



Real Time Economy in Finland and the initiative for interoperability of digital reporting in the EU

The Expert Group on Public Administration and Governance
Reform and Investment Task Force
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Pleased to meet you

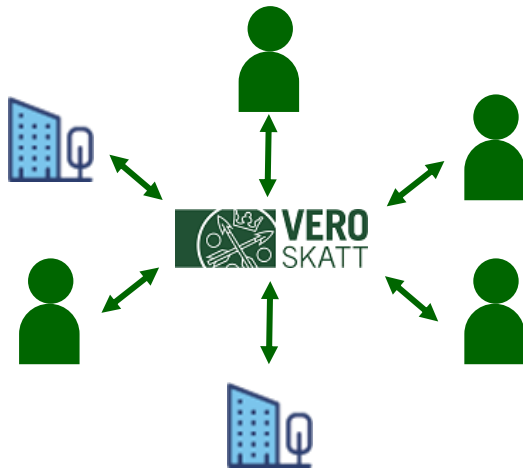
- Sami Koskinen
- Finnish Tax Administration
- L.L.M. Helsinki 2000, tax law / transfer pricing
- Finnish Tax Administration (FTA), Corporate tax office, SME taxation 2000
- National Board of Taxes, international corporate taxation 2000-2004
- Deloitte, corporate tax and transfer pricing 2004-2010
- FTA/Large Taxpayers' Office, transfer pricing management and leadership 2011-2017
- Ministry of Foreign Affairs, Bruxelles, fiscal attaché, all taxes 2017-2020
- **FTA, director, stakeholder relations 2020-**
- FTA, Delegated competent authority MAP/APA 2022-2023
- Contracted transfer pricing consultant to UNDP/TIWB mission in Georgia 2023-2025



Tax Administration 3.0

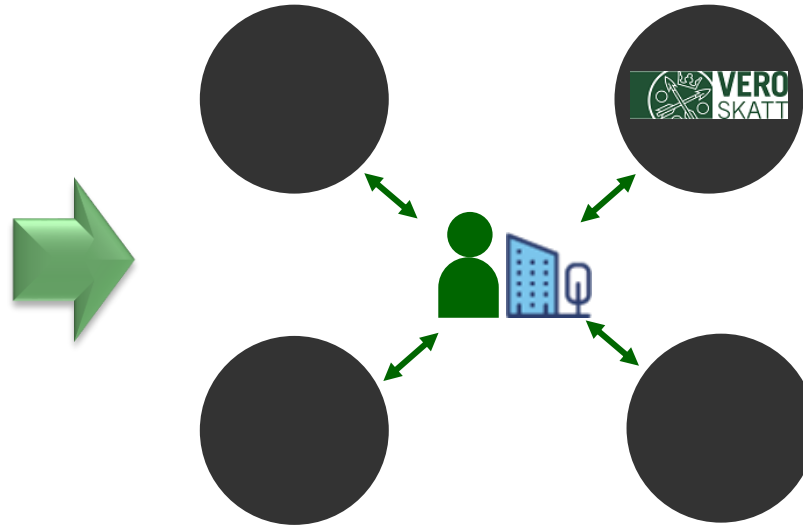
Journey towards tax administration 3.0

Tax administration 1.0



- Paper filing
- Separate processes
- Governmental organizations work in their own bubbles
- Looking at the past
- Guidance is given when guidance is asked for
- Taxpayers

Tax administration 2.0



- Electronic filing
- Joined-up processes
- Governmental organizations exchange information
- Real-time focus
- Guidance is given pro-actively to customers based on need
- Customers

