

Digitisation of financial administration in the Slovak Republic

Erika Šoltésová¹

Abstract: This article focuses on the impact of digitalisation on tax administration in the Slovak Republic. We focus on the improvement of digitalization for the finance administration of the Slovak Republic which represents easier access to data and consequently helps to higher tax collection. Modernising tax systems increases resilience to tax fraud and consequently we focus on how tax authorities can make tax audits more efficient. In our article, we also focus on the various digital projects that the tax administration has introduced in recent years. We mention projects such as electronic communication and electronic treasury. In the conclusion of the article, we focus on future developments in the financial administration in the field of digitisation and processes that help to simplify established practices. Our aim in the article is to highlight the fact that digitalization increases the mutual trust between the tax administration and tax entities, leading to voluntary tax compliance.

Keywords: digitalisation, Slovak Republic, tax

JEL Classification: H20

1 Introduction

The basic objective of the Slovak Financial Administration is to modernise and improve the efficiency of processes in the financial administration. It wants to create an environment of modern pro-client oriented financial administration, which will be able to ensure less administration and more performance thanks to the digitalization of processes. It is considered important to simplify the life of reliable taxpayer clients, to achieve greater mutual trust in the financial administration-client relationship and to encourage voluntary compliance with tax obligations.

In relation to the above, the tax administration has a number of important objectives. Among the main ones are the creation of a paperless financial administration, the electronicisation of tax administration, a new client care system, the strengthening of control and analytical activities, client support through a call centre, a massive expansion of mandatory electronic communication, further digitisation and automation of processes.

The main digital projects implemented by the Financial Administration are: Electronic Communication, eKasa, Call Centre and Social Networks, TAXANA. We will look at these projects in the following text.

2 Electronic Communication

The aim of the Financial Administration is to provide fully electrified and digitised services. Electronic communication is constantly expanding. Pursuant to Act No. 563/2009 Coll. on Tax Administration (Tax Code) and on Amendments and Supplements to Certain Acts, as amended, the obligation to deliver submissions by electronic means pursuant to Section 13(5) of Act No. 563/2009 Coll. has been imposed on the financial administration since 1 January 2014:

- a tax entity which is a payer of value added tax,
- a tax advisor for the tax subject he represents in tax administration,
- an attorney for the tax entity he represents in tax administration,
- a representative not mentioned in points 2. and 3. for a tax subject which is a payer of value added tax and which it represents in the administration of taxes.

Since 1 January 2018, the mandatory electronic communication has been extended to all legal entities registered in the Commercial Register and their representatives. From 1 July 2018 also to all natural persons - entrepreneurs and their representatives. For taxpayers not established or not established for business purposes according to Section 12(3) of the Income Tax Act (e.g. civil associations, state-recognised churches and religious societies, communities of owners of flats and non-residential premises, municipalities, higher territorial units, contributory and budgetary organisations, foundations, ...), the electronic communication is voluntary even after the deadline of 1.1.2018, as they are not registered in the Commercial Register.

¹ The University of Economics, Faculty of National Economy/Department of Finance, Dolnozemska cesta 1, 852 35 Bratislava, Slovak Republic, erika.soltesova@euba.sk

A tax subject may send documents to the financial administration electronically in three ways:

- activating an eID card (ID card with a chip),
- activating a qualified electronic signature (QES),
- via an electronic delivery agreement.

As of January 2022, the amendment to the Accountancy Act allows documents to be processed in a more modern way, by electronisation. The electronicisation of accounting is still only an option for companies, not an obligation. Special software with the help of artificial intelligence retrieves and transcribes the relevant data such as invoice number, business partner, amount or variable symbol from the relevant documents into a file that can be imported into the accounting software. Another advantage of electronic bookkeeping is the possibility to store accounting documents electronically for a legally defined period.

