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*By Matthew Shanahan.*

In December 2022, the European Commission proposed a number of measures pertaining to the current EU Value-Added Tax (VAT) system. These findings are in accordance with the 2022 Value-Added Tax Gap [report](#), which reveals that Member States lost approximately €93 billion (over \$100 billion USD) in VAT revenues in 2020. The resulting measures “VAT in the Digital Age” (ViDA) seek to solve various

VAT-related issues which have arisen due to the growth of the platform economy in

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ahead, best practices, and what's at stake if businesses are unable to make the shift.

### **What does ViDA Include?**

To be fully compliant with ViDA, companies must ensure that their invoicing meets the following criteria:

- All invoices must be sent electronically on a specified network
- The electronic invoice must be in a recognized digital format.
- A two-way exchange of e-invoices between the customer and supplier is necessary for compliance.
- The customer's accounting systems must be able to receive an e-invoice sent by the supplier for them to be compliant.
- The customer and/or supplier may need to obtain a digital certificate or other secure means of communication for e-invoicing to prove compliance.

### **What Steps Should Accounting Teams Take?**

Accounting teams can begin preparing for the ViDA regulations now to ensure compliance and take advantage of new opportunities. It is important for companies to familiarize themselves with the requirements outlined by the European Commission and evaluate their current invoice creation and transmission process.

The accounting world is undergoing a major transformation, thanks to ViDA. For accounting teams, this regulation is more than just added overhead; it's pushing businesses of all sizes into the digital age. For many companies, this presents a challenge that must be addressed to stay compliant – but it also presents a unique opportunity.

Are you sending invoices electronically today? Do you have the requisite technology stack and access to the proper customer email addresses to do so? Can you receive and

process invoices electronically today? Answering these questions will help

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processes and paper-related delays, replacing them with streamlined workflows that depend on technology for operational effectiveness.

E-invoicing ultimately leads to fewer manual communications and rework as data entry errors become things of past – all while companies get access to needed information quickly, without any hassle or need for extra effort from staff members of either trading partner. In short, accounting teams will be able to ditch archaic practices in favor of efficient and improved customer service, allowing accounting professionals to enter the modern era of accounting.

Failing to adhere to regulations not only causes inefficiencies, but also bears knock-on effects to cash flow. Should a company be found to have violated the regulations, they may face fines; however, what can prove even more damaging is the potential loss of key trading partners. Non-compliance will very likely lead to trading partners choosing competitors who are better positioned with ViDA-compliant systems and processes.

What would happen to your business if you no longer were able to work with customers in the EU? What if you were unable to send or receive e-invoices? The potential losses are real and should not be taken lightly.

The switch to ViDA compliant electronic invoicing is an important step for businesses that are looking to remain competitive in the global marketplace. Accounting teams should take the necessary steps to ensure they are fully compliant with ViDA regulations and evaluate their current invoice development and distribution process.

With the right technology, accounting teams can embrace the digital transformation of their processes, allowing them to access improved customer service, streamlined processes, reduced manual effort, and increased accuracy and reliability. By taking

these steps, not only will teams be able to remain compliant, unlocking the power of

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