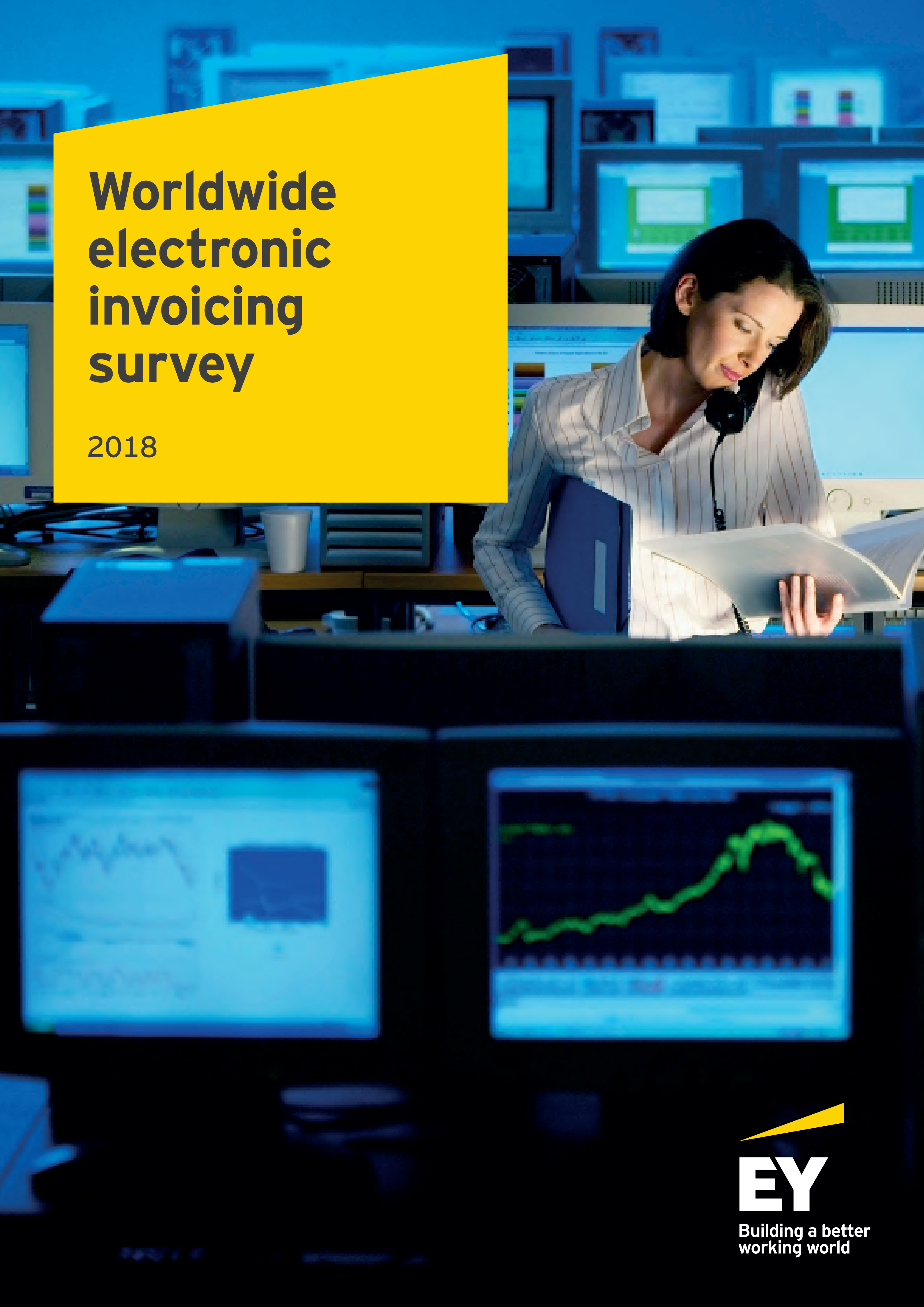
Worldwide electronic invoicing survey

2018



EY

Building a better working world

Contents

1 Overview of e-invoicing survey 03

2 Data results and charts 13

1 Overview of e-invoicing survey

Should VAT/GST rules be a factor or a driver in choosing an e-invoicing solution?

In this report, we consider some of the drivers for using electronic invoicing (e-invoicing), some of the constraints that taxpayers may encounter and how multinational companies may approach an implementation project that brings commercial benefits while meeting your VAT/GST compliance obligations.

If your company is looking to adopt electronic invoicing processes, you should evaluate the range of requirements you face in all the jurisdictions where you operate to confirm that you fulfill your obligations and avoid risks. However, in our view, the decision about electronic processes should also have a strong business-related dimension.

Even where electronic processes are mandated by tax laws, in case of B2B transactions, we believe that, in adopting an electronic invoicing solution, you should also confirm that doing so allows you to realize cost reductions, economies of scale, efficiencies and improved accuracy. In choosing the most effective e-invoicing solution, factors other than tax, therefore, should come into play. The factors should include how technical options offered by different software suppliers fit your company's existing IT profile, your company's activities, the number of invoices you issue, format requests and the needs of third parties (such as suppliers and customers).

Why use e-invoicing?

Businesses may have a number of reasons to use e-invoicing. Commercial considerations are likely to drive a company's decision to adopt e-invoicing, as the administrative costs and processing times for issuing and processing electronic documents are typically far lower than those for traditional paper documents. The savings come not only from reducing printing and postage costs, but also from adopting integrated processes for all invoice-related tasks.

Examples of estimated cost and efficiency gains, based on a survey conducted by EY in 2016, are outlined in Figure 1 and 2.

Figure 1: Quantitative and qualitative advantages of electronic invoicing

1 The main quantitative advantages

- Reduce the deadlines and the processing costs
- Improve the productivity
- Control the cash flows and improve the management of the working capital needs

2 The main qualitative advantages

- Improve the relationship with the suppliers and the customers
- Refocus the resources on rewarding tasks
- Limit the risks of error and strengthen the internal control system
- Modernize the accounting function and increase productivity
- Improve the ecological image of the company

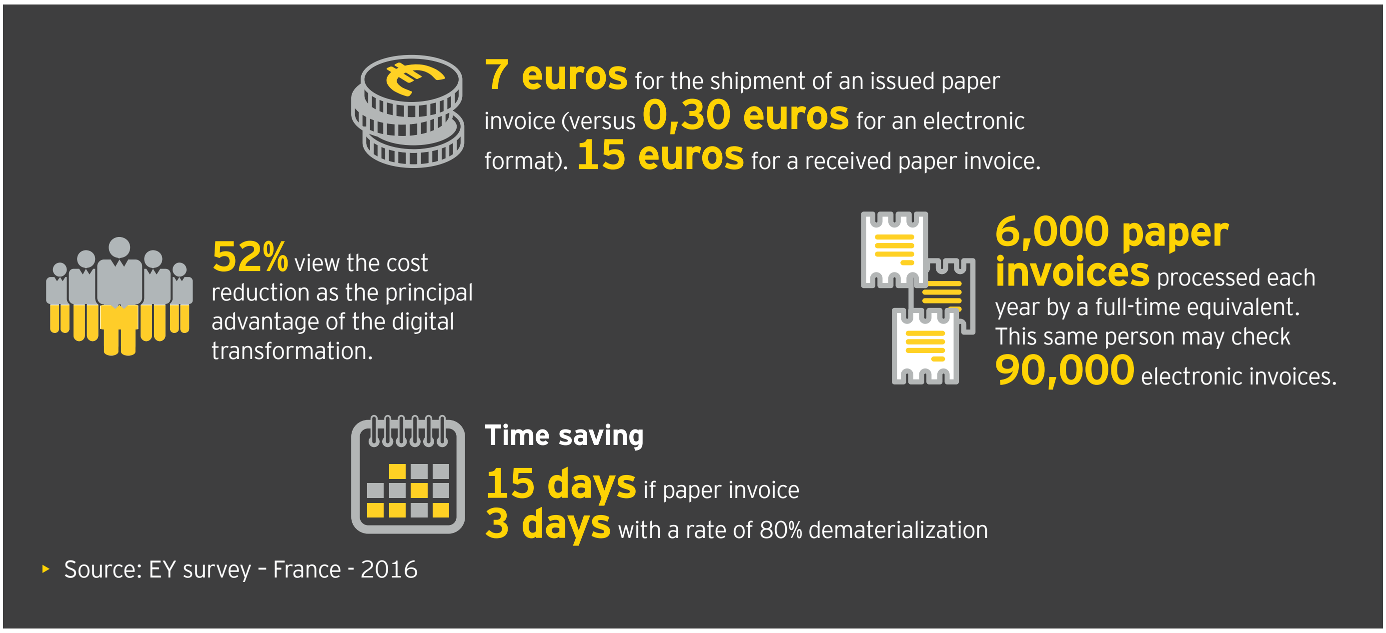
!

