



Centre for Tax Policy and Administration

Consumption Tax Guidance Series: Paper No 2

Electronic Commerce: Simplified Registration Guidance

Simplified Registration Guidance

Caveat

Consumption Tax Guidance is a means of developing greater awareness of both policy and administrative issues. On policy issues the Guidance contains recommendations to member governments that are aimed at removing conflicts, distortions and disincentives to international trade. The section on administrative issues has been developed as a result of sharing experiences between member countries. The OECD's Committee on Fiscal Affairs has approved the contents and countries are encouraged to apply the guidance wherever possible. Nothing contained herein binds member countries, although where there is clear consensus amongst the member countries, administrations should consider the guidance in the light of their existing taxation systems and their legislative approaches.

SIMPLIFIED REGISTRATION GUIDANCE

Introduction

1. Digitally delivered forms of trading provide increased opportunities for vendors in that time and distance are no longer considered barriers. A vendor can make multiple supplies simultaneously in different countries, without developing a physical establishment or presence in any jurisdiction other than his own. As a result, vendors may increasingly find themselves with consumption tax responsibilities in countries in which they have no physical presence and books and records are not maintained.

2. The *Recommended Approaches to the Practical Application of the Guidelines on the Definition of the Place of Consumption* acknowledge that effective tax collection in respect of e-commerce B2C cross border transactions presents particular challenges and that no single option is without difficulties. In the interim they suggest that a simplified registration system be used for the collection of tax on supplies made by non-resident vendors of services and intangible property on B2C transactions where consistent with the overall design of the national consumption tax system.

3. This guidance explores registration and declaration procedures and record-keeping requirements only in the context of simplified registration systems for e-commerce B2C cross border transactions.

Registration procedures

4. Simple registration procedures can be an important incentive to non-resident vendors to begin to engage with the tax authority of a jurisdiction where they may have no link other than the provision of on-line supplies to private customers within the particular jurisdiction.

5. From a vendor's point of view, the simplest way to engage with tax authorities from a remote location is most likely by electronic procedures. A consistent approach to this by tax administrations would further ease the compliance burdens and would have the merit of familiarity for the vendor.

Electronic access to registration application

6. Registration applications could be made accessible on the home page of the tax administration's web site, preferably available in the languages of the jurisdiction's major trading partners.

Standardisation of registration application

7. The electronic registration application displayed on the web-site could have a standardised layout. The information requested would also be standardised and limited to necessary details such as:

- Name of business (legal and/or trading name);
- Name of contact person responsible for dealing with tax administrations;
- Postal and/or registered address of the business and its contact person;
- Telephone number of contact person;
- Electronic address of contact person;
- Web-sites URL of business;
- National tax identification number, if any.

Electronic Confirmation of Registration

8. The tax administration might undertake to transmit to the vendor confirmation of receipt of the application by electronic means. This would include notifying the vendor of its registration identification number.

Declaration procedures

Electronic filing of declarations

9. Many tax authorities have introduced or are introducing options to submit tax returns electronically. For non-resident vendors required to collect and remit tax to authorities in jurisdictions outside their own, the option to file electronically will be essential to facilitating compliance.

Simplified return

10. At the same time, the returns that such vendors will be required to submit should be simple, with minimum data required. Tax authorities could consider a simplified return for non-resident business, which would be less detailed than returns required for local businesses which are entitled to input tax credits.

Standardisation of filing requirements

11. The lack of international consistency in filing requirements, such as reporting periods, forms a drawback for e-commerce vendors. As requirements differ widely between countries, having to file tax returns in a number of countries is a complex process that may impact negatively on the growth of cross-border e-commerce.

12. It is suggested that the information required under international filing requirements, strike a balance between the business need for simplicity and the need for tax administrations to verify whether tax obligations have been correctly fulfilled. Guidance might also be given on the date and frequency for filing tax returns.

Record keeping

13. Tax authorities must be able to review data as a means of assurance that consumption tax has been charged and accounted for in a correct way. In a traditional environment this document is usually paper based. The administrative processes of e-commerce businesses are becoming more and more automated. In the process from ordering, invoicing, and payment the role of paper documents is increasingly being replaced by documents in an electronic format. Non-resident e-commerce vendors, that do not have a physical presence within a jurisdiction, are most unlikely to maintain books and records within the particular jurisdiction.

Electronic records

14. Requirements relating to the use of electronic documents differ widely, as countries may:

- Prohibit the use of electronic documents;
- Require the storage of paper copies of documents;
- Require the use of different formats for official VAT/GST invoices;
- Set specific language requirements;
- Prescribe a specific sequence of invoicing numbers in the country of registration.

15. Where businesses are not allowed to maintain electronic records in accordance with the legislative framework of a jurisdiction, this may be considered to be a barrier. Jurisdictions should be encouraged to review the legal basis for the storage of records and where necessary develop a legal basis to allow for the use of electronic record keeping systems.

Record keeping requirements

16. Businesses that are operating cross-border may be confronted with a multitude of different record keeping requirements in various countries. The formulation of consistent record keeping requirements that might be promulgated and applied internationally is an important instrument to promote voluntary compliance of e-commerce vendors. The development of consistent guidance for the use of electronic records may allow for cost savings by business as well as tax administrations.

17. Standards for the retention of records could be based on what is generally accepted in commercial practice. Revenue authorities' objectives could where possible take into account the existing administrative processes used by businesses.

Summary of Conclusions

18. The *Recommended Approaches to the Practical Application of the Guidelines on the Definition of the Place of Consumption* suggest that where a jurisdiction considered it necessary to address consumption tax collection for e-commerce B2C supplies of services and intangible property that consideration be given to implementing a simplified registration system. **These conclusions are made in the context of simplified registration systems for e-commerce B2C cross-border transactions.**

Registration procedures for Simplified Registration Systems

- *Tax administrations are encouraged to provide access to registration applications on their respective Web sites.*
- *Tax administrations are encouraged to develop standardised registration applications requiring minimum details.*
- *Tax administrations are encouraged to confirm the receipt of a registration application and provide the registrant's identification number by electronic means.*

Declaration procedures for Non-residents Registered under a Simplified Registration System

- *Tax administrations are encouraged to make available an electronic return template on their respective Web sites.*
- *Tax administrations are encouraged to develop a simplified tax return.*
- *Governments are encouraged to standardise filing requirements.*

Record keeping for Non-residents Registered under a Simplified Registration System

- *Tax administrations are encouraged to review the legal basis for the storage of records and where necessary to develop a legal basis to allow for the use of electronic record keeping systems.*
- *Tax administrations are encouraged to base the standards for the retention of records on what is generally accepted commercial practice.*

