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Topic	Audit Files and transactional data
Author	Frans HIETBRINK

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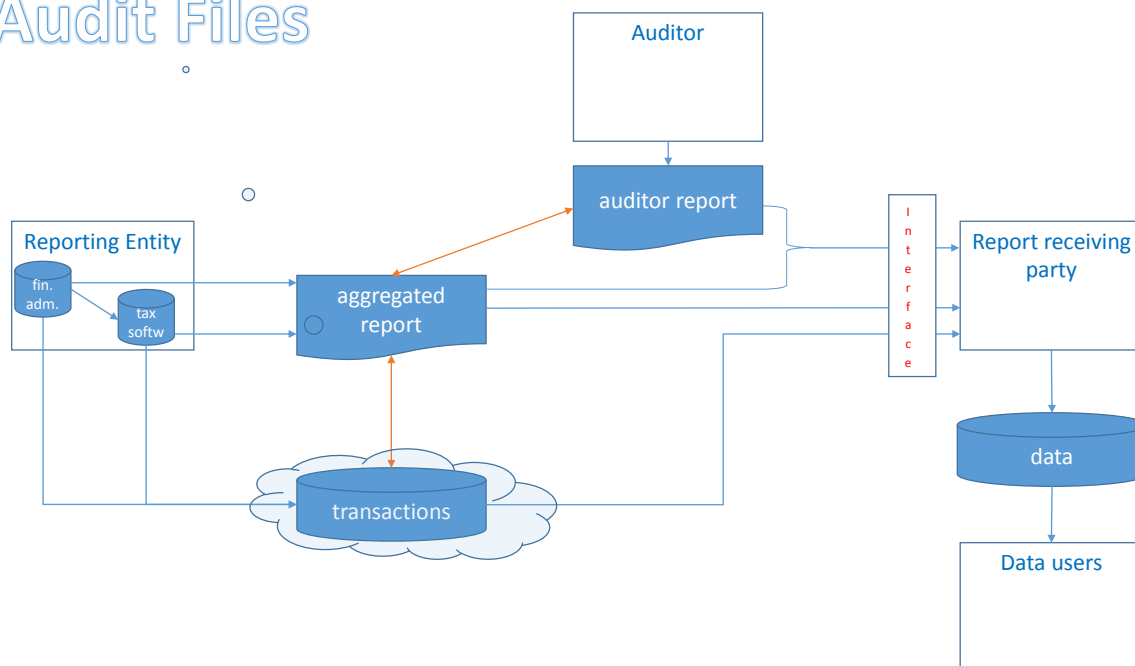
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1. Introduction

1.1. Introduction of Factsheet

The SBR Working Group of XBRL Europe has the objective to share information about e-filing, e-publishing, e-exchange of data and related projects, where XBRL is or may be an adequate solution. To reach this objective the SBR WG publishes a set of factsheets about topics which are relevant to better understand the (relation between) components of a cross domain approach to exchanging business information.

Audit Files



1.2. Introduction of SBR

Standard Business Reporting (SBR) provides governments and businesses with an unequivocal, cost-effective, secure and adaptable method for the exchange of business information between organisations in a reporting chain based on open standards.

The implementation of the SBR approach starts with defining the common data sets between the various domains, a kind of common data dictionary. In a later phase the focus will include IT transformation (implementation of the data definitions in software and implementing secure exchange of data sets).

Before the introduction of a cross domain approach, which is the basis of the SBR approach, companies were asked by various government agencies to deliver the same information in multiple ways. For the same data definitions, different data sets are used. With the introduction of a cross domain approach, similar data sets are being used for similar data definitions, so companies can deliver the requested information with the proverbial click of the mouse. This leaves them with more time to focus on their business.

In its core, SBR is about the reuse of information. Although different regulators want different sets of data, thanks to SBR, they can all come from the same (financial) administration. With the use of a taxonomy, the basis for the re-use of definitions can be strongly rooted. With Standard Business Reporting it is not only possible for the regulators to return aggregated information. Private parties can use the data (definitions) to supply their stakeholders with relevant information.

The key principle of SBR is to standardize on data definitions, processes and technology. SBR is not tied to a specific technology, but rather adopts proven, widely used, open technologies which support the exchange of structured data, data definitions and enable the unequivocal design and definition of processes.

1.3. Introduction of Audit Files

Another area where the experience of auditors and audit can help improve compliance on a one-to-many basis is through the standardisation of data and agreed data sets over which automatic rules and processes can be run. With appropriate guidance this will help businesses in understanding why these data points matter, and therefore what attention they should pay to them, and will have benefits for risk assessment and for tax assessment.

An important development in this regard is the standard audit file for tax (SAF-T) and the ISO Audit Data Collection.

1.4. Introduction of OECD

OECD has made an international standard for electronic exchange of reliable accounting data from organisations to a national tax administration or an external auditor called SAF-T (Standard Audit File for Tax). A few EU member states have adopted the standard (all with modifications to comply with national legislation) and fully or partly implemented it. The information in this report highlights different implementation processes of adopting a standard like SAF-T and the developments in standardisation of audit data.

The SAF-T was developed by the OECD through a task group consisting of representatives of national tax administrations, the Business Applications Software Developers Association (BASDA), accounting bodies and other interested parties. The first version was published in 2005 with an updated version published in 2010 which includes new information covering fixed assets and inventory and in the widely used XML format.

The initial goal was to define a standard data set for financial records to be of use in tax audit allowing for increased automation of parts of an audit process, with savings for the tax administration and business. Use of the SAF-T has expanded beyond that initial purpose and it is increasingly being adopted by tax administrations as a method of contributing to the filing of tax returns automatically. By standardising the data and aligning as far as possible with data collected for accounting purposes, the burden on businesses can be reduced and the access to and usefulness of the data to tax authorities in wider verification improved. This is particularly the case where SAF-T data can automatically be matched with digital data from other sources, including in making wider comparisons.

