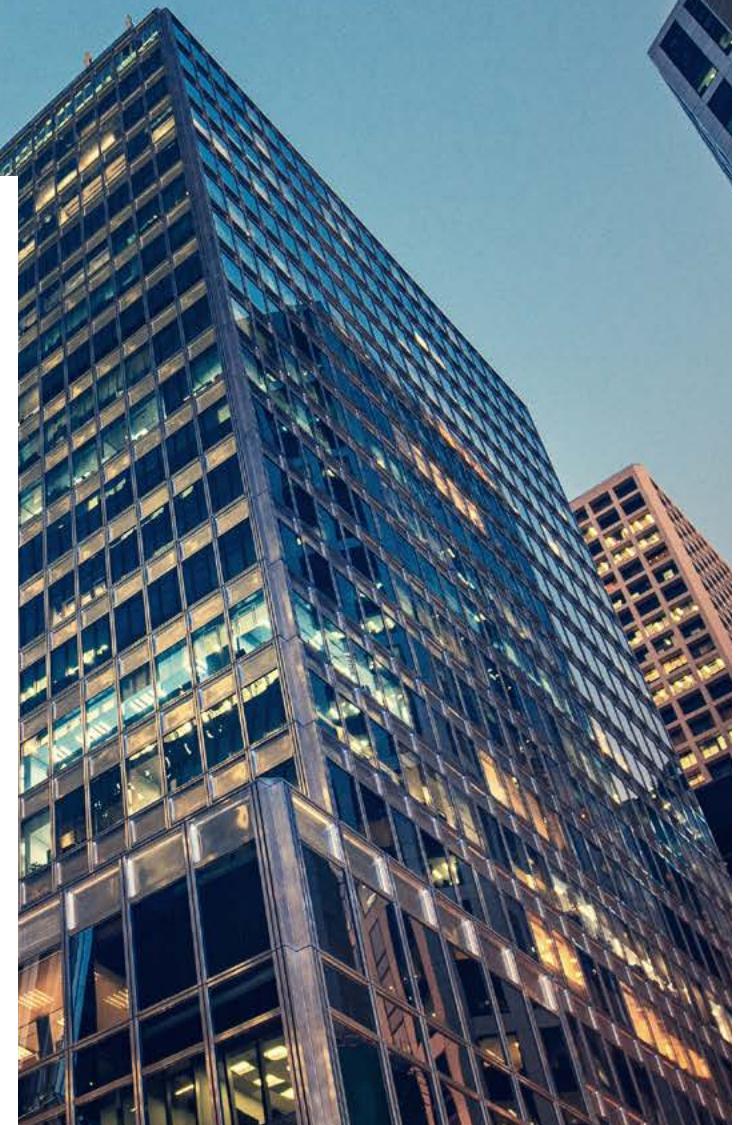




SOVOS

Why Government Mandated E-invoicing Rules are Burdening the Bosses

Government mandated e-invoicing is elevating the risk level for C-suites and boards; here are five things to know about this trend and why IT is now on the frontlines of ensuring continuous commerce for businesses



There is a lot of uncertainty around the next wave

of government mandated e-invoicing around the globe and C-level executives and boards of directors are rightfully concerned. While remaining compliant and avoiding costly penalties and fines has always been a risk and an area of concern for senior management, the new level of complexity being introduced in government mandates around the world are elevating the threat to unprecedented levels.

[PwC's 24th Annual Global CEO Survey](#), which interviewed 5,050 CEOs in 100 countries and territories in

January and February 2021, highlights the growing concern over tax policy uncertainty as this risk jumped from number 15 in 2020 all the way up to number seven in 2021.

Similarly, [KPMG conducted a survey](#) between January 29 and March 4, 2021, of 500 CEOs in 11 key markets (Australia, Canada, China, France, Germany, India, Italy, Japan, Spain, UK and U.S.). Respondents had an annual revenue greater than \$500 million, and a third of companies surveyed had more than \$10 billion in annual revenue. Their research indicates

that CEOs rank tax risk as the second greatest threat to growth over the next three years (14%), surpassed only by cybersecurity risk (18%).