Tax administration 3.0

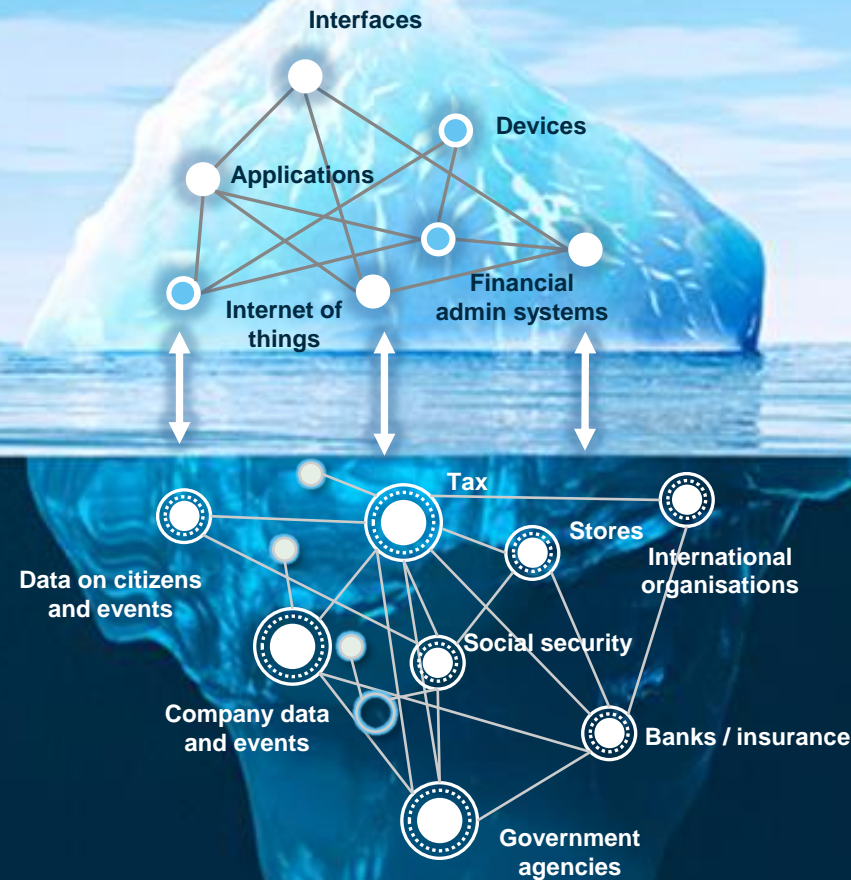


- No separate filing
- Processes are developed around customers' needs
- One stop shop/once only
- Focus on the future
- The need for guidance and service can be predicted
- Partners

Taxation as a part of daily events of taxpayers - ecosystems

The data required by the services is created in the course of daily routines - sharing of the data in the ecosystems allows for limiting or even abolishing the need for separate tax reporting

The parties to the ecosystem utilise the standardised data - processes in different instances support one another



Toucpoints for clients

Daily events providing a natural interface towards service providers

For an individual, the touchpoint can be e.g. sale of real-estate/apartment

For companies, the touch point is first and foremost the financial system/software

Natural ecosystems

Public and private services connected with the same event or phenomenon form a natural whole

Required components

Digitalisation and automation

Digital capabilities

Standardisation and interoperability

Digital identity

Standardised data

Rules as code

One stop shop / once only

New skill sets for staff

Real Time Economy - RTE

Vision for 2030: Finland as the most competitive operating environment



- The real-time economy ecosystem is interoperable both nationally and with the other Nordic countries and the EU
- The entire life cycle of companies has been digitalised, digital presence and capability from the onset
- A common ecosystem and infrastructure enable industry-independent solutions
- Structured, machine-readable orders, e-invoices, e-receipts and financial information (bookkeeping data/financial reports) move seamlessly, in real time and securely between different parties
- Structured data can be analysed, refined and utilised between companies, in public administration and for the needs of society as a whole
- New innovative services are created on the basis of real-time data.

Key goal of the RTE ecosystem and the development areas

- The structured data generated in the daily business operations of companies can be utilised efficiently in the companies' own operations with their trading partners and service providers as well as vis-à-vis government agencies
- The once-only principle allows to use the same data for multiple purposes, enabling the development towards less separate reporting requirements
 - E.g. the tax administration, statistics, trade register



The centralised data reporting and sharing solution reduces overlapping reporting and administrative burden for companies.



