E-invoicing and e-reporting trends in the Benelux and EU

E-invoicing Event for OBUG and nlOUG members

Utrecht - 16 March 2023

About us

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PwC's global centre of Excellence on e - invoicing & e - reporting

- **Mission:** help companies, solution providers and public bodies across the world navigate the rapidly changing global landscape on e-invoicing and e-reporting
- PwC is the global lead advisor on e-invoicing & e-reporting
- **Global Network**: + 158 countries
- E-invoicing & e-reporting related assignments: + 120 countries
- **ITX experts**: + 2.000 & technology experts: + 12.000

Agenda

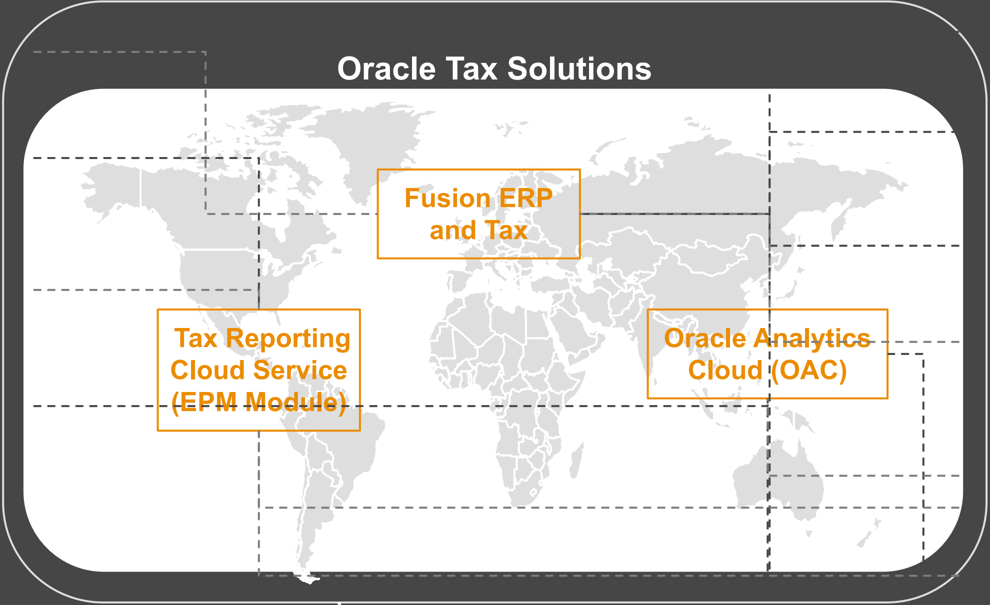
1. Background
2. VAT in the Digital Age
    a. Changes to (electronic) invoices
    b. Digital reporting requirements
3. How to prepare and deal with the e-invoicing & e-reporting obligations
4. Q&A

Background

Tax challenges when moving to Oracle - Why Tax should have a seat at the table

Tax/Stat challenges | Oracle solutions (* other options can be considered as well)

1. Customs and Excise
2. Transfer Pricing
3. Tax Control
4. Tax Analytics and Localization Reporting
5. E-invoicing / Real-time reporting
6. Pillar II



Master Data | Tax Calculation | Real-Time Reporting | Analytics

Tax master data	Oracle ERP
VAT/Sales/Use determination Order-to-Cash and Purchase-to-Pay	Oracle ERP limited coverage of transactions (Tax Content Pack accelerator, or other tax engines to consider) → 4P's *(place, product, party, process)*
Withholding Tax determination	Oracle ERP (extended withholding tax functionality)
Statutory Reporting	Oracle ERP : Ledger structure (group & local), → 4C's *(Convention, Calendar, Currency, CoA)*
Corporate Income Tax	Oracle ERP for CIT preparation (Ledger structure, Tax ledgers, 'Tax sensitized' chart of accounts); Oracle EPM for tax calculation
Withholding Tax reporting	Oracle ERP for standard localization, OAC/TRCS for custom. PwC accelerators available
Record-to-Report: VAT/GST/SAF-T	Oracle ERP (Tax codes and Intrastat) NO, PT, and General SAF-T as well as Intrastat (departures and arrivals)

