

A woman with blonde hair, wearing a light blue button-down shirt and brown trousers, is sitting at a white desk. She is smiling and looking towards the camera. The desk has two large monitors. The left monitor displays an 'Invoice' document. The right monitor displays a data table with multiple columns and rows. On the desk, there is a keyboard, a mouse, a calculator, a smartphone, a pair of glasses, a small potted plant, and a clipboard with papers. The background is a light-colored wall with a subtle pattern.

SunTec®

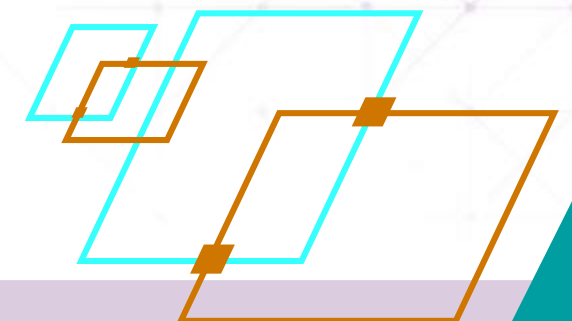
# NAVIGATING THE GLOBAL E-INVOICING MANDATES: A GUIDE FOR BANKS

eBook

# TABLE OF CONTENTS

- 1** INTRODUCTION
- 2** WHAT IS E-INVOICING?
- 3** THE BUSINESS VALUE OF E-INVOICING
- 4** TYPES OF E-INVOICING MARKET MODELS
- 5** GLOBAL ADOPTION OF E-INVOICING
- 6** PAVING THE WAY FOR SEAMLESS E-INVOICING WITH A ROBUST AND ADAPTABLE SOLUTION
- 7** THE SUNTEC EDGE

- 03
- 04
- 05
- 06
- 08
- 14
- 15



# INTRODUCTION

Countries across the world are on an accelerated path to digital transformation in a highly disrupted landscape. Supply chain disruptions because of the pandemic, rising inflation, and increasing geopolitical tensions have impacted the global economy significantly with the world now facing an economic slowdown. Governments are focused on boosting their economies and this means implementing a robust, modernized taxation and invoicing system.

Digital systems can simplify reporting standards, deter tax evasion, and promote fair business practices, all of which

significantly contribute to economic growth. Many nations are now transitioning to electronic or e-invoicing systems to streamline the invoicing process and reduce errors. This involves adhering to changing regulations and compliance requirements.

In this eBook, we will summarize the e-invoicing developments taking place across the world and offer comprehensive guidance to financial institutions for establishing an effective strategy to implement e-invoicing.



# WHAT IS E-INVOICING?

Until recently, most countries used paper invoices that were computed manually. This was not only labor intensive but also prone to human errors resulting in increased costs, rising processing life cycles, and ultimately revenue and reputation loss for the company and tax loss for the government. There was also a high risk of tampering and fraud, leading to revenue losses.

The European Parliament and European Council's directive 2014/55/EU defines 'electronic invoice' as "an invoice that has been issued, transmitted, and

received in a structured electronic format which allows for its automatic and electronic processing."

In other words, it is a digital methodology for the exchange and processing of invoices in a structured electronic format between the buyer and seller. It is a step away from paper invoices and notes and aims to regulate the invoicing process through an integrated electronic solution. It is a strategic issue for organizations, as a powerful system that can support multiple e-invoicing models and is critical for revenue collection.

## WHAT E-INVOICES ARE NOT:

- Scanned paper invoices
- Unstructured invoice data issued in PDF or Word format
- Images of invoices such as JPG or TIFF
- Unstructured HTML invoices on a web page or in an email
- Paper invoices transmitted via electronic means, like fax machines

Invoice automation is NOT e-invoicing.



# THE BUSINESS VALUE OF E-INVOICING

e-Invoicing offers several benefits, ranging from accuracy and reduction of tax frauds to contribution to economic growth. It is understandable why more countries are adopting e-invoicing.

Globally, the Value-added Tax or VAT gap (VAT gap is the difference between expected VAT and VAT effectively collected) is considered to be the key push factor for governments and tax authorities to create regulations and mandate e-invoicing.

