

From Diverse Legislative Changes To New Reporting Requirements Up To Real Time Electronic Invoicing Requirements Via Government Platforms

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Today's speakers



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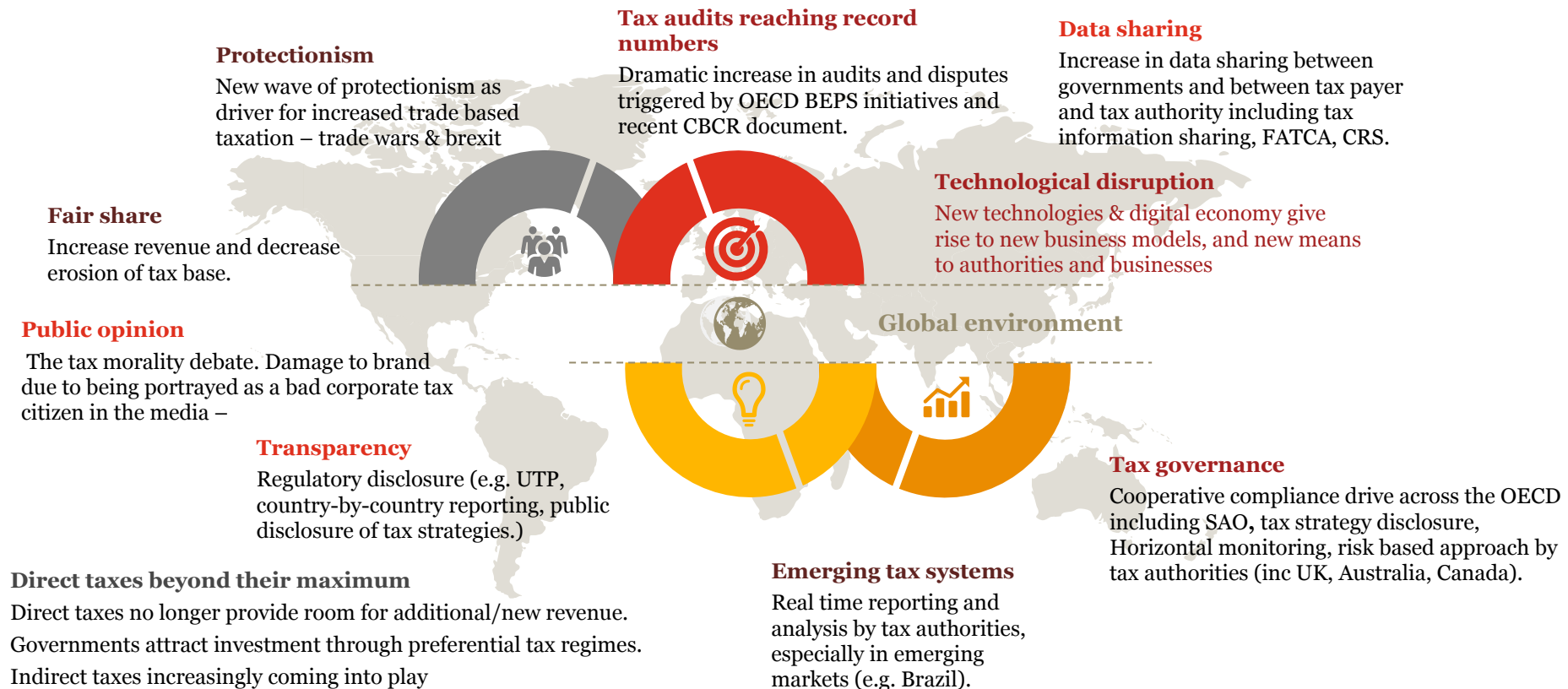
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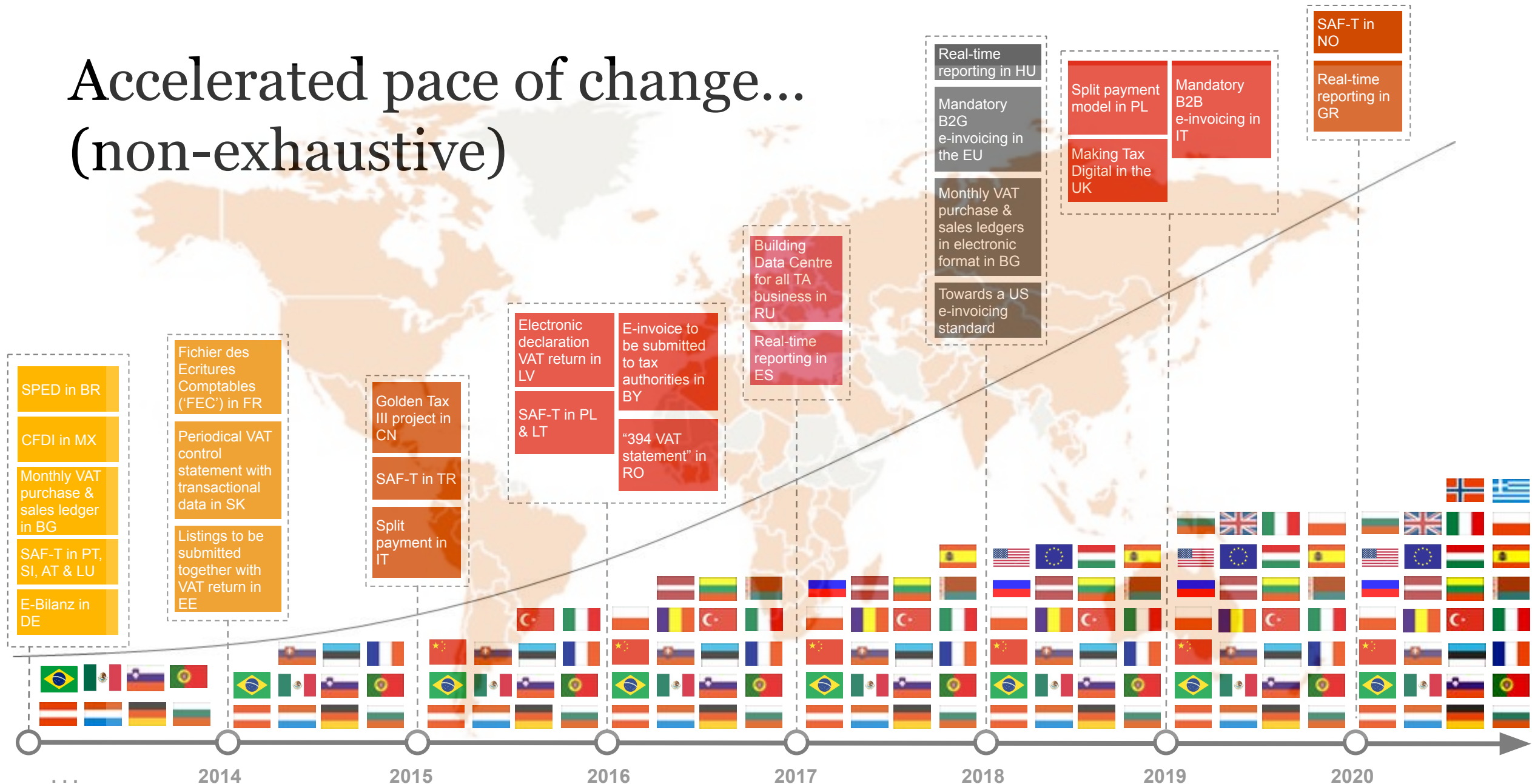
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*Dealing with accelerated pace of
change in the field of
e-invoicing,
e-reporting and
e-archiving*

