TAX EXECUTIVES INSTITUTE

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Submitted via email to: vatmodernisation@revenue.ie
Revenue Irish Tax and Customs
VAT Modernisation Branch
Indirect Taxes Policy & Legislation Division
Revenue Commissioners
Dublin Castle
Dublin 2
D02 HW86.

Re: Public Consultation on Real-time Digital Reporting and Electronic Invoicing

Dear Madam and Sir:

Members of Tax Executives Institute ("TEI") work for multinational enterprises that regularly engage in international sales of goods and services and are keenly interested in the implementation of mandatory e-invoicing and real-time requirements across the European Union, including in Ireland. (More information about TEI and its activities is provided in *Attachment 1*.) We have been active participants in the European Commission's VAT in the Digital Age ("ViDA") initiative and fully support the concept of digitalizing and automating tax processes, including e-invoicing and real-time reporting. We strongly endorse standardization and harmonization of e-invoicing and reporting requirements across the various EU Member States, as well as providing impacted businesses a reasonable time frame for implementation—a period of at least two years from when the requirements have clearly been defined.

TEI members recognize and appreciate the Irish Tax Authorities' efforts to seek and consider input from businesses and concerned parties during this consultation period. In our experience, a close and ongoing collaboration with businesses from thought to implementation is essential for guaranteeing a smooth and successful introduction of new initiatives that alter longstanding business practices. Similarly critical is coordination (both from a timing and content perspective) with the extensive work and recent proposals presented by the European Commission as part of ViDA initiative. Such coordination will not only ensure the future compatibility of

the legislation with the European VAT Directive, but also avoid putting Irish businesses at a competitive disadvantage with their European counterparts.

Implementation of e-invoicing in Ireland

We strongly urge the Irish Tax Authorities to follow other EU Member States that have recognized the challenges underlying a shift to e-invoicing and have provided impacted businesses a reasonable implementation period before the mandate goes into effect—a period of at least two years from when the requirements have clearly been defined.

To date, only Italy, Poland, France, Germany, and Romania have received EC approval, as required by Article 395 of the EU VAT Directive 2006/112/EC, to implement mandatory B2B e-invoicing. Italy used a phased approach covering five years to extend e-invoicing to various types of business transactions. The EC approved France's and Poland's requests to implement e-invoicing on 25 January 2022 and 17 June 2022, respectively. Poland initially postponed implementation of its mandate to 1 July 2024 at the request of business stakeholders, and more recently indefinitely.[1] France initially planned an implementation date of 1 July 2024, but after consulting with stakeholders, postponed its e-invoicing mandate for at least one year and possibly more (no definitive effective date has yet been communicated). The reason given for the delay was to guarantee the 4 million companies concerned a transition to electronic invoicing under the best possible conditions.[2] Germany received EC authorization to introduce mandatory B2B domestic VAT e-invoicing on 25 July 2023 and is proposing an effective date of 1 January 2027. The Belgium Ministry of Finance's e-invoicing proposal is part of a larger tax reform proposal that has stalled due to disagreement within the government. It is speculated that the requirements may start no earlier than the first quarter of 2026.

TEI urges the Irish Tax Authorities to provide a reasonable implementation period for its e-invoicing mandate in line with other Member States. In our experience, implementation of an obligatory e-invoicing mechanism is quite impactful for businesses, as well as tax administrators. Within most companies, IT department resources are stretched thin and are barely able to keep pace with frequently changing VAT compliance requirements in the various countries in which their business units operate. The IT design and build necessary to implement obligatory e-invoicing is quite complex and cannot commence any earlier than the time that all details, particularly all IT specifications, have been finalized and communicated to businesses.

Considering these challenges, we respectfully request the Irish Tax Authorities to adopt an implementation date that is no sooner than two full calendar years after the final details of the legislation

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[1] See https://www.gov.pl/web/finanse/przesuniecie-terminu-wdrozenia-obowiazkowego-ksef (original in Polish).

[2] *See* https://www.impots.gouv.fr/actualite/facturation-electronique-report-de-lentree-en-vigueur-prevue-en-2024 (original in French).

are published. To better illustrate the challenges businesses face, *Attachment 2* lists some of the action steps businesses will need to accomplish to implement e-invoicing. These actions take time and have led other EU Member States to allow multiple years for implementation of their e-invoicing mandates.

