

# DAGTVA

## Dispositif Automatique de Gestion de la Taxe à la Valeur Ajoutée

----- Translated from the original French version in English -----

### Automatic Device for managing the Value Added Tax and other indirect taxations on consumption.

#### Abstract:

**Preamble:** To be part of the "Green Paper on VAT" advocated by the *European Commission* on the simplification of VAT using new management methods and removing any possible fraud that could be detrimental to tax revenues. **DAGTVA** is a new self-liquidating technical device requires banks to automatically collect the Tax on the Added Value contained in the payment. This process takes place at the source of the settlement of an invoice, after controls and calculations through its tax administration, and replaces tax orders from companies. Banks act on behalf of the beneficiary state in crediting this tax.

**General Feature:** Technical device characterized by a complete automation of the management of Value Added Tax, also called VAT. Automation is done at all levels: from the declaration of this tax by the subject, through the involvement by the banks and to the collection of this tax by the beneficiary states. This automation can provide extreme simplification of the VAT processing for companies (as they are no longer required to collect VAT) and for States tax services by providing them banking payment operations where VAT is present.

**Declarations:** The system relates to a device allowing a company liable for VAT to declare, during the validation of an entry in its accounting software, the generation of a sales invoice or purchase (done for VAT) and to transfer automatically by computer a data file and network on the identifiers involved in the transaction to the appropriate VAT fiscal treatment centre.

**Controls:** Long before the arrival of the payment in the bank, the VAT fiscal treatment centre (s) compare (s) the statement of purchase, as soon as it arrives, with that of the previous statement of sale and, generate for the bank which will hold the payment in the event of a tie, a **Tax Clearance Extraction** which will determine the process of payment.

**Payments:** When paying the invoice from or to a company liable for VAT, the seller's bank or the buyer registered with the device (**DAGTVA**), automatically transmits to the VAT fiscal treatment centre payment's identifiers, which in turns, returns the pre-established VAT **Tax Clearance Extraction** to the Bank.

**Regulations guidelines:** Banks apply the guidelines against remuneration, for processing the **Tax Clearance Extraction**. These instructions are included through the conventional banking loops, leading to the perception of VAT statements by the states beneficiaries of VAT, by splitting in NET and VAT. The Treasury of the beneficiary State is credited automatically from VAT. Regulations of accounts liable to this tax identify: For the seller a net credit amount and for the buyer a VAT an immediate refund account credit (by the completion of the transactions between B2B).

**DAGTVA** strengthens the banking system that would be paid for this work. It does not switch to it what was done in companies. **Neither banks nor companies will at any time in possession of VAT.**

**Automation and Fraud:** The main purpose of invention **DAGTVA** system is: in first completely automate, by reducing to its simplest expression, management of this tax to all parties involved. This is achieved by providing immediate and unprecedented productivity gains through work flow efficiencies, especially beneficial to SME and TPE enterprises, secondly, the system strives to offer the same administrative facilities to the beneficiary States, by removing any possibility of fraud detrimental to tax revenues. There is no intermediary between the liable of VAT and the State beneficiary of the tax.

**Reverse charge:** This technical device is, for all intent purposes reverse charge by the mere fact that it levies the tax as soon as any method of payment (cash include) for a product or service is used.

**Application:** The system is applicable on all transactions where VAT is present, in all states applying the VAT and can be adapted, without modification, to similar systems of taxation on sales and services, including the USA or Canada. Only the deductible tax portion would not be taken into consideration.

The procedure that strengthens the Sarbanes-Oxley laws also meets, as a whole, the recommendations on the "Green Paper on VAT" proposed by the European Commission.

(Abstract translated by Liliane Meunier in Jun 2016).

Following this page the original "**DAGTVA**" an "Automatic VAT Management Device"

All the figures in accordance the description below can be acceded at this address:

h\*\*ps://www.dagtva.com/?page\_id=95 (replace the stars by "t")

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### Description of the patent "DAGTVA"

The present invention relates to a new method of fully automating the declaration, payment, and collection of Value Added Tax (VAT) for both taxable persons and recipient states. This invention also relates to similar sales and service taxation systems in other countries, such as the United States with Sales and Use Tax (SUT) or Canada, which, depending on the province, uses a mixed system similar to VAT, combining GST (Goods and Services Tax) and Sales and Use Tax.

Value Added Tax, more commonly known as VAT, is a tax levied at every stage of the production and distribution chain, up to the consumer, with a tax added to the value of everything that is valued.

"Invented" by Maurice Lauré, VAT was introduced in 1952, implemented in 1954 in France, and subsequently in many other countries. Currently, although it is the most efficient tax in the tax system, VAT has, in the countries that apply it, created an environment conducive to very significant administrative difficulties, both for businesses and states, with the adverse consequences of this management on the development of businesses, the economy in general, and on the cost and yield of tax revenues from this tax for the beneficiary states.

Indeed, VAT is currently collected and passed on by businesses on behalf of and for the benefit of the state by subtracting the deductible VAT on purchases from the VAT due on goods and services sold. This is calculated simply by filing a declaration after invoicing for the same goods and services sold or purchased. This declaration is subject to question and relies on the good faith and honesty of the taxpayer making the declaration with regard to their invoicing. Besides the administrative burden, this method of VAT collection, coupled with complex regulations, attracts fraudsters both nationally and internationally, resulting in significant annual losses for governments, estimated at €10 billion for France and €50 billion for the European Union, and, in other similar sales and services taxation systems such as in the United States, \$100 billion. Numerous publications address these difficulties.

The "[Automatic VAT Management Device](#)" proposed by this invention addresses these major drawbacks.

**The first fundamental difference** between the "[Automatic VAT Management Device](#)" and the current system lies in its declarative system for calculating tax. Currently, tax is calculated on the difference between the VAT collected on sales and the VAT paid on purchases. Calculating tax therefore requires gathering and verifying supporting documentation for accounting transactions, which is very costly for taxpayers and governments. With the new process based on the invention of the "[Automatic VAT Management Device](#)", when an entry is validated in a taxpayer's computerized accounting system, **an automatic data transfer takes place** (using international data transfer standards such as FTP or similar technologies). This transfer, containing the information necessary for managing this tax, is sent to a processing center under the Ministry of Finance, where the taxpayer already declares and pays the tax. **This is the reporting interface of the new process, which eliminates the need for taxpayers to file all VAT returns.** Its operation is explained later.

**The second fundamental difference** between the new process and the existing one, according to the invention of the "[Automatic VAT Management Device](#)", lies in the fact that while the automatic filing of accounting entries remains the responsibility of the company, with the new process, the banks, and no longer the companies, handle, in a fully automated manner, the payments to the beneficiaries and the VAT transactions related to each invoice payment. The VAT management center automatically performs all checks and provides the respective banks of the taxable persons with mandatory instructions for VAT deduction or refund upon invoice payment. This is **the interface for processing these instructions**, part of the new process leading to tax collection by the recipient state, the operation of which is explained later.

