

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

Finnish Commerce Federation strongly supports measures to combat tax fraud and actions to address non-compliance. Our view is any measures designed to reduce VAT fraud, such as DRRs, must be designed in such a way that they work in harmony with the existing commercial landscape, thereby causing minimal business disruption.

The current landscape with DRRs is that they are burdensome for businesses to comply with, and this is compounded by the fact they are becoming increasingly fragmented between Member States. EU is the best level to introduce standards for e-invoices and to harmonize VAT compliance.

However, 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 SMEs. At the worst SMEs need to postpone their strategic investments in order to build their ERPs to comply with the DRRs and e-invoices. That is why a wider choice of system should be accepted and flexibility is needed in order not to create immediate administrative burden for SMEs.

We welcome harmonized DRR as a long term solution. However, in short run we think that the best way to foster e-invoices lays on the market-based solutions. Market based solutions ensure low costs for companies and wide acceptance of e-invoices. Thus, we think EC should concentrate on publishing a non-binding recommendation providing a common design for reporting obligations across the EU and possibly requiring taxpayers to record data about their cross border VAT transactions in a standard digital format, which tax authorities can access upon request.

Single EU VAT registration

The extension of the VAT One-Stop Shop (OSS) on 1st July 2021 has provided a fundamental and concrete simplification of a complex VAT system. There is now a significant opportunity to build on this progress by expanding the OSS to all goods transactions where the seller is not located in the EU country of taxation. Businesses that sell remotely should be able to report VAT on their entire EU logistics chain through a single portal. In particular, it is key that the reform extends to, (1) cross-border movement of own inventory across the EU (with no or limited cash-flow cost for businesses), and (2) domestic B2C sales of goods by a seller that is not established in that EU country. It should also be allowed to report domestic B2B sales.

Without this change, the EU VAT system will continue to disadvantage European businesses and put administrative borders across the Single Market. The millions of SMEs at the heart of the EU economy feel this most acutely, limiting their growth. Businesses should be able to choose to store inventory close to their customers to shorten delivery times, without incurring additional VAT registration and compliance costs. However, based on today's rules, businesses have to VAT register in every country in which they store stock, even before a final sale has taken place. In doing so, a business must file an average of 13 documents to complete one VAT registration process, wait an average of 100 days to receive a VAT number, submit up to 60 VAT & statistical filings per country per year, and spend many thousands of Euros in compliance costs.

The benefits of a Single VAT Registration extend to tax authorities, customs authorities, national treasuries, businesses, consumers and the environment.

- Tax authorities will benefit from increased compliance, and facilitated reporting and auditing of cross-border goods movements.
- National governments will benefit from a more competitive EU market and increased trade, leading to additional tax revenues.
- Businesses, particularly SMEs, will gain greater access to intra-EU trade, be more competitive and incur fewer tax compliance fees. Apart from the e-commerce sector, benefits extend to other sectors as well such as toll manufacturing, leasing of moveable property, wholesaling, manufacturing with movement of machinery etc.
- Customers will be able to access more competitive prices, faster delivery and a greater choice of goods.
- The advantages of a Single VAT Registration also extend to environmental concerns. For example, a regime covering pan-EU inventory storage in e-commerce would encourage bulk inventory placements close to customers, which have caused considerably lower CO2 emissions than orders individually shipped for long distances.