According to the survey conducted to support this report almost half of the responding countries use a form of SAF-T. Often, though, national data sets deviate from the OECD standard in accordance with national regulations. These differences increase burdens on businesses operating in multiple jurisdictions and have practical implications for the effectiveness of international exchange.

The European Mini One Stop Shop Council regulation, published in 2012¹⁰ contains definitions for both the legal and the audit framework and also arrangements regarding to which a revenue body will conduct the audit. Both the tax-return message and the Standard audit file were defined. The standards are voluntary, but it is clear that a taxpayer will fulfil his formal obligations, when using these standards. A functional and technical solution for audit automation, using the most common standard audit software tools¹¹ is under construction by collaboration in the EU programme Fiscalis.

The fiscalis SAF-T activity team of the OECD is preparing a SAF-T implementation guidance paper “The scope of this document is to promote the SAF-T approach in order to offer a guide of good practice for Member States already engaged in a SAF-T implementation process, and to inform Member States that are currently non-participating of the benefits.”

SAF-T implementations.



Figure 2: Timeline implementation SAF-T based on the OECD schema

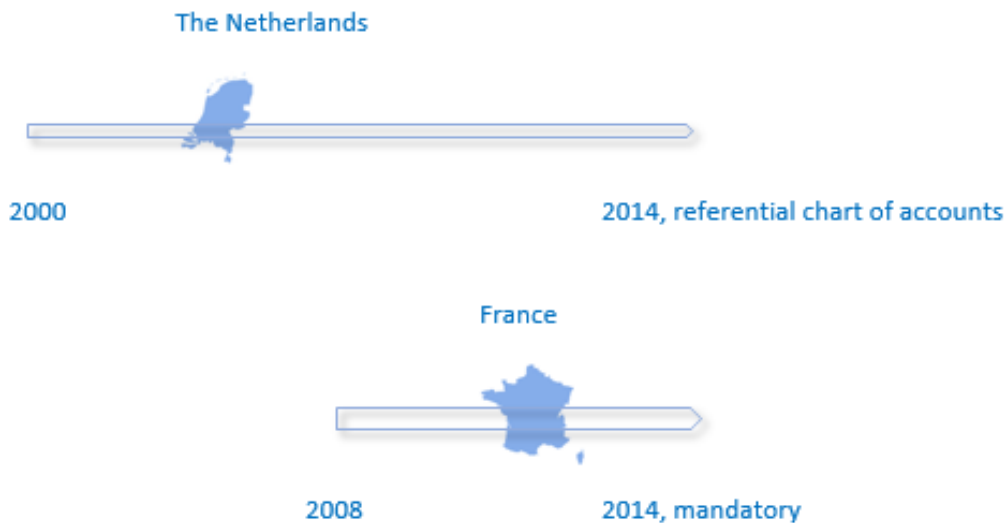


Figure 3: Timelines implementation of the Auditfile financial (XAF) in the Netherlands and the FEC in France

SAF-T-recommendations:

- National actions:
 - Publish specs and policy next 5 years in English
 - Stimulate the adoption of ISO Audit Data Collection Standard
 - Publish upwards and downwards compatibility with ISO standard
 - Sharing AA-solutions for the most common used audit software
- EU:
 - New legislation always with SAF specs like SAF-MOSS
 - Collaborate with public auditors and software developers during law-developing processes and share the ideas and possibilities for data-analysis, Standard Audit Files and audit automation solutions
 - Chart of Accounts: Analyse the possibility to develop a chart of accounts on -at least- EU-level together with relevant actors

1.5. Introduction of ISO

The ISO project 'Audit Data Collection' aims to resolve the common problems faced by auditors during their collection of data via the standardized technical measures, and to improve the accessibility and transparency of audit data, standardize the collecting mode of audit data, avoid duplicated efforts and effectively save social resources.

The standardization of audit data format at world-wide level will facilitate good auditing practice in many countries and improve internal and public audits, particularly the transparency and efficiency of transnational audits. The auditing industry, including internal, public auditors and auditees, and society as a whole can benefit from it.

Info from Elina regarding:

- scope (semantics: 200 pages)
- scope (csv or GL: 1 page)

1.6. Some thoughts regarding transactional data, audit files and aggregated reports

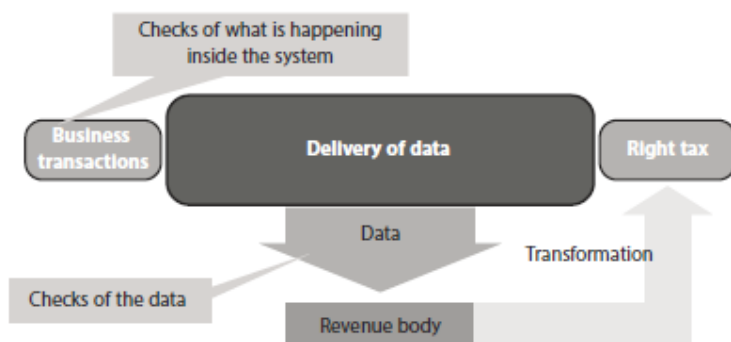
In its report “Tax Compliance by Design: Achieving Improved SME Tax Compliance by Adopting a System Perspective”¹ the OECD discusses two basic approaches to achieving tax compliance by design:

- the “centralised data approach”
- the “secured chain approach”

1.6.1.1. Centralised data approach

The idea behind the centralised data approach is:

- to make sure that the revenue body itself can capture as many business transactions from the source as possible in order to determine the right amount of tax to be paid with minimum information from the taxpayer.



