Electronic invoicing developments from around the world

May 2021
Today's presenters

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1. The different electronic invoices models in the world
The different models of VAT control in the world

- Free choice to use electronic format
- Authenticity of origin, integrity of content, legibility of the invoice
- Post-audit to monitor compliance

**Post Audit Model (Evidence)**

**Clearance Model (Control)**

- Mandatory electronic invoicing
- Technical integration constraints
- Real-time invoice control by the Tax Authorities

**Variable combination of legal, technical and process requirements**

**European Union B2B except Italy**
- North America
- Australia & New Zealand

**European Union B2G**
- Latin America,
  - Asia, Russia, Turkey, Italy

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2. The “V” and “Y” models
Mandatory transit of invoices through a public platform that facilitates transmission to the customer

The « V » model

**Advantages**

- Simplicity because there is only one centralizing platform
- Experience with B2G experimentation carried out by the Agency for State Financial Information Technology (AIFE)
- Use of the centralized directory regularly updated by the public platform

**Disadvantages**

- Shutdown of the entire invoicing flow transmission chain in the event of a single point of failure (SPOF) or a cyber attack
- Risk of sending unmanageable information in the centralizing platform directly by the seller to the customer, hence the existence of a parallel flow out of the Tax Authorities’ view
- Risk of constitutionality linked to the establishment of a monopoly of the public platform
- Transmission of the invoice depends on the control made by the Tax Authorities

Source: French Tax Authorities — Parlement report September 2020
A choice that reconciles the expectations and constraints of all stakeholders

**Advantages**

The identified benefits of the Y model are as follows:

- Free choice of invoicing provider by the companies; no need to go through the public platform.
- Maintaining the existing electronic invoicing system, especially for certain sectors (automotive, retail)? Limiting the costs of adapting to the reform.
- In case of failure of one of the platforms, only a part of the invoicing flow is impacted, with the possibility of offloading to the functional platforms.
- Invoicing solution adapted to each category of company.

**Disadvantages**

The identified disadvantages of the Y model are as follows:

- The services offered by the public platform must not compete with those offered by private platforms.
- Security and sustainability of the platforms in charge of invoice transmission.
- Specifications to be respected by the platforms and cost of certification.
- Standardized formats imposed between platforms.

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Legend:

- Invoice
- Centralized directory
- Transmission of invoices

Source: French Tax Authorities — Parlement report September 2020
Cultural and historical influences
**Chile**

- **01** 2002: National standard procedures to issue paper invoices. SII registered and authorized them by stamping them before their use. Strong controls through traditional and electronic means.
- **02** Relatively simple and stable tax system. Broad based VAT adopted in 1974. Low levels of evasion.
- **03** State Modernization Policies adopted in the early '90s for improving the relationship between citizens and the State and the country to gain competitiveness.
- **04** Private sector proposed the electronic invoice in 2002. Estimated savings of 0.5 percent GDP if adopted by large taxpayers.
- **05** Focus on reducing tax compliance costs; facilitating the exchange of documents between suppliers, customers, banks; providing legal certainty (e.g., factoring).
- **06** Taxpayers adopted the system largely on voluntary basis. In 2021 it became mandatory for all taxpayers. Since 2018, SII prefills the VAT return.

**Brazil**

- **01** 2002: Procedures to issue paper invoices depended on type of transaction and place of transaction. Controls on prenumbered formats were ineffective.
- **02** Lack of coordination between the different tax authorities Complex tax system. High levels of evasion in 2002.
- **03** Constitutional Amendment 42, introduced in 2003, requires tax administrations (federal, state and municipal) to act in an integrated manner, including sharing taxpayer information.
- **04** Tax administrators meet at ENAT and launch SPED and electronic invoice in 2005.
- **05** Focus on creating a synchronized (rather than unified) platform and database among the different tax authorities to increase control on transactions. Most of the interactions requested to taxpayers (e.g., acknowledgement goods were received) are directed to these controls.
- **06** The journey is not concluded (e.g., non-standard formats for invoicing services) but an enormous advance (e.g., standard formats and synchronized procedures for invoicing goods). Evasion has been reduced (e.g., Sao Paulo increased 9.7 percent its ICMS revenues in 2007–11 due to electronic invoicing).

