

P&G

Italy e-invoicing

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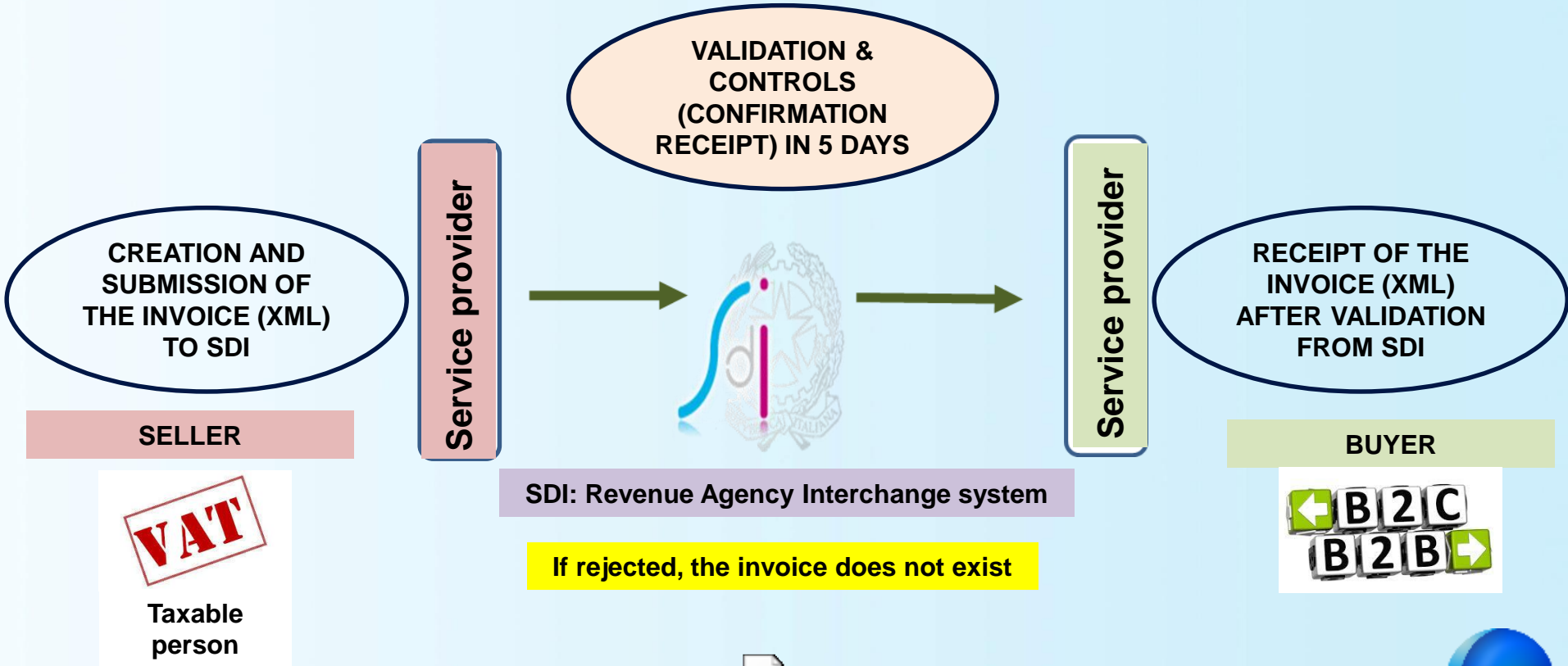


Agenda

- *Basic scope of E-invoicing in Italy*
- *Expected vs Actual benefits*
- *Challenges faced and solution adopted*
- *P&G Italy experience*



Basic scope of E-invoicing in Italy



First months results

2,7 million business operators have sent e-invoices through SDI

350 million invoices sent (total estimate for the year is 1.8 billion docs)

SDI validation < 5 days

SDI rejections at 3.85%



Expected vs Actual benefit (Tax office view)

Expected benefits (“WHY”)

Combat fraud and tax evasion

Simplify tax collection

Leverage and accelerate digitalization

Eliminate paper/paper archives

One single invoice layout/integrity (option for digital signature) – Allow extra data points if needed

Expected Results:

Cover half of the VAT gap (17 billion euro)

Certainty on the date of the taxable event

Actual benefits (2 months)

False purchases detection (3.2 billion euro)

False VAT receivable blocked for payment (700 million euro)







How this was possible:

Cross checks of data gathered through SDI

Direct audits (100 inspectors) discovered false company offices, false purchases, false economic activities (oil & gas)



Expected vs Actual benefit (Taxpayer view)

Expected benefits	Actual benefits (2 months)
Eliminate paper/paper archives/external archive costs	 : external archives needed upon company complexity
Certainty on the date of the taxable event	 : it's a mandatory field of the xml format
Elimination of some compliance reports (e.g. spesometro)	 : domestic report eliminated. Eu (all) /Extra Eu (only services) introduced
Reduction of statute of limitation	 : reduction of 2 years(if payments traced)
Digitalization of manual processes(invoice posting automation)	 : timing for implementation too stretched
Simplification in the VAT returns/books submission. E-VAT return as of 2020	 : several simplifications implemented (elimination of sequential ordering for purchases).

