The impact of the e-invoice

Dear clients and friends of nhs*,
The electronic invoice (e-invoice) is increasingly becoming the norm in Germany – and became mandatory from 1 January 2025, although the transitional arrangements allow for a certain amount of delay until 1 January 2027.

To help you prepare, we would like to summarize the most important information about e-invoices in this and future newsletters to keep you up to date on the topic.

1. What is an e-invoice?

An e-invoice, or electronic invoice, is an invoice that is transmitted in a structured electronic format and can be processed mechanically. It must meet the requirements of the **EU standard EN 16931** and the federal e-invoice regulation (E-RechV), which specifies uniform technical standards. In Germany, the **XRechnung** or **ZUGFeRD** formats, which comply with this standard, are frequently used.

The core of an e-invoice is the **XML format** (Extensible Markup Language), which presents the invoice data in a structured way. This format enables the data to be processed directly by accounting software.

What does the XML format look like?

This is a simplified example of an e-invoice in the XML format (based on XRechnung).

This example contains basic information such as invoice number, date, supplier, customer and items. In practice, additional fields are possible for taxes, payment details and specific attachments.

```xml
<?xml version="1.0" encoding="UTF-8"?>
<Invoice xmlns="urn:cen.eu:en16931:2017">
  <ID>INV-2025001</ID>
  <IssueDate>2025-01-01</IssueDate>
  <InvoiceTypeCode>380</InvoiceTypeCode>
  <BuyerReference>DE-123456</BuyerReference>
  <AccountingSupplierParty>
    <Party>
      <PartyName>
        <Name>Example GmbH</Name>
      </PartyName>
      <PostalAddress>
        <StreetName>Example Lane 1</StreetName>
        <CityName>Example City</CityName>
        <PostalZone>12345</PostalZone>
        <Country>
          <IdentificationCode>DE</IdentificationCode>
        </Country>
      </PostalAddress>
      <PartyTaxScheme>
        <CompanyID>DE123456789</CompanyID>
        <TaxScheme>
          <ID>VAT</ID>
        </TaxScheme>
      </PartyTaxScheme>
    </Party>
  </AccountingSupplierParty>
  <AccountingCustomerParty>
    <Party>
      <PartyName>
        <Name>Customer AG</Name>
      </PartyName>
    </Party>
  </AccountingCustomerParty>
  <InvoiceLine>
    <ID>1</ID>
    <InvoicedQuantity>10</InvoicedQuantity>
    <LineExtensionAmount currencyID="EUR">100.00</LineExtensionAmount>
    <Item>
      <Name>Service items</Name>
    </Item>
    <Price>
      <PriceAmount currencyID="EUR">10.00</PriceAmount>
    </Price>
  </InvoiceLine>
</Invoice>
```

2. Hybrid invoices: What is that?

A hybrid invoice combines the mechanically readable data format (e.g. XML) with a simplified representation, often a PDF. This type of invoice enables both digital processing and traditional visual inspection.

A well-known example of a hybrid invoice is the **ZUGFeRD invoice from version 2.0.1**. ZUGFeRD (Zentraler User Guide des Forums elektronische Rechnung Deutschland) is a format that combines PDF and XML in one file:
- **PDF component**: The invoice can be visually checked or printed.
- **XML component**: The structured invoice data can be imported directly into accounting and ERP systems

With the introduction of the e-invoicing requirement, the XML component has now become an essential part of this ZUGFeRD invoice from 1 January 2025. If the two components match, the PDF component is a copy with identical content. If, on the other hand, there are deviations (e.g. a different service description or a different VAT amount), this component then represents an additional invoice (Section 14c UStG), for which additional VAT is owed, but from which the recipient of the service is not allowed to deduct input tax. Sending an identical e-invoice multiple times, on the other hand, is harmless.

ZUGFeRD is particularly suitable for companies that want to gradually switch from paper-based to fully electronic processes.

3. Mandatory from 2025 on - for whom?

With regard to the cornerstones of the e-invoicing requirement and the transition periods for the so-called other invoices and paper invoices, we would like to refer you to our client newsletter, which you can find in the news section of our website (Introduction of e-invoicing in Germany).

From **1 January 2025**, companies are obliged to **accept** electronic invoices in accordance with § 14 of the German VAT Act (UStG). An e-invoice must enable electronic processing, but it does not have to be processed electronically. All mandatory information according to §§ 14, 14a UStG must be included in the structured part of the e-invoice. This also includes a clear description of the service. However, additional information can be provided in an attachment (e.g. hourly statements in a PDF file).

The transmission must be in electronic form. In particular
- sending by email,
- provision via an electronic interface or
- the option of downloading via a (customer) portal

come into consideration.