Sources: [https://www.sii.cl/pagina/actualizada/noticias/2003/240403noti01ccm.htm](https://www.sii.cl/pagina/actualizada/noticias/2003/240403noti01ccm.htm); [http://www.planalto.gov.br/ccivil_03/constituicao/constituicao.htm](http://www.planalto.gov.br/ccivil_03/constituicao/constituicao.htm); [https://www.imf.org/~/media/Files/Publications/WP/2019/wp190810.pdf](https://www.imf.org/~/media/Files/Publications/WP/2019/wp190810.pdf)
4. Global e-invoicing & e-reporting developments
Global e-invoicing and e-reporting 2021

50+ E-Invoicing and E-Reporting implemented

30+ E-invoicing and E-Reporting proposed and upcoming updates
## Global e-invoicing and e-reporting highlights 2021–2023

### Latin America

**2021**
- **Argentina:** QR code
- **Bolivia:** revokes e-invoicing
- **Chile:** e-ticket
- **Colombia:** e-payroll & support e-document
- **Panama:** e-invoicing pilot
- **Paraguay:** e-invoicing system (E-Kuatia)
- **Peru:** e-invoice requirements

**2021–2023**
- **Albania:** new e-invoicing requirements
- **Denmark:** e-catalogues & e-orders
- **France:** e-invoicing
- **Greece:** e-invoicing & e-books
- **Hungary:** new reporting obligations (EKAER)
- **Italy:** new xml version
- **Spain:** new SII requirements

### Europe

**2021–2023**
- **Albania:** new e-invoicing requirements
- **Denmark:** e-catalogues & e-orders
- **France:** e-invoicing
- **Greece:** e-invoicing & e-books
- **Hungary:** new reporting obligations (EKAER)
- **Italy:** new xml version
- **Spain:** new SII requirements

### ROW

**2021–2023**
- **Australia:** e-invoicing mandate
- **India:** e-invoicing implementation
- **Egypt:** e-invoicing implementation
- **Israel:** e-invoicing mandate
- **Jordan:** e-invoicing mandate
- **Saudi Arabia:** e-invoicing mandate
- **Vietnam:** e-invoicing postponed
5. Electronic invoicing reform as of 1 January 2023 in France
Reform of electronic invoicing as of January 1st, 2023

Obligation of reception:
All businesses should be able to receive an electronic invoice.

- **Obligation to issue** electronic invoices for **large companies**
  - 2023

- **Obligation to issue** electronic invoices for **mid-sized companies**
  - 2024

- **Obligation to issue** electronic invoices for **SMEs and VSEs**
  - 2025
Reform of electronic invoicing as of January 1st, 2023

Electronic invoices

— No format defined at this stage. PDF would be a transitory solution, not intended to be used in the future. Structured formats would be preferred in the future.
— Reliable audit trail will always be mandatory.

E-Reporting

— This would include data concerning:
  — Invoices issued by taxable persons established in France to other taxable persons established in France (B2B);
  — B2C invoices;
  — Operations with foreign operators.
— In the context of e-reporting, the field of data to be transmitted should also include the status of the invoice with regard to payment.
— The format for sending additional data has yet to be defined.
— The tax authorities would use the data collected to prepare pre-filled VAT returns.

There are many outstanding issues including

— Subject the VAT deduction to the obligation to file an invoice in electronic format
— New mandatory invoicing requirements:
  — Buyer’s SIREN;
  — the option to pay VAT on debits;
  — the nature of the operation (sale, service, mixed).

Authorizations to be obtained from the European Commission?

