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One Stop Shop

Adaptation to new EU VAT rules

DEGREE PROGRAMME IN BUSINESS MANAGEMENT
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<p data-bbox="312 701 424 730">Abstract</p> <p data-bbox="312 772 1441 875">Value-added taxation's special system Mini One Stop Shop expanded on July 1st, 2021 to One Stop Shop. One Stop Shop contains three different schemes: Union scheme, non-Union scheme, and Import scheme.</p> <p data-bbox="312 918 1441 1099">Businesses (taxable persons) established in the EU can use Union scheme for declaring the sales of all services and intra-Community distance sales of goods to consumers located in different Member States than in which the taxable person is established. Non-Union scheme is applicable for all sales of services by taxable persons not established in the EU, to consumers located in Member States.</p> <p data-bbox="312 1142 1441 1357">Import scheme is available for taxable persons who import from outside of EU VAT area low-valued (under 150 euros per consignment) goods to consumers located in Member States. Previously existed VAT exemption for low-valued imported goods has been ceased and from July 1st, 2021 VAT is assessed to all imported goods in Customs. If taxable persons use IOSS, goods are released into free circulation as the taxable person collects, reports, and pays VAT on purchase.</p> <p data-bbox="312 1400 1441 1536">The purpose of this study is to analyze the expansion and its impact on taxpayers, consumers, government officials and other stakeholders. What are the benefits of using the system? What kind of adaptation it requires? What is in the future of European Union's value-added taxation?</p> <p data-bbox="312 1579 1441 1648">This study was conducted for the Finnish Tax Administration and the results will be used to improve internal taxation processes.</p>		
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LIST OF ABBREVIATIONS

API	Application Programming Interface
B2C	Business-to-consumer
EU	European Union
IOSS	Import One Stop Shop, import scheme
MOSS	Mini-One-Stop-Shop
MSCON	Member State of Consumption
MSEST	Member State of Establishment
MSID	Member State of Identification
MyTax	Finnish Tax Administration's web portal
OSS	One-Stop-Shop
SCAC	Standing Committee on Administrative Cooperation
TBE-services	Telecommunication, broadcasting, and e-services (MOSS)
VAT	Value Added Tax
VoES	VAT on E-services scheme

1 INTRODUCTION

One Stop Shop is a special system for declaring and paying value added tax in the EU from scheme specific applicable sales to non-taxable persons i.e. consumers. Taxable persons (the seller companies), register for the system in one EU Member State. In relation to the taxable person, this EU Member State becomes the Member State of identification (MSID) and those EU Member States to which the taxable person supplies goods or services to are in the role of Member State of consumption (MSCON). Registration for the system is voluntary, but if taxable person decides to use the system, it must be used for all applicable sales.

The Mini One Stop Shop (MOSS) came into force on 1.1.2015. MOSS covers sales of telecommunication, broadcasting, and electronic services to non-taxable persons, located in other EU Member States than where the seller has business establishment. For example, a Swedish company sells games on Google Play to consumers living in Finland. The Swedish company can register to MOSS in Sweden, and then declare, and pay value added tax from the sales to Finland to the Swedish Tax Administration. Swedish Tax Administration then transmits the VAT returns and payments electronically to Finnish Tax Administration. Without the MOSS system, the Swedish company should register in Finland for the Finnish national VAT system. MOSS has two schemes: union scheme and non-union scheme. Using the schemes depends on where the taxable person is established in and what services they provide.

On 1.7.2021 MOSS was expanded to One Stop Shop (OSS). One Stop Shop extends the range of sales of services and goods that can be declared through the special system. New system, depending on the scheme in use, will cover for example sales of services other than only the sales of TBE-services to consumers in the EU, intra-Community distance sales of goods and distance sales of low-valued goods imported from third countries or territories. One Stop Shop consists of three separate special systems: Union scheme, non-Union scheme, and Import scheme. Union scheme and

non-Union scheme are familiar (but expanded) from MOSS but Import scheme is a new scheme.

According to European Commission's statistics, VAT revenues collected under MOSS in 2018 surpassed 4.5 billion euros and MOSS has shown constant growth. In 2016, out of the applicable business to consumer service sales 60-80 % was reported using MOSS. Administrative costs can decrease as much as 95 % if company uses MOSS. (European Commission, 2021c) OSS expansion is expected to increase the number of registered users and collected VAT revenue and thus decreasing costs for even larger group of taxable persons.

2 THESIS PROCESS

This chapter describes the purpose, objectives, and boundaries of this study together with theoretical framework and used key concepts. Theoretical framework for this study comes from EU and national legislation, which are presented in chapter three.

Practical procedures given by the European Commission in their guidelines form the process of Mini One Stop Shop (chapter 4) and One Stop Shop (chapter 5). Both are presented as one of the purposes of this study is to understand what changed and how it impacts taxpayers, consumers, and other stakeholders like tax administrations. Chapter six gives the background and reasons for the change, what the legislation and processes changes mean and why they were developed. The future of VAT in EU is also shortly discussed.

Chapter seven focuses on the methodology and research methods used in this study. In chapter eight the interviews and the results from them are discussed, development recommendations based on the interviews are presented in chapter nine. Chapter ten has summary, conclusions, and reliability evaluation of this thesis.

2.1 Purpose and Objectives

This study is conducted for my employer, the Finnish Tax Administration. In the early spring of 2021 when the research began, the main purpose of the study was to identify what new information there would be available to use in internal tax control processes once OSS is in full operation. As OSS is an electronic and automated system, most taxation information is easily available for evaluation and control. Due to the confidential nature of taxation, these results are only available for the Finnish Tax Administration and not discussed further in this thesis.

As confidential information cannot be part of the thesis, the purpose of this study expanded. My purpose for this study is to open the change and its background - what was changed and why and what we know about the future development thus far, especially from tax administration's perspective.

As this research ends in the late fall of 2021, OSS has been in operation for couple of months, first tax periods of the Union and non-Union schemes have ended. Due to the timing, this study is not about the successful implementation process but rather a study of what the new system can mean for different stakeholders and what has realized by now.

I conducted interviews with the Finnish Tax Administration's top specialists of the field to find out how they see the commissioning of OSS. Based on the research I have presented recommendations for Finnish Tax Administration in chapter nine.

This subject is close to me due to professional curiosity and connection due to my role as VAT special scheme coordinator. Because of my professional background, I have the advantage of understanding the rules and practices of the system. This study however has given me a chance to familiarize myself with the history and legislative background and the true meaning of the system.

2.2 Boundaries of the Study

Even though the One Stop Shop system is not depended on what Member State it is used from, examples and national procedures are written with a Finnish perspective. Finnish perspective as a boundary of this study means that in situations where is room for national procedure (for example assessing penalties), study is written from the viewpoint of how Finland as a Member State has implemented the rules and what the procedure of Finland is.

Due to the vast subject, some parts and rules of the One Stop Shop are left outside of this study. With this study, my intention is to better understand what the legal and procedural foundation of the special system is and what does it mean for the everyday life of consumers, businesses, and tax officials and those matters I have tried to include to this thesis.

Whilst timing-wise Brexit (Great Britain's exit from EU) is still a current topic, with tentacles reaching into VAT special system's, it has been left outside of this study. Great Britain is a third territory in relation to EU and in OSS as well, same rules apply than for the rest of the non-EU VAT states.

2.3 Theoretical Framework

Theoretical framework for this study is the legal norms of the updated national and EU value added taxation legislation. Figure 1 below presents the theoretical framework together with the key concepts used in this study.



Figure 1. Theoretical Framework

Theoretical framework for this study heavily relies on the legislation. Value-added taxation and the special systems of it are legislated both on EU level and national level. European Union's common value-added taxation system is described in the so-called VAT Directive. Directive has been implemented into national legislation.

Commission's guidelines and explicatory notes are used in this study as they describe what is imposed in the legislation in more of a practical manner. Guidelines for example describe the processes of the system; registration, filing tax returns and making payments and give examples of complex situations that could occur when the system is used. National legislation covers those factors which have been left to be decided on national level, for example how penalties are assessed if tax return has been submitted late.

Mini One Stop Shop (MOSS) expanded to One Stop Shop (OSS) on July 1st, 2021. OSS has three separate schemes: Union, non-Union and Import schemes.

Union scheme in MOSS covered telecommunication, broadcasting and e-services sold by taxable persons established in EU to consumers located in another Member State. In OSS, the Union scheme covers all sales of services and intra-Community distance sales of goods. Non-Union scheme in MOSS covered the same services as Union

scheme and in OSS the sales of all services. Non-Union scheme is used by taxable persons not established in EU VAT area supplying services to consumers located in Member States.

Import scheme is a new scheme introduced in OSS. It is used by taxable persons who import low-valued (consignment value under 150 euros) goods from third territories or countries to for consumers located in EU. In the VAT special systems, consumer is always a non-taxable person, natural person.

EU Member States have different and simultaneous roles depending on the relation they have with the taxable person. The Member State in which the taxable person registers to the special system is the Member State of identification (MSID). MSID receives the registration, tax return and payment information from the taxable person and transfers it to other Member States, to those where the consumers are in, the Member States of consumption (MSCON). For example, Finland is the MSID for those taxable persons who have registered to the system in Finland. At the same time, Finland is MSCON for those taxable persons who sell supplies to consumers in Finland but are registered in other EU Member State.

Three most important stakeholders in the VAT special system are taxable persons, tax administrations and consumers. The main objective of this study was to find out how the changes first and foremost have affected tax administration by far and what should be taken into consideration in the internal control processes due to the new characteristics of the system. To reach this objective it is important to research the impacts on stakeholders.

3 LEGISLATION

Legislation of the VAT special systems is based on the EU's common system for VAT (VAT Directive, 2006/112/EC.) Changes from the directive are implemented into national legislation as needed. In One Stop Shop, most of the provisions come directly

from EU legislation, national procedure is applied whenever there's no EU legislation available for the matter in question. European law has superiority over national laws of the Member States, 'precedence principle' and therefore Member States can not apply national rules which contradicts to EU law (EUR-Lex, 2010.)

3.1 EU Legislation

EU legislation falls into primary and secondary law. Primary law consists of EU treaties, which are binding agreements on EU objectives, institutions, and decision-making protocols. Treaties are the starting point for EU law. Secondary law consists of regulations, directives, decisions, and recommendations, which are enacted based on the treaties and their objectives. (European Commission, 2021d.) Regulations and decisions are automatically binding on the date they enter into force, but directives require EU Member States to incorporate changes into the national legislation according to a given deadline. (European Commission, 2021a.) EU legislation related to One Stop Shop is briefly introduced in the following subsections of this paragraph.

3.1.1 VAT Directive

Council Directive 2006/112/EC, 'VAT Directive', includes regulation on the EU's common value added tax (VAT) system (European Commission 2021e, p. 49). VAT is applied to all transactions carried out in the EU and the place of taxation depends on the nature of the transaction.

Council Directive 2008/8/EC added to VAT directive regulation related to the place of supply rules of different type of services (Council Directive 2008/8/EC, Whereas (2).) As a result, special schemes were introduced: special scheme for non-established taxable persons supplying TBE-services (telecommunication, broadcasting and e-services) to non-taxable persons (non-Union scheme) and special scheme for established taxable persons supplying TBE-services to non-taxable persons (Union scheme), i.e. the Mini One Stop Shop (Council Directive 2008/8/EC, Article 5).

With Council Directive 2017/2455, new amendments (One Stop Shop) were introduced to the VAT Directive. Third scheme, the Import scheme, was added, and some changes were made to the previously existed Union and non-Union schemes. (Council Directive 2017/2445.)

Council Directive 2008/8/EC - Mini One Stop Shop

Mini One Stop Shop related changes into the VAT directive were added with Council Directive 2008/8/EC. Before Mini One Stop Shop, there was a VAT on e-services scheme (VoES), which was used by taxable persons established outside of the EU who sold e-services to non-taxable persons i.e. consumers, located in EU (Finnish Tax Administration, 2014a). From the beginning of 2015, supplying telecommunication, broadcasting and e-services to non-taxable persons were taxable in the EU Member State in which the consumer is located (place of supply) (Council Directive 2008/8/EC, Article 5).

VoES-scheme for e-services was expanded to also include telecommunication and broadcasting services and it was 'rebranded' as non-Union scheme. Union scheme was created for those taxable persons who were established in EU. (Council Directive 2008/8/EC, Article 5.) These two schemes together formed the VAT special system, Mini One Stop Shop (Finnish Tax Administration, 2014b).

With directive 2008/8/EC, article 58 of the VAT directive was changed to include the place of supply rules for TBE-services. Definitions for the services were amended to article 58: telecommunication services article (a), broadcasting (b) and electronically supplied services to article 58 (c). (Council Directive 2008/8/EC, Article 5.)

Non-Union Scheme

Non-Union scheme was added in Chapter 6 of Title XII, section 2, Directive 2006/112/EC. Definitions of 'taxable person not established within the Community' and 'Member State of Identification' were added in Article 358a of the VAT directive. Taxable person not established within the Community does not have any establishments in any Member States. Special scheme can be used for supplying the

before-mentioned services for any non-taxable persons established in Member States (Article 359). (Council Directive 2008/8/EC, Article 5.)

Taxable persons not established in the community have the obligation to inform Member State of identification about their activities as taxable persons (Article 360). Article 361 includes a list of details that taxable persons must provide to the Member State of identification. Member State of identification is obligated to give individual VAT number for taxable persons electronically (Article 362). (Council Directive 2008/8/EC, Article 5.)

Taxable person must submit quarterly VAT returns to the Member State of identification electronically, within 20 days following the end of the tax period (Article 364). VAT return must include identification number, taxable amounts, tax amounts, used tax rates and total VAT amount (article 365). Tax must be paid when the VAT return is submitted or by return submission's deadline (Article 367). (Council Directive 2008/8/EC, Article 5.)

Union Scheme

Union scheme is included in chapter 6 of title XII section 3 of VAT directive 2006/112/EC. Article 369a was added to cover the definitions of 'taxable person not established in the Member State of consumption' and 'Member State of identification'. Taxable person not established in the Member State of consumption is a taxable person who is established in EU but has no business or fixed establishment in the Member State of consumption. Member State of identification is the Member State in which taxable person has established its business or has fixed establishment if taxable person does not have business establishment in the community. (Council Directive 2008/8/EC, Article 5.)

Union scheme can be used for TBE-supplies to any non-taxable persons who are established or usually reside in Member State of consumption (Article 369b). Taxable person is required to inform the Member State of identification of their taxable activities (Article 368c). In Union scheme taxable person is identified for VAT purposes with the same VAT identification number they have been assigned in the

Member State of identification's internal VAT system (Article 369d). (Council Directive 2008/8/EC, Article 5.)

Articles 369f to 369i include rulings on submitting and paying the tax. VAT return must be submitted electronically quarterly (Article 369f), within 20 days following the end of the tax period. VAT return must include identification number, VAT amounts and rates and information on fixed establishments (Article 369g). Tax must be paid when return is submitted or at latest by the deadline for submitting the returns (Article 369i). (Council Directive 2008/8/EC, Article 5.)

Council Directive 2017/2455 - One Stop Shop

Article 2 of Council Directive (EU) 2017/2455 amends directive 2006/112/EC from January 1st, 2021. Article 2 includes amendments changes are related to the expansion of Mini One Stop Shop to One Stop Shop. (Council Directive (EU) 2017/2455, Article 2.) Council Directive (EU) 2017/245 was amended with Council Decision (EU) 2020/1109 due to the COVID-19 pandemic, which postponed the in-force date to July 1st, 2021 (Council Decision (EU) 2020/1109, Article 1).

