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Mandatory Electronic Invoicing for the EU Public Sector

This paper looks at the drivers for mandatory B2G e-invoicing and how businesses can align their billing processes to meet both existing and emerging requirements with minimal disruption.

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Introduction

Digital transformation is an understandably overused phrase in business today. Few business transformations are non-digital in nature. We live in an era characterised by ever-increasing digitisation. However, some aspects of business have resisted the rising digital tide longer than others. One such area is the production, exchange, and processing of invoices. But change is coming, and it's coming fast.

There can be little doubt that the pandemic lockdown restrictions of 2020/21 have forced traditional business processes to adapt swiftly. Business-to-business connections have shifted rapidly to electronic methods as postal deliveries have become delayed or sat unopened in unstaffed mailrooms.

Digital delivery has suddenly become the preferred channel for any communication of importance. Businesses are doubling down on efforts to move to electronic invoicing, accelerating this inevitable trend.

To date, the most popular e-invoicing format has been a simple PDF copy of an otherwise paper invoice; attached to, or linked from, an email. This has presented the lowest barrier to adoption, maintaining familiarity of invoice appearance and placating all but the most stubborn fans of traditional paper processes.

PDF invoices are unquestionably a step in the right direction, but only a step. Much of the promise of electronic invoicing lies in the efficiency of automated production/delivery/processing, as well as streamlined storage and recall. Producing, parsing, and then storing unstructured data, such as PDFs, is not an elegant, nor efficient, solution to these goals.

The promised efficiencies of e-invoicing may be appealing to SMEs, but when considered at the scale of transactions in the public sector, these savings become enormous. Consequently, there is an increasing shift towards mandatory e-invoicing of the structured data kind for public sector transactions.

This paper looks at the structured data formats that are favoured by governments, how this is likely to influence B2B invoicing, and the status of different European countries regarding requirements. Finally, we look at how businesses can adapt now to meet existing needs and be ready for future requirements.

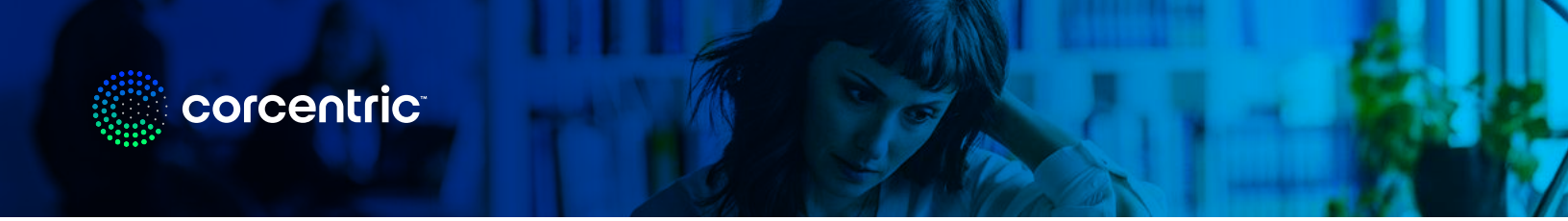
Present Imperfect

Electronic invoicing adoption is growing, but it is still far from omnipresent. It is clear that invoicing processes could be more efficient – both in terms of the production and delivery by accounts receivable, to receipt and processing by accounts payable.

Despite the deadline for each EU member state to transpose the e-Invoicing Directive (Directive 2014/55/EU) into national law having passed, not all public sector entities have switched over to e-invoicing as their default.

The Directive does not require the use of e-invoicing, merely the acceptance of e-invoices which meet the standards set out within the Directive. However, the Directive has clearly spurred an uptake in e-invoicing, alongside a growth in regional standards and frameworks to facilitate this.

Many countries in the EU have gone beyond the requirement to simply



accept electronic invoices and mandate their use by suppliers to the public sector. Other countries, such as Germany in November 2020, will join this growing trend for mandatory electronic invoicing, typically as XML-formatted invoices, in accordance with the requirements of the European Standard on electronic invoicing (EN 16931).

This shift from acceptance to mandatory requirement isn't driven solely by the momentum of the EU Directive. Electronic invoicing, specifically as structured data, is an apposite solution to many of the challenges faced by businesses today.

