

EDICOM Expert Analysis

Towards electronic VAT bookkeeping
SII · The new Immediate Information Sharing system



July 1st 2017
Rollout of the SII system



Towards electronic VAT bookkeeping

The new Immediate Information Sharing system

The Spanish State Tax Administration Agency (AEAT) will be rolling out VAT e-bookkeeping as of July 1st 2017. This new system, designated Immediate Information Sharing or SII, will be mandatory in its initial phase for a group of over 62,000 companies. Here, we analyse how this project works and what it will mean for Spanish taxpayers.

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1 What is SII?

SII stands for Immediate Information Sharing, a new electronic system for declaring VAT record books, devised to speed up processing of VAT statements and returns.

The new Immediate Information Sharing platform makes it mandatory to issue and submit the deadline set by the AEAT for delivery of the information is 4 working days.

This way, the VAT record books are put together automatically, with recurrent submission of data detailing the transactions made by a company. It is important to note that the maximum period of time allowed by the AEAT for submission of the information is 4 calendar days, excluding Saturdays, Sundays and official national holidays. **As an exceptional measure, for the first six months after the system comes into force in 2017, this deadline is extended to 8 calendar days.**

This way, the new model promoted by the AEAT will enable companies to report their business transactions virtually in real-time, so control of tax affairs will be faster and more effective.

With VAT e-management it is no longer necessary to submit forms 340, 347 or 390.

With the rollout of this new technological system, it will no longer be necessary to present official forms 340, 347 or 390 at the end of each cycle. And Value Added Tax record books will thereafter be managed and checked remotely via the AEAT electronic office.



In July 2017, more than 62,000 companies will be required to switch to this obligatory system.

Who has to adopt VAT e-management?

The new VAT e-management system is due to **come into force as of July 1st 2017**, and during the previous months, the AEAT will launch a pilot project in order to test this model with the companies and technological suppliers involved in the implementation of the new system.

After that, more than 62,000 Spanish companies will be required to join the new compulsory system. The companies affected include all those that currently have to self-assess VAT monthly, i.e.:

- Large companies, with a turnover of more than 6 million euros.
- VAT groups.
- Taxpayers registered in the monthly VAT refund regime (REDEME).

In addition, all companies wishing to do so may join the SII scheme voluntarily. To do this, they must state their intention in form 036 in the month of November prior to the year in which they join the system. Subsequently, if they want to go back to the traditional system, they can apply for cancellation once the tax year has ended.

Companies that choose to sign up to the SII voluntarily as of July 1, 2017, must file their application in June.

2 Regulatory framework

Development of the SII came about as the result of an extended legislative process started out in 2014. The regulatory phases took shape as follows.

The Tax Agency launches a modernization strategy for VAT management, known as the IIS.

October 20,
2014

The Official State Gazette (BOE) announces General Tax Law 34/2015, of 21 September, as a partial amendment to Law 58/2003, of 17 December.

September 22,
2015

Council of Ministers of the Spanish government approves a Royal Decree with measures to modernization and use of electronic media in the VAT area with the rollout of the Immediate Information Sharing system (SII).

November 18,
2015

December 2,
2016

The Ministry of Finance publishes a Royal Decree Project to modernize, improve and promote the use of electronic media in the VAT area.

BOE publishes an updated edition of the Tax Code rules and regulations.