Multiple eRequirements (being) introduced

Mandatory e-invoicing

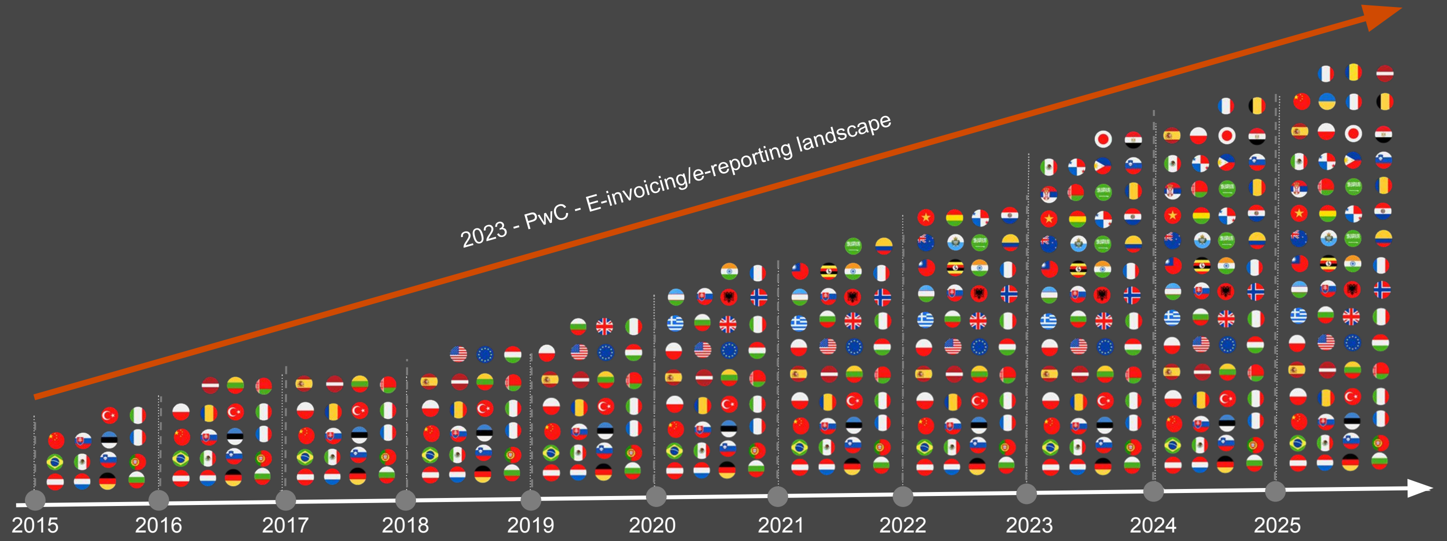
The obligation to electronically exchange invoices /transactional data using a predefined format, sometimes via a government run platform.

Multiple models are possible:

- Interoperability
- Centralised exchange
- Clearance
- Mixture

E- requirements	**#Mandatory e-invoicing obligations**	Obligation to electronically exchange invoices/transactional data using a predefined format, sometimes via a government run platform.
	#Real-time reporting obligations	Requirement to communicate incoming and/or outgoing transactional data to the tax authority in (near) real-time, usually within a few working days, in a pre-defined format.
	#On-request e-audit obligations	Obligation to be able to extract and present accounting/transactional data in a predefined format on request of the tax authority.

The tax compliance & reporting landscape is changing fast in the EU and beyond



50+

new obligations on the horizon

70+

countries impacted by obligations

60%

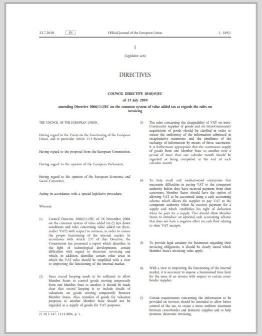
of global GDP impacted

A long journey of e-invoicing in the EU

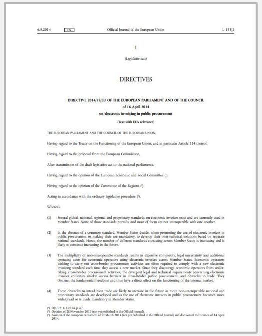
?

