

THE QUEST FOR THE OPTIMUM

The EU State Aid Control of Fiscal Measures (Tax Rulings) v. Member States' Sovereignty

Evolution or Revolution For Tax Practice, Policy and Administration

16th European conference on Tax Advisers Professional Affaires

CFE Tax Advisors Europe

21st September, 2023

Prof.Dr. Vesna Tomljenović

Judge, General Court EU



Outline

- I. Commission Tax Rulings Investigations → *Evolution, Revolution or Devolution*
- II. Tax Rulings' Judicial Saga
 - ⇒ *Belgium Excess Profit Exemption Regime*
- III. Points Of Divergences
 - ⇒ Application of OECD Transfer Pricing Guidelines
- IV. The Future of the EC Tax Rulings Control – *Quest for optimum – BEFIT / TP Directives*

I. The EC Tax Rulings Investigations

- ⇒ 2013 - 2016 → the European Commission launches multiple State aid investigations in respect of *transfer pricing practices* of certain MSs
- ⇒ The Commission investigations resulted in decisions qualifying tax ruling practice as a State aid in relation to:
 - ⇒ Belgium → *Excess profit exemption Regime*
 - ⇒ The Netherlands → *Starbucks, Nike (proceedings opened)*
 - ⇒ Luxembourg → *Fiat, Amazon*
 - ⇒ Ireland → *Apple*

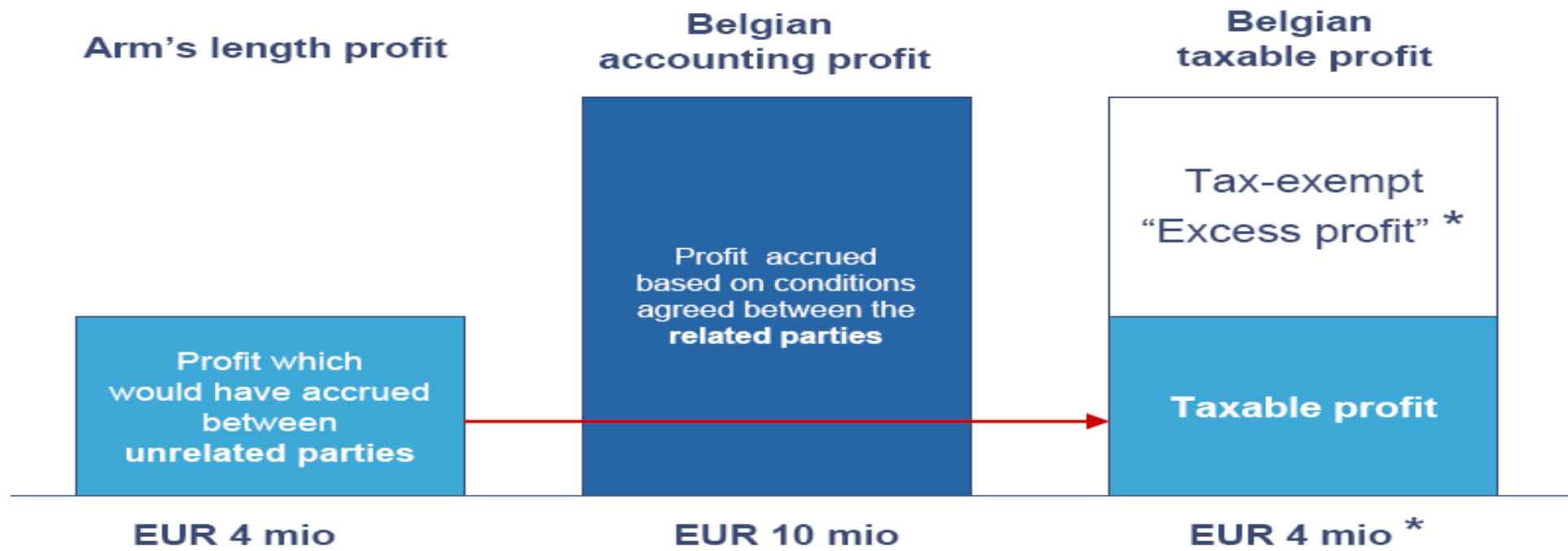
II. The Belgium EPE Scheme Judicial Saga

- 👉 Decision 2016 on the excess profit exemption State Aid scheme SA.37667 implemented by Belgium
- 👉 Commission finds Belgium's excess profit exemption scheme illegal and orders recovery of around 700 million EUR from 35 multinationals
- 👉 30 applications seeking for annulment (Belgium and beneficiaries)
- 👉 Judgment of the GC of 14 February 2019 in cases T-131/16 et T-263/16 annuls the contested decision
- 👉 Judgment of 16 September 2021, Commission v. Belgium and Magnetrol (C-337/19 P), on appeal, CJEU sets aside GC's judgment and refers case back to GC
- 👉 September 20th, 2023 – the GC dismissed the actions seeking annulment of the Commission decision on the EPE scheme and issued 10 judgments in 30 cases: Commission rightly concluded that EPE Scheme was State aid

How The Excess Profit Exemption Functioned?

Art. 185,§2,b) BITC

“Downward” profit adjustment



Tax Rulings Legal Basis - Article 185(2) of the CIR 92

- ‘Without prejudice to the second paragraph, for two companies that are part of a **multinational group of associated companies** and in respect of their reciprocal cross-border relationships:
- ...
- (b) when profit is included in the profit of one company which is **already included in the profit of another company** and the profit so included is profit which should have been made by that other company if the conditions agreed between the two companies had been those which would have been agreed between **independent companies**, the profit of the first company is adjusted in an appropriate manner.

The EC Commission Decision Was Based On Two Lines of Reasoning

➔ Principle line of reasoning

- ➔ The contested EPE scheme grants a selective advantage to its beneficiaries by derogating from the general Belgian corporate income tax system

➔ Subsidiary line of reasoning

- ➔ the Commission considers that the tax rulings adopted based on the EPE scheme constitute a misapplication of and thus a deviation from **the arm's length principle**, which forms a part of that system
 - ➔ Both, the rationale for the exemption and the methodology used to establish excess profit contravene the ALP

Principal Line of Reasoning

❑ **Reference system** – ordinary system of taxation of corporate profits / the general Belgium corporate income tax system

→ Belgium – the EPE scheme was covered by the RS

→ Commission – the EPE scheme derogates from the RS

→ Article 185(2)(b) CIR 92 is part of the reference system, BUT ...

