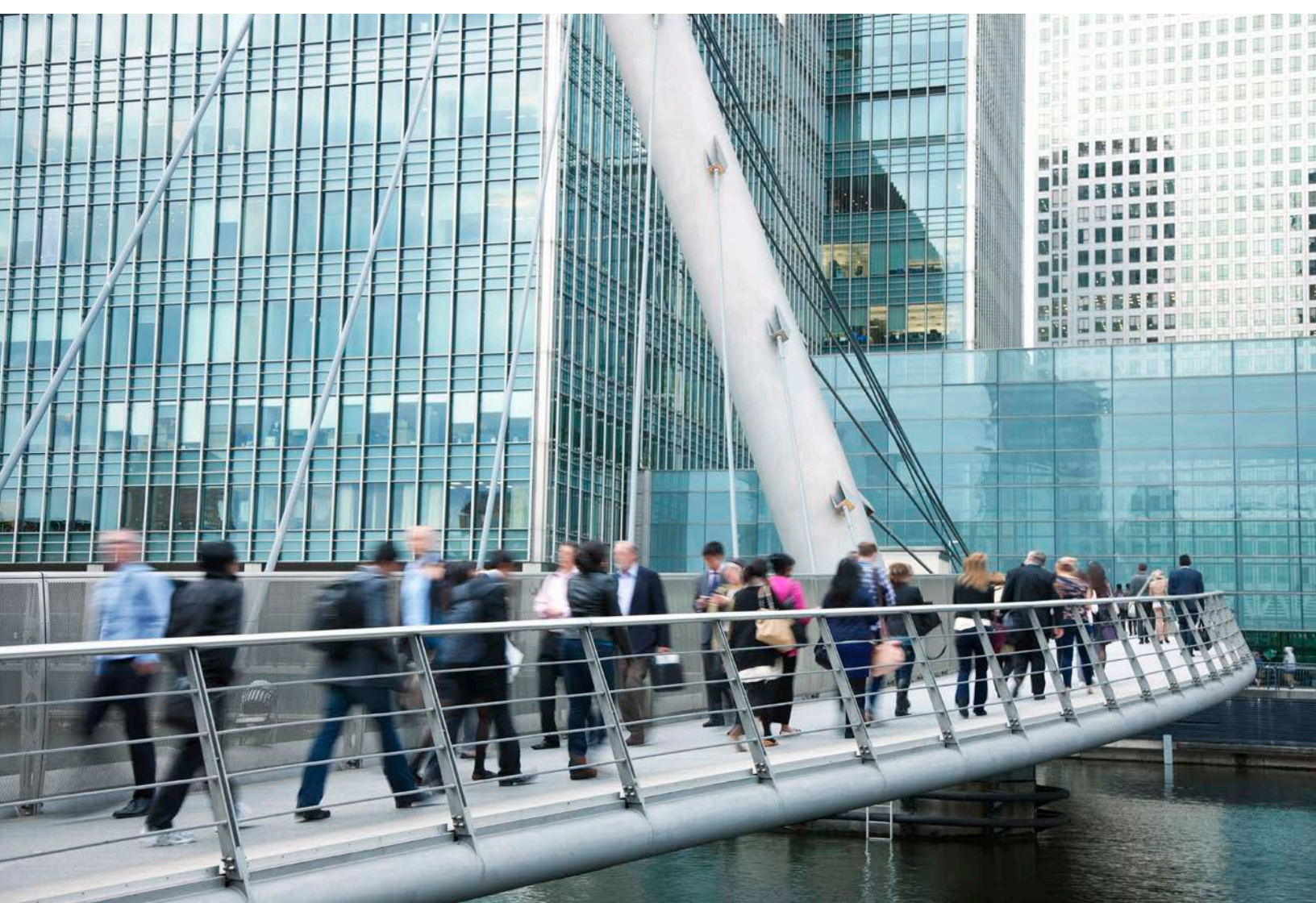


Don't Let Government Mandated E-Invoicing Stop Your Business





DEALING WITH GOVERNMENT MANDATES and providing required documentation is nothing new for businesses. Multinational companies have been managing these processes for a long time with only a tepid fear of reprisal for missing deadlines or reporting incorrectly. This is changing – in a big way – and IT leaders need to understand how [government mandated e-invoicing](#) affects their organizations. In years past, tax authorities might level fines for improper reporting. Today, they can shut down your operation if your data does not align with mandates. Solving this problem falls squarely on the shoulders of IT.



