# SOVOS

## The Role Of IT In The Face Of New Regulations And Mandates

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# Introduction

Governments are now moving aggressively to close the gap between their tax administrations and businesses by taking advantage of digital tools.

The result is a set of diverse and accelerating mandates, forcing businesses to adjust their systems and processes and provide data. The key to this is data standardization – no more tax at the backend of the process – you must solve tax at a point in time.

By moving tax controls much closer to the actual business operation, tax administrations can also respond to anomalies in near-real-time.

Tax is now an always on function, not an afterthought. This means that data quality becomes an operational imperative – whereas in the legacy world of slow-moving periodic summary reports, many smaller errors or inaccuracies in invoices would go unnoticed.

Due to their urgency and complexity, meeting the data requirements of new standards and mandates has become the domain of IT.

To explore how businesses and specifically IT, can and should approach managing new mandates, we posed the question of what ITs role in the face of new regulations and mandates is to two of the foremost experts in the world on this topic, Kathya Capote Peimbert of KPMG and Christiaan Van Der Valk of Sovos.

As this is an extremely complicated topic, it was only natural that their conclusions are not simple and linear, but part of an overall process. This eBook explores their thoughts and opinions on this evolving topic.

# Kathya Capote Peimbert

This is always a bit of a provocative topic. We are asked some variation of this question on a fairly regular basis and unfortunately, it's not a straightforward answer.

There are several factors that can influence how a particular business may align their IT resources to meet the obligations of a new mandate. Such as, who owns the requirements inside your organization? Is it tax, finance, accounts payable, IT or another group?

In my opinion, complicated processes and mandates such as e-invoicing and ViDA can't be owned by a singular group, it needs to be a cross functional effort to be successful.

## Change your mindset!

One of the things that I'm constantly talking to businesses about when it comes to regulatory reporting is the importance of their mindset and how they need to adopt a new strategy as it relates to managing regulatory compliance. Things change and evolve so quickly that it's critical that organizations change their mindset from reactive to proactive.

Don't sit back and play defense against all the new regulatory requirements you have coming your way. Emphasize inside your organization the importance of having a compliance strategy that includes, among other things, e-invoicing and ViDA reporting.

Begin by creating a baseline for future states and evaluate where you have been successful to date in your regulatory compliance activities. You should not be starting from scratch each and every time a new mandate is introduced. Based on previous experience, you should have a solid understanding of which processes and systems work.

## Build a solid foundation.

Compliance is like building a house. Everything begins with a strong foundation. Once your regulatory compliance foundation has been laid correctly, you can continue to successfully build upon and expand.

Where businesses get into trouble is when they don't have the essential processes or infrastructure in place to prepare and manage new regulations and mandates as they are introduced. For multi-national companies, you may be dealing with hundreds of mandates at any given time. Having a proven approach in place in which to begin is essential to ensuring that you are meeting your compliance obligations.

# Christiaan Van Der Valk

## I completely agree with Kathya.

From what I have witnessed in my position, the first reaction of companies when new regulations and mandates are imposed is to panic. And that is because they don't have a great way to stay on top of requirements and so everything is a surprise, and they feel like they are starting from zero.

We have seen new developments across the European Union (EU) which is part of a larger global trend of new mandates and guidelines for reporting. While many always considered things like e-invoicing to be the domain of Latin and South America, we are quickly seeing these types of regulatory standards spread across the globe.

## There is never enough time.

When you speak with businesses the prevailing takeaway is that no matter how much time they have to prepare for a new mandate, it's always too little due to other company priorities. A good example of this is in France where the business community and the government have been working for more than two years to put a mandate in place and I'm hearing many businesses will still be late in their preparations.

This stems from the point Kathya was making in that too few organizations have a structured plan in place to manage these mandates as they are introduced. It seems that businesses are never prepared for just how big and how intrusive these mandates are.

## Last minute decisions hurt.

A lack of foresight in regulatory compliance leads to panic, which then leads to poor long-term decisions. I have seen this scenario play out time and time again where an organization is caught off guard by a new mandate or fails to properly prepare, so at the last moment they implement a local solution that is designed to meet a single regulation in a single country.

But what happens then when these mandates expand to other areas? By not being prepared organizations fall into the trap of having a fragmented approach to their regulatory compliance that isn't scalable and ultimately sets you back and begins to reverse their digital transformation.

## Kathya Capote Peimbert

Picking up on what Christiaan was talking about, I believe that it is critical for businesses to maximize their investment in regulatory compliance. You don't maximize investments by making poor decisions and taking steps backwards.

There are 50 plus jurisdictions around the world that will be implementing new mandates in the next two to four years. Understanding this, organizations need to make this a priority and start planning now.

## Don't keep leadership in the dark.

As part of your preparation, I can't stress enough the importance of training and sharing the knowledge of what is happening with C-Suite and executive leadership.

There is going to be a need for major investment from multinationals to create comprehensive compliance strategies that include e-invoicing and ViDA reporting. Internal communication with leadership is critical to prepare for the investment demands coming their way.
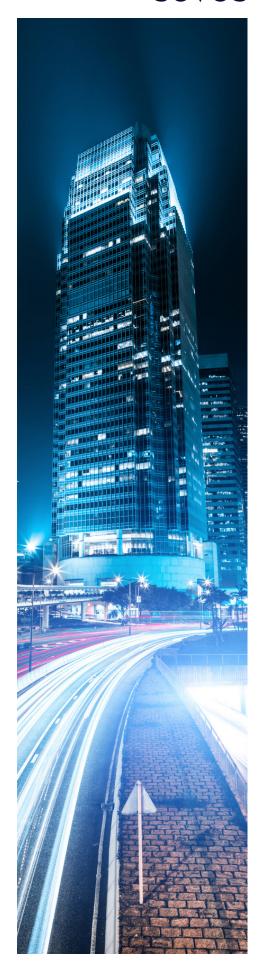
Finally, organizations need to be prepared for the impact on operational functions in technology beyond e-invoice, data and automation tools.

## Christiaan Van Der Valk

My parting thoughts and advice to businesses is around the importance of not only covering your compliance obligations, but the need to focus on controlling your costs.

If you want to throw unlimited dollars at a problem you can fix almost anything, but is that sustainable long-term from either a resource or budget perspective? Certainly not.

As both Kathya and I have advocated for, it is critically important to have a strategy and foundation in place so that you can build upon your successes, establish achievable timelines for meeting new regulatory demands and limit the disruption and expense to your organization.

# Conclusion

The push for tighter regulatory controls and more comprehensive mandates is expanding across all parts of the globe. For multinationals, this is especially important as the number of different compliance obligations required to operate is accelerating, and the timelines required to meet them are becoming tighter.

An organizational strategy that considers all aspects of regulatory compliance, ranging from internal planning for cross functional support, operational impact, resources and technology is critical in building a sustainable program that builds upon past successes while accounting for new mandates and challenges.

Finally, don't embark on this journey alone. There are a multitude of resources and expertise that can help you with every element of building a successful regulatory compliance program for your business. Focus on your own areas of expertise and bring in partners who are experts in all things compliance.

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## About Sovos

Sovos provides businesses with the confidence needed to navigate an increasingly regulated world. Offering a modern, IT driven response to compliance, Sovos' solutions are scalable, reliable and secure and provide a great user experience. Sovos has more than 100,000 customers, including half the Fortune 500, as well as businesses of every size operating in more than 70 countries. The company's cloud-based solutions integrate with a wide variety of business applications and government compliance processes. Sovos has employees throughout the Americas and Europe and is owned by Hg and TA Associates. For more information visit http://www.sovos.com and follow us on LinkedIn and Twitter.

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