E-invoicing compliance: A world of complex challenges for global organizations

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Global indirect tax (IDT) teams operate under two primary principles:

- Ensuring tax liabilities are paid accurately and on time
- Reporting tax liabilities to tax authorities according to their specific rules and regulations

In practice, compliance is increasingly complex for IDT teams.

As governments worldwide digitalize their tax infrastructures and more restrictive regulations push companies to report tax data in real-time, tax departments have little choice but to automate some or all their processes to keep up with the pace of change and avoid falling out of compliance.

However, the rules and regulations governing taxes aren't the only changes affecting tax professionals. The technology and tools needed to respond to new global reporting obligations are also evolving — and at an accelerated pace — globally. Not all systems have the capabilities necessary to meet a dynamic international organization's changing needs.

What compliance challenges are global organizations facing? What technological capabilities are they likely to need in the coming years? This report attempts to answer some of those questions so executives and tax leaders can make informed decisions about how best to address the pressing IDT challenges their organizations are up against in the emerging world of real-time digital tax reporting.

The rise of real-time reporting

Until a few years ago, compliance teams lived in a post-audit world where they would be required to report taxes monthly, quarterly, or yearly. Tax teams managed their compliance operations with enough time to gather and reconcile data for reporting value-added taxes (VAT), goods and services taxes (GST), and sales and use (S&U) taxes. Moreover, reporting regulations were more consistent and global supply chains were more dependable. Taxes, typically reported after transactions have taken place monthly, quarterly, and annually, allowed businesses to keep sales and purchases in motion and provide after-the-fact information to tax authorities. That world is rapidly disappearing.

Since 2018, governments everywhere have been aggressively pursuing policies to ensure they receive their fair share of tax revenue. These policies, part of a broader movement to prevent fraud and tax evasion, offer governments greater transparency into all transactions and associated taxes. Governments are demanding that organizations provide more information electronically about their overall business operations, especially as it relates to taxes owed on sales and purchases.

To accomplish these objectives, tax authorities around the world are rapidly rolling out new requirements, including e-invoicing and continuous transaction controls (CTCs), which add another layer of complexity to the already complex compliance process. Keep in mind that invoice and CTC requirements are in addition to a company's typical post-transaction tax-reporting obligations.

Tax and IT departments grappling with these issues are taking on a significant amount of responsibility, costs, and work, and often with the same or even fewer resources. Adding to the complexity, there is currently no international standard for e-invoicing and continuous transaction controls (CTCs). VAT in the digital age (ViDA) is an initiative by the EU Commission which aims to introduce some standardization in this area.

Having no international standard means that global organizations must continuously monitor regulatory activity in every jurisdiction that pertains to them and comprehend the implications of any specific change. Failing to do so can interrupt business activity, invite penalties for non-compliance, or damage a company's relationship with regional tax authorities and customers.

For the uninitiated, e-invoicing is a form of electronic invoicing in which transaction data is automatically shared between governments and companies via integrated networks, often — but not necessarily — in real-time.

E-invoicing for all business-to-government (B2G) transactions was first introduced in Brazil and Chile as a way of closing a multimillion-dollar VAT gap; in 2014, Italy was the first country in Europe to mandate it.

As a result of Italy's e-invoicing mandates, which generated over €3.5 billion in additional VAT revenue in the first year, other countries quickly followed suit. Spain, Germany, and Sweden, to name a few, have since implemented either full or partial B2G e-invoicing mandates of their own.

Over the next few years, many of these same countries will be expanding their e-invoicing regimes into business-to-business (B2B) and business-to-consumer (B2C) transactions, as Italy already has. Worldwide, more than 80 countries have introduced e-invoicing requirements — a number that continues to rise every year.

According to Pagero, by 2025, it's expected that 80% of all companies will be forced to adapt to e-invoicing requirements — the exception being companies that only operate domestically, where e-invoicing has yet to be adopted. For example, the UK government has confirmed it will establish a consultation process and standards for the adoption of e-invoicing in early 2025.