Experience in practice also shows that a reasonable implementation period of at least two years is important not only for businesses but also for tax administrations which require time to, for example, develop and test the new e-invoicing system, train staff, educate taxpayers, ensure that the system is secure and that data is protected, and develop practices and procedures for monitoring the system for compliance with regulations and standards. The proposed implementation period of at least two years would provide both taxpayers and the Irish Tax Authorities the opportunity to address any issues presented by more complex processes and business flows. Tax authorities generally draft rules and procedures to address the concerns and issues that will be faced by the majority of taxpayers when implementing new legislation. However, as businesses, and their supporting enterprise resource planning systems (ERPs) become more sophisticated, additional time and support is required to ensure that taxpayers with more complex business flows can interpret and implement the legislation in a timely manner.

It is not clear from the consultation document if the Irish Tax Authorities will be requiring both sales and purchase invoices to be reported by the taxpayer on the government portal. The sharing of purchase invoices presents some additional challenges for businesses relating to the timing between the seller reporting the invoice and the purchaser recognizing the invoices in their respective ERPs (the latter often being dependent on internal review and approval processes).

Based on the foregoing, we offer the following suggestions for implementing an Irish e-invoicing mandate:

- The Irish Tax Authorities publish the final e-invoicing mandate including all necessary technical requirements that companies must fulfill in order to implement e-invoicing with an effective date no sooner than two years from the date of publication. We recommend a phased-approach that makes B2B e-invoicing mandatory in phases, depending on taxpayer size, over a period of at least 12 months (beginning with large taxpayers two years from the date the final mandate is published).

- The Irish Tax Authorities provide a test environment, including technical support, to businesses wishing to test their systems.

- The Irish Tax Authorities offer a voluntary pilot program, including technical support, to businesses (large and small VAT registered companies) wishing to test their systems in a live environment.

- Post implementation, the Irish Tax Authorities should organize and maintain technical support services to businesses and offer compliance tools, such as web portals, to small and mid-sized businesses free of charge.

Implementation of real-time reporting in Ireland

We acknowledge the global trend of tax authorities towards implementing real-time reporting/digital automation and welcome the opportunity to work with the Irish Tax Authorities at this early stage of discussions.

The approach chosen should accept the non-renewal of existing Implementing Decisions (derogations) or other measures which would prevent a harmonized approach in terms of digital reporting within the EU and also respect the technological investments already made by businesses to continue or interoperate in the short to mid-term. A phased implementation is needed because various Member States have taken very different technological approaches, which, in turn, require businesses to develop and implement uniquely tailored solutions for every single country. The complexity and administrative burdens caused by this incongruence among Member States have led to significant compliance costs. Consequently, smaller or non-domestic European Union businesses are finding it economically unviable to enter into specific markets, in part due to the expenses associated with indirect tax compliance. This situation detrimentally affects the seamless functioning of the internal market. Thus, TEI members would welcome a high threshold for requiring implementation of full digital reporting requirements, thereby eliminating the requirement for small or overseas businesses with no establishments in Ireland.

When designing a digital reporting solution, the following design criteria should be considered:

(a) Efficient enabling of automation for both tax administrators and companies, while respecting proportionality between administrative burden and safeguarding VAT revenues;

(b) Respect of existing business processes and generally used IT system designs to the greatest extent possible, thereby allowing VAT systems to be built upon existing systems;

(c) Achieving efficiency through stakeholder (i.e., business) collaboration from the technology design all the way towards implementation;

(d) Standardization with the ViDA package, creating one system/process that can be used in every country and for all transactions (goods, services, domestic, intra-community, etc.);

(e) Closed list of data-points aligned to the ViDA package, ensuring availability of the required information and allowing for more flexibility while limiting administrative costs;

(f) Allowing for corrections based on the universal acknowledgment that reporting solutions are dependent on master-data where errors may inadvertently be made but, upon detection, should allow for an easy and efficient correction process;

(g) Guaranteeing data-security when requiring the transfer of personal and business confidential information outside a company-controlled IT environment; and

(h) Respecting implementation time required when translating reporting obligations into IT requirements and actual implementation.

Attachment 3 expands on the above criteria, providing examples from other jurisdictions where applicable.

In response to the use of the phrase, "as they occur," as the time frame for reporting invoices/transactions, we question whether the burden of managing "real-time" reporting would be proportional to the benefits sought through the new rules. TEI members have expressed significant concerns as to their ability to comply if details of all invoices issued must be uploaded to a government portal as they are issued from the ERP or accounting package, i.e., in real-time. Implementation and ongoing operational costs of managing real-time reporting would be significantly higher than the benefits sought through the new rules. We therefore urge the Irish Tax Authorities to consider instead a near real time approach. EU countries that have implemented Digital Automation such as Spain have allowed 4 days for the transaction to be reporting from date of issue.

