



Indirect taxes — looking back and looking ahead

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For each of the past 8 years, I have had the privilege of writing a published article that takes a forward-looking view of changes to indirect taxes, either in China, regionally in the Asia Pacific, or globally. In many ways, writing this article has provided an invaluable opportunity to lift up one's perspective from the day-to-day grind; to seek to identify the changes, the trends, and the future directions in indirect taxes; and to steer course and set strategies in that direction. To use an analogy, it's like an ocean swimmer putting their head down for several strokes while swimming, but every now and then, peering above the waves to check whether or not they are maintaining the best course to the finishing line.

This year is no exception. However, before presenting a futuristic perspective, I thought it would be useful to briefly revisit some of the predictions made back in early 2014 — both to see the extent to which they have proved accurate, and to see if there are any patterns or themes that have emerged over the past 5 years that may provide useful pointers to the future.

A number of the future state propositions are intentionally provocative. They are also designed to challenge ourselves as tax professionals, whether working as advisors, in in-house roles or in policy or tax administration roles, to see how we can do better. The propositions do not represent KPMG's views or policies on any issues.

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A look at past predictions from 2014

At a KPMG global conference in Hampshire, UK, held on 24–25 February 2014, a small group of KPMG’s indirect tax leadership team formulated the following propositions around the future of indirect taxes to 2020. These propositions were hotly debated at the time, with an almost incredulous response from many of those attending. Now, just over 5 years later, it is timely to look back and see if these predictions have proved to be correct or not.

In so doing, we are not embarrassed by the fact that a small number of these predictions proved to be spectacularly wrong, primarily because this adds balance, reality and credibility to those predictions we clearly got right. In an

overall sense, we are stunned by the accuracy of those predictions, though the precise timing of them coming to fruition has differed slightly from our original estimates — some earlier, and some later than expected. This has meant that the past 5 years, as a tax practitioner, has been a time of immense transformation and change, and it is reassuring to realize that we not only predicted these changes, but in many cases we embraced them.

In this article, for ease of reference, the term ‘VAT’ (value-added tax) will be used, but that term applies equally to ‘GST’ (goods and services tax).



No.	Proposition	Assessment	Comments
1	Indirect tax will be charged at the place of consumption	Highly accurate	At the time, this was not a terribly bold prediction given that several countries had implemented measures designed to align the collection of VAT with the place at which consumption takes place. However, aspects of the rules in the EU still had not evolved — for example, rules seeking to tax electronically supplied services within the EU were still based on the location of the supplier (until 2015).
2	There will be a Customs duty regime for services	Right idea, wrong tax	<p>At the time, many of us foretold the demise of Customs duties, but as of 2019–20 and in the midst of an era of heightened trade tensions and Brexit, Customs duties are clearly on the ascendency.</p> <p>However, what prompted this prediction at the time was the beginning of the digitalization of service delivery — for example, consumers no longer purchasing CDs, DVDs, software, newspapers and the like in tangible form; 3-D digital printing was also in its infancy. Interestingly, while this prediction is clearly not accurate with regards to Customs duty, we have still seen a considerable expansion of the Customs duty base to capture the value of services or intangibles that are related to goods — for example, product warranties and guarantees, and the value of trademarks and other IP rights.</p> <p>The broader point we were seeking to make with this proposition was the rise of taxes on cross-border digitized services, and with the advent of both VAT measures for electronically supplied services, as well as digital services taxes, it's a case of saying that the trend was observed correctly, but the tax through which it would be implemented was not.</p>
3	Every country has a VAT regime	Highly accurate	VAT now applies in over 160 countries throughout the world. Aside from the US, there are only a handful of relatively small economies without a VAT system either already implemented, or scheduled for implementation.
4	Proliferation of new and old indirect taxes that you will own	Accurate, and beginning to really emerge	The introduction of digital services taxes, new environmental taxes, and other 'miscellaneous' forms of indirect taxes (often industry specific — such as proposals for financial transaction taxes) continue to grow. What many of these taxes have in common is that they are consumption-based, and therefore typically 'owned' by the indirect tax function within the organization.

No.	Proposition	Assessment	Comments
5	Indirect tax rates accelerate dramatically	Accurate, but stabilizing	For a short period after this prediction was made, VAT rates ended their significant run of increases in many countries in the wake of financial and economic crises. However, VAT rates have since largely plateaued from 2015 to 2018, with the unweighted average standard VAT rate of OECD countries remaining stable (OECD's Consumption Tax Trends 2018, p. 45). Notwithstanding, an average increase could still be observed in certain regions, for example, Africa (KPMG indirect tax rates table, 2019). It now appears that the VAT rates in many European countries are already at a natural high, and governments are seeking to increase VAT revenues by other means, while rates in the Asia Pacific region may still have room for further increases.
6	'We know where you are'. Use and enjoyment provisions are here to stay	Highly accurate	Use and enjoyment provisions essentially allow for the imposition of VAT if the relevant consumer 'uses and enjoys' the relevant service in that jurisdiction. This principle underpins much of the OECD guidelines for determining the place of consumption.
7	'From paper to data'	Highly accurate	This statement was intended to capture the shift from paper-based invoicing to a more data-driven approach. It also encapsulates the shift from document-based analysis carried out by tax auditors to the use of data and analytics techniques.
8	No more periodic returns — tax will be settled in real time	Highly accurate, but way ahead of its time	Even in 2019–20, only a handful of countries pre-fill VAT returns, or otherwise require point of sale tax collection. This prediction clearly has another 5 years or more to really come to fruition, but remains as accurate a prediction now as when it was made in 2014.
9	Big data will close the VAT gap	Accurate, but not as successful as it could be	According to a September 2019 press release issued by the European Commission, the VAT gap across the EU fell by 8 billion euros (EUR) to EUR137.5 billion in 2017, and as a percentage it fell from 12.2 percent to 11.2 percent. In simplistic terms, it means that around 11.2 percent of all VAT revenue theoretically collectible is not being collected. While the reduction in this percentage that has been achieved is certainly a positive step forward, this is one of those predictions that will likely take some time before even more significant inroads can be made. Clearly, the broader shift away from cash-based economies to a cashless society will provide the means for tax authorities to plug the VAT gap. Right now tax authorities around the world typically fit into three categories: (1) those without the data but wish they had it; (2) those with the data but without the skills (yet) to fully interrogate it; and (3) those with the data and the ability to interrogate it. Expect more and more tax authorities to move up the curve over the next few years.

