

CompTIA/*PricewaterhouseCoopers*

E-Invoicing Directive - Implementation and Future

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Business Challenge

- Business Challenge
 - Implement Paperless Invoicing in the EU, based on the EC Directive for Electronic Invoicing
- Response
 - Electronic Invoice Task Force
 - Cornerstone with PwC
- Cornerstone Members
 - Arrow Electronics (UK) Ltd.
 - Canon Europe
 - Freescale Halbleiter Deutschland
 - Fujitsu Siemens Computers
 - GE Commercial Distribution Finance
 - Hewlett-Packard
 - Sun Microsystems
 - Texas Instruments



Cornerstone Scope of Work

- Matrix covering the VAT rules in 25 EU Member States
- Content of an invoice
- Electronic invoicing
- (Electronic) archiving
- Determine 'Best Practice Countries' in the EU
- Present findings

Mandatory invoice details in accordance with Directive

- Date of issue of the invoice (25)
- A sequential number, based on one or more series, which uniquely identifies the invoice (25)
- VAT identification number of supplier (25)
- VAT identification number of customer:
 - in case he is liable to pay the VAT due (25)
 - in other cases (8)
- Full name and address of supplier (25)
- Full name and address of customer (25)
- Quantity and nature of the goods supplied or the extent and nature of the services rendered (25)
- Date of supply of goods or rendering of services or date on which payment of account was made if different from invoice date (25)

Mandatory invoice details in accordance with Directive

- Price per unit (23)
- Any discounts or rebates not included in the unit price (23)
- Taxable amount per rate or exemption (25)
- VAT rate applied (25)
- VAT amount payable in the national currency (25)
- Where an exemption is involved or where the customer is liable to pay VAT, reference to
 - the provision of the 6th Directive (18)
 - national legislation (25)
 - any other indication (18)
- Where the person liable to pay the tax is a tax representative; the identification number for VAT purposes, together with full name and address (13)



Challenges

- Mandatory invoice details not in accordance with the Directive's list
 - Belgium
 - Greece
 - Hungary
 - Italy
 - Latvia
 - Lithuania
 - Malta
 - Poland
 - Portugal
 - Slovak Republic
 - Slovenia



Challenges

- Special Currency Requirements
- Specific language requirements
- Not accept a reference to the appropriate provision of the 6th Directive
- Capacity of the VAT representative
- Reference to transport documents (if applicable) in case of deferred invoices
- Arm's length value of the product in case of discounts or rebates
- VAT amount per VAT rate
- Statistical number of the product if reduced rate or VAT exempt
- Total amount due in figures and words

E-invoicing – Is there a compliant model for VAT?

- Acceptance by the customer
 - No licenses/authorisations required
- Authenticity of origin and integrity of content through
 - Use of EDI
 - Advanced electronic signature
 - Other electronic means

Is there a compliant model for VAT? Administrative requirements

- Obligation for prior notification towards the VAT authorities (until 31 December 2005)
 - Yes - 20
 - No - 5
- Customer acceptance of electronic invoices required
 - Yes - 13
 - No - 12
- Acceptance of EDI to send e-invoices
 - Yes - 22
 - No - 3
- Obligation to issue paper summary document
 - Yes - 20
 - No - 5



VAT possibility I – EDI

- Recommendation of the Commission 19 October 1994:
 - Electronic transfer
 - from computer to computer
 - using an agreed standard to structure the message
 - in a computer readable format
 - that can be processed automatically unambiguously
- Agreement relating to the exchange provides for the use of procedures guaranteeing authenticity of the origin and integrity of the data
- Option: creation of summary statement on paper

VAT possibility II – Advanced electronic signatures

- Art. 2 (2) of the Directive on electronic signatures
 - Connected to the signer in a unique way
 - Possibility to identify the signer
 - Realisation under exclusive control of the signer
 - Possibility to trace every change afterwards
- Options:
 - Qualified certificate (Art. 2(6))
 - Secure-signature creation device (Art. 2(10))