Business Challenges Now

It's very likely that many businesses will be feeling the lasting effects of the global lockdown for years to come. Priorities have shifted as businesses adapt to more challenging economic conditions, whilst protecting essential processes from similar impacts in the future.

Remote working has survived the acid test of the enforced lockdown. Businesses and employees will be keen to retain some of the efficiency gains that have resulted from this, well beyond the lockdown. This places emphasis on processes to become location agnostic, diminishing the role of mailrooms in favour of email inboxes or secure online portals for information retrieval. The workforce of the 2020s is mobile by default.

Reaching a distributed, location agnostic workforce and customer base requires electronic delivery to become the new normal.

Business continuity has had to adapt in scope, coping with previously unforeseen scenarios like staff shortages and office inaccessibility. As a result of this, automation of essential business processes has moved higher up the boardroom agenda. Automation works best when there are fewer human-readable steps to create and parse.

Traditional paper-based invoicing does not fit well with these needs. Even PDF delivery falls short of streamlined machine-to-machine communication and automation.

Aside from the logistical imperfections of current invoicing processes, the accounts receivable and credit functions within businesses will need to harden against economic uncertainty and the resulting credit risks. Greater emphasis is likely to be placed on the collections side of accounts receivable to maintain cash flow in these challenging times.

Diverting focus, within accounts receivable, to the collections processes requires fundamental changes to be made, to enable this redeployment of staff. Automating invoice creation and delivery frees up the resources to support this need.

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Invoicing Now – What's Not to Like?

It is apparent – and thrown into stark relief by the disruption from lockdown – that many businesses rely too heavily on print and post for invoice delivery at present. Reaching customers, who are no longer office-based, requires electronic delivery.

Of the businesses that have adopted electronic invoicing, the majority of invoices are still sent as PDFs attached to emails. Whilst a step forward from print and post, these invoices are still vulnerable to loss in email systems, lack of accuracy in tracking receipt and readership and, in many cases, are wide open to accidental forwarding and invoice redirection fraud.

Furthermore, delivering invoices electronically may not always mesh with buyers' invoice processing requirements. Many buyers place

the onus on suppliers to ensure invoice details are entered into accounts payable invoicing portals. This presents a manual, time-consuming, and error-prone chore for accounts receivable staff.

As budgetary pressures force process efficiencies, suppliers will be encouraged to deliver invoices in a format that requires minimal parsing by accounts payable invoice processing systems. Invoices delivered electronically, in a structured data format, meet this requirement most efficiently.

Why Governments Mandate Structured Data

There is no doubt that electronic invoicing will be increasingly adopted by businesses, but the breadth of solutions, and associated formats, is large and at risk of diversifying further if left unchecked. The checking of this growth may well come from top-down standardisation, mandated by governments for public sector transactions.

Governments are keen to see greater standardisation, for two main reasons:

1. Centralised, or at least standardised, processes make calculating VAT more transparent and can even force tax payment as part of the process
2. There is greater efficiency for all involved – savings at the scale of B2G transactions can run to millions, or even billions (an estimated €2.3 billion across the EU) annually

Structured data presents a more streamlined approach to invoicing than PDFs or other unstructured, human readable, data types.

As processes evolve towards direct machine-to-machine communication, enabling greater automation and faster processing, there will be less of a requirement for invoices to be human-readable and structured data will become the default for all invoices.

The Proof is Out There

South America and Central America show us multiple examples of government-mandated electronic invoicing, typically utilising XML standards, working exceptionally well to close tax gaps and improve invoicing efficiency.

Brazil

Brazil has seen an increase of $58 billion in tax revenue (by 2019) as a result of plugging gaps in invoicing. The government-mandated process, established in 2008, applies to invoices for almost all goods and services in the country (around 1.6 million businesses).

The NF-e, Electronic Invoice, is the mandatory document in Brazil for the issuance of invoices related to the purchase and sale of products. The structure of the document is based on a file in XML format, which must be declared to the competent tax authority (SEFAZ) for approval before the goods are shipped.

Chile

Chile was the first country to introduce voluntary electronic invoicing, back in 2001. As a result of the apparent benefits, Chile began to implement mandatory VAT e-invoice reporting from 2014. It is estimated that Chile has reduced the VAT gap by around 50 percent through mandatory electronic invoicing. Chile's e-invoices are called Electronic Tax Documents (DTE) locally. Companies must first register with the Chilean tax authorities, Servicio de Impuestos (SII), to issue DTE invoices. DTE invoices are in XML format.