The role of the revenue body is more about managing the whole process, handling and transforming all information by itself so the need for the taxpayer to provide information on his own transactions is significantly reduced.

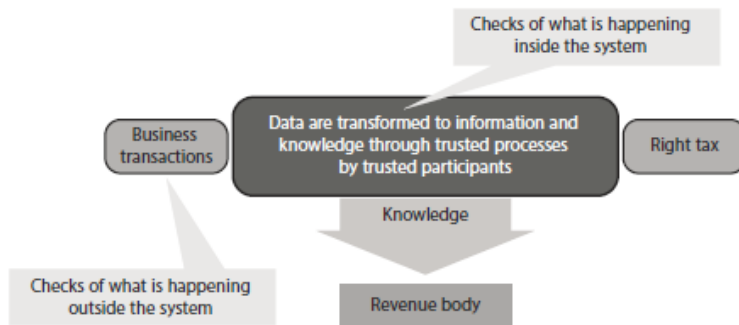
The “centralised data approach” is about revenue bodies collecting all information at the business transaction level but mainly from sources other than the taxpayer. This strategy is more apt for an environment where the taxpayer has possibilities to deliver all business-to-business transactions to the revenue body. This requires that the information is available in electronic format; comprehensive electronic invoicing schemes are therefore desirable. If pre-filling of tax return is the aim then all business taxpayers should be subject to these reporting requirements. This therefore put demands on all taxpayers regarding technical infrastructure.

1.6.1.2. Centralised data approach

The idea behind the secured chain approach is to create

- a secured flow of information from the capture of business transactions to the final determination of the correct amount of tax being paid”

¹ http://www.oecd-ilibrary.org/taxation/tax-compliance-by-design_9789264223219-en;jsessionid=5k5o7a5qidbjr.x-oecd-live-02



The role of the revenue body is mainly to act as a facilitator of needed features in the environment in order to make sure that the flow of information from the taxpayer is secure enough. This reduces the need for the revenue body to handle all of the data by itself and it reduces the need for doing post-filing audits.

The “secured chain approach” is about revenue bodies collecting aggregated information from the taxpayer combined with measures that make it reasonably certain that all business transactions are included. This strategy is more apt for an environment where the taxpayer uses, as far as possible, an automated accounting system and also has support (either by software or by an intermediary) for compiling the information required by the revenue body. But this strategy does not depend on all taxpayers having these capabilities; the strategy can be used for sub-sets of taxpayers.

The objective of a secure chain however could go much further:

- ➔ a secured flow of information from the capture of business transactions to the final determination of the:
 - data to be presented to management;
 - annual accounts to be presented;
 - figures to be send to Central Bureau of Statistics;
 - reports to be sent to banks for credit revisioning.

To be able to perform their supervisory role as efficient as possible a Tax Administration wants to be able to use the (results of the) measures of internal control, internal audit and external audit as much as possible.

Some Tax administrations have developed a strategy based upon Horizontal Monitoring and Tax Control Framework in which data analytics are used:

- ➔ to test the previously mentioned measures;
- ➔ to audit specific risks;
- ➔ to audit companies without an TCF.

The Tax administration uses a mix of repressive and co-operative compliance treatment. The layer-model illustrates how developments in internal control and external audit influences the supervision of the NTCA.



1.6.1.3. Centralised data versus secured chain

A centralised data approach will probably not include possibilities to collect all relevant data from third parties and will therefore rely on taxpayer reporting at least some information. The third party data also need to be delivered in a secure way which can be done through secured chains of information. A centralised data approach can therefore gain by using some features from the secured chain approach.

A secured chain approach will probably not include possibilities to make everything secured and will therefore rely on third party data to some extent. Third party data will be needed to verify that the system is working and in order to detect transactions taking place outside the scope of the secure chains. Third party data might be needed more for specific groups of taxpayers. A secured chain approach can therefore gain by using some features from the centralised data approach.

Both strategies require third party data to gain the desired level of certainty. The difference between the two strategies lies in the main purpose (verification or pre-filling) of collection third party data and in the amount of data needed. The choice between the two strategies and the combination of different elements needs to be based on the context and wishes of each country and revenue body.

1.6.2. Possible implementations

1.6.2.1. Vision

In the future all the data from the company will be stored “in the cloud” or in “a blockchain” or ...

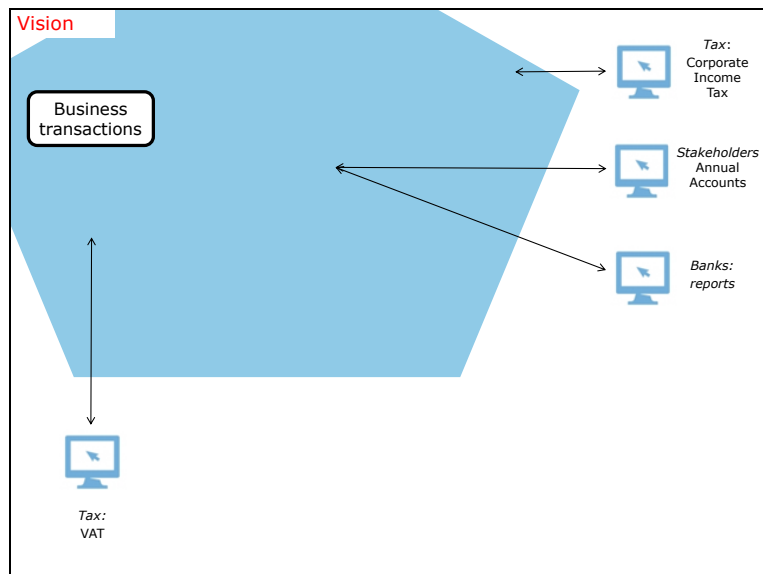
When needed

- Management
- Tax Authorities (CIT, VAT)
- Stakeholders (now using Annual Accounts)
- Banks (now asking all kind of data)

will be granted permission to review or collect the data when necessary.