No.	Proposition	Assessment	Comments
10	The tax transparency debate will shift to indirect taxes	Not really accurate	<p>At the time of this prediction, the tax transparency debate for corporate taxes was in its infancy. That debate is now in full swing but is yet to really shift to indirect taxes. Perhaps that is because the role of business in indirect taxes is as a tax collector, with the true imposition of the tax falling on end consumers.</p> <p>Interestingly, in some ways the tax transparency debate in corporate taxes has suffered from a lack of understanding of the balance between direct and indirect taxes — for example, some news articles have criticized certain companies in the energy and natural resource industry for their perceived lack of corporate tax contributions, in circumstances that ignore their very substantial contribution of indirect taxes, especially excise-based taxes.</p>
11	Data quality and analysis will be the new audit battleground	Accurate, and beginning to really fully emerge	<p>Similar to prediction 9, tax authorities are yet to have optimized their data and analytics capabilities, though this will change. However, as of now with the rise of e-invoicing through government systems, as well as real-time (or near) reporting, this is increasingly putting pressure on tax functions to get the data right the first time.</p>
12	You won't control all your own data anymore	Highly accurate	<p>Whether it be the tax authorities obtaining access to your data (increasingly on a real-time basis), or third parties, data control continues to be a major issue with broader impacts than tax.</p>
13	Your data will become very interesting to others	Highly accurate	<p>Similar to the above comment.</p>
14	Indirect tax legislation will become written with data analytics in mind	Highly accurate, but still only just emerging	<p>We already see this with rules written to deal with B2C supplies of digital services. For example, in the EU (Council Regulation 1042/2013, Articles 24b(d) and 24(f)), to determine the place of supply of certain digitized services, the service provider needs to obtain two non-contradictory pieces of evidence about the location of the consumer. The adoption of similar 'data points' in other areas of VAT will surely also occur.</p>
15	You will be redundant by 2020!	Well, are you?	<p>This statement was intentionally provocative and not really intended to be taken too literally at the time. However, the broader point being made was that technology and data and analytics capabilities would render many tax professionals redundant.</p>





What do these past predictions tell us?

Many of these past predictions fit into two broader categories: (1) predictions as to the growth of indirect taxes — either by way of new countries adopting VAT; the expansion of scope of indirect taxes; or increases in indirect tax rates; and (2) the impact of big data, of data and analytics, and of technology — in terms of the impact on the preparation, filing, auditing or verification of transaction level data that form the basis of a taxpayer’s VAT obligations.

While our correct prediction of these two broad trends underlie the relatively high success rate of our more specific predictions, what is perhaps also interesting to observe is the increased influence of both the BIC countries (Brazil, India and China) on global indirect tax developments and of countries with relatively new VAT systems. When tax experts typically think of VAT, they generally regard the ‘home’ of the tax as being in the EU, which is of course true because VAT initially grew out of France in 1954, and then developed throughout the EU (then the European Economic Community) during the late 1960s and 1970s, before being truly globalized in the 1990s and 2000s. The EU is also the region with the highest VAT rates in the world, and therefore remains at the epicenter of how indirect taxes are managed within most large multinationals.

However, because of the current requirement for consensus among EU member states (28 at the time of writing, likely to be 27 shortly after publication), the ability to institute change in VAT Directives throughout the EU can be more challenging (though it may be moving to majority voting by 2025). Furthermore, many countries that have only recently introduced a VAT have learned lessons from those who have gone before them. What we now see, and this may be a little confronting to those based in the EU, is that the source of change, and of innovation in the operation of VAT systems throughout the world, may no longer be the EU. Instead, many of those countries that have adopted modern VAT systems, like New Zealand, Canada, Australia and Singapore, may be regarded as among the leaders in this area. We also have countries like India with its adoption of software to enable the pre-filing of returns and invoice matching; China that has VAT applying to financial services as its default model, as well as taxing certain C2C transactions (in real estate); and each of Brazil, China and India with their highly regulated government invoicing systems, demonstrating remarkable ingenuity in the development of their VAT systems. In short, the future of indirect taxes from policy development, administration, technology and systems perspectives may lie outside of the EU. It is quite conceivable that measures adopted in, say, the BIC countries, or in smaller jurisdictions without legacy systems, may be a more reliable signpost to the future.

Having said all of that, the EU has remained steadfast to the fundamental principles of a VAT as compared with the BIC countries — enshrining concepts of fiscal neutrality (driven by the key principles of an internal market and free competition), and VAT as a consumption tax into the First VAT Directive and its substitutes and in case law of the European Court of Justice.





Predictions for the future

I was recently in India presenting to KPMG member firm clients following the release of the 2019 Union Budget. My paper was on 'Indirect Taxes to 2025', loosely based on an article published by International Tax Review back in 2017. The problem with my presentation was simply that India was already implementing many of the technology oriented

changes being discussed — a good 5 or more years ahead of schedule. This prompted me to consider the need to reassess and seek to identify several new propositions that will hopefully better withstand the test of time and prove to be just as accurate as those identified back in 2014.



Proposition 1 — Consumption taxes will be the dominant form of taxation around the world

Over the course of the past 30+ years, the weighted average corporate tax rate by GDP among 208 separate tax jurisdictions has virtually halved from 46.6 percent in 1980, down to 26.5 in 2018 (as published by Tax Foundation, 'Corporate Tax Rates around the World', 27 November 2018), though it must be acknowledged that OECD average corporate tax revenue has remained relatively stable as a percentage of total tax revenue throughout (being 8.8 percent of total tax revenue in 1965 and 9 percent in 2016), and in fact, has increased as a percentage of GDP (from 2.14 percent in 1965 to 2.87 percent in 2016). Those same OECD statistics (see www.data.oecd.org/tax) also show a greater reliance on corporate taxes by developing countries compared with developed countries. More staggeringly, though, is the adoption of VAT by countries, which has increased virtually sevenfold in a period of just over 40 years (from 25 countries in 1977 to around 168 countries in 2019).

Consumption-based taxes (which include VAT, GST, sales taxes, excise taxes, and other forms of taxes on goods and services) account for 33 percent of total taxation across the OECD (see OECD's 2018 Consumption Tax Trends, p. 42, the OECD unweighted average) and are now only marginally behind taxes on income, profits and capital gains (essentially, personal income tax and corporate income tax combined, which are at 34 percent) in terms of total revenue collected.

These statistics tell us two things: (1) that consumption taxes are clearly an important source of revenue; and (2) the introduction of VAT systems means that VAT is taking on an ever greater share of that consumption tax revenue. However, the role of consumption taxes as the dominant form of taxation overall is yet to come to fruition. This will happen over the coming years.

The modern problem with corporate taxation is in the battle for determining 'where' the value is created that generates the profit of the business, and therefore 'who' has the right to tax that profit. By contrast, in indirect taxes there is near unanimity in the view that tax should be collected in the place where consumption occurs. The challenge in indirect taxes is how best to collect it.

