

# Sage Group PLC response to Revenue consultation on 'Modernising Ireland's administration of Value-Added Tax (VAT)'

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

Sage strongly supports Revenue's proposal to modernise the tax administration through the use of mandatory e-invoicing. We believe that, if implemented well, such a policy can benefit all stakeholders as well as the wider Irish economy.

Revenue will benefit through access to near-real-time, transactional level data allowing them to better understand the current performance of the economy, identify potential fraud and errors, improve tax collection revenue and reduce the tax gap. France is set to gain €4.5 billion in tax revenue by 2024 through e-invoicing. On the other hand, the delay to Making Tax Digital in the UK, which whilst not an e-invoicing mandate, is a mandate for digitalisation, means that HMRC won't see an extra £3.9 billion in tax revenue until 2033.

In addition, the e-invoicing data can be used to deliver more targeted and timely policy updates by government.

Irish businesses will benefit from the significant efficiency gains of automation which will save them time and money whilst also helping them get paid quicker. Research shows that on average, SMEs get paid 7 days faster through e-invoicing. However, 82% of SMEs still use manual processes and spend between 10 and 36 pays per month on invoicing.

In addition, e-invoicing provides businesses with access to accurate and complete data that supports them in accessing finance and other innovative solutions.

We also believe that adoption of e-invoicing will ensure that Irish businesses remain competitive internationally as other jurisdictions adopt e-invoicing as a default approach.

## 2. What matters should be considered in planning for a transition to a new VAT Reporting system?

The following matters should be considered when transitioning to a new VAT reporting system based on mandatory e-invoicing:

- **Governance** – the legal texts, policies and procedures that need to be clearly defined and available in advance of any mandation date to ensure that businesses and software vendors have time to prepare and can transition in a cost-effective way to new ways-of-working.
- **Network** – the technical infrastructure that will be required for both B2G and B2B activity to enable businesses to interact with each other and with government departments whilst supporting the required reporting of tax data to Revenue. Will Revenue follow the Peppol 4 corner model to enable the flow of business data, and integrate with Access Points to extract the data needed for tax reporting or will Revenue be providing a central platform to aid this process? Consideration should also be given to any accreditation or certification that may be

required including security standards (e.g. ISO 2700x) and Revenue accreditation lists etc. Revenue should also consider if a free public platform/access point will be provided that supports the needs of simple or small businesses with small numbers of transactions and whether this can be consumed/extended through commercial access points i.e. through APIs as well as manual entry. Sage notes that France, Spain, Singapore and Malaysia have all provided or plan to provide a free public access point.

- **Specifications** – Which document formats will be permitted under mandatory e-invoicing (e.g. EN 16931, UBL, Edifact, CII etc) and will unstructured electronic invoices such as PDF or e-mail be permitted (presumably not to ensure compliance with the EU VAT in the Digital Age proposals). Will additional data need to be included beyond that needed for VAT invoices?
- **Compatibility with EU VAT in the Digital Age (ViDA) proposals** - We would encourage Revenue to ensure all elements of the new regime are likely to be compatible with the EU ViDA draft directive to avoid disruptive change in the lead up to mandation. This includes ensuring that e-invoices are EN 16931 compatible and e-invoices do not require non-technical clearance.
- **Authenticity and integrity** – How will taxpayers ensure the authenticity and integrity of invoice data? Will Revenue mandate the use of digital signatures and to what specification? Or perhaps chaining of invoices or QR codes on materialised versions of invoices that the buyer can use to verify the content of an invoice matches the details submitted to Revenue. We would suggest studying the requirements currently being implemented in Spain under their ‘anti-fraud law’ as a robust example of how a tax authority ensures authenticity and integrity of invoice data.
- **Payment data** – Will Revenue follow other jurisdictions and extend the core invoice business flows to also include settlement details such as payment status and payment due and paid dates. This additional data can be used by businesses to simplify their reconciliation process making Accounts Receivable processes less costly and also permit Revenue to monitor for businesses that typically pay their suppliers late, a challenge for many SMBs who suffer from larger organisations exceeding payment terms. Spain are leading the way in respect of this and are rolling out mandatory e-invoicing with the primary objective of reducing payment times.
- **Data retention responsibilities** – Revenue should consider if it is beneficial to government and businesses to mandate that e-invoice (and potentially payment) data is digitally archived for a pre-defined period and if so, if the mandate is applied to the seller, the buyer, or the access point each counterparty uses. Revenue should also consider whether any such requirements can be satisfied by the mandatory submission of invoice data to a ‘public platform’ as part of e-invoice transmission. Digital archives will simplify any Revenue investigations but also create a strong digital foundation for businesses to leverage other benefits such as access to financial services and obtaining business advice, supporting the long-term growth of the Irish economy.
- **Data localisation** – Revenue should consider its approach to ensuring that tax and other data is available to support investigations and audits. Sage has observed that whilst most jurisdictions rely on the taxable party being responsible for providing the data when required, some jurisdictions have imposed additional requirements. For example, Germany, requires taxpayers to obtain permission from their tax office if the data is to be stored outside of the EU, or France has introduced their SecNumCloud standard.
- **Unique identifier and directory access** – Critical to the success of any e-invoice approach is the ability for counterparties, regulators such as Revenue and financial institutions to uniquely