What will be necessary to review or collect data in a secure way are:

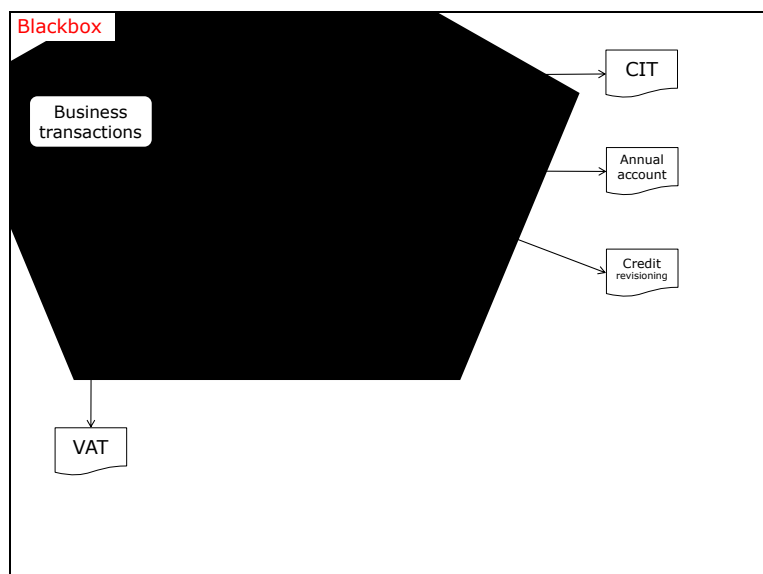
- authorisation
- clear definition of the kind of (aggregated or detailed) data the external party is authorised for
- clear definition of the data of the company
- mapping rules between the two kind of data
- data analysis



1.6.2.2. Blackbox

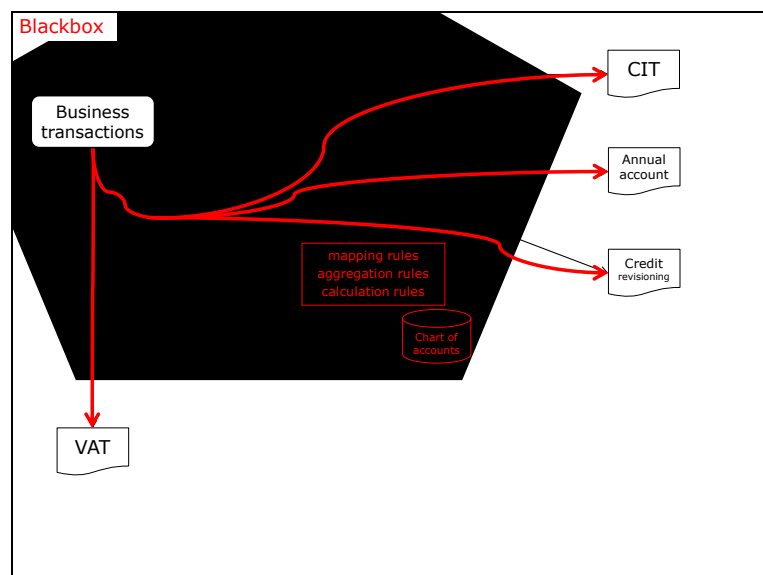
In the present we know from many SME's that:

- ➔ there are Business Transactions
- ➔ they do file for VAT, CIT at the Tax Administration
- ➔ they do file their annual accounts
- ➔ they do send information to banks



Tax administrations often receive digital filings through system-to-system-connections. In the Netherlands we have a Taxonomy which can be used for Tax Filings, Annual Accounts and Statistical Reports. The banks have made an extension on this Taxonomy and thereby use the same standards regarding the data and regarding the process of system-2-system interaction.

At the time of administering a business transaction the business owner has to understand what will be the effect on Tax Filing, Annual Account, etc. So he has to understand how the definition of the account (on which the transaction is administered) is related to the tax- and gaap-definitions.



To define those mapping rules it helps to:

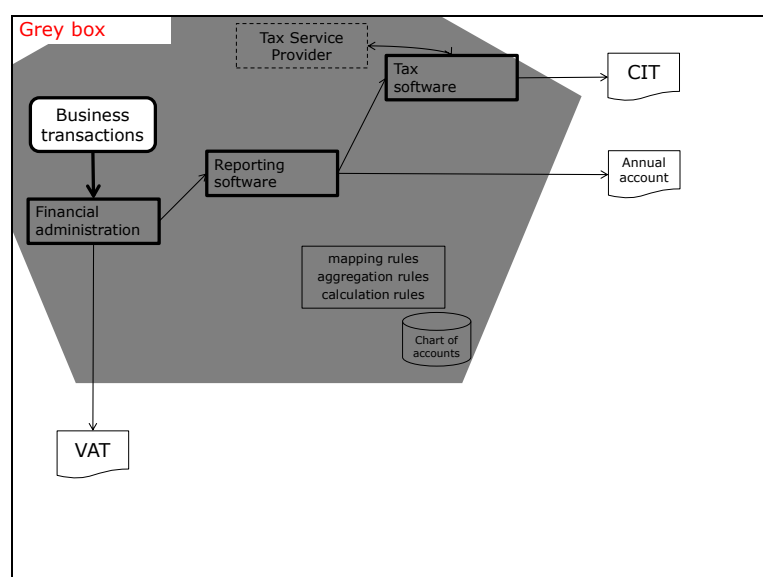
- ➔ use a standardized Chart of Accounts
- ➔ Some countries have mandated a Standardized CoA.

