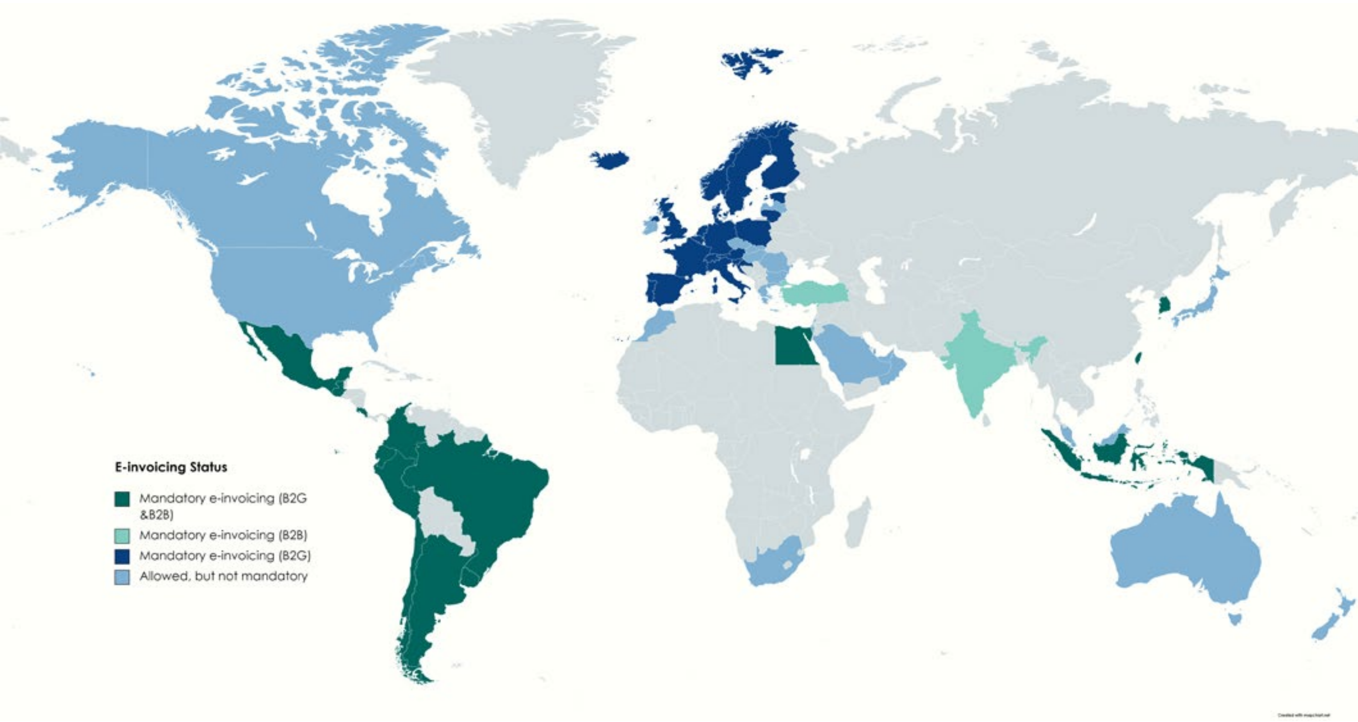
E-invoicing Compliance Guide

How to Comply with
New & International Invoicing Regulations

E-invoicing Regulations

E-invoicing is a concept that has increased the potential for trade, enabling businesses to send invoices via online means and simultaneously reducing their workload and increasing their profits. In doing so, e-invoicing helps businesses save up on time and increase their efficiency, so it goes without saying that for the last 20 years it has been taking off!

That being said, although it has been around for a while, the implementation of e-invoicing is relatively recent, with policy and legislative changes being only introduced within the decade in Europe and all-around Asia. In this paper we shall be going into more depth as regards the current invoicing regulations in place, and how one can comply with the said regulations.