**The third fundamental difference**, consequently, of the new process according to the invention is that **it eliminates the responsibility for VAT returns from businesses. These returns become unnecessary.** The extreme simplicity of the new system leads to immediate productivity gains for VAT-registered businesses. Small businesses thus benefit from the elimination of a significant administrative burden, particularly those with limited or no efficient accounting services. This is the most important factor for this sector regarding the creation of small businesses, which are essential for the development of the economic fabric and employment.

**The fourth fundamental difference** of the "[Automatic VAT Management Device](#)" is characterized by **the immediate and final processing and settlement of the VAT associated with each invoice upon payment.** This contrasts with the current system, where businesses accumulate VAT revenue in their accounts, sometimes over an entire year, revenue that they normally owe to the Public Treasury and that should be held by the receiving state.

**The fifth fundamental difference** introduced by the "[Automatic VAT Management Device](#)", compared to the existing system and **a consequence of the fourth fundamental difference**, is that, under the current system, taxpayers are authorized to hold state funds. Indeed, today it is the company that pays the state the difference between VAT to be collected and deductible when this difference is favorable to the state, or vice versa. The company can therefore be in possession, at any given time, of the majority of the VAT it owes on its sales (before filing). This is very risky for the state, as evidenced by widespread fraud. With the "[Automatic VAT Management Device](#)", **taxpayers will no longer hold the sums owed to the Public Treasury corresponding to this tax in their bank accounts.**

**The sixth fundamental difference** between this invention and the previous fundamental difference, with the principle of the "[Automatic VAT Management Device](#)" explained later, is that **at no point will a taxable person be given the opportunity to collect VAT that they owe to the Public Treasury.** An automatic final deduction is made at source, at the bank payment stage. **The seller no longer has to worry about adjusting the VAT to be collected on their sales.**

**The seventh fundamental difference** between this invention and existing systems, the "[Automatic VAT Management Device](#)", is that **it allows the state to have immediate access to tax collection as soon as a payment is made**, with the obvious financial advantages of this new situation.



the validation point following the issuance of an accounting invoice related to a sale, to the acknowledgment of the bank credit or debit processing, throughout the rest of the accounting chain for this invoice, with each operation of the chain correctly allocating invoice amounts to VAT-registered entities, applying the directives leading to tax deductions.

**The twelfth fundamental difference** of the invention, along with the principle of the "[Automatic VAT Management Device](#)" explained later, is characterized by **the complete relief of tax management workload for both taxpayers and the government**. This is achieved through simple, reliable, and automatic controls based on the simultaneous occurrence of two or three relevant accounting entries generated during the execution of the "[Automatic VAT Management Device](#)" procedure. These entries are distributed among the taxpayers based on: automatic sales declarations, automatic purchase declarations, the presence of a payment, and the presence of a "tax authorization for extraction." These self-checks, which will be described later, are performed in such a way that they eliminate any possibility of tax evasion or the production of falsified documentation that could entitle the taxpayer to a tax refund or payment from the government.

**The thirteenth fundamental characteristic** of the invention, along with the principle of the "[Automatic VAT Management Device](#)" explained below, is its maximum security; the device does not handle any funds at any time.

**The fourteenth fundamental characteristic** of the "[Automatic VAT Management Device](#)" is that it can be integrated into the existing accounting system without any modification, as it has no impact on, nor does it entail any changes to, the application of current accounting rules by taxable persons in businesses and governments. The new "[Automatic VAT Management Device](#)" according to the invention can coexist with the current system with extreme flexibility, without any time limit, and without any problems, until the latter is phased out.

**The fifteenth fundamental difference** of the "[Automatic VAT Management Device](#)" is applicable with the same efficiency to other taxation systems applied to sales and services in all other countries, such as the United States with Sales and Use Tax (SUT) or Canada, which uses, depending on the province, a mixed system similar to VAT, with GST (Goods and Services Tax) and Sales and Use Tax. In all cases, at no point would the "[Automatic VAT Management Device](#)" give taxpayers in these countries the opportunity to collect Sales and Use Tax or GST that they would have to pay in a state or province. Without any drawbacks, only the portion of deductible VAT refunds that do not correspond to an equivalent and non-existent local tax would not be processed by the "[Automatic VAT Management Device](#)".

**The sixteenth fundamental difference** of the "[Automatic VAT Management Device](#)" according to the invention is its fully automated technical registration system for the taxable business, in accordance with the applicable tax regulations. These regulations may differ and are linked to a taxation system such as VAT, Sales and Use Tax (SUT), or GST. The registration system for the new "[Automatic VAT Management Device](#)" prepares the VAT management environment, or the management of related taxes, in the tax administration centers of each state, for each new registration of a taxable person.

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The environment of the "**Automatic VAT Management Device**" according to the invention consists of:

- **Firstly**, for taxable persons:

#### **The necessary prerequisites for VAT-registered businesses.**

Every VAT-registered business must, as already required, use approved accounting software that complies with current accounting guidelines. This software will need to be supplemented by three interfaces developed specifically by software publishers:

- an automatic interface for transferring sales declarations.
- an automatic interface for transferring purchase declarations.
- an automatic interface for transferring sales payments.

A connection to the computer network behind an "Internet" type router, a connection already existing for all registered users, will be used for automatic transfers to the management center, without the need for dedicated, high-security lines.

- **Secondly**, for the State

#### **The necessary prerequisites for the State.**

The Ministry of Finance, through its departments managing the taxation of taxable persons, must have a VAT management center. The word "center" signifies that the information processing systems involved and necessary for VAT are and can be installed in the same location, in different locations, and in different countries, and are compatible with different tax systems. Regardless of the previous option, the "**Automated VAT Management Device**" according to the invention operates with the same efficiency. According to the invention, **a computer application of the DBMS (Database Management System)** type, applied to the "**Automated VAT Management Device**," whose actions will be described in this document, **will be hosted in each tax center**, on the computers already in operation — the very computers on which the VAT-registered person depends. **This computer application will be the same in each Public Treasury center** processing the files of VAT-registered persons, thus optimizing the development costs of this DBMS and facilitating management tasks through distribution across different sites. It is characterized by two distinct IT environments, grouped at each management center:

- 1. The automated declarations environment, which controls these declarations, generates and manages tax authorizations for extraction.

- 2. The order management environment, which handles fund movements and updates to VAT accounts of taxable persons in banks and the Public Treasury. This is the environment for settling directives.

- **Thirdly**: the banks

#### **The necessary prerequisites for banks.**

The "**Automated VAT Management Device**" requires banks to be approved for the system and to adapt to simple and transparent additional processing procedures to ensure the

proper management of this tax by the recipient state. Banks must comply with the following simple guidelines, summarized below:

1. Upon receipt, transmit the details of any fund transfer to the "[Automated VAT Management Device](#)" management center to which they belong, for analysis. This applies whether the transfer is to the benefit of VAT-registered entity or to the detriment a VAT-registered entity, or a VAT-registered entity paying a non-VAT-registered third party, or vice versa.