→ The EPE granted pursuant to Article 185(2)(b) CIR 92 constituted a derogation from and not the mere application of Article 185(2)(b) CIR 92

The Scope of Article 185(2)(b) CIR 92 - Commission's interpretation

- While interpreting Article 185(2)b CIR 92 the Commission started from
 1. The wording of the Article
 2. Documents accompanied its entry into force

Wording

For the purposes of a downward adjustment (correlated adjustment) the profit to be adjusted should

- **already have been included** in the profit of another company
- and that profit should have been made by that other company if the conditions agreed between two companies had been those which would have been **agreed between independent companies (ALP)**

Documents

- Explanatory memorandum of the 2004 Law Proposal
 - Downward adjustment is a **correlative adjustment** that should be made **only if** the tax administration considers **the primary adjustment to be justified**
 - Correlative adjustment has to be determined **in accordance with the ALP** ... without the ALP there a correlative adjustment could not be established and more
 - **It is not possible to come to an correlative adjustment** if fiscal administration **does not estimate** whether the primary adjustment is justified, in other words Article 185(2)(b) CIB 92 **is not applicable** if revenue realised in the partner country is increased in a way which is superior than the profit which could be realised in accordance with the ALP
 - Objective is to avoid double taxation
- Circular 2006
 - Downward adjustment does not apply if the primary adjustment in another tax jurisdiction is exaggerated

Belgian tax authorities' interpretation of Article 185(2)(b) CIR 92

- The Belgian Minister for Finance replies (2005, 2007, 2015) to parliamentary questions on the application of Article 185(2)(b) CIR 92
 - Those replies explain the administrative practice of the Belgian tax authorities relating to the excess profit scheme
 - The downward adjustment of profit enabling excess profit to be deducted from the tax base **was not conditional** upon the exempted profit having been **included in the profit of another company** and that profit being profit which should have been made by that other company **if the conditions agreed between them had been those which would have been agreed between independent companies.**
- During the hearing the Belgian confirmed that tax authorities **have not at all controlled whether the condition expressly laid down** in Article 185(2)(b) CIR 92, was fulfilled

The General Court 2023 judgment

- Belgium v. European Commission, judgment of September 20, 2023 (T-131/16 RENV)
 - ❑ *“... Commission did not err in stating ..., that the excess profit exemption scheme derogated from ordinary Belgium corporate income tax system ... scheme is not available to all entities in a similar and factual situation in the light of the objective of the Belgian corporate income tax system, which was to tax the profits of all companies subject to tax in Belgium.”*
 - ❑ It is not necessary to examine the merits of Belgium’s arguments against the subsidiary line of reasoning with regard to selectivity, namely that the tax rulings on EPE constitute a misapplication of and thus a deviation from the arm's length principle, which forms a part of the Belgium reference system

III. Points Of Divergences

Application of ALP and OECD TP Guidelines

- Confirming the principal reasoning of the EC, the GC does not rule on the validity of the subsidiary line of reasoning, meaning the application of the ALP and the OECD Guidelines
- The EPE tax rulings have identified the excess profit applying the ALP and the OECD Guidelines !!!!!
- Are OECD Guidelines part of the Belgian reference system?

III. POINTS OF DIVERGENCES

- The GC and the CJEU validated Commission's conclusions in Forum 187 questioning Belgium's deviation from ALP
- The GC (Fiat, Starbucks, Amazon & Apple)
 - Confirmed the Commission's approach to apply ALP / OECD Guidelines in order to investigate selective advantage conferred by the tax rulings
 - However, the GC sent a red signal to the Commission, namely that advantage has to be properly demonstrated
 - Error in the choice of the TP method or some of its parameters is not sufficient
- The CJEU
 - It is only the national provisions that are relevant for the purposes of analysing whether particular transactions must be examined in the light of the ALP

That's Where The Problem Lies

- System of defining taxable profit through “tax rulings” is expressly provided for in national laws of Belgium, Luxembourg, the Netherlands etc.
- All those MS have incorporated the ALP in their legislation
- The essence of tax rulings ➔ transfer pricing ➔ according to which rules?
- OECD Model Tax Convention and Transfer Pricing Guidelines – not binding legal instruments
- However, once incorporated into national law ?
 - ➔ Are OECD TP Rules part of reference framework?
 - ➔ only by express reference
 - through administrative practice?

Express reference to OECD Guidelines

- Parameters and rules **external to the national tax system** at issue cannot therefore be taken into account in the examination of the existence of a selective tax advantage within the meaning of Article 107(1) TFEU and for the purposes of establishing the tax burden that should normally be borne by an undertaking
- **unless that national tax system makes explicit reference** to them (see, to that effect, judgment of 8 November 2022, Fiat Chrysler Finance Europe v Commission, C 885/19 P and C 898/19 P, EU:C:2022:859, paragraphs 92 and 96).

Implied Reference to the OECD Guidelines

- ➔ Mostly all tax rulings adopted on the basis of the EPE scheme had terms referring to OECD Guidelines

- ➔ One example

*“... In 2004, a new tax provision was introduced into Belgium Income Tax Code, section 185(2). This section is inspired by the international standard with respect to transfer pricing, i.e. the ALP. The **section is based on the OECD Guidelines** and provides that profits of associated enterprises that are not arm's length must be adjusted to an arm's length result for the purpose of determining a company's taxable basis. Generally spoken the section 185(2) transposes the section 9 of the OECD model tax treaty into the Belgium law”*

- ➔ *In determination of the excess profit the OECD methodology were applied, in particular TNMM*

Does a reference to the OECD Guidelines contained in advanced decision of tax authorities, makes them part of the national law?

