

# CESOP briefing for payment service providers

– Current issues and an overview of the first reporting year

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# CESOP – communication

- The website [CESOP - vero.fi](https://cesop-vero.fi) provides the following information on current affairs:
  - clarification and guidelines;
  - specific guidance for foreign payment service providers to fulfil their reporting obligation;
  - links to instructions.
- Newsletter for the financial sector
- Questions on CESOP can be sent to [cesop@vero.fi](mailto:cesop@vero.fi), and they will be forwarded to the appropriate recipient.

# General information 1/2

- CESOP = Central Electronic System of Payment information
- A central system administered by the European Commission to which Member States submit payment data on cross-border payments reported by payment service providers (PSPs).
- The system is based on Council Directive (EU) 2020/284 (PSP Directive) and Council Regulation (EU) 2020/283 (Payment Services Regulation).
  - The PSP Directive obliges PSPs to store data on certain payments that are considered cross-border payments and report them to the Member State's tax authority.
  - The Payment Services Regulation imposes an obligation on Member States to collect and submit data to the CESOP system. The Payment Services Regulation is binding in its entirety and directly applicable.
- The Finnish legal act governing the information-reporting requirement (link in Finnish) entered into force on 1 January 2024 and, at the same time, a new provision on the obligation to provide information was introduced into the Act on the tax procedures for self-assessed taxes (sections 29 and 31).
- The European Commission's Directorate-General for Taxation and Customs Union (DG TAXUD) has published
  - interpretation recommendations in [CESOP – Guidelines for the reporting of payment data](#), and
  - frequently asked questions in [CESOP – FAQ](#).

## General information 2/2

- The reporting obligation applies to payment service providers (PSP) specified in the law, **such as payment institutions, e-money institutions, and credit institutions.**
- Due to the CESOP reporting obligation, PSPs are obliged to **store** information on cross-border payments and **report** it to the Tax Administration on a quarterly basis. PSPs submitted reports to the Finnish Tax Administration for the first time on 30 April 2024 regarding the period from January to March.
- In accordance with the Regulation, the Tax Administration submits the information to the central system maintained by the Commission, which is available to the anti-fraud authorities of the Member States. The information shall be submitted to the **CESOP system** no later than on the tenth day of the second month following the end of the reporting period. For example, data concerning the period from January to March was to be submitted to the CESOP no later than on 10 May 2024.

## Payment service providers as defined by law

- The reporting obligation applies to PSPs specified by law.
- PSPs include **payment institutions** and **credit institutions** that usually have a licence for their activities. In addition, PSPs may include **e-money institutions** and **postal undertakings** subject to the universal service obligation.
- The Financial Supervisory Authority grants the licences and keeps a register of both domestic and foreign operators authorised to provide payment services in Finland.

# Payment services subject to the reporting obligation

- PSPs are obligated to submit a report to the Finnish Tax Administration on any cross-border payments included in the payment services they offer in Finland.
- A **payment service** may refer to, for example, a credit transfer, direct debiting, a card payment with a debit or credit card, the issuance of a payment instrument, transmission of money, or virtual wallet services.

# Payment service providers subject to the reporting obligation

- As not all payment services are covered by the reporting requirement, it is possible that an entity is considered a PSP under law, but it does not provide any of the payment services referred to in the legislation. Such PSPs are not subject to the reporting obligation.



# Obligation to report and store information on cross-border payments

- The obligation to store and report information to the Tax Administration applies to payment services provided by PSPs in Finland, insofar as these constitute cross-border payments.
- A payment is considered a cross-border payment if the payer is located in one Member State and
  - the payee in another Member State, a third territory or a third country.
- If the payer and payee are located in the same Member State, the transaction is not a cross-border payment.
- The payer is the party whose funds are transferred when the payment is carried out.
- The payee is the final recipient of the funds transferred during the payment.

# Cross-border payment

- The location of the payer and the payee is determined based on either the IBAN number, BIC, or some other identifier:
  - Payer's location:
    - Specified based on the **IBAN number** of the payer's payment account or any other identifier that specifies the payer and their location, or, if no such identifier exists,
    - BIC or other identifier that specifies the PSP acting on behalf of the payer and their location.
  - Payee's location:
    - Specified based on the **IBAN number** of the payee's payment account or any other identifier that specifies the payee and their location, or, if no such identifier exists,
    - BIC or other identifier that unambiguously specifies the PSP acting on behalf of the payee and their location.
- The location is determined by using the identifier which best reflects the actual location.

