eBook

What's Going on Over There?

The Global Impact of E-Invoicing Mandates on U.S. Multinationals

A joint perspective from Sovos and KPMG LLP (KPMG)

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Introduction

The Quiet Revolution in Tax Compliance

It begins with a letter from a foreign tax authority, an urgent email from your regional finance director, or perhaps a passing comment at a tax conference. If you're a financial executive at a U.S. multinational company, you've likely encountered these early warning signs about the wave of e-invoicing mandates sweeping across the globe. What may have seemed like isolated regulatory experiments limited to certain regions has rapidly transformed into a fundamental shift in how governments worldwide monitor, collect, and enforce tax compliance.

This transformation isn't merely about digitizing paper invoices or upgrading accounting software. It represents a profound paradigm shift in the relationship between businesses and tax authorities. As Lauren Tallman, Global Invoicing Specialist and Senior Manager, Indirect Tax Technology Practice, KPMG LLP, points out, "This isn't just about e-invoicing as an isolated phenomenon. It's part of a broader landscape of indirect tax digitization."

The stakes couldn't be higher. Non-compliance can result in penalties as severe as €2,000 per invoice in Italy, business shutdowns in Latin America, and even criminal liability in Egypt. Beyond these direct penalties lies an equally concerning consequence: invalid invoices can prevent your customers from recovering VAT, potentially damaging crucial business relationships.

In this guide, we'll take you on a journey across borders to understand how tax authorities worldwide are revolutionizing compliance through technology. We'll explore regional approaches, examine technological frameworks, identify common implementation challenges, and most importantly, offer strategic guidance for navigating this complex landscape without disrupting your core business operations.

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> Lauren Tallman
> Global Invoicing Specialist and Senior Manager
> KPMG

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Chapter 1

From Paper to Real-Time Data —

The Evolution of Tax Monitoring

For decades, businesses operated under a familiar tax compliance model: interpret tax laws, apply them to your transactions, file periodic returns, and prepare for the occasional audit. This declarative model placed significant control in the hands of businesses, with tax authorities exercising oversight primarily through retrospective reviews. This system, while comfortable for businesses, created significant gaps in compliance and revenue collection for governments worldwide.

That familiar world is rapidly disappearing. A quiet revolution has been unfolding across global tax administrations, fundamentally altering how they monitor and enforce compliance. This revolution is founded on a simple yet transformative principle: eliminate the interpretive space between transaction and taxation through real-time data access.

“What tax administrations are trying to do,” explains Christian Van Der Valk, General Manager, Indirect Tax, Sovos, “is move away from declarative statements and interpretation toward a world of specification and always-on controls of actual source data.” This approach removes the human factor from tax enforcement on both sides of the equation.

“The idea,” Christian continues, “is that as business processes happen, the information exchanged between trading partners is shared in real-time in a structured, standardized, authenticated form with the tax administration so humans don’t get a chance to touch any of the data and do all those things that humans do like making errors, potentially commit fraud, or other things that have happened in the past.”

This shift represents much more than a technical upgrade—it’s a fundamental power realignment between businesses and tax authorities. The implications are profound and far-reaching. In countries with advanced implementation of these systems, tax authorities often have better real-time visibility into your business transactions than your own finance department does. They can spot discrepancies, identify audit targets, and even pre-fill tax returns based on transaction data they’ve collected directly at the source.

For multinational businesses, this creates a challenging new reality: you must maintain at least parity with tax authorities in data visibility or risk losing control over your tax position. As taxing authorities continue expanding their digital capabilities, maintaining this data parity will become increasingly central to effective tax management.

Chapter 2

A World Tour of E-Invoicing Approaches

The global landscape of e-invoicing resembles a patchwork quilt rather than a uniform blanket. Each region and country have developed approaches reflecting their unique tax administration challenges, technological infrastructure, and regulatory philosophy. Understanding these regional variations is essential for multinational businesses seeking to develop effective compliance strategies.