Corporate taxation, in its current form, is ill-equipped to deal with the situation where a highly digitalized business is

able to be physically located in country A, but sell products or services on a global basis, without people, or significant capital outside their home base. While the work being carried out by the OECD (as part of its Base Erosion and Profit Shifting project, entitled 'Addressing the Tax Challenges of the Digitalization of the Economy') to achieve consensus around a new paradigm for taxing the digitalization of the economy is worthy, and may well be successful in the short- to medium-term, ultimately, one wonders if the outcome of this process is that corporate taxation will become less of a priority for certain countries, especially where they are at least able to collect a minimum tax liability (under pillar two of the OECD's proposals). In other words, while the pillar two proposals are intended to stop a 'race to the bottom' in terms of corporate tax rates, it is possible that they may end up signaling an acceptance more broadly that corporate tax rates need not be much higher than the minimum acceptable rate. This is not to suggest that governments will give up on corporate taxes, because as the past few years of tax transparency have shown, the 'fair' imposition of corporate taxes has become not just a legal imperative, but a moral imperative too — an imperative that is increasingly being demanded of highly digitalized businesses.

Faced with such a highly politicized taxation environment affecting highly digitalized businesses; the likelihood of any new measures triggering a boon for transfer pricing professionals; the need to introduce considerable simplifications to ensure the measures are workable in practice; and extensive arbitration measures — isn't the answer that governments will follow a path of lesser resistance and diversify their risk and cost by relying on a range of different forms of consumption taxes, noting that consumption taxes (as compared with indirect taxes) are not always, by their nature, borne by end consumers?

This is not to ignore the other big elephant in the room, being that the base for corporate taxation is 'profits', and with many of the large digital economy participants in the world being unprofitable (at least, as yet), then this may be 'much ado about nothing'.

Putting all this together, surely the imposition of legislation that imposes taxation measured by reference to turnover from sales, collected in the markets in which these businesses sell,

brings with it far greater alignment between the motives and interests of business and those of the countries in which sales are taking place? In short, if “[t]he art of taxation consists in so plucking the goose as to procure the largest quantity of feathers with the least possible amount of hissing,” (Jean-Baptiste Colbert (1619–1683)), then surely consumption taxes represent the better goose to be plucking.

It is these facts that have spurred the introduction of digital services taxes (or equivalents) in places like France, and with similar proposals in the UK and elsewhere. It is also what has spurred the introduction of foreign e-services taxation in Taiwan, as well as India’s equalization levy and significant economic presence concepts (to name a few).

To be clear, the proposition that consumption taxes will be the dominant form of taxation is not intended to traverse the legal debate as to the nature of digital services taxes as either a direct or indirect form of taxation — see, for example, the EU’s proposal for a Council Directive on the common system of a digital services tax (COM(2018)148; 21 March 2018); the request for a preliminary ruling to the ECJ in Case C-75/18 involving Hungary’s telecommunications tax; and the Advocate-General’s opinion in this case issued on 13 June 2019. Rather, it is intended to apply the concept of consumption taxes both broadly and practically, being both situations in which the tax is collected by an intermediary but intended economically to be borne by the end consumer (which describes indirect taxes); and where the tax is either calculated or determined by reference to the place in which consumption occurs (for example, gross business receipts taxes).

A further rationale for the view that consumption-based taxation will be the dominant form of taxation around the world is the environment. Whether they be carbon taxes, environmental levies, the myriad of taxes, fees and charges relating to air travel, traffic congestion charges, even shopping bag ‘taxes’ — all of these are forms of environmentally oriented consumption-based taxes. Recent proposals in France and the Netherlands to potentially end the zero rating of international air travel in a bid to tax CO² emissions, highlight further encroachments on the previously sacrosanct concept that international air travel should not attract VAT.

A further observation is that, while we may predict the future dominance of consumption taxes, it is important to remember that many forms of consumption tax are regressive in nature. As such, any changes in the tax mix, as between regressive consumption taxes and, say, more progressive personal income tax structures, will require policy makers to take active steps to address this inequity. Furthermore, as recent OECD research has shown, addressing issues of regressivity within a VAT system, through reduced rates on certain supplies or through exemptions from VAT, tends to be a blunt instrument — instead, regressivity should generally be addressed through targeted transfer payments (see Stephanny, P, ‘Can consumption taxes be progressive?’ as published in KPMG’s ‘What to Tax’ publication at www.kpmg.com/responsible-tax).

In short, consumption taxes are currently not far behind corporate and personal taxes (combined) in being the dominant form of tax revenue collected among OECD countries. The trend is of consumption taxes increasing, and corporate and personal taxes (combined) falling. It, therefore, does not take much imagination to envision the day when consumption taxes will overtake.



Proposition 2 — Government regulated invoicing systems will grow significantly, their importance will grow ever more significant, and they will wreak havoc on compliance costs for multinationals

If you ask practitioners in most countries whether tax invoices are regulated, the answer is inevitably yes. However, here I am not referring to examples of tax invoices being issued by businesses, either in paper or electronic form, from the business' own Enterprise Resource Planning (ERP) system.

Typically, tax invoices in most countries contain certain standardized content in relation to a transaction, for example, by the inclusion of the supplier's name and tax authority issued registration number, the recipient's name, the transaction date, a description of the relevant good or service being supplied, the transaction amount and the amount of VAT charged.

Rather, we are talking about countries in which the ability to issue such a tax invoice, or to generate a transaction record, is regulated by the government. That is, where a tax invoice must be issued through the use of government software or hardware, and not through a business' own ERP system. Already we are seeing this in jurisdictions like China, Brazil, Taiwan, Indonesia, Korea and India, and similarly Portugal, requiring taxpayers to issue invoices through government certified software, too.

The theory or intention behind the use of government regulated invoicing systems is that they arguably seek to improve the integrity of transactions and their recording; they help to reduce the VAT gap; and they seek to overcome VAT fraud by only allowing a recipient an input tax credit if the corresponding output tax of the supplier has been accounted for.

While these are worthy pursuits, in many respects they can impose significantly higher compliance costs on businesses. It's a classic example of rule-making that seeks to mitigate the fraud of a small minority, at the expense of the vast majority who are ordinarily compliant. Based on experience, a significant number of challenges can be posed for businesses by the introduction of such government regulated invoicing systems. For example:

- duplication, because tax invoices are issued in addition to normal commercial invoices
- the need to build an interface, or application program interface (API) or other linkage between a business' own ERP system and the government regulated invoicing system

- the fact that, from an IT security perspective, businesses are often compelled to ring-fence these systems from their own secure IT environment
- reconciling ERP data (commercial invoices) to the regulated tax invoices
- losing input tax credits where suppliers omit to issue tax invoices
- the impact of service outages and maintenance that can detrimentally impact business, and
- the need to adopt processes that may not match the ordinary processes or systems used in the business.

Interestingly, many countries, especially in the EU, have chosen to adopt the lesser interventionist approach of real-time reporting. That is, to obtain the transaction level data on a real-time basis. As mentioned, this is a step short of government regulated invoicing where the government effectively seeks to interpose itself into the transaction/invoicing chain. One wonders, and perhaps even speculates, that some countries applying real-time reporting may well transition to government regulated invoicing in the near future.