With directive 2017/2455, a new paragraph was added to article 14 of the VAT directive, which includes definitions for intra-Community distance sales of goods and distance sales of goods imported from third territories or third countries (Council Directive (EU) 2017/2455, Article 2(1)). Added Article 14a describes the meaning of 'deemed supplier' and electronic interface in distance sales of goods with intrinsic value 150 euros or less (Council Directive (EU) 2017/2455, Article 2(2)). According to EU OSS Glossary's explanation, deemed supplier "is the taxable person who is deemed to receive goods from underlying suppliers and supply them to final consumer. Deemed supplier has the same rights and obligations in VAT as the supplier. (European Commission, 2021i.)

Place of supply rules for intra-community distance sales of goods and distance sales of goods imported from third countries are included in Article 33 of the VAT-directive (Council Directive (EU) 2017/2455, Article 3). Article 59c rules, that whenever a supplier is established only in one Member State and annual supplies for the preceding

and current calendar year do not exceed limit of 10 000 euro, articles 33(a) and 58 are not applicable (Council Directive (EU) 2017/2455, Article 2(7)).

Amendments to articles 364, 365, 369f and 369g include rulings on the special scheme process. VAT return is submitted electronically and the due date changes from 20th to the last of the month following the end of the tax period in question. VAT return includes individual VAT identification number, total amounts of taxes per rate, per Member State of Consumption and corrections to previous tax returns. (Council Directive (EU) 2017/2455, Article 2(19, 25.))

Import Scheme

Added section 4 has regulation of the special scheme for distance sales of goods imported from third territories or third countries, the import scheme. Article 369l has the definition of 'intermediary'. Intermediary is a person established in an EU Member State who is liable for paying and declaring VAT on behalf of the taxable person established outside of the EU. Article 369m defines that taxable person cannot appoint more than one intermediary simultaneously. (Council Directive (EU) 2017/255, Article 2(30).)

Articles 369o and 369p include regulations on registration: what information must be provided for the Member State of Identification of the use of the special scheme. Articles 369q and 369r have rules on individual VAT identification number and deleting taxable persons or intermediaries from the special scheme. (Council Directive (EU) 2017/255, Article 2(30).) Articles 369s to 369u include rules on submitting VAT returns: tax periods, electronic submission, and deadlines (Council Directive (EU) 2017/255, Article 2(30)).

Article 369v requires taxable persons or their intermediaries to pay taxes by the same deadline as returns must be submitted. Payment must include reference to the VAT return it covers and it must be made to a bank account provided by the Member State of identification. Deducting VAT from the sales of import scheme is prevented by Article 369w. (Council Directive (EU) 2017/255, Article 2(30).)

Council Directive (EU) 2019/1995

Council Directive (EU) 2019/1995 amends the VAT directive on provisions related to the distance sales of goods and certain domestic supplies of goods (Council Directive (EU) 2019/1995.) Council Directive (EU) 2019/1995 was amended with Council Decision (EU) 2020/1109 due to the COVID-19 pandemic, which gave the Member States until June 30th, 2021 to adopt and publish laws and administrative provisions complying with the directive (Council Decision (EU) 2020/1109, Article 2.)

Council Directive (EU) 2019/1995 includes specifications to the rules regarding distance sales of goods and certain domestic supplies of goods. Specifications have been made to ensure that chargeable (taxable) events in dispatching or transporting goods occur at the same time. (Council Directive (EU) 2019/1995, Whereas (1).) Article 1 of the Council Directive (EU) 2019/1995 replaces VAT directive's Article 66 with ruling on VAT in situations with deemed suppliers. (Council Directive (EU) 2019/1995, Article 1(2).)

With article 1, deemed suppliers are granted the exemption to use the special scheme for domestic supplies when deemed suppliers have in addition to intra-Community distance sales of goods, a stock in several Member States from which they supply goods to consumers in the same Member State (Council Directive (EU) 2019/1995, Article 1(3)).

3.1.2 VAT Implementing Regulation

Council Implementing Regulation (EU) No 282/2011, the 'VAT Implementing Regulation', includes the implementing measures for the VAT Directive (Directive 2006/112/EC) on the common value added tax system (Council Implementing Regulation (EU) No 282/2011, Article 1). Amendments to accommodate MOSS and OSS have been made with later implementing regulations. MOSS related amendments were made with Council Implementing Regulation (EU) No 967/2012 and No 1042/2013 (Council Regulation (EU) No 967/2012, No 1042/2013). Amendments to fit OSS were made with Council Implementing Regulation (EU) 2019/2026 (Council Regulation (EU) No 2019/2026).

Council Implementing Regulation 282/2011 specifies the definitions of telecommunication (article 6a), broadcasting and electronically supplied services (articles 6b, 7 and 9a), the detailed functions of the special system (articles 57a-63c) and the presumptions of where customer is located (articles 24a-24f) (European Commission, 2021b). Council Implementing Regulation together with its later amendments gives more detailed requirements for registration, exclusion, submitting returns and making payments.

Council Implementing Regulation (EU) No 967/2012 – Mini One Stop Shop

Council Implementing Regulation (EU) No 967/2012 introduces the special schemes for non-established taxable persons supplying TBE-services to non-taxable persons to the VAT implementing regulation (Council Implementing Regulation (EU) No 967/2012).

Section 2 of the implementing regulation is replaced to include TBE-services. Definitions of the non-Union scheme, Union scheme, special scheme, and taxable person are included in Article 57a of the implementing regulation. (Council Implementing Regulation (EU) No 967/2012, Article 1.)

Scope of the Union scheme is included in Articles 57b and 57c of the implementing regulation. Identification and reporting obligations are in Articles 57d to 57h. Exclusion from the special system is in Article 58. VAT return, currency and payments are in Articles 59 to 63b. (Council Implementing Regulation (EU) No 967/2012, Article 1.)

Council Implementing Regulation (EU) No 1042/2013 – Mini One Stop Shop

Council Implementing Regulation (EU) No 1042/2013 amends Implementing Regulation (EU) No 282/2011 (Council Implementing Regulation (EU) No 1042/2013). Added article 6a includes more detailed definition of telecommunication services while new article 6b includes detailed definition for broadcasting services (Council Implementing Regulation (EU) No 1042/2013, Article 1). Council Implementing Regulation (EU) No 1042/2013's Article 2 includes the rules on the

place of supply for TBE-services supplied by taxable person established in the Community (Council Implementing Regulation (EU) No 1042/2013, Article 2).

Council Implementing Regulation (EU) 2019/2026 – One Stop Shop

Council Implementing Regulation (EU) 2019/2026 introduced changes to the VAT Implementing Regulation (EU) No 282/2011 to accommodate One Stop Shop (Council Implementing Regulation (EU) 2019/2026). Implementing Regulation 2019/2016 has been amended with Council Implementing Regulation (EU) 2020/1112 due to COVID-19, changing the tax period from which the new rules are applied and the date of application (Council Implementing Regulation (EU) 2020/1112, Article 1).

With this Implementing Regulation 2019/2026, Article 5b was added for the application of Article 14a of the VAT directive, term ‘facilitate’ an electronic interface is given a closer definition. Added Articles 5c to 5d also cover the deemed supplier situation of Article 14a in the VAT directive. (Council Implementing Regulation (EU) 2019/2026, Article 1.)

Definitions of non-Union scheme, Union scheme, import scheme, special scheme, taxable person, and intermediary from Articles 358 to 369x of the VAT directive are amended to Implementing Regulation 282/2011 in Article 57a. Scope of the Union scheme and identification are amended into Implementing Regulation 282/2011 Articles 57c to 57g. VAT return, currency and payments are in Articles 59 to 63b. (Council Regulation (EU) No 2019/2026, Article 1.)

3.1.3 Council Regulation on Administrative Cooperation

Council Regulation (EU) No 904/2010's articles 43 to 47 give ruling on administrative cooperation using automated information exchange to combat value added tax related frauds (European Commission, 2021b).

Article 44 states that taxable person established outside of the EU must provide information to MSID electronically. MSID must transmit the information electronically to other Member States. (Council Regulation (EU) No 904/2010,

Articles 44.) Article 45 describes value added tax return details and how the information is exchanged between MSID and MSCONs (Council Regulation (EU) No 904/2010, Articles 45).

Article 46 has ruling on currency and exchange rates used in the special scheme. Article also includes rulings on how partial payments are transferred to MSCONs in proportion. (Council Regulation (EU) No 904/2010, Articles 46.) Article 47 rules that Member States notify others electronically on competent authorities' bank account information, which is used for receiving special scheme payments (Council Regulation (EU) No 904/2010, Articles 47). In Finland, the responsible authority is Finnish Tax Administration.

Conditions covering the exchange of information are in Chapter XV (Council Regulation (EU) No 904/2010, Chapter XV). Article 51 mentions that information should be provided electronically and without a delay (Council Regulation (EU) No 904/2010, Article 51). In Article 53, Commission takes responsibility for the development of CCN/CSI network that is used for information exchange. Member States are however responsible for developing their own systems to support the information exchange. (Council Regulation (EU) No 904/2010, Article 53.)

In Article 57 it is demanded that Member States must have effective internal coordination, direct cooperation with authorized authorities and ensure smooth operation on information exchange (Council Regulation (EU) No 904/2010, Articles 57).

3.1.4 MOSS and OSS Commission Implementing Regulations

Commission Implementing Regulation (EU) No 815/2012 is a regulation in which according to European Commission's MOSS information "lays down detailed standardized provisions concerning identification of taxable persons using the MOSS and the content of the MOSS VAT return" (European Commission, 2021b). Commission Implementing Regulation includes closer definitions for the application

of Council Regulation (EU) No 904/2010 (Commission Implementing Regulation (EU) No 815/2012).

Implementing regulation consists of eight articles (Commission Implementing Regulation (EU) No 815/2012). First article defines the meaning of the schemes. Second article defines the functionalities of electronic interface. Articles 3 to 7 describe the transmission and content of identification, return and payment information. (Commission Implementing Regulation (EU) No 815/2012, Articles 1-7.) Registration identification and return content information are described in detail in the implementing regulation's attached Annexes.

OSS changes were introduced to Council Regulation (EU) 904/2010 with Commission Implementing Regulation (EU) 2020/194, which includes eight Articles. (Commission Implementing Regulation (EU) 2020/194) Article 1 has the definitions for the schemes. Article 2 focuses on the functionalities of the electronic interface and article 3 to the transmission of identification information. In Article 4, the submission of VAT return by taxable person or intermediary is discussed. Article 5 includes the rules on how Member States transmit the information. (Commission Implementing Regulation (EU) 2020/194, Articles 1-5.)

3.2 National Legislation

Most of the special regulation related to the VAT special schemes have been implemented from the EU VAT Directive to the Value-Added Tax Act. When Finland is the Member State of Consumption and receives the taxes, other national legislation is also applicable. In this paragraph, Finnish OSS related legislation is briefly presented.

3.2.1 Government Proposal HE 18/2021

To keep focus more on the recent changes, I chose to leave the government proposal for MOSS outside of this study and instead, the Finnish Government proposal HE

18/2021 is introduced. Government proposal HE 18/2021 includes a proposal of changing value added tax act, act on assessment procedure for self-assessed taxes and the act on exceptions of VAT in Åland Islands to fit the changes required in the EU directives by 1.7.2021. Changes are necessary because a remarkable and growing portion of e-commerce happens on electronic interfaces, such as marketplaces or portals and those were not part of the VAT directive. (HE 18/2021.)

Previously existed legislation on VAT relief for imported goods valued under 22 euros (“10/22-euro rule”) is replaced with new rulings on import scheme or if import scheme is not used, how VAT is assessed to imported goods. No import VAT must be paid from goods imported to Finland if seller is registered to the special scheme. Other familiar changes from EU legislation, such as the expansion of covered services (all services in Union and non-Union schemes) and intra-Community distance sales of goods (Union scheme) are also part of the government proposal. (HE 18/2021.)

To lessen the red tape for small companies, if company is established in only one Member State, the intra-Community distance sale of goods is taxable in the Member State from which the transportation begins from (Member State of identification) as long as the total amount of intra-Community distance sales of goods and sales of services does not exceed annual limit of 10 000 euros. (HE 18/2021.)

3.2.2 Value-Added Tax Act

MOSS related articles from Council Directive 2006/112/EC are implemented to Finnish National Value Added Tax Act 30.12.1993/1501. Changes to accommodate Mini One Stop Shop were made with ‘Laki arvonlisäverolain muuttamisesta’, ‘Act on Changing Value Added Tax Act’, 505/2014 (Act on Changing Value Added Tax Act, 505/2014). Value Added Tax Act has been updated to fit One Stop Shop changes, the change was made with ‘Laki arvonlisäverolain muuttamisesta’, ‘Act on changing Value Added Tax Act’, 387/2021 (Act on changing Value Added Tax Act, 387/2021). Section 134 b § came into force on May 10th, 2021. Rest of the law is in force on July 1st, 2021. (Act on changing Value Added Tax Act, 387/2021.)

Value Added Tax Act's section 69i describes the place of supply rules, 69j includes the definition of electronically supplied services and 69k the definition for telecommunication services (Act on Value Added Tax 30.12.1993/1501, 69i-69k §). Value-Added Tax Act's paragraph 12a includes regulation of the special systems. Sections 133d to 133j include regulation for taxable persons not established in the community, the **non-Union scheme** (Act on Value Added Tax 30.12.1993/1501, 133d-133j §).

Sections 133k to 133q are for intra-Community distance sales of goods, sales of goods via electronic interface and for taxable persons established within the Community selling services, the **Union scheme** (Act on Value Added Tax 30.12.1993/1501, 133k-133q §). Sections 133r to 133z have regulation for distance sales of goods imported from third countries and territories, the **Import scheme** (Act on Value Added Tax 30.12.1993/1501, 133r-133z §).

Act's sections 133d § to 133 z § include regulation regarding the special scheme: which taxable persons are allowed to use the special system, definitions for 'Member State of identification', 'Member State of consumption' and 'intermediary', which public office is responsible for the special system in Finland (Finnish Tax Administration) and rules on registration, VAT returns and payments (Act on Value Added Tax 30.12.1993/1501, 133d-133z §).

Section 134§ includes provisions for the common regulations for the special schemes and it narrows down when national procedure is used regarding special schemes. For example, when taxes must be paid to Finland (134m §). (Act on Value Added Tax 30.12.1993/1501, 134§)

3.2.3 Act on Assessment Procedure for Self-assessed Taxes

Finland as MSCON applies national legislation to late-filing penalties and tax increase penalties for the VAT special schemes. This regulation is in the act of assessment procedure for self-assessed taxes 768/2016 (Act on Assessment Procedure for Self-assesses Taxes).

According to section 35 of the law, late-filing penalty is assessed when tax return is submitted after the deadline (Act on Assessment Procedure for Self-assessed Taxes, 35 §). In MOSS, the deadline for submitting the return is 20 days after the tax period has ended. In OSS, due date for submitting the return is the last day of the next month following the end of the tax period. Late filing penalty is not assessed if taxable person submits the correction to previous tax period by the deadline of the next tax period's due date. (Act on Assessment Procedure for Self-assessed Taxes, 36(2) §) Tax increase penalty can be assessed if submitted tax return is incomplete, incorrect or it is not submitted at all (Act on Assessment Procedure for Self-assessed Taxes, 37 §).