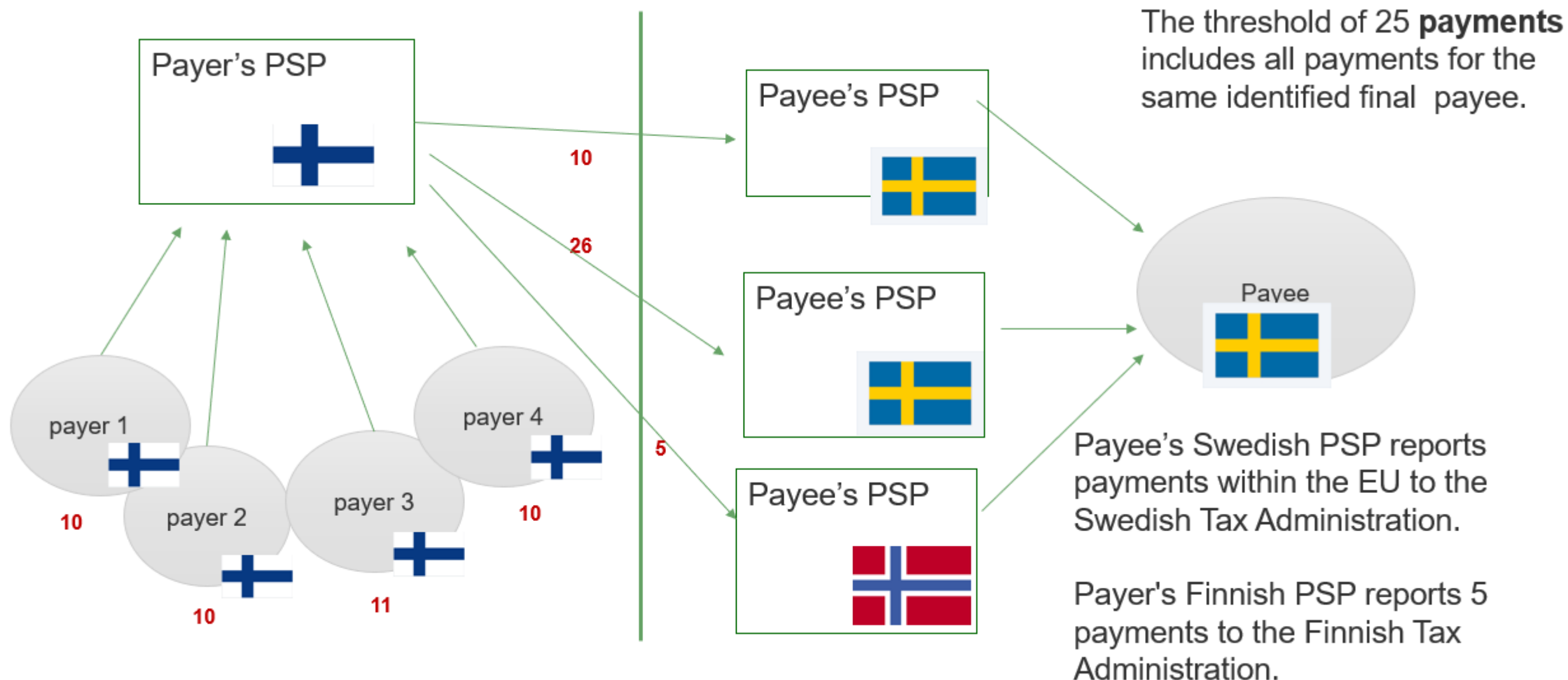
## Threshold – over 25 payments

- The reporting obligation only exists if the PSP provides a payer or payee in Finland with a payment service by carrying out **over 25 cross-border payments to the same payee** during a calendar quarter.
- If the PSP has executed at most 25 cross-border payments to the same payee during the quarter, no information needs to be reported on that payee for the quarter in question.
- If the threshold is exceeded, the PSP shall report all payments made to the payee in question, not only the payments that exceed the threshold.
- When calculating the threshold, all payments received by the same payee must be added up (for example, payments made to different accounts). The aggregation of payment accounts only applies to the threshold calculations, not to reporting. Each account shall be reported under a different ReportedPayee structure.