2. Await the "[Automated VAT Management Device](#)" to electronically transmit the order to be applied to this fund transfer. This order will be entered as an entry in a VAT directives table, indexed to the specific identifier of the fund transfer. This order is called, in the new "[Automatic VAT Management Device](#)" according to the invention:

**a Tax Extraction Authorization.**

3. Attach, and forward throughout the entire procedure and to other banking institutions, if applicable, for the execution of this order, applied to the fund transfer, the **Tax Extraction Authorization** in the form of the item from the VAT directives table transmitted by the VAT management center.

4. Apply to the fund transfer concerned by VAT, the mandatory directives, following the preceding paragraph, ordered by the management of this tax, according to the orders of the "[Automatic VAT Management Device](#)" managed by the Ministry of Finance.

### **Membership in the system.**

**Registration:** All VAT-registered businesses must register for the "[Automated VAT Management Device](#)" using standard internet access methods already available to them and a secure SSL connection provided by the VAT management center on a dedicated website. This registration will create an environment within the management center where all the information necessary for VAT management for that business will be centralized.

This registration aims to empower the business and ensure its full agreement to accept and implement the procedures that will lead to the automatic collection of VAT by the state.

Indeed, registration will implicitly constitute acceptance of the regulations necessary for the proper functioning of the "[Automated VAT Management Device](#)" as established by the relevant authorities.

### **General transitional measure.**

In order to avoid delaying the implementation and operation of the new "[Automated VAT Management Device](#)" in the interim and before updating the accounting records of VAT-registered businesses, these businesses will be able to enter a copy of their accounting transactions, related to their invoicing, into an internet-based application directly at the VAT management center of the "[Automated VAT Management Device](#)" to which they belong, using a secure SSL connection—the same one they used to register for the system.

The new "[Automated VAT Management Device](#)" according to the invention is characterized by the extreme flexibility of its general transitional implementation plan, **which allows it to coexist, without any time limit, with the existing system**, which is entirely managed within companies, without any technical drawbacks.

## **Transitional measure for Very Small Businesses:**

Sometimes, very small businesses (VSBs) use "exotic" accounting products that are impossible to update, and generate few invoices. To legally register for the mandatory VAT management process, they can maintain their current method of recording copies of their accounting transactions until they are replaced by an accounting product approved by the "[Automated VAT Management Device](#)".

This transitional measure has no impact on their accounting practices. **Crucially, this provision allows them, in all cases, to settle invoices to VAT-registered businesses**, as specified in the ninth fundamental characteristic of the "[Automated VAT Management Device](#)".

Another advantage of this transitional method is that it avoids waiting for all VAT-registered businesses to be equipped with customized accounting interfaces adapted to the "[Automated VAT Management Device](#)" before implementing the new system.

## **Preamble to the description:**

For the sake of clarity in explaining and presenting the figures accompanying this document, it is assumed that the taxable parties, seller and buyer, reside in the same city and are subject to the same tax office for their tax processing. The other parties involved are also assumed to be in this situation.

It should be noted that the "[Automatic VAT Management Device](#)" according to **the invention can be applied without modification to parties residing: in the same location, in different locations, and in overseas departments and different countries with different VAT taxation systems**, such as "sales tax" in the United States and "Goods and Services Tax" in Canada, provided that cooperative agreements regarding the management of this tax, promoting global trade, have been concluded between the states.

**It can also be applied with the same effectiveness even if the buyer is not subject to VAT as a final consumer.**

**Description** of the "[Automatic VAT Management Device](#)" according to the invention of the "**long banking circuit**" between taxable parties.

The drawings in the appendix illustrate the invention.

**As shown in Figure 1:** we have the original actors in a commercial transaction, which are:

- a seller subject to VAT,
- a buyer subject to VAT,
- the seller's bank, which is registered with the "[Automated VAT Management Device](#)",
- the buyer's bank, which is registered with the "[Automated VAT Management Device](#)",
- the Public Treasury, which collects the VAT,
- the existence of a sale with an invoice given to the buyer, following the simple principle that one always buys something from someone who has sold it with an invoice.

**As shown in Figure 2:** we have the same original actors in a commercial transaction, previously described in **Figure 1**, to which is added, in the center, the symbol of a VAT management center under the Ministry of Finance.

For each VAT-registered entity that acts as either seller or buyer, the "[Automatic VAT Management Device](#)" according to the invention will collect, in an environment corresponding to the accounting transaction, the declaration and the orderly action of responses adapted to the system's mandatory directives. The following figures will provide the remaining explanations regarding the role and operation of this VAT management center.

**Beginning** of the "[Automatic VAT Management Device](#)" procedure according to the invention.

**As shown in Figure 3,** when the sale entry is validated in the VAT-registered seller's accounting records, an identifier is added to this entry. This identifier is composed of the concatenation of the intra-Community VAT number and the invoice number. **This is the transaction identifier.**

An indexed item in a computer file is created with this identifier. This identified item is accompanied by information concerning the created invoice. Its description, **the list of fields below being non-exhaustive**, may include necessary analytical breakdowns.

This item is hardly more "cumbersome" to send than a 5-line SMS:

1. Identifier = Intra-Community VAT number + invoice number,
2. The seller's Intra-Community VAT number,
3. Identifier of the seller's VAT-registered business's processing center,
4. The seller's invoice number,
5. The buyer's Intra-Community VAT number (not provided),
6. The buyer's invoice number (not provided),
7. The total amount of the invoice excluding VAT,
8. The total amount of VAT to be collected,
9. Identifier of the buyer's VAT-registered business's processing center (not provided). ,

This item is sent, via automatic file transfer in FTP (File Transfer Protocol) format, to the relevant VAT management center.

The VAT management center of the "[Automatic VAT Management Device](#)" according to the invention receives and **records this item in the reporting interface (seller side)**. Another update to the VAT collection account is made **in the tax return payment environment** by creating, in the taxable person's account, an item from the indexed file with a description.

The list of fields below (non-exhaustive) would contain:

1. the index, composed of the invoice identifier,
2. the total amount of VAT to be collected.

**The VAT return for this sale by the taxable person is complete.** In the new "[Automatic VAT Management Device](#)" according to the invention, with regard to the VAT to be collected on this invoice and based on this principle, any other VAT return to be collected

on sales becomes unnecessary, and **there is no additional work required** beyond that already performed by the current accounting entries.

**As shown in Figure 4**, the taxable purchaser, having received the identified invoice for their purchase, will enter this invoice into their accounting system, as they already do. Upon validation of the entry of this identified invoice, which constitutes their purchase, **the transaction ID generated by the seller is retrieved**.

