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Audit data collection — Customs and indirect tax extension

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National foreword

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Foreword

ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies (ISO member bodies). The work of preparing International Standards is normally carried out through ISO technical committees. Each member body interested in a subject for which a technical committee has been established has the right to be represented on that committee. International organizations, governmental and non-governmental, in liaison with ISO, also take part in the work. ISO collaborates closely with the International Electrotechnical Commission (IEC) on all matters of electrotechnical standardization.

The procedures used to develop this document and those intended for its further maintenance are described in the ISO/IEC Directives, Part 1. In particular, the different approval criteria needed for the different types of ISO document should be noted. This document was drafted in accordance with the editorial rules of the ISO/IEC Directives, Part 2 (see www.iso.org/directives).

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For an explanation of the voluntary nature of standards, the meaning of ISO specific terms and expressions related to conformity assessment, as well as information about ISO's adherence to the World Trade Organization (WTO) principles in the Technical Barriers to Trade (TBT), see www.iso.org/iso/foreword.html.

This document was prepared by Technical Committee ISO/TC 295, *Audit data services*.

Any feedback or questions on this document should be directed to the user's national standards body. A complete listing of these bodies can be found at www.iso.org/members.html.

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Introduction

ISO 21378, the audit data collection standard, establishes common definitions of accounting data elements and provides the information necessary to extract relevant audit data. ISO 21378 primarily focuses on the access of audit data. It helps bridge the gap between the various participants in the audit process, consisting of auditors, auditees, software developers and IT professionals by creating a mechanism to express information common to accounting in a way which is independent of accounting and enterprise resource planning (ERP) systems. ISO 21378 serves as a basis for data extraction in the areas of general ledger, accounts receivable, sales, accounts payable, purchasing, inventory (including both inventory and movement data), and property, plant, and equipment. ISO 21378 focuses on financial audits (financial statements).

This document concerns tax and customs audits relating to the accuracy and completeness of reported indirect taxes and customs duties conducted by or on behalf of governments. A tax or customs audit is the process where the auditor seeks to obtain audit information in an expert, structured, systematic, independent, and documented manner with the aim of answering the question of whether the subject to the audit meets defined regulations, guidelines and criteria.

Indirect taxes and/or customs duties audits require the same data set, or subsets thereof, as financial audits. Therefore, it makes sense to use the ISO 21378 for these types of audits. However, due to the specific characteristics of customs duties and indirect taxes (e.g. VAT, GST, sales tax, service tax, etc.) additional data is required to achieve the audit goals.

This document aims to address two challenges, namely the wide variety of laws and regulations prevailing globally, and the variety of methods used by ERP systems with respect to data attributes. At the same time, this document offers a relative limited extension to ISO 21378, and can be implemented without changing it.

This document introduces a mechanism to add characteristics to ISO 21378. Needs of data can obviously vary by audit type, country, and other factors. The mechanism makes it possible to unlock the ERP-data requested by the auditor in that the data dump for indirect tax audits can differ in that for customs duties audits or financial audits.

First of all, the mechanism is designed as a vehicle for data exchange. However, globally or widely accepted values for defined characteristics should be used where applicable. For example, other ISO standards or the World Customs Organization (WCO) standards may be practicable.

If these are lacking or not applicable, then values from a less comprehensive or hierarchical lower level may be used. For example, those which are practice in a specific region or country (e.g., European Union, African Union, India, China). If there is no shared understanding of certain values, then the auditee should explain to the auditor the actual meaning in case the semantics are missing.

This document provides auditors with an additional tool to assess whether the auditee has fulfilled its indirect tax obligations and customs duties in accordance with applicable legislation. It allows auditors to determine if the auditee has paid the correct amount of tax and customs duties, in a timely manner, and has filed all the necessary returns.

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Audit data collection — Customs and indirect tax extension

1 Scope

This document specifies the functional requirements that build on ISO 21378 for audits in the areas of customs duties and indirect taxes [e.g. value-added tax (VAT) and excise duties]. It addresses how tax auditors obtain audit data for these audits, including data element formats and to some extent content requirements.

In practice, this document applies to virtually every step in the whole process in the supply chain and covers both goods, services and works.

