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# E-invoicing readiness
A South African perspective

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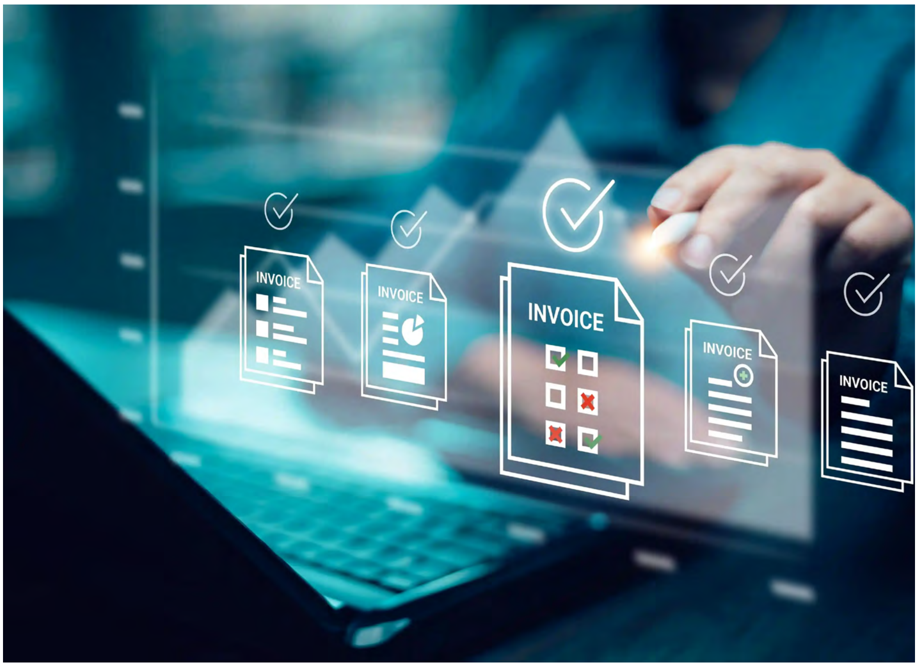
Value-added tax (VAT) is a self-assessment tax, and documentation serves as the foundation for verifying the accuracy of the applied VAT treatment. Some of us may still recall receiving tax invoices via fax or submitting hardcopy returns at a South African Revenue Service (SARS) branch, carefully filing the stamped copy as proof of submission. Times have changed drastically since then and an even bigger change is on the horizon in the form of e-invoicing. The changes that will be implemented will be the most significant since the inception of VAT in 1991.

In 2023, SARS released a "Discussion Paper on VAT Modernisation", which addresses e-invoicing and real time reporting in pursuit of its strategic objective of modernising its systems to provide a digital solution for taxpayers to comply with their obligations. With the reversal of the VAT rate increase this year, these efforts are aimed at increased tax collections thereby closing the tax gap.

Over 60 countries globally have already introduced and implemented some form of e-invoicing and/or electronic reporting. Some countries have taken a phased approach, mandating only electronic invoicing (e-invoicing) and reporting for certain transactions while others have already had a change in direction and adjusted their approach after initial implementation.

As e-invoicing gains recognition as a global phenomenon, what does this mean for South Africa?




# What is e-invoicing?

**E-invoicing** involves sending and receiving invoices in a structured data format for automatic processing between businesses and typically involves the use of specialised software or platforms. E-invoicing is a more advanced, automated and integrated approach to invoicing, offering greater efficiency and compliance benefits compared to sending invoices via email, which may be simpler but requires more manual intervention and lacks integration capabilities. **Electronic reporting** (e-reporting), on the other hand, refers to electronically submitting tax-related information to tax authorities, often complementing e-invoicing by requiring companies to transmit accounts payable and accounts receivable invoicing details within a specified timeframe.

