

FAIA | SAF-T in Luxembourg

How to get ready for an e-VAT audit



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What is SAF-T? What is a FAIA?



Digitisation is accelerating e-audits and real-time reporting obligations

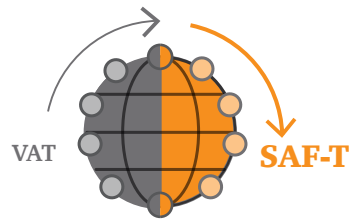
The world is more connected globally. The digital economy is coming of age through mobile technology, cloud computing, business intelligence and real-time reporting. Consequently, we see an increasing number of tax authorities and businesses around the world adopting or reforming their VAT compliance systems thanks to technological developments.

The increased use of electronic systems, including “real-time” transaction reporting by tax authorities and taxpayers, can make it easier to collect, transfer, store and analyse large amounts of data.



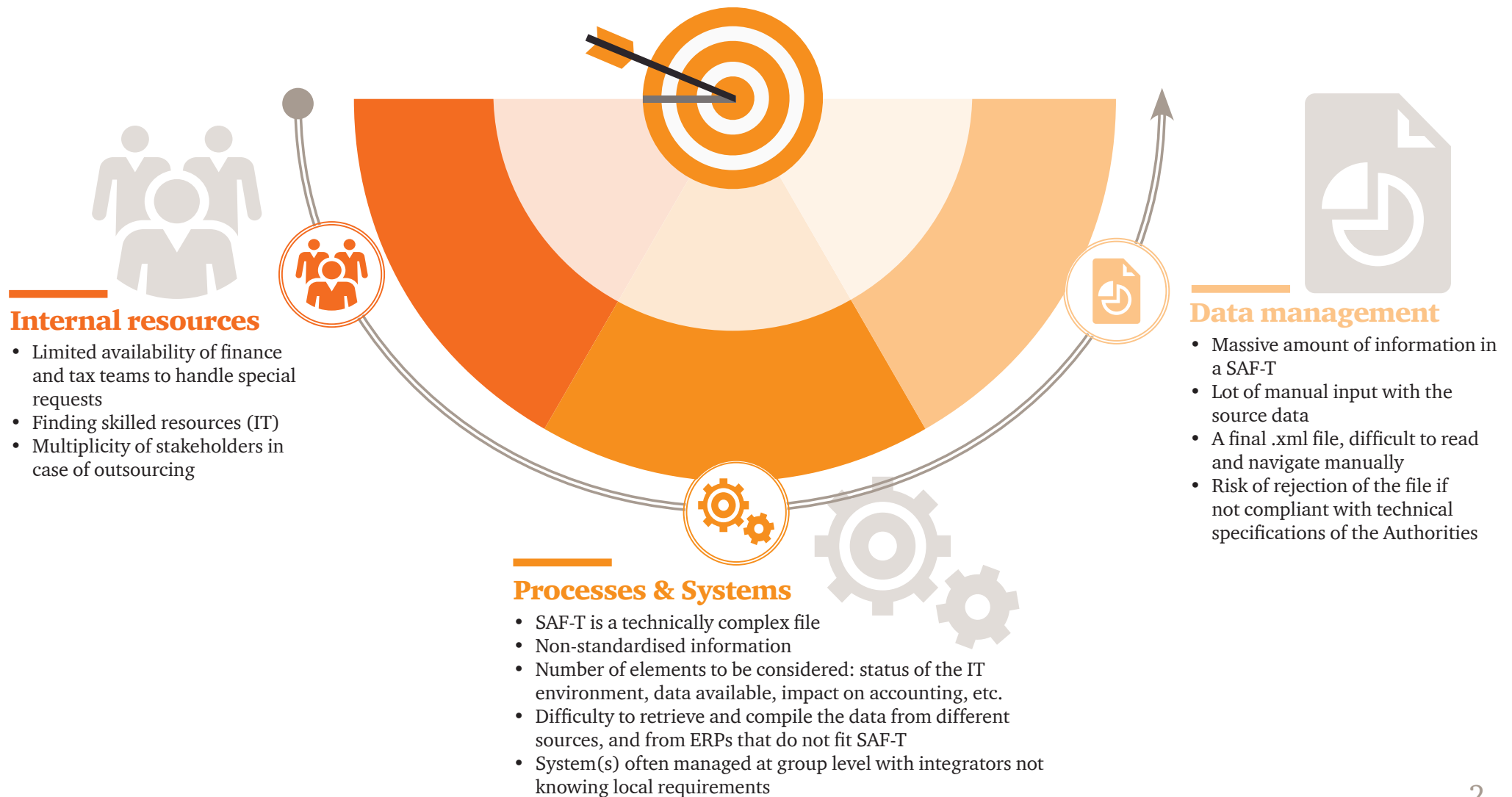
In 2009, the Luxembourg authorities introduced a new reporting file in the local legislation. They now frequently request taxpayers a standard structured file during their audits. The aim is to reduce the levels of VAT fraud while increasing the efficiency of the VAT compliance and the refund processes. Failure to comply with this obligation could trigger penalties up to EUR 25,000 per day.