The main reason for calling out this very recent trend in government regulated invoicing systems is the exponential increase in compliance costs that would be caused if all countries did this, and if they did so in their own way. That is, if each country chose to adopt their own regulated invoicing system, each taking a slightly different form, and with unique software or hardware requirements. This is the risk I am most concerned about.

If this trend continued, it would effectively mean that multinational companies seeking to centralize their global compliance efforts would need to maintain and operate literally over one hundred different country-specific hardware or software systems and interface-type solutions. In short, the benefits of centralization would be lost.

The answer to this problem is not to naively suggest that there could be a single global regulated invoicing system. Rather, it is to suggest that a body like the OECD could and should seek to define common standards in a way that seeks

to reduce compliance costs (for businesses and governments alike) through that commonality. For example, by defining the optimal core functionality of the software or hardware being developed; by prescribing how that software or hardware should interface with common ERP systems; as well as minimally acceptable IT security standards. In fact, it could be similar to the guidance published by the OECD on the Standard Audit File for Tax, which is now increasingly being introduced by EU countries.

An interesting by-product of the advent of government regulated invoicing systems is the increased importance of tax invoices in VAT systems. For example, during my time in Australia from 2000 to 2011 practicing in GST, I learned that while the law required the issuance of tax invoices to consumers (within 28 days of a request), and similarly the law prescribed the minimally acceptable content of such tax invoices, in the event of an audit, tax invoices serve merely as one form of evidence as to when, who and how much was involved in a given transaction. It is never determinative of the transaction itself. In common parlance of form versus substance, the tax invoice may describe the 'form', but the 'substance' is the whole circumstances of the transaction itself.

By contrast, upon moving to China in 2011 with its highly regulated invoicing system (known as the Golden Tax System), I learned of the increased importance of tax invoices that seem to serve as best evidence in a transaction. This is not to say that the form of the tax invoice will always supplant the substance of a transaction, but exceptions are relatively limited in practice (e.g. fraud). Examples abound of taxpayers being denied input tax credits that they would otherwise have been entitled to, merely by reason of the (wrong) type of tax invoice, the content of the tax invoice, the failure to retain the tax invoice, or the failure to verify the tax invoice.

My prediction is that with both the rise of government regulated invoicing systems, and the increased importance of data and analytics by tax authorities in auditing or verifying VAT compliance, the data inputted into tax invoices will assume elevated importance — in the fullness of time it

will be virtually determinative evidence as to how, when and for how much a transaction takes place. This is not to suggest that the law will explicitly state this — rather, it will be the practical reality of a system that relies on those same data fields used in tax invoices to feed the ERP systems, and in turn, the analytics used in the detection of errors or anomalies.

Already we are seeing developments in optical character recognition technology, together with artificial intelligence, enabling humanless invoicing — system logic is driving the invoice issuance process by a supplier through to the receipt, validation and processing of invoice payments by the recipient.

In short, we are beginning an era where there is limited (or even no) human interaction in the tax invoice issuance process. As such, if 'the system' does not flag it as anomalous, erroneous or extraordinary, the content of the tax invoice becomes the reality.



Proposition 3 — VAT refunds will largely end (except for a few small categories)

Among the propositions being stated here, the proposition that VAT refunds will end is perhaps among the most controversial. In particular, the idea that a VAT, which is a tax not intended to be imposed economically on business, would cease to be refundable in circumstances where inputs exceed outputs in a given period, is near heresy. It directly contradicts the OECD's guidelines. Furthermore, critics of this proposition may point to the potentially detrimental impact on exporters and on start-up businesses.

However, let's consider the evidence on the state of VAT refunds, some of which is based on a KPMG International survey carried out on the efficiency of VAT/GST refunds in 65 countries (entitled 'VAT/GST Refunds Survey 2014'), and on more recent developments since that time:

1. Securing VAT refunds is a commonly deployed device used by fraudsters, and therefore scrutiny is required so as not to leave tax authorities exposed. They require tax authorities to deploy significant resources to combat such fraud, often with the impact of delaying refunds for legitimate businesses.
2. Tax authorities are increasingly taking an inordinate amount of time to process refunds (for example, some EU countries are known to scrutinize and delay VAT refunds, especially for non-resident companies even for those with taxable activities in the country of refund).
3. Tax authorities are increasingly imposing tax audits as a precondition for the payment of a refund (for example, Indonesia).
4. Refunds of VAT are often being set-off against other tax obligations before being paid (for example, in Australia).
5. We are seeing a growing trend of countries only allowing VAT refunds to foreign businesses if the principle of reciprocity is followed with respect to businesses from that first country operating overseas. For example, many EU countries do not allow VAT refund claims for businesses located outside the EU unless there is a reciprocity agreement or similar arrangement with that country for VAT recovery. Indeed, in a global context, refunds to non-resident non-VAT registered businesses are becoming the exception rather than the rule.
6. Anecdotally, the availability of tourist VAT refund schemes seems to be diminishing, either through the imposition of higher de minimis amounts, or through administrative burdens that practically discourage their use (for example, long queues, offices not being open, enhanced paperwork requirements etc.).

Due to the factors above, businesses are also increasingly becoming reluctant to claim VAT refunds for certain expenses (on a cost-benefit basis).

One wonders if this trend of diminishing, discouraging and disintitling otherwise legitimate refund claims will lead to the situation where they largely end. We say 'largely' end because we would expect them to continue for exporters, and for other suppliers making zero-rated suppliers habitually. The abolition of VAT refunds for these specific situations would be counterproductive for those countries either in terms of harming their international competitiveness, or in effectively undermining the policy of zero rating certain supplies. Indeed, a number of countries are expanding the scope of exported services concessions (i.e. exemptions or zero rating), such as Russia, Indonesia, Cambodia and China, which has the corresponding effect of limiting the need for refunds by

foreign businesses receiving those services. Furthermore, sales of goods to large exporters (in countries like France and Italy) and of certain services to exporters (in Costa Rica) also operate so as to minimize the need for refunds by those exporters.

The shift away from VAT refunds is interrelated with proposition 9, which is further discussed below, where we foresee the use of blockchain technology and mechanisms to collect VAT through the payment system (for example, in the UK), resulting in VAT systems more closely resembling retail sales taxes.

A further example where we see the risk of refunds being denied is in situations where a business' VAT payable is overstated, either by reason of overstated output tax, or more commonly, by understating input tax credits in that tax period. This can arise because of a myriad of innocent commercial reasons, including not processing accounts payable invoices on a timely basis, or because purchase invoice amounts were missed off initially. The ability to later identify understated input tax credits and seek a refund of them is potentially at risk. Australia is an example of a country that has taken considerable steps to impose limitations on such refunds, including by reference to time periods and by measures that are designed to ensure the end-consumer benefits if such a refund is paid out.

