CIOT at Tax Advisers Europe

Briefings



26 October 2023

Fiscal Affairs Committee

Member bodies of Tax Advisers Europe (CFE) met in late September to discuss a range of current and emerging topics from transfer pricing to artificial intelligence (AI).

CIOT joined colleagues from the ICAEW's Tax Faculty in conference and committee discussions held over two days. This article provides a summary of the different sessions we attended. If you would like to know more, visit the CFE website at: www.taxadviserseurope.org. Members who receive the CIOT's fortnightly e-newsletter will also have access to the Top 5 Tax from CFE.

Professional Affairs Conference (afternoon session)

The afternoon session focused on the implications of the December 2020 OECD Report, Tax Administration 3.0. The vision set out in that report is of a world in which the focus is on high quality, real-time data rather than on forms and periodic data; a world where compliance by design becomes the default, with compliance built into taxpayers' natural systems; where artificial intelligence (AI) is used extensively both to identify cases for enquiry and to improve taxpayers' experience of tax administration; and where new systems are designed through a process of 'co-creation' involving a range of stakeholders.

The panellists were Sami Koskinen from the Finnish Tax Authority, Virpi Pasanen (a partner with Deloitte in Helsinki), Petra Pospisilova from the Czech Republic and Piergiorgio Valente, the chair of the CFE Technology Committee. The panel was moderated by CIOT Council member Paul Aplin.

Issues that emerged from the discussion included the importance of robust and reliable taxpayer identifiers to ensure that data would be associated with the right taxpayer; the practicalities of co-creation; and the fact that tax authorities have to work within the framework set by legislators. Sami's presentation explored the challenges – particularly those of digital identity, digital business documents and the transfer of digital financial data – in the context of the Finnish Real Time Economy Project. Virpi expanded on this, adding insight on the need for high quality data, the need to address tax simplification, the need to think globally and the need to consider costs (which inevitably fall on taxpayers either directly or indirectly). Petra described how existing bank IDs had been used in the Czech Republic to address the digital ID issue. Piergiorgio explored some of the challenges surrounding the use of AI by tax authorities and by tax practitioners.

The session raised some key issues and some critical challenges for the tax profession. Where, for example, do we cross the line from uncontentious tax rules being built into software to more contentious rules being built in? How do we ensure the visibility of this process? How far should we rely on the output from generative AI and how should we test and challenge the output? What is the future for automated decision making in tax administration and how transparent should automated processes be? The word that came up more than any other in this discussion was 'transparency'.

Tax Administration 3.0 will involve transformational change and will offer many new opportunities; it will also pose enormous challenges. The panel concluded that we

have to be ready for both.

Technology Committee

The committee discussed the current and likely future impact of generative AI on the tax profession. Over recent months, members of the committee had experimented with ChatGPT, asking questions that might be put by a lay person without the involvement of a professional adviser; questions that might be asked by a general practitioner with broad tax knowledge; and questions that might be asked by a subject expert. Using an agreed methodology, the chosen questions were put in English and then repeated in each participant's own language.

Initial findings suggest that while Chat GPT is capable of producing readable, technically correct answers to relatively straightforward questions, its ability to deal with more complex issues is inconsistent. Cases of 'hallucination' were identified where answers were entirely inaccurate (although in one instance, when asked for its source, the response was an apology for giving a completely incorrect answer). Other generative AI options are, of course, available and several committee members have been using generative AI in their daily work for some months.

Professional Affairs Committee

The focus of the committee was the discussion of a series of updates on EU initiatives relevant to the professional standards of practitioners, including anti-money laundering (AML) legislation and the delayed release of the 'SAFE Proposal' – Securing the Activity Framework of Enablers. Through SAFE, the EU is seeking remedies to address perceived aggressive tax planning involving EU taxpayers.

With the ongoing International Ethics Standards Board for Accountants (IESBA) project to update its code of ethics to respond to public interest concerns about tax avoidance and the role played by consultants, not all of whom are professional tax advisers, professional standards remain high on the agenda. Many organisations look at our own standards, Professional Conduct in Relation to Taxation (PCRT), as a

well-established code that provides leading guidance in this area, and all CIOT and ATT members should be familiar with its content and related guidance.

The meeting listened to a message from Paul Tang MEP about the importance of the fight against financial crime in the EU. There followed a discussion about plans to establish a pan European AML and counter financing of terrorism (CFT) authority (AMLA). This authority will provide a single integrated system of AML/CFT supervision across the EU, based on common supervisory methods and consistency of high supervisory standards. AMLA will not replace national authorities and instead will act as a coordinator providing a framework for consistency across Europe.

We were able to share some of our experiences of dealing with the Office for Professional Body AML supervision (OPBAS) in the UK, which works to bring consistency between the professional body AML supervisors here.

Fiscal Committee

The committee focused on a number of discussion papers, including VAT on chain transactions where goods are imported into the EU; and chain transactions with regards to when a person should be considered to be arranging transport on behalf of the supplier or person acquiring goods. Each member organisation shared their differing experiences from their jurisdiction. It was noted that the Commission had taken no action to clarify the position and further guidance on possible changes to the law to clarify the legal position would be helpful.

One issue that arose out of the discussions was problems in recovering import VAT as input tax. Jeremy Woolf, chair of the committee and CIOT member, is preparing a paper that would seek to suggest that not too strict an approach should be taken to requiring ownership of the goods at the time of import, so that it should extend to cases where a person becomes owner after import. It would also make the point that it would be desirable if changes were made to the law so that the right is explicitly extended to other common situations where the current rules cause problems – for example, in leasing transactions.

This was followed by discussions about digital reporting and also the general progress of VAT in the digital age (ViDA). The feedback was that member states that

have already introduced digital reporting were hostile to the ViDA proposals and the proposals were therefore unlikely to be introduced quickly.

Image



Professional Affairs Conference, including Paul Aplin

Image



Tax Technology Committee, including Ellen Milner and Paul Aplin

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Professional Affairs Conference, Alistair Cliff

Image



General Assembly Consultation, Ellen Milner and Ian Hayes