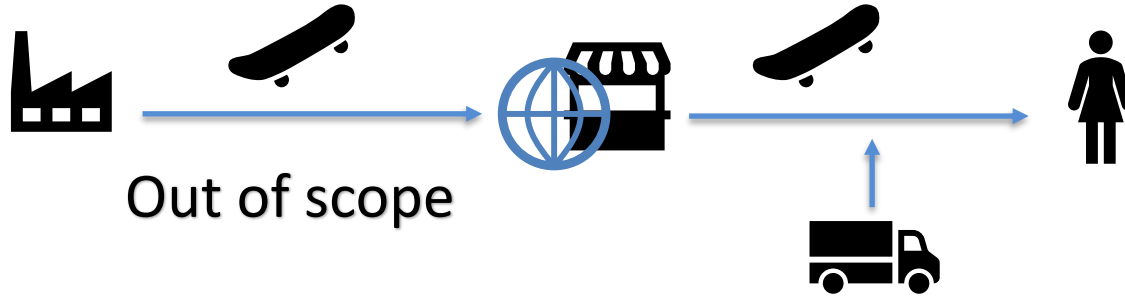
Agenda

1. Current obligations for platforms to collect VAT
2. Proposed changes under ViDA
3. Platforms liable for import duties under the customs reform
4. Liability for VAT and import duties – are platforms up to the task?



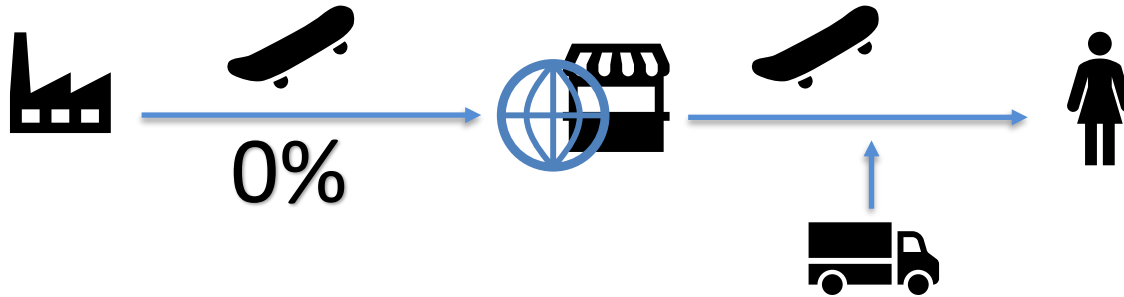
1. Current obligations for platforms to collect VAT

Deeming provision



1. Distance sales of imported goods with an intrinsic value of not more than 150 euros.

Deeming provision



2. EU distance sales or B2C local supplies by a supplier located outside the EU

Facilitating – art. 5b VAT IR

- Use of an electronic interface to allow a customer and a supplier offering goods for sale through the electronic interface to **enter into contact** which **results in a supply of goods through that electronic interface.**
- A platform does not facilitate when:
 1. Platform does *not* set, either directly or indirectly, any of the **terms and conditions** under which the supply of goods is made;
 2. Platform is *not*, either directly or indirectly, involved in **authorising** the **charge** to the customer in respect of the payment made;
 3. Platform is *not*, either directly or indirectly, involved in the **ordering or delivery** of the goods.

Facilitating – art. 5b VAT IR

- No deeming provision in case of:
 - processing payments
 - the listing or advertising of goods
 - the redirecting or transferring of customers to other electronic interfaces where goods are offered for sale, without any further intervention in the supply.

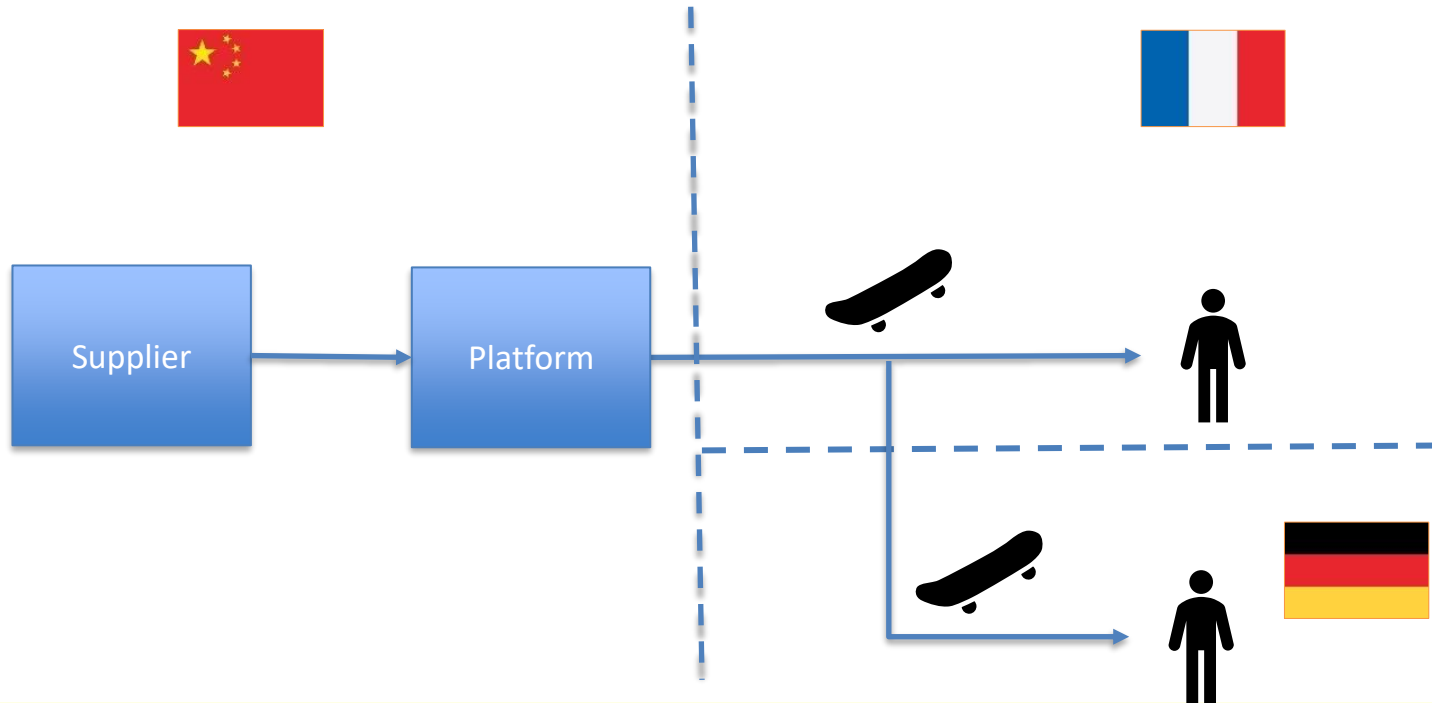
Limiting risks – art. 5c VAT IR

No obligation to pay additional VAT when:

1. Platform depends on information from suppliers or third parties to declare the correct amount of VAT
2. The information received by the platform is incorrect
3. The platform can demonstrate that it did not know and could not reasonably know that this information was incorrect.

!! Burden of proof on platform !!

Example case



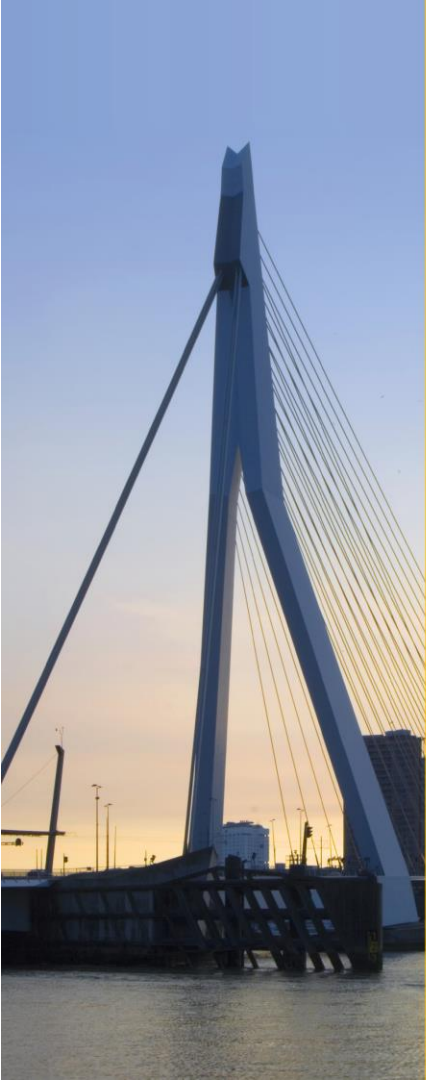
Use of I-OSS

- Imports
- Exemption

- Supplies
- Subject to EU VAT in the EU MS of destination (France and Germany)
- Reporting the VAT due on supplies in the I-OSS VAT return by the platform

No use of I-OSS

- Imports
- Subject to VAT
- Note: release for free circulation in EU Member State different from EU MS of destination not allowed → goods for German customers under transit procedure to be imported in Germany
- Payment of import VAT
 - Standard procedure
 - Special arrangement for postal and courier companies
- Supplies
- In case of import in name of customer no EU VAT



2. Proposed changes under ViDA and the customs reform

Extending the scope of the deeming provision

- ViDA

- EU distance sales and domestic B2C supplies if the underlying supplier is established in the EU
- B2B supplies within the EU
- Transfer of own goods (other than capital goods or goods in relation to which there is no full deduction right)
- Note: exception for platforms established in one EU Member State that only facilitate domestic supplies in that Member State