- The global e-Invoicing market is valued in the range of USD10-12 billion currently and is expected to grow at a CAGR of nearly 20% to reach a value of more than USD25 billion by 2027. <sup>1</sup>
- The global market is forecast to encompass 550 billion invoices annually, of which nearly 10% are electronic invoices, which is expected to quadruple in size by 2035. <sup>2</sup>
- Of the total volume of invoices generated annually, more than 50% belong to the B2B/B2G/G2B segment. <sup>3</sup>
- Compared to conventional paper invoice processing, automated e-invoicing will result in cost savings of 60-80% in most cases. <sup>4</sup>

- Mexico's **TAX-TO-GDP RATIO ROSE FROM 12.6% TO 16.2% BETWEEN 2012 AND 2017**, driven largely by a 48% increase in revenue from tax on goods and services after e-invoicing was made mandatory. <sup>5</sup>
- Brazil has seen a **USD58 BILLION INCREASE** in tax revenue as a result of plugging gaps in invoicing and reporting.
- Chile and Mexico **REDUCED THE VAT GAP UP TO 50%**.
- Colombia found that it could **REDUCE 50% OF THE COUNTRY'S TAX EVASION** by applying e-invoicing.



# TYPES OF E-INVOICING MARKET MODELS

The e-invoice data exchange between the buyer and the seller can take place using different models. There are 5 key e-invoicing market models in use currently. These include:

**1**

## SUPPLIER DIRECT MODEL

This is without any regulatory or compliance requirements and is decided on mutually by the supplier and buyer. The e-invoice is generated by the supplier and sent directly to the buyer.

**2**

## BUYER DIRECT MODEL

This is also without any regulatory or compliance element. But in this the format is determined by the buyer who requires suppliers to follow the standard template.

**3**

## NETWORK MODEL, THIRD-PARTY OPERATOR SERVICE

Here a third-party sets up an e-invoicing network and suppliers and buyers use the formats available within this network for their e-invoicing processes.

**4**

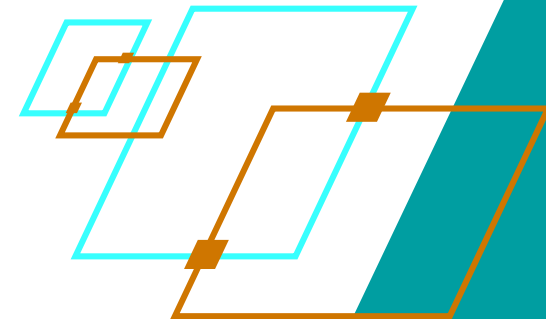
## CLEARANCE MODEL

In this, taxation authorities and regulations are embedded in the third-party network, so suppliers and buyers process e-invoices that are compliant with regional regulations and every invoice is cleared by the tax authorities.

**5**

## THE FOUR CORNERS NETWORK MODEL

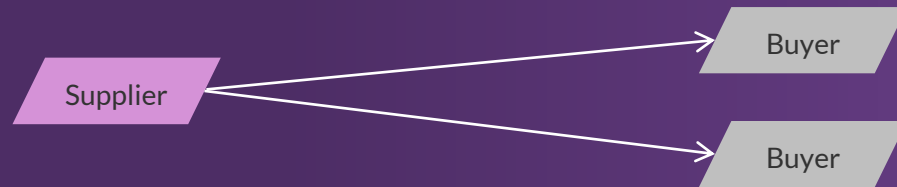
This is a kind of network model wherein to exchange documents, companies must choose an access point. An access point is a service provider who enables suppliers and recipients to exchange documents via the Exchange Framework. Access Point guarantees the exchange of electronic invoices in accordance with the established standard and format with all other companies within the network.



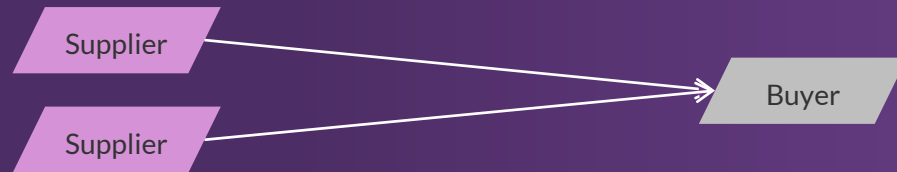
With more countries moving to e-invoicing formats, the last three models are gaining in popularity, as governments are keen to improve compliance and revenue from taxation.



