Real-Time Accounting & Reporting in Estonia

Margus Tammeraja
Chairman of Board, Association of Estonian Accountants
May 27th, 2016
Helsinki
About me

1983...1987 Tallinn Technical University – economics & accounting

1987...2009 Accounting software business (HansaWorld; Microsoft Dynamics; Infor)

2010...2014 Estonian E-Invoicing Center – CEO

2015... Association of Estonian Accountants – Chairman; 2015 - e-invoicing workgroup by Ministry of Finance
Business Transactions and Accounting
Accounting records have been around for 5 000 years ...

Mesopotamian sample of inventory card from 3 000 BC
... Estonian invoice from 2015

<table>
<thead>
<tr>
<th>Nr.</th>
<th>Kauba / teenuse nimi/üksus</th>
<th>Väljund</th>
<th>Kogus</th>
<th>Hind</th>
<th>Summa</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>plambaad 5-7 m tubes</td>
<td>2</td>
<td>3,25</td>
<td>6,50</td>
<td>6,50</td>
</tr>
<tr>
<td>2</td>
<td>registreerimine</td>
<td>1</td>
<td>32,-</td>
<td>32,-</td>
<td>32,-</td>
</tr>
<tr>
<td>3</td>
<td>pilet 6</td>
<td>3</td>
<td>2,50</td>
<td>6,-</td>
<td>6,-</td>
</tr>
<tr>
<td>4</td>
<td>taaskasutus</td>
<td>1</td>
<td>2,80</td>
<td>2,80</td>
<td>2,80</td>
</tr>
<tr>
<td>5</td>
<td>laeentruundite</td>
<td>1</td>
<td>3,50</td>
<td>3,50</td>
<td>3,50</td>
</tr>
<tr>
<td>6</td>
<td>laev ruskite</td>
<td>1</td>
<td>13,-</td>
<td>13,-</td>
<td>13,-</td>
</tr>
<tr>
<td>7</td>
<td>viis 16 x 1/2</td>
<td>1</td>
<td>1,60</td>
<td>1,60</td>
<td>1,60</td>
</tr>
<tr>
<td>8</td>
<td>misrõõturumite</td>
<td>1</td>
<td>1,60</td>
<td>1,60</td>
<td>1,60</td>
</tr>
<tr>
<td>9</td>
<td>kõrglusnõude</td>
<td>1</td>
<td>3,00</td>
<td>3,00</td>
<td>3,00</td>
</tr>
<tr>
<td>10</td>
<td>pa protesti</td>
<td>1</td>
<td>5,-</td>
<td>5,-</td>
<td>5,-</td>
</tr>
<tr>
<td>11</td>
<td>sõidumine</td>
<td>1</td>
<td>0,95</td>
<td>0,95</td>
<td>0,95</td>
</tr>
<tr>
<td>12</td>
<td>WC rükk</td>
<td>1</td>
<td>13,-</td>
<td>13,-</td>
<td>13,-</td>
</tr>
<tr>
<td>13</td>
<td>FREB</td>
<td>1</td>
<td>5,-</td>
<td>5,-</td>
<td>5,-</td>
</tr>
<tr>
<td>14</td>
<td>IOOW</td>
<td>1</td>
<td>8,20</td>
<td>8,20</td>
<td>8,20</td>
</tr>
<tr>
<td>15</td>
<td>vallalasteeristamine</td>
<td>1</td>
<td>5,-</td>
<td>5,-</td>
<td>5,-</td>
</tr>
<tr>
<td>16</td>
<td>net rõõturumite</td>
<td>1</td>
<td>5,-</td>
<td>5,-</td>
<td>5,-</td>
</tr>
</tbody>
</table>

Võttes vastu: [Signature]