The Netherlands are working on a Referential Chart of Accounts and give the companies the opportunity to use their own CoA. On the long run it would be efficient to have a worldwide Referential CoA onto which local CoA can be mapped.

1.6.2.3. Grey-box

From some SME's we also know which software:

- ➔ they use for their business processes
- ➔ they use for their financial administration
- ➔ they (or their bookkeeper) use for their reporting
- ➔ they (or their tax services provider) use for their Corporate Income Tax or VAT



In digital filings we receive in the Netherlands information about:
 - software (developer and version), tax-service-provider

In the future all the data from the company will be stored “in the cloud” or in “a blockchain” or ...

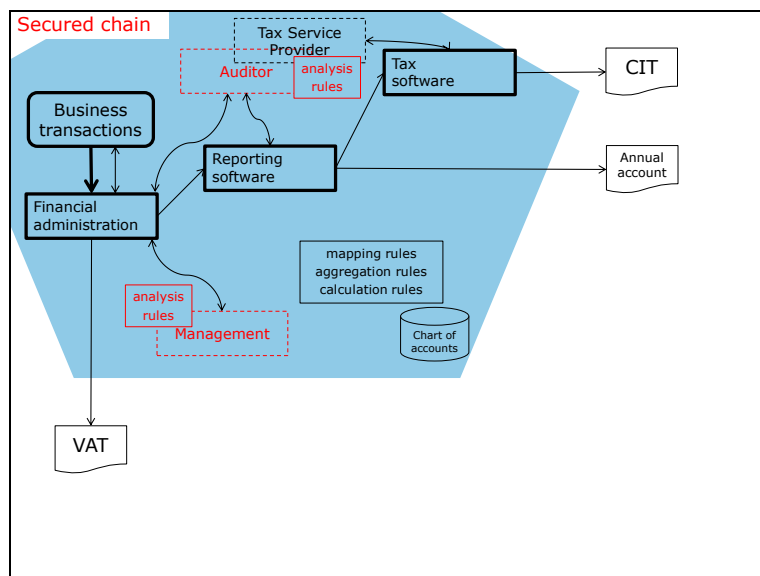
1.6.2.4. Secured chain

From some SME’s we also know which measures are in place for:

- ➔ internal control by management
- ➔ external control by auditors
- ➔ external control by tax Service Providers
- ➔ built in control in software

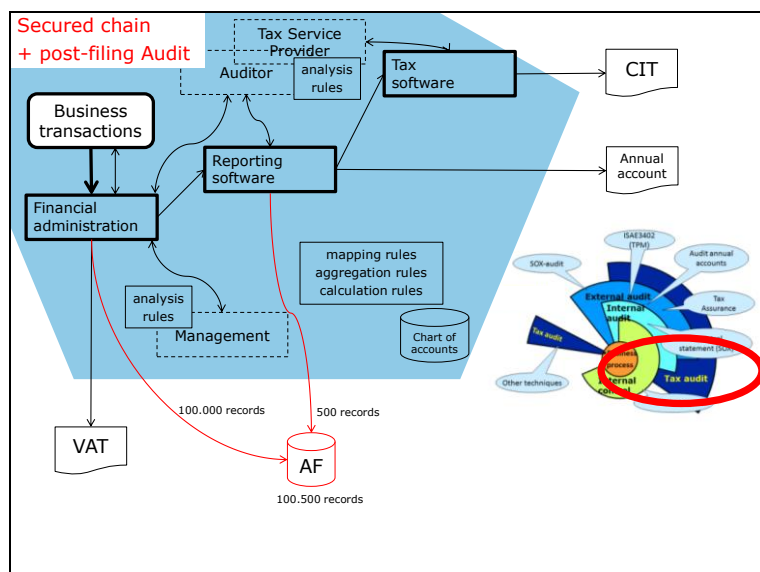
Software can be owned by software service provider or bought or self-developed by the company or tax service provider

In some cases the Tax Service Provider even is the “controller” for those companies who do not have the need for administrative staff (scaling). Experts are hired part-time or deliver services in the online administration of the company. The Tax consultant will be able to use analytics (within one r more administrations) to give advice and/or to comply to Tax Control Framework



Post-filing Audits are used to:

- ➔ test the secured chain
- ➔ audit specific risks



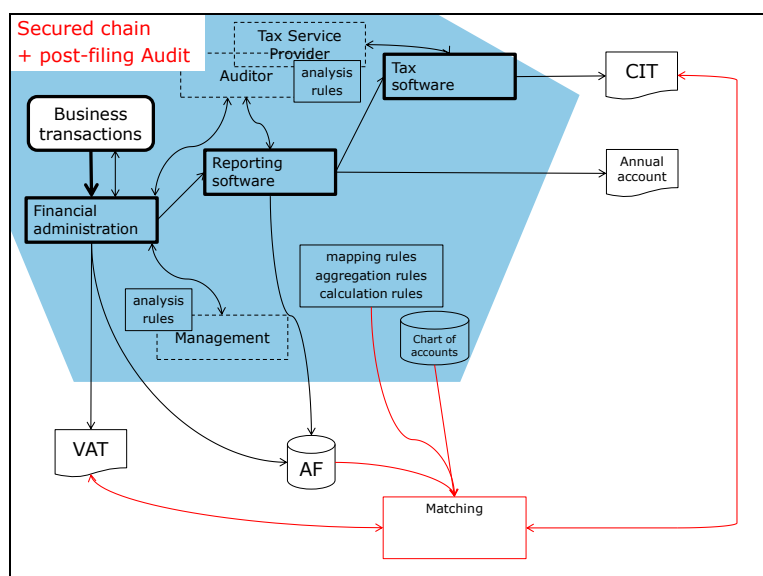
Many softwaresuppliers support Audit Files, but there are also challenges that have to be solved before these Audit Files can be used for post-filing Audits:

- ➔ which standard will be used? History and future:
 - 2010: OECD Standard Audit File Tax
 - 2014: NT XML Audit File 3.2
 - 2015: ISO/PC 295 Audit Data Collection
- ➔ how do you know that the AF matches the VAT- and CIT-filings?

