



The Role of Payment Data in VAT/GST Risk Management

Business perspective and experience

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Introduction

- Businesses recognize the importance of:
 - Fighting against VAT fraud and non-compliance in the digital ERA
 - Equal treatment between domestic and cross-border commerce
- Proportionality and consistency
 - When the same data is not available already via other reporting obligations
 - Minimizing disruption to business processes



Payment landscape

- Payment systems are complex
 - Many different actors present in the payment ecosystem who are playing different roles
 - Single actor can play different roles
- 3 prevalent payment methods
 - card
 - digital wallets
 - bank transfers
- Regional differences
 - Local networks dominating some markets
 - Countries with high cash usage
 - Countries where a strong preference persists for bank transfer usage
- Important for the tax administrations to have a proper and up-to-date understanding of the operation of the payment ecosystem in digital trade and of the role(s) of different actors involved



Data

- Availability of data
 - Data relevant for VAT compliance is not the same data set that the payment service providers transmit in a format defined by payment relevant ISO standards
 - Relevant payment data is dispersed
 - Consideration of financial secrecy of data privacy rules
 - Information is available on aggregated level
- Reliability of data
 - Quality of available data vary among actors in the payment chain
 - No single data point allowing traceability of the data throughout the payment flow



Consistency and proportionality

- Businesses (including payment service providers) need to provide data to Government Bodies for many different reasons
- Important to evaluate the real need for introducing data reporting requirements for payment industry actors to complement a broader VAT compliance risk
- It is important to have a proper understanding of:
 - policy objective
 - payment service providers' business processes to establish a workable environment on proportionate manner
 - the general IT landscape



Consistency and proportionality

- Building a robust legal framework (data privacy, data protection, financial secrecy)
- Minimize disruption
- Detailed guidance regarding IT requirements
- Appropriate lead time
- Rules to limit risk for enterprises in good faith
- Monitor and evaluate the efficiency and neutrality, including impact on evolution of different payment method usage



Conclusion

- Maximizing consistency across reporting jurisdictions will enhance and ease compliance to reach the policy objective