Experience of using SAF-T (3/28/17)

The use of technology in gathering tax data is on the increase, as technology allows us to process more data faster, to centralise the data processing function, to improve the quality of inputs, and to draw up a variety of reports. The use of technology in data processing opens up new opportunities for analysing data as well as identifying and managing risks, since tax authorities receive data in a structured manner. The OECD has issued guidelines that include requirements for information to be filed electronically (known as the Standard Audit File for Tax or SAF-T). Countries can pass requirements modelled on the OECD guidelines into their national legislation to encourage data exchange between taxpayers and tax authorities. Some countries have been using SAF-T for several years, while others have adopted these requirements fairly recently. This article explores PwC's experience of adopting SAF-T and using it in practice.

SAF-T goals and PwC experience

PwC finds that SAF-T is adopted to achieve the following goals:

Country	Goal
Luxembourg	Facilitate VAT audits conducted by tax authorities
Portugal	Modernise tax audit procedures to achieve internal efficiency and increase tax collection by analysing a full set of transactions through SAF-T
Poland	Create a tool that helps tax authorities monitor taxes in a simpler and more efficient manner and minimise VAT risks associated with fraud, evasion or avoidance
Lithuania	Improve tax collection and administration

It's important to note, however, that ways of adopting and using SAF-T slightly vary from country to country.

In Luxembourg, all taxpayers must use SAF-T since 2011 for VAT purposes. Each taxpayer is required to file VAT data according to SAF-T requirements at the tax authority's request. Reports are filed through FAIA (*Fichier d'Audit Informatisé de l'Administration de l'enregistrement et des domaines*). Taxpayers meeting the following conditions are exempt from preparing SAF-T files:

- the company has only a VAT number (it's not subject to a mandatory chart of accounts);
- its revenue is below €112,000;
- it's using a simplified VAT regime, i.e. it doesn't deduct input VAT;
- it has fewer than 500 transactions a year, and so a manual audit is easier to conduct.

This means that the use of SAF-T in Luxembourg is mainly aimed at monitoring VAT data and optimised in terms of using the resources of taxpayers and tax authorities.

Portugal adopted its SAF-T reporting format rules in 2008 and they are mandatory for corporate taxpayers. Portugal was among the first countries to adopt SAF-T, and our PwC colleagues worked closely with Portuguese government agencies to develop methodology for using SAF-T efficiently. The latest (fourth) data structure has come into force in 2017.

Lithuania and Poland have had the chance to study other countries' experience of using SAF-T. Lithuania and Poland are implementing SAF-T in stages.

In Lithuania –

- all VAT-registered traders must use SAF-T from 1 October 2016;
- there's a set of criteria to be satisfied by companies that are subject to SAF-T requirements for other accounting records from 1 January 2017.

In Poland, SAF-T requirements are mandatory –

- for large taxpayers from 1 July 2016, and
- for all taxpayers from 1 July 2018.

Hardcopy filings

In Portugal, it's not allowed to file documents in hard copy. In Poland, data filing is mainly electronic, with certain exceptions for personal income tax reports. In Lithuania, entities must file information electronically with a few exceptions, while hardcopy filings are accepted from individuals. In Luxembourg, data filing is electronic but there are conditions for filing reports in hard copy. However, the scope for hardcopy filings doesn't cancel e-audit requirements.

The tax authorities in Portugal, Luxembourg, Poland and Lithuania conduct e-audits, and data filed in a standardised manner considerably facilitates data analysis. Taking the standardised approach allows companies to –

- improve the quality of tax data in the long term;
- work more efficiently and improve the tax data processing function faster;
- improve the tax administration process and better manage potential discrepancies in the data.

PwC recognises that the process of adopting SAF-T is expensive and time-consuming for taxpayers. Our Polish colleagues note that there's some uncertainty in adopting SAF-T with respect to its requirements. Our Lithuanian colleagues admit there's a lack of clarity in cases where the tax authority uses the system inefficiently, which may be due to an insignificant effect on tax collection and a low efficiency of audits.

As regards using SAF-T over a longer period, an upside is that it simplifies data processing. Our Luxembourg colleagues, for example, recognise the simplification of the VAT audit process.

PwC professionals in Portugal, who have been using SAF-T for several years, see no substantial shortcomings in using an automated data analysis tool, which implies that the long-term use of SAF-T tidies up companies' internal working procedures and improves tax authorities' opportunities for data analysis.

Latvia

The blueprint for the national tax policy reform 2018–2021 envisages filing tax returns and information returns only electronically, setting up an online register of sales, introducing a business revenue account for small business, laying down accounting requirements for giving details of services in a supporting document, and implementing a solution for automatic payment of tax invoices, as well as other improvements that will essentially create an environment for implementing data processing systems.