

Chapter 21

E–Government and Competitiveness in Latin America: The Case of the Electronic Invoice

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ABSTRACT

A government's service provision to enterprises via electronic means has a significant impact on the productivity levels of such country's economy. One of the tax procedures with the greatest impact on economic activity and government capacity to enforce compliance with tax obligations is the use of invoices. The electronic invoice is the digital equivalent of the traditional paper invoice. In recent years, several Latin American countries have begun to adopt the electronic invoice. The modernization of this tax procedure has had a great impact in increasing the efficiency and effectiveness of tax administration and in turn has fostered business development.

1. INTRODUCTION

An invoice is the justification of the delivery of a product or the provision of a service, affecting both the issuing taxpayer (the vendor) and the recipient taxpayer (the purchaser). Traditionally, it is a paper document, of which the original is kept by the recipient of the invoice. Usually the issuer of the invoice also keeps a copy thereof.

The electronic invoice (e-invoice) is the digital equivalent of the traditional paper invoice. Instead of the physical support used by the paper invoice, the e-invoice uses informatics supports for its filing. Depending on the size of the companies involved and the volume of their turnover, the electronic invoice can imply significant savings in matters of issuance and printing. In addition, the use of the electronic invoice fosters the digitalization of other documents, generating efficiency and cost savings in other areas of the company. Tax compliance is also improved as

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the e-invoice allows for greater oversight and simplifies compliance.

In countries where the legal framework so allows, the electronic invoice has the same validity as the traditional paper invoice, is considered a legally binding document, does not require additional evidence or further confirmation to prove the existence of the transaction and, due to the digital signature that it includes, guarantees integrity. Furthermore, it permits a greater opportunity for transaction tracking.

In recent years, several Latin American countries have begun to promote the use of the electronic invoice. The modernization of this tax procedure has a great impact in the efficiency and effectiveness of the tax administration and in its turn allows boosting the development of business. Recent studies have identified economic gains with direct impact on the business competitiveness arising from the adoption of the electronic invoice. (IDB, 2007)

2. ECONOMIC IMPACT OF THE ELECTRONIC INVOICE

A government's ability to provide services to private companies electronically has a significant impact on the productivity levels of such country's economy. It has been shown that, by improving government efficiency and effectiveness, electronic services reduce companies incorporation costs, operation costs, and local and international investment costs. (IADBC, 2005; United Nations, 2008)

As such, the strategic use of information and communications technology (ICT) facilitates government promotion of competitiveness and the economic development in many different sectors, communities and regions (Sotelo Nava, 2005). In particular, ICT facilitates administrative procedures and fosters information exchange between the State and the private sector (CCS, 2009). At the same time, the introduction of the ICTs increases

the transparency of dealings between the State and private companies and reducing opportunities for corruption. (Ojha Amitabh et al., not dated)

According to the Report on European Competitiveness 2004 (European Union, 2004), there are three areas in which the governments primarily influence the competitiveness levels of private economic agents: (a) tax policy; (b) fiscal policy; and (c) legal framework.

Public services via the web increase the tax policy transparency and facilitate access to information on matters such as tax regulations and forms required for tax payment. Moreover, they significantly reduce processing and transaction costs associated with compliance with the tax obligations. Thereby they improve transparency of public sector expenditure affecting private sector competitiveness. For example, in the area of public procurement, internet service provision may significantly reduce the costs for companies, particularly such costs related to entering the market (for example, authorization to operate and permits) and the establishment and/or expansion of productive investments.

To these areas of intervention, one must add the role that the Government plays in reducing market failures arising from information asymmetry, (especially as related to national companies' accessing and operating in international markets) in mitigating coordination distortions that affect, in particular, new productive activities. In general, making public services accessible via the web can affect establishment, operation and functioning of the companies (see Table 1).

Procedures for payment of and compliance with tax obligations have a direct impact on economic activity. Complex procedures with excessive taxpayer requirements result in high compliance costs not only for individuals, but also for legal entities. The introduction of ICT to manage tax procedures may imply a significant reduction in time and costs for the taxpayer and, at the same time, allow greater transparency in compliance with tax obligations by reducing opportunities for

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