

Embrace the new e-invoice, harness your digital transformation

On 30 November 2021, Chinese tax authorities in Guangdong, Shanghai and Inner Mongolia announced the launch of the pilot program for fully-digitalized electronic invoices (FDEIs) in selected regions from 1 December 2021. The State Taxation Administration (STA) has established a nationwide online platform to enable pilot taxpayers to issue, deliver, and validate FDEIs at all times and free of charge. Unlike prior pilot programs for electronic invoicing (which to a certain extent have mirrored the traditional administrative process for paper invoicing), the new pilot program aims to achieve "full digitalization" for the management of invoices, which could bring far-reaching changes to the daily operations of businesses as well as to tax administration.

As a professional institute determined to contribute to the development of tax and digitalization, Deloitte China assists you to unlock the opportunities of FDEIs and harness your digital transformation.

Major impact	Our advice	Our services
<p>Convenient issuance and delivery As traditional procedures are no longer applicable to the pilot taxpayers, they can now issue and deliver electronic invoices via the "tax digital accounts" automatically, closing in to materialize centralized invoice management.</p>	<p>Developing a tailored invoice management process Businesses are advised to choose a suitable invoice management process based on their own situation, explore the feasibility to adopt a centralized management or shared services model, and note the possibility to reduce timing difference between sales recognition and invoice issuance.</p>	<ul style="list-style-type: none"> • Process review and upgrade services; advisory services in terms of finance and tax personnel responsibility allocation and adjustment • VAT invoice issuance services through a centralized and automated approach to reduce operating cost
<p>Elevated requirements on internal risk management due to the credit system Pilot taxpayers are granted automatically with the single ceiling on the total monthly invoicing amount with dynamic adjustments based on the "credit +risk" management system and the taxpayers' business, invoicing and tax reporting status.</p>	<p>Improving internal tax risk management The ceiling amount for issuing FDEIs is directly affected by the tax compliance rating. Businesses are advised to make efforts to alleviate risk while reinforcing their internal control-management to ensure compliance.</p>	<ul style="list-style-type: none"> • Tax internal control system construction and tax compliance review • Assistance with the tax authority communications to facilitate the adjustment of ceiling amount for issuing FDEIs
<p>Customized invoice elements as a new approach for invoice management Businesses are allowed to add self-customized invoice elements on FDEIs, such as numbers or codes of contracts, orders, delivery notes, revenue center, etc., so as to meet internal management needs and enable free-flow and orderly exchange of business, finance, tax and invoice data.</p>	<p>Leveraging self-customized invoice elements Businesses are advised to plan ahead the design of the elements serving internal and external management needs so as to reduce data governance cost and lay foundations for utilizing invoicing data in future.</p>	<ul style="list-style-type: none"> • Assistance to improve operational efficiency through the professional accounting and tax lenses, including tax big data analysis, scenario planning, transfer pricing analysis, tax cost analysis and efficiency and tax risk control
<p>Management of the entire lifecycle of an invoice The new feature to track whether an FDEI has been posted to pilot taxpayers' accounts for bookkeeping purpose urges businesses to accurately record the status of invoices in their internal systems and sync with the online platform.</p>	<p>Upgrading ERP system to integrate multiple work processes Businesses are advised to upgrade their enterprise-resource planning (ERP) systems and establish "invoice pools" so as to realize the integration of multiple invoice-related work processes in different functions (e.g., financial accounting and tax management).</p>	<ul style="list-style-type: none"> • Assistance with the program design and implementation of "invoice pool" • VAT invoice management services, including invoice collection, invoice verification, VAT accounting and input VAT credit, through a centralized and automated approach to reduce operating cost
<p>Promotion of archiving electronic accounting files (e-archiving) FDEIs and e-archiving of accounting files are closely related and call for competent technology solutions that can satisfy the e-archiving requirements and facilitate their internal management.</p>	<p>Developing technology solutions for archiving Businesses are advised to get prepared and develop a system for e-archiving accounting files to meet the needs of FDEIs management and realize the digital upgrade on accounting file management in the long-run.</p>	<ul style="list-style-type: none"> • Assistance with the establishment of internal management policy and process of the e-archiving of accounting files • Construction of the e-archiving system
<p>More invoice management solutions within the new eco-system of FDEIs A nationwide online platform is accessible by any qualified businesses and third parties per the STA standards made public. This terminates the era of reliance on certain special software and devices and relevant suppliers under traditional administrative process.</p>	<p>Planning ahead on the invoice management system Businesses are advised to establish a seamless connection between their internal systems and the "tax digital accounts" in the online platform to achieve the fully-digitalized invoice processing flow.</p>	<ul style="list-style-type: none"> • Assistance with the development of technology solutions (e.g., building an advanced and comprehensive invoice & tax management system) to help automate the invoice process and risk control.

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