Bottom line: planning for, managing the processes and remaining compliant in the midst of previously unseen complexity and enforcement by global tax authorities is a big problem. We've identified five areas of critical concern to businesses and where IT will play a large role in protecting the business' ability to operate uninterrupted.





Five global data mandate concerns that need to be addressed



1. The Government Is In Your Data

Tax authorities are no longer content to receive after the fact summary reports. Today, many countries have mandated that they sit in your data stack reviewing transaction and financial information in real time as it traverses your network.

Data is the lifeblood of your organization. It is now also the portal from which governments will view all transactions to ensure that they are receiving the revenue owed to them in the manner and time frame they dictate.

This is not an easy lift or ask of businesses. It will be counted upon to ensure that regulatory authorities are being satisfied while not causing any disruptions to any other business process applications.

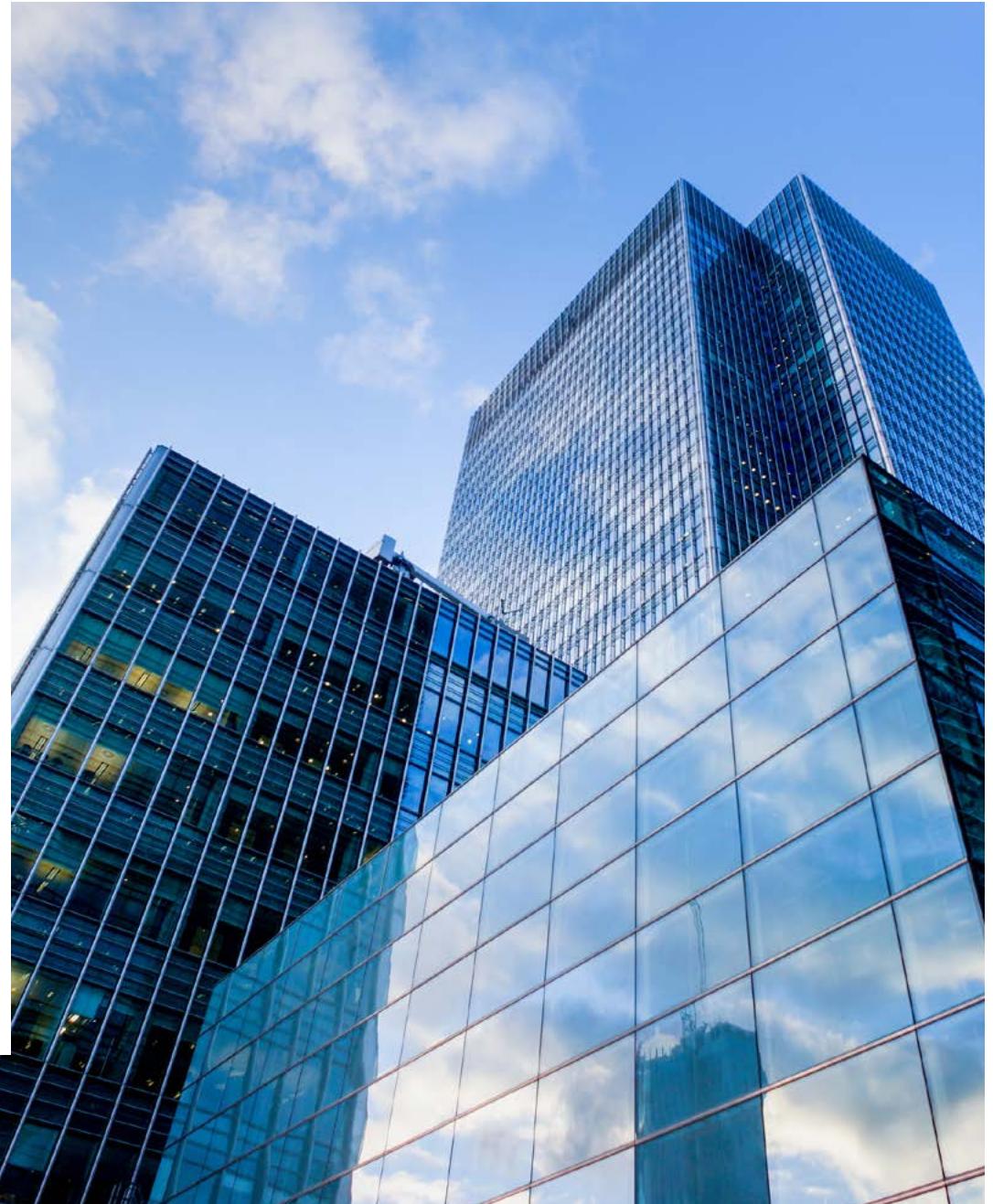
2. Government Data

Mandates Are Taking Control Away From Companies

For most organizations, large scale technology upgrades and migrations are planned out years in advance. Government mandated e-invoicing rules are changing these timelines for many companies to comply and remain operational.

Being in a reactionary phase, scrambling to ensure they can accommodate government requests is not the position businesses ever want to be in. Patchwork and short-term fixes lead

to additional costs and resources down the road. It will be incumbent upon IT to develop a strategy and structured approach to meeting mandate obligations while keeping with the parameters of long-term plans and budgets. This is the sensible approach to achieving compliance in the near-term and operational efficiency for the future.





3. Data Mandates Are Moving And Evolving Quickly

Based on historical perspectives, updates to tax codes and new mandates were typically years in the making, providing ample time for businesses to react and put processes in place to meet obligations. This is no longer the case for most of the industrialized world.