Two essential reasons governments are moving towards e-invoicing and CTCs over post-audit reporting are its ability to provide more oversight into taxable transactions to ensure accuracy and its effectiveness at deterring fraud and tax evasion. E-invoicing has enjoyed so much success so quickly that global organizations are being forced to adapt and upgrade their invoice process much faster than they might otherwise choose.

E-invoicing rollout to 2025

As of October 2024

● Expected changes

2025

JAN
- **Israel** update 2.0
- **Romania** (B2C - RTIR)
- **El Salvador** (B2C- e-tickets for e-issuers)
- **Latvia** (B2G) issuing to public entities
- **Saudi Arabia** (phase 2, wave 11)*
- **Malaysia** (B2B/B2G)>RM 25 M
- **Germany** (EN e-invoices default)
- **Denmark** Businesses with annual report obligation and use custom DBS must book digitally from next accounting period
- **Greece** B2G other exp.
- **Israel** B2B NIS 20.000
- **France** E-invoicing Pilot
- **China** (e-fapiao countrywide implementation)

FEB
- **Saudi Arabia** (phase 2, wave 12)*

MAR
- **Saudi Arabia** (phase 2, wave 13)*
- **Sweden** Despatch Advice Projects >SEK 35 million

APR
- **Greece** E-Delivery Phase2
- **Saudi Arabia** (phase 2, wave 14)*

MAY
- **Saudi Arabia** (phase 2, wave 15)*
- **Singapore** B2B-Voluntary
- **Dominican Rep.** (B2B- Medium Taxpayers)

JUN
- **Saudi Arabia** (phase 2, wave 16)*

JUL
- **Saudi Arabia** (phase 2, wave 17)*
- **Greece** B2B mandate
- **Malaysia** (B2B/B2G) All taxpayers
- **Spain** Verifactu
- **Germany** e-Cash register systems must be reported
- **Estonia** e-invoices upon buyer request

SEP
- **Sweden** Despatch Advice Projects >SEK 20 million
- **Spain** **Crea y Crece** (Large e-invoice + IRM)