Real-Time Transparency Into Your Data Has Become The Standard

Governments have historically required businesses to send summary returns and keep records, and then conducted periodic audits to ensure compliance. These days are coming to an end. From Brazil to Italy, there is a wave of changes bringing more stringent mandates and expectations on business, and we are likely just at the beginning of this trend. Due to large scale investments in digitization technology over the past several years, authorities in much of the world now have moved away from legacy, ad hoc reporting to always-on enforcement for businesses operating within their jurisdictions. They have inserted themselves into every aspect of your operation and are an omni-present influence in your data stack.

In addition to real-time or near-real-time collection of data from transactions, tax

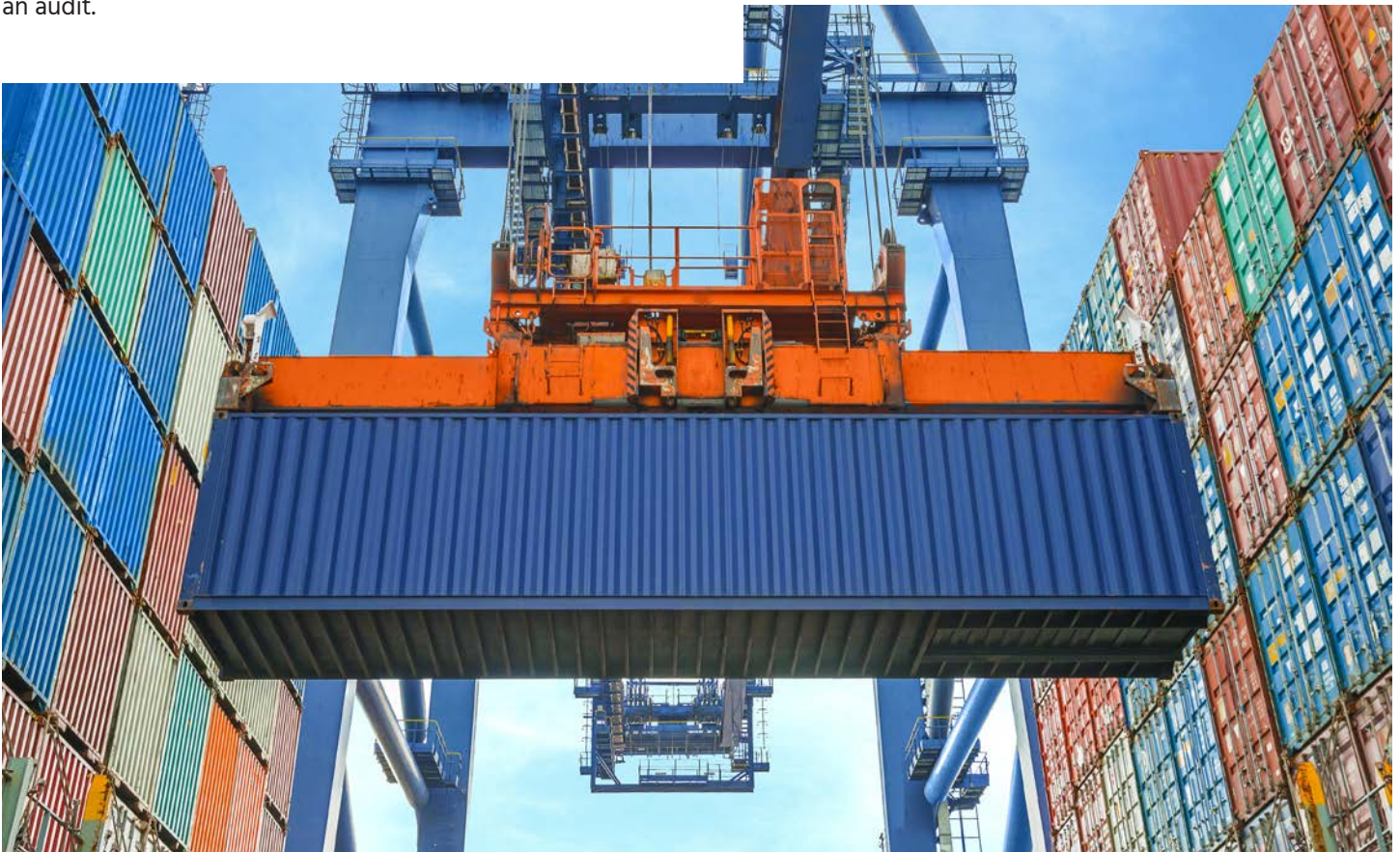
administrations are increasingly requiring businesses to send them what amounts to the entire content of their accounting systems, on demand as part of an audit or as a periodic report. Access to a company's finance ledgers creates unprecedented opportunities for tax administrations - and other parts of government including law enforcement and competition authorities - to triangulate a company's transaction source data with their accounting treatment. Advanced data analytics can then be used to compare these internal sources with cameras, agents and other control points along the physical supply chain via mandatory digital transport documents, as well as with financial supply chain data showing money movement based on banking or credit card records obtained from external sources.

