VAT TRENDS: TOWARD CONTINUOUS TRANSACTION CONTROLS

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Foreword

This 12th edition of VAT Trends: Toward Continuous Transaction Controls bears testimony to the rapid and profound impact of tax administrations' digital transformations on global business practices.

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Hindsight is 20/20. Looking back, it seems obvious that governments weren't going to stop digitizing tax enforcement merely by introducing rules around electronic invoicing. Today, we can see the contours of four major trends in tax digitization that, while interrelated, affect business in numerous ways.

The issues related to disharmonized VAT requirements across these global trends don't only create challenges for multinational enterprises. The internet produced unprecedented opportunities for many small and medium sized companies to sell their goods and services to customers around the globe. The introduction of legislative frameworks not only for diverse continuous transaction controls (CTCs) but for representation, reporting, record-keeping, tax collection and payment using different rules and technical standards in every country are creating challenges for companies and commerce platforms of all kinds and sizes.

In this edition of Trends, we've addressed each of the four principal trends individually. You'll also find extensive recommendations as to how a company can prepare for and thrive through these changes, instead of seeing their competitive position erode due to ad hoc reactive approaches.

Sovos is a big believer in standardization. In the past year again, we've worked diligently with other businesses and software vendors, but also – and more importantly – with tax administrations to create a world of converging rather than diverging tax digitization processes and practices.

We're proud to have contributed to a first set of global public/private sector CTC practice principles under the auspices of the International Chamber of Commerce (ICC). Furthermore, in this Trends report, we propose a first set of harmonized VAT digitization definitions in a glossary. We're hoping it can serve as input to a next phase of this global dialogue to make sure that everyone – citizens, governments and business – is a winner as tax administrations' and businesses' digital transformations unfold in parallel.

Finally, we've undertaken a major review of the country and regional requirement profiles in the second half of this report. These profiles provide a snapshot of current and near-term planned legal requirements across the different VAT compliance domains addressed within Trends.

At Sovos we're proud to be among the pioneers of tax technology. We're always keen to discuss any input or observations you, the reader, may have about the content of this document. We believe that complex problems can only be solved through dialogue, collaboration, and transparency – so don't hesitate to reach out if you'd like to discuss a specific problem or idea related to this vast set of topics.

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INTRODUCTION

A tale of two digital transformations

Globalization has spurred tremendous opportunities and challenges. It's no surprise Steve Jobs chose Tim Cook to succeed him in leading Apple. Tim Cook built Apple's supply chain into what became one of the company's greatest strategic advantages.

Most multinational corporations strive to consolidate processes and supporting IT systems. However, automating business processes globally is a major challenge for complex global businesses, which can have many other priorities. Markets, politics and legislation can create challenges, but many obstacles to a company's full digital transformation are self-inflicted: different imperatives among lines of business; finding a productive balance in decision-making power between corporate functions and subsidiaries; and the impact of mergers, acquisitions and divestments are intrinsic to managing an international company. On top of this, while modern technology has allowed companies of all sizes to vastly improve many processes, the computing power, software and expertise required to run a typical multi national enterprise from a single set of systems has, until very recently, simply not been available.

Fast-changing and diverse local legislation is an inevitable challenge for companies that trade beyond their national borders, and tax legislation is among the toughest to keep up with. Until recently, however, that challenge had mostly been associated with a company's accounting procedures, filing reports and retention of documentary evidence. Until the turn of the millennium, companies could adopt digital tools to replace manual, paper-based processes without triggering tax requirements. The main reason for this period of relative freedom is that the decision-making and planning necessary to modernize a national revenue administration are much slower and more politically complex than the equivalent changes required for businesses. In addition, businesses tend to focus primarily on digitizing internal administrative workflows and day-to-day communications, and those activities are not the center of attention for tax authorities.

From the year 2000 onward, this difference in the pace of modernization between the private and public sectors started to become problematic as businesses also wanted to adopt paperless invoicing processes. And invoicing is something tax authorities, by contrast, are very, very interested in. The fact that tax authorities didn't have the right tools to audit digital invoice flows and archived data made them reluctant to allow businesses to take the step toward full electronic invoicing. This was the first time that the digital transformation of companies intersected in a concrete manner with the digital transformation – or lack thereof – of revenue authorities. And, as often when two colossal powers collide, forces were set in motion that ever since have started impacting the world economy in big ways. The fear of losing control over revenue collection made tax authorities accelerate their digital transformation in bold, unexpected ways that are now changing the very paradigm of business administration.

This report summarizes why and how this "other digital transformation" is unfolding. In so doing, it also provides recommendations for businesses to ensure they don't get caught up in the tsunami of global CTCs.

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VAT AND ITS CHALLENGES

What is value-added tax?

The basic principle of VAT is that the government gets a percentage of the value added at each step of an economic chain, which ends with the consumption of the goods or services by an individual.

VAT AND ITS CHALLENGES

While VAT is paid by all parties in the chain, including the end customer, only businesses can deduct their input tax. Therefore, VAT requirements concerning invoices ordinarily only apply between businesses. Many governments use invoices as primary evidence in determining "indirect" taxes owed to them by corporations. VAT is by far the most significant indirect tax for nearly all the world's trading nations. Roughly speaking, VAT contributes more than 30% of all public revenue. VAT as a tax method essentially turns private companies into tax collectors. The role of the taxpayer in assessing the tax is critical, which is why these taxes are sometimes referred to as "self-assessment taxes."

FIGURE 1: A schematic overview of how VAT works

The VAT gap

VAT depends on companies meeting public law obligations as an integral part of their sales, purchasing and general business operations. The dependency on companies to process and report VAT makes it necessary for tax authorities to audit or otherwise control business transactions — but despite such audits, fraud and malpractice often cause governments to collect significantly less VAT than they should. The difference is often referred to as the VAT gap.

In Europe, the VAT gap amounts to approximately EUR 140 billion every year, according to the latest report from the European Commission. This amount represents a loss of 11% of the expected VAT revenue in the block. Globally, we estimate VAT due but not collected by governments because of errors and fraud could be as high as half a trillion EUR. This is comparable to the GDP of countries like Norway, Austria or Nigeria. The VAT gap represents some 15 to 30% of VAT that should be collected worldwide. These numbers only consider bona fide, registered business activity and would certainly be much higher if lost tax revenue due to unregistered business activity is added.

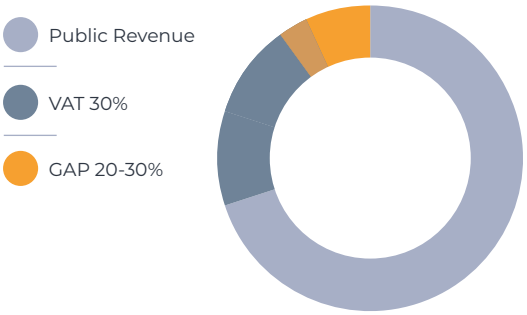
The consequences of VAT non-compliance

To reduce the VAT gap, countries are pushing taxable organizations to comply with VAT requirements and enforcing different types of legal consequences for irregularities. The consequences of non-compliance with VAT requirements can be significant. As a result, most companies want to be as certain as possible they can quickly and easily prove their VAT compliance to avoid risks, including:

- **Administrative fines:** If a company cannot prove the veracity of invoices, it may be fined. Trading partners drawn into an audit that leads to this conclusion may also be penalized.
- **Sanctions under criminal law:** In some countries, non-compliance with invoicing requirements can be equated with tax evasion, which is typically liable to sanctions (e.g. fines, imprisonment) under criminal law.
- **Protracted audits:** Audits should generally take only a few days, but many companies are audited for weeks or even months. This eats up precious expert resources and creates risks of more processes and documents being scrutinized and, potentially, found flawed or lacking.
- **Spillover effects into other areas of taxation or accounting:** Once a tax authority has established that a sales transaction cannot be evidenced, a company may also face sanctions in other areas of taxation. For example, non-recognition of an invoice for tax purposes may undermine the credibility of a company's annual accounts or deductible expenses under corporate income tax.
- **Trading partner audits:** The tax authority may have no choice but to verify the records and original documents of the audited company's trading partners. This can negatively affect a company's relationship with business partners.
- **Mutual assistance procedures:** Auditors may need to call on their counterparts from other countries to obtain evidence about certain aspects of the company's operations. Such procedures tend to be long and can tie up expensive expert resources within a company for months or even years.
- **Loss of right to deduct VAT:** A company without sufficient evidence of purchases — that cannot prove it was in control of its processes at the time of the transactions — may need to pay back input VAT it reclaimed on such purchases. With an average VAT rate of 20%, this means a high risk of that company retroactively losing more than its profit margin.
- **Obligation to pay VAT over fraudulent invoices:** If a fraudster can easily forge invoices that aren't reasonably distinguishable from a supplier's normal invoices, a tax authority without credible evidence to the contrary may, in extreme cases, consider such invoices to have been issued by that supplier and claim output VAT payment if the buyer reclaimed the corresponding VAT.

FIGURE 2:

High-level overview of the contribution of VAT to government revenue globally and the VAT gap as a portion of that contribution



VAT DIGITIZATION GLOSSARY

Why standardize terminology?

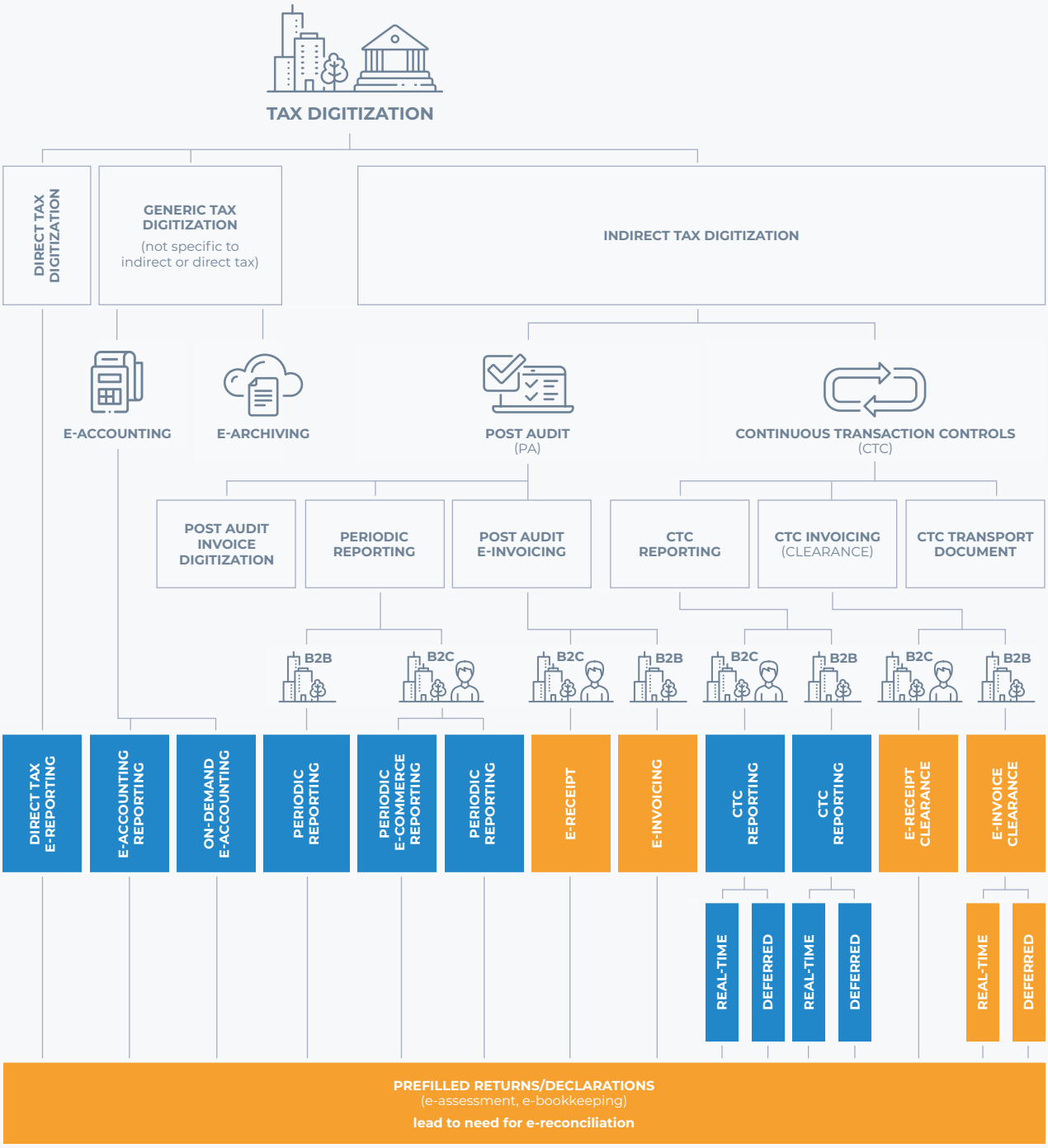
The four trends described below in this document are extremely dynamic in nature. Governments have become much bolder in introducing structural changes to the way they regulate and enforce VAT, often at short notice.

While frameworks such as the ICC CTC Principles [Ref 1] have become available that help to enable better coordination between tax administrations and the businesses and software vendors whose systems need adjusting to ensure compliance, much work is still needed to overcome a rapid increase in complexity and diversity among country approaches.

One important step towards reversing this growing heterogeneity is finding a common vocabulary around the different ways countries can choose to use technology in this context. The first edition of Sovos's VAT digitization glossary, summarized below, aims to contribute to a clearer debate about the benefits and drawbacks of different VAT digitization regimes.

Clearance:	A form of CTC typified by the confirmation of an electronic commercial document as valid for tax purposes symbolized by issue of a token (e.g. electronic signature or unique reference) by the tax administration as a precondition for the issuing (real-time clearance) or subsequent tax validity (deferred clearance) of that document. Alternatively, such tax validity can also be implied by the CTC platform's transmission of a commercial document to the counter-party of the trading partner that sent the document to the CTC platform.
Continuous transaction controls (CTCs):	An approach to tax enforcement based on the electronic submission of transactional data, from a taxpayer's system to a platform designated by the tax administration, that takes place just before, during or just after the actual exchange of such data between the parties to the underlying transaction.
E-accounting:	The process of providing business accounting ledgers at a specific moment in time via a network to the tax administration, regardless of the data transmission method used (batch/file or data).
E-archiving:	The electronic storage of proof as required for future tax audits or litigation.
E-invoicing:	The process of exchanging (issuing and receiving) invoices in electronic form.
E-receipt:	The consumer receipt equivalent of an electronic invoice.
E-reporting:	The process of proactively (without a specific request) providing tax-relevant information, on an aggregate or a transaction level, to a tax administration-designated hosted service without a response from such service being a precondition for further invoice or business process steps, or subsequent tax validity.
E-transport document:	An electronic document identifying goods transported, as well as the taxable person(s) and/or the carrier(s) responsible for the transport, to allow tax administration controls in relation to such transport.
Invoice digitization:	The compliant conversion of (post audit) invoices from paper to electronic form so that the paper invoice can be discarded.
Post audit:	An approach to tax enforcement where the authorities aren't involved in the exchange of invoices or other data between the trading partners but can audit the compliance of such processes afterwards.
Tax digitization:	Technology-driven modernization of public revenue collection.

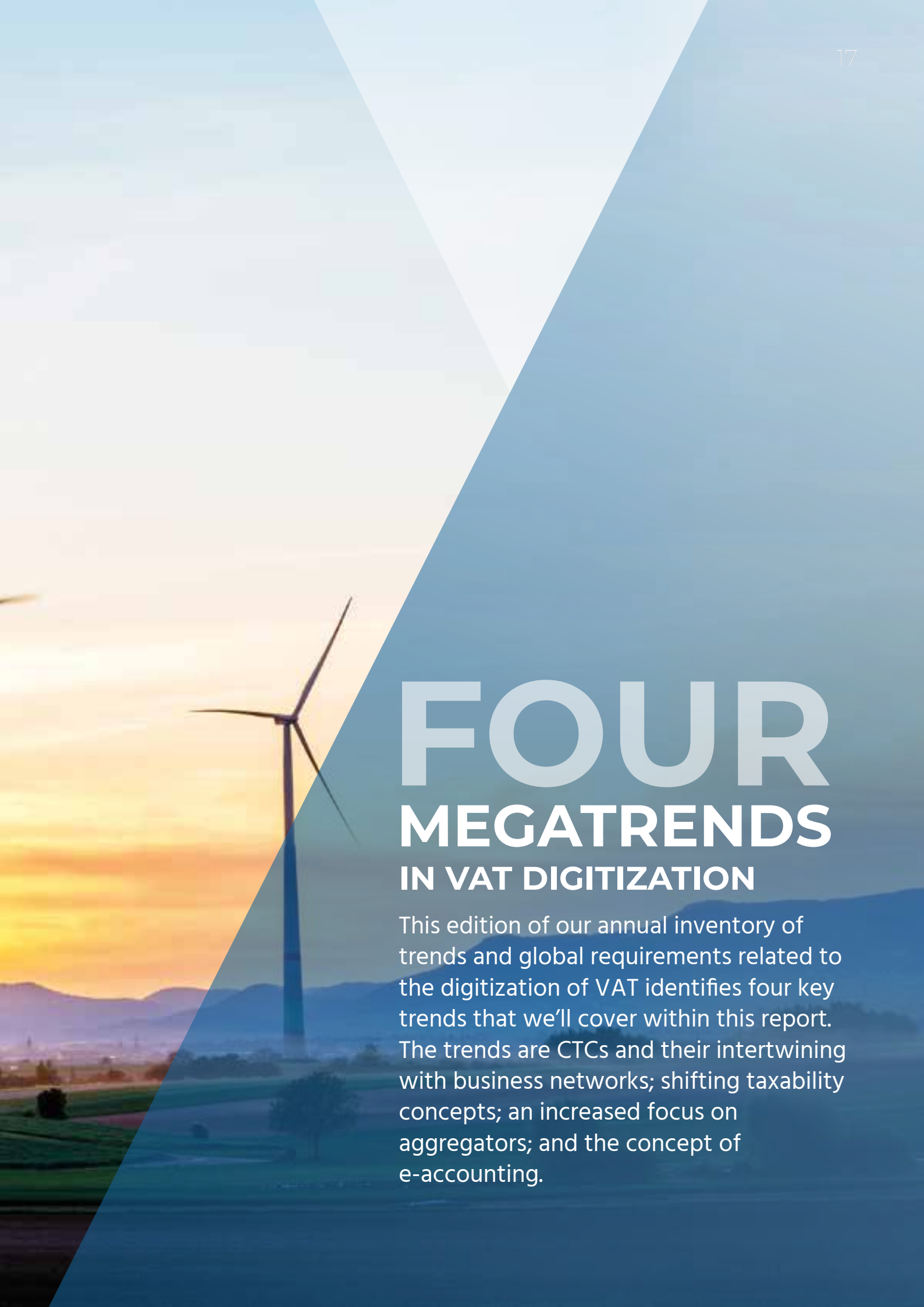
FIGURE 3: The relationships among different tax digitization categories



A BRIEF HISTORY OF VAT DIGITIZATION

VAT requirements historically follow three broad categories. Each corresponds to a certain period from the perspective of a company that must meet them.

- **Invoicing and storage requirements:** At a high level, the requirements that apply during the processing of business transactions breakdown into requirements related to:
  - **The form of invoices:** Most countries have abolished such requirements, but in some cases, businesses still use pre-printed paper invoices obtained from the tax authority. These types of requirements often exist to give the tax authority tight control over invoice numbering and integrity.
  - **Minimum content requirements:** In most countries with VAT, an invoice is only recognized for VAT purposes if it contains certain information such as the name of the supplier and the buyer, the type of supply, etc. In addition to VAT and other indirect tax laws, commercial and other laws may also impose certain requirements on the invoice content.
  - **Tax determination:** For every invoice, the supplier must determine the applicable law and decide on that basis what the applicable tax rate is. The application of certain tax rates also requires a reference to an article in the VAT law to be mentioned on the invoice.
  - **Timing:** The moment an invoice must be issued is often specifically dictated by the VAT law.
  - **Record-keeping:** An "original" invoice should be archived by each trading partner as evidence of the underlying supply. Archiving requirements often further specify the retention time, location and specific features – such as human readability – that must be present to ensure auditability.
- **Periodic reporting requirements:** Periodic reporting requirements: These are reports for business transaction data in summary or aggregate form or full data from individual invoices. Historically such reporting requirements have often been monthly, with certain less-common reports being quarterly or yearly.
- **Audit requirements:** These requirements come into play when, during the mandatory retention period for invoices and other records and books – typically seven to ten years – a tax authority may request access to such records and books to assess their correspondence to reports.



FOUR MEGATRENDS IN VAT DIGITIZATION

This edition of our annual inventory of trends and global requirements related to the digitization of VAT identifies four key trends that we'll cover within this report. The trends are CTCs and their intertwining with business networks; shifting taxability concepts; an increased focus on aggregators; and the concept of e-accounting.

TREND ONE

CONTINUOUS TRANSACTION CONTROLS

VAT requirement types and their relative importance for businesses and tax authorities have changed significantly in recent years. For data that is transactional in nature, the overall trend is clearly toward various forms of CTCs.

The first steps toward this radically different mode of enforcement, known as the "clearance model", began in Latin America within years of the early 2000s. Other emerging economies, such as Turkey, followed suit a decade later. Many countries in the Latin American region now have stable CTC systems where a significant amount of the data required for VAT enforcement is based on invoices, and other key data is harvested and pre-approved directly at the time of the transaction.

Europe and other countries passed through a stage where they allowed original VAT invoices to be electronic, without changing the basics of the VAT law enforcement model. This phase of voluntary e-invoicing without process re-engineering is often referred to as "post audit" e-invoicing – meaning, the moment tax administration audit comes into play is post-transaction. In a post audit system, the tax authority has no operational role in the invoicing process and relies heavily on periodic reports transmitted by the taxpayer. The principal VAT requirement for post audit e-invoicing is that trading partners must demonstrate the integrity and authenticity of their e-invoices from the moment of issuance until the end of the mandatory storage period. For invoices issued in electronic format, this often means that some form of electronic signature or other approach must be applied to ensure long-term verifiable evidence.

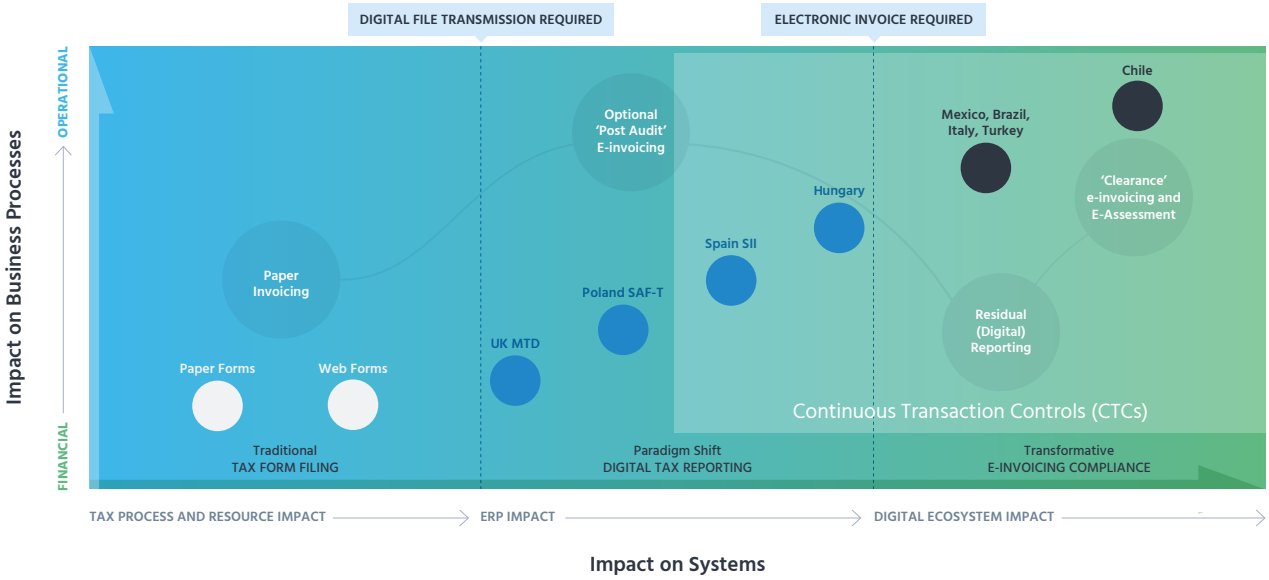
Largely due to the staggering improvements in revenue collection and economic transparency demonstrated by countries with existing CTC regimes, countries in Europe, Asia and Africa have also started moving away from post audit regulation to adopting CTC-inspired approaches. However, as is further explained in Emerging regional CTC flavors, page 27, this rapid global adoption of CTCs doesn't follow the same relatively linear path of quick migration of the early adopters – in fact, as this trend spreads around the globe, it's becoming increasingly clear there will be a rather chaotic transition towards a multiplicity of models.

A considerable number of EU Member States, for example, are moving toward CTCs not by imposing "clearance" e-invoicing but by making existing VAT reporting processes more granular and more frequent via CTC reporting. As further explained on page 67, this approach is partly rooted in legal constraints that make EU Member States reluctant to mandate e-invoicing. These countries will eventually adopt requirements for real-time or near-real-time invoice transmission, as well as electronic transmission of other transaction and accounting data to the tax authority. However, it's not a foregone conclusion that they'll all take these regimes to the extreme of invoice clearance. CTC reporting from a pure technical perspective often looks like clearance e-invoicing, but these regimes are separate from invoicing rules and don't necessarily require the invoice as exchanged between the supplier and the buyer to be electronic. As clarified by the Glossary proposed above in the section on VAT Digitization Glossary, even when the invoice "report" must be sent to the tax authority in real-time or in near-real time, in such regimes the taxable person doesn't have to wait for the CTC platform to return an explicit approval of the invoice before further processing the document as a valid invoice for tax purposes.

Defining a CTC regime

For purposes of analyzing different types of clearance and CTC approaches further in this document, we use the term 'regime' as a set of CTC obligations that apply to certain categories of taxpayers, types of commercial documents and/or defined compliance processes or technologies, within a specific tax jurisdiction. One taxpayer can be subject to multiple CTC regimes, and one country can have several CTC regimes.

FIGURE 4: Impact of traditional VAT compliance regimes versus different types of CTCs



CTCs can be subdivided into the high-level categories of reporting and clearance. This section focuses primarily on e-invoice clearance, which many experts believe is what tax authorities worldwide are working toward as the dominant pillar of their continuous VAT control systems.

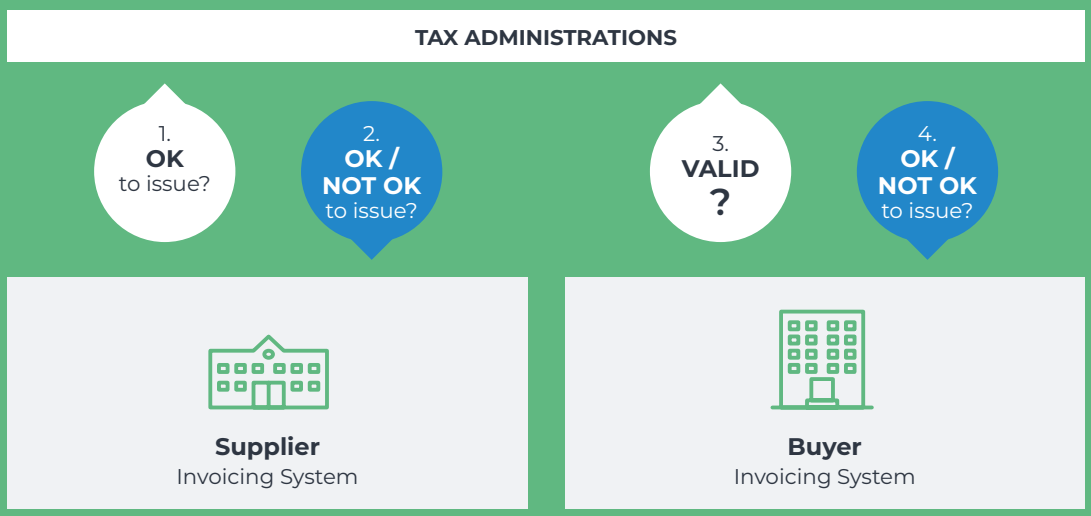
Common clearance system features

Figure 5 shows several high-level features and processes that many clearance systems have in common. However, many variations exist on this reference model in practice; many countries with a clearance system have implemented extensions and variations on these "standard" processes:

1. **OK TO ISSUE:** Typically, the process starts with the supplier sending the invoice in a specified format to the tax authorities or a state agent licensed to act on its behalf. This invoice is ordinarily signed with a secret private key corresponding to a public certificate issued to the supplier.
2. **OK/NOT OK:** The tax authority or state agent (for example, an accredited or licensed operator) will typically verify the signed supplier invoice and clear it by registering it under a unique identification number in its internal platform. In some countries, a proof of clearance is returned, which can be as simple as a unique transaction ID, possibly with a timestamp. In some cases, it's digitally signed by the tax authority/state agent. The proof of clearance may be detached from the invoice or added to it.
3. **VALID:** Upon receipt of the invoice, the buyer is often obligated or encouraged to check with the tax authority or its agent that the invoice received was issued in compliance with applicable requirements. In general, the buyer usually handles integrity and authenticity control using crypto tools, which can also be used to verify a signed proof of clearance. In other cases, the clearance check is done online by the tax authority or agent.
4. **OK/NOT OK:** If the buyer has used an online system to perform the validation described in the previous step, the tax authority or state agent will return an OK/not OK response to the buyer.

The first "clearance" implementations, in countries like Chile, Mexico and Brazil between 2000 and 2010, were inspired by this high-level process template. Countries that have subsequently introduced similar systems, in Latin America and worldwide, have taken greater liberties with this basic process model. In this primer, we'll look at the key areas of divergence among clearance and other CTC systems in existence today.

FIGURE 5: The basic clearance model, which was first implemented in certain Latin American countries



Differences in process and document scope

One area in which different clearance systems vary significantly is the scope and complexity of mandatory processes and the type of documents to be exchanged with the platform at the tax authority or agent. While many countries still use the phrase "electronic invoicing," the actual scope goes beyond just invoicing and may today cover other documents related to transactions, such as credit/debit notes, delivery notes, waybills, ledgers and accounting documents. Some countries no longer use the term "e-invoice." In Russia, the framework is called electronic document exchange. In Chile, the term electronic fiscal document is used.

We notice a general trend in clearance countries that tax authorities, in their efforts to gain more control over VAT revenue sources and prevent tax evasion, are extending their mandates to cover more fiscal documents. These documents are required to include detailed business transaction data and must be issued following workflows that don't necessarily match the corresponding business document contents and associated workflows for B2B purposes.

This results in two different parallel processes that are forced to co-exist. This situation is exacerbated by another trend where some tax authorities are demanding accreditation and the local presence of service providers who want to offer outsourced clearance services. This can be challenging for international B2B operators without a local presence in each country for which they support invoicing processes.

Another aspect of clearance regimes is the availability of reverse operations or corrective processes. Explicit regulated invoice cancellation allows the buyer or supplier to reverse the clearance, resulting in a no-VAT operation on the condition that VAT hasn't yet been paid to the tax authorities. Other clearance regimes have regulated debit/credit notes as part of their electronic invoicing framework.

Deferred clearance

The first clearance implementations were focused on real-time controls. The supplier had the obligation to both sign the invoice and get clearance to consider the e-invoice as a legally valid document that could be issued to the buyer. The deadline time period between signing by the supplier and getting clearance has become shorter in recent years, from days to just hours. In practice these events occur simultaneously today, in real-time, for most e-invoice volumes.

Figure 6 shows examples from current implementations in relation to the moment when an e-invoice can be considered legally valid.

New clearance countries have, however, started diverging on precisely when invoices and other transaction data must be sent to the clearance point, allowing taxpayers to sign e-invoices and deliver them to the buyers without any clearance but giving a grace period: a longer deadline to get clearance. Thus, clearance legislation developed the concept that a signed e-invoice was conditionally valid for the time permitted to submit the e-invoice for clearance. This more relaxed clearance approach allows the supplier to deliver the e-invoice to the buyer even though clearance may not have been obtained. This approach is "time-constrained clearance."

FIGURE 6: Overview of real-time and deferred clearance, in relation to the moment that an invoice can be issued to the buyer

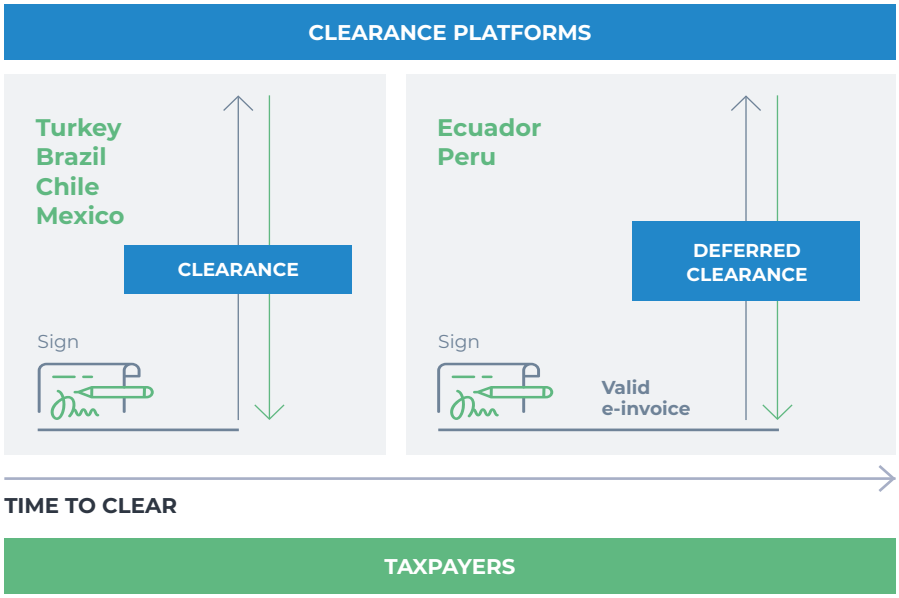
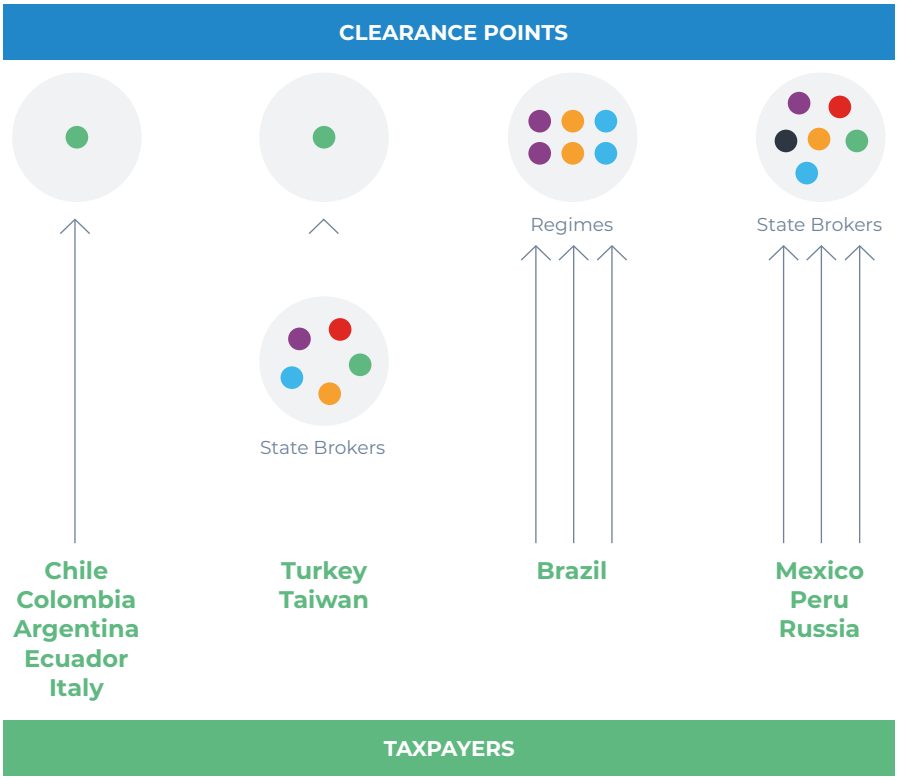


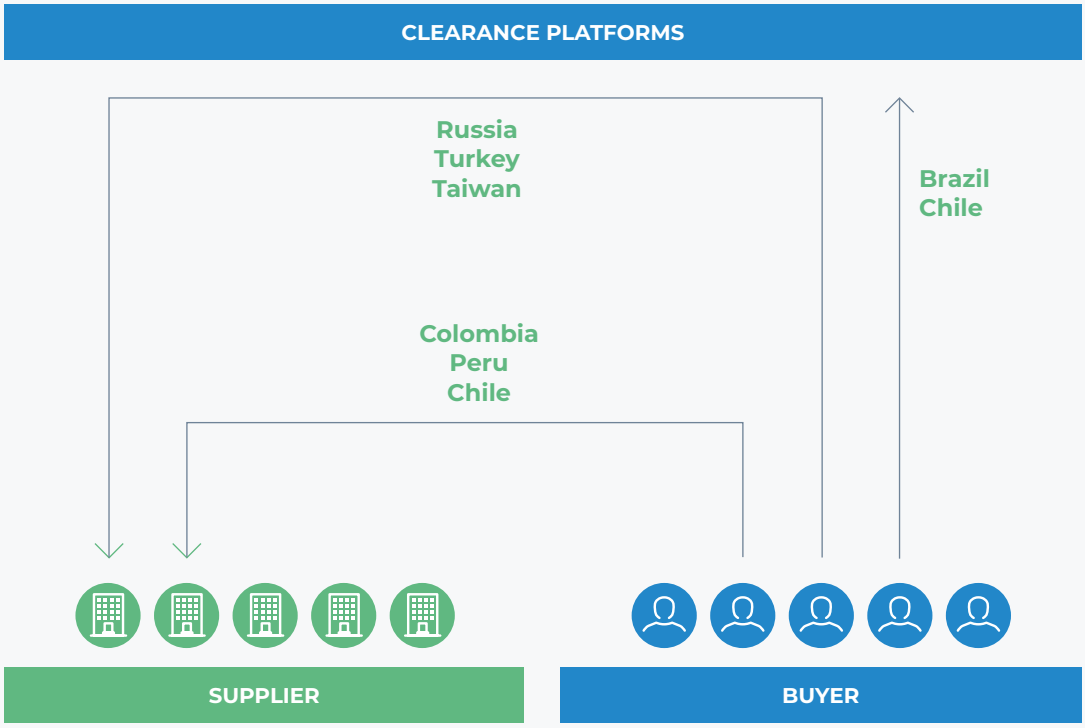
FIGURE 7: Different legal and operational implementation models for clearance processes



Diverse buyer responses

While in many cases the buyer has the possibility or obligation to verify that an invoice has been cleared, most clearance regimes don't include any invoice status data originating from the buyer in the actual clearance process. Russia, Chile and Taiwan are examples of the few regimes that leverage technology to require such involvement from the buyer. Some countries offer both options depending on the type of e-invoice. In Turkey, basic e-invoices are supplier-side only, whereas commercial invoices allow a buyer to accept or reject the invoice during a limited period on receipt. In Brazil, goods invoices in the oil industry have buyer involvement beyond clearance validation. This approach now appears to be spreading to other new clearance countries. In Peru, the buyer must reject cleared invoices in certain situations. Colombia forces buyers to explicitly accept or reject an e-invoice. Mexico introduced a mechanism that requires buyer permission before the supplier can cancel an e-invoice.

FIGURE 8: Different types of compulsory 'buyer responses': from buyer to supplier direct (lower right-to-left arrow): from buyer to supplier through the clearance point (higher right-to-left arrow): to the clearance point only



Compliance challenges for business: clearance theory and practice

The variations on the principal clearance theme outlined above are a driver of major cost and complexity. Sovos experts believe the trend toward diversity isn't about to be reversed in favor of a standards-based approach among tax authorities, or even slow down, any time soon. We anticipate that new variations of approaches to transaction-oriented tax controls on invoices and other documents will continue to emerge over the next five to ten years. It's inevitable that the platforms governments adopt to receive and process e-invoices from suppliers in public procurement transactions will be adapted for specific types of real-time control. In Italy, for example, the existing B2G platform was repurposed to become the foundation for the general e-invoicing clearance mandate.

Clearance and B2B exchange standards will converge

Many B2B transactions will over time have the government clearance platform as a "third trading partner," and exchanges with the clearance platform will be based on law, not standards. This will modify how we develop B2B data and process standards because the cost of maintaining two sets of completely different normalized exchange methods with trading partners in the same transaction will be prohibitive.