2.1 eKasa

The Financial Administration launched the project of online connection of all cash registers to the eKasa portal of the Financial Administration on 1 April 2019, when the obligation to connect to this system arose for all newly established operations that will start recording sales for the first time after this date. The electronic cash registers (ERP) became online cash registers (ORP). From 1 April 2019, all newly established establishments and new cash registers had to join the system, all other entities gradually from 1 April 2019 to 30 June 2019. From 1 July 2019, the eKasa system is compulsory for all businesses. All receipts issued for purchases are recorded on the eKasa central repository. The taxpayer no longer needs an electronic cash register, an internet connection, mobile phone, computer or tablet is sufficient. This will significantly reduce the administrative burden on clients.

Table 1 Cost savings associated with eKasa

| Cost | Savings |
|-------------------------------------|---------------------------|
| Purchase of ERP/fiscal printer | approx. 400 € for 5 years |
| Electronic cash register book | 1,24 € |
| Cash register tape | 0,50 € for 1 month |
| Installation by ERP technician | 65 € for 5 years |
| Mandatory ERP service inspection | 50 € |
| ERP defiscalation by ERP technician | 50 € |

Source: Financial administration of Slovak Republic. 2019. *eKasa (z ERP na ORP)* s. 11. <https://www.financnasprava.sk/24.5.2019>.

The eKasa system will allow entrepreneurs to create reports on services received, which are recorded in the central database of the financial administration.

The introduction of the e-Kasa system gives the financial administration the opportunity to process the obtained data, which can then be used for tax control purposes. By registering the issued document in the central repository, the tax administration has real-time information on each purchase. The legislation has also dealt with the current situation that Slovakia does not yet have one hundred per cent internet coverage. The entrepreneur is obliged to notify this fact and to request that he be allowed to postpone the transmission of data from the online cash register.

Registration in eKasa is compulsory in any case, with the difference that data messages will not be sent online to the eKasa system, but will be sent subsequently from a location covered by an internet signal. This project is part of the measures to combat tax fraud. They have reduced the tax gap from 41% to 26% and brought approximately EUR 3.7 billion more to the Treasury.

2.2 Call Centre and Social Networks

The 2014 was a breakthrough year for communication in financial administration. Together with the introduction of electronic communication of tax entities, the tax administration started to build a fully-fledged centralised call centre. Also thanks to the new portal of the financial administration and the deployment of digital applications, it combined mail and telephone communication and launched online chat. In 2016, we were the first state institution to participate in the evaluation of the quality of services provided by the independent digital application Staffino. The Financial Administration is also active on social media. We have been running our Facebook page since 2012.

Through phone calls, e-mails and online chat, the call centre's expert consultants have helped in 402,125 cases. Last year, questions about legislative changes and customs obligations in connection with the outbreak of the war in Ukraine dominated the agenda.

2.3 TAXANA

To simplify processes, the Financial Administration continues to digitise and electronicise processes. Taxana is one example. The Financial Administration is the first government institution to launch an automated chat with its clients. Any taxpayer who needs advice will thus be able to use not only the services of the Financial Administration's call centre, but also the automated chat. The chatbot of the financial administration has been named Taxana. It was chosen by the employees of the financial administration as a pun on the English word "tax". The use of Taxana is versatile in various promotional events, creating posters, on social networks, leaflets or banners. It accompanies clients with information materials, presents video guides, draws attention to important dates when fulfilling tax obligations. Helps us get information closer to the public. Taxana works on the principle of a pop-up window in the portal of the financial administration, it is also available on the Facebook fanpage of the financial administration. By directly identifying the query or by asking the taxpayer successive questions, they work together to work through the topic of interest to the citizen. From the initial message from the user, it identifies categories or even subcategories of the topic. Identification is based on defined key terms or combinations of key terms.