Mexico

On September 14, 2010, new rules that specify the use of electronic invoices were published by the Mexican Government. All companies with over 4,000,000 pesos (around $330,000) of annual income must send and store all of their invoices worth over 2,000 pesos electronically, in officially approved "Digital Invoicing via Internet" format (CFDI, Comprobante Fiscal

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CFDI, which stands for Comprobantes Fiscal Digital por Internet, is the electronic billing schema defined by the Mexican federal tax code. This is an XML schema. Most companies will send the signed XML invoice and the PDF rendering to the customer via email, but other channels are used for direct machine-to-machine invoicing. Invoices, including the XML, must be retained for at least five years.

Current Status and Expected Changes in the EU

Electronic invoicing in the EU has been heavily influenced by the EU Directive 2014/55. One of the purposes of this Directive is to regulate electronic invoicing for public contracts. This Directive required more than 300,000 public administrations across the EU to have systems ready to accept electronic invoicing from April 2019.

It is estimated that up to 65 percent of all businesses in a country are suppliers to the public sector; so the ramifications of this Directive are far reaching. What starts as a B2G mandate, is likely to quickly flow into B2B invoicing best practice. Indeed, Italy can be seen as an early example of how quickly this can happen.

Many countries have transposed the directive into laws that mandate B2G e-invoicing by all public authorities, in an effort to rationalise government expenditure.

It is important to note that unstructured (e.g. PDF) invoices are not classified as true electronic invoices within the meaning of this Directive. For this reason, XML standards and web-based transfer protocols have dominated the way this directive has been transposed into law by each member state.

Austria

- B2G e-invoicing is mandatory in Austria since 2014 when directive 2014/55/EU was transposed via the Federal Public Procurement Act 2018.
- The provision of Section 5 of the Austrian ICT Consolidation Act from 2012 mandates that all contracting partners of the federal government, including foreign contracting partners, must only submit structured (i.e. not PDF) electronic invoices for the provision of goods and services to government departments.
- Any platform can be used to deliver electronic invoices, if connected to the authentication services of the Federal Service Portal (Unternehmensserviceportal – USP). E-rechnung.gv.at for e-invoicing Transmission.
- Standards are ebInterface (national XML standard) and PEPPOL-BIS (UBL - international).
- There is a legal obligation to preserve invoices for a minimum of seven years.

Belgium

- E-invoicing has been mandatory for new contracts within B2G procurement since 1 January 2017. It is also mandatory for businesses engaging in tenders above €135,000 from 1 January 2018. The federal government will only accept e-invoices as of 2020.

- The format used is PEPPOL BIS INVOICE.
- The Belgian public sector supports this approach by operating Mercurius, a PEPPOL-aligned "e-mailroom", that can be used by any Belgian contracting authority to receive their e-invoices.
- Invoices must be kept for at least seven years.

France

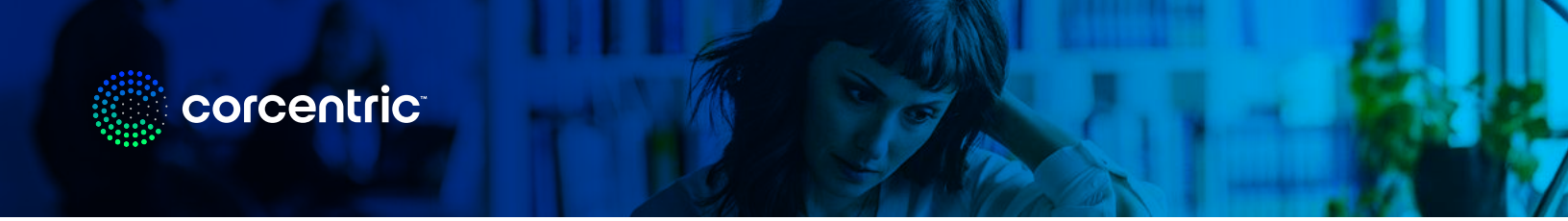
- The French public administration has extended the mandatory use of electronic invoicing in phases, from 2017 to 2020, according to the size of the company.
  - 01/01/2017 for any company including more than 5000 employees
  - 01/01/2018 for any company including 250 to 5000 employees
  - 01/01/2019 for any company including 10 to 250 employees
  - 01/01/2020 for any company including less than 10 employees
- Electronic invoices must be delivered to public bodies via Chorus Pro, a portal developed by AIFE. This portal centralises the processing of all electronic invoices addressed to the French public sector.
- Chorus Pro allows the use of the UBL Invoice 2.1 standard for different types of formats (including structured UBL and minimal UBL). As from April 2018, it will also allow the use of standard UNCEFACT XML CII 16B, standalone and through Factur-x hybrid format (with 5 profiles of data for Factur-x).
- There is a legal obligation to preserve invoices for six years, although issuer and recipient often keep the original documents for at least a decade.

