



TAX NEWS & VIEWS PODCAST

Episode - E-invoicing: The tax compliance of the future

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Carrie Falkenhayn: From Deloitte Tax, welcome to the Tax News and Views Podcast. In this series, we talk to specialists from Deloitte about the latest business issues and developments. I'm Carrie Falkenhayn, your host for Tax News and Views, and today we will be talking about e-invoicing. It's a global trend where we're seeing governments introduce requirements for organizations to electronically file their customer invoices. This poses a number of implementation challenges, as well as other questions. So, joining me today to discuss these developments are two specialists. They're from Deloitte's indirect tax practice. They both specialize in value-added taxes, or VAT, as we like to say. So, with me are Ronnie Dassen and Phil Flynn. So let me welcome you both, and I'm going to start us off with a question. So first, we're hearing a lot about e-invoicing. What is all the buzz really about?

Ronnie Dassen: Yeah, Carrie, that's a great question. You know, thank you. So, the buzz is really about the fact that e-invoicing is taking the world by storm. It's a massive change in the global tax landscape. Where companies are now seeing that they have to comply with these digital requirements that are written down in an actual tax law, and need to translate that from a tax book into their actual systems and operate accordingly. Now, needless to say, that has a lot of ramifications for our clients. And so, you know, getting ready for that, and making sure that you can comply with all of that is not an easy task. If you look at what's coming at our clients, it's between now and, you know, 2030, but, you know, in my view, probably between now and 2035, all our clients will be doing e-invoicing and e-reporting implementations on a year-round

basis because of how many of these mandates are coming down the pike. And so, you know, dealing with those challenges, having a programmatic approach to it, and making sure that you, you know, address it in a way that is holistic from a tax perspective is critical. From my perspective, you know, there's two big takeaways here. One, if you look at, you know, tax compliance of the future, it's all becoming digital. So this move of e-invoicing and e-reporting is going to lead over time tax returns, or VAT returns specifically, you know, disappearing, and companies needing to make sure that they are proactively ready, know their positions, because they're already transmitting that data to the tax authorities, and the tax authorities are going to determine, you know, the tax position for them. So, instead of, like, the periodic filing that we see in the VAT world today, where you have a monthly VAT return, or a quarterly VAT return, or even a yearly VAT return in some instances. Tax compliance of the future is real-time, and tax authorities have all the data they need to audit you from day one. So that's the first takeaways. Second takeaway, I think, is e-invoicing and e-reporting has a heavy impact on business processes. So, where tax, you know, is always looking for opportunities to be a value driver to the business, this is an area where they can definitely make sure that they are a value driver to the business, because if this is not solution for in the right way. What'll happen is, it will frustrate business, it will stop business, potentially, and, you know, it will mess with a lot of these, you know, processes that companies typically run vis-a-vis either their vendors or their customers. So, you know, two big tickets here. One, tax compliance, and making sure that you're ready for the tax compliance of the future, and two, business optimization from a process perspective, you know, really the key drivers.

Carrie Falkenhayn: So, given how fragmented this landscape is, what are some of the challenges companies face?

Phil Flynn: Yes, thank you, Carrie. I think the biggest challenge is the pace of change. Rules and timelines are moving quickly, and companies are often building whilst requirements are still evolving. On top of that, the requirements vary significantly per country, so one approach requires careful design to be successful. Internally, it can also be difficult to drive the business change needed, because this initiative really touches all areas of the business. Tax and finance, IT, AP and AR, and local market teams. So, global stakeholder alignment is critical. And I think that leads to the core issue that a lot of our clients are facing. As these mandates grow, companies need a global strategy, not just a series of local fixes, or they'll end up with a patchwork that's expensive to maintain and hard to adapt. However, getting to that global strategy requires careful planning and careful investment to be successful.

Carrie Falkenhayn: What are some of the most imminent mandates on the horizon?

Phil Flynn: Well, in addition to, I would say, some of the existing mandates out there in the world at the moment, in LATAM, India, Italy, KSA, we've already seen Belgium and Poland go live this year. And many organizations were working right up until the deadline to get solutions deployed. So, the next major milestone is France in September, and France is particularly complex because it's rolling out e-invoicing and e-reporting together. That creates capacity challenges internally. The integrations into the tax authority ecosystem can be complex, because those integrations vary depending on the mandates, and the obligations vary by transaction type, so the scope can be much broader than teams initially expect. In practice, what that means is our clients are seeing France implementations taking much longer than planned. So, the message is, if you haven't started already, you really need to start now. And then, looking at the rest of 2026 and into 2027, more countries are expected to come online, including the UAE, Slovakia, Estonia, Germany, amongst others. So, the pipeline stays very busy.

Carrie Falkenhayn: Okay, so how does this fit in with VAT compliance?

Ronnie Dassen: Yeah, so VAT compliance is going to fundamentally change in the future. A lot of clients, you know, come to us with questions around, like, what's our, you know, optimal e-invoicing program management? You know, what is an optimal e-invoicing program look like? And the answers that I really give to that question is. It's an evolution of, you know, how you manage your indirect tax function, so you can't look at e-invoicing in isolation, but you gotta look at it holistically in the context of indirect tax compliance. I touched upon it already briefly in an earlier part of the session. So, what that really means, in my view, is

that E-invoicing right now is the burning platform that everybody pays attention to. And they should, right? Companies should pay attention to it, because these obligations and new rules are being rolled out, you know, country by country, you know, for the foreseeable future, so they need to address them. But what a lot of companies are not really doing yet is approaching it programmatic, and with a view of. Like, how do I address, you know, all these burning platforms that are popping up in different jurisdictions as these rules get introduced? How do I morph that all together into a holistic program that ultimately gets me to a position where I have an audit-ready compliance function, an audit-ready real-time compliance function of the future? And I think that's what is really important, for companies to look at e-invoicing and marry it up with, you know, their future indirect tax compliance strategy, and develop a strategy around that, and develop a program that encapsulates both. What we're going to from a tax perspective, also in light of, you know, what OECD has published in the context of, Tax Administration 3.0.