3.2.4 Act on Surtax and Late-Payment Interest

When Finland is MSCON and the tax is paid late, late payment interest is calculated for the late-paid tax and added to the payable amount. Calculation is done according to the Act on Surtax and Late-payment Interest 1556/1995, 'Laki veronlisäyksestä ja viivekorosta'. Late payment interest is calculated from the next day of when the tax was due until the day it is paid. (Act on Surtax and Late-payment Interest 1556/1995, 5b §.)

4 MINI ONE STOP SHOP (MOSS)

One Stop Shop came into force on July 1st, 2021 and is the expansion of Mini One Stop Shop. Mini One Stop Shop or MOSS came into force on January 1st, 2015 (European Commission, 2021f). Pre-registration for the system started on 1.10.2014 (Finnish Tax Administration, 2021c).

MOSS was applicable for telecommunication, television, broadcasting, and other electronically supplied services sold to non-taxable persons located in EU member states (European Commission, 2021f). Non-taxable persons are consumers who are

either natural persons or legal persons who have not registered for VAT (Finnish Tax Administration, 2021c).

To fulfill VAT obligations, taxable persons need to either register for VAT in all those Member States in which their consumers (non-taxable persons) are in or register in one Member State for the MOSS (European Commission, 2016a p. 5). Using MOSS is optional, but if registered to, it must be used for declaring all applicable supplies to all Member States (European Commission, 2013 p. 3). For example, if taxable person, registered in Finland for MOSS, has made supplies covered by the scheme to Sweden and Hungary, both sales are reported using MOSS system. Taxable person is not allowed to choose that they report Hungarian sales with MOSS and Swedish sales with Swedish VAT system.

Even if taxable person had not registered for VAT in their business establishment, declaring and paying value added tax to other Member States was necessary (European Commission, 2016a p. 5). In Finland, small businesses established in Finland are not required to register for VAT if their annual (accounting period) turnover does not exceed 15 000 euros (Value Added Tax Act 1501/1993, 3 §). This exemption is not applied for supplies to EU Member States in which the taxable person is not established and when taxable person must pay VAT to those Member States. In other words, even if taxable person does not meet the conditions for obligatory national VAT registration, VAT for other Member States must be declared and paid.

Since January 1st, 2019, the sales of telecommunications, broadcasting and electronic services to non-taxable persons in other EU Member States are taxable in the country of a seller if turnover does not exceed 10 000 euros. However, taxable person can register in the system even if the sales do not exceed 10 000 euros. If taxable person registers, they are required to register for the national VAT as well. (Finnish Tax Administration, 2021c.)

For example, when a taxable person established in Finland sells telecommunication services to consumers located in Sweden with 5000 euros, registration for MOSS is not required as the limit of 10 000 euros is not met. Instead, the sold services are

taxable in Finland. If taxable person decides to register to MOSS even if the limit of 10 000 euros is not met, sales are taxable in Sweden.

As MOSS is a system for declaring electronically supplied services, Commission's MOSS basic rules give guidance on what supplies are applicable: supplies are often highly automated; they involve minimal human intervention and are impossible to deliver without information technology. (European Commission, 2016a p. 5.) Electronically supplied services include websites, web hosting and software related activities, distance teaching and the supply of music, films, games, broadcasts, and events. (European Commission, 2016a p. 5-6).

4.1 Union and Non-Union Schemes

The Mini One Stop Shop consists of two schemes: The Union and the non-Union schemes. Taxable persons established in the EU register for the Union scheme and taxable persons established outside of EU register for the non-Union scheme. (European Commission, 2013 p. 3.)

In Union scheme, taxable person is a business, which is established or has fixed establishment in EU VAT area. Business form is irrelevant: taxable person can be a company, partnership, or sole proprietor. Business establishment or fixed establishment prevents taxable persons from using MOSS for supplies made in those Member States. (European Commission, 2013, p. 3.)

In Finland, and for VAT purposes, fixed establishment is determined as a place of business that is sufficiently permanent and has resources to supply goods or services that the company sells, for example a warehouse or production facility (Finnish Tax Administration, 2021e).

As an example, if Finnish taxable person has a fixed establishment in Sweden, company cannot use MOSS for supplies made to Sweden. They must register to Swedish national VAT system. If Finnish company has registered for VAT in Sweden, because of other VAT liabilities not covered in MOSS, but does not have other

connections to Sweden, taxable person does not have fixed establishment in Sweden and the use of Union scheme is not prevented. Mere VAT registration in another Member State does not determine as fixed establishment (Finnish Tax Administration, 2021c).

In the non-Union scheme, taxable persons have no business establishments or fixed establishments in EU VAT area (European Commission, 2013 p. 3). For example, if a company established in China supplies TBE-services to EU, they can register for non-Union scheme in the Member State they choose, then declare, and pay taxes using the system.

4.2 Roles of the EU Member States in MOSS

Member State of Identification (MSID) is the Member State where taxable person is registered. Taxable person declares and pays value added tax through the Member State of identification. (European Commission, 2013 p. 3.) At any one-time, taxable person can have only one Member State of identification (Finnish Tax Administration, 2021c).

In Union scheme, Member State of identification is the Member State in which taxable person's business is established. If taxable person does not have business establishment (i.e. headquarters or place of business) in any Member State, Member State of identification is the Member State in which taxable person has fixed establishment. If taxable person has more than one fixed establishment in EU territory, they can choose any of those Member States as Member State of identification. (European Commission, 2013 p. 3.) In Non-Union scheme taxable person can choose the Member State of identification, as they have no business or fixed establishment in EU (European Commission, 2013 p. 4).

Member State of consumption (MSCON) is the EU Member State to which the taxable person supplies the telecommunications, broadcastings, or electronically supplied services to non-taxable persons. MSCONs receive returns and payments from the MSIDs. (European Commission, 2013 p. 4.)

In Union scheme, taxable persons have no business or fixed establishment in this Member State. (European Commission, 2013 p. 4.) However, in non-Union scheme, taxable person has no establishment in any Member State. This makes it possible, that the Member State of identification is the same Member State as the Member State of consumption (European Commission, 2013 p. 4). For example, if taxable person established in China chooses France as MSID, they can use MOSS for declaring the supplies to non-taxable persons in France.

The Member State of establishment (MSEST) is the EU Member State, in which taxable person has fixed establishment. Taxable person might have fixed establishments in more than one Member State.

If supplies are made from fixed establishments, those must be included in the MOSS VAT return. (European Commission, 2013 p. 4.) For example, taxable person is registered to the union scheme, Finland acts as the MSID, and the taxable person has two MSESTs (Sweden and Denmark). Taxable person must include supplies from Sweden and Denmark to the MSCONs (other Member States than Finland, Sweden, or Denmark) on the MOSS VAT return.

In Union scheme, Member State of establishment and Member State of consumption cannot be the same Member State. Supplies from the Member State of establishment to the same Member State are declared using the Member State's national VAT return. (European Commission, 2013 p. 4-5.) For example, taxable person is registered to the union scheme, Finland acts as the MSID, and the taxable person has two MSESTs (Sweden and Denmark). Any special system applicable supplies from Sweden to consumers located in Sweden must be declared using Swedish national VAT system.

4.3 MOSS Process

MOSS process includes three separate electronic processes: registration, tax returns, and payments. As an example, a Finnish company supplies telecommunication services to Swedish consumers. First step is to register in the Finnish web portal

MyTax (Finland becomes MSID). After registration, company can file the tax return and make the payment in Finland. Registration, return, and payment information is transmitted by Finnish Tax Administration to the Sweden (MSCON) electronically.

4.3.1 Registration

MSID provides the collected registration information to other Member States. MSID is free to choose the way they collect the registration data from taxable persons, but as MSIDs need to transmit the information electronically, data is collected with web portals dedicated for submitting this information. (European Commission, 2013 p. 7.) In Finland, the web portal is MyTax (Finnish Tax Administration, 2021c). During registration MSID investigates whether the taxable person meets the conditions for using the MOSS system (European Commission, 2013 p. 7-8).

In the Union scheme, VAT identification number is the same that is used in the national VAT registration (European Commission, 2013 p. 6). In Finland, VAT identification number is a combination of the business ID-code and country code FI (Finnish Tax Administration, 2019a). In the non-Union scheme, MSID provides the taxable person with a VAT identification number. VAT identification number in non-Union scheme starts with EU as the ‘country code’. (European Commission, 2013 p. 7-8.)

Any changes in registration must be informed to the MSID. If taxable person changes their business establishment from a Member State to another or ceases its establishment in the Member State of Identification but continues using the scheme from another fixed establishment in other Member State, taxable person must deregister from the original Member State of Identification and reregister again in another Member State. (European Commission, 2013 p. 11.) For example, if taxable person established in Sweden moves the company to Finland, and no business establishment or fixed establishment is left in Sweden, taxable person must register in Finland to continue using the special scheme.

Taxable persons can be excluded from using the system. Taxable persons are excluded after they have not reported any supplies in eight consecutive calendar quarters or

otherwise inform MSID of ceasing the business. Taxable persons are also excluded if they no longer meet the conditions for using the scheme, for example if non-Union scheme user sets up a fixed establishment in EU. (European Commission, 2013 p. 13.)

Difficulties in complying with the systems' rules is also a valid reason for exclusion. Exclusion reasons include the taxable person not submitting missing tax returns within 10 days of receiving return reminders for three immediately preceding tax periods (calendar quarters). Taxes must also be fully paid and if taxable person fails to make a full payment for three immediately preceding tax periods within 10 days of receiving a reminder and the outstanding amount exceeds 100 euros per return, it is a reason for exclusion. Taxable person could be excluded also if they fail to deliver records electronically to MSID or MSCON within one month of receiving a reminder. (European Commission, 2013 p. 13.)

Taxable persons can be prevented from using the MOSS with a quarantine period. When taxable person voluntarily leaves the scheme, the quarantine period is two calendar quarters and it does not prevent them from using the other scheme. If taxable person is excluded from the system (i.e. for not paying taxes) the quarantine period is for eight calendar quarters and it is applicable for both schemes. (European Commission, 2013 p. 13-14.) When prevented from using MOSS, taxable person must register to all Member States for the national VAT.

If taxable person is excluded based on that they do not meet the conditions for using the system anymore, no quarantine period is applied. If taxable person has not made any supplies within 8 subsequent calendar quarters and is that for assumed to have ceased their activities, no quarantine period is applied. (European Commission, 2013 p. 14.) For example, taxable person moves their business establishment from Finland to China. Taxable person needs to end their registration in the Union scheme and register for the non-Union scheme in the Member State that they choose. In this situation, taxable person voluntarily leaves the union scheme; quarantine period for using Union scheme applies, but no quarantine period is applied for using non-Union scheme.

4.3.2 Tax Returns

Taxable persons are required to electronically submit VAT returns to MSID for each calendar quarter. Return must be submitted even if taxable person has not made any supplies during the tax period. (European Commission, 2013 p. 15.) Return must be submitted within 20 days of the tax period's end date. For example, due date for the first quarter (January 1st – March 31st) is 20th of April. Due date does not change even if the date is on a weekend or public holiday. (European Commission, 2013 p. 15-16.)

If the return has not been submitted within 30 days of the tax period's end date (10 days after the due date), MSID sends the taxable person an electronic reminder of the obligation to submit the return and pay the tax. When Finland is the MSID, electronic reminder is visible in MyTax service portal. (Finnish Tax Administration, 2021c.) MSCON has the right to assess penalties and charges for the late submission of returns according to national legislation and procedure (European Commission, 2013 p. 16)

Each return has a unique reference number (European Commission, 2013 p. 17). Unique reference number consists of MSID's country code, taxable person's VAT identification number and the return period (European Commission, 2013 p. 28). VAT return includes the total amount of supplies by the tax rate and the VAT amount per rate (European Commission, 2013 p. 16-17). Commission upholds the current national VAT rates (European Commission, 2021g).

Currency used in the returns is Euro. If Member State of identification has not adopted Euro, return could be submitted in the national currency, but when the information is transmitted to the MSCON's, it must be in Euros. Conversion rate used is the exchange rate of the last date of the reporting period, published by the European Central Bank. (European Commission, 2013 p. 19.)

If the submitted return contains errors, corrections are made to the original return, not by amending following returns (European Commission, 2013 p. 18). For example, taxable person registered in Finland has filed a return with two MSCONs. Taxable person has declared 1000 euros to both MSCONs. After submitting the return, taxable

person notices that the right amount for MSCON1 was 1500 euros. Taxable person then corrects the original return, pays the tax, and Finland as MSID transmits it. MSID accepts corrections within three years of the date when the initial return was due. National rules may accept corrections longer, in those cases the correction is made directly to the MSCON according to their rules. (European Commission, 2013 p. 18-19.)

4.3.3 Payments and Collection

Taxable person pays the taxes to the MSID and MSID transfers payments to the MSCONs. MSID gives the specific advice on how the payment should be made, but the payment always refers to the MOSS VAT return. (European Commission, 2013 p. 21.) In Finland, taxable person pays the tax with tax period specific reference number. Reference number is used to allocate the payment to the return. Taxable person has access to the necessary payment information through MyTax web portal. (Finnish Tax Administration, 2021c.)

Due date for paying is the same as for submitting tax return, 20th day of the next month following the end of the tax period (European Commission, 2013 p. 21). If taxable person underpays the tax, the received amount is calculated and divided between the MSCONs on the return, which the payment is allocated to (Finnish Tax Administration, 2021c).

If taxable person overpays the tax to the Member State of identification, the MSID does not distribute the excess payment to the MSCON. Instead, MSID refunds the taxable person according to its national procedure. (European Commission, 2013 p. 22.) For example, a taxable person submits a return with tax amount of 200 euro and then mistakenly makes a payment of 250 euro. The excess 50 euro is refunded to the taxable person and MSID distributes the 200 euros to the MSCONs included in the tax return.

Overpayments could also occur when taxable person corrects previous returns. If the taxable person submits the correction, which decreases the tax amount, before MSID

has distributed the payment to the MSCONs, MSID refunds the taxable person. (European Commission, 2013 p. 22.)

If taxable person submits the correction after MSID has distributed the payments to MSCONs, MSCON refunds the overpaid amount directly to the taxable person according to national procedure (European Commission, 2013 p. 22). For example, if taxable person notices an error on the return for tax period Q1 while they submit the return for Q2, MSID has distributed the payment already to the MSCONs. After MSCONs receive (and accept) the correction, MSCON refunds the taxable person directly. MSID is not able to pay the refund for the taxable person as MSCON has the money.

MSID does not offer any measures for delaying the obligation to pay the tax (for example payment arrangements) If taxable person has submitted the tax return but has not fully paid the tax within 10 days after the due date, MSID reminds the taxable person of making the payment. (European Commission, 2013 p. 21.)

After MSID has reminded the taxable person to pay the tax, MSCON carries out the following collection according to its national procedure. It should be noted, that when MSCON starts the collection, taxable person must pay directly to the MSCON is question. MSID stops distributing the payments made for tax return for which MSCON has already started collection. (European Commission, 2013 p. 21-22.)

MSID	MSCON1	MSCON2	MSCON3
Tax 2000 €	600 €	400 €	1000 € Collection
Payment 2000 €	600 €	400 €	0 €

Figure 2. Full payment after MSCON3 has started collection

In the figure above, taxable person has paid after MSCON3 has started collecting the unpaid tax. MSID distributes the payment for MSCONs 1 and 2 and refunds the remaining payment to taxable person according to MSID's procedure. MSCON3 collects the remaining unpaid taxes according to its national procedure (European Commission, 2013 p. 21-22). In Finland, when Finland is the Member State of consumption, taxable persons receive a 'Summary on tax payment status', which

includes a reminder of overdue taxes. Other collection methods include sending unpaid taxes to the enforcement authority for recovery. (Finnish Tax Administration, 2021d.)

