

Using SAF-T globally and in Latvia (3/7/17)

To simplify the process of selecting and structuring data for tax audit purposes, the OECD has drawn up guidelines for information to be filed in electronic form on a tax audit: the Standard Audit File for Tax (SAF-T). This article explores why SAF-T is being implemented and who might want to use it.

Why is SAF-T being implemented?

The purpose of SAF-T is to simplify tax compliance and audit processes and to provide the tax authorities with faster and easier access to company data in order to perform consistent data analysis and more efficient controls and audits. According to the OECD e-Audit committee's guidelines, using a single standard will help –

- cut reporting costs;
- reduce administrative costs;
- improve company audit results; and
- build a common platform to simplify joint audits.

This is essentially an international standard for electronic data interchange between a company's accounting system and the tax authorities or external auditors. For example, the following pieces of information may be requested in a structured way from the accounting system:

- general ledger entries;
- sales and supplier invoices;
- non-current assets;
- inventories;
- orders;
- transactions;
- payments;
- adjustments.

The guidelines emphasise that aspects of SAF-T implementation may vary from country to country depending on a particular country's tax system, yet the audit file requirements should be clearly defined so that software developers can make appropriate upgrades to accounting systems.

The volume of data interchange in electronic form between taxpayers and tax authorities is on the increase. The Latvian State Revenue Service annually improves the report forms to ensure that data is gathered and managed more efficiently. Latvia has yet to draw up its e-audit requirements, while Sweden, Germany and the Netherlands already have such requirements in place. SAF-T methodology indeed standardises the requirements for domestic and cross-border data interchange.

SAF-T in practice

The OECD's SAF-T requirements are framed as good practice recommendations, with each country having discretion to implement them into its national legislation.

SAF-T has been implemented in Austria, France, Luxembourg, Portugal, Lithuania, and Canada.

Norway has adopted SAF-T with effect from 1 January 2017.

In Poland, SAF-T reporting requirements have been applicable to large companies since 1 July 2016 and are expected to cover small and medium companies from 1 July 2018.

In Lithuania, VAT-registered traders have been liable to provide the tax authorities with information on documents and invoices electronically since 1 October 2016, with SAF-T requirements for companies reporting sales of over €8 million in place from 1 January 2017.

Belgium, Croatia, Finland, the UK and other countries are considering ways of implementing and using SAF-T.

In 2016, Latvia officially became the 35th member state of the OECD. Since use of the electronic environment is gaining momentum, Latvia might also choose to implement SAF-T requirements into its national legislation.

Implementing the single reporting and e-audit system could be especially important to multinational groups that have funds for technology development and could see a drastic reduction in administrative costs resulting from the standardisation of processes with common requirements. On the other hand, using SAF-T will help the tax authorities conduct cross-border data interchange and analysis through big data analytics. The increasing volume of electronic data gives significance to data protection and security, which will encourage cooperation between IT and the tax sector as well as technology development in the area of electronic data interchange.