The extensions of digital financial statements and sustainability reporting will improve the service of the Trade register to customers in general as well as the quality and usability of data in society.

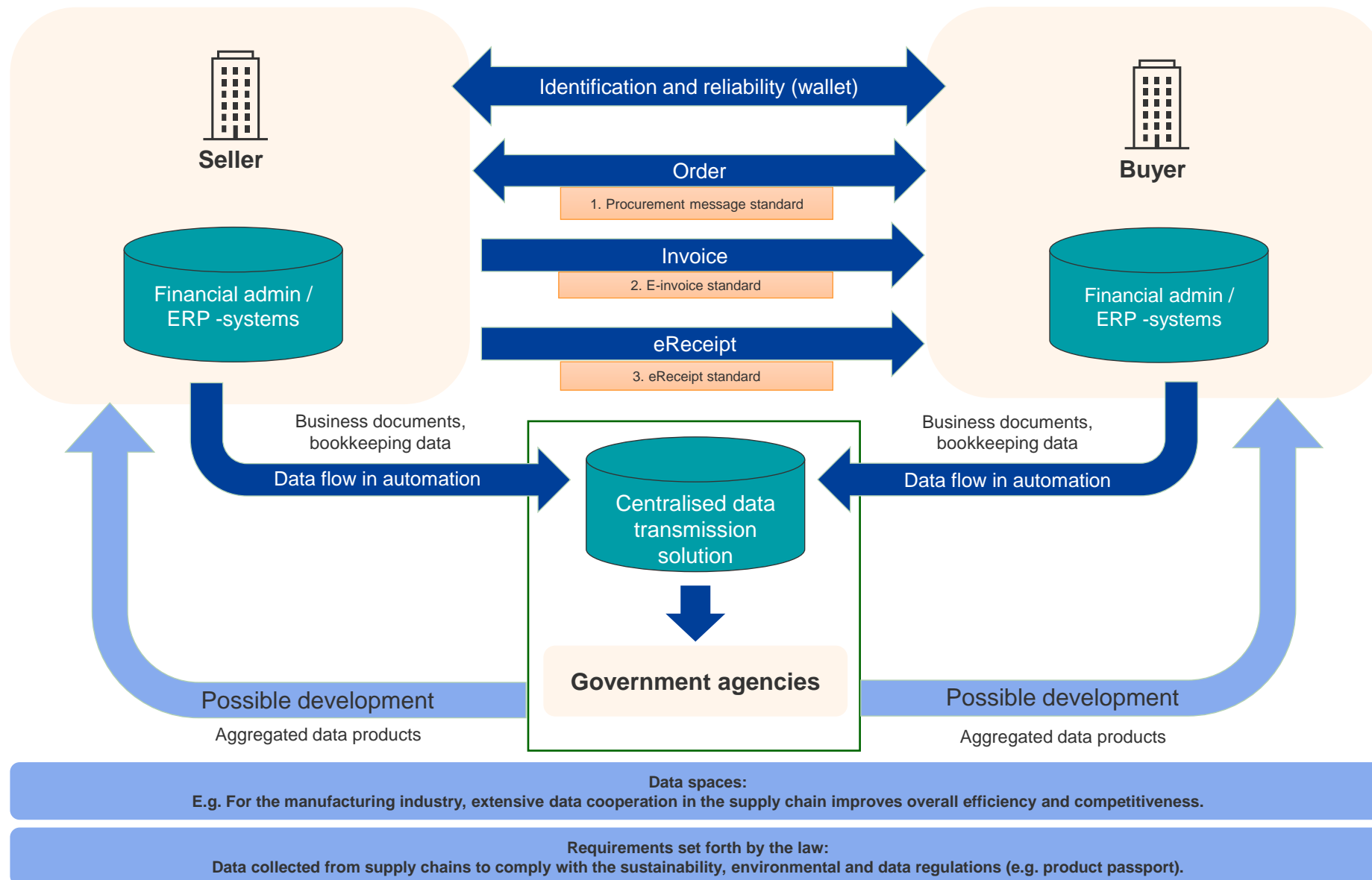


A company's digital wallet service enables reliable digital identification and a future solution for sharing the company's own data