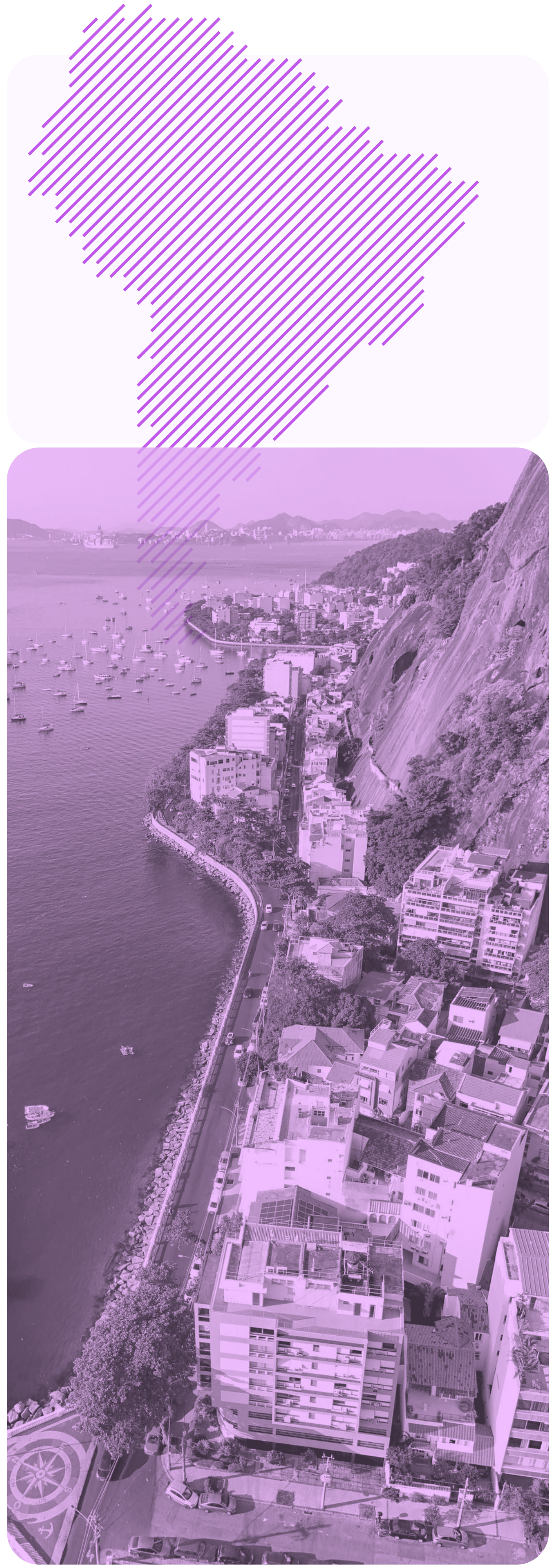
Latin America: The Pioneer Region

The story of modern e-invoicing begins in Latin America, a region where tax evasion had long undermined government revenues and fiscal stability. Countries like Brazil, Mexico, and Chile blazed the trail, creating what would become the template for government-controlled e-invoicing systems worldwide.

“LATAM started in the early 2000s with the primary focus on tax compliance,” explains Paula Smith, Managing Director, Indirect Tax Technology Practice, KPMG. “It was driven primarily to reduce tax evasion and give more visibility of tax transactions to the tax authorities.”

These systems are characterized by extraordinary data requirements—up to an astonishing 1,800 fields in Brazil’s case—and operate on pre-clearance models where tax authorities must approve invoices before goods can even leave a seller’s premises. This creates what Smith describes as “a centralized system where invoices must be submitted and validated before sending to your customers. The tax authorities receive the invoice before the buyer does, and goods can’t leave the seller’s establishment before that invoice is approved.”

Enforcement in Latin America is swift and severe. “In Latin America, it’s not an option not to issue an electronic invoice—it’s mandatory,” Smith emphasizes. Tallman of KPMG adds, “It’s quite commonplace for tax authorities to be pretty swift with deactivating digital stamps or certificates which are required for e-invoicing. This means you can’t issue invoices, so you can’t complete transactions.” Some tax authorities, like Panama’s, even showcase closed businesses on their Instagram accounts as cautionary examples.



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Europe: The Calculated Approach

While Latin America led with strict control models, Europe has taken a more measured approach, balancing compliance requirements with business operational needs. The recently approved VAT in the Digital Age (ViDA) initiative represents Europe's comprehensive adoption of continuous transaction controls, but with significant differences from the Latin American model.

"The way to think about ViDA," explains Sovos' Van Der Valk, "is it's an adjustment of the European VAT legislation that basically implements or introduces the Latin American continuous transaction controls (CTCs) and e-invoicing methodology, but with a few tweaks."

