

COLLABORATION WITH TAX SERVICE PROVIDERS IN THE E- INVOICE SYSTEM

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The demand for greater tax revenues, as well as measures to promote equity and economic growth bring new challenges to the Portuguese Tax Administration.

In this context, our tax administration continuously develops new strategies to deal with all the changes caused by the use of new technologies. The flow of information offers new opportunities to provide better services and promote voluntary compliance.

In Portugal, since January 2013, all businesses must issue an invoice, for all transactions, even if not requested.

The mandatory elements of all issued invoices are communicated monthly to the Portuguese Tax Administration in real time (web service), by online SAF-T file submission or direct input into AT's web portal.

These different ways of transferring invoice data reduce costs for taxpayers and the tax administration and enables the latter to access reliable data.

It is important to say that, from 2008, the requirement for companies with computerised accounting systems to produce the SAF-T audit file according to the OECD Model and, from 2011, the certification of the companies' invoicing system provides a reliable data exchange between businesses and the tax administration. Currently, companies with a turnover over €100 000 are obliged to use certified invoice software systems. Such standards contributed to the quality of the accounting and filling processes, because a business transaction is recorded in a standard format from the source to the final reporting. This reduces the risk of errors as with SAF-T there is a reduction in the level of errors because the data exchange is more accurate and consistent.

Therefore, the compliance costs for businesses were reduced, as well as the level of tax evasion.

The implementation of the e- invoice system

To implement the e-invoice system, the Portuguese Tax Administration created a joint task force composed by representatives from different tax areas/departments and IT systems to develop the following work: design the legal framework; the software solutions (technological means); prepare the interface with the taxpayers and the new e-invoice website; and launch internal and external communication plans.

The Portuguese Tax Administration had to create new IT systems and purchase new infrastructures, which required large financial investments and the use of outsourcing.

A trial period was established two months earlier for businesses and taxpayers and, on 31st of December, the test data was cleaned up for the system to start working on the 1st of January 2013.

The Tax Administration also prepared internal and external communication and information plans.

The internal communication plan included: a seminar with the managers to present the system and to involve them in the project; training sessions; setting up of a group of 47 regional trainers; and informative emails to the organic units.

The external communication plan included: seminars and workshops for businesses; set up of customised meetings with companies who requested it; nationwide training sessions with the Certified Accountants Association; nationwide training sessions with economic agents and professional associations; emails with relevant information sent to taxpayers; clarification responses sent by email; and FAQs in the website. In the media (television, radio stations, newspapers) several news reports were also broadcasted.

The e-invoice system provides an important framework for the Portuguese Tax Administration's tax compliance strategy

With the goal of increasing the level of compliance, the Portuguese Tax Administration developed a methodology of analysis based on the principle that the data communicated by the taxpayers disclose their tax facts, especially those related with VAT.

This methodology enables AT, in an integrated and automatic way to: cross-check a high number of data; identify risk situations; interact with taxpayers to promote voluntary compliance and, if necessary, issue an assessment.

If the VAT declared on the invoices is more than that reported on the VAT return, the tax administration shares those mismatches with the taxpayer in order to help them to voluntarily submit an edited return or to correct the elements of the invoices. If the taxpayer does not resolve those mismatches, the tax administration issues an assessment.