B2B process replication will drive convergence based on legal concepts

Governments show a tendency of mandating clearance platform processes and document types that are close but not identical to "the real thing" in B2B integration as we know it. For example, the law may require a goods receipt note with specific content and in a specific format to be exchanged with the clearance platform at a specific point in the transaction. The content, form, timing and general purpose of that document may be very different from what parties exchange as a goods received note (GRN) in their existing B2B process. This duplication means that classic B2B process cycles will need to be re-engineered to meet the tax-driven demands of multiple clearance platforms depending on which law applies.

Content and form compliance will also converge, driving changes in the compliance automation market

Clearance platform processes and the massive computing power that governments can afford will lead to unprecedented levels of business transaction transparency. Among other things, this will erase previous distinctions between "form" and "content" compliance. If the government has access to every line item of every invoice (and in the future, likely: order, transport document, salary statement) there's no hiding of the very widespread "smallish" VAT or other indirect tax errors or shortcuts in individual transactions. Businesses will need to ensure much more granular tax determination decision-making earlier in both their and their trading partners' processes, and this will result in "tax engine" functionality being applied at the same time as automated decisions concerning compliance with transaction-level form requirements (integrity and authenticity, file format, clearance platform exchange orchestration, clearance platform authentication).

Other document and transaction types will quickly be included

There are many examples of other documents and transaction types that will also be subject to real-time control requirements. Here are a few examples:

- In Mexico, salary statements must be cleared just like invoices.
- In some Latin American countries (Chile and Ecuador), certain information about the financing of an invoice (for example, through factoring) must be registered in the clearance platform.
- Secure cash registers for point-of-sale consumer transactions are already used in many countries world-wide. Increasingly, these machines will be designed to automatically send individual transaction information to the tax authorities. For example, in Russia, medium and large retailers must use state-certified IoT-based cash desks that automatically report online to the federal tax authorities all transactions, approximately 70 million per day.

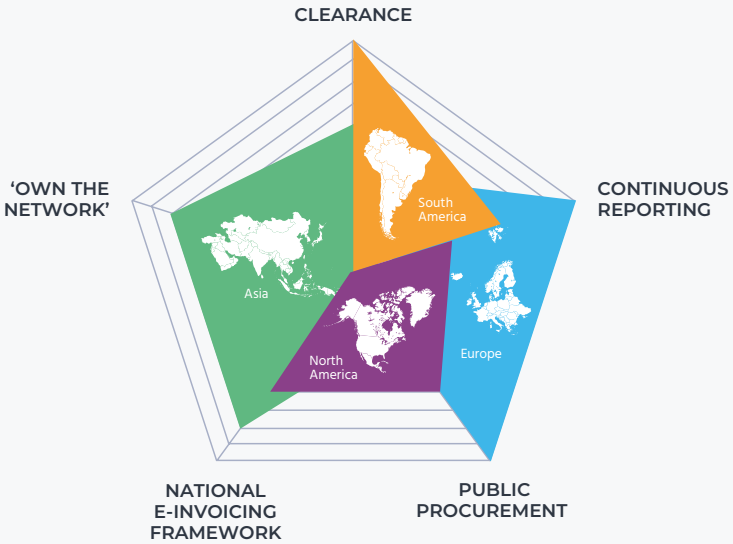
Diversity among clearance requirements is a challenge for companies. But it's not the biggest challenge in this context. Much more difficult to handle are the way-too-common small and large disconnects between theory and practice. Clearance requirements are typically set out on a high functional level in tax law. The technical requirements and associated implementation specifications are normally provided in secondary legislation or tax guidance documents. Theoretically, the latter should be fully consistent with and build on the former, creating a general-to-specific normative and implementation framework that companies can use to ensure compliance. When any changes are made, this consistency should naturally be maintained.

The reality of implementing support for clearance requirements is unfortunately often quite different. In many countries, weaknesses occur in the link between legal and technical requirements set out in formal documentation. This is often due to immature organizational and change management controls between technical and legal teams within tax authorities that are tasked with different facets of the end-to-end requirement package. These flaws in the consistency between technical and legal requirements are sometimes exacerbated due to inconsistent implementation of these requirements in the technical interfaces exposed by the clearance point. As mentioned, these discrepancies most frequently occur when changes are made to clearance requirements after their initial introduction.

Emerging regional CTC flavors

Having focused on clearance in previous sections, we'll now turn attention again to the broader concept of CTCs. As previously described, the introduction of CTCs is not linear. It often shows significant differences among countries and even within countries. Tax authorities must consider specific local circumstances, but they also increasingly benchmark approaches and experiences in other countries. Figure 9 shows how different regional CTC models are emerging based on the specific mix chosen by individual countries.

FIGURE 9: Different legal and operational implementation models for clearance processes



The principal influences and current models are:

- **Clearance and e-reporting:** See the proposed Sovos glossary on page 12. As noted above, when e-reporting is (near) real-time (e.g. the Hungarian RTIR regime, or the transactional components of SII in Spain), the difference with clearance is not very large from a technical perspective. Contrary to clearance, in the case of reporting there is no dependency on a response from the CTC platform for the subsequent legal validity of the invoice. However, it's important to note that this small technical dissimilarity creates a significant difference in terms of business impact: e-reporting is a passive 'copy the government' process, whereas clearance by definition changes pre-existing business processes by creating a potentially significant dependency on the CTC platform's availability and its analysis of taxpayer data. This drawback of clearance, however, can be offset by its positive impact on the adoption of standards-based electronic invoicing, which typically generates considerable economic and environmental gains in addition to improvements in tax collection.
- **Public procurement:** As also described in the next section on CTCs and business networks, countries in Europe and beyond are expected to increasingly repurpose their public e-procurement platforms for CTC implementation or use concepts from public procurement for the design of CTC systems.
- **National e-invoicing framework:** Certain interoperability and "open network" concepts that were initially designed for promoting seamless public procurement are influencing CTC concepts in countries that have not previously considered such methodologies. In these cases, a country starts by using its powers of persuasion (e.g. hard or soft law) to create a set of national standards and processes for invoice interoperability and then piggybacks on the resulting role distribution to allocate responsibility for transmitting CTC data to the tax authorities.
- **'Own the network':** This trend is similar to the previous one but takes the tax authority's interest in the data exchange between the supplier and the buyer a step further by using the CTC platform for this purpose as well. In other words, the public administration not only requires receipt of the data from the supplier and buyer separately, but actually becomes the invoice exchange platform. This trend seems to be gaining traction the further the CTC trend spreads eastward. Turkey and Russia have it as core concepts in their CTC legislation, and it's also fundamental to the CTC design of the function of Italy's platform. Countries like Saudi Arabia and Jordan are developing in a similar direction, as both appear to be looking into the concept of not just prescribing standards for interoperability in a national e-invoicing framework but fully operating – or at least fully controlling – the underlying data exchange network.

The interplay between CTCs and business networks

Around 2010, many multinational companies had started completing ERP modernization and consolidation projects. One of the next key objectives was to increase return on investment (ROI) from these expensive, modernized internal core systems. To do so, they focused on software, systems, and services to drive efficiencies by automating sales and purchase transactions with trading partners. With high levels of ERP customization among larger companies worldwide, no two systems could communicate with each other out of the box. While this space was originally dominated by traditional EDI solutions (using e.g. EDIFACT or ANSI x12), during this period more flexible B2B automation software and cloud services, such as procure-to-pay, order-to-cash and many other specialized types of software, emerged as the next area of key enterprise software investment.

The current phase sees many large companies gradually adopting B2B transaction automation systems. These are almost exclusively cloud-based and run as multi-tenant "networks" as opposed to the 1:1 EDI connections that preceded them. Businesses can obtain major process benefits and savings from automating the exchange of sales and purchase data with trading partners. Since ERP software vendors haven't focused on enabling tools for seamless end-to-end process integration with their customers' suppliers and buyers, hundreds of companies have emerged to fill the void in this B2B integration space over the last 15 years.

Simultaneously, ERP vendors are aggressively introducing new cloud-enabled versions of their software. Leading enterprise software vendors, such as SAP and Oracle, have started programs to incite their installed and new customers to cloud- based versions of their new software releases, which take on board a next generation of technologies and are often much more powerful than their predecessors. This change in ERP technology paradigm requires companies to think about their migration strategy in relation to pre-existing customizations and associated processes. For SAP S/4, these choices are often referred to as "brownfield" (move everything across) versus "greenfield" (take this opportunity to start from scratch). These choices are particularly relevant when viewed against the backdrop of the move from post audit indirect tax systems to CTCs.

Given these complex choices and the overall magnitude of upgrading to a new ERP system, it's not surprising that many companies remain reluctant to move away from on-premises deployment. This is especially true for large multinational enterprises, many of which are expected to plan for their migration to, for example, SAP S/4HANA first and to revisit the question of moving ERP components to the public cloud later.

Public procurement represents on average

12%

of global GDP,

which represents a global market size of greater than

$10 trillion.

Evolution of business transaction management

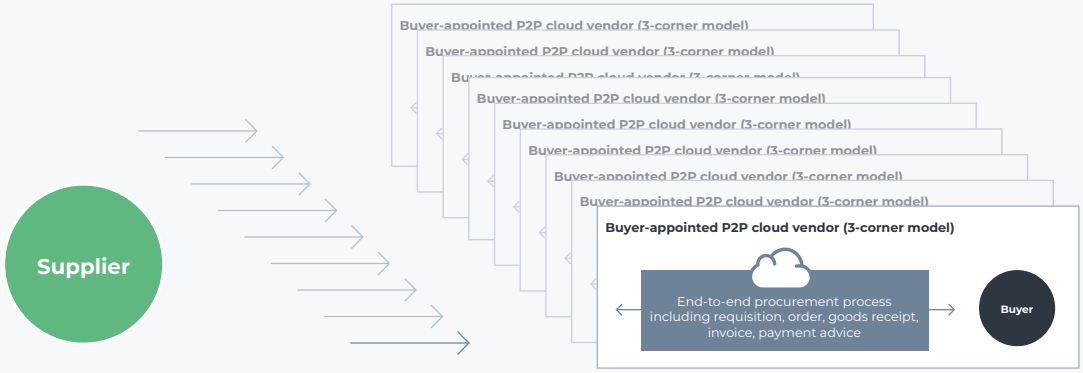
An important segment of the enterprise software sector is procurement software. In particular, the adoption of procure-to-pay cloud-based suites for managing indirect supplies is expected to grow fast: from USD 5 billion today to more than USD 9 billion by 2026.[1]

Cloud-based procure-to-pay and similar end-to-end transaction platforms are important drivers for the automation of B2B transactions in the industrialized world. Particularly in North America and Europe – where tax authorities initially didn't focus on CTCs as a core element of their own digital transformation, and businesses could freely focus their resources on automating data exchanges with their trading partners – these cloud-based platforms took off rapidly because of design trade-offs that maximized flexibility and control for large multinational companies. In the original design of such platforms, a large company that signs up with one cloud-based procurement platform gets a single interface to hundreds of thousands of pre-onboarded suppliers on that network, while a supplier to that large company may be coerced by other large customers to join multiple other procure-to-pay networks.

FIGURE 10: Procure-to-pay (P2P) and other business networks as viewed by large buyers

This design (also called "three-corner models" because both trading partners transact on the same platform instead of each using their own systems or service providers) allowed cloud procurement platform vendors to rapidly gain market traction.

FIGURE 11: P2P and other business networks as viewed by suppliers



In recent years, however, service providers that originally pursued "closed network" strategies have increased their cooperation to create models that allow better interoperability among such networks and other B2B transaction automation vendors. Specifically, the European E-Invoicing Service Providers' Association (EESPA) has promulgated a model interoperability agreement that is gaining traction in the European and global marketplace. This development has been driven to a large extent by market requirements; it's also consistent with a trend toward "open networks" that has its roots in public procurement, which is described in the next section.

[1] www.globenewswire.com/news-release/2019/09/05/1911800/0/en/Procure-To-Pay-Software-Market-To-Reach-USD-9-2-Billion-By-2026-Reports-And-Data.html

Public procurement (B2G) and the emergence of open networks

Governments are obviously not limiting their adoption of modern information and communication technologies solely to tax. Another area that can significantly impact businesses is the imposition of government platforms for exchanging data in relation to public procurement. Among other objectives, initiatives in this area often aim to make it possible for any business in any part of a country, economic union or federation to bid on public sector contracts under the exact same conditions as a local company.

In the EU, where this policy instrument is most prevalent, e-invoicing has become a major way for governments to achieve this objective. In addition, e-invoicing is viewed as spearheading process modernization within public administrations. As part of harmonizing e-procurement processes within the EU, governments and other public bodies are via Directives forced to accept e-invoices that conform to the European Standard EN 16931. Several Member States (including Sweden, Croatia, Czech Republic, Lithuania, Poland, Portugal and Estonia) have extended this obligation to handle e-invoices to the supplier and implemented mandatory B2G e-invoicing.

European and other governments have generally been reluctant to adopt popular "three-corner" procurement cloud vendors for their public procurement. Public authorities, which as large buyers of goods and services have significant influence over the direction of the procurement market, have in the past decade promoted more open business network models. Ironically, the same (particularly European) authorities that reject the closed-network approach of P2P cloud platforms have also in many cases designed their own national technology and process standards for their mandatory electronic procurement platforms. That is the case in, for example, Italy, Spain, the Netherlands and Slovenia.

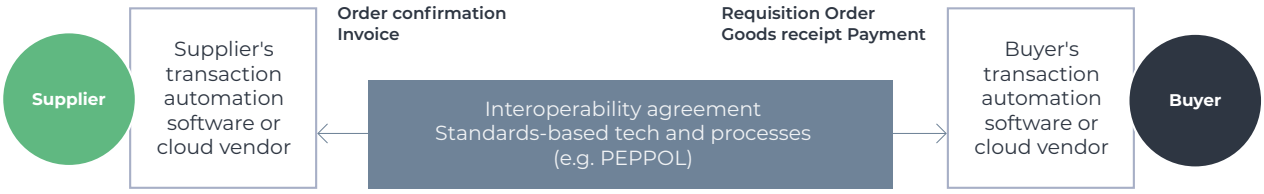
Nonetheless, with a "network of networks" concept called PEPPOL (initially financed by European authorities and the European Union; now run under an association, OpenPEPPOL), disparate country approaches to electronic public procurement can coexist, while suppliers from all Member States can exchange tendering and execution messages to any other Member State using the PEPPOL methodology. Part of the PEPPOL design is that individual service providers can serve as "access points" for such suppliers.

Partly due to this promotion of a more open – or at least more balanced and interoperable – approach to electronic procurement by governments, the PEPPOL concepts and technical specifications are also becoming more popular among the private sector. After all, if many companies must connect to a PEPPOL access point for transactions with certain public sector customers anyway, why not use that interoperability as a supplier also to connect to buyers' service providers, which often also have incentives to set themselves up as PEPPOL access points. As a result, a network effect is slowly emerging where open standards-based trading approaches will likely coexist with closed procurement networks for the foreseeable future.

Developments in B2G e-invoicing cannot be viewed as separate from mandatory B2B e-invoicing for VAT law enforcement purposes. As witnessed with the January 2019 Italian clearance mandate, EU Member States may choose to base their CTC regimes on pre-existing B2G e-invoicing platforms.

The influence of public e-procurement may however grow beyond these interoperability concepts in specific countries. Whereas the adoption of open network approaches to business transaction automation between private sector entities has so far been based on voluntary adoption – only their use in B2G exchanges has become mandatory in many countries – we're now seeing a trend where especially countries in Asia want to develop mandatory or quasi-mandatory "national e-invoicing frameworks" based on or inspired by PEPPOL. One such example is the Chinese technical standard for e-invoicing service platforms, described in more detail on page 138. The Singaporean national e-invoicing network is another example.

FIGURE 12: The open network ("four-corner") approach promoted by public authorities in Europe, and increasingly elsewhere, for example in Asia

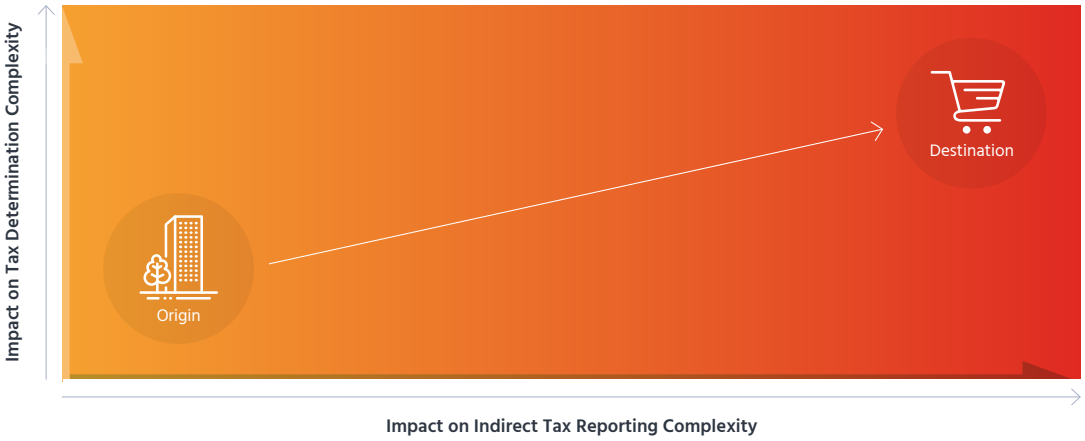


TREND TWO

A SHIFT TOWARD DESTINATION TAXABILITY FOR CERTAIN CROSS-BORDER TRANSACTIONS

In the old world of paper-based trade and commerce, the enforcement of tax borders, between or within countries, was mostly a matter of physical customs controls. Many countries have for reasons of trade facilitation and resource optimization historically applied 'de minimis' rules, which are specific limits (e.g. EUR 10-22 applied in the European Union) below which imported goods were exempted from VAT.

FIGURE 13: Complexity increase with destination principle



Cross-border services, which could not, or not easily, be checked at the border, would often escape VAT collection altogether or be taxed in the country of the service provider. With the very large increases in volume of cross-border trade in low-value goods and cross-border digital services over the past decade, tax administrations have started taking significant measures to tax such supplies in the country of consumption/destination.

Since the 2015 publication of the OECD/G20's Base Erosion and Profit Shifting (BEPS) Project Action 1 Report on Addressing the Tax Challenges of the Digital Economy [Ref 2], most OECD and G20 countries have adopted rules for the VAT treatment of business-to-consumer (B2C) digital/electronic supplies by foreign suppliers. The International VAT/GST Guidelines issued in conjunction with the Project Action 1 Report recommend the following approaches for collecting VAT/GST on B2C sales of electronic services by foreign suppliers:

1. The country of the customer will have the right to levy VAT on the supply;
2. The foreign seller must register for VAT in the customer's country under a simplified registration and compliance regime; and
3. The foreign seller must collect and remit VAT.

Many industrialized and emerging countries have since passed laws based on this OECD guidance; most apply to B2C transactions only, although some of these jurisdictions have imposed obligations that apply or could apply to both B2B and B2C transactions.

For low value goods, the OECD has made similar recommendations providing for both a vendor and an intermediary-based collection model. The destination-based taxability trend affects many different areas of consumption tax, including the following examples:

- **US sales and use tax – the South Dakota v. Wayfair decision:** In 2018 the US Supreme Court overturned 50 years of legal precedent in holding that US states may impose the obligation to collect and remit sales tax on businesses based exclusively on their economic connection to the state (e.g. number of transactions, dollar volume of sales). Under previous law, only sellers that were physically present in a state (e.g. employees, inventory, office locations) were so obligated. Since then, every state imposing a sales tax, except for Florida and Missouri, has amended their laws and rules to use this new option.
- **The European Commission's 2018 proposals for a 'definitive' VAT system:** This includes a comprehensive redefinition of a cross-border B2B supply of goods. To combat the VAT gap and to promote simplification and lower administrations burdens, the Commission suggested Europe discard the transitional VAT system – the new definitive VAT system would be based on the destination principle.
- **EU e-commerce package and digital services:** For several years, the EU has been gradually introducing new rules to ensure that VAT on services more accurately accrues to the country of consumption. From 1 January 2015, and as part of this change, the supply of digital services is taxed in the EU country where the private end customer is located, has his permanent address or usually resides. These changes accompany the introduction of a one-stop-shop (OSS) system aiming to facilitate reporting for taxable persons and their representatives or intermediaries. The OSS system is still being expanded and plays an important role in the so-called EU e-Commerce Package, which is currently scheduled to take effect on 1 July 2021. Under this extended scheme, all services and all goods including e-commerce-based imports are subject to intricate regulations that include changes to the way customs in all Member States operate.
- **Latin America:** Since Latin American countries aren't part of a union, applying destination-based VAT for digital services hasn't been a major problem in terms of coordinating with other countries. Also, because most countries in the region have a single nationwide VAT, implementation of new place of supply rules is simpler than in many other countries worldwide. Brazil, for example, introduced a hybrid mechanism through which part of the VAT due in intra-state transactions is paid in the state of destination of the supply. The underlying reason for such change is that many e-commerce and marketplace operators are established in, and effectively paying taxes to, only three out of 26 states.

TREND THREE

AGGREGATOR LIABILITY

With the introduction of CTCs to all businesses of all sizes – and in a growing number of countries to transactions between small and even occasional or 'gig economy' vendors and local consumers – tax administrations are creating a colossal dependency on the availability and performance of their online services to not adversely affect their economies and citizens' wellbeing.

FIGURE 14: Service provider liability for VAT compliance activities

Network or computer processing problems must be excluded at any cost, and therefore governments will be facing an unprecedented and growing operational challenge.

In addition, governments are facing new administrative, process, organizational and backend system challenges as a result of placing VAT reporting and remittance obligations on non-established vendors of goods and services. Consequently, a natural result of a tax administration's digital transformation journey is a massive need for investment across the board to adequately process, analyze and sometimes approve huge numbers of transactions and reports.

To ease this burden, tax administrations have in the past decade started looking for ways to distribute some or all these responsibilities to third parties. The basic principle has generally been to find economic actors who are already natural aggregators of transactions and which have the scale, technology and organizational strength making them suitable for either centralizing VAT reporting or CTC platform integration on behalf of taxable persons in their 'network' – or even to take on the processing and approvals of such business data on the tax administration's behalf. Sometimes this transfer of operational and legal responsibility is voluntary – as is the case with so-called 'PACs' in Mexico and countries that have modelled their CTC approach on that – and sometimes it's not.

Key examples of a transfer of reporting and payment liability are in the area of B2C marketplaces (see also Trend 2). For example, the EU e-commerce 'package' contains far-reaching presumptions, in several common e-commerce scenarios, that the marketplace rather than the connected vendor is the responsible supplier from a VAT perspective. Similar legislation exists in many countries in Latin America and, increasingly, worldwide. In conjunction with such requirements, governments around the world are also placing direct reporting obligations on credit card and other payment service providers. This trend is already well established in Latin America and other regions including the EU have already passed legislation to increase such reporting obligations. The combination of consumer payment data and marketplace or vendor VAT reports gives tax administrations the possibility to tighten controls via data mining and triangulation.

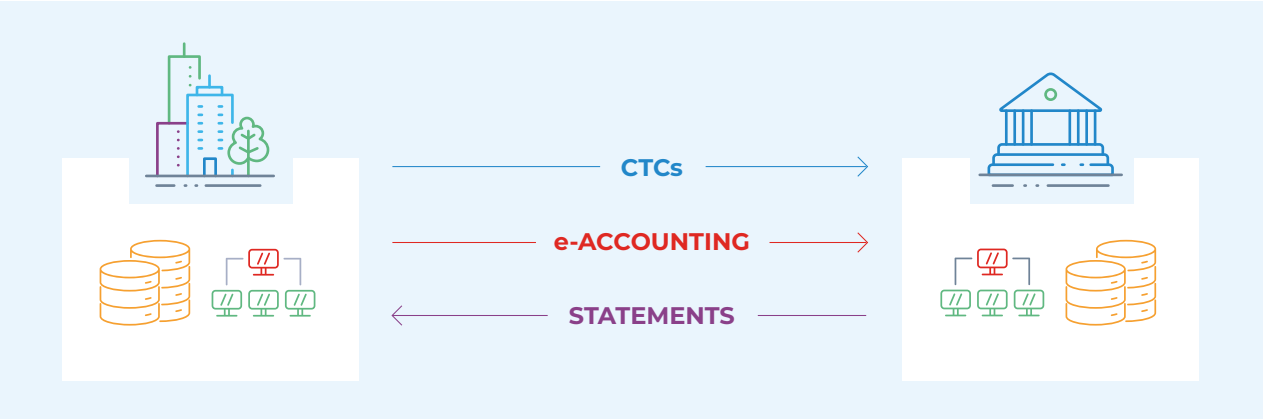
However, this trend is not limited to B2C transactions and e-commerce. As mentioned, Mexico pioneered the 'PAC' model for CTCs including B2B transactions a decade ago, and this concept of accrediting or obligating technology vendors that already manage business transactions has since become popular in many countries around the world. Most notably, as also described in the section on "B2G e-invoicing", the PEPPOL framework that finds its origin in European public procurement is evolving to add a CTC dimension to the 'access point' concept. Tax administrations in Europe – one key example, at the time of writing, being France – and Asia are actively considering ways in which the benefits of standardizing B2B and B2G transactions using PEPPOL or PEPPOL-inspired frameworks can be combined with CTC responsibility for different kinds of transaction management software or service providers.

TREND FOUR

E-ACCOUNTING AND E-ASSESSMENT

The CTC revolution attracts significant attention because it transforms a decades-old routine of 'VAT compliance' based on aggregate periodic reporting to a much more dynamic set of requirements that deeply affect business transaction systems.

FIGURE 15: How the trend towards CTC and e-Accounting enable e-Assessment (pre-filled VAT returns)



However, not all business data of interest to tax administrations is transactional in nature – and even in relation to transactional data, tax administrations want to know how the transacting taxable persons treated these transactions from an accounting perspective. Until recently, this need to consult a company's accounts was met principally through the instrument of on-site audits. Tax administrations have over the past decades developed ever-more sophisticated tools to audit businesses' ERP and accounting systems to verify the consistency of accounting ledgers, and where necessary to triangulate these with VAT returns and other available information including original invoices and other documents that companies were obligated to store.

The general area of 'e-audit' has been strongly influenced by the OECD's Standard Audit File for Tax (SAF-T) specifications and guidelines. SAF-T as a concept was developed from an audit perspective, however many tax administrations are now adopting this guidance as a basis for the proactive or on-demand reporting obligations of accounting ledgers by businesses – thereby expanding the use of SAF-T concepts to 'e-accounting'. These two approaches form extreme ends of a continuum in relation to the method of transmission rather than being fundamentally different from a data perspective: where the data transfer is performed as a 'push' report through a predetermined digital channel, it becomes useful to talk about e-accounting as distinct from e-audit requirements which usually focus on the ability of taxable persons to export accounting data to a specific format. The reason for this terminological difference is that e-accounting plays an important role in the completion of tax administrations' programs at any time to possess a copy of all relevant business data for audit and tax calculation in their systems.

As explained in the OECD documentation around SAF-T, this instrument was designed to aide tax administrations in auditing for both direct (income) and indirect taxes. The SAF-T standard covers the 'full set' of business and accounting records commonly held by taxpayers. The standard includes the following datasets:

1. **General Ledger**
2. **AR (master data and invoices)**
3. **AP (master data, invoices and payment)**
4. **Goods movements**
5. **Fixed assets**
6. **Inventory**

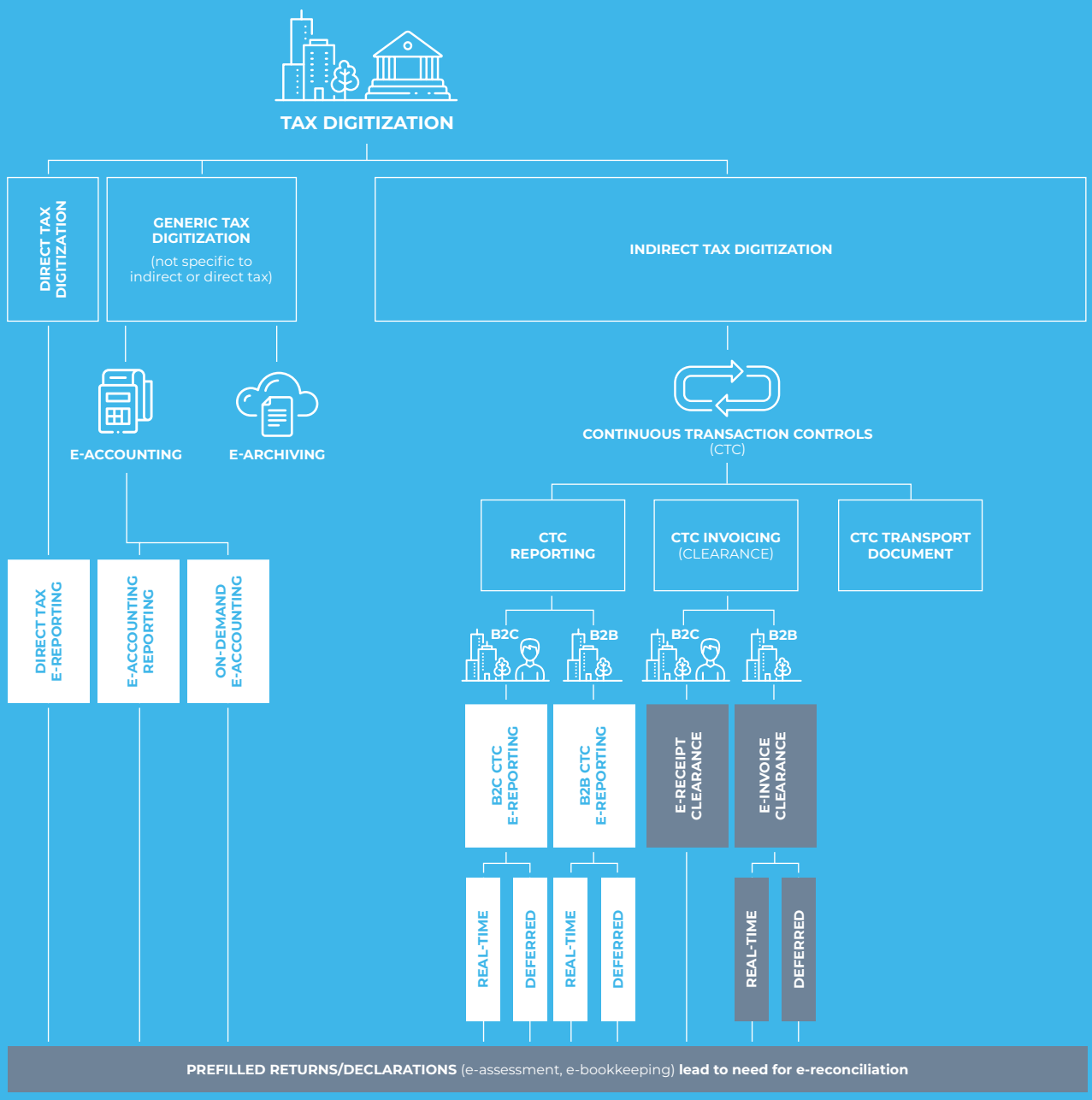
SAF-T is a very flexible standard in that it doesn't impose a specific technical file format, submission method (push or on-demand) or frequency. It's also entirely optional for OECD Members to adopt or adjust. This flexibility is a considerable force but also represents a weakness: no two countries' implementations of SAF-T are identical. As a result, it's difficult for international companies to meet SAF-T requirements without multiple country-specific procedures. Another challenge that many companies experience with producing full SAF-T reports is that the instrument's broad scope, including both transactional and non-transactional data, often requires data for a single report to be extracted from multiple enterprise systems. Large companies that manage many legal entities and often several ERP systems in parallel may find it difficult to combine such data for SAF-T reporting purposes. Very small companies, on the other hand, may not have all the required data in computerized format.

SAF-T requirements for e-accounting purposes are still being adopted by EU Member States and countries in other regions are actively considering introducing it. In Latin America, several countries including e-Contabilidad in Mexico and SPED reporting in Brazil have comparable e-accounting concepts that are not explicitly based on the SAF-T standard.

SAF-T was originally designed to facilitate controls in a post-audit world. While it has limitations as a data standard for CTC schemes that focus on transactional data, it has been used as a basis for more advanced forms of VAT reporting e.g. in Poland where pre-existing VAT reports have been replaced by the SAF-T-inspired JPK_V7M and JPK_V7K.

Together, CTCs and e-Accounting can form a robust basis for the enforcement of both direct and indirect taxes. Over the next five to ten years, we expect many countries to build their tax digitization strategies on these two components. As regards VAT and similar consumption taxes, we expect these strategies will ultimately replace traditional 'post audit' approaches to VAT reporting and invoicing. The future in many countries will therefore rather look as follows:

FIGURE 16: Future tax digitization requirements chart



The two likely pillars of tax digitization in countries around the world also shows clearly what 'end game' tax authorities are pursuing. All relevant business data for tax enforcement will sit on tax administration servers so that your tax position can be calculated without a tax administration depending on your systems. Much of this data will be transferred to and analyzed by the tax administration in real-time or near-real time, with authentication and other technical controls in place providing tax administrations with a very strong evidence position vis-à-vis the taxpayer. The impact of these drastic changes, and how businesses can prepare for them, are discussed in the next chapter.

THE CTC CONUNDRUM

OF INTERNATIONAL COMPANIES

THE CTC CONUNDRUM OF INTERNATIONAL COMPANIES

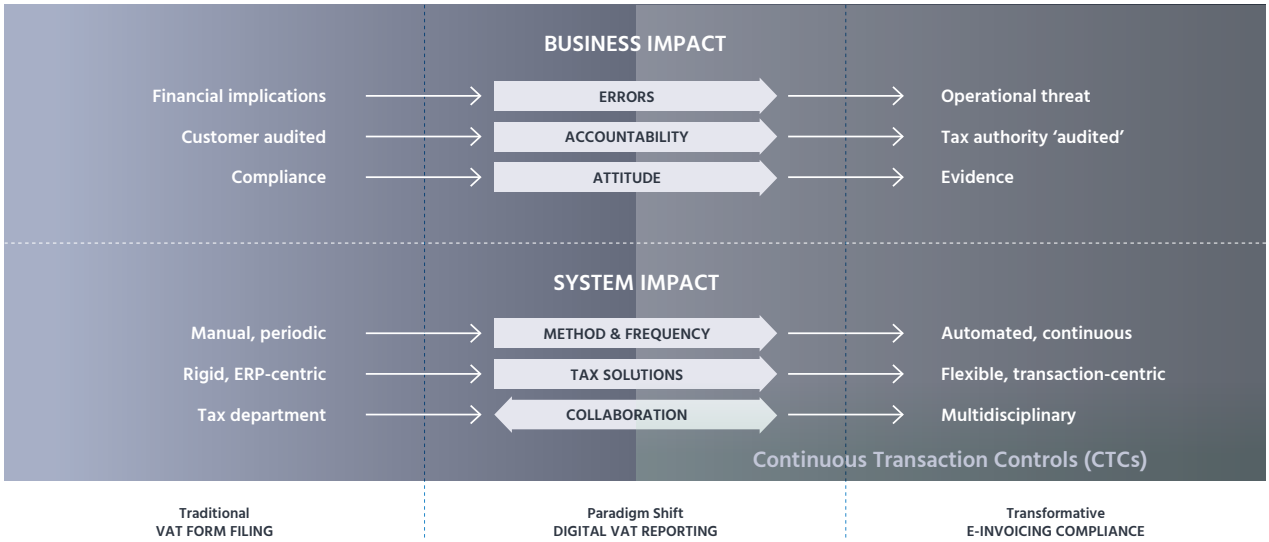
Impact on business systems and processes

The introduction of CTCs and tax authorities' growing ability to analyze vast amounts of transactional and other economic data collected directly from source systems rapidly makes compliance a much more binary proposition than before.

In the post audit world, compliance was often a matter of legal interpretation where courts upheld standards of reasonableness such as proportionality, which tempered the desire of many tax authorities to penalize taxpayers for mere irregularities. The consequences of non-compliance in the CTC world is expected to become much tougher and far-reaching.

However, the increased probability of attracting tougher fines, penalties, and potentially criminal prosecution as a result of CTCs and the other trends highlighted in this report don't top the concerns many – especially international – businesses have. CTCs create a relationship of dependency between business and tax administration systems and processes. This creates potential risks and costs of a completely different magnitude. For example, logistical and other operational delays can arise because of mandatory documents not getting through to the CTC platform, or not being approved. The digitization of VAT and other taxes therefore no longer only potentially have a financial impact but could directly affect the physical supply chain. With just-in-time, vendor-managed inventory and other sophisticated supply chain concepts creating significant dependencies on each component of increasingly global trading networks working perfectly, such interruptions can have significant consequences for customer relationships, profitability and market valuation.

FIGURE 17: Business and system impact of CTCs



Why an explicit strategy is essential

The chaotic transition to CTCs creates a special set of challenges for companies that operate in multiple countries. This emerging clash of digital transformations – of companies and tax authorities – introduces a dynamic and often hard-to-predict element into businesses' modernization plans. With compliance non-negotiable for doing business in every country, regulatory mandates toward the introduction of CTCs will always take priority over projects that the business can decide on more freely.

When indirect tax professionals talk about their VAT "compliance" function, they generally mean their VAT periodic reporting. Typically, multinational enterprises run these processes based on manual data extraction from their ERP combined with spreadsheets for reconciling and correcting data using some combination of corporate VAT experts, external tax consultants, managed service providers, shared service centers and accounting resources.

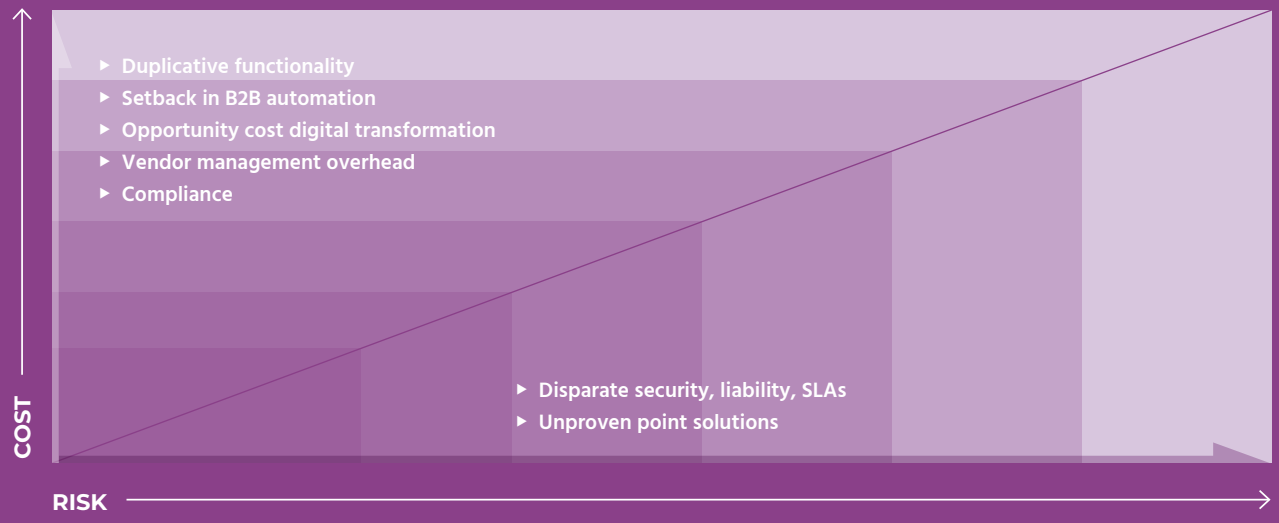
The other major tax process that large companies maintain is tax determination to maximize control over tax rates and associated invoice content. They often pursue this through a combination of configurations and customizations, add-ons and third-party tax engines integrated with their ERP system.

Because these indirect tax compliance processes and technologies were generally designed for a world of paper-based business transactions and tax reporting, they're part of the universe of internal controls and processes around a company's accounting, and thus largely decoupled from the world of supply chain, procurement and sales operations. In the new world of transaction technology and CTCs, however, at least part of the emphasis of "compliance" moves to the transactional source system. In addition, legacy reporting processes, organizational structures and technologies that continue to directly interact with companies' ERP systems need to evolve to cater for the introduction of new reporting concepts based on continuous automated data transmission, which increasingly leaves no time or room for manual data preparation and review.

In this brave new transactional world, tax compliance moves from being largely an ERP-centric accounting procedure to becoming an operational concern. If pristine, 100% accurate transaction data cannot be sent to the tax authorities as and when required, a company's supply chains, and customer fulfilment operations can suffer delays. This creates a much more direct dependency between a company's bottom line and getting tax data right the first time as part of the transaction. Tax determination processes, therefore, need to move from largely being after-the-fact validation tools to critical instruments to catch and correct errors as they are processed in transactional software.