TRANSFER PRICING COUNTRY PROFILE 2021 - BELGIUM

- Does your domestic legislation or regulation make reference to the ALP?
 - Art. 185, §2, BITC – explicit reference to the ALP – see annex 1
 - Art. 26, 54, 79 and 207 BITC – implicit reference to the ALP – use of the term “abnormal or benevolent” advantages – see annexes 1 to 5
 - Art. 344 BITC – implicit reference to the ALP – use of the term “legitimate need of a financial or economic nature” – see annex 6
- What is the role of the OECD Transfer Pricing Guidelines under your domestic legislation?
 - Belgium legislation incorporates specific guidance for the interpretation of the mentioned articles with reference to the OECD Transfer Pricing Guidelines.
 - The 2020 circular letter comments on Chapters I, II, III, VI, VII, VIII and IX of the 2017 OECD Transfer Pricing Guidelines. It also includes guidance on financial transactions. Finally, the application of the Authorised OECD Approach (AOA) on the attribution of profits to Permanent Establishments is also described.
 - Where useful and appropriate, the administration's preference is set out.

Luxembourg

Transfer Pricing Country Profile

February 2022

		SUMMARY	REFERENCE
The Arm's Length Principle			
1	Does your domestic legislation or regulation make reference to the Arm's Length Principle?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Explicit references to the TPG can be found in the parliamentary file deposited in the legislative process. The documents can be retrieved in the electronic archives of the parliament.</p> <p>Article 56 LITL, entitled "Arm's length principle", states that profits of enterprises that are linked by conditions that differ from those between independent enterprises shall be determined in accordance with the conditions that prevail between independent enterprises and taxed accordingly. It thus explicitly confirms the OECD benchmark.</p> <p>The legal provision has been introduced into LITL by the "loi du 19 décembre 2014 relative à la mise en oeuvre du paquet d'avenir"</p> <p>Article 56bis LITL has incorporated into Luxembourg law the relevant criteria of the revised TPG (Actions 8-10 of the BEPS Action Plan) which the taxpayer is obliged to comply with.</p> <p>This legal provision has been introduced by the budget law for the year 2017.</p>	<p>Art. 56 and 56bis of the modified law as of 4th December 1967 concerning income tax ("LITL").</p> <p>Art. 56 LITL</p> <p>Chapter 9 of the corresponding bill and the related commentaries (which explicitly refer to the TPG); N° doc. parl. : 6722 (www.chd.lu)</p> <p>Art. 56bis LITL</p> <p>Art. 3 of the budget law 2017 and the related commentaries (of the draft budget law) cover the latest amendments in TP regulation in Luxembourg; N° doc. parl. : 7050</p>
2	What is the role of the OECD Transfer Pricing Guidelines under your domestic legislation?	<p>The OECD TPG are the base reference in domestic legislation. They constitute the framework for any TP analysis.</p>	<p>Art. 56 and 56bis LITL</p> <p>Refer to section 1</p>

Is There Something New About the Commission's 2013-2016 Investigations and related EU courts judgments

- Commission has not challenged the right for Member States to issue tax rulings and their sovereignty, as confirmed by the CJEU
- The individual nature of tax rulings does not make them per se selective (e.g., Mc Donalds decision)
- The Commission's notion of ALP ?
- The General Court does not replace the EC's analysis with its own, but does control the legality of the contested decision in its entirety

The EC's State aid Control v. MSs Sovereignty

- 👉 From the **EU courts perspective**: if ALP is explicitly incorporated into national law, then it should be part of the reference system against which the existence of selectivity is analysed
- 👉 However: to what extent the Commission can second guess MS in their application of ALP?
- 👉 CJEU in Fiat appeal judgment and AG Kokott (Engie and Amazon Opinions) seem to suggest that there needs to be a manifest deviation

Par. 122 of the CJEU Fiat judgment

- In particular, after having **observed that a Member State has chosen to apply the arm's length principle** in order to establish the transfer prices of integrated companies, the Commission must, ... , be able to establish:
 - that the parameters laid down by national **law are manifestly inconsistent** with the objective of non-discriminatory taxation of all resident companies, whether integrated or not, pursued by the national tax system, **by systematically leading to an undervaluation** of the transfer prices applicable to integrated companies or to certain of them, such as finance companies, **as compared to market prices for comparable transactions carried out by non-integrated companies**
- In the present case, as has been concluded in paragraph 105 of the present judgment, the Commission did not carry out such an examination in the decision at issue, since its analytical framework did not include all the relevant norms implementing the arm's length principle under Luxembourg law.

IV. The Future of the EC Tax Rulings' Control ?

- **Evolution or Revolution, or maybe DEVOLUTION?**
 - CJEU in Fiat appeal judgment and AG Kokott (Engie and Amazon Opinions) seem to suggest that the Commission has to demonstrate manifest inconsistency
 - CJEU so far has been reluctant to validate the Commission's analysis under ALP, although not excluded it in principle
 - Could it be concluded that the Commission, when controlling tax rulings as fiscal measures, has a higher standard of demonstrating a selectivity of the measure?
 - What does this new standard mean for regulators (Commission/ tax authorities), courts and tax advisors?

Quest For Optimum

- 12.09 2023 Commission's Proposal – the BEFIT Directive / TP Directive
- Will the hardening of soft law through proposed directives solve the problem?
- Solution proposed in TP proposal directive – Article 14(1)
“Member States shall include in its national rules transposing the transfer pricing rules laid down in Chapter II of this Directive provisions that ensure that those transfer pricing rules are applied in a manner consistent with the OECD Transfer Pricing Guidelines”
- Given that ALP/transfer pricing calculations are, by nature not an exact science and thus need interpretation by MS, harmonisation could be welcomed but is it at all possible?

THANK YOU

Current EU developments

A selection of hot topics

Raluca Enache

KPMG's EU Tax Centre

kpmg.com/eutax



Pillar One | Local DSTs and EU Digital Levy – State of Play

01

Unilateral measures in the EU

- Current unilateral measures:
 - *Austria*
 - *France*
 - *Hungary* (temporary 0% rate)
 - *Italy*
 - *Poland* (video on demand services)
 - *Portugal* (audio-visual and video-on-demand services)
 - *Slovakia* (digital PE)
 - *Spain*
 - *the UK*
- Pending proposals:
 - *Czech Republic*
 - *Denmark* (digital streaming services)
 - *Poland*