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Thank you for considering our comments, including the request for a meaningful implementation period for Ireland's Real-time Digital Reporting and Electronic Invoicing. Stakeholder involvement, from start to finish, will ensure a successful transition and implementation for all parties involved. Our comments were prepared by TEI's EMEA Indirect Tax Committee, [redacted]

Yours faithfully,

[redacted]

[redacted]

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Attachment 1: About TEI

TEI is a nonprofit organization founded in the United States in 1944 to serve the needs of business tax professionals.[1] Today, the organization has 56 chapters spread across Europe, North and South America, and Asia, and our nearly 6,500 individual members represent over 2,800 of the leading companies in the world. A significant number of TEI's members are resident in EU Member States, including Ireland, and many of our non-EU members' companies also conduct business in the European Union.

TEI members are responsible for the tax affairs of their employers and must contend daily with provisions of the tax law relating to the operation of business enterprises in the European Union. TEI is dedicated to the development of sound tax policy, compliance with and uniform enforcement of tax laws, and minimization of administration and compliance costs to the mutual benefit of government and taxpayers. We are committed to fostering a tax system that works—one that is administrable and with which taxpayers can comply in a cost-efficient manner. We believe the diversity, professional training, and global viewpoints of our members enable TEI to offer balanced and practical comments on the questions raised.

1. TEI is organized under the Not-For-Profit Corporation Law of the State of New York, U.S.A. It is exempt from U.S. Federal Income Tax under section 501(c)(6) of the U.S. Internal Revenue Code of 1986, as amended. TEI is in the EU Transparency Register (No 52413445902-12).

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Attachment 2: Action steps for businesses implementing e-invoicing

Implementation of e-invoicing and other ViDA-related mandates are transformational and require fundamental change within organizations. Implementation is often led by the tax function, but touches and requires involvement of many other business functions, including finance, operations, procurement, and, importantly, IT. Because the interdisciplinary impact is significant, implementation takes time and is quite costly for businesses. Further, implementation cannot begin until final details of the legislation are published.

We have summarized below the various actions businesses must take to implement e-invoicing. Based on our experience with this and other mandates, a period no shorter than two full calendar years is required for implementation.

- Research and understand the new law, methodological norms, and technical requirements: Businesses need time to digest the legislative framework and engage consultants to assist with the implementation process. Next to understanding the Irish legal environment, businesses will need to consider the legislation in the European Union and any upcoming developments as well. Throughout the implementation processes, businesses may be confronted with specific business and systems circumstances which are not well defined in the legislation.
- Determine the scope of the e-invoicing implementation: identify the departments, suppliers, customers, and types of transactions that will be covered by e-invoicing.
- Analyze the current invoicing process: document the current invoicing process, including manual and electronic steps.
    - Businesses may have already implemented e-invoicing concepts, which may be continued or may not be applicable any longer.
    - Depending on their internal organization, many businesses, particularly those that have grown through mergers and acquisitions, have business units that use different ERP systems. This further complicates the process.
- Assess organizational readiness: determine the technical and operational capabilities of their organization to implement e-invoicing.
- Choose an e-invoicing solution: select an e-invoicing solution that meets the needs of their organization and complies with the local legal requirements.
- Update the accounting program, if necessary, to fit with the chosen e-invoicing solution.
- Choose an e-invoicing service provider: in many instances, e-invoicing requires involvement of one or more third party e-invoicing service providers.

- Vendor selection requires identifying and reviewing capabilities of potential service providers, understanding their approach, and evaluating the support services and tools they can offer.
- E-invoicing service providers must be evaluated for the quality of their services, the strength of their tools and reports, their agility in an ever-changing landscape, the security of data, the cost picture, and many other parameters.
- The majority of companies will go through a bidding process which is very strict in terms of content and deadlines and may take 3 to 6 months.