A rapidly changing complex framework



Accelerated pace of change... (non-exhaustive)



Global e-invoicing overview - Europe

- Directive 2010/45/EU is implemented by all Member States and applicable as from 1/1/2013 - **equal treatment** of paper vs. electronic invoices
- Authenticity of origin, integrity of content and the legibility of an invoice should be guaranteed by choice of means:
 - By means of business controls which create a reliable audit trail between an invoice and the underlying supply;
 - By means of technologies: EDI or advanced electronic signature based on qualified certificates and created by SSCD.
- Strong push towards e-invoicing by the government sector - governments “leading by example”): Directive 2014/55/EU requiring governments to be in a position to receive invoices electronically - many countries have implemented this as a mandate (often via PEPPOL as interconnection framework). This requirement also has a catalysing effect on B2B e-invoicing - e.g. implementation of mandatory B2B e-invoicing in Italy as from 2019 (“clearance model”)
- Over the last few years, increased per country and non-harmonised Implementation of (close to) **real time reporting requirements** towards the tax authorities in multiple countries (Spanish SII, Hungarian RTR, Greek RTR by 2020), as well as SAF-T and other additional reporting requirements with the VAT gap as main accelerator

Global e-invoicing overview - Europe

EU countries with mandatory requirements to provide transaction data in structured, electronic form