- Customs reform

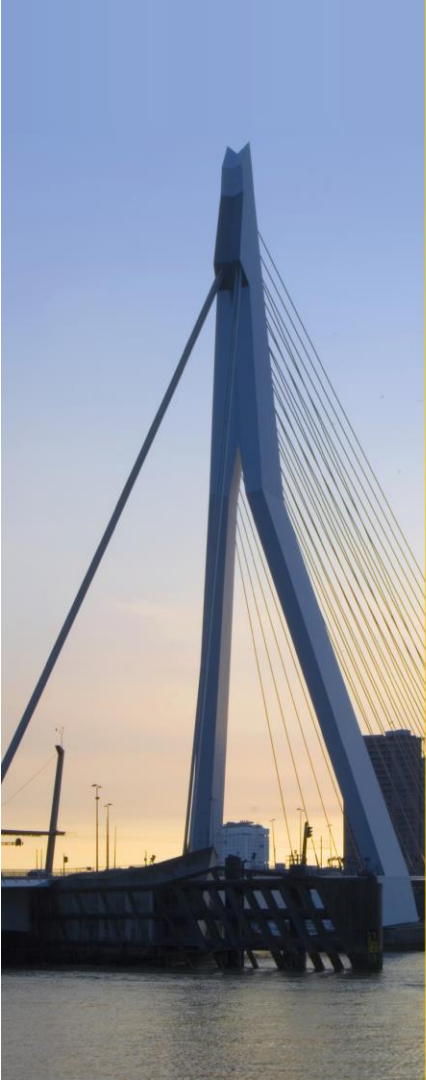
- Non-EU distance sales of goods with an intrinsic value of more than 150 euros (can also be reported under I-OSS and special arrangement)

Deeming provision in case of B2B supplies of goods within the EU



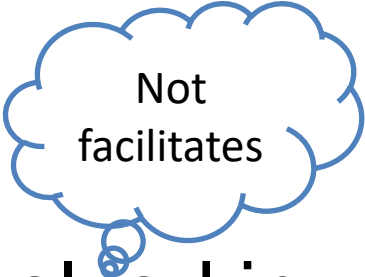
Mandatory I-OSS for platforms

- Platforms if acting as deemed supplier must account for VAT under the I-OSS
 - Result = platform can not shift the burden of import VAT to the person liable for that import VAT (normally the consumer)



3. Platforms liable for import duties under the customs reform

Platforms liable for import duties



Not facilitates

- Deemed importer: any person involved in the distance sales of goods imported from third countries into the customs territory of the Union who is authorized to use the special scheme laid down in Title XII, Chapter 6, Section 4 of the VAT Directive, i.e. the I-OSS

Obligations as deemed importer (1/3)

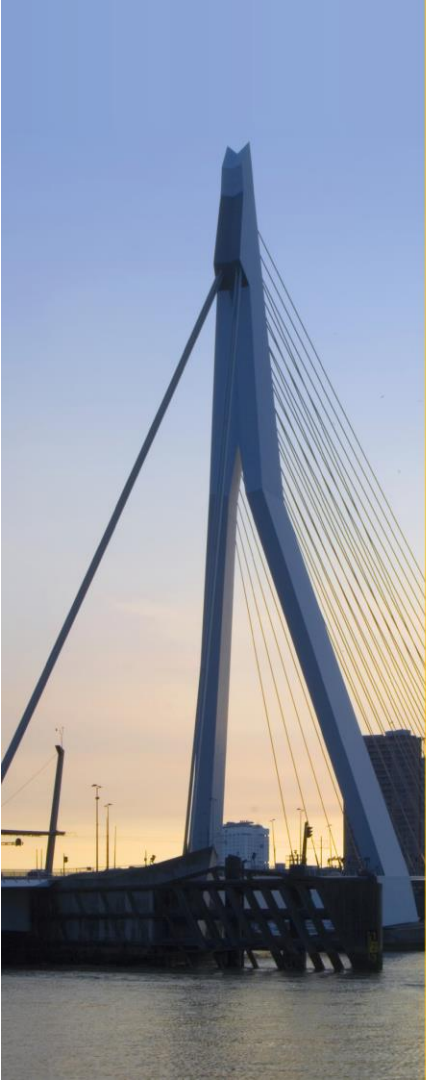
- Providing, keeping and making all **information** available to customs authorities in respect of the customs procedure under which the goods are to be placed
 - At the latest on the day following the day the payment was accepted, but in any case prior to the release of the goods
 - Data elements proposed art. 88 (3) for release of free circulation and art. 63c (2) VAT IR (I-OSS data)

Obligations as deemed importer (2/3)

- Ensure the correct calculation and payment of customs duties and any other charges applicable
 - Deemed importer = debtor
 - Customs debt incurred at moment payment is accepted, but can be authorized to do monthly payments (following the month of release for free circulation)
 - Can opt to use simplified tariff treatment
 - Incurred at the place where the deemed importer is established → note: indirect representative for deemed importers not established in the EU Customs Territory

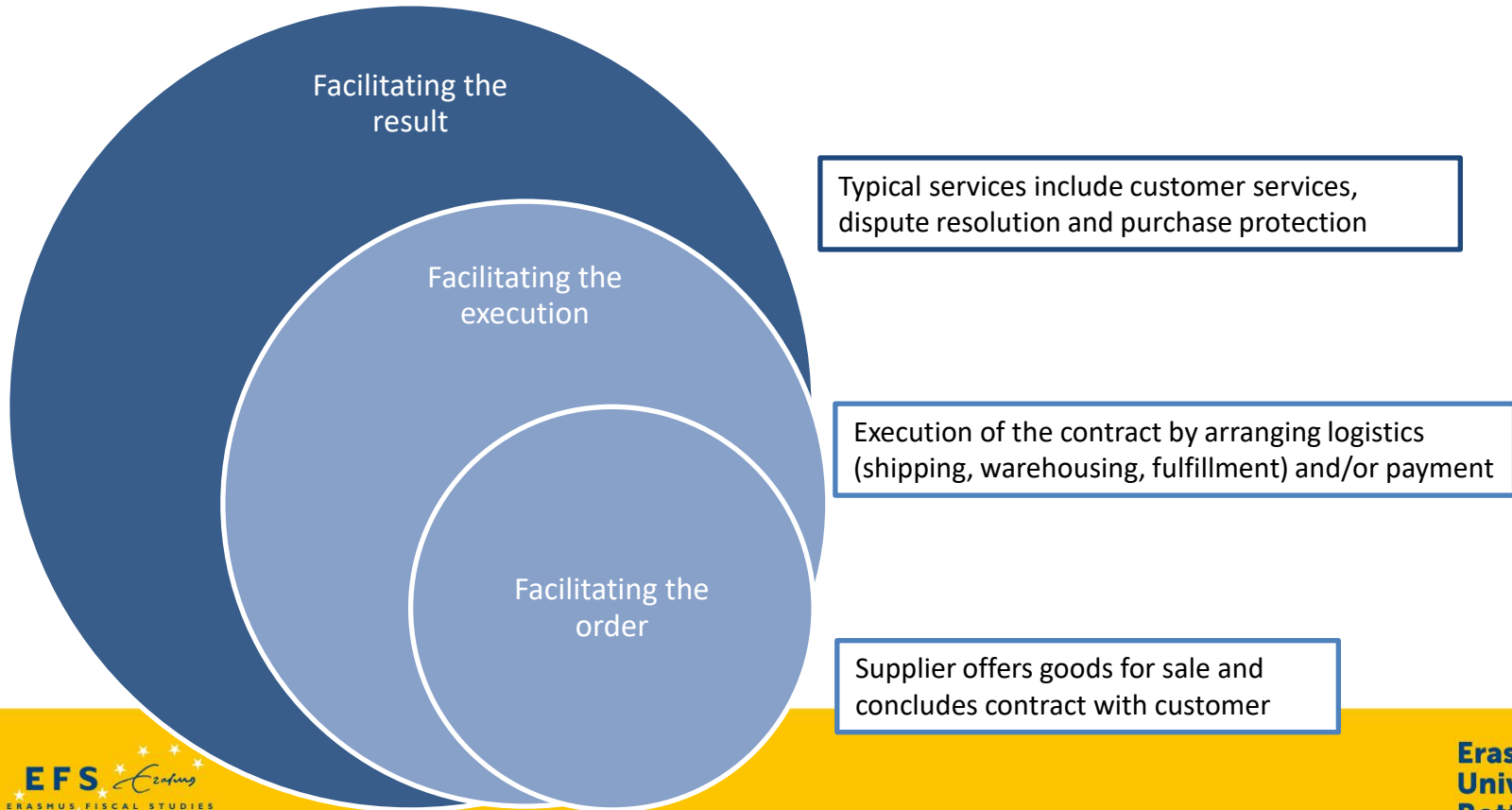
Obligations as deemed importer (3/3)

- Ensure compliance with **other relevant legislation** applied by customs + record keeping and making available
- **Any other obligation** on the importer established in customs legislation.



4. Liability for VAT and import duties – are platforms up to the task?

Different levels of facilitation



Ability of platforms to deal with (new) obligations

- Deeming provision when platforms facilitate in the order phase, while platforms may need to facilitate up to the execution or even the result phase to deal with their obligations
- Platforms depend on willingness of their customers to pay for any additional services

More about this issue: M. Lamensch et. al 'New EU VAT-Related Obligations for E-Commerce Platforms Worldwide : A Qualitative Impact Assessment', World Tax Journal Vol. 13 (2021), no. 3 ; p. 441-479

Statement

“Not all platforms are capable of dealing with the (proposed) obligations for VAT and customs and entering the market is difficult”

Thank you for your attention

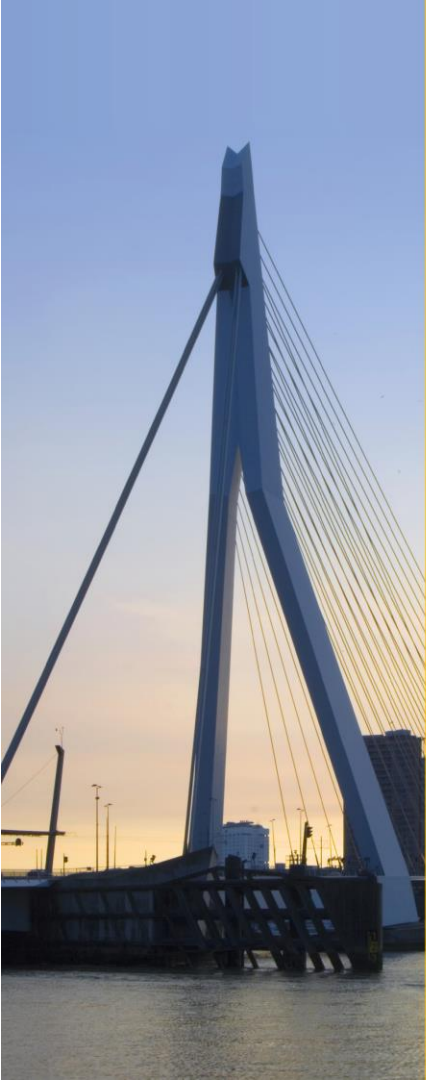


Refreshment Break

15.00 – 15.20

EFS Agenda 2024

- **Post-Master Internationaal en Europees Belastingrecht (in Dutch)**
Module 1: Monday 4 March till Friday 8 March 2024
Module 2: Monday 10 June till Friday 14 June 2024
- **Post-Master EU VAT (in English)**
Module 1: Monday 4 March till Friday 8 March 2024
Module 2: Monday 10 June till Friday 14 June 2024
- **Top-Level Seminar in EU Customs Law (in English)**
Wednesday 19 June till Friday 22 June 2024
- **Post-Master in EU Customs Law (in English)**
Module 1: Monday 23 September till 27 September 2024
Module 2: Monday 4 November till 8 November 2024
- **Post-Master Indirecte Belastingen (in Dutch)**
Tuesday early September till Tuesday early December 2024 (every Tuesday)
- **Top-Level Seminar 'EU VAT: Recent Developments and Outlook' (in English)**
Wednesday 25 September till 27 September 2024



