From: [redacted]
Sent: Tuesday 9 January 2024 14:46
To: VAT Modernisation <vatmodernisation@revenue.ie>
Cc: [redacted]
Subject: [External] Response to Public Consultation on Modernisation of Ireland's Administration of VAT

Please find below our responses to the questions on the Public Consultation on Modernisation of Ireland's Administration of VAT and we look forward to hearing from you in due course

1.What are your views on the proposal to introduce real-time reporting for B2B and B2G transactions?

We believe that the introduction of real-time reporting for B2B and B2G transactions in Ireland will bring transparency and efficiency for taxpayers and the Revenue, if implemented in the right way. It is a positive development which will help with domestic priorities as well as make it easier for Ireland to coordinate with other countries on initiatives focused on continuous transaction controls and reporting on cross-border transactions.
We appreciate that Revenue is driving this initiative from a domestic Irish perspective; however, we believe that this should be seen as well from the VAT in the Digital Age (ViDA) perspective, which aims to introduce similar e-invoicing and DRR (jointly, CTC) obligations for intra-Community transactions. There is a benefit for both Irish taxpayers and the Revenue to pursue alignment with ViDA (or influence the direction of ViDA), so that the domestic and intra-Community obligations are as harmonized as possible.

2.What matters should be considered in planning for a transition to a new VAT Reporting system?
This is a very comprehensive matter, that deserves a more interactive in-person discussion in order to cover all aspects and nuances. On a high-level, we believe that the following aspects (grouped by main stakeholders) should be taken into account when planning for a transition to such a new system.

From a taxpayer perspective

- **DRR should not come as an additional burden to businesses.** It should be embedded within the normal supply chain processes, where businesses are exchanging invoices with one another, as opposed to businesses having to implement additional software or operational processes that would be parallel or additional to the everyday operations of selling and buying.

- **Familiar technology.** Businesses should be familiar with the chosen technology, maybe because there are using it in the context of B2G e-invoicing in Ireland or outside Ireland.

- **Reusable technology and processes.** Businesses should be able as far as possible to re-use whatever technology or processes they have deployed in Ireland or even outside of the countries' borders to facilitate their cross-border trade (intra-Community, export and import operations) or to support their subsidiaries established in other countries, where similar obligations might be applicable.

- **Flexibility.** Businesses should be able to opt-out from the main track (in a way that does not erode the main objective of this reform) into other technology that they are either more familiar with or have made significant investments into, while still being bound to support the established common denominator.

- **Provide-data-only-once.** Businesses would like the benefit of providing the same information only once, which can be more efficiently achieved if the data is provided to the Revenue in real-time, detailed level and as-is (meaning that it does not require calculation from the business side).

- **SME-friendly.** The technology and processes should be easy to use by even the smallest and least sophisticated businesses alt. there should be a simple enough solution provided by the government either temporarily or permanently.

From the Revenue's perspective

- **Get the data right at the source.** Many CTC implementations focus on validating the data already generated by the business, requiring the need for businesses to introduce new error and data enhancement processes atop of the existing ones. It would be a much more beneficial approach, if Revenue focused on introducing a framework that facilitates data being right from the very beginning. In particular, if DRR is to come from an e-invoice, that the underlying data of such e-invoice is correct from a legal perspective, when the invoice is being generated by its issuer.

- **No single point of failure.** The Revenue does not want to be a bottleneck for any reporting obligation or even potentially impacting the supply chain processes among businesses. Thus real-time validation of the data should be performed by the individual parties in the process and not a Government platform.

- **The central DRR infrastructure can be added later.** With appropriate model design and selection of the technology, the VAT Reporting system can be added by the Revenue at a later point in time, once true e-invoicing[1] has been introduced and businesses had time to adjust to the new digital way of doing businesses with each other.

- **Future-proof and flexible framework.** As requirements tend to evolve, the Revenue should use a flexible model, standards and technology, so that they can be replaced, enhanced, updated or amended fairly simply – potentially by individual components – instead of a massive end-of-life scenario and creation of a brand-new framework and technology process, which would not benefit the business sector either.

From the software and technology provider perspective

- **Recognition of software variety.** It is important that the regulation is neutral to the exact technology used by businesses when issuing, exchanging or receiving invoices, and reporting to the Revenue. Depending on the size or complexity of the business, they

might be using various software providers e.g. accounting software, ERP, CRM, workflow, e-invoicing provider, EDI provider, etc. or a combination of these. It is important that the prior choice of such software does not dictate the choice of the new technology.

- **Avoidance of requirements inhibiting competition**. While it is important to ensure sufficient levels of data protection and confidentiality, as well as data security levels, it is important to find a balance and not to distort the competitive playing field among software providers, who would be providing e-invoicing and DRR services. There is a range of requirements varying from being a locally established business to fulfilling certain very local IT security standards that could distort this picture, which should be avoided so that the businesses can have a greater variety of options to select from.

3.If your business is currently subject to a VAT reporting programme in another EU or non-EU country, can you please share best practice, recommendations or lessons learnt?

We would be pleased to provide advice based on our experience in offering e-invoicing and CTC compliance services in 75+ jurisdictions, we are a strong advocate of the DCTCE or 5-Corner model (whether using Peppol specifications or not) and we have co-written 2 milestone documents:

- https://peppol.org/documentation/technical-documentation/ctc-documentation/
- https://www.gena.net/news-events/news-item/2022/08/03/A-NEXT-GENERATION-MODEL-FOR-ELECTRONIC-TAX-REPORTING-AND-INVOICING-DCTCE-v20

Looking at the global trends, we can confirm that this approach is gaining traction in among others:

- Northern Europe. https://nordicsmartgovernment.org/vida-report
- Belgium. https://www.pagero.com/compliance/regulatory-updates/belgium
- Singapore. https://www.pagero.com/compliance/regulatory-updates/singapore
- United Arab Emirates. https://www.pagero.com/compliance/regulatory-updates/united-arab-emirates#KsfUoTlJT5WSgViwp_f5sg
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4.Have you any observations, concerns or recommendations on a move to mandatory electronic invoicing for B2B & B2G domestic VAT transactions?