Recovery of taxes is also executed in cooperation with foreign countries. Unpaid taxes can be sent for recovery in another EU Member State or other countries with which Finland has an agreement on executive assistance in tax collection matters. Finland also provides recovery assistance for foreign countries and the taxes are collected similarly to Finnish unpaid taxes. (Finnish Tax Administration, 2017.)

5 ONE STOP SHOP (OSS)

On July 1st, 2021 the Mini One Stop Shop expanded to One Stop Shop. According to the European Commission, the modernizing of VAT for cross-border e-commerce includes improvements and extension of MOSS to include all B2C services, intra-community distance sales of goods, certain domestic supplies via electronic interfaces and the distance sales of low valued goods imported from third territories or countries (European Commission, 2021h).

According to Ludwig de Winter (Deputy Head of Unit for Value Added Tax in European Commission's Directorate-General for Taxation and Customs Union), one of the reasons behind the new VAT e-commerce legislation is loss of revenues for the Member States. Member States lose roughly 5 billion euros annually: one billion from exemptions and four for non-compliance, together with year-on-year minimum 15 % e-commerce growth, something needed to be done. As a remarkable portion of intra-Community and imported distance sales happen via electronic interfaces, it needed to be regulated in the VAT directive. (De Winter, 2021.)

Using OSS is voluntary. If taxable person decides not to register for the special schemes, they must VAT register to all those Member States in which they sell to consumers. (Finnish Tax Administration, 2021b.) To me it is apparent, that using OSS

is beneficial: taxable persons can fulfil their VAT obligations with one registration, one VAT return and one payment.

The expansion to OSS was supposed to come into force on January 1st of 2021. On July 20th, 2020, the date of application for the expansion postponed to July 1st, 2021. This postponement was the direct cause of the COVID-19 pandemic. (Official Journal of the European Union, 2020 p. 1.)

5.1 Schemes

5.1.1 Union Scheme

As previously determined in MOSS, Union scheme covered electronically supplied services sold to consumers (European Commission, 2021f). In OSS, Union scheme expanded to include the sales of **all services** to consumers (European Commission, 2020 p. 36). Union scheme is extended to cover also all intra-Community (EU) distance sales of goods to consumers located in the EU. Sales to consumers via electronic marketplace within or between Member States are also part of the Union scheme. (Finnish Tax Administration, 2021b.)

Union scheme is available for taxable persons established in the EU for declaring and paying VAT for B2C (business-to-consumers) services in other EU Member States in which they are not established in and for intra-Community distance sales of goods. Taxable persons not established in the EU can use Union scheme for declaring and paying VAT from intra-Community distance sales of goods. (European Commission, 2020 p. 36.)

Intra-Community distance sales of goods mean that goods are transported from a Member State to a differ Member State in which transportation to customer ends. In addition, customer (receiver of the supply of goods) must be a taxable or non-taxable legal person, whose acquisitions of intra-Community goods are not subject for VAT according to Article 3(1) of the VAT Directive or any other non-taxable person.

(European Commission, 2020 p. 37-38.) An example of intra-Community distance sales of goods: Chinese company has a warehouse in Sweden from which it transports goods to consumers living in Finland.

Electronic interfaces (established in or out of the EU) facilitating supplies of goods as a deemed supplier can use the Union scheme for intra-Community distance sales of goods and for certain domestic supplies of goods (European Commission, 2020 p. 36-37). Deemed supplier is a taxable person deemed to receive goods from a supplier and who then supplies them to the final consumer. Deemed supplier and supplier have the same rights and obligations in VAT. (European Commission, 2021i.)

Certain domestic supplies of goods (goods and consumers are in the same Member State) are exceptionally declarable in Union scheme when the electronic interface is a deemed supplier. Taxable person facilitating a marketplace or other electronic interface becomes a deemed supplier when goods of low value (under 150 euros) are supplied to customers in the EU and goods are imported in the EU. Whether the underlying supplier or seller has establishment in the EU is irrelevant. (European Commission, 2020 p. 37.)

Taxable person facilitating electronic interface becomes a deemed supplier also when underlying supplier or seller is not established in the EU and the goods are already in the EU supplied to customers in EU (European Commission, 2020 p. 11-12). For example, an electronic interface (marketplace) has establishment in Finland. Marketplace sells low-valued goods, which are transported from a Finnish warehouse to customers in Finland and Sweden, (domestic and intra-Community distance sales of goods). Marketplace is a deemed supplier and therefore able to use Union scheme.

Whenever a taxable person registers for Union scheme, they must declare and pay VAT for all applicable supplies through the Union scheme (European Commission, 2020 p. 37). This prevents taxable person from deciding to for example to declare the supply of goods in national VAT systems and services in OSS.

5.1.2 Non-Union Scheme

Non-Union scheme is available for taxable persons established outside of the EU. Even if taxable person has registered for VAT for other reasons in EU Member States, it does not prevent taxable persons from using non-Union scheme for B2C-sales. (European Commission, 2020 p. 34.)

As of July 1st, 2021, non-Union scheme covers **all supplies of services** with the place of supply in EU from taxable person to non-taxable persons (European Commission, 2020 p. 34).

If taxable persons decide to use the non-Union scheme, it must be used for all applicable supplies of services in the EU. Services that could be reported using non-Union scheme are for example transport and accommodation services and admission to cultural events. (European Commission, 2020 p. 34.) For example, a Chinese company owns busses and provides transport services in France. Taxable person is established outside of the EU but the place of supply for the service is in the EU.

5.1.3 Import Scheme

The Import scheme or Import One Stop Shop (IOSS) is a new system that replaces the previous exemption targeted for low valued goods. Before July 1st, 2021, no import VAT had to be paid from importing low valued ('10/22-euro rule') commercial goods into the EU. After July 1st, 2021, all imported commercial goods, regardless of their value, are subject to VAT. Existing exempt to the customs duty remains in place, paying customs duty of commercial goods with value of 150 euro and less is not required. (European Commission, 2020 p. 50.)

According to Ludwig De Winter of the European Commission, legislation was changed as the previous VAT exemption favoured non-EU sellers. VAT exemption for low valued goods has been misused, for example value declarations for imported iPhones having 10 euros as the value. It is estimated that the value for non-compliant trade is 25 billion euros. (De Winter, 2021.) According to Finnish Government

proposal, one reason for introducing the import scheme is also to lessen the burden for consumers who are the typical importers of low valued goods (HE 18/2021).

Import Scheme covers supplies of (low-valued) goods dispatched or transported from third countries and territories to customers in the EU. Low valued is determined as an intrinsic value of 150 euros for the whole consignment. (European Commission, 2020 p. 54.) Consignment consists of goods that are packed together and dispatched simultaneously by the same supplier to the same receiver and covered by the same transportation contract (European Commission, 2021i).

Intrinsic value for the consignment of commercial goods is the price of the good itself and possible other taxes and charges. Transporting and insurance costs are excluded from the intrinsic value unless they are included in the price of the good, i.e. not separately mentioned on the invoice. (European Commission, 2020 p. 54-55.)

Import scheme is available for taxable persons established in the EU selling the before-mentioned low valued imported goods. Taxable persons established outside of the EU selling applicable goods to consumers in EU can use the scheme if they are established in a third country with which EU has a VAT mutual assistance agreement. Electronic interfaces as deemed suppliers are included in the scheme users. (European Commission, 2020 p. 55-56.) An example of VAT mutual assistance agreement is an agreement between EU and Norway initiated in 2017 (European Commission, 2021j).

Taxable persons established in third territories (not established in the EU) can use the Import scheme by hiring an intermediary. Taxable person established in the EU can use an intermediary, but it is optional. Intermediary must be established in the EU and is responsible for taking care of VAT obligations on behalf of the taxable person, for example filing VAT returns and paying taxes. (European Commission, 2020 p. 55-56.)

From Customs perspective, when package contains a valid IOSS VAT number, it is exempt of importation VAT and released for free circulation (European Commission, 2020 p. 60). Supplier or electronic interface has collected the VAT from the consumer during the purchase and then its reported and paid to the MSID and MSID forwards

the information and payments to the receiving Member States (European Commission, 2020 p. 54).

5.2 Roles of the EU Member States in OSS

Roles of the Member States in OSS resemble the ones in MOSS. Member State of identification (MSID) in OSS is the Member State in which the taxable person registers for the special scheme. It is the Member State to which taxable person submits VAT returns and pays VAT (Finnish Tax Administration, 2021f).

When Finland is the MSID in the Union scheme, company either has domicile (permanent 'home') or permanent establishment in Finland. In Non-Union scheme company can choose from any of the Member States as they have no establishment in the EU VAT territory. In IOSS, taxable person has domicile or is established in Finland or the intermediary used has establishment in Finland. (Finnish Tax Administration, 2021f.)

Member State of consumption (MSCON) in OSS is the Member State where the goods and services are supplied to consumers. Member State of consumption receives return and payment information from the MSID. MSCON collects unpaid VAT from the taxable person and assesses penalties according to national procedure. (Finnish Tax Administration, 2021f.)

Member State of establishment (MSEST) in OSS is a Member State in Union scheme where taxable person is established but which is not the MSID in relation to the taxable person in question. Member State of establishment is formed if company either has a fixed establishment located in that Member State or the transportation of goods starts from this Member State. (Finnish Tax Administration, 2021f.)

5.3 OSS Process

One Stop Shop process resembles the one of MOSS. OSS is an electronic system and the main components are registration, filing VAT returns and making payments. Whereas the system itself has expanded quite a bit, the process changes are related to the new timetable, correction method and using intermediary. In addition to legislation which gives the process its details, the Standing Committee on Administrative Cooperation (SCAC) has adopted functional and technical specifications (European Commission, 2021e p. 49). SCAC is composed from the officials of national tax administrations and Ministries of Finance and it participates in VAT administrative cooperation, for example in electronic systems such as OSS (European Commission, 2021l).

5.3.1 Registration

Registration for the One Stop Shop and Import One Stop Shop schemes began on April 1st, 2021 on each Member State's web portals. Registration entered force in July 1st, 2021 as using the special schemes began then. (European Commission, 2021k.)

Taxpayers already registered for MOSS in Finland did not need to register again for OSS; registration was transferred to the same scheme in OSS that was used in MOSS. However, registration is necessary if taxpayer starts using IOSS or acts as an intermediary. (Finnish Tax Administration, 2021g.) Registration to Finland is made on MyTax service portal (Finnish Tax Administration, 2021f).

Registration is possible for taxable persons who meet the establishment and supply type rules of each scheme. New import scheme is available for taxable persons who execute distance sales of goods imported from third territories or countries in consignments, which do not exceed the value of 150 euro (European Commission, 2021e p. 14).

Upon registration, taxable persons need to provide the Member State of identification with necessary information electronically. Member State of identification checks the

registration information to ensure that the taxable person can use the scheme they are registering to. (European Commission, 2021e p 15.) Like previously mentioned, taxable person can have only one Member State of identification, Member State must check that the taxable person has not active registration on other Member State.

Once the registration information has been validated and registration completed, information is forwarded to other Member States. Any updates to the registration information, for example an address change is also forwarded to other Member States. (European Commission, 2021e p. 15.)

Taxable person receives the VAT identification number used in each special scheme from the Member State of identification. Like in MOSS, in Union scheme, taxable person uses the same VAT identification number that they have for domestic sales. In the non-Union scheme, Member State of identification gives an individual VAT identification number to the taxable person, format is EUxxxxxyyyyz, like in MOSS. (European Commission, 2021e p. 10.)

In import scheme, the Member State of Identification issues the VAT identification number during the registration for suppliers, electronic interfaces (deemed suppliers) and intermediaries. Electronic interfaces receive a single VAT identification number as it is a deemed supplier, regardless of the number of underlying suppliers. Intermediaries representing suppliers receive separate VAT identification numbers for all suppliers. (European Commission, 2020 p. 57.)

IOSS VAT identification number consists of 12 alphabetical characters (European Commission, 2020 p. 57). VAT identification number for taxpayer is IM-prefixed (for example IM246yyyyyz) and the identification number for the intermediary is IN-prefixed (for example IN246yyyyyz) (Finnish Tax Administration, 2021f).

All issued IOSS VAT identification numbers by EU Member State's tax authorities are made available for all EU customs authorities. Database is not public and the person declaring goods to customs is not able to check whether the VAT identification number

is valid. Customs authorities make the validity check when declaration with IOSS VAT identification number has been received. (European Commission, 2020 p. 59.)

Like in MOSS, taxable persons can leave schemes voluntarily or the Member State of identification can exclude them from a scheme. This applies to intermediaries of import scheme as well. If taxable person or intermediary fails to comply with the rules constantly, they are given a quarantine period during which they are denied from using any of the schemes. (European Commission, 2021e p. 22.)

If taxable person or intermediary wishes to leave a scheme, they need to inform the Member State of identification 15 days prior to the end of the calendar quarter (union and non-union schemes) or the end of the calendar month (import scheme) (European Commission, 2021e p. 22). For example, if taxable person intends to leave a scheme on April 1st, they must inform the MSID at latest on March 15th.

Sometimes taxable persons need to change the MSID because of place of business changes from EU to third country or from third country to EU. When taxable person has been established in the EU and registered for using Union scheme and then moves the business or fixed establishment outside of the EU, they are excluded from the special system. Taxable person then chooses the Member State of identification they wish and register for the non-Union scheme in any Member State as there is no business establishment in the EU. (European Commission, 2021e p. 24.)

If a taxable person established outside of the EU (using import scheme through an intermediary) moves their business establishment to EU and decides to start using import scheme without an intermediary, they must first ask that the intermediary deregisters the taxable person. After the deregistration they can register themselves in the Member State in which they are established in. (European Commission, 2021e p. 26.)

Like in MOSS, sometimes taxable persons are excluded from using the special scheme. Exclusion comes in place when taxable person no longer uses the special scheme: either they notify the tax administration that they have ceased applicable business

activities, or they have not made supplies for eight consecutive tax periods. Taxable persons are excluded if they are not meeting the conditions for using the special scheme, for example when non-Union scheme user gains a business establishment in the EU preventing the use of the non-Union scheme. (European Commission, 2021e p. 27.)

Taxable persons are required to comply with the special system rules. Three reminders of missing returns from three consecutive tax periods and no returns filed in ten days after the reminder has been sent is one example of not complying with the rules and a reason for exclusion. Taxes must be paid in full and taxable persons (or intermediaries) are excluded after three reminders for three consecutive periods after not paying in ten days after the reminder has been sent. Every return must have at least 100 euros worth of unpaid taxes. (European Commission, 2021e p. 27.)

If taxable person is excluded from the import scheme, the VAT identification number is valid for the next two months to help the import of goods supplied before the exclusion. However, if taxable person has been excluded from the system for not complying with the rules, the VAT identification number is not valid beginning from the exclusion date. Intermediary is removed from registers if they have not been active in 6 months, no longer meet the conditions to act as intermediary (intermediary must have business establishment in the EU) or continually fail to comply with rules. (European Commission, 2021e p. 27-28.)

Quarantine period in OSS is a period when a taxable person is denied of using special schemes or intermediary is not able to act on behalf of taxable persons. Quarantine period is applied to taxable person when they have continued to not comply with the rules. Quarantine period is two years following the return period during which they were excluded from the system. Exclusion is applied to all schemes. (European Commission, 2021e p. 31.)