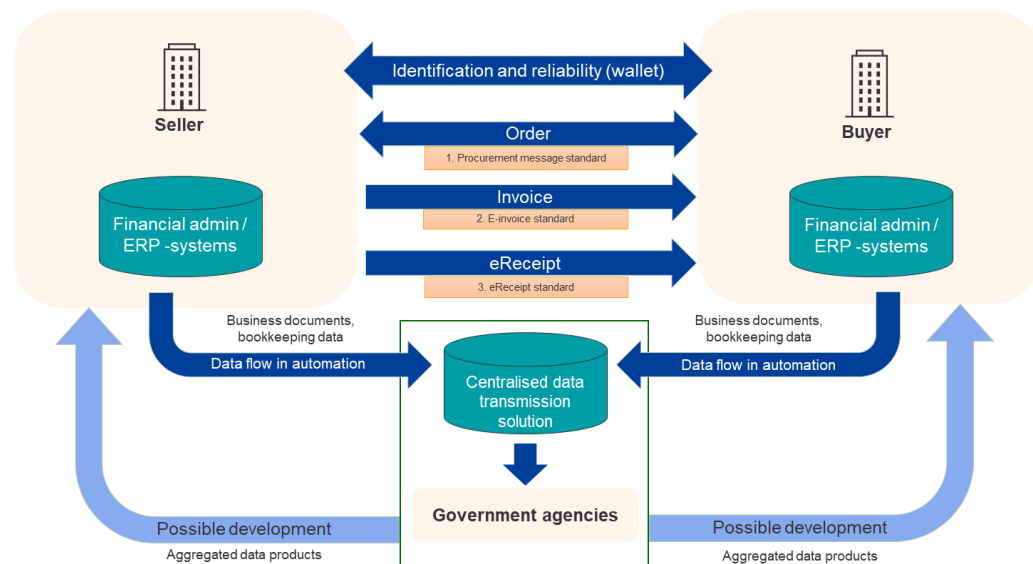


The enhancement of the user volumes of structured business e-documents enables the automation of the order-supply chain and the company's financial management.

High level data architecture for RTE data flows



Potential implications for tax and compliance



Better data

- Structured data results in better data quality - less need for corrections and controls
- Enhanced analytics and risk forecasting, targeted support and controls

Real-time VAT

- eInvoices and eReceipts containing data points forming the basis for **transactional VAT-reporting (cf. ViDA / national solution)**
- SME VAT-proposal/position?

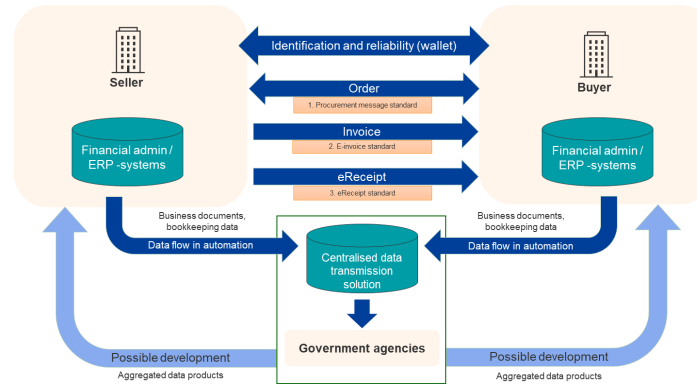
Real-time CIT

- eInvoices and eReceipts feeding into the financial administration system producing **standardised and structured financial reporting** for all ecosystem participants
- Allows development of relaxed CIT reporting requirements
- Under construction: compliance by design
- Certified financial systems? CIT-proposal/position for SMEs? Real-time settlements?