Reform of the EU Customs Union – Deep dive

dr. M.L. (Martijn) Schippers LL.M

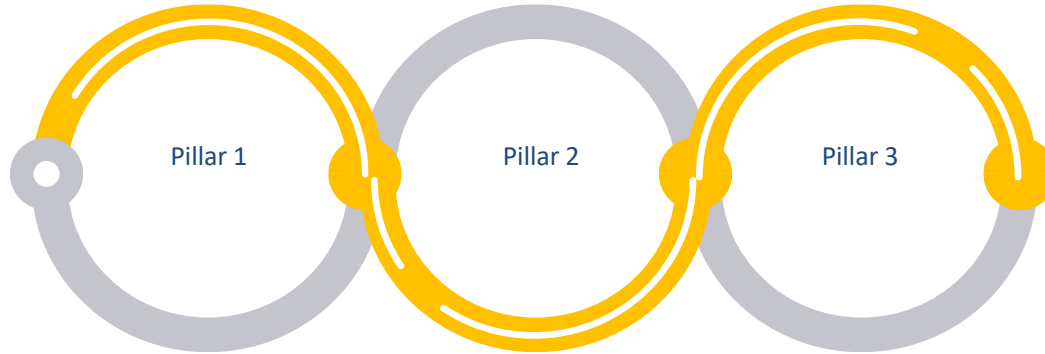
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Trust and Check traders

A more modern approach to e-commerce

Make online platform key actors

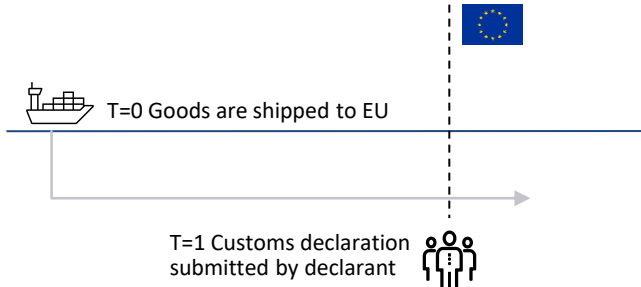
Abolishment 150 EUR exemption

Five customs duty categories for low-value goods

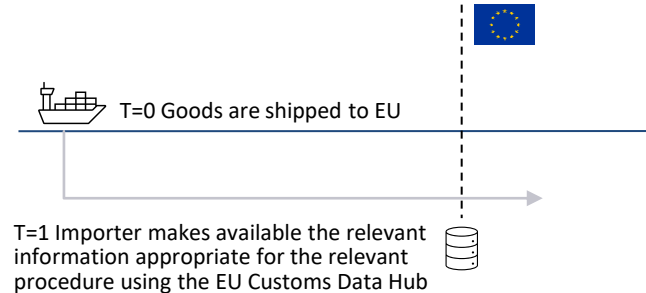
New concepts

- From 1 March 2032, references to the customs declaration shall be construed as covering the provision of the data necessary to place goods under a customs procedure using the capabilities of the EU Customs Data Hub.
- From 1 March 2032, references to the declarant shall be construed as covering the carrier, the importer, the exporter or the holder of the transit procedure, as appropriate.

Current situation



Future situation



New concepts (cont.)

Why is the European Commission introducing these new concepts?

- 1 Clarify the roles and responsibilities of certain actors in the customs processes.
- 2 Moving the focus from declarants/carriers to importers/exporters, as the latter parties motivate the traffic and are in a better position to ensure customs (financial and non-financial) compliance.
- 3 After a transition, the collection of duties will shift from the place of declaring the goods, to the place where the importer or exporter is established in the Union.
- 4 For importers and exporters, new definitions should make them liable for compliance of the goods, including for financial and non-financial risks, in order to strengthen customs supervision.

Introduction of ‘importer’ under the reform

- Shift from ‘declarant’ to ‘importer’
 - Declarant: person lodging the customs declaration who is established in the EU
 - Importer: any person who has the power to determine and has determined that goods from a third country are to be brought into the customs territory of the Union or, except otherwise provided, any person considered a deemed importer.

Imports by non-EU companies

Current situation

- Non-EU established entity appoints an indirect customs representative
- Represented party and representative are jointly liable

Future situation

- Non-EU established entity appoints an indirect customs representative
- Indirect customs representative becomes the importer

Statement

“Once adopted, the new customs rules force non-EU companies to create presence in the EU”

Trust and Check traders

Trust and Check traders

- The Trust and Check category strengthens the existing Authorised Economic Operators (AEO) program.
- Applications are open to trusted and transparent importers or exporters, resident or registered in the customs territory of the EU, that have conducted regular customs operations for at least three years.

Requirements

1. Electronic system providing real-time data to customs on the movement of goods
2. Absence of any serious infringement or repeated infringements
3. High level of control of trader's operations and of the flow of goods
4. Financial solvency
5. Practical standards of competence or professional qualifications
6. Appropriate security, safety and compliance standards

AEO

Trust and
Check
traders

Benefits

Self-release/release on behalf of customs authorities

Periodically determine customs debts and defer payments

No obligation to place in transit

More facilitations in respect of customs controls (AEO)

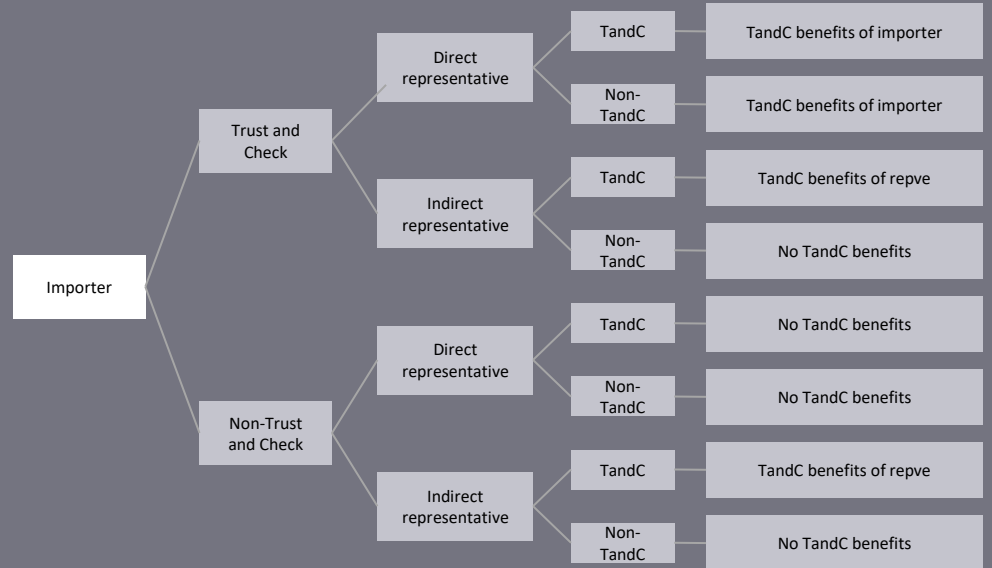
Reduced or waiver of guarantees (AEO)

Status as Trust and Check trader provides for assurance of proper conduct of operations under special procedure authorizations (AEO)

Trust and Check traders (cont.)

Trust and Check traders

- **Monitoring compliance:**
 - **Upon application:** An audit will take place on the operator's data from three years prior to the application to assess compliance with the application requirements
 - **Continuous monitoring:** In-depth monitoring of the Trust and Check trader's activities and internal records at least every three years
- **Representation:**
 - **Indirect representation:** Representative can enjoy its own Trust and Check benefits
 - **Direct representation:** Representative can enjoy Trust and Check benefits only if the importer he is representing is a Trust and Check trader



Trust and Check traders (cont.)

Transition from AEO to Trust and Check: Status of AEO-C will be phased out and replaced by Trust and Check!



AEO-C and AEO-S subject to the same criteria, apart from:

- AEO-C: “practical standards of competence or professional qualifications directly related to the activity carried out”
- AEO-S: “appropriate security and safety standards”

TandC: To grant status of TandC, the applicant must meet all criteria:

- “Practical standards of competence or professional qualifications”
- “Appropriate security, safety and compliance standards”

Infringements and non-criminal sanctions

- The Union Customs Code only includes the obligation for Member States to provide for penalties for failure to comply with the customs legislation and required penalties to be effective, proportionate and dissuasive.
- Several efforts to harmonize the customs sanctions over the last years (e.g., 2013 Commission proposal, COM/2013/0884 final) were not adopted.
- Directive (EU) 2017/1371 of the European Parliament and of the Council of 5 July 2017 on the fight against fraud to the Union's financial interests by means of criminal law:
 - Fraud affecting the Union's financial interests will constitute a criminal offence when committed intentionally.
 - Not primarily targeting customs duty evasion, some infringements will fall under the scope.
 - No threshold for legal persons.