An item, as before, is created with this ID and sent, via automatic file transfer in "ftp" (File Transfer Protocol) format, to the relevant VAT management center.

This management center receives and records this item (which is hardly more "cumbersome" to transfer than a 5-line SMS) **in the reporting interface (buyer side)**. Another update to the deductible VAT account, on the taxable person's account, **is made in the payment processing interface** by creating an item in the indexed file with a description.

The list of fields below is not exhaustive. Necessary analytical breakdowns could be added to this item:

1. The index, composed of the invoice identifier,
2. The total amount of deductible VAT.

**The taxable person's deductible VAT declaration for this purchase is complete**. In the new "**Automatic VAT Management Device**" according to the invention, with regard to the deductible VAT on this invoice and based on this principle, **any further deductible VAT declarations for purchases become unnecessary**, and no additional work is required beyond that already performed by the current accounting entries.

In the new "**Automated VAT Management Device**" according to the invention of the process, we therefore have, within the management center(s), two items (seller and buyer) that have the same IT structure, the same identifier, and gather the information necessary to define the accounting documentation for the characteristics of the commercial transaction.

In the new "**Automated VAT Management Device**" according to the invention, before any invoice payment is made—that is, well before the actual payment date, which can be spread over 30 to 90 days or as agreed upon by the taxable parties and in order to optimize the time of the initial "transfer" between the taxable party's bank and the management center to which they belong, **a validity check of the two declarations** (seller and buyer) concerning the same commercial transaction, producing an identical sales invoice and purchase invoice, **is performed as soon as the purchase declaration appears in the reporting interface (buyer side)**.

**This is the first automated control point. A validity pointer is generated**. In case of discrepancy, an automated email notification from the "**Automated VAT Management Device**" according to the invention informs both taxable parties of the anomaly for correction.

The tax authorities are automatically informed of this anomaly and the progress of its resolution. This processing can be carried out overnight as soon as machine time is available.

**As shown in Figure 5**, regardless of delivery, the purchasing taxable party makes a payment to their bank for the invoice in question, for example, by bank transfer. They simply need to complete the appropriate online form for this transfer, adding the invoice transaction ID (the one created when the initial invoice was generated by the seller) and the identification of the "[Automated VAT Management Device](#)" processing center to which they belong.

The bank analyzes this transfer, as it does today, and notes that it originates from the account of a VAT-registered entity and is destined for another VAT-registered entity. Following mandatory tax directives, the bank puts the payment processing on hold.

**As shown in Figure 6**, the processing center of the "[Automated VAT Management Device](#)" to which the purchasing taxpayer belongs, then **has the invoice transaction ID**.

By simply searching the file containing this item, recorded by the buyer **in the reporting interface (buyer side)**, this search provides access to the identifier of the processing center of the selling taxpayer. In the local file, this center **should contain an item with the same transaction ID and identical accounting details**.

**This is the automatic checkpoint for the two declarations**, or you can search for the validity pointer generated as explained in **Figure 4**.

Under normal circumstances, in the event of identical declarations, this check issues a "**Tax Extraction Authorization**", which is sent back to the buyer's bank holding the pending invoice payment request.

This "**Tax Extraction Authorization**" is a mandatory directive issued by the Ministry of Finance, via the "[Automated VAT Management Device](#)" to the bank holding the invoice payment.

**This directive** from the "[Automated VAT Management Device](#)" according to the invention, **must accompany the payment throughout the entire invoice settlement process** within the banking system.

**At this automated control point**, all types of fraud, listed below, are prevented by the new "[Automated VAT Management Device](#)" in the event of discrepancies in declarations:

1. **Failure to declare sales** – normally impossible with the automated sales interface, except by cutting off the network used to transfer the file to the "[Automated VAT Management Device](#)" center and fraudulently deleting the file to be transferred.
2. **Fraudulently inserting a computer routine** that arbitrarily modifies the data in the file to be transferred after validation of the initial invoice in the taxable person's accounting system, with the aim of either minimizing the amount of VAT to be collected or shifting VAT amounts to other accounting categories.
3. **Failure to declare a purchase** – normally impossible with the automated purchasing interface, except by cutting off the network used to transfer the file to the "[Automated VAT Management Device](#)" processing center and fraudulently deleting the file to be transferred. This is of no benefit to a taxable purchaser who would be unable to recover the deductible VAT on their purchase. Furthermore, when making a bank transfer to pay the invoice, the buyer is required to provide the invoice transaction ID and the identification of the "[Automated VAT Management Device](#)" processing center to which they belong. Therefore,

the taxable purchaser cannot be unaware of the existence of an invoice declared by an identified and taxable third party. **If the purchase declaration does not exist, payment of the invoice becomes impossible.**

**This is the second automatic control point;** the buyer cannot avoid making the declaration.

4. **Fraudulently inserting a computer routine** that arbitrarily modifies the data entered in the file to be transferred after validation of the purchase invoice entry in the taxable person's accounting system, aiming either to increase the amount of deductible VAT or to shift VAT amounts to be collected to other accounting categories. With the automatic controls of the "**Automatic VAT Management Device**" according to the invention, modifying an amount increased by deductible VAT on the buyer's side is impossible; the seller would not, in principle, agree to have more VAT deducted from the pre-tax amount they are to receive for their sale.

5. **In the event of a tacit agreement between the seller and the buyer regarding fraud aimed** at minimizing or increasing invoice amounts, the gain of one would be a loss for the other; what is taken from one would be compensated to the other, without any loss to the Public Treasury. Between taxable persons, the amounts of VAT to be collected and deductible would cancel each other out. The differences between the amounts of previous transactions **and the present ones would reveal discrepancies in inventory** that would be controllable and difficult for fraudsters to justify.

The presence of a discrepancy in declarations automatically suspends the "**Tax Extraction Authorization**" which is a prerequisite for processing the invoice payment request. An automated email notification from the "**Automated VAT Management Device**" (according to the invention) informs both taxable parties of the anomaly so they can correct it.

The tax authorities are automatically notified of this anomaly and the progress of its resolution.

**As shown in Figure 7**, the normal and regular procedure involves the "**Tax Extraction Authorization**" being returned to the bank that issued the payment transfer, which then proceeds with the invoice payment request through standard banking channels.

According to the "**Automated VAT Management Device**" the bank will simultaneously debit the taxable amount of the invoice from the purchaser's account along with this "**Tax Extraction Authorization**".

The bank transmits the notification of this debit and the "**Tax Extraction Authorization**" to the seller's bank for credit.

The seller's bank, according to the "**Automatic VAT Management Device**" will, upon receiving the "**Tax Extraction Authorization**," **split the invoice amount to be credited to the seller's account** into:

1. Amount excluding tax,
2. Amount of VAT allocated to this invoice **As shown in Figure 8.**

Following this invoice splitting, the bank, upon receiving the "**Tax Extraction Authorization**", **extracts the VAT to be collected and credits this VAT to the Public Treasury account.**

The tax authorities has collected the tax through withholding at source.