Two key differences distinguish the European approach. First, Europe places greater emphasis on regulating the supplier-buyer interaction itself, recognizing the invoice as a critical business document beyond its tax implications. Second, and perhaps most significantly, "this clearance, this dependency of government approval in real-time before you can carry on processing your invoice or carry on with any business process until the invoice is approved, that clearance is prohibited in Europe," Van Der Walk explains. "Under ViDA there will be real-time reporting, but not real-time clearance."

Despite the EU-wide framework, country-specific implementations vary considerably. Italy imposes penalties of €250-2,000 per non-compliant invoice. France is shifting invoice distribution responsibilities from tax authorities to partner dematerialization platforms (PDPs) starting in 2026-2027. These variations create significant compliance challenges for businesses operating across multiple European countries.

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Asia & Middle East: The Innovation Frontier

The Asia-Pacific and Middle East regions present perhaps the most diverse range of approaches, blending elements from both Latin American and European models while introducing innovative variations of their own.

Malaysia implements pre-clearance processes similar to Latin America, where the tax authority must approve an e-invoice before it becomes valid. India takes a different approach, focusing on securing unique reference numbers from the tax authority based on invoice data. This hybrid model allows businesses to issue invoices directly but maintains government visibility through the reference number system.

Some of the most distinctive approaches come from the Middle East. Egypt introduced hardware requirements for B2B e-invoicing transactions, requiring taxpayers to secure a Hardware Security Module or USB token to apply digital signatures. Saudi Arabia focused on the solution itself, explicitly prohibiting default passwords, requiring login tracking, and mandating various security features in any e-invoicing platform.

Lauren Tallman emphasizes that “these invoicing mandates and the differences across the regions go beyond just field requirements. There’s so many different aspects around how the mandate is structured itself.”

This regional diversity creates significant challenges for multinational businesses. As Christian notes, “No two countries, even neighbors on this map, in practice look much the same when we talk about the implementation of e-invoicing—different data sets, different formats, different processes.” Understanding these differences is crucial for developing compliance strategies that can adapt to local requirements while maintaining global consistency.

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Chapter 3

The PEPPOL Revolution — Beyond Compliance

While understanding regional e-invoicing mandates is essential, equally important is recognizing an emerging framework that transcends geographic boundaries and potentially represents the future of business document exchange globally. This framework, known as PEPPOL (Pan-European Public Procurement Online), originated in Europe but is rapidly gaining adoption across Asia and other regions as a standardized approach to business document exchange.

Unlike the government-centric models of Latin America, PEPPOL represents a fundamentally different philosophy toward e-invoicing and business document exchange. "The PEPPOL network is indeed shaping the landscape of electronic invoicing," explains Smith. "It's really promoting standardization. But to me, most importantly, something that we don't see in the LATAM region, it's enhancing the supplier to buyer exchanges."

At the heart of PEPPOL lies what experts call the "four-corner model"—a network architecture involving the seller, the buyer, and their respective access points. These access points are typically service providers that support a full stack of standards, enabling them to interconnect with any other access point in the network. This creates what Van Der Valk describes as "a network of networks through this interoperability scheme."

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> Managing Director, Indirect Tax Technology Practice
> KPMG

The implications of this approach extend far beyond technical architecture. "What happens when you do that," he explains, "is that particularly small and medium-sized businesses—and don't forget that more than 99% in most countries are SMBs—go from, in many cases, typing invoices into portals of their large trading partners or sending each other emails, and all of a sudden get an opportunity to participate in the digital economy with automation and the exchange of standardized data."

This network effect can transform entire economies by democratizing access to digital business processes. "That kind of very quickly flips to the adoption by SMB-specific software of automated processes both for AP and AR," Van Der Valk continues.

> **"And the result of that is that all of a sudden, the vast majority of businesses in an economy no longer use manual procedures. And that raises the quality of data—which is tremendously important obviously for the tax administration."**

The contrast between Latin America's compliance-focused approach and PEPPOL's business-process orientation reflects deeper differences in philosophy and implementation. Smith observes that while "electronic invoicing started in LATAM to reduce tax evasion... I see the rest of the world differently. Electronic invoicing is really coming to promote innovation, to promote the digitalization of the tax function, to promote automation of processes."