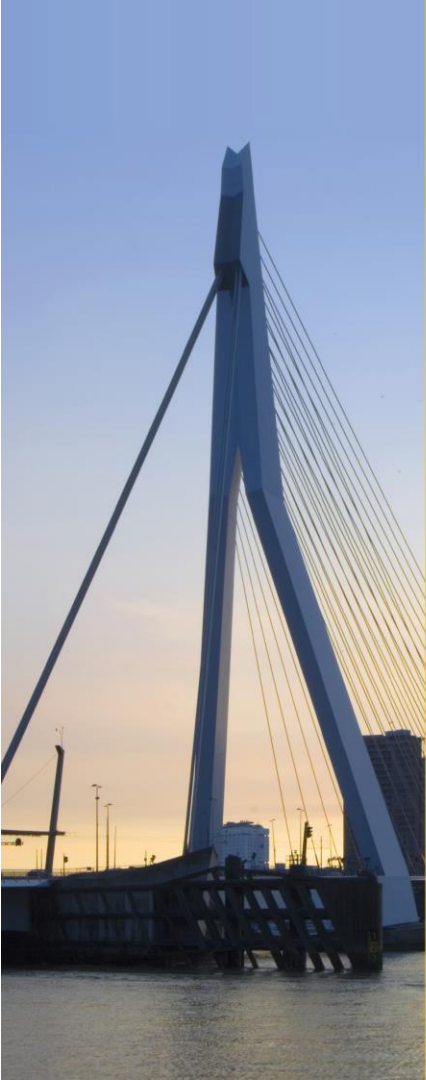
Infringements and non-criminal sanctions

- Proposal aims to list of customs infringements and non-criminal sanctions for those infringements. It does not prevent Member States from taking more stringent measures by providing for administrative or criminal sanctions in accordance with their national law.
- Key elements:

Common framework establishing a minimum core of **customs infringements and of non-criminal sanctions**.

Common provisions for **extenuating or mitigating factors**, as well as **aggravating circumstances**.

Thank you for your attention



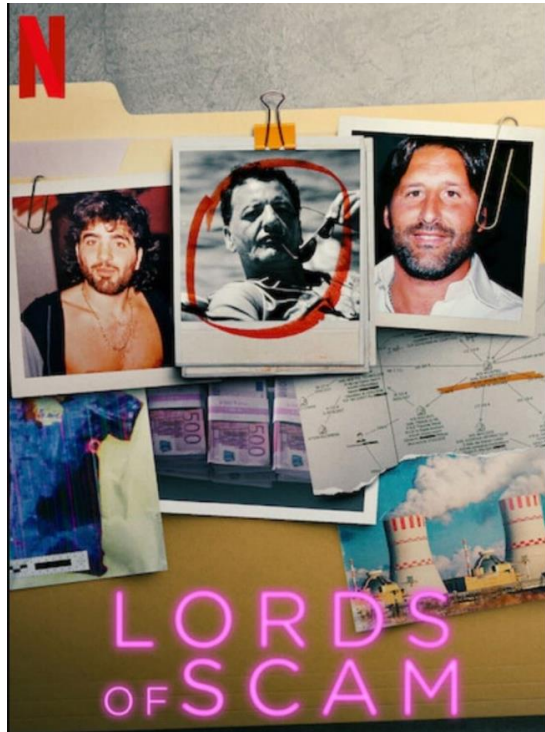
Ever increasing reporting obligations

Rogier Vanhorick & Tayla Stocks
Rotterdam – 8 February 2024

Agenda

- **Paper to digital:** What does it really mean to move from a paper world into a digital one – example e-invoicing
- **TA 3.0 :**The overall picture of the digital or data driven tax authorities
- **Transformation and disruption of our industry:** The transformative effect this shift will have for businesses and the tax authorities

Where it all begins the Lords of Scam (2021)

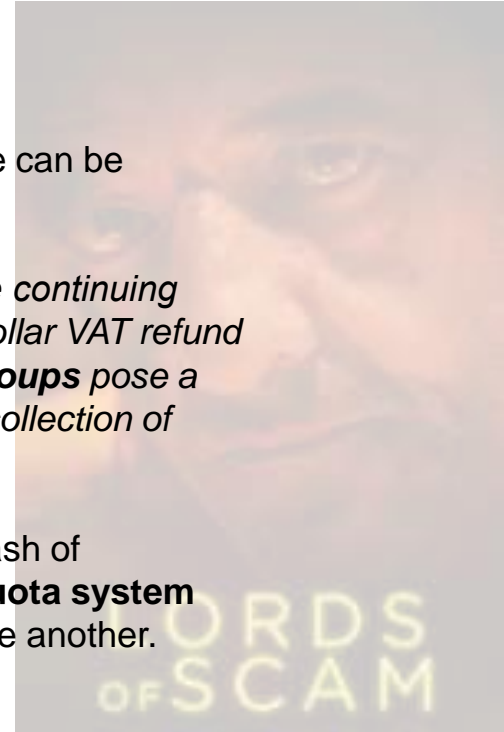


How easy is it to commit fraud?

From a **VAT gap** to **find a gap**: compliance can be effective but still lead to fraud

*“(...)the scale of fraud experienced and the continuing hemorrhage of revenue from multibillion-dollar VAT refund frauds perpetrated by **organized crime groups** pose a significant threat to the management and collection of VAT globally” - [IMF](#)*

Netflix documentary traces the rise and crash of scammers who **conned the EU carbon quota system** and pocketed millions before turning on one another.



TODAY & BEYOND

The rise of digital mandates

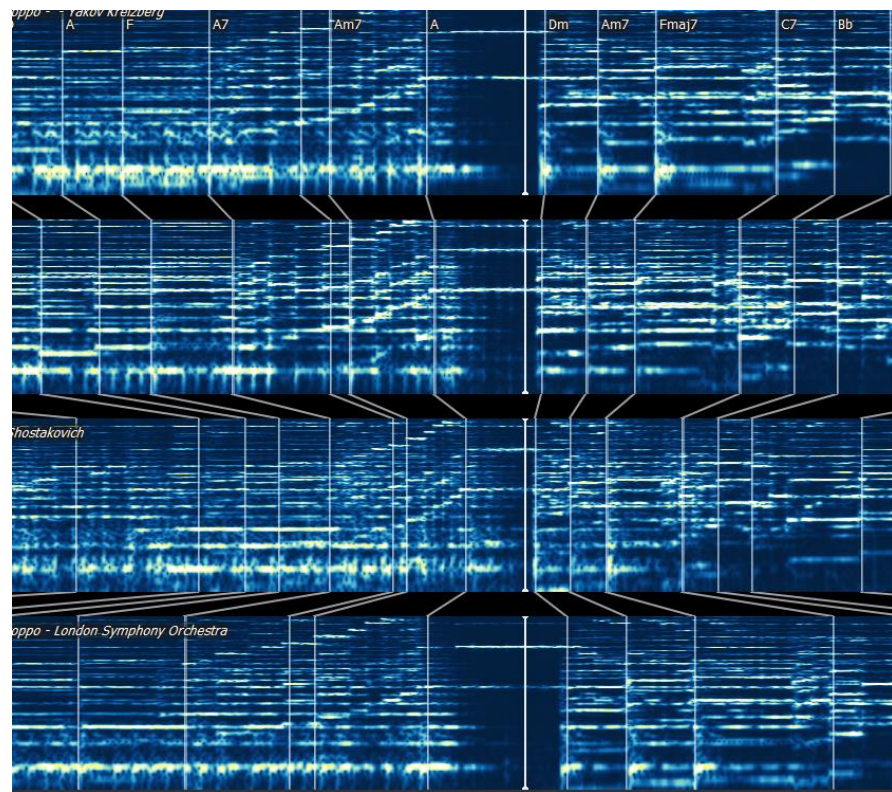


Shift...



Technology

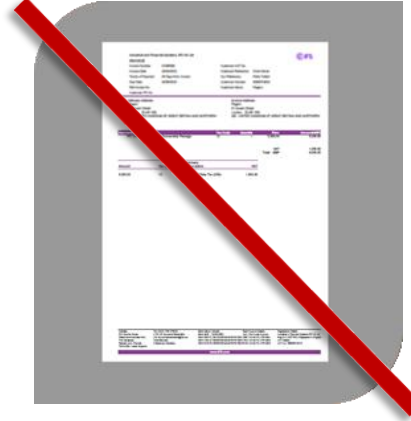
Able to produce desired output



What is e-Invoicing?



OCR technology?



PDF invoice?

An e-Invoice is a document in a **structured electronic format**, designed for automated machine-to-machine exchange and processing

E-invoicing is coming our way....



Unstructured

Visible and readable by people

Invoice No: 0025 Date: July 25, 2023

Enoch Jacobs
123-4567890
321-76543321
123 Street, City, US, 12345

Code	Description	Cost (\$)
123	Diagnosis	150
124	Drugs	350

Total: \$500

PDF, Excell, Word

Visual/unstructured

Paper/E-mail PDF/Scanned

Manual process

Human readable



Hybrid

Visible and readable by computers & people

Invoice No: 0025 Date: July 25, 2023

Enoch Jacobs
123-4567890
321-76543321
123 Street, City, US, 12345

Code	Description	Cost (\$)
123	Diagnosis	150
124	Drugs	350

Total: \$500

```
<?xml version="1.0"?>
<invoice number="0025" date="July 25, 2023">
  <patient firstname="Enoch" familyname="Jacobs" SSN="123456789">
    <phone type="home" number="123-4567890"/>
    <phone type="work" number="321-76543321" type="work"/>
    <address type="home" line1="123 Street" city="City" state="US"
      zip="12345"/>
  </patient>
  <procedure code="123" name="Diagnosis" cost="150.00"/>
  <procedure code="124" name="Drugs" cost="350.00"/>
  <total>$500</total>
</invoice>
```

PDF A3 with XML imbedded (eg FactorX)

Visual

Structured

Digital

Automated invoice process and digital processing

Human readable



Structured

Readable by computers

```
<?xml version="1.0"?>
<invoice number="0025" date="July 25, 2023">
  <patient firstname="Enoch" familyname="Jacobs" SSN="123456789">
    <phone type="home" number="123-4567890"/>
    <phone number="321-76543321" type="work"/>
    <address type="home" line1="123 Street" city="City" state="US"
      zip="12345"/>
  </patient>
  <procedure code="123" name="Diagnosis" cost="150.00"/>
  <procedure code="124" name="Drugs" cost="350.00"/>
  <total>$500</total>
</invoice>
```

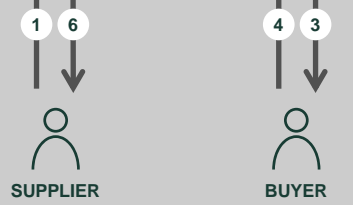
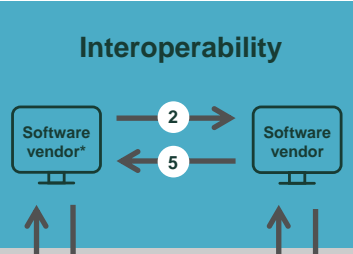
XML, CII, UBL

Structured

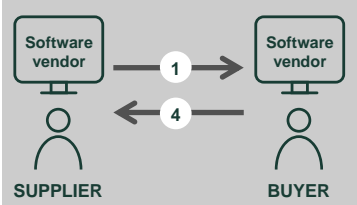
Digital

Computer readable

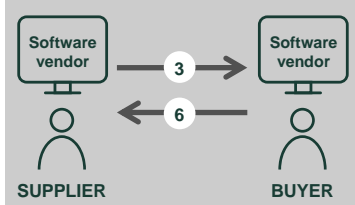
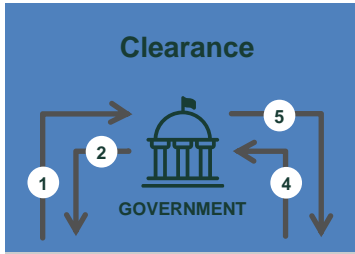
In different shapes and sizes....