If companies extend the legacy concept of decentralized VAT compliance assurance to the world of mandatory e-invoicing and continuous compliance, their local subsidiaries will adopt disparate local technologies and vendors for core trading partner and e-invoicing processes. This fragmentation directly contradicts companies' strategies to transform their finance function and to leverage the consolidating power of modern technologies.

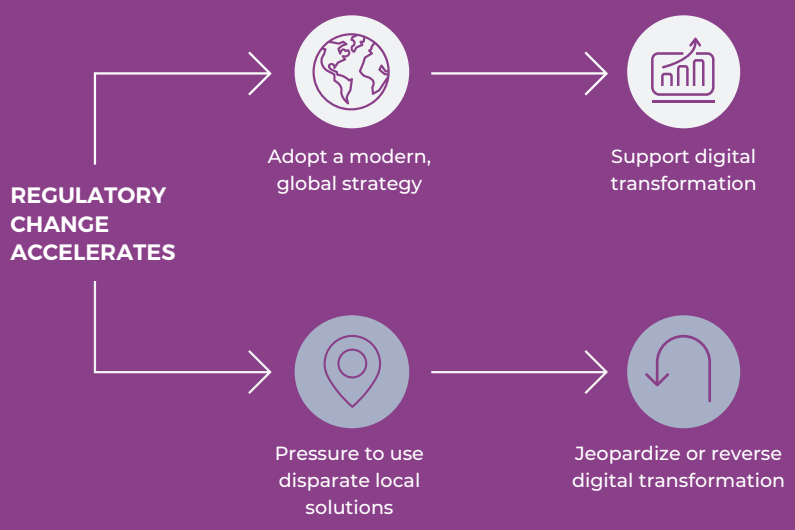
FIGURE 18: Costs and risks associated with adopting local point solutions in response to VAT digitization mandates



A lot of that transaction software won't be within the direct control of a single enterprise – and much of it will be operated in the cloud by third-party vendors that maintain the same set of end-to-end processes for millions of other trading parties. It becomes the responsibility of those third-party vendors to ensure transactional tax compliance as an integral component of their service offering. It will also become very important for companies to select such vendors based on their tax compliance monitoring and change management capabilities. These transaction management platforms will be interacting with a new generation of cloud-enabled ERP, which, thanks to in-database processing and other new technologies, will receive a massive upgrade in processing power.

In this emerging consolidated digital business ecosystem, it will be counterproductive for a company to push "compliance" to its subsidiaries. By extending the legacy concept of decentralized VAT compliance assurance to the world of mandatory e-invoicing and continuous compliance, companies encourage local subsidiaries to adopt disparate local technologies and vendors for core trading partner and e-invoicing processes. This will make it impossible for companies to benefit from the cloud-based transaction platforms they want to roll out globally to benefit from companywide management dashboards, spend management and financing options. Keeping to a decentralized VAT compliance approach will feel like business as usual, but in a world where CTCs will soon be the norm, such decentralization could reverse digital and finance transformation and erode a company's competitive market position.

FIGURE 19: Fundamental strategy options for multinational enterprises

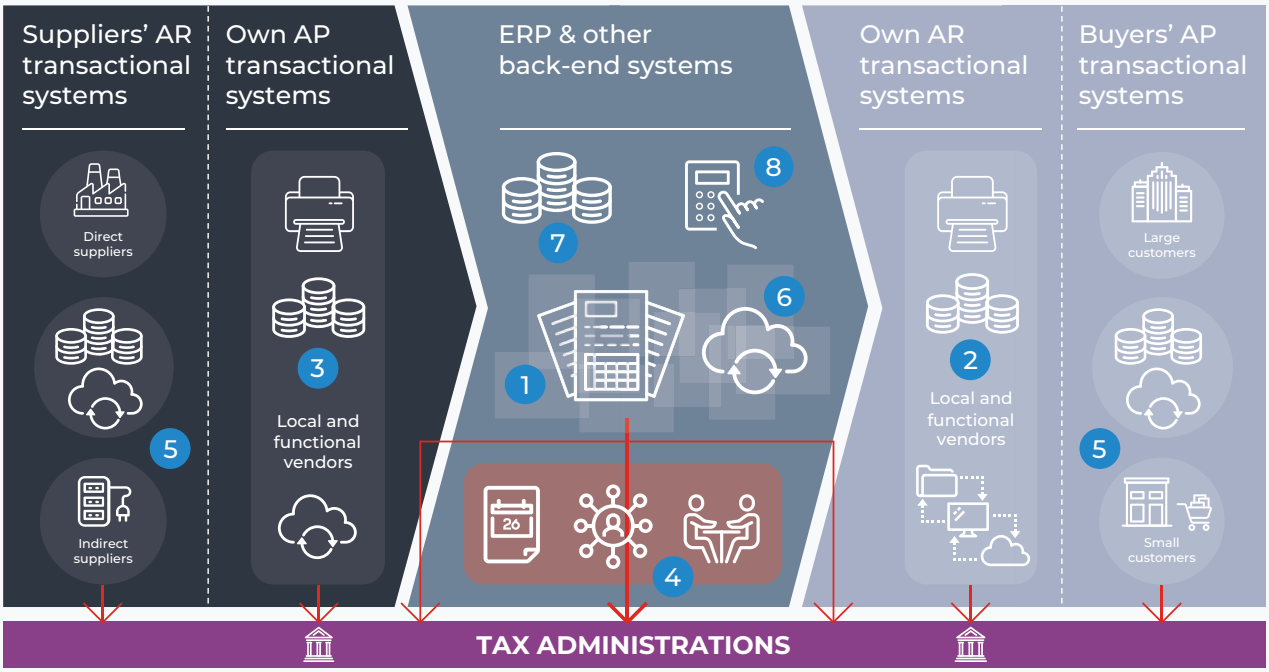


Formulating a strategy

A good strategy to turn the global CTC trend to your strategic advantage requires two things:

1. Excellent insight into applicable and upcoming CTC mandates; this generally is available only from specialized vendors. The summary in Part II of this report provides a general idea of applicable legislation today.
2. A shared understanding across the company of systems and processes that are or will soon be affected by indirect tax imperatives. Figure 20 below is a template for mapping out such systems and processes.

FIGURE 20: Key areas to consider in a CTC strategy



The key components to be mapped out as a basis for analyzing a company's tax-relevant systems and processes, as shown in figure 20, are:

1. ERP and other core finance or enterprise systems are complex. Large companies seldom have a single ERP system – the "normal" range is between two and 100. In manufacturing, some large companies still run internally developed legacy ERP systems from the 1990s that support critical core operations while more standardized ERP systems are used for consolidated processes (e.g. finance). Many companies are permanently migrating ERP systems from acquired companies to their chosen strategic ERP. In addition, the strategic ERP system today is often in need of a significant upgrade, and the company may be implementing various intermediate steps (e.g. Central Finance in SAP) to mitigate the complexity of that version migration.
2. Companies have over the past decade invested in various accounts payable (AP) automation solutions. The introduction of CTCs in some countries and regions (e.g. in Latin America) may have led to the adoption of country-specific inbound invoicing vendors that are principally focused on tax compliance, while AP automation vendors in countries without CTCs are often specialized in supporting different categories of suppliers (e.g. EDI with large suppliers, as well as scanning or OCR and P2P platforms for smaller ones) or processes (e.g. travel and expense management tools). As companies go paperless, they often overlook the fact that paper invoices, where they are still allowed, are often subject to different rules than electronic invoices, especially in relation to archiving. When paper invoices are scanned, the paper original must often still be archived unless specific local scanning, authentication and archiving requirements are met.

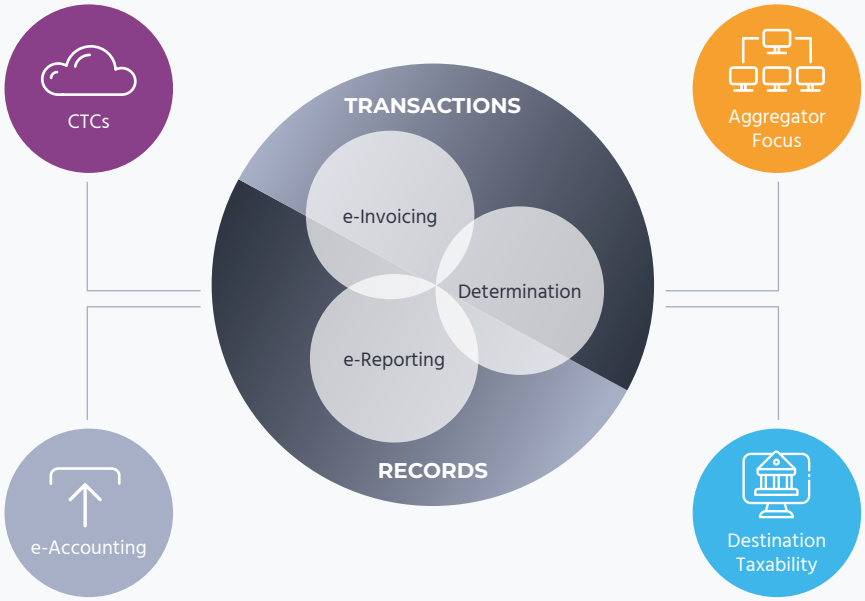
3. Likewise, on the accounts receivable (AR) side, a company may have adopted a mix of software tools and cloud-based service providers that either cater to specific business processes or that ensure e-invoicing compliance in countries with CTC legislation. Fully automated order-to-cash software and cloud-based services are starting to become more popular but are less prevalent than their procurement equivalents. Finally, many companies are now using e-commerce tools to sell their goods or services directly to consumers – this adds complexity for several reasons:
   - Distant selling to consumers is often regulated.
   - Online sales to consumers often have a significant cross-border component (which tax authorities increasingly target due to high levels of non-compliance).
   - It can be difficult to properly distinguish between B2C and B2B transactions, which are typically treated differently for VAT.
   - Many countries have different CTC requirements for consumer receipts.
4. Periodic VAT reporting is often done using manual data extraction from the ERP or other systems, combined with spreadsheets for reconciling and correcting data using some combination of corporate VAT experts, external tax consultants, managed service providers, shared service centers and accounting resources. There's a high probability that data used for such reporting is not of sufficient quality for straight-through processing, and that shared service center or local accounting staff are working with error-prone tools and approval processes. This area is particularly vulnerable to the introduction of continuous reporting CTCs, which may start with near-real-time requirements. Those requirements can still be managed by a company's reporting teams but are likely to evolve to real-time reporting or e-invoicing, requiring automation and in certain cases a different source system than the ERP.
5. Companies may, knowingly or not, have been onboarded onto portals and systems that are their larger trading partners' AP and AR systems. These third-party systems in many cases perform tax-relevant functions, such as e-invoicing, on your behalf. This means these systems from a tax compliance perspective become part of your responsibility. The lack of control over your trading partners' systems can be problematic in this regard, particularly as many countries adopt CTCs that can affect your operations and are often accompanied by higher fines.
6. Intercompany invoicing is an area that often deserves specific attention. In a post audit world, it has often been preferable for multinational companies to keep these intra-group invoices inside an ERP system and never explicitly "issued," processed or archived by distinct supplier and buyer systems. Architecturally, however, this means these invoices cannot easily be brought within the scope of solutions that are adopted to ensure compliance with CTC requirements.
7. The complexity of most companies' ERP landscape, combined with the increased adoption of AP and AR automation systems and the use of mandatory portals by large trading partners, often leads to extreme fragmentation of archives for critical tax documents and data, such as invoices.
8. Tax determination has become a standard – even commoditized – component in the landscapes of companies that trade in countries with sales and use tax, such as the USA and Canada. In countries with VAT, the use of tax determination technology is expected to evolve from a nice-to-have to a must-have as the risk of operational disruptions grows with the introduction of CTCs.

Analyzing legal requirements

Once a company has mapped out its own relevant systems and process landscape and has acquired a thorough understanding of applicable and upcoming CTC mandates, it should make sure that different stakeholders in the enterprise use the same terminology and have a shared understanding of common components of CTC mandates, as well as the nature and categories of solutions needed to address these.

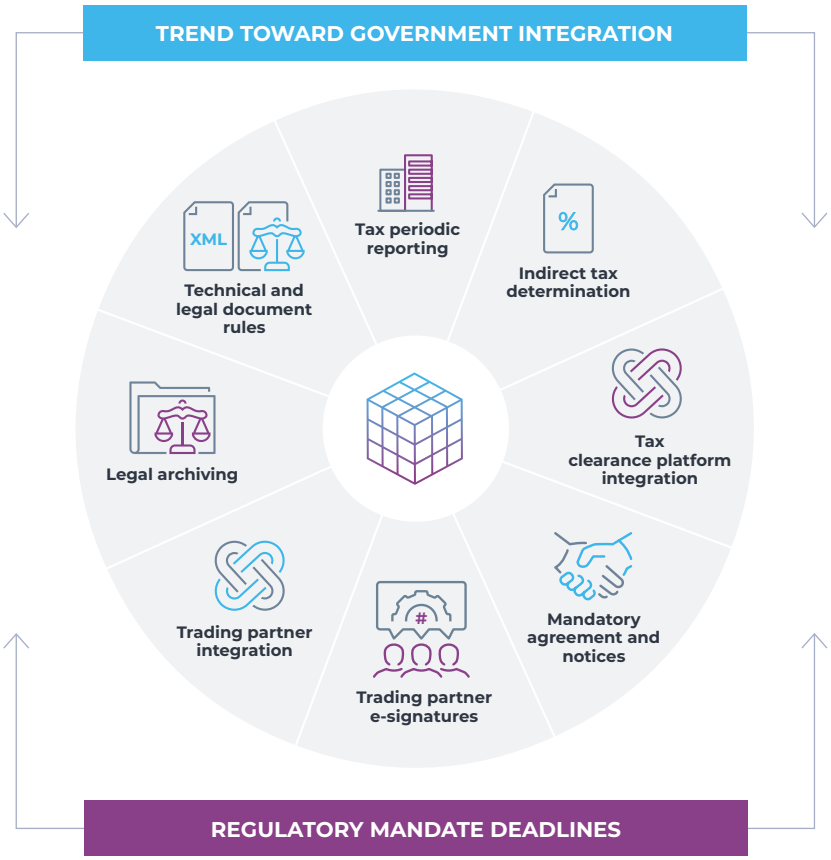
On a high level, the four trends described in this report create a need for VAT invoicing, reporting and determination to be available across many more business software applications and processes than in the traditional world of VAT. In addition, many of the functions that businesses need to acquire to address the impact of these trends require more flexible integration of smaller 'slices' of VAT compliance functionality to be executed in a much more distributed manner across a company's system landscape and organization. Businesses should however not forget that in addition to a growing need for granular transaction-oriented resolution of VAT requirements across a broader set of business applications, they must also ensure much better data quality across their dynamic processes and archive records.

FIGURE 21: The four key VAT digitization trends



The four key VAT digitization trends require taxpayers to ensure perfect transactions and perfect records with perfect consistency between them. This requires attention to e-invoicing, VAT determination, and e-reporting as key compliance categories.

FIGURE 22: On a lower level, principal requirement categories to be considered for compliance with VAT digitization requirements across countries



Technical and legal document rules

- Many different compulsory formats
- Mandatory data worldwide
- Mandatory human-readable renditions (audit, transport)

Tax periodic reporting

- Today summary level and manual – web and paper
- Increasing frequency and transaction – oriented automation
- E-Audit requirements: SAF-T/export capabilities/ certification

Indirect tax determination

- Tax rate and code determination
- Applicable law driven mandatory notices in invoices

Tax clearance platform integration

- Massively different platforms and integrations (country, region or city level)
- End-to-End orchestration: invoices, credit notes, cancellation, contingency invoices

Mandatory agreement and notices

- E-invoicing notification or prior approval
- Trading partner agreements
- Third party e-invoice insurance authorisations
- Storage abroad or foreign operator notification / derogation requests
- Buyer consent rules

Trading partner e-signatures

- Supplier and buyer signatures and time-stamps
- Many different formats, certification authorities

Trading partner integration

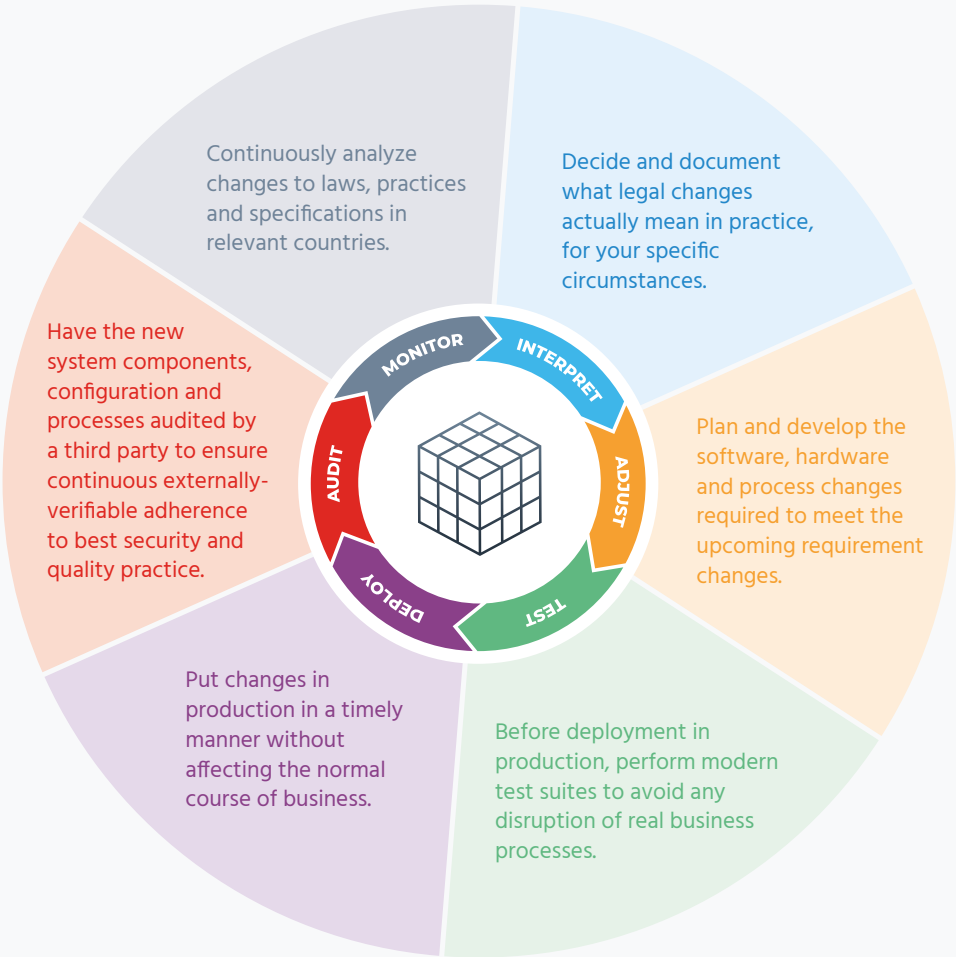
- Many different B2G platforms in the EU
- Mandatory delivery methods and response messages

Legal archiving

- Localization requirements in e.g. EU, Turkey
- Auditability and access requirements
- Search criteria
- New certifications e.g. Belgium

The requirement matrix is also anything but static: laws and associated technical specifications inevitably change over time. Therefore, an electronic strategy must consider the need for compliance change management. Figure 23 describes the principal components of a typical compliance change management process.

FIGURE 23: Fragmented legal requirements require strict compliance change management



Most companies have (really) bad data – this creates a major CTC transition risk

One of the biggest challenges companies face when preparing for CTCs is that they have long been able to embellish data shared with tax administrations through periodic reports. One of the principal tasks of VAT compliance teams today is to maintain and operate controlled processes that turn flawed data into presentable data, while keeping the results reported to the tax administration consistent with accounts. Data transformation can take many different forms – from complementing data fields that aren't available in legacy systems to syntax mapping for reporting purposes – and is often innocuous, but most companies do not have clear policies and approval workflows as to where they draw the line between formal and semantic changes.

The resulting data transformation or data accuracy rules used by compliance teams can be used for periodic reporting but not for CTCs. The moment reporting or invoicing become truly CTCs in a jurisdiction, the scope for data transformation other than syntax changes is narrowed drastically. This is, of course, exactly what tax administrations are after with CTCs, e-accounting and requirements for 'digital links': perfect correspondence between transactions and accounts.

This chapter describes many steps a company must take to prepare for CTCs coming into force in markets where they operate. None of these steps are as fundamental as the need for a program to analyze and remedy bad data. Companies already often have a good definition of data points that need attention in the rules they apply today in VAT periodic reporting. It's important to create a cross-functional team that work their way up into the supply and demand chains, accounting processes and business systems that may be the root cause of data weaknesses, and fix these so that your business is not adversely affected when transactional data needs to get pre-approved by CTC platforms.

Archiving: from a must-do to a must-have

With tax authorities spending billions on next-generation online invoice control systems, companies trading internationally come under pressure to implement global e-invoicing in a consistent, scalable and cost-effective manner. The quality of your compliance strategy will consequently become a competitive differentiator – and archiving will increasingly play an important role in getting it right.

To design a winning approach, our advice is to start thinking about the big picture with a solid archiving blueprint at the center. There are many practical reasons why companies often end up archiving their invoices and other important transaction data directly from their different systems and external transaction automation platforms. This, however, doesn't necessarily mean a company must accept as many business and compliance approaches to archiving as it has archives. The ideal architecture is a single underlying archive with consistent access and compliance management but total flexibility as to which systems or platforms send data to that archive.

The arguments for taking archiving seriously fall into two categories:

A. Classic arguments for a robust approach to archiving

1. **Archiving is a base requirement nearly everywhere**

   Archiving is a common denominator. E-invoicing rules vary from country to country, but most countries require the "original" of an invoice to be archived. Contrary to transaction compliance, where compliance-specific processes can vary wildly, archiving can be done in a compliant manner by using a "superset" approach to country rules, which requires relatively little country-specific logic as part of your archiving solution.

2. **An archiving strategy is half of the work toward global compliance**

   The legal archive is where your ultimate evidence is. For tax authorities worldwide, this makes archiving a key consideration in assessing your compliance. Yes, there are many requirements that relate to the transaction part of the e-invoice lifecycle but getting archiving right means you've done pretty much half the work toward a full e-invoicing strategy already.

3. **Having an archiving strategy helps you stay in control of your own destiny**

   Multinational companies will be less vulnerable to pressure from subsidiaries or departments that seek a quick implementation of e-business solutions that include e-invoicing and e-archiving through local solution vendors.

   If you don't have an archiving strategy, you'll invariably end up with a fragmented archiving landscape and vendor lock-in. Extracting yourself from such relationships can be close to impossible.

4. **Archiving is a common anchor for all transactions in your global architecture**

   If you know in which archive you're going to store your original e-invoices, it becomes easier to trace a "compliant path" back from that ultimate resting place to the different applications, service providers, trading partners, processes, product lines, and countries where e-invoices originate.

B. CTCs and reconciliation, and the complexity of auditing

Another set of arguments for a robust approach to archiving is directly related to the fundamental reason why tax authorities have such a strong preference for CTCs, particularly the real-time variants. By getting fresh data directly from the transaction, they will over time declare their systems rather than the taxable person's systems to be the starting point for audits. When such tax authorities are confident that the CTC system has achieved this goal, they'll reduce or drop archiving and periodic reporting requirements and instead send taxpayers their own reports.

While it may at first sound as though the elimination of archiving requirements is a clear benefit to businesses, this will turn out to be a double-edged sword. If the tax authorities have iron-clad evidence of your, and your trading partners', transactions in their own systems, it becomes much more important for businesses to maintain a very strong evidence position of these same transactions as well. Archiving may no longer be a "must-do" that businesses have often viewed as a simple matter of meeting minimum legal requirements; it's becoming an absolute "must-have" where businesses need to think proactively about how to maximize their evidence position to be at least as good at those of the tax authorities.

An important new component of a successful archiving strategy in a world that will soon be dominated by CTCs is the need for reconciliation capabilities that can robustly show any differences between your own ledgers and evidence archives, and those of the tax authorities.

Tax determination – from a nice-to-have to a precondition for business continuity

Determining applicable indirect taxes correctly is a key compliance process for companies that transact in countries with indirect taxes such as VAT, GST, and sales and use tax (SUT). Companies have over the last two decades increasingly adopted tax determination software to automate these functions. The rapid introduction of CTCs in many countries, however, is changing the business need for automated tax determination. Particularly in countries with mandatory clearance e-invoicing, errors in invoices can create significant operational challenges.

What is tax determination?

In defining the phrase "tax determination," it's important to clarify that we're not referring to direct taxes, such as corporation tax, tax provisioning or income tax, but rather to indirect taxes, such as VAT, GST, SUT, insurance premium tax (IPT) and excise taxes. With that clarification in mind, we can define "tax determination" as the process of making a compliant tax decision at the moment of booking a transaction in the accounting system, in order to facilitate accurate and compliant recording of all transactional tax data.

The tax determination process must resolve each of the following attributes to arrive at a compliant tax decision:

- **Where the transaction is taxed** – in which jurisdiction(s): "place of supply"
- **When the transaction is taxed** – in which period: "time of supply" or "tax point"
- **Who is taxed** – who are the parties involved: "legal supplier and legal recipient of the supply"
- **How much tax is charged** – what tax rate is applied to the underlying supply: "taxability"
- **Why a tax decision was reached** – legal basis for tax treatment: "invoice messaging" or "exemption texts"

Tax determination attributes

The above attributes would be simple to resolve in the case of a single legal entity, selling a limited range of goods, to individual consumers, within a single jurisdiction, governed by a simple tax framework. However, most businesses today don't operate in such a binary tax utopia. The reality is that modern enterprises operate in an environment that creates an endless array of permutations, the properties of which are constantly shifting due to legislative change, thereby putting excessive strain on their ability to determine tax correctly and safeguard compliance.

A comprehensive analysis of the reasons why these attributes are difficult to resolve is, in itself, a significant undertaking and outside the scope of this report. Nevertheless, we have set out some clear examples to illustrate how the complexity arises:

Where the transaction is taxed (place of supply):

- For example, an e-commerce business that sells goods cross-border in the EU is currently governed by different distance-selling thresholds across 28 EU Member States. New legislation comes into force in 2021 that will completely change the existing provisions. Similarly, in the US, the impact of the US Supreme Court's decision on Wayfair will subject sales or use tax collection and remittance responsibilities to many US retailers and e-commerce businesses, as well as inbound (non-US) companies.
- A European manufacturer sells goods via a central sales entity that has VAT registrations in over 15 countries. Most of its activities involve complex supply chain movements with connected, intercompany entities, involving invoicing and goods movements between multiple countries. Each country has its own set of rules, procedures and legal precedents (interpreting European VAT legislation), which need to feed directly into the tax determination process to establish where each link in the chain should be taxed.

When the transaction is taxed (tax point):

- Different jurisdictions apply different rules governing the time of supply. This ultimately determines in which period a transaction should be reported and tax paid, and similarly in which period the recipient is entitled to deduct the tax. Examples could be the delivery date, invoice date, payment date, payment received date or work completion date.

Who is taxed (legal supplier and legal recipient):

- In a large organization, identifying the true, legal contracting parties in a transaction is often not a simple task. This is because the logistical and commercial data elements required to create the transaction in your ERP system may not reflect the underlying legal relationship.
- Consider a standard sales process in SAP which requires four partner profiles to be specified at the time of sales order creation:
  - **Bill to** – the partner to whom the invoice should be sent (but this could be a shared-services center).
  - **Ship to** – the partner to whom the goods are being shipped (but this could be a warehouse operated by a third party of your customer or could even be your customer's customer).
  - **Sold to** – the partner to whom you're selling the goods (but this could be a subsidiary of your customer that is merely ordering the goods).
  - **Payer** – the partner paying for the goods (this could be a group treasury entity of your customer that settles all payments on behalf of the group).

In this example, each partner profile could be a different legal entity in a different country. It's crucial that the tax determination process can resolve such conflicts and establish with certainty the legal recipient of the supply.

How much tax is charged (taxability):

- Different countries, regions, states, cities and local municipalities apply different tax rates to specific categories of goods and services. Exposure to complexity in the attribute of taxability is driven by two key parameters: jurisdictional scope and the diversity of materials a company buys and sells. Broadening the scope in either parameter results in an exponential increase in taxability conditions that will need to be configured and maintained (as both tax rates as well as goods and services classifications are subject to frequent change).

Why a tax decision was reached (invoice messaging or exemption texts):

- There are many cases where a jurisdiction mandates a special, overriding tax treatment or simplification mechanism once certain conditions are met. These conditions may be optional or mandatory (depending on the circumstances) and trigger special invoicing and reporting requirements. Examples include:
  - Specific flows (triangulation, bonded flows, extended reverse-charge, call-off stock, inward processing relief, etc.); or
  - Specific industries (tour operators, exporters, defence contractors, government bodies, etc.); or
  - Specific goods and services (waste products, construction, computer equipment, etc.).

Forces driving complexity

1. Business structures

It's common for a multinational enterprise to establish a tax efficient supply chain (TESC) structure in order to minimize its effective corporate tax bill. A TESC incorporates tax planning within the operational supply chain structure by optimizing the geographic location of the key supply chain functions, assets and risks in order to realize enhanced tax saving benefits. These structures often include a principal sales entity established in a single jurisdiction, buying, holding, moving and selling goods across multiple jurisdictions – often in conjunction with connected intra-group entities. These principal entities will be required to register for VAT or GST in multiple jurisdictions by virtue of their activities and be exposed to multi-jurisdictional reporting obligations.

While these complex business structures offer efficiency from both a supply chain and corporate tax management perspective, indirect tax determination becomes increasingly complex and difficult to maintain.

2. IT transformation and consolidation

With the benefits of increased speed, new functionality and lower total cost of ownership, businesses are accelerating the transformation and consolidation of their ERP landscapes toward a single, global instance, powering the needs of the whole organization. In the past, tax determination logic would have been localized within the landscape of regional or divisional ERP systems, built and tailored to the needs of the entities and jurisdictions they served. Maintenance of these tax determination processes and the accompanying system logic would have been decentralized, with higher levels of input from local IT and tax resources and better knowledge retention. Simply put, with IT transformation and consolidation comes the requirement to squeeze more tax determination functionality and logic into a single system with complexity fuelled by an increased number of jurisdictions demanding their own localized tax requirements.

3. Process automation and optimization

Traditionally, inbound P2P and outbound order-to-cash (O2C) processes were all considered mainstream activities of the central ERP. These costly and time-consuming processes were ripe for disruption, and we're now in an era of mature, cost-effective, specialized cloud-based applications covering core P2P and O2C processes. As the primary recording of the transaction sits within the specialized application (albeit with interfaces to the core ERP), it's becoming increasingly important to embed tax determination processes and logic within the specialized application. Considering these applications weren't designed for tax compliance purposes, functionality to cope with complex tax determination requirement is limited.

4. Corporate acquisitions

Acquisitions, mergers and other corporate finance activity often leads to expanding jurisdictional and trading complexity for the enlarged group. Integration of the target business within the processes and IT landscape of the acquirer will impact tax determination, adding another dimension to an already complex process and logic.

5. Finance transformation

Shared services centers (SSC) have been a key finance transformation initiative of the past 20 years, centralizing core finance functions of an organization within a global (or regional) accounting hub. The SSC acts as an internal supplier to the group, typically providing core AP, AR and general ledger (GL), as well as indirect tax compliance functions.

As the geographical scope and remit of the SSC expands over time, its ability to deliver operational tax compliance excellence while safe- guarding compliance standards come under pressure. This is due to the following key factors:

- **Standardization:** It becomes difficult to standardize processes relating to ERP data extracts and routine compliance checks as different group entities often have localized processes and routines that differ from each other.

- **Manual tasks:** It's common for SSC compliance teams to make extensive use of spreadsheets to try and standardize templates and prepare indirect tax returns. This is time consuming and prone to error.
- **Legal change:** Tracking legal, procedural and technical change with an expanding geographic footprint is a challenge.
- **Point solutions:** Different entities may have taken decisions to implement point solutions or outsource an element of their tax compliance functions to one (or more) service providers. Maintaining (or amending) these relationships while trying to standardize processes is yet another challenge.

As the SSC assumes guardianship of the quality of the transactional data that populates tax filings and associated declarations, it too must ensure that the tax determination process and system logic support this aim. While this objective is frustrated due to points mentioned above, it nevertheless presents an opportunity for the SSC to drive initiatives to refresh the organization's approach to tax determination, seeking to eliminate manual touchpoints and improve the quality and accuracy of transactional tax decisions.

6. Legal change

Legal change is by far the most intuitive of all factors, creating legal force behind the requirement for businesses to react. To give an indication of the global extent, there are in excess of 14,000 regulatory changes on a monthly basis covering more than 16,000 taxing jurisdictions.

To understand better the scope of this change and how this might impact tax determination, let's examine the broad categories of change:

- **New Forms:** New (or amended) indirect tax declarations may require separate disclosure items which, in-turn, require separate classification of the underlying transaction (perhaps via a new tax code). This would require a change to the tax determination configuration and condition logic.
- **New mandates:** New real-time reporting requirements or electronic 'clearance' mandates represent a major impact to the business, which will need to be thoroughly reviewed. At the very least, a mapping exercise would need to be done from the tax determination and tax-code outputs, to the real-time reporting/e-invoicing data schemas. Depending on the granularity of a new mandate, additional tax determination logic may be required to automate the required level of detail at a transactional (recording) level that otherwise would only have been possible manually.
- **Rate changes:** Changes to tax rates, and changes to the classification of goods and services governed by a particular tax rate, both require updates to core master-data and tax determination logic. This factor represents a significant pain point for businesses exposed to countries that have multi-layered, indirect tax jurisdictions (such as the USA) with taxes applied at state and various local levels.
- **Rules and messaging:** Special rules governing specific tax scenarios and simplification mechanisms may be impacted by a direct legal change or by a shift in tax authority procedure or interpretation. These are often more complex and always require specialist tax resources to track and consider impact on the business. This is an area where ERP tax determination logic is put under considerable stress as the scenarios (and permutations thereof) require specialist configuration to ensure robust and adaptable compliance.
- **Jurisprudence:** The results of relevant case law can have a significant impact on how existing indirect tax law should be applied and interpreted. Consider the US Supreme Court Judgment in the Wayfair case and the Court of Justice of the European Union Case Firma Hans Bühler.

Why is automated and compliant tax determination important in the era of CTCs?

The impact on tax determination of CTCs is clear. Up to now, businesses have tolerated a degree of error within their tax determination logic because they have had time to review transactional data in order to identify and correct errors before disclosure and reporting via their periodic VAT/GST/SUT returns. The sun is setting on those days. In an era of CTCs, there's simply no time between the recording of a transaction and its eventual reporting to the tax authorities. Errors and inaccuracies will be visible to the tax authorities immediately, which can impact the organization financially (in terms of penalties and assessments), reputationally and – in the case of clearance e-invoicing – operationally.

Many businesses are already in tune with these implications and are considering how they can improve and fully automate their tax determination logic in order to gain process efficiency and eliminate the risk of error. One approach is to implement a bolt-on, tax determination solution to the ERP system (and any P2P and O2C subsystems), which delegates tax determination decisions to a specialized, cloud-based "tax engine." These tax engines are equipped with global content that is continuously updated for legal changes (for example, tax rules, rates, scenarios, invoice messaging, etc.).

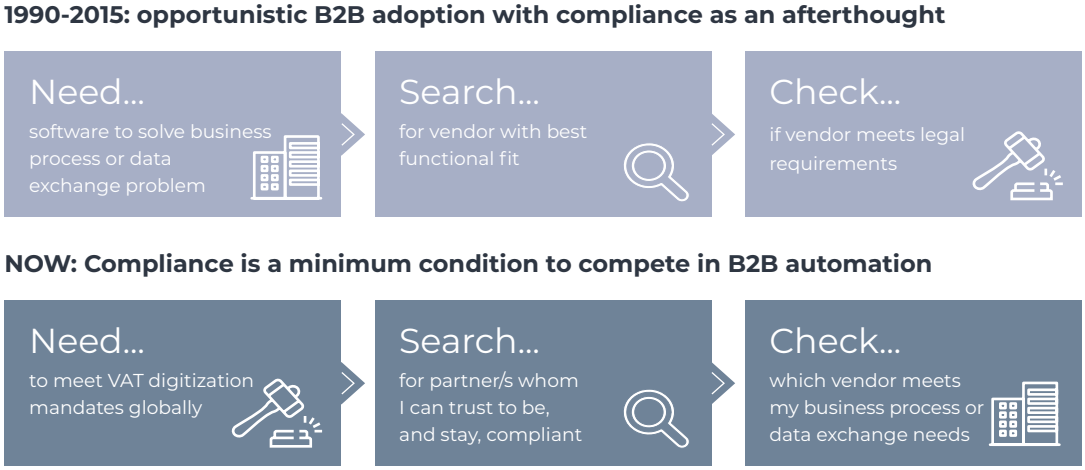
If correctly implemented and managed, this approach has several key benefits:

- Removes the need for tax departments to track and consider the impact of global legal changes.
- Improves efficiency for the compliance function, as processes to apply tax decisions manually or processes to identify and correct tax determination errors can be retired.
- Reduces costs for the IT organization, as they don't have to design, build, test, implement and maintain tax determination logic nor undergo constant change-requests relating to legal change.

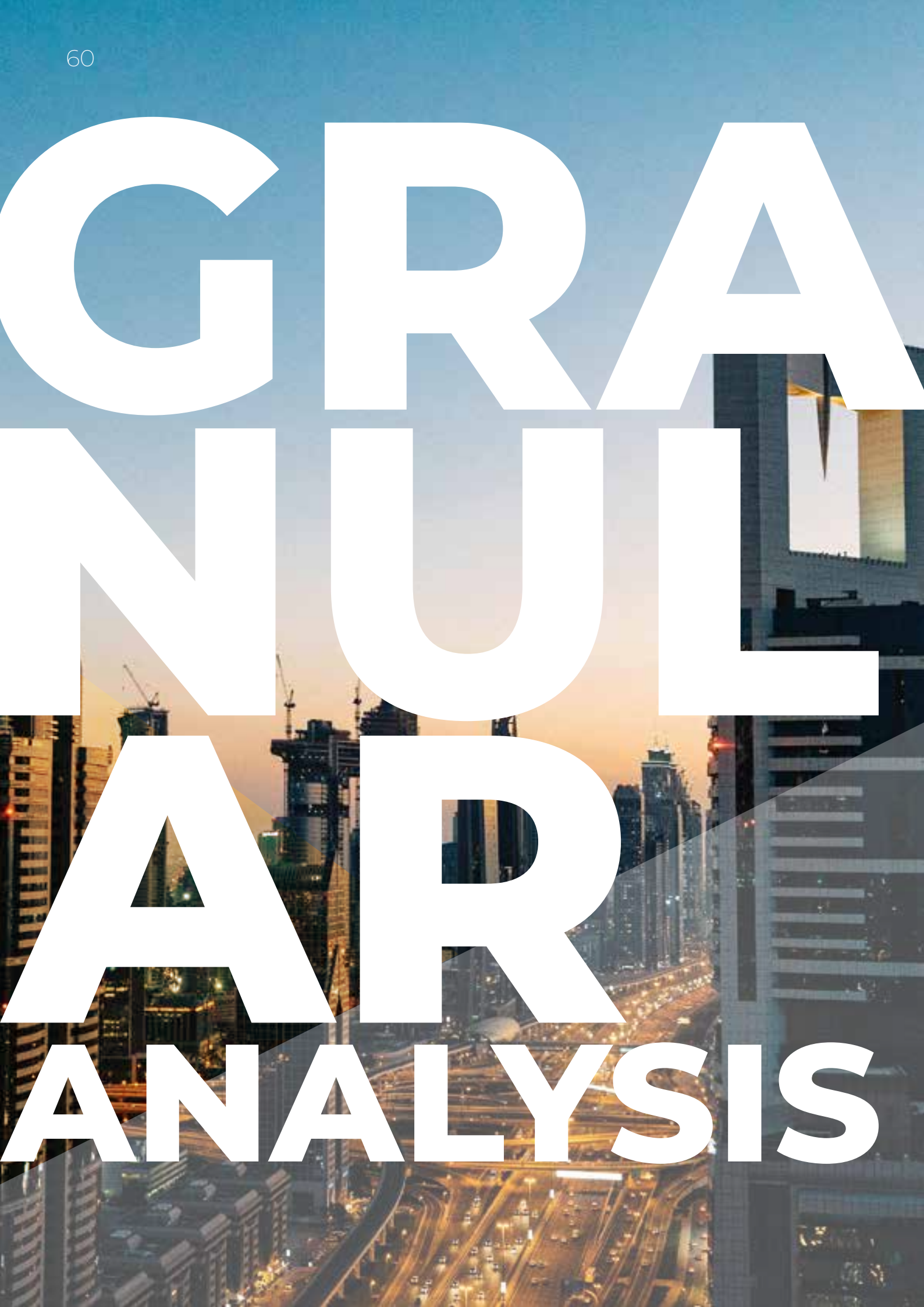
The evolution of market behavior

Many companies faced with compulsory integration to CTCs, whether domestically or for their transactions abroad, have started taking measures to be better prepared to deal with this global trend. Consequently, market behavior regarding the adoption or further rollout of B2B transaction automation systems is changing. Whereas legal compliance in the past was often an afterthought, now the ability of business networks and similar vendors to ensure compliance with current and future CTC mandates is an upfront selection criterion. As companies worldwide seek to protect themselves against the challenges of CTCs, they look for vendors that have a proven track record in combining robust ongoing compliance assurances with B2B transaction automation benefits.

