IMPLEMENTATION STATUS OF STANDARD AUDIT FILE - TAX IN THE EUROPEAN UNION MEMBER STATES AND VALUE ADDED TAX GAP

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Abstract: In Romania and across the European Union member states, steps have been and are being taken to improve the collection of revenues for national budgets, and implicitly for the EU budget. The efficiency of tax administration systems also depends on the electronic reporting used to declare taxpayers' transactions and tax obligations. Thus, in 2010, the OECD's Committee on Fiscal Affairs published the second version of the Standard Audit File for Tax (SAF-T) electronic reporting system, which is designed to contribute to the performance of effective audits by internal and external auditors and by tax authorities. SAF-T version 2.0 electronic reporting has been adopted by the EU Member States under review, in a limited or extended form, as appropriate. This article describes the stages of implementation of electronic reporting in various EU member states and analyzes the correlation between the stage of implementation and Value Added Tax (VAT) collection for the budget, with VAT revenues accounting for a significant share of total budget revenues.

Keywords: Standard Audit File for Tax, Value Added Tax gap, electronic reporting, European Union buget revenues, tax administration systems

1. Introduction

The indirect tax applied to the added value of most goods and services traded or provided in the European Union (EU), Value Added Tax (VAT), is borne exclusively by the final consumer and represents the main source of revenue for the national budget, as well as for the EU budget.

Such revenues finance the activities of administrative authorities in the fields of education, health, transport, and others, which is why it is important that VAT revenues are collected as efficiently as possible and, implicitly, that the VAT gap is reduced.

The VAT gap is the difference between the expected VAT revenue (or 'VAT Total Tax Liability' - VTTL) and the amount actually collected. VTTL is an estimated value, theoretically to be collected, based on VAT legislation and ancillary regulations. (European Commission, 2021)

According to the European Commission's responses on its official website, the VAT Gap is caused by VAT fraud and evasion, taxpayers' use of VAT avoidance and optimization practices, company bankruptcies and insolvencies, as well as calculation and administrative errors. Given the causes of the VAT Gap, the tax authorities have resorted to implementing policies and rules to increase taxpayer compliance and improve the analysis of their transactions.

In Romania, steps have been and are being taken to create a more efficient tax administration system, and progress has been made on automated electronic reporting, such as SAF-T, RO e-Transport, and RO e-Factura, with the aim of allowing tax authorities access to significant volumes of data on transactions carried out by taxpayers.

The objectives of this article are: to provide a literature review on the emergence of the Standard Audit File for Tax (SAF-T), the data contained in the report, and the benefits targeted by its implementation; to examine the implementation of SAF-T in certain European Union (EU) member states; and to analyze the correlation between the stage of SAF-T implementation and the VAT Gap. Conclusions are focused on the correlation between the stage of SAF-T implementation and the level of VAT revenue collection.

The methods used in the documentation and analysis were a review of the literature on the VAT Gap and the implementation of SAF-T electronic reporting, correlating data from European Commission reports on the VAT Gap with information on the stage of SAF-T implementation in certain EU Member States. Data processing methods involved examining the links between the VAT Gap and the degree of SAF-T adoption at national level in EU Member States, graphical representation – using diagrams to highlight changes in VAT gap in various EU Member States, including Romania.

2. Standard Audit File for Tax – emergence and intended benefits

SAF-T electronic reporting is based on the guidelines developed in 2010 by the Organization for Economic Cooperation and Development (OECD), which includes guidance on its revised version (2.0). The first version of SAF-T was published in May 2005 by the OECD's Committee on Fiscal Affairs and was designed to give taxpayer auditors easier access to data.

The OECD Guidance for the Standard Audit File – Tax Version 2.0 states that the reporting is intended to contain „reliable data on transactions from taxpayers' computer systems covering a specific period of time, be easy to read due to its standardized layout and format, contributing to efficient and effective audits by internal and external auditors and tax authorities”.(Forum on Tax Administration, 2010, p. 3)

The first version of SAF-T contained information on entries in the journal register, data on customers and suppliers, such as invoices, orders, payments and adjustments. The revised version (2.0) contains, in addition to the information from the first version, data on inventories and fixed assets.