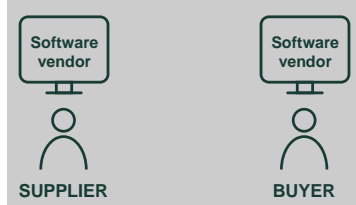
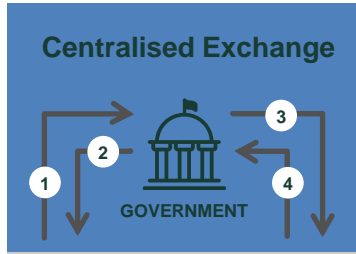
- Peppol (20+ countries incl. non-EU)
- Finland
- Switzerland



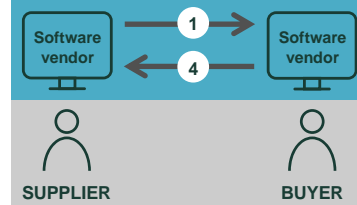
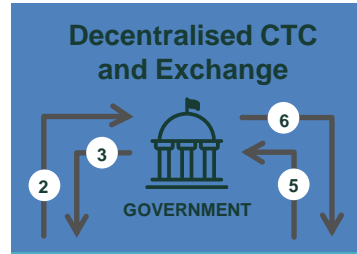
- Hungary
- South Korea
- Spain (Basque)



- Chile
- Mexico
- Saudi Arabia (B2B)



- Italy
- Poland
- Türkiye (e-Fatura)



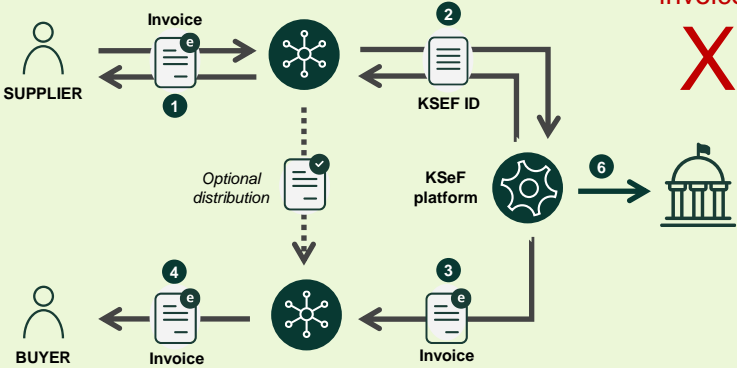
- Peppol
- EESPA
- ViDA
- Belgium
- Singapore

France Spain

Setting the scene

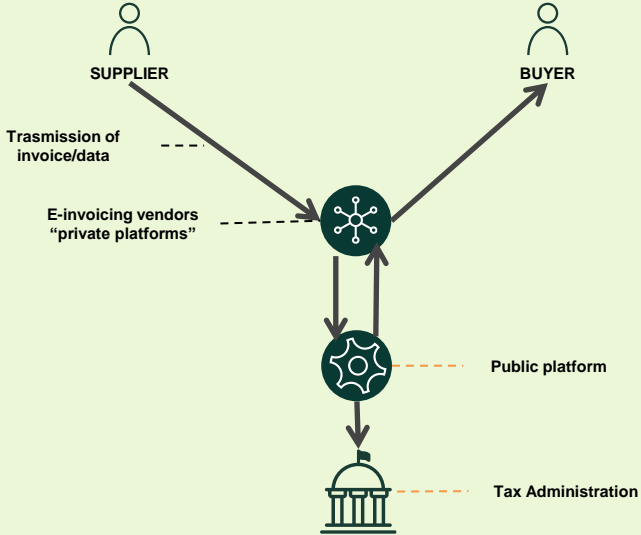
Mandatory e-invoicing with Government clearance

Validation errors (e.g., Poland)



Tax clearance becoming a business critical aspect in invoice process

Y – model clearance (e.g., France)



Setting the scene

AR / AP processes merging with new tax requirements

Today:
Exchange of e-invoices between suppliers and customers

What is already happening?

- Format of the structured document
- Content (and format of data)
- Not regulated
- No specific tax compliant requirements

Send via

- An open network e.g. Peppol
- Via a Government portal e.g. B2G
- Via service providers
- Via e-mail (PDFA3/FacturX)
- Via private EDI connection
- Via procurement AP network

Tomorrow:
Reporting of tax and transactional data from e-invoices to Tax authorities by e-invoicing clearance or e-reporting (ViDA)

In mandated countries (all as basis under ViDA ultimately 2030*)

- Regulated consistency added on top of usual format
- Part of the e-invoice issue and **Tax exchange** process – in real time
- Can be parallel process (real time reporting or e-reporting)
- **Regulated** and needs to be compliant
- Otherwise, no clearing and delays/stops the issuance to customer
- Specific **tax compliant requirements**
- Much more **granular transactional** level detail and more requirements as a result of the obliged compliancy

Sent via the regular channels but Tax authorities are interposed in a hard clearance model or can retrieve in decentralized clearing

- Tax authority can review, approve and validate/sign and even send to the customer. Return of error messages and delay or block if requirements are not met.

OECD & TAX3.0

“A win win: better detection of crime, a future proof system able to deal with the digital economy, higher revenue recovery via digital collection, and synergies that can make tax compliance easier for businesses and for much needed digitization of tax administrations”

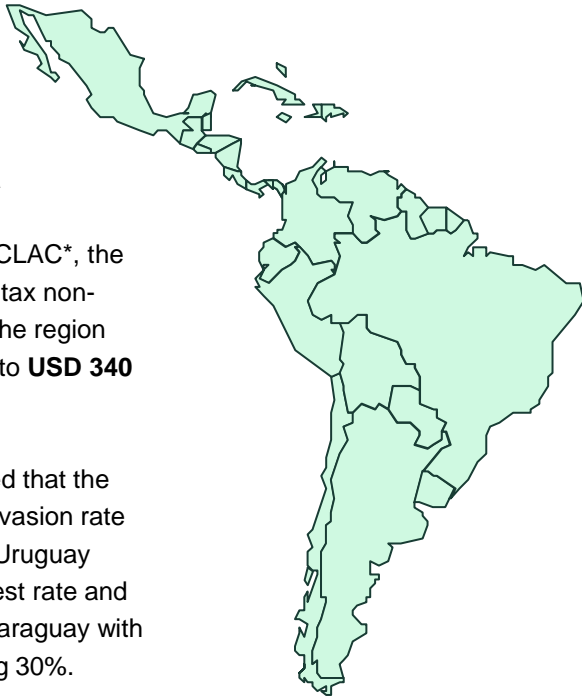
OECD

Tax administration 3.0 Technology Tools to tackle the Digital Economy Tax evasion and Fraud

How costly is tax evasion?

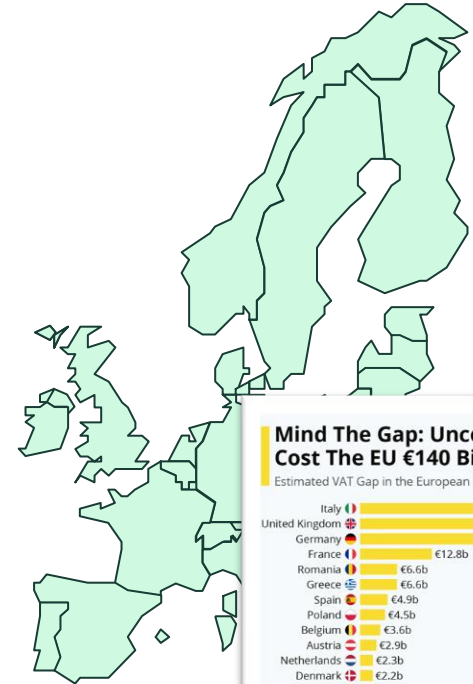
LATIN AMERICA

- ✓ According to ECLAC*, the cost in 2015 of tax non-compliance in the region was estimated to **USD 340 billion**.
- ✓ ECLAC reported that the average VAT evasion rate is 27.8%, with Uruguay having the lowest rate and Ecuador and Paraguay with rates exceeding 30%.



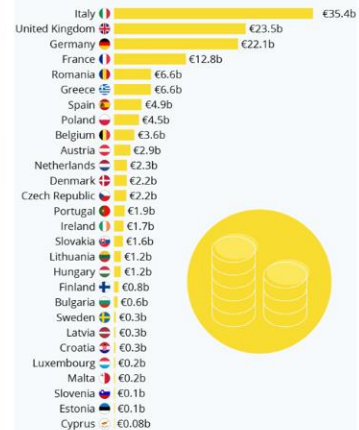
EUROPEAN UNION

- ✓ The analysis by TAXUD** estimated a VAT gap in EU of EUR 140 billion as of 2018
- ✓ **2020 VAT gap forecast EUR 164 billion**, increase due to the effects of the coronavirus pandemic on the economy
- ✓ Romania recorded the largest gap in percentage of GDP at 36% closely followed by Slovakia and Greece.
- ✓ All forms of white washing and criminal activity seems to have a tie with most VAT fraud and evasion



Mind The Gap: Uncollected VAT Cost The EU €140 Billion In 2018

Estimated VAT Gap in the European Union in 2018*



* The VAT Gap is the overall difference between expected VAT revenue and the amount actually collected. Figures have been rounded.
Source: Eurostat

FISCAAL

Gevecht om belastingopbrengst digitale economie barst los

De digitaks verspreidt zich als een virus over Europa. Steeds meer landen leggen techreuzen als Facebook een extra belasting op. Voor bedrijven dubbele heffingen als ieder land op eigen cybereconomie belast.