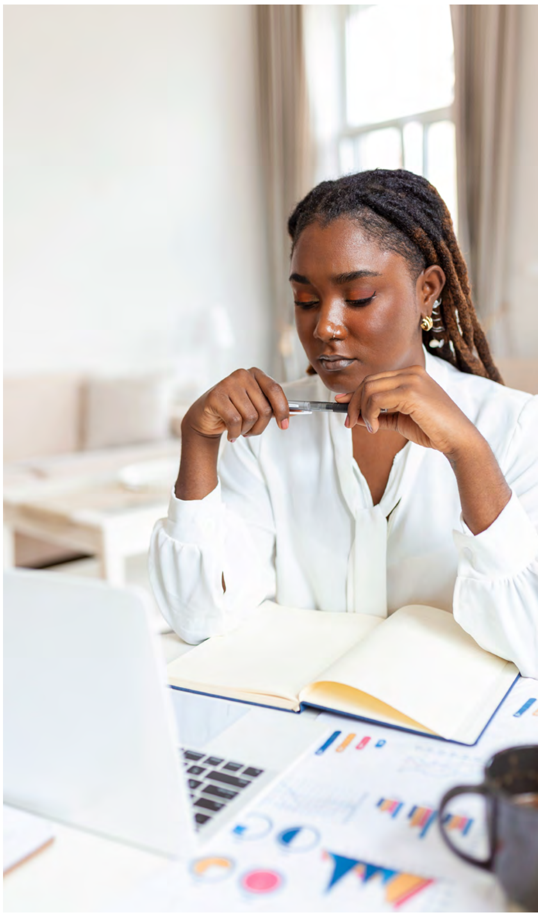
While the preparation and implementation of e-invoicing and e-reporting necessitate meticulous planning and resources, the advantages are expected to surpass the initial investments. Reduction in manual errors, faster processing times and improved cash flow management as invoices are delivered and settled more efficiently, robust audit trails and reduced administrative costs have been noted as some of the benefits.

# Are we ready?

Although South Africa has not yet mandated e-invoicing, the above discussion paper indicated a timeline of fve years which would take us to 2028. Vendors who wish to adopt a strategic and efficient approach have started planning. Broadly speaking, the following strategic steps would be followed to provide a smooth transition:

- **Understand regulatory requirements:** Begin by researching and understanding the specific e-invoicing regulations and requirements. This includes knowing the deadlines for implementation, the format required, and any compliance standards. For multinationals, a good starting point would be to understand if another jurisdiction has followed a similar model or approach in order to leverage off this knowledge.
- **Assess current systems and data:** Evaluate existing invoicing and accounting systems to determine their capability to support e-invoicing. Easy access to accurate and complete financial and tax data is crucial. Identify any gaps or areas that need upgrading to accommodate the new requirements and processes.
- **Select e-invoicing software:** Choose a reliable e-invoicing solution and consider factors such as integration capabilities, user-friendliness, scalability and support services.
- **Knowledge transfer:** Provide training for employees who will be involved in the e-invoicing process. Ensure they understand how to use the new system, the benefits of e-invoicing and the importance of compliance.
- **Integrate systems:** Work on integrating the e-invoicing solution with your existing accounting and enterprise resource planning (ERP) systems for seamless data flow and processing. This involves collaboration with IT professionals or software vendors within your organisation, making this project a joint effort across different business units.
- **Test:** Conduct thorough testing of the e-invoicing system before full implementation. This includes testing for accuracy, compliance, and integration with other systems to identify and resolve any issues.
- **Communicate:** Inform clients, suppliers, and other stakeholders of the transition to e-invoicing. Determine whether they are aware of any changes in the invoicing process and how it will affect them.
- **Monitor and evaluate:** After implementation, continuously monitor the e-invoicing process to confirm that it is functioning correctly and efficiently. Evaluate its impact on your business operations and make adjustments as needed.
- **Unlock benefits:** Confirm that the new e-invoicing solution provides quality information to enhance strategic decision making,

The initial step is to understand the regulatory requirements. With stakeholders awaiting further guidance following the release of the initial discussion paper, South African vendors are already contemplating subsequent actions. Our discussions with stakeholders have revealed several key themes on this matter.



# Key themes

Will multiple ERP systems, cloud-based **ERP solutions** and customer relationship management be catered for?

In certain jurisdictions, API integration was done with the help of the revenue authority.