FIGURE 24: How enterprise software purchasing attitudes are changing with the introduction of digital tax mandates

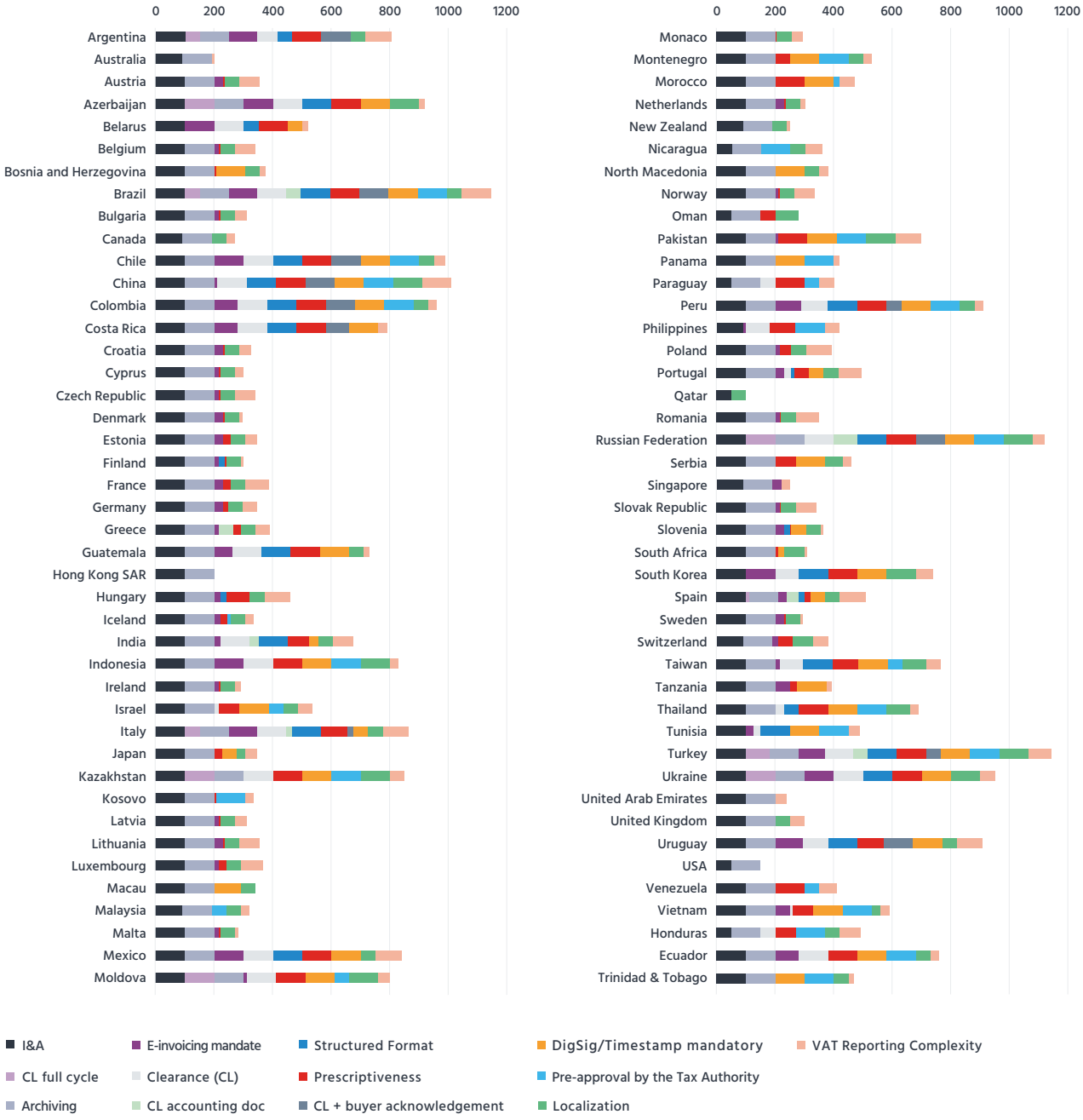


GRANULAR ANALYSIS



GRANULAR ANALYSIS

This section describes various features by which different e-invoicing regulatory regimes can be compared. The graphs below provide a schematic overview of the principal legal requirement categories and features for many of the countries profiled in this report and on the following pages you will find a brief description of the analysis methodology used for rating in each of the categories we have used.



I&A (Integrity and authenticity required)

A value of 100 is allocated where a country requires businesses to ensure and be able to demonstrate (a) the integrity of all mandatory fields of an invoice and (b) the authenticity of its origin (the identity of the supplier or, where allowed, the third party acting on its behalf) during the legal lifetime of an invoice. A value between 0 and 100 is allocated where such requirements are generally assumed but not explicit in the law, or if there is a formal policy within the tax authorities not to seek such evidence.

Clearance

A value of 100 is allocated if an e-invoice must be sent to the tax authorities or its licensed/accredited agent for authorization prior to issuance as an original tax invoice. A value between 0 and 100 is allocated if clearance is required within a relatively short time before instead of after the transaction, or in cases of less intrusive clearance processes, for example, requirements for a code to be taken from an online tax authority's service and integrated into a tax invoice instead of the whole invoice being sent to the clearance service.

Clearance + buyer acknowledgement

A value of 100 is allocated if the clearance process is legally only considered complete if the buyer has sent the tax authorities or its licensed/accredited agent a confirmation that it has received and validated the invoice.

Full cycle clearance

A value of 100 is allocated in case the tax authorities or its licensed/accredited agent not only clears the invoice but also serves as a transport mechanism or access point for the buyer to obtain the cleared invoice.

Accounting document compliance

A value of 100 is allocated in case the clearance process for invoices also applies to certain other formalized B2B/ accounting documents if sent electronically.

Archiving

A value of 100 is allocated in case there is a requirement for an e-invoice to be archived for subsequent tax authorities' auditing purposes. A value between 0 and 100 is allocated where archiving requirements exist but the period is very short (less than a year), or if such archiving is viewed as more of a formality which the tax authorities don't typically pay attention to.

Structured format

A value of 100 is allocated when a country specifies a structured invoice schema as the exclusive format for an original electronic B2B invoice. A value between 0 and 100 is given when a country specifies a structured format as the recommended format for an electronic B2B invoice.

Pre-approval by the tax authority

A value of 100 is allocated where a country requires that the tax authorities, Finance Ministry or other part of the public administration (including law enforcement) explicitly authorizes a business before it starts sending and receiving invoices electronically. A value between 0 and 100 is given if such authorization requirement is conditional, implicit, recommended or customary.

E-invoicing mandate

A value of 100 is allocated in cases where all businesses must by law use invoices in electronic format. A value between 0 and 100 is given if such a mandate doesn't affect all businesses or if the mandate is not all-encompassing in terms of for example, types of invoices or business processes.

Prescriptiveness

A value of 100 is allocated where a country leaves no choice to businesses as to how to achieve e-invoicing compliance. A value of 0 means complete freedom of choice as to the method used by businesses to comply. A value between 0 and 100 is given if the applicable legal regime falls in between these two extremes.

Digital signature/timestamp

A value of 100 is allocated when a country has a hard requirement for an e-invoice to be digitally signed and timestamped using a Public Key Infrastructure based timestamp at some point during its legal lifetime. A value between 0 and 100 is allocated where such signature or timestamp requirements are not absolute and can under certain conditions be replaced with technologies and processes that provide an equivalent result.

Localization

A value of 100 is allocated when a country's requirements for e-invoicing are exclusively or to a large extent intertwined with requirements for processes, service provider relationships, hardware and archiving to remain within its national boundaries. A value between 0 and 100 is allocated where such localization requirements exist but are conditional or narrower.

VAT reporting complexity

A value of 100 is allocated when a country imposes multiple electronic reporting/filing obligations on taxpayers, including but not limited to annual returns, invoice ledgers, and SAF-T files, and where there are harsh penalties for noncompliance. A value between 0 and 100 is allocated where countries impose a subset of these complex filing obligations.

12
11
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6

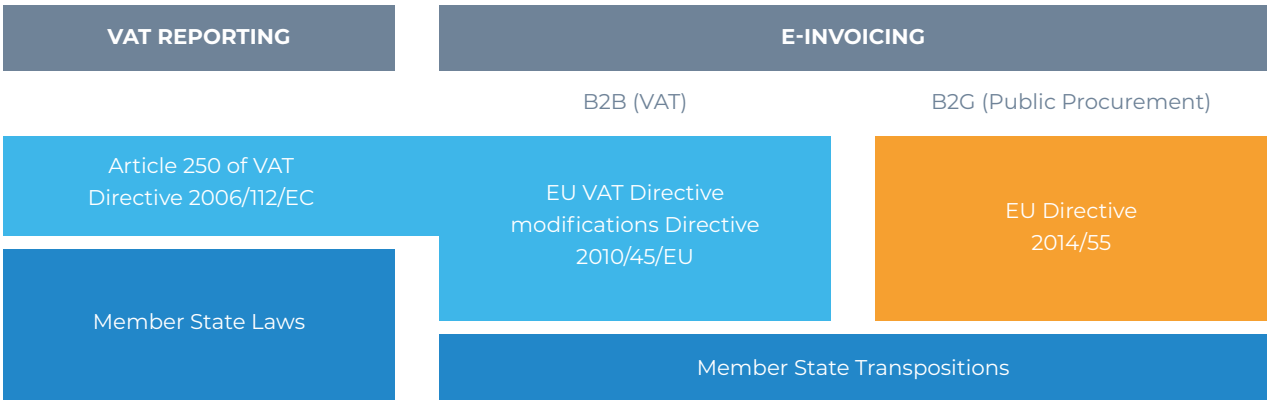
COUNTRY PROFILES

EUROPE TOWARD CTCs IN THE EUROPEAN UNION

EUROPE
TOWARD CTCs IN THE EUROPEAN UNION

The development toward CTCs in the EU has been influenced by the gradual convergence of three major domains, each corresponding to different EU-level and Member State legislation.

FIGURE 25: **Principal legislative domains on the EU and Member State levels (depth of each block indicates relative influence on requirements)**



As discussed earlier in this report, a considerable number of EU Member States are moving toward CTCs, not by imposing "clearance" e-invoicing but by making existing VAT reporting processes more granular and more frequent. Figure 25 above shows on a high level how Member States' implementation freedom between VAT invoicing and reporting requirements may be one of the drivers of this development. They typically can organize their reporting (e.g. VAT returns) processes as they like, whereas Article 234 of the VAT Directive defines Member States' constraints in relation to e-invoicing much more narrowly: they "may not impose on taxable persons supplying goods or services in their territory any other obligations or formalities relating to the sending or making available of invoices by electronic means."

Consequently, countries like the UK (while still part of the EU), Poland, Spain and Hungary have recently introduced requirements based on the concept of VAT reporting but that, instead of requiring aggregate data periodically, require digital files with more granular transaction data to be submitted – and often such submissions are more frequent than traditional VAT returns.

Figure 27 shows how the resulting digital reporting schemes that now apply in these countries differ from one another: UK Making Tax Digital (MTD) is still relatively close to pre-existing online reporting methods, while the Hungarian invoice reporting requirements for suppliers are based on real-time transmission of a structured invoice file. This real-time submission may look like clearance e-invoicing but, technically, it's not – for two reasons:

1. Taxpayers don't have to wait for the tax authority's approval of the invoice before taking the next process step, for example, issuing the invoice to the buyer.
2. Hungarian VAT law is fully based on the VAT Directive's post-audit system with optional e-invoicing i.e invoices can still be sent on paper.

Italy is currently the only country in the EU that has fully-fledged, mandatory clearance e-invoicing in place. To implement it, Italy had to obtain an EU derogation from Art 218 and 232 of the VAT Directive. As shown in Figure 26, however, Italy still has several VAT reporting requirements as well.

EUROPE
TOWARD CTCS IN THE EUROPEAN UNION

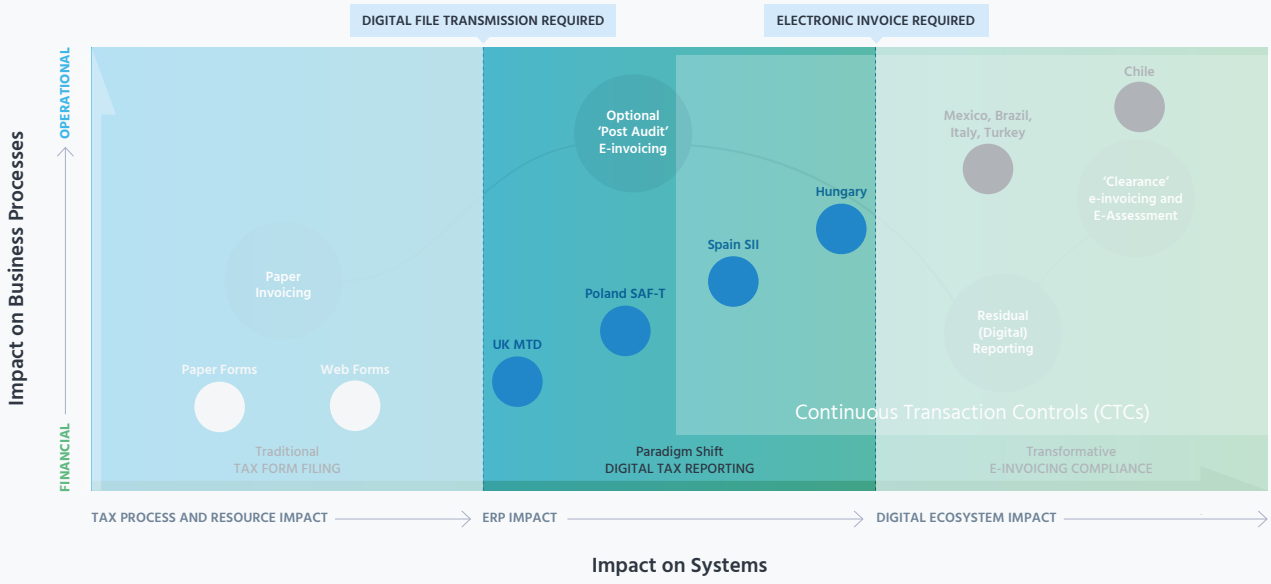
FIGURE 26: Italian VAT control requirements

Holistic	Invoice origin country	E-invoicing method	Mandatory transactional VAT reporting	Aggregate VAT returns	Invoice Destination Country
SUPPLIER	Domestic	Mandatory SDI clearance	N/A – Spesometro discontinued	Annual VAT returns	BUYER
	Intra-community outbound	SDI clearance *or* one of the options from the VAT directive	Esterometro – if the invoice is not issued via SDI	Intrastat report (monthly/quarterly) and annual VAT returns	
	Intra-community inbound	Options of the VAT directive apply w/ adjusted buyer invoice	Esterometro – if the invoice is not issued via SDI	Intrastat report (monthly/quarterly) and annual VAT returns	
	Export invoice	Options of the VAT directive apply	Esterometro – if the invoice is not issued via SDI and if no customs declaration is issued	Annual VAT returns	
SUPPLIER	Import invoice	Validate supplier signature where present	Goods: Customs declarations. Services: Issue VAT-adjusted buyer invoice Esterometro – if the invoice is not issued via SDI and if no customs declaration is issued	Annual VAT returns	BUYER

As the results of these first countries implementing CTCs have become known, the Italian example has been every bit as encouraging as those published in Latin America. A report from the Ministry of Economy and Finance state that the Italian treasury has been able to successfully recoup as much as EUR 1.4 billion in VAT revenue in the first six months after mandatory e-invoicing was introduced in Italy. This result has been directly attributed to the reform. It's realistic to expect that more countries in Europe will follow this example, and indeed a few – France and Poland – have spent the last year at the drawing board. Such broader adoption of CTCs is also likely to impact other countries outside of Europe that have historically been inspired by European legislation, for example, Australia, South Africa, the 'Maghreb' countries in North Africa, Israel, etc.

Also in Europe, different forms of continuous VAT controls will often coexist (at least for the foreseeable future) to form an end-to-end audit package. This allows tax authorities to match data about transactions from different periodic, real-time and near-real-time sources. See Figure 27 (which has also been featured as Figure 4 earlier in this document) for several examples of EU Member States transitioning from traditional VAT compliance to different forms of CTCs.

FIGURE 27: How digital reporting schemes that are now applicable in various countries differ from one another



Penalty for noncompliance with invoicing and accounting obligations in EU countries

EU Member States may freely decide what penalties to impose for noncompliance with VAT or accounting law requirements, since the VAT Directive doesn't regulate this area. Noncompliance with invoicing requirements may lead to severe consequences in some EU Member States. Consequences for noncompliance with invoicing rules, including invoice content, integrity and authenticity (I&A), and storage rules, range from penalties per incorrect invoice, penalties in bulk, penalties depending on the VAT amount or total amount of the invoice, through individual responsibility of the company's personnel (for example, members of the board or financial officers), to criminal law implications. A couple of EU Member States lack precise regulation on this matter and instead the consequences for noncompliance are imposed by the tax authorities or administrative courts after their assessment of the case at hand. For example: Cyprus imposes a fee of EUR 85 for each incorrectly issued invoice; in Spain, incorrect invoices are subject to a penalty of 1% of the total amount of all invoices wrongly issued; in Poland, issuing an invoice not in accordance with all legal requirements may amount to a bulk penalty of EUR 1,300,000 at most; in Slovenia, a penalty ranging between EUR 2,000-125,000 may be imposed in case a legal person fails to issue an invoice or fails to provide the authenticity of origin, integrity of content or legibility of an invoice during the prescribed storage period.

B2B

E-INVOICING

B2B E-INVOICING

Directive 2010/45: the regime in effect since 2013

E-invoicing for VAT purposes was introduced in EU legislation as early as 2001.

In 2010, the EU adopted Directive 2010/45, which modified the then current VAT Directive 2006/112 in relation to invoicing [REF 3]. The Directive 2010/45 has been in force since 2013 and among other things aimed to create "equal treatment" between paper and electronic invoices. The base requirement (unchanged from the previous Directive) of ensuring I&A now explicitly applies to invoices in any form, instead of only to e-invoices, as was the case under the 2001 Directive.

There is no such thing as meaningful business compliance with an EU Directive since a Directive must be transposed into national legislation in order to have full legal effect. For e-invoicing, what matters are the local requirements applied by local tax authorities to meet the objectives set by a Directive. These requirements in local VAT laws are influenced by adjacent legal areas, jurisprudence, law enforcement practices, and industry self-regulation.

Legal definitions and requirements, for example the concepts "reliable audit trail between an invoice and a supply" and "EDI" (see following descriptions), may differ among EU Member States. More importantly, the legal and business definitions of these concepts are often not identical.

Scope of application: all invoices?

In principle, the invoicing provisions of the VAT Directive apply to all B2B invoices issued in the EU, including VAT-exempted transactions. Within the EU, there are two types of VAT exemptions:

1. Zero-rated transactions, formally called transactions exempt with the right to deduct input VAT; and
2. Fully exempted transactions applicable to certain charities, as well as to postal and other services.

In both cases, an invoice must, in principle, be issued, usually with a reference to the legal basis for the exemption applied. However, Member States have the right to release taxable persons from the obligation of issuing an invoice, in which case there are no invoice-specific requirements.

VAT-exempted transactions for which parties are released from the obligation of issuing an invoice are very rare in mainstream business, as are other exemptions for VAT invoices. Since issuing an invoice is not prohibited in either case, most companies would rather not create a system exception for these cases. Only organizations that fall under such releases for a large portion of their invoices might consider taking a system exception into account to avoid creating an invoice altogether.

Even if an invoice is issued in relation to VAT-exempted transactions, the Directive's requirements formally apply in full[3]. The reason for this broad scope of application is that most tax authorities will generally want to be able to assess whether the exemption is justifiably applied and references the correct legal provision.

[3] Cwa 16460: Cen Workshop Agreement "Good Practice: electronic invoicing compliance guidelines" (www.cen.eu/work/areas/ICT/ebusiness/Pages/einvoicing.aspx).

B2B E-INVOICING

I&A Freedom of Evidence — the principal rule

Directive 2010/45 states that each trading partner (not the trading partners together) determines how to meet the requirement of invoice I&A. This language clearly departs from previous formulations, which created interdependency between a supplier and a buyer. This *de jure* separation, however, doesn't mean that there is no *de facto* interdependency: in many cases parties need to cooperate and align their compliance methods to ensure a consistent process. Not all Member States have unequivocally transposed this freedom of evidence rule.

I&A Business Controls-based Reliable Audit Trail (BCAT)

The principle of "equal treatment" that has been a major impetus to Directive 2010/45 is often associated with a newly introduced method for ensuring authenticity and integrity: "business controls establishing a reliable audit trail between an invoice and a supply" (BCAT). The policy argument behind this language was that this type of I&A evidence was already permitted for paper invoices, so why wouldn't it also be available for e-invoices?

The 2010 Directive in its recitals talks about proving that a supply actually took place. Some commentators have claimed that proving an actual supply relieves a company from having to prove I&A of an invoice. This is a misunderstanding. The recitals merely explain why invoice I&A are important requirements: without these features, a tax authority cannot reasonably ascertain that an actual supply took place.

Few Member States have gone beyond high-level descriptions of what they will consider as sufficient BCAT evidence.

This is logical because the intent of this new option is that it encompasses many different types of business processes. Section 3.4 of the CEN "E-invoicing Compliance Guidelines" [REF 4] provides at present the most authoritative descriptions of different types of BCAT evidence that can be used in different sales and purchase scenarios. To summarize, enterprises relying on BCAT evidence for demonstrating I&A of invoices will generally archive the following components:

1. Internal business records generated during the invoicing processes, i.e. contracts, sales/purchase order, goods receipt/dispatch notes.
2. External documents received during invoicing processes, i.e. purchase orders, goods receipt notes, dispatch notes, bank statements.
3. Historic master data.
4. Evidence of controls to ensure data quality.

Whatever evidence that needs to be stored must be available during the full storage period, in some cases in electronic form if the invoice is electronic.

I&A Qualified Electronic Signature/Seal option

As one example of a method to ensure I&A of electronic (not paper) invoices, Directive 2010/45 mentions Qualified Electronic Signatures (EU defined standard-based PKI-signatures). Previous versions of the Directive also referenced Advanced Electronic Signatures (which are less strictly defined PKI-signatures). From 1 July 2016, when the EU Electronic Signature Directive 1999/93 was repealed and replaced by the EU Regulation 910/2014 (the so-called eIDAS Regulation) [REF 5], the reference to Qualified Electronic Signatures in Article 233 of the VAT Directive should be read differently.

Since the eIDAS Regulation became fully applicable, all legislation that refers to or requires electronic signatures should be re-interpreted to either continue to read "signatures" where such legislation obviously intended to point to the electronic equivalent of a handwritten signature or read "seals" where the objective was rather to ensure I&A only.

Hence, the option to use a Qualified Electronic Signature in the VAT Directive should now be read as at least to include a "Qualified Electronic Seal."

Validation is an important aspect of electronic signatures/seals. Recipients of signed/sealed e-invoices are sometimes explicitly required by law to validate the signature/seal; however, in most cases, such validation requirements are implicit since both parties must guarantee I&A. Verification of the certificate corresponding to the private key is an indispensable step in signature validation. From 1 July 2016, businesses and citizens may use a Qualified Signature/Seal Validation Service to reliably verify qualified signatures and seals and receive documentary evidence of such verification in a fully automated manner.

eIDAS aims to ensure a more harmonized regulatory framework on electronic identification schemes and trust services in the EU. Different from a Directive, a Regulation applies directly and doesn't have to be transposed into national law. Among other things, the eIDAS Regulation introduces the concept of electronic "seals," which are specifically created for the purpose of processes like e-invoicing, where digital signature technology is used to ensure I&A of data without the aim to achieve equivalence with handwritten signatures. A seal certificate can be issued only to legal entities, whereas a signature certificate will be used for physical persons. The concept of Trust Service Provider in the eIDAS Regulation extends beyond issuers of certificates and time-stamping authorities: commercial providers of signing and sealing services (whether creation or validation), as well as providers of electronic registered delivery and signature/seal/certificate preservation services are also subject to stringent requirements.

The "qualified" version of such services, which enjoys full cross-border recognition within the EU Member States, requires vendors to undergo an ex-ante assessment and accreditation process, which concludes with the vendor being included on a Trusted List managed by a Supervisory Body.

B2B E-INVOICING

I&A Secure Electronic Data Interchange (EDI) option

As another example of a method to ensure I&A for electronic (not paper) invoices, Directive 2010/45 refers to EDI as defined in Article 2 of Annex 1 to Commission Recommendation 1994/820/EC of 19 October 1994 relating to the legal aspects of electronic data interchange [Ref 6]. This Commission Recommendation defines EDI as follows:

"The electronic transfer, from computer to computer, of commercial and administrative data using an agreed standard to structure an EDI message." What trading partners consider as EDI will not necessarily be viewed as EDI by tax authorities: the obvious intent of the European Commission Recommendation is to describe what may be more plainly called B2B automation. While the dividing line may be somewhat artificial, it's clear that systems that are not highly automated, including invoices that are not machine-readable, won't generally be viewed as EDI. Based on the first criterion, technologies such as Web EDI (where one transacting partner manually keys in, supplements and approves invoice data) and manual procedures used in self-billing setups will not be eligible for the EDI compliance option in many countries, even if the trading partners involved consider the transactions in question to be part of their EDI system.

Whichever definition of EDI is used, the concept of EDI is never defined as a security technology. In modern industry definitions, security is not a necessary component of EDI at all: trading partners may very well have discontinued the Value Added Network (VAN) they originally used for their EDI system and instead run the same transactions over the unprotected internet while continuing to refer to the system as EDI.

Importantly, the fact that a system can legally qualify as EDI (which is a definitional matter) says nothing about the guarantee it provides for e-invoice I&A (which is a compliance matter). For the purposes of ensuring I&A of e-invoices, a compliant EDI process must be based on an interchange agreement (also called trading partner agreement or EDI agreement) providing "for the use of procedures guaranteeing the authenticity of the origin and integrity of the data." What these procedures should be is not well defined in most Member States.

However, tax authorities in several countries have expressed their intention to use the EU-defined model EDI agreement (EU Recommendation 1994/820/EC) as the basis for their assessment. Significantly, article 6 of this model EDI agreement states:

6.1 The parties undertake to implement and maintain security procedures and measures in order to ensure the protection of EDI messages against the risks of unauthorized access, alteration, delay, destruction or loss.

6.2. Security procedures and measures include the verification of origin, the verification of integrity, the non-repudiation of origin and receipt, and the confidentiality of EDI messages. Security procedures and measures for the verification of origin and the verification of integrity, in order to identify the sender of any EDI message and to ascertain that any EDI message received is complete and has not been corrupted, are mandatory for any EDI message.

Traditional EDI systems based on an end-to-end VAN may, depending on circumstances, be considered to meet these requirements. However, systems using the internet need to replicate such extensive security features. If the system owners don't want to use electronic signatures, (which would make the system eligible under the VAT Directive's e-signature compliance option), such security will ordinarily be ensured through point-to-point security mechanisms.

Due to inherent limitations of point-to-point security (the most notable being that it doesn't offer durable auditability), systems under the EDI compliance option will generally need to include additional security procedures, such as frequent logs and audits in order to guarantee I&A. In addition, in the absence of verifiable security on the data level, the archive and processing system will often need to include additional integrity-enhancing features.

Some EU Member States impose additional requirements in relation to the EDI method.

Choosing a cost-effective compliance method for EU invoicing

In summary, there are now four ways to meet the requirement for I&A evidence:

FIGURE 28:

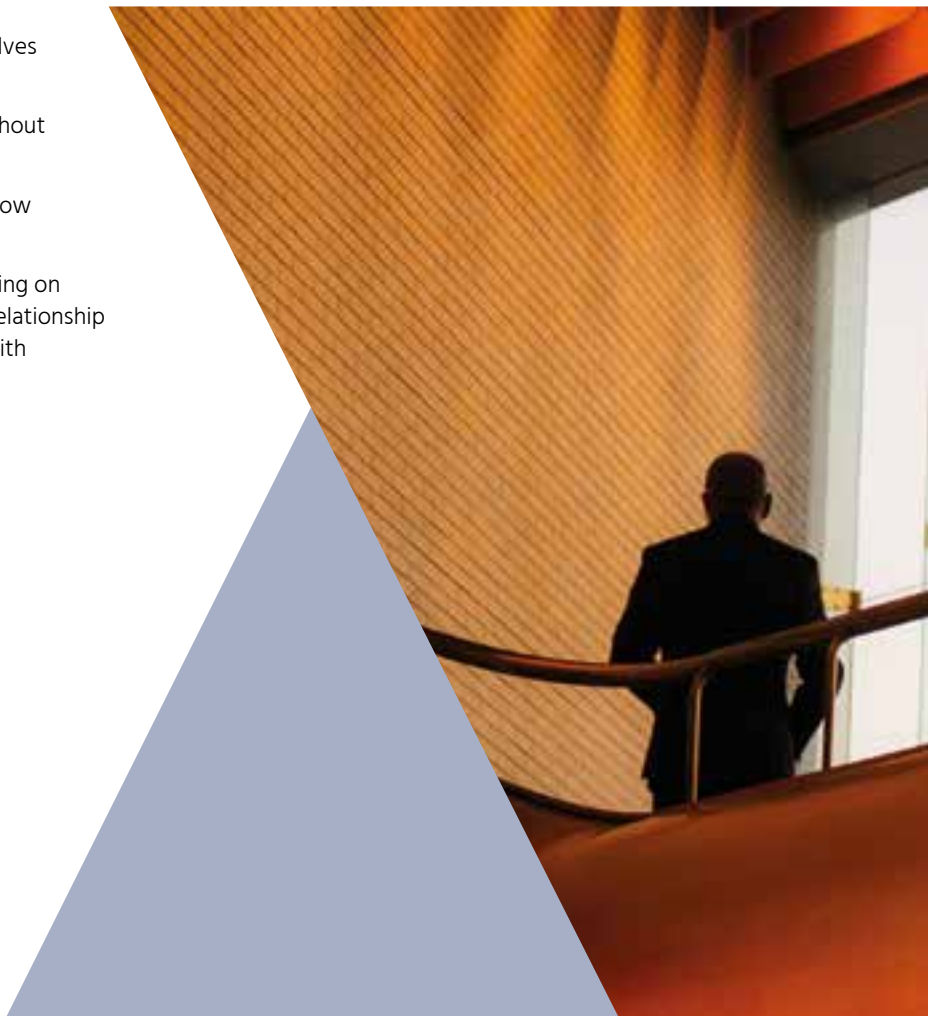
INVOICE TYPE	Any evidence (i.e. the principal 'freedom of evidence' rule of Directive 2010/45)	Business controls establishing a reliable audit trail between an invoice and a supply 'BCAT'*	Qualified Electronic Signatures / Seals*	EDI based on an agreement consistent with EC Recommendation 1994/820*
Electronic invoices	Yes	Yes (some member states have issued guidance but always leave the ultimate assessment of adequacy to the taxable person)	Yes (reversal of evidence burden i.e. the tax auditor has to prove that the integrity and authenticity of the invoice are unreliable)	Yes
Paper invoices	Yes (major example: archiving the paper invoice)		No	No

*Since freedom of evidence is the principal rule of Directive 2010/45, these three methods are non- exhaustive examples of ways to ensure integrity and authenticity.

To assess their compliance with EU VAT requirements, businesses should ask themselves two simple questions for any invoice:

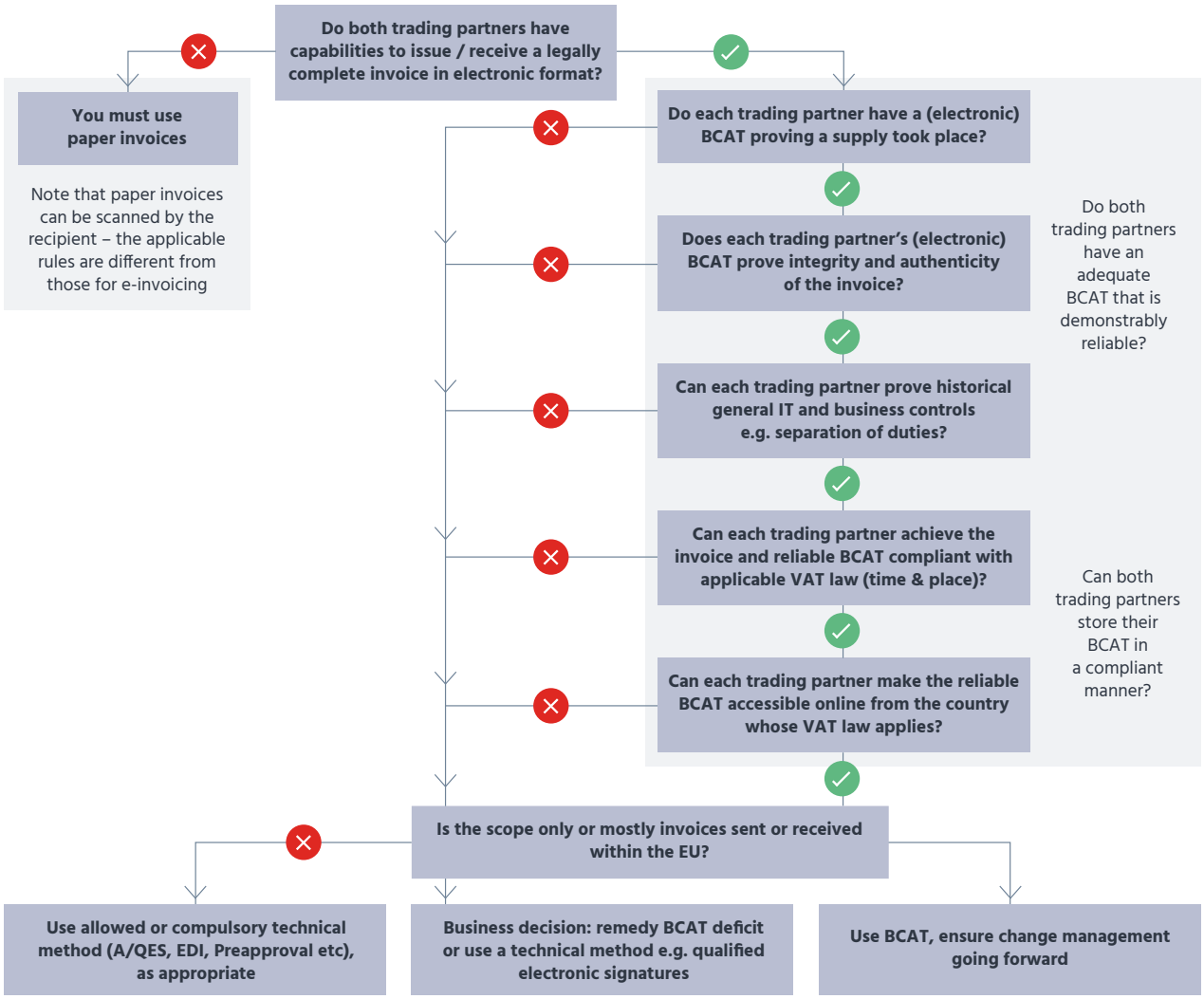
1. Can I prove integrity and authenticity without any additional controls or evidence?
2. If not, what is my "evidence deficit" and how can I cost-effectively remedy it?

What is cost-effective varies greatly depending on circumstances. Every company and trading relationship is different. Figure 29 on page 76 may help with these choices.



B2B E-INVOICING

FIGURE 29: Compliance choice diagram for companies with major trading relationships in the EU (BCAT = business controls-based audit trail)



Notes:

1. "Proving a supply took place" isn't enough for compliance, but, logically, a requirement for businesses that want to avail themselves of the option to use "business controls establishing a reliable audit trail between an invoice and a supply" for proving invoice I&A. This evidence must in many EU Member States be in electronic form.
2. In addition to proving a supply, the BCAT must prove I&A of the invoice. In other words, a BCAT can prove a supply but not contain sufficient evidence of I&A of all tax-relevant data of an invoice. The BCAT must therefore, in addition to proving a supply and being in electronic form, contain enough information to corroborate the I&A of all tax-relevant data.
3. The word "reliable" in the definition "business controls establishing a reliable audit trail between an invoice and a supply" means that the BCAT must, in addition to being complete, also consist of trustworthy components. Data cannot be used as evidence of the reliability of an invoice if it's not demonstrably reliable itself. For most self-generated BCAT evidence, this means that internal control measures at the time of the supply must be proven. For externally generated BCAT evidence, access to that third party's portal could be enough. Such evidence may also be reliably electronically signed or be presented together with historical transport and archive security data.
4. EU Member States are free to have their own technical, security and other archiving requirements, and different mandatory archiving periods apply throughout the EU. Invoices sent or received under the VAT law of an EU Member State must also in most cases be physically stored in either the country whose law applies or another Member State, optionally subject to prior notification to the territorially competent tax authorities.
5. The e-invoice must be accessible online from the country whose VAT law applies to that invoice. This is a legal rule in archiving abroad, and a practical consequence of the applicable rules in all other cases (it's hard to imagine how a tax auditor can audit an e-invoice that isn't accessible through an electronic interface). Because most EU Member States have opted to require the evidence guaranteeing I&A in electronic form when the invoice is electronic, the above equally applies to the relevant BCAT.

Transposition of VAT directive 2010/45

The table below shows how Member States have implemented, and sometimes gone beyond, the EU VAT Directive into national legislation.