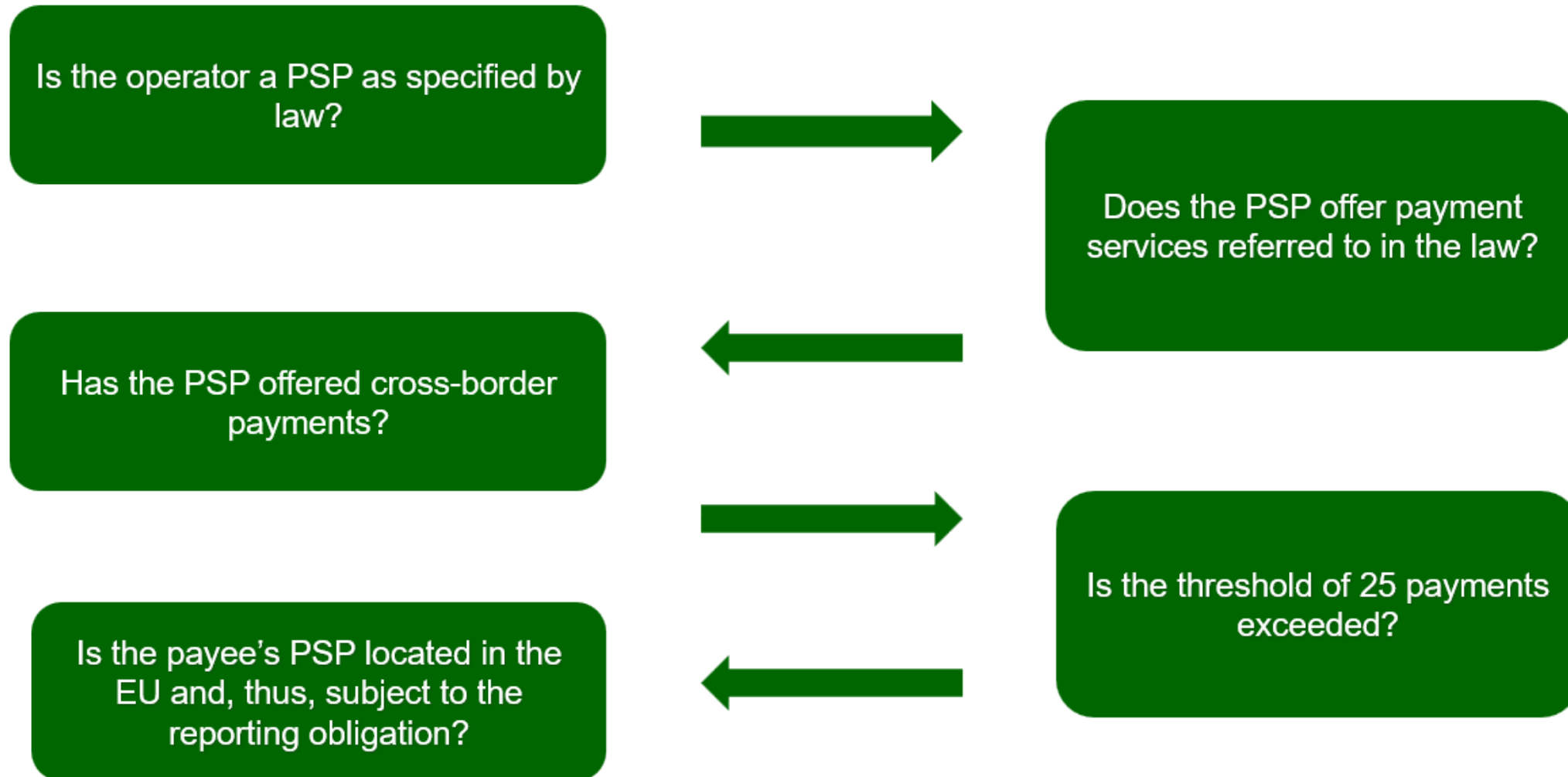
# Payment service providers subject to the reporting obligation:

- As a rule, PSPs are obligated to submit a report on the payment services they provide in Finland.
- The obligation to store and report information is limited in situations where at least one of the payee's PSPs is located in the European Union.
- **When the payee's PSP is located in the European Union, it has the obligation to report the payment.**
- When the payer's PSP provides payment services in a Member State and the payee's PSP is not located in the European Union but in a third country or third territory, the payer's PSP is responsible for reporting the payment. **This means that if the payee's PSP is located outside the EU, the party subject to the reporting obligation is the payer's PSP.**