— No longer require customer approval
— Impose an invoice format
— Subject the VAT deduction to the obligation to submit the invoice to the platform
— New mentions on invoices
Digital journey in Latin America
## Tax administration digital journey in Latin America

<table>
<thead>
<tr>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Level 4</th>
<th>Level 5</th>
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<td>E — File</td>
<td>E — Invoice</td>
<td>E — Accounting</td>
<td>E — Match</td>
<td>E — Audit</td>
<td>E — Calculation</td>
<td>Communication among governments</td>
</tr>
</tbody>
</table>

- **Use of standardized electronic forms for filling tax returns or submitting information.**
- **Implementation of electronic invoice solutions.**
- **Submission of basic accounting data (e.g., invoices, trial balances).**
- **Submission of additional accounting and source data. Electronic cross checks of data across taxpayers.**
- **Data analyzed by government entries and cross-checked in real time. Taxpayers receiving electronic audit assessments and e-communication.**
- **Tax authorities using submitted data to determine the tax obligation in lieu of the taxpayer.**
- **Governments exchanging transactional information in real time (e.g., customs information).**

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## Latin America current status

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<td>e-Accounting</td>
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<td></td>
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</tr>
</tbody>
</table>

Electronic invoicing reform — India
India Journey so far — Phase-wise Approach

1. **September 2019**
   - Draft e-invoicing standard approved by GST council

2. **October 2019**
   - GST Council released updated concept note/FAQs/e-invoicing schema

3. **December 2019**
   - 5 notifications issued for implementing e-invoicing from 1 April 2020 (but actually implementation deferred by 6 months)

4. **October 2020**
   - **PHASE 1**
     - E-invoicing Go-live w.e.f. 1 October 2020 for companies having turnover INR 5000 Mn and above

5. **January 2021**
   - **PHASE 2**
     - E-invoicing Go-live w.e.f. 1 January 2021 for companies with turnover between INR 1000 Mn to 5000 Mn

6. **April 2021**
   - **PHASE 3**
     - E-invoicing Go-live w.e.f. 1 April 2021 for companies with turnover between INR 500 Mn to 1000 Mn

Source: Based on different notifications and press releases issued by the government

Going forward E-invoicing may be extended to all companies irrespective of turnover!!

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E-invoice India Integrated workflow (Seller — IRP — GSTN — Buyer)

1. Invoice data for IRN
2. INV-1 Json Format
3. Seller’s ERP/Accounting System
4. GSP/ASP
5. KIGS Einvoice Application
6. Invoice Registration Portal
7. ERP invoice

Data to be sent by seller
Data to received by seller
Data transfer at the back-end

1. Validation checks
2. Generates IRN i.e. Hash
3. Digital signature
4. Add QR Code to Json

Source: Sample Json file QR code generated from KPMG Tool Sandbox Test Environment and scanned using Govt mobile verification app

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Details captured in QR code Govt Response (encrypted):

<table>
<thead>
<tr>
<th>Details captured in QR code (encrypted):</th>
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<tbody>
<tr>
<td>1. GSTIN of seller</td>
</tr>
<tr>
<td>2. GSTIN of buyer</td>
</tr>
<tr>
<td>3. Invoice number given by seller</td>
</tr>
<tr>
<td>4. Document Type</td>
</tr>
<tr>
<td>5. Date of generation of invoice document</td>
</tr>
<tr>
<td>6. Total invoice value</td>
</tr>
<tr>
<td>7. Number/Count of line items</td>
</tr>
<tr>
<td>8. HSN code of main item (item having highest value)</td>
</tr>
<tr>
<td>9. Unique IRN (SHA256)</td>
</tr>
<tr>
<td>10. IRN Date</td>
</tr>
<tr>
<td>11. Digital Signature of IRP</td>
</tr>
</tbody>
</table>

Source: KPMG Tool implemented Solution based on Einvocing model implemented in India

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Generate, validate and use

**Generate**
- Generate invoice information for each type of document (invoice, debit note and credit note)

**Validate**
- Invoice Registration Portal to provide IRN*
- Receive pre-populated digitally signed JSON for invoice along with QR code containing IRN

**Use**
- Sharing of invoice data on real time basis to the buyer
- Invoice details available to investigating officer through scanning QR code
- Auto population in GST return and e-waybill

*For B2C transactions, QR code to be self-generated
How can you improve your organization?
How can you improve your organization?