3 How will VAT e-bookkeeping work?

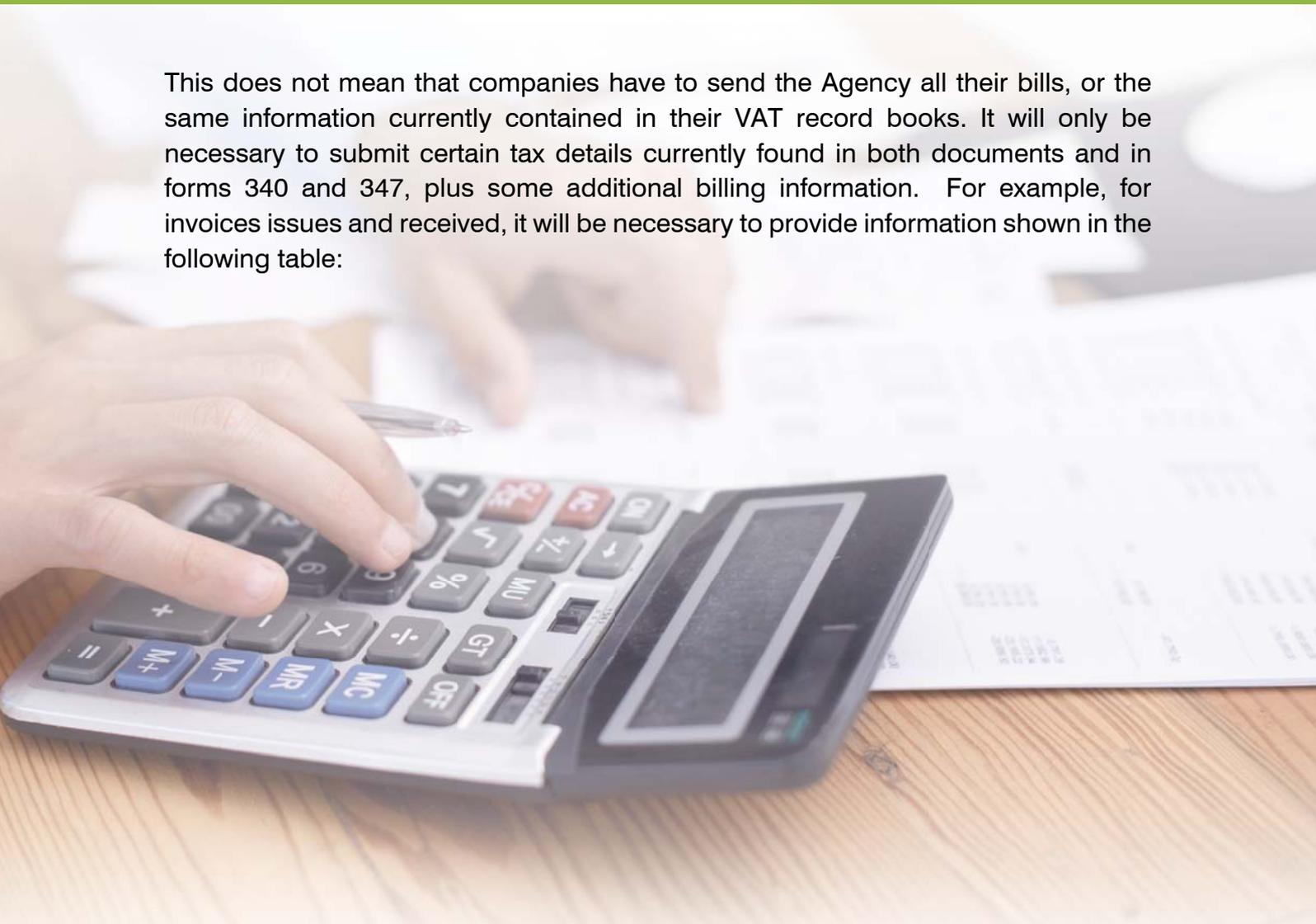
The main change imposed by this new project compared to current management is that the billing records of companies will be submitted electronically and immediately to the [AEAT Electronic Office](#). The obligation extends to these four VAT record books:

- Invoices issued.
- Invoices received.
- Investment assets.
- Intra-community transactions.

Obligation to submit billing records corresponding to the period from January 1 to June 30.

Businesses are required to submit their billing records for the first half of the year during the period from July 1 to December 31, 2017.

This does not mean that companies have to send the Agency all their bills, or the same information currently contained in their VAT record books. It will only be necessary to submit certain tax details currently found in both documents and in forms 340 and 347, plus some additional billing information. For example, for invoices issues and received, it will be necessary to provide information shown in the following table:



Invoices issued	Invoices received
Number and, where indicated, series that appear in the invoice.	Number and, where indicated, series that appear in the invoice.
Date of issue and transactions (if different from above).	Date of issue and transactions (if different from above).
Name and surname/s, or business address and NIF (Tax ID) of issuer.	Name and surname/s, or business address and NIF (Tax ID) of issuer.
Tax identification in the country where the invoice recipient is based, if other than Spain.	Tax identification in the country where the invoice recipient is based, if other than Spain.
Taxable base, tax rate and total amount of the transaction.	Tax base.
Type of invoice issued (complete, simplified or corrective).	Amount paid, deductible and total amount of the transaction.
Reason for invoice (description of operations).	Reason for invoice (description of operations).
In cases of corrective invoices by substitution, the amounts to be replaced with the new bill shall be included.	Classification of the operations covered in the invoice received according to the special regime governing said transactions, or, where pertinent, in keeping with one of the modes defined for transactions with tax liabilities.
Tax category of operations included in the invoice issued - not liable, liable, liable and exempt - goods deliveries or services provision.	Mentions of cash receipt-based VAT.
Classification of operations covered in the invoice issued in accordance with the special regime or one of the transaction modes with tax liabilities.	