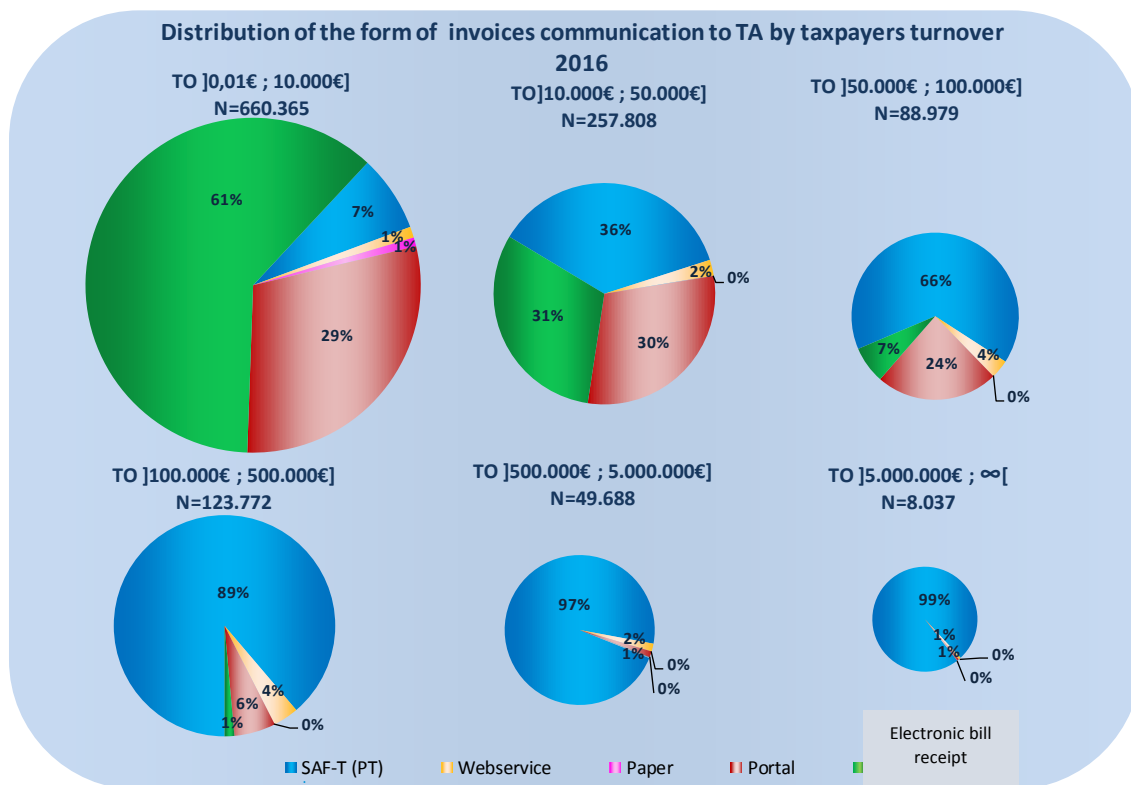
The promotion of taxpayers 'fiscal citizenship' in combating the underground economy and prevent tax evasion is another goal achieved with the e-invoice system. The registration of invoices is not done by consumers, but by businesses. The former can check if the invoices with their Tax Identification Number (TIN) are registered in the e-invoice website.

In view of the citizens' adherence to the e-invoice system, consumers are eligible to TA's prizes (the "Lucky Invoice Lottery") and Personal Income

Tax (PIT) deductions by the invoices when they provide their TIN. From the 1st of January 2015, the expenses eligible to PIT deductions are automatically pre-filled with information from invoices that the businesses have communicated electronically to e-invoice system.

Better services and platforms for self-employed and SMEs to meet their tax obligations efficiently

As mentioned before, the taxpayers can do the electronic communication of the mandatory elements of the invoices through web service, SAF-T file, direct input at the Web Portal and electronic bill receipts (online service provided for independent contractors at the TA's website). For smaller taxpayers the Portuguese Tax Administration also provides on the Portal an official statement for communicating the invoice elements that can be filled offline.



Source: Portuguese Tax and Customs Authority, 2017.

The graphic shows that in 2016 about 400 thousand (660.365 x 61%) individual taxpayers (independent contractors), with an annual turnover

until € 10 000 issued their invoices through the electronic bill receipt system.

The e-bill receipt was implemented in 2010 and gives the self-employed means to issue bill receipts with low costs, with no purchase of paper bills or need to declare these at local tax offices. The bill receipt issuance is done at the tax administration's website after authentication. It is a simple, free of charge and secure system, available 24h/day and the bill receipt is immediately available to businesses and/or consumers and can be seen on their personal portal at the tax administration website.

Others measures to promote tax compliance

Besides the e-invoice system, the Portuguese Tax Administration develops local, regional and national action plans to support compliance.

