Portugal | The new billing e-invoice system

Ministry of Finance - Tax and Customs Authority

Portugal

Isabel Cunha
Tax Auditor

Bocconi University,
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Agenda

- Implementation of the e-invoice system
  - Background/legislation /means
- E-invoice challenges to the Economic Agents and to Tax Administration
- How it works in practice
- E-invoice as a citizenship project tax benefit and “Lucky invoice” lottery
Combating the underground economy and tax evasion is not an exclusive task of tax administration or the state, but of all citizens.

“The objective is to build a tax administration closer to citizens and businesses, with availability, making tax obligations fulfillment more simple, fast and inexpensive and that responds quickly and effectively to taxpayer’s queries, developing a mutual trust relationship with taxpayers.”

“Walking side by side with taxpayers”
This opens a new mission for AT

A MODERN ADMINISTRATION NEXT TO THE TAXPAYER

Information and clarification as a tool for preventing and combating tax evasion and non-compliance
January 2013: the new invoicing system [e-invoice] came into force in Portugal...

- All traders must issue an invoice, on all transactions, even if not requested
- Monthly, companies communicate to AT the essential elements of all invoices
- Consumers receive a tax benefit [15% of supported VAT] in 4 sectors:
  - Car maintenance and repair
  - Motorcycles maintenance and repair
  - Accommodation and food service activities
  - Hairdressing and other beauty treatment
January 2015
• The requirement for companies with computerized accounting to produce the SAF-T (PT) audit file according to the OECD Model

2009

• The Plan for Taxpayers’ Quality Service, which includes 36 projects, namely:
  • The electronic green receipt (self-employed)

2010

• Mandatory certification by AT of the billing system of companies that annually and simultaneously (current values):
  • Have a turnover of more than € 100,000
Background

- Abusive use of the companies of the right to deduct tax – VAT;
- Misuse of the request of the undue VAT refund;
- AT’s late awareness on companies’ business activity;
- Risk of non-collection of taxes detected at fault by the classical authority functions of AT: inspective, punitive and coercive;
- Lack of an intermediate role of AT to voluntary compliance within VAT;
- Portuguese government transformed Directive 2010/45/CE into national law within a context of deep reformation of the invoicing system for tax purposes.
Expected Results

Increased VAT revenue declared by businesses and reduced deductible VAT input in documented acquisitions and decreased requested undue refunds.

The implementation of this system will enable Tax and Customs Authority (AT) to monitor and ensure that all VAT on the invoices issued by traders is delivered to the State.
Legal Framework


• Decree-law 198/2012, of August 24, approved the new system of electronic communication of the invoices
Implementation

Reduction of the financial costs for companies

- The system was conceived and designed in a way that should lead companies to face no significant additional costs.
- The system was implemented using the existing accounting systems
  - In 2008 came into force the requirement for companies with computerized accounting, to create the SAF-T (PT) audit file according to the OECD Model.
- The system provides the basis for greater future corporate cost savings, particularly because:
  - Companies can gradually come to be exempted from a set of bureaucratic burdens that they currently support.
  - The reporting obligations can be simplified.
Implementation

Development of the “e-fatura” site:

- Communication of the invoice elements
- Collection by consumers for benefit

Promoting compliance:

- Information and Training Plan
- Sending alerts
Implementation

To inform the businesses, in advance and individually, about the obligations they have to fulfill and the way of doing it with lower costs.

Partner of businesses in default prevention and efficiency.

Provide businesses with all data available to help them to adequately fulfill their obligations.

A MODERN ADMINISTRATION BASED IN NEW TECHNOLOGIES
A COOPERATIVE ADMINISTRATION WITH THE ECONOMIC AGENTS

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Cross functional planning

Involved

Information Systems
VAT Department
Tax Directorates
PIT Department
Tax Inspection
Corporation Tax Department
Tax Offices

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Means

Creation of a multi-disciplinary (IT and Tax areas) Working Group to:

- Design of the legislative and regulatory framework
- Design of the software solutions (technological means)
- Interface with the economic agents
- Implementation of the reform
Challenges

- Fight tax evasion [reducing the ‘tax gap’]
  - Increase tax revenues without increasing tax rates
  - Reduce unfair competition between non-compliant and compliant taxpayers
- Reduce social costs through an increase in voluntary compliance
- Citizen involvement on fighting tax evasion
Challenges

The e-invoice system is based on the technology alongside with country’s economic activity

The value of information

More important than the access to information is the swiftness of the access to information.

Updated Information

Monitoring the economy in real time

Investment in technology as a tool for immediate interaction and information sharing with companies...
• With the e-invoice system, AT holds information of the economic operations in the country, in real time in some cases, and in other, in the month following the execution of the commercial transactions;

• This reality has substantially modified the existing situation to date, in which the information reached AT over a year, now enabling a more proactive and collaborative intervention with the economic agents by AT;

• This proximity enables the support to compliance, thereby assisting the companies to avoid non-compliance and promoting equally the duty of issuing and requesting invoice, supported by a citizenship duty.
Three biggest challenges

1. The level of consumers’ adherence to an innovator project without any precedent in what concerns involvement of citizens. The project’s key of success is in the generalization, in Portuguese society, of the habit of issuing an invoice in all transactions.

2. The capacity of Portuguese companies to make the electronic communication of relevant tax data of the invoices they issue.