What is the Current State of Digital Services Taxes in Europe?

Implemented Digital Services Taxes as of October 14, 2020



Is Your State Prepared to Tax Internet Sellers?

Status as of November, 2018



Note: Dates represent effective dates. Source: Tax Foundation

Where to tax?

Under the proposed new rules, companies would have to pay tax in each Member State where they have a significant digital presence, reaching **one** of the following thresholds:

- Revenues from supplying digital services exceeding €7 million**
- Number of users exceeding 100,000**
- Number of online business contracts exceeding 3,000**

What to tax?

The attribution of profit will take into account the market values of:

- Profits from user data** (e.g. placement of advertising)
- Services connecting users** (e.g. online marketplace, platforms for "sharing economy")
- Other digital services** (e.g. subscription to streaming services)

Addressing the Tax Challenges of the Digital Economy

OECD/G20 Base Erosion and Profit Shifting Project

ACTION 1: 2014 Deliverable



DET3

Digital Economy Taxation

OECD

How is tax becoming digital?

Tax Administration 1.0

Current tax administration is generally carried out through a set of broadly **sequential processes**. At a high level, these are the identification of the taxable person or entity, required reporting of transactions and incomes, the application of tax rules and calculation of tax due, the payment of tax, audits, and enforcement and appeals processes

Registration

Assessment

Verification

Collection

Dispute

Forms driven (electronic & paper)
Periodic, historical, aggregated data
Manual, slow & costly
Retrospective risk treatment
Disconnected ecosystems

Traditional

Tax Administration 2.0

Tax administration is still carried out through a set of broadly sequential processes, but **increased digitalization and the development of new analytical tools** has significantly increased the efficiency and effectiveness of tax administration but did not reduce burdens for different taxpayer segments and lead to higher cost

Adoption of more reliable reporting systems covering extensive data near-time (SAF-T, ERP, Vida, Pillar 2...)
Improved detection of possible noncompliance (use of data from banks, payment intermediaries, devices,...)
Improvements in services for taxpayers (e-filings, joined up services platforms...)

Advanced, here we are now

Tax Administration 3.0

Tax Administration 3.0 - has the potential to build in compliance in an increasing number of areas, to **move taxation closer to taxable events** and to significantly **reduce the burdens** that can arise from using **different processes for taxation** to those used in **taxpayers' daily lives and businesses**

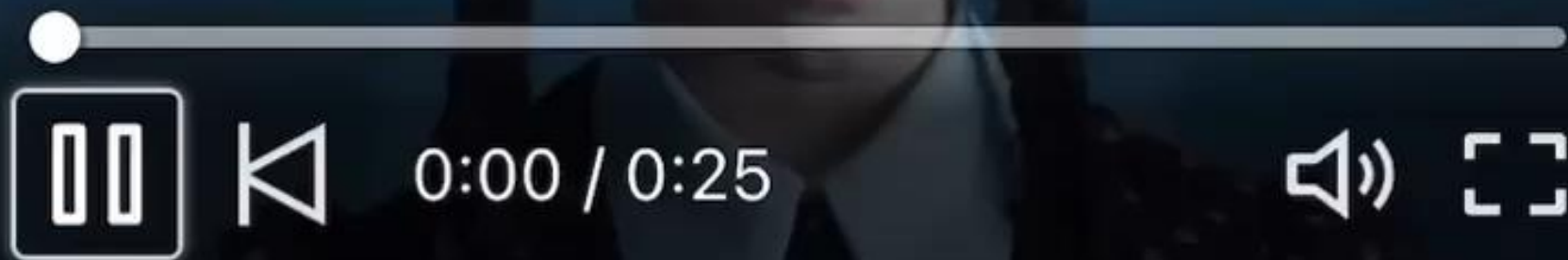


Data driven
Event based, detailed & real-time data
Enables validation & automation
Enables assured data
Interoperable ecosystems
Enables international co-operation

Work in progress

A close-up portrait of Wednesday Addams with her signature black braids and a serious expression, set against a dark blue background.

Tax Authorities



Harmonization of Indirect Taxes

EU Directives, a general overview





*“The DRR part of ViDA is really an aim to bring **harmonization** and an EU wide push to E-reporting of cross border transactions. In essence this is separate from E-invoicing but it aims to build on the adoption and further standardization of the format of structured E-invoices. The expected impact of introduction of Digital Reporting Requirements under ViDA is that it will lead to an estimated **increased net revenue** of 139 billion to the EU”*

