



Moving towards the new trend: E-Invoicing

In the growing cashless economies, technology is a blessing to tax administrations around the world. Thanks to technology, e-invoicing will soon be the global trend.

Basically, an electronic invoice implies that the financial records of a transaction is done electronically throughout, i.e. from the creation of invoice, sending payment, and financial book-keeping taking place via a prescribed electronic format.

E-invoicing helps tax administrations to collect more accurate data in real time or near to real time which facilitates the curbing of fiscal fraud. Often, the nicest way to do it is through compulsory compliance to Value Added Tax (VAT) legislations or Customs legislations. Aligned to the new European Standard on e-invoicing, many European countries have already set up milestones towards making B2B e-invoicing mandatory.

Few examples: In France, the launch of the e-invoicing plan was scheduled for 1 January 2023 at the earliest, or 1 January 2025 at the latest, where B2B e-invoicing is mandatory. In Italy, as from January 2019, all B2B transactions are to be compliant with e-invoicing whereby if a supplier issues an invoice on paper or through other means outside the legal e-invoicing requirement, it will be considered as not issued. Penalties for not issuing a valid invoice range from 90% to 180% of the VAT due. In Greece, e-invoicing was supposed to be mandatory since January 2020, but due to the pandemic the implementation has been postponed to later dates in 2020 but again applicable to B2Bs. Singapore was the first Asian country to adopt the Pan European Public Procurement On-Line system (PEPPOL) in January 2019 for its own national e-invoicing system.

In Mauritius, in 2018, the government came up with electronic fiscal device applied on a pilot mode to restaurants, and was expected to extend to hotels, supermarkets etc. Now, the coming Finance Act 2020 signals the coming of e-invoicing but for now it appears to be equally on a pilot mode like the electronic fiscal device. Penalty and risk of imprisonment upon conviction also applies in case on non-compliance. For the sake of this paper, we will not delve into the do's and don'ts of e-invoicing in Mauritius , rather we will focus on its benefits.

E-invoicing will be the norm in the near future for obvious reasons. With e-invoicing, tax authorities have real time figures on entities' transactions. Particularly for VAT and customs, there will be little room to manipulate figures- thus reduced tendency to report wrongly or fraudulently. E-invoicing also encompasses purchase orders, debit notes, credit notes, payment terms and instructions, and remittance slips that are entirely electronic--in addition to the invoices. This means there is reduced risk of losing documents by tax officers and it is expected that the processing times of invoices will be reduced drastically. The survey conducted by EU Official reveals interesting conclusions:

- Significant operational savings, i.e. reduced cost of processing electronic invoices compared to paper invoices of up to 95% for some member states if implemented fully.
- Reduction in overall administrative burden, i.e. shorter processing times for e-invoices while providing secure storage for documents and faster communication.
- Some interesting indications: Slovakian authorities estimated the time reduction to be around 10% while France indicates an estimated decrease of around 55%.
- Cross-border exchange of e-invoices: One of the objectives of the EU directive on e-invoicing is the cross-border exchange of invoices.
- On a separate note: as more and more countries are adopting e-invoicing, it could be expected that there'll be a standardised platform across the globe.
- It is expected that the life cycle of e-procurement is to be drastically shortened.

E-invoicing is nevertheless not only beneficial to tax administrations but also to businesses in the following ways:

- It can be sent, received, paid, and settled several times faster than paper and digital invoice methods. Thus, the speed at which an invoice information is put into an accounting system is drastically reduced. As the accounting system is synchronised with the information from the electronic invoice format, manual data entry is largely eliminated.
- Better accuracy than paper invoice or even digital invoices as there are fewer steps involved. In fact, with an e-invoice, there is only one point at which error can be made- it's when initially creating the invoice.

- Besides, it's cheaper in terms of cost of paper, printing costs, mailing costs, handling cost when sending or receiving, review and approval of invoices, data entry, accounting key assignment, balancing (reduced error in data entry), archiving, handling and storage.
- Environmentally friendly compared to paper or digital invoices. Just imagine the social responsibility and contribution e-invoicing has towards preserving the environment and avoiding deforestation!

Due to the number of benefits that e-invoicing provides, more and more companies are switching towards electronic invoicing systems. However, as we see, the mandatory path is gradually overriding the social, environmental or business efficiency aspect- because it's a better way to secure states money (i.e. tax) through effective control on real time transactions as they happen thus potential curbing of fiscal fraud/evasion more than anything else! In Mauritius as well, it's only a question of time for it to become a mandatory provision applicable to all B2B transactions. Anyhow, we'll keep you posted of any development in this regard!

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Ref: <https://www.techradar.com>, <https://marosavat.com/mandatory-e-invoicing-in-france/>,
<https://ec.europa.eu/cefdigital>