identify each counterparty and for the counterparties to be able to discover how to route electronic information correctly. Revenue should consider what identifiers to use to support B2G, B2B and B2C (eventually) activities, including import and export. In addition Revenue should consider what type of directory will be implemented (to let counterparties register how they receive data, their electronic “address” etc), who will be permitted to update this data, and any restrictions surrounding the use of data stored in the directory. The approach should be flexible enough to support transactions between different departments in a single VAT entity or VAT group. We note that France will utilise both Siren and Siret numbers which provide more detailed routing than just a VAT number.

- **Support for small businesses** – As Revenue have called out themselves, small businesses will have different perspectives and needs compared to larger businesses and this must be factored into the mandate planning. Revenue should consider how small businesses are engaged and educated on the benefits of e-invoicing, what they need to do to prepare and what, if any allowances, should be made to support small businesses in their transition. We would encourage Revenue to work with software providers on this latter point to ensure that the quality and ease of use of e-invoicing solutions offered to small businesses meets required standards.
- **Phasing** – How do Revenue plan to phase in the mandate? Sage notes the following examples from other jurisdictions publicly shared plans:
  - France plan to mandate the ability to receive an e-invoice for all businesses from day 1 while then phasing in the ability to send by size of business.
  - Spain is phasing the mandate to both send and receive. They have mandated the inclusion of a readable invoice for the first 12 months to bridge the gap between businesses who fall within and outside of the mandate.
  - Germany plans to remove the need to get permission from a customer to send structured electronic invoices two years before any mandation but require that during this phase suppliers will need to get permission from their customers to send unstructured electronic invoices (such as PDFs or text emails).
  - Singapore, Japan, Australia and New Zealand have removed the need to obtain permission from a customer to send structured electronic invoices without any published mandation data for the use of e-invoicing and instead have run government funded marketing campaigns to educate businesses on the benefits of moving to e-invoicing. This has had different successes, with Japan and Singapore reporting very high adoption whilst take-up in Australia and New Zealand is understood to have been slower.

### 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 believe we have covered all relevant points in our answers to questions 2 & 4.

#### 4. Have you any observations, concerns or recommendations on a move to mandatory electronic invoicing for B2B & B2G domestic VAT transactions?

Sage supports our SMB customers in meeting their business objectives and legal obligations in many jurisdictions around the world. Sage is constantly monitoring changes in best practice and reporting obligations (including DRRs and CTCs). Sage is currently engaged in extending our capabilities to support the forthcoming mandates in France, Spain, Germany, Poland and Malaysia in relation to e-invoicing and shares the following observations in terms of best practice, recommendations and lessons learnt from our interactions with the different tax authorities and regimes to date:

- **Stability of policy and timetables** is key in ensuring all stakeholders can reasonably prepare for the mandate and in ensuring underlying confidence in the programme remains high. The change and uncertainty of mandation dates across many EU regions has been difficult and costly to navigate for both service providers and businesses. We would strongly encourage Revenue to set a realistic and achievable timetable, including appropriate phasing, that has the buy in of all key stakeholders including Revenue who will need to provide core platform functionality and architecture. The timetable should include sufficient time for review and consultation periods, testing cycles and then taxpayer education and roll-out.
- **Tools for testing** – The right tools for robust and meaningful testing including the availability of technical sandboxes, test environments and test data are key to the successful preparation and implementation of e-invoicing. We would encourage Revenue to ensure these tools are available in a timely manor in advance of any pilot testing.
- **Pilot testing** – We would encourage Revenue to run a robust pilot phase in order to build confidence amongst stake holders and to fully test end to end journeys in a meaningful way. Any pilot programme for e-invoicing will be complex and will require the joined-up participation of multiple stakeholders to deliver a full eco-system. We would encourage Revenue to give early consideration to how best achieve the goals of a pilot programme and work with stakeholders to plan accordingly.
- **Stakeholder engagement and working in partnership** – A successful role out of mandatory e-invoicing will require Revenue and service providers to work arm in arm to ensure a consistent and cohesive message is being communicated to taxpayers in advance of mandation. We would therefore urge Revenue to work with service providers as trusted partners.
- **Understanding that e-invoicing will succeed or fail based on the availability and quality of taxpayer data** – The process of effectively preparing for e-invoicing for most taxpayers will come before mandation and even before any pilot. It will be in the adoption of digital record keeping or in the cleansing of data for those already maintaining digital records. Its ensuring that customer and supplier data is up to date and in the correct format and in the right fields. These tasks take time and require service providers to have early visibility of technical specifications to ensure we can offer the best and most innovative solutions to support customers through this process.
- **Timely availability and stability of detailed specifications and general guidance** is critical for success. In order for all of the above points to be realised, service providers will require ample lead times (Sage suggests at least 18 months) to review final detailed technical specifications and general guidance.