Fragmented, private initiatives

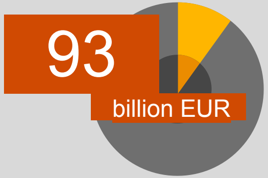
EU - wide “harmonisation” - paper equals electronic



EU - wide B2G “harmonisation” - European Norm



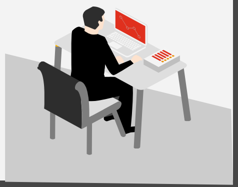
Country specific B2B mandates with VAT gap as main accelerator



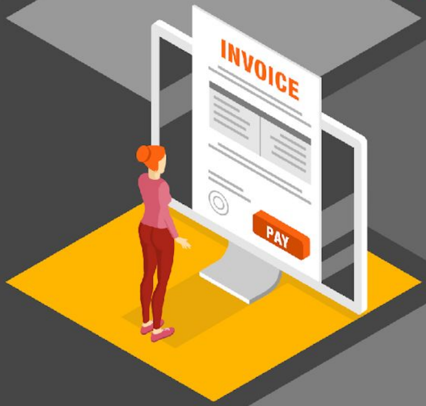
2015	151.5
2016	147.1 ⬇
2017	137.5 ⬇
2018	140 ⬇
2019	134 ⬇
2020	93

~ total revenue loss of 9,1%

VAT in the digital age

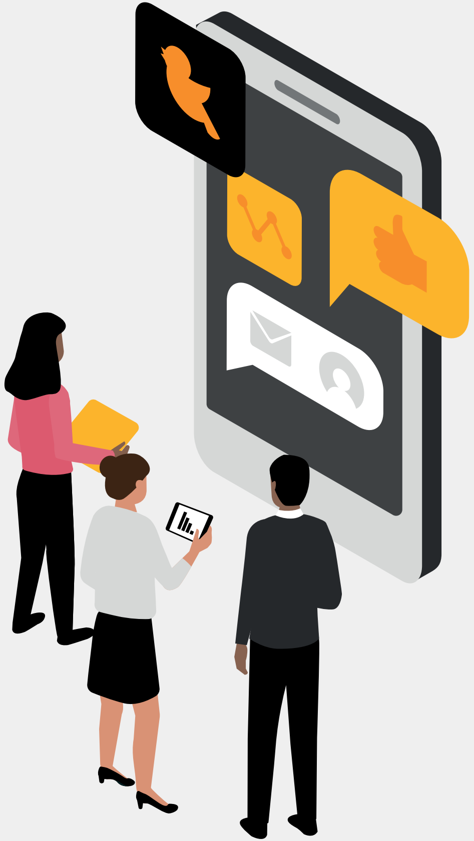


VAT in the Digital Age



The ViDA legislative proposal addresses three main topics

- DRR: Introduction of an EU Digital Reporting requirement
- Platforms: Deemed supplier provision for accommodation and transport digital platforms
- Single VAT registration: reducing the need for VAT registrations in multiple EU Member States for businesses selling to consumers across the EU



A fragmented regulatory framework and the fight against VAT fraud are the main drivers for the proposed changes

Fragmented regulatory framework

- Wide discretion of Art. 273 ’impose other obligations which they deem necessary to ensure the correct collection of VAT and prevent evasion’.
- Several Member States have introduced (various types) of DRR’s, (which has improved the VAT collection), but lack of any EU guidance on introduction and design of reporting requirements
- DRRs vary substantially which brings additional compliance costs for businesses that operate in different Member States
- Legal obstacles/Need to obtain explicit derogation to introduce mandatory e-invoicing