According to the OECD's Guidance for the Standard Audit File – Tax Version 2.0, standardizing electronic reporting aims to benefit both tax authorities and taxpayers, mainly by: „reducing the costs of complying with regulatory requirements; lowering the administrative costs of tax agencies involved in collecting taxes; improving the results of tax and accounting audits conducted by the authorities”. (Andrei & Petraș, 2021, p. 53)

Among the benefits targeted by the Romanian tax authorities through the implementation of SAF-T are „increasing the level of revenues collected in the Consolidated General Budget by increasing compliance with the declaration and payment of all categories of income recorded by taxpayers” (National Agency for Fiscal Administration, 2021, p. 5), including VAT revenues.

VAT revenues account for the largest share of EU member states' budget revenues, according to a 2011 European Commission publication.

3. Implementation of SAF-T in certain Member States of the European Union, correlation between the stage of SAF-T implementation and the VAT Gap

„The globalization of the world economy, including the emergence of e-commerce, has created a new environment in which multinational enterprises are subject to a range of different legislative requirements around the world. Tax authorities are also seeing an increased need for international cooperation through the exchange of information and, where appropriate, through multi-jurisdictional audits”.(Forum on Tax Administration, 2010, p. 7) In this context, there is a need for a standardized format for collecting data in order to be analysed by both the auditors of the companies concerned and the tax authorities.

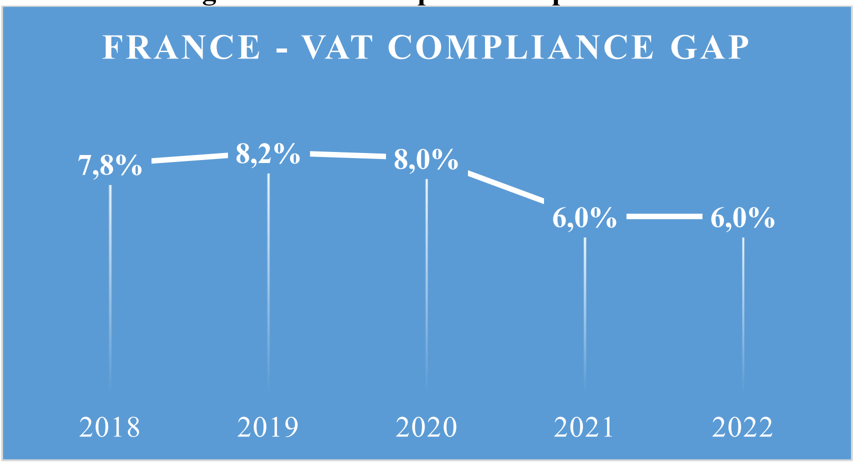
From the data published by the European Commission Directorate-General for Structural Reform Support (DG REFORM) in February 2024, information was extracted on the stages and status of implementation of SAF-T electronic reporting in the following EU Member States: France, Poland, Spain, Lithuania, Romania, and Portugal, as presented below.

On January 1st, 2014, **France** introduced a system with similar purposes to SAF-T developed by the OECD. The system introduced by France is called Audit file for France, and the file that must be submitted within

15 days of the initiation of a tax inspection includes information on the company's accounting records for a given financial year. The persons concerned are „companies based in France that keep their accounts in electronic format, foreign persons registered for VAT purposes in France, and branches established in France of non-resident natural or legal persons". (DG REFORM, 2024, p. 23)

The VAT gap for France, from 2018 to 2022, ranged between 7.8% and 6%, given that the Audit File for France had been in place for four years. The situation is illustrated in the chart below:

Figure 1. VAT compliance Gap - France

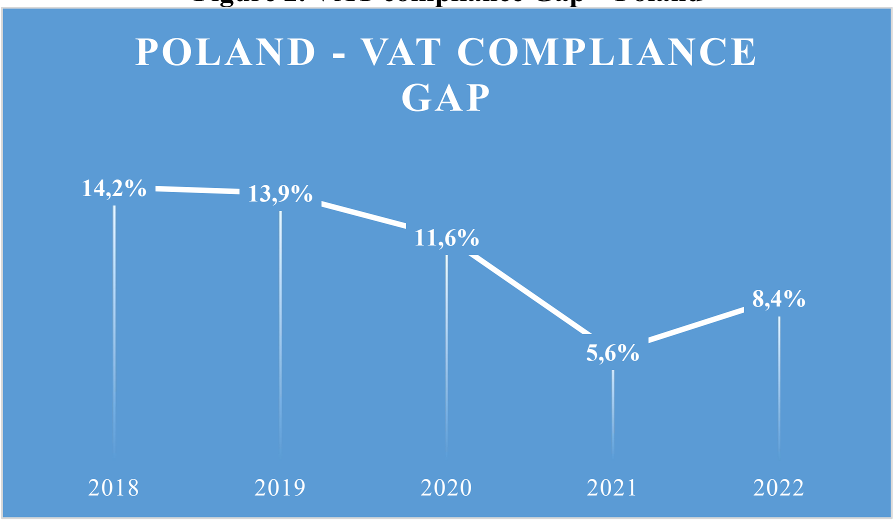


Source: authors' processing according to data presentend in VAT gap in the EU – Country report 2024: Romania, p. 6

Another EU Member State, **Poland**, introduced mandatory filling of SAF-T in January 2016 for large economic entities. Medium and small entities, were required, from January 1st, 2017, to submit the SAF-T for VAT only. All information required by this reporting approved by Polish authotities are mandatory from January 2018 for medium and small entities. Also from January 1st, 2018 the filing of the SAF-T is mandatory for micro entities as well. Criteria used to group entities into these categories were turnover, value of assets and number of employees. The main purpose for which the information submitted through the SAF-T file is used is to monitor and control the VAT obligations of taxpayers. The SAF-T VAT file is submitted monthly on the portal of the Ministry of Finance.

The VAT collection deficit in 2018-2022 for Poland has decreased from 14% to 8%, as shown in the following chart.

Figure 2. VAT compliance Gap – Poland

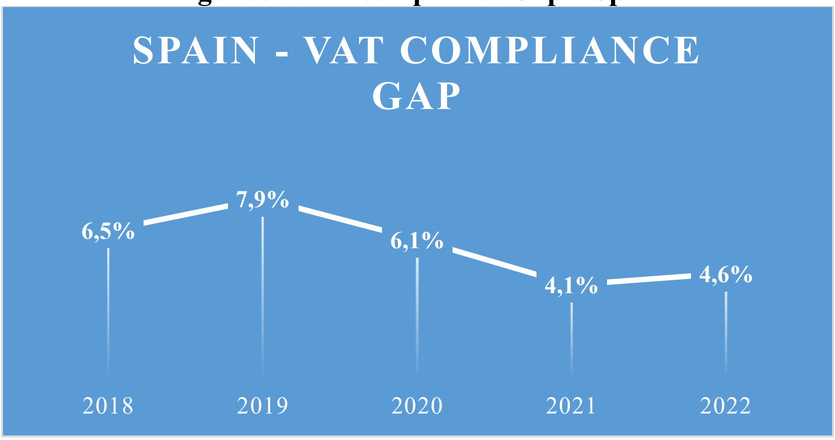


Source: authors' processing according to data presentend in VAT gap in the EU – Country report 2024: Romania, p. 6

Similarly to France, **Spain** has not introduced the obligation to submit a SAF-T file in the format recommended by the OECD, but a system for submitting information on invoices issued and received in an XML file, structured by the national tax administration, specifically created for the needs of the State. The system, whose name is Immediate Supply of Information, is an application developed by the tax administration for electronic VAT filing and was introduced on July 1st, 2017. The aim of introducing this system is to simplify tax compliance, lower costs for economic entities by automating the process. The information submitted and the deadlines are: details on invoices issued, within 4 calendar days from the date of invoice issue; on invoices received, within 4 calendar days from the date of entry in the accounts, but not later than the 16th day of the month following the transaction; on intra-Community transactions, within 4 calendar days from the dispatch or receipt of goods; on investments.