Germany

- The e-Bill law, published in April 2017, and the Regulation on e-invoicing from September 2017 mandate the receipt and processing of e-invoicing for all federal contracting authorities, regardless of the amount of the invoice.
- B2G e-invoicing will become mandatory from November 2020, when Germany adopts the PEPPOL network for its public procurement processes.
- Standards are XRechnung and ZugFeRD 2.0, which form a Core Invoice User Specification (CIUS) and follow the European Norm (EN) 16931 on e-invoicing. National authorities can accept other formats next to XRechnung. Germany may also make use of the PEPPOL CIUS.
- Invoices must be archived for at least 10 years, from the end of the year in which the invoice is issued.

Ireland

- Electronic invoices were placed on an equal footing with paper invoices since 2013.
- Statutory Instrument 258, in effect from 12th June 2019, transposed the European Directive on eInvoicing (2014/55/EU) in public procurement. The legislation is in line with and does not exceed the scope of the Directive.
- The regulations required Central Government contracting authorities and entities to be compliant by April 2019 and sub-central contracting authorities and entities to be compliant by April 2020.
- There is no legal obligation on economic operators to submit invoices electronically in public procurement at this point in time.
- It is recommended that contracting authorities and entities implement support for the PEPPOL BIS (UBL-XML based syntax standard). The following standards are supported by various e-invoicing implementations that currently exist within the public sector:
  - UBL (UBL-XML based syntax standard)
  - PEPPOL-BIS (UBL-XML based syntax standard)
  - EDIFACT (EDI mnemonic-based syntax standard)
- E-invoicing issuers and recipients must preserve their electronic documents for a minimum of six years.



Italy

- The use of e-invoices in public procurement in Italy is mandatory for ministries, tax agencies, and national security agencies since June 2014. Since 31 March 2015, it became mandatory for all public entities.
- The e-invoice format is an XML syntax standard called FatturaPA.
- Connectivity is through the national online hub, via web services, known as Sistema di Interscambio (SdI).
- E-invoicing issuers and recipients must preserve their electronic documents for a minimum of five years.

Poland

- Issuing e-invoices is currently on a voluntary basis, while the receiving is mandatory (in accordance with the EU Directive).
- All the public authorities have to register their accounts on the National e-invoicing platform (PEF), thus every invoice sent in a structured electronic way must be transmitted through PEF.
- B2G e-invoicing will be mandatory from November 2020.
- Electronic invoices need to be EN-16931 and PEPPOL BIS Billing 3.0 compliant.
- Invoices must be preserved for five years at a minimum.

Portugal

- From April 2020, e-invoicing will be a requirement when working with the public administration. This also includes electronic formats for credit notes and debit notes.
- The format will be UBL 2.1, which already exists as an approved European standard.
- Central, regional, and local public authorities can use the Portal BASE platform to process contracts in the context of public procurement.
- Connection is made through the AS2 EDI protocol or via Web Services.
- Invoices must be kept for at least 10 years by both issuer and recipient.

Spain

- Using e-invoices with the public administration has been a requirement since 15 January 2015.
- Suppliers to the public sector need to send their e-invoices to the PGEFe (General Entry Point for Electronic Invoices).
- In accordance with this law and as of 15 January 2015, all invoices sent to the public sector entities must be submitted electronically, should have a structured XML format (Facturae V3.2.X), and be signed with an electronic signature utilising a qualified certificate.
- There is a requirement for recipients to preserve the original electronic documents (e-documents) for at least five years.