It includes domestic transactions, cross-border transactions (import and export) and can cover both third-party and intercompany transactions or even movements of goods within the same company. This document does not describe when an event is taxable nor how to calculate tax or customs duties as this is legislation-specific and the situation can vary from country to country or even within the same country.

This document covers standard exchange of the data related to taxable operations/activities by businesses to perform controls and audits more effectively and efficiently through automated tests. This document focuses on the characteristics related to taxability and the related formalities of the indirect tax and customs duties regulations. It includes the result of a tax calculation, the relevant underlying parameters which can be processed by ERP-systems and/or indirect tax/customs duties systems, and data needed to comply with indirect tax and customs duties legislation and formalities.

This document is not designed to collect audit data from the regulators like tax and/or customs authorities.

2 Normative references

The following documents are referred to in the text in such a way that some or all of their content constitutes requirements of this document. For dated references, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies.

ISO 21378:2019, *Audit data collection*

3 Terms and definitions

For the purposes of this document, the terms and definitions given in ISO 21378 and the following apply.

ISO and IEC maintain terminology databases for use in standardization at the following addresses:

— ISO Online browsing platform: available at https://www.iso.org/obp

— IEC Electropedia: available at http://www.electropedia.org/

3.1
indirect tax
tax levied and collected by an intermediary on goods and services before they reach the consumer, who ultimately pays the tax as part of the market price of the goods or services purchased

3.2
consumption tax
indirect tax (3.1) on the purchase of a good or service which can take the form of sales taxes, tariffs, excise, and other taxes on consumed goods and services

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3.3
VAT
value-added tax
tax collected at all stages of the processes of production and distribution of goods and services, accumulation of the tax being prevented by allowing businesses to deduct the tax which incurs on their inputs from the tax collected on their outputs

Note 1 to entry: For readability, this document uses the term VAT, but other types of taxes, such as good and services tax (GST) and sales tax, are explicitly included. In some cases, this document refers to a particular tax, such as GST or sales tax.

Note 2 to entry: A refund can occur in numerous countries, where it will not always be an option in others.

3.4
customs duties
tax imposed on imports and exports of goods

3.5
indirect tax audit
audit, assessment, or other examination relating to *indirect taxes* (3.1) by any tax authority or any judicial or administrative proceedings relating to indirect taxes

3.6
customs duties audit
structured examination to measure and improve the traders' compliance, after customs has released the cargo, of the relevant commercial data, sales contracts, financial and non-financial records, physical stock and other assets of traders

3.7
characteristic
property or attribute of a document, product or transaction

3.8
jurisdiction
practical authority granted to a legal body to administer justice, as defined by the kind of case, and the location of the issue

3.9
period
short or long part of the time with a beginning and end, whether or not specified, which is considered a unity because of its specific character, a typical phenomenon or a characteristic event within it

3.10
subset
group of elements which all belong to a given set

3.11
works
combination of both goods and services elements within construction and infra structure projects

4 Modules, tables and fields

4.1 General

ISO 21378 covers eight major business modules of accounting and ERP systems, including:

— base (BAS);

— general ledger (GL);

— sales (SAL);

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— accounts receivable (AR);

— purchase (PUR);

— accounts payable (AP);

— inventory (INV);

— property plant and equipment (PPE).

These modules relate to major business processes including the areas of purchase, sales, inventory, fixed assets with the aim to identify and to specify data elements and file formats needed for auditing.

An overview of the business modules and select business events that demonstrate interaction points between the modules are shown in ISO 21378:2019, Figure 1.

From a customs and indirect tax perspective, there is a need to support data exchange of relevant characteristics on taxable transactions and related import duties, excise duties, VAT and similar consumption taxes.

The standard formulated in this document is an extension on ISO 21378. This document contains additional tables to the base module (BAS), general ledger module (GL), sales module (SAL), purchase module (PUR) and inventory module (INV) of ISO 21378, to determine selection criteria and selection period, and add necessary characteristics.

This document defines seven tables. These tables all have a level 2 indication. ISO 21378 recognizes level 1 and level 2 tables. The designation difference is based on the use of the information by auditors. Level 1 tables are defined as tables containing information the auditor should leverage when auditing. However, depending on the system, this information will possibly not be available, and therefore cannot be exchanged.