Offering e-invoicing and CTC compliance services in 75+ countries, we would be delighted to share our experience with Revenue in a more direct interaction, as there are many lessons

learned. But if we were to select a particular item to pay attention to, it's the need to clearly distinguish between:

- **Periodic Transaction Controls** (PTC) and e-Audits, e.g., reporting based on the SAF-T standard, VAT Listing, MTD, and

- **Continuous Transaction Controls** (CTC) e.g., real-time reporting, validation or clearance of e-invoices.

The largest difference between these two are the data required for submission, which normally would be residing in different systems on the side of the economic operator. While the data required for CTC would normally reside in more "front-end" systems, such as invoicing provider, billing engine, middleware, workflow, CRM, etc., the data required for PTC and e-Audit would reside in rather "back-end" systems, such as accounting software of ERP. Extracting and putting together such data, esp. if it is to be reported to the tax administration in real-time or near-real-time or even prior to issuance of the invoice, is extremely costly for businesses, not only from a technological, but even more so from an operational perspective. Mixing of these obligations and required data should be avoided. With that said, we do not preclude that both PTC/e-Audit and CTC obligations are implemented, however, separately from each other, as having both transactional and accounting data might be beneficial for Revenue's overall objectives.

Examples of countries where PTC and CTC requirements have been merged into the same obligation include Greece's myDATA reporting scheme, and Spain's SII reporting obligation. While myDATA and SII are often classified as 'real-time reporting', but compared to the Hungarian reporting obligation, they are distinctly different: in Hungary, only transactional data is being reported in real-time to the Tax Administration, whilst in Greece and Spain additional accounting data on inventories and other assets must also be provided. This has a variable impact on set-up and operating costs and the cost of compliance for economic operators.

5.Revenue is particularly interested in hearing views from businesses that are already engaged in eInvoicing Public Bodies within Ireland or engaged in B2B eInvoicing throughout Europe and beyond. How did you prepare and what challenges prevailed in your preparations for eInvoicing?

As a specialized service provider, we would be delighted to share with you our perspective from several countries and different e-invoicing models in use. We are also happy to arrange conversations with selected taxpayers who are our clients and can offer their unique views from managing e-invoicing requirements in other jurisdictions. Given the detailed and complex nature of responding to the question, we suggest having an open dialogue with you on this matter.

6.What suggestions would you offer in Ireland's arrangements for a mandatory B2B and B2G eInvoicing programme?

Besides the aspects we have listed previously under question 2, the following should be considered:

- **Network and interoperability/roaming**. When talking about CTC, it is easy to only focus on the document to be issued and processes, primarily invoice. What is often missed is how invoices are to be exchanged in the most efficient manner. The most appropriate would be to make a comparison with the telecoms industry, where people

are talking and texting with each other, using different mobile devices on different mobile operator's networks. It's complex, but works very well, thanks to roaming. Same applies for invoices exchanged by different businesses that are working with different software- if there was an efficient interoperability (or roaming) framework in place, then this exchange would be as smooth as in the telecoms industry. Thus, putting such an interoperability network in place will be a crucial aspect for Revenue.

- **Implementation timelines.** Businesses and software providers should be given sufficient time to adapt their systems and processes to the new requirements. How long a time that may be, and will differ depending on the model, governance and specifications chosen by Revenue.

- **Implementation phases.** Often, CTC obligations are implemented in phases, based on the revenue size of the issuer of the invoice. While such an approach is common and has its benefits, the question is whether Ireland should go in the same direction of whether approaching the CTC introduction from the buyer/receiver perspective would be more appropriate, meaning that a receiving mandate could be more decisive.

- **Feedback and support.** As CTC would be a new phenomenon for businesses in Ireland, Revenue should be receptive to the feedback provided during the piloting or testing of the new framework, prior to mandating these new obligations to all businesses in your jurisdiction.

7.Revenue are cognisant that small businesses may have different perspectives and requirements to large businesses, so what information prompts would you find useful for businesses in completing the VAT return?

It would be difficult at this point for Revenue to say how the redesign will look. It will take at best, a year after go-live to figure out the details. Taxpayers should be obliged to submit VAT returns as normal for at least a year from full roll out and until the system settles down. Based on the accuracy of the manual returns versus the DRR collected data during this period, Revenue can decide if they wish to present a prepopulated form to the taxpayer for them to accept and whether to give them an option to amend it or not.

8.Are you are responding to this consultation in any capacity other than as a taxpayer, eg. As an advisor, an accounting software or eInvoicing service provider, Representative Body, Industry Group or, Government or Public Body?

E-Invoicing CTC_Service Provider

9.Please provide some context about your organisation and the capacity in which you are contributing to this consultation.

Pagero is an E-Invoicing Service Provider supporting taxpayers in more than 140 countries and has been operating in Ireland since 2015. Pagero provides a Smart Business Network that connects buyers and sellers for automated, compliant, and secure exchange of orders, invoices, payment instructions and other business documents. With an open network and a wide range of value-

added apps, Pagero helps businesses streamline their order-to-cash and purchase-to-pay processes while unlocking the full potential of accurate and reliable business data. All of this, regardless of location, industry, size or systems. Find out more at www.pagero.com.

10.Your name and contact details (E-Mail and/or phone number)

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Regards

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