02

Removal of unilateral measures

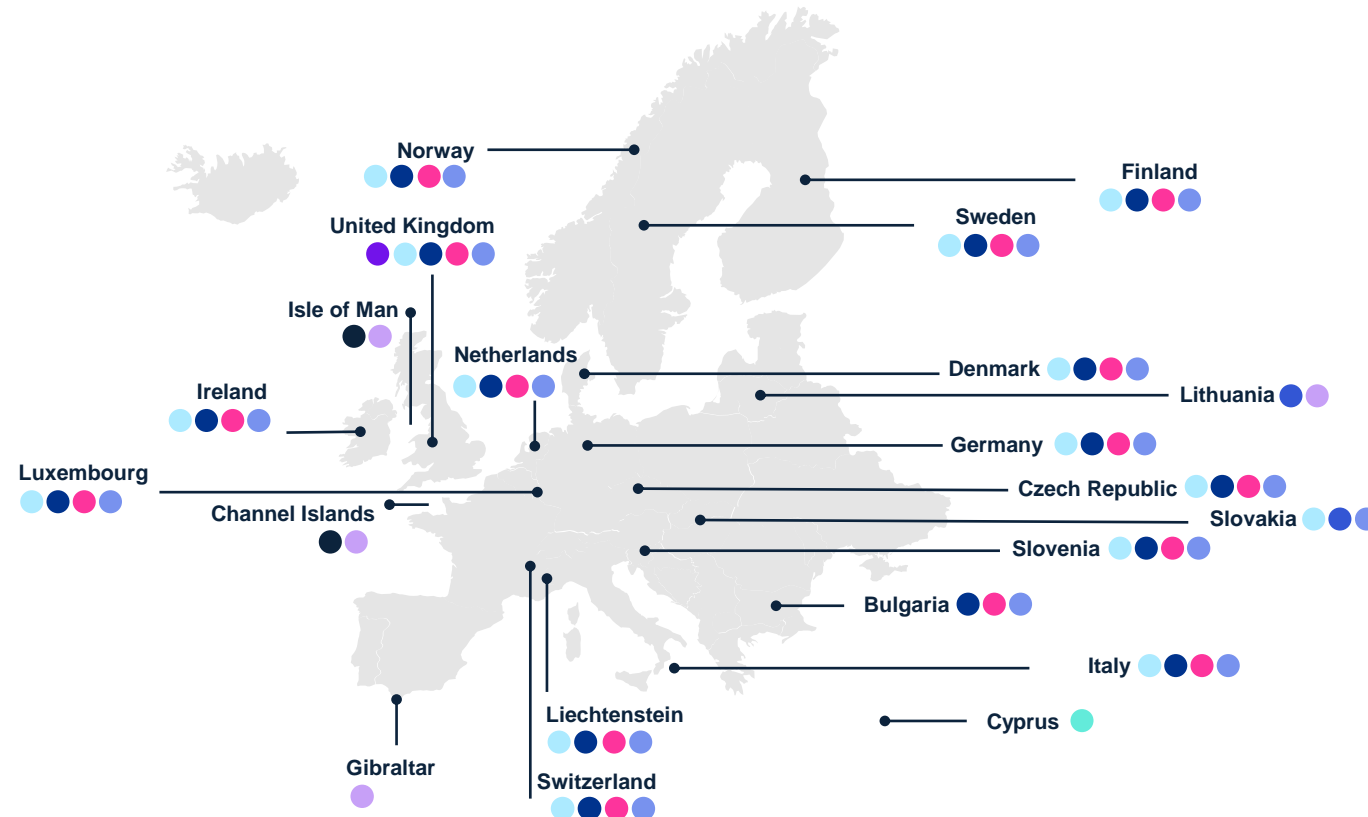
- *October 21, 2021*: Agreement with *the US* to withdraw unilateral measures once Pillar One takes effect, signed by:
 - *Austria*
 - *France*
 - *Italy*
 - *Spain*
 - *the UK*
- *December 20, 2022*: Draft provisions on DSTs and other relevant similar measures (Amount A):
 - Removal of existing measures
 - Moratorium on newly enacted measures

03

Proposed EU measures

- *May 18, 2021*: EC explores EU digital levy as an EU own-resource measure.
- *Dec 22, 2021*: EU own-resource proposal: 15% of local Amount A revenue to be allocated to EU budget.
- *Feb 24, 2023*: EC explores potential network access fees
- *March 2, 2023*: EC proposal for supervisory fees on very large online platforms and search engines
- *June 30, 2023*: Pillar One progress report: commitment to ensuring a timely and consistent implementation of Pillar One at EU level.

Pillar Two — State of play | Europe



Legend

- Legislation passed/approved
- Draft legislation released
- IIR (2024)
- IIR (2025)
- UTPR (2024)
- UTPR (2025)
- Intention to apply IIR/UTPR (timing uncertain or deferred)
- DMTT (2024)
- DMTT (2025)
- Intention to apply DMTT (timing uncertain)
- Other related legislation/announcement

Pillar Two in the EU – first observations from local drafts



General observations

- Close alignment with Model Rules / EU Directive
- Incorporation of OECD Commentary and GloBE Implementation Framework materials
- Power for MoF to amend local P2 rules



Domestic top-up tax (DMTT)

- Plans to introduce a DMTT
- Rule order in line with Administrative Guidance (i.e. DMTT comes first)



Safe harbors

- QDMTT safe harbor included (OECD guidance not yet reflected)
- Transitional safe harbors included
- Transitional UTPR safe harbor not yet reflected



Administration

- Registration + Local self-assessment return + GloBE Information Return
- Special provisions for local groups (one-stop-shop approach, joint and several liability)
- Penalties

Business in Europe: Framework for Income Taxation (BEFIT)

Proposed building blocks

01

Groups with consolidated global revenues above a certain threshold and opt-in possibility for smaller groups

02

Determination of a consolidated corporate tax base starting from the financial accounts that are subject to a limited number of book-to-tax adjustments

03

Allocation of consolidated tax base to group members based on their share of the average taxable results in the prior three fiscal years

04

Simplified approach to the administration of transfer pricing rules

05

One stop shop approach for filing information return and coordinated action by tax authorities



Timeline

2011

First proposal for a common consolidated corporate tax base (CCCTB) Directive

2016

Re-launch of CCCTB initiative in form of a two-step approach: CCTB and subsequent rules on consolidation

2021

BEFIT initiative first mentioned in EC Communication

2022

Call for evidence for an impact assessment – October 13

2023

EC proposal issued on September 12, 2023

2028

Transposition by January 1, 2028, with rules applicable from July 1, 2028.