To be able to match the Audit Files with the Tax Filings it helps to:

- ➔ know what Chart of Account is used
- ➔ know how the CoA must be mapped to the elements of the Tax Filing
- ➔ aggregate automatically the detailed data to the Tax Filings level
- ➔ re-calculate automatically to Tax Filings
- ➔ compare automatically with the actual Tax Filings

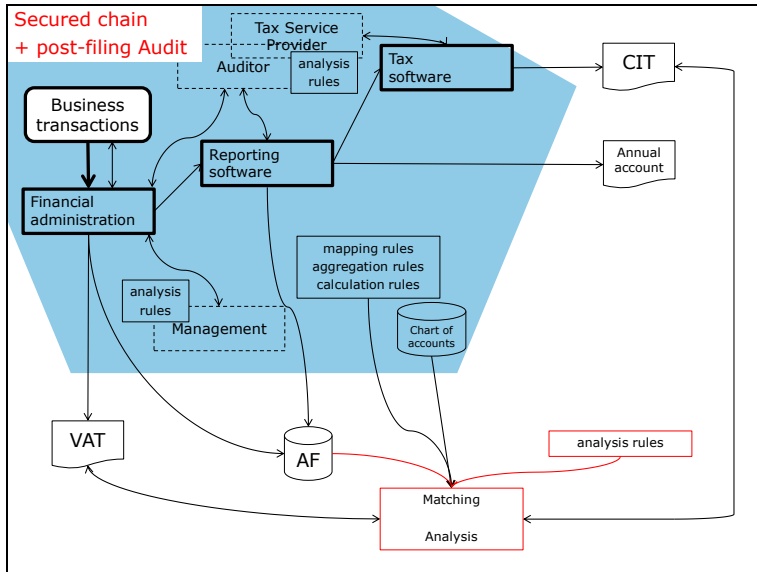
Using a standardized CoA makes this process more efficient



Knowing that the Audit File matches the Tax Filings the Tax Authority can use Analysis Rules to determine whether a business should be audited on site
 Within the Secured Chain approach the Tax Authority wants to know which analysis rules are used within the company or in external audit or tax preparation

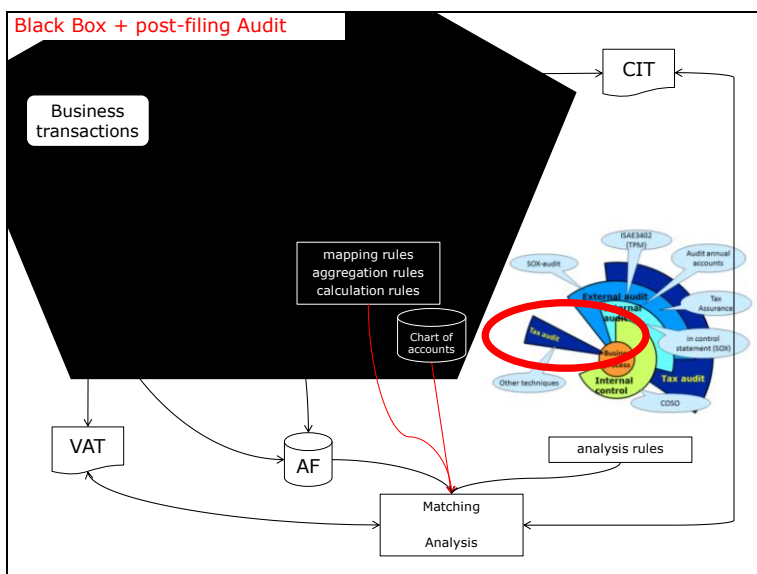
To strengthen the Secured chain approach it is possible to share the analysis rules used by the Tax Authorities with the private parties

To be able to match and analyse in an efficient way you need an architecture and an infrastructure



1.6.2.5. Black-box and post-filing audit

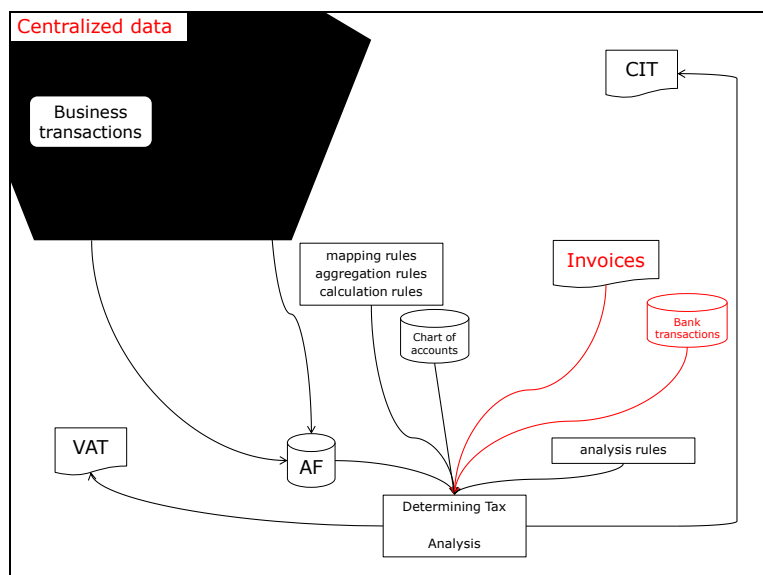
In a black-box approach the Tax Auditor has to be able to match the records in the Audit Files with the Tax Filings. So here you also need the rules and the CoA for matching and the Analysis rules for further analysis. In the future all the data from the company will be stored “in the cloud” or in “a blockchain” or ...