**1 SUPPLIER DIRECT  
1 : ANY**



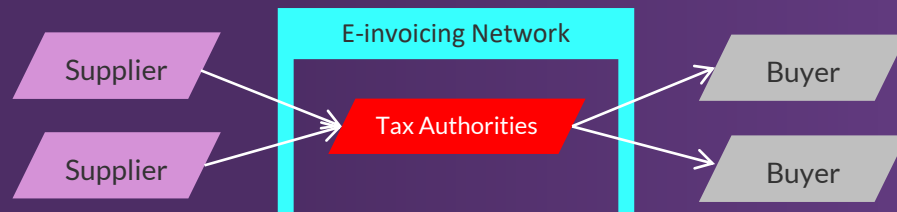
**2 BUYER DIRECT  
ANY : 1**



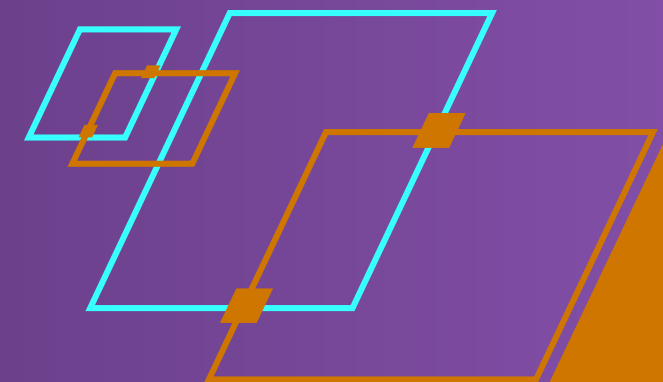
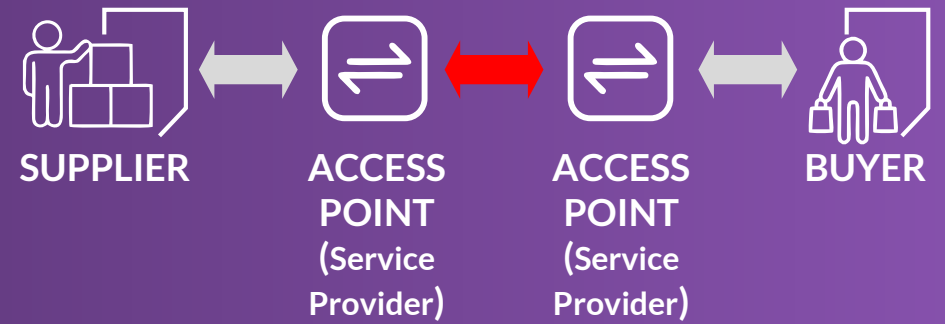
**3 NETWORK  
ANY : 1 : ANY**