Transfer Pricing Directive

The aim of the initiative

To streamline the status and role of the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (OECD Guidelines) among the EU

Issues include

- Complex and uneven playing field for taxpayers
- Lack of tax certainty
- High compliance costs
- Adverse effects on the internal market

Building blocks

- Incorporation of the arm's length principle into EU law
- Reference to OECD Transfer Pricing Guidelines
- Binding rules on certain transactions (through implementing acts)

Next steps

- EC proposal released on September 12, 2023 (proposed separate to BEFIT)
- Public consultation until November 14, 2023 (potentially extended)
- Adoption: unanimity required (Council) and non-binding European Parliament opinion
- Entry into force on January 1, 2026



Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.



kpmg.com/socialmedia

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2023 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

KPMG refers to the global organization or to one or more of the member firms of KPMG International Limited ("KPMG International"), each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. For more detail about our structure please visit home.kpmg/governance.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

Document Classification: KPMG Public



The Finnish Real Time Economy -project: An Overview

CFE Professional Affairs Conference September 21, 2023

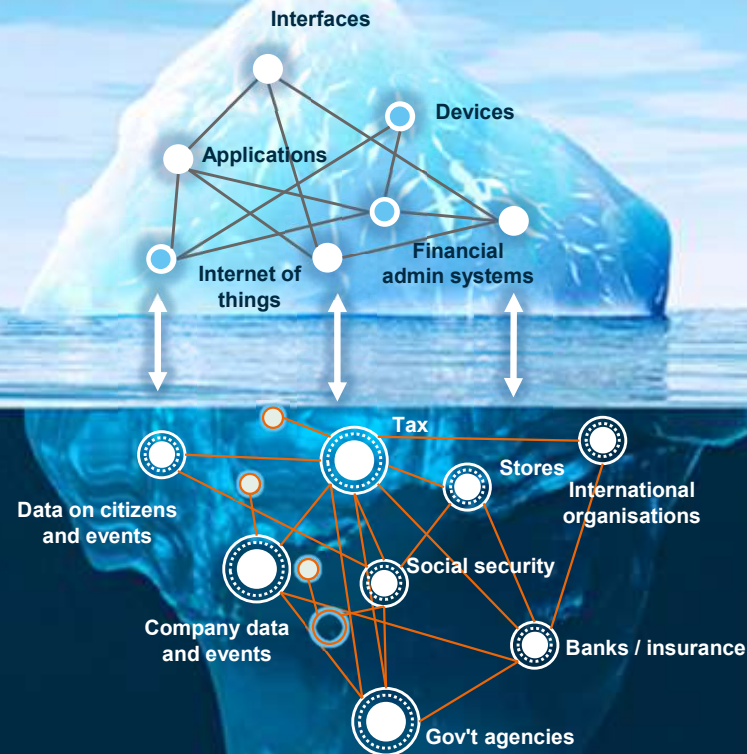
Finnish Tax Administration

Sami Koskinen

Re-organising public and private services - ecosystems

The data required by the services is created in the course of daily routines - sharing of the data in the ecosystems allows for limiting or even abolishing the need for separate tax reporting

The parties to the ecosystem utilise the standardised data - processes in different instances support one another



Touchpoints for customers

Daily events providing a natural interface towards service providers

For an individual, the touchpoint can be e.g. sale of real-estate/apartment

For companies, the touch point is first and foremost the financial system/software

Natural ecosystems

Public and private services connected with the same event or phenomenon form a natural whole