1.6.2.6. Centralized data

To be able to calculate the Tax Filings it is necessary to:

- know what Chart of Account is used
- know how the CoA must be mapped to the elements of the Tax Filing
- aggregate automatically the detailed data to the Tax Filing level
- calculate automatically the Tax Filings



To be able to calculate completely the Tax Filing it is also necessary to have received non-financial data

1.6.2.7. Administration at Tax

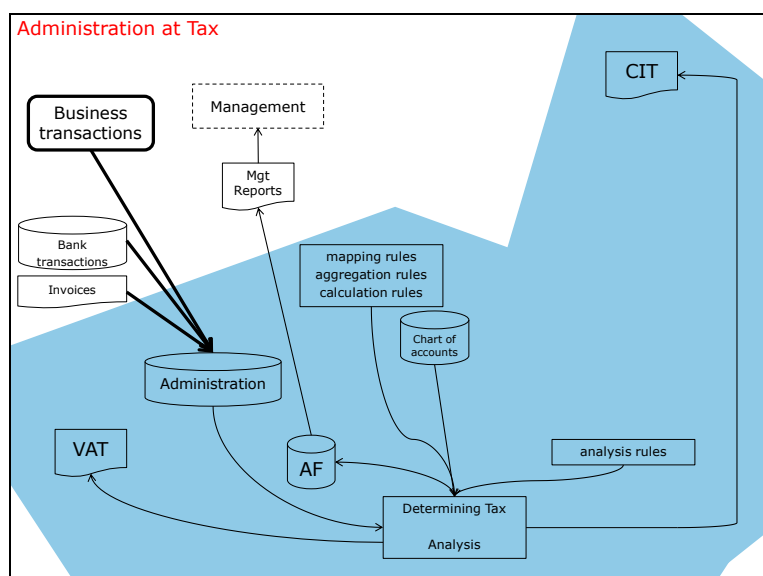
In addition to the Secured chain and Centralized data approach some people are thinking about supporting SME's with an "Administration at Tax".

To be able for the business owner to understand the amount of Tax to be paid it is necessary to:

- ➔ understand how Business Transactions are categorized (CoA)
- ➔ know how the CoA has been mapped to the elements of the Tax Computation

To be able to get insight on your own business it is also necessary to be able to:

- ➔ aggregate the details of the AF to Mgt. Reports
- ➔ downdrill from those reports to the AF and to the Business Transactions



Question: Where do you prepare Annual Account, report for Credit Revisioning? In the future all the data from the company will be stored "in the cloud" or in "a blockchain" or ...

1.6.2.8. Conclusion

Recognizing 4 types of information flows:

- black or grey-box + post-filing audits
- secured chain approach + post-filing audits
- centralized data approach
- administration at Tax

it is always necessary (or efficient) to have a:

- standardized structure of (detailed) financial data (chart of accounts)
- standardized exchange of detailed financial data (audit file)
- standardized external reports (IFRS, VAT)
- mapping between the CoA and the aggregated data in external reports
- standardized analysis of the audit file

2. Documentation

2.1. Documents

- SAF-T implementation guidance paper, draft version 0.92, september 2017
- Working_Draft_20160930

2.2. Websites

ISO Audit data collection:

- ISO/PC 295: <https://www.iso.org/committee/5648297.html>
- Nen-Normcommissie: <https://www.nen.nl/Normontwikkeling/ICT/Audit-Data-Collection.htm>

OECD

- SAF-T 2010: [SAF-T Guidance version 2.0](#)
- Wikipedia: <https://en.wikipedia.org/wiki/SAF-T>
- Wikipedia: https://en.wikipedia.org/wiki/Computer-aided_audit_tools
- September 2017: [The Changing Tax Compliance Environment and the Role of Audit](#)
- SAF-MOSS: https://ec.europa.eu/taxation_customs/business/vat/telecommunications-broadcasting-electronic-services_en

3. Audit Files in countries

3.1. Audit Files in Estonia

Estonia uses XBRL GL.

Is EE willing to cooperate in a project from the ISO-TC to build a XBRL GL Building Block based upon ISO standard, besides the China-created XML-schema.

3.2. Audit Files in Finland

Finland encourages XBRL GL as the commonly accepted audit file to be used in auditing, tax auditing and also as a common data interface in different financial / ERP systems. There is a Finnish localization of the XBRL GL taxonomy called "TALTIO" that is more commonly used in this context.

3.3. Audit Files in the Netherlands

3.3.1.1. Legal obligations

In the Netherlands companies are required to keep records in an administration according to the nature and size of the company. The retention obligation is seven years. Data conversion (except electronic to paper) is permitted, but the data should be made available within a reasonable time frame. Checks/audits must be possible within a reasonable period. To this end, the company must provide the necessary cooperation, including providing the necessary insight into the design and operation of the accounting system and the data structure.

3.3.1.2. Evolution

At the end of the 1990s the Dutch tax administration started collecting accounting data using a basic standard. Shortly after 2000 a private-public collaboration was initiated, now called the Auditfile platform. In the steering group representatives of the audit profession, tax service providers, software industry, business network organisations and tax administration set out the strategy and the planning of new releases. The Netherlands started with an Auditfile for financial data and a few years later an auditfile for payroll data was added. We now speak of an Auditfile “family” because specifications for Cash Register, Inventory related to customs licenses, Containerterminals, Taxi's and 2 specific ones have been added. With the exception of the Auditfile for payroll (which is updated yearly), adjustments take place if there is a reason to: anyone can submit requests for amendments. The last update of the Auditfile Finance (XAF 3.2) was made in 2014 when a referential chart of accounts was realised that gives an automatic link to the SBR (Standard Business Reporting taxonomy). The file format is XML. Furthermore, the customs agency developed standard inventory reports including customs duty calculation for a diversity of bonded warehouse licenses already since 1992. Licensees must submit this data electronically every month to the customs agency.

