
Electronic invoicing/ Self-Billing in 25 member states is it possible?

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Introduction

Introduction - General

- The EU Directive on VAT and Invoicing was implemented in national legislation on 2004-01-01 in EU member states and on 2004-05-01 in new member states
- One year ago we had the view that this was a positive step from an Odette/automotive point of view.

Situation today:

- Our basic evaluation of the situation remains unchanged
- But:
 - Transition phase seems to be longer than expected
 - National implementation requirements are not yet communicated in all member states
 - Alignment to the directive is not prioritised in the same way by all companies

EU Directive on VAT and Invoicing – What's new?

- Harmonisation of information content irrespective of medium
- Self-Billing is accepted, if based on an agreement and if a procedure exists for the acceptance of each invoice
- Electronic invoicing is accepted, provided that the authenticity of the origin and integrity of the contents are guaranteed. There should also be an agreement.
- In most cases automotive industry considers EDI to be the solution for guaranteeing the authenticity of the origin and integrity of the contents

EU Directive on VAT and Invoicing – What's new?

- There is still uncertainty about national legislation:
 - In some countries summary invoice in paper format is still needed when using EDI
 - There are quite many differences on detail level in national legislation within EU

Estimated consequences for Automotive

- By applying mandatory invoice information in the same way automotive invoicing processes could become more cost-efficient.
- Summary of changes in invoicing processes to adapt to the new legislation:
 - Invoice information content is changed affecting EDI specifications and EDI implementation
 - Legal agreements needed for electronic invoicing and Self-Billing
 - Self-Billing processes should be in line with new requirements
 - Storage of invoicing information should be in line with new requirements
 - National deviations in legislation must be recognised

Odette/Automotive Industry approach

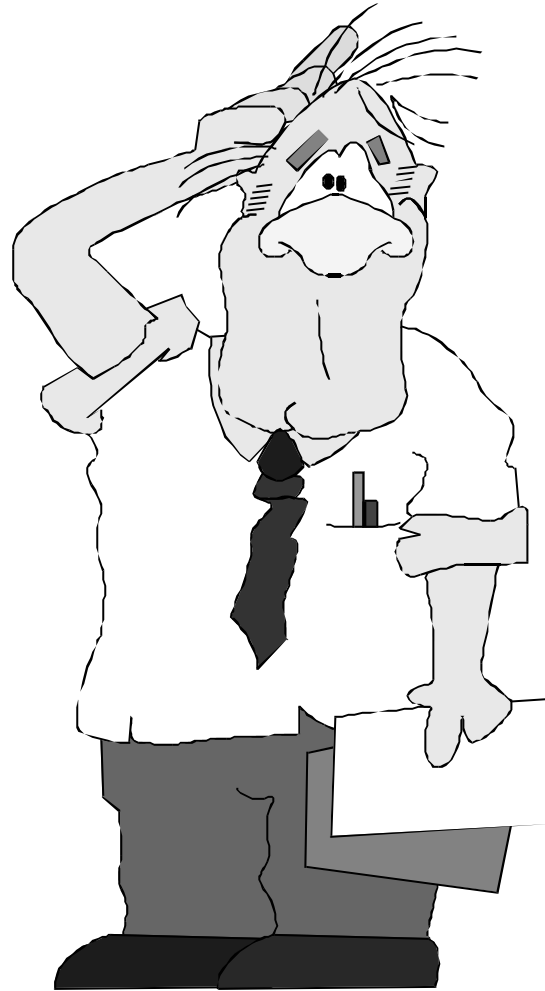
- Updating of Global Invoice specification V1 to V2
 - Major difference is addition of the VAT exempt code list
- Some OEM:s have taken the lead in migrating to the new version
 - Volvo, Scania, BMW, Volkswagen, Audi & Skoda, DaimlerChrysler
- Creation of the Odette International Task Force on the Invoicing Directive to exchange information and to promote harmonisation

VAT Forum

- VAT Forum is an international partnership of indirect tax specialists
- It consists of
 - Partners (35 in 18 countries)
 - associates
 - members
- VAT Forum's main aim is to support the VAT and customs compliance requirements of its members actively, by means of
 - training programmes
 - conferences
 - information dissemination
 - introduction of special compliance tools

The legal situation

Background – legal situation



General

■ The VAT Directive 2001

■ Scope and main targets

- simplify and harmonize VAT regulations across the Member States
- Businesses operating in EU Member States should have simplified invoicing regulations and procedures harmonized at EU Community level as of January 2004.
- Invoices may be sent either on paper or by electronic means
- Invoices may be drawn up by the customer (Self Billing) or by a third party

Obligation to issue an invoice

- Every taxable person shall ensure that an invoice is issued,
 - either by himself or
 - by his customer or,
 - in his name and on his behalf, by a third party,
- in respect of goods or services which he has supplied or rendered to another taxable person or to a non-taxable legal person.
- in respect of any payment on account made to him before any supplies of goods or before the provision of services is completed.