- Submit and receive approval of corporate budget request: implementation of e-invoicing, and digitalization and automation of processes in general, is extraordinarily expensive. Businesses are required to prepare an in-depth analysis of proposed implementation costs, both the set-up cost and ongoing running and maintenance cost, and request corporate funding to proceed with the project. The impact of technology implementation costs on a business's annual budgets is significant and will be considered in the organization's overall financial outlook.
- Develop a project plan that outlines the implementation steps, timelines, roles, and responsibilities.
- Assign a project team: Assign a team to manage e-invoicing implementation, including representatives from IT, finance, and procurement, accounts payable, accounts receivable.
- Create an e-invoicing policy and communicate it to all stakeholders.
- Conduct a pilot test with a small group of suppliers or customers to test the e-invoicing system: it is highly recommended that the implementation of a mandatory e-invoicing concept is preceded by a test period or a period where e-invoicing is optional under the planned framework. In this test period, beyond the technical aspects, key business processes should be tested.
- Evaluate the pilot test results and make necessary adjustments.
- Configure the e-invoicing solution (for the pilot and for the go live) to meet the needs of their organization. This requires several successive steps.
    - Step 1: Matching and mapping of all business scenarios in scope (+/-2 months)
    - Step 2: Develop and construct the system (+/- 1.5 months): this includes defining data requirements, including mandatory and optional data fields.
    - Step 3: System integration testing (+/- 1 month): a high-level testing in a test environment to ensure the e-invoicing solution functions as expected and meets the legal requirements.
    - Step 4: User acceptance testing and defect resolution (+/-2 months): an in-depth test that simulates what developers expect the process and solution would go through in a production environment by the key user. This includes a non-negative impact test and stress test where required.

- Step 5: Move to production environment and production cut over planning (+/- 1 month)

- Communicate the implementation plan: communicate the implementation plan to all stakeholders, including suppliers, customers, and internal departments.
- Provide training to employees, suppliers, and customers on how to use the e-invoicing solution.
- Develop templates for e-invoices that meet the legal requirements and include the necessary data fields.
- Define approval workflows: define approval workflows for e-invoices, including who is responsible for approving invoices and the approval process.
- Re-engineer invoice receipt, control and booking process and tools, including integration with ERP and accounting systems.
- Define payment workflows: define payment workflows for e-invoicing, including how payments will be processed and when they will be made.
- Interoperability of formats: businesses may struggle to convert the different e-invoicing formats into a format that is readable and can be processed in their systems.
- Monitor and measure performance: monitor and measure the performance of the e-invoicing solution to identify areas for improvement.
- Issue resolution: address any issues that arise during the implementation and operation of the e-invoicing solution.
- Continuously improve the e-invoicing process based on feedback from stakeholders and performance metrics.

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Attachment 3: Additional information on real-time reporting

(a) Efficient enabling of automation for both tax administrators and companies, while respecting proportionality between administrative burden and safeguarding VAT revenues

We encourage the Irish Tax Authorities to consider all possibilities of removing legacy administrative requirements, such as the annual Return of Trading Details form, that will be superseded by the new digital reporting requirements. Many companies utilize highly sophisticated ERPs, such as Oracle/SAP, and this along with the ongoing digitization of indirect taxes and compliance should eliminate the usefulness and thus the need for these outdated forms.

TEI members would welcome a high threshold for requiring implementation of full digital reporting requirements, thereby eliminating the requirement for small or overseas businesses. When businesses consider expanding into new markets, regulatory compliance costs are a factor, and by setting a high threshold, the Irish Tax Authorities would acknowledge the high cost to business of implementing a full, real-time reporting solution.

(b) Respect of existing business processes and generally used IT system designs to the greatest extent possible, thereby allowing VAT systems to be built upon existing systems

A successful real-time reporting system will require efficient links/interfaces between businesses' main ERP systems and the Irish Tax Authorities' systems. We encourage the Irish Tax Authorities to work closely not only with businesses but also with ERP providers such as Oracle and SAP to build the necessary reporting interfaces.

It would also be helpful for the Irish Tax Authorities to publish, as quickly as possible, detailed technical specifications that can be used by the IT personnel charged with implementing the system changes necessary to support real-time reporting.

Some jurisdictions have made software available for small businesses to utilize rather than requiring them to purchase additional software to be compliant. This would reduce the overall cost of doing business in Ireland, as well as the burden of selecting a service provider.

(c) Achieving efficiency through stakeholder (i.e., business) collaboration from the technology design all the way towards implementation

One area of concern relates to the ability of the Irish Tax Authorities to receive large quantities of information easily and efficiently. Online platforms and other service providers may have extremely large quantities of invoices to report, and the ability to upload this information efficiently and with minimal

manual intervention (e.g., eliminating the need to make multiple uploads due to file size) is an important consideration.

Document archiving and retention time is another area that will require attention. For example, in Poland, data archiving is provided by the local tax authorities on their own portal, removing the requirement for companies to maintain a separate database for e-invoices.