**4 CLEARANCE MODEL  
ANY : 1 : ANY**



**5 THE FOUR CORNER NETWORK MODEL**

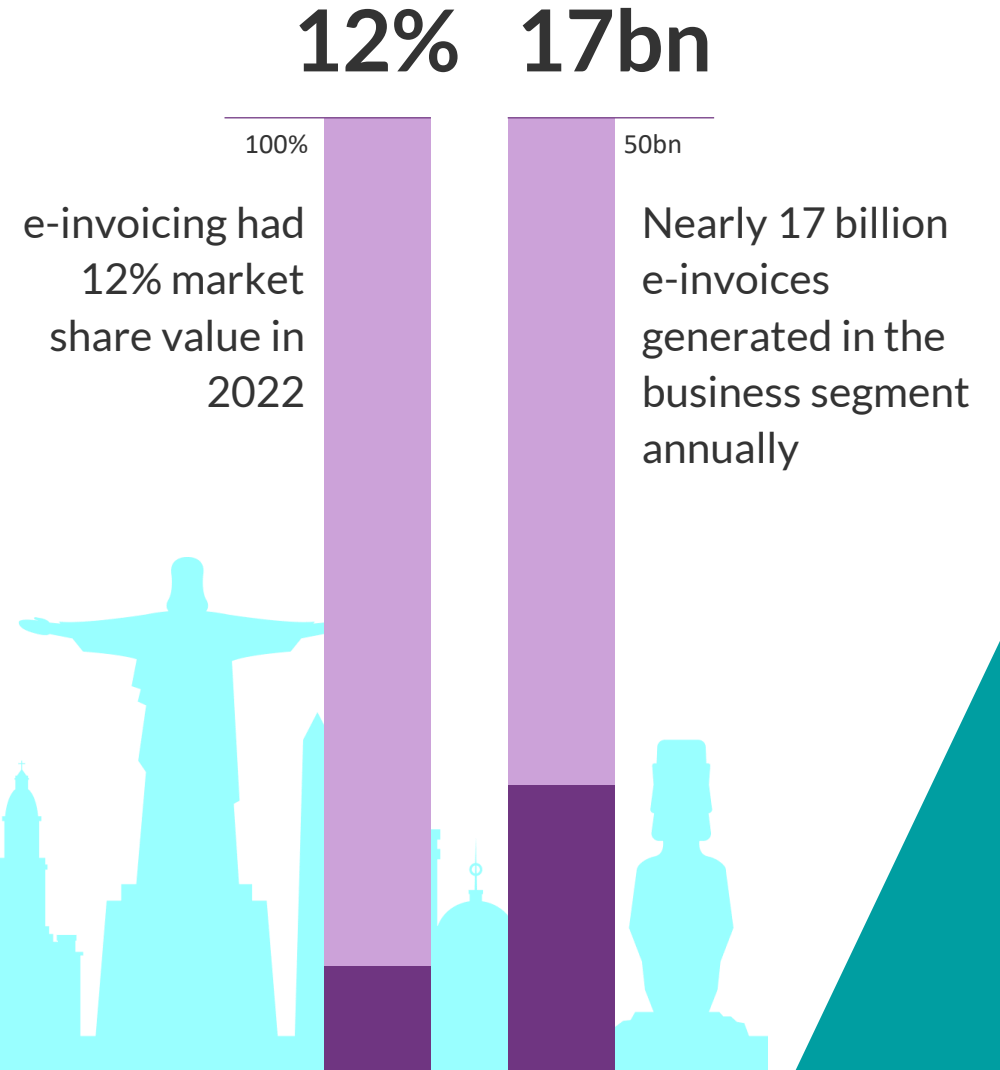


# GLOBAL ADOPTION OF E-INVOICING

As e-invoicing becomes the norm, let's look at the region-wise adoption and e-invoicing environment.

## LATIN AMERICA

- Latin America is an early adopter and a global leader in the implementation of e-invoicing.
- Countries like Brazil, Chile, and Mexico have led the region's move to e-invoicing models.
- e-invoicing is mandatory in many countries in this region and the Clearance Model is widely in use with every invoice being sent to the tax authorities for approval in real time.





## INDIA

- India implemented an e-Invoicing system for B2B invoices in a phased manner:
  - Phase 1 - from October 1, 2020, for all the large enterprises with a turnover above Rs.500 crore.
  - Phase 2 - from January 1, 2021, to those with a turnover of Rs.100 crore.
  - Phase 3 - from April 1, 2021, covered mid-sized businesses with a turnover over Rs.50 crore.
  - Phase 4 - from April 1, 2022 covering MSMEs with more than Rs.20 crore turnover.
- India has mandated that businesses with an annual turnover exceeding INR 50 million adopt e-invoicing for all B2B transactions under the Goods and Services Tax (GST) regime starting from August 1, 2023.
- The e-Invoice System is meant for GST registered entities uploading all the B2B invoices to the Invoice Registration Portal (IRP). The IRP generates and returns a unique Invoice Reference Number (IRN), digitally signed e-invoice, and QR code.