This new level of imposed transparency is forcing businesses to adapt to how they track and implement e-invoicing and data mandate changes all over the world. To remain in compliance, companies need a continuous and systematic approach to requirement monitoring.

With the controlling agency sitting on top of your data, your ability to gather and review data and report after the fact no longer exists in many locations and this number is expected to shrink even more as countries across Europe continue the trend that began in South and Latin America and quickly became the standard for the region with new mandates evolving constantly. Today, for many countries, data contained in systems such as ERPs, accounts payable/receivable, procure to pay, order-to-cash, supply chain and logistics and HR and payroll, have to be in compliance with the local standards and mandates as the information traverses your infrastructure.

This level of transparency and oversight has not only created a system integration problem for businesses - after all, many more types of business applications need to automatically report source data to government end points now - but has unveiled a whole new layer of operational risk. Previously, non-compliant organizations could expect manageable fines upon the completion of an audit.

Failure to comply with government mandated standards can lead to a stoppage in your ability to manufacture goods, ship products, receive timely customer payment, or potentially even pay employees.





IT Needs To Drive This Global Shift

As these audits were so infrequent and the fines mostly inconsequential, there was little motivation to make any serious change to the way data was collected, managed and reported.

Today is a different story in many locations. With oversight authorities essentially a partner in your operation, they are viewing your data – everything from payroll to manufacturing and logistics records - in real-time with the ability to rapidly audit and shut down your business if the information you report is found to be inconsistent or out of compliance with active standards. Let that sink in for a moment. Failure to comply with government mandated standards can lead to a complete stoppage in your ability to manufacture goods, ship products, receive timely customer payment, or potentially even pay employees.

This is not a passing trend. The digitization of economies is here to stay and is only increasing by the day. New standards and mandates have spread throughout South and Central America and are quickly enveloping countries in Europe such as France, Germany and Belgium, as well as Asia and parts of Africa. Businesses need a strategy to deal

with this new reality, and with governments now firmly implanted in your data and transactional applications, the task of ensuring compliance for business continuity purposes has evolved from being the exclusive concern of VAT compliance or shared service teams to principally become the domain of IT.

Why IT needs to drive this global shift

Tracking, updating and ensuring compliance with government mandates have long since moved beyond the capability of slow-moving or periodic manual processes. The move to digitization by governments and their new positioning within your systems environment has brought compliance process design to the forefront of IT and operations as a way to ensure continuous commerce.

With always-on enforcement, business disruptions and complete stoppages are taking place when data doesn't match the requirements or expectation of regulatory authorities. Imagine for a moment your ability to pay and collect on invoices is put on hold, or that your product distribution is shut down mid-stream. With VAT and similar transaction taxes potentially locking a fifth or more of the value of receivables up in credit or refund rights that may no longer be granted without perfect data compliance, the impact on your cash management can be catastrophic.

This is no longer just a compliance issue, it's a bottom line business issue that demands attention from the highest positions in the company and it will be driven by IT.