Required components

Digitalisation and automation

Digital capabilities

Standardisation and interoperability

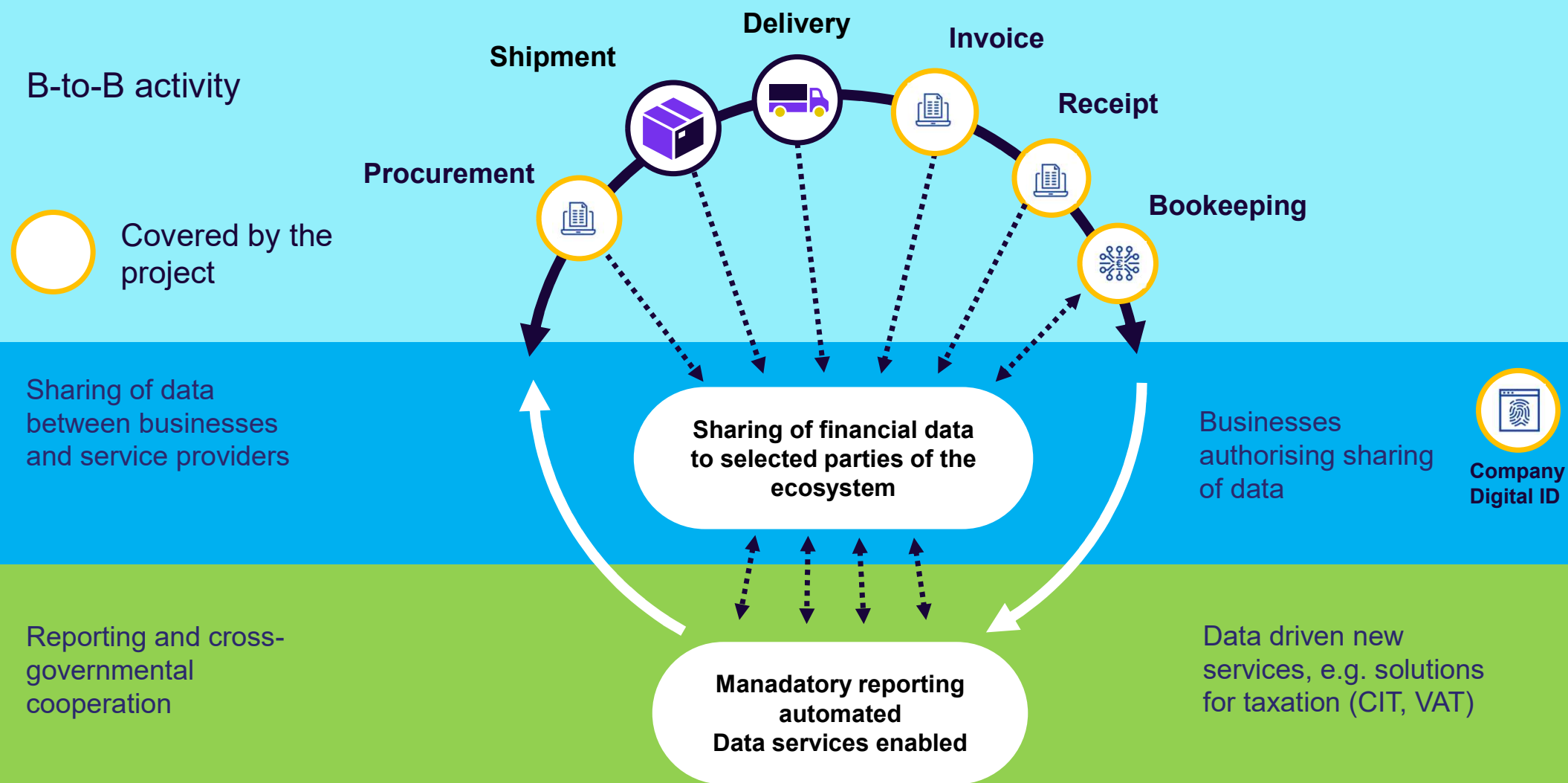
Real-time economy is built together



- The project is a part of the Finnish Sustainable Growth Programme, and it is funded by the EU Recovery and Resilience Facility (RRF)
- The Ministry of Economic Affairs and Employment has set the project for 15 June 2021 – 31 December 2024
- **The authorities responsible** for the Real-Time Economy project are
 - Finnish Patent and Registration Office (project management)
 - State Treasury
 - Finnish Tax Administration
 - Digital and Population Data Services Agency
 - Statistics Finland
- In the project **steering group**
 - Ministry of Economic Affairs and Employment (chair), Ministry of Transport and Communications, and the Ministry of Finance
- Government agencies responsible for the sectors in question
- Confederation of Finnish Industries, Finance Finland, Finnish Commerce Federation, Association of Finnish Municipalities, Federation of Finnish Enterprises, Association of Finnish Accounting Firms, and Technology Industries of Finland
- The project will succeed in its objectives when companies, service providers, software houses and the public sector take part in **joint development** and are committed to the change
 - Joint development makes it possible to take account of the needs of companies and entrepreneurs and their different capabilities
 - Those involved in the ecosystem shall also participate in the planning of change and implement the specifications, rules and interfaces agreed upon



2030 goal: real-time economy ecosystem



Key components of RTE-ecosystem



Digital identity

Goal state: the entire life cycle of companies is digitalised

Digital identity makes it possible for contracting partners or, for example, authorities to reliably identify a company and utilising business wallet, enables verifying the documents shared within the ecosystem

RTE key deliverables

- Digital establishment of a company
- eIDAS2 compatible digital identity and business wallet: a draft for functional specification and rulebook
- Model for sharing information based on consent



Digital business documents

Goal state: structured procurement messages, e-invoices and digital receipts as a standard practice

Machine readable business documents are automatically transferred within the ecosystem and linked to ERP / accounting systems

RTE key deliverables

- eReceipt rulebook
- Establishment of PEPPOL authority
- Enhancing the user volumes in each document type



Transfer of digital financial data

Goal state: seamless movement of data between the ecosystem partners

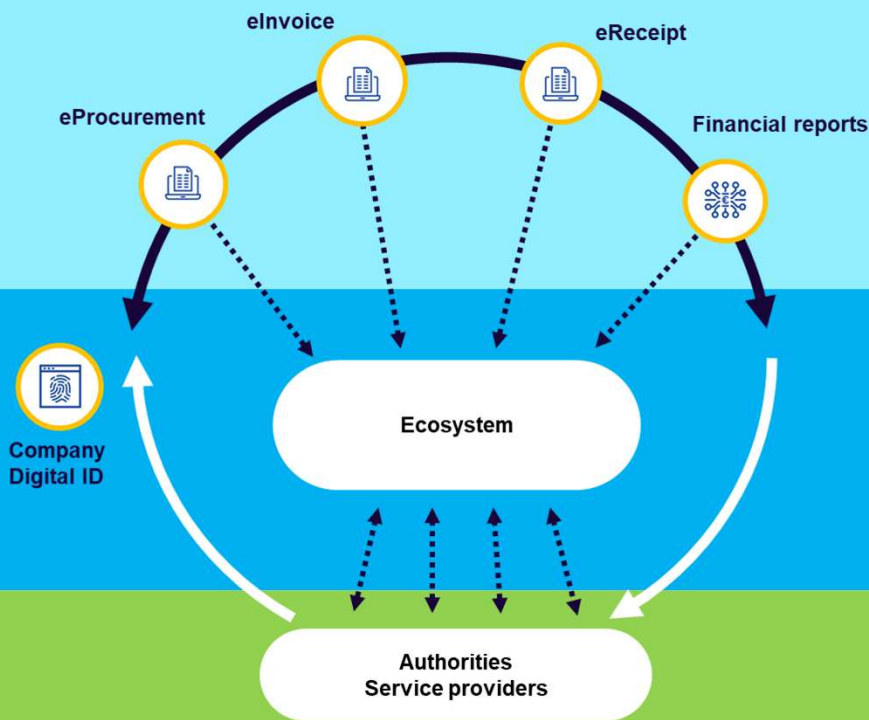
Standardisation of the data (content and format) enables applying once only - principle within the ecosystem; standardisation of the APIs will allow for seamless flow of real-time high-quality data

RTE key deliverables

- Standardisation of data to enable once only -principle
- Implementation of digital, structured financial statements
- Minimum viable ecosystem for movement of financial data



Potential implications for tax and compliance



Better data

- Structured data results in better data quality - less need for corrections and controls
- Enhanced analytics and risk forecasting, targeted support and controls

Real-time VAT

- eInvoices and eReceipts containing data points forming the basis for **transactional VAT-reporting**
- SME VAT-proposal/position?
- Real-time (split) payment?

Real-time CIT

- eInvoices and eReceipts forming the basis of **financial reporting**
- **Standardised and structured financial reporting** for all ecosystem participants
- Allows development of relaxed CIT reporting requirements
- No one-size fits all solution, per client type, depending on capabilities
- Under construction: compliance by design
- Certified financial systems?
- CIT-proposal/position for SMEs?
- Real-time settlement?