It is important to emphasize again that the obligation only applies to the **receiving** of invoices. Companies are not automatically obliged to **send** e-invoices themselves, but they should consider doing so in order to work more efficiently with business partners.

The adaptation of processes, in particular of accounting systems, should be done in good time to meet the legal requirements.

4. Approval of invoices: Efficient tools for practical application and their growing importance

Invoice approval tools like **DATEV Belegfreigabe online comfort** or **Candis** are gaining importance for the following reasons:

1. **Increase in digital invoicing:**
   With the introduction of mandatory e-invoicing, the proportion of structured invoice formats (e.g. XRechnung, ZUGFeRD) will increase significantly. Manual checking and approving such invoices is no longer efficient. Invoice approval tools automate this process and save valuable time.
2. **Improved team collaboration:**
   In many companies, several people have to check or approve an invoice (e.g. specialist department, accounting, management). With invoice approval tools, invoices can be uploaded, commented on and digitally approved, independently of time and place.
3. **Audit security and traceability:**
   Invoice approval tools seamlessly document all work steps. Who checked, approved or rejected the invoice and when? This transparency is not only practical, but also essential to meet the requirements of the GoBD (Principles of Proper Management and Storage of Books).
4. **Faster processing and payment:**
   Automated workflows ensure that invoices are processed faster. Early payment discounts (cash discounts) can be better utilized, and delays in invoice processing are a thing of the past.
5. **Integration into existing systems:**
   Modern tools such as DATEV Belegfreigabe online or Candis can be seamlessly integrated into existing ERP and accounting systems. This means that invoice data automatically flows into the accounting system without the need for manual data entry.
6. **Future-proof:**
   With the mandatory e-invoice and the constant progress towards paperless office processes, digital workflows are becoming the standard. Invoice approval tools are a central component in making companies fit for the future.

Please find more information about Candis and DATEV Belegfreigabe online on our website via this link.

Due to our partnership with Candis we can offer you preferential conditions. Please contact us if you are interested or approach Candis directly, naming nhs* as your reference.

5. Storing and archiving: what to consider

E-invoices must be **stored in accordance with the applicable retention periods**. This means that the structured part of an e-invoice must be stored in such a way that it is available in its original format and, among other things, the requirements for immutability are met.

E-invoices are regularly sent by e-mail. As long as the e-mail contains no relevant invoice data (e.g. additions, explanations), the e-mail does not have to be archived (electronic envelope). However, it should be noted that a deduction of input tax is only possible once the invoice is received. Without the e-mail, however, the time of receiving may be difficult to document.

6. Input tax deduction in the transitional phase 2025-2026

Due to the transitional regulations, input tax deduction will still be possible until the end of 2026, even with paper or PDF invoices. However, as soon as there is an obligation to issue an e-invoice, only this e-invoice will meet the requirements for deducting input tax. If, despite this, another type of invoice is issued, the recipient of the service will no longer be able to deduct input tax. In this case, an invoice correction can only be made by means of an e-invoice with a clear reference to the other invoice to be corrected.

Finally, here is a link to the FAQ on e-invoices from the Federal Ministry of Finance (BMF), which answers some questions well and comprehensibly (only available in German).

Furthermore, we would like to address the following topics that might be important to you in regard to e-invoices:

Impact on business processes and IT systems

The introduction of e-invoices may require adjustments to existing business processes and IT systems:

- Accounting and ERP systems: Check whether your current software is compatible with the XRechnung and ZUGFeRD formats. If not, consider updates or alternatives in advance.
- Training: Employees who are responsible for creating and processing invoices should be trained promptly to make it easier for them to handle new processes.

National differences in the implementation of e-invoicing

For companies operating internationally, it is important to know that although the e-invoicing regulations in the EU have been harmonized by EU standard EN 16931, each country has set its own requirements and deadlines for implementation. As a result, customers in other countries may already have stricter requirements for receiving or transmitting e-invoices.

Data protection and data security

Since e-invoices contain sensitive business data, it is crucial that this data be handled securely. You should ensure that:

- invoices are sent only through secure channels (e.g. encrypted e-mails, secure transmission platforms).
- access rights within the company are clearly regulated to avoid data misuse.

Funding programs and support options

Some federal states in Germany offer funding programs for the digitization of business processes. You could benefit from these if you are introducing e-invoicing as part of your digital transformation. Information on this can be found on the websites of the respective federal states, such as here for the federal state of North Rhine-Westphalia.

Conclusion

In addition to the legally required conversion to e-invoicing, you should take the opportunity to modernize your entire accounting and invoicing processes. This not only ensures legal compliance, but also brings efficiency and cost advantages.

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