

GENA(EESPA) Statement on EU Digital Reporting Requirements

While the ongoing dialogue among EU Member States and institutions is not open to the public, it would appear from informal discussions with participating stakeholders that negotiations are taking the proposal for a Directive increasingly away from the original objective of harmonization around e-Invoicing and Digital Reporting Requirements.

GENA(EESPA) has welcomed the original proposals and continues to strongly support the European Commission's ("EC's") aim to ensure harmonized e-Invoicing and Digital Reporting Requirements (DRR) [jointly referred to as "Continuous Transaction Controls" or CTC] as part of the VAT in the Digital Age (ViDA) proposals. We completely align with the goal to give more detailed, real-time, transactional information to tax authorities whilst reducing the burden placed on businesses by divergent rules for e-invoicing counterparties and reporting those e-invoices to tax authorities. In addition to the original scope of the ViDA proposal, GENA(EESPA) supports the view of a considerable grouping of European stakeholders that advocate for the use of the so-called DCTCE¹ – or '5-corner' model – for the exchange of invoices and other tax-relevant B2B data. However, we have concerns that the current direction of the negotiations means that DRR potentially will pose *significant challenges* for EU businesses selling in the EU as adjustments to the original proposal deviate significantly from its original aims. Tax authorities will get the data they are seeking but business burdens and costs will hugely increase. DRR rules are therefore at risk of being disproportionate for businesses operating in the EU.

It is clear that e-invoicing mandates with real-time tax-data reporting (hereinafter "CTC") are becoming the norm in Europe, bringing huge potential to increase business efficiency and improve tax compliance – if done well. But the single biggest pain point for businesses operating in the EU tax system in the 2020s is the rapid growth in disharmonised tax digitalisation projects. This disharmony is erecting regulatory borders throughout the Single Market, making it harder and costlier² for businesses, particularly SMEs, to trade across the whole EU. Europe is at risk of missing its opportunity to stem the spread of this disharmony by proposing standard rules that Member States must adopt if they choose to implement an e-invoicing mandate. If it cannot do this, we expect a suboptimal, fragmented CTC ecosystem will be embedded in the EU for the next 30-40 years. Consequently, codifying such disharmony in the VAT Directive may end up being a less desirable outcome than making no changes at all.

The missing ingredient in the DRR proposals is that they do not seek to regulate the key variables in e-invoicing regimes such as: e-invoice schema, security standards, e-invoice validations and, crucially, e-invoice transmission via an interoperable network (transmission both between businesses and between businesses & tax authorities). We note that the proposal does include a requirement for Member States to allow invoices that comply with EN16931, i.e., a standard semantic schema focused on the content of an e-invoice. In GENA(EESPA)'s opinion, this minimum requirement on the level of the invoice message is a good foundation, but it allows for significant variation among Member States as regards other variables (including, but not limited to those listed at the beginning of this paragraph), and therefore is not sufficient for European businesses to reap the full benefits of interoperability.

¹ Decentralised Continuous Transaction Control and Exchange model

² The EC estimates that complying with diverse digital VAT reporting requirements costs around EUR 1.6 billion annually for EU businesses, with compliance with a new e-invoicing mandate costing EUR 50,000 per implementation for an SME and EUR 500,000 for a large business.

GENA(EESPA) therefore calls on EC and Member State leaders to come together to find agreement around the foundational principles of the DRR proposal and implement a comprehensive, EU-wide CTC framework within which Member States can:

- From 2024 or the earliest feasible date after that, optionally choose to implement domestic e-invoicing regimes that are standardised and interoperable with the CTC regimes of other EU states. E.g., such that a small business in France can expand to Germany without the burden of understanding and implementing a completely new e-invoicing regime.
- Within this, flexibility should be allowed for regimes that are already in place, where EU businesses and the Member States might be reluctant to make changes (i.e., these regimes could be “grandfathered” in). This will avoid regulatory churn for businesses and facilitate political agreement on DRR.
- For background, GENA(EESPA) does not favour mandatory centralized systems for the prior authorization and verification (or “validation” or “clearance” as it may be referred to, depending on the audience) and/or the exchange of electronic invoices between taxpayers. We believe that such systems over time will stifle innovation in business-to-business data exchange and introduce unwarranted security exposure.
- A mechanism should be developed whereby existing centralized systems in Member States (i.a. Italy, Poland, and Romania) maximize their ability to receive electronic invoice data from taxpayers in other Member States in a manner that requires the least possible technology or business process investment.
 - GENA(EESPA) believes that the EU would benefit economically and fiscally from the introduction of the European Commission’s eDelivery artefact as a baseline guarantee of real-life interoperability (both from intra-Community and domestic perspective). GENA(EESPA) has long championed the introduction of a ‘5th corner’ to the 4-corner model of the eDelivery specifications for DRR to be managed transparently by network access points. This approach would also provide architectural options to include Member States with legacy centralized State-operated transmission systems to be reachable more easily from other Member States.
 - For the reference, below is the list of EEA countries that have currently already adopted eDelivery (in particular, Peppol) for B2G e-invoicing:
 - Peppol as exclusive framework: Norway, Sweden, Belgium, Luxembourg, the Netherlands, Ireland, Greece
 - Peppol as one of frameworks: Finland, Estonia, Lithuania, Poland, Germany, Austria, Slovenia, Croatia, Portugal, Iceland
 - Peppol is used in a specific sector: Italy and UK (both, in healthcare)
- On the topic of ViDA’s proposed prohibition of “prior mandatory authorization and verification”, GENA(EESPA) wishes first to clarify that this topic is separate from that of centralized mandatory exchange systems (such as implemented or planned to be implemented in Italy, Poland or Romania). In many countries around the world, this methodology (also known as e-invoice ‘clearance’ or “real-time validation”) functions without creating an insurmountable burden to the flow of commercial data. GENA(EESPA) does not object to the real-time clearance or validation per se, but rather wants to stress that such role does not necessarily have to be executed by a single central infrastructure

operated by or on behalf of a local tax administration. In fact, the real-time validation can and already is sufficiently performed by specialised service providers. Controls that are routinely performed to ensure data integrity and completeness by service providers (or ‘access points’) in the end-to-end processing of invoice data are good practice with demonstrated value from both a fiscal and a business efficiency perspective. This can be illustrated with the following examples:

- Latin America. There is a common misconception that in “clearance” markets in Latin America, it is always the tax administration that performs the real-time validation of e-invoices. As a matter of fact, in among others Mexico, Dominican Republic and Peru, the validation is performed by certified private providers.
- Europe. Both France and Spain envisage that private (certified) providers will be allowed to perform real-time validation of e-documents, according to the technical specifications provided by the government; and submit an exact extract of such e-documents to the central platform in a way that will not interfere with standard supply chain processes.
- Peppol and Peppol CTC. Accredited Access Points already today perform real-time validations of exchanged business messages, in particular e-invoices, according to local Indirect Tax regulations via the open and interoperable Peppol eDelivery 4-corner model without interference with supply-chain processes. With evolution into Peppol CTC (5-corner model), the Access Points can also in real time provide the exact extract of such underlying e-document to the appointed governmental infrastructure.
 - Singapore³. Singapore has recently, when hosting the Forum on Tax Administrations, announced that they will be adopting Peppol CTC, thereby becoming the first country to officially confirm introduction of the Decentralized CTC and Exchange (5-corner) model, based on Peppol eDelivery specifications.
 - Nordic Smart Government & Business⁴ (NSG&B). The vision of NSG&B is to create value for the small and medium enterprises (SMEs) by making real-time business data accessible and usable for innovation and growth across the region, in an automatic, consent-based and secure manner. They are currently running a ViDA pilot, which is planned to be completed by 3rd November 2023. The goal of this pilot is to demonstrate how easily Peppol CTC can be leveraged to accommodate both e-Invoicing and DRR requirements according to ViDA.
- Finally and importantly, the choice of the 5-corner model, such as Peppol CTC, would release the pressure from Member States of having a DRR platform (to collect and process data from taxpayers) simultaneously with the introduction of an e-invoicing obligation. In fact, Member States could first introduce solely an e-invoicing obligation and add the DRR platform (5th corner) at their convenience, with limited impact on the taxpayers as the extension to the DRR requirements would be handled by a network of specialised access points.

In the meantime, the ideal state for EU businesses would be that no further e-invoice derogations be granted until such harmonised rules can be agreed. However, we understand this is unlikely to be an agreeable position to key stakeholders. We therefore request that the EU uses its derogation powers to drive consistency

³ <https://www.iras.gov.sg/news-events/newsroom/new-digital-solution-ideas-deepening-partnerships-at-the-16th-forum-on-tax-administration-plenary-2023>

⁴ <https://nordicsmartgovernment.org/>

between regimes, approving only requests that have detailed implementation plans, which are compatible with the EC's desired end-state and provide a reasonable lead time for execution.

About GENA(EESPA)

EESPA, The European invoicing Service Providers Association announced that, effective at the end of this month, at the AGM of 30 November, the organization will transition and continue its activities under the name GENA, Global Exchange Network Association. www.gena.net

[Read the announcement.](#)