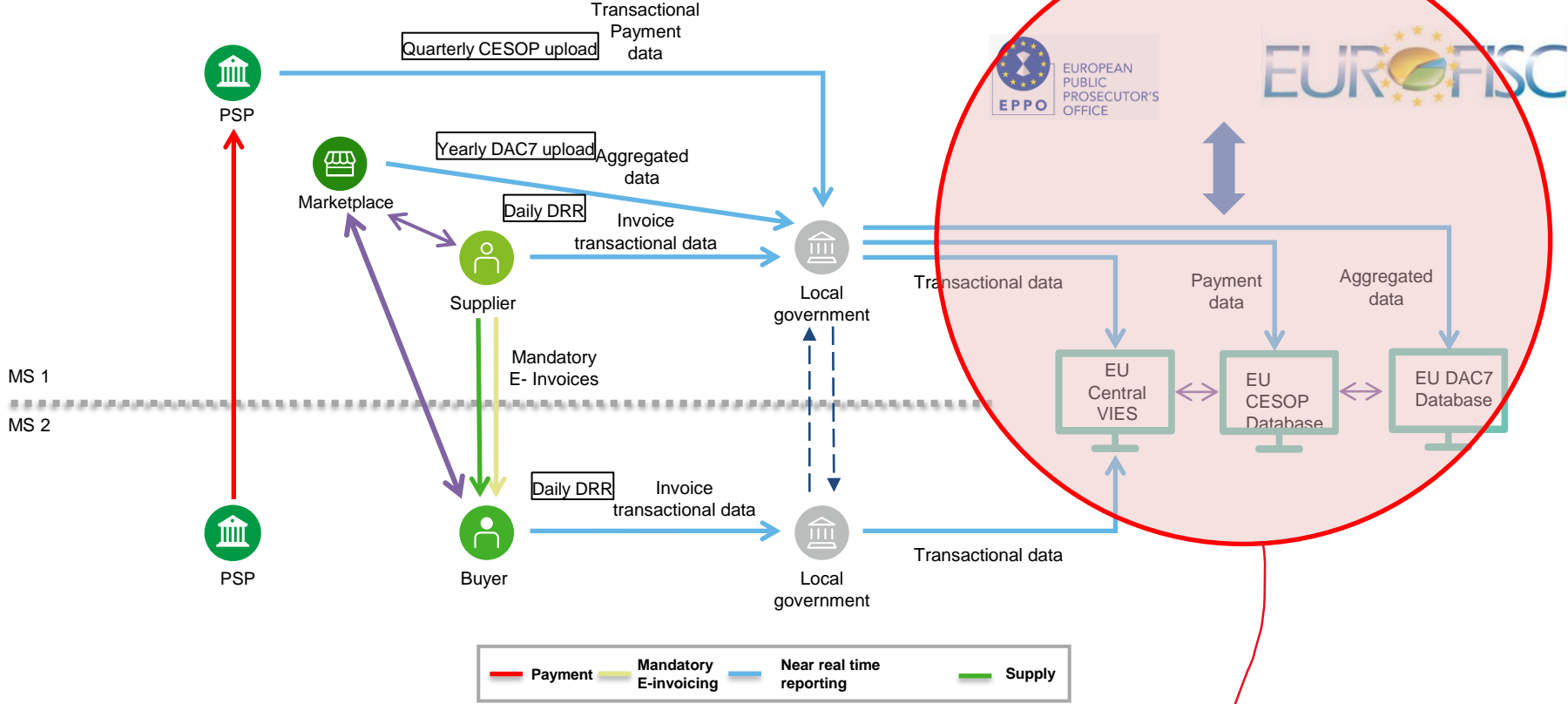
Ludwig de Winter

Head of Sector VAT legislation and VAT fraud at the European Commission

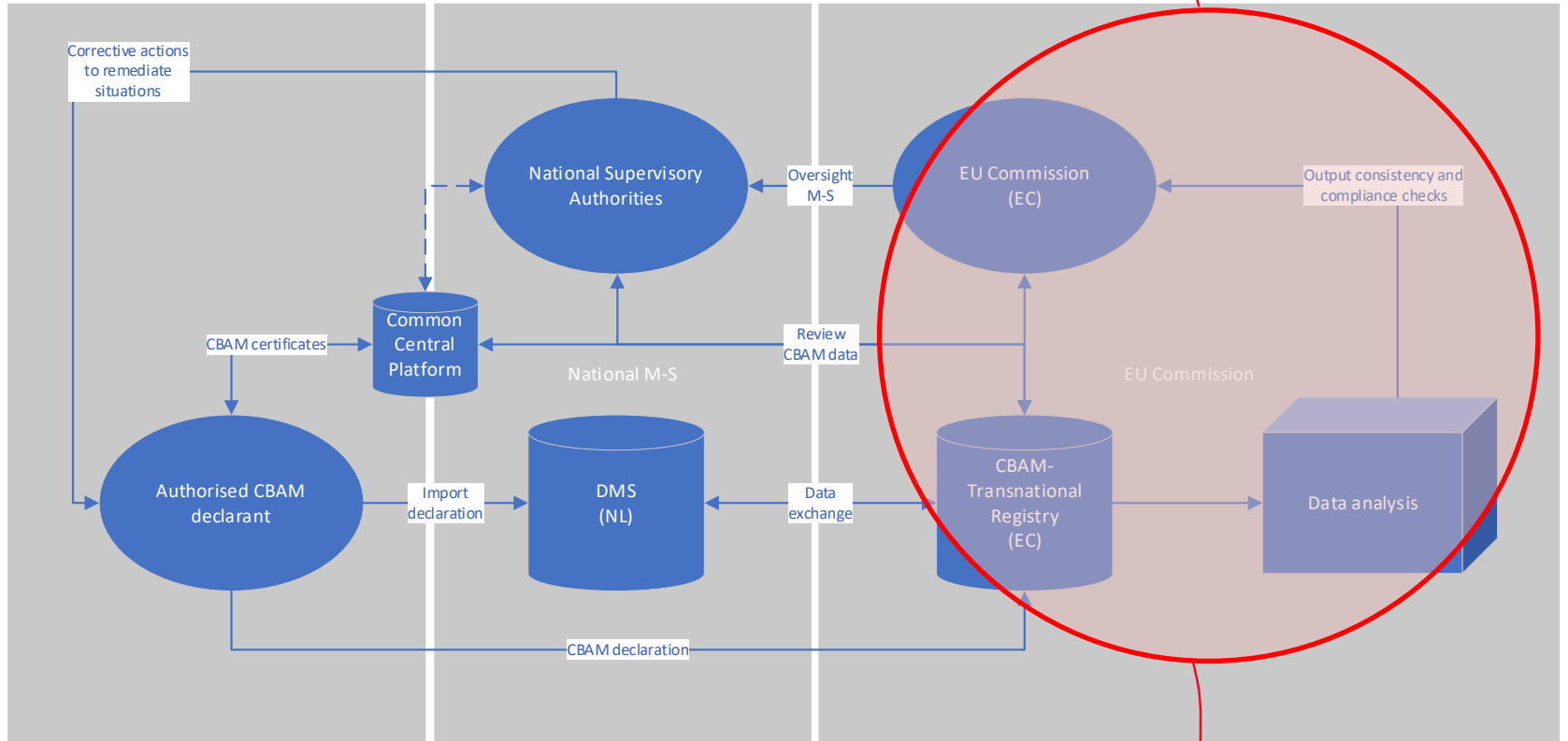


Network for various VAT reportings

Future trend ViDA interaction with CESOP and DAC7



CBAM (per 2026)

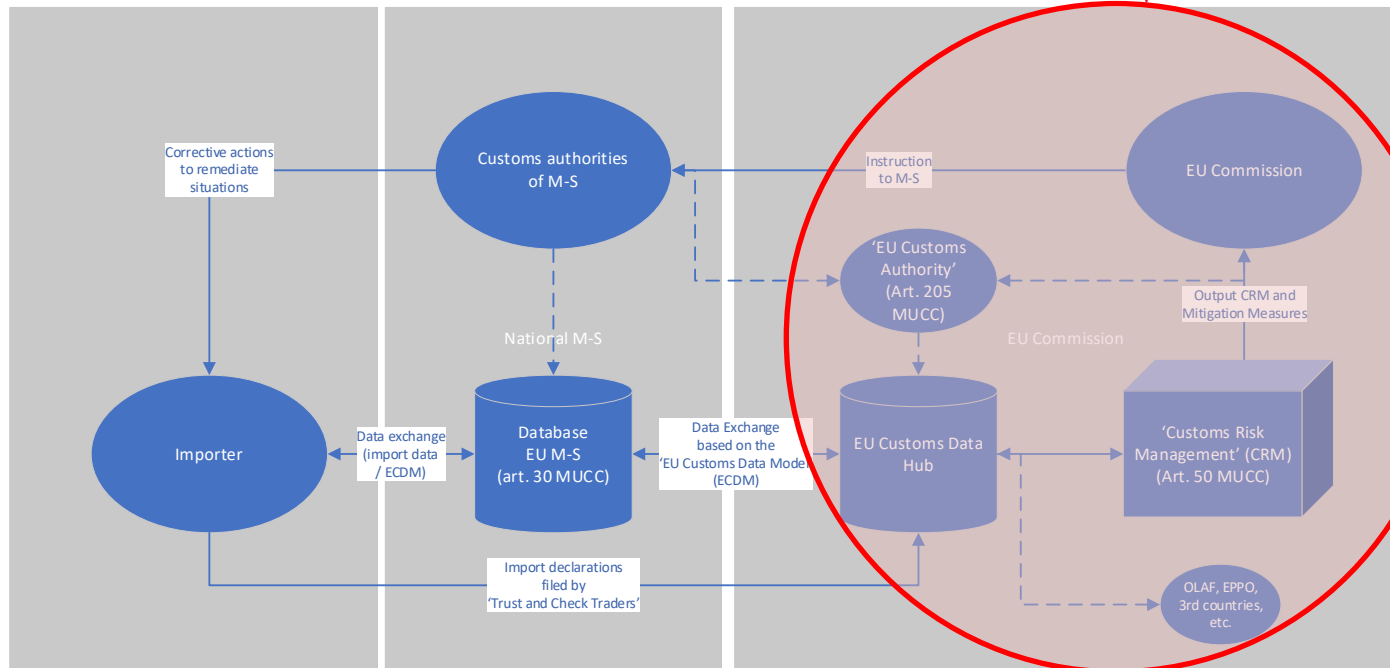


MUCC (Modernised Union Customs Code)

Despite the UCC (2016) not being fully implemented, in 2023 the EC launch the MUCC.

MUCC introduces the 'Customs Data Hub' to be managed by the 'EU Customs Authority' and contains data:

- Interfaced from the data repositories from the EU M-S;
- Import declarations from '**Trust and Check Traders**' and 'deemed importers' ('e-Commerce platforms');



Following the “red thread”

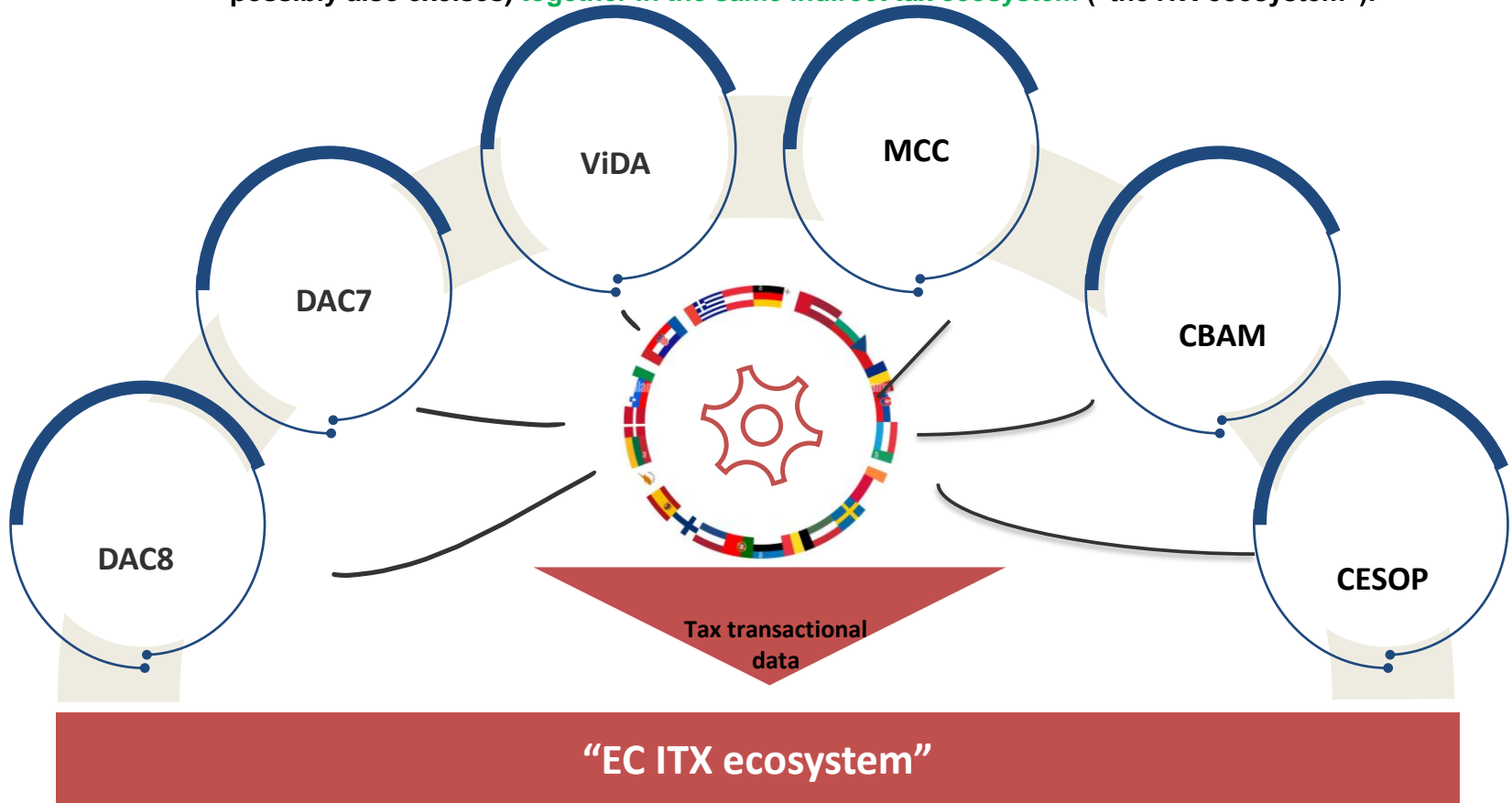
There are some striking similarities between the blueprints for CBAM, ViDA and the ‘Modernised UCC’.

- Each of the respective ‘common central platforms’ will be **procured jointly** by the EC and the M-S and subsequently managed by the EC. Accordingly, under the proposed tax reforms, the EC will be in firm control of the data analysis. Enabling **cross checks** to ensure validity, accuracy and completeness of the respective indirect taxes.
- Provided the EC are able to ensure sufficient digital infrastructure to perform such data analysis, it **likely that the EC will be able to claim the respective setups a success.**
- Under the envisaged set ups, the power to (in certain cases) monitor **in real time** sales transactions and customs transactions, potentially stop invoicing and shipments and levy **penalties** will dramatically **affect the current invoicing process** (as explained with e-invoicing Polish example) **and import process**. Consequently, it will be of the **utmost importance that transactional data is correct** before the data is interfaced into the databases of the authorities.
- Furthermore, given the ability of the EC to perform cross-checks, potential assessments would be made by and in name of the EC. Such assessments would then have to be challenged before the **EU Court of Justice (CJEU)**, rather than before the national competent courts, whilst this would level the playing field for EU-MS, the CJEU would simply not be equipped to handle all appeals.