# Example – threshold 25 & reporting obligation



# Reporting obligation



# Information to be reported and stored

PSPs shall store the following data for **three years** after the end of the calendar year in which the payment was dated:

- 1) BIC or other identifier that unambiguously identifies the PSP;
- 2) the name or business name of the payee as it appears in the PSP's records;
- 3) the payee's VAT number or other national tax number, if available;
- 4) IBAN number, or, if not available, any other identifier that unambiguously identifies the payee and their location;
- 5) BIC or any other identifier that unambiguously identifies the PSP acting on behalf of the payee and gives their location, when the payee receives funds but does not have a payment account;
- 6) if available, the payee's address as it appears in the PSP's records;
- 7) information on cross-border payments referred to in section 1;
- 8) information on identified refunds of cross-border payments referred to in section 1.

The information referred to in subsection 1, paragraphs 7 and 8 above includes the following:

- 1) the date and time of the payment or refund;
- 2) the amount and currency of the payment or refund;
- 3) where applicable, the Member State of origin of the payment received by or on behalf of the payee or the Member State of destination of the refund, and the information used to determine the origin or destination of the payment or refund in accordance with section 1, subsections 3 and 4;
- 4) a reference that unambiguously identifies the payment;
- 5) where applicable, an indication that the payment has been initiated in the physical premises of the merchant.

# Information to be reported on the PSP

- The following information shall be reported and stored on the **PSP**:
  - **BIC or other** identifier that unambiguously identifies the PSP
    - Reported in the PSPId element of the ReportingPSP structure as either "BIC" or "other".
    - Business ID or BIC for Finnish PSPs.
    - If a PSP subject to the reporting obligation cannot be identified with BIC, the Finnish business ID must be used instead.
    - If the PSP has no business ID, one can be obtained for reporting purposes.
  - **Name** of the PSP
    - Providing this information is voluntary, but always recommended.

# Information to be reported and stored on the payee

The following information shall be reported and stored on the **payee**:

- the **name or business name** of the payee as it appears in the PSP's records;
  - Provide all known names.
- the payee's **VAT number** or **other national tax number**, if available;
  - This information must be provided if it is available to the PSP, even if it is not included in the payment details.
  - The information is given in element VATId (payee's validated VAT identifier in an EU Member State) or TAXId (UNCONFIRMED\_VAT, TIN, IOSS, VOES or OTHER).
- **IBAN number**, or, if not available, any other identifier that unambiguously **identifies the payee** and their location;
  - This information is given in the element AccountIdentifier.
  - Other possible identifiers include a seller ID, information of a virtual currency account, SWIFT code or a national bank account number.
- **BIC** or **any other identifier** that unambiguously identifies the PSP acting on behalf of the payee and gives their location, when the payee received funds but does not have a payment account;
  - This information is given in the element Representative. When this information is provided, the AccountIdentifier element is left empty.
- the payee's **address** as it appears in the PSP's records.
  - Provide all known address details.
- **If no information is available, the element should be left empty → no entry is allowed (e.g. NA, N/A, XXX).**

# Information to be reported and stored on payment transactions

- The following information shall be reported and stored on cross-border **payments**:
  - the **date and time** of the payment or refund;
  - the **amount and currency** of the payment or refund;
  - where applicable, the **Member State of origin** of the payment received by or on behalf of the payee or the Member State of destination of the refund, and the information used to determine the origin or destination of the payment or refund in accordance with section 1, subsections 3 and 4;
  - **reference** that unambiguously identifies the payment;
  - where applicable, an indication that the payment has been initiated in the physical premises of the merchant.