From the initial message from the user it identifies categories or even subcategories of the topic. Identification is based on defined key terms or combinations of key terms. A chatbot is a computer program that mimics a conversation with a human. Chatbot provides a convenient and interactive way to connect with customers online and give them a similar experience to that of talking to a live operator at any time of the day. It is a bot that interacts with users /clients/ and is capable of having various communications with thousands of users in a single second. The current chatbot of the financial administration is also used to collect queries from users, thus forming the basis for machine learning with the help of artificial intelligence. The goal of the financial administration is to create a chatbot using AI based on the collected amount of queries.

The current novelty of the Financial Administration is the possibility of online payment of 15 types of taxes through the portal of the Financial Administration (PFS). It is now possible to pay the tax through the PFS using a payment card, Google Pay, Apple Pay or by transferring the payment data to the internet banking of selected banks. The novelty is also launched thanks to dozens of tax entities that have joined the trial run. The Financial Administration is introducing card payments in cooperation with the State Treasury. The use of the payment gateway by the Financial Administration is an important milestone for the State Treasury in the process of digitalization of state services. It is a priority of the State Treasury to continuously expand the possibilities of electronic payments for public sector services to citizens and legal entities. The State Treasury welcomed the intention of the Financial Administration and together they have prepared, implemented and today put into production for the clients of the Financial Administration the possibility to pay advance payments and taxes through the payment gateway of the State Treasury via the portal of the Financial Administration.

3 Conclusions

Nowadays, the trend is to have the most digitalized processes both on the side of the financial administration and on the side of entrepreneurs. The Financial Administration is working on other forms of digitisation. It is working intensively on the launch of the eInvoice, electronic invoicing information system. If the political will is found, the project will probably be launched from 2025 or 2026. Businesses would now be obliged to produce an invoice for every business transaction where they do not have to record sales via eKasa and send it electronically to the tax administration.

In what form the project will be introduced is still a big unknown. Such a fundamental change, which affects all business entities across the board, requires a detailed analysis of the effectiveness of the use of the data collected and an assessment of whether the state needs to collect additional data.

References

- Association Of Hotels And Restaurants Of Slovak Republic.(2019). *Zavádzanie eKasy v praxi: ako na to? I. časť*. online [24.5.2019] Available at: <https://www.ahrs.sk/aktuality/pre-clenov/1028-zavadzanie-ekasy-v-praxi-ako-na-to-i-cast>
- Financial Administration. (2018). *V boji proti daňovým podvodom pomôže eKasa*. online [23.5.2019] Available on the internet:https://www.financnasprava.sk/_img/pfsedit/Dokumenty_PFS/Pre_media/tlacove_spravy/Rok_2018/2018.09.06_TS_eKasa.pdf
- Financial Administration of Slovak Republic. (2019). *eKasa (z ERP na ORP)* online [24.5.2019] Available at: https://www.financnasprava.sk/_img/pfsedit/Dokumenty_PFS/Podnikatelia/eKasa/2018/2018.11.30_eKasa_prezent.pdf
- Financial Administration Of Slovak Republic. (2019). *Výročná správa o činnosti finančnej správy za rok 2018*. online [25.5.2019] Available at: https://www.financnasprava.sk/_img/pfsedit/Dokumenty_PFS/Financna_sprava/Vyrocne_spravy/2019.04.17_VS_2018.pdf 25.5.2019
- Jaspis. (2019). *O čom je projekt eKasa a aké zmeny prináša?* online [22.5.2019] Available at: <https://jaspis.sk/aktuality/ekasa/>
- Mastihubová, P. (2019). *Novela zákona o používaní elektronickej registračnej pokladnice od 1.1.2019 a systém e-Kasa od 1.4.2019, 1.7.2019 a od 1.10.2019*. online [23.5.2019] Available at: <https://www.uad.sk/33/novela-zakona-o-pouzivani-elektronickej-registracnej-pokladnice-od-1-1-2019-a-system-e-kasa-od-1-4-2019-1-7-2019-a-od-1-10-2019-uniqueiduchxzASYZNbaPiNpHHX2-91YUmwX-7TzayX0xicUK50/>