This evolution raises intriguing possibilities for future convergence. Paula, as a Brazilian, contemplates whether her home region might eventually adopt similar approaches: "Could the opposite happen? Could LATAM start adopting that model to establish a more standardized process, similar to PEPPOL, that would bring a better quality of data?"

She points to Brazil's upcoming tax reform in 2026 as a potential catalyst: "We have a tax reform that is going to be effective in 2026 that is really bringing simplicity to the complex tax system in Brazil. From five different tax types, we are going to get to perhaps two or three... We are now mimicking the characteristics that we see with VAT systems across the world, including the calculation type. So that could also mean a change in the electronic invoicing format, an alignment with global standards like PEPPOL."

The PEPPOL revolution represents perhaps the most promising path toward eventual global standardization, offering a framework that balances government compliance needs with business process efficiency—a delicate balance that has proven elusive in the fractured landscape of national e-invoicing mandates.

Chapter 4

Why Your ERP System Isn't Ready

When executives first encounter e-invoicing mandates, a common initial reaction is to assume their enterprise resource planning (ERP) systems can handle the requirements with minor adjustments. After all, these systems already manage invoicing processes and contain the necessary transaction data. This assumption, while understandable, often leads to painful discoveries as implementation projects progress.

"The challenge relies on data," explains KPMG LLP's Smith. "Just like in any tax implementations, ERPs require data localization. Master data is key." She continues, "Let's think that the ERPs are financial systems that manage company data in several areas, whether it's accounts payable, accounts receivable, logistics, inventory, trades and customs, and so forth. So, if you think about it, they were never built with the intention to support tax. They were never designed as network endpoints."

This fundamental architectural limitation creates cascading challenges when organizations attempt to retrofit existing ERP systems for e-invoicing compliance. The first and most pervasive challenge is data quality and completeness. E-invoicing mandates often require extensive data fields—far beyond what most ERPs capture in standard configurations.

"As tax authorities are requesting an extensive amount of data to be reported," Smith notes, "we need to ensure that that data is available. And we also need to ensure the quality of such data in the ERPs." This often necessitates significant master data remediation projects and system reconfiguration to capture additional fields.

The challenge grows exponentially in complex system landscapes common to multinational organizations. KPMG LLP's Tallman highlights the reconciliation headaches this creates: "If you have data coming from multiple systems, how are you going to reconcile what was reported to the tax authority with all the details coming through from your multiple systems? So, it becomes a huge reconciliation exercise."

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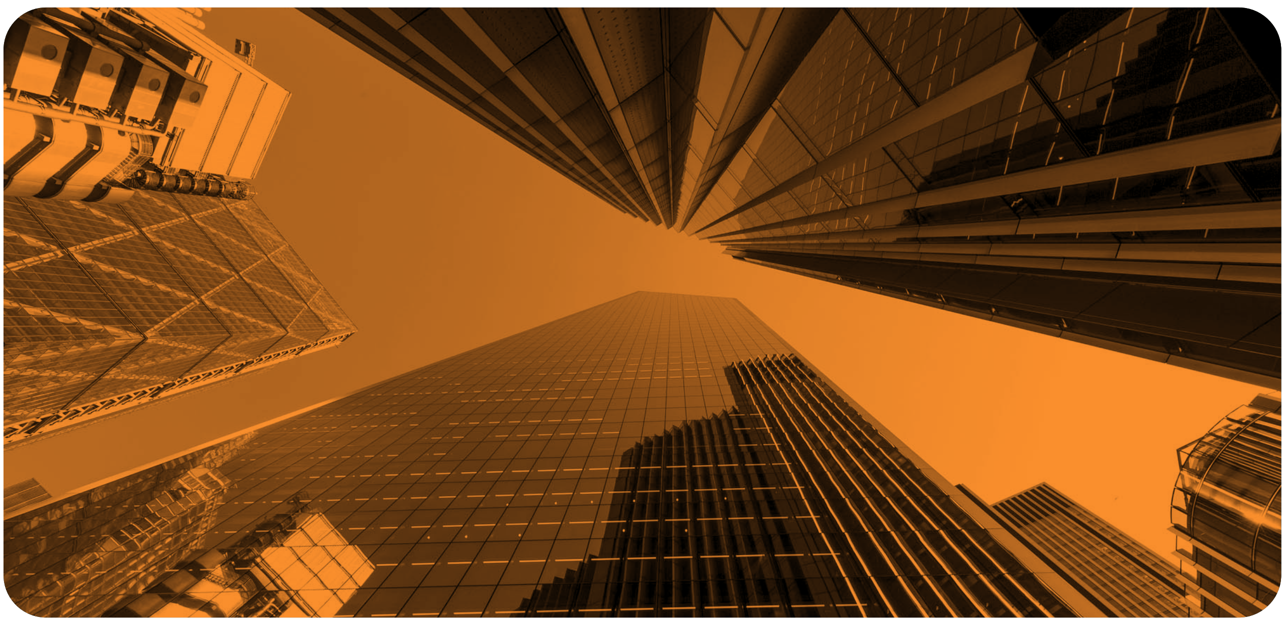
> KPMG