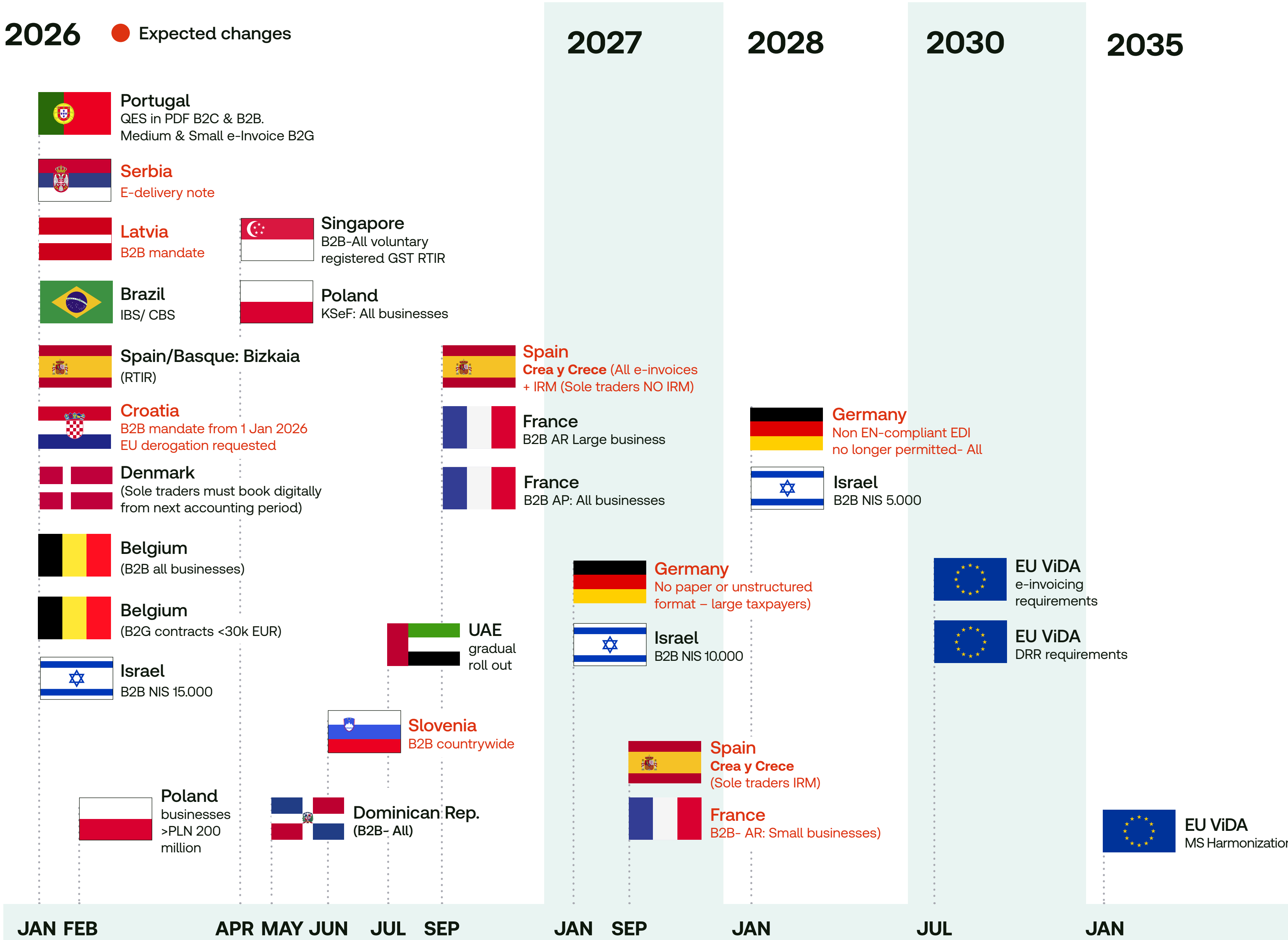
NOV
- **Singapore** B2B-Newly voluntary

DEC
- **UAE** (E-invoicing leg& rollout strategy)

Source: Pagero, part of Thomson Reuters

E-invoicing rollouts from 2024 to 2035: Coming to a country near you

As of October 2024



Source: Pagero, part of Thomson Reuters

Explaining e-invoicing, continuous transaction controls, and real-time reporting

E-invoicing, continuous transaction controls, and real-time reporting are all related to managing financial transactions between businesses and tax authorities. However, there are some key differences between these concepts:

Continuous transaction controls. CTCs are a set of regulatory measures that require businesses to submit transaction data in real-time or near real-time to tax authorities. This data can include information on invoices, receipts, credit notes, trade documentation, green tax reporting and other financial documents. CTCs aim to increase tax compliance and reduce fraud by providing authorities with more timely and accurate data giving Tax Authorities the benefits of data mining capabilities, to identify trends and anomalies, as well as generating pre-filled VAT returns to simplify the filing process. However, they can also be complex and costly to implement.

E-invoicing. E-invoicing, which is a part of CTC, is the electronic exchange of invoice data between businesses, which can include sending invoices in PDF or XML format or using specialized electronic invoicing platforms that automate the creation, delivery, and payment of invoices. E-invoicing can help reduce errors, streamline processes, and improve cash flow. However, it does not necessarily involve real-time reporting to tax authorities.

Real-time reporting. Real-time reporting is a specific type of CTC that requires businesses to report financial transactions to tax authorities as they occur. This can involve using specialized software to transmit data directly from point-of-sale systems, e-commerce platforms, or other transaction data sources. Real-time reporting can help tax authorities monitor transactions more closely and respond quickly to potential issues. However, it can also be burdensome for businesses and require significant investments in technology and staff training.

In summary, CTCs, e-invoicing and real-time reporting all relate to the management of financial transactions between businesses and tax authorities. They differ in their level of automation, the frequency and granularity of data exchanged, and the degree of real-time reporting required.