(Suboptimal) Fight against VAT fraud

- VAT Directive allows but does not require Member States to adopt any transactional reporting mechanisms
- Limited effectiveness of recapitulative statements
- In 2020, VAT Gap in the EU27 was € 93 billion, or 9,1% of the total expected VAT revenues

- Ensure an effective and fair VAT system, by fighting against VAT fraud, and especially intra-Community fraud, and by ensuring a fair and effective taxation of the digital economy;
- the smooth functioning of the Internal Market;
- the simplification and harmonisation of VAT rules in line with digitalisation and the competitiveness of EU businesses;
- the need to enhance legal certainty for stakeholders.

⇒ need for harmonized reporting obligations

VAT in the Digital age (ViDA)
High-level overview of proposed changes (non-exhaustive)

Changes to (electronic) invoicing

1. Changes to the **definition** of electronic invoice from 1 January 2024 onwards
2. Changes to concept of invoice:
   - Mandatory e-invoicing will be possible without EU approval from 1 January 2024 onwards
   - **E-invoicing becomes the norm** as from 1 January 2028: structured e-invoices will be the default system for the issuance of invoices
3. As of 1 January 2028, Intra-EU invoice shall be issued no later than **2 working days** following the chargeable event
4. **Summary invoices no longer allowed** as of 1 January 2028
5. **Data elements added** to mandatory invoice content as of 1 January 2028

Digital reporting requirements

1. Recapitulative statements will be replaced by a **Digital Reporting Requirements (DRR) for intra-Community transactions** as of 1 January 2028
2. The **information transmitted needs to be transactional** instead of aggregated, with **new fields** added for the detection of fraud
3. Reporting of information on intra-Community acquisitions is no longer optional but **mandatory** as of 1 January 2028
4. **Harmonisation** of existing and future reporting systems for **domestic transactions** as of 1 January 2028
5. The data collected feeds a newly established **Central VIES**