- Czech Republic
- Slovakia
- Italy

EU countries with real-time reporting of invoices/ transaction data

- Greece
- Hungary
- Spain

Council Regulation on Administrative Cooperation

- EU

EU countries with active or planned to be implemented SAF-T requirements

- Austria
- France
- Lithuania
- Luxembourg
- Norway
- Poland
- Portugal

Split payment model

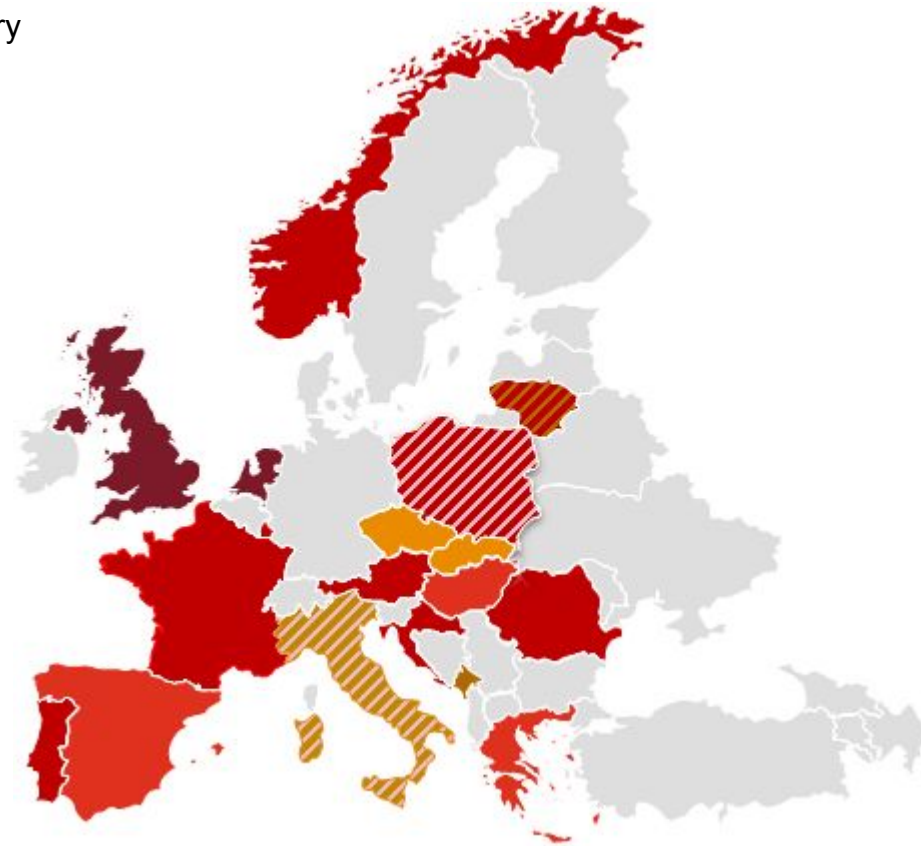
- Italy
- Poland

Mandated e-invoicing

- Albania
- EU
- Italy
- Lithuania, France, ... (?)

Horizontal monitoring

- Netherlands
- United Kingdom



Global e-invoicing overview

Latin America

- Launch of country-wide projects with the aim of reducing tax evasion
- Suppliers and buyers have to mandatorily send either invoice data or reports in e-format to the tax authorities for real-time validation & auditing (“**clearance models**”), prior to sending or making available to the buyers
- Huge impact on the invoice processing automation possibilities, cost of compliance and reporting requirements
- Implemented in Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Honduras, Mexico, Peru,...
- Mexico is the leading country worldwide, having digitised almost all processes that are relevant for taxation



Mexico

- Changes to populate the CFDI supplement regarding the expenditures made through third parties.
- Changes for the issuance of CFDI in which is stated the payment method "payment in a single exhibition"
- A new CFDI supplement for sale or services related to hydrocarbons and petroleum.
- For customs law purposes, it is required for virtual exports (merchandise that is export to another country and it is posteriorly returned to Mexico, the seller must incorporate the CFDI supplement of "Fiscal Legends" to the CFDI

Costa Rica

Introduction of VAT, moving away from the General Sales Tax. GST taxed the transfer of merchandise and certain services, the VAT will tax the transfer of all goods and the rendering of all services, with only the exceptions contained in the same VAT Law.

Bolivia

Bolivia introduced phased implementation of mandatory e-invoicing for some taxpayers as from November 1st 2019. Taxpayers can consult [Annexo A](#) to have a view on the relevant implementation dates, varying from 1 November 2019 till 1 November 2020.

Global e-invoicing overview - Asia Pacific



- Diverse and scattered e-invoicing landscape:
 - o Clearance models (e.g. Turkey, Taiwan, Russia)
 - o Open e-invoicing framework (e.g. Singapore, Hong Kong, Japan, Australia, New Zealand)
 - o Existing but evolving e-invoicing legislation (e.g. India, China, Japan, ...)
- Kazakhstan, Turkey, Taiwan, South Korea (having implemented e-invoicing mandates) and Singapore and Hong Kong (having a very open e-invoicing framework) are the most advanced countries in this region.
- A strong push towards e-invoicing by Australia and New Zealand to increase the adoption rate via the establishment of an e-invoicing interoperability framework (based on OpenPEPPOL)

Russia

Rumours on implementation of B2B e-invoicing (further technical details and implementation timeline unknown at this stage).

China - National digital invoicing system

A new electronic invoice system will be launched to replace the hard disks, currently to be purchased via Aisino or Baiwang, used to connect with the tax bureau. This means that in the future, probably taxpayers do not need to keep any disks/hardware locally. Instead, an electronic identity would be sufficient for invoice issuance. This would create a more convenient way to realise centralisation/the P2P management platform.

India

Major GST reporting and e-invoicing changes - Introduction of e-invoicing platform

Global e-invoicing overview - Africa



The **African e-invoicing market**, beside some specific exceptions, has a more limited adoption rate

- South Africa is the only African country having a robust market for e-invoicing with a specific legal framework in place for many years now
- Angola, with the implementation of a new VAT system, is also requiring companies to produce SAF-T files and is implementing specific requirements for e-invoicing software (copying the Portuguese software certification model)
- Morocco is gradually implementing more technical requirements applying to invoicing software, which needs to be accredited by the authorities (no technical specifications have been issued yet)
- Kenya has announced they will issue a regulation on invoice issuance via Continuous transaction controls

Global e-invoicing overview - North America



- Open framework – Possibility of e-invoicing without major requirements/obstacles imposed by law
- Notwithstanding this, the uptake of electronic invoicing is still rather low
- For that reason, the Federal Reserve launched an initiative under the “Business Payments Coalition”, a volunteer group of organizations and individuals working together to promote the greater adoption of electronic B2B payments and remittance data, to define **an invoicing technical standard and interoperability framework fit fo the US market**
- This could be the starting point to accelerate adoption and increases the number of invoices exchanged in the US.
- The Canadian e-invoicing market is very comparable to the US market

Changing Invoice and Reporting Requirements

Strong push towards **mandated e-invoicing (clearance models)** in LATAM and parts of Asia. Also in Europe, a strong push for mandated e-invoicing by the government sector. **Directive 2014/55/EU** requires governments to be in a position to receive invoices electronically. Many countries have implemented this as a mandate. This requirement has a catalysing **effect on B2B e-invoicing** (e.g. Italian mandate)



B2B and B2G mandates

To deal with these and expected future requirements Clients are forced to evaluate how they will respond and update their various systems and processes in a timely manner to ensure they remain legally compliant, whilst ensuring secure and zero interruption in flow of goods and services to their customers and to mitigate risk of legal repercussions due to non-compliance.