With the billing details submitted electronically via the SII platform, the AEAT configures the complete record books automatically. To make this information matching process automatic, the AEAT requires the information to be delivered under a given standard and with semantic and syntactic regulation of the data.

In this sense, companies must be able to create an XML file that complies with the standards set by the AEAT. These files will have a common heading including details of the owner of the book, the tax year and period in which the transactions took place. This header will be followed by a block containing the billing data required.

Electronic books are generated using an XML schema regulated by the AEAT. This type of standard has already been successfully used by the Government in other tax initiatives such as the Facturae project.

Bear in mind that the SII will have a record book checking repository to instantly match the information on invoices received with those issued. This will allow the authority to return the following status reports to taxpayers in real time: full acceptance, partial acceptance or complete rejection.

Communications or connectivity with the Tax Agency are a key factor throughout this new telematic data transmission process. This becomes even more critical in the case of large companies accustomed to maximum automation in their commercial, logistical and even fiscal processes. So, the AEAT offers the possibility of automatic data transfer through a webservice linked to the electronic office.



4 Deadlines for forwarding information to the AEAT

The legislation requires companies to send the requested information to the Tax Agency by a deadline that varies depending on the type of record book in question. We shall analyse the time available in each case in detail.

● Invoices issued

Taxpayers must submit the data within 4 calendar days as of date of issue. If the invoice is issued by the recipient or a third party, the period will be extended up to 8 calendar days. However, we must bear in mind that in either case the AEAT must receive the information before the 16th of the month following the one in which the accrual of VAT from said transaction occurred.

● Invoices received

As with invoices issued, the deadline is 4 calendar days. Under no circumstances will it be possible to submit the information after the 16th of the month following the settlement period. (For import operations, the 4 calendar days shall be counted from the time the accounting record of the invoice is entered.) In the case of import operations, the four calendar days must be calculated as of the moment the registration for accounting purposes of the document which includes the amount liquidated by customs and in any case before the 16th of the month following the end of the period referred to in the statement in which the transactions are included.

Transitional provision

Throughout the year 2017 the delivery deadline for billing records of invoices issued, invoices received and intra-community transactions is

● Intra-community transactions

Companies must submit the information within 4 calendar days, calculated from the time when the shipping or transport begins or when the goods are received.

● Information on investment assets

These data shall be submitted annually. The deadline for submission shall be 30 January.

VAT e-management also modifies the deadlines for submission of periodic self-assessments. Companies registered in the IIS have 10 additional days to do so, both for monthly and quarterly periods. In other words, the deadline shall always be extended until the 30th.

5 Current management vs. new SII management

CURRENT VAT BOOKKEEPING





	Self-assessment Form 303/322/3535	Submission of form 390	Submission of form 340	Submission of form 347	VAT record bookkeeping
REDEME	Monthly (until 20th)	Annual	Monthly	✗	Not immediate
Large companies	Monthly (until 20th)	Annual	✗	Annual	Not immediate
VAT groups	Monthly (until 20th)	Annual	✗	Annual	Not immediate
General Regime	Quarterly (until 20th)	Annual	✗	Annual	Not immediate

E-BOOKKEEPING WITH THE IIS





	Self-assessment Form 303/322/3535	Submission of form 390	Submission of form 340	Submission of form 347	VAT record bookkeeping
REDEME	Monthly (until 30th)	✗	✗	✗	Automatic and immediate
Large companies	Monthly (until 30th)	✗	✗	✗	Automatic and immediate
VAT groups	Monthly (until 30th)	✗	✗	✗	Automatic and immediate
General Regime	Quarterly (until 30th)	✗	✗	✗	Automatic and immediate

6 How is it possible to comply with the obligation?

Under the new VAT e-bookkeeping process promoted by the AEAT, there are two aspects that are critical for businesses.

