MANAGING E-INVOICING IN COMPLEX GLOBAL PROJECTS

1. INTRODUCTION

As the digital economy matures, more businesses and governments are switching to e-invoicing. While some countries are regulating and mandating the use of e-Invoices, others are leaving adoption up to individual organisations and businesses. But this often results in a regulatory patchwork for businesses to navigate.
As many countries approach e-invoicing differently, finding a way to comply with project invoicing is a major issue for global businesses.

In this guide, we will examine the rise of e-invoicing, look at the disparate approaches global businesses encounter when sending e-invoices, and we will discuss the methods that businesses should use when invoicing global projects.

2. E-INVOICING AND THE DIGITAL ECONOMY

The advance of the digital economy has resulted in many organisations switching from paper-based to electronic invoicing. The European E-invoicing Service Providers Association reported a growth of 29% in 2016 (or more than 1.6 billion e-invoices processed).

E-invoicing not only creates efficiencies, but it makes it easier for businesses to ensure they are compliant with the laws and regulations of the nations they operate in. But what is e-invoicing?

True e-invoicing is invoice data that is structured and issued in Electronic Data Interchange (EDI), XML formats or web forms. They are not unstructured data issued via PDF or Word or paper-based invoices that are faxed or scanned into systems. So, while an organisation may send invoices via email, those invoices aren't necessarily e-invoices.

According to KPMG, more than 55 countries either already have, or are considering adopting e-invoice rules. These rules would require e-invoices to be "digitally signed and sent to the government in real-time." So while no countries currently have e-invoicing regulations, it would be wise for global businesses to think about how they will address possible future requirements.

THE MAIN MARKET MODELS FOR E-INVOICING

Direct model - Suppliers and buyers sharing electronic invoicing directly

Network model - Suppliers/buyers using an e-invoicing network to manage multiple clients

Clearance model - suppliers/buyers using an e-invoicing network that ensures the invoices get cleared by the tax authority in real-time

Richard Ainsworth, a professor with Boston University School of Law's tax program, predicts that in the future e-invoice data will go to the local tax authority, be stored in the cloud (encrypted) and put on a blockchain. E-invoicing is becoming more and more popular because it gives businesses and government organisations an easy way to track purchases and receivables - this auditing process is both more efficient, and generates a rich source of data on spending and sales. For example, Brazil and Mexico are using e-invoicing to tackle the shadow economy.

It also saves businesses between 60-80% on a paper-based invoicing process and can result in clients paying invoices faster. In 2017, Billentis identified the "leaders and laggers" in the e-invoicing market, with Latin American countries, Mexico and the Nordics leading the way, while parts of Africa and the Middle East were lagging behind the rest of the world.

E-invoicing is only going to become more popular, and as various nations work on their regulatory approaches, global businesses need to work out how they will operate in a world of fragmented regulation. In the next section, we will examine the effect that the global regulatory environment has on businesses.

3. THE IMPACT OF DISPARATE REGULATIONS ON GLOBAL BUSINESSES

The regulatory landscape is fragmented. Some countries mandate the use of e-invoices, while others let organisations choose how they want to invoice. The result is regulatory confusion for global businesses.
Even amongst those countries that have embraced e-invoicing, there is often a confused picture: some use EDI to exchange data, while other countries focus on using e-signatures. E-invoices have to be archived and stored for a certain amount of time, but again the length of time varies depending on local regulations. Unless the business is familiar with the regulations of every locality it operates in, it risks running into problems without expert support.

Governments tend to favour e-invoicing as it helps them track taxes and ensure compliance with customs regulation. Therefore, it's best to assume that those countries that Therefore, it is best to assume that those countries that do not have e-invoicing in place now will probably develop their own regulations soon.

As we see with the impact of GDPR, those countries that don't have e-invoicing regulations in place will need to start using e-invoicing to continue trading compliantly with global partners. At some point, this will probably push them to develop their own e-invoicing regulations.

There is no point in talking about e-invoicing if the data that you use to populate an e-invoice is not accurate. It is essential for businesses to understand and automate the different data ele ments – who is responsible for them, what things can go wrong, and what is the impact if they do?"

E-invoicing solutions need to draw data from a variety of internal and external sources – without the right

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Gisele Belotto

Managing Director, KPMG (U.S. Trade and Customs practice)

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solution in place, there are various ways that the system can fail. However, when it's done right the benefits of using e-invoicing are clear. Rwanda, for example, increased its revenue by up to 16% in one year after implementing digital invoicing.

Countries such as Brazil, China, Indonesia and those in the Gulf Cooperation Council either already have or are in the process of putting rules in place. All invoices will need to be digitally signed and sent to the government as soon as the transaction is complete.

Some other countries (Austria, Belgium, Germany, the Netherlands and Sweden) are considering adopting e-invoicing for specific industries."

