E-Invoice Takes Effect: The official requirements start on January 1st, 2025

Dear clients and friends of nhs* group,

In this e-mail, we would like to inform you again about the current status of the introduction of "electronic invoices" (e-invoices). Further updates on this topic will be communicated via a separate newsletter “E-invoices in Germany”. You can subscribe to this new newsletter and our regular newsletter via our website.

We kindly remind our clients to please send us their invoice@email address so that we can send our future digital or electronic invoices to that address.

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

The bill for the Growth Opportunities Act ensues the introduction of e-invoicing for domestic B2B transactions from 1 January 2025. More specifically, the regulations for issuing invoices according to § 14 UStG were recast. 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. Transitional agreements are in place.

In the meantime, the Federal Ministry of Finance (BFM) has published a letter dated 15 October 2024 (‘Issuance of invoices in accordance with § 14 UStG; Introduction of mandatory invoices for transactions between domestic companies from 1 January 2025’). This BMF letter contains numerous notes and clarifications, which we will explain in more detail in our e-invoice newsletter.

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 tax-free services under § 4 No. 8 to 29 UStG as well as invoices for small amounts up to €250 (§ 33 UStDV) and tickets for public transport (§ 34 UStDV). The consent of the invoice recipient is then no longer necessary.

What may sound clear at first glance is sometimes not, however. For example, an intra-community delivery from Germany to the business premises of another domestic company in the community is also subject to the e-invoicing requirement.

Introduction of a reporting system

The gradual introduction of the electronic invoice, which will be mandatory in the future for domestic B2B transactions, is closely linked to the later statutory introduction of the obligation to report certain invoice details to the tax authorities in a timely and transaction-related manner. This electronic reporting system does not yet exist.

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

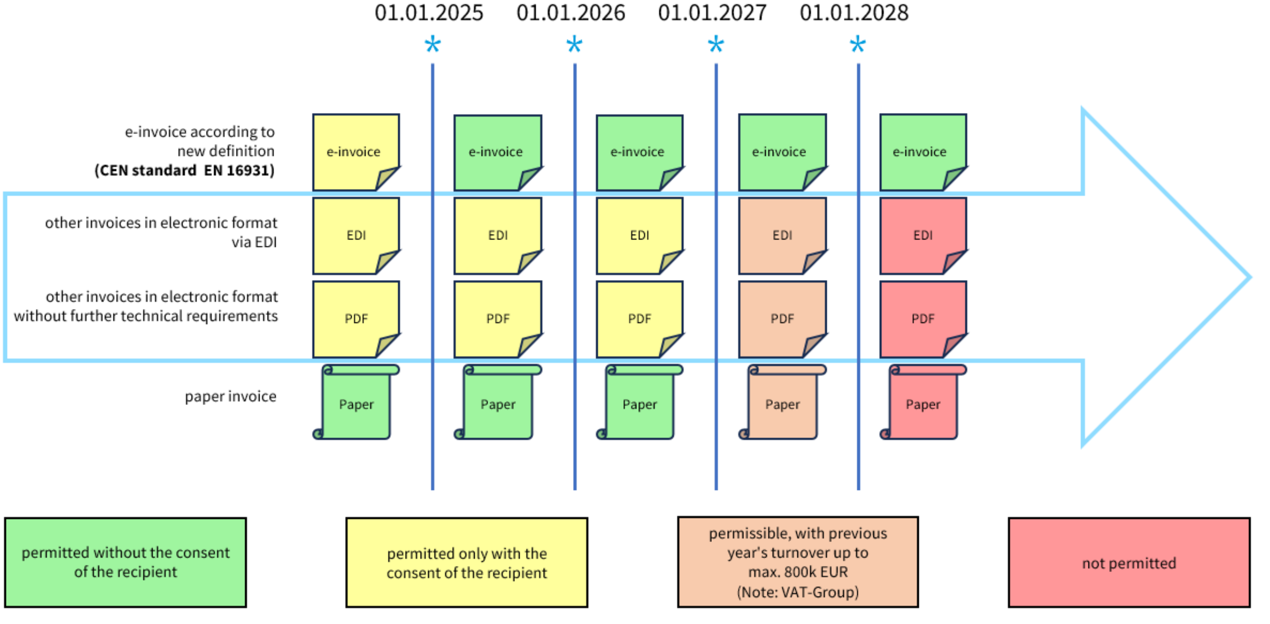
Within the European Union, the CEN format EN 16931 is intended for electronic invoices. This European standard defines a structured electronic format that enables electronic processing. In Germany, the invoice formats ZUGFeRD 2.1.1 and the so-called XRechnung currently fulfil this standard. Both invoice 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 do the obligations for invoice issuers and recipients arise?

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 and, in particular, for receiving e-invoices, tiered 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 should also be technically capable of processing these e-invoices in their accounting systems.
This does not explicitly mean, however, that companies must be able to process electronic invoices as such in their accounting systems. From the point of view of an efficient workflow, however, this capability is recommended in any case.

In any case, however, each company must create an e-mail inbox (e.g. invoice@company.de) to which the creator of the e-invoice can send their invoice.

We see the following configurations for our clients:

- The company's accounting is done by us or by their own accounting department in DATEV:
  DATEV continues 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 or other software) at the latest. The distribution of signature files or similar is then no longer possible in some cases. This can be done either using the DATEV 'Belegfreigabe online' other providers, some of which offer additional functionalities such as archiving systems, expense reimbursement, etc. (see, for example, the software Candis).
- The company's accounting is carried out using a different accounting software or a so-called ERP system:
  It should be discussed at short notice with the respective IT provider what is to be done when and by whom. We strongly assume that IT providers 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 forward. 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 EUR 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.

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

Your points of contact

Mathias Niehaus
Certified Public Accountant
Tax Advisor

E-Mail

Stanislav Kofmann
Tax Advisor

E-Mail