E-invoice ≠ PDF: You need to make extensive changes NOW!

Dear clients and friends of nhs* group,
In this e-mail, we would like to inform you about the current status of the introduction of "electronic invoices" (e-invoices).

What is the current status of the legislative process in Germany?

The draft bill for the Growth Opportunities Act, which was passed by the Bundestag (Federal Diet) on 17 November 2023, provides for the introduction of e-invoicing for domestic B2B transactions from 1 January 2025. The law was initially rejected by the Bundesrat (Federal Council) and referred to the mediation committee. However, the rejection of the law was not due to the regulations on electronic invoicing. It can be assumed that the regulations will not change significantly.

The primary aim is to combat VAT fraud and close the VAT gap. The German government expects the mandatory introduction of e-invoices to generate several billion more revenue. The motivation to postpone the start of the introduction once again can therefore be described as very low, especially against the background of the existing federal budget situation.

Who is affected by this change in Germany?

The introduction of mandatory e-invoicing in Germany is intended for the B2B sector. All companies domiciled in Germany for VAT purposes will be obliged to issue e-invoices for their deliveries and other services if the invoice recipient is also domiciled in Germany. Exceptions only exist for some tax-free services. The consent of the invoice recipient is then no longer necessary.

An electronic invoice is not just a PDF invoice (digital invoice)!

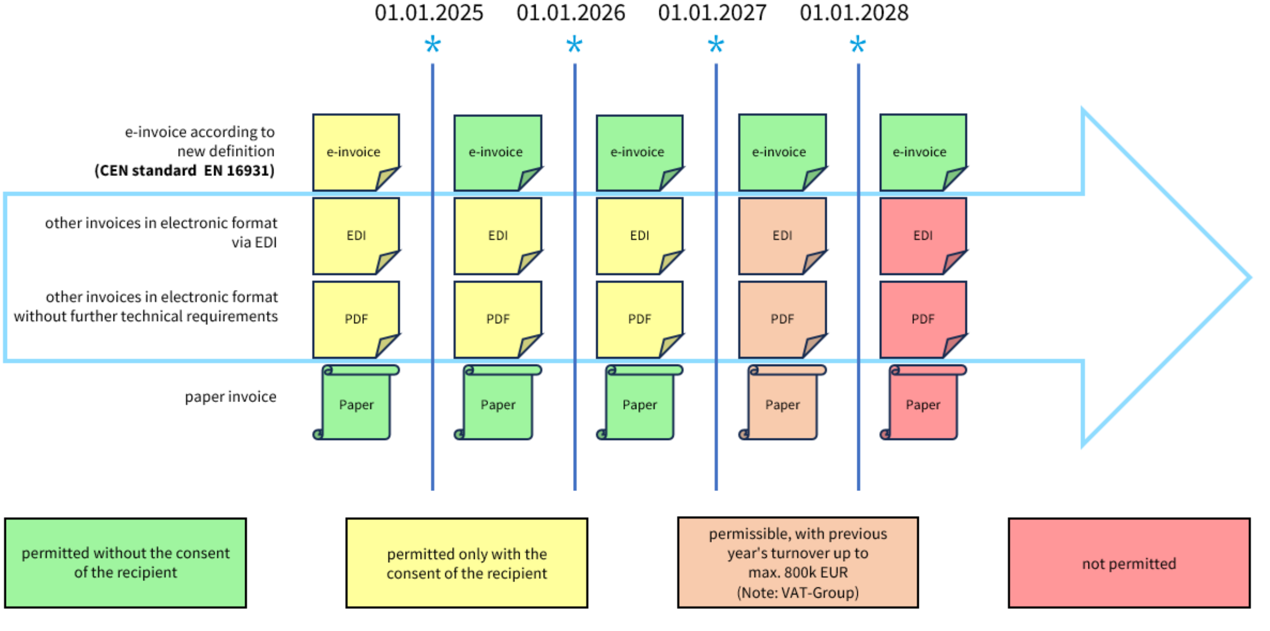
Within the European Union, the CEN format EN 16931 is intended for electronic invoices. This European standard defines a structured electronic format that enables electronic processing. In Germany, the invoice formats ZUGFeRD 2.1.1 and the so-called XRechnung currently fulfil this standard. Both invoice formats consist of a data record and, in the case of the ZUGFeRD invoice, this data record is supplemented by a PDF file.