All of what's happening there is that taxing authorities are going to increasingly rely on real-time data being provided, and are going to be real-time auditing our clients, for that matter. We've already seen that countries that have introduced e-invoicing in the past couple of years, the way that they raise questions and start audits and the amount of information, or the level of detail of information that they ask, has significantly changed and shifted because of the vast amount of data that they have already. And so, whereas, you know, I wholeheartedly expect that VAT compliance, or indirect tax compliance globally in these countries that introduce e-invoicing, e-reporting over time will disappear. It's probably not something that will disappear in the next 2 to 3 years, but in the next 5 to 10 years, all of that will disappear and our clients need to have a function that has, like, the governance around indirect tax compliance to proactively know what the positions are, and to proactively be able to challenge tax authorities when the tax authorities are coming to them to tell them, hey, this is your indirect tax position in country X, we expect you to pay X amount of tax to US.

To be able to, at that point, you know, audit that, what the tax authorities state and say, and, you know, in a well-founded way, go back to taxing authorities and raise any concerns over what their position is. That's going to be key. So there's really going to be a shift from indirect tax compliance being reactive, a post-event, filing of a return, to being proactive, needing to make sure that, you know, ahead of time, ahead of a transaction occurring, having all your data in good shape to make sure that you're reporting right on the transactions, but that you also have the means, you know, to push back on the tax authority if something's not right to your opinion. All of that is to say that, and we've been saying it for years, data is more important than ever, and, you know, if there's one thing that e-invoicing really does is, it puts increased emphasis on how critical it is for companies to work through their, you know, business processes and systems to set up data in an accurate way that is, you know, tax-sensitized, because with the right amount of data and the right setup of data, you know, all of this becomes so much easier. But obviously, you know, that's easier said than done, and you know, in my mind, you know, when we take these programmatic approaches to e-invoicing and indirect tax compliance. That is really the key, is develop a strategy around how you manage data throughout the organization, and how that data translates into, you know, your e-invoicing and indirect tax reporting processes.

Phil Flynn: And I just want to reiterate something Ronnie said, because I think this is really important. This is a really big shift in how governments are managing indirect tax. Instead of waiting for companies to summarize activities on a return, tax authorities increasingly want to see the underlying transaction data much sooner. Sometimes, often, as soon as it happens. And this absolutely creates an opportunity for a more streamlined, automated compliance process within a business, but it also puts a lot of pressure on companies to make sure they're upfront, that their data, their systems, and their processes are strong enough to support it.

Carrie Falkenhayn: What are some of the ways our clients can navigate these changes?

Phil Flynn: So, broadly, companies have two routes to build and operate capabilities in-house or to leverage a managed service model. For in-house, some organizations take a country-by-country approach, as we've talked about already. Deploying point solutions to meet a specific mandate, and then moving on to the next jurisdiction. While others are pursuing a global approach, designed for scale, consistency, and efficiency across the enterprise. The advantage of building is that the solution and data stay within your own technology environment, which can make in-house IT people very happy, but the trade-off is that, ongoing maintenance cost and the difficulty of staying agile as requirements change.

For companies that don't have the time, the resources, or scale particularly with tight deadlines that are upcoming, managed services can be a practical alternative, where third parties run the process end-to-end. I think the key is that a global strategy around e-invoicing isn't one size fits all. Every company is in a different place as it relates to their e-invoicing journey. But where you end up, needs to carefully reflect your budget. You're resisting ERP and systems landscape. And, also, to be successful, make sure it fits within your existing overall finance transformation roadmap.

Ronnie Dassen: Yeah, and Carrie, maybe if I can jump in for a minute, I'd love to highlight, you know, our Deloitte Powered by One Source Baguero solution in collaboration with Thomson Reuters. That's a very strategic decision for us as a firm to go down that route, to partner up with an organization like Thomson Reuters that has, you know, a phenomenal brand in the technology space, in the tax technology space, for that matter. Philosophically, you know, what we want to be able to do is we want to be able to offer our clients an end-to-end solution in the indirect tax space. And that entails e-invoicing, e-reporting, indirect tax compliance, and audit readiness in that sense. So, what we're doing with that technology is we're packaging it all together and, you know, offering it as, you know, one offering to our clients. And it goes back to the agility that Phil was talking about, and, you know, having a solution that can really cover, you know, end-to-end what we do. We're very excited about this offering. Our client responses have been phenomenal, and, you know, we're very encouraged by what we're seeing in the marketplace in terms of the demand that we have for our offering.

Carrie Falkenhayn: Thank you both, really appreciate your insights on this important topic. Audience, if you'd like more information, I encourage you to go to [Deloitte.com](https://www.deloitte.com) and search on invoicing. There's number of resources that you, will have access to there. You can always reach out to Ronnie or to Phil via LinkedIn as well. And as always, thank you so much for joining us. I hope you dial in the next time, and in the meantime, everyone be well. Take care.

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