While some vendors still deliver **hardcopy invoices**, many vendors utilise email as the form of sending invoices in electronic format. A limited number have already automated this process via their ERP or some other invoicing solution. Interestingly, in many instances, the ERP system already has the capability to send invoices, but this has not been explored and is currently not widely utilised.

At this stage, it is difficult to determine a reasonable timeline for implementation. Depending on factors such as capacity and level of customisation required, implementation could take around 12 months. A light touch or phased approach could be considered.

**Industry specific concerns** with regard to the implementation of e-invoicing relate to: high-volume transactions, special concessions where invoices are not currently issued/required, deemed supplies, adjustments, unallocated receipts, deposits and advanced billing.

South African vendors will generally have **experience with implementation** of e-invoicing in other jurisdictions, where they are part of a multinational group.

**Keys aspects of a successful implementation**

- Adequate time for vendors to plan for implementation
- Effective systems for managing errors
- Systems must cater for load support and must be technically robust
- Guidance when the Application Programming Interface (API) is not functioning
- Clear communication channels, consultation and ongoing support from the revenue authority

# A global interconnected VAT network

It is anticipated that nearly every country will have implemented some form of electronic invoicing or reporting within its tax system by 2030. The development aligns with the Organisation for Economic Co-operation and Development's (OECD) concept of data-driven or digital tax administration. The OECD envisages digital transformation wherein taxation gradually evolves into a more seamless and frictionless process. As observed during the digital evolution in various business sectors and corporate functions, the transformation of tax is contributing to a more interconnected and data-centric environment.

As Deloitte, we also anticipate that data will be increasingly checked across borders due to expanded cooperation among tax authorities. Therefore, taxpayers may need to adopt more centralised approaches for managing tax processes. Furthermore, efficiency, cost, and the potential for centralization offers additional reasons for a global perspective. Organizations may achieve economies of scale and opportunities for standardization and automation by implementing globally consistent systems. E-reporting and e-invoicing might encourage companies to use their ERP systems consistently and likely involve upgrading those systems.

# Where to from here?

Stakeholders require a clearly articulated strategy from the revenue authority and legislature to proceed effectively, and many stakeholders are keen to give their input. Industry specific matters must be considered through a coordinated approach, and these platforms should be established sooner rather than later. With proper implementation and necessary stakeholder engagement, valuable time can be saved and unnecessary costs can be contained. Drawing on the experiences of other jurisdictions, along with lessons learned and established best practices, provides valuable guidance.

For example, Malaysia's approach to implementing e-invoicing prioritised affordability and accessibility, particularly for smaller vendors. Unlike some other countries, Malaysia employed a phased implementation strategy accompanied by supportive measures to ease the transition. These measures included potential subsidies or incentives, an interim relaxation period, partnerships with technology providers, and educational initiatives to assist businesses in adapting to the new system. By focusing on these aspects, Malaysia aimed to minimise the financial and operational impact on taxpayers, facilitating a smoother and more manageable shift to e-invoicing compared to countries that mandated immediate as well as comprehensive adoption without similar support structures.

Singapore has also moved forward with e-invoicing legislation with the implementation of the nationwide e-invoicing network, also known as InvoiceNow which leverages the Pan-European Public Procurement Online (Peppol) framework. Similar to Malaysia, Singapore adopted a soft launch approach starting 01 May 2025. The InvoiceNow solution includes finance and accounting software that allows the transmission of invoices between business via the InvoiceNow network and is connected to the revenue authority through AccessPoints (AP) using API technology.

A very recent development on the African continent is the Nigeria e-invoicing approach / model. **More information can be found here.**

By utilising available resources and taking proactive measures, business can transform compliance into a strategic advantage.

As the global landscape of e-invoicing and digital tax reporting continues to evolve, it is imperative for organisations to stay ahead of the curve. Embracing these changes not only maintains regulatory compliance but also unlocks new efficiencies, fosters innovation and drives long-term success. With thoughtful implementation and continuous improvement, businesses can turn the complexities of e-invoicing into opportunities for growth and enhance competitiveness on a global scale.

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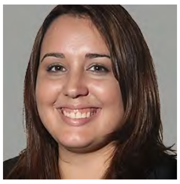

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