



European Commission

DIGITIZATION OF THE APPLICATION OF TAX LAW IN AUSTRIA

DG REFORM

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The Austrian Tax Authorities (BMF) would like to offer the possibility for taxpayers to voluntarily submit digital accounting/bookkeeping data. This data would be subject to automated routine checks using software-algorithms. Therefore, the Austrian Tax Authorities have a need to design a reform that would bring together new legislation, new audit procedures and digital tools to substitute the traditional audit work and implement automated plausibility checks (standard audit routines) for the compliant eligible taxpayers, referred to as “digitisation of the application of tax law”. The structure of the data shall follow the OECD Standard Audit File-Tax (SAF-T) an international standard for electronic exchange of reliable accounting data from organisations to the national tax authority or external auditors and the format shall be based of established export formats (such as xbrl, etc). This new offer by the Austrian Tax Authorities would also incorporate ideas of co-operative tax compliance.

3

Objectives

MAIN OBJECTIVES

A pilot phase with medium/large sized taxpayers volunteering in the program will be the first step of the implementation of digital audits. After an evaluation of the pilot phase the system is planned to be rolled-out for all corporations in Austria. Since the submission of electronic data would firstly be voluntary, incentives should be offered to achieve broad participation. In a first step, the following main objectives should be reached:

1. replace routine manual checks by automated plausibility checks using software-algorithms
2. guarantee a similar level of quality and accuracy as in traditional audits
3. give quick feedback to participants and offer legal certainty

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RESULTS:



Report on the current environment for the reform



Report from benchmarking research of international experience



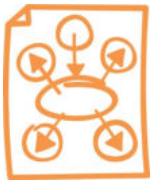
Strategy for implementation of digital audits



Plan for implementation of digital audits



THE MAIN RESULTS:



Report on the current environment for the reform

A thorough analysis of the existing Austrian legal framework was conducted leading to recommendations for an implementation act. Furthermore, views and perceptions of main stakeholders (taxpayers, tax administration, etc) as well as current software solutions for taxpayers were analyzed. The analysis of the legal framework focuses on potential incentives and outlines the necessary changes to the legal framework to implement these incentives.



Report from benchmarking research of international experience

The report is based on a comprehensive survey of the experience of other countries that have recently implemented digital audit solutions. The evidence from the online survey shows that the countries usually base their digital audit solutions on the OECD SAF-T model with some adaptations to consider local specifics. The vast majority of the jurisdictions have implemented the digital audit scheme by law.

Besides legal aspects, also practical aspects have been taken into account by the survey. An overall analysis shows that many digital audit schemes incorporate features aimed at (automatic) data analysis, substantiated by the fact that the most common features are the storage of digital audit data by tax authorities and merging digital audit data with other data and automatic analysis of digital audit data in tax audits. Incentives and support for taxpayers or tax advisors, however, are less common, whereby the most common features from these categories are information about the result of the assessment of digital audit data and user support through Q&A-sections or support hotlines.

The survey into other European countries' digital audit solutions provides valuable insights that can be used as a blueprint for the Austrian implementation of digital audits.



Strategy for implementation of digital audits

An elaborate tailor-made strategy for an implementation plan with legal and operational measures for implementing digital audits in Austria was developed by taking the main key stakeholders into account, as well as providing the Austrian Tax Authority with possible KPIs and a cost-benefit analysis of the reform.

A step-by-step approach is proposed to allow evaluation phases and improvements in the process. The phases shall start with a voluntary participation and end up with a mandatory participation in the final stage to achieve the desired effects and to include measurability. The pilot phase shall raise positive awareness and introduce tax auditors and taxpayers to a new era of audits under the Co-operative tax compliance approach. This path is associated with efforts and costs - but leads to a WIN-WIN situation for the main stakeholders, if certain incentives are also created, such as a ban on repetition, accelerated assessment or reduction of legal uncertainty.



Plan for implementation of digital audits

An action plan for the implementation of digital audits in Austria based on the outcomes of the previous deliverables was developed. Based on the system gap analysis, the technical implementation strategy is divided into 4 sub-areas (audit routines, machine learning approach, analytics implementation process, interface implementation phase). The analytical approach shall guarantee the equivalence of digital audit methods with traditional tax audits.

The legal basis and trust in the bilateral cooperation is a prerequisite for a successful implementation of digital audits. A trustful communication is necessary to reach the key stakeholders involved.