European Union Regulations

The European Union is known as being one of the toughest global regulators when it comes to matters that are related to finance and taxation. Therefore, it is no surprise that European regulations are in existence for e-invoicing. Although it must be stated that, in this case, other continents preceded Europe.

Yet when one speaks about European Union (EU) regulations, it is usually Directive 2014/55/EU that comes to mind. The said directive gives EU member states the flexibility to implement the substance of the regulation in any way possible, as long as the goals of the said directive are implemented. And as such, member states apply this directive as long as they reach certain criteria such as:

- The common European standard as regards electronic invoicing;
- A common format of invoicing;
- The mandatory application of such rules.

Not all European countries have transposed the said directive. However the ones that did have now thereby obliged government agencies to receive e-invoices. Moreover, the responsibility is also delegated to member states when it comes to making sure that their contracting authorities are processing e-invoices that are fully compliant with the previously mentioned European standard. According to the directive, the following core elements must also be included in an e-invoice:

- process and invoice identifiers;
- the invoice period;
- seller information;
- buyer information;
- payee information;
- seller's tax representative information;
- contract reference;
- delivery details;
- payment instructions;
- allowance or charge information;
- invoice line item information;
- invoice totals;
- VAT breakdown.

Different European countries all have specific legislation of their own in relation to e-invoicing regulations. Bulgaria's Public Procurement Act for example regulates the way in which public authorities are to state where, how and when e-invoicing is to be accepted or not.

France

Similarly, France also has considerable legislation with Decree No 2019-748 of 18 July 2019 regulating electronic invoicing in public procurement. As of this moment in time, all B2G transactions have to be conducted via electronic invoicing, with business being expected to send their invoices via the Government's e-invoicing portal ChorusPro. Considerable legislation is also planned for the future in France, with current timelines forecasting that: (1) By 2023, all taxpayers will be able to receive e-invoices, while all large companies should be able to issue them, (2) By 2024 all mid-sized companies should be able to issue e-invoices and lastly, (3) All small companies being able to issue e-invoices by a maximum cut-off date of 2025.

Germany

In Germany's case, the abovementioned directive was transposed by means of Section 4a in the eGovernment Act, whereby the Government was given the powers to enact special regulations regarding e-invoicing. Moreover, Germany's e-bill ordinance obliged the highest federal authorities to start receiving invoices as from November 2018. Being a federal state, the timelines as to when states and municipalities were obliged to start receiving e-invoices was a little bit laxer, starting only in April of 2020.

The Netherlands

The Government of the Netherlands has also switched to e-invoicing. Like other European countries, new legislation was introduced in order for the transposition of Directive 2014/55/EU to be able to take place. Having been completed in 2016, this transposition progressed slightly faster than it did in other countries. Moreover, it is also interesting to note that up till 2021, some 40% of Dutch businesses were already making use of electronic invoicing!

Belgium

Belgium like Germany is a federation, and therefore there were discrepancies in how Directive 2014/55/EU was implemented. The Flanders authorities for example legislated and made sure that public authorities were able to receive electronic invoices as from the start of 2015. Moreover, central authorities were tasked with rejecting paper invoices of over €135,000 from 2018 onwards. Wallonia and Belgium's capital Brussels however were a little bit slower in implementing the said changes. Yet with that being said, all Belgian public authorities were takes to obtain the capability to receive and process electronic invoices starting in April of 2019 at the very least.

Non-EU countries

Although regulations can be quite different for European countries that are not part of the European Union, in this case it is observed that the abovementioned directive is also being enforced in countries that are not member states of the EU. Iceland in fact has been implementing the directive, making it mandatory for Government agencies to receive e-invoices since April of 2019. Likewise, the United Kingdom also fully implemented the EU directive in May 2019, before BREXIT was finalized. Thus, as things stand today, British regulations are also akin to European ones.

Asian Regulations

Differing to Europe, there is no authority that centralizes electronic invoicing standards in Asia. Each country therefore has its own regulations. As of 2021 however, very similar strides were taken in a number of Asian countries as shall be seen below.