The implementation of such an electronic invoicing project requires analysis of the existing system, to compare the gains and the costs/risks:

GAINS	COST/RISKS
Reduce the FTA and the processing costs	Software/material/maintenance
Optimization of the working capital and the relationship with the third parties	Cost of implementation (advice, time of the teams)
Economy treatments and archiving	Risks related to the contractualization
Ecological image	

The balance costs/profit must be positive to launch such a project.
A target can be estimated on the basis of the first analyses.

Figure 2: Quantitative and qualitative advantages of electronic invoicing



Electronic processing can also improve accuracy, by allowing the invoice data to be drawn directly from the supplier's accounting systems. E-invoicing can also support automated payment and reconciliation. Together with electronic storage, e-invoicing can help to serve the corporate responsibility agenda, by eliminating the need for paper and reducing carbon footprint. These aspects can have a positive impact on the company's image and relationships with its customers.

A further driver for e-invoicing may be tax administrative rules that may make it mandatory for value-added tax (VAT)/goods and services tax (GST) accounting or that make e-invoicing a logical step as a result of other VAT/GST obligations, such as the requirement to submit data in electronic format to the tax administration.

Digital tax administration

Tax administrations around the world are using technology to transform their approach to administering indirect taxes such as VAT, GST and customs and excise duties. For taxpayers, understanding their obligations and incorporating them into their accounting systems and processes is a crucial factor in managing indirect tax compliance. This process can be complicated for multinational enterprises because different rules may apply in different jurisdictions. Two areas stand out as worthy of particular attention: e-invoicing and electronic data submission, including real-time reporting and the standard audit file for tax (SAF-T) and similar standardized data requests.

The trend toward digital tax administration can allow companies to fully embrace the administrative efficiencies and economies of using electronic processes. However, a lack of harmonization between jurisdictions' requirements can reduce the benefits of using these processes because what is required or permitted by one jurisdiction may not be approved in another. As individual jurisdictions adopt different approaches, companies that seek to streamline and centralize their accounting processes may face a bewildering maze of national requirements that reduce or negate the efficiency gains and can increase their risk of incurring administrative penalties.

Tax rules — from facility to obligation

In the early days of the digital revolution, businesses were generally ahead of tax administrations in their use of technology to carry out everyday tasks, including accounting and record-keeping. Most obligations for indirect taxes remained heavily paper-based, with manual processes the norm in most jurisdictions. Tax administrations that permitted taxpayers to issue e-invoices or file tax returns online were the exception — and the authorities that did adopt these measures generally did so as a facilitation for the taxpayers that wanted to use them, rather than applying them to everyone.

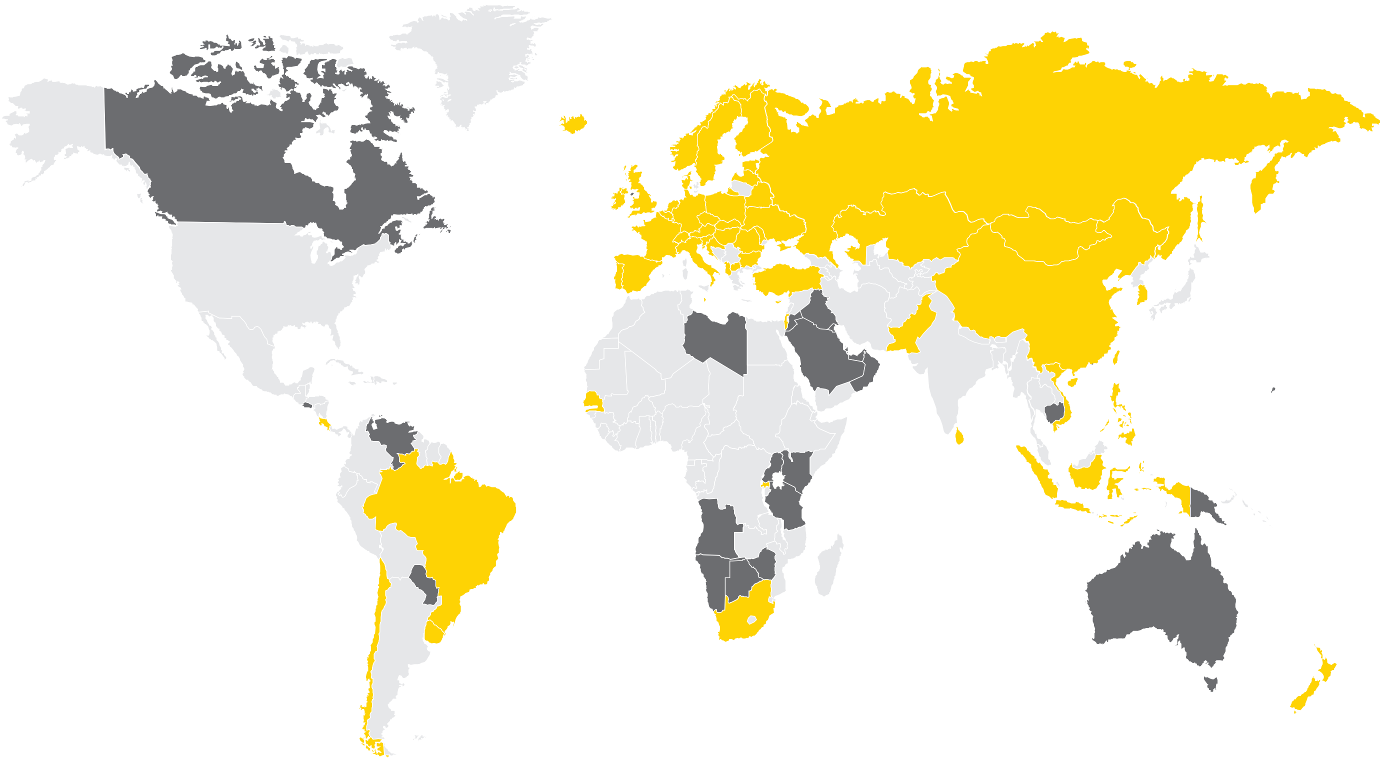
Over time, however, the trend toward "digital government" has shifted the emphasis away from optional to compulsory electronic tax compliance. Tax administrations all around the world are using technology to collect and analyze more data from taxpayers than ever before, often in real time or near-real time. Rather than being an optional "facility", the use of electronic filing and e-invoicing are now mandatory obligations in many jurisdictions — with stiff penalties for noncompliance.

The e-invoicing tax landscape

We recently conducted a survey about e-invoicing requirements in 82 jurisdictions. Full details of the questions we asked and the information provided by each jurisdiction is provided in section two of this report.

Among the 82 respondents, our survey indicates that 25 jurisdictions have no regulation related to the electronic invoicing. E-invoicing is mandatory in 10 jurisdictions and is not permitted in 5 jurisdictions. Therefore, in most jurisdictions taxpayers have the choice to adopt electronic invoicing.

Figure 3: Is there a regulation related to electronic invoicing in your jurisdiction?



Yes

Albania	Israel	Russia
Austria	Italy	Rwanda
Belarus	Kazakhstan	Senegal
Belgium	Korea, Republic of	Serbia, Republic of
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Angola	Iraq	Paraguay
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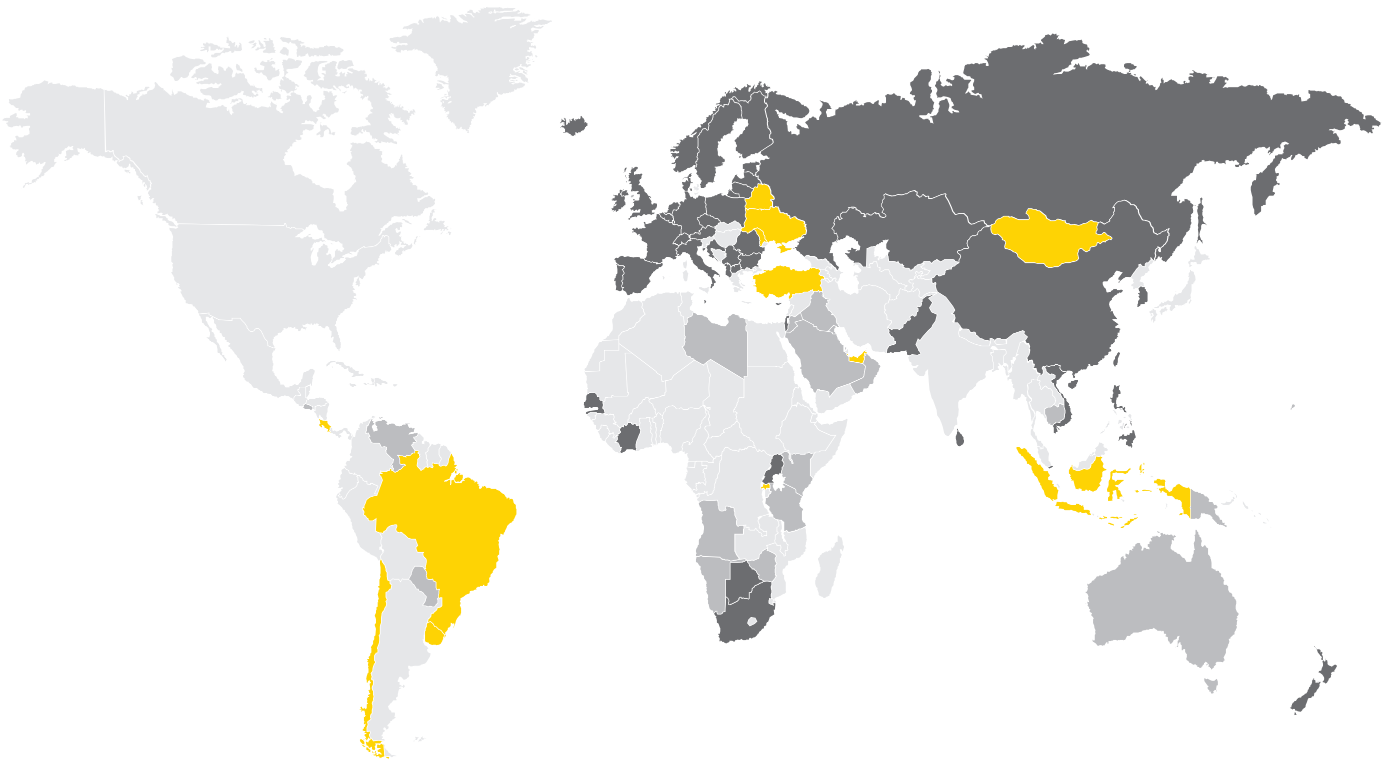
Cambodia	Kuwait	Uganda
Curacao	Libya	Venezuela
El Salvador	Namibia	Zimbabwe
Guam	Oman	
Hong Kong	Papua New Guinea	