This structured file is inspired from the OECD SAF-T model file, which stands for Standard Audit File for Tax (SAF-T). In Luxembourg, the file is known as FAIA. Some other countries have adopted a similar although less extensive e-audit file (i.e. Portugal, Poland). Others have a limited scope version (e.g. France). SAF-T provides an international standard for the electronic exchange of tax data, along with standard tests to be performed during a tax audit.



What's next? In the years to come, more and more countries could replace VAT returns with these SAF-T. Instead, the already mandatory SAF-T will suffice. This will provide the tax authorities with details of all clients' and suppliers' details, VAT relevant transactions, and well as the total calculated VAT liability and other totals required for the existing VAT return. Poland is among the first countries to plan this substitution.

Your key challenges



Our service offering

A modular approach, tailored to your needs

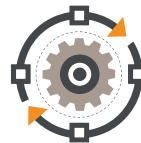
From data collection to data analytics

Data collection & SAF-T Generation



- ✓ Assist you in **generating a SAF-T file** as a support to your internal or external IT experts (who may not have the sufficient knowledge of the specifications).
- ✓ Our integrated **SAF-T Platform** web-based solution tests the file structure and format in order to ensure that it complies with the requirements published by the VAT authorities.

SAF-T Assessment



Assist you in **analysing your SAF-T file** and provide you with comments and observations regarding the possible errors and discrepancies in the data.

Different levels of testing can be proposed depending on your needs. We simulate an e-audit VAT inspection by running a set of pre-defined tests on the SAF-T at several levels:

- ✓ **1st level – Structural tests:** check of the structure and format and identification of possible errors or omissions that might make the file unreadable for the authorities' audit software.
- ✓ **2nd level – Pre-fiscal tests:** identification of inconsistencies or discrepancies between elements included in the SAF-T.
- ✓ **3rd level – Fiscal tests:** identification of discrepancies between the data in the SAF-T file and in the VAT returns, possible errors in the VAT coding and checking of consistency of VAT coding for each type of transactions.

Tailor-made tests: customisation of our tests to match your specific needs, business sector or VAT risks.