Singapore

Although Singapore does not have any electronic invoicing legislation, businesses were encouraged to make use of e-invoicing through the E-Invoicing Registration Grant which granted $200 to companies that registered through the PEPPOL/InvoiceNow e-invoicing network by December of 2020. Other grants are also made available for tax-paying companies, and more often than not, PEPPOL registration is a pre-requisite in relation to the above.

Lastly, the Singaporean government also requires any software provider that wishes to lodge tax returns to be a Peppol Ready Provider.

India

Mandatory electronic invoicing started out in India in January of 2021 for businesses having an annual turnover of over 100 crore per year. Mandatory electronic invoicing was also put into place in relation to B2B transactions in April of 2021. Therefore, as of April of 2021, all transactions must be made via the GST Invoice Registration Portal (IRP).

Japan

The Japanese taxation system is currently being overhauled as we speak. As of this moment, Japanese businesses are required to keep all their records in check to that they'll be able to support the credit amounts claimed. With that being said however, the new Japanese e-invoicing system is expected to be fully operational by 2023.

Meanwhile, in July 2020, the E-Invoice Promotion Association (EIPA) was founded, taking very significant steps in its first months. Firstly, it called on the Japanese Government to develop a new e-invoicing operating system. Secondly, and more significantly, it has also called for PEPPOL to be adopted as the Japanese standard for electronic invoicing.

Indonesia

In Indonesia, e-invoicing was introduced in 2013 with the centralized e-Faktur Pajak system being put into place. Later on, in 2015, companies registered in Java and Bali were also required to start using electronic invoices. By 2016, this requirement was extended to all Indonesian companies and taxpayers.

Taiwan

Taiwan on the other hand was one of the pioneers of electronic invoicing, introducing the concept in 2006. That being said, e-invoicing was not mandatory with opt-out clauses being available for businesses that were not resident in the country. Yet in January of 2021, electronic invoicing became mandatory for all taxpayers in Taiwan and the said loopholes were thus closed, with penalties being placed upon those that do not comply with these regulations.

Taiwanese regulations are strict in that they oblige companies to submit their signed electronic invoices to the Taiwanese Ministry of Finance within 7 days of being issued. Moreover, Taiwanese regulations also oblige the storage of all documents for 5 years at the very least.

South Korea

Tax-electronic invoicing was introduced in South Korea in 2011, and it became mandatory for most in 2014. As of this moment, businesses, other entities as well as legal persons whose total output in the preceding tax year reaches KRW 300,000,000 or more are mandated to issue e-invoices to their customers in relation to goods or services that are subject to value added tax (VAT). These invoices must also be reported to governmental authorities within 1 day of when they're issued.

What is South America doing regarding Invoicing regulations?

The Pioneers

When it comes to South America, it can be observed that South American countries were the pioneers of e-invoicing. In fact Chile was one of the first countries to adopt electronic invoicing in 2003. In 2014 the Chilean parliament passed legislation requiring all companies to provide e-invoicing, although most companies had started the process beforehand.

Argentina and Brazil went on to mandate e-invoicing in 2007 and 2008, requiring companies to store their electronic invoices for 10 years and 5 years respectively. Mexico on the other hand implemented mandatory e-invoicing in 2012, seeing a huge rise in taxation revenue as a result.

Colombia and Uruguay

Other Latin American countries have followed in the pioneer's footsteps, with Colombia obliging businesses to issue e-invoices in 2019 by means of Resolution 42. In Uruguay, companies invoicing more than 305,000 UI are mandated to create an electronic invoice, while to participate in the electronic invoice programme, companies must register with the competent authority and archive their invoices for five years.

Guatemala

Guatemala also modernized its invoicing system in 2019, with the new system obliging taxpayers to issue e-invoices in XML format and having a mandatory digital signature based on certification issued by the competent authority. Taxpayers are also obliged to store the relevant documents for 4 years from when taxation is due.