The burden of complexity

What is it about e-invoicing and CTC that is so complex for businesses?

- Data management
- Integration
- Lack of built-in automation to financial systems
- Differences between countries

Some companies have the technical infrastructure in place for e-invoicing, but many do not. Once invoices are generated electronically, organizations have a greater ability to transmit them through the appropriate network after they've created the connection.

E-invoices only work if every data field in the invoice precisely matches the format requirements stipulated by the host country — one digit or space out of place can throw everything off. Each country can also set its own rules about reporting protocols, the coding for individual products or services sold, the content it wants a company to share, and the process for authorization and access to the government's system. Furthermore, these rules can change at any time, as can other regulations, making compliance a constantly moving target.

Data is crucial for Company Tax Compliance and e-invoicing because getting it right ensures accurate tax calculations, automates processes, and enables governments to effectively track and prevent tax evasion.

Automation: The only sensible solution

The scope of e-invoicing challenges multiplies as the number of countries an organization operates in expands. A global organization operating in 25 countries must keep a pulse on each jurisdiction's changing regulations and adapt accordingly. Automating these processes and workflows is important and necessary because manual processes are too slow to keep up with CTC and e-invoicing.

In addition to ensuring compliance, automating digital IDT, CTC, and e-invoicing processes creates efficiencies by unifying the flow of data from tax calculations and e-invoices to post-audit tax operations. Merging and automating these tax workflows also saves money at almost every step of the process.

How automated IDT and e-invoicing save money:

- Cutting costs associated with physical invoice management
- Cloud-native solutions cost less to implement and maintain
- Automated processes are more efficient
- Unique capability to update and enhance that requires no IT downtime
- Improved cash flow
- Less time and resources are needed to ensure compliance and keeping up with regulations
- Built-in scaling and future proofing for global organizations with an e-invoicing solution that covers most or all countries

Is your organization's technology up to the task?

Given the speed at which countries are enacting e-invoicing mandates — with e-invoicing already live in more than 80 countries — and the multitude of challenges involved in complying with them, one might expect affected companies to be proactively preparing for the inevitable. However, the availability of a global solution has led to many businesses adopting country-specific options.

According to Thomson Reuters Corporate Tax report 2024, companies with more than $6 billion in revenue have shown varied levels of technological sophistication concerning tax processes. In the report, 21% of these large companies described their approach to technology and automation as "chaotic," indicating reliance on spreadsheets and manual processes. Meanwhile, 45% of them described their tax processes as "reactive," which suggests the use of some third-party software and a few automated feeds, but without integration into an enterprise resource planning (ERP) system.

Companies this far behind technologically are hard pressed in the rapidly emerging world of all-but-universal CTC and e-invoicing. Without an integrated ERP system running automated e-invoicing software, companies will struggle to connect with government-run tax systems and collect or share data in anything close to real-time

Building a comprehensive strategy for CTC and e-invoicing compliance

Organizations that are — or soon will be — encountering e-invoicing mandates must ensure they have the proper technology infrastructure in place. At the very least, this means having a cloud-based ERP platform that can integrate with government tax systems and run some form of e-invoicing software — either developed internally, issued from the host government, or developed by a third party.

How far along the organization is on its technological journey will determine which steps the company should take. In any case, the future of global trade is digital and true technological preparedness means making a greater commitment to the quality and resilience of a company's overall technology infrastructure.

Organizations should ultimately be working toward a system that enables enterprise-wide data sharing, automated tax workflows, proactive analytics, pre-audit analysis capabilities, anticipatory risk management, and other capabilities. However, there are many steps along the way that don't have to be tackled all at once in order to manage CTC and e-invoicing compliance

Assuming an organization has the necessary technological toolkit, there remains the matter of finding an e-invoicing solution that addresses all an organization's needs for IDT determination and calculation, e-invoicing, and compliance reporting — now and in the foreseeable future.

Many organizations are in the unfortunate position of having cobbled together a compliance process using different products from multiple service providers. Yes, an e-invoicing solution can be plugged into such a system, but that means dealing with yet another service provider and adding more bloat to an already cumbersome network.

