Simplifying the Shift to E-Invoicing

A Global Perspective And Singapore's Model

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KEY TAKEAWAYS

- By 2030, it is anticipated that most countries will have integrated e-invoicing or digital reporting into their tax systems.
- Businesses can reap significant advantages from this 'e-invoicing revolution'. These include reduced transaction costs, improved accuracy of reporting, and accelerated payment cycles.
- Under the Singapore GST InvoiceNow framework, IRAS will receive the invoice data whenever businesses issue or receive invoices via the InvoiceNow network, or when they record other invoices into their InvoiceNow-Ready Solutions.

E-invoicing and digital reporting adoption is a global phenomenon. Over 60 countries, spanning significant parts of Europe, Asia Pacific and South America, have mandated various forms of e-invoicing and digital reporting to date.

By 2030, it is anticipated that most countries will have integrated e-invoicing or digital reporting into their tax systems. This integration will enhance tax collection and compliance standards while simultaneously reducing the tax gap through greater visibility and insight into businesses' source transactions.

In line with this global trend, the European Union (EU) has adopted the Value-Added Tax (VAT) in the Digital Age (ViDA) initiative in 2025. This initiative aims to modernise the EU's VAT system by establishing a standardised digital business process.

E-Invoicing in Asia Pacific

Closer to home, in the Asia-Pacific region, there is growing interest and increasing adoption of e-invoicing to streamline cross-border trade.

From a VAT and Goods and Services Tax (GST) compliance perspective, e-invoicing enables real-time monitoring of transactions, strengthens audit trails, and improves reporting accuracy.

E-invoicing also streamlines customs processes.

"Tax authorities are increasingly embracing e-invoicing and the numerous benefits it offers. From the tax authorities' perspective, e-invoicing enables real-time monitoring of transactions, strengthens audit trails, and improves indirect tax reporting accuracy," shared Accredited Tax Advisor (GST) Richard Mackender, Indirect Tax Leader, Deloitte Southeast Asia and Singapore, at a recent webinar organised by the Singapore Chartered Tax Professionals.

"Businesses, too, can reap significant advantages from this 'e-invoicing revolution'.These include reduced transaction costs, improved accuracy of reporting, and accelerated payment cycles."

The shift toward e-invoicing brings cybersecurity and data privacy challenges. Harmonising data protection laws and enhancing cybersecurity frameworks are essential to building trust and safeguarding digital trade.

Global Variation of E-Invoicing Models

A key challenge with e-invoicing in the region is the lack of a standardised approach across different jurisdictions. It is therefore essential for businesses to understand the differences between the various e-invoicing models and adapt according to the requirements of each jurisdiction.

We will discuss the five commonly used e-invoicing models below.

(I) INTEROPERABILITY MODEL

The Interoperability Model involves a set of standards and protocols that dictates how information is exchanged. This standardised framework allows for the seamless transmission of data between parties, regardless of the network they use. The main feature of interoperability is the use of service providers to exchange e-invoices.

Under this model, the supplier sends digital documents through its e-invoicing service provider. These documents are transmitted to the buyer's service provider and finally delivered to the buyer. This process can also work in reverse, with the buyer sending documents to the supplier. Notably, there is no direct involvement from the government in this process. This model is adopted in countries such as Australia and Japan.

(II) CENTRALISED INVOICING MODEL

The Centralised Invoicing Model involves the real-time transmission of e-invoices by the supplier's e-invoicing service provider to a central governmental platform for validation. Once validated, the invoice data is forwarded to the recipient via its service provider.

In this model, the government plays a central and active role in approval, receipt and processing of the documents. Cambodia is an example of a jurisdiction that has adopted this model.

(III) CLEARANCE MODEL

The Clearance Model mandates that each electronic invoice must be validated or approved by the tax authority before being sent to the buyer. Unlike the Centralised Invoicing Model, the government does not directly forward the invoice to the buyer.

Instead, invoices are submitted in real time to a domestic governmental platform, which then assigns unique identifiers and/or QR codes to each document.

Subsequently, the supplier transmits both the validated invoice and the confirmation to the buyer, who follows a similar process on their end.

The Clearance Model retains direct interaction between the supplier and buyer, while incorporating mandatory government validation.

Malaysia adopts the Clearance Model, with the confirmation provided in the form of a QR code.

(IV) REAL-TIME REPORTING MODEL

Under the Real-time Reporting Model, the supplier is generally required to report a subset of the invoice to the tax authority in real time after sending it to the buyer.

The e-invoice must adhere to the mandatory format and include specific data (such as document type, the names and GST numbers of the trading parties, and GST amounts). This model is adopted in Thailand.

(V) The 5-Corner Model

The 5-Corner Model expands the Interoperability Model by adding a central fiscal platform to the infrastructure, with the governmental platform acting as the fifth corner (in addition to the four other corners being the supplier, the buyer and their respective service provider).

Singapore adopts the Peppol 5-Corner Model. Under the Singapore GST InvoiceNow framework, IRAS will receive the invoice data whenever businesses issue or receive invoices via the InvoiceNow network, or when they record other invoices into their InvoiceNow-Ready Solutions.

All in all, businesses should note that there is probably no one-size-fits-all solution that can cater to all e-invoicing requirements in the different countries. In this regard, businesses should carefully assess local requirements, adapt their e-invoicing models and select the appropriate service provider(s) for each jurisdiction accordingly.

Considerations for Organisations Adopting E-Invoicing

Adopting e-invoicing will naturally come with some associated challenges.

While regulatory compliance remains the primary objective, it is essential to balance this with the organisation's need for operational efficiency, effectiveness, and timely implementation.

Some key challenges that businesses need to overcome when adopting e-invoicing include:

- **Complex Requirements:** Countries have varying requirements for e-invoicing and digital reporting mandates, leading to a complex and changing regulatory landscape.
- **Cross-Functional Impact:** Various departments (including finance, tax, sales and legal) will be affected by the implementation of e-invoicing. Effective management of the conflicting priorities of these functions is crucial to the success of implementation.
- **Increased Transparency:** Tax authorities (particularly in jurisdictions where e-invoicing data is transmitted directly to the government) will have enhanced ability to detect non-compliance. This may possibly lead to more automated audits, assessments and penalties.

The Future of E-Invoicing: Trends and Opportunities

While businesses often begin their e-invoicing journey to comply with regulatory requirements, it should not only be a compliance exercise.

In fact, it is better to view the e-invoicing journey as an opportunity for comprehensive business transformation.

As the implementation of e-invoicing requires active communication between multiple functions and a thorough review of the organisation's ERP systems, it presents a unique opportunity for organisations to modernise their internal processes and gain insights through the use of technology. For example, the digitalisation of invoice data can enable better insights into operations, market trends, and process efficiency, while reducing manual errors and enhancing cash flow management.

Conclusion

Managing e-invoicing is not just about monitoring government mandates. Instead, it may be useful for businesses to consider the growing shift towards e-invoicing and digital reporting, and proactively prepare for a broader shift in how tax data is managed and exchanged.

Understanding this shift towards e-invoicing and digital reporting and the governments' motivations will help companies successfully prepare for this new era.

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