FIGURE 30:

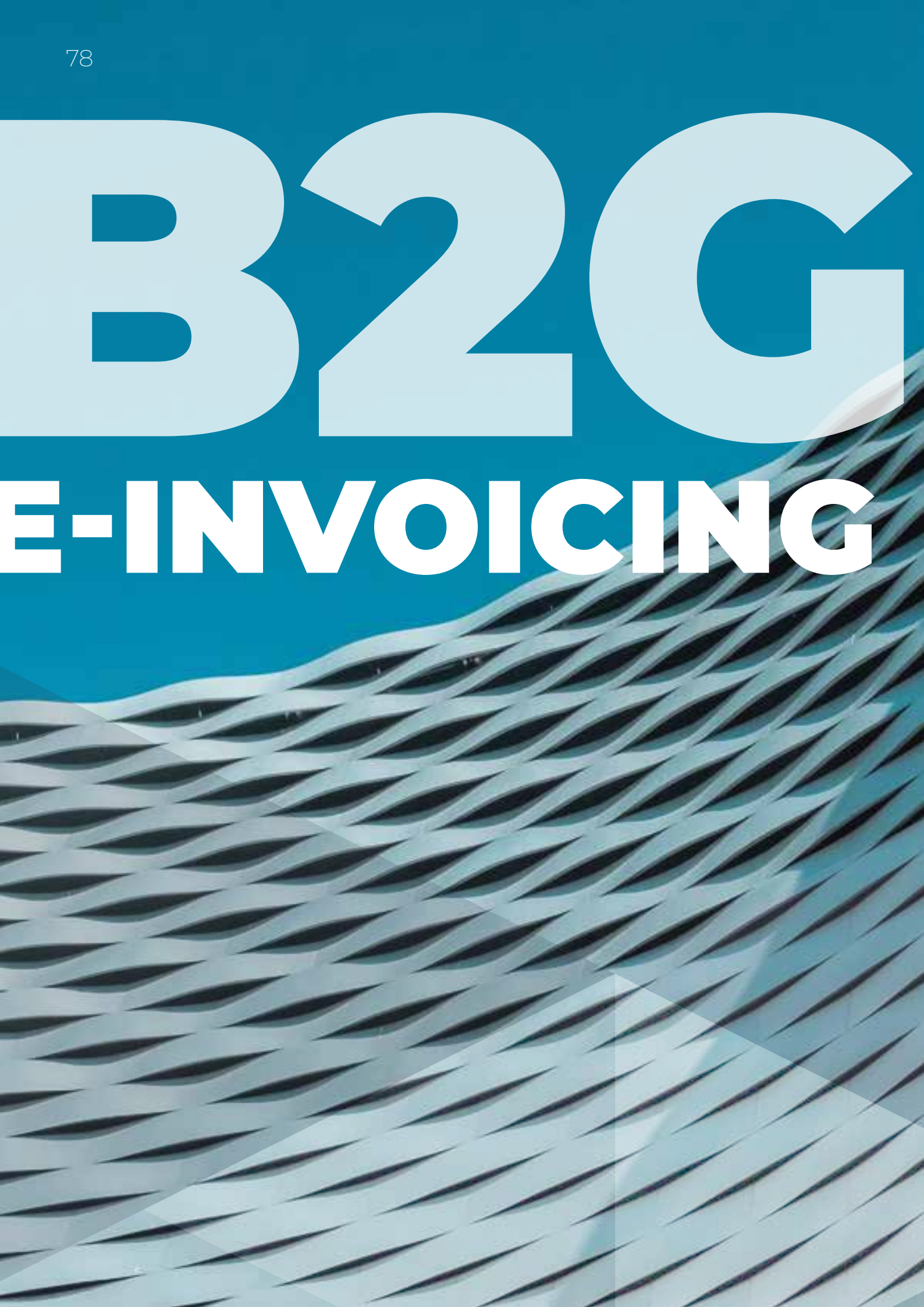
	Austria	Belgium	Bulgaria	Croatia	Cyprus	Czech Republic	Denmark	Estonia	Finland	France	Germany	Greece	Hungary	Ireland	Italy	Latvia	Lithuania	Luxembourg	Malta	Netherlands	Poland	Portugal	Romania	Slovakia	Slovenia	Spain	Sweden	United Kingdom
I&A freedom of evidence transposed	✓	✓	✓	✓	✓	✗	✓	✓	✓	✗	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓
BCAT mentioned	✓	✓	✓	✓	✓	✓	✓	✗	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓
EDI mentioned	✓	✓	✓	✓	✓	✓	✗	✗	✗	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓
QES mentioned	✓	✓	✓	✓	✓	✓	✗	✗	✗	✓	✓	✗	✓	✗	✓	✓	✗	✓	✓	✓	✓	✗	✓	✓	✓	✓	✗	✓
If e-invoice, I&A must be electronic	✓	✓	✗	✗	✓	✓	✗	✗	✗	✓	✗	✓	✓	✓	✓	✗	✓	✓	Upon request	✗	✗	✗	✗	✗	✓	✓	✗	✗
Other options/ additional requirements	1	✗	✗	✗	✗	2	✗	✗	✗	3	✗	4	5	6	7	✗	8	✗	9	✗	✗	10	11	✗	✗	12	✗	13

Notes:

1. Certain Advanced Electronic Signatures and invoices delivered through a "Business Service Portal" and PEPPOL are also mentioned as methods for ensuring the I&A of the invoice. Evidence of ensuring I&A must be stored in electronic form in case of EDI and e-signatures but not in the case of BCAT.
2. One of the examples for ensuring I&A is an electronic "mark," based on a qualified system certificate issued by an accredited provider of electronic services (e-marks can be issued to legal persons).
3. Summary statement in EDI required, other detailed EDI requirements exist. France also permits a specific French electronic signature, the so-called *Référentiel Général de Sécurité* (RGS).
4. Advanced electronic signatures and marking using special safe appliances are also examples of how to ensure I&A.
5. Invoicing software used to create invoices must be notified to the tax authorities, and it must perform certain functions, including real-time reporting of invoice data for domestic transactions. Exemplary methods for meeting the archiving requirements are listed in the legislation.
6. The text of the law implies that the BCAT option is obligatory and only the guidance note explains that the methods which were used under the previous regime are also accepted.
7. A digital signature based on a qualified certificate and a cryptographic key system (using the locally approved hardware) is also mentioned as a method for ensuring the I&A of e-invoices. Italy has obtained a derogation to relevant provisions in the VAT Directive to implement a mandatory clearance e-invoicing regime. The e-invoicing orchestration runs through a state-operated platform, *Sistema di Interscambio* (SDI); any domestic invoices that are sent or received outside of this platform are not considered as fiscally valid.
8. Advanced electronic signatures is also an example of how to ensure the I&A of e-invoices.
9. The Tax Commissioner may require that the data guaranteeing the I&A of invoices also be stored by electronic means.
10. Advanced electronic signatures is also an example of how to ensure the I&A of e-invoices. Software producing e-invoice data must be certified by the tax authorities (with some exceptions). Taxable persons established in Portugal must communicate certain invoice data to the tax authorities.
11. Local service providers of e-archive services to Romanian customers must obtain an authorization for an e-archive administrator and for database from the Ministry of Information Society.
12. A "recognized signature" (an Advanced Electronic Signature based on a qualified certificate without hardware implemented SSCD) is also mentioned as a method for ensuring the I&A of e-invoices. Prior consultation with the Spanish tax authorities is required when using other methods than those explicitly mentioned in the legislation. Taxpayers must report invoice data to the tax authority in near real-time through a platform known as *Suministro Inmediato de Informacion* (SII). Additionally, it's mandatory for subcontractors of the public administration to use a specific invoicing platform, known as FACeB2B, to issue invoices to the main contractor for the supplies of goods and services rendered within the context of a public procurement contract.
13. No examples for ensuring the I&A are given in the VAT law but are communicated in a Public Notice.

B2G

E-INVOICING



B2G E-INVOICING

Trend toward mandatory B2G e-invoicing

Within the field of e-invoicing, the primary focus of the EU has, in recent years, been on invoices for public procurement transactions – both in pursuit of process optimization in the government sector and also to provide a boost to the adoption of e-invoicing between businesses.

A comprehensive package of policy and more practical measures was introduced by the EU Commission, whereby all EU Member States' public administrations had to be able to receive e-invoices at least for public procurement transactions by November 2018 or by April 2019, with the possibility to extend by one extra year for sub-central authorities (through Directive 2014/55/EU on electronic invoicing in public procurement). At the same time, several EU Member States are also pushing ahead with mandatory e-invoicing for B2G. Examples of countries that have for several years required suppliers to invoice electronically to the public sector are Spain, Italy and Slovenia, which have created technical platforms and associated specifications that simply mandate Qualified Electronic Signatures and specific transmission methods for suppliers that invoice the public sector. Several countries take the opportunity to mandate B2G electronic invoicing when implementing the Directive 2014/55/EU; examples are Sweden, Croatia, Estonia, Poland, Lithuania, Portugal, Finland and the Czech Republic.

Directive 2014/55/EU furthermore lays a foundation for technical standardization of the content of B2G e-invoices – both semantically and in terms of specific supporting syntaxes. The public administration and certain other public bodies in EU Member States must accept e-invoices that conform to the new standard (European standard on electronic invoicing) created by the European Committee for Standardization (CEN).

B2G E-INVOICING

Transposition of Directive 2014/55/EU on electronic invoicing in public procurement

The table below shows how Member States have implemented, and sometimes gone beyond, the EU Directive on electronic invoicing in public procurement.

FIGURE 31:

✓ ✕ ✕ Partly or Conditionally

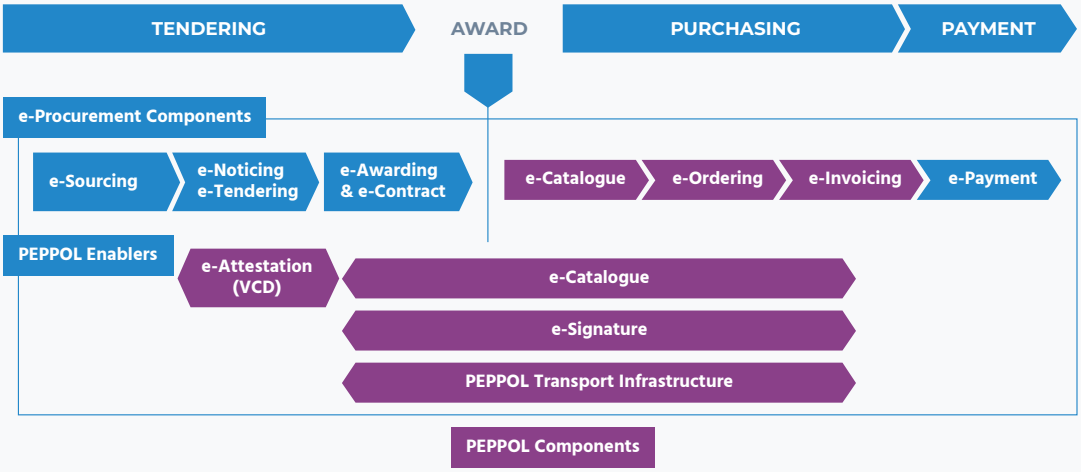
	Austria	Belgium	Bulgaria	Croatia	Cyprus	Czech Republic	Denmark	Estonia	Finland	France	Germany	Greece	Hungary	Ireland	Italy	Latvia	Lithuania	Luxembourg	Malta	Netherlands	Poland	Portugal	Romania	Slovakia	Slovenia	Spain	Sweden	United Kingdom
It is mandatory for the public sector (buyer side) to be able to receive and process e-invoice																												11
B2G e-invoicing is mandatory for the supplier side	1		2								3										7	8				10		
B2G transmission method/ platform used is a central platform	Unternehmensser-viceportal (USP)	Mercurius	EOP	e-Račun	ARIADNI	NEN Portal	NemHandel			Chorus Pro	4	ESIDIS	NAV	PEPPOL	SDI	latvija.lv	eSaskaita	PEPPOL	6	PEPPOL	PEF	eSPAP		9	UJP eRačun	FACe		PEPPOL
B2G transmission method/ platform used is PEPPOL-enabled															5													

Notes:

1. Suppliers are only obliged to send e-invoices to the federal government entities. Other government entities are able to receive and process e-invoices, but sending e-Invoices to these entities is not mandatory.
2. B2G e-invoicing is based on agreements between suppliers and public administrations.
3. Starting 27 November 2020, all public contractors that issue invoices to the federal administration must submit an electronic invoice. No deadlines are yet set for issuing e-invoices by contractors to state governments, and local authorities. Every state defines its own rules.
4. There are different e-invoicing platforms mandated or recommended by the German government for B2G public procurement. The obligation to use a e-invoicing platform depends on which public authority is to be addressed. A shared portal (E-Rechnungs-Portal) was created on the federal level. Some federal states (Länder) use this shared portal too while others will build their own portal and the states left plan to use no portal or still have no planning.
5. The Region of Emilia-Romagna has implemented the PEPPOL Business Interoperability Specifications (BIS) and is currently using orders, invoices and dispatch advices in the PEPPOL format.
6. There is no e-invoicing platform in place. Corporate Financial Management Solution (CFMS) is being implemented, which will also incorporate the processing of e-invoices across the central government. Suppliers will be able to submit e-invoices to contracting authorities through their e-invoice Operator.
7. Suppliers must issue e-Invoices to public authorities from November 2020.
8. e-invoicing is becoming mandatory for B2G transactions, with a progressive implementation, which started in April 2019, to be completed by the end of 2020.
9. Currently, there is still no e-invoicing platform for public procurement in Slovakia. The Ministry of Finance has prepared the final concept of a centralised e-Invoicing solution. The public procurement process for the delivery of an e-invoicing solution to ensure full transposition of e-invoicing Directive is planned by July 2022.
10. Public administration suppliers must issue e-invoices for invoices higher than EUR 5 000.
11. According to the Electronic Invoicing in Public Procurement note of the Cabinet Office, the e-invoicing Directive will still apply to the UK after Brexit, knowing that the Withdrawal Agreement and a transition period are agreed.

The evolution toward interoperable EU-wide electronic public procurement is also expected to be aided by the increasing uptake of PEPPOL in Member States. The PEPPOL project was initiated in 2008 and focused on a way for diverse national e-procurement systems in the EU Member States to interconnect, thereby supporting the notion that the public sector should be able to select and easily conduct business with vendors from any Member State. PEPPOL is essentially a stack of specifications that ensure this interoperable exchange of electronic procurement documents through, among other things, the concept of service providers acting as "access points." Since 2012, PEPPOL is run by the non-profit association OpenPEPPOL.

FIGURE 32: A schematic overview of a typical e-procurement process, with the core PEPPOL elements marked in purple*



*Source: www.peppol.eu

PERIODIC VAT

REPORTING IN THE EU

PERIODIC VAT REPORTING IN THE EU

Background: reporting types

As described in the introduction to this chapter, many Member States have started the digitization of their VAT regimes by transforming the way VAT returns are submitted. In principle, a company must submit VAT reports in countries where it performs transactions and where, consequently, it is obligated to register for VAT. Companies with operations in the EU have different kinds of reporting obligations depending on the types of transactions they perform.

The production of these reports is often managed in the same process and must leverage the same data sources to ensure consistency, but not all these reports are requested for VAT enforcement purposes. In addition to the classic VAT return, companies may also have to submit:

- Statistical reports to track movements between EU Member States (for example, Intrastat)
- Listings to track B2B sales to other EU Member States (ESL)
- Summary statements
- Country-specific reports

Flavors of VAT and associated reporting obligations

Traditionally, VAT returns are forms with boxes in which the taxpayer can specify the taxable amount and/or tax amount per type of transaction. The level of specification, and thus the number of boxes to complete, differ per country – to the left is an example from France.

As explained in Trend 4 earlier in this document, SAF-T is generally implemented to support varying e-Accounting requirements. Nonetheless, some EU Member States, like Poland, are using the SAF-T concept as a basis for replacing traditional VAT returns with more granular transaction data. This approach may well be adopted by other countries in the future.

The importance of reconciliation: A taxpayer is responsible for ensuring consistency among VAT accounting, VAT returns, SAF-T reports and Intrastat reports.

Reporting frequency

The reporting frequency generally depends on the type of report, country, threshold, etc. – for example:

- VAT return: monthly, bi-monthly, quarterly, annual
- EC Sales: monthly, quarterly
- Intrastat: monthly
- Country specific: monthly, quarterly, annual
- SAF-T: monthly, annually, on-demand

SAF-T

As explained in the OECD documentation around SAF-T, this instrument was designed to aid tax administrations in auditing for both direct (income) and indirect taxes. The SAF-T standard covers the 'full set of business and accounting records commonly held by taxpayers'. The standard includes the following datasets:

1. General ledger
2. AR (master data and invoices)
3. AP (master data, invoices and payment)
4. Goods movements
5. Fixed assets
6. Inventory

SAF-T is a very flexible standard in that it doesn't impose a specific technical file format, submission method (push or on-demand) or frequency. It's also entirely optional for OECD Members to adopt or adjust. This flexibility is a considerable force but also represents a weakness: no two country implementations of SAF-T are identical. As a result, it's difficult for international companies to meet SAF-T requirements without multiple country-specific procedures. Another challenge that many companies experience with producing full SAF-T reports is that the instrument's broad scope, including both transactional and non-transactional data, will more often require data for a single report to be extracted from multiple enterprise systems. Large companies that manage many legal entities and often several ERP systems in parallel may find it difficult to combine such data for SAF-T reporting purposes. Very small companies, on the other hand, may not have all the required data in computerized format.

SAF-T requirements are still being adopted in EU Member States and countries in other regions are actively considering introducing it. SAF-T was originally designed to facilitate controls in a post audit world and cannot easily be adjusted to serve as a robust basis for CTC-type data transmission by companies. However, it's not incompatible with CTCs and could well evolve to complement them, because SAF-Ts allow the periodic transfer or on-demand provision of several datasets that cannot – or cannot easily – be harvested from companies' transaction flows.

MOSS/OSS

Currently, suppliers of B2C cross-border telecommunication, television and radio broadcasting, or digital services may use the Mini One Stop Shop (MOSS) scheme to avoid cumbersome registrations in each Member State of supply. Instead, taxable persons can register for VAT, file MOSS returns and make payments through a single Member State. This scheme reduces the administrative burden of registering in each country. From 1 July 2021, this scheme will be extended and renamed One Stop Shop (OSS) to additionally incorporate distance sales of goods and other services supplied to final consumers.

EU COUNTRY PROFILES

EU COUNTRY PROFILES

Austria

E-invoicing

- An e-invoice must be accepted by the authorities provided its I&A can be guaranteed from the point of issuance until the end of the storage period. In Austria this can be done in any ways accepted by the VAT Directive. For example, it can be done by means of a) digital signatures, i.e. eIDAS conformant Qualified Electronic Signatures, Seals or "certain Advanced Electronic Signatures" when based on a certificate verifiable via the *Signaturprüfdienst* (signature audit/verification service) of the RTR or comparable foreign body, b) "proper EDI" with an interchange agreement based on the European Commission 1994 Recommendation and business controls-based audit trail linking an invoice and a supply are also among the alternatives listed in the legislation, c) invoices delivered via the Federal Service Portal (*Unternehmensserviceportal,* USP,) and PEPPOL are also permitted for ensuring I&A.
- For B2G invoices, all Austrian suppliers to the federal government (and foreign suppliers that have technical means) are obliged to send e-invoices. Austria mandates the use of the Federal Service Portal (USP), the central processing e-invoicing platform of the federal government to receive e-invoices. E-invoices based on the Austrian national e-invoicing format *'ebInterface'* as well as PEPPOL e-invoices are sent to the Austrian federal government through the Federal Service Portal. The latest amendment of the act on public procurement (BVergG 2018) transposed the Directive 2014/55/EU into national legislation and mandates the receipt of e-invoices by the central and sub-central government authorities.
- Evidence of ensuring I&A must be stored in electronic form when relying on EDI and electronic signatures for compliance purposes, but not when relying on the business control option.
- E-invoices may generally be stored abroad without notification, provided that the tax authority is given online access.

Reporting

- VAT reporting in Austria is governed by the national VAT law (*Umsatzsteuergesetz* 1994). Returns can be filed on a monthly basis or quarterly for businesses with supplies above a certain threshold, as well as annually. VAT returns should be submitted electronically, and an XML format can be used. Submission in paper form is possible where technical equipment is lacking.
- Since 2009, Austrian VAT authorities have implemented the OECD recommended Standard Audit File for Tax, known as SAF-T. It's currently only required on demand by tax authorities usually prior to a tax audit by the Austrian Ministry of Finance.

Other

- Since 2016, it has been compulsory to issue receipts for cash payments. Businesses with a turnover above EUR 15,000 are required to have electronic cash registers or other electronic recording systems for digital recording of transactions. Each cash register must contain a secure electronic signature creation device, draw up a data collection log to record and store each individual cash transaction. The data collection log must be exportable on demand of the tax administration.

Belgium

E-invoicing

- An e-invoice must be accepted provided the I&A of it can be guaranteed from the point of issuance until the end of the storage period. In Belgium this can be done for example by means of a business controls-based audit trail linking an invoice and a supply, by Advanced Electronic Signatures or by "proper EDI" with an interchange agreement based on the European Commission 1994 Recommendation.
- Since 1 April 2019, as a result of the transposition of the Directive 2014/55/EU, all Belgian government bodies are obliged to be able to receive and process e-invoices within public procurement. In addition, the transposing legislation went further than the scope of the Directive and mandated the issuance of e-invoices by suppliers to the federal government. At the regional level, Flanders and Brussels also mandate B2G e-invoices.
- E-invoices may be stored abroad without notification, provided that the tax authority is given online access.

Reporting

- VAT reporting in Belgium is governed by the VAT Code, 1969 (*Code de la taxe sur la valeur ajoutée*). VAT returns must normally be submitted on a monthly basis, quarterly for businesses below a certain threshold (EUR 2.5 million) as well as annually, Annual Customer Listing (*'Jaarlijkse Klantenlisting'*, unless subject to the exemption scheme for small businesses or to VAT exemption). All VAT returns are filed electronically using the *Federale Overheidsdienst Financien* (FOF) secure access web application 'INTERVAT'. Filing can be via entering data on-screen, or xml file upload. In specific circumstances where it's not possible for an electronic submission to be made, a paper declaration might be accepted instead.

Bulgaria

E-invoicing

- An e-invoice must be accepted provided its I&A can be guaranteed from the point of issuance until the end of the storage period. In Bulgaria this can be done for example by means of Qualified Electronic Signature, "proper EDI" with an interchange agreement based on the European Commission 1994 Recommendation and business controls ensuring an audit trail linking an invoice and a supply.
- B2G e-invoices must be accepted by the governmental bodies in line with Directive 2014/55; suppliers however have no obligation to issue e-invoices.
- When using a service provider, an agreement for the outsourcing of issuance of e-invoices is required whereby certain content is recommended for this agreement (e.g. describing the process for issuance of e-invoices).
- It's explicitly required to store all tax documents issued or received by a taxable person in their original form.
- E-invoices may be stored abroad without notification, provided that the tax authority is given online access.

Reporting

- VAT reporting in Bulgaria is governed by the Bulgarian VAT Act (*ЗАКОН за данък върху добавената стойност*, 2006). VAT returns are submitted monthly via the secure NRA web portal, for which a Qualified Electronic Signature is required.
- In addition to the required VAT return, all taxable persons in Bulgaria must submit sales and purchase ledgers. These ledgers are filed concurrently with the VAT return, and the data populating these documents should match the data seen on the VAT return.

Croatia

E-invoicing

- An e-invoice must be accepted provided its I&A can be guaranteed from the point of issuance until the end of the storage period. In Croatia this can be done for example by means of Qualified Electronic Signature, "proper EDI" with an interchange agreement based on the European Commission 1994 Recommendation and business controls ensuring a reliable audit trail linking an invoice and a supply.
- Directive 2014/55/EU has been transposed in Croatian law and its scope has been extended, as of 1 July 2019, making e-invoicing in public procurement mandatory for suppliers.
- E-invoices may be stored abroad, provided that the tax authority is notified and given online access. As of August 2019, Croatia has set specific rules on conversion of invoices and other bookkeeping documents from paper to electronic form.

Reporting

- VAT reporting in Croatia is governed by the national VAT Law (*Zakon o porezu na dodanu vrijednost*). VAT returns can be submitted on a monthly or quarterly basis. Electronic filing of VAT returns and payment has been mandatory in Croatia since 2013. The relevant forms can be obtained via the Croatian tax authority website and are submitted in xml format using the tax authority's online portal (*ePorezna*). In conjunction with their VAT returns, taxable persons in Croatia must submit incoming purchase invoices (U-RA form) electronically. This requirement exists for both domestic and foreign taxpayers who have a Croatian VAT number.

EU COUNTRY PROFILES

Cyprus

E-invoicing

- An e-invoice must be accepted provided its I&A can be guaranteed from the point of issuance until the end of the storage period. In Cyprus this can be done for example by means of Qualified Electronic Signature, "proper EDI" with an interchange agreement based on the European Commission 1994 Recommendation and business controls ensuring a reliable audit trail linking an invoice and a supply.
- Cyprus transposed Directive 2014/55/EU into national law in June 2019. Fully in line with the Directive, the Cypriot government is obliged to receive e-invoices, but its suppliers are free to send their invoices in any form. A central government portal (*ARIADNI*), has been developed and e-invoice samples in line with the European Norm have also been finalized.
- Legislation explicitly states that if an invoice is in electronic form, data ensuring the I&A of the invoice must be stored by electronic means.
- Storage abroad is allowed only in the EU and in countries with which Cyprus has a relevant tax assistance treaty, subject to prior notification and online access.

Reporting

- VAT Reporting in Cyprus is governed by the national VAT Act (N. 95(I)/2000 *ΝΟΜΟΣ ΠΟΥ ΠΡΟΒΛΕΠΕΙ ΓΙΑ ΤΗΝ ΕΠΙΒΟΛΗ ΚΑΙ ΕΙΣΠΡΑΞΗ ΤΟΥ ΦΟΡΟΥ ΠΡΟΣΤΙΘΕΜΕΝΗΣ ΑΞΙΑΣ*) and regulations. Returns are filed electronically via the TAXISnet system on a quarterly or monthly basis.
- Northern Cyprus is a disputed territory largely controlled by Turkey (which is the only nation to recognize Northern Cyprus as an independent state). Due to its disputed status, it's currently exempt from EU legislation, including the VAT Directive. As a result, Northern Cyprus has introduced its own VAT rules.

Czech Republic

E-invoicing

- An e-invoice must be accepted provided its I&A can be guaranteed from the point of issuance until the end of the storage period. In the Czech Republic this can be done by means of business controls ensuring a reliable audit trail linking an invoice and a supply, the application of a Qualified Electronic Signature, a Qualified Electronic Seal , or "proper EDI" with an interchange agreement based on the European Commission 1994 Recommendation.
- Directive 2014/55/EU has been transposed in the Czech Republic since October 2016, through the Public Procurement Law. A nationwide platform, *Národní elektronický nástroj* (NEN), covering the entire e-procurement lifecycle at all levels of public administration is in place.
- An explicit outsourcing authorization for issuance of an invoice is required when an e-invoicing service provider is used. If the authorization is in electronic form it must be signed with a Qualified Electronic Signature.
- Timestamping is not legally required but widely adopted.
- Evidence of ensuring I&A of e-invoices must be stored in electronic form.
- E-invoices may be stored abroad, provided that the tax authority is notified and given online access.
- E-invoices may be stored abroad, provided that the tax authority is notified and given online access.

Reporting

- VAT reporting in the Czech Republic is governed by the national VAT Act (*Daň Z Přidané Hodnoty, ZDPH*). VAT returns are generally filed on a monthly basis, or quarterly subject to certain conditions. Czech VAT returns must be submitted electronically in xml format through the tax authority's online portal (*Daňový*).
- A control statement must be submitted alongside the VAT return for selected entities. This includes details on certain taxable invoices, such as domestic taxable supplies, domestic acquisition of goods/services which help tax authorities monitor trade and prevent VAT fraud. It's submitted electronically in xml format, with the e-form available on the tax authority's website.

Others

- The Czech Republic has obtained approval from the European Commission to introduce a local reverse charge on goods and services, as part of its ongoing efforts to reduce its VAT gap. This authorization is valid until 30 June 2022. To incorporate this into local law, legislation must be prepared and passed, and an amendment to the VAT Act is necessary.
- Legal and natural persons engaging in business activities must record and communicate information related to payments received in cash, cheque vouchers or similar means, in the so-called Electronic Records of Sales (EET). Since December 2016, the system has been the foundation of communication between businesses and the Financial Administration of the Czech Republic. It has been gradually rolled out until 1 January 2021.

Denmark

E-invoicing

- An e-invoice must be accepted provided its I&A can be guaranteed from the point of issuance until the end of the storage period. In Denmark this can be achieved by any means. One example is business controls-based audit trail linking an invoice and a supply.
- B2G e-invoicing is mandatory.
- A description of the e-invoicing and electronic storage system must be stored either electronically or in hard copy.
- E-invoices may be stored abroad in any of the Nordic countries (as there is an instrument of mutual tax assistance with these countries) or EU Member States provided that the invoice can be printed without adjustment from the ERP system in Denmark, and subject to prior notification.

Reporting

- VAT reporting in Denmark is governed by the national VAT law (*Bekendtgørelse af merværdiafgiftsloven*). VAT returns can be submitted monthly, quarterly or bi-annually dependent on annual turnover. New businesses must file VAT returns quarterly for at least 18 months. Businesses must submit their returns online by logging onto the E-tax for Businesses Portal (*TastSelv Erhverv*).
- Denmark has only a single 25% rate of VAT, which applies to all goods and services that are not zero-rated. It is the only EU country without reduced VAT rates.

Estonia

E-invoicing

- An e-invoice must be accepted provided its I&A can be guaranteed from the point of issuance until the end of the storage period. Any means for ensuring I&A of e-invoices are accepted in Estonia.
- E-invoicing is mandatory for the public sector since March 2017. As of 1 July 2019, it's mandatory for all suppliers to submit machine-processable invoices (e-invoices) in relation to B2G transactions.
- A major reform to the Accounting Act came into force on 1 January 2017, aimed at boosting e-invoicing adoption in the country. The amendment included a requirement to use machine-processable formats in all B2B e-invoicing, provided the costs to implement such feature are not commercially disproportionate for the taxpayer. The Act incorporates the concept of "handler of machine-processable source documents" (i.e. e-invoices), which includes service providers offering certain e-invoicing functionalities (e.g. conversion of invoice data into a machine processable e-invoice).
- E-invoices may be stored abroad provided they can be submitted at the request of the tax authority within a reasonable period.

Reporting

- VAT reporting in Estonia is governed by the national VAT Act (*Käibemaksuseadus*). VAT returns are filed on a monthly basis (unless otherwise authorized), and can be submitted either by manual input, or by uploading an xml or csv file to the tax authority's online portal (X-Tee) with a machine-to-machine interface. The VAT return may also be filed on paper if the person has been liable for VAT for less than 12 months or if less than five invoices are included in the VAT return.
- Estonia also requires an appendix to the VAT return to be submitted (KMD INF). Both B2B and B2G invoices issued and received are recorded in this supplement, except for certain special arrangements provided for in the VAT Act. There is no obligation to declare invoices for B2C transactions.

EU COUNTRY PROFILES

Finland

E-invoicing

- An e-invoice must be accepted provided its I&A can be guaranteed from the point of issuance until the end of the storage period. This can be achieved for example by means of business controls-based audit trail linking an invoice and a supply. In practice, any e-invoicing process that meets reasonable business requirements is accepted due to the Finnish tax authority's ability to use means extraneous to the processes of taxable persons to monitor transaction flows.
- Since April 2020, buyers have the right to receive a structured e-invoice from their suppliers upon request. The structured e-invoice must follow the European standard for e-invoicing. All Finnish companies with a turnover above EUR 10,000 are covered by the rule.
- Finland has transposed the Directive 2014/55/EU into national law, making it mandatory for government entities to receive e-invoices in line with the European standard for e-invoicing.
- Requirements for storage exist, and the use of WORM devices has often been recommended to ensure robustness.
- E-invoices may be stored abroad in other EU countries, provided that the tax authority is given online access. Storage outside the EU is possible upon meeting additional conditions.

Reporting

- VAT reporting in Finland is governed by the national VAT Act (*Arvonlisäverolaki* 1501/1993) and regulations. Returns are generally submitted on a monthly basis, although quarterly or annual reporting regimes exist for smaller traders and certain categories of business. Returns must be submitted electronically.

France

E-invoicing

- An e-invoice must be accepted provided its I&A can be guaranteed from the point of issuance until the end of the storage period. In France, this can be achieved for example by means of Qualified Electronic Signature, Référentiel Général de Sécurité (RGS, a specific French electronic signature which is not qualified and not automatically accepted in other EU Member States), "proper EDI" with an interchange agreement based on the European Commission 1994 Recommendation subject to summary statements and "partner file" requirements, as well as business controls-based audit trail linking an invoice and a supply.
- France has not explicitly transposed the "any other means" option of Directive 2010/45, but rather expects methods that are not Qualified Electronic Signature or EDI to be classifiable as business controls-based audit trails linking an invoice and a supply.
- B2G e-invoicing is mandatory, with the last stage of implementation rolled out on 1 January 2020. The government has made available a free portal to this end, Chorus Portail Pro.
- The French government last year announced its intention to extend the B2G e-invoicing mandate to also cover B2B transactions, with a roll-out starting on 1 January 2023 and covering all entities by 2025. An initial outline of the e-invoicing reform has been proposed and published in a report by the DGFIP in early November 2020, according to which the country will become a clearance jurisdiction. Certain flows which will not be covered by the scope of the mandate (such as B2C and international invoices) will be subject to an e-reporting obligation.

- The French and German working groups for e-invoicing (FR: FNFE-MPE; DE: FeRD) have jointly developed an e-invoicing standard format called Factur-X in French (DE: ZUGFeRD), which is a hybrid invoice structure that allows both xml and PDF.
- When using a service provider, it's required to authorize the outsourcing of invoice issuance. Such an outsourcing mandate/authorization can be either explicit or tacit, however an explicit authorization remains recommended. If the mandate is tacit, an outsourcing statement ("issued by... on behalf of...") should be included in the content of each invoice. The service provider can be established abroad, however, stricter rules apply to the outsourcing mandate/authorization when the service provider is established in a country that doesn't have a mutual tax assistance treaty with France.
- E-invoices may be stored abroad in other EU Member States, provided that the tax authority is notified and given online access.

Reporting

- VAT reporting in France is governed by the national VAT Law (*Taxe sur la valeur ajoutée* 1954). VAT returns in France can be filed on a monthly, quarterly, or seasonal basis (for transactions carried out on occasional or a seasonal basis). VAT returns are submitted online through the tax authority portal.
- France introduced its version of SAF-T, known as *Fichier des écritures comptables* (FEC) in January 2014, to align with the national chart of accounts. While it's a deviation from the global OECD standard, it shares the same principles. It's used as a tax authority control where in the event of a tax audit, businesses must submit their financial data on request from the tax authorities, in txt or xml format.

Other

- France has introduced a register of sales requirements through which VAT registered businesses performing B2B and B2C transactions must record cash, cheque, credit and transfer payments. Among such requirements are the use of a certified and secure software that records all customer payments, and cash registers. The software or cash register system must archive the recorded data at a chosen frequency and provide audit access for the tax administration.

Germany

E-invoicing

- An e-invoice must be accepted provided its I&A can be guaranteed from the point of issuance until the end of the storage period. Any means for ensuring I&A of e-invoices are accepted in Germany, which include the business controls-based audit trails linking an invoice and a supply as well as Qualified Electronic Signature and "proper EDI" with an interchange agreement based on the European Commission 1994 Recommendation.
- B2G e-invoicing has been mandatory since November 2018 for public authorities at the federal administration level. On the federal state level (Länder), the Directive 2014/55/EU is largely transposed into supplementary legislation. From 27 November 2020, suppliers to public entities must issue their invoices electronically.
- The French and German working groups for e-invoicing (FR: FNFE-MPE; DE: *FeRD*) have jointly developed an e-invoicing standard format called *ZUGFeRD* in German (*FR: Factur-X*), which is a hybrid invoice structure allowing both xml and PDF. The new *ZUGFeRD* 2.0 format was published in March 2019.
- Specific archiving requirements apply; regulated in the GoBD guidelines.
- E-invoices may be stored abroad in other EU Member States, provided the tax authority is notified and given online access. Storage outside the EU may also be allowed but subject to prior approval.

Reporting

- VAT reporting in Germany is governed by the German VAT Law (*UStG 2005*). Periodic preliminary VAT returns are due on either a monthly or quarterly basis, as well as annually. All VAT returns are filed using the tax authority's secure web filing portal *Elster*. Filings can only be affected by means of a process resulting in the generation of an electronic certificate.

EU COUNTRY PROFILES

Greece

E-invoicing

- An e-invoice must be accepted provided its I&A can be guaranteed from the point of issuance until the end of the storage period. In Greece this can be achieved for example by Advanced Electronic Signatures, "proper EDI" with an interchange agreement based on the European Commission 1994 Recommendation, business controls ensuring an audit trail linking an invoice and a supply, as well as the use of special local electronic tax equipment. In February 2020, a new method was included which is services provided by certified e-invoicing service providers.
- The transposition of the Directive 2014/55/EU into Greek law was adopted in the first quarter of 2019, making it mandatory for the central government to receive e-invoices. Secondary legislation about the adoption of the semantic model of the e-invoice and the architecture of B2G e-invoicing was adopted in June 2020. The government has completed the development and testing of their own PEPPOL Access Point and made the PEPPOL BIS 3.0 the mandatory EN compliant format. When using a service provider, it's required to put in place a prior agreement on the outsourcing of invoice issuance. Such an agreement can be evidenced by any method.
- It is explicitly stated in the legislation that evidence of ensuring I&A must be stored in electronic form.
- E-invoices may be stored abroad without notification, provided that the tax authority is given online access.

Reporting

- VAT reporting in Greece is governed by the national VAT Act (*Νόμος 2859/2000*, *Κύρωση Κώδικα Φόρου Προστιθέμενης Αξίας*). Returns are submitted on a monthly or quarterly basis. They can be submitted electronically through the IAPR portal.
- In addition to VAT returns, VAT taxpayers are required to submit a monthly report on their domestic sales and purchases, referred to as the *ΜΥΦ* "Status of Suppliers and Customers Transactions" to the AADE in an electronic format. This is however expected to be abolished with the introduction of the new electronic books of the myDATA scheme.

Other

- In January 2020, new technical specifications were published for the integration of fiscal devices (POS) used for retail transactions in Greece with the myDATA ("new generation fiscal devices"). From 31 October 2020, all fiscal devices currently used in Greece must be updated to meet the new technical specifications to be able to connect and transmit their transaction data to myDATA.
- The technical specifications introduced new requirements for the reporting frequency of POS data and for the content of POS receipts. As per the new technical specifications, data must be reported in real-time or up to once per day in a batch, and a QR code must be included in the receipts. Through the QR code, the tax authority can validate the receipts issued against the data registered in the myDATA platform.

Deep dive:

Greece's deliberations in mid-2018 over the introduction of CTCs crystalized in August 2019 and resulted in the formation of an eAccounting system as well as CTC reporting.

On 1 August 2019, the Independent Authority of Public Revenues (IAPR) published the technical specifications of the new CTC system called *myDATA* ("My Digital Accounting and Tax Application"), which is also the name of the government portal on which the CTC system operates. The myDATA scheme is an eAccounting system with CTC reporting elements and entails mandatory submission in real-time or periodically of transactional and accounting data to the myDATA platform, which in turn populates a set of online ledgers maintained by the tax authority. Taxable persons will be required to ensure consistency between their tax returns and the myDATA eBooks, and any resulting discrepancies may trigger a tax audit. The prospective *myDATA* scheme does, however, not include a legal requirement for the invoice exchanged between the supplier and the buyer to be in electronic form.

The myDATA scheme applies to Greek taxable persons who maintain accounting records in accordance with the law on Greek Accounting Standards, and it covers all domestic and cross-border transactions for B2B, B2C and B2G. It started as a voluntary scheme on 1 October 2020 and is expected to become mandatory on 1 January 2021.

Greece has deliberated over the introduction of a CTC invoicing system which would require taxpayers to clear their invoices with the tax authority prior to their issuance. However, no legislation or timeline has been published about the clearance system to date.

Hungary

E-invoicing

- From an e-invoicing perspective, Hungary is a post audit country but has still been a pioneer on the adoption of a CTC method in the EU with the introduction of mandatory real-time e-invoice data reporting.
- An e-invoice must be accepted provided its I&A can be guaranteed from the point of issuance until the end of the storage period. In Hungary this can be done for example by means of Qualified Electronic Signatures, business controls ensuring a reliable audit trail linking an invoice and a supply and "proper EDI" with an interchange agreement based on the European Commission 1994 Recommendation.
- Hungary has transposed Directive 2014/55; therefore public entities are required to be able to receive and process B2G e-invoices compliant with the European standard.
- When using a service provider, an agreement for issuance of invoices must be executed in advance and in writing. If the authorization is made electronically, it must be signed with a Qualified Electronic Signature. Certain content of the outsourced issuance agreement is prescribed.
- The invoicing system shall ensure sequential and continuous invoice numbering and invoice data export functionality (making certain invoice data available to the tax authority in a prescribed Hungarian xml format).
- A taxable person must inform the authorities about the invoicing systems used using a specific form provided by the authorities. To this end, it's mandatory for service providers of invoicing systems to make certain information available to the taxable person, i.e. name, ID and usage guidelines of the invoicing system.
- E-invoices may be stored abroad, however, due to audit practice preferably in other EU Member States, subject to prior notification and online access.
- E-invoices must be capable of being presented during an audit in a prescribed Hungarian xml or PDF format, however, presentment in PDF isn't possible for xml issued invoices due to audit requirements.
- Electronic archiving can be performed by one of the methods listed in the legislation or by any other method meeting the objectives of the law, among others by storing together with an invoice the results of real-time reporting (invoice hash value and tax authority confirmation).

Reporting

- Since 2018, taxable persons have been required to report invoice data in real-time to the tax authority (NAV) for domestic transactions above a minimum VAT amount. From 1 July 2020, the monetary threshold has been abolished, so that all transactions between domestic taxable persons must be reported to the NAV, regardless of the amount of VAT accounted.
- From 1 January 2021, all domestic invoices must be reported to the NAV, which will then receive data on domestic transactions with final consumers and operations related to intra-community supplies and exports.
- The xml schema for invoice reporting can also be used as an alternative format to satisfy the separate requirement that electronic billing programs be able to export data to the tax authority on demand. As a result, the xml schema allows for the reporting of elements which aren't required under the invoice reporting obligation.
- VAT returns are filed monthly or quarterly and are due on the twentieth of the month after the end of the tax period. The VAT return contains several appendices requiring additional information on transactions such as supplies of new means of transport and metals subject to the domestic reverse charge. Alongside the VAT return taxpayers must also submit a summary report on all domestic purchases for which they're claiming an input tax deduction. For periods prior to July 2020 taxpayers only needed to report purchases with a VAT value of HUF100,000.
- In addition to the above reporting requirements, Hungary has also published draft SAF-T regulations and documents for comments by taxpayers. While it was expected that the new SAF-T would enter into force in early 2021, it's likely this date will be pushed back due to the new invoicing requirements.