For example, if exclusion decision on import scheme has been made on 12 September 2021, quarantine period for the taxable person is October 1st, 2021 – September 30th, 2023. Quarantine period applied to an intermediary does not stop the taxable person

from using the system, they can either reregister for the scheme with another intermediary or use the scheme themselves if they are established in the EU if they otherwise meet the conditions for using the special scheme (European Commission, 2021e p. 31).

5.3.2 Tax Returns

Registered taxable persons and intermediaries representing them must submit One Stop Shop tax returns electronically. If no applicable sales occurred during the tax period, a 'nil' return must be submitted to the MSID. Tax period in Union and non-Union scheme is the same as in MOSS, a calendar quarter. Tax period in import scheme is one month. (European Commission, 2021e p. 33.)

All schemes have the same due date, return must be submitted by the end of the month following the tax period of the return. When the last day of the month falls on public holiday or weekend, due date is not postponed. (European Commission, 2021e p. 33.) As a reminder, in MOSS, the due date was the 20th day of the month following the end of the tax period.

Due date was changed because gathering information for submitting the return, especially when services are sold from electronic interfaces and the administrator needs to collect data from all individual service providers, takes time (HE 18/2021). Return can be submitted only after the tax period has ended (European Commission, 2021e p. 36).

MSID issues a reminder ten days after the deadline for submitting the return has not been submitted. MSCON has the right to issue charges and penalties from the late submission according to their national procedure. As previously mentioned, not submitting the return according to the rules is a reason for exclusion. (European Commission, 2021e p. 36.)

When Finland acts as the MSCON, late-filing penalty is imposed for returns submitted late. As previously mentioned, late filing penalty is not assessed if correction to

previous tax period is made by the deadline of the next tax period's due date (Act on Assessment Procedure for Self-assessed Taxes, 36(2) §). The amount of the late-filing penalty depends on how late the return was submitted. If return is late for 1 to 45 days, late-filing penalty of 3 euros per day is imposed, maximum amount being 135 euros. If return is late for more than 45 days, late-filing penalty is 135 euros + 2 % of the VAT amount filed late. Maximum penalty is 15 000 euros per tax. Late-filing penalty is also imposed on corrections (tax amount increases) if it is submitted after 45 days of the original returns filing deadline. (Finnish Tax Administration, 2021a.)

VAT Return Information

VAT return includes information of supplies made in each MSCON by the taxable person. MSID splits the return information by each MSCON and transmits the information for the MSCONs electronically. In the Union scheme, sales from possible fixed establishments in another Member State than the Member State of identification must be listed separately. If return contains sales from fixed establishments, it is transmitted also to those Member States. (European Commission, 2021e p. 33.)

Detailed return information is listed in the Commission Implementing Regulation (EU) 2020/194 Annex III. In short, return information must include taxable amount and VAT amount at standard and reduced VAT rates for each MSCON. Required information on the return depends on the special scheme in question, Union scheme return requires more information than non-Union and import. As VAT rates vary between Member States, taxable persons can check the current VAT rate for example from Europe Database's Taxes section. (European Commission, 2021e p. 37.)

If taxable person has deductible VAT from business activities related to OSS, those are not declared on the One Stop Shop VAT return. Only VAT from sales is reported in OSS. VAT from expenses is claimed using Electronic VAT Refund Mechanism. (European Commission, 2021e p. 39.)

In Finland, Finnish taxable persons require refund from another country using MyTax online service portal. Taxable persons established in EU, who want to request refund from Finland, contact their Member State's tax authority and those from outside of the

EU file a paper form and send it to Finnish Tax Administration. (Finnish Tax Administration, 2019b.)

Correction Method

Correction method has changed from MOSS. In MOSS, any corrections on errors detected after submitting the original return were made with a correction return to that same tax period. In OSS (all three schemes) any possible corrections are made with following tax returns (European Commission, 2021e p. 37).

MSID accepts corrections to the VAT returns within three years after the initial return had to be submitted. MSCONs can accept corrections for longer periods according to the national procedure in which case taxable person must contact the MSCON directly. (European Commission, 2021e p. 40.)

Correction information includes the tax period and MSCON it concerns and the total corrected tax amount. Different VAT rates or distinction between goods or services is not included in the correction information. If the total tax amount for one of the MSCONs is negative with the correction, it is not included in the payable VAT amount. (European Commission, 2021e p. 37-38.)

MSCON	Q1 VAT amount	Correction amount for previous tax period	Total payable amount per MSCON
MSCON1	500	-200	300
MSCON2	500	-500	0
MSCON3	500	500	1000
MSCON4	500	-600	0

Figure 3. OSS VAT Return Correction Method.

As pictured in the figure above, correction amount impacts the payable VAT amount. For MSCON1, taxable person has filed 500 for the tax period in question and corrected previous tax period with -200. From this return, the payable amount for MSCON1 is 300. Taxable person has corrected previous period for MSCON2 so much, that there

is no payable VAT from this tax return to MSCON2. Taxable person has also corrected the tax amount for MSCON3 because the correction increases the tax amount, the total payable VAT from this return to MSCON3 is 1000.

For MSCON4, correction amount is more than the VAT amount for the period in question. Payable VAT amount for MSCON4 is 0, but it is worth to notice the negative 100 is not subtracted from the payable amounts to other MSCONs. As said in Commission's OSS guidelines: "Should the balance of one Member State of consumption be negative, it will not be taken into account for the total amount of VAT due in any of the other Member States of consumption and does therefore not reduce the overall amount of VAT to be paid." (European Commission, 2021e p. 38.)

Tax amount for tax period together with corrections can never be negative (European Commission, 2021e p. 42). For example, Q1 for MSCON1 has tax amount of 500. Q2 has tax for MSCON1 200 + negative correction of 300 for Q1. While the tax amount for MSCON1's Q2 tax return is negative ($200 - 300 = -100$), tax amount for Q1 is not ($500 - 300 = 200$). Tax amounts for both tax periods Q1 and Q2 are 200.

Correction method was changed as it has become obvious that submitting multiple correction returns quarterly is a heavy burden for the taxable persons (HE 18/2021). For example, in MOSS, correcting three tax periods would need three correction returns. In OSS, corrections can be made with the one and same "normal" return that they would submit anyway.

5.3.3 Payments and Collection

Taxable persons pay the taxes reported in the filed VAT returns to the Member State of identification. MSID then distributes the payments to the MSCONs. Payment always refers to the relevant VAT return, MSID can for example give a return specific reference number to the taxable person for making the payment (European Commission, 2021e p. 44).

Payment is due when filing the return is due. Payment should be made when return is submitted but at latest by the due date, last day of the month following the end of the tax period in question. Payment is considered being made only when it has reached the MSID's bank account. (European Commission, 2021e p. 44.)

To avoid late payment interests and other possible sanctions, taxable persons should take into consideration that especially with international payments, it can take up to several days for the payment to reach the MSID's bank account.

Tax must be paid in full. Like in MOSS, in OSS the MSID will also send an electronic reminder on the tenth day after the payment was due if it has not been paid in full. Like previously mentioned, not paying according to the rules is a potential reason for exclusion. (European Commission, 2021e p. 44.)

Like in MOSS, if taxable persons fail to pay after receiving electronic reminder from the MSID, MSCON takes control over reminding and collecting the missing VAT payment. After MSCON has taken over the collection (has send a reminder to the taxable person and informed MSID about it) taxable person can no longer pay the debt to MSID or if they still pay, MSID will not transmit it to MSCON. Payment must be made directly to MSCON. (European Commission, 2021e p. 45.)

As previously mentioned, MSCON can impose penalties and sanctions according to national legislation and procedure. These late-filing penalties or late payment interests must be paid directly to the MSCON. (European Commission, 2021e p. 45.)

Correction Method and Payments

In OSS, tax returns are corrected with subsequent tax returns (European Commission, 2021e p. 40). For example, if an error is detected on tax period Q1's return while return for Q3 should be submitted, the corrected information is entered to the Q3 return as correction information. This impacts payments as well.

In the figure below, taxable person has corrected the tax amount from previous tax period for MSCON1. Total payable amount for MSCON1 with this return is 1000 as

it is "the balance of supplies carried out this tax period and corrections from previous periods". (European Commission, 2021e p. 40)

MSCON	Q1 amount	VAT Correction amount for previous period	Total payable amount per MSCON
MSCON1	500	500	1000
MSCON2	500	-200	300
MSCON3	100	-200	0

Figure 4. Correction Method and Payments

With the new correction method, current tax period's supplies and corrections are set off against each other per Member State of consumption (European Commission, 2021e p. 40.) For this reason payable amount for MSCON2 with this return is 300. If the payable amount to one MSCON is negative, it is not set off against other MSCONs payable taxes (European Commission, 2021e p. 40). Payable amount to MSCON3 is negative and if taxable person has paid the taxes now being corrected, MSCON refunds the overpaid amount to the taxable person (European Commission, 2021e p. 41).

Total tax amount from the tax period is 1100, however the total payable amount together with corrections is 1300. After the return is filed, MSID provides a unique reference number allocated to this tax return and taxable person makes the payment with it (European Commission, 2021e p. 44). MSID transmits the return and payment information to the MSCONs.

After receiving this information, MSCON validates it and continues to reimburse any overpayments. If taxable person has not made the payment on time and MSCON1 has started to collect the taxes of this tax return, taxable person can only pay to MSCON2 with this return. Taxes to MSCON1 must be paid directly to MSCON1. (European Commission, 2021e p. 45.)

In MOSS, one return only contained information for one tax period and similarly one payment allocated to specific tax return only contained payments for one tax period.

Because of the changed correction method in OSS, one payment can include several tax periods and applying the received payment for taxes is different.

When Finland is MSCON in relation to the taxable person, payments transmitted to Finland by MSID's are first used to cover the taxes mentioned on the payment-specific tax return from the earliest to the latest due date. (Finnish Tax Administration, 2021h.)

For example, Q4 tax return includes taxes for Q2 and Q4. Q2 due date was on 31.7. and Q4's on 31.1. next year. Payment is first used for the taxes of Q2 and then Q4. Late payment interest is calculated for any payments made after the due date, which means that for the correction made to Q2, late payment interest is calculated from August 1st and it should be paid to Finland directly.

If there's payment left to be applied after all the tax periods mentioned in the return related to the payment are paid, payment is used for all taxes of the same special scheme from earliest to latest due date, regardless of have the taxes fallen due yet. If there's payment left to be applied after the same special scheme's taxes are paid in full, payment is applied towards any other overdue taxes and receivables of Finnish Tax Administration. (Finnish Tax Administration, 2021h.) It should be noticed, that MSID cannot transmit more to the MSCONs than what is in the tax return, so it is not common that the payment would exceed the taxes of the special scheme.

Collection

Like previously mentioned, if taxable person does not pay the taxes, MSID sends them a payment reminder and MSCON takes over the collection. MSID only receives returns and payments and transmits them to MSCONs. MSID cannot offer payment plans or other payment arrangements OSS taxes. (European Commission, 2021e p. 44.)

When Finland as the Member State of consumption begins to recover unpaid taxes, first step is a reminder send by the Finnish Tax Administration. Reminder is part of a summary document and it includes information for making the necessary payment.

Summary is sent to taxable person or intermediary representing one. (Finnish Tax Administration, 2021h.)

After Finnish Tax Administration has given the change to pay the past due debt, taxes are reassigned to recovery process for enforcement authorities. Finnish Tax Administration can make a request for international administrative assistance. As MSCON, Finland can offer payment plans if other conditions are met, for example all required tax returns have been submitted. (Finnish Tax Administration, 2021h.) When taxable person is represented by an intermediary, recovery measures are targeted towards the intermediary established in the EU. Intermediary and the taxable person represented by one are both responsible for paying taxes. (HE 18/2021)

6 BACKGROUND, IMPACT & FUTURE

6.1 Background for OSS Development

As presented in the previous chapters, the expansion of Mini One Stop Shop to One Stop Shop is a part of the latest updates to the common VAT system of the European Union. What started out in 2015 as the special scheme for declaring and paying taxes from telecommunication, broadcasting and electronically supplied services to consumers located in different Member States than in which company has establishment (MOSS) has in 2021 expanded to OSS, covering more services, intra-Community distance sales of goods and a new scheme for declaring imported low-valued goods from third territories (IOSS). Legislation and regulation have been extended to cover transactions via electronic interfaces, for example marketplaces, and situations in which the electronic interface operator becomes a deemed supplier with more VAT related obligations.

European Commission is committed to ensure the free movement of goods and services, including individuals and businesses to seamlessly carry out online activities in fair competition. It is recognized by the European Commission, that modernizing VAT on cross-border e-commerce is an ongoing process and MOSS was one of the first steps taken. (European Commission, 2016b p. 7.)

Commission has analyzed the implementation of MOSS in 2016. It was found that MOSS was a significant milestone in EU taxation as for the first time Member States collected taxes on behalf of each other's. Other positive results included significant reduction in costs when compared to direct registration and payment and overall satisfaction of businesses and tax authorities on the implemented system. (European Commission, 2016b p. 8-9.) More interestingly, analysis also includes areas for improvement.

It was recognized that microbusinesses had difficulties to operate according to the MOSS rules due to lack of applicable thresholds for small businesses. Correction method (separate new corrective return for each period) and potential multiple audits concerned taxable persons. Record-keeping and invoicing rules were also mentioned as areas to be improved later. (European Commission, 2016b p. 9.)

These were the findings after the implementation was analyzed shortly after it came into force. While unifying the EU's common VAT system is a long-time goal, VAT system has been modernized based on other influences as well. As previously mentioned, Commission's De Winter mentioned in his presentation how the pre-July 2021 existed exemption of VAT for low-valued imported goods was used intentionally wrong causing losses of tax revenue and unfair competitive situation for EU's internal market. (De Winter, 2021.)

Findings mentioned in the Council Directive (EU) 2017/2455 are the too short time-limit for submitting the return and hence the due date was in OSS changed from 20th to last of the month (Council Directive (EU) 2017/2455, Whereas 4). Council Directive takes into consideration also the explosive growth of e-commerce and distance sales of goods from one Member State to other and from third territories and the realized

need to protect the tax revenues of the Member States (Council Directive (EU) Whereas 6).

As majority of distance sales of goods realize through electronic interfaces, to efficiently collect VAT, it has become clear that those who facilitate electronic interfaces can be held as accountable 'deemed' for declaring taxes (Council Directive (EU) Whereas 7). Removing the before mentioned exemption of VAT for low-valued imported goods is made to avoid distortion of competition and to avoid losses of tax revenues (Council Directive (EU) Whereas 11).

To summarize, expansion to OSS is part of a EU's long-time goals related to the common VAT system. While OSS is a one step further into single VAT registration, it simultaneously responds to recent findings, how e-commerce has exploded and tax revenues to Member States were suffering from competitive advantage provided to outside of the Community with VAT exemption granted for low-valued goods. OSS is also a way to repair problems raised in MOSS, such as the too tight timetable.

6.2 Impact for Stakeholders

Taxable Persons

Introducing IOSS is a remarkable change that requires adaptation from companies selling low-valued goods to consumers in the EU. One of the previously mentioned reasons for creating the import scheme is the tax revenue missed and how companies have used the VAT exemption wrongfully. The IOSS scheme itself is not the answer for declaring the imported goods with wrong values, but at least VAT is collected even from potentially wrong values whenever the value of the consignment is below 150 euros. As VAT is a tax always collected from the buyer, there should be no incentive for the seller to not use the correct values.

