Digitalization and Tax Compliance Spillovers: Evidence from a VAT e-Invoicing Reform in Peru
Prepared by Matthieu Bellon, Jillie Chang, Era Dabla-Norris, Salma Khalid, Juan Carlos Paliza, and Pilar Villena*

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ABSTRACT: Our study uses administrative data on firm-to-firm transactions and quasi-experimental variation in the rollout of electronic invoicing reforms in Peru to study the diffusion of e-invoicing through firm networks and its effect on tax compliance. We find that voluntary e-invoicing adoption is higher amongst firms with partners who are mandated to adopt e-invoicing, implying positive technology adoption spillovers. Spillovers are stronger from downstream partners and from export-oriented firms. Firms are less likely to continue transacting with a partner who has been mandated into e-invoicing, with the effect only partially reversed if both firms adopt e-invoicing, suggesting that network segmentation may occur. Smaller firms who transact with partners mandated into e-invoicing report 11 percent more sales and pay 17 more VAT in the year that their partner is mandated to adopt e-invoicing, suggesting positive spillovers in tax compliance behavior for this subset of firms.

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Contents

I. Introduction .................................................................................................................................................. 3

II. The e-Invoicing Reform in Peru ........................................................................................................... 6

III. Empirical Specification ........................................................................................................................... 9

IV. Data and Preliminary Verifications .................................................................................................... 11

V. Results .................................................................................................................................................. 14
   A. Spillovers in Technology Adoption ..................................................................................................... 14
   B. Market Segmentation: Transactions Between Firms .......................................................................... 15
   C. Spillovers in Tax Compliance ............................................................................................................. 17

VI. Robustness Checks ............................................................................................................................ 20

VII. Conclusion ........................................................................................................................................... 22

References ......................................................................................................................................................... 23

Appendix ............................................................................................................................................................ 24

FIGURES
1. Timeline of e-Invoicing Adoption Waves in Peru .................................................................................. 7
2. e-Invoicing Adoption Rates by Wave ..................................................................................................... 8
3. Impact of Having a Partner Mandated into e-Invoicing on e-Invoicing Adoption .............................. 15

TABLES
1. Impact of Having a Mandated Partner on Firm-Partner Transactions .................................................. 17
2. Impact of Having a Partner Mandated into e-Invoicing on Firm Compliance ...................................... 19
3. Heterogeneous Impact of Having a Partner Mandated into e-Invoicing on Compliance .............. 21