Figure 4: Is electronic invoicing mandatory in your jurisdiction in case of B2B transactions?



Yes

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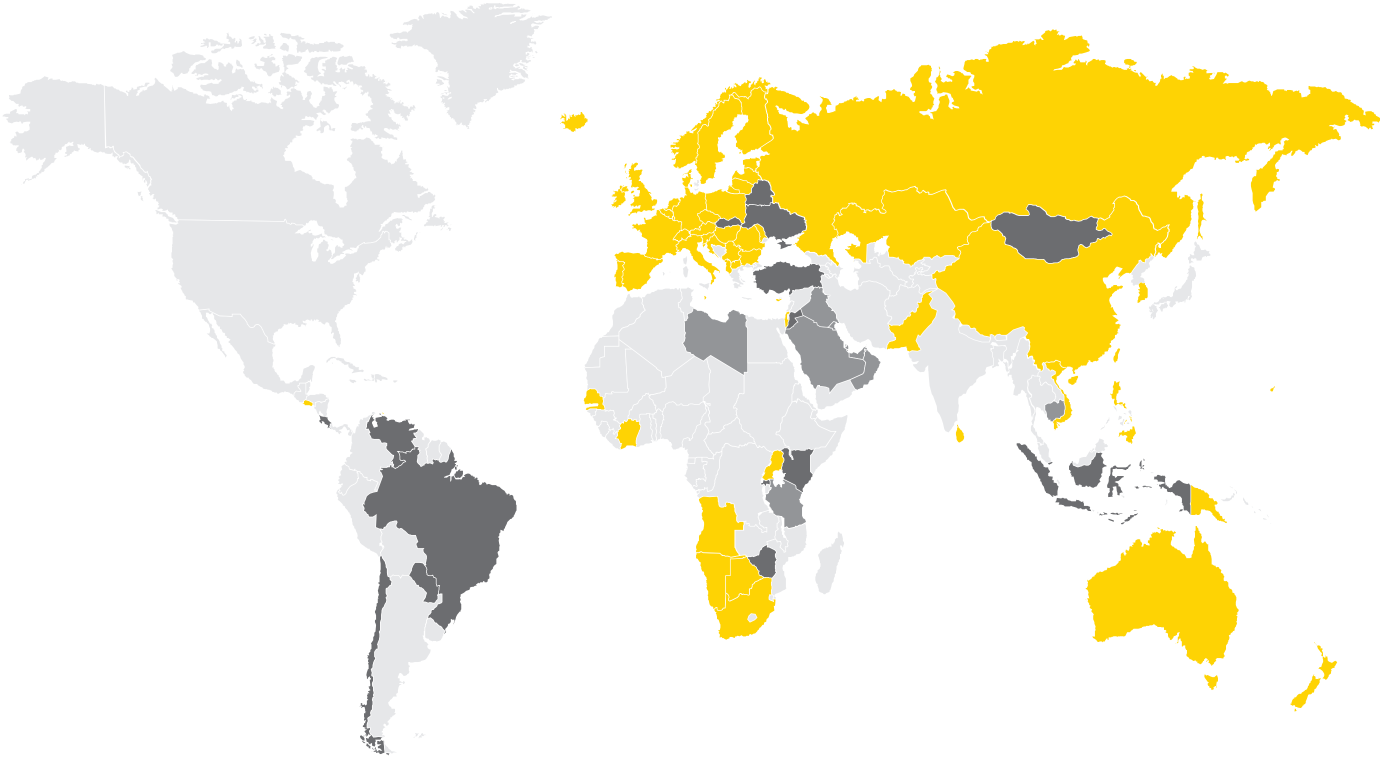
Figure 5: If electronic invoicing is not mandatory, is electronic invoicing allowed in your jurisdiction?



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Turkey
Ukraine
Uruguay

No regulation

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Cambodia
Iraq
Kuwait
Libya
Oman
Saudi Arabia
Tanzania
UAE

Additional obligations

According to our survey, companies that choose to adopt electronic processes must comply with a range of additional obligations. For example, in 11 jurisdictions, taxpayers must receive prior authorization from the tax administration, in 18 jurisdictions the software used must be certified and in 31 jurisdictions, the customer must agree to e-invoicing for the supplier to use it.

Figure 6: Is prior authorization from the tax authority required in order to issue e-invoices?

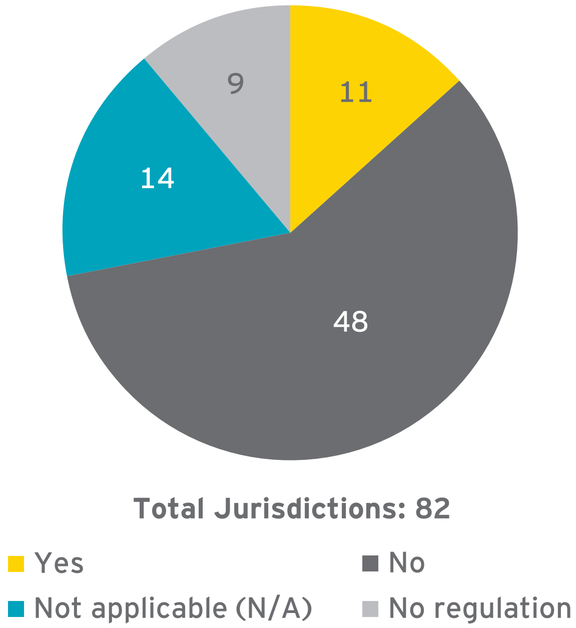


Figure 7: Is there any obligation to certify the software (electronic invoice platform) which is used to create e-invoices in your jurisdiction?

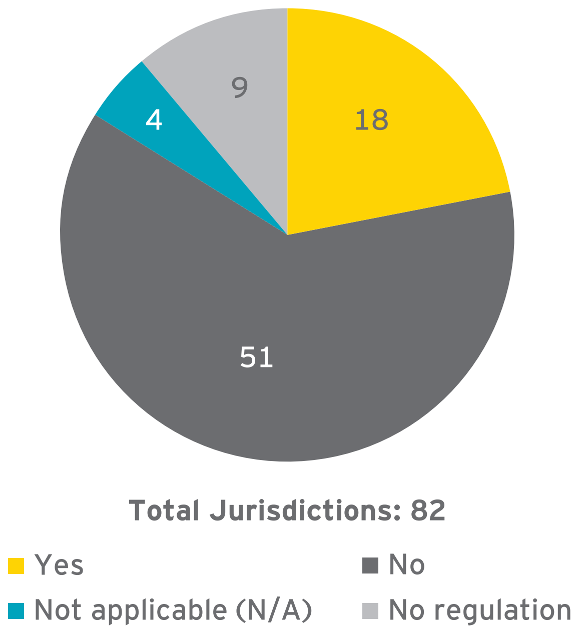
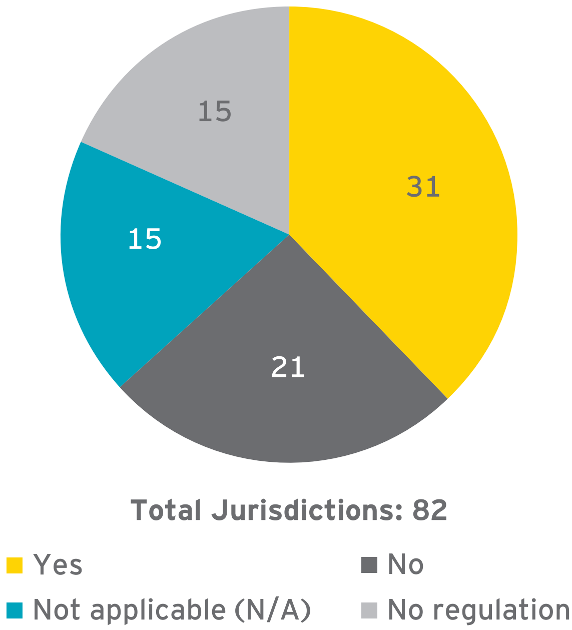


Figure 8: Does the customer have to agree prior to receiving the first electronic invoice (a one-time acceptance)?