# 390mn

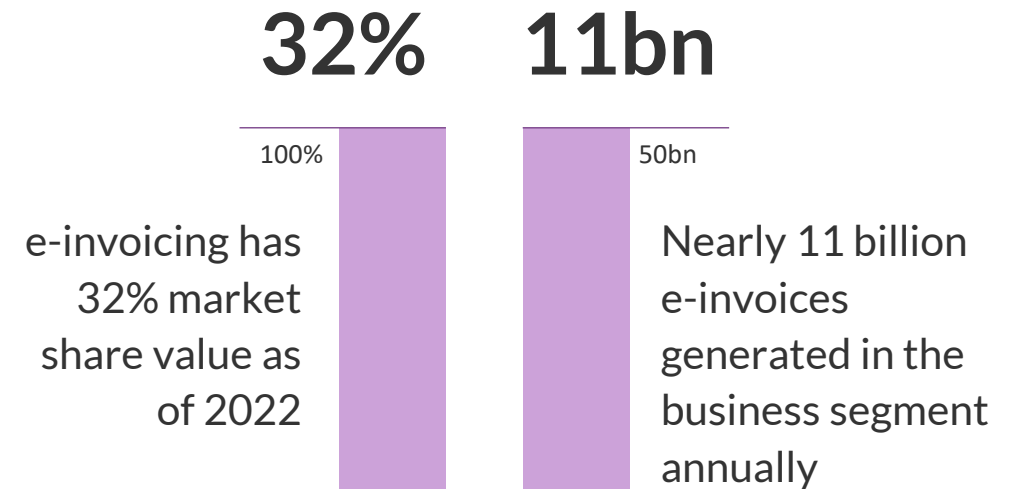
500mn

India's e-invoicing system has generated 390 million e-invoices as of March 2021



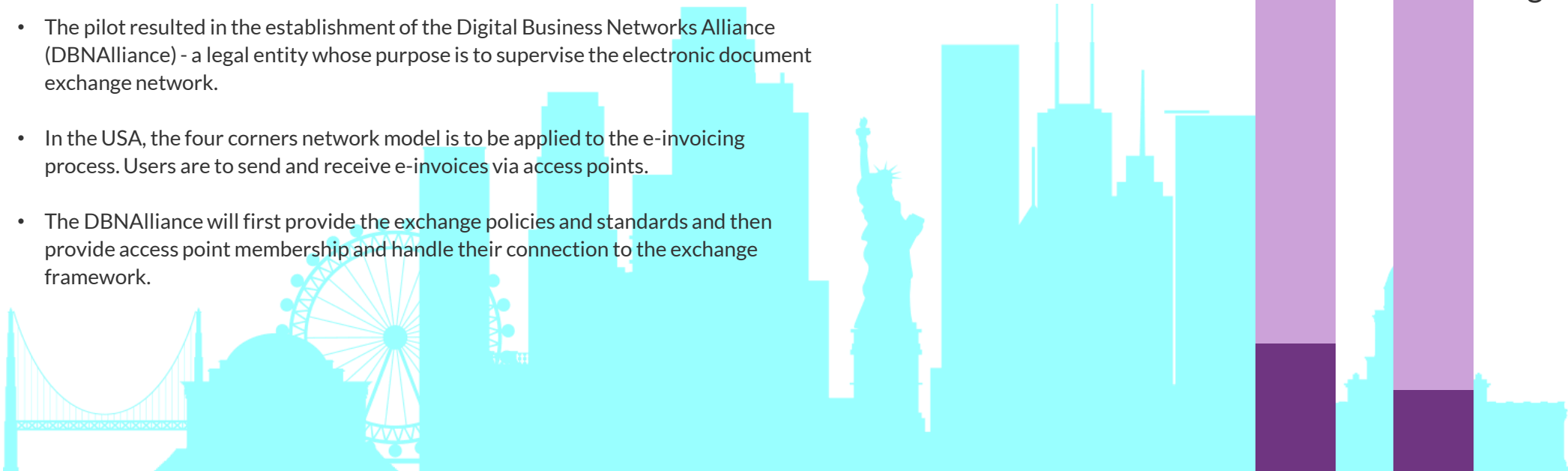
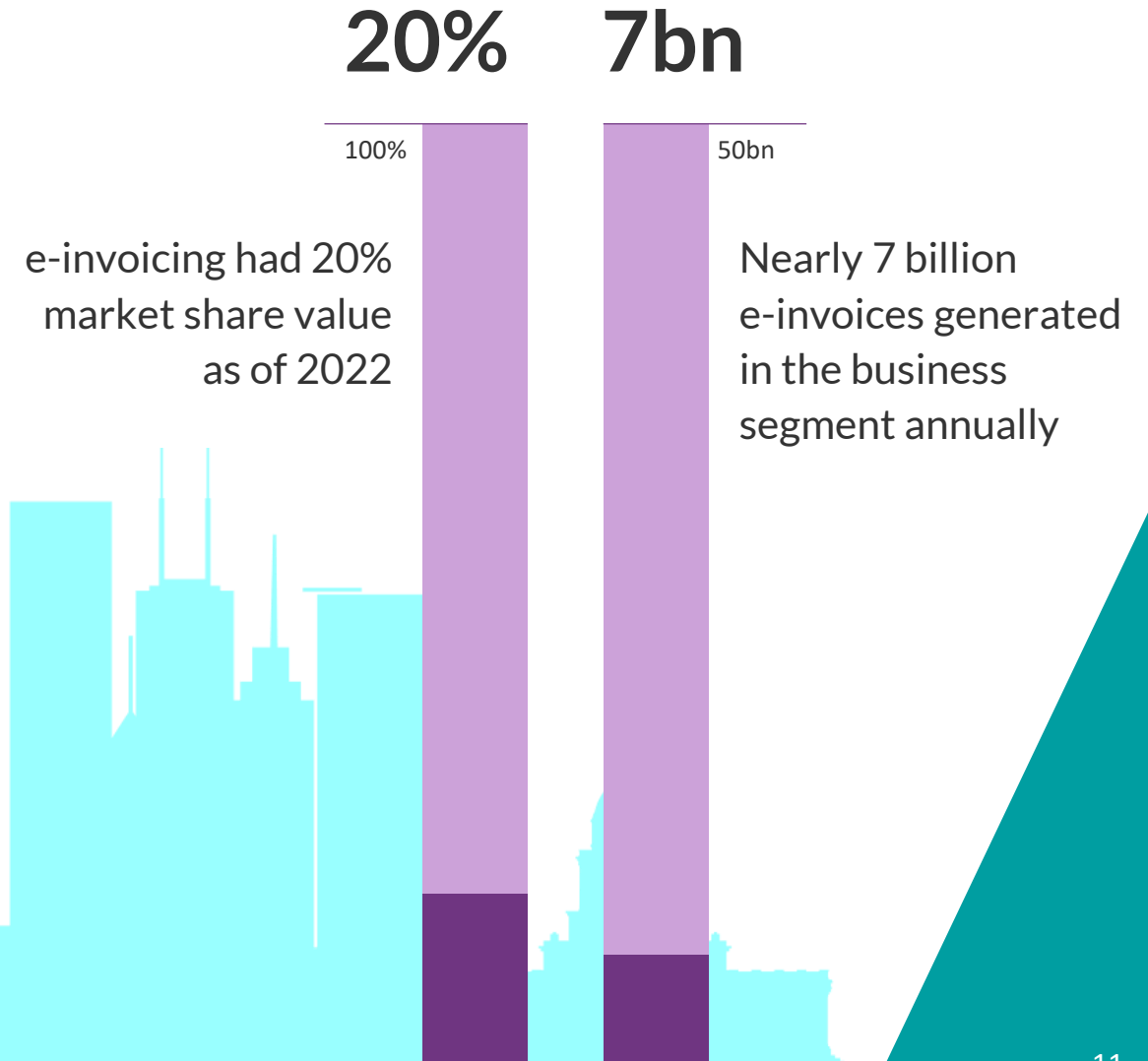
## EUROPE

