

Overview

Introduction

The Electronic Monitoring System for billing is an initiative undertaken by many countries for the purpose of reducing the gray economy and tax evasion. An important and new component of this initiative is certified systems put in place for taxpayers to electronically secure each transaction at the moment of sale.

Governing Principles

All design decisions are driven by the following governing principles:

- The scope of implementation must **include all taxpayers**
- **Phase implementation** – the solution is adopted per group of taxpayers (personal invitation)
- Security of the system is based on the [**Public Key Infrastructure \(PKI\)**](#) and must be under full control of the Tax Authority
- System must enable both [**on-line**](#) and [**off-line**](#) issuing of fiscal receipts
- All issued fiscal receipts must be **instantly verifiable** in a manner which is simple for tax inspectors or any member of the public
- **Generate demand for fiscal receipts** (get receipt/scan QR/win the prize instantly)
- Most of existing invoicing systems in the market should adapt to the new system
- Based on their role, the components of the system on taxpayer's side are divided into [**invoicing system**](#), processor (SDC) and secure element
- **Market is open** to all device and software vendors
- **Increased competition among vendors** encourages developers to meet specific needs of different kinds of businesses
- Free of charge or very **affordable fiscalization** for taxpayers who opt to use only online system
- **Free** web, mobile and PC **applications** for fiscalization
- Availability to fiscalize receipts using **any Internet connectivity** (not only GPRS)

Benefits

For Tax Authority

- Significant increase of tax collection due to the registration of taxpayers' turnover
- Decreasing activity of gray economy share due to organized evidence of registered taxpayers, their activities and their sales locations
- Suppression of tax evasion due to the comprehensive insight of all taxpayer's activity
- Security of the whole system is based on proven technologies ([PKI](#)) and does not rely on 3rd party Vendors

For Taxpayers

- Protecting honest taxpayers from unfair competition
- Eliminating unfair competition
- Minimizing the cost of compliance per taxpayer and per sales point
- Free Compliance (for some businesses)
- Simplified Tax Returns
- Registration of both sales and purchases in business-to-business transactions enables easy cross-checking for processing tax returns and tax refunds
- Tax Authority and Taxpayer work with the same data which reduces the chance of misunderstanding
- No need to keep receipts or invoices in paper format
- Quicker Tax Refunds through automatic validation of all sales and purchases
- Management and/or Owners will have better insight into business operation
- Small businesses will get simple reporting tools on Taxpayer Admin Portal

For Invoicing System Vendors

- Transparency and level playing field for all suppliers of fiscal equipment
- Affordable and simple Accreditation Process
- Modernizing sale outlets with management tools designed to better serve taxpayers business

For Customers

- A rise of consumer awareness by receiving certified invoices along with purchased goods or services, with a clear and true specification of tax amount dedicated to the government
- Getting incentives for activities under the Customer Compliance Award program
- Paperless transactions (i.e. scan QR Code on point of sale to transfer receipt to a customer or send an invoice by email)

Principles behind sales suppression prevention

Anti-sales suppression system design

1. A document acknowledging that a payment has been made must contain sufficient transactional data to confirm proper tax calculations.
2. A document must be safeguarded by an electronic signature produced by an associated secure element that uses encryption to confirm that the issued document is authentic and manipulation-free.
3. A secure element used for signing payment documents must be independent of the creator of the automated tax calculation system, designed to serve the business needs of the user (i.e. invoicing system).
4. A secure element and invoicing system can be used as separate products or integrated into one product and be available in any place at any given time.
5. Work between a secure element and an invoicing system must be optimized in a way to avoid any delay in producing the document.
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System must be personalized in such a way that either document that it produces clearly identifies the issuer.

Verification of document integrity, inspection and audit

7. An inspection conducted even in the simplest form must immediately provide information about the integrity of the payment document.
8. Simple on spot-inspection does not require authorized personnel or sophisticated technical knowledge to perform the verification of encrypted data.
9. Authorized personnel follow a unified method of inspecting secure elements used for extracting information about each transaction, preferably in encrypted form.
10. Electronic journal records in a human-readable form must be provided for the user through the invoicing system or made available through a secure element data collector.
11. Verification services to authenticate documents for both authorized personnel and the general public must be available at any time, preferably online, and in various media types.

Leveling the playing field for all suppliers

12. Requirements for compliance must be transparent to allow a level playing field for all suppliers to offer their products.
13. Variety of invoicing systems models must be made available to accommodate different business needs.

User acceptance

14. Information on payment documents, in both printed and electronic form, has to be unequivocally presented to the client.
15. In business-to-business transactions, an electronic signature must be used to safeguard the purchasing party's unique identity from any modifications.