If taxable person from third territory selling low-valued goods to EU registers for IOSS, they are required to add VAT to the price. What impact this could have is that the competitive situation between sellers registered to IOSS and sellers in EU could become closer to even, but if other sellers do not register for the system, the

competitive situation between the two importing sellers could change. At first many consumers are still not aware of the new rules and potentially do not understand which one of the identical goods is cheaper or at least easier from the consumers viewpoint to purchase and probably faster to receive as customs releases the package with a valid IOSS number.

For example, taxable person A sells phone cases for 10 euros. Taxable person B sells phone cases for 10 euros + VAT of the place of supply. Consumer might not understand that A and B are eventually the same price, difference is that most likely consumer receives B's product earlier as it is processed faster in Customs.

As IOSS is applied to sales which are transported from outside of the EU VAT territory to the Member State in which the consumer is located, one way around the system is to have an establishment in the EU, for example a warehouse, from which the goods are then transported to consumers. This is a side-effect of Brexit as well, for example a major British retail store ASOS ships nowadays all sales to EU from their EU-based warehouses eliminating the customers from paying surprise customs duties or import taxes (ASOS, 2021). By having a Member State of establishment, taxable persons shipping goods from the establishment location can use the Union scheme.

Changes in VAT system also reflect on the daily routines of accounting firms and accounting software businesses. Implementing required changes into taxation software requires remarkable resources and time as it should be noted that private accounting software requires similar development to meet the new demands.

Whilst OSS is electronic system and tax authorities provide necessary e-platforms (MyTax in Finland) for operating in the system, many taxable persons use highly automated accounting software and want to use the one and same application for all reporting duties. Software developers and accounting software firms take on a lot of the responsibility when they offer programs which need to meet the requirements of the taxation system.

For example, MyCashFlow-application for online stores has updated their software to fit the new rules, taxable persons can use a setting which uses the right Member State specific value-added tax rate according the place of supply of the order in question (MyCashFlow, 2021). According to Grönfors, Visma's online store application has been updated to use the VAT rate of the Member State of supply if the consumer is a non-taxable person (Grönfors, 2021).

Consumers

Finnish Commerce Federation also estimates that VAT exemption has caused annual loss of 40-50 million euros in tax revenues to Finland (Vanhala, 2021). Whilst it is too early to estimate how removing the VAT exemption or introducing IOSS has impacted purchases, it could be argued that besides the potentially raised prices, what affects purchase amounts is, how well the change has been communicated to consumers.

If consumers feel that declaring goods in customs is intimidating or are unaware of IOSS, it could increase domestic or intra-Community distance sales while reducing purchases from third territories. Previously mentioned difficulty in comparing identical goods to make 'better' purchase could also make buying from EU more attractive even with a bigger price tag.

Member States

For Member States and their responsible authorities (tax administrations and customs), the changes on EU legislation directly cause a demand for changing national legislation and procedure. As OSS is a computerized system with electronic registration, return and payment details, it requires technical development as tax authorities are responsible for offering the electronic platforms on time. Preparation for new tax collection system takes time and resources and changing legislation and doing technical development is not nearly enough to begin using a new system.

Improving and adapting the technical systems only gives the officials working software. Another important part of successfully implementing the new rules is educating taxpayers and officials. Officials must know the new system and legislation better than the taxable persons to be able to give high quality advice on the subject and to over-all handle taxation accordingly.

Important part of educating the taxpayers is communication. One of the responsibilities of officials is to comprehensively communicate, in advance, all coming changes so that the taxpayers have time to adapt to the new rules. Good instructions are a key part of a successful communication and officials should aim to give out information which answers to taxpayers' questions without having to use their resources to contact the officials otherwise.

IOSS changes the importation of low-valued goods and puts Customs into a demanding position as the expected amount of declarable shipments has been expected to increase. Finnish Customs estimate that the number of declarable items will rise from annual 250 000 to 10 million (Närhi, 2021). Remarkable increase prolongs the processing times and new rules can result in an increase of customer contacts.

For Tax Administration the direct impact to Finnish consumers is not as significant as it is to Customs. Finnish taxpayers who have registered in the system can have some difficulties adapting to the new rules, which can result in increasing of incoming questions from the taxpayers. Tax administration's challenges are more likely technical, as implementing a new highly automated system at the same time with all Member States can result in some difficulties, and tax control quality related as something unexpected can raise from the new system.

OSS itself can significantly increase the amounts of taxpayers who register and start using the system. Estimates of how much there will be taxable persons in Finland using the system might be wrong and scenarios classified as unlikely can occur. Agile reaction is necessary in the adaptation process as tax administration is responsible for making sure that taxable persons act according to the rules and internal control must be adjusted to cover the new situations. Adaptation impacts taxation processes and how resources are used.

Some adaptation is also required because of the new correction method. As previously presented in OSS, corrections are no longer made to the tax period they belong to. If taxable person realizes while filling the return for Q1/2022 that they have calculation

error on Q4/2021, they make the correction with the Q1/2022 return. They fill in tax period to which the correction belongs to and the corrective amount. To be noted, only the corrected amount is entered, not the VAT rate or the amount from which the tax has been calculated. In my opinion this has an impact on the quality of received information. Most sales are made using the standard VAT rate, but extended coverage of the OSS enables using reduced VAT rates as well. If tax return before correction has two different tax rates, after correction it is difficult to know which one was corrected. This could increase the needed tax control and audits over questionable numbers.

New rules can raise situations which no-one has even thought about and trying to recognize the new phenomena is essential for understanding them. Good source for finding new trends is closely analyze internal actions and information provided by the electronic system.

On a Member State level, one viewpoint on how the change affects Member States and what adaptation it needs is the tax revenue they will receive because of the changes. New threshold for small companies means that the Member State in which the taxable person is established receives tax revenue that would otherwise been divided between Member States. Another important factor to tax revenue is how VAT is collected with IOSS and after the ceased VAT exemption.

Like previously mentioned, Finnish Commerce Federation estimated that 40 to 50 million euros worth of tax revenue was lost because of the previous system (Vanhala, 2021). It is impossible to predict how much taxes will be collected but certainly tax revenue will increase if consumers keep purchasing, either from domestic market, EU or from third territories. The increase tax revenue impacts State's budget.

To summarize, the expansion to OSS begins adapting existing legislation and software to fit the new requirements. Important part of adaptation is helping government officials, taxpayers and consumers adopt the new rules via comprehensive communication and education. New schemes can bring out unpredicted situations, which should be taken under control by government officials' agile reaction and

situation analysis. Financial impact is yet to be known, but common sense dictates it will increase the tax revenue.

6.3 Future of EU VAT

European Commission will introduce in 2022 ‘VAT in the Digital Age’ package, which includes future steps to a single VAT registration in the EU, further extensions to OSS, modernizing of VAT reporting obligations and e-invoicing and adapting VAT for platform economy. This is one of the 25 initiatives (taken by 2024) that the European Commission will take to make taxation simpler, fairer, and better suited for modern technologies. (De Winter, 2021.)

According to De Winter’s presentation, taking steps toward single VAT registration in the EU means that OSS could be extended to cover B2C transactions (business to consumers) even further or a targeted use of reverse charge could be introduced to B2B (business to business) transactions. Ideally, taxable person should be able to report all sales to consumers in the EU with one single VAT return submitted to their Member State of establishment. (De Winter, 2021.)

If reporting VAT in the EU could be done with a single return to a familiar tax authority, it could help raise tax compliance as ‘acting right’ would be easy. Probably most of regular consumers do not think about how and where VAT is paid from their purchases, but due to different VAT rates in Member States, prices could be affected. For example, if consumer has previously both something from a Member State with lower VAT rate and after the change it is taxed according to the consumers home Member State, price could be affected.

For the Member States, changing VAT system requires implementing new rules to national legislation. For local tax authorities, every change requires updating or creating new taxation software, procedure, and instructions. One major challenge is and would be the cooperation between all Member States. In a system where one Member State receives information and forwards it to others, there a plenty of opportunities for something to go wrong to be misinterpreted. In my opinion,

expanding the common VAT system would require flexible and prompt cooperation tools and internal control over it.

Making IOSS obligatory while removing the threshold of 150 euros is also an option for pushing towards single VAT registration (De Winter, 2021). This change would affect customs as all sales to consumers would then be checked for valid IOSS number and then released to free circulation and customs would handle other importation. Obligatory registration would affect the previously mentioned competitive situation between two taxable persons as the one who previously sold the same good ‘cheaper’ (without VAT) would have to adapt their pricing.

One part of the ‘VAT in Digital Age’ package is modernizing reporting obligations. This means using new technology to obtain detailed information on transactions quicker (even real-time) and better. Possible expanding the use of e-invoicing could be considered. (De Winter, 2021.) What I read between the lines is that even small enterprises should take their accounting and billing from papers and maps to software. For those companies which already take part in e-businesses, these requirements are probably already met but it is a challenge for those microbusinesses that are still using paper. Tax authorities have a remarkable role and even a responsibility to offer services that help taxable persons fulfil their obligations the easiest way possible.

Platform economies rapid development needs consideration from VAT perspective. ‘VAT in Digital Age’ package suggests some clarification and legal certainty is needed to determine what are the roles of the actors in the platform economies (De Winter, 2021). According to Järvikare of Ministry of Finance, we have the necessary legislation to assess taxes to the incomes received via platform economies, but tax authorities have hard time to find out who are the people and organizations receiving the income from these platforms (Järvikare, 2019). Airbnb is a great example of platform economy; how can it be made sure that private individuals report their income to tax authorities?

According to Järvikare, tax authorities would receive the necessary information if it was made obligatory for the platforms to give this information automatically.

Obligations are hard to reach over to platforms working from outside of EU as there is no comprehensive legislation. (Järvikare, 2019.) It could be argued that tax compliance in platform economies is too much dependent on the willingness of taxpayers to act accordingly. Supervising incoming payments to individuals bank accounts would probably be problematic and with cryptocurrencies and other existing payment mechanics, it would not provide sufficient information on the incomes not reported.

7 RESEARCH METHODOLOGY

As the purpose of this study is to analyze the expansion of the Mini One Stop Shop to One Stop Shop and its impact, a starting point for this research was to begin from the legislation and practical guidelines to reach deep understanding of the change. To reach a deeper level of finding out the meaning for different parties, Finnish Tax Administration specialists were interviewed.

According to Hirvonen, legal research does not have exact research methods like natural sciences, and it does not need one as legal research's "truth" is not comparable to one in natural sciences (Hirvonen, 2011, p. 53). To reach the objectives, this study was conducted as a qualitative empirical legal research, mix of doctrinal legal research, source-of-law research, and empirical juristic research.

Qualitative study is not a research method for a specific field of science or one specific way of doing research. Focus of qualitative research is in the meanings of the subject phenomena. (Saaranen-Kauppinen & Puusniekka 2006.) In qualitative research method, a narrow subject is widely researched to gain comprehensive understanding of the subject (Ojasalo et al., 2014 p. 104). In this study the subject is One Stop Shop and its meaning for different stakeholders.

Doctrinal legal research is one of the key research fields of law and its focus is on effectual legislation which is researched with interpretive methods (Helsingin

yliopiston avoin yliopisto, 2021). According to Hirvonen, doctrinal legal research answers questions of what the effectual legislation is and what is the meaning of laws and other legal material. Doctrinal legal research interprets and systematizes legislation. (Hirvonen, 2011, p. 22-23.) Different interpretation methods include for example literal interpretation (what legal norm means if interpreted literally), systematic interpretation (interpretation depends on the whole system of norms) and historic interpretation (what was pursued with the legal norm) (Hirvonen, 2011, p. 38-39).

As doctrinal legal research focuses on what is effectual legislation and uses interpretive method, legislation and other legislation-based material is gathered and interpreted. Relevant and effective legislation around the VAT special system is presented in this thesis. Interpretation was made as literal interpretation - what is the practical meaning of the legal norm in question.

Source-of-law research method's focus is to study what are the correct or approved legal sources and their internal hierarchy (Eduskunta, 2021). Legal sources have been categorized into strongly binding, weakly binding and approved sources (Hirvonen 2011, p. 43). In Finland strongly binding sources are law and established customs. Weakly binding sources include legislative drafts and court decisions. Approved sources are law (as science), principles of law, moral and realistic arguments. (Hirvonen, 2011, p. 43.) Law as strongly binding legal source has internal hierarchy, which comes from the constitution, however, Finland has recognized the supremacy of EU law (Raitio, 2012, p. 3).

In this study strongly binding legal sources used is the EU and national legislation presented. Weakly binding legal source is the legislative draft Government Proposal HE 18/2021. European Commission's guidelines and explicatory notes could be categorized in my opinion as approved legal sources as they offer one interpretation of the law and its intended use. Other legislative sources that could be used in a study which researches the changes and meanings of legislation are legal literature and cases. Such sources are not yet available for the subject phenomenon.

EU legislation has an important role in this study for two additional reasons. First, One Stop Shop is part of European Union's common VAT system and therefore there is a natural European law perspective to this study. Secondly, I started this study in the beginning of this year, while the national legislation was still being prepared, and therefore the focus point is in the EU VAT directive.

For research to be empirical juristic research, the subject must be legal phenomena which is researched using empirical methods to collect and analyze experience-based data (Keinänen & Väättänen, 2015 p. 3). According to Lindfors, empirical juristic research answers questions of how different provisions, procedures, institutes, or persons act and what kind of impact those have in the world (Lindfors, 2014 p. 77). Chosen empirical data collection method in this study is theme interview.

According to Puusa, Juuti and Aaltio, in theme interviews it is seen that everything the interviewees has experienced impacts their subjective view on the research matter. To conclude a meaningful theme interview, interviewees must have experienced the subject phenomena and researcher should have closely familiarized themselves with the matter to understand the entity and to be able to 'speak the same language' with the participants. Even though theme interview is informal and open interview method, themes of the interview are often closely related to the theoretical framework of the study. Researcher prepares an interview frame which guides the discussion to stay in the field of the research subject. Theme interview is often seen as a demanding interview method due to in depth understanding it demands from the researcher. (Puusa, Juuti & Aaltio, 2020 p. 107-109.)

7.1 Interviews

To have valid conclusions for this study, I conducted four interviews with Finnish Tax Administration's One Stop Shop specialists. Their expertise covers the whole range of the new system: from legislation to technical and practical expertise and from different perspectives. Participants have several years of experience with VAT special system and all have participated in the preparations of the new One Stop Shop.

Interviews were held one-on-one via Teams in Finnish as it is the common language for all participants. Interviews were held during October 2021 which was the latest possible moment timing-wise for this study, which enabled the interviewees to have as much experiences with the new system as possible.

As taxation matters, such as processes, controls, customer information and cases are highly confidential, interviews are not discussed in detail in this thesis, focal point is kept in the most important findings. Interviews were not recorded to avoid collecting confidential data. Instead, short notes were written during the discussion as it cleared the possibility of misunderstanding. Interviewees were able to review the notes during the interview. Directly after the interviews were held, short notes were written out with fresh recollection of the discussion.

Interviews were conducted as theme interviews, which enabled the discussion to take turns not anticipated thus potentially revealing something that writer had not predicted. Questions were divided into five themes as evident from the Appendix of this study. First theme, "Preparations for new taxation system", covered the topic of preparing for new taxation system: what are important factors to successfully implement new legislation and taxation system. I was also interested especially how preparations are impacted by the fact that OSS is EU wide system, what kind of aspects it brings when taxpayers are from abroad.

