

E-INVOICING AND COMPLIANCE: AN INTERNATIONAL PERSPECTIVE



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In the past, the trend toward electronic invoicing was largely motivated by the desire to achieve greater efficiency at a lower cost. It only made sense — manual processing is time-consuming and expensive, and if software solutions were able to do the job, why not take advantage of that technology?

But times have changed. To improve tax collection and to streamline tax reporting, governments around the world are increasingly inserting themselves into the financial supply chain between buyers and sellers, enforcing e-invoicing and e-reporting obligations with complex and often-changing laws and invoicing standards. Keeping up with this rapid change significantly increases the friction of invoice processing — in terms of time, effort and compliance risk.



Governments around the world are inserting themselves into the supply chain to improve tax collection and reporting.

Royce G. Morse, IOFM's Managing Editor says, "Failure to implement a proactive strategy to manage compliance within the supply chain can result in inefficiencies in the invoice-to-pay process. That in turn can negatively impact the business financially and damage its relationship with suppliers."

IOFM partnered with Tungsten, a [Kofax](#) company, to explore just how complex international invoicing and reporting is becoming — and how to navigate through these changes.

It's Complicated

First, each country with which you trade likely has its own requirements for data, reporting and invoice formatting. Ruud Van Hilten, VP of Compliance at Tungsten, a Kofax Company, advises, "It's critical that you familiarize yourself with the compliance requirements and e-invoicing mandates for all the countries your suppliers operate in, as well as the countries where your own business has a presence."



Each country you trade with likely has its own data and formatting requirements for invoices.

When you do, you'll discover that not only do your various trading partners need to adhere to a variety of different e-invoicing standards, but that those standards change regularly — and mandates will continue to evolve. For example, both Italy's and Mexico's programs have seen major changes since their implementation just a few years ago.

Additionally, in many countries, the processes of e-invoicing and e-reporting are becoming increasingly intertwined, culminating in complex hybrid models. Italy recently implemented mandatory reporting of cross-border invoices through its national e-invoicing platform, the Sistema di Interscambio (SdI) system, which extracts the required data from invoices and reports it to the Italian Revenue Agency. In less than two years from now, France will also combine electronic invoicing and reporting into a single operation.

There's more. Poland's mandatory e-invoicing file will contain more than 640 fields, many of which come from [SAF-T](#) (Standard Audit File for Tax), an international standard for accounting data. Poland also runs two different e-invoicing platforms, one for business-to-business (B2B — KSeF) and one for business-to-government (B2G — PEF) transactions.

In France, Saudi Arabia and India, the e-invoicing requirements for reporting transactions for exports, B2C and B2G will all use the same platform, but the implementation and deadlines for compliance will vary, and will either be right when the platform is rolled out or else implemented over time.

Moreover, in some countries, tax compliance platforms are being integrated with other existing platforms. For example, in India, e-invoicing is combining the Invoice Registration Portal (IRP) with the e-Waybill system that regulates movement of goods throughout the country. Italy has integrated regulated purchase orders specifically for public health transactions using [Peppol](#), and not SdI as mentioned above.

And that's just a sampling.

The Way Forward

"As you've probably surmised by now, software technology is the logical place to look for answers," says Morse. "However, the software provider needs to have a depth of expertise in this extremely complicated space." That requires



demonstrable capability to both create rich, compliant invoice data, while having the knowledge and resources to remain current with all the regulatory changes and international standards — and do it in any language with any currency.



In many countries, a legal invoice can still be a PDF — which is basically an electronic piece of paper.

However, the challenges go even further. In many countries, a legal invoice is still a PDF. While an e-invoice is structured data, a PDF is essentially a piece of electronic paper. If you're looking to automate this process, you need to be able to manage paper invoices as well and extract the necessary data from them.

The good news here is that an expert solution provider can take care of all that before the invoice even reaches you. For example, Kofax can validate the data before an invoice is even created. The vendor sends an invoice file to them in any structured data format, and Kofax ensures both that this is tailored to your AP department's requirements and that it meets appropriate standards. No paper or scanning is needed, and any issues are automatically communicated back to the supplier for correction. By the time you receive the invoice data, it's compliant, accurate and ready to pay.



An expert solution provider will proactively onboard suppliers to e-invoicing, even before it's required.

Furthermore, a premium provider will be willing to step in and proactively onboard suppliers into a voluntary e-invoicing program, even when it's not yet mandated by the source country. "We do this so that suppliers don't decide to simply comply with their government's regulations by issuing (paper) invoices and leaving the rest to you," says David Sentongo, a Product Strategist at Kofax. "A capable software provider should be able to help you along the continuum from paper invoices to e-invoicing." Also, adhering to the ever-changing government mandates will be easier when a larger percentage of your invoice volume is already electronic.

This also ensures that your vendors are paid in a timely manner. Additionally, vendors can adapt more easily to the e-invoicing requirement when governments impose new e-invoicing obligations.

Growing with You

Your business isn't static. It's growing within a global marketplace, creating a need for an e-invoicing or e-reporting solution that can manage that change without missing a beat.

IOFM's Morse says, "When looking at an invoice-to-pay solution, remember that what works for you today needs to work just as well tomorrow. Where do you anticipate your company will be a few years from now? How and where will your supply chain grow? And how will you manage invoices from across the world in formats that must adhere to different — and changing — governmental standards?"

Don't settle for a solution that restricts your ability to smoothly expand your reach on a global scale. Rather, consider one that can handle any invoice in any format right now, with the capability of scaling up to e-invoicing and additional compliance requirements as they change.



An invoice-to-pay solution must be able to work for you in the future just as well as it does right now.

Think beyond the present. The future will be here before we know it. Making sure your invoice processing software can keep pace with your business will prepare you for what's to come, wherever in the world you are and wherever your suppliers are.

Partnering with a provider who understands the complexities and challenges of international accounts payable will be your mainstay when that time comes. Get ready for tomorrow, today.



About Kofax

Kofax enables organizations to Work Like Tomorrow™ — today. Kofax's Intelligent Automation software platform and solutions digitally transform document intensive workflows. Customers realize greater agility and resiliency by combining our process orchestration, cognitive capture, RPA, output management, analytics and mobile capabilities to speed time-to-value and increase competitiveness, growth and profitability while mitigating compliance risk. Our cloud-based offering provides AP automation, e-invoice exchange, and ERP integration.

For more information, visit kofax.com.



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