If VAT refunds end, then they will likely be replaced by a system of allowing the carry forward of VAT credit balances, much like the carry forward of losses in a corporate tax context.



Proposition 4 — VAT (or equivalent) will be applied to financial services as the default model

This is a topic that I have written about previously, but which now has added impetus with the advent of the latest European Commission review (announced in April 2019) into the exemption from VAT for the financial services industry. However, what makes it different this time is the perceived greater urgency to act. Put simply, policy makers may increasingly be of the view that broad-based exemptions from VAT for financial services are simply unsustainable in the long term. Exemptions from VAT for financial services may be unsustainable for two main reasons:

1. The policy rationale for exempting most financial services from a VAT arguably no longer exists. Historically, one of the main reasons for VAT being exempted from financial services was the inability to measure the value added on a transaction-by-transaction basis (for example, for FOREX transactions). However, with the growth of fee-based services relative to margin-based services, the measurement problem is no longer as prevalent as before. Similarly, countries have demonstrated the ability to devise simplifications to tax margin-based loan services (for example, China, Argentina and Israel); to tax the value added in general insurance (for example, New Zealand, China, Singapore, Australia and South Africa); and even life insurance (India, though excluding the savings component).
2. The nature of financial services is fundamentally changing. No longer is it possible to draw a bright line between, say, the products or services of traditional banks, insurers and asset managers and contend that they need to be exempted from VAT for their services; while component or outsourced providers, especially many 'new economy' participants in P2P lending, FinTech, payment processors, and even digital currency providers, may be taxed.

Let's take a very simple example. It is commonplace for consumers to be charged a fee for withdrawing money from automatic teller machines, such as when using a card not from that bank. In Australia, such fees are exempted from GST in accordance with Regulation 40–5.09(4A) of the GST regulations and this is confirmed in GST Ruling 2014/2. But

what is the inherent policy problem that limits the ability to apply GST to these transactions? How does this really differ from the situation where a customer instead uses their credit card and a surcharge is imposed, for which GST will apply (if the underlying supply is taxable — see GST Ruling 2014/2)? Likewise, how does this differ from the situation where the fee is imposed by a third-party payment processor, which is similarly taxed for GST purposes in Australia?

From a broader policy perspective, is this an example where the GST treatment differs because of 'who' is making the supply, rather than by reference to 'what' is being supplied? To be clear, I am not suggesting the analysis of the current legislation is incorrect — I am suggesting that the policy does not produce economic equivalence between substantially similar transactions.

Interestingly, for me the rise of cryptocurrency symbolized the growing encroachment of digital economy participants into the financial services sector, and signaled an ending to the ability to ring fence exempt financial services from a VAT. This trend is even more obvious in countries like China with the dominance of companies like Alipay and Tencent in the digital payments market.

There are three major exceptions where the taxation of financial services under a VAT is unlikely to be fully realized. The first is in certain personal loan products, such as home loans, where, for political expediency, governments may well choose to continue with exemptions from VAT. The second is in the trading of derivatives and other financial instruments, where the imposition of a VAT would operate more like a wealth or capital gains tax (such as in China). Derivatives or financial instruments are also arguably not really 'consumed' in any traditional sense. The third and final exception is in jurisdictions that apply substitutes for a VAT in certain areas of financial services — for example, Insurance Premium Taxes in the EU, Education Tax in Korea and Specific Business Tax in Thailand.

The challenges in maintaining an exemption for financial services from VAT are also all too obvious when one considers recent international case and legislative developments. Take

for example the treatment of payment processing services. The question of whether exemption applies or not differs significantly from jurisdiction to jurisdiction, and can even vary depending on whether the service fee is collected from the end consumer or through the merchant. For example, the UK has historically adopted a wide application of financial services VAT exemptions, including for payment services, as opposed to other EU countries, which have adopted a narrower interpretation of VAT exemptions. Where payment services are provided to merchants, VAT exemptions have a highly distortive effect and create VAT leakage in the supply chain. Many payment service providers and processors therefore seek to apply VAT on their services, allowing them to claim input tax credits.

The other notable example is in the classification of cryptocurrency. For example:

- in the EU Case C-264/14 (Hedqvist), the European Court of Justice held that bitcoin is currency and therefore exempted from VAT when used to pay for goods or services
- in Australia, the supply of cryptocurrency is not subject to GST from 1 July 2017, but through a legislative amendment that creates a new category of digital currency, which is neither money nor currency, and
- in Canada, recent legislative proposals have been introduced to define cryptocurrencies as 'virtual payment instruments' that are not money, but which are nonetheless exempt from GST as a 'financial instrument'.

While these examples highlight the growing trend of exempting cryptocurrency from a VAT when it is effectively used as a medium of exchange, operations surrounding the use of cryptocurrency, such as mining, may still be subject to VAT.

This highlights the difficulties in ring-fencing financial services from a VAT — as both the Australian and Canadian examples show, if ring-fencing is to occur, then the concept of 'financial services' needs to be regularly updated. In the EU, the problem is even more acute given that that EU Directive dates back to 1977, and even the proposals back in 2011 to

update the rules would already be outdated. Put simply, regularly updating a concept that, from both a commercial and regulatory perspective, is increasingly blurred, is exceptionally difficult.

For all of these reasons, we predict VAT will be applied to financial services as the default method, though a limited range of exemptions will still need to apply.



Proposition 5 — VAT returns (as we know them) will die

This proposition is not dissimilar to one made by KPMG back in 2014 (refer to example 8 from the list of 2014 propositions, being that there will be no more periodic returns). The only difference is that this is starting to become a reality. For example, in India, with the introduction of an e-invoicing system that will be used for the pre-filling of GST returns, proposed from 1 January 2020; and, in Brazil, with perhaps the most advanced e-invoicing system in the world, requiring a digital stamp duty from the tax authority and real-time reporting of transactions.

The death of the VAT return is an inevitable consequence of several factors: (1) e-invoicing through government regulated invoicing systems, which means that the government already has the sales data to enable pre-filling of returns; (2) the need to carry out data matching or verification of purchase invoices through such government regulated invoicing systems; and (3) the need for real-time reporting of transaction level data (for example, in Spain and Hungary), such that the government is provided with ERP data on a regular or real-time basis. Similarly, European countries (e.g. Portugal, Poland, Austria and Norway) are increasingly adopting a Standard Audit File for Tax (SAFT), and similar requirements, requiring taxpayers to provide transactional data in a pre-defined auditable format to tax authorities, either periodically or on the tax authority's request. Poland is planning to replace the VAT return with just the SAFT filing from 2020.

It is highly likely, in my view, that for a period of the next 5 years, VAT returns will be pre-filled for taxpayers. The objective then becomes one of carrying out a reconciliation exercise to check the accuracy of the returns and to perform any adjustments required.

