

AUTOMATIC TAX CONTROLLER CONCEPT BASED ON SAF-T

Małgorzata Mierzejewska
Warsaw School of Economics, Poland
mmierz@sgh.waw.pl

Abstract:

Characteristics of the problem

Tax fraud is naturally a disadvantageous phenomenon because of the reduced state budget revenues and also because it does harm to the honest entrepreneurs, who adequately meet their tax liabilities, thanks to which they cumulate smaller funds to meet their own needs.

Besides, the tax administration, forced by poor results of tax collection, carries out strict auditing to find the fraud entities and recover the lost revenues. Fiscal controls are carried out also in honest entrepreneurs, whose only sin (in view of a complicated tax system) may appear to be just a common mistake. Usually such controls are absorbing and disturb company in carrying out every day, fair business. From tax authorities point of view they are expensive and do not bring expected results i.e. return of huge amounts not collected tax liabilities.

Tax fraud and caused by this phenomenon tax gap has the greatest significance with regard to the VAT tax because this tax ensures the biggest budget revenue, besides the very construction of VAT in some cases "facilitates" the creation of the gap. Its considerable sizes will also be an obstacle to reduce a basic rate, and even may cause its rise.

According to the PwC report¹ findings the size of the tax gap is affected by:

- unregistered transactions made in the shadow economy,
- crime – extortion of taxes, primarily VAT,
- tax avoidance through legal though sometimes aggressive tax optimization,
- other phenomena – bankruptcies, mistakes or arguments.

The tax gap is also affected by another illegal, besides the shadow economy – understood not only with regard to illegal sectors of economy – business activity, i.e. tax extortion, which primarily has to do with VAT.

An important element in the tax fraud prevention is to use legal instruments interfering in the activities conducted within the shadow economy, illegal activities or tax optimization pursued on the brink of law. The instruments already in use in Poland include: (1) cashless turnover promotion, (2) fiscal receipt lottery, (3) reverse charge, (4) buyer's joint tax liability, (5) exchange of information on Polfisc Platform and a (6) standard audit file tax (SAF-T) - recently introduced for some taxpayers. Some instrument which are repressive in character should not be forgotten, for example (7) treasury audits (including cross-audits) or (8) denunciations. Besides the existing and operating instruments limiting the possibility of tax abuse some new projects are about to be launched; they include: (9) central register of invoices, (10) electronic fiscal receipt and (11) split payment.²

Objective studies

The aim of the study was to identify possibilities of using SAF-T not only to control taxpayers but also to predict who could be the tax fraud.

According to SAF system the company leading tax books using computer programs send electronically to the tax authorities information of the books in the specified standard grouping information. Transferring in electronic form monthly performed records, company is ensuring the security, integrity and non-repudiation of data contained in the books. Tax authorities are sure to receive current, true, complete data for information and analytical processes. In Poland obligation to provide SAF-T exists from the 1st of July 2016 for large companies and from 1st of January 2017 this obligation also covered the small and medium-sized enterprises. Next year it will cover also range of micro entrepreneurs.

¹ VAT extortion – tax gap in 2014 and forecast for 2015, PWC, www.pwc.pl, accessed as of 10.03.2017

² M. Mierzejewska, Taxation System in Poland: Ways of Reducing the Tax Gap, [w:] Proceedings of 5th International Conference on Accounting, Auditing, and Taxation (ICAAT 2016), Tallinn, Estonia, Publication: part of series Advances in Economics, Business and Management Research, 2016

The introduction of SAFT is based on solutions and successful implementation experience into the legal systems of many EU countries (eg Austria, Belgium, Denmark, the Netherlands, Lithuania, Luxembourg, Germany, Slovenia, Sweden, Portugal, United Kingdom).³

It is important to notice that data transmitted in the form of SAF-T can be the basis to create the system automatically pointing entities suspected of tax fraud (increased tax risk entities). The effectiveness of identifying such entities can be lifted by using data from other registers and files. It could allow to create special software – a kind of automatic controller software. Thanks to this software the search on SAF-T will be done and some records will be pointing and identifying suspected tax fraud or suspected records or events. The basis of the system of the automatic controller may be predictive or classification models. They can be divided into several groups: analytical, expert and hybrid models.

It is necessary to build mechanisms for updating models for each its type because of changing of modus operandi of tax fraud. Mechanisms of fraud detection should follow with fraud type changes, therefore automatic control system should be designed as a self-learning system.

Keywords: tax fraud, standard audit file tax, automatic tax control, tax gap, predictive models

REFERENCE LIST

1. VAT extortion – tax gap in 2014 and forecast for 2015, PWC, www.pwc.pl
2. Mierzejewska M., Taxation System in Poland: Ways of Reducing the Tax Gap, [w:] Proceedings of 5th International Conference on Accounting, Auditing, and Taxation (ICAAT 2016), Tallinn, Estonia, Publication: part of series Advances in Economics, Business and Management Research, 2016
3. Standard Audit File Tax, Basic Information, Ministry of Finance, 2016, www.mf.gov.pl

³Standard Audit File Tax, Basic Information, Ministry of Finance, 2016, http://www.mf.gov.pl/krajowa-administracja-skarbowa/dzialalnosc/jednolity-plik-kontrolny/-/asset_publisher/K4lq/content/podstawowe-informacje?redirect=http%3A%2F%2Fwww.mf.gov.pl%2Fkrajowa-administracja-skarbowa%2Fdzialalnosc%2Fjednolity-plik-kontrolny%3Fp_i, accessed 10.03.2017