Possible additional services

- Tax footprint / tax behaviour report
- Know your customer services
- Supporting sustainability reporting



Real Time Economy

<https://www.yrityksendigitalous.fi/en/>

yrityksendigitalous@prh.fi

Twitter: @YrityksenDigi

LinkedIn: Yrityksen digitalous

#DigitalEconomy #RealTimeEconomy

Sami Koskinen

Director, stakeholder relations

Finnish Tax Administration

sami.koskinen@vero.fi

+358-40-719 32 39



Funded by the European Union –
NextGenerationEU

Tax Administration 3.0: Making Tax Digital

The Czech Way
Petra Pospíšilová

A brief insight into the history

- 2009: introduction of the state system of data boxes
- introduced to enable electronic communication among public authorities and between a public authority and a private entity
- extended for electronic communication among private entities and individual
- from the perspective of the user it looks like an e-mail account
- the technical solution is different: enables credible delivery of official electronic documents
- limited acceptance of wide public
- most of the correspondence made due to compulsory use of electronic communication

Electronic communication with the tax authorities

voluntary communication of private entities with the tax authorities: very reluctant uptake

compulsory electronic communication with the tax authorities: introduced gradually with the introduction of data boxes and electronic communication within public sector

use of various other channels introduced by tax administration to enable electronic filing: e-portal, tax boxes...

major obstacle: problematic electronic identification of the filing private entity

SCHRANKY **DATOVÁ SCHRÁNKA** **DATOVÝ TREZOR** **OTEVŘÍT .ZFO** **ZŘÍZENÍ IDENTITY** **NASTAVENÍ**

Petra Pospíšilová
Petra Pospíšilová - Ing. Petra Pospíšilová (mznbzgx)

NAPSAT ZPRÁVU

PŘIJATÉ ZPRÁVY

ODESLANÉ ZPRÁVY

HISTORIE

ÚLOŽIŠTĚ SOUBORŮ

PŘIJATÉ ZPRÁVY		FILTR
KOMORA DAŇOVÝCH PORADCŮ ČESKÉ REPUBLIKY	Doručeno, 12. 09. 2023	
VH_KDPCR_pruvodni_dopis	ID: 1239142556	
ÚZEMNÍ PRACOVIŠTĚ PRO PRAHU 5 (FINANČNÍ ÚŘAD PRO HLAVNÍ MĚSTO PRAHU)	Doručeno, 07. 09. 2023	
Rozhodnutí o stanovení záloh, stanov.záloh jinak a o zrušení zál.povinnosti	ID: 1238723553	
SPECIALIZOVANÝ FINANČNÍ ÚŘAD	Doručeno, 05. 09. 2023	
Rozhodnutí o stanovení záloh, stanov.záloh jinak a o zrušení zál.povinnosti	ID: 1237590343	
SPECIALIZOVANÝ FINANČNÍ ÚŘAD	Doručeno, 31. 07. 2023	

Data box

- several possibilities to log in:
 - log-in & password
 - electronic ID
 - mobile key application
 - **BankID**

Tax information boxes

- enables review of private tax filings
- enables review of tax filings of other entities based on power of attorney or other relations
- enables certain filings directly from the tax box in electronic format
- several possibilities to log in:
 - electronic ID
 - mobile key application
 - **BankID**

Má osobní DIS+

DIČ: CZ7162214136

Ing. Petra
Pospíšilová



Jsem oprávněnou osobou (2)

DIČ: CZ69057133



Národní
účetní rada



Neaktivní DIS+

Klikněte pro zobrazení
možností

Komora
daňových p...

Mám pověření přístupem (9)

DIČ: CZ13584324



Hypoteční
banka, a.s.



DIČ: CZ681727868



KBC Global
Services NV



DIČ: CZ28516869



KBC Group
NV



DIČ: CZ05815614



Pardubická
Rozvojová,
a.s.



Electronic identity

- both public and private entities started to offer electronic identity long time ago (eID from 2012)
- the voluntary uptake was very limited
 - lack of trust
 - considered complicated to arrange & to remember
 - limited use
 - in public agenda
 - in private life

Bank ID in the Czech Republic

- 2019: start of the SONIA project by the Czech Banking Association
- discussion with the state: amendments of legislation needed
- January 2021: BankID provided by first two banks
- currently provided by 9 banks covering most of the retail market in the Czech Republic
- multifactor authentication used for login in your internet banking is used as your identification



Road to success



need for multifactor authentication in the banking sector provided an opportunity to use the tool available



reasonable agreement between the banking sector and the state authorities enabled to use available tools from the private sector also for the public sector



successful implementation motivates both the public and private sector to digitalize its agendas



various level of authentication for companies offers new possibilities: on-line verification of age, AML agenda, signing of documents etc.



Where BankID may be used...

- getting information from land register
 - getting information from the register of drivers: validity of licences, requests for renewal, penalties...
 - trade licence register
 - tax filings and certificates
 - medical prescriptions
 - communication with social security authorities: filings & decisions
 - signing of e-documents...
 - many of the services may be accessed via the Civil Portal run by the state
-

Increased digital interactivity with the state

- between January 2021 and EoY2022
 - increased number of active identity tools from 400 th. to **10 mill.**
 - increased number of log-ins from 2.4 mill. to **20 mill.**
 - increased number of unique users from 110 th. to **2 mill.**
- new agendas digitalized by the state
- new agendas which can only be handled digitally
- the use of other identity tools (ie. Mobile Key app) increase simultaneously with the use of BankID

Digital future

positives

- smart digitalization helps
- young generation is more open to new trends

still a lot to resolve

- security
- archivation
- easy flow of data which are still difficult to gather
- will also the subsequent agendas be digitalized?
- costs to all relevant parties

Thank you!



CFE Professional Affairs Conference 2023
Tax Administration 3.0.

VIRPI PASANEN 21.9.2022



Finnish Association of Tax Professionals

Who are we?