Andis Üle
E-invoice in XML-format

```xml
<?xml version="1.0" encoding="UTF-8" ?>
<E_Invoice>
  <Header>
    <Date>2015-10-22</Date>
    <FileId>123456</FileId>
    <Version>1.2</Version>
  </Header>
  <Invoice invoiceId="45678" regNumber="12345678">
    <InvoiceParties>
      <SellerParty>
        <Name>TORUJÜRI OÜ</Name>
      </SellerParty>
      <BuyerParty>
        <Name>MINU ÄRI AS</Name>
      </BuyerParty>
    </InvoiceParties>
    <InvoiceInformation>
      <Type type="DEB" />
      <DocumentName>Arve</DocumentName>
      <InvoiceNumber>201504</InvoiceNumber>
      <InvoiceDate>2015-10-22</InvoiceDate>
    </InvoiceInformation>
    <InvoiceSumGroup>
      <TotalSum>75.05</TotalSum>
    </InvoiceSumGroup>
    <InvoiceItem>
      <InvoiceitemGroup>
        <ItemEntry>
          <Description>Lekkiva kraani parandus</Description>
        </ItemEntry>
      </InvoiceitemGroup>
    </InvoiceItem>
  </Invoice>
</E_Invoice>
```
Making e-invoices mandatory

- **2016 Q2**: Accounting Law makes e-invoicing mandatory
- **01. October 2016**: Public sector ready for accepting e-invoices
- **01. January 2017**: Private sector ready for sending only e-invoices (B2G)
Going Fully Digital

• Accounting Law goes further than just e-invoices:
  
  all documents may be digital (in machine-readable format)

• *Thus e-receipts, e-orders, etc. will be made legally accepted.*
Enforcing the Change

- **Mandatory data** in documents – minimum set required by the Accounting Law, VAT Law, etc.

- **Universal format** – XML made standard 2014 + mandatory fields to be validated; XBRL used for reporting

- **Tracability** – digital logbook for proofing
Processing Data: Accounting for SMEs
No accounting software

- From ca 45 000 SME-s invoicing public sector ca 16 700 does not use accounting software (issuing ca **321 000 invoices** manually)
- Estimated 50% of them (ca 8350) starts using some web-based solution in 2016

![Bar chart showing the number of entities using or not using accounting software](chart.png)
Great opportunity for service providers

• In 2016 we see launches from new service providers offering web-based solutions which are better connected than on-site solutions.

• Mandatory e-invoicing is a great step towards connecting businesses in a way real-time economy envisions.
Reporting 3.0
&
Zero-bureaucracy
Done Already:

• **Annual Reports** only in electronic format via Company Register portal since 2010, but
  
  • From nearly 100,000 reports
  • Just less than ... 500 reports via XBRL

• VAT Reports, Income & SocSec Tax Reports via XML – but still the masses use portal to enter data (80%) or upload file (18%) manually
Optimizing Reporting

Zero-bureaucracy initiative in 2015 gathered ideas how to minimize and optimize reporting to the authorities.
Main Outcome:

• **Combine mandatory reports**, e.g. Taxes and Statistics related to workforce
• **One gateway** for sending the reports
• **Universal format** for presenting the data
• Less separate details on same topics
Reporting 3.0

Lead by Estonian Tax Office, Reporting 3.0 project aims to create unified solution for reporting.
Reporting 3.0 first phase

Salary and workforce taxation and statistics area was chosen as one with the most complexity:

381 reporting items over all reports gathered by different Offices

At least 151 different entry items needed
## Who requires those items

<table>
<thead>
<tr>
<th></th>
<th>Items analysed</th>
<th>Real usage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EU requirements</strong></td>
<td>285</td>
<td>75%</td>
</tr>
<tr>
<td><strong>International demand</strong></td>
<td>29</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Basis for EU required items</strong></td>
<td>3</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Internal demand</strong></td>
<td>64</td>
<td>17%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>381</td>
<td>100%</td>
</tr>
</tbody>
</table>
Reporting 3.0 timeline

- 2016 analysis and evaluations
- 2017 building technical solutions – development & testing
- 2018 deployment
Great opportunity for using XBRL GL

• Moving towards records-based reporting – e.g. XBRL Global Ledger as unified format for representing business transaction with sufficient details to cover all reporting needs

• AEA has shown how XBRL GL could be used for statistical reporting combined with tax reporting
Some Crazy Ideas

No tax declarations at all

Taxes calculated and reported based on bank statements for micro-companies

Taxes calculated and deducted real-time while making payment for services
Thank you!

Margus Tammeraja
margus@tammeraja.ee
+372 505 9374