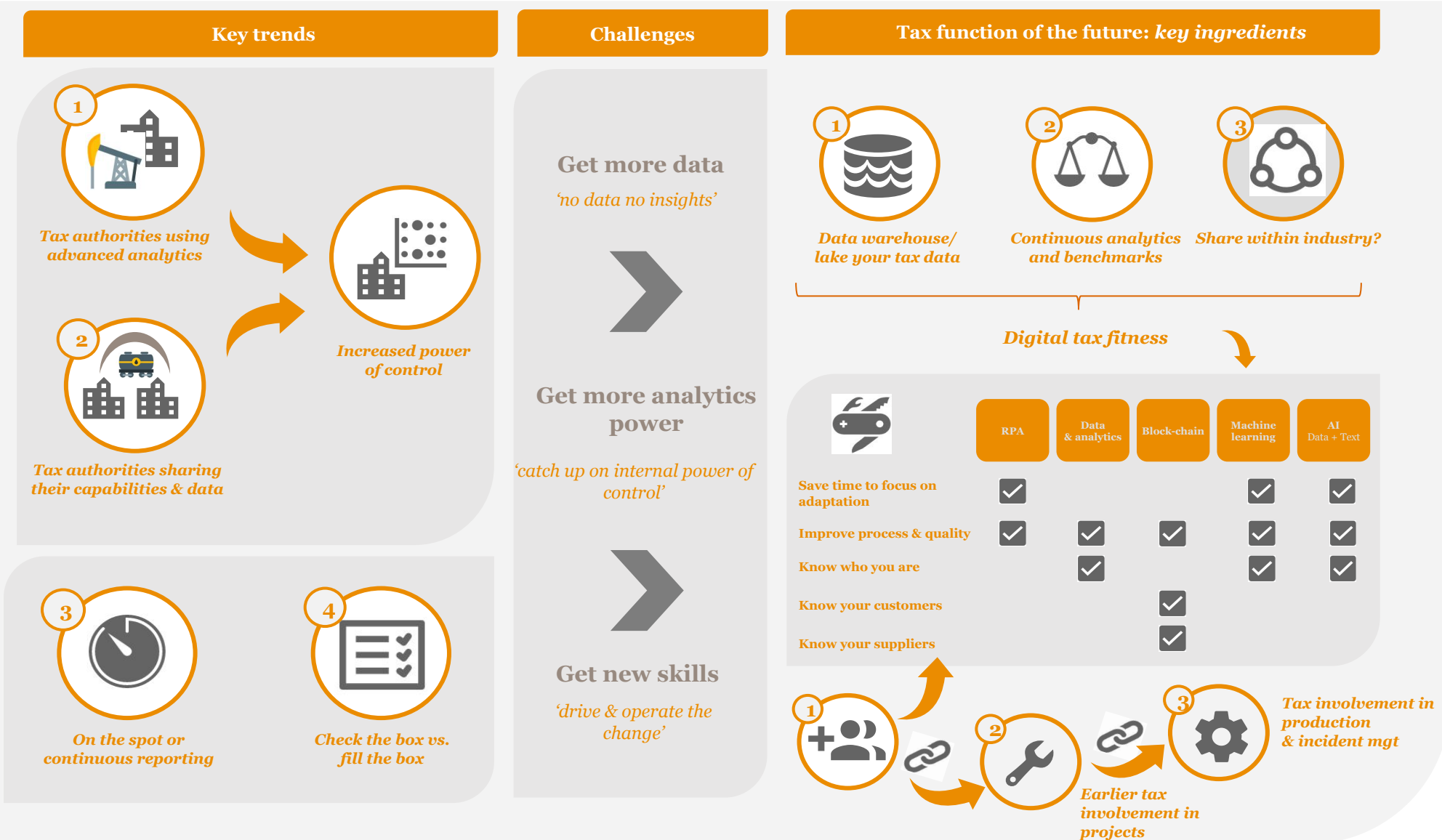
Increased per country and non-harmonised implementation of (close to) **real time reporting requirements** towards the tax authorities in multiple countries (Spanish SII, Hungarian RTR, Greek RTR by 2020), as well as SAF-T and other additional reporting requirements with the VAT gap as main accelerator