In the context described above, the VAT gap, over the period 2018-2022, for Spain was in the range of 6.5% - 4.6% , as shown in the following graph:

Figure 3. VAT compliance Gap – Spain

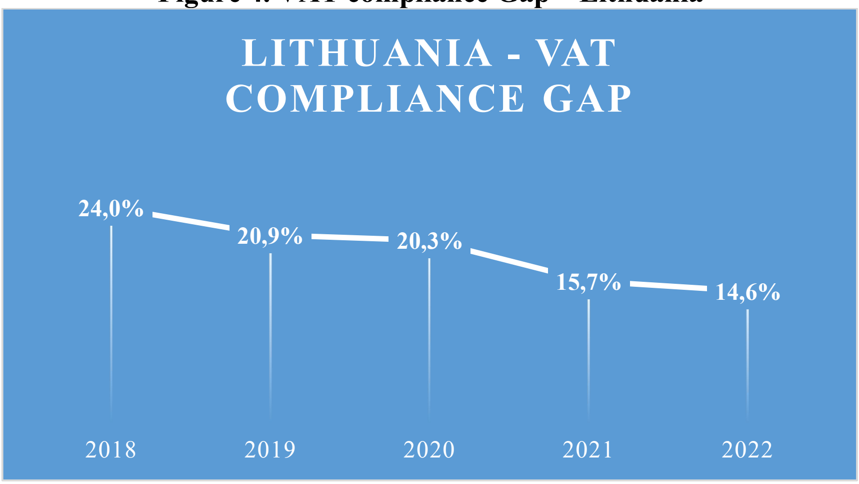


Source: authors' processing according to data presentend in VAT gap in the EU – Country report 2024: Romania, p. 6

Lithuania has implemented electronic SAF-T reporting, mandatory only for domestic firms, in stages, as follows: from January 1st, 2018 for firms with more than €700 000 net revenues recorded at the end of 2016; then from January 1st, 2019 for firms with more than €300 000 net revenues recorded at the end of 2017; and from January 1st, 2020, for the following financial years, for all firms with more than €300 000 net revenues recorded at the end of the previous year. The data in the electronic reporting, required on request by the tax authorities, includes detailed accounting information enabling them to verify the tax obligations of the entities required to declare and pay them.

The VAT gap, over the period 2018-2022, for Lithuania decreased from 24% to 14.06%.

Figure 4. VAT compliance Gap – Lithuania



Source: authors' processing according to data presentend in VAT gap in the EU – Country report 2024: Romania, p. 6

In **Romania**, the National Agency for Tax Administration has decided to bring the whole SAF-T system in line with the OECD standard.

The categories of taxpayers who are obliged to submit the Standard Tax Control File (SAF-T) are „Romanian legal entities, units without legal personality in Romania of foreign legal entities that are obliged to keep double-entry bookkeeping, non-resident companies that have a VAT registration code in Romania".(National Agency for Fiscal Administration, 2021, p. 5) There are also exemptions from the obligation to submit the SAF-T file, including public institutions, authorized natural persons, individual medical practices, professional companies of lawyers and individual offices of lawyers, professional notarial companies and individual notarial offices, family associations.

The implementation of the SAF-T file was carried out in stages, as follows: for taxpayers classified as large taxpayers - from 2022, for those classified as medium taxpayers - from January 1st, 2023, for small taxpayers and for non-resident taxpayers, registered for VAT purposes only in Romania, from January 1st, 2025.

According to the Taxpayer's Guide the structure of the SAF-T file for Romania includes:

Table 1. Components and contents of SAF-T, Romania

Section	Components	Contents
Header		general information about the file
Master files	General Leger Accounts	data from General Ledger Accounts, customers, suppliers, inventory, assets etc.
	Customers	
	Suppliers	
	Tax Table	
	Units of Measurement Table	
	Analysis Type Table	
	Movement Type Table	
	Products	
	Physical Stock	
	Owners	
	Assets	
General Ledger Entries		informations on accounting entries made during the reporting period as recorded in the taxpayer's accounting system
Source Documents	Sales Invoices	informations about source documents such as sales invoices, purchase invoices, payments, documents for stock movements and asset transactions
	Purchase Invoices	
	Payments	
	Movement of Goods	
	Asset Transactions	