While pre-filling may be the direction of travel in the short-to medium-term, in the longer term, the actual filing of VAT returns may be rendered completely redundant. This may occur as a consequence of the factors discussed in propositions 7 and 9 below. That is, because the data that forms the basis of VAT returns will be fed automatically from business' own ERP systems, simplifications will render the compliance process largely untouched by subjective judgment, and B2B transactions will no longer be taxable and creditable given VAT systems will closely resemble retail sales taxes. Furthermore, in accordance with proposition 2, in

many countries, the data will in fact be held directly through government regulated invoicing systems.

In conclusion, VAT returns will die a natural death, and it will likely occur in two stages — first, through pre-filling, and second, through a combination of enhanced data transmission tools and the removal of much of the subjective judgment that currently takes place in VAT compliance.



Proposition 6 — VAT compliance = technology, and it will be outsourced by most large businesses

It almost seems contradictory to argue that large businesses will outsource their VAT compliance and related technology needs, given the impending death of the VAT return discussed in proposition 5 above. However, let's consider what remains when VAT returns die.

As noted above, the longer term perspective is that VAT compliance will effectively be managed through the data that is fed through from business' own ERP systems directly to the tax authorities, or through government regulated invoicing systems.

As we all know, the single biggest operational challenge facing in-house tax departments right now is in managing data. Data management problems stem from a number of factors, such as:

- the use of multiple systems within most organizations, including the need to maintain legacy systems
- the problem in extracting data from those multiple systems; having them 'talk' to each other, or in bringing together (coherently) data from those multiple systems
- the challenges of reconciling the data, or in making manual adjustments to the data, and
- the continuation of historical practices where ERP systems were configured for the benefit of the business and finance departments, but not necessarily the in-house tax department.

In fact, among the most common complaints made by in-house tax departments is that they are unable to fully comply with tax laws because of system limitations. This usually necessitates practical work-arounds or manual processes to manage such compliance.

Given that Moore's law (as adapted to a data context) would suggest that data will double every 2 years, and businesses seem to be getting more systems rather than less, then logic would suggest that data management challenges will increase exponentially. Herein lies the role of the VAT compliance professional. Their role will be to design processes (including through robotic process automation) and deploy technology tools (in many cases using artificial intelligence) to manage the data that, in turn, manages the VAT compliance. In short, VAT compliance will be (nearly) entirely a technology proposition.

The second part of the proposition, which is that most large businesses will outsource this work, is not stated as a matter of self-interest, but instead comes down to simple economics. The reliance on technology solutions to manage VAT compliance often requires significant up-front investment cost if built by the organization for their own needs, yet that same cost may be split among hundreds (or even thousands) of taxpayers if developed by third-party providers, like Big 4 accounting firms or specialist software providers. The economic equation is entirely comparable with that of cloud computing, which is effective because large up-front investment costs can be shared among a large group and obtained more affordably on a subscription basis. Added to this is the fact that the maintenance and updating of VAT compliance technology can also be costly.

Two other factors also bear considering here. The first is that, with the rise of government regulated invoicing systems (see proposition 2), the cost of the technology investment increases too. The second is that, as businesses digitalize their models, they increasingly need to comply on a global basis. These two factors combined will lead to an exponential increase in VAT compliance costs unless outsourcing occurs.

For these reasons, the more that VAT compliance becomes a technology play, the greater the likelihood that this work will be outsourced.



Proposition 7 — Simplifications that reduce the risk of fraud, or that are necessary to prevent errors or eliminate disputes will grow

In 10 years' time, we will look back quaintly upon the era in which businesses were able to claim input tax credits (in many jurisdictions) for costs such as:

- motor vehicle usage costs (e.g. fuel) for employees carrying out work-related trips
- mobile phone costs for employees for business use
- meal costs for employees while on business trips, and even entertainment-related costs (to the extent they are still available).

Put simply, many of these types of costs are susceptible to over-exaggeration and error. In an era of digitalization, where many types of processes are highly systematized, and where verification of the correctness of these credit claims would consume a disproportionately large amount of resources, it would not be a surprise for these types of claims to either be denied credits outright, or subject to a simplification that provides an automatically determined credit amount or percentage. For example, by the adoption of an arbitrary 50 percent for all employee meal costs. Potentially, this type of simplification may even be extended to other types of costs incurred on business trips, such as accommodation and domestic air travel.

An interesting question remains as to whether simplifications will also be applied to areas such as in the financial services sector, which are currently subject to partial exemption methods (in the EU). Singapore is a country with simplifications in this area — effectively mandating the percentage entitlement to input tax credits depending on the classification of the financial services institution. Many Asian jurisdictions also only provide limited flexibility in partial exemption methods, through the use of only 'revenue-based' apportionment methods.

While in proposition 4 we argued that financial services would be subject to VAT as the default method, there will likely still be certain areas for which exemption remains, thereby giving rise to the need for apportionment of

credits. Similarly, other sectors that commonly make a mix of both taxable and exempt supplies, such as the real estate sector, could also be subject to simplifications to ease compliance in calculating input tax credits.

In short, in an era of binary coding where everything is reduced to either a '0' or a '1', it is not a stretch to envision the end of approaches or methodologies for calculating input tax credits, which are subjective, or highly prone to over-exaggeration, error, or require disproportionate tax authority resources to verify and audit.



Proposition 8 — The in-house tax department, and tax advisors, will be disintermediated by tax authorities

Among the propositions being stated, this is perhaps the most controversial and also gloomiest from the perspective of a tax advisor. It is the idea that we, as tax professionals, whether working in-house or as external advisors, will likely be disintermediated by tax authorities.

Let's consider the case for this. First, it is already happening to an extent. Consider the fact that the tax authorities now deal electronically with business; in most countries they publish extensive information to help businesses comply, whether in the form of legislation, rulings, interpretations, guidance material, etc. Many tax authorities have developed chatbots and similar, such that now most routine queries are handled without the need for a tax professional. In short, understanding a businesses' obligations has already been made considerably more efficient (and require less labor or input from tax professionals) than they did in the pre-internet era of 20 years ago.

Second, as noted in proposition 2, tax authorities are now building their own government regulated invoicing systems to obtain transaction level data automatically, or they are requesting it on more of a real-time basis than ever before. With this data, they can carry out data and analytics testing to then determine whether the business is complying, and if not, by how much. They don't need you for this, certainly not as much as before.

Third, and this is the major point — in the technology race, the tax authorities will always win. They will win because the tax authorities can build technology tools that they can mandate to serve an entire population, whereas any third-party technology is always subject to competitive pressures, and the need for pricing and sales. Tax authorities are also not subject to normal returns of investment — in theory, provided government stands to gain \$1 extra of tax revenue over and above the cost of deployment of a new tool, they can proceed.