- In 2014 the European Parliament made it mandatory for all public sector organizations in the EU to accept e-invoices that complied with certain standards, including the use of structured data and electronic signatures.
- In addition to the EU directive, individual countries in Europe have their own rules for e-invoicing.
- PEPPOL is an EU standard implemented in April 2020 for exchanging e-invoices and other electronic documents. Different national standards will gradually be phased out and replaced by PEPPOL.
- In December 2022, the EU released the ViDA (VAT in the Digital Age) proposal,<sup>6</sup> with one of its three pillars outlining modernize reporting through mandating e-invoicing.
- ViDA's series of VAT measures, aim to reduce the €93b VAT gap in the EU and to make the VAT system more efficient for businesses. These revolve around three pillars: e-invoicing and digital reporting, the single VAT return for trading across the EU, and the platform economy.



## USA

- e-invoicing is not mandatory in the USA.
- In North America, payments, trade finance, dynamic discounting and procurement are the main drivers for e-invoicing in the B2B segment.
- In 2022, a pilot was carried out in the USA by Business Payments Coalition (BCP), to build and test a virtual network that would enable organizations to exchange electronic invoices with each other. This was to be done by establishing a secure, open framework for delivering e-invoices between service providers.
- It aimed to establish an operational framework for exchanging B2B invoices for the U.S. market in 2023.
- The pilot resulted in the establishment of the Digital Business Networks Alliance (DBNAlliance) - a legal entity whose purpose is to supervise the electronic document exchange network.
- In the USA, the four corners network model is to be applied to the e-invoicing process. Users are to send and receive e-invoices via access points.
- The DBNAlliance will first provide the exchange policies and standards and then provide access point membership and handle their connection to the exchange framework.