Second theme, "Supporting tax compliance", focused on what tax administration can do to support tax compliance and especially from OSS perspective. Important part of tax compliance is how easy it is to 'act right' and I was interested to find out what more could be done especially from legislation and technical implementations viewpoint. Common sense suggests that if there are enough of guidance and instructions easily available, those should impact the willingness and easiness of acting right - this was also one of the topics discussed in the interviews.

One purpose of this study is to better understand why this change was made and what's its impact. Third theme, "Pros and Cons", revolved around this topic: what are the

overall pros and cons of the system. In the interviews we discussed in more depth what are the impacts on taxpayers, consumers, and other stakeholders such as EU member state's tax administrations. Though timing-wise it is too early to analyze how the overall extension has impacted, I felt it was important to discuss where we are now standing as import scheme has been running for couple of months and the first tax period of Union and non-Union scheme has ended. Theme four, "Lessons learned", concentrated on these questions.

As the expansion to OSS is one step towards truly common EU VAT system, I felt curious to find out how OSS specialist see the distant future, if there is something that should be considered already or maybe following uprising phenomena could give some hints of the future of VAT in EU. This was the last theme of the interview, "Future of VAT".

7.2 Data Collection

As previously mentioned, data from the interviews was collected during the interviews with short notes, which the participant was able to read during the interview to ensure common comprehension of what was discussed. After the interview, the short notes were written out with fresh recollection of the discussion. After all interviews had been held, answers were color-coded and combined into one document under themes, which enabled simultaneous interpretation.

Very first impression from the combined answers was, that the experiences of the interviewee clearly showed in the answers. As the specialists interviewed have different perspectives to the subject and different experiences with it, the background of the participant reflected to the answer. For example, specialist, whose experience is above all technical and practical, pointed out, that preparing for new taxation system requires vast technical development and testing.

8 ADAPTATION TO NEW EU VAT RULES

8.1 Preparing for New Taxation System

To find out what kind of adaption is required from tax administration in commissioning a new taxation system, four Finnish Tax Administrations specialists were interviewed for this study.

Preparations for implementing new taxation system requires immense amount of work and different factors to take into consideration. Based on the interviews, preparation could be sectioned into pre-preparation, legal preparation, technical preparation, and aftercare. Preparation was commonly recognized as important in all held interviews.

One interviewee pointed out, that before any major change is decided on, it is important to carefully consider the potential impact and related strengths, weaknesses, opportunities, and threats (SWOT analysis). She also felt that it is important to phase out the change and decide what will be concretely done. Important part of taking over the new system in her opinion was also resourcing, it should be part of the planning phase as any later actions require those resources.

In one of the interviews it was discussed that especially when planning for new taxation system, the result should always be efficient, meaning high level of automation and decreased need for manual labor. Interviewee also pointed out that efficiency should show to the customers (taxpayers) as less red tape and better services, such as MyTax.

From technical perspective it was agreed on that testing is vital. With testing it is meant, that when technical development (coding) is done the results are tested by end-users, practical experts, those who know best how the system should work. New software should technically work (no bugs) but also work business-wise, meaning according to set rules and legislation.

Preparations should also include training and communications as it is Tax Administration's obligation to provide taxpayers with guidance and written instructions. Internal education was also mentioned as very important - officers need to be familiarized with the changes to ensure high quality customer service.

Cooperation with third parties was also seen as important. Tax Administration has the responsibility to communicate changes beforehand, to give adjustment time for example for private software developers (for example to update accounting software.) Part of the preparations are seminars hosted by the tax administration in which accountants, taxpayers and software developing agencies can ask questions.

In one of the interviews it was discussed in more detail what kind of cooperation is needed in a project like this. There is cooperation with the beforementioned private software developers, Tax Administration's own operators, interest groups, banks and other government agencies, such as Customs, Enforcement, State Treasury, Finance Finland and other ministries.

As these development projects start with planning and a setting goals, it was mentioned that it is important to follow up during and after the development process. This should be obvious part of any project.

One interviewee also pointed out that one important factor in European Union level development is consensus among Member States. Common taxation system has rules that should be interpreted alike in all Member States to avoid issues.

While discussing the ideal preparations for new systems, we discussed whether our tax administration had prepared for this expansion according to the ideal. Common opinion was that we have done our best to implement the new system; we have prepared, build, and tested the new system. Guidance, instructions, and training has been offered.

One interviewee pointed out, that even as we have tried to prepare ourselves for all abnormalities we could have thought of, it is still very much possible that the new

system brings out something we are unprepared for. For this reason, it is still important to follow up and make sure we are ready to act when needed.

In one of the interviews we discussed in more detail what kind of actions implementing OSS has taken. Definitions of what was wanted from OSS were prepared in 2018. As legislation then did not cover the coming rules, it was clarified what should be added to legislation both EU and national level. Tax Administration's own rules and requirements (used for technical development) have been made. There has been cooperation with the Ministry of Finance and between Member States in workshops. Technical development is important part of the implementation and developing OSS also required Commission-level testing. Commission testing was made to ensure the electronic transmitting of information works.

8.2 Lessons Learned

Whilst it is quite early after the new system has been taken over, I wanted to discuss the lessons learned thus far. What have been the challenges and are there positive outcomes that could be recognized already?

Common theme in the interviews related to this subject was that there have been challenges. To some of them we were prepared for but unfortunately not for everything. Without going too much into detail, most of the challenges are related into fitting EU taxation system together with national system. One interviewee described them as 'two puzzle pieces which do not fit together perfectly'. This has been a theme from the start of the expansion, from legislative preparation to system requirement discussions.

One of the interviewees had excellent examples of difficulties in fitting OSS into national procedures. He stated that OSS has brought new elements that have not been part of Finnish taxation. For example, intermediary's role (someone jointly responsible for other persons taxes) is difficult for Finnish legislation and technical aspects of the taxation software. Another difficulty mentioned was how the information from other Member States is received, as according to rules there are different ways to execute

the electronic sending. For example, taxation software must be able to receive payment information even if tax return information has not been received first. From a legislative point of view, fitting national sanctions, payment usage (correction method change: one payment covers more than one tax period's taxes) and set offs (refunds used for past due unpaid taxes) with the system was difficult.

There has been also challenges in communication and overall interpretation of the common rules, execution varies between Member States. Cooperation with other Member States and Commission has its own challenges - one interviewee mentioned that in problem situations it is sometimes hard to reach the colleagues from other Member States. One person believed that simply updating all Member States current contact information could help resolve some of the issues.

Couple of the interview participants mentioned that it would be beneficial if the Commission took a bigger role in 'supervising' the Member States. Legislation makes it possible and it would be sometimes useful if Commission reminded all Member States of the common rules and practices. One of the interviewees also mentioned that despite the need for a closer supervision, Commission organizes workshops which are especially helpful. Those workshops are often a place where demanding problems are recognized, discussed, and solved together.

As OSS is the expansion to MOSS, it has from time to time shaken the technical solidity of the old system. However, the overall feeling is positive - implementation has happened quite smoothly and challenges have been overcome.

Bringing out challenges when implementing a new system is much easier than finding out the positive outcomes as early in the process. Challenges usually rise in the beginning and positive outcomes can be seen much later. Fortunately, the interviewees did recognize positive outcomes even though we still have no numerical data publicly available.

Number one positive outcome mentioned was that Finland has been successful in the implementation process despite of the challenges faced. There is a resilience and proof

that we have developed a system that reaches the objectives given in legislation. Finnish taxpayers have found the new import scheme and have successfully used it. From employee perspective, there is a good spirit among officers who work with OSS and great teamwork.

8.3 Pros and Cons

As mentioned before as part of the preparations for the new system, interviewees agreed that careful planning is necessary for successful commissioning of a new system. Besides of setting goals, it is important to understand the impacts the new system will have on different stakeholders.

Combined with the before-mentioned encouragement to tax compliance, from tax administration's perspective it is important to understand the effect especially on tax administration itself but as well for the taxpayers.

Common consensus based on the interviews was that using OSS is useful and benefits taxpayers, consumers as well as governments and government officials. In one of the interviews the conclusion was reached that OSS can be seen even as an environmental act as it could potentially impact emissions if consumer in the future buy more from EU, closer to home. However, usually it is mostly recognized that OSS has financial and bureaucratic benefits.

Taxable persons

It was recognized in all interviews that less bureaucracy is truly the benefit of OSS as well as the financial value of using the system. According to De Winter, cross-border VAT obligations cost roughly 8000 euros per Member State annually (De Winter, 2021). Besides the financial benefits, it was mentioned in the interviews that the possibility to register in one's own country with one's own language using the same tools as with other taxation matters is a remarkable bonus.

In one of the interviews it was discussed that taxable persons also benefit from the coherence the system provides in value-added taxation in Member States. One Stop

Shop is the same for all users as there is no minimum limit for using the system and using it is still voluntary.

New correction method was also seen as a 'pro' for the taxable persons. Corrections to multiple Member States and multiple tax periods can be made with the one and the same tax return the taxable person would submit anyway.

As tax administration's officers the cons of the system from taxable persons perspective were hard to think of. It was recognized that when everything is done according to the rules, using the system is easy. But if there are problems, the bigger picture is shattered as solving potential issues is not done with the MSID. Of course, MSID can offer guidance and assistance, but often solving the issues requires the taxable person to contact the MSCON or in worst case all 26 MSCONs to correct the issue.

Consumers

As the interviews were held with taxation specialists, opinions regarding the pros and cons of consumers was discussed from taxation's perspective. In most of the interviews it was mentioned that One Stop Shop has general benefits for non-taxable persons, consumers, in the form of equal taxation and increased tax revenues. In couple of the interviews the conclusion was met that OSS providers enlightened consumers a way to make sure they have paid their taxes, a clear conscience.

During the discussions potential increases in prices came up as a potential con impacting consumer. According to Finnish Commerce Federation, Finnish people used over 860 million euros on online stores located outside of EU in 2019 and most of those purchases were made from China (590 million euros). Finnish Commerce Federation anticipates that removing VAT exemption on these low-valued goods could impact the decrease the amount of purchases made outside of EU. (Vanhala, 2021.)

Member States

When the pros of the One Stop Shop system in relation to the European Union, Member States and Government officials are evaluated, the most important factor that

came up the interviews was that especially the import scheme increases tax revenues. As previously mentioned, estimated losses of tax revenues was one of the reasons for change and ceasing the previously existed VAT exception granted for low-valued imported goods.

Negative features of the system were also discussed in the interviews. From tax administration's perspective, new rules, especially the new correction method, potentially increases the need for manual labour as taxpayers must be contacted more for tax control reasons. EU wide system is also heavy to build and upkeep.

International aspect was considered a risk in the interviews as mis usage is more difficult to uncover when taxpayer is beyond State's borders. Beforementioned interpretation differences regarding common rules was also mentioned as a con for the Member States.

8.4 Supporting Tax Compliance

According to Finnish Tax Administration strategy for years 2019 – 2024, tax administration's mission is "to collect right amount of taxes at the right time to fund public services." (Finnish Tax Administration, 2021k.) One part of supporting tax compliance (taxpayers want to act right) is to make it as easy as possible. Tax compliance increases the amount of collected taxes while reducing tax gap.

In the interviews we discussed especially from OSS perspective, what could be done to increase tax compliance. First reaction for all participants was that of course there is something more that could be done.

Couple of the interviewees pointed out the importance of the beginning: goal should be that taxpayers act correctly from the start as it decreases the need for corrections later. From OSS perspective, one interviewee said that it even as OSS is a special system, its mission is to collect value-added taxes and similar means could be expanded for OSS taxpayers than what is already done for 'normal' national VAT customers.

As a part of the theme of acting right from the get-go, she mentioned that new taxpayers should be paid extra attention to in the beginning. In one of the discussions it was highlighted that tax administration itself can by its own actions increase tax compliance - for example with providing accurate and correct guidance in all customer service channels.

To get deeper in the discussion, I wanted to pay attention to legislation and technical development in relation to tax compliance.

Legislation raised a lot of opinions. From practical perspective, some of the participants felt that as OSS is a special system, it should have different legislation than national value-added taxation in those matters which have been left for the Member State to decide. Late filing penalties, late payment interests and sending Summary of Tax payment status-letters were the most popular examples discussed. When Finland assesses these sanctions, Finland is MSCON and the taxpayer is a foreign company (taxable person). Sanctions are always paid straightly to the Member State of consumption, Member State of identification has no control over them, and taxpayers are not able to pay them to the MSID. Late filing penalty decision is part of the Summary-letter, same letter is used for all national taxes as well.

Specialists seemingly agreed that the legislation is quite simple, late-filing penalty is assessed based on the filing date - how late the return was filed. Late payment interest is calculated from the next day of the due date until the day the payment was made. Usually these are quite small sanctions. Foreign taxpayers often do not know how Finland assesses these penalties and assessing heavily varies between Member States.

As of now, foreign taxpayers often do not have access to the MyTax web portal, they often have to contact customer service to get the exact payable amount as it cannot be predicted when taxpayer pays the debt and thus giving the exact right interest amount on the Summary-letter is impossible. Sending the letter abroad is costly and collecting small amounts of unpaid taxes through foreign collection uses a lot of resources. These

are some of the reasons why in many of the discussions it was mentioned that maybe something should be done to ease the situation.

One of the interviewees gave an excellent reason for why the change would be difficult. Legislation as it is, gives very little room for improvement. Taxpayers must be treated equally. According to him, this however does not diminish the fact that developing the Summary-letter should be considered. One interviewee also had optimistic attitude towards the issue. She felt, that as the penalties have been assessed as they are now, only from the beginning on 2020, 'learning phase' is still in progress.

One idea raised in the discussions was that if sanction protocols and legislations would be harmonized in the EU level, taxpayers will not need to know the 27 different rules of the Member States, knowing only one would be enough.

Technical development has potential to impact tax compliance as it is the main tool for increasing 'easiness'. From MSID perspective (Finland as the Member State of identification), technical development that could help the taxpayers first and foremost focuses on automation and improving MyTax service portal. As of now, taxpayer files the tax return in MyTax, either by filling the return by hand or by using a CSV-file. MSID has no control over the tax return or its contents and after it has been submitted in MyTax, it is sent to other Member States.

Interviewed specialists agreed that even though MSID is not allowed to control the tax return, MSID should be able to prevent taxpayers from making certain mistakes. I presented in the interviews the idea of API (application programming interface) integration solution for submitting the returns.

As often the sales reported in OSS is e-commerce, taxable persons potentially have the necessary information for tax return in their own software. With API solution, tax return could be submitted to Tax administration from the taxpayer's own software without the need for manual labor. Minimizing manual labor minimizes the risks for humane errors, such as wrong numbers in wrong fields. If automatized, tax returns would be submitted on time without the taxpayer having to remember to do it.

Because Member States use different VAT rates, reporting in the special system demands reporting per Member State and per different VAT rates to create accurate data for tax returns. According to Räsänen, this can take more time, hours per month, especially if reports from online store are not automated or optimized for this purpose. (Räsänen, 2021.) This also supports the conjecture of API solution's impact to tax compliance.

Most of interviewees agreed that developing API for OSS MSID tax returns is a good idea. One of the interviewees did point out however, that because of the rule of MSID not allowed to control, API is a future solution, when rules allow it. While waiting for it, we have some minor possibilities to try to make sure that Finnish taxpayers are careful while filing their OSS returns in MyTax, for example adding warning pop ups.

