April 8, 2024, 4:30 AM EDT

Global C-Suite Must Adapt to Booming Digital Reporting Mandates

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- KPMG’s Kathya Capote Peimbert reviews digital reporting rules
- Global multinationals in the C-suite should assess the risks

The adoption of e-invoicing and digital reporting mandates by tax authorities worldwide is sparking major changes for digital tax compliance. Many jurisdictions across the world are projected to implement requirements in the next two to four years. It’s imperative for the C-suite of global multinationals to respond.

Strategic Action

Swift implementation of e-invoicing and digital reporting mandates poses significant challenges and risks for multinational corporations. Failure to adapt to these changes can lead to operational disruptions, financial penalties, reputational damage, and increased audit scrutiny.

E-invoicing systems aren’t harmonized across the world, and taking a localized approach to e-invoicing is costly and inefficient. E-invoicing mandates provide tax authorities with access to transaction-level data that will have a broader impact on a company’s tax obligations, as it allows them to pre-fill indirect and direct tax returns and allows them to identify irregularities in real time.

Global adoption of e-invoicing is no longer merely a tax technology trend. It’s now a strategic imperative for businesses seeking to ensure compliance, enhance efficiency, and strengthen business relationships.

Current State

E-invoicing mandates differ in scope, affecting businesses of various sizes (small, medium, and large) and types (domestic and non-resident), and encompassing different types of transactions (domestic and cross-border).

Conducting a comprehensive assessment of current tax compliance processes, systems, and controls and evaluating them against the new requirements is crucial for identifying gaps and vulnerabilities. By evaluating the effectiveness of existing systems, assessing data integrity, and pinpointing areas of exposure to risk, organizations can lay groundwork for informed decision-making and strategic planning.

Once C-suite executives understand the impact of current tax compliance, data capabilities, and e-invoicing mandates on business operations, the C-suite can make informed decisions about resource allocation, technology investments, and priorities. This includes identifying high-risk jurisdictions, assessing system readiness, and creating a strategic roadmap for implementation.

Global Strategy

Once the current state is understood and risks are assessed, the C-suite can develop and implement a comprehensive global strategy for e-invoicing and digital reporting.

This strategy should encompass technology adoption, process changes, employee training, potential outsourcing, and compliance management. The active involvement of the C-suite is essential in shaping the company's digital future.

Impact and Allocation

E-invoicing mandates carry significant implications that span across the entire business landscape, touching areas such as accounts receivable, accounts payable, logistics, tax, finance, IT, and legal.

Given the expansive nature of these mandates, they require a comprehensive response. Organizations must establish cross-functional teams, encouraging interdepartmental collaboration to effectively tackle the complex challenges posed by these mandates.

The success of such collaboration hinges on the involvement of the C-suite, as their leadership and active participation are critical to ensuring the organization's response is cohesive, strategic, and aligned with broader business objectives.

Tax Technology

Given the operational impact, establishing a dedicated tax technology department should be a strategic priority for the C-suite.

This department, staffed with professionals who have specialized skills in tax technology, compliance automation, data analytics, and digital transformation, is critical to achieving digital tax compliance. It is a vital link between the conventional tax and IT departments and promotes a more integrated approach to managing digital tax compliance.

Having a dedicated tax technology department has several advantages. It fuels innovation by consistently investigating and implementing technology solutions that automate tax compliance processes. It also better facilitates data analytics to provide actionable insights such as streamlining operations and identifying potential cost-saving opportunities.

Finally, a dedicated tax department plays a crucial role in mitigating risks associated with digital compliance mandates. With the global tax landscape continually evolving, keeping up with regulatory changes can be challenging.

Scalability

The tax technology department should be in charge of designing and implementing adequate systems architecture to comply with e-invoicing mandates. But the C-suite has a strategic decision-making role when it comes to scalability of systems architecture and centralization of tax compliance solutions.

These strategic decisions are pivotal for an organization's growth, adaptability, and sustainability. The scalability of systems determines the organization's capacity to grow and expand into new markets without disrupting operations or compromising performance. A centralized tax compliance solution can eliminate redundancies while reducing risks.

C-suite executives can use foresight and decision-making authority to ensure these systems are designed and implemented in a way that supports expansion into new markets and meets evolving compliance obligations. Their involvement also guarantees these solutions align with the organization's long-term goals and strategies, ensuring flexibility and sustainability.

Outlook

Failure to adapt to evolving digital compliance standards risks significant repercussions, so strong leadership and strategic initiatives are essential. Global multinationals' C-suites must engage proactively to ensure compliance, mitigate risks, and seize opportunities for business growth and success.

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