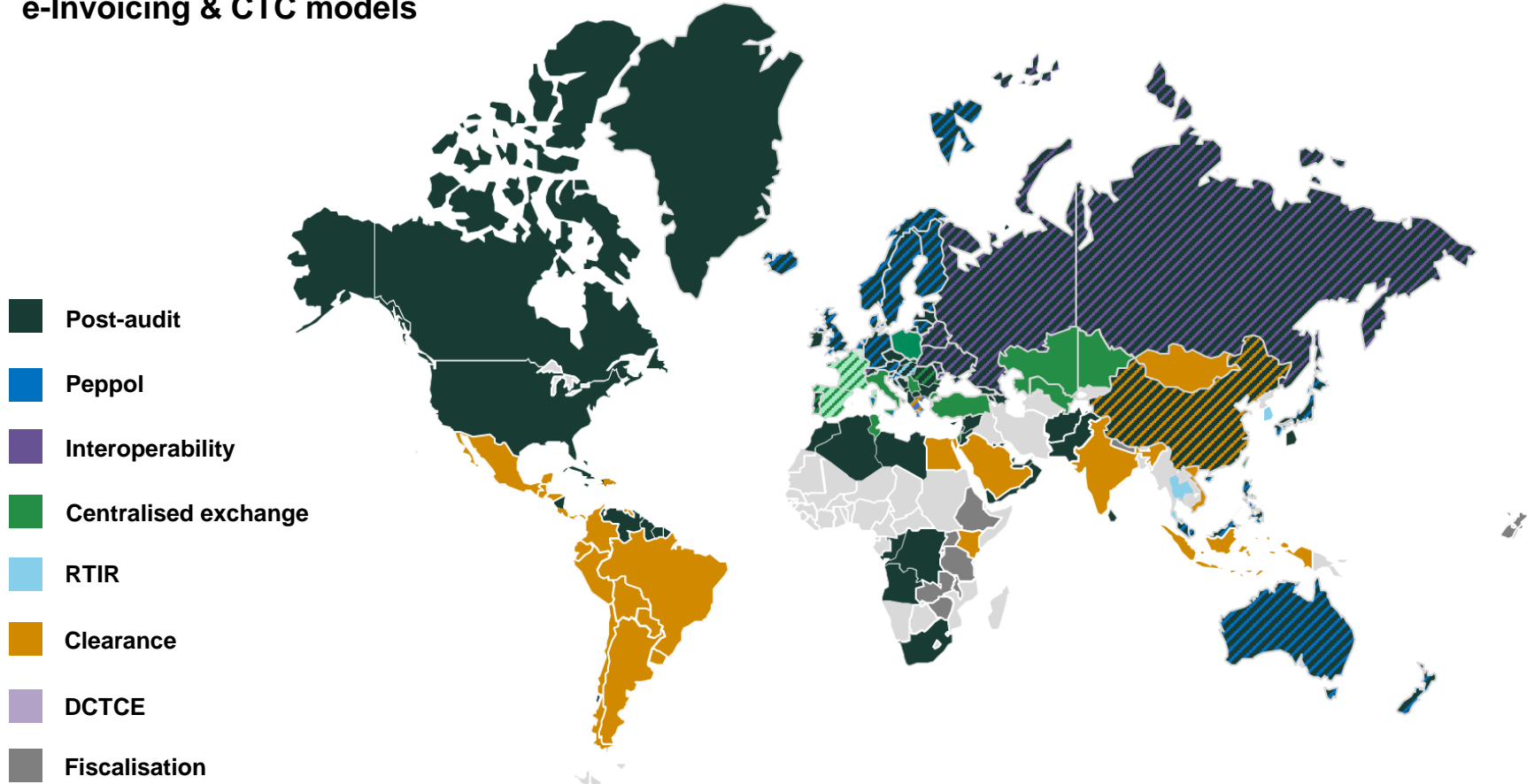
S P E L L B O U N D 2

Fast-forward 30-40 years: As a result of the “success” of the respective digital ecosystems, as well as the importance of combatting fraud, would it not be logical and efficient to (make an incremental next step and) bring CBAM, VAT and customs (and possibly also excises) **together in the same indirect tax ecosystem** (“the ITX-ecosystem”).



The Global Landscape

e-Invoicing & CTC models

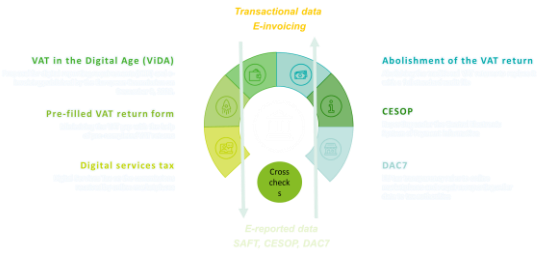


To conclude

Need to focus around build up of e-invoicing and e-reporting tools, knowledge and capabilities

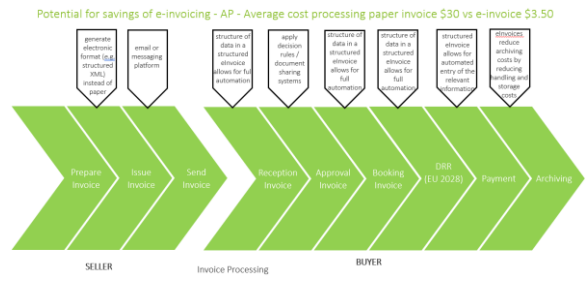
Rise of digital mandates

Government clearance making indirect tax compatible e-invoices a business-critical process – we expect 70% of countries to have adopted tax enabled e-invoicing mandates by 2030 (now 10%)



Convergence of savings/efficiencies of e-invoicing and regulatory mandates

Combination of cost savings, ESG (paperless argument), touchless finance, digitization, timing with the obligatory tax clearing via regulation turning this from a nice to have also in a must have

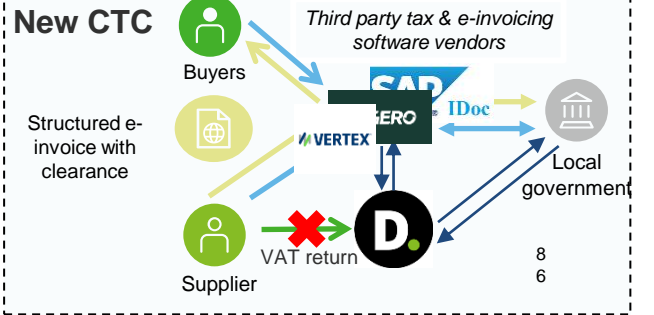
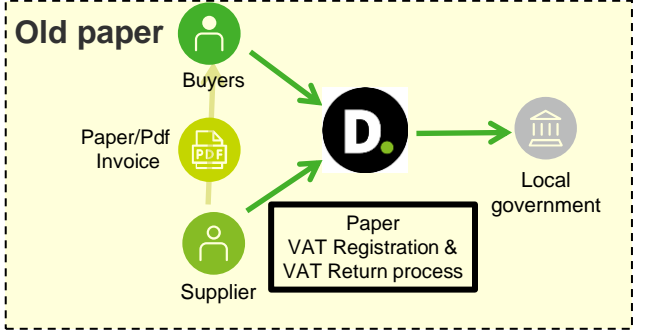


Touchless Finance

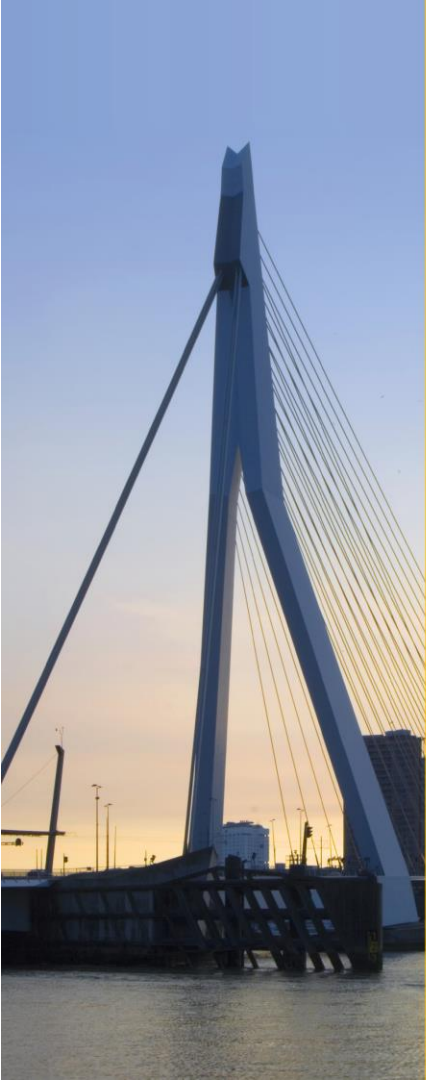


Existential transformation of Indirect tax compliance from a push to pull requires a rethink of the indirect tax function

The world of filing PAPER VAT and adjacent returns like ESL/Intrastat will transform to a fully digitized real time environment with the return and traditional filing disappearing. Software vendors are stepping into this space and tax function has to adopt a radically different approach to be able to remain compliant.



Thank you for your attention!



Panel discussion

Madeleine Merkx – moderator

**Pascal Schrijver, Rogier Vanhorick, Tayla
Stocks & Martijn Schippers**

Rotterdam – 8 February 2024

Statement

“Not all platforms are capable of dealing with the (proposed) obligations for VAT and customs and entering the market is difficult”

Statement/Question

“We are seeing countries around us progress with the introduction of e-invoicing and the digital infrastructure able to accommodate it, but where is the Netherlands in all this?”

Statement/Question

“We hear this often in the Netherlands and from various clients that the IT challenges associated with moving to real time reporting is something we (or the systems) are not ready for. Especially middle-sized companies are worried with the administrative and especially the IT/software burden of the introduction of e-invoicing and e-reporting like the ViDA DRR. The “real time element” plays a role in that: having to submit structured data about cross border transactions in 10 or even 20 days seems short. How is that working in practice in other countries that already have real time or near real time reporting?”

Statement

“Removing the 150 EUR exemption will reduce customs fraud”

Statement

“Once adopted, the new customs rules force non-EU companies to create presence in the EU”



**Thank you for attending the
conference!**

Join us at the networking drinks in the restaurant!