EU COUNTRY PROFILES

Ireland

E-invoicing

- An e-invoice must be accepted provided its I&A can be guaranteed from the point of issuance until the end of the storage period. In Ireland this may be achieved for example by means of a business controls-based audit trail linking an invoice and a supply. The tax authority's guidance note clarifies that methods compliant with the previous rules, that is Advanced Electronic Signatures and "proper EDI" with an interchange agreement based on the European Commission 1994 Recommendation, remain accepted methods for e-invoices.
- Ireland transposed the Directive 2014/44/EU into Irish law in June 2019. The legislation is in line and doesn't exceed the scope of the Directive. Ireland officially obtained the status of PEPPOL Authority member in early 2018.
- When using a service provider, a written agreement for the outsourcing of issuance of electronic invoices is required. Such an agreement can be either on paper or in electronic format, no content is prescribed.
- E-invoices may be stored abroad without notification, provided that the tax authority is given online access.

Reporting

- VAT reporting in Ireland is governed by the national VAT law (VAT Consolidation Law). VAT returns are typically filed bi-monthly and can be filed monthly, tri-annually, bi-annually, or annually. The VAT return must be uploaded to the Revenue Online Service in an xml format, which must be encoded using UTF-8.
- In addition to the periodic VAT return, all traders are required to complete an annual Return of Trading Details (RTD) form. This details the total sales and purchases for the year, broken down by VAT rate. This form must be completed at the end of the year.

Italy

E-invoicing

- Italy is the first EU country that has sought and obtained a derogation from the EU Council to make e-invoicing fully mandatory for all types of VAT transactions: B2B, B2G and B2C.
- The e-invoicing mandate entered into force for most domestic invoices on 1 January 2019. The mandate doesn't cover cross- border supplies, but parties to such transactions may agree to issue and receive e-invoices, in which case they're not required to issue a report on cross-border transactions (*Esterometro*, further described below).
- The issuance of an e-invoice is contingent upon the invoice being created in a structured format and transmitted through a state-controlled platform called *Sistema di Interscambio* (SDI), commonly referred to as the Exchange System. Invoices not complying with these requirements are not considered fiscally valid and cannot be used as proof of a VAT supply. A new invoice schema will be enforced as of 1 January 2021.
- Purchase orders from the Italian public healthcare sector must be exchanged through an extension of the SDI platform, known as *Nodo di Smistamento degli Ordini di Acquisto delle Amministrazioni Pubbliche*, which is commonly referred to as the NSO platform. The data exchanged through the NSO platform must be annotated in the e-invoices related to these B2G supplies.
- In the B2B flow, any means for ensuring I&A of electronic invoices are formally accepted in Italy, although there is a strong market preference for Qualified Electronic Signatures. Freedom of choice for meeting this requirement doesn't apply to B2G e-invoices, which must be electronically signed.
- If invoice issuance is outsourced to a service provider, the invoice itself must clearly state (currently as a content requirement or as mandatory field in the FatturaPA xml) that it is issued by the service provider on behalf of the supplier. An explicit outsourcing agreement is required and the content requirements for this agreement are listed in guidelines issued by the tax authority.

- There are several specific requirements for the archive of e-invoices, notably search criteria, a documented description of the archive and the archiving process (*Manuale della Conservazione*), as well as a clear delegation plan setting up the responsibility of the archiving process (Preservation Manager - *Responsabile della Conservazione*). The SDI platform provides a way to meet these archiving obligations, however, taxpayers who wish to maintain or put in place e-invoice archives independent of the state-controlled platform are free to do so. Fiscally relevant documents, including invoices, must undergo a preservation process to maintain their legal validity during the statutory storage period. All invoices stored electronically need to be preserved, which entails hashing and grouping the invoices together in so-called archiving packages that follow a predefined standard. Each archiving package must be signed with a Qualified Electronic Signature and timestamped using a third-party time reference. Using a service provider not established in the EU is prohibited for suppliers that haven't had a clean VAT record for at least five years.
- E-invoices may be stored abroad in other EU Member States as well as in any country with which Italy has signed a mutual tax assistance treaty, subject to prior notification and online access.
- The Agency for Digital Italy (AGID) has introduced new requirements for the creation and storage of electronic documents, to be enforced in June 2021.

Reporting

- VAT reporting is governed by the Italian VAT law and is administered by the Italian Tax Agency (*Agenzia delle Entrate*). VAT returns are filed in respect of calendar quarters (*Comunicazione Liquidazioni Periodiche IVA*), and there is also an annual return (calendar year basis - *Dichiarazione IVA*).
- Since 1 January 2019, all businesses resident for VAT in Italy have been required to file a monthly listing of all cross-border sales and purchases (*Esterometro*). Esterometro must be filed, in xml format, by the last day of the month following that covered by the listing. Esterometro follows a similar schema to the now abolished *Spesometro*, a quarterly or semi-annual declaration of all sales and purchases subject to VAT, the last filing for which was due at the end of February 2019.
- A simplified annual VAT return (*Dichiarazione Iva Modello Base*) is available for businesses that don't fall subject to specified exclusions and meet specified criteria. A summary VAT return (VAT 74-bis) is required to be filed by liquidators of insolvent companies.
- As of 1 January 2021, Italy plans to make available a draft of pre-completed periodical and annual VAT register of outbound and incoming invoices. The project will be introduced on an experimental basis, and the drafts will be based on information extracted from e-invoices exchanged through the SDI, and from the Esterometro report and B2C aggregate daily report (*Scontrino Elettronico*).

Other

- Business carrying out "retail trade and similar activities" are normally not required to issue an invoice, unless requested by the customer; on the other hand, such businesses must register the payments by storing and electronically transmitting sale's data to the Revenue Agency through an electronic recorder (*Registratori Telematici*) or a web procedure made available by the Revenue Agency. This requirement has been introduced in 2020.
- The Electronic Recorder is a cash register with internet connection that electronically prepares and seals the file containing data of the payments received. The equipment transmits an aggregate daily report to the tax authority in a secure manner without human intervention.

EU COUNTRY PROFILES

Latvia

E-invoicing

- An e-invoice must be accepted provided its I&A can be guaranteed from the point of issuance until the end of the storage period. Explicitly mentioned examples of I&A are: Qualified Electronic Signatures, business controls ensuring an audit trail linking an invoice and a supply and "proper EDI" with an interchange agreement based on the European Commission 1994 Recommendation.
- Latvia transposed the Directive 2014/55/EU in April 2019 into national legislation. The legislation is in line with and doesn't exceed the scope of the Directive. There is a central e-government platform available through which e-invoices can be submitted to central authorities or municipalities.
- E-invoices may be stored abroad without notification, provided that the tax authority is given online access.

Reporting

- VAT reporting in Latvia is governed by the national VAT Act (Pievienotās vērtības nodokļa likums). Returns are filed on a monthly or quarterly basis.
- The Latvian VAT return includes an appendix to be filed which contains information about the amount of tax on purchases of goods and services received domestically. This report is meant to capture the amount of input VAT included in the VAT return for the taxable period.

Lithuania

E-invoicing

- An e-invoice must be accepted provided its I&A can be guaranteed from the point of issuance until the end of the storage period. Explicitly mentioned examples of I&A are: Advanced Electronic Signatures, business controls ensuring an audit trail linking an invoice and a supply and "proper EDI" with an interchange agreement based on the European Commission 1994 Recommendation.
- B2G e-invoicing has been mandatory in Lithuania since July 2017 for both public authorities and suppliers and takes place through a centralized government portal. In 2019 Lithuania launched an e-invoicing module for the new national e-invoice standard, which enabled the contracting authorities and entities to receive and process e-invoices from other EU countries that conform to the European Norm. Since then, contracting authorities are obliged to receive and issue only EN compatible e-invoices. The exchange of e-invoices is operated by the government portal *eSaskaita*. Suppliers may send their invoices to the government through any certified PEPPOL Access Point that uses PEPPOL AS4 Profile.
- Regarding outsourcing of e-invoice issuance, service providers to Lithuanian taxable persons not established in an EU Member State must comply with certain additional requirements.
- It's explicitly stated in the legislation that if an invoice is in electronic form, data ensuring its I&A must be stored by electronic means.
- E-invoices may be stored abroad in other EU states as well as in any country with which Lithuania has signed a mutual tax assistance treaty, subject to prior notification and access upon reasonable notice.

Reporting

- VAT reporting in Lithuania is governed by the national VAT Act (*Pridėtinės vertės mokesčio įstatymas*). Returns can be filed on a monthly, quarterly, or semi-annual basis. VAT returns must be submitted electronically via the Electronic Declaration System (EDS).
- Since 1 October 2016, companies and branches of foreign companies are obliged to submit data on VAT invoices issued and received to the Lithuanian tax authority system i.SAF. The data must be submitted in a standard file in xml format, commonly referred to as "the i.SAF file", on a monthly basis. This i.SAF file is part of a larger SAF-T reporting requirement in Lithuania; however, full SAF-T files are only submitted if demanded by the tax authorities.
- Since 1 July 2019, Lithuania permits businesses with sales of less than EUR 300,000 per year to switch to quarterly VAT returns. Previously, such businesses could only file monthly returns.

Luxembourg

E-invoicing

- An e-invoice must be accepted provided its I&A can be guaranteed from the point of issuance until the end of the storage period. Any means for ensuring I&A of e-invoices are accepted in Luxembourg. In line with the official notes to the VAT Law, Luxembourg accepts Advanced Electronic Signatures, "proper EDI" with an interchange agreement based on the European Commission 1994 Recommendation as well as any other means.
- Luxemburg adopted legislation about e-invoicing in public procurement in May 2019, which is line with the Directive 2014/55/EU. E-invoices will continue to be exchanged voluntarily by suppliers to the government and a central PEPPOL access point will continue to be used.
- When using a service provider, a prior outsourcing authorization for the issuance of e-invoices is required, written form is recommended.
- It's explicitly stated in the legislation that for invoices stored in electronic form the I&A evidence must also be stored in electronic form.
- E-invoices may be stored abroad in other EU Member States as well as in any country with which Luxembourg has signed a mutual tax assistance treaty, subject to prior notification and online access.

Reporting

- VAT reporting in Luxembourg is governed by the national VAT Law (*Loi TVA*). VAT returns can be filed on a monthly, quarterly or annual basis dependent on a business's annual turnover. VAT returns can be filed electronically through the platform for the electronic gathering of financial data (*eCDF*). Monthly and quarterly VAT returns must be submitted electronically in PDF or xml format via the platform. Annual VAT returns can be filed either electronically by sending a PDF or xml file or in paper format by sending a paper copy of the VAT return to the competent VAT office.
- The annual VAT return includes a set of appendices where detailed information regarding operational expenditures and asset/stock entries is reported.
- To submit tax returns (including VAT returns) electronically in Luxembourg, taxpayers must ensure that the service provider they use is certified within eCDF. Certification involves validation of an entire range of forms within a specific tax domain (i.e., VAT), in xml format. Sample files containing both test data and data from the actual taxpayer must be submitted and approved before certification is granted.
- Luxembourg implemented SAF-T in 2011. It is known as the *Fichier Audit Informatisé AED* (FAIA). Businesses must, if requested, submit their financial data electronically in a format that is compliant with AED electronic audit file specifications. FAIA contains all data recorded in an accounting system in an xml format and is divided into four sections: Header, Master file, General Ledger Entries and Source Documents.

EU COUNTRY PROFILES

Malta

E-invoicing

- An e-invoice must be accepted provided its I&A can be guaranteed from the point of issuance until the end of the storage period. Means of I&A listed in the legislation as examples are Qualified Electronic Signatures, "proper EDI" with an interchange agreement based on the European Commission 1994 Recommendation and business controls ensuring a reliable audit trail linking an invoice and a supply.
- Malta has transposed the Directive 2014/55/EU into national law. Currently, there is no e-invoicing platform in place. The country is in the process of joining the PEPPOL network. It's agreed to adopt the PEPPOL BIS Billing 3.0 and its Core Invoice Usage Specification (CIUS).
- For invoices stored by electronic means, the Tax Commissioner may require that the data guaranteeing the I&A of e-invoices is also stored by electronic means.
- E-invoices may be stored in other EU Member States provided that the tax authority is given online access.

Reporting

- VAT reporting in Malta is governed by the national VAT Act (*Kapitolu 406 Att dwar it-Taxxa fuq il-Valur Miżjud*). VAT returns are generally submitted quarterly and can be submitted electronically via the VAT Online Services portal.

Netherlands

E-invoicing

- An e-invoice must be accepted provided its I&A can be guaranteed from the point of issuance until the end of the storage period. Explicitly mentioned examples of I&A are business controls-based reliable audit trail linking an invoice and a supply, Qualified Electronic Signatures and "proper EDI" with an interchange agreement based on the European Commission 1994 Recommendation.
- B2G e-invoicing (sending, receiving and processing) has been mandatory since January 2017 for central government agencies and since 18 April 2019 for local government and all other contracting authorities.
- E-invoices may be stored abroad in other EU Member States as well as in any country with which the Netherlands has signed a mutual tax assistance treaty, subject to online access.

Reporting

- Dutch VAT returns are governed by the national VAT Act (*Wet op de omzetbelasting 1968*) and are filed monthly or quarterly. Digital tax returns can be manually filled out in a secure section of the tax authority's website. There's also the option to submit the VAT return, and other financial reports, in Standard Business Reporting language via the government's *Digipoort* channel.
- The Netherlands is one of only three EU countries to apply the maximum possible threshold of EUR 100,000 to distance sales registration.

Poland

E-invoicing

- The Ministry of Finance has indicated there are plans to implement a CTC system, to some extent inspired by the Italian model, in the country during 2021.
- An e-invoice must be accepted provided its I&A can be guaranteed from the point of issuance until the end of the storage period. In Poland this can be done using Qualified Electronic Signatures, "proper EDI" with an interchange agreement based on the European Commission 1994 Recommendation, and business controls ensuring a reliable audit trail linking an invoice and a supply.
- Poland has adopted a legislation about invoicing in public procurement in line with the Directive 2015/44/EU. As of 1 January 2019, a central platform, (*Plaftorma Fakturowania Elektronicznego, PEF*) is used for the exchange of e-invoices between suppliers and the government.
- Registering supply of goods or services subject to mandatory split payment must include a specific statement informing about this circumstance.
- E-invoices may be stored abroad, provided that the tax authority is given online access. The tax authority must always be informed about the place of storage of invoices through a specific form, no matter if the archive is located in Poland or abroad.

Reporting

- Since July 2018, it's mandatory for all taxpayers to submit SAF-T reports with fiscally relevant data to the tax authority. There are seven regulated SAF-T structures in Poland, one of which specifically targets invoice data and needs to be submitted to the tax authority upon request. The delivery methods for the invoice SAF-T file is also regulated; taxpayers can either deliver it on a cd/dvd or in xml format through software connected to the Ministry of Finance. In the latter case the report needs to be signed with a Qualified Electronic Signature.

Other

- Polish taxpayers performing B2C supplies of goods and services must use online cash registers connected to the newly established Central Repository of Cash Registers to register sales.
- New online cash registers have been gradually introduced by the Polish tax authorities, and taxpayers must use the newer version until 2023.
- It was possible to voluntarily use virtual cash registers (through software) from June 2020. This possibility applies to certain transport industries, as defined by the Ordinance 965, 30 May 2020 from the Ministry of Finance.

Deep dive:

As of October 2020, Poland is replacing both its VAT return and its "JPK_VAT" SAF-T file with a single report, called JPK_V7M for monthly filers, and JPK_V7K for quarterly filers. This single report was initially scheduled to be rolled out in April 2020 but has been delayed multiple times due to COVID-19 and pressure from taxpayer interest groups. Once JPK_V7M/K is in force, taxpayers will no longer be able to submit VAT Returns or JPK_VAT reports. JPK_V7M must be submitted by all taxpayers in Poland with an annual turnover equal or greater than EUR 1,200.00. Polish taxpayers with annual turnover of less than EUR 1,200.00 can file quarterly (JPK_V7K).

The structure of JPK_V7M/K is derived from the structure of the two previous reports (VAT Return and JPK_VAT). In addition, taxpayers must provide information related to transactions in sectors that are vulnerable to fraud, or otherwise subject to special tax treatment (e.g. motor fuel, scrap, mobile phones, etc.). This additional requirement may force some taxpayers to reconfigure their ERP systems to extract the relevant information.

Like Poland's other SAF-T modules, JPK_V7M/K must be submitted in xml format and digitally signed by the taxpayer. Submission of JPK_V7M/K can be made through a new transmitter developed by the Ministry of Finance, JPK_WEB Client (in development since September 2020). Penalties for noncompliance are potentially severe: up to PLN500 for each error in a taxpayer's JPK_V7M/K file, if the taxpayer doesn't correct or successfully dispute the error within 14 days.

Conceptually, JPK_V7M is like other periodic filing obligations in Eastern Europe, such as Romania's D-394 report, Hungary's Domestic Recapitulative Statement, the Czech Republic Control Statement, and the Slovak Republic Control Statement. In this respect, JPK_V7M is the continuation of a trend towards greater complexity and granularity in periodic VAT reporting. This trend seems likely to continue as countries aim to shore up their economies during the COVID-19 crisis.

EU COUNTRY PROFILES

Portugal

E-invoicing

- An e-invoice must be accepted provided its I&A can be guaranteed from the point of issuance until the end of the storage period. In Portugal this can be done for example by means of Qualified Electronic Signatures or Seals, and "proper EDI" with an interchange agreement based on the European Commission 1994. Until 31 December 2020, Advanced Electronic Signatures can also be used to ensure I&A.
- A process is ongoing in Portugal to align and consolidate the currently fragmented legislation of e-invoicing, reporting, and archiving. These efforts have started with the publication of the Law-Decree n. 28/2019, but complementary regulations are expected.
- A unique identification number (ATCUD) and QR code for each e-invoice were introduced as a concept in 2019, but only regulated by a Ministerial Ordinance in August 2020. Enforced on 1 January 2021, Portuguese e-invoices must contain a QR code, while the ATCUD will be enforced in 1 January 2022. A validation code obtained from the tax authority is part of the ATCUD.
- There is a general software certification requirement for the billing software that produces the invoice data, be it for a paper or e-invoice. Taxable persons issuing Portuguese invoices and that have an annual turnover above EUR 50,000, use billing software, or are required or have opted to keep organized accounting must issue and receive invoices through certified software.
- Elements of e-invoices must be capable of being presented in the Portuguese SAF-T format.
- E-invoicing is becoming mandatory for B2G transactions, with a progressive implementation, which started in April 2019, to be completed by the end of 2020.
- E-invoices may be stored abroad in other EU Member States, provided the tax authority is given online access. Storage outside the EU is possible if prior approval from the tax authority is obtained. In either case, the storage must always ensure accessibility and legibility, contain integrity controls and backup copy features, among others.

Reporting

- VAT reporting in Portugal is governed by the national tax code and multiple tax authority regulations. The periodic VAT return is filed electronically via software provided by the tax authority, either monthly or quarterly. Businesses with an annual gross income of EUR 650,000 should file monthly. The VAT rates in the Azores and Madeira regions are different from the VAT applied in the mainland; taxpayers use a separate annex in the periodic return to report transactions carried out in these regions.
- In addition to the periodic VAT return, taxpayers must file an annual return that summarizes the transactions carried out during the year. The return, known as IES, contains information related both to VAT and other taxes.
- As to CTC reporting of invoice data, taxable persons (established/domiciled in Portugal and who perform operations subject to VAT in Portugal) must communicate certain elements of the invoices to the local tax authorities in real-time or every month. Real-time communication must be done through web service integration, while monthly communication is done by uploading the SAF-T (PT) file.

Romania

E-invoicing

- An e-invoice must be accepted provided its I&A can be guaranteed from the point of issuance until the end of the storage period. In Romania this can be done for example by means of Qualified Electronic Signatures, "proper EDI" with an interchange agreement based on the European Commission 1994 Recommendation and business controls ensuring a reliable audit trail linking an invoice and a supply.
- Romania has transposed the Directive 2014/55/EU into national legislation in 8 September 2020. Public entities are required to be able to receive and process B2G e-invoices compliant with the European standard.
- It's only permitted to outsource the issuance of e-invoices to service providers established in a country with which Romania has a mutual tax assistance treaty (in place for all EU Member States).
- The tax authority must be notified via registered mail one calendar month prior to outsourcing of e-invoice issuance.
- E-invoices may be stored abroad in other EU Member States as well as in any country with which Romania has a mutual tax assistance treaty, subject to notification and online access.

Reporting

- VAT reporting in Romania is governed by the national Fiscal Code (*Codul Fiscal*). VAT returns can be filed on a monthly, quarterly, bi-annual, or annual basis. Electronic filing of the VAT return is done via a government portal; to facilitate this, the Romanian National Agency for Fiscal Administration (ANAF) accepts the return on a java platform, allowing xml upload, validation, and submission of the form. Copies of the VAT return in PDF format are also available on the ANAF website.
- VAT payers in Romania must also submit a monthly invoice ledger that provides information related to customers and suppliers, the nature of transactions, and invoice range used. Like the VAT return, this form can also be submitted in xml format via import to a java-based form provided by ANAF, with subsequent submission to a government portal. The country has announced plans to introduce a SAF-T transactional report.

Other

- Following a notice from the European Commission, Romania withdrew requirements related to mandatory VAT split payment.

Slovakia

E-invoicing

- An e-invoice must be accepted provided its I&A can be guaranteed from the point of issuance until the end of the storage period. In Slovakia this can be done by means of Qualified Electronic Signatures, "proper EDI" with an interchange agreement based on the European Commission 1994 Recommendation and business controls ensuring a reliable audit trail linking an invoice and a supply.
- Slovakia has transposed the Directive 2014/55/EU into national legislation in August 2019. A centralized platform (*ISA EFA*) is being implemented and planned to be operational by July 2022. Implementation of the Directive will consist of three stages and its scope will be extended at the final stage: Stage 1 - as of 2021, the receipt of e-invoices will be mandatory for the central government via the IS EFA platform; Stage 2 – the mandate will extend to non-central authorities; Stage 3 – the issuance of e-invoices will be mandatory for all contracting entities as well as suppliers to the government.
- E-invoices may be stored abroad without notification, provided that the invoice is made available in Slovakia upon request by the tax authority.

Reporting

- VAT returns in the Slovak Republic are governed by the national VAT Act (*Zakona č. 222/2004 z. z. o Dani Z Pridanej Hodnoty*). VAT returns are filed monthly or quarterly. Electronic filing is possible through a downloadable form-filling program (*eDane*) distributed by the tax authority; this program also accepts import of data in a specified xml format.
- In addition to VAT returns, taxpayers in the Slovak Republic must file the Slovak Control Statement, an invoice ledger for domestic transactions. Taxpayers who don't file VAT returns are exempt from this additional requirement.
- Since 1 July 2019, entrepreneurs who accept cash payments must make use of online cash registers that connect directly to the system of the tax authority; this ambitious *eKasa* program was approved by the Slovak parliament in December 2018.

Slovenia

E-invoicing

- An e-invoice must be accepted provided its I&A can be guaranteed from the point of issuance until the end of the storage period. I&A means listed in the legislation and examples are Qualified Electronic Signatures, "proper EDI" with an interchange agreement based on the European Commission 1994 Recommendation and business controls ensuring a reliable audit trail linking an invoice and a supply.
- B2G e-invoicing is mandatory for all suppliers since 2015, and a central platform *UJP eRačun* must be used. There are several channels through which suppliers can send their e-invoices to the government portal and by using different market solutions, i.e. through web services provided by e-invoicing service providers that connect to the government portal, through Bankart web services provided by banks for e-banking services, and manually through the government web-portal, *UJP eRačun*. Slovenia transposed the Directive 2014/55/EU in July 2019.
- When using a service provider, a written agreement for the outsourced issuance of e-invoices is required, be it in paper or electronic form (no content is prescribed).
- It's explicitly stated in the legislation that the evidence of ensuring I&A must be stored in electronic form.
- E-invoices may be stored abroad, provided that the tax authority is notified and given online access.

Reporting

- VAT reporting in Slovenia is governed by the national VAT Act (*Zakon o davku na dodano vrednost*). VAT returns are filed either monthly or quarterly. Returns are filed electronically through the *eDavki* online system; upload of xml files to eDavki is also possible.

EU COUNTRY PROFILES

Spain

E-invoicing

- From an e-invoicing perspective, Spain is a post audit country but has been an earlier adopter of the CTC method in the European Union with the introduction of mandatory near real-time invoice data reporting.
- An e-invoice must be accepted provided its I&A can be guaranteed from the point of issuance until the end of the storage period. Any means for ensuring I&A of e-invoices are accepted in Spain. Means listed in the legislation as examples are business controls establishing reliable audit trail linking an invoice and supply, "proper EDI" with an interchange agreement based on the European Commission 1994 Recommendation, as well as Qualified Electronic Signatures and "recognized signatures" (an Advanced Electronic Signature based on a qualified certificate without hardware implemented SSCD).
- Any taxable person may submit other technological proposals for ensuring the I&A to the tax authority.
- B2G e-invoicing is mandatory for most taxable persons. Public bodies may allow paper invoicing for transactions not exceeding EUR 5,000. A unified entry portal (*FACe*) handles delivery of the e-invoice to the applicable public body. Invoices must be submitted to the portal in the mandatory format *Facturae*. Since 1 July 2018, subcontractors to suppliers to the public administration must submit invoices in electronic form through the FACeB2B framework when the amount of such invoices exceeds EUR 5,000.
- E-invoices may be stored abroad, provided that the tax authority is notified and given online access.

Reporting

- Certain taxable persons must report invoice data to the tax authority through a platform known as *Suministro Inmediato de Información* (SII) within four business days following the date of issue. Taxable persons not required to report the invoice data may voluntarily adopt the SII framework to submit this report.
- In 2020 the tax administration announced a new version of the SII that will be required from 1 January 2021. This new version will introduce a ledger to record operations related to the sale of goods on consignment.
- Most Spanish taxable persons located in the mainland are required to comply with their periodic VAT reporting obligations monthly or quarterly depending on their turnover. Taxable persons must also file an annual VAT return that summarizes transactions carried out over the year, this obligation is suspended for taxable persons required to comply with the SII.
- Taxable persons exclusively located in the provinces of Alava, Biscay, Guipuscoa or Navarra in Spain, or in the Canary Islands, must file a different periodic VAT return filed with the local tax authority of the corresponding region.
- In 2020 the Spanish tax administration introduced a service to pre-populate the periodic VAT return (*Modelo 303*) using the information that they supplied via the SII. This new service is called Pre303 and is available only for certain taxpayers but will be progressively expanded.

Sweden

E-invoicing

- An e-invoice must be accepted provided its I&A can be guaranteed from the point of issuance until the end of the storage period. Any means for ensuring I&A of e-invoices are accepted in Sweden. The trading partners are free to decide how to meet the requirements.
- It has been mandatory for public government administrations to send and receive e-invoices for several years, however B2G e-invoicing is mandatory also for suppliers to the public administration since 1 April 2019. The law covers all supplies made to the public sector but applies only to new procurement contracts (signed after the date of the law's entry into force).
- E-invoices may be stored abroad in other EU Member States and countries with which Sweden has a mutual tax assistance treaty (e.g. Norway), provided that the tax authority is given online access and is notified. The invoices must be printable in Sweden.

Reporting

- VAT reporting in Sweden is governed by the national VAT Law (*Mervärdesskattelag*). VAT returns are filed monthly, quarterly, or annually, depending on annual turnover. Taxpayers should register and file via the tax authority's e-service (*Moms- och arbetsgivardeklarationer*). If businesses don't file online, they have the option of completing a paper form and sending the return to arrive at the tax authority before the deadline.

E-INVOICING AND VAT REPORTING IN OTHER EUROPEAN COUNTRIES

E-INVOICING AND VAT REPORTING IN OTHER EUROPEAN COUNTRIES

Albania

- As part of its efforts to become an EU member, in January 2020 Albania joined the ranks of EU countries such as Italy, Hungary, Spain and Greece, by introducing CTCs to combat VAT fraud and reduce the size of its grey economy.
- Under the Albanian CTC scheme, called *Fiscalization,* taxpayers must use certified software to transmit e-invoices to a centralized invoicing platform in real-time and must clear their invoices with the tax authority prior to their issuance. The Albanian framework doesn't regulate how invoices are exchanged between the parties, like the tax control introduced in India earlier this year, which can be electronic or in paper form.
- More specifically, the supplier creates the invoice containing the defined mandatory content requirements and a signature based on a certificate issued by the Albanian National Agency for Information Society (NAIS). The tax authority, after clearing the invoice, generates a unique identifying number (NIVF) before returning the invoice to the supplier. The supplier adds the NIVF to the invoice and then issues it to the buyer.
- Data from the invoices sent to the government's central platform will automatically populate the taxpayer's VAT ledgers maintained on the central platform as well as the monthly VAT returns.
- Fiscalization applies to all taxpayers subject to VAT and income tax in Albania, with minor exceptions. It was rolled-out in a phased manner on 1 September 2020 for all cash transactions by taxpayers of certain threshold and will end in July 2021 for all non-cash B2B transactions.
- It introduces reporting requirements for the Albanian payment services providers. They should record and report, daily, payments of e-invoices for non-cash transactions.
- The fiscalization law is in line with the EU VAT Directive and Directive 2014/55 on e-invoicing in public procurement, and consequently brings the Albanian law in line with the EU approach to e-invoicing.

Andorra

- In Andorra, the Indirect General Tax which corresponds to VAT, was introduced in 2012. E-invoicing is regulated and has been allowed since then.
- The issuance of e-invoices is voluntary, but buyer's consent is required.
- On 8 May 2019, Andorra published the Decree which modifies the Regulation on the obligations of invoicing. This decree requires I&A of the invoice to be guaranteed. I&A of e-invoices can be ensured by any means chosen by the taxable person. Qualified Electronic Signatures are listed as an example.
- The obligation to keep invoices by electronic means can be fulfilled through a third party.
- Even though Andorra is not an EU Member State, it aligns with the Directive 2014/55/EU. In terms of B2G, all providers that have delivered goods or rendered services to the government can issue and send e-invoices.
- E-invoices may be stored abroad without notification, provided the tax authority is given access without undue delay upon request.

Belarus

- Electronic VAT invoices have been mandatory for most transactions since 1 July 2016. VAT deduction will only be allowed when compliant e-invoices are issued and sent to the government portal.
- Electronic VAT invoices may be created either via a portal of the Ministry of Taxes and Duties or uploaded there through web applications. In the case of uploading invoices, they must be in xml format and signed with a digital signature.

Bosnia and Herzegovina

E-invoicing

- I&A of invoices can be ensured by any means chosen by the taxable person taxpayer. Electronic signatures are listed as an example.
- E-invoice software has been specifically regulated since 2013.
- E-invoices may be stored abroad, subject to online access and prior authorization from the tax authority.

Other

- A system for the electronic submission of accounting records of procurement and deliveries is live since 2020 on a voluntary basis. The system is expected to become mandatory in 2021.

Kosovo

- The VAT Law allows taxpayers to issue and store invoices in electronic form, subject to prior approval by the tax authority.
- I&A of e-invoices can be ensured by means of Advanced Electronic Signatures or Qualified Electronic Signatures, EDI with proper controls in place, or other electronic means adopted by the government or accepted by the buyer.
- Outsourcing of e-invoice issuance and storage to a service provider is allowed.
- Certificates issued by a foreign certification authority are considered equal to local certificates, provided that the foreign certification authority is accredited in an EU Member State, or if the foreign certificates are guaranteed by an EU certification authority.

Liechtenstein

E-invoicing

- Parallel to the EU, e-invoicing in Liechtenstein is subject to buyer's consent.
- Any means for ensuring I&A of e-invoices are accepted. As the eIDAS Regulation is applicable in Liechtenstein an electronic signature can be used which may be based on a certificate issued by a certification authority established in an EU country. In certain cases, local practices and other considerations may recommend the use of a locally accredited certification authority.
- Outsourcing of invoice issuance is possible. An explicit outsourcing agreement is recommended based on common practice, although it's not a requirement by law.
- E-invoices may be stored abroad without notification, provided that the invoice remains readable, that the tax authority is given online access and that tax evaluation remains possible.

Reporting

- In general, the VAT law of Liechtenstein is based on and almost equal to the Swiss law, however the country has an autonomous enactment of the Swiss law. In many areas Liechtenstein hasn't adopted all detailed provisions of Swiss law, but the Liechtenstein tax authority bases its practice on the detailed provisions of Swiss law.
- VAT liabilities (excluding import VAT) of taxpayers domiciled in Liechtenstein are remitted to the Liechtenstein tax authority. However, as Liechtenstein is considered part of the Swiss VAT territory, VAT on transactions involving Liechtenstein by other taxpayers is owed to the Swiss authorities.

Moldova

- E-invoicing is run through the state-owned e-invoicing system e-Factura, which requires registration. When only the supplier is registered, or when a registered buyer hasn't consented to e-invoicing, the supplier may still use the e-Factura system for filling in, digitally signing, registering, and printing the invoice.
- E-invoices must be signed with electronic signatures; the underlying certificates are managed and issued by the state-owned Certification Center and the Special Telecommunications Center. Presently, the Certification Center is the main entity issuing all types of digital certificates.
- The mandatory use of e-invoices in the field of public procurement is governed by local tax legislation. The requirement was initially planned to be effective in July 2020; however, has been postponed to January 2021.
- The issued e-invoices are stored in the e-Factura system.

Monaco

- Any means for ensuring I&A of e-invoices are accepted in Monaco.
- When using a service provider, an explicit written authorization, *mandat*, for outsourced issuance of invoices is required, with specific content requirements.
- E-invoices may be stored abroad in EU Member States as well as in any country with which Monaco has a mutual tax assistance treaty, provided that the tax authority is given online access and is notified. There are content requirements for such notification and each time the place of storage is changed the tax authority must be notified one month in advance.

Montenegro

- The VAT law allows taxpayers to send and receive invoices in "non-material" form, subject to prior approval by the tax authority.
- The integrity, authenticity, availability and readability of the e-invoice is required throughout its whole lifespan. This can be achieved by means of Qualified Electronic Signatures. No specific system/portal/software is prescribed by the law.
- Outsourcing of e-invoice issuance and storage to a service provider is allowed.
- Qualified certificates issued by a certification authority established in an EU Member State have the same legal effect as local qualified certificates.

E-INVOICING AND VAT REPORTING IN OTHER EUROPEAN COUNTRIES

North Macedonia

- E-invoicing is permitted subject to the buyer's explicit consent and the I&A of the e-invoice being ensured by means of a Qualified Electronic Signature – a signature based on a certificate issued by a locally accredited certification authority or by a certification authority established in a EU country.
- E-invoices, together with data proving their I&A, must be stored locally. E-invoices must be stored in their original form in which they've been issued or received.
- Whereas delegation for secondary legislation is included in the law on VAT, further rules on e-invoicing are currently being developed by the Ministry of Finance.

Norway

E-invoicing

- I&A of invoices may be ensured by any means chosen by the taxable person; no examples are mentioned in the legislation.
- B2G e-invoicing is in practice mandatory.
- Accounting documentation, including invoices, should be kept in a way that ensures protection against unlawful change or loss. Documentation can be presented to a state authority during the full storage period in a form that allows for subsequent control, as well as being printable.
- E-invoices may be stored abroad in any Nordic country provided that the tax authority has been notified and the invoice is accessible from Norway. Storage in other European Economic Area countries is possible in certain cases if prior authorization has been obtained from the tax authorities.

Reporting

- VAT reporting in Norway is governed by the national VAT Act (*Lov om merverdiavgift*) and reports are submitted bi-monthly or annually.
- Mandatory SAF-T reporting was introduced in Norway in January 2020. The requirement applies to any enterprise with bookkeeping obligations who use electronic accounting systems. Enterprises with less than NOK5 million in turnover are exempt from the requirement. However, if they have bookkeeping information available electronically, the requirement will apply. Enterprises with a bookkeeping obligation who have fewer than 600 vouchers a year and hold their accounts in a text editor or spreadsheet program aren't included in the requirement because these systems are counted as manual solutions and not an electronic accounting system. SAF-T won't replace the VAT return in Norway. The Norwegian SAF-T is an on-demand file.
- From 1 April 2020, foreign sellers and intermediaries with a total turnover in Norway exceeding NOK50,000 will be liable to pay Norwegian VAT when selling low value goods to consumers in Norway. This simplified scheme is called VOEC (VAT on e-commerce) Scheme and is an extension of the previous simplification scheme on electronic services (VOES). This new simplification has many parallels to the EU 2021 e-commerce changes. Norway's version of the scheme requires foreign sellers and electronic interfaces to pay Norwegian VAT when selling small consignments to Norwegian consumers.

Russia

- E-invoices must be issued in a regulated xml schema/format called Universal Transfer Document (UTD) and be digitally signed; the signing operation must be performed in Russia.
- Electronic signatures should be based on a qualified certificate that is provided by an authorized Russian certification authority and a necessary crypto software provided by an authorized software provider.
- E-invoices and confirmations of receipt must be issued and exchanged between the issuer and the recipient via one of the accredited Electronic Document Exchange Operators (EDEO). Electronic Consignment Document (ECD) for goods and services must be issued in the UTD format and be presented in case of an audit. Such documents may be processed through EDEO or directly exchanged between the parties. A new form of Operator has been introduced; Trusted Third Parties will verify signing certificates and the validity of digital signatures along with other tasks.
- Interoperability between EDEOs is regulated. Starting from 2020, all authorized EDEOs are obliged to verify all electronic signatures which are authorized by other EDEOs. In other words, electronic VAT invoices can be signed and verified using different EDEOs.
- All entities under the standard system of taxation must use special cash register equipment for the creation, recording and storage of fiscal data. The cash registers must be able to report in real-time each B2C transaction to the tax authority via the Fiscal Data Operator. As required by legislation, each receipt generated by online cash registers must have a QR code that enables customers to verify the transaction by comparing it to the information maintained by the tax administration.

Serbia

- A new Accounting Law was published in the Official Gazette on 11 October 2019. According to recently enacted legislation, invoices must be prepared and submitted to legal entities and entrepreneurs in electronic form. Their I&A must be guaranteed by signature or other identification mark. The new e-invoicing requirements are set to come into force on 1 January 2022.
- To date, I&A of invoices shall be ensured, and electronic signatures may be used for this purpose.
- E-invoices can be stored abroad, if data protection requirements allow and compliance with these requirements is ensured.

Switzerland

E-invoicing

- Switzerland permits freedom of evidence for ensuring I&A of the invoice. Digital signatures, as defined in the Swiss Federal Act on Electronic Signatures (*ZertES*) , can be used as a method of ensuring the I&A of the invoice. Contrary to eIDAS – which applies to EU Member States, the Swiss ZertES has regulated the concept of an Advanced Electronic Signature/Seal – i.e. not a Qualified Electronic Signature/Seal – which nevertheless requires a hardware signature creation device, usually a smart card, to ensure the I&A of the invoice. Certificates may only be issued by approved certification authorities.
- Third party e-invoice issuers must be registered in the Swiss company registry.
- When using a service provider, both for the outsourcing of invoice issuance and for certain receipt functions (in particular signature validation), it's required to put in place an explicit outsourcing agreement. Sector-specific content requirements may apply to such an outsourcing agreement.
- Systematic validation of the signature is only required in cases where the processing of invoices at the receiving side is done automatically. In other cases, random tests may be enough. The process/approach of the validation and the results must be documented.
- E-invoices may be stored abroad without notification, provided that the invoice remains readable, that the tax authority is given online access and that tax evaluation remains possible.
- B2G e-invoicing is mandatory for all transactions where the buyer is a Swiss federal administration body and where the transaction originates from a contract where the value meets or exceeds CHF5,000.
- A new payment bill, the QR bill, launched on 30 June 2020 replaces the existing multiplicity of payment bills in Switzerland on a gradual basis. The QR-bill includes a digitally readable code holding all necessary payment information and can be processed by multiple payment channels, such as mobile banking. It aims to achieve payment efficiency and reliability of the information included in the bill. It will affect all companies, public institutions and non-profit organizations as well as all private individuals. Until it becomes mandatory, the issuance, processing and receipt of QR-bills is optional and used in parallel with the other seven payment slips during the transitionary period.

Reporting

- VAT reporting in Switzerland is prescribed under the Federal Act of 12 June 2009 on Value Added Tax (as amended) and the Ordinance on Value Added Tax. Standard VAT taxpayers are required to submit quarterly VAT returns. Switzerland has special requirements around the VAT liability of foreign companies providing electronic services or low value consignments to Swiss consumers.
- Domestic companies are liable to report their global turnover on their Swiss VAT returns, while other taxpayers need only report their Swiss turnover.