National obligations

Our survey indicates a wide range of different requirements, which can be a barrier to the effective adoption of an enterprise-wide invoicing solution. These national differences are also marked even when it comes to the "standard" data required by SAF-T and similar requirements. Currently only 12 jurisdictions in our survey have a SAF-T regulation or similar national equivalents — although this number is likely to increase as more jurisdictions adopt digital tax administration processes. However, even within those 12 jurisdictions significant differences apply. For example, the obligation to create SAF-T has an impact on electronic invoicing platforms in 2 jurisdictions but not in the remaining 10.

Tax obligations impose requirements — but choices remain

However, even taking the need to comply with VAT/GST laws into account, taxpayers are still likely to have a range of solutions to choose among in adopting an e-invoicing solution. For example, in the 28 Member States of the European Union (EU), the supplier must guarantee the authenticity of the original invoice, the integrity of the contents of the invoice and the VAT/GST legibility shown, but this can be guaranteed by using one of several solutions. Figure 9 sets out the options that taxpayers may consider to meet these requirements and some of the issues that taxpayers should take into account in reaching a decision about the best format to use.

Figure 9: Requirements on the choice of electronic invoicing solution

In the EU, the authenticity of the original, the integrity of the content of the invoice and the legibility can be guaranteed by several solutions.

Solution 1	Solution 2	Solution 3	Solution 4
Electronic invoice secured by using an Electronic Data Interchange (EDI)	Electronic invoice secured by using an electronic signature	Electronic invoice secured by using business controls that creates a reliable audit trail	Other acceptable solutions

- What format is accepted by the receiver?
- How to ensure the security of the system used?
- Are there technical adaptations of the system used?
- What are the costs of implementation and maintenance?
- What are the deadlines of implementation?
- How to archive the invoices?

Making and implementing the decision

Given the potential commercial benefits of e-invoicing, even if it is not mandatory for VAT/GST, taxpayers are increasingly likely to choose to adopt it. In doing so, they must take into account the increased risks and additional obligations they may face. For example, implementation of an e-invoicing solution may be disruptive and costly so it may take considerable time to recoup the implementation costs. In addition, the invoicing software chosen must meet all the requirements imposed by the local tax administration and it must be maintained and updated to keep abreast of any changes in the tax rules.

Therefore, whether the decision to use electronic processing is based on the company's commercial decision or is imposed by legislation, taxpayers are advised to understand their obligations and carry out a full cost/benefit analysis that takes into account the organization's commercial drivers and the legal requirements in all the jurisdictions where it operates.

Buy-in from internal and external stakeholders

As invoices are a primary document for many operators within an organization, success is likely to depend on identifying a range of internal and external stakeholders who may be affected by the adoption of new processes. Internal stakeholders may include the purchasing and procurement functions, the accounts department, tax and legal as well as IT. External stakeholders may include suppliers, key customers and the tax authorities themselves. By actively obtaining their participation, changes in the invoice processing system can bring benefits to all parties, creating a "win-win" situation. The full corporate development plan must also be supported and valued by corporate management as, without this sponsor, the legitimacy of the project may be questioned and the resources needed to bring the project to a successful conclusion may not be available or may not be brought to bear effectively.

Choosing an e-invoicing solution

Taxpayers may want to consider a range of issues before deciding whether to adopt e-invoicing, along with which e-invoicing solution to adopt. For multinational groups, considerations will include the commercial advantages and the mandatory obligations imposed in each jurisdiction where they do business.

Figures 10, 11 and 12 sets out the considerations that a multinational group may consider in assessing the most appropriate technical solution to be adopted for e-invoicing, including whether different solutions should apply to different activities, classes or customers, issues related to e-archiving and whether the function should be insourced or outsourced.

Another important consideration for each jurisdiction relates to the legal obligations for invoicing, including conditions imposed by the tax authorities, frequently for VAT/GST accounting. This means that any solution must potentially be acceptable to administrations with different requirements and attitudes as well as to customers or suppliers.

Figure 10: Considerations related to the choice of the technical solution for e-invoicing

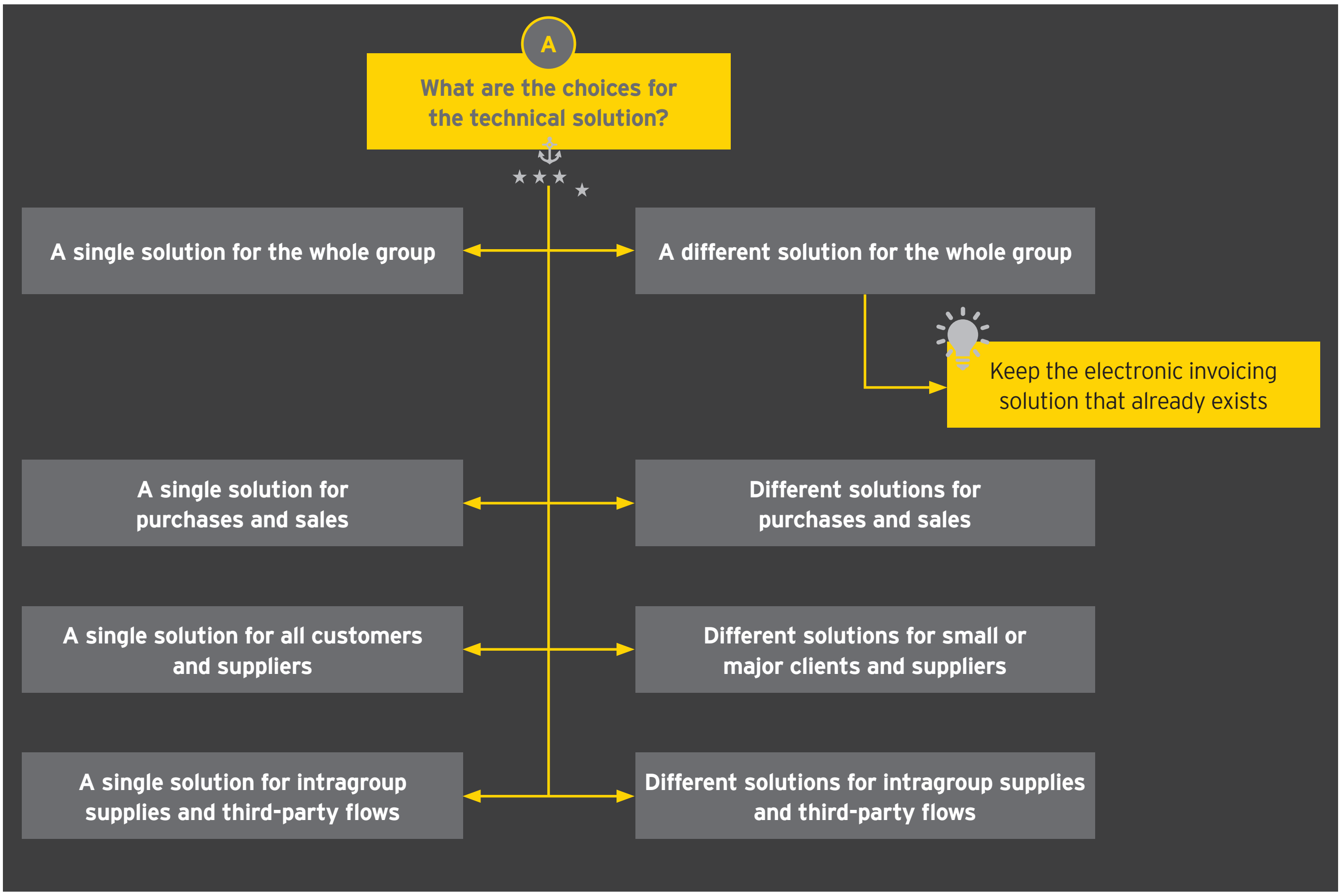


Figure 11: Considerations related to the choice of the technical solution for e-archiving