## MIDDLE EAST

- Saudi Arabia implemented e-invoicing from 04 Dec 2021, in a phased manner.
- Phase 1 – Generation phase – all invoices to be generated in a prescribed electronic format.
- Phase 2- Integration phase – all B2B invoices to be cleared by the regulatory body’s (ZATCA) portal, and all B2C invoices to be reported within 24 hours in the portal.
- Oman and the UAE are planning to roll out e-invoicing in the next few years.

**11%**      **8bn**

100%

50bn

e-invoicing had 11%  
market share value  
as of 2022

Nearly 8 billion  
e-invoices  
generated in the  
business segment  
annually



## OTHER EMERGING REGULATIONS

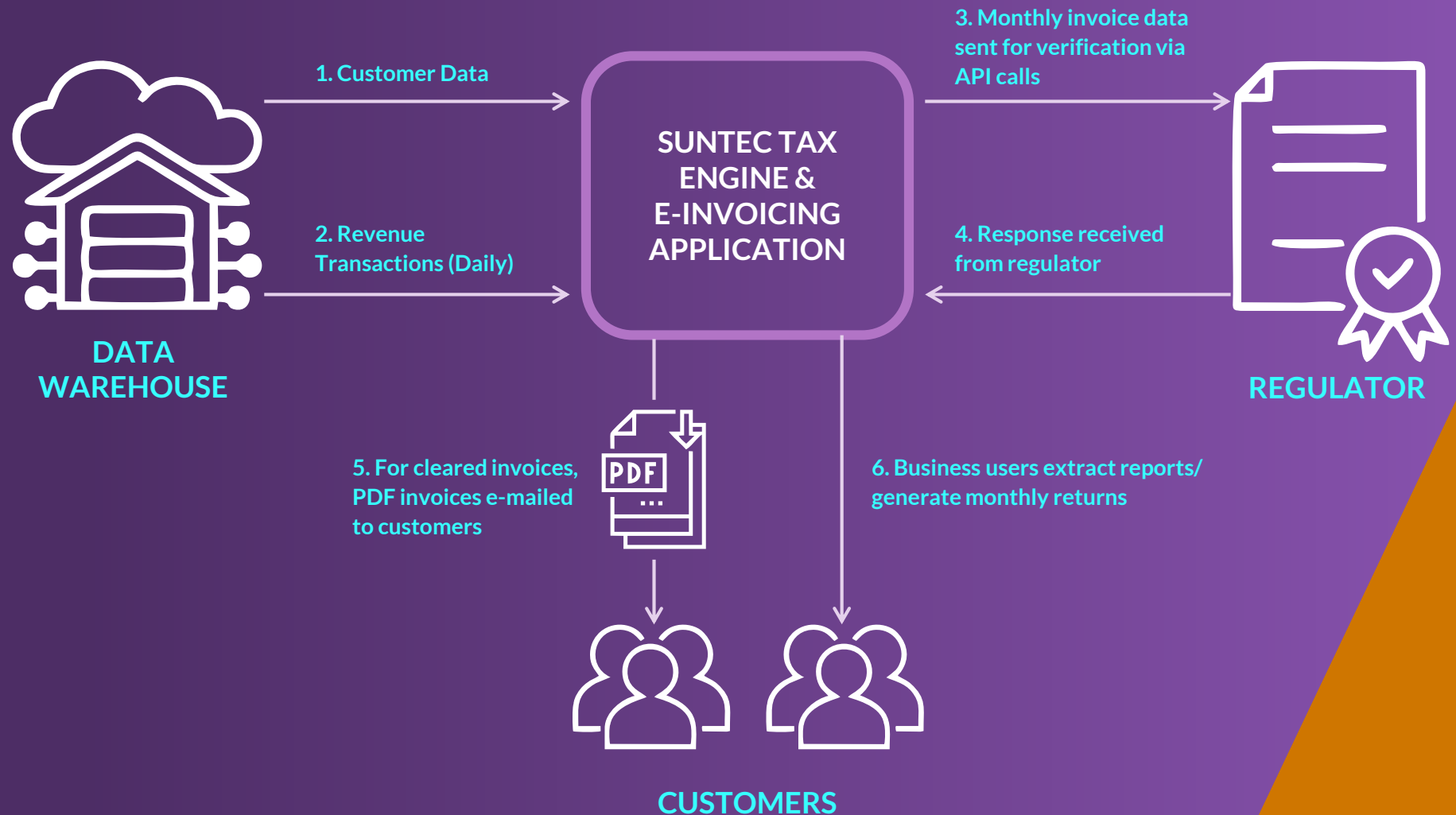
- In May 2023, Malaysia Inland Revenue Board announced the phased implementation of mandatory e-invoicing from June 2024.
- In June 2023, the Philippines Bureau of Internal Revenue announced that e-invoicing will be extended to all major taxpayers from 2024.
- In 2022, definitive steps were taken in Kenya for all businesses subject to VAT to report e-invoices.
- In South Africa, e-invoicing/e-VAT reporting are voluntary currently, but mandatory e-invoice implementation is expected.