E-INVOICING AND VAT REPORTING IN OTHER EUROPEAN COUNTRIES

Turkey

E-invoicing

- E-invoicing is mandatory in Turkey for certain sectors and under certain conditions and the Revenue Administration of the Ministry of Finance (TRA) is continuously expanding the scope of mandatory e-invoicing.
- In Turkey there are two types of e-invoices, e-Fatura and e-Arşiv. It's mandatory to issue e-invoices and send them through the e-Fatura application when both trading parties are registered with the electronic invoicing application of the TRA. If the buyer isn't registered with the e-invoice application, then the e-Arşiv invoice should be sent to these taxpayers. The invoice can subsequently be distributed in electronic form provided that the buyer has consented to e-invoicing. Use of the e-Arşiv application is mandatory for taxpayers depending on the sector they operate in and over a certain minimum gross sales revenue.
- Export e-invoices cleared by the Ministry of Customs and Trade for cross-border transactions must be issued.
- E-invoices issued by companies must be signed with an "e-seal", which is a digital certificate issued by a state-approved certification authority. E-invoices issued by private individuals must be signed with a Qualified Electronic Signature. Invoices must be submitted in the mandatory UBL-TR format.
- There are three methods that may be used for issuing and storing e-invoices under the electronic invoicing application: 1) by using the official portal of the Directorate of Revenue Administration of the Ministry of Finance (available for e-Fatura and e-Arşiv); 2) by establishing a qualified and compatible software system on the company's own servers which is integrated with the Directorate of Revenue Administration of the Ministry of Finance's clearance system; or 3) by using an accredited service provider that is integrated with such system.

Other

- A Communique on the purpose of associating all General Communiques concerning Electronic Document Applications (Communique) was published on 19 October 2019. It sets rules related to e-document compliance. An interesting observation is that the number of e-documents used in the country has increased and the TRA continues to introduce new electronic document types. In line with its strategy, the TRA has also published a draft Communique expanding the scope of the General Communique.
- Service providers must be registered as taxable persons in Turkey and obtain special integration permissions from the TRA to exchange or archive e-invoices or other e-documents on behalf of other taxpayers.
- E-waybills are mandatory since 1 July 2020 for taxpayers over a certain minimum gross sales revenue and conducting sales in some specific sectors. Dispatched goods must be accompanied by the submitted e-delivery note.
- E-ledgers are another type of electronic file that are mandatory for certain taxpayers and rules related to e-ledgers are regulated in the General Communique on e-ledgers published in October 2019.
- Since 2018, fiscal information regarding daily end Z-reports obtained from cash registers (except for users of cash registers with mobile EFT-POS features) should be submitted daily to the TRA through Trusted Service Manager Centres.

Ukraine

- E-invoicing is mandatory in Ukraine.
- An invoice must be signed with an electronic signature of the supplier's authorized representative, and, where available, with an electronic seal of the supplier. These are based on advanced certificates issued by accredited certification authorities.
- The required e-invoice format is xml.
- An e-invoice must be registered in the Unified Register of Tax Invoices (URTI) that is maintained by the tax authority, and that provides the basis for recognition of input VAT.
- To be able to register the invoice in URTI, the supplier needs to sign up for electronic document exchange with the tax authority and use special software for submitting the e-invoice to the tax authority for verification and registration in URTI and for subsequently sending the e-invoice to the buyer.
- Outsourcing of signing the e-invoice is permitted to a person authorized by the supplier by virtue of a notarized power of attorney.

United Kingdom

E-invoicing

- Since 31 January 2020, the UK is no longer part of the EU and is considered a third country to the Union. Nevertheless, EU legislation will still apply to the country until the end of 2020. EU VAT legislation will remain applicable to the supply of goods to and from Northern Ireland also after 1 January 2021. The EU Commission has proposed an amendment to the VAT Directive creating a new country code to be used in tax identification numbers of companies in Northern Ireland.
- An e-invoice must be accepted provided its I&A can be guaranteed from the point of issuance until the end of the storage period. Examples of I&A methods are listed in the UK tax authority's (HMRC) Public Notice on Electronic Invoicing and include: Advanced Electronic Signatures, Qualified Electronic Signatures, "proper EDI" with an interchange agreement based on the European Commission 1994 Recommendation and business controls which create a reliable audit trail between an invoice and a supply of goods or services. HMRC is also prepared to accept other methods providing the taxable person imposes a satisfactory level of control over the I&A of the invoice data. Transport and access security or equivalent process controls are mentioned in relation to this.
- The UK has transposed the Directive 2014/55/EU into national legislation. According to two public notes released by the Cabinet Office and the Crown Commercial Service, the Directive will still apply to the UK after Brexit, knowing that the Withdrawal Agreement and a transition period are agreed.
- E-invoices may be stored abroad in EU Member States and in third countries which respect the European Data Protection principles regarding the storage of personal data. Online access recommended; access within reasonable time, at a place mutually agreed with the auditor, is required.
- Parallel electronic and paper flows are only allowed for a defined testing period and with prior approval from HMRC.

Reporting

- Since April 2019, businesses operating above the threshold for compulsory VAT registration are required to keep their records digitally and transmit periodic VAT returns to HMRC using MTD (Making Tax Digital)-compatible software; the software connects to HMRC's MTD interface via API, with VAT returns submitted as a JSON file. This has replaced the previous secure web portal.
- Taxable persons trading below the VAT registration threshold can still join MTD voluntarily or continue to use the portal instead.

Deep dive:

As of 2021 April, MTD filers using multiple software platforms to prepare VAT returns must ensure there are "digital links" between each platform. In addition, the final submission must be via a digital API link to HMRC's platform. In practice, this means that transferring data between software platforms as part of digital record keeping must be done digitally; manual "copy and pasting" of data isn't sufficient to maintain a digital link.

Currently, MTD applies only to VAT-registered businesses with annual taxable turnover above GBP85,000. HMRC plans to expand MTD to all VAT-registered businesses, regardless of turnover, from 1 April 2022. This aligns with HMRC's stated goal of a consistent approach to tax filing.

The UK formally withdrew from the EU on 31 January 2020 entering a transition period until 31 December 2020, during which EU law continues to apply in the UK. At the end of the transition period, if no new arrangement is reached, the UK will no longer be part of the EU VAT territory, and trading between the UK and the EU will be governed by World Trade Organisation rules. There are ongoing negotiations between the parties to reach a new agreement, but at time of writing the possibility of a "no-deal" Brexit is very real.

A no-deal Brexit would have major implications for Northern Ireland in particular, as the issue of the Irish border is highly contentious. At the time of writing, the EU and UK have tentatively agreed to a protocol under which Northern Ireland would continue to enforce EU customs' rules and product standards in the event of a no-deal Brexit. This would remove the need for a customs border between Ireland and Northern Ireland. Because of the potential difference in VAT regimes between Northern Ireland and the rest of the UK, it's likely (though not certain) that businesses trading in Northern Ireland post-Brexit will face new administrative obligations related to VAT record-keeping and filing.

E-INVOICING AND REPORTING IN NORTH AMERICA

E-INVOICING AND REPORTING IN NORTH AMERICA

In the past, Canada and the US have, together with other common law countries, stood out in international comparisons by providing little regulation in the field of e-invoicing and by typically placing – in the rules and frameworks that do exist – the emphasis on solid record retention practices instead of on the invoice creation process.

As the trend globally has gone in the diametrically opposite direction, with legislators and local tax authorities rethinking the invoice creation process completely through the introduction of technologically sophisticated CTC platforms, North America doesn't seem intent on following suit, but at best only tagging along. In recent years, however, the collaboration between tax authorities in the Americas has been increasing, notably with the sharing of financial and fiscal data. To combat tax evasion and tax fraud, the Mexican tax authority (SAT) has implemented an extension to the standardized Mexican e-invoice format to be used in export transactions from Mexico to the US and Canada. By adding an attachment to the cleared Mexican invoice, the so-called "*export complemento*,", the SAT will know who the US or Canadian buyer is, and the US or Canadian tax authority will know with 100% certainty who the Mexican supplier is, simply because the export complemento has been cleared by the SAT. However, apart from this initiative, no further plans to move towards clearance e-invoicing or real-time reporting of fiscal data have been entertained yet. Instead, current state legislative initiatives on a US state level have been focused on marketplace facilitator liability, which now applies mostly everywhere in the country.

Canada

- E-invoicing in Canada is generally permitted, but there are no explicit requirements in the Canadian law. The Canada Revenue Agency (CRA) has issued a series of circulars on electronic transactions and records for income tax purposes. These rules also apply to e-invoices.
- The relevant processes prior to storage must ensure adequate controls to safeguard the accuracy, security and integrity of the data processed and kept in the system.
- Audit trails must be available during the storage period, including electronic signatures and results from other security measures for the end-to-end process.
- Records should be kept in a manner that ensures accessibility, security, accuracy, integrity, authenticity and reliability. Records should be based on non-proprietary, commonly used data interchange standards and readable with CRA audit software.
- Documentation describing the relevant operating and business systems, including how transactions are processed and records kept and managed, must be available.
- Back-up records are always to be maintained. It's considered good practice to keep back-ups at a location other than the business location for security and precautionary purposes. Storage abroad is permitted only after derogation from the CRA.

E-INVOICING AND REPORTING IN NORTH AMERICA

United States of America

- The sales tax levied in the US operates differently from VAT in that invoices between businesses are not taxed. Instead, the end of the production chain – the final transaction with the consumer – is subject to a tax rate that is often composed of percentages imposed by state, city, county and other administrative bodies. Enforcement of this tax does not revolve around B2B invoices, which explains why the level of requirements for e-invoicing between companies in the US is lower than that in countries with VAT.
- The US approach to tax recognition of electronic business documents places less emphasis on the transaction and more on record retention. The Internal Revenue Service (IRS) published explicit federal requirements for taxpayers that only keep records in electronic format. In addition to the requirements for companies to define an inspection and quality assurance program evidenced by regular evaluations, specific requirements apply for the archive.
- Another area of US regulation that affects e-invoicing is the Sarbanes-Oxley Act (SOX), which, in general, requires companies to ensure high levels of control. The security of important business information is a key enabler of such controls, and electronic signatures are among the techniques that can be used to facilitate SOX audits.
- The basic electronic commerce and electronic signature rules in the US to a large extent follow from the E-Signature Act (Electronic Signatures in Global and National Commerce Act, 2000) and UETA (Uniform Electronic Transactions Act, 1999). Neither of these instruments is technology specific.
- The Business Payments Coalition (BPC) is coordinating an initiative with industry stakeholders to assess and provide requirements and recommendations for an e-invoice interoperability framework for the US market. The e-invoice interoperability framework would consist of a set of policies, standards, and guidelines that enables the exchange of e-invoices, independent of the systems used by the parties to a transaction.
- The Office of Management and Budget (OMB) has directed federal agencies to adopt e-invoicing for B2G procurement by the end of fiscal year 2018. Federal agencies can either migrate to a designated Federal Shared Service Provider (FSSP) or use an e-invoicing solution approved by the OMB.

E-INVOICING AND REPORTING IN LATIN AMERICA (MEXICO, CENTRAL AMERICA AND SOUTH AMERICA)

E-INVOICING AND REPORTING IN LATIN AMERICA (MEXICO, CENTRAL AMERICA AND SOUTH AMERICA)

The governments of Latin American countries were among the first in the world to adopt ambitious programs toward maximizing the benefits of e-invoicing.

Unlike the EU and other regions where the emphasis has been on transposing time-honoured paper-based process and compliance concepts to the electronic environment, Latin America has not hesitated to leapfrog such methods and put in place entirely new control infrastructures made mandatory by regulations:

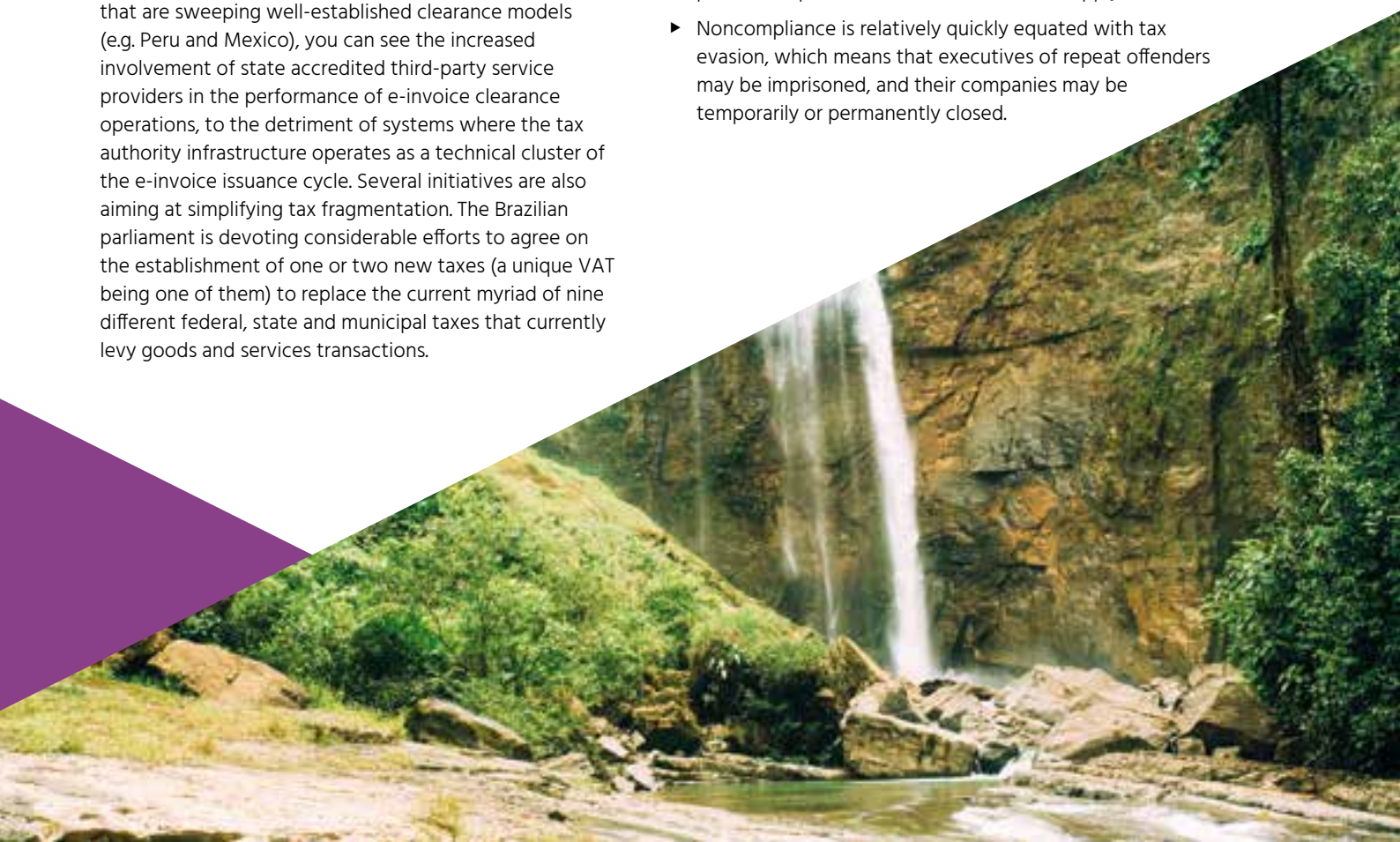
- The control infrastructures that were put in place generally revolve around the concept of clearance of invoices with the tax authority or agents accredited by the tax authority.
- Regulation has made, or is making, the use of e-invoicing mandatory in many countries in the region.

Over the last 15-20 years, the countries that pioneered e-invoicing systems in the region have been able to bring most taxpayers into their controlled tax enforcement networks. They're now focusing on enhancing the management and technical reliability of their systems. Among the common elements of the wave of tax reforms that are sweeping well-established clearance models (e.g. Peru and Mexico), you can see the increased involvement of state accredited third-party service providers in the performance of e-invoice clearance operations, to the detriment of systems where the tax authority infrastructure operates as a technical cluster of the e-invoice issuance cycle. Several initiatives are also aiming at simplifying tax fragmentation. The Brazilian parliament is devoting considerable efforts to agree on the establishment of one or two new taxes (a unique VAT being one of them) to replace the current myriad of nine different federal, state and municipal taxes that currently levy goods and services transactions.

Noncompliance is not an option

In countries where tax audits often take place many years after the occurrence of a transaction, companies may sometimes get away with a lack of formal invoice compliance if, for example, the audit focuses on other aspects of their financial administration. This is different in Latin America, where e-invoicing compliance consists of following unambiguous technical specifications and adoption deadlines. In such circumstances, compliance becomes a rather binary proposition: an invoice is either issued or received in conformity with the rules, or it's not. The consequences of issuing or receiving non-compliant invoices are therefore also, in many cases, much more direct and tougher than in other regions. For example:

- Administrative penalties for noncompliance can in certain cases exceed the transaction value. In Brazil, for example, noncompliance with certain rules can be penalized up to 150% of the value of the supply.
- Noncompliance is relatively quickly equated with tax evasion, which means that executives of repeat offenders may be imprisoned, and their companies may be temporarily or permanently closed.



Argentina

E-invoicing

- The tax authority (AFIP) has promoted e-invoicing for more than a decade already, gradually making it mandatory to issue e-invoices since 2015, and the scope of the requirement is now covering most taxable persons. During 2018, AFIP reorganized the legislation to clarify and unify the mandate into one single instrument.
- From 2019, the use of electronic credit invoices (FCE) for SMEs has been implemented in a phased manner based on the economic activity under which they're registered.
- The system is clearance based, whereby an authorization code (CAE) must be obtained from the tax authority before the invoice can be delivered to the buyer.
- Taxable persons must use a digital certificate for authentication toward AFIP's web service to request the issuance authorization code, which must be delivered with the e-invoice to the buyer.
- The transmission of the invoice for requesting the CAE to the AFIP should always be made in xml format.
- An invoice will be delivered to the client in any format if it complies with the legal content requirements, contains the CAE and is sequentially numbered.
- Validation of the e-invoices by recipients is mandatory and can be done through the AFIP website or by web service integration.

Other

- In 2020 the AFIP adopted a new digital VAT ledger intended to allow taxpayers to supply information about their sales and purchases, submit their VAT returns, and process the corresponding payment. The implementation of this new ledger is being deployed in stages that include groups of taxpayers according to the annual gross revenues they had in previous years.
- Any transport or transfer of goods must be supported by corresponding documentation; either the invoice or alternatively a paper document called *"Remito"* must accompany the goods.
- Argentinean provinces apply a local tax known as Gross Revenues Tax (*Impuesto a los Ingresos Brutos or IIBB*) that is usually applied along with the federal level VAT. The tax is administered and collected by the provinces of the country plus the federal district (24 jurisdictions). There are additional collection, reporting and invoicing requirements related to these taxes.

Barbados

- E-invoicing is permitted but not explicitly regulated in the VAT law.
- Under the Electronic Transaction Act, it's implicitly required to ensure the I&A of an electronic document, such as an invoice. This can be achieved by means of an electronic signature.
- VAT records must be stored locally in Barbados.

Bolivia

- Since 2007, it's permitted for taxable persons to issue e-invoices on a voluntary basis according to the framework of the virtual invoicing system (SFV) under the supervision of the Bolivian tax authority.
- As of 2016, certain taxable persons are obligated to issue e-invoices.
- In 2020, the Bolivian tax authority introduced a new category of online invoices to the virtual invoicing system. Under this system all taxable persons can enrol on a voluntary basis as this system revokes the mandatory enrolment schedule previously established. This system might become mandatory in 2021, however no official schedule of implementation has been published yet.
- Under the new framework the issuer will generate an e-invoice in the required xml format with an e-signature. The e-invoice is validated and registered in real-time. The issuer must request a unique daily invoicing code (CUFD), which enables it to issue invoices for a period of 24 hours.

E-INVOICING AND REPORTING IN LATIN AMERICA (MEXICO, CENTRAL AMERICA AND SOUTH AMERICA)

Brazil

E-invoicing

- E-invoicing is mandatory (although exceptions exist).
- The VAT system is complex; a simplification of the current tax system is being held within a working group in the Parliament.
- There are different invoice types and rules for state (NFe, NFCe, CTe, NF3e, among others) and municipality (NFSe) invoices.
- State invoices, such as NFe, NFCe, NF3e, and CTe, must be electronically signed; the certificates used for signing must be obtained by a government-accredited certification authority.
- The signed invoice is sent to the geographically competent tax office interface, which performs validation and returns a usage authorization, upon which the invoice can be sent to the recipient.
- Taxable persons may issue other supplementary or auxiliary documents, depending on the supply or the characteristics of the supplier, e.g. DANFE, a simplified graphical representation of an NFe; the Recipient's Statement (Pt: *Manifestação do Destinatário*), which registers the buyer's reaction to the operation described in the invoice; the Proof of Delivery (Pt.: *Comprovante de Entrega or Canhoto Eletrônico)*, which registers information or evidence of the delivery of goods; and the Electronic Manifest of Fiscal Documents – MDFe (Pt: *Manifesto Eletrônico de Documentos Fiscais*), which contains an inventory of the fiscal documents involved in a shipment.
- NFSe (service invoices) are used to account for municipal services tax (ISS). Consequently, NFSe invoices are defined and regulated by each municipal system, meaning there are as many frameworks as municipalities in the country. There is an attempt to harmonize all frameworks driven by the Brazilian State Capital Municipalities Association (Pt: *Associação Brasileira das Secretarias de Finanças das Capitais -Abrasf*). Nevertheless, since municipalities may adopt Abrasf's standards voluntarily and partially, fragmentation remains. In general, municipal systems require taxpayers using web service integration to issue a provisional service invoice (RPS) that will be converted into NFSe once cleared by the municipal system.
- Technical outsourcing of the issuance of e-invoices is generally allowed.
- Taxable persons must store all fiscal documents.
- Storage abroad is not regulated but is generally allowed.

Reporting

- Brazil's tax reporting system is, much like its e-invoicing system, sophisticated. It's anchored and coordinated from what is known as the Public Digital Bookkeeping System (*Sistema Público de Escrituração Digital* or SPED). This system has several modules that define Brazilian taxpayers' reporting and invoicing obligations.
- Technical requirements around Brazilian reporting and bookkeeping obligations are generally uniform across the country. However, state authorities can make minor customizations.

Deep dive:

While Brazil has been successful in replacing paper invoices with e-invoices exchanged through clearance platforms since 2005, the country is widely viewed as perhaps the most complex tax jurisdiction in the world. Although there are plans to simplify and harmonize the tax system over its federative organization, Brazil still charges its taxpayers at least five indirect taxes levied on consumption. Among these taxes, the ICMS[1] and the ISSQN[2] are the most common charged on supplies of goods and services. The ICMS is a VAT-like tax imposed over supplies of goods by each of the 26 States and the Federal District. It's documented in an e-invoice called Nota Fiscal Eletrônica (NFe) which is highly harmonized among the States. On the other hand, the supplies of services are generally taxed with the municipal services tax (ISS or ISSQN), which is imposed by nearly 5,500 municipalities. Each of the municipalities is free to create its own invoicing framework and regulation around the collection of the services tax.

The complexity of the tax structure across the country brings compliance challenges as different electronic fiscal documents require different accreditation procedures and technical solutions. In Brazil, compliance depends on many factors, such as the type of supply (e.g. supply of goods or services), characteristics of the supplier (e.g. electricity suppliers, retailers, transport companies etc.) and of the buyer (e.g. business, end-customer, small company etc), origin and destiny of the supply, among others. It's also not uncommon that supplies require more than just one document to be issued along with the invoice (e.g. the auxiliary document attached to the goods during transport – DANFE, and several registers of circumstances around the supply, such as the Recipient's Statement and the Proof of Delivery). On top of transactional obligations, taxpayers must keep online books, and general and tax-specific ledgers, such as ECD and EFD – not to mention complex tax determination rules.

All in all, the coexistence of different legislative competences, fiscal documents, and technical and bureaucratic processes result in a monster that is hard to beat. For this very reason, the Brazilian parliament is discussing alternatives to simplify the tax system. The main proposals aim to either unify taxes or legislative competences, making it easier for taxpayers to follow the rapid-changing pace in tax legislation and to finally comply with it.

Apart from the labyrinth that constitutes the Brazilian tax system, the issuance and destination of e-invoices generally follow a similar path. In a nutshell, taxpayers must ask for authorization before starting to issue e-invoices. Then, a specific electronically signed xml document is sent by or on behalf of the supplier to the tax authority, which clears and authorizes the issuance of the invoice. Upon receipt of the document, the buyer confirms the I&A of the document, validates the authorization protocol with the tax authority, and may use the invoice as a regular fiscal document. Both parties to a transaction are required to store the e-invoices for a period prescribed by law.

[1] Pt: imposto sobre operações relativas à circulação de mercadorias e sobre prestações de serviços de transporte interestadual, intermunicipal e de comunicação; En: tax on the circulation of goods, interstate and intercity transportation and communication services.

[2] Pt: Imposto Sobre serviços de Qualquer Natureza; En: Sales tax on services of any nature.

E-INVOICING AND REPORTING IN LATIN AMERICA (MEXICO, CENTRAL AMERICA AND SOUTH AMERICA)

Chile

E-invoicing

- Chile has a mandatory clearance e-invoicing system which has been gradually introduced over a five-year period.
- Since September 2019, it's not mandatory for the issuers of Electronic Tax Documents (DTE) to submit a graphic representation of the e-invoices to the buyers that aren't issuers or recipients of e-invoices.
- E-invoices must be issued in xml format and digitally signed prior to clearance by the tax authority (SII).
- Electronic signatures must be based on certificates issued by locally accredited certification authorities.
- In 2020 Chile's e-invoicing system expanded requiring the electronic issuance of dispatch documents only in electronic format authorized and validated by the tax administration. Previously, the dispatch guides were allowed in paper format.
- Taxpayers buying goods must report the acceptance or rejection of the invoice or the goods to the tax authority within eight days, starting from the moment of receipt of the invoice for clearance by the tax authority. From 1 January 2021, it will be mandatory to issue electronic tickets for B2C transactions for all taxable persons required to issue e-invoices in Chile, and from 1 March 2021 for all other taxpayers.

Reporting

- Taxable persons issuing e-invoices must also keep records in electronic form and report monthly invoice data to the SII.

Colombia

E-invoicing

- E-invoicing has been mandatory for all taxable persons since January 2019.
- During 2020, Colombia has introduced mandatory real-time validation or clearance of the legal invoices by the tax authority. The introduction is scheduled in a phased manner.
- Under this new framework, e-invoices must be issued in format xml UBL 2.1 and must be digitally signed, before being cleared by the tax authority.
- Each invoice must be issued using the technical key (*Clave Técnica*) assigned by the tax authority. Its function is to aid the generation of the Unique Electronic Invoice Code (CUFE) that must be included in the invoice.
- Upon receipt, buyers must issue an acknowledgment. In addition, a rejection message must be issued when applicable.

Reporting

- VAT reporting in Colombia is governed by the national tax code (*Estatuto Tributario*). Large and medium sized taxable persons must submit a periodic VAT return, which is filed electronically on a bi-monthly basis. Smaller taxable persons have the option to file the VAT return quarterly. In addition to the periodic VAT returns, Colombian taxpayers are required to file a monthly return containing all withholdings made during the tax period. They are also required to file annual reports that include an itemized list of all deductible purchases from which they can claim deductible VAT, as well as similar annual reports on sales. The information from the VAT return is closely attached to the e-invoicing records that taxpayers should provide in real time.
- Colombia is on its way to provide a pre-filled tax return based on the e-invoicing information and is planning to expand its e-invoicing mandate to cover inbound transactions. This will allow the tax administration to verify more accurately and eventually prefill the creditable VAT side of the periodic VAT return.

Costa Rica

E-invoicing

- E-invoicing is mandatory in Costa Rica.
- In 2019, a decree was implemented to harmonize and compile many of the provisions issued in previous regulations in relation to e-invoicing into a single normative framework.
- The decree mandates the use of xml format and includes an explicit obligation to guarantee the I&A of the invoice. The decree is technology neutral as to the method used to guarantee I&A.
- The supplier must send the xml file to the tax authority immediately after its generation. The tax authority must issue an acceptance or rejection message, which provides tax validity to the document. However, the supplier doesn't need to wait for the tax authority's response before communicating the invoice to the buyer.
- Upon receipt, a message accepting or rejecting the e-invoice should be issued by the buyer. These messages must be in xml format and digitally signed in compliance with the established technical requirements. Buyer responses must also be cleared by the tax authority.

Reporting

- Costa Rica implemented its first full VAT system in July 2019. Under this new regime, VAT obligations should be reported and submitted electronically via the electronic portal *Administración Tributaria Virtual* (ATV) on a monthly basis. Costa Rica has also implemented a new e-invoicing system used to crosscheck and validate the information supplied by the taxpayer in their VAT return.
- Effective October 2020, Costa Rica started to tax digital services supplied by foreign non established suppliers. Taxpayers that choose to register and collect VAT will also be required to file a simplified VAT return and pay the VAT.

Dominican Republic

- A voluntary clearance e-invoicing regime is being introduced covering a wide variety of fiscal documents (e-CF), including invoices, debit notes and credit notes.
- The electronic document must be issued in xml format and be transmitted to the tax authority (DGII) for clearance.
- Once the recipient of the document receives the e-invoice, it must issue and send to the DGII an acknowledge of receipt, normally known as *"Acuse"* where it basically states that the invoice was effectively received.
- The commercial acceptance of the e-invoice can be done in a separate xml file.
- It's expected that the e-invoicing system will gradually become mandatory, however, no implementation schedule has so far been published.

Ecuador

E-invoicing

- Ecuador has a clearance system where the mandatory use of e-invoices for both private and public organizations has been gradually introduced since 2014, expanding the obligation to issue and report e-invoices to many taxpayers.
- To issue e-invoices, taxable persons need to register and get authorization from the tax authority (SRI).
- An e-invoice must be digitally signed and issued in xml format.
- SRI authorizes the issuance of each invoice in real-time under the clearance system and archives a copy of the invoice.

Reporting

- Taxpayers doing business in Ecuador should file a monthly VAT return for all the transactions carried out during the period.
- The deadline for filing and paying that VAT is usually determined by the last digit of the taxpayer's registration number.
- Taxpayers that only transfer exempt or zero-rated goods and those that are subject to full VAT withholding may file the VAT return on a bi-annual basis.
- From 16 September 2020, Ecuador applies VAT to foreign suppliers of digital services.
- For suppliers that register and collect VAT, the filing of the VAT return should be made monthly as well.

E-INVOICING AND REPORTING IN LATIN AMERICA (MEXICO, CENTRAL AMERICA AND SOUTH AMERICA)

Guatemala

- E-invoicing is mandatory for certain taxable persons including all suppliers to the government. The system is based on a clearance model.
- Taxpayers where e-invoicing isn't mandatory must request prior authorization and fulfil certain legal requirements to be allowed to issue e-invoices.
- Taxpayers must use the services of a *Generador de Facturas Electrónicas* (GFACE), which is a company authorized by the tax authority to act as an intermediary in the e-invoicing process.
- Taxable persons must send the invoice data to GFACE who includes a security code (CAE) and the issues the invoice back to the supplier, who can then communicate it to the buyer.
- Guatemala has approved a modification of the e-invoicing framework, phasing out the current framework (FACE) to replace it with a new model known as FEL. Under the FEL model, taxable persons are required to use the services of third party "certifiers" who validate each invoice and relay them to the tax authority who makes them available for query. Transition to the new framework is phased with those in scope being notified by the tax authority.
- During 2020, Guatemala has implemented new regulations requiring current users of the FACE regime, and providers of technical services for the public sector, to be incorporated in the FEL model by no later than 31 December 2020.

Honduras

- E-invoicing is based on a clearance model but is completely voluntary.
- Taxable persons that choose to issue e-invoices must request an authorization from the tax authority (SAR) for each invoice, which is given by granting an Electronic Issuance Authorization Code (CAEE).
- In case of contingency of any of the systems, taxable persons must use pre-printed invoices from an authorized printing company.
- Technical validation of the fiscal documents to support the tax claim is mandatory for all taxpayers.

Mexico

E-invoicing

- E-invoicing in Mexico is based on a clearance model and is mandatory for all taxpayers.
- Electronic signatures are required for issuing invoices and related documents (Digital Fiscal Documents through Internet, CFDIs); the certificates used for signing must be obtained from the tax authority's (SAT) own certification authority.
- An authorized Certification Provider must be used for a clearance process during which an electronic stamp (*timbrado*) is applied to the CFDI.
- Export invoices are subject to additional requirements and must include a file extension that incorporates information related to international trade (*Complemento de Comercio Exterior*).
- The SAT introduced a new process for cancellation of CFDIs in 2018 whereby the supplier must request and get prior authorization from the buyer to cancel a CFDI. Buyers must accept or reject the cancellation request within 72 hours. Silence equals acceptance.

Reporting

- VAT reporting in Mexico is governed by the Fiscal Code of that county (*Código Fiscal de la Federación*) and the Miscellaneous Fiscal resolutions issued each year by the tax authority. Taxable persons must file periodic VAT returns electronically, via the portal provided by the SAT. Mexico uses a single monthly return that includes income tax withholding and VAT withholding obligations along with the regular VAT return (R21).
- In addition to the periodic VAT return, taxable persons must also file the DIOT return, which is used to report supplies from third parties. In June 2020, Mexico started to tax digital services provided by foreign suppliers. While these suppliers are not mandated to issue e-invoices, they should register at the tax administration and collect VAT from their final consumers located in Mexico. They're also required to file and pay the corresponding VAT using a simplified return provided for that purpose. Otherwise the tax administration will mandate the credit and debit card companies to withhold the applicable VAT from the payments they receive.
- Mexico additionally recently started to mandate local and foreign digital platforms to withhold VAT and income tax from individuals using those platforms to provide local services. The taxes withheld should be reported to the tax administration monthly. This obligation is supplemented with specific obligations of reporting, where the platform will list the local suppliers that used the platform for providing local services.

Nicaragua

- E-invoicing is optional.
- Taxable persons choosing to issue invoices electronically are subject to prior authorization from the tax authority for the use of a computerized invoicing system.
- There is no real-time invoice clearance performed by the tax authority.

Panama

- During 2018, the tax authority in Panama implemented a pilot program to introduce an e-invoicing mandate based on a clearance model. Several companies from different sectors of the economy have been authorized to implement e-invoicing as part of the program.
- Currently, the e-invoicing system is in a phase of voluntary adoption promoted by the tax authority in which taxable persons must comply with certain requirements to obtain the authorization to issue e-invoices.
- In 2020, the issuance of e-invoices has become mandatory for all taxable persons that are not required to use electronic fiscal boxes attached to their cash registries.
- The legal invoice exists only in digital form and must be issued in xml format. The invoice must be digitally signed with the taxpayer's signature based on a digital certificate.
- Invoices must receive the tax authority's authorization to be considered as legally valid. For B2C transactions and in contingency scenarios, authorization by the tax authority may happen after the delivery of the invoice to the buyer since a printed copy of the invoice is delivered. For B2B transactions, authorization must be ensured before the invoice is delivered to the buyer.
- Buyers are responsible for validating that the invoice has indeed been authorized by the tax administration.

E-INVOICING AND REPORTING IN LATIN AMERICA (MEXICO, CENTRAL AMERICA AND SOUTH AMERICA)

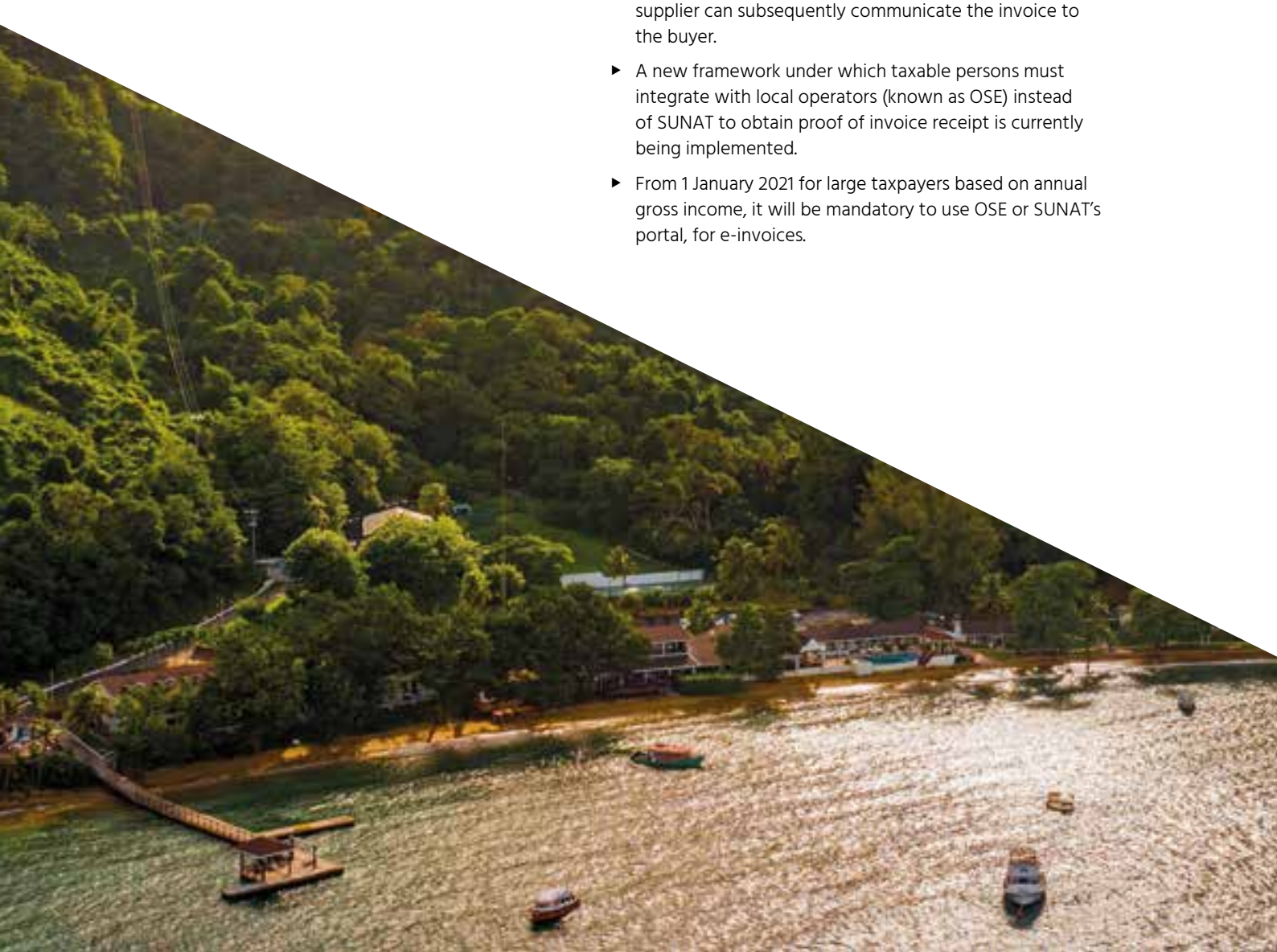
Paraguay

- E-invoicing is permitted in Paraguay under the e-invoicing framework known as the National Electronic Invoicing Integrated System (*Sistema Integrado de Facturación Electrónica Nacional*, SIFEN).
- Taxable persons determined by the tax authorities have the obligation to issue e-invoices unless they opt out during the voluntary phase. Voluntary e-invoicing is possible after obtaining an authorization from the tax authority (SET). The aim is to gradually introduce mandatory e-invoicing.
- Invoices are legally valid only after being communicated and accepted by the tax authority.
- SIFEN requires e-invoices to be sequentially numbered, issued in xml format and to be digitally signed.
- Buyers must validate inbound invoices and express their acceptance or rejection of the document.

Peru

E-invoicing

- The tax authority (SUNAT) has permitted e-invoicing for more than a decade. Peruvian legislation doesn't declare e-invoicing to be mandatory generally, but SUNAT can make it mandatory for certain taxable persons, individually or in group, through a designation process. After the latest expansion of e-invoicing on 1 January 2020, almost all taxable persons are now in scope and required to issue e-invoices.
- All financial institutions issuing credit and debit cards, suppliers of natural gas, joint ventures and other types of irregular societies, are also required to issue e-invoices.
- To use its own system for e-invoicing the taxable person must receive authorization from SUNAT.
- The e-invoice must be issued in xml format and be digitally signed for I&A and non-repudiation purposes.
- Each e-invoice must be sent to SUNAT within 72 hours from it being issued by the supplier. SUNAT validates the invoice by issuing a so-called "proof of receipt." The supplier can subsequently communicate the invoice to the buyer.
- A new framework under which taxable persons must integrate with local operators (known as OSE) instead of SUNAT to obtain proof of invoice receipt is currently being implemented.
- From 1 January 2021 for large taxpayers based on annual gross income, it will be mandatory to use OSE or SUNAT's portal, for e-invoices.