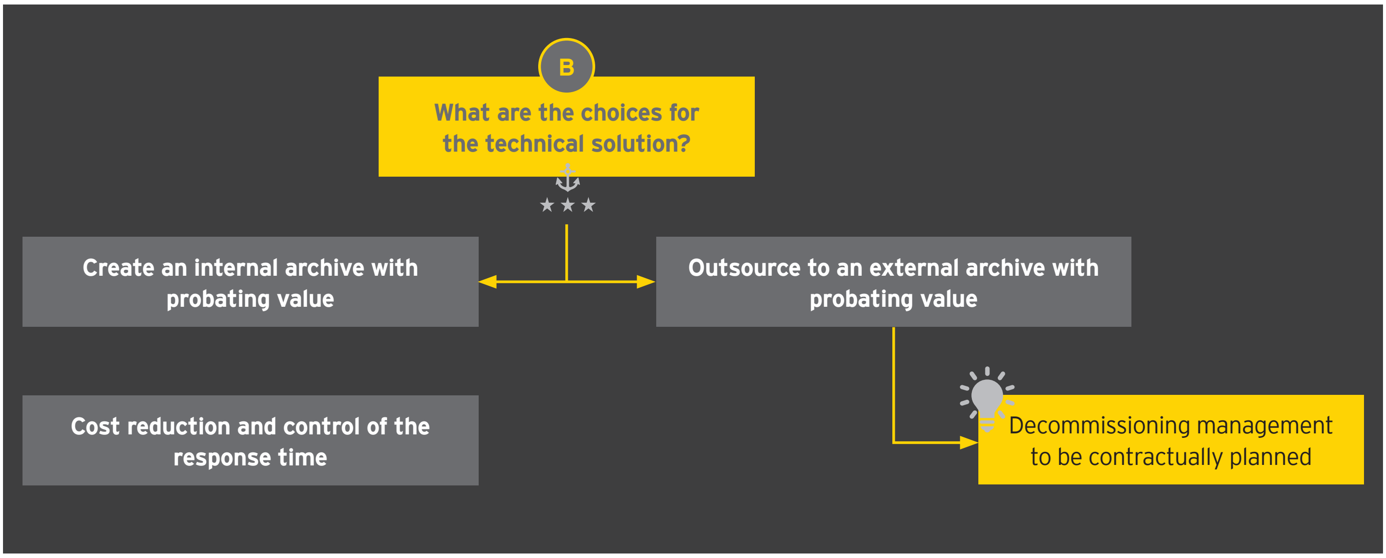
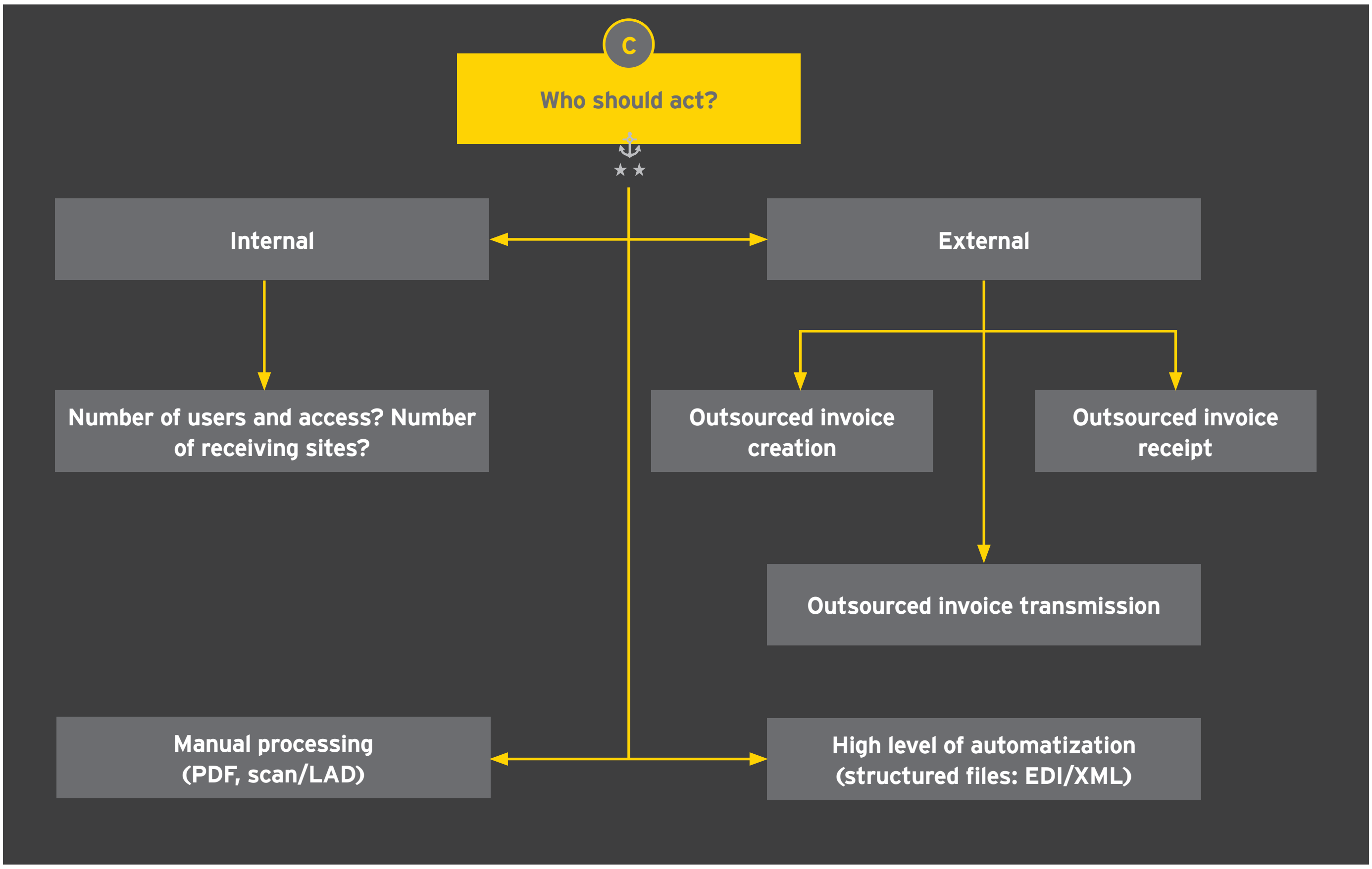


Figure 12: Considerations related to the choice of insourced/outsourced solution



A five-step plan

Figure 13 sets out a process that taxpayers may adopt for reviewing and evaluating the choice of an effective e-invoicing solution to meet commercial goals and satisfy the requirements imposed by different tax administrations.

Figure 13: A process for adopting a multinational tax-compliant e-invoicing solution

A process for adopting a multinational tax-compliant e-invoicing solution

Step 1 — Determine the scope of the project

- What jurisdictions are involved: suppliers, customers, group companies, shared service centers?
- Which departments and entities are involved?
- What is the landscape now? What e-invoicing solutions are used?
- What e-invoicing solutions may be available?

Step 2 — Analyze requirements for the solution(s)

- Commercial considerations
- Costs/benefits
- VAT/GST requirements or guidelines
- Collection and comparison of the commercial, legal and VAT/GST requirements for all jurisdictions

Step 3 — Validate the solution(s)

- Document the solution(s)
- Validate the compliance for the pilot jurisdiction/jurisdictions