After all, e-invoicing doesn't just involve VAT and GST calculations; it intersects with statutory reports, trade filings, tax returns, and other compliance matters, so the data must be shared with different departments and between disparate software solutions. The more solution providers a company relies upon, the more opportunity there is for miscommunication and mistakes.

What should organizations therefore do to avoid overwhelming their tax teams by piling e-invoicing and CTC requirements on top of their normal post-audit IDT compliance obligations?

To successfully manage CTC and e-invoicing compliance, companies need a comprehensive strategy. This involves:

Forming a dedicated, cross-functional team: Include members from IT, finance, legal, and operations to address the diverse aspects of CTC and e-invoicing.

Determining the implementation approach: Decide on a centralized versus localized approach based on the company's structure, geographical reach, and the specific requirements of each country they operate in.

Adopting scalable and compliant technology: Select an e-invoicing solution that is scalable to meet the increasing requirements of CTC compliance and which integrates with your existing ERP and finance systems.

From invoicing to insight with ONESOURCE Pagero

Committed to creating the most powerful IDT and e-invoice solution on the market, Thomson Reuters acquired Pagero in 2024, the world's largest network for automated, compliant, and secure exchange of electronic invoices and other business documents.

ONESOURCE® Pagero has since been launched to enable businesses to seamlessly comply with global CTC and e-invoicing mandates. It provides a fully integrated solution, including automated compliance processes, increased operational efficiency, and simplified integration across various government and business networks such as PEPPOL and 70+ other accredited networks for over 70 countries.

Its ERP-agnostic nature allows for seamless integration with existing technical infrastructures and easy adaptation to various business, regulatory, and document specifications, ensuring compatibility with virtually any government tax system.

Businesses can accelerate growth with trusted, automated, e-invoicing software that streamlines global compliance processes to unlock valuable business insights

A unified solution

The Thomson Reuters® ONESOURCE Indirect Tax suite, part of the larger ONESOURCE Tax and Trade platform, manages all aspects of the end-to-end Sales and Use Tax (SUT), VAT, GST process with a single, comprehensive solution.

ONESOURCE Determination calculates transaction taxes — VAT, GST, excise, and SUT — automatically, accurately, and in real-time.

ONESOURCE Pagero automatically processes and submits necessary e-documents to tax authorities worldwide, adhering to each country's specific format requirements. This technology goes beyond e-invoicing compliance and automates accounts payable and accounts receivable processes with an open global network that connects to over 100 business networks.

ONESOURCE Indirect Compliance automates SUT, VAT, and GST returns, listings, and filings ensuring businesses file on time and accurately with minimal manual intervention. Submitted e-invoice data can be reconciled to transactional data in ONESOURCE Indirect Compliance to ensure accurate post-transaction reporting.

This means that businesses can streamline and automate key processes from data collection and tax determination through to accounts payable and accounts receivable, compliance reporting and e-invoicing all through a single vendor.

Indirect tax compliance may be complex, but ONESOURCE Indirect Tax is an adaptable platform which supports business growth into new markets and manages complex compliance requirements, offering detailed audit trails and documentation support to simplify audit preparation and minimise the risk of penalties.

How might that look in the real world?

A global technology company with a household name was juggling compliance obligations in 29 countries, many of which were implementing e-invoice mandates. As a result of these mandates and the resources needed to address them, compliance costs were rising rapidly. Each country had different data-formatting requirements and other rules, which meant the tax department was processing individualized invoices for each country and some local jurisdictions.

The complexity of these different countries and local requirements was creating a time-consuming spiral of additional work. Invoice turnaround was lagging, and the tax department was falling behind, walking a compliance tightrope that the company knew was both risky and unsustainable.

Deploying ONESOURCE Pagero's services alongside SAP to provide a global e-invoice capability was made easier because of its simplified way of connecting systems, government platforms, and built-in jurisdiction requirements. Once the migration was complete, ONESOURCE Pagero fulfilled the invoicing-related tax and legal requirements in the 29 countries using Thomson Reuters as their e-invoicing service provider.