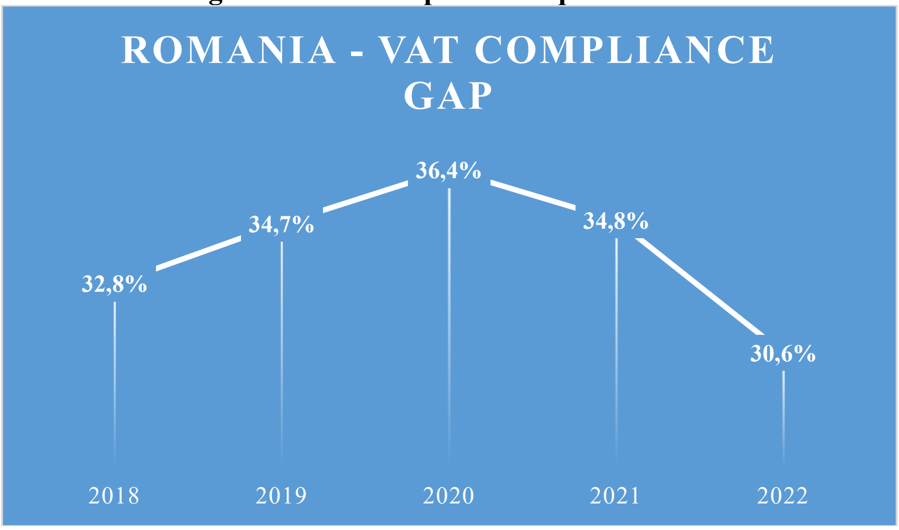
Source: authors' processing according to data presentend in the Taxpayer's Guide for Preparing and Submitting the D406 Informative Statement, Standard Audit File (SAF-T), p. 32-38

SAF-T shall be submitted, in electronic format, in the case of information on inventories, at the request of the tax authorities, and the deadline shall be specified by them and shall not be less than 30 days from the request, and in the case of other information on taxpayers - mandatory.

The SAF-T containing information on assets shall be submitted annually by the deadline for submission of annual financial statements. SAF-T containing other information, other than stock and asset information, shall be submitted by the last calendar day of the month following the reporting period. The reporting period is the month for VAT registered taxpayers and the quarter for non-registered taxpayers.

The VAT gap for Romania, in the period 2018-2022, was between 32.8% and 30.6%, given that the SAF-T was implemented for large taxpayers starting with 2022 and after this year for other taxpayers. The graph below shows the variation in the VAT revenue collection deficit over the period:

Figure 5. VAT compliance Gap – Romania



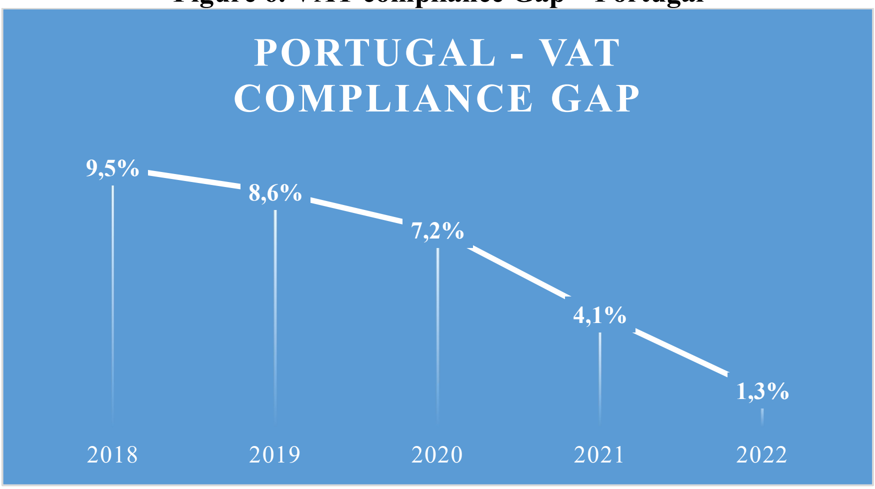
Source: authors' processing according to data presentend in VAT gap in the EU – Country report 2024: Romania, p. 6

According to the above data, the VAT gap will be reduced by about 4 percentage points in 2022 compared to the previous year, 2022 being the first year in which the SAF-T was implemented in Romania only for the large taxpayers category.