Stringent regulators: working under the guidance of the EU Directive and GDPR
As the EU strengthens its e-invoicing regulations, it's important to consider the impact on businesses that operate both within its member states, and that trade with them. What will be the impact on British businesses? What are the obligations on data controllers and processors?

The EU has introduced Directive 2014/55/EU, which compels "public contracting authorities engaged in public procurement" to support e-invoicing by 2019 (smaller authorities have 12 months longer to comply).
While Member States can continue to use their own e-invoicing standards (or not use e-invoicing at all), the EU will encourage countries to adopt a shared process across public sectors to promote harmonisation across the EU. Governments that adhere to the Directive will benefit from a more efficient way to conduct business within the EU. Germany and France are already in the process of mandating e-invoicing for public sector transactions. France already uses e-invoicing to monitor audit trails. Non-compliance or the existence of an "unreliable audit trail" results in fines of up to 50% of the transaction of a sales invoice or the "right to deduct VAT quoted on purchased invoices".

Italy is taking things a step further than the EU requires, and is mandating e-invoicing for all B2B transactions by 1st Jan 2019. While the legal aspect of this move is complex, the technical aspect is not.
Businesses that operate within the EU will have to check the requirements for each invoice and check the

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content of invoices to make sure all of the mandatory elements are there. They may also need to convert invoices from one format to another. Italy also has a special law on archiving that businesses will need to consider.
While there are currently no e-invoicing regulations in the UK, but there are e-invoicing standards. there are calls to introduce e-invoicing regulation as the EU's e-invoicing directive won't apply to the UK (it will be introduced after the UK is expected to have left the EU).
However, the UK is currently struggling to formulate legislation to introduce e-invoicing in the public sector. Government consultation has found that many organisations don't understand the costs of procuring the software and technology needed. It also found little understanding of the technological capability of suppliers and public sector organisations, and confusion over integration costs and what internal resources they had (and needed) to manage e-invoicing. As more governments and businesses introduce e-invoicing requirements, more businesses will need to conduct at least some of their invoicing over EDI systems.
Billentis reports that, as of 2017, Europe had over 15% market adoption of e-invoices for B2B, B2G and G2B sectors; this is only going to increase as the EU Directive will see more than 300,000 public administrations become e-invoice and e-procurement ready by the end of 2018.

THE IMPACT OF GDPR

GDPR will also affect e-invoicing. Any e-invoicing platform will need to prioritise security and flexibility. Organisations will need to ensure that they use providers who guarantee that they will comply with both GDPR and local regulations.
They will also need to make sure the system has efficient and secure access control, with invoices being sent to the right people in a secure format. The platform provider needs to guarantee that invoices can be read while archived.

Relaxed regulation: e-invoicing obligations in the US

The US government, which has a light-touch view on business regulation in general, expects e-invoicing to be adopted by the private sector as they will need to use it for B2G contracts by the end of 2018, so it would be more efficient for businesses to use it for all invoicing.
The US federal government will move all government invoicing to e-invoicing by the end of 2018 – experts cite improved accuracy, quick turnaround of invoices and faster payment. E-invoicing is also expected to bring cost efficiencies of up to $260m.

The US Federal Reserve believes that EU's e-invoicing initiatives have been hampered by the different standards and requirements across its Member States. In 2017, it reported that more than 250 e-invoice providers were operating in the US and that they created and sent invoices in more than 15 different formats with over 40 different subsets.

It reported that just 25% of US invoices were electronic (in 2017) and that it was important for the US to adopt a unified standard to increase the adoption of e-invoicing and minimise the issues that businesses experience when they need to manage multiple sets of regulations.

Future regulators: e-invoicing in the Asia-Pacific region

Some countries have yet to establish invoicing regulations. That is not to say, however, that they won't will not introduce them in the next few years as they respond to the shifting regulatory landscape in the nations they do business with.

As Billentis reports B2B e-invoicing legislation is absent in many countries. Some countries have EDI invoices, with paper-based originals, but more advanced nations tend to opt for the tax control focused model popular with Latin American countries, which is more stringent than the EU Directive.

Indonesia, Singapore and Vietnam are some of the nations that enforce e-invoicing and financial reporting for market participants, while other countries in the Pacific region are exploring e-procurement. Various other nations are looking at how they can use e-receipts to track sales tax accurately. Australia could start encouraging more e-invoicing in the future as it examines how it can deal with late payers in B2B. It has already introduced

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rules that state that government agencies need to pay their invoices within 20 days when they are worth up to $1m – e-invoicing could go a long way to making this process easier to manage Global businesses need to work in a world where invoicing is far from simple. Where one country lets businesses choose how to invoice, another will have rules governing not just how it should invoice, but what system it should use and what format the data needs to be in. In the next section, we will explore how organisations can make sure that their global projects remain compliant with local laws.