The seller's VAT account balance is increased by the extracted VAT.

**As shown in Figure 9**, The bank credits the seller's account with the remaining balance of the invoice excluding tax.

A bank credit advice informs him of this credit and the final VAT payment collected on the accounting entry.

At no point, according to the "[Automatic VAT Management Device](#)" did the taxable seller possess funds corresponding to the tax allocated to his sale, funds he owed to the state.

Thanks to the "[Automatic VAT Management Device](#)" this marks the end of the costly "VAT carousels and cascading VAT carousels" that are so burdensome to governments.

**As shown in Figure 10**, according to the "[Automatic VAT Management Device](#)" following the update of the VAT collected account balance for the taxable person on their invoice, the "[Automatic VAT Management Device](#)" processing center will automatically instruct the Public Treasury to refund the deductible VAT on the invoice to the buyer's account.

**As shown in Figure 11**, according to the "[Automatic VAT Management Device](#)" the Public Treasury automatically credits the buyer's account with the amount of deductible VAT, and the buyer's deductible VAT account balance is increased accordingly.

A bank credit note informs the buyer of the deductible VAT refund in the accounting entry. According to the invention of the "[Automatic VAT Management Device](#)" the "long banking circuit" is eliminated; no human intervention is required for invoice settlement, VAT collection, and the refund of deductible VAT.

According to the invention of the "[Automatic VAT Management Device](#)" the entire chain leading to invoice settlement and tax collection has been made more reliable.

According to the invention of the "[Automatic VAT Management Device](#)" the "**short banking circuit**" is an optimized variant of the "**long banking circuit**" the details of which are explained below. It should be noted that the current explanations, as already indicated, deal with invoice and VAT settlement chains between two taxable parties: a seller and a buyer.

According to the invention of the "[Automatic VAT Management Device](#)" explanations involving a taxable seller and a non-taxable buyer will be addressed in the last example. Those that follow below are referred to as the "**short banking circuit**" In the "**short banking circuit**" all operations are identical from the beginning, following the explanations in **Figures 1-2-3-4-5-6** of the "**long banking circuit**". They are numbered 12-13-14-15 and 16 in this short circuit.

**As shown in Figure 17**, the buyer's bank, according to the "[Automatic VAT Management Device](#)" will, upon order of the "**Tax Extraction Authorization**" split the invoice amount to be debited from the buyer's account into:

3. Amount excluding tax

4. Amount of VAT allocated to this invoice According to the "[Automatic VAT Management Device](#)" and favoring this circuit, the state will never pay deductible VAT (**thus eliminating any possible fraud at this level**) on a purchase made by a taxable person who paid for it inclusive of all taxes. Following this split payment of the invoice, the bank, acting on the "**Tax Extraction Authorization**" will extract the deductible VAT.

This is ordered by the "[Automatic VAT Management Device](#)" which, through the "tax extraction authorizations," transforms the VAT-inclusive payment into a VAT-exclusive (excluding VAT) debit, with a notice of compensation for the undebited VAT.

This balances the following equation:

Currently -----□ Automatic VAT Management  
Payment VAT included – VAT refund = (Payment VAT included ----> VAT-exclusive debit)

**As shown in Figure 18**, according to the "[Automatic VAT Management Device](#)" the bank will debit the VAT-exclusive amount of the invoice from the payer's account.

The VAT-deductible amount of the buyer's account is increased by the extracted VAT.

A debit note also mentions the VAT deducted due to the failure to collect, as explained in **Figure 17**. VAT returns on purchases become unnecessary.

According to the "[Automatic VAT Management Device](#)" **VAT-registered businesses have immediate access to cash flow** corresponding to the difference between the VAT-inclusive payment and the VAT-exclusive payment.

Currently, businesses must wait for the VAT differential to be determined before they can access this cash flow, perhaps only if the accounting conditions are favorable, at the time the differential is calculated.

According to the "[Automatic VAT Management Device](#)" **this immediate cash flow on purchases, along with the simplified management of this deductible VAT, is one of the most important aspects for improving business performance.**

According to the "[Automatic VAT Management Device](#)" another option, as described in the previous sentence, allows for balancing the VAT-inclusive payment of the invoice. The buyer's bank can also debit the VAT-inclusive amount of the invoice and immediately generate, as instructed by the "**tax extraction authorization**" of the "[Automatic VAT Management Device](#)" a credit entry for the VAT amount. This is equivalent to the VAT-exclusive debit explained in **Figure 17**, but from an accounting perspective, this approach is more in line with common practice.

**As shown in Figure 19**, according to the "[Automatic VAT Management Device](#)" from this point onward, all banking transactions will be processed VAT-exclusive.

According to the "[Automatic VAT Management Device](#)" the buyer's bank will simultaneously debit the VAT-exclusive amount of the invoice from the buyer's account with this "**Tax Extraction Authorization**".

The bank forwards the debit notification, along with the "**Tax Extraction Authorization**" to the seller's bank for credit.

The bank, acting on the "**Tax Extraction Authorization**" credits the seller's account with the pre-tax invoice amount.

**The tax authority has "collected" the tax through withholding at source.**  
The seller's VAT receivable account balance is increased by the amount of VAT.

**As shown in Figure 20**, a bank credit advice informs the seller of this credit and the final withholding of VAT collected on the accounting entry.

It is on this principle that VAT-registered businesses currently declare their transactions with each other, excluding VAT.

According to the "**Automatic VAT Management Device**" the Public Treasury has virtually refunded deductible VAT on a purchase made by a taxable person, based on an actual payment order for the total amount including VAT, and only for that specific purchase.

No more payments from the Public Treasury on deductible VAT to a taxable person, therefore no more fraud at this level.

Regarding the VAT to be collected on the sale corresponding to the invoice just processed for the buyer, from this point onward, according to the "**Automatic VAT Management Device**" all other bank and interbank transactions leading to the credit of the seller's account, as explained in **Figure 19**, are managed excluding VAT.

The system can no longer make a mistake.

**The seller is credited excluding VAT.**

As in the "**long banking circuit**" at no point will a taxable person be given the opportunity to collect VAT that they should have paid to the Public Treasury.

**VAT returns on sales become unnecessary.**

Invoices and commercial transactions between VAT-registered businesses no longer involve interbank fund transfers through which the VAT to be collected circulates.

These funds could then be used for financial speculation or interest-bearing investments, without the state benefiting from such investments or speculation.

With the new "**Automatic VAT Management Device**" according to the invention, private enrichment can no longer occur through the transfer of state funds corresponding to VAT.

According to the invention, the "**Automatic VAT Management Device**" acts as an intermediary for controlling VAT-related accounting transactions between VAT-registered businesses, without the need for: external channels to this new tax system, or the necessary fund transfers within the Public Treasury that this taxation would otherwise generate.

