



Day 2: Session 5

Invoice Management

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Introduction

AUTOMATION

Automate as much as you can but in a smart way.

HIGH VOLUMES

How to deal with high volumes of invoices in an efficient but in a tax (indirect tax) compliant way?

CHANGE MANAGEMENT

Prepare a proper business case for automation and ensure all stakeholders are engaged.

LEGISLATION

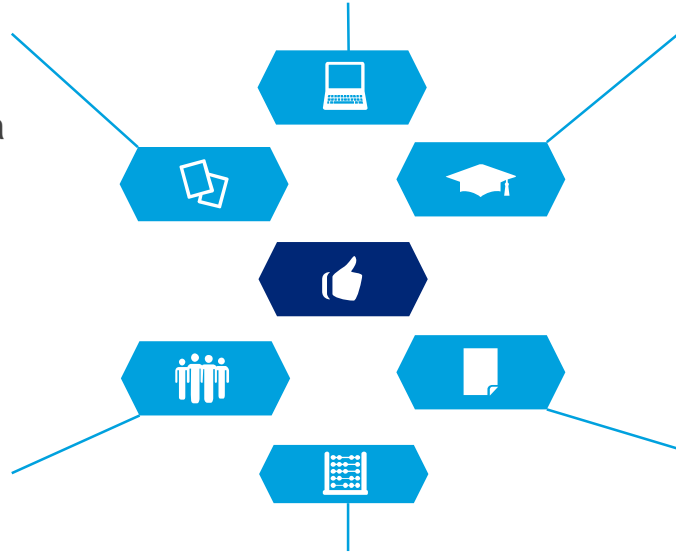
Rules and regulations differ between countries, therefore need to be aware in order to stay compliant.

REPORTING

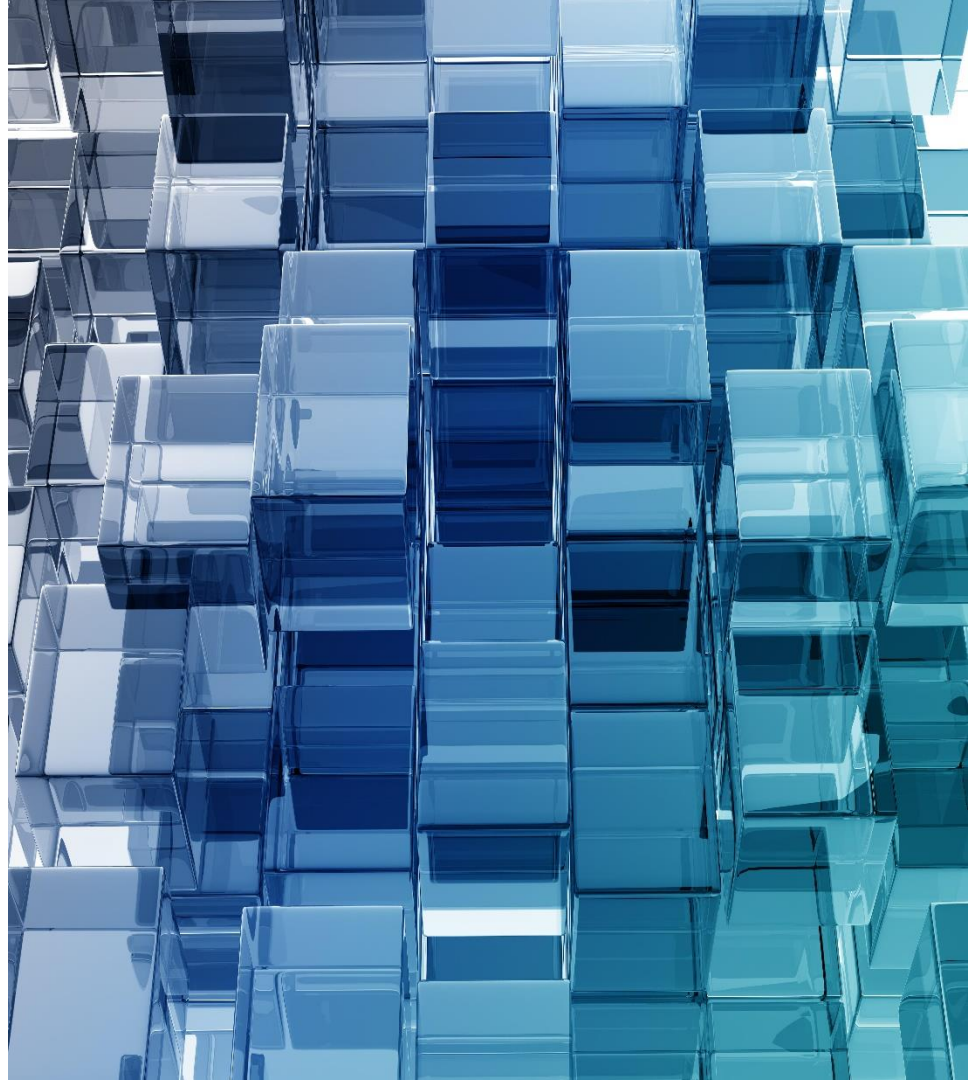
Indirect tax reporting could be largely automated with the right data and systems.