Let me share a recent experience that, while unrelated to VAT, is still very relevant in demonstrating the potential to be disintermediated. In 2019 the Chinese government authorities introduced new rules for the withholding of tax on employee salaries and wages. Unusually, these new rules required tax to be withheld by employers on the basis

of net income concepts, not gross income. Several large professional service and payroll firms invested considerably in developing technology tools to facilitate employers obtaining the necessary data from their employees efficiently to determine the net income amounts from which to calculate the tax withholding in respect of each employee. Just prior to its commencement, the government decided to launch their own technology tool that would allow employees to upload the data and transmit it to employers each month — in a type of pre-filling exercise. Immediately, the government had effectively assumed responsibility for a business opportunity that would, historically at least, have been carried out by the private sector.

In all likelihood, we will end up with a mix of government-owned technology tools to manage the compliance or risk processes, with government-approved technology tools — i.e. tools developed by the private sector that meet certain government specifications. Australia's Single Touch Payroll system used for employment tax reporting is an example of this latter approach.

Make no mistake, though, tax authorities stand the very real prospect of disintermediating a significant proportion of the tax profession!



Proposition 9 — VAT will more closely resemble sales tax (through the use of blockchain technology)

In the 2017 edition of *International Tax Review's 'China Looking Ahead'*, I wrote an article entitled 'Lighting a pathway to 2025' in which I argued that VAT will more closely resemble a sales tax. The response to that article was highly divisive, with some practitioners considering the proposition to be ludicrous, while others commenting that they agreed with the prediction. To be fair, at face value, the proposition is ludicrous when one considers that VAT has now been expanded to over 160 countries around the world — a sevenfold increase in the past 40 or so years.

To demonstrate the validity of the proposition, I tested it out by trying to explain to my 8-year-old son, Henry, how VAT works through a typical supply chain of a manufacturer supplying a pair of sneakers to a wholesaler, and through to a retailer before being sold to an end consumer. It is only when one recognizes that the supply of the sneakers involves three separate output tax obligations and two separate input tax credit entitlements that effectively cancel out the corresponding output tax amounts on those transactions — all so that, when the retailer sells to the end consumer, the output tax will be accounted for. In short, five separate recordings on a VAT return that must be accurate, though only one of which actually matters.

One of the key policy rationales for imposing this multiplicity of obligations, at least historically, was to ensure that VAT would be accounted for (in part), even if there was fraud in some other part of the supply chain. However, the reality is that by imposing so many obligations (albeit on different parties), the potential for fraud remains and, some argue, it is exacerbated. Leaving that issue aside though, surely even an 8-year-old child can recognize the potential for a technology solution to radically overcome the inefficiency inherent in this system.

Now, if we wind forward 2 years since that article was written, I would make the same prediction now, but perhaps with even stronger force. In particular, four main developments have, in my view, opened the doors to VAT more closely resembling a retail sales tax.

First, the use of blockchain or distributed ledger technology seems to have progressed from a largely theoretical concept (except in the case of cryptocurrencies), to becoming more widely used. In particular, only recently I was provided with a copy of request for proposal issued by a large multinational

seeking assistance in deploying blockchain technology to manage their invoicing processes.

It is increasingly clear that blockchain can be deployed as a means to solve VAT fraud; for example, in the EU, where VAT fraud with missing traders happens in certain jurisdictions on an unacceptable scale. Given that VAT is collected by businesses in multiple stages of a supply chain, where money flows directly between suppliers and recipients and invoices are being used to collect the VAT from customers and by intermediaries to claim input tax credits, with no or limited control and visibility on the VAT collection by government, further measures are clearly required. Where a trader goes missing without paying the VAT (collected from its customers) to the tax authorities, tax authorities are often too late in detecting the fraud and unable to trace fraudsters, while the recipient of that supply still claims the credit for the input tax it incurred and paid to that supplier.

Blockchain has the ability to fundamentally transform the VAT collection process with greater transparency and security for both tax authorities and taxpayers. A distributed ledger can connect taxpayers, tax authorities, intermediaries and even banks.

Indeed, blockchain as a concept can readily be applied to VAT through a supply chain — that is, rather than requiring each party throughout the supply chain to account for VAT, B2B parties can be matched through a form of digital certificate, with only the last stage of the supply chain accounting for the VAT.

There is a powerful analogy in terms of the potential transformation of VAT under blockchain, with the transformation in the early 20th century in the system of land titles used in Australia and several other Commonwealth countries. Under old system land titles, it was necessary to trace the history of any land titles back to inception, in order to ensure that the current land title being transferred was validly owned by the vendor and therefore could be sold to the purchaser and not later be voided or challenged. By contrast, under the Torrens title system, the purchaser of any parcel of land can rely upon the indefeasibility of the current title to the land shown on the register.

Likewise in a VAT context, instead of the necessary accounting for output tax and input tax through the early stages of any supply chain, blockchain would allow for digital matching of B2B supplies and related invoices, such that, ultimately, only the final stage involving B2C transactions would require a real tax outlay.

Second, in the recent elections for the new Prime Minister of the UK, carried out by the Tory party, one of the candidates, Michael Gove, proposed to replace the UK's VAT system with a simpler sales tax system. Interestingly, the hysteria this created was significant, with one commentator writing in *The Spectator* questioning whether '[he is] on drugs'. Other tax professionals on LinkedIn wrote furiously in defense of a VAT, fearing somehow that their professional expertise and very livelihood would be at risk.

With respect, many of these articles completely missed the point. They singularly failed to take into account the impact of technology developments that could create greater security and validity in the transaction life cycle, without the need to account for the supplier to account for output tax and the recipient claim input tax on B2B transactions that currently exists with a VAT. It similarly ignores the fact that much of the highly publicized fraud examples taking place within VAT systems occurs at the B2B level — for example, with missing trader and carousel fraud; with the EU scheme on trading carbon permits; and in Australia with precious metals trading.

Third, and perhaps most fundamentally, it ignores the fact that VAT systems are themselves having to create special rules or exceptions to combat fraud. Take for example the imposition of reverse charge in Australia in the precious metals industry; the requirement for purchasers to withhold VAT on taxable sales of residential real estate in Australia; the numerous examples of reverse charge rules being applied throughout the EU, for example, a domestic reverse charge mechanism for mobile phones, chips, laptops, tablets, etc.; and in New Zealand with the zero rating of B2B land sales. These are all examples of where the VAT system has failed to properly combat fraud, and in effect, the substitutions in certain cases resemble forms of retail sales taxes.