According to the invention of the "**Automatic VAT Management Device**" the explanation of the "**short banking circuit**" is complete.

According to a variant description of the "**long bank circuit**" and "**short bank circuit**" where the invoice is paid by the purchasing taxable person via bank transfer, as described

below in the "[Automatic VAT Management Device](#)" the purchase invoice is settled not by bank transfer from the purchasing taxable person but by payment to the selling taxable person, referred to as the "**long seller circuit**". In the "**long seller circuit**" the operations are identical from the beginning, as explained in **Figures 1-2-3-4** of the "**long bank circuit**." They are represented by **Figures 21-22-23** and **24** in this long seller circuit.

**As shown in Figure 25**, following a payment decision (which may itself be a consequence of the delivery of the purchased goods), a check for the amount of the identified initial invoice is sent to the VAT-registered seller. As shown in Figure 26, as is currently the case, the VAT-registered seller records the sale payment in their accounting system via the "[Automated Sales Payment Interface](#)" and sends the check, along with a suitable deposit slip, to their bank through the usual channels for crediting their account.

Under the "[Automatic VAT Management Device](#)" the bank analyzes this check payment, which includes the transaction identifier, as it does today, and determines that it originates from the account of a VAT-registered entity and is intended for another VAT-registered entity.

In accordance with mandatory tax regulations, the bank transmits this payment request, via a fully automated procedure, to the [Automatic VAT Management Device](#) (VAT) center responsible for the taxable person.

The bank then suspends the payment processing.

The [Automatic VAT Management Device](#) (VAT) center responsible for the seller then receives the invoice transaction ID.

A simple indexed search of the file containing this item, recorded by the buyer **in the reporting interface (on the seller's side)**, provides access to the buyer's processing center ID.

This center's local file should contain an item with the same transaction ID and identical accounting details. This serves as the automatic verification point for the two tax returns. If the returns are identical, a normal and regular situation, this verification process issues a "**Tax Extraction Authorization**".

This information is then sent back to the seller's bank holding the pending invoice payment check, which then proceeds with the invoice payment request through standard banking channels.

This "**Tax Extraction Authorization**" is an automatic, mandatory directive issued by the Ministry of Finance, via the "[Automatic VAT Management Device](#)" to the bank holding the invoice payment.

According to the invention, this directive from the "[Automatic VAT Management Device](#)" must accompany the payment throughout the entire invoice settlement process.

At this automated control point, **all types of fraud, listed above in the explanations of Figure 6 of the "long banking circuit" are prevented** by the new "[Automatic VAT Management Device](#)" in the event of discrepancies in the declarations.

**As shown in Figure 27**, the seller's bank, according to the "[Automatic VAT Management Device](#)" will simultaneously debit the buyer's account with the VAT-inclusive amount of the invoice and this "**Tax Extraction Authorization**". A bank statement informs the buyer of this VAT-inclusive debit to their account. As shown in **Figure 28**, the buyer's bank forwards this credit request, the amount of which is inclusive of VAT, and the "**Tax Extraction Authorization**" to the buyer's bank for crediting. According to the "[Automatic VAT Management Device](#)" the seller's bank will split the invoice amount, to be credited to the seller's account, as instructed by the "Tax Extraction Authorization," into:

5. Amount excluding VAT

6. Amount of VAT allocated to this invoice Following this invoice splitting, the seller's bank, also instructed by the "**Tax Extraction Authorization**" will extract the VAT to be collected and credit this VAT to the Public Treasury account.

**The tax authority has collected the tax through withholding at source.**

**As shown in Figure 29**, the seller's VAT account balance is increased by the extracted VAT.

The seller's account is credited with the amount excluding VAT of the invoice.

A bank credit advice informs them of this credit and the final VAT payment recorded in the accounting entry.

At no point is a taxable seller given the opportunity to collect VAT that they owe to the Public Treasury.

According to the "[Automatic VAT Management Device](#)" this marks the end of the costly "VAT carousels and cascading VAT carousels" that burden governments.

**As shown in Figure 30**, according to the "[Automatic VAT Management Device](#)" following the update of the taxable person's VAT account on their invoice, the "[Automatic VAT Management Device](#)" processing center will instruct the Public Treasury to refund the deductible VAT on the invoice to the buyer's account.

**As shown in Figure 31**, according to the "[Automatic VAT Management Device](#)" the Public Treasury credits the buyer's account with the amount of deductible VAT, and the buyer's deductible VAT balance is increased accordingly.

A bank credit advice informs him of the refund of deductible VAT on the accounting entry.

According to the invention of the "[Automatic VAT Management Device](#)" the "**long sales process**" is eliminated; no human intervention is required for invoice settlement, VAT collection, and VAT refunds.

According to the invention of the "[Automatic VAT Management Device](#)" the entire invoice settlement chain leading to tax collection has been made fully reliable.

**As shown in Figure 32**, the invention of the "[Automatic VAT Management Device](#)" allows for invoice settlement by credit card, using existing financial intermediary channels adapted to the new "[Automatic VAT Management Device](#)" without affecting its operational efficiency.

According to an optimized version of the invention of the "[Automatic VAT Management Device](#)" called the "**long sales process**" a "**short sales process**" is possible; the details are explained below. In the "**short seller circuit**" the operations are identical from the beginning, following the explanations in **Figures 21-22-23-24-25 and 26** of the "**long seller circuit**". They are numbered **33-34-35-36-37 and 38** in this short seller circuit.

As shown in Figure 39, the seller's bank, according to the "[Automatic VAT Management Device](#)" will split the invoice amount to be debited from the buyer's account, as instructed by the "Tax Extraction Authorization," into:

7. Amount excluding tax,
8. Amount of VAT allocated to this invoice.

As shown in Figure 40, the "[Automatic VAT Management Device](#)" has verified that both the seller and the buyer are subject to VAT. The remainder of the procedure, leading to the reconciliation of entries, **will be carried out excluding tax**.

By favoring this circuit between taxable persons, **a taxable seller is no longer given the opportunity to collect VAT that they would otherwise have to pay to the Treasury, and at no point will the state pay deductible VAT**. This eliminates all possible fraud in purchases and sales between taxable persons who, as is currently the case, pay all their invoices inclusive of all taxes included.

According to a variant of the invention with the "[Automatic VAT Management Device](#)" the payment of VAT-free transactions between taxable persons from different countries belonging to the European Union is processed simply and automatically by detecting a zero VAT amount on the purchase declaration automatically transmitted by **the buyer's reporting interface**, which holds the seller's VAT amount.

As shown in Figure 40, with the "[Automatic VAT Management Device](#)" the seller's account is pre-credited with the Net amount of the invoice.

As shown in Figure 41, with the "[Automatic VAT Management Device](#)" the interbank transfer of a request accompanied by the "**Tax Extraction Authorization**" will result in the buyer's bank debiting the Net amount of the invoice from the taxpayer's account.