Selecting a technology solution to manage this new approach to compliance can be a complicated exercise. Here are some of the critical factors you should consider when creating your own internal processes:

- ✓ In how many countries do we operate?
- ✓ What are our plans for expansion?
- ✓ How many different products and services do we sell?
- ✓ In which regions are we most prominent, and how complex are the local e-invoicing and other Continuous Transaction Control (CTC) mandates?
- ✓ How frequently do mandates change in our highest volume areas?
- ✓ Are we positioned correctly to support these regions?
- ✓ How would potential solutions implement and operate with our current systems?
- ✓ How do we ensure that security and privacy standards are met consistently with so much highly confidential data being sent to external parties in so many different ways across jurisdictions?
- ✓ What level of IT support will they need?

Once you have evaluated your needs from a business perspective and have a better understanding of your own internal capabilities to implement, operate and support an outside partner, you can begin to seriously consider the different approaches that exist and determine which best matches your business objectives.

Ensuring Digital VAT and E-Invoicing Compliance Everywhere You Do Business

The first option is to treat every country as a separate entity. Here, you select a local provider that exists exclusively to solve the mandate issues of one particular country. This can be best described as a quick-fix as it matches need and solution fairly seamlessly. However, you should take a cautious approach to this option as the speed of regulatory change has the potential to become far costlier than initial projections would indicate.

Before proceeding, it's important to understand what the costs and risks of maintaining and supporting this solution will be, when and if this jurisdiction goes digital. It's all about the data for governments now and having poor data quality will impact your ability to remain compliant and continue to operate. The government dictates what the data should look like and your solution must be able to respond in kind.



In addition to the question of digital preparedness, there are a number of considerations that you should closely evaluate before taking this approach.

- ✓ How stable is this provider?
- ✓ Will they be here in three to five years?
- ✓ Does this provider prioritize security and data privacy?
- ✓ Do they have the depth and breadth to scale quickly to meet changing mandates?
- ✓ How will they connect and operate within your current technology environment?
- ✓ What level of internal support will they require?
- ✓ Is this approach scalable?

Many local point solution vendors combine business process (e.g., e-invoicing, logistics data management) with local compliance functionality in a single application - this monolithic approach may look beneficial initially when mandates take effect, but in the long run it risks technology and vendor lock-in for business processes where continuous innovation is critical for maintaining competitiveness.

As regulatory mandates expand to include additional business processes and document types, you also need to consider the opportunity costs for your business - e.g., your ability to use global systems and roll out best practices across jurisdictions.

And perhaps most concerning to the IT organization, localized providers drain more IT resources as they are forced to connect to multiple systems. For multinational companies, this number may be as high as 30+ systems.

Building a support system and infrastructure for one or two countries is very different from scaling to 10, 20 or even 50+ countries as the business expands and more and more governments enact mandates that require these types of solutions.

Bottom line for most companies, you can either figure out a local approach in every country where you operate or choose a single source approach for the tidal wave of compliance that is already in many parts of the world and coming soon to the others.

The Power Of One (Connection)

The ability to connect to one system with the ability to scale globally and still have the local knowledge to meet all mandates and standards is the optimal solution for enterprise companies.


One contract, one set of SLAs and one infrastructure is the most efficient approach because it combines legal and technical skills in a single, scalable cloud solution that can be seamlessly accessed from any business application that comes within the scope of ever-expanding CTC and e-accounting mandates.

Bringing together aspects of both law and technology that are critical to ensuring compliance across a wide range of functions and jurisdictions, and combining these with modern integration approaches allows you to continue to adopt and adapt the enterprise software solutions for your ERP, supply chain, procurement, order-to-cash and other processes that make sense for your business, while always being certain that the data reporting requirements that apply to them are handled through a flexible cloud solution.

Continuous transaction controls and other technology-driven trends are making VAT compliance for e-invoicing, consumer receipts, archiving, reporting and determination a must-have. IT would benefit from simplifying compliance vendor relationship management with a single, global point of contact. This will help to ensure invoices continue to flow, so your business and its supply chains run smoothly.