On the one hand, we find the need to extract the data from the invoice and transform it into the mandatory XML schema developed by the AEAT. In this sense, businesses that already have e-billing systems up and running will have a factor in their favour in VAT e-bookkeeping, as a large amount of the data will already be residing in their ERPs.

On the other, it will be necessary to connect with the SII system and develop a fluid and secure communication channel for sending the data, as well as receiving the acknowledgements that may be sent by the AEAT. The system considers two alternatives for recording VAT information. :

Webform

This option is aimed at companies engaging in few transactions, as entering the data can be done manually. As the system comes into force, the AEAT will authorize the corresponding form in its electronic office.



Taxpayers may register the information via the AEAT office or use an automatic solution.

Webservice

This method lets you automate data sending, even directly from the company ERP or management system, so is the best option to optimize the process and avoid the mistakes that crop up in manual bookkeeping, especially in companies with higher data transfer volumes.

For this reason, medium-sized and large businesses are clearly the most affected. To meet the requirement and make the VAT return procedures more efficient, they may decide to develop these processes internally, which usually entails complex changes to their management systems and habitual working procedures. In this sense, implementing a specific solution for tax purposes to act as a complementary modular or application to the ERP is highly recommended, to provide a totally transparent management for the creation, validation and declaration of electronic VAT record books.

To this end, EDICOM, as one of the country's leading e-invoicing solution providers and expert in the electronic management of tax processes has developed a customized solution. This is how it works:

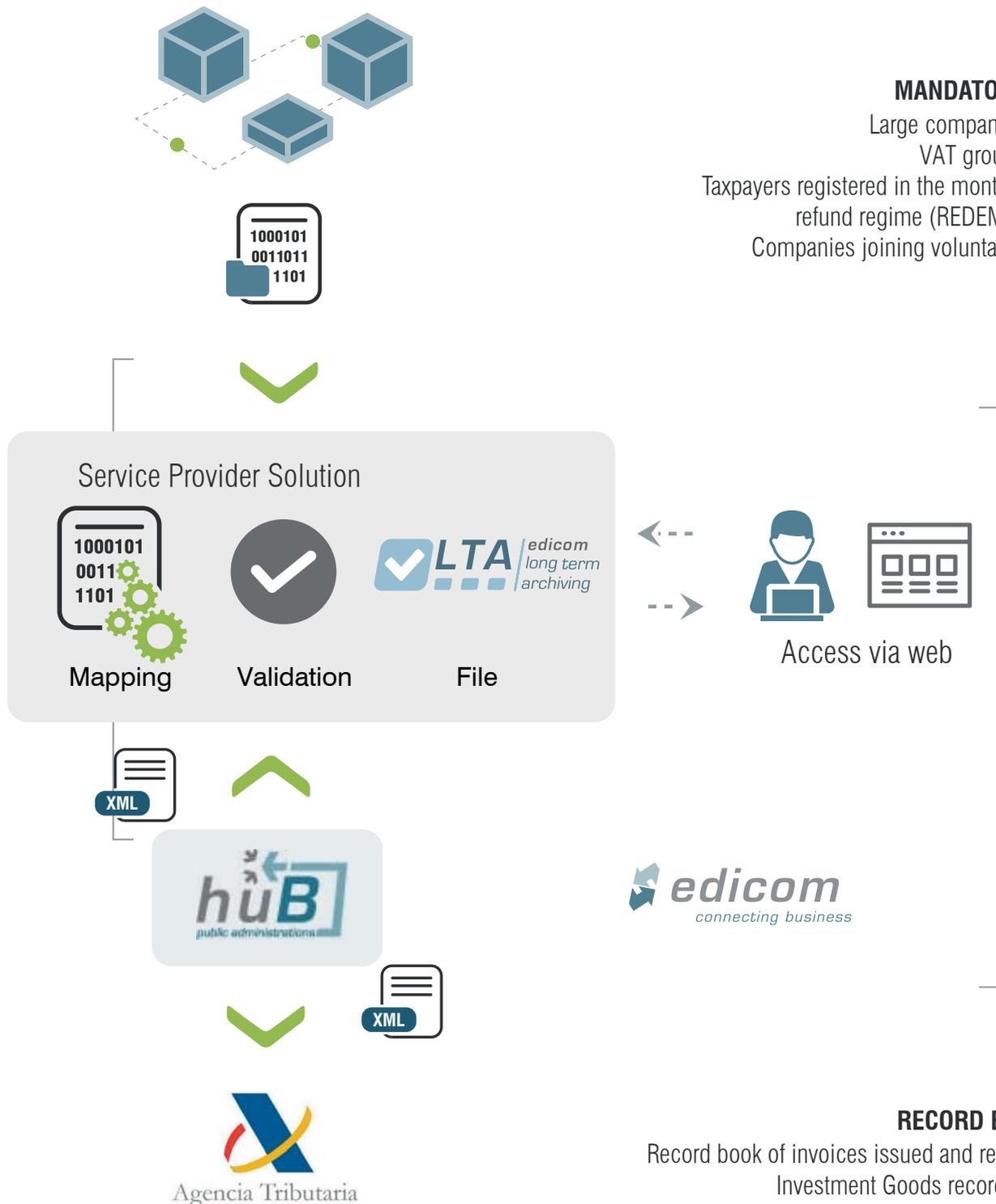
- 1 The data required are automatically exported from the company ERP or management system.