SAF-T Analytics

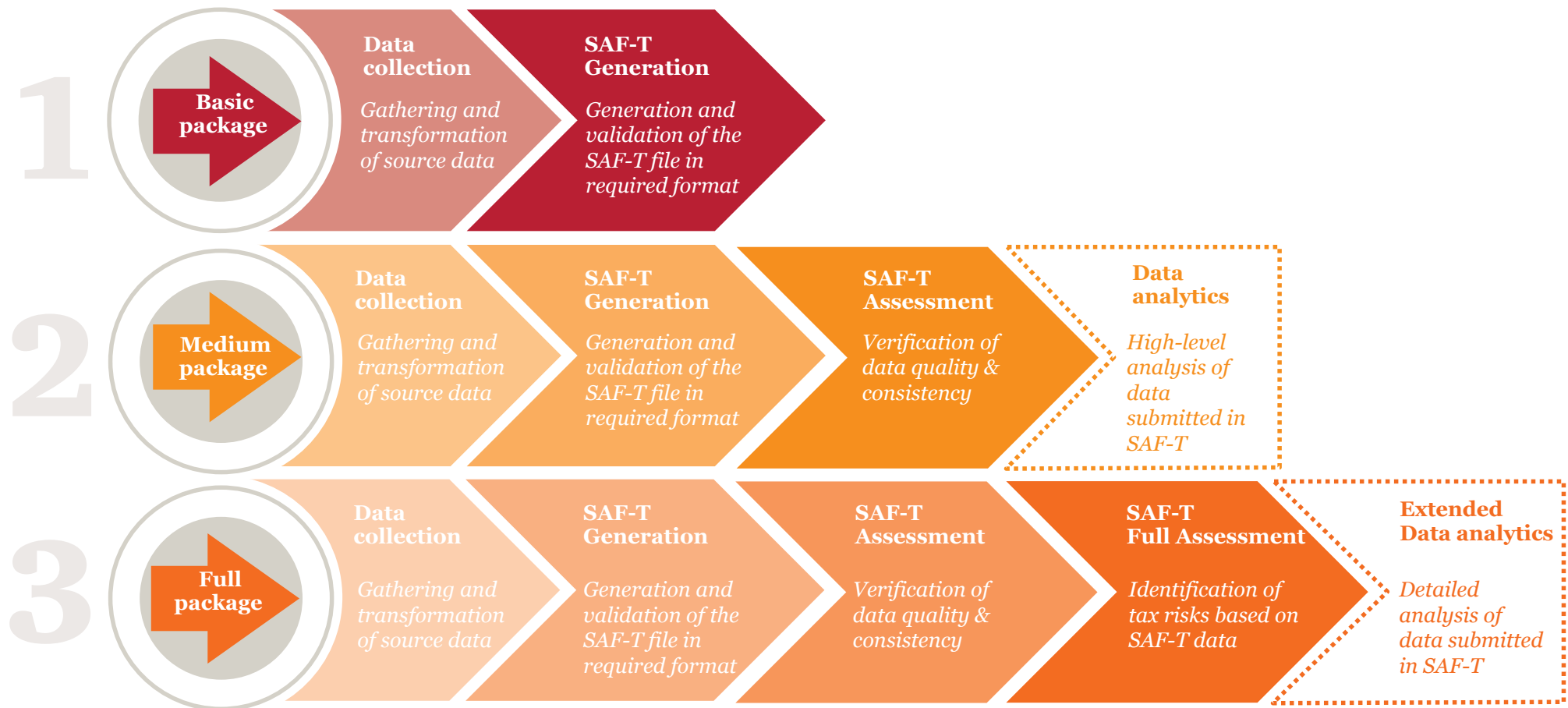


Use e-audit techniques to better manage VAT

Improve your VAT compliance and identify risks or opportunities by using **data analytics**. Thanks to our technology, we will provide you with:

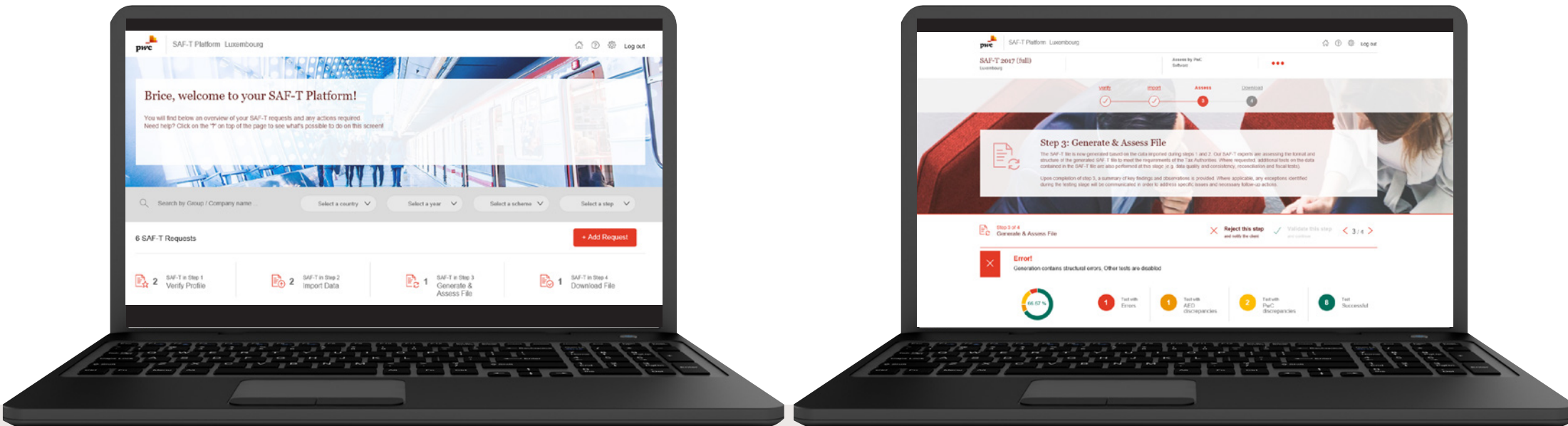
- ✓ tailored management information.
- ✓ metrics and trend analysis to help you optimise your VAT position.
- ✓ high-end data analytics available on demand.

