



ISO/TC 295/WG 1 "Audit Data Collection for Non-financial Enterprises"

Convenorship: **SAC**

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Updates on indirect taxes and custom duties

Document type	Related content	Document date	Expected action
Meeting / Other		2021-05-19	



Update extension Indirect Taxes and Custom duties

May 2021





Overview

We have shown the approach developed for the pilot by Dutch Customs in previous sessions. We have further elaborated on this and applied it to indirect taxes. We have done this after extensive study, with an OECD report as a basis and various consultation moments between Dutch experts. We have prepared some draft documents which we intend to share this month.

We think that we are now ready to present the elaborated idea to other experts in a clear and comprehensible manner and to work with them towards the first and second WD.





Problem to solve

1

Indirect taxes and customs duties cover a wide area with diverse laws and regulations.

2

ERP systems have found their own ways to process and store specific data (attributes) for indirect taxes and customs duties.

3

Our task is to design a way that meets both challenges and provides at the same only a limited extension to the current standard (without making any changes). We believe that we have found a solution.

4

Next steps are to further complete the extension and to validate these against common and less-common data attributes applicable in multiple countries


Indirect taxes can be complex

Based on the OECD report it can be recognised that for a tax jurisdiction, the applicable tax treatment (taxed or exempt) and tax rate might differ. At a jurisdictional level, the actual tax treatment may result from the tax rate applicable to the:

- **Product/item:** e.g. reduced rate for food, standard rate for telecommunications and superrate for luxury goods;
- **BusinessPartner:** e.g. standard rate for regular consumers, zero-rate for embassies/UN-organisations;
- **Place of supply:** zero-rate/exempt for supply abroad, reduced rates for specified regions, zero-rate for free trading zones, VAT warehouse;
- **Size of the business of the taxpayer:** e.g. regular versus small-scale taxpayers
- **Type of industry:** for certain types of industries specific rules might apply. *TBC*

The actual result might also be based on a **combination** of the listed above





ERP-systems have multiple solutions to address the issue.

Defining data structures in one standard for the variety of solutions quickly leads to complex data structures (so-called "messy data")

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Potential solution: Tidy data

We suggest using the concept of molten / tiny data:

1. Each variable forms a column.
2. Each observation forms a row.
3. Each type of observational unit forms a table

This is Codd's 3rd normal form (Codd 1990), but with the constraints framed in statistical language, and the focus put on a single dataset rather than the many connected datasets common in relational databases.

<https://vita.had.co.nz/papers/tidy-data.pdf> Tidy Data - Hadley Wickham

row	a	b	c
A	1	4	7
B	2	5	8
C	3	6	9



row	column	value
A	a	1
B	a	2
C	a	3
A	b	4
B	b	5
C	b	6
A	c	7
B	c	8
C	c	9



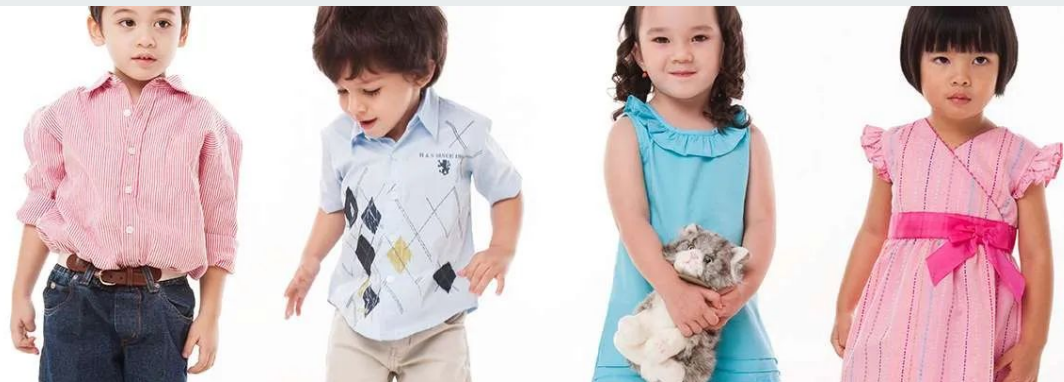
Changes to concept of tidy data for ADCS

To make the concept work for nicely for ADCS we need to:

- Link the observation to entries in other tables
- Split each variable in two columns and define applicable common entries for the variables
- Set up a list of values (as an example)
- Link each variable value to system value

Tidy data	suggested columns ADCS
row	Transaction Document ID
row	Transaction Document Line ID
column	Characteristic Type
column	Characteristic UOM Code
value	Characteristic Value
value	System value

Example 1 - exempt items (e.g. children's wear)



In the Netherlands children's wear is subject to standard rate for VAT, in the UK there is an exempt. Let's suppose that first transaction in 2021 is to NL customer and second transaction to UK customer.