Real time reporting

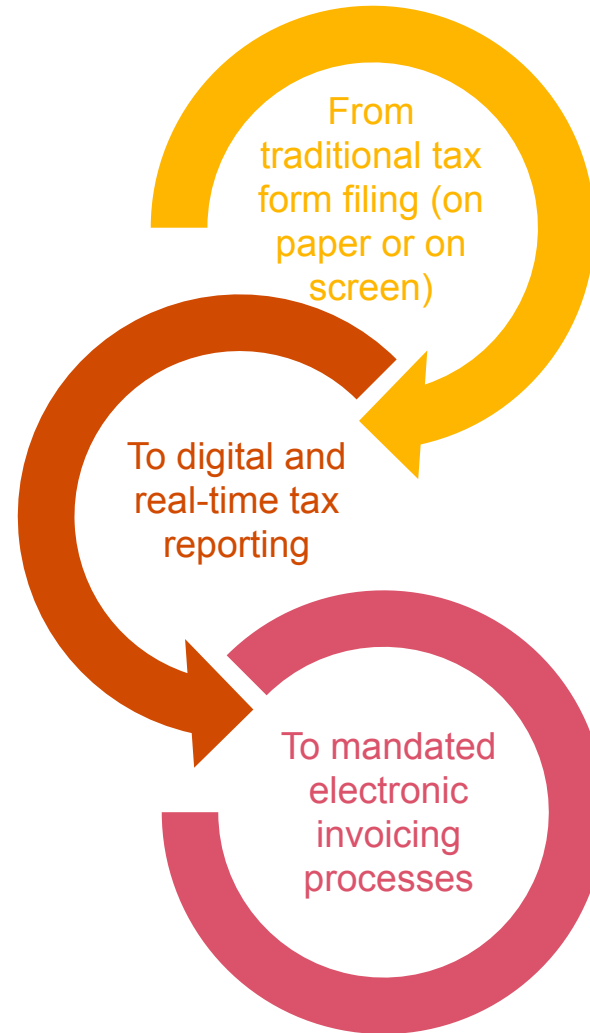
Impact on business processes & systems

But more government insight...



Direct impact on business processes & systems

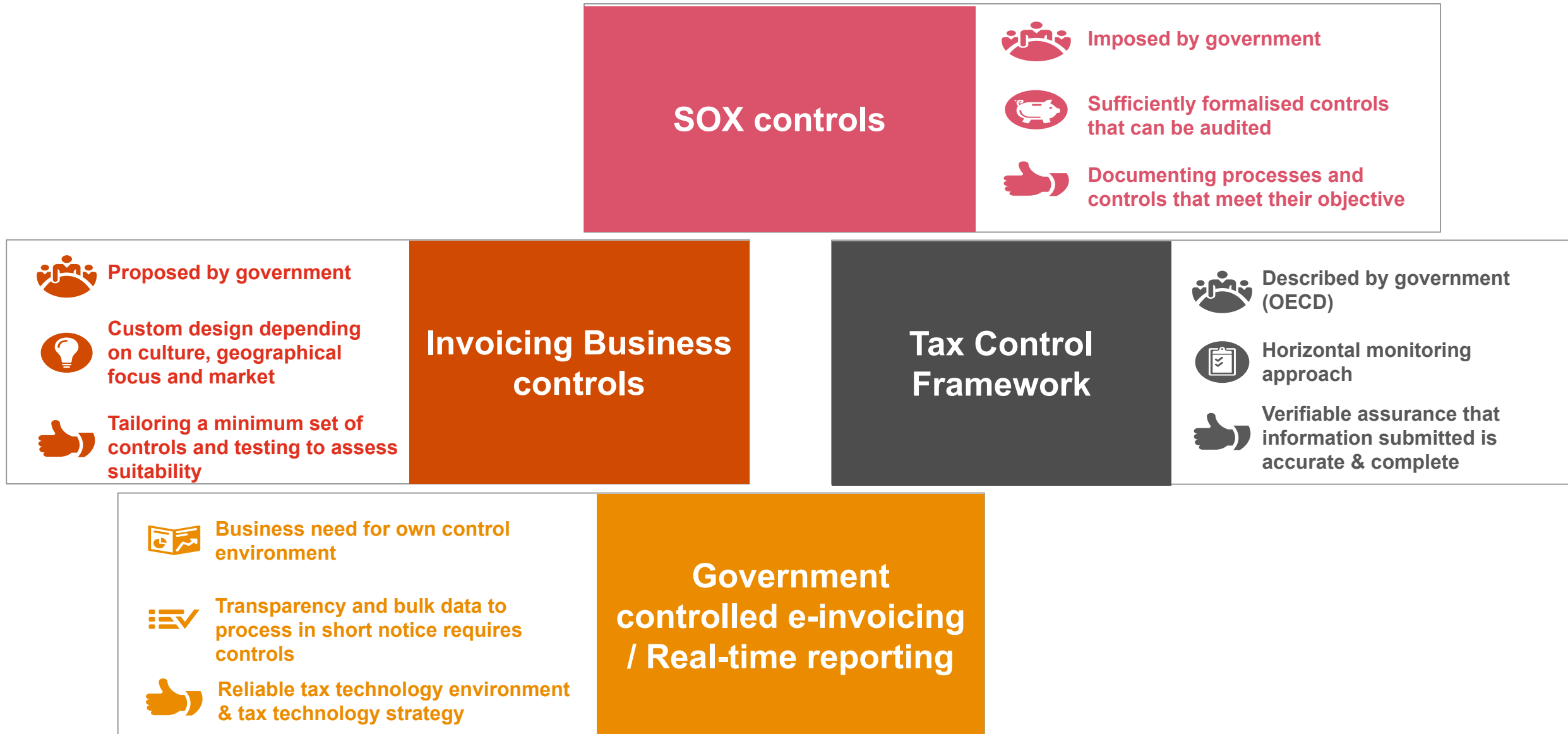
- Inside ERP or as an external (bolt-on) solution (specific reporting software)
- Many variances based on various criteria – e.g.:
 - Submission frequency: periodical vs. (close to) real time reporting
 - Level of detail:
 - aggregated information vs. transactional detail
 - Invoice details only or broader information
 - Format of submission: based on an international standard (e.g. OECD SAF-T model) or based on a country specific submission format
- Record-to-report process impact focussed on correct transactions recording (typically prior to month-end-close)
- Impact on companies' tax, finance & IT resources