This will minimize the need for ad hoc IT involvement and investment in compliance updates while saving time, eliminating labor-intensive manual updates, and enhancing accuracy all while reducing the burden of managing an ever-changing landscape of country formats and processes and ultimately lowering your total cost of compliance.

This approach represents an opportunity for organizations to put a layer of certainty around their compliance strategy while simplifying their approach from an IT perspective.



Complete Continuous Connected

Three areas to evaluate in your real time data mandate strategy

IT leaders of multinational companies have a lot to consider when deciding on and implementing a technology solution that will ensure compliance while not becoming an overwhelming burden to your own internal IT teams. We've broken it down into three categories that should be evaluated on your journey.

1) COMPLETE: INCOMPLETE SOLUTIONS DON'T WORK FOR MULTINATIONAL COMPANIES.

The ability to comply everywhere is a necessity for global organizations. Meeting government mandates is a zero-fail mission where anything other than data and operational perfection can impact business continuity. Tax and reporting, tax determination, CTCs and reporting are all critical elements of the process and must work together.

2) CONTINUOUS: COMPLIANCE IS NOT A SET-IT-AND-FORGET-IT FUNCTION.

It evolves fast and furious, and you need to be up to date on changes as they happen. Ensuring that your solution accounts for these changes and compliance requires such a high level of precision and expertise now that you have no choice but to leave the monitoring and updating process to an organization that has the skills and the technologies to do so seamlessly without affecting your business continuity.

3) CONNECTED: CONNECT TO ALL SYSTEMS AROUND THE WORLD

Any systems and processes that need to be compliant and connected to government platforms for reporting and data transparency need to be considered in your evaluation. This can include systems such as ERPs, accounts payable/receivable, procure to pay, order-to-cash, supply chain and logistics and HR and payroll.



The Bottom Line For IT

TODAY, GOVERNMENT AUTHORITIES have taken up residence in your data (or soon will) and have real-time access and insight into what is happening across your critical business applications such as ERPs, accounts payable/receivable, procure to pay, order-to-cash, supply chain and logistics and HR and payroll.

Never before have regulatory authorities possessed the capabilities, technology and desire for this level of oversight and enforcement. With mandates constantly emerging and evolving in the countries where you do business, now is not the time for uncertainty in the process in which your data is collected and presented. The stakes are simply too high.

A much overused, but still highly accurate phrase is that data is the “lifeblood” of your organization. With outside parties now actively monitoring and evaluating your data and the processes used to compile this information, getting it right has never been more important.

Don't let suboptimal data or integration with government systems be the reason your business is adversely affected or unable to function at its highest possible level. Shut-downs and interruptions due to compliance mandates are completely avoidable if IT gets this right.

How Sovos helps IT drive ensure compliance and keep commerce moving

Sovos is one of the only partners in the world with the breadth of knowledge and a solution suite to deal with new e-invoicing and mandate changes in whichever combination they occur in different jurisdictions, and in the different markets our customers are active.

Through our Connect Once API, a single interface for Sovos' complete suite of products and solutions, we have more than 70 integrated leading enterprise software companies that are using Sovos in the backend as an embedded compliance component.

The Connect Once API is sophisticated technology that is immensely scalable. It gives access to all of Sovos value added tax capabilities. It works with one canonical data format as an input, which means that the customer or software vendor that we are enabling no longer has to do the mapping to all of the different country formats. We will do that seamlessly in the back end and the customer just needs to send us one single standard data format.

Sovos has this technology in place today and continues to invest and create greater scalability. We have built for future applications and make it easy for IT to manage growing footprints across their different processes and applications anywhere in the world they do business. Our teams work closely with policy makers and thought leaders around the world, so we are always informed well in advance of any changes to mandatory processes or data formats.

The desire for greater transparency and on-demand enforcement has led government authorities to establish a presence directly in your data stack and across a rapidly growing set of business applications. This has created a new reality for many companies and many more will follow in coming years as these new mandates continue to expand across different countries. Providing the data and in the correct format is not a choice, but a requirement to keep your business operating.

To meet this challenge successfully, IT will need a strategy. The question is, which approach is best for your business? If you have questions, Sovos has the answers. [Talk to us](#), we can help.