3. The capacity of the technical resources of tax administration to receive and process all the invoices sent by the economical agents, as well as the data introduced by the consumers.
Company does not issue an invoice
Company does not declare the VAT output
Company deducts more VAT than the input
Company requests a refund, not strictly monitored
Company has a VAT credit on the State, not strictly monitored
Issue sales by simulating the growth of the stock of goods
End consumers | Tax benefit

Consumers have the possibility of entering invoice elements into the site when they realize same have not been communicated;

End consumers are granted a 15% tax benefit on the supported VAT on acquisitions, to be assigned to PIT settlement, for the calendar year in question, in following sectors:

- Repair of motor vehicles
- Repair of motorcycles
- Accommodation, restaurants and similar
- Hairdressing and other beauty treatment

Activity sectors will be progressively extended.
How it works in practice?

End consumer

Portal

- Repair of motor vehicles
- Repair of motorcycles
- Accommodation, restaurants and similar
- Hairdressing and other beauty treatment
How it works in practice?

The consumer goes to the restaurant...

Upon payment asks for the invoice with his TIN
The trader submit the invoices through:

Website, File Submission or Direct data input into AT’s webpage

OBS: For smaller companies, AT provides on the Portal official statement model for communicating the elements of invoices and can be filled in offline
How it works in practice?

Traders must issue invoices until the 25th of the following month
How it works in practice?

The consumer

- Can check them invoices on the tax administration site
- Can insert at the tax administration site the invoices related to the purchases they made and that haven’t been yet inserted
How it works in practice?

Ways to access and transfer billing data

Collection of the information on all issued invoices, at national level
Divergences system

It is being developed in two directions:

Promoting the insurance that all elements are communicated to AT by companies, ensuring universal and systematic fulfilment of the communication obligation;

Developing a strategy that ensures that the values declared by taxpayers in their VAT and Income Tax returns, fully reflect the tax facts communicated through the e-invoice system, using both the data provided by the issuing companies, as well as the one from buyers and consumers;
More than 2 million taxpayers deducted the incentive in the PIT return;

The total value of the incentive was of EUR 25.4 million (2013).

About 8.5 million Portuguese have invoices issued in their names and participate in the Lucky Invoice Draw weekly.
Number of invoices received by AT

Janeiro a Outubro de 2014
4.009,3 Milhões

Período Homólogo em 2013
3.640,8 Milhões

Dados atualizados em 2014-12-22

Results
Results

Number of invoices communicated with TIN number

Janeiro a Outubro de 2014
524,3 Milhões

Período Homólogo em 2013
376,9 Milhões

+ 39,1%

Dados atualizados em 2014-12-22
Encourage invoice issuing in all transactions [including the undeclared economy]

Granting tax benefit in 4 sectors [taxpayers that ask for the invoice, with TIN – fiscal number]
Tax administration awards prizes to consumers who ask for an invoice with TIN

Consumers receive a tax benefit [15% of supported VAT] in 4 sectors of activity:

- Car maintenance and repair
- Motorcycles maintenance and repair
- Accommodation and food service activities
- Hairdressing and other beauty treatment
• All invoices issued with fiscal number, in all sectors are eligible for the lottery draws

• All invoices shall generate coupons [1 coupon for each 10 euros] and all coupons will be assigned a number

• The number of each coupon is entitled to the lottery draws
The draw was broadcasted live on national television

1 **weekly** draw with the coupons from the previous month ["regular lottery"]

1 Audi A4 per draw

2 **semi-annual** draws, taking place in June and December, with the coupons from the previous semester [extraordinary lotteries]

3 Audi A6 per draw
December: the highest ever

- 236 million coupons
- 44 million invoices
- 8.5 million buyers involved
- 27 coupons per buyer
- 171 thousand issuer companies
«Fatura da Sorte» the website where taxpayers can confirm the coupons and results for each draw.
How it works

They can manually insert invoices, if they don’t find them online.

if the invoices are validated by the retailer’s accounting information, they are also eligible for the lottery draws.
Winners are informed as soon as they log in…
How it works

...they can see which coupon was the prize winner...

...and what was the prize!

Resultado do Sorteio

Vencedor
Cupão Vencedor: 1405
Município de Residência do Premiado: Villa Praia Da Vitoria
Contribuinte Premiado: Margarida Leonor Martins Pamplona

Parabéns!
Foi premiado!

Autorizou a divulgação da sua identidade no âmbito deste concurso.

De acordo com o nº 5 do artigo 10.º da Portaria nº 44-A/2014, o prémio pode ser doado a uma entidade beneficiária do IRS consignado.

Prémio
Marca: Audi
Modelo: A4

Principais Características
Versão: 2.0 TDI 136 CV
Cilindrada: 1.968 cc
Combustível: Gasóleo
Potência máxima: 136 cv
 Consumo: 4,3 l (combinado)
 Pneus: 225/55 R16
How it works

Faturas associadas ao cupão vencedor

<table>
<thead>
<tr>
<th>Nº Fatura</th>
<th>Comerciante</th>
</tr>
</thead>
<tbody>
<tr>
<td>V002 V2/1737</td>
<td>512057788</td>
</tr>
</tbody>
</table>

Divulgação de identidade

Nos termos do nº 2 do artigo 10.º da Portaria n.º 44-A/2014, o contribuinte premiado pode autorizar a divulgação da sua identidade.

Aviso: Ao autorizar a sua divulgação está também a possibilitar que os comerciantes associados ao cupão vencedor possam divulgar as suas identidades.

☑ Autorizo a divulgação da minha identidade no âmbito deste concurso.

...they can decide whether or not they want to go public on their prize
...they can also decide to donate the prize to a chosen institution, instead of receiving it
Lucky invoice lottery

Delivered 38 cars Audi A4

48 cars drawn

Delivered 4 cars Audi A6
Thank You for your attention

Visit the e-invoice system on:
http://faturas.portaldasfinancas.gov.pt