- Inside ERP or as an external (bolt-on) solution (VAT return preparation & filing)
- Record-to-Report process impact focussed on report preparation (typically after month-end-close)
- Impact on companies' tax resources

- Inside ERP, manual process or with external e-invoicing service providers
- Impact on end-to-end processes (P2P and O2C) with focus on accurate and efficient data entry (i.e. a "touchless process")
- Impact on companies' tax, AP/AR, finance & IT resources (setup + maintenance)

Also calls for a proactive control framework...

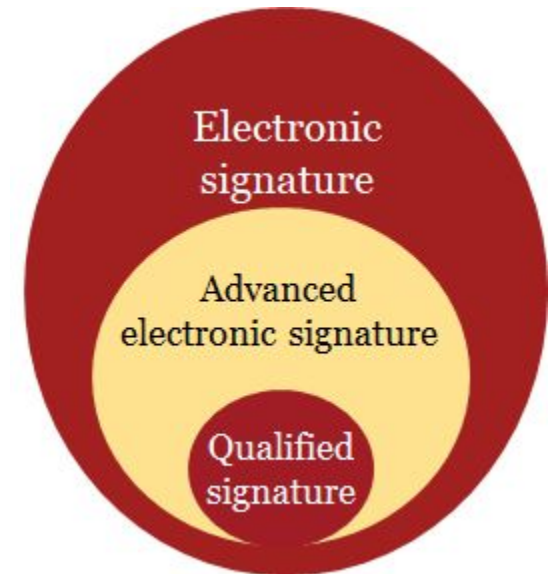


Using established and emerging technologies

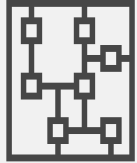


- any **business controls** which create a reliable audit trail between an invoice and a supply of goods or services

- **Technologies** that provide assurance:
 - Electronic data interchange (EDI)
 - Advanced electronic signature (AES)
 - ...



Using established and emerging technologies



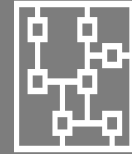
Building on the POC

Data of logistics service providers in relation to the transport of goods and information such as customs declarations could be pulled from third party data sources. Subsequently, this data could be validated against the PO and/or invoice data and hashed and added to the blockchain. Finally, this data would be transmitted to the private database of the buyer and/or supplier.

The current POC does not take into account logistics nor customs information.

PO creation

Buyer inputs the PO data into the tool's web form or the data is pulled from the buyer's ERP / accounting system



Invoice creation

PO data is converted into an invoice (PO flip). Additional data required is inputted via the web form or is pulled from supplier's ERP / accounting system



Archiving

Hashes of PO and invoice data are stored on the blockchain. The underlying data is stored in the private database of the buyer and supplier.



PO validation & issuance

PO data is validated and PO issued to the supplier. A hash is created and added to the blockchain. Supplier can approve or reject PO. PO data is transmitted to the private database of the buyer and supplier

Invoice validation & issuance

Invoice data is validated and invoice issued to the supplier. A hash is created and added to the blockchain. Invoice data is transmitted to the private database of the buyer and supplier

(Tax) audit

Auditee can export the requested private data (invoices) and the auditor can compare the hash of this data against the hash stored on chain.

Using established and emerging technologies

POC sneak peek – Front end

Example PO creation & issuance

Buyer inputs the PO data into the tool's web form. Only data in relation to the transaction will be required as the buyer's company data is already pre-populated. When the supplier is selected, his company data will also be pre-populated.

PO data is validated and PO issued to the supplier. The supplier can then approve or reject the PO. Both buyer and supplier can keep track of the PO's issued and received in a dedicated view.

The image displays three overlapping screenshots of the 'einvoicing' web application interface, illustrating the PO creation process.

Left Screenshot (Apple dashboard): Shows the 'Create PO' button and the 'Buyer Information' section. The 'Name' field is pre-populated with 'Apple'. The 'VAT ID' field contains 'BE0836157420'. The 'Address' section includes 'Street' (Havenlaan), 'Number' (86C), 'Box' (204), 'Code' (1000), 'Municipality' (Brussels), and 'Country' (Belgium). A 'Bank account' section is also visible at the bottom.

Middle Screenshot (PO Information): Shows the 'PO Information' section with fields for 'PO date', 'PO Nr', and 'Currency'. Below this is the 'Items' section with a table for item details and a 'Summary' section with a table for tax rates.

Right Screenshot (Apple dashboard): Shows the 'View PO' button and the 'PO issued' section. The 'PO issued' section contains a table with the following data:

UID	PO Nr	Buyer name	Supplier name	Date	Total Amount	Status
1427131848	1	Apple	PwC	01/01/2020	121000	Approved

Below the 'PO issued' table is the 'PO received' section, which is currently empty.