ANALYTICS

Set up in such way that invoices can be easily checked in an automated way.



Sales invoices



Sales invoices







How to deal with sales invoices in an efficient and tax compliant way?

Things to consider...

- Invoice lay out
- Tax code determination
- Exchange of invoices to customers
- Storage of your sales invoices
- E-invoicing
 - E-mail with PDF
 - Point to point communication
 - Use of a portal
 - Use of a platform
 - Paper

Sales invoices

E-invoicing in Asia Pacific:

Country	E-invoicing permitted?	Comments
China		Handled by Golden Tax System
Hong Kong		
Japan		Storage in Japan required
Singapore		Mandated since 2008
South Korea		
Taiwan		Requires government approval

Sales invoices – lay out of your invoices

The importance of the lay out of your invoices is often underestimated.

An invoice needs to be...

- **Clear** - not open to interpretation
- Is a document that your customer receives and needs to work with
- **Compliant** with tax law at minimum
 - Extra fields can be very useful
 - Internally
 - And for the customer
- Is customer using Optical Character Recognition (**OCR**)?
 - You may not know but a lot of companies do nowadays
 - Then your invoice lay out matters e.g. templates, standard ERP lay outs

Sales invoices – tax code determination

Typically all parameters are known to have a tax code determined automatically by the system.

A typical SAP example:

	CoD	CoA	MTC	CTC	+	Tax code
E.g.	BE	BE	1	1		A1
E.g.	BE	BE	2	1		A0
E.g.	BE	AT	1	1		A2

Sales invoices – tax code determination

Standard tax code determination is made more and more intelligent through

- Extra parameters
- Use of specific tax code determination software such as bolt-ons, also for Asia Pacific

A typical SAP example:

	CoD	CoA	MTC	CTC	+	e.g. INCO Term	Tax code
E.g.	SG	SG	1	1		EXW	A1
E.g.	SG	SG	1	1		FCA	A0
E.g.	SG	PH	1	1		DAP	A2

Sales invoices – tax code determination

Typical pitfalls

- Limited determination
- Only core business → non-core business may generate invoices manually
- Lack of documentation
- Lack of training
 - Users are not tax experts or fully aware of implications of miscoding
 - Knowing what the system does or does not do can prevent issues

Sales invoices – electronic invoicing

- Buyer consent
- Authenticity of origin
- Integrity of contents
 - Paper and electronic invoices
 - Legibility
 - Rules can apply from issue until the end of storage period
- Electronic signature
- Definitions
 - Authenticity of origin = Assurance of the identity of the supplier or issuer of the invoice
 - Integrity of contents = Contents has not been altered

Sales invoices – storage

By law invoices need to be stored for a period – depending on country

Legislation can require that...

- Authenticity and integrity can be guaranteed during the entire storage period
- Location of storage e.g. For Japan invoices can be stored within Japan (online access required). Paper often needs to be kept locally.
- Legibility

- Practicalities

- Do we have to print copies of invoices issued?
- Depends. Some countries allow that copies are archived electronically