Chile

Being one of world's pioneers when it comes to electronic invoicing hasn't stopped Chile from continuing to modernize its system. In fact, as of 2020, a Value Added Tax reform was undertaken ensuring mandatory B2C transactions. Moreover, in order to be able to issue the said electronic tickets, entities now have to meet additional requirements.

What about other countries?

The United States

As alarming as it may sound, the United States has had a very slow start when it comes to electronic invoicing. In 2015, President Obama's office issued a memo requiring all Federal Agencies to switch to paperless invoicing by the end of 2018. Before this memo came into effect, only 40% of federal agencies had issued electronic invoices. As regards private entities, up until 2019 large companies and corporations were the only entities issuing electronic invoices, and consequently there were only 250 e-invoicing providers in all of the States added up.

Australia and New Zealand

In 2018, the Trans-Tasman Electronic Invoicing Arrangement was signed between Australia and New Zealand, establishing a framework for a common e-invoicing approach between both countries.

In October of 2020, the Australian government announced that all businesses had to adopt e-invoicing as part of its economic recovery and digitalization programme. Australia's e-invoicing programme went live in December of 2020, and consequently it is envisaged that e-invoicing will be mandated for all agencies by July of 2022, with electronic invoicing capacity reaching 80% by July of 2021. The Government has also announced that it will start consultations on options for mandatory adoption of e-invoicing.

New Zealand took a more relaxed approach than Australia in this regard, with potential timelines envisaging mandated electronic invoicing to come into place by the end of 2022. As is the case in Australia, New Zealanders have adopted the PEPPOL standard as the general e-invoicing standard in New Zealand, with PEPPOL authorities being established in both countries.

Egypt

Egypt's regulations focus on the sending of electronic invoices. Large businesses are required to submit B2B invoices to the ETA portal in electronic format, with all invoices having to include a Unique ID code. Issuers of e-invoices must be registered in the Egyptian invoicing system, with the first 134 companies being listed in 2020. As of 2021, all invoices must be electronically signed before they are delivered to the competent tax authorities.

The importance of the Peppol Network

Peppol enables users to invoice public sector clients. It also has top-rated security and allows companies to exchange electronic documentation with all companies registered at the PEPPOL network. As of this moment in time, there are over 430,000 public and private companies that are registered in this network.

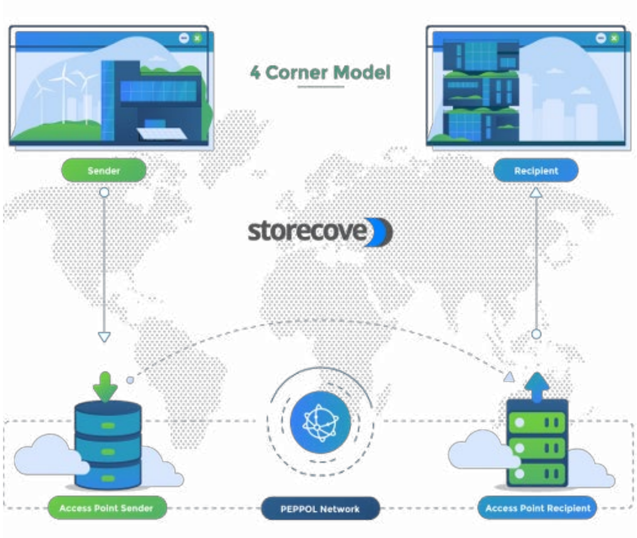
Having been developed with the European Union in mind, PEPPOL is definitely of very high calibre. This in turn can explain why other regions in the world (such as Canada, New Zealand, and Singapore) have adopted the PEPPOL standard,resulting in PEPPOL becominging the global industry standard at high speed.