Costs and benefits - a rough estimate

Benefits for businesses:

- Real-time, automated company internal data
 - Know-your-customer
 - Accounts payable and product availability
 - Raw material, inventory, logistics management
 - Processing of purchases/travel receipts
 - Enhanced financial outlook
- Automated invoicing and accounting
- Sustainability reporting
- Automated/relaxed reporting requirements (gov't)
- Data flows with service providers
 - Accounting, auditing, banking, insurance etc.
- Benefits enhanced by new services based on data and the use of AI
- **Estimated annual benefits** of fully-functioning ecosystem
 - Procurement messages **2,7 bn€**
 - Logistics messages **2 bn€**
 - eInvoices **600 M€**
 - eReceipts **300 M€**
 - Tax reporting **100 M€**



Costs for businesses:

- Depend on company size and individual system set-up
- Majority of the businesses will be able to enter the ecosystem through their financial administrative software capabilities
 - Additional sw-cost on average marginal
 - Entry fees for procurement message on average 15 000-20 000 euro (2024 figure)
 - For larger, more complex companies with several legacy systems the amendments to ERP:s can - at worst - be material
 - More concrete estimates in progress

Benefits for government:

- In overall, the availability of high-quality, real-time data will enhance the effectivity of the government agencies utilising the data
 - Low-value adding admin work reduced significantly
 - Automation intensified, supported by AI
- For tax administration, the enhanced support and controls are expected to produce 150-200 M€ annually
 - Better visibility over upcoming risks, better targeting of audits etc.
 - Key element is the transactional VAT-reporting, cf. VAT In the Digital Age - package - and the anticipated domestic application of DRR-reporting


Government investment costs

- First stage of development 2021-25 **17 M€**
- Required investments for 2026-29 **67 M€**
- Annual running costs est. **below 10 M€**

The Nordic initiative for European interoperability

Current state of affairs and challenges in the EU

- There is a growing concern over increasing administrative burden and cost for businesses operating cross border in the Single Market who are obligated to comply with differing local digital reporting requirements
- The obligations vary significantly across the Union, ranging from transactional VAT-reporting to larger ecosystemic wholes, covering procurement messages, eInvoices, eReceipts, financial reports and logistics, often referred to as Real Time Economy (RTE)
- As such, the domestic solutions generally aim at material benefits for businesses and administrations in the form of enhanced effectivity and minimised administrative work when the burden of reporting to e.g. tax administrations and other public agencies is automated
- The automated movement of basic business documents between businesses and their private sector service providers allow for even more extensive possibilities of enhanced effectivity and profitability
- Complying with local legal requirements result typically in an extensive amount of administrative and IT work/costs when the businesses are forced to create a tailor-made solution as an external element to their existing financial software/ERP for each jurisdiction they operate in