Step 4 — Roll out

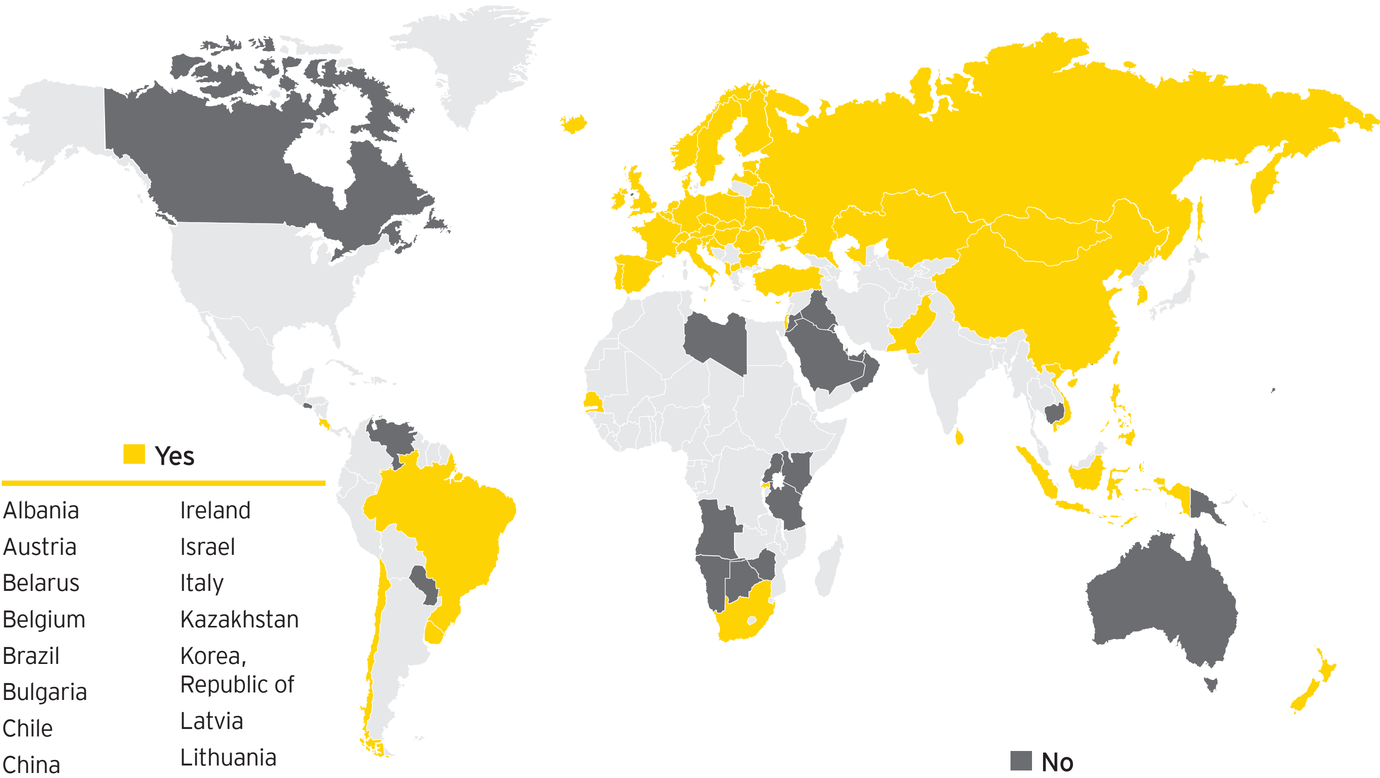
- Implement the agreed e-invoicing technical solution
- Obtain necessary permissions
- Notify all affected parties, as appropriate
- Train staff and update internal guidance and manuals
- Determine gaps and look for solutions to close these gaps

Step 5 — Review effectiveness

- Periodically review the adopted solution
- Is it delivering the expected benefits?
- Could it be improved?
- Is it still the best option?
- Have the obligations changed?

2 Data results and charts

Question 1: Is there a regulation related to electronic invoicing in your jurisdiction?



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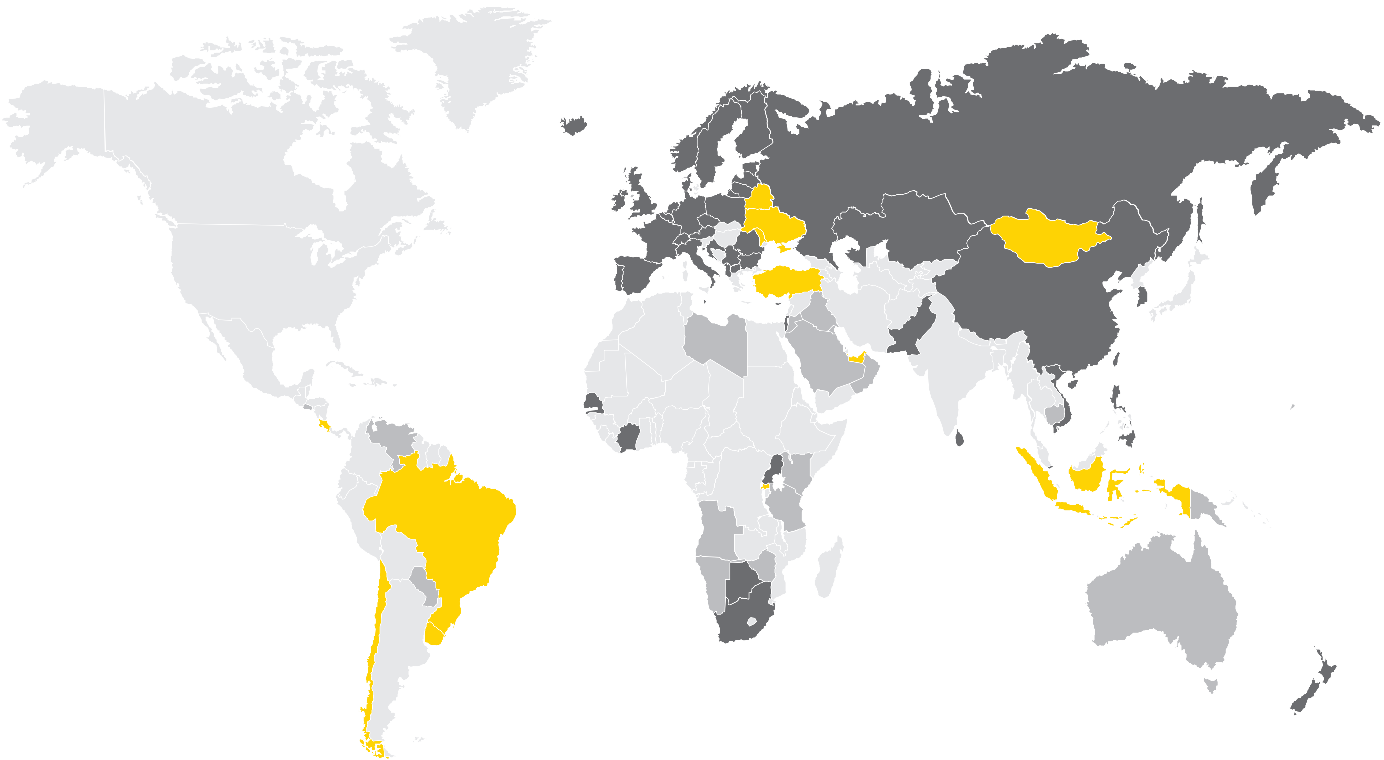
Question 2: Is electronic invoicing mandatory in your jurisdiction in case of B2B transactions?



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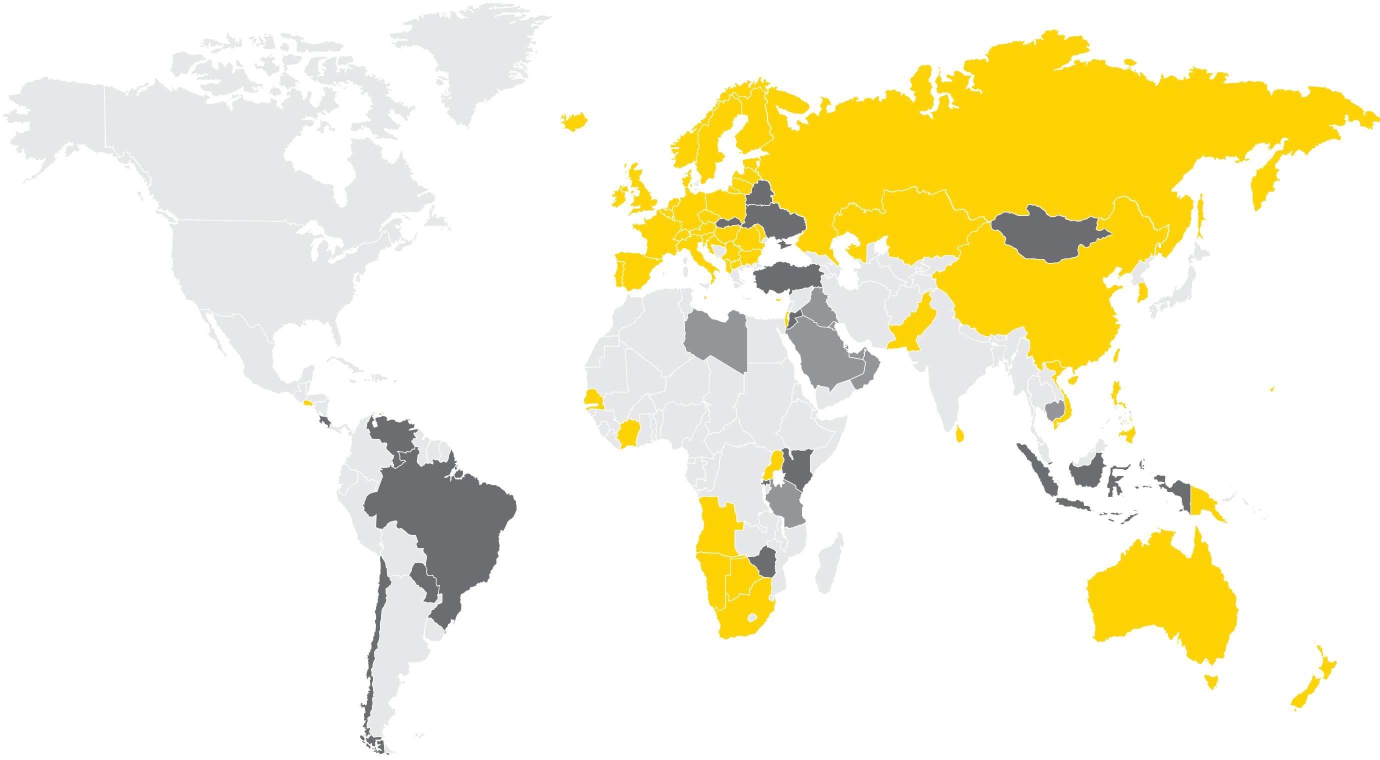
Zimbabwe

Question 3: If electronic invoicing is not mandatory, is electronic invoicing allowed in your jurisdiction?