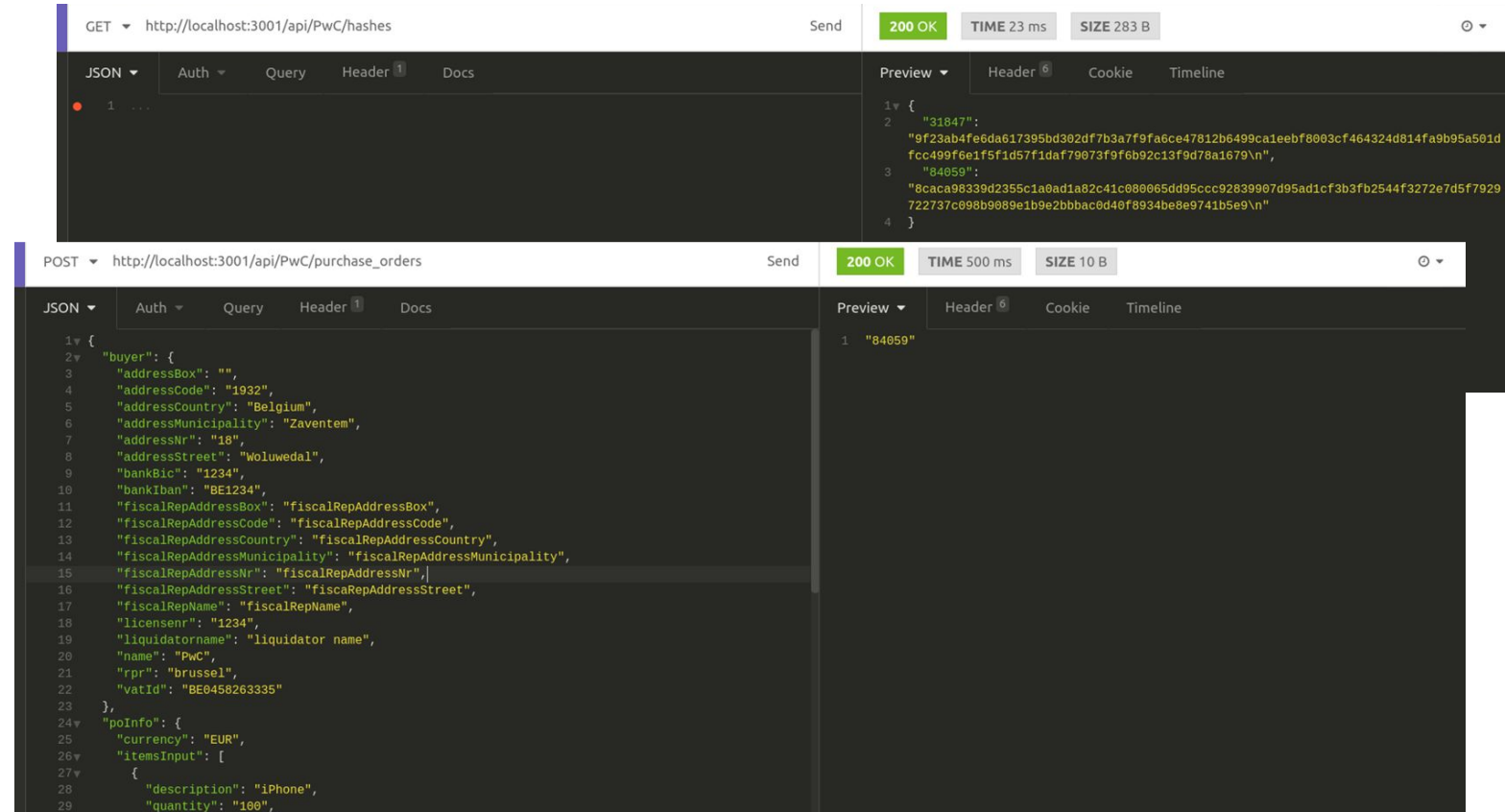
Using established and emerging technologies