The Netherlands

- E-invoicing has been required for government suppliers since 1 January 2017.
- Public entities in the Netherlands can receive electronic invoices in three formats:
  - UBL-OHNL is a standard that describes the messages for public procurement of all goods and services, except the hiring of temporary staff. UBL-OHNL is based on the international standard UBL. The UBL-OHNL invoice will eventually be replaced by NLCIUS (at the latest in 2021);
  - SI-UBL is a subset (200 elements) of the UBL specification (2400 items). The SI-UBL standard is used by the Simplerinvoicing. The standard SI-UBL will eventually be replaced by NLCIUS;
  - SETU (HR – XML) standard describes the messages (including e-invoices) in the context of data exchange for hiring temporary staff. This is currently the highest volume of invoices to (central) government. SETU is an extension of NLCIUS.
- The Dutch government has ambitions to reconnect to the European standard by setting up the NL CIUS on the PEPPOL BIS and having it implemented in the first half of 2021 at the latest.

- The implementation of e-invoicing as required by Directive 2014/55/EU and the Dutch Procurement Law has been executed by adopting the PEPPOL framework for setting up an interoperable exchange infrastructure. The foundation Simplerinvoicing is currently acting as the Dutch PEPPOL Authority.
- Suppliers can submit e-invoices for central government via solution providers that have established direct link with the central hub, directly via the Simplerinvoicing network or using the government solutions and services provided by Logius.
- Invoices must be kept for at least seven years.

United Kingdom

- Since the UK left the EU, through the process of Brexit, the obligation to adhere to European directives, such as 2014/55/EU, remains for now. The timing of 2014/55/EU was such that this was transposed into law and applies to central contracting authorities from April 2019, with certain sub-central authorities which were granted exceptions until April 2020.
- The NHS was the first area of the UK's public procurement to trial electronic formats and process. There are two requirements of this initiative: the use of the PEPPOL as a network, and a GDSN e-catalogue for the synchronisation of product data.
- Since the initial use of PEPPOL in the NHS, this has been rolled out as the platform of choice for central government.
- Currently e-invoicing is not mandatory in the UK, but accepted in line with the requirements of the EU Directive.
- A broad range of standards are accepted (more details here). Including:
  - traditional EDI standards such as UN/EDIFACT, EANCOM and ODETTE
  - XML-based standards
  - comma-delimited ASCII, PDF
  - UBL and UN/CEFACT
- Invoices must be kept for at least six years by both issuer and recipient.

The Shortcut to Compliant Electronic Invoicing

The broad variety of electronic invoicing standards, mandated for the public sector, across the EU, can appear daunting at first glance. However, the most practical solution for many businesses is to find the right solution partner, such as Corcentric EIPP, to act as a bridge between ERP and associated systems and the particular invoicing requirements to satisfy buyers, in each country.

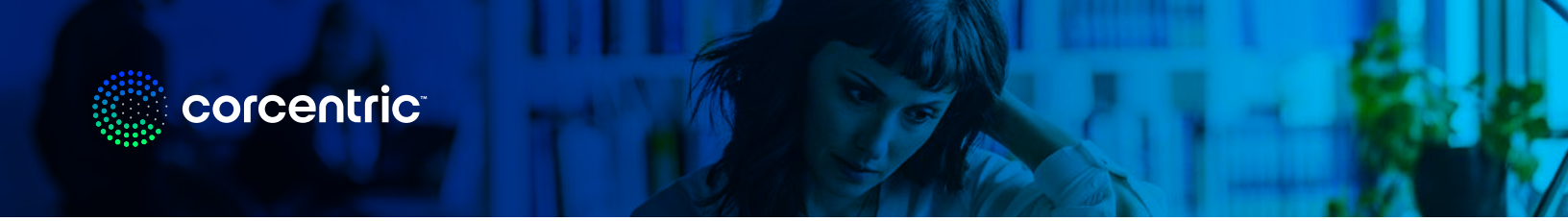
Corcentric EIPP is unique in going beyond a standard technical implementation; delivering best-of-breed technical platform and a dedicated service team to help evaluate your invoice delivery needs and then support these through an outsourced model. This ensures faster project delivery with less disruption than alternative approaches.

Furthermore, the costs and concerns of keeping up with the growing number of standards, delivery frameworks and archiving requirements are offloaded to Corcentric – capitalising on economies of scale, resulting in far broader support than is practical for a business to achieve in-house.

