



Statement

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## **VAT in the Digital Age**

The Confederation of Finnish Industries thanks for the possibility to be heard for the VAT in the Digital Age -proposal and would like to make the following points regarding proposal. The comments are made on the three different aspects of the proposal: on the real-time reporting regime, on the single VAT registration and on the platform economy. Before specific comments, we would like to make a few notes on the general level.

### **General comments - the whole proposal**

As a whole, VAT in the Digital Age initiative is a highly welcomed initiative aimed at supporting the functioning of the Single Market as well as reducing the current VAT gap. Whereas the emphasis of the business community is to make the Single Market function more efficiently and the rules to foster growth, we also understand the need to limit the possibilities of the fraudsters to misuse the system in place. We would like to emphasize that the business community is more than willing to share thoughts and ideas about how to make the Single Market work more efficiently.

The proposal takes a long-awaited first step towards aligning the VAT treatment between goods and services in connection with widening the usage of the domestic reverse charge mechanism in Member States. The Confederation of Finnish Businesses sees this as a first step forward toward treating the goods similarly to business. Whereas the current VAT rules makes it possible for the businesses to distinguish between the two, this is no longer in line with the business realities.

### **General comments - digital real-time reporting**

The Confederation of Finnish Industries would like to note that for honest businesses willing to comply with the rules the current system with varying reporting scheme, from one Member State to another, has become

Economic and Tax Policy  
Tiina Ruohola

4.4.2023

a true barrier to intra-EU trade. Therefore, the Confederation of Finnish Industries welcomes the initiative to control and limit the Member State specific reporting regimes and producing a common reporting standard for all Member States.

The Confederation of Finnish Industries believes strongly that the decision to not make it possible for the Member States to utilize any existing state-clearance models is a very good one. The idea of having to send the invoice to the State before sending it to the customer does not fit the Finnish ideology of how a Market Economy should function. The ban to use any state clearance models after the acceptance of the VAT in the Digital Age package should remain as the starting point.

The proposal is based on structured electronic invoicing. The starting point of the proposal is for all businesses to be able to accept structured electronic invoices as of beginning of 2024. Whereas the Finnish business community is likely better equipped to start accepting the electronic invoices, we do understand that the business community as a whole in the EU considers the timeline to be too short. Regardless of when the VAT in the Digital Age -package is accepted, there should be sufficient time for any coming into force date. A sufficient timing could be 18-24 months from the acceptance of the proposal.

The idea is for the structured electronic invoicing to become the only accepted standard in the intra-EU trade. The European Union consists of countries that vary greatly in their size and their population. Finland as a country with a relatively small population is heavily dependent on international trade. Therefore, we would encourage the Commission to work together with the Member States to ensure that the new rules will not become a barrier to trade. The Member States should, alone or preferably with the help of the Commission, to make it possible for the smallest companies to issue structured electronic invoices for intra-EU trade. At best, this kind of help should be done with the co-ordination by the Commission.

The limitation or banning of the summary invoices should be re-considered. Finland is highly dependent on sales to foreign countries. Many companies are involved with project supplies for which we do not have a common European definition. It is clear that at present different EU Member States treat project supplies very differently so that in some countries Finnish businesses are obliged to register for VAT whereas for the same supplies they are not obliged to register in others. Regardless of the need to register it is clear, that Finnish businesses operating in other Member States have a considerable number of invoices that they would consider as summary invoices. The concept of a summary invoice should be clarified. Further, when discussing the concept and the idea of limiting the usage of summary invoices, the usage of summary invoices is always based on trust. In other words, a business will never

Economic and Tax Policy  
Tiina Ruohola

4.4.2023

send a summary invoice with significant benefits in payment terms to a business with no prior business conduct. Hence, the Confederation of Finnish Industries would like to note that the elimination of the usage of summary invoices will significantly harm current business models of operational businesses. Simultaneously, we do not see the benefit on fighting fraud that the Commission seems to foresee.

The Confederation of Finnish Industries would like to point out that also with current business flows and business realities of when to invoice, the limit of 2 days for the invoicing to take place will not be sufficient. Based on the feedback from our member companies, it can be less than 10 % of the invoices that go through a fully automate process without any manual interference. With this figure in mind, it should be noted that Finland is one of the countries in which the level of structured e-invoicing is the highest in the EU. Further, the usage of different Incoterms makes the realities so that it will not be possible to invoice when the supplier would like to invoice - but the determinant factor can be when the customer collects the goods or a significant time later after the goods have been shipped.

The suggested due date for invoicing and reporting sales within 2 days is not sufficient. The due date should be looked at from two different angles. From the sales, the feedback from the Finnish businesses is that if everything needs to be reported within 2 days, it can be done but with a significant number of correction invoices needed at a later stage. The question is whether the businesses and the Tax Administrations alike will need to invest their resources in corrections. Naturally the question of sanctions and interests alike will arise. The Confederation of Finnish Industries would like to see the due date of 2 days significantly increased for reporting the sales.

The Confederation of Finnish Industries would also like to note the difference in the treatment of goods and services. Whereas for the supply of goods, the time of supply might be clear, for services it remains too vague. As a practical example the Confederation of Finnish Industries would like to note that for a VAT consultant charging her work on an hourly basis with a continuous contract, it is at present close to impossible to state at which point in time the service has been supplied so that an invoice must be issued. If a VAT consultant could not determine the moment with the present proposal, it goes without saying that the rest of the service sector might end up having their practical, yet challenging difficulties.

The 2-day due date would be even more challenging for reporting of the purchases or in practice, impossible to be met. This requirement will lead to a situation where companies would report purchase invoices to tax authorities before internal invoice review process has taken place or then review process cannot be applied at all. Reporting

Economic and Tax Policy  
Tiina Ruohola

4.4.2023

without verification/review would not be in line with AP processes applied at present. In all cases, many corrective transactions would take place. Even though businesses aim to process invoices without manual intervention, manual reviews cannot be fully abolished.

### **Single VAT registration**

The main comment that the Confederation of Finnish Industries would like to make for the Single VAT registration is that it should be allowed for Businesses to make the choice to utilize the OSS Member State by Member State. In an ideal world, the Businesses would like to receive the input VAT deductions and also report the imports and exports through the OSS. However, as long as we are not there, the Single VAT registration should take into account the flaws of the system and its practical implications. Therefore, for Businesses to be able to utilize the OSS despite of the fact that there are significant difficulties in the VAT refund processes in some Member States. This implies the need to realize that not all Member States refund in a way that they are hoped to refund and that the business models are not necessarily similar between Member States. Hence, the possibility to choose would significantly upgrade the usage of OSS.

The Confederation of Finnish Industries would also like to note the need to fix the current problems related to the 8<sup>th</sup> Directive VAT refund claims. Whereas some Member States refund within the agreed time limits, our experience is that there is a great variety between Member States. It should be examined whether OSS and 8<sup>th</sup> Directive refund systems could be somehow interlinked to facilitate for faster VAT refunds through the Union system.

### **Platforms**

The Confederation of Finnish Industries sees the enlargement of the platform liabilities as a natural next step ensuring a level playing field for the hotel sector.

Respectfully,

Confederation of Finnish Industries  
Economic and Tax Policy

Penna Urrila  
Director