# PAVING THE WAY FOR SEAMLESS E-INVOICING WITH A ROBUST AND ADAPTABLE SOLUTION

The most significant obstacle financial institutions face when shifting to e-invoicing systems is their outdated legacy infrastructure. Completely overhauling legacy systems is a time-consuming, costly, and precarious endeavor. But financial institutions have the option to implement a specialized, cloud-based e-invoicing solution as an alternative.

SunTec e-Invoicing Solution provides out-of-the-box capabilities to comply with e-invoice specifications across regions. This pre-configured solution can help financial institutions transition to e-invoicing easily. It offers API-based integration capabilities to help banks scale up to meet e-invoicing regulations in just a matter of weeks.



# THE SUNTEC EDGE

- Get out-of-the-box capabilities to comply with e-invoice specifications in different regions.
- Ensure 100% digital invoicing and foolproof compliance.
- Get accurate data on all inbound and outbound invoices.
- Automate the invoicing process to eliminate error-prone manual reconciliation of invoices.
- Reduce time and overhead costs associated with printing, scanning, and sending hard copies of invoices.
- Eliminate fake invoices to strengthen corporate image and reputation.

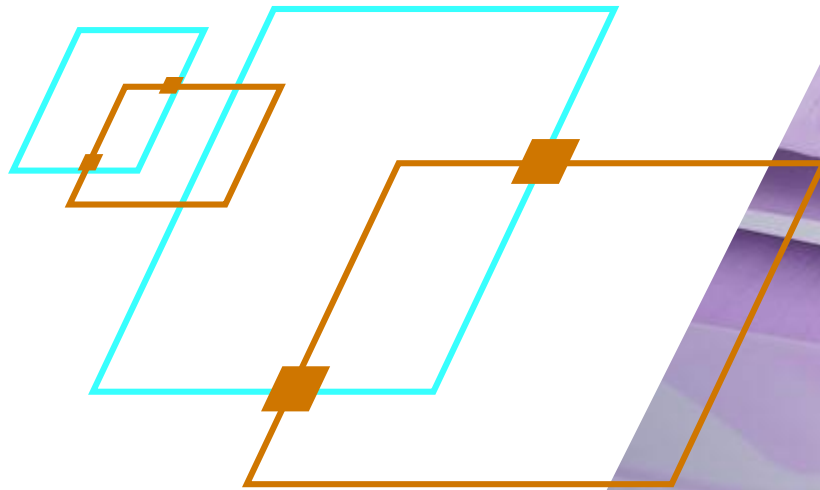
## E-INVOICING

# REFERENCES

1, 2, 3, 4. billentis.com

5. Tax Digitalization in Mexico: Success Factors and Pathways Forward

6. VAT in the digital age







**Author**

Jack Eapen C  
Principal Architect-Product Consulting  
SunTec Business Solutions

## ABOUT SUNTEC

SunTec is the world's No. 1 pricing and billing company that creates value for enterprises through its Cloud-based products. More than 150 clients in 45+ countries rely on SunTec to provide hyper-personalized products, offers, pricing, loyalty programs, tax compliance, and billing for over 400 million end-customers. SunTec products are based on our cloud-native and cloud-agnostic, API first, micro-services-based proprietary platform, Xelerate and are delivered on-premise, on private cloud and as SaaS. SunTec has global operations including the USA, UK, Germany, UAE, Singapore, Canada, Australia, and India. For more information, please visit us at [www.suntecgroupp.com](http://www.suntecgroupp.com) or email us at [marketing@suntecgroupp.com](mailto:marketing@suntecgroupp.com)

# SunTec<sup>®</sup>

©2023. SunTec. All rights reserved. SunTec and the Xelerate logos are registered trademarks of SunTec. All other brand and product names are registered trademarks of their respective holders.