The level 2 table designation indicates that these tables contain information that the auditor can leverage if the scope of the audit requires this type of data.

Within each table, fields are also labelled as level 1 or level 2. Similar to the table designations, level 1 fields are defined as fields containing information the auditor should leverage when auditing and where the data are available within the system. The level 2 field designation indicates that these fields contain information that the auditor can leverage if the scope of the audit requires this type of data.

There are situations where level 2 tables contain level 1 fields. This scenario indicates that this type of information will possibly not be needed in some audit situations. However, if the data in the table are deemed to be required by the auditor, the level 1 fields within the level 2 table shall be included as they are key fields for the use of the information.

4.2 Naming conventions

The naming conventions aim to help readers to have a clear understanding of each table and data element. They also conform to the requirements of major accounting and ERP systems and databases.

For used naming conventions in this document, see ISO 21378.

For used abbreviated terms, see ISO 21378.

Additional abbreviated terms used in this document are listed in Table 1.

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Table 1 — Abbreviated terms

Abbreviation	Full Name
ADC	Audit data collection
APAC	Asian Pacific countries
AT	Austria
BE	Belgium
CA	Canada
CHAR	Characteristic
CUST	Customs
DE	Denmark
DOC	Document
DMS	Document management system
ERP	Enterprise resource planning
ES	Spain
EU	European Union
GB	Great Britain
GEN	General
GST	Good and services tax
HST	Harmonized sales tax
NL	Netherlands
PERC	Percentage
PST	Provincial sales tax
TARIC	TARif Intégré Communautaire
USA	United States of America
UN	United Nations
VAT	Value-added tax
WCO	World Customs Organisation

4.3 Representation and datatype of data elements

Representation specifications and datatype specifications of the data elements defined in this document can be found in ISO 21378.

4.4 Characteristics tables

The characteristic tables are used as an extension mechanism if the auditor needs additional information for a table to be audited. Additional information means that the information is not specified already in the existing tables of ISO 21378.

A characteristic is a property or attribute of a document, product or transaction. The characteristics are important for the audit to be carried out. Which characteristics are relevant depends on the type of audit, the region, the country, or the type of auditor. Because different audits are possible, in a multitude of regions, countries and for different supervisory authorities, it is impossible to establish a globally standardized list of characteristics. Auditors and auditees shall therefore jointly establish a list of permitted and required characteristics.

Examples of characteristic are:

— goods/service/works indicator;

— jurisdiction identifier;

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— tax point date;

— size of the business of the taxpayer;

— status of the product;

— gross weight minus the tare weight of the packaging;

— commodity code according to the tariff of the goods used; commodity code is also referred as TARIC code;

— alcohol percentage.

Characteristics can be standardized at world level, region level or country level. This is outside the scope of this document.

4.5 Base module

4.5.1 General

The base (BAS) module of ISO 21378 contains basic information that is used across multiple modules. Its content includes data related to the data collection, customers, suppliers, tax types, currency etc. Other modules (e.g. GL, SAL, PUR, INV) shall be used in conjunction with this module.

4.5.2 BAS_Selection_Period

In the case of indirect tax audits or customs duties audits, it cannot be necessary or even permitted to receive the data of the entire audit data collection (ADC) from auditees. In that case, customs and tax authorities shall receive a self-defined subset of the entire ADC in accordance with the scope of the audit. In general, it shall be able to derive subsets of the overall ADC that are predetermined and tailored to the purpose of the control data.

To reference the selection criteria for compiling the subset, and to define the selection period, table BAS_Selection_Period (Table 2) is added to the base module in this document.

The selection criteria and dates that shall fall within the selection period, should be determined by mutual agreement between the auditor and the auditee.

BAS_Selection_Period is an extension to table BAS_Profile. BAS_Profile contains the proprietary data that led to the dataset. The fields Profile_Number and Profile_Name are therefore a name/reference of the auditee itself.

For a subset of ADC, all definitions, rules, and agreements that apply to the entire ADC also shall apply to that subset, unless a deviation from ISO 21378 is specified in this document.

The unique identifier for the applied selection criteria, the selection period start date and end date that apply to the selected tables and selected fields are contained in Table 2. Table 2 is level 2.

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