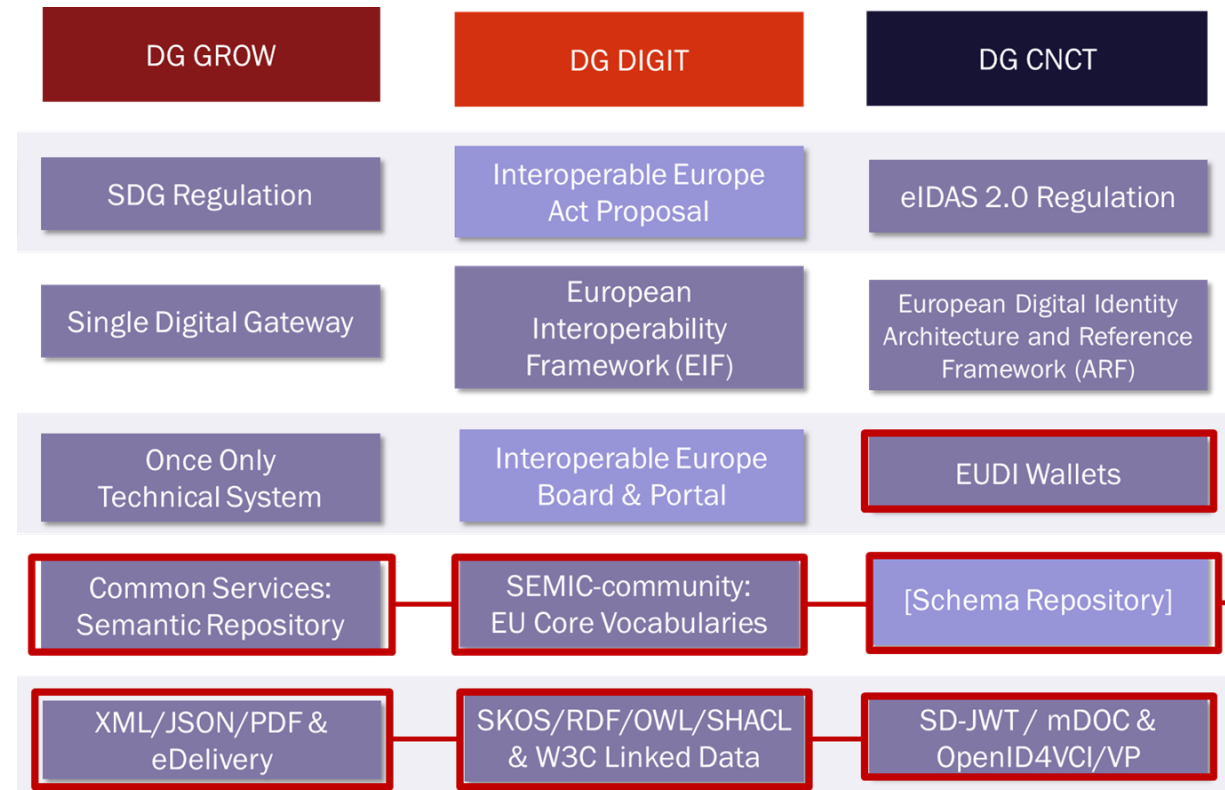


Lack of interoperability of data creates a de facto digital barrier of trade - countering the core ideals of the Single Market

The existing solutions do not ensure full interoperability

- Different DG's in the Commission has produced a number of solutions greatly supporting digital reporting, *including*:
- DG GROW:
 - [Your Europe/SDG/OOTS](#) as a means to answer growing **concern over increasing administrative burden** and cost for businesses operating cross border in the Single Market
 - Recognize that differing local digital reporting requirements create **barriers for trade**
- DG CONNECT:
 - [Common European Data spaces](#) as a means for data sharing and **compliance as well as interoperability cross-domain and cross-border**
 - Common open infrastructure building blocks and cloud-to-edge middleware (DSSC, eDelivery, SIMPL, eIDAS/EUDI) as **practical means to facilitate data sharing**
- DG DIGIT
 - Common European public administrations data spaces to provide **data sharing needs for procurement, public services** (EIF/Interoperable Europe Act, eGovernment) and once **only access for citizens and businesses** (SDG)

- Current EU-building blocks scattered (*example*)



Our goal: To remove digital trade barriers within EU

European businesses should be able to operate in all MSs and comply with the local digital standards without the need to re-calibrate their software and/or reporting practices for each jurisdiction

An interoperable digital environment for business data for effectivity and profitability for businesses within EU

What could Commission do to facilitate the change?

Establish clear policy goals to achieve the assumed benefits of interoperable Real-time Economy (RTE) solutions across the union

- Economic data should move in a **standardised structured form seamlessly**
- As there is no one-size-fits-all solution, **semantic modelling** should enable the interoperability in cross-border situations
- Access to data and data sharing should be enabled **system-to-system** within the business data ecosystem

Work required for achieving interoperability

- Identify the useful **existing standards and practices** and deciding on the obligation to apply these standards (e.g., UBL, UNCEFACT, XBRL)
- Create a **common semantic data model**, i.e., definitions of the exchangeable data required for seamless interoperability
- Define a **de minimis set of technical components** for APIs/data transfer to allow seamless movement of the interoperable data
- All of the above should be accompanied by the EU **digital wallet for businesses**, in the interest of ensuring secure identification of transacting partners and data transfer.



Comments, questions, further discussion - at your service

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