The SAF-T version, introduced in **Portugal**, is an XML file that collects both an entity's accounting and tax information. SAF-T can be divided into 4 types: „SAFT-T accounting file, that includes company chart of accounts, accounting transactins, customers, suppliers, tax codes and payments; SAF-T includes basic data (customers, suppliers and products/services), business documents for customers, tax codes, movements of goods, working papers and payments (receipts); integrated SAF-T file (I) - includes all accounting and billing information; Self-billing (S) - includes only business documents to customers, products/services and tax codes" (DG REFORM, 2021, p. 11). The submission deadline, on the Portuguese tax authorities' portal, from 2023 onwards, for Billing SAF-T file is the 8th of the month following the month for which the data is declared. The SAF-T accounting file must be drawn up annually and sent to the Portuguese tax authorities, at their request, in the context of a control procedure. The annual submission of the Accounting SAF-T file is mandatory for resident and non-resident economic entities that are subject to corporate income tax and carry out mainly commercial, industrial and agricultural activities.

The VAT gap, over the period 2018-2022, for Portugal has followed a downward trend from 9.5% to 1.3%, as can be seen in the graph below.

Figure 6. VAT compliance Gap – Portugal



Source: authors' processing according to data presentend in VAT gap in the EU – Country report 2024: Romania, p. 6

Portugal, although having implemented the electronic reporting, SAF-T, from 2023 onwards, recorded a decrease in the VAT Gap over the period 2018-2022, which shows that the situation is due to other factors influencing the collection of VAT revenues, such as the efficiency of tax authorities in tax collection, tax policies and legislation adopted at national level, the effort of companies' management to avoid insolvency.

4. Conclusions

In terms of the timeline of adoption of electronic reporting in the EU Member States analyzed, France has implemented electronic reporting since 2014, reaching in the first year of the period studied, i.e. 2018, a VAT Gap of 7.8%. The next Member State to have implemented electronic reporting is Poland (2016), followed by Spain (2017), Lithuania (2018), Romania from 2022 and Portugal from 2023.

From the above, it follows that there are European countries that have implemented electronic reporting SAF-T, „in extended or restricted format, at pre-defined deadlines - in countries such as Poland and Portugal, or on request - in Lithuania” (Darie, Ionescu & Bragă, 2023, p. 394), while others, such as Spain and France, have introduced their own system, but with the same purposes as the OECD developed SAF-T, aiming at reducing the VAT collection deficit. All the European countries analyzed above have recorded a decrease in the VAT gap in the period 2018-2022, i.e. after the implementation of electronic reporting, except for Portugal, which implemented SAF-T starting 2023. This decrease in some countries was achieved with percentages of 1% -2% - France, Spain, as the collection deficit was below 10% throughout the analyzed period and in the case of Lithuania and Portugal, the decrease was achieved with percentages between 8.2% and 9.4%.

The implementation of the SAF-T electronic reporting in Romania, as mentioned above, was made mandatory for large taxpayers from 2022, subsequently extended to medium taxpayers (2023) and generalized from January 2025. Romania's VAT Gap in the first year of use of electronic reporting, only for large taxpayers, was reduced by 4 percentage points. Starting from these aspects, for further research activity, a possible topic to be addressed is the correlation between the VAT gap in Romania after the implementation of the SAF-T for all categories of taxpayers targeted, respectively in the period 2022- 2025, after the publication of official data in the European Commission reports.

On the basis of the above, we can conclude that the implementation by EU Member States of SAF-T electronic reporting has a contribution in taxpayers' tax compliance and implicitly in reducing the VAT Gap. Taxpayers' tax compliance is not the only factor influencing the downward trend of the VAT Gap, other factors such as tax policies adopted at Member State level, more efficient management of companies reducing the number of companies going into insolvency, increased efficiency of tax authorities in collecting VAT also have a contribution to reducing the VAT Gap, as demonstrated by the decrease in the VAT collection deficit in Portugal before electronic reporting was implemented.

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