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Israel	Slovenia	
Italy	South Africa	

No

Jordan	Venezuela
Kenya	Zimbabwe
Paraguay	

Not applicable (N/A)

Belarus	Mongolia
Brazil	Rwanda
Chile	Turkey
Costa Rica	Ukraine
Indonesia	Uruguay

No regulation

Bahrain	Oman
Cambodia	Saudi Arabia
Iraq	Tanzania
Kuwait	UAE
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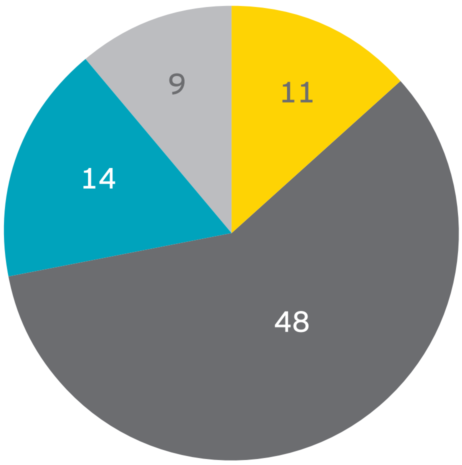
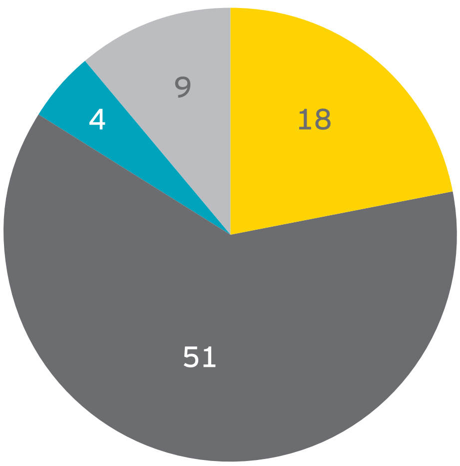
Question 4: Is prior authorization from the tax authority required in order to issue e-invoices?



Total Jurisdictions: 82

- Yes
- No
- Not applicable (N/A)
- No regulation

Question 5: Is there any obligation to certify the software (electronic invoice platform) which is used to create e-invoices in your jurisdictions?



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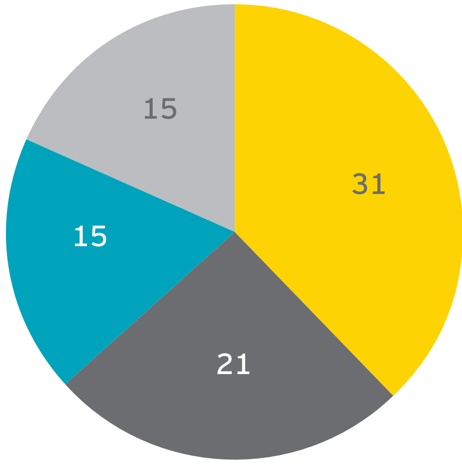
- No regulation

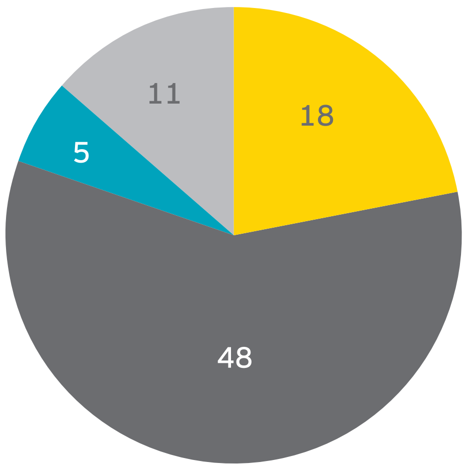
Question 6: Does the customer have to agree prior to receiving the first electronic invoice (a one-time acceptance)?



Total Jurisdictions: 82

- Yes
- No
- Not applicable (N/A)
- No regulation

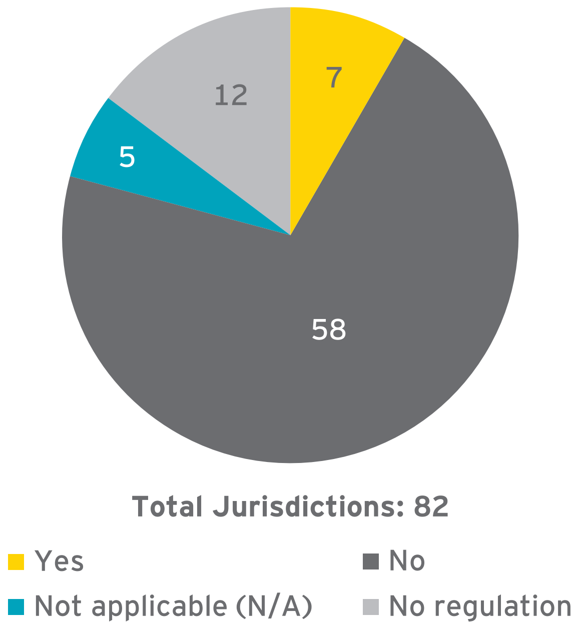
Question 7: Is it mandatory to sign the electronic invoice with an electronic signature?



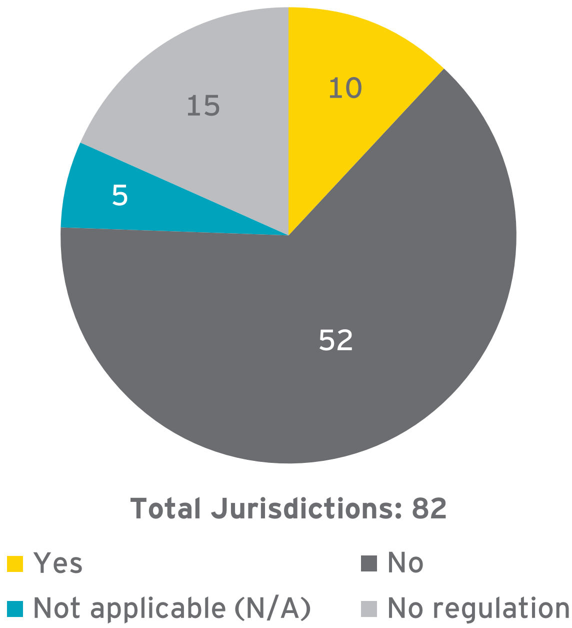
Total Jurisdictions: 82

- Yes
- No
- Not applicable (N/A)
- No regulation

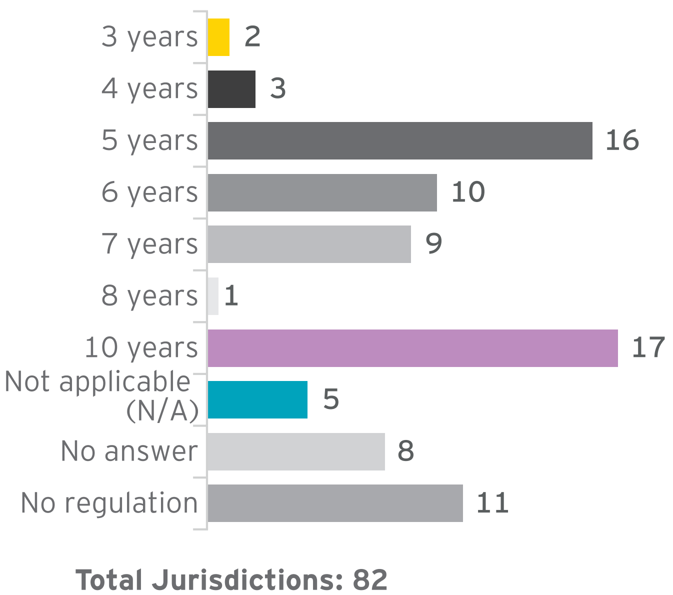
Question 8: Is it mandatory to use the Electronic Data Interchange (EDI)?