VAT possibility II – Advanced electronic signatures

- Acceptance of 'advanced e-signatures' to send e-invoices
 - Yes – 24
 - No – 1
- Obligation to use a qualified certificate and a secure signature-creation device
 - Yes – 14
 - No – 11

VAT possibility III – Other electronic means

- Acceptance of 'other electronic means' to send e-invoices
 - Yes – 11
 - No – 14
- Conditions if 'other electronic means' to send e-invoices are accepted:
 - Belgium (BE) : Individual authorisations – Minister of Finance should still specify in circular letter
 - Cyprus (CY) : Use of e-signatures or decoding codes
 - Denmark (DK), Finland (FI) and Sweden (SE) : None specified
 - Estonia (EE) : E-invoice should be readable, printable and contain obligatory requirements
 - Latvia (LV) : Agreement between parties
 - Ireland (IE), the Netherlands (NL) and United Kingdom (UK) : Prior notification
 - Spain (ES): Prior authorisation

Summary e-invoicing possibilities

- Acceptance of EDI to send e-invoices
 - Yes - 22
 - No - 3
- Obligation to issue paper summary document
 - Yes - 20
 - No - 5
- Acceptance of 'advanced e-signatures' to send e-invoices
 - Yes - 24
 - No - 1
- Obligation to use a qualified certificate and a secure signature-creation device
 - Yes - 14
 - No - 11
- Acceptance of 'other electronic means' to send e-invoices
 - Yes - 11
 - No - 14

Categorisation Member States e-invoicing

- Yes countries:
 - Belgium, Denmark, Estonia, Finland, Ireland, Sweden, the Netherlands and the UK
- No countries:
 - Countries that do not comply with the 6th Directive: Malta, Poland and Slovenia (no acceptance of EDI)
 - Other 'no examples': Czech Republic, Germany, Greece, Italy, Lithuania and Portugal

(Electronic) archiving

- Principle: at any place and on any medium:
 - Integrity
 - Authenticity
 - Readability
- Member States can impose conditions regarding:
 - Place of storage
 - Format of storage
- Duration of storage: not harmonised

(Electronic) Archiving Place of Storage

- Tax authority must be notified if storage outside the Member State of establishment
 - Yes - 8
 - No - 17
- Storage must be in electronic form and guarantee full on-line access
 - Yes - 8
 - No - 17
- Storage is only allowed in countries where mutual assistance agreement exists
 - Yes - 12
 - No - 13



(Electronic) Archiving Format of Storage

- Invoices received must be stored in original format
 - Yes - 11
 - No - 14
- Invoices issued must be stored in original format
 - Yes - 14
 - No - 11
- Data guaranteeing the authenticity of the origin and the integrity of the content must be stored
 - Yes - 0
 - No - 25



Main conclusions

- Content of the invoice
 - A number of EU Member States do not comply with the 6th Directive
 - Hungary is most challenged, followed by Italy and Poland
- Electronic Invoicing
 - A number of EU Member States do not comply with the 6th Directive
 - There are "best practice countries" that could serve as example
 - There are "bad examples" as well making adoption by business very hard
- Electronic Archiving
 - Adoption of an EU wide archiving solution may be very hard
 - Centralised storage remains difficult and sometimes even impossible
 - Digitising paper invoices is still not accepted throughout the EU



Recommendations for way forward



- Further develop on practical implementations by 'Best practice countries'
- Promote 'Best practice countries'
 - Position paper
 - Conference
 - Connect to other stakeholders
- Convince 'difficult' countries to change their behaviour towards digitisation and invoicing in general
- Inform the European Commission (DG Taxud and DG Enterprise/Markets)
 - Best practice countries
 - Infringements of 6th Directive
 - Propose and discuss possible actions regarding review of e-invoicing provisions (end 2008)





For More Information about CompTIA

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Questions & Comments