All further invoices are "other invoices"

These are invoices that are sent in a different electronic format (pdf invoice) or on paper.

When are the obligations for invoice issuers and recipients?

The introduction of the e-invoice will take place in phases between 1 January 2025 and 1 January 2028. The following overview shows the obligations for creating e-invoices and, in particular, the obligations for receiving e-invoices, in each case by year:



Do I need to act now or can I wait and see?

From 1 January 2025, all companies will be obliged to accept e-invoices. The requirement for the invoice recipient's consent will therefore no longer apply from 1 January 2025. This means that companies must also be technically capable of processing these e-invoices in their accounting systems.

We see the following constellations for our clients:

- <u>The company's accounting is done by us or by their own accounting department in DATEV:</u>
  DATEV is currently working intensively on enabling or improving the receipt of these invoices via DATEV Unternehmen Online (DUO). Provided that DATEV Unternehmen Online has already been implemented, there will be no major need for action in the processing of invoices. However, it should be noted that invoice verification and approval processes must then be completely converted to a digital solution (e.g. DATEV Belegfreigabe comfort) at the latest. The distribution of signature folders or similar is then no longer possible in some cases.
- <u>The company's accounting is carried out using a different accounting software or a so-called ERP system:</u>
  It should be discussed at short notice with the respective system house/IT provider what is to be done when and by whom. We strongly assume that the system houses will be heavily overloaded. This means that the sooner you take care of this, the better.

The priority of paper invoices will no longer apply in 2025 and every company will be able to send e-invoices from this date. However, it is generally possible to send paper invoices until 31 December 2026. Other electronic formats, such as invoices in PDF format, may only be sent with the consent of the respective recipient.

From 1 January 2027, companies with a previous year's turnover of more than 800,000.00 euros in the B2B sector must send e-invoices. Companies with less turnover in the previous year will not be subject to this obligation until 1 January 2028. Until then, these companies have the option of sending other invoices in EDI format.

It is important to act early, as the switch to e-invoices may mean a general adjustment of your internal processes and ERP systems. Employees in accounting and invoicing also need to be trained in this.

Is this a German issue or does it also affect companies in other countries?

E-invoicing is by no means a German invention. This obligation is also currently being implemented in other countries in the EU and, as we know from our winglobally network, countries such as Singapore and Malaysia have also jumped on the bandwagon.

What is the status of the introduction of e-invoicing in other EU countries?

We have compiled an overview of the current status in some key EU countries (editorial deadline: 31.12.2023)

- IT Italy:
  Italy, a pioneer in electronic invoicing since 2019, requires electronic invoices for all transactions. From July 2022, this will also apply to foreign transactions and when annual turnover thresholds are exceeded. From 2024, flat-rate taxpayers will also be obliged to do so.
- FR France:
  The age of electronic invoicing dawned in France in 2021, particularly for transactions in the public sector. There is a meticulous transition plan that stipulates that large companies must comply by 2026 and small and medium-sized companies by 2027. Accredited platforms such as Chorus Pro are partners here for a seamless implementation.
- NL The Netherlands:
  In the Netherlands, e-invoicing is a must for public tenders from January 2021. Central public administrations use Digipoort, while private companies can initiate the digital transformation with the consent of their clients. A streamlined approach for a digital age.
- AT Austria:
  Austria expects to introduce electronic invoicing around 2025 or 2026, in line with European VAT changes. Although specific details are not yet known, careful anticipation is key to Austria's move towards modernized VAT processes.
- ES Spain:
  Spain's VAT transition is imminent. Once the law has been passed, companies with a turnover of more than 8 million euros will have one year, others two years, to switch to electronic invoicing.
- CH Switzerland:
  E-invoicing has only been mandatory in Switzerland for B2G transactions for contracts over CHF 5,000 since 2016. B2B and B2C transactions are available and are recommended by the government to increase efficiency and reduce costs in the invoicing process, but are not mandatory.

If you have any questions, please do not hesitate to contact us!

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