These complexities are further compounded by what Sovos' Van Der Valk describes as the friction between private sector digital transformation and government-mandated changes: "A lot of businesses, larger businesses particularly, have very specialized software for different categories of suppliers, buyers, different trading partners, and already have various forms of electronic data interchange, procure-to-pay, or AP automation types of processes."

When e-invoicing mandates enter this already complex landscape, organizations face difficult questions about whether to replace existing investments or find ways to integrate compliance functionality. Van Der Valk cautions against hasty decisions: "The intent cannot be that you throw out software that you might have already invested millions into for your payment process just because the tax administration now has an opinion on your invoices."

Manual interventions in otherwise automated processes introduce additional complications. Many organizations have built workflows that include manual steps—perhaps for approvals or data enrichment—that become problematic when real-time reporting or clearance is required. These processes must be re-engineered to maintain compliance without disrupting business operations.

The hard truth many organizations discover is that achieving e-invoicing compliance often requires a fundamental reconsideration of their entire system architecture, data strategy, and process design. This realization frequently comes after initial attempts to simply "bolt on" compliance functionality to existing systems fail to meet requirements or create unsustainable operational burdens.



"A lot of businesses, larger businesses particularly, have very specialized software for different categories of suppliers, buyers, different trading partners, and already have various forms of electronic data interchange, procure-to-pay, or AP automation types of processes."

Christiaan Van Der Valk
General Manager, Indirect Tax
Sovos

Chapter 5

Your Strategic Roadmap for Global Compliance

When faced with the daunting task of global e-invoicing compliance, many organizations make the critical mistake of viewing it as merely an IT problem to solve. “Go do this thing for this country. There’s a mandate, we don’t have that much time,” as Van Der Valk describes the typical reactive approach. This limited perspective often leads to fragmented solutions that create more problems than they solve.

Instead, our experts recommend developing a comprehensive strategy that acknowledges the interconnected nature of compliance, business processes, and technology infrastructure. This strategy begins with a fundamental recognition: no single approach or vendor can address all your needs across diverse global requirements.

“Don’t go in and draft a request for proposal for one vendor that will do all your automation and all your compliance in all countries in the world,” he cautions. “As much as I would love to say that vendor exists, it doesn’t.” Business efficiency and compliance are distinct domains requiring different expertise.

A more effective approach is to create a loosely coupled cloud environment where your business processes and compliance functions can operate independently yet work together seamlessly. This architectural approach provides the flexibility needed to adapt to rapidly evolving regional requirements.

Before implementing any solution, Paula Smith emphasizes the importance of assessment:

> **“Perform a data quality assessment, a fit-gap analysis. It becomes essential to identify and address data issues with all existing systems.”**

This comprehensive inventory should map every system and data flow affected by e-invoicing mandates—not just your invoice-generating applications, but all upstream and downstream processes.

Maintaining data parity with tax authorities represents another crucial strategic element. "You don't want to be in a position where you completely lose control over your data and all you can do is accept whatever the tax administration defines as your tax liability," says Sovos' Van Der Valk. By ensuring you have the same real-time visibility as regulators, you maintain control over your tax position and compliance narrative.

The planning phase must include a clear roadmap that prioritizes countries based on implementation deadlines, business volume, and complexity. KPMG LLP's Lauren Tallman notes the importance of "clearly outlining the roadmap of what's coming down the pipe, where immediate action is needed, and ensuring a steering committee is in place to maintain that global viewpoint."