Based largely on significant investments in digitization technology, government authorities are now outpacing business when it comes to enacting new systems and capabilities for capturing and reviewing data on financial transactions.

Today, [**new mandates and changes to existing laws**](#) come fast and furious with shorter and shorter times for businesses to comply. Updating, managing and implementing change as it relates to these mandates will become even more of a priority for IT.



4. Data Mandates Lack Consistency From Country To Country

Managing new processes, technologies and regulations is part of doing business, especially for large, multinational companies. What has businesses on edge is the different approaches being implemented by each individual regulatory authority. This is not a one problem, one solution issue.

Depending upon the number of countries and territories in which you operate, you could be charged with having to create

individual solutions to meet each of these government mandated regulations separately.

The challenge for IT is to create the infrastructure that allows the business to meet the individual mandates of each country's regulatory authority, while also integrating with one another to provide a real time global dashboard of the organization's compliance status.





5. Governments Have Increased The Severity And Speed Of Enforcement

Fostered by new technology and digitization capabilities and motivated by massive tax gaps that were accelerated due to the COVID-19 global pandemic, tax authorities have become far more aggressive in their oversight and enforcement of mandated e-invoicing regulations.

Historically, the biggest risk to organizations would likely be a painful audit, followed by a moderate financial penalty. Today, in many cases, the punishment is far swifter and more severe up to the point of governments shutting down the operation completely.

Failure to comply with mandates has the potential to impact a businesses' ability to manufacture and ship products or even pay creditors or meet payroll. This is simply an unacceptable outcome for any company. IT needs to ensure that transaction data is presented to regulatory authorities in the format and time frame they demand.