The VAT balancing from the state to the purchasing taxable person, mandated by the "[Automatic VAT Management Device](#)" has transformed, via "**tax extraction authorizations**" the VAT-inclusive payment into a Net payment with a notice of compensation for the uncollected VAT.

This balances the following equation:

$$\begin{array}{l} \text{Currently} \qquad \qquad \qquad \text{under the Automatic VAT Management System:} \\ \text{Payment including VAT} - \text{VAT refund} = (\text{Payment including VAT} \text{ ----> Net payment}) \end{array}$$

Note: This is also the current principle on which VAT-registered businesses declare their transactions with each other, excluding VAT.

The purchaser's VAT-deductible account balance is increased by the extracted VAT.

A debit notice also mentions the VAT deducted due to the failure to collect the VAT, as explained above.

**VAT returns on purchases become unnecessary.**

According to the "[Automatic VAT Management Device](#)" VAT-registered businesses have **immediate access to cash flow upon invoice payment**, corresponding to the difference between the VAT-inclusive payment and the VAT-exclusive deduction.

Another option, also mentioned in the previous sentence, allows for balancing the VAT-inclusive payment.

The bank can debit the VAT-inclusive amount of the invoice and immediately, as instructed by the "**tax extraction authorization**" of the "[Automatic VAT Management Device](#)" generate a credit entry for the VAT amount.

This is equivalent to the VAT-exclusive deduction explained above, but from an accounting perspective, it aligns more closely with current practices.

**The availability of this immediate cash flow to the business is equally rapid in this case.**

**As shown in Figure 43**, an interbank transfer from the buyer's bank to the seller's bank, accompanied by the "**Tax Extraction Authorization**" will validate the pre-credit of the pre-tax amount (explained in **Figure 39**) of the invoice to the seller's account.

**The tax authorities has "collected" the tax through withholding at source.**

The seller's VAT receivable account balance is increased by the collected VAT.

**As shown in Figure 43**, a bank statement informs the seller of this credit and the final withholding of collected VAT on the accounting entry.

**The "short circuit" for the seller is complete.**

**As shown in Figure 44**, according to the "[Automatic VAT Management Device](#)" a payment option for the VAT-registered seller can be made by credit card, using existing financial intermediary channels adapted to the new "[Automatic VAT Management Device](#)" without affecting its operational efficiency.

**As explained in Figure 40**, a VAT-registered seller is no longer given the opportunity to collect VAT that they would otherwise have to pay to the Treasury.

It should be noted that the explanations already provided deal, as previously indicated, with invoice and VAT payment chains between two VAT-registered parties: the seller and the buyer.

According to the "[Automatic VAT Management Device](#)" the scenarios involving a VAT-registered seller and a non-VAT-registered buyer will be addressed below and referred to as the "**final consumer channel**".

According to the invention of the "[Automatic VAT Management Device](#)" in the "**end consumer circuit**", the operations are identical from the beginning, as explained in **Figures 1-2 and 3** of the "long banking circuit." They are numbered **45-46** and **47** in this "**end consumer circuit**".

**As shown in Figure 48**, a non-VAT-registered buyer pays a seller by check for a purchase they have just made. The seller records of this payment in their accounting records after issuing an identified invoice.

According to the invention of the "[Automatic VAT Management Device](#)" **upon validation of an entry**, two automatic interfaces in the accounting records of a VAT-registered business trigger **a second automatic data transfer** (using international standards for data transfer such as FTP or others), containing the information necessary for managing this tax, to a processing center under the Ministry of Finance, where the VAT-registered business already declares and pays this tax.

This second transfer, via **the automated payment declaration interface**, will provide the necessary information for checks in the buyer's section of the management center's reporting interface.

According to the "[Automatic VAT Management Device](#)" this operation aims to implement a cross-check to verify the equality between the initial invoice issued and the payment for that invoice. The seller will automatically perform, on behalf of the buyer (who lacks the necessary technical resources), the setup of the elements required for this check.

This verifies the following equality in the reporting interface:

(invoice amounts and details) = (payment amounts and details).

**As shown in Figure 49**, the VAT-registered seller will send the invoice payment check to their bank, as they do today, along with a deposit slip compatible with the "[Automatic VAT Management Device](#)", **adding the invoice transaction ID** (the one created when the seller issued the original invoice) and the identification of the "[Automatic VAT Management Device](#)" to which they belong.

The bank analyzes this check payment, as it does today, and determines that it originates from the account of a VAT-registered person and an identified non-VAT-registered third party.

In accordance with mandatory tax regulations, the bank transmits this payment request, via a fully automated procedure, to the "[Automatic VAT Management Device](#)" to which the VAT-registered person belongs. The bank then puts the payment processing on hold.

**As shown in Figure 50**, the processing center of the "[Automatic VAT Management Device](#)" to which the purchasing taxable person belongs, **then has the invoice transaction ID**.

By a simple indexed search on the file containing this item, recorded by the buyer **in the reporting interface (buyer side)**, provides access to the processing center ID, which is the same as that of the selling taxable person.

In the local file, the selling taxable person must have an item with the same transaction ID and identical accounting details.

**This is the automatic checkpoint for the two declarations.**

This check issues a "**Tax Extraction Authorization**" in the event of a match between the declarations, which is then sent to the seller's bank holding the pending invoice payment check.

This "Tax Extraction Authorization" is a mandatory directive issued by the Ministry of Finance, via the "[Automatic VAT Management Device](#)" to the bank holding the invoice payment.

This directive from the "[Automatic VAT Management Device](#)" according to the invention, must accompany the payment throughout the entire invoice settlement process.

At this automated control point, as explained in **Figure 6**, **all types of fraud, listed below, are prevented** by the new "[Automatic VAT Management Device](#)" in the event of discrepancies in declarations:

1. **Failure to declare sales** – normally impossible with the automated sales interface, except by cutting off the network used to transfer the file to the "[Automatic VAT Management Device](#)" management center and **fraudulently deleting the file** to be transferred.
2. **Fraudulently inserting a computer routine that modifies at will the content of the data entered in the file** to be transferred after validation of the initial invoice in the taxable person's accounting, aiming either to: minimize the amount of VAT to be collected or to move amounts of VAT to be collected to other accounting categories.
3. **Failure to declare payment** – normally impossible with the automatic payment interface, except by cutting off the network used to transfer the file to the "[Automatic VAT Management Device](#)" and fraudulently deleting the file to be transferred.

If the payment declaration does not exist, invoice payment becomes impossible. **This is the second automatic control point; the seller cannot avoid the declaration.**

4. **Fraudulently inserting a computer routine that arbitrarily modifies the content of the data entered in the file** to be transferred after validation of the purchase invoice entry in the taxable person's accounting system, with the aim of either: minimizing the amount of VAT to be collected or shifting VAT amounts to other accounting categories.