- **Don't introduce too much at once** – We would support Revenues proposal to focus on domestic B2B and B2G transactions for an initial phase. We believe that the approach taken in some other regions such as France who have tried to address all transactions including B2C and international via a single mandate, has led to a slower pace of progress and ultimately contributed to delays.

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?

We believe this question is seeking the views and experiences of taxpayers and is therefore not applicable to Sage as a software provider. However, we would reiterate that in terms of our own preparation for providing e-invoicing solutions throughout Europe our biggest challenges to date have been:

- the stability of policy and timelines
- availability of detailed specifications and general guidance
- The availability of technical sandboxes and test environments.

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

We believe we have covered all relevant points in our answers to questions 2 & 4.

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?

We believe this question is seeking the views and experiences of taxpayers and is therefore not applicable to Sage as a software provider.

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?

Yes – We are responding as a software provider.

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

As a champion of small and medium-sized businesses, Sage advocates for policy change that will make it easier and more efficient to start and grow a business. Today running a small business can be complex and time consuming with a lot of manual tasks and excess admin like chasing payments and filing taxes. Over 80% of all invoices are still delivered as a PDF in email, and SMEs waste between 10-36 days each month doing invoices. That's where e-invoicing plays a key role in ending years of inefficiency by automating this task between businesses, meaning humans are no longer relied on to complete manual processes to enable cash and goods to move across the economy.

Over the last decade, technological advances have played a substantial role in reducing the impact of slow or late payments. Accounting software has helped to accelerate the pace of which invoices are being paid by making critical information available. As late payments have a significant and adverse effect on cash flow, jobs are lost, and entrepreneurship is stifled.

Across the EU, US and beyond there has been a slow but steady increase in the use of digital technology to support invoicing and tax reporting. In recent years this has been accelerated through the mandation of e-invoicing for B2G and B2B transactions in various jurisdictions as well as other compliance drivers, such as Making Tax Digital in the UK and SII in Spain. This is driving all sectors to adopt modern financial software to record, process and report transactions and manage payments.

Most governments are prioritising digitisation, as we see in the EU through their Digital Decade strategy. In fact, the UK, Switzerland, and Iceland are the only OECD countries to not have e-invoicing on their roadmap to some extent whether that be domestic mandation, mandation through ViDA or actively encouraging and supporting voluntary e-invoicing.

Sage will offer a market-leading e-invoicing solution to ensure customers can comply with e-invoicing and digital reporting requirements under the EU VAT in the Digital Age (ViDA) proposals and the requirements of domestic mandates in individual countries as they come into effect.

Sage is closely monitoring updates in relation to global legislation in this area, for example in France where e-invoicing is expected to be mandated from 2026, having been delayed from its original timeline of July 2024. Sage has registered its intent to be a Partner Dematerialisation Platform (PDP) with the French regulator and is investing in product development to deliver the capability as part of its strategy to enable digital transformation for SMBs.

E-Invoicing will be offered as a core part of the highly innovative Sage Network – a cloud-based solution which SMBs will access from their existing Sage product to provide a simple and secure way to send, receive and track their incoming and outgoing e-invoices through its platform.

### **About Sage:**

Sage exists to knock down barriers so everyone can thrive, starting with the millions of small and mid-sized businesses served by us, our partners and accountants. Customers trust our finance, HR and payroll software to make work and money flow. By digitising business processes and relationships with customers, suppliers and employees, banks and governments, our digital

network connects SMBs, removing friction and delivering insights. Knocking down barriers also means we use our time, digital tech and expertise to tackle digital inequality, economic inequality and the climate crisis.