

4 April 2023

## **FINNISH COMMERCE FEDERATION – VAT IN THE DIGITAL AGE**

Finnish Commerce Federation is a nationwide lobbying organisation whose mission is to promote Finnish commerce. We work to improve the operating conditions for companies active in wholesale and retail trade, to stimulate co-operation within the sector and to enhance the commercial and employer interests of our members.

We play an important role in the labour market, negotiating collective labour agreements, resolving labour disputes and serving our members in employment issues. Our aim is to increase further the scope and relevance our member services.

Commerce employs around 300,000 people in Finland. There are around 7,000 member companies in the scope of Finnish Commerce Federation.

### **Future of VAT reporting and e-invoices**

#### *DRR in general*

Finnish Commerce Federation strongly supports measures to combat tax fraud and actions to address non-compliance. Any measures designed to reduce VAT fraud must be designed in such a way that they work in harmony with the existing commercial landscape, thereby causing minimal business disruption. For this reason, Finnish Commerce Federation considers the Commission's proposal regarding DRR to be overscaled. Instead of proposing compulsory DRR measures the Commission should concentrate on helping SMEs to start using standardized e-invoices.

According to Finnish Real-Time Economy project, which is set up by the Ministry of Economic Affairs and Employment of Finland, approximately 50-60 % of Finnish companies use e-invoices. This means that Finland is among top countries in EU in the use of standardized e-invoices. Especially large and medium sized companies use e-invoices in Finland.

The price tag for companies for introducing DRRs, new VAT reporting requirements and compulsory e-invoices is extremely high. These measures require companies to modify their ERPs which is never easy or cheap. High cost affects especially to micro sized companies and SMEs. At the worst these companies need to postpone their strategic investments in order to build their ERPs to comply with the DRRs and e-invoices. That is why, if the Commission proceeds with the DRR, the timetable for amendments is too tight and should be expanded to mid 2030's. The Commission should first concentrate on actions that improve the utilization rate of e-invoices among micro and small sized companies. Finnish Commerce Federation emphasizes that the Commission should not leave measures on how to help micro and small sized companies to implement e-invoices only to member states' decisions.

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### *The deadline for the transmission of the data*

According to Article 263 of the proposal the information has to be transmitted on a transaction-by-transaction basis, the deadline for the transmission of the data is two working days after the issuance of the invoice, or after the date the invoice should have been issued in case the taxable person has not complied with their obligation to issue an invoice, the transmission of the data has to be carried out electronically, and Member States will provide the means for that transmission. The Finnish Commerce Federation stresses that the timeframe for transmission is way too short. It most probably will cause problems especially for the purchasers. The acceptance procedure of the invoice, whether it is in paper or electronic form, takes long time in companies. Usually, companies are not able to automatize acceptance procedure since it needs information that is not possible to include to the invoices, such as deductibility of the invoice.

### *Option to expand DRR to domestic transactions*

According to proposal's Article 271a Member States have option to put in place within their territory digital reporting systems for instance, the reporting of supplies of goods or services carried out by a taxable person to a private individual. Such a system will have to comply with the features laid down in Article 271b. Furthermore, according to Article 271b electronic invoices must comply with the European standard on electronic invoicing and the list of its syntaxes pursuant to Directive 2014/55/EU. Finnish Commerce Federation points out that electronic invoices do not apply to supplies of good or services to private individuals. These transactions are covered by e-recipes which have completely different standards. According to our understanding e-recipes currently do not have European standards. Thus, The Commission should abolish the Member States' option to expand DRR to B2C transactions.

### *Summary invoices*

According to the proposal the possibility to issue summary invoices would be eliminated. This is problematic for companies since it is reasonable to collect some of the transactions together and only issue one summary invoice instead of multiple separate invoices. Good example is phone call information, it would be inconvenient to invoice each phone call separately. For that reason, mobile operators send their customers summary invoice which include all the phone calls from the specific timeperiod. Also inside group of companies it is reasonable to issue summary invoices for transactions between mother and daughter companies. Finnish Commerce Federation stresses that elimination of summary invoices would increase expenses related to invoicing.



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### *IBAN number*

According to the proposal subparagraph 17 of the Article 226(1) requires reporting of the IBAN number of the bank account to which the payment of the invoice is made or another identifier that can be unambiguously linked to the bank account on a transaction-by-transaction basis. Finnish Commerce Federation stresses that there are payment solutions that are not linked to IBAN number. It would also stop the development of new payment solutions that are not tied to bank account if IBAN number would be mandatory information in respect of DRR.

### **EU Single VAT ID**

The Finnish Commerce Federation welcomes the Commission's proposal to expand the OSS to cover situations where a company transfers its own goods between EU member states. This expansion particularly eases the registration burden for businesses with stocks in multiple EU countries. However, the possibility to use the extended OSS should be available on a country-by-country basis, allowing companies to choose where to use the system. If the system is required to be used in all countries where the company operates, or alternatively not used at all, the benefits of the system are limited.

The Finnish Commerce Federation notes that the Commission's directive proposal does not include a change to the VAT deduction procedure for companies using the OSS system. Under current conditions, companies using the OSS system cannot claim VAT refunds for the value-added tax included in purchases made in another EU member state through the system. Instead, companies must apply for refunds through a slow and administratively cumbersome VAT refund process.

Finnish Commerce Federation supports the measure to make the existing Import One Stop Shop mandatory for marketplaces acting as deemed supplier, as this will improve the collection and simplify the audit and enforcement of VAT, while ensuring a level playing field.