Within a year, the number of e-invoicing projects increased by 250%. By 2020, there were almost 3,000 customers in their project database pending implementation, and 10,000 customers were already onboarded for e-invoicing. There was no longer a risk of invoice errors, and the invoice turnaround time had been tremendously reduced.

Solving the compliance puzzle

The lesson for global organizations is clear: the more streamlined the e-invoicing process, the easier it is to manage the rest of the IDT compliance puzzle. If e-invoicing and IDT compliance can be combined into an integrated, end-to-end package — like ONEOURCE Pagero, so much the better.

What global organizations don't need is a bloated network of software solutions from multiple service providers. What they do need— is a single product supported by a single service provider that does it all.

ONESOURCE Pagero is a cloud-based platform that streamlines and automates global indirect tax determination (IDT) and e-invoicing processes. Here's how it benefits your business:

- **Global reach:** Manages IDT and e-invoicing in virtually any country with e-invoice or CTC mandates.
- **Scalability and flexibility:** Easily adapts to new regulations and jurisdictions. Integrates seamlessly with any ERP system, business application, or invoice API – including pre-built connectors for SAP and Oracle expediting future rollouts.
- **Unmatched reliability:** Processes high volumes of invoices efficiently, even during peak seasons, with a robust cloud-based infrastructure.
- **Ironclad security:** Benefits from industry-leading security protocols, including GDPR compliance, proactive vulnerability scans, and active intrusion detection and prevention.
- **Simplified maintenance:** Eliminates manual updates with automatic regulatory updates, saving time and resources saving an estimated 41,000 hours of effort

Conclusion

Governments worldwide are digitalizing their tax regimes, forcing businesses to be more transparent and responsive, especially regarding indirect taxes. The latest and most urgent push is for the widespread implementation of e-invoicing and real-time reporting — that is, continuous transaction control — to prevent fraud and capture more VAT and GST revenue from companies operating within and across a country's borders.

CTC compliance presents numerous compliance challenges for global organizations. Among them are the following:

- ERP platforms and business systems need specific capabilities to exchange tax and e-invoicing data with government tax authorities.
- A lack of standards for CTCs and e-invoicing means countries are free to develop their own rules and requirements, so every country's e-invoicing regime is different.
- Manual tax processes are too slow to keep pace with most e-invoicing requirements, so automated solutions must be implemented.
- Few tax and e-invoice solutions have both the technical flexibility and global reach that international organizations need for compliance in multiple countries.

CTC and e-invoicing mandates may be complex, but complying with them doesn't have to be.

An automated, cloud-based solution can speed compliance, save money, and position growing global organizations for prosperity in the global marketplace, where e-invoicing and real-time reporting will soon be the norm rather than the exception.

The future of indirect tax and e-invoice compliance is here: a universal, cloud-based solution from Thomson Reuters ONESOURCE Pagero's integrated platform, combining ONESOURCE Determination and Indirect Tax Compliance with Pagero's e-invoice expertise, addresses VAT, GST, S&U, and e-invoice/CTC requirements in over 70 countries. By embracing this solution, businesses can confidently navigate the complexities of global tax and e-invoice regulations.

About ONESOURCE Pagero

ONESOURCE Pagero is part of the comprehensive ONESOURCE suite, integrating in CTC/e-invoicing compliance and AP/AR automation capabilities to provide a complete, unified tax management platform. This platform covers a wide range of tax areas, including direct tax, indirect tax and statutory reporting for full compliance and enabling strategic insights to maximise the efficiency and value of the tax, IT and finance departments.

By adopting the full ONESOURCE solution, businesses can streamline vendor management and software licensing, thereby reducing the overhead costs associated with managing multiple solutions.

About Thomson Reuters

Thomson Reuters is a leading provider of business information services. Our products include highly specialized information-enabled software and tools for legal, tax, accounting, and compliance professionals combined with the world's most global news services — Reuters.

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