(d) Standardisation across the EU, creating one system/process that can be used in every country and for all transactions (goods, services, domestic, intra-community, etc.)

Countries have adopted different clearance models for reporting and e-invoicing portals, and it is not clear which model Ireland is considering. In jurisdictions using partial clearance portals, sellers upload invoices to the tax authority's portal and also send the invoice to the purchaser. The purchaser may be required to confirm that a certain invoice has been uploaded to the portal prior to reclaiming the VAT (similar to the model in India). In jurisdictions using full clearance portals, the seller uploads invoices to the tax authority's portal, and the purchaser downloads them (similar to the Italian Sistema di Interscambio or SDI system). TEI members have observed advantages and disadvantages for each model. When selecting a model, it will be crucial for the Irish Tax Authorities to recognize how the proposed model impacts interactions between Irish businesses. Changes that affect how suppliers interact with customers or receive payment should not be underestimated.

TEI members welcome the opportunity to engage in a more detailed dialog with the Irish Tax Authorities on this matter. Regardless of the model ultimately adopted, the approach for both domestic and intra-community supplies should be consistent with the ViDA proposal as a standardized approach across EU Member States will reduce administrative burden and compliance costs for companies.

(e) Closed list of data-points across the European Union, ensuring availability of the required information and allowing for more flexibility while limiting administrative costs

An important aspect of data sharing is the format and the quantity of the data to be provided and what information is required for each business type, i.e., B2B/B2G/B2C.

Currently in Europe, data is exchanged in XML format. Countries, however, have different customized formats, such as:

- XML standard used in Hungary
- FatturaPA used in Italy
- FA_VAT used in Poland
- UBL 2.1 / SR EN 16931 used in Romania
- Facturae, EN 16931 used in Spain

The different interface formats require companies to provide details in addition to the basic required invoice fields that can vary from country to country. The Irish interface should, to the greatest extent possible, align with the ViDA proposal and should not require reporting of redundant information.

In addition, certain countries define certain fields as "conditional," which allows companies to provide a blank value on the interface file and still upload the transaction to the tax authority portal. Other countries have made fields mandatory, requiring companies to provide a value in order to upload the transaction. In practical terms, it is often more efficient to upload transactions with the information available and provide other required information at a later stage when available, rather than removing invoices from the feed altogether.

Member States have also taken different approaches in relation to entities that are non-resident VAT registered taxpayers, i.e., multinationals with one or two fixed establishments. Some Member States require these entities to implement e-invoicing/real-time reporting, but others have provided exemptions for non-resident entities. As already mentioned, we urge the Irish Tax Authorities to adopt a high threshold for requiring implementation of full digital reporting requirements, thereby eliminating the requirement for businesses with a low level of Irish activity.

Because many entities will be uploading large volumes of information from the Irish portal, the Irish Tax Authority should consider taxpayers' ability to view and react to information in the portal. The current ROS system is generally user-friendly, but there are limitations, e.g., emails from the system do not identify the taxpayer or the nature of the alert. We welcome the opportunity to discuss best practices with the Irish Tax Authority to ensure the Irish portal is useful and efficient.

(f) Allowing for corrections based on the universal acknowledgment that reporting solutions are dependent on master-data where errors can inadvertently be made but, upon detection, should allow for an easy and efficient correction process

The ability to easily correct/update submissions is particularly important with real-time reporting because businesses may not have the opportunity to review system-generated information before it is reported which is common practice when a VAT return is prepared. Certain prior Irish Tax submissions require re-submission of an entire period or return to correct a single line/transaction. Rather than following this approach, which would be quite burdensome when a large number of transactions are involved, businesses should be allowed to make corrections at multiple levels, e.g., at the invoice level, all invoices for one customer, all invoices of a particular transaction type or date set, etc.

(g) Guaranteeing data-security when requiring the transfer of personal and business confidential information outside a company-controlled IT environment

Companies face ever-increasing scrutiny regarding the management of customer data, particularly for B2C transactions. To assist businesses with explaining data sharing requirements to their IT security and legal teams, as well as to their customers, it would be helpful if the Irish Tax Authorities were to publish

information on how the government manages this data, the security of the government's data management systems, and the legal requirements for businesses to share the information with the Irish Tax Authorities.

(h) Respecting implementation time required when translating reporting obligations into IT requirements and actual implementation

As set out above for e-invoicing, allowing an appropriate amount of time for implementation, a period of at least two years, will increase the chances of a successful implementation for both the Irish Tax Authorities and businesses.