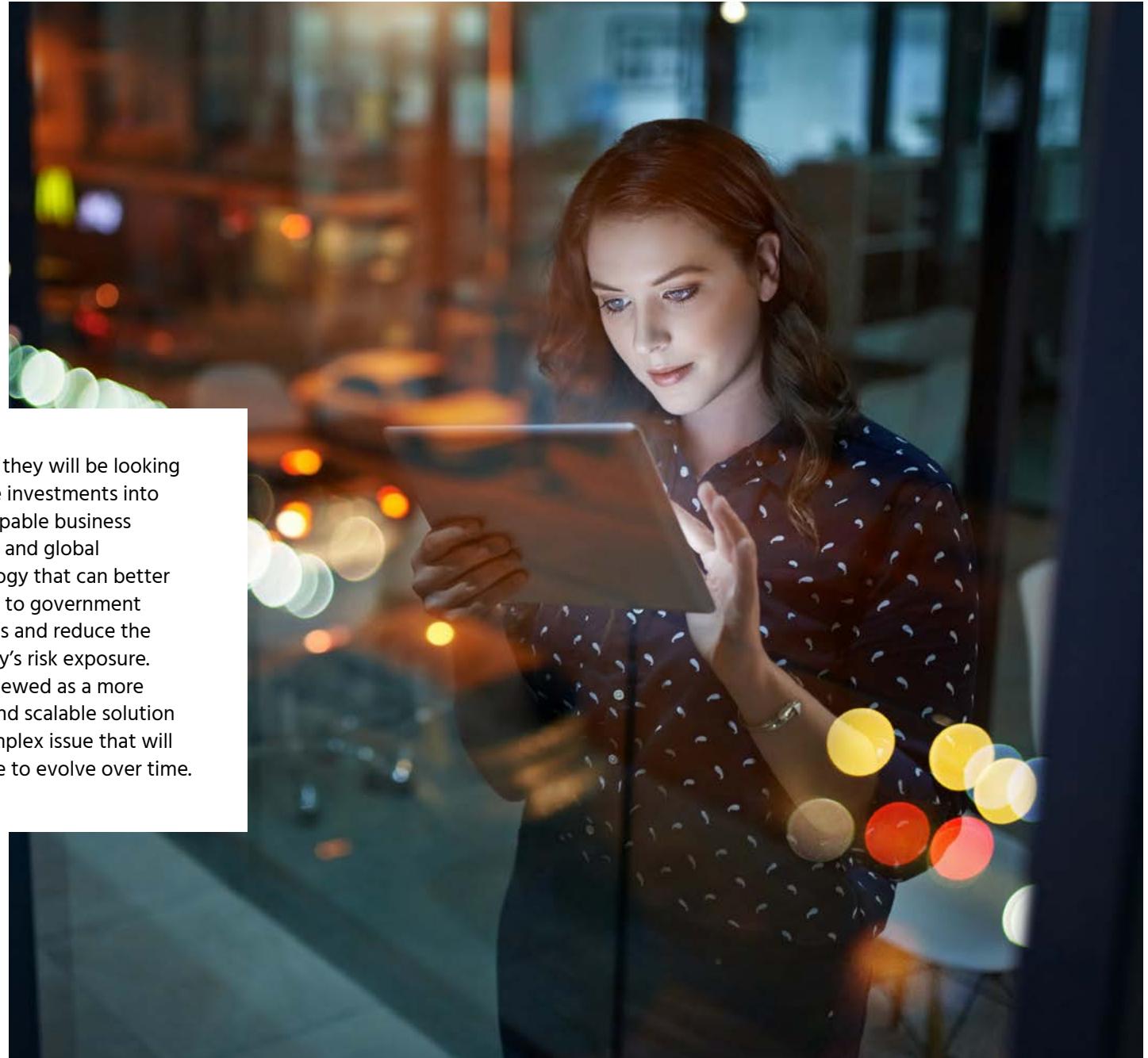
Meeting Government Mandated Regulations Has Become An IT Issue

Businesses are under increasing pressure

to get this right and they are looking to IT to create solutions and lead the way.

In its [2020 Tax and Finance Operate survey](#), EY reported that 79% of executives surveyed are planning to reduce the cost of their tax and finance function over the next two years.

Instead, they will be looking to move investments into more capable business controls and global technology that can better respond to government demands and reduce the company's risk exposure. This is viewed as a more viable and scalable solution to a complex issue that will continue to evolve over time.





What A Failure To Meet Mandate Obligations Means For Businesses

It's important to understand what is at stake for businesses as they traverse the new reality of a global mandate landscape and why it's important to take action today.

Failure to meet the growing demands of real-time transparency included in most of these new mandates can bring with it several consequences and all of them pose significant risks to the bottom line.

Beyond the financial exposure of costly penalties, businesses must also account for the potential damage to company reputation. It's a new reality that operations can be brought to a halt through the rescinding of license to operate in a country and in rare cases, even criminal charges against a company's officers.



Take Action Today

Can your **current** strategy meet the demands of this next generation of government data mandates? A connect one, connect all approach might be just what you need.

See how Sovos can help you [chart your path to sustained compliance](#) anywhere you do business.

And when you are ready, [talk to one of our global compliance experts](#). We are here to help.