Developing a risk analysis capacity at EU level - PSP data

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1. E-commerce and payments generally
Data sources and control challenges

E-commerce third parties:
- E-commerce platform
- Payment processors
- Holders of goods
- Transportation companies

Challenges faced in official supervision:
- Server location
- Identification of the actor
- Payment target country
- Physical location of goods

Understanding of data

Quality of data

Huge amount of data
Fi Payments tracking

Source of data: cross-border credit card data, purchases done remotely

- B2C Internet trade has been increased approx. 15-20% per year (FI 2013-2018)
- Remote transactions estimate 95% debit + credit card
- Online trade from 3rd countries 20% goods / 80% services
- Payments outside EU:

Card payments by Finnish customers

Finnish consumer → Online store in a third country → Order of goods → Card payment by a Finnish customer → Payment destination

- ≈ 1/3 non-EU country
- ≈ 2/3 EU country

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Controlling e-commerce - data sources

DARKNESS
- No PSP data
- No other 3rd party data
- No internet tools and knowledge

SHADOW
- Some 3rd party data
- Internet tools and knowledge

LIGHT
- PSP data

SHINY
- PSP data
- Other 3rd party data
- Internet tools and knowledge
Benefits of using PSP data

- **Preventative reasons**
  - Existing system as such will increase compliance
  - TAs can find fraudulent actions

- **Fast and effective reaction**
  - Find actors and phenomena
  - Fraudsters can disappear very fast
  - Measures taken afterwards are burdensome and many cases made too late (VAT losses)

- "Traditional control measures" **cannot find** most of the e-commerce VAT frauds
  - Especially sales of services

- Impossible to **evaluate /control real volumes** without the data

- To ensure **level playing field** in EU area (for TAs as well as businesses)
Finnish experiences
Data collection and risk analysis

- **Credit Card data**, years 2013-2018
- **Bank transaction data**, years 2015-2018

- Data analysis with R-language
- Learn by doing: Understanding of the data and business is critical
  - This knowledge is built through iterative data analysis processes
- Main scopes for VAT:
  - **Distance sales** (2015-2018)
  - **Digital services** (2019)
  - & Other e.g. direct taxation scopes; cryptocurrencies, sharing economy platforms

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Data flow

PAYMENT DATA

DATA COLLECTION
Raw data is acquired in various different file formats (json, .csv, .xml, .html among others)

ETL
(Extract, Transform and Load)

TIDY DATA
• Each data source is tidied to share a uniform structure and format
• Data is windowed by year with monthly aggregation
• If necessary, the aggregated scope can be switched to transaction level data that can be queried and aggregated by the case requirements

Central database

COMPLETE VIEW OF DISTANCE SALES ACTIVITY
Different data sets can be joined together with the unique, common identifier (e.g. company ID and VAT number)
Example of results by using PSP data

- Control of distance selling Intra-EU sales
  - Registered by Finnish Tax Administration: 100 distance sellers
  - VAT assessed 24,6M€

Compliance effect:

- 300 self registered distance sellers since 2016 when FTA started media campaign of control measures
- Registered companies have declared and paid VAT increasingly in the following years
3. On the way forward
Collection and exchange of PSP data

- Directive amending Directive 2006/112/EC as regards introducing certain requirements for payment service providers
- Regulation amending Regulation (EU) No. 904/2010 as regards measures to strengthen administrative co-operation in order to combat VAT fraud.

- Cross-border transactions
- Nationally collected and trasmitted to the EU central repository

- Entry into force 1 January 2024
2024 Central Electronic System Of Payments

- PSP data cleaning, storage & analysis
- Connected with internal and external data sources
  - Internal (VIES, OSS, TNA)
  - External (commercial data bases)
  - National data and national feedback data
- EU level data mill(s)
  - Delivering target cases for MS
    -> National measures
    -> EU level joint actions
- **Extremely important**
  - Especially for MS who do not yet have access to PSP data
Use of the PSP data in EU level

- To stop the frauds
  - To find and identify fraudulent actors and chains behind (also MTIC connection)
- Improve cooperation in EU level
  - Joint strategy, methods and procedures
- To collect VAT (nationally)
  - Real amount, on right time
- Improve compliance
- Ensure the level playing field for businesses
Thank you!

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