

Is your FAIA file ready for scrutiny?

Discover our new FAIA Assessment Service

The law requiring taxpayers to produce a FAIA (Fichier Audit Informatisé AED) file upon request of VAT authorities entered into force in 2008.

Since then, the VAT authorities developed and tested their tax audit software and asked some companies to produce pilot FAIA files. Since early 2015, the authorities now frequently request the standard file during their audits. Most taxpayers are still caught by surprise.

Generating a FAIA is a complex task. If not done properly, taxpayers risk providing the VAT authorities with incorrect or incoherent data.

To save you the trouble we at PwC have developed a FAIA Assessment service to test the reliability and the integrity of the massive amount of information included in your file.



How Can PwC Help?

We help clients generate a complete FAIA file when their internal systems and capacities are overwhelmed.

We also test the reliability and the integrity of the information through our in-house developed tool.

First, we do a comprehensive checkup. Then, we issue a report of errors, listed by categories, and make comments to enable the IT and finance departments to correct the files or the source documents before the final FAIA is sent out to the authorities.

Why testing your FAIA?

- FAIA contains a massive amount of information (up to 750 data fields for the full schema) extracted from your IT system (accounting, billing, stock, payments, products, suppliers, clients, VAT codes, content of VAT returns, etc.).
- The structure of the first file produced is, in many cases, not complete, and could result in a rejection by the authorities. Finance and IT departments must spend additional time to correct the file, causing delays, which can sometimes lead to penalties.
- The final document is a structured .xml file, difficult to read and navigate manually. The finance and tax departments will not be able to check the consistency of the data provided to the tax inspector. A prior testing allows identifying errors and correcting them before the tax audit takes place.

Why choose our FAIA Assessment service?

Our FAIA Assessment service aims at mitigating the following risks resulting from the provision of a non-compliant FAIA or a FAIA containing incoherent data to the tax authorities:

- Tax adjustment by the VAT Authorities;
- Delay of your VAT refunds;
- Possible penalties and fines;
- Time consuming back-and-forth with the authorities;
- Altered relationship with the VAT administration;
- In-depth VAT inspection.

What tests do we perform?

We simulate an e-Audit VAT inspection by running a set of pre-defined tests on your FAIA at several levels:

- **1st level – Structural tests:** we check the structure and format of the file and identify possible errors or omissions that might make the file unreadable for the authorities' audit software.
- **2nd level – Pre-fiscal tests:** we identify inconsistencies or discrepancies between the elements included in the FAIA.
- **3rd level - Fiscal tests:** we identify discrepancies between the data in the FAIA file and in the VAT returns. We also look for possible errors in the VAT coding and check consistency of VAT coding for each type of transactions.
- **Tailor-made tests:** we customise our tests to match your specific needs, industry or VAT risks.

What will you get?

We first discuss with you to learn about the specifics of your business and your IT resources. We then run our FAIA Assessment Tool on your FAIA file and review its report to analyse errors or warnings. We identify the risks resulting from these warnings, we eliminate false positives with your IT and finance departments, and formulate concrete and relevant recommendations. Our findings and recommendations are formalised in a written report, to be discussed during a de-briefing meeting. This assessment report also contains the detailed results of all the tests we ran on your FAIA. It will enable you to intuitively navigate from the overview of the test observations to the various levels of details of errors and warnings. Find below an example of the detailed report you will get for one specific test:

The screenshot displays a report titled "Customers who have been billed with distinct Product / VAT rates". It includes a "Test Description and objectives" section, a summary table with the following data:

Number of items:	1448
Number of errors:	0
Number of warnings:	78
Number of warning types:	2

Below this is a "Test conclusion" section and a "Test result" table with columns for "Description" and "Message". The messages describe instances where different VAT rates were applied to the same customer for different products. A red box highlights a specific message, and a red arrow points to a "Details" link. This link leads to a "Details (Data)" view, which is shown in two overlapping windows. The "Details (Data)" view contains a table with columns: DA3 CustomerID, DA108 ProductCode, DA1 InvoiceNo, DA69 LineNumber, and DA133 TaxPercentage. The data rows show various combinations of these values, such as 120009 LE with tax percentages of 15, 3, and 10.

You will find more information on our service offering by visiting our website www.fai.lu and watch also our video on the FAIA Assessment Tool: <http://www.pwc.lu/en/vat/fai.jhtml>

Should you need our help in generating or testing your FAIA, do not hesitate to contact us

Frédéric Wersand Partner	+352 49 48 48 3111	frederic.wersand@lu.pwc.com
Cédric Schumacker Senior Manager	+352 49 48 48 2463	cedric.schumacker@lu.pwc.com
Marilyne Siniciali Senior Advisor	+352 49 48 48 5718	marilyne.siniciali@lu.pwc.com