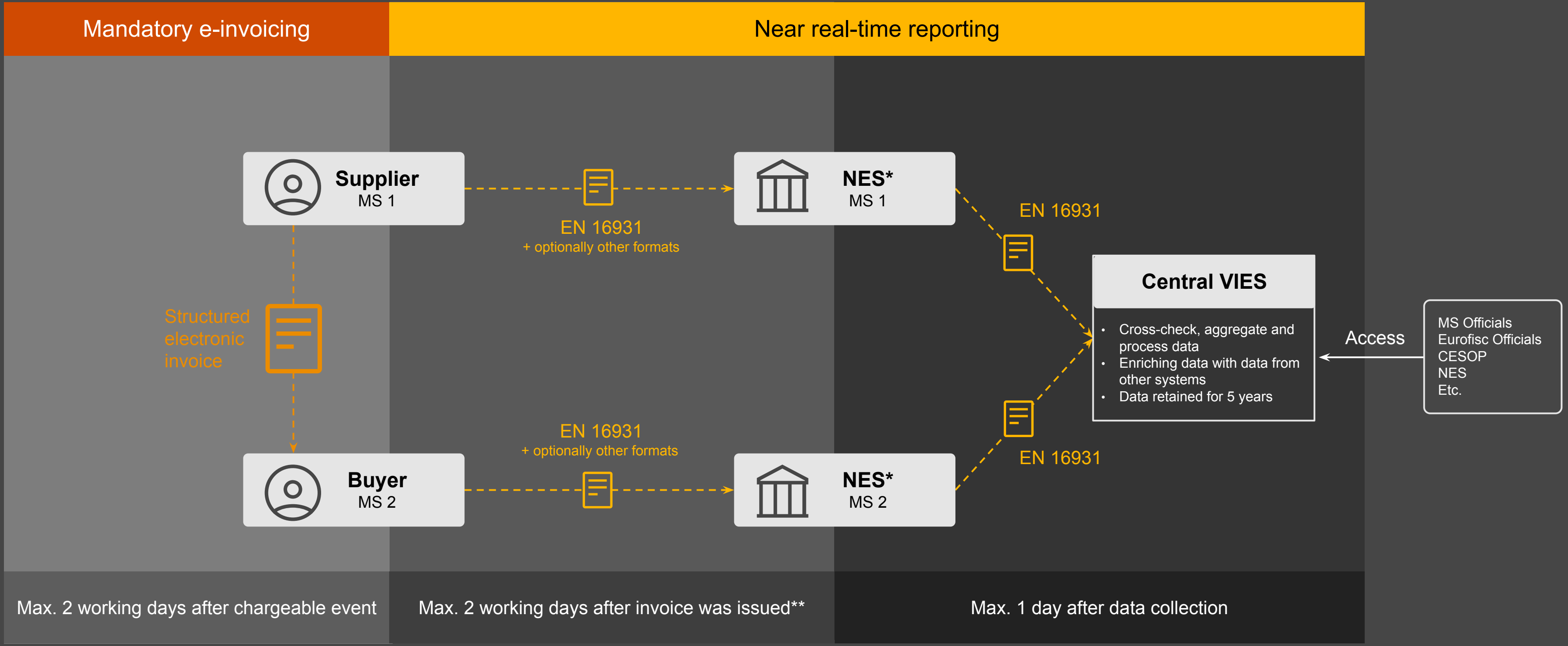
E-invoicing changes summarized

	Today	Tomorrow
Paper vs e-invoices	Equal treatment	E-invoicing default option and mandatory for intra-EU transactions
Format e-invoice	Structured (e.g. XML, UBL) and unstructured (e.g. pdf)	Structured (e.g. XML, UBL)
Buyer consent	Required	Not required
E-invoicing for intra-EU transactions	Voluntary	Mandatory
E-invoicing for domestic transactions	Voluntary, but MS can mandate e-invoicing if EU derogation is obtained	Voluntary, but MS can mandate e-invoicing if mandate is in line with EU requirements
Pre-clearance/distribution models	Allowed, if EU derogation is obtained by MS	Not allowed
Deadline to issue invoices for intra-EU transactions	Up to 45 days	Max. 2 working days
Summary invoices	Yes	No
Feeds	EC Sales Lists (& Purchase lists)	Digital reporting requirements

Digital reporting requirements

	Today	Tomorrow
What	Recapitulative statements	Digital reporting requirements
Reporting frequency	Periodic (monthly, quarterly or yearly)	Near real-time (within 2 working days)
Granularity	Aggregated data	Transactional data
Submission method	Mostly electronic	Electronic
Submission format	Member State specific	Standardised minimum option (EN 16931)
Scope	Sales and optionally purchases	Sales and purchases
Feeds	VIES	Central VIES
Collection additional data	Allowed	Not allowed

Summary Intra-EU DRR as of 2028 (subject to change)



* NES = National Electronic System
** Or after the date the invoice had to be issued

There is still a long way to go before the proposals are final

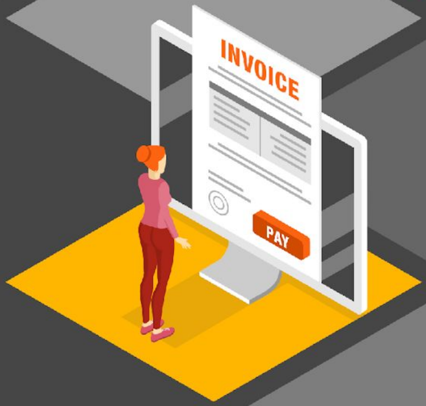
EU decision making process:

- 8 weeks public consultation process (8 December 2022 - 4 April 2023)
- Feedback European Parliament
- Discussion within Committee of permanent representatives (Coreper II - Working Party on Tax Questions)
- Final step: EU Council approval by all Member States (unanimous)

If approved:

- Member States shall adopt and publish, by **31 December 2023**, the laws, regulations and administrative provisions necessary to comply with Article 1 of this Directive (i.e. changes applicable as from **January 2024**).
- Member States shall adopt and publish, by **31 December 2027**, the laws, regulations and administrative provisions necessary to comply with Article 4 of this Directive (i.e. changes applicable as from **January 2028**).