- 2 The EDICOM platform translates this information into the XML format demanded by the AEAT and validates the message.

- 3 The data are sent to the IIS by webservice through the Public Administration HUB, a module designed by EDICOM that can connect with any national or international body.

- 4 The AEAT validates the information and returns one of these status reports: full acceptance, partial acceptance or complete rejection.

- 5 The solution integrates the response into the company ERP or management system.



MANDATORY

Large companies.
 VAT groups.
 Taxpayers registered in the monthly
 refund regime (REDEME).
 Companies joining voluntarily.

RECORD BOOKS

Record book of invoices issued and received.
 Investment Goods record book.
 Record book of certain
 intra-Community transactions.

Record Books Submitted		Record Books Comparison	
I. Issued	I. Received	I. Issued	I. Received

7 SII utilities according to the AEAT

With the rollout of this new system, the Spanish Tax Agency optimizes the monitoring of company transactions and movements by requiring a greater amount of data and cutting the deadlines for delivery of this information. So, the companies affected are evidently going to have to make certain changes in the way they compile the data and deliver them to the AEAT to meet the requirement. However, the Tax Agency highlights the new system's useful features for businesses:

- **Automation** | The incorporation of new technologies enables tax management with hardly any human intervention. This means shorter times, enhanced productivity and lower economic costs, something already demonstrated in the implementation of [Facturae](#).
- **Extended deadline for periodic self-assessments** | Taxpayers registered in the SII will have an additional 10 days to make their monthly or quarterly statements, in other words, until the 30th.
- **Fewer formal obligations** | With paperless VAT management, it will no longer be necessary to submit official forms 347, 340 and 390. Likewise, the requirement to produce VAT record books is abolished. In other words, companies will only need to file their tax self-assessments.
- **Fewer information requirements** | At present, most of the AEAT requirements are designed to elicit the content of the invoices, something already available in the Agency in detail when the SII is implemented. Moreover, the electronic office will have the tax details of each company, which will speed up the declaration and prevent mistakes occurring.

8 Why choose EDICOM

EDICOM is a Spanish multinational specializing in EDI and e-invoicing, with over 20 years of experience. It has 8 offices worldwide and more than 14,000 clients. These are just some of the reasons to trust our team:

Pilot project participation

EDICOM have taken an active role in the pilot project developed by the AEAT. This means that our Immediate Information Sharing solution is totally aligned with the technical requirements laid down by the Tax Agency, after overcoming rigorous testing to validate communications with the AEAT.



Permanent updating

We have a Permanent Observatory of experts monitoring the changes on tax issues. This allows us to keep the solutions adapted to any technical or legal modification that may arise.

Public Administration HUB

Connectivity to the SII platform is one of the most sensitive issues in complying with the regulations. However, EDICOM has a powerful communications module ready to link up with any public or private entity.





VAT record books safekeeping

Through the EDICOMMLTA service, every transaction exchanged with the AEAT can be safely stored, providing proofs of the same in the event of any discrepancy arising between the records stored in the AEAT books and those of the client. In short, this is information safekeeping by a **TRUSTED THIRD PARTY**.

Security guaranteed

EDICOM holds several accreditations testifying to the security and data confidentiality of its solutions. Among them, the ISO 27001 Information Security standard or ISO 20000 for IT Service Management.



Total availability

The EDICOM Service Level Agreement (SLA) commits the company to guarantee its clients 99.9% service availability. This is a key issue in the transmission of critical data to Public Administrations for tax purposes.



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