

You and the Taxman

Embracing the era of electronic invoicing

E-invoicing is becoming a top priority for tax administrations globally. Many countries have already implemented some form of e-invoicing in recent years. By the end of the decade, many more are expected to do so.

While the terminology “e-invoicing” is used generically and involves typically an exchange of invoice data between a supplier and a buyer in a structured format, the intent of implementation and the system adopted may differ greatly from one country to another.

In some jurisdictions, e-invoicing has been one of the key solutions to counter tax evasion and fraud where tax compliance is generally low.

For others, e-invoicing is seen as part of the digital business transformation process to drive efficiency with the elimination of manual data entry, which is error prone, and at the same time, accelerate invoice processing and payment turnaround by reducing the time taken to generate, send and process invoices.

In Southeast Asia, countries such as Indonesia, Thailand, Malaysia, Vietnam and the Philippines have implemented or are in the process of implementing e-invoicing systems.

E-Invoicing in Singapore

Recognising the benefits of digitalisation, Singapore implemented the nationwide e-invoicing network in 2019 by adopting the Peppol framework. The e-invoicing network was renamed as InvoiceNow in September 2020. The Infocomm Media Development Authority (IMDA), the Singapore government agency driving the e-invoicing initiative, became the first Peppol Authority outside of Europe to support the exchange of business documents electronically.

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InvoiceNow is a four-corner model where invoices that are sent out by the supplier (Corner 1) will be converted into the common standard at its access point (Corner 2). The SG Peppol Directory will provide the supplier with the necessary information to identify the customer's receiving access point (Corner 3) for the e-invoice to be sent through the Peppol network. Corner 3 will then map the e-invoice into the preferred format of the customer (Corner 4).

On 15 April 2024, the Inland Revenue Authority of Singapore (IRAS) announced its plan for phased adoption of GST InvoiceNow requirement for tax administration by requesting GST-registered businesses to transmit invoice data to the IRAS using InvoiceNow solutions. This requirement will be implemented gradually as follows:

- **1 May 2025:** Soft launch for early adopters who wish to transmit invoice data to the IRAS using InvoiceNow solutions
- **1 November 2025:** Newly incorporated companies that register for GST voluntarily
- **1 April 2026:** All new voluntary GST registrants, regardless of the date of incorporation or business constitution

Businesses that are on InvoiceNow will be required to transmit invoice data to the IRAS using InvoiceNow solutions. The IRAS will be connected to the InvoiceNow network through the introduction of a fifth corner (Corner 5) to receive copies of invoice data transmitted.

Implementation of InvoiceNow

The implementation of InvoiceNow is a paradigm shift from the traditional invoicing method. The following are key aspects that should be considered to ensure a smooth implementation and transition.

▪ **Regulatory compliance**

Understanding the requirements and regulations of InvoiceNow is a critical factor to ensure compliance with the IRAS. The IRAS has identified a set of essential data elements that must be present in the invoice data transmitted. Businesses should carry a gap assessment to evaluate the organisation's current processes, systems and capabilities.



■ **Technology options**

Businesses will need to assess the current IT infrastructure and select the optimal InvoiceNow solution to integrate with the organisation's enterprise resource planning (ERP) system.

The options available include:

- Outsourcing to an external technology provider via a compliance-as-a-service model
- Buying software-as-a-service, with the option of integrating it with the business systems and operating it either with internal resources or in a hybrid manner
- Building an in-house solution that integrates with business systems and operating it fully with internal resources

■ **Data security**

When implementing any new system, data security is a critical consideration to ensure the protection of sensitive data.

Robust security measures should be incorporated into the implementation of InvoiceNow to protect and comply with data protection regulations

Some of the key data security considerations include data encryption, access control, regular security audits and assessment, network security, and data backup and recovery etc.

■ **Training and change management**

Adoption of InvoiceNow involves a structured approach to transitioning individuals, teams, organisations, suppliers and customers from the current state to the desired future state.

The change management process should involve careful assessment and planning, communication and engagement with the relevant stakeholders, providing training and support, and carrying out pilot testing and rollout plan.

■ **Monitoring and reporting**

Monitoring tools to track the performance and effectiveness of InvoiceNow system should be considered (e.g., reports to analyse invoice processing time, error rates and compliance status).

How will GST compliance evolve?

Harnessing technology as part of GST compliance is anticipated to enable businesses to process the transactions in a more efficient manner, leading to enhancement of productivity. However, the efficiency and productivity can only be optimised when accurate and high-quality transaction data is transmitted to the IRAS. In other words, transmission of inaccurate data and duplicate transactions could lead to discrepancies between the numbers reported in the GST returns and the transmitted data. Should such discrepancies arise, reconciliation of GST return numbers to the data transmitted to the IRAS will be necessary.

While it is not anticipated that the IRAS will impose penalty for submitting inaccurate or duplicate data during the initial transitional period of implementing InvoiceNow, businesses should take a proactive approach to institute controls and educate the relevant stakeholders, so as to mitigate the risks of submission of inaccurate or duplicate data.

Conclusion

The Singapore Government's commitment to drive digitalisation has made it inevitable for GST-registered businesses to implement InvoiceNow in the longer term. The adoption of InvoiceNow can present challenges in the areas of technical integration and change management. Addressing these challenges require careful planning and investment in the right technology and effective change management strategies. It is therefore imperative for organisations to be proactive and adopt InvoiceNow earlier rather than taking a wait-and-see approach. Early adoption gives businesses a headstart in harnessing the benefits of InvoiceNow.

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