Est. 2001, approximately 300 members

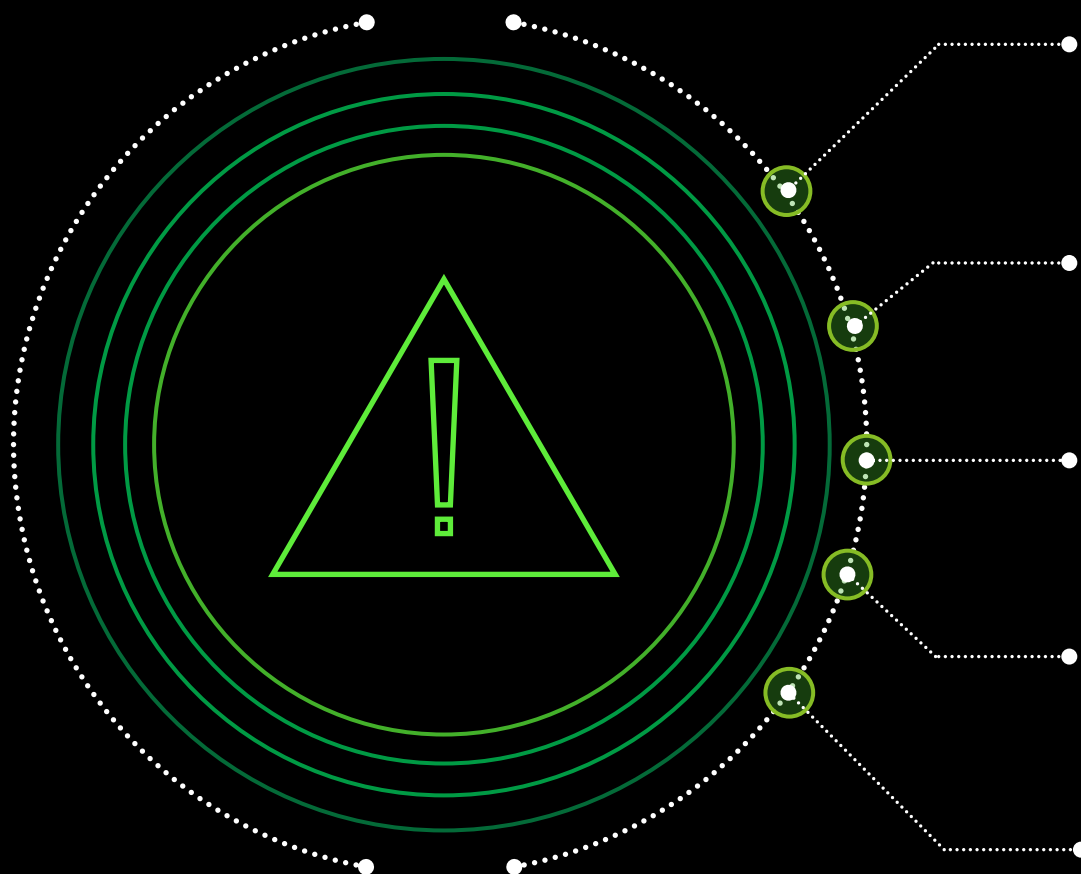
Members of our association are highly skilled tax professionals, such as tax advisors, accountants, lawyers, attorneys , and other experts who provide valuable guidance on tax-related issues.

- **Actively engaging with policymakers and tax authorities to provide input on tax policies and regulations -> deep knowledge of tax substance**
- **Providing valuable networking opportunities for professionals**
- **Knowledge sharing**

Close communication and collaboration with the Finnish Tax Authorities.

Permanent Expert Forum for regular meetings where issues are discussed.

Key considerations for real time economy and digitalization of taxation



Quality of the data

Data is not readily available in companies.
Capturing data for tax purposes requires often manual work and combining several data sources.



Tax laws are getting more complicated and vary significantly between jurisdictions

Real time economy requires more simple taxation



Costs for companies

Companies are ready to invest for business purposes. Tax technology investments are expensive -> what is the benefit for company?



Requirements should be global, not local

Any local differences makes reporting more complicated , burdensome and expensive



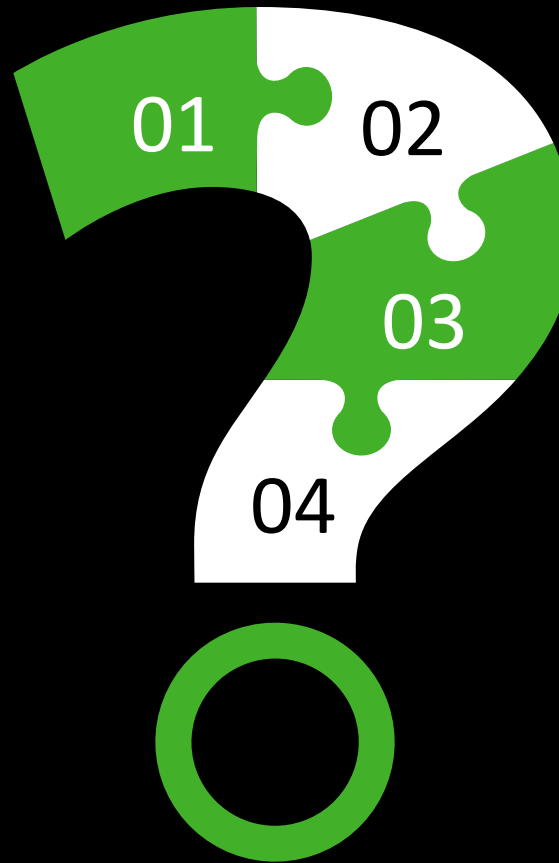
One size doesn't fit all

Multinationals vs. SMS

Is AI useful for tax advisors?

While AI offers numerous benefits to tax advisors, it's important to note that it should be used as a tool to enhance human expertise rather than replace it entirely.

Tax advisors should remain actively involved in decision-making, providing context, interpretation, and strategic advice based on their deep understanding of their clients' unique financial situations and goals



*"The hardest thing in the world to understand is
the income tax."*

- Albert Einstein



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities. DTTL (also referred to as "Deloitte Global") and each of its member firms are legally separate and independent entities. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

In Finland, Deloitte Oy is the Finnish affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), and services are provided by Deloitte Oy and its subsidiaries. Deloitte Oy is among the nation's leading professional services firms, providing audit, tax, risk advisory, legal, consulting, and financial advisory services through 800 people in 3 cities. Known as an employer of choice for innovative human resources programs, Deloitte is dedicated to helping its clients and its people excel. For more information, please visit our website at www.deloitte.fi.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms or their related entities (collectively, the "Deloitte network") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.