The following checklists can prove invaluable when navigating the selection of an e-invoicing provider, and planning an EDI project. Working with the right partner from an early stage will significantly boost productivity, avoiding common pitfalls and helping build a long-term strategy that protects such a valuable investment.

Outsourcing for Success

One of the most common roadblocks to successfully adapting to structured data e-invoicing requirements is the involvement of the IT department. Unless your business has experience in delivering e-invoicing solutions, it is



simply more cost effective, and time efficient, to outsource the project to an expert partner like Corcentric.

Outsourcing may raise concerns about control and risk, but these are easily answered. The control remains within the business, as you dictate the requirements, and your outsource partner provides assurances by way of contractual obligations and service level agreements. By delegating the responsibility, you're allowing your outsource partner to take care of the details and address any risks. Outsourcing allows you to tap into the knowledge, experience, and capabilities most suited to successfully realise the task.

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Conclusion

XML, EDI and other structured data formats are so effective for the delivery of e-invoicing, it is fast becoming best practice. Businesses wanting to supply the public sector in Europe may need to deliver invoices in a growing range of structured data formats, often directly into online invoicing portals. Even where electronic delivery is not mandatory, recent events have shown how this ensures certainty of delivery and business continuity for the billing function, when it is most needed. There can be little doubt, electronic invoicing will have to become the new normal for a resilient billing function.

What started as a requirement for public sector businesses will fast roll out to B2B transactions, as is being seen already in Italy. Businesses adapting to deliver structured data electronic invoices, via direct connection, to the public sector, will be well placed to meet emerging B2B requirements as they come into force in the future.

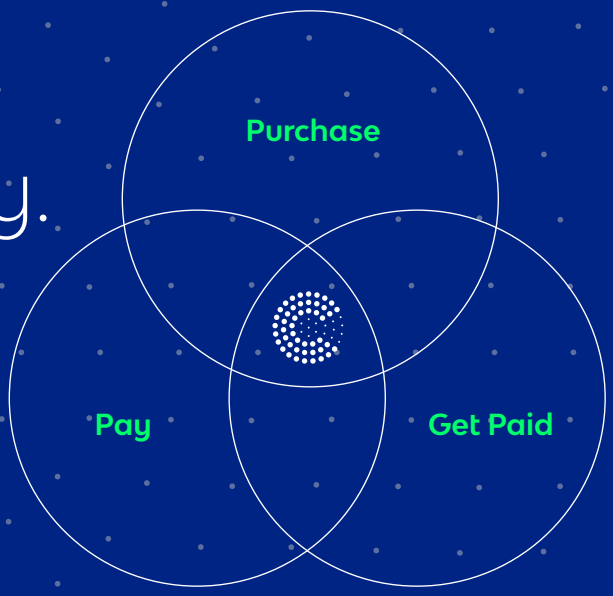
The pace at which invoicing shifts towards these new standards is beyond the influence of the EU Directive now. Commercial advantage is likely to drive the next phase of uptake. Working with an outsourced solution partner, such as Corcentric, is the fastest and least disruptive approach to ensuring accurate and efficient invoicing, compliant with the range of needs for public sector customers across Europe and beyond.

About Corcentric EIPP

Corcentric EIPP is a managed service dedicated to streamlining, automating and enhancing business invoicing, from delivery, through to payment. Corcentric EIPP ensures accurate and efficient delivery of invoices to your customers in the medium which suits them. Beyond saving time and cost through invoice automation, Corcentric EIPP enables a risk-free and seamless shift towards electronic invoicing, reducing errors and driving down DSO.

Corcentric EIPP also removes the classic challenges of document storage and retrieval for auditing and compliance. Businesses depend on Corcentric EIPP to provide secure online access to their document distribution history, facilitating ease of reporting, performance analysis and proof of delivery along with a range of other document management functions. Headquartered in the United States, Corcentric helps more than 2,000 of the largest companies leverage smarter technology and services to reduce operating costs, improve cash flow, and unlock the hidden value within their enterprise.

Spend smarter, optimize cash flow, and drive profitability.



Corcentric is a leading provider of procurement and finance solutions. We help companies reduce costs and improve working capital by optimizing the way they purchase, pay, and get paid.

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