Purchase invoices



Purchase invoices

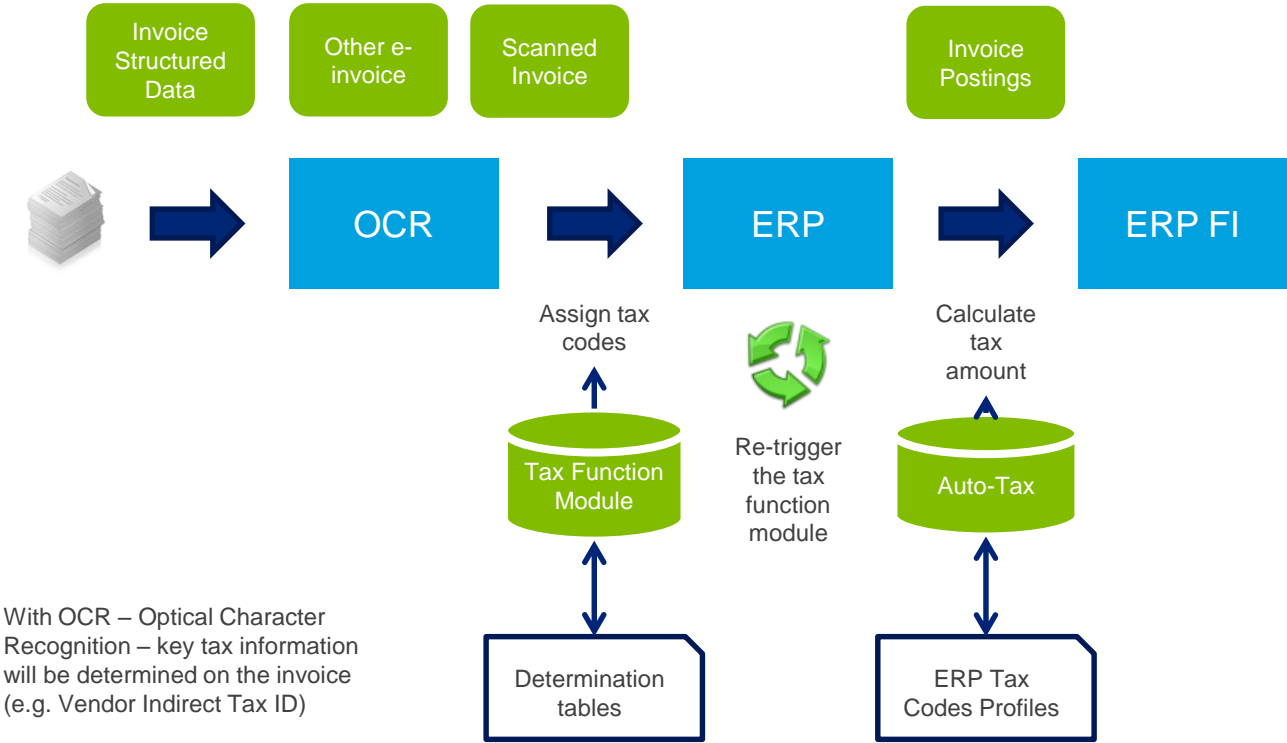
How to deal with purchase invoices in an efficient and tax compliant manner?

Things to consider:

- Each invoice received must be posted and tax code assigned
 - **tax code determination**
- Each invoice you receive needs to be entered in your accounting
 - **ideally in an automated way. E.g. via e-invoicing**
 - But also have a solution in place to deal with paper invoices efficiently.
- Self-billing avoids that you have to enter the invoice in your accounting
 - **can be automated**

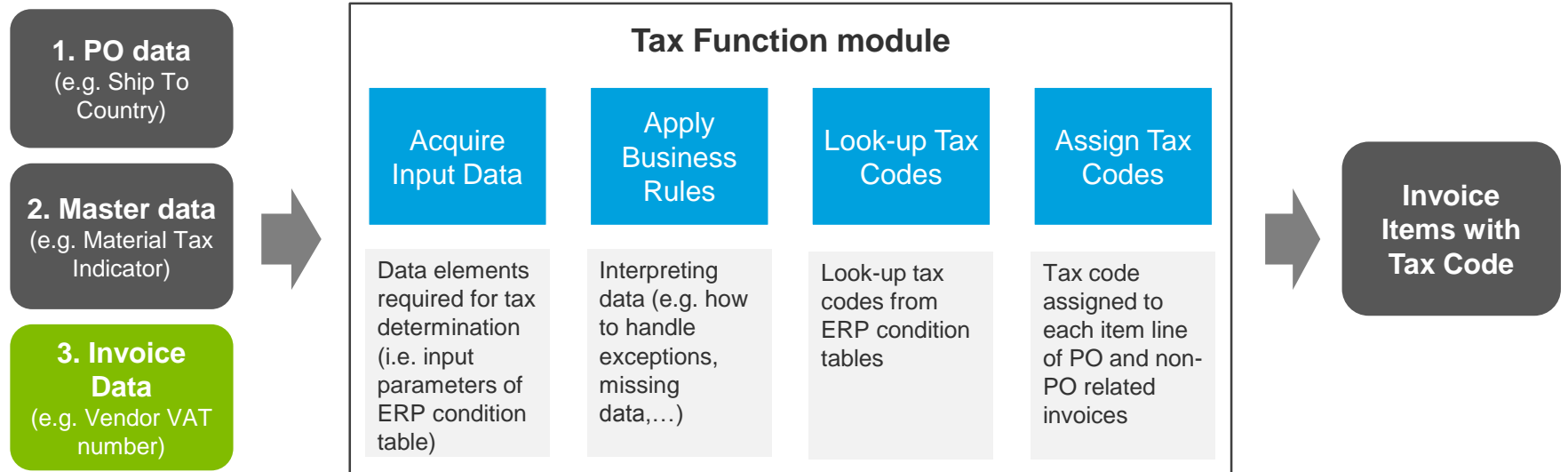
Purchase invoices - tax code determination