POC sneak peek – Back end & blockchain node

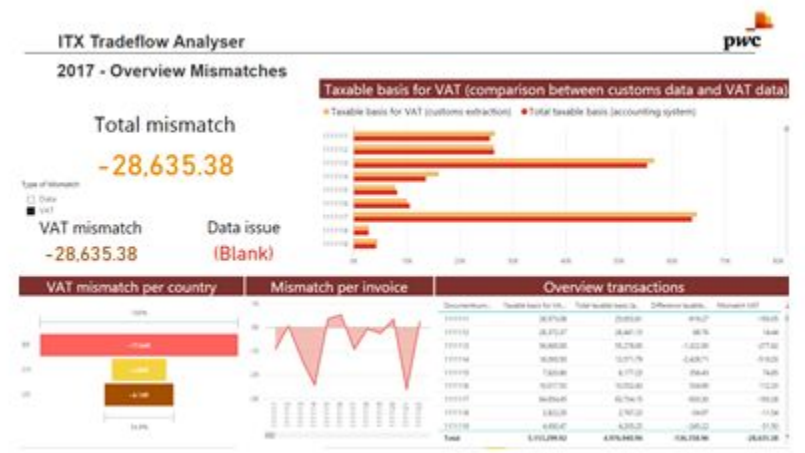
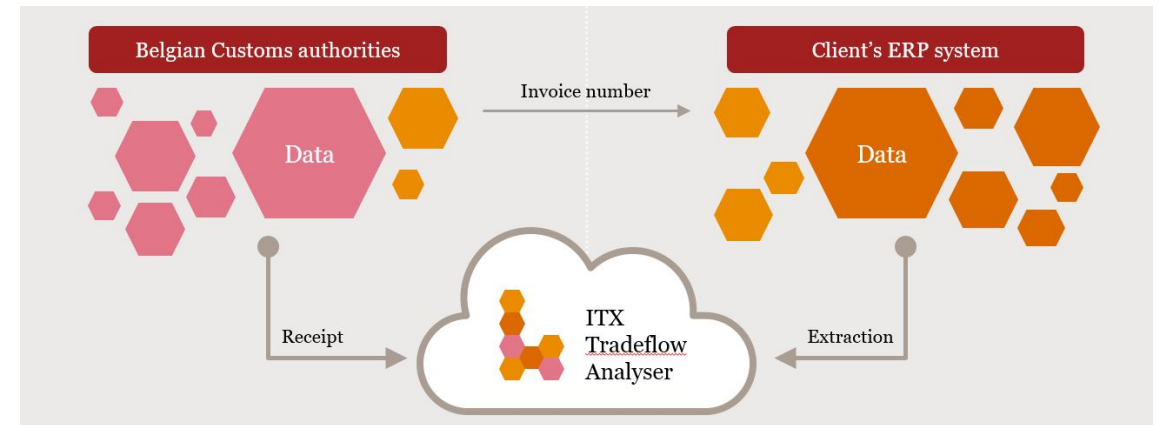
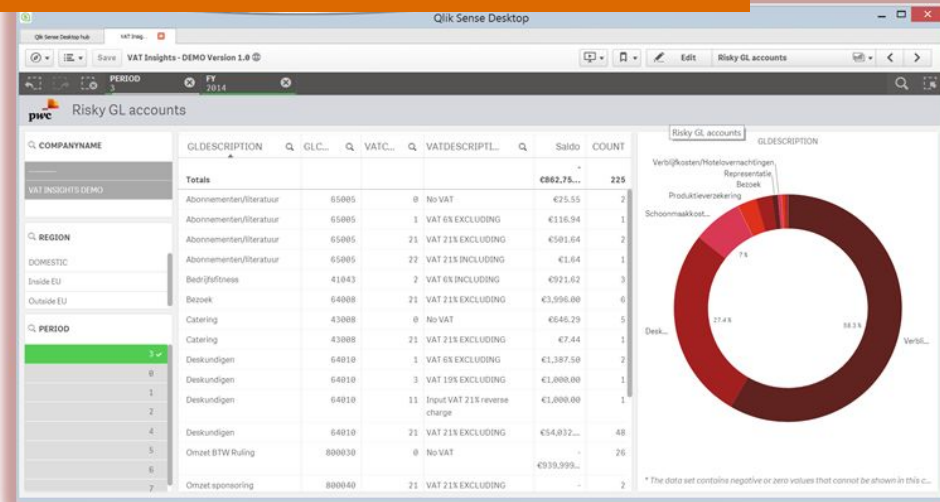
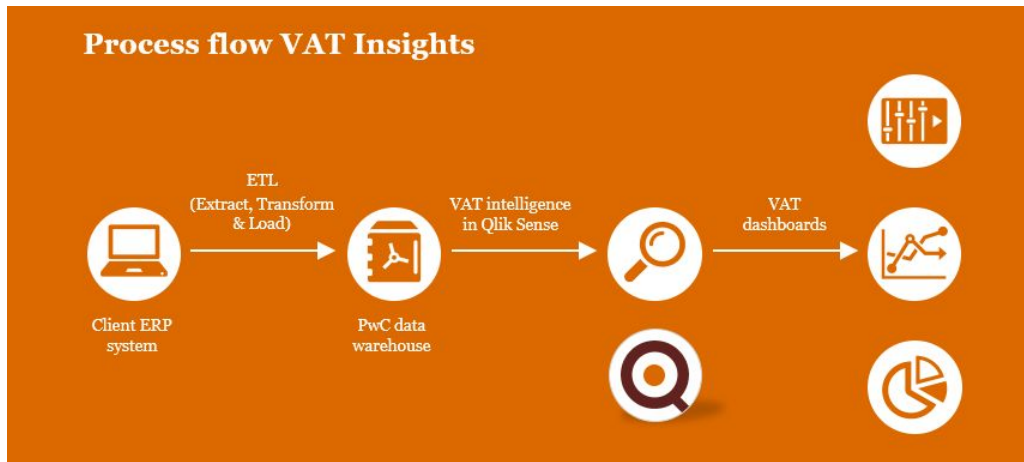
Example PO creation & issuance

The left side of the foreground image shows the PO data added by the buyer in the tool's web form and which is recorded in a JSON file. The response of the blockchain node is the corresponding UID of the PO, as shown on the right side.

The background image shows that the PO has a corresponding hash on the blockchain "8caca..." once it is validated and issued to the supplier.



And advanced tax data analytics



Key takeaways

Key takeaways

Key trends that are shaping the global ITX landscape:

- Growing importance of indirect taxes
- Increased emphasis on (real-time) VAT/GST compliance and reporting requirements

How to control the ITX environment more effectively:

- Find ways to keep up with the pace of change
- Ensure your processes are productive, technology is used effectively in order to mitigate the exposure to penalties and reputational risks
- Prioritize strategic planning and optimise the use of technology



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A **leading global Network** in more than 158 countries, with over 2.000 ITX experts and more than 12.000 technology consulting experts.



To date, the PwC e-invoicing Network has worked on e-invoicing and e-archiving related assignments in more than 158 countries around the world.

Thank you!



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