Our service offering in 3 packages



Our PwC SAF-T Platform

Key capabilities



Integrated web-based solution

- ✓ Integrated workflow and full control over the data load process
- ✓ Up-to-date compliant system (updated according to legislation changes)



Flexibility and efficiency

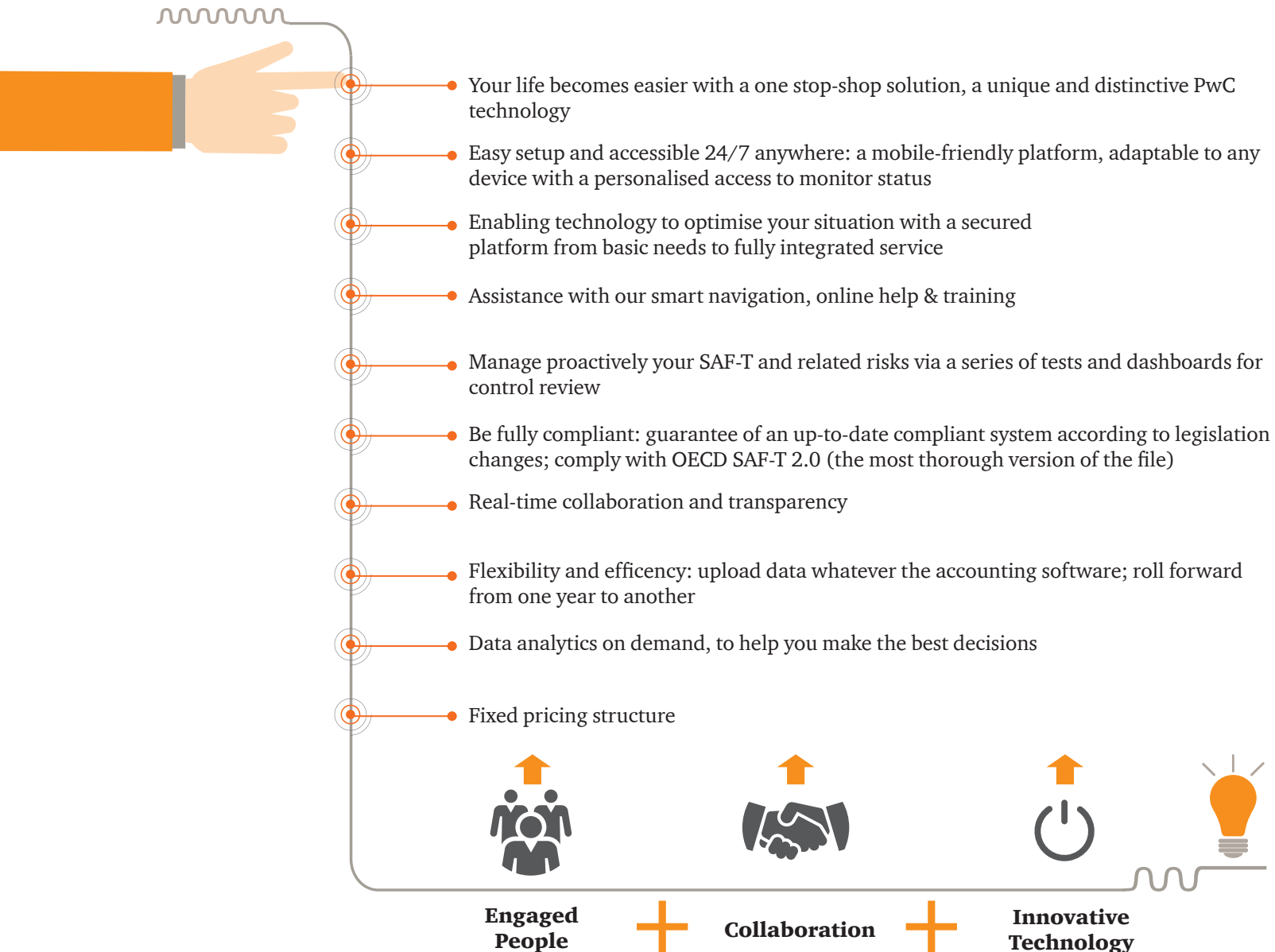
- ✓ Clients can upload data, whatever the accounting software
- ✓ Roll forward from one year to another



Comply with SAF-T requirements

- ✓ Comply with OECD SAF-T 2.0, the most thorough version of the file
- ✓ Data quality checks performed and dashboards for control review
- ✓ Validation rules set by VAT authorities applied upfront to ensure a valid SAF-T file

What does it mean for you?