An example:



With OCR – Optical Character Recognition – key tax information will be determined on the invoice (e.g. Vendor Indirect Tax ID)

Purchase invoices - tax code determination



Purchase invoices – e-invoicing

Rules for e-invoices for Purchase invoices generally are the same as for Sales invoices.

Some key considerations:

- PDF invoices received via e-mail can be opened in an automated way (e.g. e-mail connector) and processed by means of OCR.
- A portal (PO flip over) makes invoices easier to post/process in your ERP system.

Purchase invoices – storage

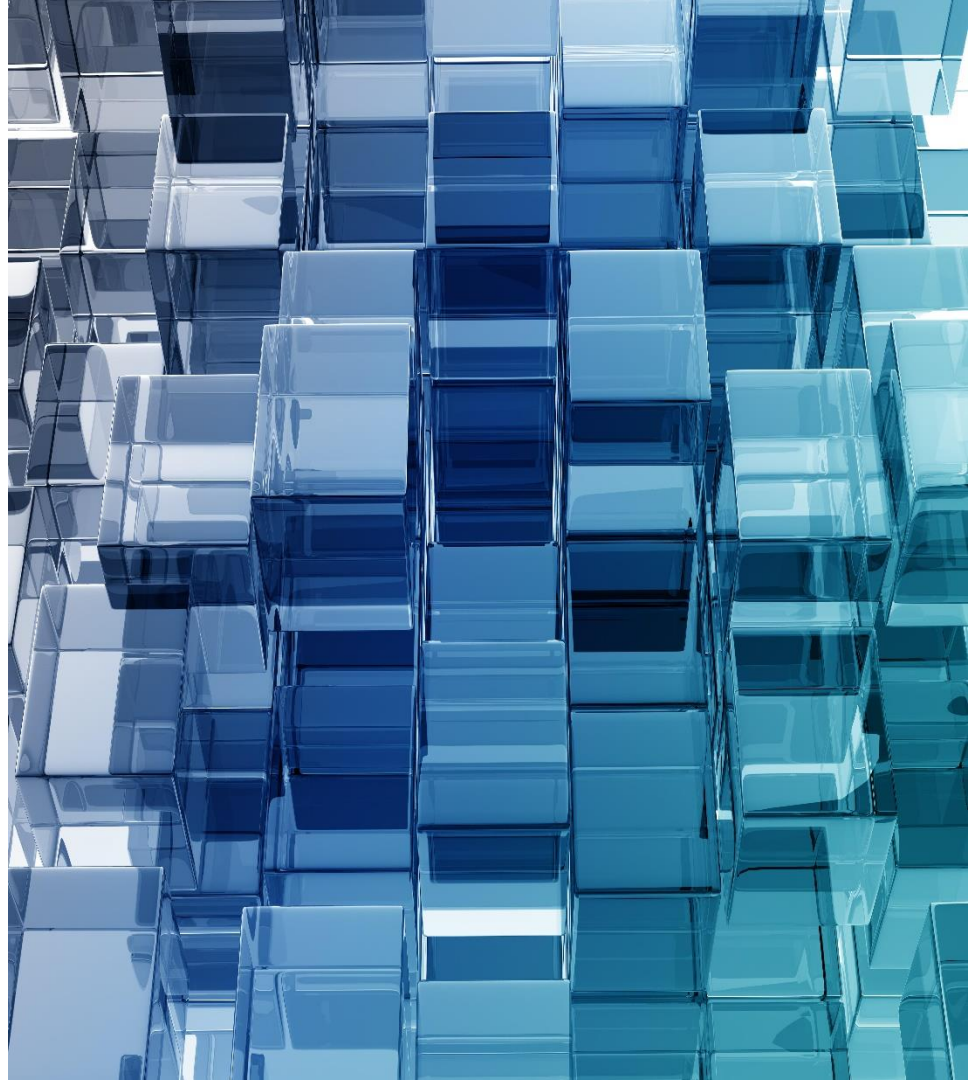
- In order to keep only the scanned images, **specific requirements** need to be met, which are **country dependent**.
- Place where invoices are sent to for processing. Is it allowed to send invoices abroad?