How to prepare and deal with the e-invoicing & e-reporting obligations



E-invoicing in EU & Benelux (subject to change)

EU developments

E-invoicing in Benelux

Country	B2B	B2C	B2G	On request	Real time reporting
	*		x		*
			x		
			x	x	

Belgium - Mandatory e-invoicing & e-reporting part of long awaited tax reform proposal

“Finance Minister Vincent Van Peteghem launched his proposal for a first phase in the Belgian tax reform to implement e-invoicing and e-reporting in Belgium - gradual introduction of mandatory B2B e-invoicing (and over time also e-reporting) as from July 2024 based on Peppol 4-corner model”

High-level e-invoicing & e-reporting watchlist*

2022

January
Italy – New e-archiving requirements
Romania – SAF-T for large taxpayers
Poland – Voluntary e-invoicing
Panama – New registered taxpayers must adhere to e-invoicing regulation
Peru – Platform for e-invoicing and electronic fee receipts available

May
Luxembourg – B2G mandate
Serbia – B2G mandate

August
Panama – B2G mandate

July
Romania – Mandate for high-risk products & B2G mandate
Italy – Cross-border reporting
Philippines – Start next pilot e-invoicing
Australia – B2G e-invoicing for Commonwealth Government entities
San Marino – Mandatory e-invoicing
Serbia – B2B e-invoicing reception and storage
Vietnam – Mandatory e-invoicing
Guatemala – Mandatory e-invoicing mandate

2023

January
Romania – SAF-T for medium taxpayers
Saudi-Arabia – Mandatory e-invoicing (Integration phase)
Portugal – Obligation to include ATCUD in invoices
Serbia – B2B e-invoicing issuance mandatory
Philippines – Phased roll-out of e-invoicing mandate
Panama – All participants of the e-invoicing pilot mandated to use e-invoices & certain taxpayers
Portugal – B2G mandate micro-enterprises
Portugal – SAF-T for non-established businesses

April
Egypt – E-invoicing mandate fully implemented
Slovakia – E-invoicing pilot program B2G (voluntary)
Mexico – Obligation to use CFDI 4.0

July
Mexico – Mandatory use of Carta Porte 2.0

October
Japan – Qualified invoice system

2024

January
Denmark – Phased roll-out of e-invoicing mandate

ViDA – EU – Mandatory e-invoicing will be possible without EU approval

July
Belgium – (Envisaged) phased roll-out of B2B e-invoicing mandate
France – B2B mandate reception all taxpayers, issuance large taxpayers
Spain – (Envisaged) mandatory B2B e-invoicing
Poland – Mandatory e-invoicing

2025

January
France – B2B mandate issuance mid-sized companies
Ukraine – SAF-T for Large taxpayers
Romania – SAF-T all taxpayers
Latvia – (Envisaged) B2B & B2G mandate
China – (Expected) Special e-fapiao VAT invoice
Slovakia – Mandatory e-invoicing B2B/B2C
Croatia - Mandatory e-invoicing

2026

January
France – B2B mandate issuance small companies

JANUARY 2028

ViDA - EU – E-invoicing becomes the norm

VIDA - EU –
DDR for intra-community transactions

* This overview is purely indicative, non-exhaustive and subject to change. PwC – March 2023

Continuous regulatory change forces organisations to adopt an e-invoicing & e-reporting strategy

Lasting success

Complying
- Reactive aimed at regulatory compliance (non-negotiable).
- Typically a decentralised approach with local point solutions.

Monitoring
- Proactive monitoring of changes facilitating regulatory compliance, timely resource allocation & avoiding disruptions and penalties.
- Often a decentralised approach with local point solutions.