Fourth, the recent phenomenon and growth of e-commerce platforms in facilitating the cross-border sale of goods and

services between business and consumers (or between consumers) has necessitated yet more stopgap measures to overcome fundamental limitations in traditional collection methods under a VAT. In particular, I am referring to the use of intermediaries who assume a liability or role as principal in accounting for VAT on transactions, with Australia's low value goods regime being among the most extreme examples. Other examples include split payment methods, joint and several liability provisions (for example, in Germany), and collection from other intermediaries such as banks (for example, in Vietnam), which are either being implemented or currently debated. In the US, special collection methods on platforms are being introduced in response to the *Wayfair* decision. Each of these collection methods serves to support or centralize the enforcement of collection from a few large participants, in preference to the real suppliers of the goods and services. While the attraction of these methods from a tax authority perspective is obvious, plainly, this represents a further admission that the fundamentals of VAT systems are no longer fit for purpose, at least in a highly digitalized world.

In short, blockchain technology could be used to provide an immutable, time-stamped, distributed and distributable, public record of all transactions occurring on the chain, with real-time tax collection. This provides the means by which, in substance, VAT more closely resembles a retail sales tax.



Proposition 10 — Unless tax professionals and the organizations they serve transform urgently, they risk falling down the value chain

The final proposition is more of an early warning for all tax practitioners — whether working in-house or as external tax advisors. The call to action stems from a concern, which is briefly discussed in proposition 6, that the most pressing problem facing the tax profession right now is a data problem. Take for example the following statements, which literally seem to reflect the reality of most businesses right now.

1. 'We can't get the data'.
2. 'The quality of our data is poor'.
3. 'We spend an inordinate amount of time scrubbing, reconciling and adjusting our data'.
4. 'Even when we have the data, we need to perform significant manual adjustments'.
5. 'Our data is spread across multiple systems, which do not speak to each other'.
6. 'The tax authorities believe we have the data at the ready, in the form in which they want it'.

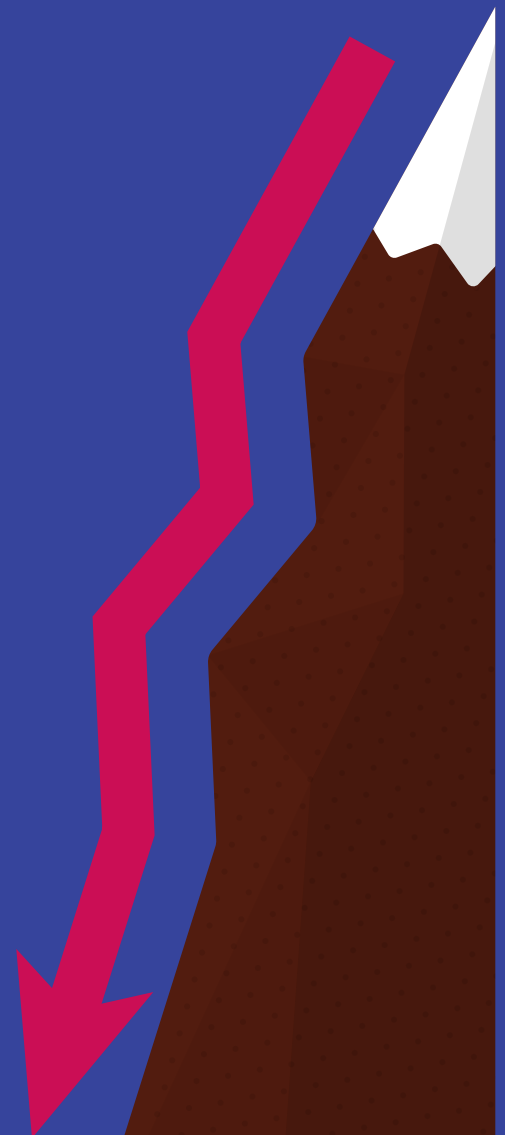
With increases in the volume of data, with the growing importance of real-time reporting and with heightened expectations around robust processes and systems, how can the average tax professional carry out their work effectively if they have no control over the data and no confidence as to its accuracy?

What I am seeing, in too many cases, is a 'head in the sand' approach in which everyone else is blamed for this problem — for example — 'finance won't give us the data', 'we have too many systems, so it won't work', etc. And while this may be true to a significant extent, unless and until the tax function takes some ownership over the data, or seeks to influence those who do, the role of the tax professional will be diminished within the organization. Transformation is becoming ever more urgent and important.

In a concept KPMG calls 'Tax Reimagined', we take a holistic view of how to transform the tax function — to deploy people with the right skills, to develop the right processes and to harness technology tools to do this in a way that is consistent with the business' overall strategy. Simply relying

on technology to solve the problem will not work. People, processes and systems need to be transformed in harmony.

These transformation projects are invariably pushing tax professionals to up-skill as data scientists, and likewise is seeing IT professionals cross-skill as 'tax technologists'.





Conclusion

I welcome the opportunity to be tested on the correctness of these propositions in a further 5 years from now. However, whether they withstand the test of time or not, two of these propositions should start to raise alarm bells with tax professionals. They are propositions 8 (The in-house tax department, and tax advisors, will be disintermediated by tax authorities) and 10 (Unless tax professionals and the organizations they serve transform urgently, they risk falling down the value chain). These should be seen as a call to action to tax professionals to take back control of the data and the processes, and to embark on a transformational journey using technology. Either that, or risk falling down the value curve or being disintermediated by the tax authorities.

In conclusion, if I was to distill these 10 propositions into a single statement, it would be that technology is impacting every aspect of indirect taxes — from why it is attractive for governments as a source of revenue, through to the scope of the tax, how it is collected, administered, and the skills required to carry out the role of a tax professional. When described in this way, there is nothing particularly remarkable or provocative about these propositions since they are merely symptomatic of what we are seeing in terms of the digitalization of the broader economy.



Further interests



2019 Africa indirect tax guide

Seven of the world's fastest growing economies are in Africa. This makes Africa a key strategic growth imperative for most global corporates. African governments are placing high reliance on indirect taxes to meet growing revenue needs. Given the huge volumes of value-added tax/general sales tax (VAT/GST) transactions that must be handled at any one time, finance and tax directors in Africa should make sure their organization's people, systems and processes are able to predict and respond to the VAT/GST changes that will impact their operations and internal systems as a result of changes in law, policy and practice.

The 2019 Africa indirect tax guide includes summaries of the indirect tax regimes and compliance administrative issues in Africa. Click [here](#) to view the summaries or visit home.kpmg/indirecttax.



2018 Americas indirect tax guide

The indirect tax landscape has continued to grow more complex across the Americas region. In the US, tax reform is high on the agenda of the new federal administration, with potentially far-reaching implications for cross-border dealings where indirect taxes are concerned. Meanwhile, in Latin America, pressure on tax authorities to boost collections and their increasingly sophisticated use of technology is transforming indirect tax compliance and the way companies and individuals interact with local tax authorities.

The 2018 Americas indirect tax guide includes summaries of the indirect tax regimes and compliance administrative issues in the Americas. Click [here](#) to view the summaries or visit home.kpmg/indirecttax.



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