Purchase invoices – self-billing

Invoices may be **drawn up by the customer**, where there is

- A **prior agreement** between the two parties AND
 - Prior means before first self bill is issued
- provided that a procedure exists for the **acceptance of each invoice** by the supplier.
 - Both parties must be able to demonstrate the existence of the agreement separately to the tax authorities
 - Acceptance can be done implicit or explicit:
 - E.g. by paying

Other relevant documents

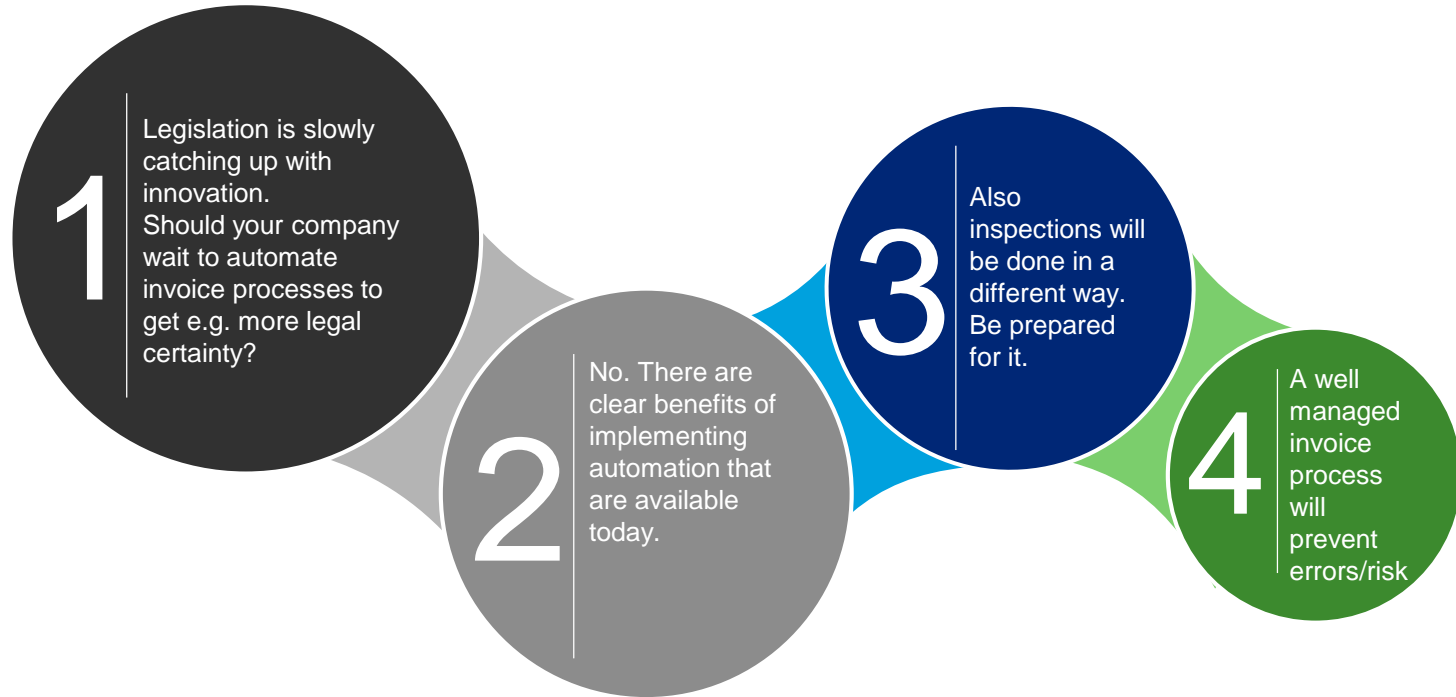


Other relevant documents

Your company will receive other documents than invoices which will have a tax impact:

- Expense note
 - Digital expense notes
 - Tax refund claims
- Customs documents
 - Import & Export declarations

Summary



Questions?





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