Reporting

- VAT obligations in Peru are fulfilled alongside income tax, municipal tax, excise tax, and other tax obligations, using a virtual form. The deadline for this form is variable and is partly based on whether a taxpayer has a preferred status with the tax authority.
- Additionally, taxable persons should file separate reports for VAT withholdings and for "perceptions" made during the period. As in other Latin American countries, the information in the VAT report is very closely related to the required e-invoicing information.
- Changes to VAT reports should be supported by the corresponding modifications of invoices reported or issued by the taxpayer in the relevant period.

Trinidad and Tobago

- E-invoicing is not explicitly permitted, nor commonly used as the original invoice form. In practice, electronic copies of paper invoices are used, but the original paper invoices are still maintained for record keeping purposes and treated as the legal document.

Uruguay

E-invoicing

- E-invoicing has been allowed since 2011 under a clearance system and is currently mandatory for certain taxpayers.
- The tax authority (DGI) introduced a schedule for the gradual introduction of mandatory e-invoicing, with the aim of completing the entry into force by December 2020.
- The invoice must be issued in a prescribed xml format, digitally signed and cleared by the tax authority, which subsequently makes it available for online validation.
- Outsourcing of the issuance, communication and storage of invoices is explicitly allowed in the legislation; use of locally accredited service providers affords the benefit of a "fast track" registration with the tax authority.
- Taxable persons under the e-invoicing regime can use e-receipts or e-invoices to document the payments received from customers. These documents must include the legend *Cobranza* (Collection) to differentiate them from the regular invoices issued by the taxable persons.
- In 2020, the DGI introduced a new version of the e-invoice of the country, locally known as "*Comprobante Fiscal Electronico*" or CFE v21.

Reporting

- VAT reporting in Uruguay is done monthly by large and mid-sized enterprises. The due dates for VAT returns are variable and are governed by resolution, locally known as *Cuadro General de Vencimientos*.

Venezuela

- E-invoicing is permitted only for taxable persons operating in certain industry sectors and upon meeting specific requirements.
- Availability, I&A of e-invoices through the entire storage period must be guaranteed, although the fiscal legislation doesn't impose the use of any specific technology for meeting these requirements and there is no clearance function.
- Outsourcing of the issuance of e-invoices is explicitly allowed.

E-INVOICING AND REPORTING IN AFRICA

E-INVOICING AND REPORTING IN AFRICA

The last couple of years have seen the beginning of a broader shift from paper-based invoicing to e-invoicing in some African countries.

Even though paper invoicing remains common in Africa, the new CTC trend that some countries in the region are adopting will surely impact other countries. Tunisia already introduced a CTC regime in 2016 and Egypt has recently announced an e-invoicing mandate that will be rolled out in a phased manner. Introduction of CTC regimes is expected in the coming years for other African countries as well and Morocco and Kenya are among the examples of countries that have expressed their aim to adopt e-invoicing regimes.

Angola

- The issuance of e-invoices and invoice equivalent documents through certified software is mandatory for companies with a turnover above USD 250.000.
- The certified software must be produced by an entity established in Angola and export a SAF-T-AO file. E-invoices must contain the identification of the certified invoicing software.
- E-invoices must be stored locally.

Egypt

- Egypt is currently implementing an e-invoicing system, which will be mandatory to start with for several listed companies by 15 November 2020, after which a gradual roll-out is expected.
- The system appears to be a clearance regime, and invoices must be in electronic form and contain the electronic signature of the invoice issuer and a unified code for each sold good or rendered service, all of which should be authorized by the tax authority.
- There are several technical controls and conditions to meet and voluntary adoption of the e-invoicing system is permitted, if they are met.

Ghana

- Ghana regulates the use of Fiscal Electronic Devices (FED), which is a mandatory e-invoicing system for taxpayers under the VAT Act. Every taxpayer registered for VAT is expected to integrate with FED by the end of 2020.
- Taxable persons using FED must keep records of transaction details including a printout of a summary sales report generated by the platform.

Kenya

- It is possible to issue invoices electronically on a voluntary basis; however, e-invoicing will become mandatory (most likely as a clearance regime) over the course of a transition period.
- A voluntary pilot phase started in June 2019 and by the end of 2020 all traders, manufacturers and suppliers over a certain threshold will be obliged to install the Control Unit on their electronic tax register, point-of-sale-device or integrate with their ERP or billing system.
- Control Units will communicate invoice data with the new government system, called Tax Invoice Management System (TIMS), in real-time. TIMS is an information technology integration system that will integrate trader systems (Electronic Tax Registers, Point of Sale, and ERP-Billing/Invoicing system) with iTax to monitor the generation and transmission of e-invoices.
- The Control Units will also perform validation, encryption, signing, transmission and storage for tax invoices.

Malawi

- E-invoicing is not explicitly regulated in the law. However, the VAT Act allows taxpayers to maintain electronic copies of VAT invoices to fulfil applicable storage requirements.
- A mandatory e-invoicing regime will be implemented in phases starting with all B2C transactions using Electronic Fiscal Devices (EFD) in all points of sale, followed by all B2B transactions in the next phase for every taxpayer.

Morocco

- E-invoicing has historically not been regulated in the Moroccan tax law and not widely used in practice. In 2018, the concept of an e-invoicing system (*système informatique de facturation*) was stipulated in the Moroccan General Tax Code, however, further guidance is not yet publicly available.
- E-invoices need to be issued using an e-invoicing system that meets certain technical requirements.

Nigeria

- E-invoicing is not explicitly regulated. However, an e-invoice can be considered to be an "electronic record or document" which is governed by the Electronic Commerce and Transactions Law. Currently, e-invoicing requires the engagement of a local service provider licensed by the Central Bank of Nigeria.
- The Electronic Transactions Bill that regulates electronic documents, including e-invoices, sets out requirements on their issuance and storage, allowing the use of digital signatures to ensure the I&A of the document.

South Africa

- South Africa is one of the first African countries to have specifically regulated, accepted and adopted the use of e-invoicing.
- Electronic tax invoices can be issued and sent electronically, provided that the rules for electronic documents are adhered to. A digital signature can be used to meet the security requirements.
- Legal requirements demand that e-invoices be archived locally, although with derogation they can be stored abroad. One of the conditions for derogation to be granted is that the electronic archive is located in a country which has entered a tax assistance treaty with South Africa.

Tanzania

- Suppliers in Tanzania must use a certified EFD for issuing fiscal documents, including invoices. The EFD generates a unique number which is appended to and printed on every invoice issued through the EFD.
- Records may be archived in electronic form and may be stored abroad subject to access and printability in case of an audit.

Tunisia

- Issuance of invoices electronically is regulated in the Finance Law since 2016. The envisaged process requires e-invoices to be digitally signed and registered with the government appointed entity, Tunisie TradeNet (TTN).
- E-invoicing is mandatory for companies of the Division of Large Enterprises and permitted for other taxpayers.
- A specific e-invoice xml format and digital signatures are used.
- TTN manages archiving of e-invoices on behalf of the government by sending a copy of all accepted e-invoices to the competent services of the Ministry of Finance.

E-INVOICING AND REPORTING IN ASIA PACIFIC

E-INVOICING AND REPORTING IN ASIA PACIFIC

A couple of trends in the field of e-invoicing have emerged during the last few years in the Asia Pacific region.

Common law legacy vs. clearance country inspiration

One part of the Asia Pacific region is characterized by jurisdictions with a strong common law legacy, such as Singapore, Australia and New Zealand, which typically focuses regulatory measures on record retention. In the context of e-invoicing, this means the rules relating to e-invoice issuance are often scarce, whereas more controls exist around electronic archiving and tax reporting. Many of these countries have in recent years started gearing up toward regulating e-invoicing issuance (notably by adhesion to the PEPPOL system) and associated national standards have been adopted for a wide range of e-invoicing flows for B2B and B2G scenarios.

On the other side of the spectrum, there are countries that are influenced by Latin American clearance models and where the control infrastructure of e-invoice issuance centers around government clearance and localization requirements. Examples of jurisdictions with clearance systems are China, Indonesia and Taiwan. Moreover, e-invoicing is either partially or completely mandatory in some of these countries, and there's a trend of more countries aiming to introduce mandatory e-invoicing or CTC in stages within the coming years. Notable examples are countries such as India, which in October 2020 introduced a clearance regime that is being phased in during different stages for different taxpayer groups, and Vietnam which will be doing the same in the coming years.

Indirect tax on the rise

Indirect taxes keep emerging in the Asia Pacific region. In addition to China replacing its Business Tax with VAT in 2016 and the introduction of Goods and Services Tax (GST) in India in 2017, the Gulf Cooperation Council (GCC) executed a VAT Framework Agreement in 2018, ratified by Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE). This framework simultaneously introduced a VAT system in the region. The common framework sets out baseline VAT applicability principles as well as considerations on cross-border transactions. Following this initiative, Saudi Arabia and the UAE implemented VAT regimes in January 2018, while Bahrain followed suit in January 2019. Oman has geared up to introduce VAT during early 2021, whereas two of the remaining three Member States, Kuwait and Qatar, are not yet close to implementation, and the estimated timelines for introducing VAT in these countries vary from 2021 to 2022.

Further developments indicate a potential new trend in the gulf region: After implementing VAT, Saudi Arabia took the next step towards digitizing its VAT controls by recently releasing a draft regulation for e-invoicing. By doing so, Saudi officials are clearly stating their ambition to adopt an e-invoicing system that might potentially be followed by other Gulf countries.

Australia

- An invoice can be issued and stored in electronic form subject to the I&A of the invoice being safeguarded. The legislation mentions EDI as an example of an acceptable method for issuing an e-invoice.
- Records stored electronically should be capable of being converted to a readable format, with such examples including a printout, text file, or xml.
- The tax authority requires proper documentation describing the e-invoicing system and in particular, the archiving system. The system used for record keeping should be secure and a backup procedure is recommended.
- The Australian Digital Business Council and other Governmental bodies had previously introduced an "e-invoicing Interoperability Framework", providing a set of open standards for e-invoicing that businesses, especially small sized, can choose to adopt.
- E-invoicing is progressively adopted across all levels of government agencies, and the government recommends that e-invoicing should be adopted in consistency with the Framework.
- Australia and New Zealand have established a working group on an e-invoicing standard to align processes across Australia and New Zealand. The initiative resulted in the adoption of the Trans-Tasman e-invoicing framework, which is based on the PEPPOL interoperability framework for e-invoicing. Both countries established separate PEPPOL authorities in October 2019 and are working together to create a seamless business environment.
- From 1 January 2020, Commonwealth Government agencies started paying e-invoices within five days or pay interest on any late payments. The five-day e-invoicing payment policy applied to contracts valued up to USD 1 million, where a supplier and a Commonwealth agency both use PEPPOL for delivering and receiving invoices in an electronic form. A maximum 20-day payment term will continue to apply in instances where e-Invoicing isn't used.
- As part of the Digital Business Plan, the government has announced that all Commonwealth Government agencies are mandated to adopt e-invoicing by 1 July 2022. They also plan to consult on options for mandatory adoption of e-invoicing by businesses.

Azerbaijan

- E-invoicing has been mandatory for all taxpayers since 2010.
- The invoice is issued by means of the sub-system Electronic Tax Invoice of the state-owned Automated Tax Information System, which is available in online and offline modes.
- The e-invoice is delivered to the buyer (if registered as a VAT taxpayer) through the Automated Tax Information System. If not registered, the buyer can request invoices to be printed by the Automated Tax Information System and issued to the buyer in paper form.
- The process is always tied to a physical person, which means it currently cannot be carried out in an automated fashion.

E-INVOICING AND REPORTING IN ASIA PACIFIC

China

- The Golden Tax System — the national tax control regime that was introduced over two decades ago — still forms the basis for tax reporting and invoicing in China.
- While e-invoicing is not yet fully permitted in China, the issuance of e-invoices has been accepted in B2C flows for several years. E-invoices are even mandatory in certain core service-based industries (e.g. telecommunications and public transportation). Invoices are issued via the national system with hardware/software certified by the tax authority.
- The bulk of VAT special invoices, which are extensively used for B2B transactions, has so far required a paper process, but this is now changing. In 2019 proposals to further reform China's reporting and e-invoicing system have been published and the State Taxation Administration (STA) has already initiated research and tests for the issuance of electronic VAT special invoices.
- During 2020 some regions in China have accelerated the process of adopting e-invoicing for small-scale taxpayers. The Guangzhou Municipal Taxation Bureau issued a notice to promote the use of electronic general invoices throughout the city from 1 March 2020. The Ningbo Municipal Taxation Bureau of the State Taxation Administration (STA) has announced the implementation of a pilot program from September 2020 in which only selected taxable persons operating in that region will be able to voluntarily issue VAT special e-invoices.
- Taxable persons may store accounting documents, including invoices, in electronic form, provided that the e-archive meets certain requirements on I&A, and the processing system meets certain requirements on functionality and security.

Deep dive:

The journey of digitization of paper processes in China began roughly two decades ago, with the roll-out of a tax control regime called the Golden Tax System. It created a national taxation platform for reporting and invoicing, as well as legislation regulating the use and legal effect of electronic signatures. E-invoicing has in the past been introduced gradually in China, starting with the B2C segment, in some cases by mandating large amounts of taxpayers active in public services to issue electronic VAT invoices to their consumers. Invoices are issued via the national system with hardware/software certified by the tax authority.

The prosperity of mobile payments in China has increased the prospect of consumer-facing e-invoicing. By embedding e-invoicing functionalities into those commonly used mobile payment applications, e-invoices can be maintained and verified more easily by users. The Chinese Government has taken initiatives to further reform reporting and invoicing, and the STA is creating a nationwide e-invoicing service platform which aims to provide a free-of-charge e-invoice issuance service to all eligible taxpayers.

The first version of an official technical standard for e-invoicing service platforms has been published by the STA, setting out service and security requirements, data exchange standards, as well as operational requirements for both self-developed and third-party e-invoicing platforms. This development follows a broader trend in Asia, described under the section "Public procurement (B2G) and the emergence of open networks" on page 30.

This year, the tax authority published its opinion on the expansion and optimization of the invoice system, effectively announcing a plan to upgrade the public service platform for VAT e-invoices and promote the digitization of VAT special invoices by the end of the year. As a result of this announcement, some local authorities (e.g. the Guangzhou Municipal Taxation Bureau, Shenzhen Qianhai Taxation Bureau, Zhejiang Provincial Taxation Bureau) have issued their own announcements and notices to boost the adoption of VAT electronic general invoices. A pilot program enabling electronic VAT special invoices is ongoing in Ningbo Municipality as a first step to implement the electronic issuance of this invoice type nationwide.

E-INVOICING AND REPORTING IN ASIA PACIFIC

India

E-invoicing

- In July 2017, India implemented GST across the country, replacing most of the previous indirect taxes levied on goods and services on both federal and state level.
- E-invoicing is explicitly permitted for GST. Digital signatures based on the Indian IT Act can be used for ensuring the I&A of the invoice.
- India has during 2020 introduced an e-invoicing system that requires invoice data to be submitted to a government platform, the IRP. In return, the IRP will assign a unique invoice number for each invoice (credit or debit note) submitted. The first phase will include B2B, B2G and export transactions and is mandatory for taxpayers above 500 Cr. rupees as of 1 October 2020. As part of the second phase, taxpayers with a threshold of 100 Cr. rupees or more must comply with the CTC invoicing rules from 1 January 2021. The taxpayer scope of the new CTC invoicing system is expected to continue to be expanded in phases.
- Storage of invoices in electronic form is allowed, subject to requirements such as accessibility. There are restrictions on storage of invoices abroad for payment system service providers.

Reporting

- India requires the monthly filing of forms GSTR-1 and GSTR-3B by regular taxpayers through the electronic portal provided by the GST Network. Plans to introduce a new filing system as of October 2020 have been put on indefinite hold. The government, in conjunction with the GST Network, have instead taken recent steps to enhance the filing process by partially automating the filing of the GSTR-3B and creating a new statement on inward supplies, the GSTR-2B based on data taken from the GSTR-1. Regular taxpayers are also required to file the GSTR-9 annually.

Deep dive:

E-invoicing has been explicitly permitted in India since the implementation of GST Laws in the country in 2017. The e-invoicing system has been classified as a "post audit" system in which taxable persons had much freedom and few constraints on how to generate or exchange e-invoices. However, following the global trends in indirect tax control, India recently introduced a new e-invoicing framework which envisages transmission of their invoice data in a structured JSON format to the tax authority's portal before making the invoice available to their buyers. Under the new framework, the Indian e-invoicing system falls under the category of CTCs due to the invoice data reporting obligation to the government portal being a mandatory step to perform before an invoice can be issued. As a result of successful transmission of the JSON, the IRP will assign a unique number for each invoice. The legal validity of the invoice is conditional of the IRP digitally signing the invoice and providing an IRN. The JSON schema is only mandatory for the invoice data to be reported in electronic format to the IRP and to receive the corresponding signed file from the IRP. The taxable persons have the discretion of exchanging their invoices in JSON or PDF format as well as in paper form. Invoices corresponding to B2B, B2G and export transactions are in the scope of CTC clearance invoicing system. B2C invoices are left outside the scope of the clearance process, however additional QR code requirements exist for this document type.

The current system requires taxpayers with an annual aggregate threshold limit of 100 Cr. rupees or more to generate their invoices in accordance with the proposed CTC system. However, certain taxable persons are exempted from this scope based on the services they provide. The new e-invoicing system will be rolled out in phases and is envisaged to gradually cover all taxpayers. However, voluntary adoption for the initial phase is not permitted.

The e-invoicing platform will have backend connectivity with the GSTN and e-waybill platforms. The data collected from the e-invoicing system will be recycled and used by the government portal to auto populate the ANX-1 part of the GST returns for the seller and the ANX-2 for the buyer as well as generate e-waybills. Therefore, the e-invoicing platform will be at the core of the Indian digital tax control system.

Indonesia

- E-invoicing has been mandatory for all corporate VAT taxpayers since July 2016.
- E-invoices (locally known as *e-Faktur, Pajak or e-FP*) should be created by applications and systems prescribed by the Director General of Taxation (DGT). These include client desktop applications, web-based applications and host-to-host applications.
- Electronic certificate and electronic signatures are required for the issuance of e-invoices.
- Each e-invoice must be reported to, and approved by, the tax authority.
- The DGT initiated a pilot project for e-Tax Invoice version 3.0 in August 2020. After the successful piloting of the project, the e-Tax Invoice Version 3.0 application is planned to begin implementation in October 2020 and is expected to be fully implemented nationally in November 2020.

Israel

- Israel is undergoing tax reform in its efforts to combat VAT fraud. The country is heading away from its previous EU approach of a post audit system and towards the more Latin American style of CTCs where invoices are cleared by the tax authority prior to their issuance. The details of the proposed system are yet to be published.
- E-invoicing is permitted in Israel provided it is prominently stated on the invoice that it is a 'computerized document'.
- The supplier's digital signature is required to ensure the I&A of the invoice.
- Outsourced issuance and signing by a third party are not known or permitted as a concept, but exemptions to this rule may be provided by the tax authority.
- If the supplier's income is derived in Israel, the storage of the accounting system including invoices must be in Israel unless derogation has been granted. The same rules apply to the mandatory backups, to be regularly performed.
- Outsourcing of archiving also requires derogation.

Japan

- Although not specifically regulated under the current Japanese Consumption Tax Law (equivalent to VAT), e-invoicing is permitted in Japan and is starting to become more commonly used in practice.
- The requirements for e-invoicing must be drawn from the general tax rules on tax-related records and from regulations on the preservation of tax-related records.
- Invoices should be stored in such a way as to guarantee their I&A and availability during the storage period.
- Taxpayers who archive e-invoices must either a) apply a timestamp on the invoices, or b) maintain a Storage and Maintenance Guideline document which describes the archiving system in a way prescribed by the tax authority.
- Foreign storage is allowed provided it fulfils the requirements for storage under Japanese law. Online access, human readability and printability must be ensured upon request from the tax authority.
- Outsourcing of invoice issuance and archiving is allowed; no requirements or restrictions apply regarding outsourcing agreements or third-party service provider accreditation and place of establishment.
- A tax reform has been ongoing in Japan since early 2018, introducing the plan of implementing a formal tax invoice (Jp: *tekikaku-seikyu-sho*) scheme in October 2023. Under this scheme, only registered consumption taxpayers will be eligible to issue tax invoices. E-invoicing will be explicitly allowed for tax invoices subject to the buyer's consent.

Hong Kong

- E-invoicing is permitted but not specifically regulated and generally mirrors the common law-approach to e-invoicing.
- The rules published by the Inland Revenue Department in "Admissibility of Business Records Kept in Electronic Form for Tax Purposes" mainly focus on the storage aspects and general controls within companies.
- I&A of electronic records must be maintained.
- Certain recommended audit file presentation formats are published by the Hong Kong Inland Revenue Department.

E-INVOICING AND REPORTING IN ASIA PACIFIC

Kazakhstan

- As of January 2019, e-invoicing through a clearance platform is mandatory for all taxable persons.
- E-invoicing is conducted via the so-called Electronic Invoicing Information System (EIIS). The EIIS functionality enables the issuance, submission, registration, acceptance, processing, delivery and storage of the e-invoice.
- An e-invoice must be issued in an approved format and signed with the supplier's e-signature based on a certificate issued by the Kazakhstan National Certification authority. The invoice is considered issued and sent to the buyer when the EIIS assigns a registration number to the e-invoice.
- The issued e-invoice is archived directly in the EIIS, which makes the stored e-invoice directly available to the tax authority.
- Outsourcing of the taxpayer's activity within the EIIS to anyone other than the taxpayer's employee or structural unit is illegal.

Kyrgyzstan

E-invoicing

- E-invoicing through a clearance platform was made mandatory for all taxpayers, importers and exporters of goods starting in July 2020, through the introduction of a government decree (no. 343) from June 19, 2020.
- To start issuing electronic e-invoices, taxpayers need to submit an online application signed with an electronic signature for registration to the government portal.
- Electronic signatures are required for the issuance of e-invoices.

Reporting

- The Kyrgyzstan State Tax Service (STS) has also announced requirements on electronic tax reporting. Since August 2019, taxpayers with a monthly reporting obligation must submit forms electronically, and since October 2019 for taxpayers with quarterly reporting obligations. The reports must be signed with a Qualified Electronic Signature.

Macau

- Neither VAT nor GST is levied in Macau.
- Business entities who engage in commercial and industrial activities or provide services in Macau are subject to Complementary Tax; the law requires taxpayers to maintain and archive accounting documents properly and timely.
- Electronic storage of accounting documents, including invoices, is allowed.
- An e-invoice signed using a Qualified Electronic Signature is presumed to carry I&A.

Malaysia

- From 1 September 2018, the GST regime in Malaysia, which was introduced as late as in 2015, was abolished and replaced with a new Sales and Service Tax (SST) regime.
- E-invoicing is permitted in Malaysia also under the new SST regime. An authorization from the Director General of Customers and Excise is needed for foreign storage.
- Foreign registered service providers who provide digital services to consumers in Malaysia are required to issue an invoice (either electronically or in paper form) with specific invoice content.
- There are no specific technical requirements on the e-invoice issuance system; however, the company needs to guarantee that invoices are accessible, secure and can be provided locally if required during an audit.
- I&A are implicitly required, but there is no specific method or technology prescribed by law.

New Zealand

- The Inland Revenue Department allows e-invoicing, subject to appropriate business processes and systems being used. I&A of e-invoices must be preserved.
- The Electronic Transactions Act contains a presumption of reliability for what would be called Advanced Electronic Signatures in the EU, but there are no hard requirements for electronic signatures or any other specific type of technology or process to be used.
- Derogation is normally required for foreign storage of e-invoices.
- Australia and New Zealand have established a working group on an e-invoicing standard to align e-invoicing processes across Australia and New Zealand. The initiative resulted in the adoption of the Trans-Tasman e-invoicing framework, which is based on the PEPPOL interoperability framework for e-invoicing. Both countries established separate PEPPOL authorities in October 2019 and are working together to create a seamless business environment.

Oman

- The Sultan of Oman issued a Royal Decree (Decree) in relation to VAT implementation in October 2020. According to the Decree, a 5% VAT rate will be implemented from 1 April 2021 and certain supplies will be exempted.
- Currently, no specific requirements exist for e-invoice issuance. Under the current Royal Decree on Electronic Transactions it's implicitly required to ensure the I&A of an electronic document, such as an invoice. This can be achieved by means of an electronic signature.

Pakistan

- Prior approval from the Collector of Sales Tax is required for e-invoicing.
- Special procedures have been introduced for the collection of Sales Tax for certain types of suppliers. Certain retailers are required to install and operate a Fiscal Electronic Cash Register and issue invoices to customers only from this device; certain taxpayers (e.g. in electric power and natural gas industries) using computerized accounting systems may issue Sales Tax invoices electronically and keep the records electronically in prescribed formats. The invoice must contain a unique fiscal number and a QR code.
- Requirements exist for electronic signatures based on certificates from certification authorities approved by the Certification Council (ECAC).
- In principle, storage must take place at the business premises or at the registered office of the taxable person.

Philippines

- E-invoicing has been permitted for more than a decade and e-documents should generally have the same value as paper-based. However, in practice a hard copy is still required unless approval from the authorities has been obtained.
- All companies that wish to issue invoices electronically or keep their books in electronic form need to apply for permission to use a Computerized Accounting System (CAS), this system being accredited and closely monitored by the tax authorities. Outsourcing of the CAS is possible; the service provider needs to be accredited by the tax authority.
- The Philippines has launched the Tax Reform for Acceleration and Inclusion (TRAIN) in which several tax reform proposals have been introduced and discussed. In the beginning of 2018, the so-called "package 1" of TRAIN was enacted, amending certain provisions concerning VAT in the National Internal Revenue Code 1997. Under the TRAIN law, large taxpayers and exporters are required to issue e-invoices, receipts and to report sales data to the Bureau of Internal Revenue (BIR) at the point of sale within five years from the effectivity of the TRAIN law. The country aims to complete the full shift to an e-invoicing clearance system by the end of 2022.
- The Department of Finance informed that the electronic receipt and invoicing, and electronic sales reporting system, will possibly be launched during 2020. Around 100 taxpayers have been identified as potential participants in the pilot test ahead of the system's mandatory implementation.

E-INVOICING AND REPORTING IN ASIA PACIFIC

Qatar

- Qatar has not implemented VAT yet. As a member of the GCC and a ratifying party to the GCC VAT Framework Agreement, the proposed timeline for introducing VAT in Qatar is 2021.
- No specific requirements currently exist for e-invoice issuance. The current Electronic Commerce and Transactions Law sets out general requirements for so-called data messages, a concept that can be considered to cover e-invoicing.
- Ensuring I&A of the invoice is an implicit requirement, and an electronic signature may be used to this end.
- E-invoices can be kept abroad provided that a copy of the e-invoice is stored in Qatar.
- The General Tax Authority (GTA) has announced the launch of the first phase of the new online tax administration system called, *'Dhareeba'*. The new Tax portal provides the General Tax Authority with digital channels to serve all its partners; the Government, tax agents, and the taxpayers. All taxpayers, including those registered in the previous Tax Administration System, are required to register on the new portal starting from 1 July 2020 and complete the registration process before 30 September 2020.

Saudi Arabia

E-invoicing

- As a member of the GCC and a ratifying party to the GCC VAT Framework Agreement, Saudi Arabia introduced VAT for supply of goods and services on 1 January 2018.
- Saudi Arabia is in the process of introducing a CTC system. To this end, the General Authority of Zakat and Tax (GAZT) has issued a draft "Electronic Billing Regulation". GAZT has started receiving public opinions and suggestions regarding the draft regulation. The regulation sets out provisions related to e-invoices, their requirements and conditions.
- E-invoicing is allowed under the VAT legislation. I&A of e-invoices are implicitly required; necessary security and adequate controls should be in place to prevent e-invoices from being tampered with.
- The VAT legislation explicitly allows third parties to issue e-invoices on behalf of suppliers.
- E-invoices must be stored in a system or server that is physically located within the territory of Saudi Arabia. Upon meeting certain additional requirements, taxpayers who have a subsidiary in Saudi Arabia may have their central computer systems located outside Saudi Arabia.
- The Saudi Arabia Monetary Authority has launched an e-invoicing business payment platform that aims to reform and improve the payment processes for government entities and businesses. The so-called *"Esal"* invoicing delivery platform is a major step in the digitization of services in Saudi Arabia, providing an integrated solution for billing and payments between government sectors, businesses and suppliers.

Reporting

- Saudi Arabia currently requires the filing of periodic VAT returns through a government portal. Taxpayers with annual revenue of over SAR40,000,000 must file monthly returns, while other taxpayers should file quarterly.

Singapore

- B2G e-invoicing is mandatory. As a part of the Singaporean government's plan to make business digitize, Singapore launched a nationwide e-invoicing standard framework in 2018, PEPPOL. Singapore was the first country outside Europe to adopt PEPPOL. Since 2019, the PEPPOL Business Interoperability Specifications (BIS) for e-invoicing and the PEPPOL eDelivery Network have been live.
- Singapore generally follows the common law tradition, focusing on storage rather than issuance of the invoice, with the latter not being specifically regulated in law. The rules published by the Inland Revenue Authority of Singapore (IRAS) in "Keeping Machine-Sensible Records and Electronic Invoicing" mainly focus on the storage aspects and general controls within companies.
- Electronic signatures are mentioned as a possible (but not mandatory) mechanism for ensuring adequate controls.
- E-invoices can be stored abroad.
- E-invoices generated in third party e-invoicing platforms must comply with the IRAS invoicing and record keeping requirements established in the e-Tax guide "Record Keeping Guide for GST-Registered Businesses".

South Korea

- E-invoicing is mandatory for all corporations and for certain individual taxpayers with supplies over a certain amount.
- Registration with the National Tax Services (NTS) is needed, as well as a "standard authentication" from the National IT Industry Promotion Agency (NIPA) for facilities and systems.
- The use of an electronic signature is mandatory. In order to fulfil this legal requirement, taxpayers may either use a certificate issued by the Public Certification Authority or an e-tax certificate issued by the NTS.
- A summary of the e-invoice shall be submitted to the NTS in a format prescribed by the NTS.

Deep dive:

The introduction of the South Korean e-invoicing system and mandate that is currently in use in the country dates back to 2011. Since then, the scope of the mandate has been expanded to cover more taxpayers. Currently, e-invoicing is mandatory for all corporations and for individual taxable persons with a turnover of KRW 0.3 billion (approx. USD 250,000) or more. However, the initial workflows and requirements are still very similar to the initial kick-off of the e-invoicing system almost a decade ago.

Before engaging in e-invoicing, the supplier must obtain authentication from the National IT Industry Promotion Agency (NIPA) for the facilities and systems used for issuance and delivery of the e-invoices, and also register itself with the National Tax Services (NTS). There are four different methods to be able to issue e-tax invoices: NTS´s system (e-Sero portal), ERP system (Direct integration), Application Service Provider (ASP), or telephone or tax office. Outsourcing of e-invoice issuance is permitted but subject to certain conditions. In particular, the e-invoicing service providers (ASP) must be certified by NIPA. Only business individuals or corporations registered in Korea can apply for such certification.

Taxable persons are required to transmit their invoice data in xml format to the tax authority portal e-Sero, unless they are using the NTS system to issue their invoices. E-invoices must be digitally signed with the supplier's certificate that can be obtained from the Public Certification Authority or an e-tax certificate issued by the NTS to the supplier. E-invoice data needs to be submitted to the e-Sero portal within a day after issuance. E-tax invoices are stored in NTS systems.

E-INVOICING AND REPORTING IN ASIA PACIFIC

Taiwan

- E-invoicing is permitted and has been mandatory since 2015 for certain industries.
- From January 1, 2020, foreign suppliers of B2C digital services to Taiwan-based customers must comply with Taiwan's e-invoicing system.
- Invoices may be issued using one of three available methods: (1) a Service Platform provided by the Ministry of Finance (MoF); (2) an accredited private system; or (3) an accredited service provider. For the latter two methods, it's required to upload information regarding elements such as issuance, cancellation and return of e-invoices to the Service Platform.
- Security measures must be in place, including a local digital signature.
- E-invoices must be issued following a specific range of e-invoice numbers provided by the authorities.

Thailand

- E-invoicing has been permitted since 2012. The Thai Revenue Department introduced a new regulation on electronic or e-tax invoices and electronic receipts in 2017. Subject to the approval of the Thai Revenue Department, taxable persons may prepare, deliver, and keep their e-tax invoices or receipts in electronic form.
- E-invoices must be digitally signed using a certificate issued by a certification authority approved by the Thai Revenue Department.
- The supplier must submit the e-invoices to the Revenue Department in xml format for audit purposes.
- Outsourcing of the issuance of e-invoices is allowed provided the third-party service provider is certified by the Thai Revenue Department. In 2020, the Electronic Transactions Development Agency (ETDA) started a certification process for service providers to assess whether the applicant's solution is secure and compliant.
- The Revenue Department and the ETDA are currently working together to improve and further develop the e-tax invoicing system in Thailand. As a result of this joint effort, new regulations on this topic are expected.

United Arab Emirates

E-invoicing

- As a member of the GCC and a ratifying party to the GCC VAT Framework Agreement, UAE introduced VAT for supply of goods and services on 1 January 2018.
- E-invoicing is allowed, provided the I&A of the e-invoice can be guaranteed.
- There is no restriction on place of storage for e-invoices, however they must always be readily available at the taxpayer's domicile.

Reporting

- The UAE requires the filing of periodic VAT returns through a government portal and sales must be reported per Emirate. Businesses with an annual turnover of AED150 million or more must file monthly returns, other taxpayers should file quarterly.

Uzbekistan

- After the successful pilot project for e-invoicing (ESF) between October 2018 and February 2019, a clearance e-invoicing system has become mandatory for all businesses since 1 January 2020.
- Suppliers are required to sign the e-invoice. Service providers acting on behalf of the suppliers are permitted but must fulfil certain legal requirements.
- The State Tax Committee will be the authorized roaming operator for centralized storage, inter-operator transfers and keeping records of e-invoices.

Vietnam

- E-invoicing is permitted upon approval from the tax authority but will gradually become mandatory in phases. The original plan was intended to roll out this initiative from 2018 until 1 November 2020, however this timeline has been delayed. On 19 October 2020 the Government approved a Decree on invoices and Documents indicating that the go-live date for mandatory e-invoicing in the country will be delayed to 1 July 2022 to be in line with the original date of implementation of the rules concerning the e-invoicing system envisaged in the Law on Tax Administration. Despite the formal extension of the deadline to adopt e-invoicing in Vietnam, agencies, organizations, and individuals are still encouraged to – voluntarily – apply the regulations on electronic invoices before 1 July 2022.
- Ensuring the I&A of e-invoices is required; e-invoices must be digitally signed by the supplier.
- E-invoices must be archived electronically, and taxable persons may choose archiving methods guaranteeing security and I&A during the whole archiving period.
- Service providers meeting certain requirements can provide the contracting parties with e-invoicing solutions.

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- **Ref 2:** OECD/G20's Base Erosion and Profit Shifting (BEPS) Project Action 1 Report on Addressing the Tax Challenges of the Digital Economy
- **Ref 3:** Council Directive 2010/45/EU of 13 July 2010 amending Directive 2006/112/ EC on the common system of value added tax as regards the rules on invoicing.
- **Ref 4:** Cwa 16460: Cen Workshop Agreement "Good Practice: electronic invoicing Compliance".
- **Ref 5:** Regulation (EU) No 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC.
- **Ref 6**: Directive 2010/45 refers to EDI as defined in Article 2 of Annex 1 to Commission Recommendation 1994/820/EC of 19 October 1994 relating to the legal aspects of electronic data interchange.

GLOSSARY

GLOSSARY

AFIP	Administración Federal de Ingresos Públicos Argentinian Tax Authority
ANAF	Romanian National Agency for Fiscal Administration
AP	Accounts Payable
API	Application Program Interface
AR	Accounts Receivable
ASP	Application Service Provider (India)
B2B	Business to Business
B2C	Business to Consumer
B2G	Business to Government
BCAT	Business Controls-based Audit Trail
CAS	Computerized Accounting System (Philippines)
CEN	European Committee for Standardization
CFDI	Comprobante Fiscal Digital por Internet Digital Fiscal Document through Internet (Mexico)
CRA	Canada Revenue Agency
CTe	Conhecimento de Transporte Eletrônico Brazilian Transportation Document
CTC	Continuous Transaction Controls
CUFE	Código Único de Facturación Electrónica Unique Electronic Invoice Code (Colombia)
DGI	Dirección General Impositiva Uruguayan Tax Authority
DGT	Director General of Taxation (Indonesia)
DTE	Documento Tributario Electrónico Electronic Tax Documents (Chile)
ECD	Electronic Consignment Document (Russia)
EDEO	Electronic Document Exchange Operators (Russia)
EDI	Electronic Data Interchange
EDS	Electronic Declaration System
EEA	European Economic Area
EESPA	European E-Invoicing Service Providers' Association
EFD	Electronic Fiscal Devices
eIDAS	Regulation (EU) 910/2014 on Electronic Identification and Trust Services for Electronic Transactions in the Internal Market
EIIS	Electronic Invoicing Information System (Kazakhstan)
ERP	Enterprise Resource Planning
ETDA	Electronic Transactions Development Agency (Thailand)
EU	European Union
FACe	Punto General de Entrada de Facturas Electrónicas General Point of Entry of Electronic Invoices (Spain)
FAIA	Fichier Audit Informatise AED Fichier Audit Informatise AED (Luxemburg)
FEC	Fichier des Écritures Comptables France's Own SAF-T
FED	Fiscal Electronic Devices (Ghana)
FOF	Federale Overheidsdienst Financien (Belgium Portal for Filing Returns)
FSSP	Federal Shared Service Provider (USA)
GCC	Gulf Cooperation Council
GL	General Ledger
GoBD	German Guidelines for the Archiving of Electronic Books and Documents
GRN	Goods Received Note
GST	Goods and Sales Tax
HMRC	Her Majesty's Reveneue & Customs (UK)
I&A	Integrity & Authenticity
ICC	International Chamber of Commerce
IPT	Insurance Premium Tax
IRN	Invoice Reference Number (India)
IRS	Internal Revenue Service (USA)
IS EFA	Tax Authority's Online Portal (Slovakia)
M&A	Mergers & Acquisitions
MTD	Making Tax Digital (UK)
myData	My Digital Accounting and Tax Application (Greece)
NAV	Hungarian Tax Authority
NEN	Národní Elektronický Nástroj (Czech Republic B2G portal)
NFe	Nota Fiscal Eletrônica Electronic Fiscal Note (Brazil)
NFSe	Nota Fiscal de Serviços Eletrônica Electronic Fiscal Note of Services (Brazil)
NIPA	National IT Industry Promotion Agency (South Korea)

NTS	National Tax Services (South Korea)
O2C	Order to Cash
OMB	Office of Management & Budget (USA)
OSE	Operador de Servicios Electrónicos Operator of Electronic Services (Peru)
P2P	Procure to Pay
PEF	Plaftorma Fakturowania Elektronicznego Tax Authority's Online Portal (Poland)
PEPPOL	Pan-European Public Procurement Online
PKI	Public Key Infrastructure
RGS	Référentiel Général de Sécurité Type of Electronic Signature Recognized in France
RTD	Return of Trading Details (Ireland)
SAF-T	Secure Audit File for Tax
SAT	Servicio de Administración Tributaria Mexican Tax Authority
SDI	Sistema di Interscambio Exchange System (Italy)
SET	Subsecretaría de Estado de Tributación Paraguayan Tax Authority
SFE	Sistema de Facturación Electrónica Electronic Invoicing System (Bolivia)
SFV	Sistema de Facturación Virtual Virtual Invoicing System (Bolivia)
SIFEN	Sistema Integrado de Facturación Electrónica Nacional National Electronic Invoicing Integrated System (Paraguay)
SII	Suministro Inmediato de Informacion Immediate Supply of Information on VAT
SII	Sistema de Impuestos Internos Chilean Tax Authority
SMEs	Small & Medium Enterprises
SOX	Sarbanes-Oxley Act
SSC	Shared Service Centre
SST	Sales and Service Tax
STA	State Taxation Administration (China)
STS	Kyrgyzstan State Tax Service
SUNAT	Superintendencia Nacional de Aduanas y de Administración Tributaria Peruvian Tax Authority
SUT	Sales and Use Tax
TESC	Tax Efficient Supply Chain
TIMS	Tax Invoice Management System (Kenya)
TRA	Turkish Revenue Agency
TRAIN	Tax Reform for Acceleration and Inclusion (Philippines)
UAE	United Arab Emirates
UJP eRacun	Tax Authority's Online Portal (Slovenia)
URTI	Unified Register of Tax Invoices (Ukraine)
USP	Unternehmensserviceportal Federal Service Portal (Austria)
UTD	Universal Transfer Document (Russia)
VAT	Value-Added Tax
WTO	World Trade Organisation
X-Tee	Tax Authority's Online Portal (Estonia)

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