Perhaps most importantly, successful implementation depends on cross-functional collaboration. E-invoicing touches virtually every department: tax, IT, finance, trade & customs, and even HR. Establishing a governance structure with representatives from each function ensures all perspectives are considered and all requirements addressed.

Finally, recognize that e-invoicing compliance isn't a one-time project but an ongoing program requiring continuous tax data management. As requirements evolve and expand to new jurisdictions, your strategy must adapt accordingly, staying ahead of regulatory changes rather than scrambling to catch up.

Get Expert Insights into Your Tax Compliance Readiness in Just 30 Minutes

A personalized tax compliance Readiness Assessment with KPMG and Sovos experts can help you identify gaps across multiple jurisdictions.

What to Expect:

- 5-minute introduction to your regional KPMG and Sovos specialists
- 15-minute visual walkthrough of upcoming regulations in indirect tax controls across all jurisdictions
- 10-minute discussion of priority risks and practical recommendations

Schedule Your Free Assessment Here

Conclusion

The Stakes Are Higher Than You Think

As we've journeyed through the global landscape of e-invoicing mandates, explored technological frameworks, and examined implementation challenges, one theme emerges consistently: the stakes in this transformation are far higher than most executives initially recognize.

The immediate and visible consequences of non-compliance are severe. Financial penalties can quickly become substantial—up to €2,000 per invoice in Italy, which for high-volume businesses could translate to millions in potential exposure. In Latin America, authorities don't stop at financial penalties; they can, and do, shut down business operations entirely by deactivating the digital certificates necessary for legal transactions. In Egypt and other jurisdictions, non-compliance can even lead to criminal liability for executives.

Yet perhaps more concerning than these direct penalties is the collateral damage to business relationships. As KPMG LLP's Tallman explains,

> **"If you are in business-to-business transactions and you're not supplying your customer with those valid invoices, that means they won't be able to recover VAT. So now you're facing major issues with your customers as well."**

These relationship impacts can persist long after compliance issues are resolved, creating lasting damage to business partnerships and market reputation.

Beyond compliance risks lies a more fundamental strategic challenge. The shift to real-time, data-rich tax monitoring fundamentally alters the relationship between businesses and tax authorities. Sovos' Van Der Valk cautions: "In some countries, the tax administration knows more about you than you do about yourself—certainly in real time.

This control dynamic represents perhaps the most significant long-term impact of e-invoicing mandates. Organizations that fail to develop comprehensive data strategies matching tax authority visibility will increasingly find themselves at a disadvantage in tax disputes, unable to effectively challenge assessments because they lack the data parity necessary to present alternative interpretations.

Yet within this challenging landscape lie opportunities for forward-thinking organizations. Those who approach e-invoicing strategically—integrating compliance requirements into broader digital transformation initiatives—may discover unexpected benefits. The data standardization and process automation driven by compliance requirements can yield operational efficiencies, improve supplier-buyer relationships, and generate valuable business insights.

KPMG LLP's Smith sees this potential particularly in the adoption of frameworks like PEPPOL: "Electronic invoicing is driving innovation, advancing the digitalization of tax functions, and enhancing process automation."

The global e-invoicing revolution is here to stay, and its impact on how organizations manage tax compliance, data, and even core business processes will only increase in the coming years. The window for reactive approaches is rapidly closing. Those who adapt strategically—developing comprehensive approaches that balance compliance, business efficiency, and data control—will not only ensure compliance but may discover unexpected opportunities for business process innovation along the way.

As the landscape continues to evolve, one thing remains certain: the organizations that thrive will be those that recognize e-invoicing not merely as a compliance challenge, but as a fundamental transformation in how businesses interact with tax authorities and each other in our increasingly digital economy.

About Sovos

Sovos is transforming tax compliance from a business requirement to a force for growth. Our flagship product, the Sovos Compliance Cloud platform, enables businesses to identify, determine, and report on every tax obligation across the globe. Sovos processes 16 billion+ transactions per year, helping companies scale their compliance strategy in almost 200 countries.

More than 100,000 customers – including half the Fortune 500 – trust Sovos' tax and regulatory expertise and unparalleled integration with their business applications. Learn more at sovos.com.

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Featured Experts

This perspective is brought to you by KPMG and Sovos, leaders in global tax compliance solutions

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