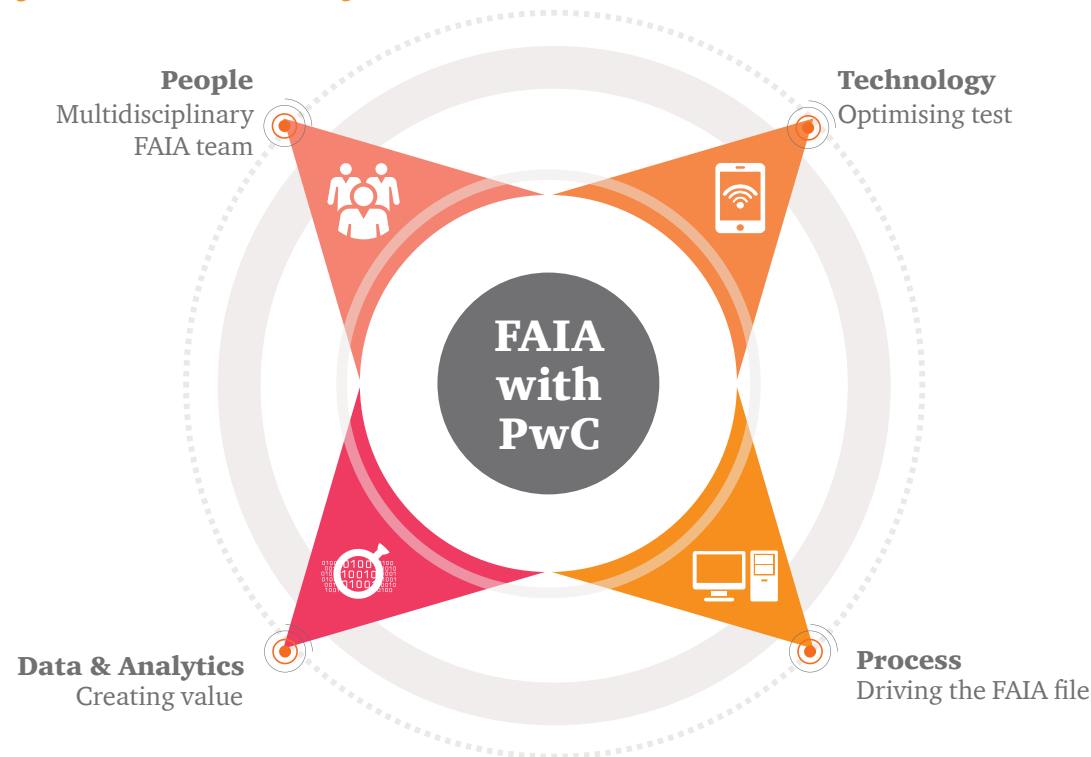
Depending on your needs and your characteristics, our dedicated team saves you time, helps to manage risks and optimises your situation.



FAIA with PwC – your benefits

PwC Luxembourg has assembled a dedicated team of accounting, IT and VAT experts to help you understand your FAIA obligations and implement the new requirements. Our experience encompasses several levels of assistance around FAIA. We will work closely with you to understand your business and to propose tailor made services depending on your needs and on your specific characteristics.

We help companies from various sectors: entities owning real estate, industrial companies, retail stores, and buyer-reseller as well as service providers. We also work with financial institutions and asset managers, which are currently relieved from the obligation to produce a FAIA file but anticipate any future changes.



“With PwC, we have a partner of trust, providing high quality services, thanks to a very reactive team. Thank you for your FAIA engagement [...] successful collaboration ...

Major retailer in Luxembourg

”

FAIA subject experience

Avoiding common pitfalls

- Generation of SAF-T
- Assessment of existing files
- Several levels of assistance
- Know the pitfalls
- Provide solutions to most common problems

Set of Generation Accelerators

Speeding-up the delivery

- Scope assessment questionnaire
- Business Requirements document
- Data mapping
- Testing tool
- Training Material

Unique assessment Tool

Simulating audit

- Unique tool internally developed
- Comprehensive error report
- XML structure testing
- XSD validation
- Data population
- Pre-fiscal tests
- Fiscal tests
- Constant updates

Relationship with Authorities

Updated on latest requirements

- Regular contact with VAT authorities (yearly basis)
- Up-to-date on the latest requirements

Mixed team of experts

Creating synergies

- VAT
- Accounting
- IT
- Advisory
- Experience working together in a project mode
- PwC Network

Let's discuss how we can work together



Contacts



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