4. ENSURING COMPLIANCE ON GLOBAL PROJECTS

The biggest issue for businesses is providing legal compliance when invoicing projects globally, as each country is different. For example, when a business sends an invoice within the UK, they need to be in line with UK regulations, but if a UK company is invoicing a Spanish company, it will also need to comply with Spanish regulations.

It is easy to invoice a project for one company, but much more complicated when it is a global project. Global businesses need a global provider to navigate this.

USE A CENTRALISED PLATFORM TO MANAGE CONFLICTING REGULATIONS

A centralised platform allows invoice-related flows to be processed cost-effectively and efficiently. Effective platforms will have a multi-lingual service desk and the ability to operate in multiple countries, processing e-invoices according to local regulations.

This should include validating content, ensuring the correct formatting of invoices and transmitting data securely while allowing authorised users to always know the invoice's status. A centralised platform fully streamlines and automates the accounts payable and accounts receivable (AP/AR) process.

Implementing a solution for one country takes two to three months to set up and test. When VAT is involved, the process can become even more complex. Businesses need a global provider that can take a complex problem and provide a simple platform for them to manage their invoicing, regardless of where their client or supplier is located.

USE A SYSTEM THAT INTEGRATES WITH ACCOUNTING AND INTERNAL PROCESSES

Organisations need to use a system that can fully automate the supply chain and invoicing process. Data needs to be collected at every stage of the AP/AR process from procurement to payment.

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It needs to be a comprehensive solution that integrates internal and external data with all external partners (such as suppliers, customers, and logistics and service providers) and internal departments.

The system must also provide fast and secure access to accurate data (including archived data). It must optimise processes using sophisticated workflows, and reduce document handling costs.

UNDERSTAND THE BENEFITS OF E-INVOICING

15% of businesses in the US stats still use paper-based invoices, while 7% are using a fully-automated AP system. However 65% plan to switch to automated AP by the end of 2019.

But why are businesses looking to switch? Apart from responding to regulatory changes, organisations are switching to e-invoicing because it benefits the business.

The Data Capture and Mailroom Technology Insight Report (published in 2016) found that nearly 92% of invoices received electronically were paid on time compared to 45% received on paper. Paper invoices need to be entered into systems, and can easily get mislaid or entered incorrectly, causing a delay in payment.

One survey of UK businesses found that they spent 55 hours per week on processing paper-based invoices, 39 hours a week on querying invoices and tracking down errors, and 23 hours responding to queries from suppliers. They also spent around five hours on international tax admin and three hours on preventing invoice fraud. All of these activities take time, resources and money that the business could better spend elsewhere – and they would be able to if they used an e-invoicing system.

Billentis estimates that it costs businesses $30 for each accounts payable invoice, whereas e-invoices cost $2.25 each. Meanwhile, EU figures show that many businesses that use e-invoicing have seen a reduction in processing costs of 50-70%, and a return-on-investment of over 60% a year. With this saving in mind, it's no surprise that e-invoicing use within the EU grew by 29% in 2016 alone.

E-invoicing also allows organisations to future-proof their systems, as well as making processes more efficient. For example, cloud-based invoicing systems can be accessed from any location (and secured with the correct access controls). The organisation can also use new technology like robotic process automation to speed up the invoicing process and resolve issues without needing to take up employee's time investigating them.

Organisations that embrace e-invoicing can take advantage of developments in machine learning to save themselves time and money when processing invoices, putting them at a competitive advantage against competitors that continue to process invoices manually. Eventually, organisations will need to make the switch, the question is do they want to lead the way, or be struggling to keep up?

5. OUR TOP TAKEAWAYS

1. It is clear that e-invoicing can provide organisations with significant savings, and as more countries create e-invoicing regulations, businesses will need to consider what changes they need to make to their invoicing process.

2. Businesses operating in the global market will often need to manage differing regulations from various countries. The best way to manage this is by working with an EDI e-invoice provider that's familiar with local regulations and will help the business navigate the changing regulatory environments they operate in.

3. Businesses need to work with an e-invoicing provider that can simplify the invoicing process, allowing the business to focus on profitability.

4. Switching from paper-based invoices to implementing an EDI process can feel like a substantial organisational change and one that some may be reluctant to make. By proactively making the decision, your organisation can adapt to the new system on its own terms, rather than remain at a competitive disadvantage until the time comes when you're forced to make the switch.

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ABOUT COMARCH

Comarch has over twenty years of experience in designing, implementing and integrating state-of-the art IT solutions. Here at Comarch, we design, build and operate E-invoicing solutions for some of the world's largest brands, turning their complex processes into simple, cost reducing systems. From automated invoicing to faster data-flow, and error reduction to rapid access, our smart systems optimise your workflows – meaning you can concentrate time and money on what really matters.

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