Challenges faced

Stretched timing for implementation: <10 months

Different starting point in digitalization of all players

Continuous change in operating instructions (last submission by Revenue Agency 29 March 2019)

Small/medium companies more agile vs big companies (higher cost for big companies)

“Learning by doing” by Service providers in the market



Solutions adopted

Continuous communication (Q&A) between Revenue Agency and key stakeholders & press

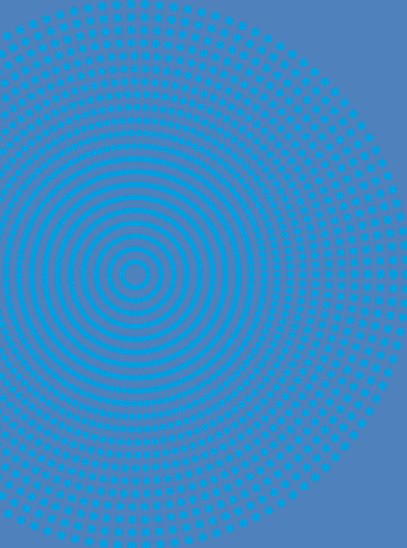
Availability of free apps/tools to equip individuals/small companies to comply w/o incurring in significant costs

Availability of free e-archive into SDI (upon sign up of contract with Revenue Agency)

Grace period with no/reduced sanctions up to Sept 30th, 2019

As of Sept 1st, e-invoice can be issued within 10 days from the taxable event and transmitted within 24 hours from the issuance to SDI





Procter & Gamble Italy
experience



Getting started...

Team

- Ensure right internal/external resources (including service provider)
- Identify a project leader that coordinates the different groups

Mapping

- Analyze all transactions in scope
- Extrapolate the targeted transactions from VAT books/VAT returns

System

- Evaluate the compatibility between internal system and SDI
- Evaluate direct access to SDI vs access through service provider

Archive

- Evaluate SDI archive advantages vs Service provider archive
- If through Service provider, need to set up an additional project for archive migration

Impact on internal processes : food for thoughts

OUTBOUND

1. Payments: how to handle customers that pays 3 days if SDI rejects the xml at day 5
2. How to manage rejection: how to distinguish between internal reversal vs SDI driven reversal
3. How to manage pricing and discount : XML has a specific method/base for discounts – does not consider commercial practice (revision of pricing procedure)
4. How to check customer master data (SDI address needs to be continuously accurate)

INBOUND

1. Revision of the invoice receipt process : two channels (SDI /Non SDI)
2. Transformation from XML into PDF to allow internal budget management/controls
3. Watch out : make sure that Service Provider will not duplicate XML transmission (☹)

New business cases /Legislative updates : requires on-going support



First 3 months results

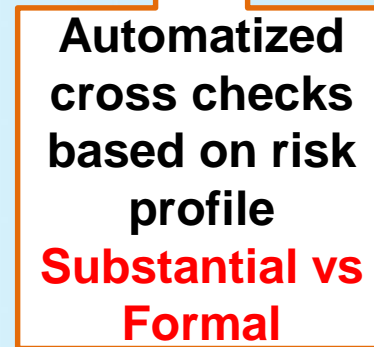
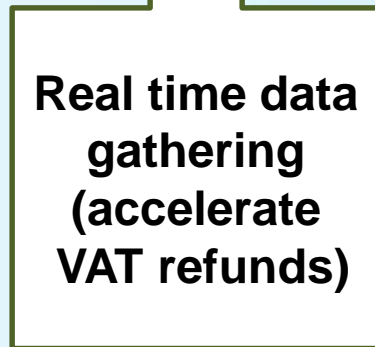
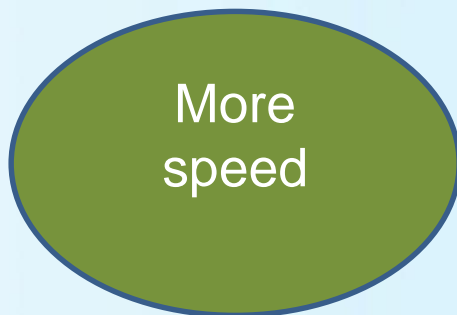
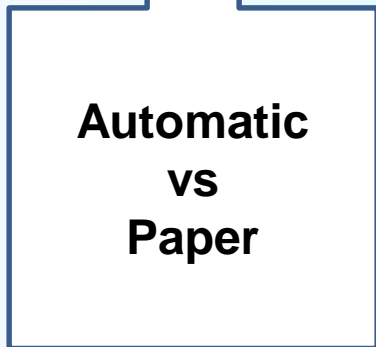
Few invoices processed > 5 days from SDI (0.2%)

Invoices properly received by customers (only 1.4% not received)

Payments regularly occurred (deep monitoring April/May)



Potential impact on tax audits



Some suggestions from Italy learnings

Early communication from Tax authorities

Gradual implementation with incentives for “Early adopters” (Test)

Detail technical, legal and process guidance from Tax authorities (English for MNE)

Ensure Tax authorities platform & Service providers reliability (certified)

Ensure GDPR compliance of the platform (engagement of GDPR authorities)

Allow additional data points on the standard XML format (business needs)

Invoice needs to be legally issued (w/o buyer validation) if Tax authorities portal has approved it

Ensure transformation from XML to PDF from Tax authorities portal (readable version)