**With the automatic controls** of the "[Automatic VAT Management Device](#)" according to the invention, modifying an amount no longer corresponds to the payment amount. The presence of a discrepancy in declarations automatically suspends the "**Tax Extraction Authorization**" which is a prerequisite for processing the invoice payment request.

An automated email response from the "[Automatic VAT Management Device](#)" (according to the invention) informs the taxpayer of the anomaly for correction.

**The tax authorities are automatically notified** of this anomaly and the progress of its resolution. In normal, regular practice, the "**Tax Extraction Authorization**" is returned to the bank holding the payment transfer, which then proceeds with the invoice payment request.

According to the "[Automatic VAT Management Device](#)" the seller's bank will split the invoice amount to be credited to the seller's account, based on the "Tax Extraction Authorization," into:

1. Amount excluding tax
2. Amount of VAT allocated to this invoice.

The bank, according to the "[Automatic VAT Management Device](#)" will simultaneously pre-credit the seller's account with the "**Tax Extraction Authorization**" for the pre-tax amount of the invoice.

**As shown in Figure 51**, the bank sends a request for the total amount including tax and the "**Tax Extraction Authorization**" to the buyer's bank for debiting the buyer's account.

A standard bank debit advice is then sent to the buyer's bank.

Confirmation of the debit is returned to the buyer's bank along with the "**Tax Extraction Authorization**".

**As shown in Figure 52**, the bank, according to the "**Automatic VAT Management Device**" will extract the VAT to be collected from the invoice and credit this amount to the Public Treasury.

**As shown in Figure 53**, according to the "**Automatic VAT Management Device**" the bank will validate the pre-credit (excluding VAT) to the seller's account and update their VAT collected account in the payment interface of the management center's directives.

Another process, internal to this interface, can update the buyer's VAT paid account total.

A bank credit advice informs the seller of this credit and the final VAT payment recorded in the accounting entry.

At no point, according to the "**Automatic VAT Management Device**" has the seller possessed any funds corresponding to the tax allocated to their sale, funds which they owed to the state.

**As shown in Figure 54**, once the VAT-registered seller has been credited with the pre-tax amount of the invoice, they can make the delivery. The "**end-consumer circuit**" is complete.

**As shown in Figure 55**, according to the "**Automatic VAT Management Device**" a payment option for the VAT-registered seller's invoice can be made by credit card, using existing financial intermediary channels adapted to the new "Automatic VAT Management Device," without affecting its operational efficiency.

According to the "**Automatic VAT Management Device**" a payment option for the VAT-registered seller's invoice can also be made in cash, using an anonymous environment comparable to that of a non-VAT-registered business. This anonymous environment prevents the VAT-registered seller from receiving cash payments without a corresponding anonymous invoice. This processing configuration leads to the flawless perception of VAT and automatically produces the amount of the commercial margin justifying other types of taxation.

- - - End of description - - -

- - - Claiming - - -

(All in red is in the e-invoicing).

(All in green may be the future VAT withholding at source).

[Claim 1] - The "Automatic VAT Management Device" aims for the complete automation of Value Added Tax (VAT) management. This technical system is characterized by the implementation, in accordance with professional and technical standards, of a set of electronic means that automatically process the necessary and sufficient information (also known as data processing) for the proper execution of the following steps:

1. Recording of the declaration, by a person subject to Value Added Tax, of a sales or purchase invoice present in the computerized files of their accounting system containing the VAT of the invoice,
2. Electronic transfer of the declaration, containing the invoice details, to the tax authorities responsible for the VAT-registered entity,
3. Registration of the declarations in the local databases of the tax authorities responsible for VAT-registered sellers and buyers,
4. The tax authorities compare the details of the sales invoice declaration with those of the purchase invoice. They must be identical,
5. Banking services receive payments intended for the settlement of invoices issued by taxable persons,
6. Banking services transfer the invoice details to the relevant tax authorities when the payment is intended for a taxable person,
7. The tax authorities, as per point 4, issue or do not issue a tax authorization to deduct VAT from the payment.
  - a. In case of discrepancy, they return to the bank holding the payment a rejection notice to be applied to the invoice payment,
  - b. In case of equality, return to the bank holding the payment, an order to split this payment into Net amount and VAT and an authorization to collect the VAT.
8. Banking services deduct the total amount from the payer,
9. Banking services credit the VAT to the treasury of the beneficiary state,
10. Banking services credit the seller with the net amount of the invoice,
11. The tax authorities instruct the banking services to refund the VAT. If the buyer is subject to this tax,
12. The banking services refund the VAT to the buyer if the buyer is subject to it.

[Claim 2] Claims that with the "Automatic VAT Management Device" the computer processing implemented according to Claim 1 allows for the complete automation of VAT management for both businesses and recipient states.

[Claim 3] Claims, according to claim 1, that, in agreement with the tax authorities of the VAT-receiving state, the "Automatic VAT Management Device" will require all VAT-registered businesses to register with the "Automatic VAT Management System" described in the application, and that this registration will entitle the inventor to remuneration.

[Claim 4] Claims, according to claim 1, that in the "Automatic VAT Management Device," accounting entries are automatically declared and identified by electronic transfers to the tax authorities, rather than through aggregate VAT returns as is currently the case.

[Claim 5] Claims, according to claim 1, that the "Automatic VAT Management Device" eliminates the current aggregate VAT returns on sales and purchases.

[Claim 6] Claims, according to claim 1, that the "Automatic VAT Management Device" ensures immediate and final settlement of VAT tax for the beneficiary state and for taxable persons, associated with each invoice upon settlement.

[Claim 7] Claims, according to claim 1, that the "Automatic VAT Management Device" enables automatic and final withholding of VAT at source and the complete self-assessment of this tax.

[Claim 8] Claims, according to claim 1, that the "Automatic VAT Management Device" enables complete reliability in the management of deductible VAT, eliminating any possible fraud.

[Claim 9] Claims, according to claim 1, that the "Automatic VAT Management Device" enables the identification of taxable persons making a payment in all possible cases of commercial transactions subject to VAT.

[Claim 10] Claims, according to claim 1, that the "Automatic VAT Management Device" enables complete automation of the chain of actions leading to the self-assessment of VAT.

[Claim 11] Claims, according to claim 1, that the "Automatic VAT Management Device" ensures the complete relief of VAT management workload for taxable persons and recipient states.

[Claim 12] Claims, according to claim 1, that the "Automatic VAT Management Device" provides maximum security by not handling any funds involved in commercial transactions at any point during the procedure.

[Claim 13] Claims, according to claim 1, that the "Automatic VAT Management Device" automatically collects VAT through banks, without modifying any accounting regulations or tax directives applied at the national, European, and international levels.

[Claim 14] Claims, according to claim 1, that the "Automatic VAT Management Device" can also manage sales and service turnover taxation systems in countries that do not apply VAT, only deductible VAT would not be taken into account in the device.

- - - End of claiming - - -