While in the past different countries had different standards when it comes to e-invoicing, as from 2020 all institutions and authorities within the European Union have been required to start receiving PEPPOL invoices, thereby making PEPPOL a one stop shop. Given that other national standards will be gradually replaced by PEPPOL, businesses are encouraged to either adapt to the PEPPOL standard or to start using it if they already haven't.

In order to connect to the PEPPOL network, one needs to connect to a PEPPOL Access Point such as Storecove. Currently there are over 200 such certified Access points forming up a secure network that enables users to both send and receive e-invoices and other electronic documentation.

The way in which access points work is known as the 4-corner model, as there are four parties involved, these being:

- The Sender;
- The Receiver;
- The two PEPPOL Access Points.



Therefore, when one sends their invoice via this network, the invoice goes from the sender, to the sender's access point. The sender's access point then transmits the invoice to the receiver's access point who then transmits it to the receiver. PEPPOL authorities are tasked with ensuring that that these Access Points carry out their tasks while holding technical standards and specifications as laid down by European Union regulations. As of this moment in time, there are 13 PEPPOL Authorities in 13 different countries that all refer to OpenPEPPOL, which is the international organization responsible for developing the European and global PEPPOL standard.

Lastly, issuing PEPPOL invoices is relatively easy. All one must do is register at a Certified PEPPOL Access Point, activate your Peppol ID, and you are ready to go.

How to comply with invoicing Regulations

Knowing the regulations of the country where you're operating in is key before starting to use electronic invoicing. Global enterprises will note that it's a 24/7 job staying ahead of invoicing regulations in different countries. This is because as explained in previous sections, different countries have different regulations. And therefore, different standards are applied according to the jurisdiction of choice.

More often than not, various countries require companies to report the switch from paper to electronic invoicing to the competent authority before starting to use e-invoicing. Sometimes, suppliers must get the consent of the recipient to make the switch, even more so because although electronic invoicing is nothing new, some countries (including very developed ones) are still far behind as regards electronic invoicing as explained earlier.

Firstly, as regards the e-invoicing process, companies are encouraged to look at the requirements related with document authenticity and integrity. While certain jurisdictions might require specific requirements, others might be more lenient. Moreover, you are also encouraged to keep an eye out for countries with federal systems, as these may very well have different invoicing regimes themselves.

Secondly, the content of the invoice is also regulated according to the invoicing regime of the jurisdiction in question. Differences are also in place as regards issuing, transmitting, and accepting of the invoicing process. The supplier and the recipient might have different duties under different regimes vis-à-vis tax authorities. In fact, in some countries' authorities require the recipient to acknowledge the receipt of an invoice.

When it comes to archiving, it is also important to note that apart from each country having a different archiving duration, there might also be other regulations. Certain countries require the archiving to take place domestically while other jurisdictions require the company in question to request permission from the competent authorities before archiving documentation abroad.

Meanwhile, other regulations might also include:

- Government validated invoice numbering;
- Electronic Data Interchange;
- The inclusion of Digital signatures;
- Government mandated systems;
- Various minimum data fields;
- VAT & commercial fields; And
- Data Protection standards.

It is imperative to note that not complying with the requirements of the jurisdiction in question can lead to various penalties and fines. Such penalties and fines include severe restrictions such as re-payment of VAT over several years, possibly even putting big players out of business. You are thus encouraged to ensure full compliance when it comes to e-invoicing to avoid gross mishaps.

Although e-invoicing compliance can seem to be complex at first, you'll soon realize that it is most definitely worth it. For a start, e-invoicing is becoming almost the default standard in the B2B world. Clients will also soon start to demand e-invoicing and there have also been instances of companies refusing to accept paper invoicing. Moreover, electronic invoicing has proved to save money and increase efficiency, and therefore it will most definitely pay off in the long run.

Contact us

Want more information about utilizing an e-invoicing solution and/or the PEPPOL network?

Please get in touch and our expert support team will answer all of your questions.

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available from 9:00 – 17:00 CET

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Schedule a free consult at
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