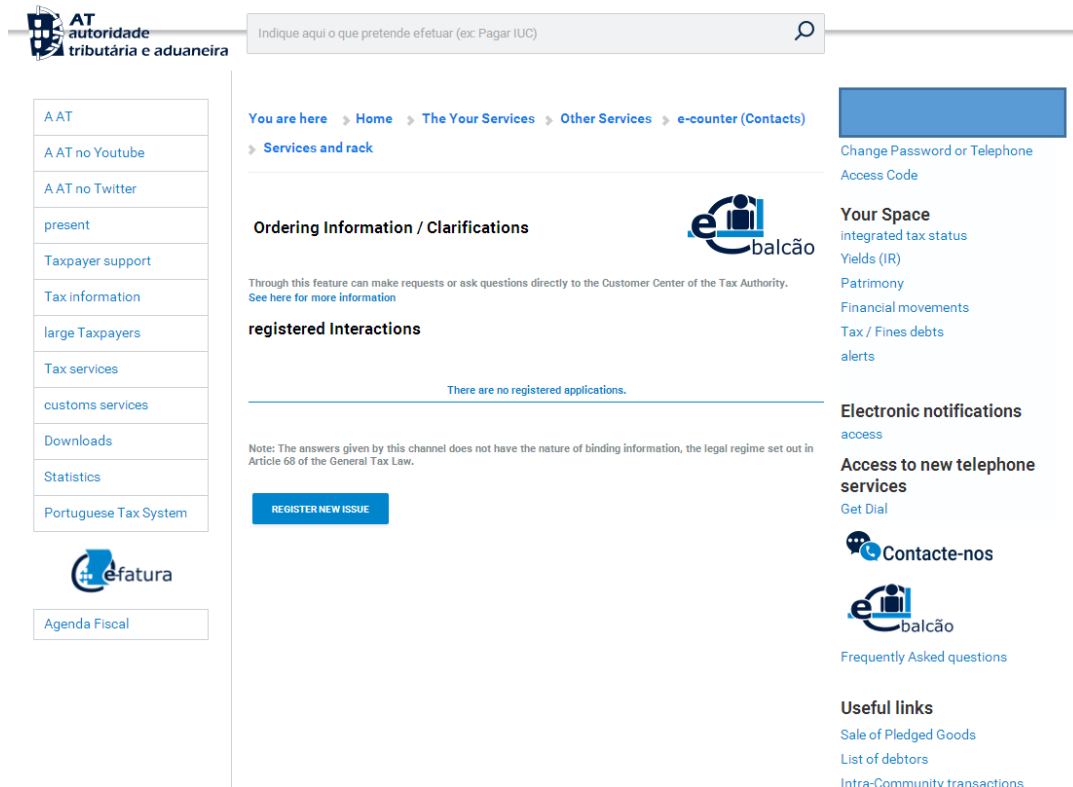
The local tax services, due to their knowledge and proximity to economic agents play an important role in clarifying invoicing obligations and in informing the best way to comply.

Therefore, although the tax administration tends to decrease face-to-face interactions, it still promotes visits by local officials to check invoicing systems "in loco".

The Regional Action Plan includes meetings with accountants and associations and awareness and promotion actions in schools and universities.

Finally, at national level, the Portuguese Tax Administration continues to improve the online Service "e-Balcão" (e-Counter) to achieve a higher level of taxpayers' compliance. It's open 24h/ day, working in the logic of a nationwide electronic one-stop-shop, without requiring taxpayers' presence at tax offices. The service is managed by a Customer Relationship Management (CRM) platform. In 2016, the tax administration had almost 300 000 new requests and many tax service providers use it to respond to their clients requests. The Portuguese Tax Administration plans to significantly reduce the physical presence of taxpayers at local offices, thus reducing taxpayers and the State costs and increase efficiency.

The tax administration intends to eliminate system inefficiencies and check the quality of services provided through new tools like the dashboard.



Source: Portuguese Tax and Customs Authority, 2017.

The tax administration also creates new and more customized services like the automatic personal income return that started on April 1st of 2017. This pre-filled return is only available for the taxpayers who obtain income from wages and pensions. There was a need to put up multiple communication channels (call centre services, sending of optional and support information to taxpayers through email and SMS, interactive electronic leaflets, Twitter, YouTube) to respond timely and effectively to taxpayer's needs and developing a mutual trust relationship with economic agents, taxpayers and others intermediaries.

Concluding, the e-invoice system is the turning point of a traditional tax administration to a more proactive administration, using new technology and data.

The Portuguese Tax Administration will continue to optimise the e-invoice system and the data obtained to enhance relationships with tax service providers and SMEs in order to support the improvement of tax compliance.