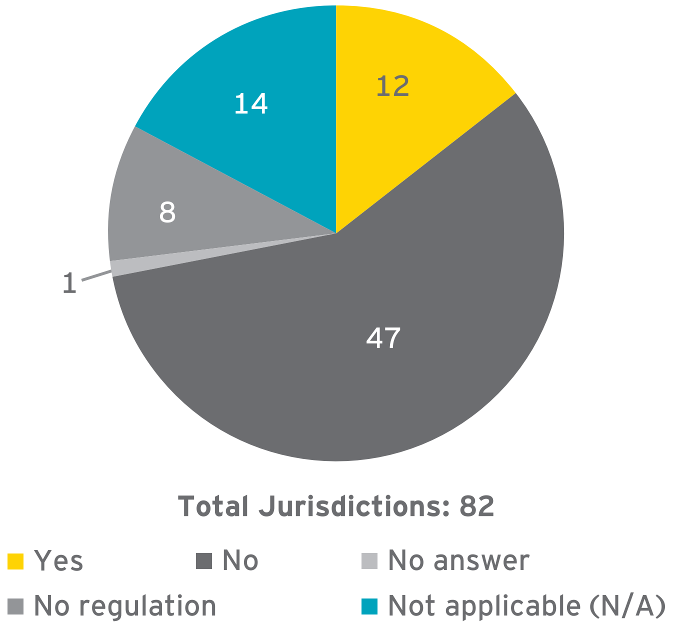
Question 9: Is it mandatory to use business controls which create a reliable audit trail between an electronic invoice and a supply of goods or services?



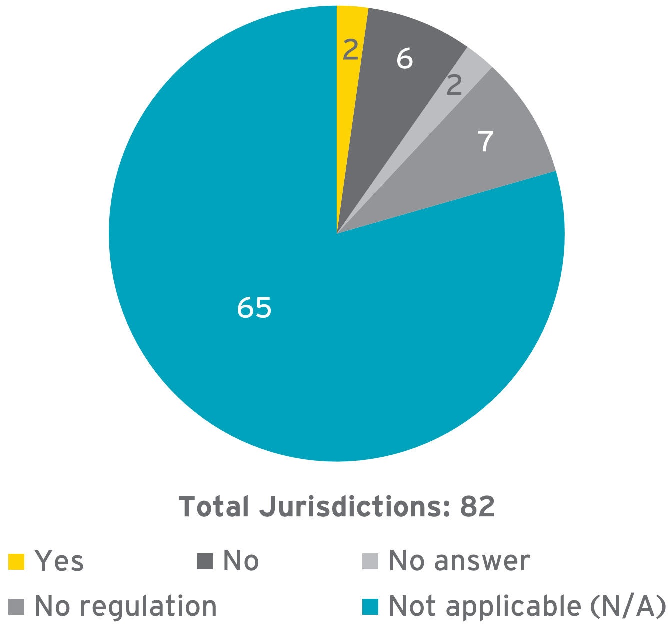
Question 10: What is the storage duration of the electronic invoice?



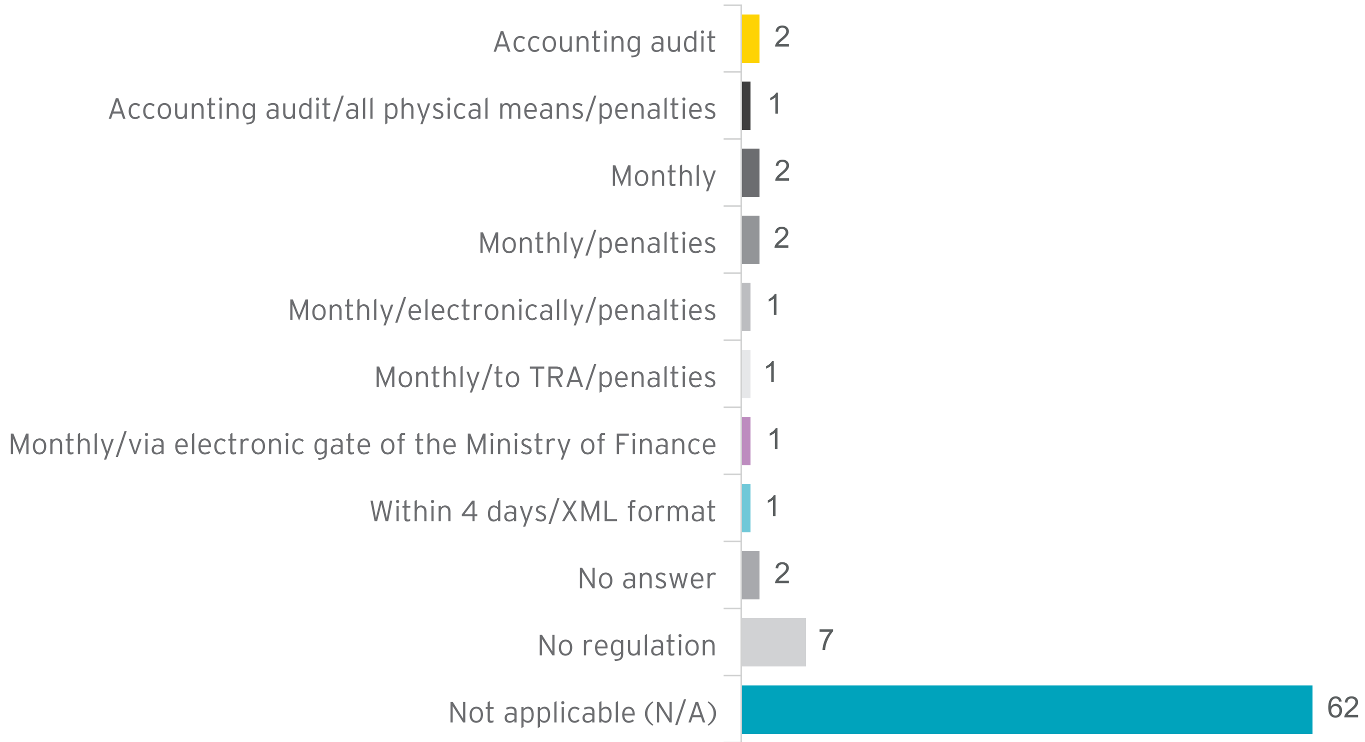
Question 11: Is the creation of SAF-T (or its national equivalent) mandatory in your jurisdiction?



Question 12: Does the obligation to create SAF-T (or its national equivalent) have any impact on any electronic invoicing platforms? For example in Portugal, where information from the electronic invoices are used to populate part of the SAF-T.

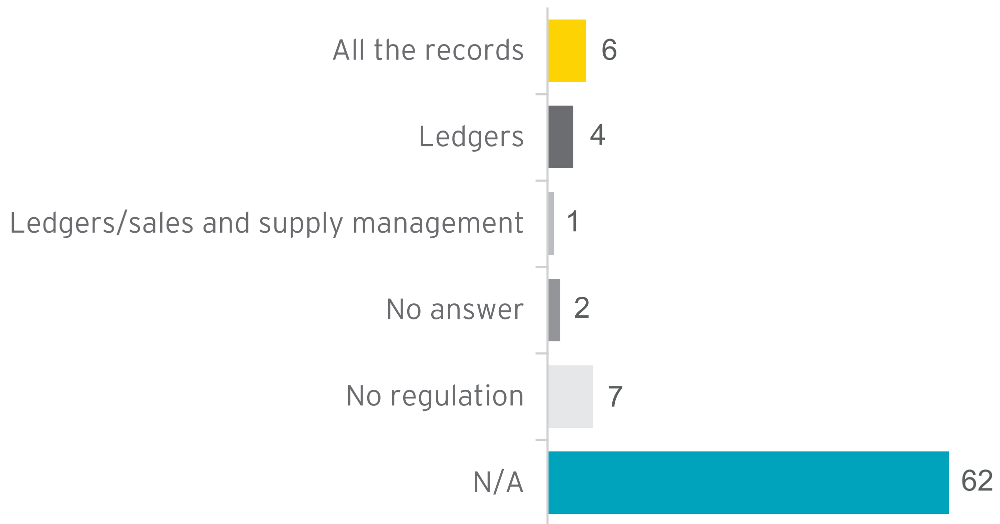


Question 13: In case it is mandatory, when should it be communicated to the authorities? How should it be communicated? Are there any penalties in case of delay or non-compliance of the deliverable?



Total Jurisdictions: 82

Question 14: If SAF-T (or its national equivalent) is mandatory, which domains are covered? The OECD specifies 5 domains.



Total Jurisdictions: 82

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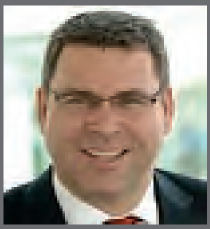

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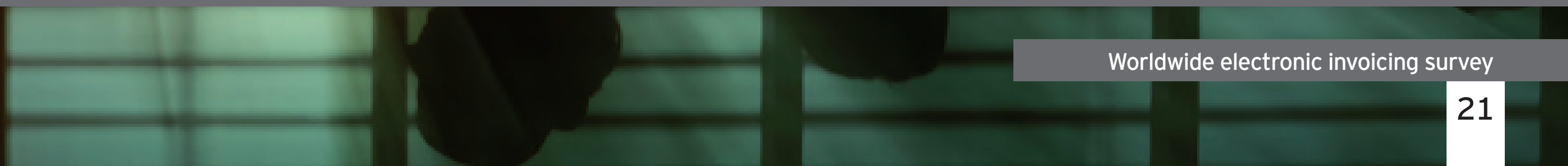

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