Centralising
- Centralised overview with standardised and aligned yet tailored processes for proactive monitoring and implementation of regulatory changes.
- Aligned global/regional solution(s) defined for increased scalability and reduced implementation & deployment costs. Supplemented with local solutions where needed.

Leading
- Anticipate, navigate, and manage changes centrally without creating a ‘project’ every time.
- Solution(s) which is fit for purpose, future proof and also enables voluntary e-invoicing flows.
- Integration with internal systems, data analytics capabilities facilitating real-time data driven business decisions and improved stakeholder experience.

Firefighting

Shift towards strategic approach as firefighting is no longer sustainable

Strategy

A proactive and centralised strategy can **reduce risk, decrease costs and help you to stay ahead of the curve.** Formulating a tailored strategy is essential to ensure lasting success and can **turn a compliance necessity into a competitive advantage**.

Formulating your strategy begins with obtaining a clear view on your business current and future e-invoicing and e-reporting obligations

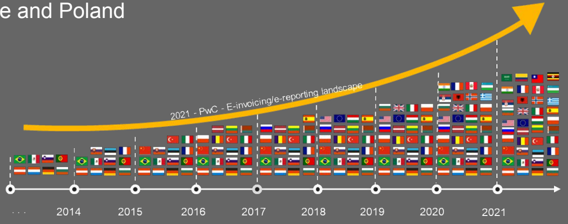
Building blocks

1. Monitor	2. Assess	3. Evaluate	4. Implement	5. Maintain
Monitory & document regulatory changes	Assess current state system landscape & processes	Ambition level & target setting	Build or buy solution(s)	Continuous monitoring of changes
Understand new requirements	Review data accuracy	Define future technology strategy	Test changes	Re-evaluation & improvement
Confirm applicability	Determine materiality & risk assessment	Develop business case & roadmap	Deploy changes	Stakeholder communication

PwC's Electronic Compliance Radar

Feel free to request your tailored eCR here: **LINK**

Electronic compliance obligations imposed by tax authorities around the globe have more than tripled over a very short period of time. Yet, the pace of change keeps accelerating with new mandatory electronic invoicing and e-reporting requirements on the horizon in many countries, including some of the largest EU economies like France and Poland

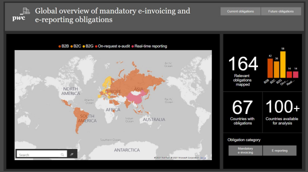


How?

It only takes 3 steps to obtain insights on **your business specific situation**:

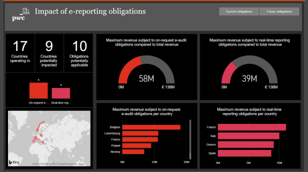
1	Collect **business data** (country footprint, turnover, etc.)
2	Run data through PwC's unique **Electronic Compliance Radar (eCR)**
3	**Meeting with PwC's CoE** to report on findings and define actions & priorities

Global requirements overview*

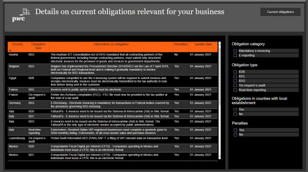


Impact mandatory e-invoicing*

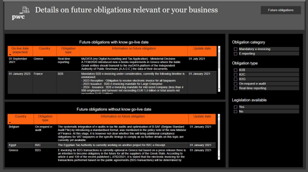
Impact e-reporting*



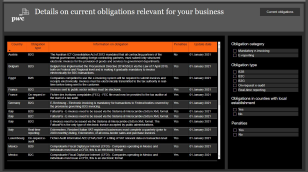
Details on future obligations (business specific)*



Details on future obligations (business specific)*



Details on current/future obligations (general)*



Features PwC's Electronic Compliance Radar (eCR)	Visual and clear representation of impact requirements	Personalised output based on your business data
Data on relevant obligations for 100+ countries	Sourced directly from local authorities & PwC Network	Includes insights on upcoming requirements

*The level of detail/available dashboards will depend on your selected subscription package.

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