3.3.1.3. Standardisation

When the OECD started with the development of the SAF-T the Dutch experiences with the tax Auditfiles and the standard for inventory were shared. Because the Dutch tax administration supports and promotes the Dutch Auditfile standard, we were very enthusiastic about the initiative by the Audit profession that led to the ISO project ‘Audit Data Collection’ at the end of 2015. The Netherlands has participated actively in the ISO working group since the end of 2016, via a NEN/ISO norm commission in which audit professionals, ERP-vendors and governmental auditors work together. Besides the content of the files we think it is very important that the ISO working group realises the upward and downward compatibility between the existing standards (Auditfile family, SAF-T, ADS, CNAO2, FEC..... and ISO) as much as possible.

3.3.1.4. Implementation degree

In the Netherlands companies are obliged to hand over their electronic data, but the format is not prescribed. Despite this, the degree of implementation of the Auditfile Financial is very high. Most software packages for financial transactions (more than 100) that are used by the SME's provide the opportunity to export an Auditfile Financial. The big internationally used ERP-software vendors do not facilitate the standard of the Netherlands. As a side product of the ISO project and the collaboration in the NEN-ISO normcommission we are in discussions with them about the possibility of facilitating their ERP customers with a globally usable export of the SAFT file that they already facilitate in several countries.

An Auditfile Payroll can be produced by several software vendors.

The export facility for an Auditfile Cash Register is still rare, but has a growing interest. Where no export of the standard is available, tax auditors use the Auditfile specifications as a sort of ‘norm’ for their audit data need/request. In this case auditors have to find a way to analyse the data with the audit software package ACL (mostly done by specialised IT-auditors).

For the standard Auditfiles there are standard analyses available in user friendly audit automation tools. This is much more efficient for tax auditors and companies because the standard Auditfiles are also used by the external auditors.

3.3.1.5. Chart of Accounts

A Chart of Accounts is not prescribed in the Netherlands. The accounting practice has created a systemic way for registration, but every entrepreneur is free to set up their own ledger accounting scheme. The mapping to the reports/tax returns often takes place by means of specific reporting/fiscal software.

Under the governance of SBR, an open standard for 'Referentie Grootboek Schema' -Reference Chart of Accounts - has been developed in a private-public collaboration. If the mapping between a companies own ledger accounting scheme and the 'RGS-code' is done in the financial administration these data-elements can be used in the audit files and for reporting. Matching the transaction data in an audit file and the aggregated reports, including declarations, can then be automated. This audit automation will support not only tax audits, but also external audits and even internal controls (business control framework).

After the publication of the RGS in 2014, the first experiences have been gained. This has led to a greatly improved version that will be published at the end of 2017. Intermediary parties are stimulated to prioritise the implementation of this mature referential chart of accounts in their roadmap through practical examples of successful use.

3.3.1.6. Analytics Library

In the beginning of 2017 another private-public initiative, supported by the SBR governance group, had its kick-off. A group of experts have made initial progress with a "Data Analytics Library". Functional descriptions of data analyses are published in an open source environment and experts are being asked and stimulated to develop and share technical solutions for different software environments. Among the participants are of course the well known software packages ACL, IDEA, Lavastorm.

Although in Dutch language you can get an impression of this development at the right side of the screen at: <https://github.com/AnalyticsLibrary/Analytics/wiki/Analyses>).

3.4. Audit Files in Norway

Ik kreeg deze week de tip dat in Noorwegen naast SAF-T Financial nu ook een SAF cashregisters is gepubliceerd.

<http://www.skatteetaten.no/globalassets/standardformat-regnskapsaf-t/norwegian-saf-t-cash-register-data---documentation.pdf>

Norwegian SAF-T Cash Register data
Documentation
SAF-T Working group
V1.1 - 24.07.2017

Background of the SAF-T Cash Register

The Norwegian Tax Administration set a working group with participants from system suppliers, who detailed the needs and possibilities in the standard based on best practice and the legal requirements. The working group detailed the XML schema with the basis in the Auditfile Afrekensystemen (XAA) used in the Netherlands. Adjustments have been made to the point where the format is not fully compatible, but the same basic structure and principles are intact. As with the XAA there are no restrictions on use of this format. Details on the XAA format can be found at:

http://www.softwarepakket.nl/swpakketten/auditfiles/auditfile_afrekensystemen.php

A consultant version of the format was out for the system developers to comment in May 2016, and the final version was published in July 2016.

3.5. Audit Files in Poland

The Polish tax administration has implemented Standard Audit File-Tax - SAF-T for large business and since the 1st of January 2017 SAFT-T is also mandatory for SMEs. As of 2018 the SAF-T will be mandatory for all taxpayers including micro entrepreneurs. Taxpayers are obliged to monthly submit SAF-T for VAT via the Internet and additionally they have to provide tax auditors with the SAF-T on request during desk or field audit.

Poland has the following seven SAF-T structures (i.e. XML Schema): VAT registers, three types of income tax books, stock entries, bank accounts and invoices. SAF-T is used in case selection phase, planning phase and during investigation.

The introduction of SAF-T has shortened time needed to perform an audit, made an audit less invasive for tax payer and the monthly submission of SAF-T has improved case selection.

3.1. Audit Files in Sweden

In Sweden there is a SIE-format (Standard Import Export file) which is used to exchange data between accounting systems on 4 levels (detailed to aggregated). Mikael does not know whether the Swedish are participating in the ISO-project.