# Reporting 1/2

- All reports must be submitted electronically through the Ilmoitin.fi service.
  - The Ilmoitin.fi service is available as a browser-based service (ilmoitin.fi) and an ApitamoPKI interface.
  - Ilmoitin.fi does not require a separate authorisation, but identification is required to submit reports.
- Identified users can check the validation messages returned from CESOP in the Ilmoitin.fi service. Ilmoitin sends an e-mail notification when the validation message has arrived (multiple e-mail addresses may be provided).
- The maximum file size for a report is 100 MB. If the file size exceeds 100 MB, the information must be divided into files under 100 MB.
- The report shall be named according to the following format: **<messageType>-<quarter>-<year>-<country-MS>-<psp-id>-<part\_number>\_<MessageRefId>**.
- The payment transaction data to be reported for each calendar quarter shall be submitted by the end of the following calendar month.
  - January–March: no later than on 30 April
  - April–June: no later than on 31 July
  - July–September: no later than on 31 October
  - October–December: no later than on 31 January
- Legislation contains no provisions on granting extensions to the time periods, i.e. no additional time can be obtained for submitting reports.

## Reporting 2/2

- PSPs have no statutory obligation to submit nil reports.
- If a PSP has no payment data to report for a calendar quarter, **submitting a nil report is recommended.**
- By submitting a nil report, the PSP can avoid receiving unnecessary requests for information.

# Negligence penalties

- Tax Administration's detailed guidance on negligence penalties: [Negligence penalty for a third-party filer regarding the information-reporting requirement of payment service providers – vero.fi](https://vero.fi/en/negligence-penalty-for-a-third-party-filer-regarding-the-information-reporting-requirement-of-payment-service-providers)
- In the first reporting year, the fact that this is a new reporting obligation has been taken into consideration.
- Under section 29, subsection 7 of the act on assessment procedure for self-assessed taxes, the provisions of section 22a of the act on assessment procedure are applied to occurrences of neglect of the reporting and data storage requirements.
- The penalty charge is imposed for a specific report and it is at most EUR 15,000.00.
- A separate negligence penalty may be imposed regarding the data storage obligation.

# Foreign payment service providers

- PSPs shall submit payment reports to the Member State in which they offer payment services → PSPs offering payment services in several Member States shall report the payments to the relevant Member States.
- A foreign PSP may offer a payment service in Finland if it has been granted a licence / authorisation to operate without a licence in an EEA country and has submitted a so-called notification to Finland, i.e. informed the Financial Supervisory Authority of providing the service here.
- A foreign PSP does not need to register in the Tax Administration's registers to submit CESOP reports.
  - Obtaining a business ID is recommended.
- Different Member States may apply different registration procedures.

# Special circumstances encountered during the first reporting year 1/2

- Mergers
  - The merging company issues a nil report for the quarter, and
  - the receiving company reports both its own and the merged company's (or companies') payment transactions for the entire quarter.
- Reporting refunds
  - All known refunds shall be reported, even if they could not be matched with the original payment. If the PSP does not know for certain that a transaction is a refund, it must report the transaction as a regular payment (provided that all other conditions for reporting are met).
  - In situations where the refund can be matched with a non-reported payment, there is no need to report the refund.
- If a currency is not included in the ISO 4217 currency list, e.g. CNH → the recommendation is to convert such currencies to a "principal currency", i.e. CNH to CNY 1:1.

# Special circumstances encountered during the first reporting year 2/2

- Non-disclosure for personal safety reasons and address information
  - Where available, the payee's address is considered mandatory information and must, therefore, be entered in either the AddressFix or AddressFree structure. If the PSP is aware that a non-disclosure of personal data has been registered in the Population Information System for the payee either in Finland or in another country, the address subject to the non-disclosure should not be reported, but instead any other public or from the payee's perspective safe address. In Finland, a contact address is a safe address that can stay as a public address in the Population Information System. The contact address may be, for example, a post office box in the municipality of domicile or in some other city. If the PSP is unaware of a contact address nor any other safe address for the client, the following information should be given in the AddressFree element: "Non-disclosure for personal safety reasons based on domestic legislation".

# Observations from the first reporting year

- From the Tax Administration's perspective, the first reporting year has gone well.
- Technical implementation has mainly worked well.
  - Occasional delays occurred at CESOP's end regarding validation messages.
- Most parties subject to the reporting obligation have submitted the reports on time.
- Some shortcomings have been detected in the reports:
  - mandatory information such as TIN identifiers missing;
  - information reported in the wrong fields;
  - N/A / XXX / not available (etc) entered in fields for which information was not available;
  - incorrect type data given for identifiers, e.g. BIC/other, UNCONFIRMED\_VAT/TIN;
  - opposite value (true or false) given for the element on initiating the payment in the physical premises of the merchant.