Transaction Document ID	Transaction Document Line ID	Characteristic Type	Characteristic UOM Code	Characteristic Value	System value
202100001	001	NL_VAT_item_status		S	1
202100002	001	GB_VAT_item_status		E	0

We note that for the characteristic values we suggest using applicable standards as PEPPOL / UBL for smooth transformation/reuse of data (E: Exempt from Tax; S: Standard Rate)

Example 2 - exempt items (e.g. supply to embassies)



In a considerable number of countries, deliveries to embassies or consulates are exempt from VAT. In ERP systems, this is controlled by the status of the customer. Suppose the third transaction is a supply to an embassy based in Brussels, the fourth is a supply to a regular customer in Belgium and the fifth a B2B-supply from a Belgian warehouse to a French customer.

Transaction Document ID	Transaction Document Line ID	Characteristic Type	Characteristic UOM Code	Characteristic Value	System value
202100003		BE_VAT_businesspartner_status		E	5
202100004		BE_VAT_businesspartner_status		S	1
202100005		BE_VAT_businesspartner_status		K	

(K: VAT exempt for EEA intra-community supply of goods and services)

Example 3 - supply of alcoholic beverages subject to customs control



Let's suppose that the auditee is a microbrewery located in Belgium and that for the supply to the French customer, the alcohol percentage needs to be reported. Also this transaction should be reported to the National Office for Statics. The same(!) table can be used:

Transaction Document ID	Transaction Document Line ID	Characteristic Type	Characteristic UOM Code	Characteristic Value	System value
202100005		BE_VAT_businesspartner_status		K	
202100005	001	EU_EXC_alcoholpercentage	PERC	0.055	
202100005	001	EU_INTRASTAT_STATVALUE	KG	1,000.00	



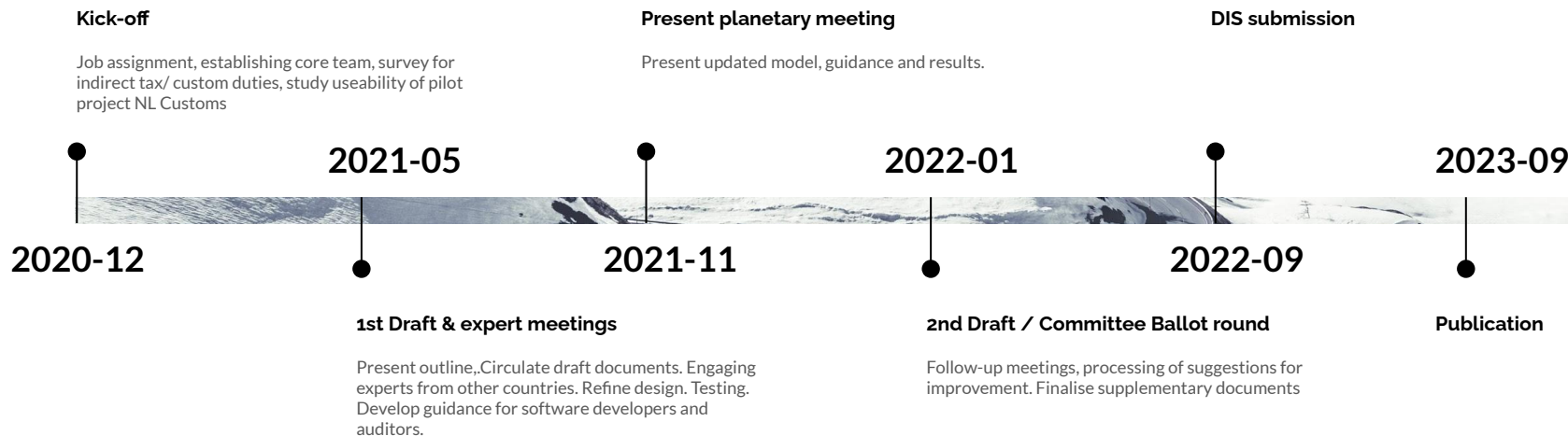
Are you interested?

We hope that on the basis of these few examples your curiosity has been triggered and that you are willing to develop and test this concept further with us. The use of this concept is not limited to VAT/GST and customs duties, but also applies to all kinds of other indirect taxes, e.g. digital rights, city tax, to name a few.





Roadmap





Preferred team

Until now, Dutch experts from various disciplines have been working together (e.g. Dutch Tax Authorities, Dutch Customs, Consultancy firms, Data specialists).

We would like to strengthen the team with experts from other countries / regions and or other disciplines

- 01 | Specialists from Asia Pacific Region
- 02 | Specialists from North and South Region
- 03 | Specialists from other European countries
- 04 | Specialists with knowledge of other indirect taxes then VAT/GST
- 05 | Specialists with experience in data standards
- 06 | Specialists from software developers





Thank you.