**Needs**

Tax administrations around the world are going digital, they are using sophisticated technology tools and platforms that allow them to have full visibility of every step of the supply chain that impact taxation.

Our clients and potential clients are struggling not only with trying to keep up with the global updates but also when attempting to implement the required changes and more importantly when trying to create a tax technology strategy that includes e-invoicing and digital reporting.

**Opportunities**

- Customized roadmaps
- Technical Specifications
- Tax Analysis
- Managed services
- Vendor/solution selection
- Vendor/Solution implementation
- Master data readiness
- Tax technology strategy
- Compliance

**Improvements**

- Tax technology strategy
- Data Management
- ERP and systems upgrades
- Data management
- Data reconciliation
- Data validation
- Data extraction
- Automation
- Analytics
- Process optimization

**Exceptions**

- Customized tools
- Global guidance (documentation)
- Global RFP’s
What can we do?

Roadmap of Changes
Assist our clients on the creation of a Roadmap & Gap Analysis

New Requirements & Systems Readiness
Requirements gathering and technology readiness

Vendor/Solution Selection
Assistance on vendor selection process leveraging KPMG’s alliance partners & solutions

Solution Implementation
KPMG can assist on the solution implementation
Holistic, robust and flexible

1. Requirements & Roadmap
2. Systems Assessment
3. Vendor Selection
4. Targeted Digital/Technology Solution(s)
5. Solution Implementation
6. Solution Testing
7. Deployment
8. Post-deployment Support

- Customers suppliers
- Products services
- GLs subledgers
- Business cases
- Tax rules
**Global MNC — India Ops**

**Average/Typical/Expected Client Implementation Time — 3 months Project for Go-live with Third Party Consultants (SAP Team + Middleware Team + KPMG Team)**

### Legal Entity I (21 Tax Jurisdictions Across India)

<table>
<thead>
<tr>
<th>ACTIVITY UNDERTAKEN</th>
<th>Division A</th>
<th>Division B</th>
<th>Division C</th>
<th>Division D</th>
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<tbody>
<tr>
<td>Source ERP Integrations</td>
<td>SAP-ECC 6.0</td>
<td>SAP-ECC 6.0</td>
<td>SAP-ECC 6.0</td>
<td>SAP-ECC 6.0</td>
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<tr>
<td>Integration Method</td>
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<td>RESTFUL API + SFTP</td>
<td>RESTFUL API + SFTP</td>
<td>RESTFUL API + SFTP</td>
</tr>
<tr>
<td>ERP Output File Requested</td>
<td>Customized JSON per Invoice + Customized CSV (with multiple line items)</td>
<td>Customized JSON per Invoice + Customized CSV (with multiple line items)</td>
<td>Customized JSON per Invoice + Customized CSV (with multiple line items)</td>
<td>Customized JSON per Invoice + Customized CSV (with multiple line items)</td>
</tr>
<tr>
<td>Nos of Tax Registrations</td>
<td>21</td>
<td>15</td>
<td>17</td>
<td>3</td>
</tr>
<tr>
<td>Volume Monthly E invoices (Nos)</td>
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<td>60K</td>
<td>31K</td>
<td>3K</td>
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<tr>
<td>B2C QR code Invoicing</td>
<td>CSV Input/PDF Output</td>
<td>RESTAPI Input/JSON Output</td>
<td>CSV Input/PDF Output</td>
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<td>BCP/PLAN B</td>
<td>Batch Upload Input CSV+ Download QR Output CSV</td>
<td>Batch Upload Input CSV+ Download QR Output CSV</td>
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### Legal Entity II (3 Tax Jurisdictions Across India)

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<td>Integration Method</td>
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<td>ERP Output File Requested</td>
<td>Customized JSON per Invoice + Customized CSV (with multiple line items)</td>
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<tr>
<td>ERP Input File Made Available</td>
<td>Govt Response JSON for Success &amp; CSV for Errors</td>
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<tr>
<td>Nos of Tax Registrations</td>
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<td>Volume Monthly E invoices (Nos)</td>
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<td>B2C QR code Invoicing</td>
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<td>BCP/PLAN B</td>
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Questions?
Thank you