One future development idea was raised regarding the automation of valid value-added tax percent. As of now, taxpayer is responsible for using the correct percentage. In the future if allowed, the right percentages could be in automation brought to MyTax or at least information when percentages have changed. After all, this would benefit both the MSID and MSCON.

In the discussions it was also discussed is there some Finnish taxation procedures that should or should not be applied to OSS as well. Most common first reaction was the before mentioned the Summary-letter. Interviewees highlighted the specialty of the special system - it should not be mixed with national procedures lightly.

One interviewee mentioned that for example development ideas related to payments should not be applied in OSS without careful analysis. OSS has its own peculiarities which should be noted in the bigger picture as well when developing national tax collection system.

8.5 Communication and Training

Communication was discussed in more detail in the interviews. Participants were asked whether they think that there is enough of instructions and training available for different parties (officers, taxpayer et cetera).

Common consensus was that at least we (Tax Administration) have tried to prepare enough of instructions for taxpayers and internal training for officers. There have been seminars for third parties with possibility to ask questions. Participants felt that as Government proposal was ready quite late in spring/early summer, instructions were published close to the deadline.

However, it was recognized that as we are talking about a special system, the number of affected taxpayers is not comparable to other tax types. This reflects on the officers as well: not all officers need even the basic knowledge of the system in their work. Finnish Taxation is complicated, and it is not possible that one officer could or should be the expert of all taxes.

One of the interviewees was concerned how the changes in correction method and how payments are used could show as an increased amount of customer service. Even as OSS is a special subject, tax administration is responsible for providing taxpayers with guidance. This has been taken care of and must be kept in mind in the future as well - customer service agents are trained the basics that should cover all 'normal' and predictable questions.

One interviewee also pointed out that for officers training materials are always available for reviewing and there is also other kind of support available, training is only part of it. She also said that it is important that organization has an atmosphere which encourages to learn and do new things. OSS is seen as a complex system which easily intimidates.

During the interviews it was also discussed that should the communication provided by tax administration differ depending on who is in the receiving end. In OSS, most

taxpayers who have registered in other Member States (Finland is MSCON) are from abroad and don't understand Finnish or Swedish or our national taxation manners.

As English is not an official language in Finland, government officials are not required to provide everything in English. It was agreed that most of the letters, decisions and content in tax administration's web pages are available at least to some degree in English as well. Common consensus was that all decisions which are sent to customers who have chosen English as a service language should at least have a short translation attached to the official decisions to avoid misunderstanding and to increase customer satisfaction. Interviewees also felt that for the time being, there is no need for other foreign languages.

Besides of language issues, one interviewee pointed out that communication to customers should be developed to be more easily understandable as Finnish customers and even tax administration's own employees have sometimes difficulties to understand the contents.

Cultural differences can also make understanding the provided material more difficult. However, it was recognized that it is not possible to alter every letter to fit the small nuances of different cultures as tax administration does not have the necessary competence. Government communication as its best should be simple and easy to understand. According to one of the interviewees a lot could be done with simply rethinking the basic layout of the letters.

8.6 Future of EU VAT

As OSS is one of the steps towards distant common EU VAT, the subject of VAT in future and recognizing new phenomena was part of the discussions. All interviewees felt that it is important for tax administration and the whole European Union to be on top of the consequences the new rules can produce.

Tax Administration's interest is to recognize and respond to new phenomena. Tracking can be internal (incoming information is analyzed internally, often using technology,

for example reports from taxation software), external (public discussions, news, and other sources) or coming from customer observations (taxpayers ask help for reporting new type of income). European Commission has their own control processes, where Member States give Commission information related to OSS.

One interviewee approached the subject from international cooperation's perspective - risk management. Criminality, using tax havens, chaining, and account operators should be monitored and controlled. Multiple interfaces complicate the controlling possibilities. One potential solution could be making the control more globally visible. To speculate about the future of EU VAT, it was discussed if we could recognize something to keep in mind when future development towards common VAT is planned. Consensus was that as of now, it is impossible to picture how the system would look like, what would the role for a single Member State be in the future and how Member States would ensure their tax revenues.

One interviewee did mention that if we want to take some of the 'lessons learned' to the future discussions, emphasizing the meaning of common rules would be a first thing to remember. Preparations and practical development are difficult if rules are applied differently in each Member State. European Commission (or whoever is in charge) should have more supervision over the implementation. One more challenge is that preparations are often done by the experts of the specific field and impacts to different processes are sometimes forgot about. What works from taxation point of view does not necessarily work in practice in other processes of for the stakeholders.

9 RECOMMENDATIONS

As it has become clear during this research, while OSS has still barely launched, it is too early to comprehensively analyze how the system works and if there are any obvious problems in it. As the system is EU-wide, Finland or Finnish Tax Administration is not able to decide upon many of the things independently. However, some matters were recognized during the research which could help taxpayers, tax

administrations and overall tax compliance. These recommendations are presented in this chapter.

Cooperation with Member States

Cooperation with European Commission and other Member States is executed over multiple channels and assemblies. As discussed under several themes in the interviews, cooperation has its challenges. There exists rules and recommendations for the cooperation but controlling it is difficult and cultural differences potentially complicate the communication further.

As one of the interviewees pointed out, communication problems might happen over small things, such as outdated contact information for colleagues in other Member States. Whilst Finland or Finnish Tax Administration does not have the control over the upkeep of current contact information or the ability to supervise how communication happens between other Member States, what could be done is bringing up the issues once again to Commission's awareness.

Communication

In the interviews it became clear that communication towards the foreign taxpayers should be developed. Especially the nationally used Summary on Tax Payment Status-letter is difficult for the foreign taxpayers to understand as the letter is complicated and does not necessarily suit the special scheme. This topic is linked to the nationally assessed sanctions and the late filing penalty decision as a part of the Summary-letter.

Developing a new separate letter for the foreign taxpayers who are registered in OSS would benefit both the taxpayers and the tax administration. If foreign consumers receive the information that they need from the letter (how much tax is unpaid and how to pay it), they do not have to contact Tax Administration which saves resources for other use. If developing separate letter for the special scheme users is not possible, it would be beneficial to find ways to make the existing letter simpler, either by changing the layout or by separating the tax payment status (payment reminder) from the late filing penalty decision.

Communication-wise another recommendation is to provide all decisions in English even though it is not mandatory. Once again, this would benefit both the foreign taxpayers and tax administration as the sent decision letter would speak for itself. If no translation is offered there is a risk that the decision is misunderstood if translator is not familiar with Finnish taxation vocabulary.

National Sanctions

As the core essence of VAT special system is that taxpayer can take care of their VAT duties with one registration, one tax return and one payment, national sanctions and especially communicating the up-to-date total payable amount including late payment interest complicates the situation.

The starting point for using the system is of course that taxpayers submit tax returns and make payments on time, thus eliminating any sanctions. Unfortunately, that is not real life. It is important to treat taxpayers equally and suggesting that sanctions related to the special system should be completely removed is troublesome.

This topic is closely linked to the communication and transparency issue. As foreign taxpayers who sell to Finland usually do not have access to MyTax where they could see the up-to-date payable amounts, only communication methods currently available are the letter and calling to tax administration's customer service.

It is difficult to give exact recommendation on how to 'fix' the issue. In my opinion there are potentially three different ways to approach the subject. First, if assessing sanctions would be done according EU-legislation rather than national, all special scheme users would be treated equally as all Member States assessed the penalties similarly. This itself does not remove the issue with the communication nor tax collection but would further simplify special schemes. However, as sanctions are a national matter this change is not likely unless unifying sanctions is considered in future VAT-packages.

Secondly, if sanctions are looked from effectiveness perspective: if we change the way how sanctions are assessed, tax collection could be improved. For example, instead of

sending decision letter on late filing penalty of 3€ (1 day) for a small amount of taxes, late filing penalty could be assessed by different basis, i.e. if the tax amount is xxx then late filing penalty is assessed. This would not solve the communication issue completely but could make the tax collection more effective. This too is a broader issue and would require extensive national legislation changes. Changing it to special scheme users only is unlikely.

Third perspective to the subject is the communication. If the problem itself is in the communication, what if foreign taxpayers using OSS were granted an easier access to MyTax, where they could see the up-to-date payable amounts. As taxpayers can receive notifications from MyTax to their e-mails, tax collection and decision-giving would not be dependent on whether the paper letter has been successfully delivered to different countries.

All things considered sanctions should be studied more closely, how effective they are and do they work as intended.

Technical Development

As OSS is technically advanced, automated, and electronic system, benefits for taxpayers and tax administrations could come from technical development. As presented during the interviews, I recommend API solution to be created when possible.

If taxpayers who have registered in Finland have the option to send the tax return in automation from their accounting software where the taxation information exists, it would minimize the possibility of humane errors (unintentionally wrong numbers in wrong fields) and forgetting to submit the return on time (resulting in late-filing penalties from all MSCONs). Whilst it was pointed out during the interviews that the Member State of identification is not allowed to control the tax information it transmits to other Member States, this is something that could be cleared out in the workshops and during the future development of OSS - is eliminating obvious errors the same as tax control.

10 SUMMARY AND CONCLUSIONS

10.1 Summary and Conclusion

Mini One Stop Shop covered the sales of telecommunication, broadcasting, and e-services to consumers (non-taxable persons) located in other Member State than in which the taxable person (taxpayer) is established. Mini One Stop Shop included two separate schemes: Union and non-Union schemes. Union scheme was available to taxable persons established in one Member State selling services to consumers located in other Member States. Non-union scheme was available for taxable persons who had no establishment in the European Union.

One Stop Shop came into force on July 1st, 2021. One Stop Shop includes three schemes: Union, non-Union and Import. The range of covered services expanded with OSS. Union scheme now covers all sales of services and intra-Community distance sales of goods. Non-Union scheme covers all sales of all services. Import scheme covers sales of low-valued (consignment under 150 euros) goods imported from third territories to consumers located in the Member States. Previously existed exemption of VAT for low-valued imported goods was ceased and from July 1st, 2021, all imported goods are subject for VAT. If the seller is registered in the Import scheme, no VAT is assessed by Customs and consignment is released for free circulation.

The Member State in which the taxable person registers to the system is called MSID, Member State of identification. MSID registers the taxable person into the system, receives tax return and payments from the taxable person and transmits all information to the MSCONs, Member States of consumption. MSCON, the one who receives the tax revenues, is responsible for tax control and applying national legislation in matters which have been left under national decision-making, such as assessing sanctions.

Expansion from MOSS to OSS is one step in the development of the common VAT system in the European Union. OSS also repairs some of the problems identified in MOSS, such as the too tight timetable for submitting tax returns and the old correction

method, which was seen by taxable persons as burdensome. Changes were also made to protect the competitive advantage of the taxable persons of the EU and the tax revenues of the Member States.

As a general conclusion, One Stop Shop benefits the taxpayers as well as the tax administrations. Taking care of VAT duties with one registration, one return and one payment lessens red tape and is financially sensible.

Developing EU-wide taxation system is difficult and requires excessive preparations and actions. Planning is important: determining the goal, how it is reached and what are the benefits to be achieved. In taxation the goal of any development should be in higher efficacy for customers and for the tax administration. From taxpayer's perspective automation and removing bureaucracy saves time and money, from tax administration's perspective higher automation decreases the need for manual labor which then saves the limited resources for more important actions.

Technical development is only part of the whole process. It is important that the technical implementation is carefully tested to make sure that the software works according to legislation, given rules and determined requirements. Testing OSS required also testing with other Member States as electronic transmittance of information is vital in the system.

When technical implementation is ready, next important preparation is education: instructions and guidance. Officers need to be educated as well as the taxpayers. Cooperation with third party representatives, such as accountants is also important as they have a lot of responsibilities towards the taxpayers and minimizing errors benefits all parties.

In the interviews it was agreed that given the challenging (fitting OSS with national procedures) starting point, Finland has successfully implemented the new rules. There have been and probably will be challenges, which is natural when 27 countries simultaneously take over a new system, but the overall situation is hopeful.

In the interviews there were a couple of factors recognized that could be in same timeframe improved. Cooperation with the colleagues from other Member States is sometimes challenging as reaching them can take time and effort. Communication to foreign taxpayers could be improved by making decisions and letter easier to understand.

Assessing late filing penalties and other national sanctions could be improved or at least communicating it when Finland is MSCON. Also communicating taxpayers what and when they need to pay straight to Finland, or Summary-letter, should be looked closer. When Finland is MSID, one of the presented recommendations focuses on minimizing taxpayer's humane and obvious errors in tax return by using API. However, all these improvements must be feasible under OSS rules.

10.2 Reliability and Creditability

One Stop Shop is a system based on legislation which is researched from two different perspectives: what is the legislation (doctrinal legal research) and its hierarchy and sources (source-of-law research). As the used interpretation method is literal, using the Commission's explicatory notes and guidelines minimizes the risk of erroneous interpretation of the meaning of the legislation.

Research was conducted as a theme interview, which provided the interview to take turns not anticipated by the interviewer thus enabling different perspectives to the themes. To execute a theme interview, the interviewer must be very familiar with the subject. Due to my professional background and the theoretical study conducted for this thesis, I am fully familiar with the subject and the theme interviews were executed successfully - based on the discussions this study provides recommendations to improve VAT special scheme taxation.

Those interviewed were selected by their expertise. Every participant has had firsthand experience with the subject and in my opinion, they are one of the top experts of the subject on national level. Their expertise covers the whole range of the system, from legislation to technical and practical expertise. Used research methods for this study

are justified and results are reliable and credible. However, as theme interview depends on the interviewer, interviewee, and the situation itself answers could have varied somewhat if setting was different. Yet there were clear findings and recommendations from four interviews.

As a subject One Stop Shop was a demanding, the system itself is often seen as difficult to understand. The overall purpose of the study was to explore the new system, the background and reasoning behind it, what we know of it so far. In my opinion the purpose and objectives of the study were reached, by reviewing this thesis the reader will have an understanding of what the special VAT system is and why it has been changed and what are the now identified challenges. Timing of the study has been a challenge as well as narrowing the subject down to fit master's thesis.

This study leaves room for future research: how import scheme affected importation from third countries? Did OSS have an impact on national VAT registrations? What are the identified problems in OSS and how are they resolved?

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Interview questions

Theme 1: Preparations for new taxation system

1. What factors should be taken into consideration while preparing for a new taxation system?
2. What measures have been taken by now in the expansion to OSS?
3. Is there enough guidance and training available for different stakeholders?
4. Have foreign customers been considered when communication around OSS was structured?
5. Has there been cooperation with third parties i.e. accounting software developing agencies?

Theme 2: Supporting tax compliance

6. Is there something that could be done to ease 'acting right' especially from taxpayers' perspective?
7. Specially in legislation?
8. Specially in technical implementation?
9. Should there be more guidance, instructions, and training (both internal and external) available to support tax compliance?
10. Are there any national taxation procedures that should or should not be used with OSS as well?
11. Should Tax Administration give all decisions and instructions in English or other languages besides official Finnish and Swedish?

Theme 3: Pros and Cons

12. What are the overall pros and cons of OSS?
13. Especially for taxpayers (taxable persons)?
14. For consumers?
15. Other stakeholders?

Theme 4: Lessons learned

16. What have been the challenges in implementing OSS?
17. What have been the positive outcomes thus far?
18. Have there been difficulties in fitting OSS into national procedure?
19. Cooperation with other Member States and Commission?

Theme 5: Future of VAT

20. Is it possible that the extension to OSS raises new phenomena? Does tax administration follow new phenomena?
21. Is there something that could be taken into consideration now if the distant future goal of common VAT system in EU is considered?