Credit Note = Invoice

- Any document or message that amends and refers specifically and unambiguously to the initial invoice is to be treated as an invoice.

Invoice

- Invoices may be sent either on paper or, subject to an acceptance by the customer, by electronic means
- Invoices sent by electronic means shall be accepted by Member States provided that the authenticity of the origin and integrity of the contents are guaranteed:
 - by means of an advanced electronic signature
 - or by means of electronic data interchange (EDI)

Self billing

- Invoices may be drawn up by the customer of a taxable person in respect of goods or services supplied or rendered to him by that taxable person, on the condition that:
 - there is an agreement between the two parties at the outset, and
 - on the condition that a procedure exists for the acceptance of each invoice by the taxable person supplying the goods or services.
 - The Member States in whose territory the goods or services are supplied or rendered shall determine the terms and conditions of the agreement and of the acceptance procedures between the taxable person and his customer.

Invoice

- When batches containing several invoices are sent to the same recipient by electronic means, the details that are common to the individual invoices may be mentioned only once if, for each invoice, all the information is accessible.
- Every taxable person shall ensure that copies of invoices issued by himself, by his customer or, in his name and on his behalf, by a third party, and all the invoices which he has received are stored.

Storage of invoices

- For the purposes of the Directive, the taxable person may decide the place of storage provided that he makes the invoices or information stored there available without undue delay to the competent authorities whenever they so request.
- Member States may, however, require taxable persons established in their territory to notify them of the place of storage, if it is outside their territory

Storage of invoices

- Member States may require that invoices be stored in the original form in which they were sent, whether paper or electronic.
- They may also require that when invoices are stored by electronic means, the data guaranteeing the authenticity of the origin and integrity of the content also be stored.
- Member States may impose specific conditions prohibiting or restricting the storage of invoices in a country with which no legal instrument exists relating to mutual assistance

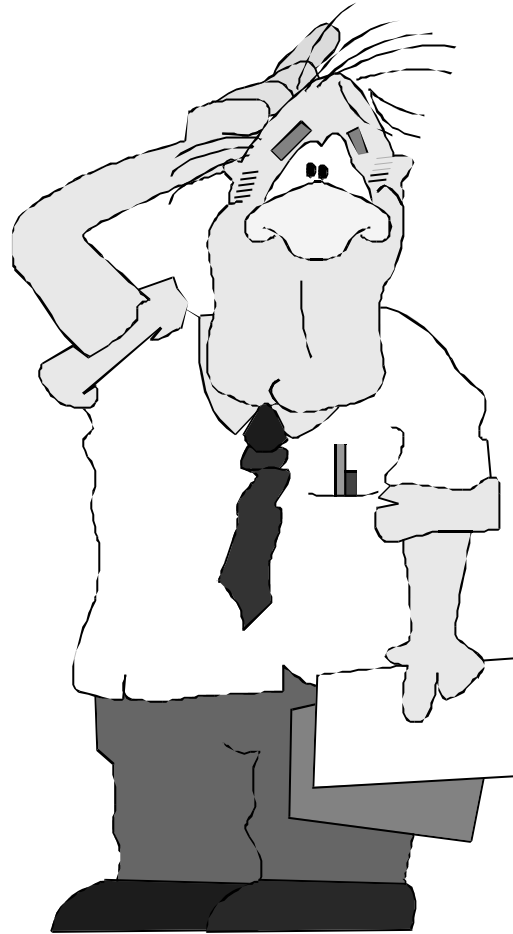
Storage of invoices

- The authenticity of the origin and integrity of the content of the invoices, as well as their readability, must be guaranteed throughout the storage period.
- As regards the invoices, the information they contain may not be altered
 - it must remain legible throughout the aforementioned period.

Storage of invoices

- The Member States shall determine the period for which taxable persons must store invoices:
 - relating to goods or services supplied in their territory and
 - invoices received by taxable persons established in their territory.

Examples of national differences



Invoice

- Prior notification to the tax authorities is requested when sending electronic invoices through electronic signatures:
 - Yes for Cyprus, Lithuania

Invoice

- Prior notification to the tax authorities is requested when sending electronic invoices through EDI:
 - Cyprus, Lithuania, France
- If EDI is used, a summary document is required:
 - Yes for:
 - Germany, Austria, Hungary (on paper)
 - Lithuania, France

Invoice

- It is allowed to send electronic invoices (secured) by other means:
 - Yes, if authorized:
 - Belgium, Spain, Ireland
 - no specific requirements exist:
 - Finland, Estonia
 - Any method is acceptable, provided the authenticity of origin and the integrity of the contents are guaranteed:
 - The Netherlands, Sweden
 - Yes, for domestic supplies
 - UK, Denmark

Self billing

- Proof of agreement:
 - Not for Germany, Finland, Italy, The Netherlands, Sweden, Norway, Switzerland
- Explicit acceptance for each invoice:
 - Yes for Belgium, Italy, Luxembourg, Sweden, Estonia
- Other conditions apply to self-bills issued by customers outside the EU:
 - Authorization
 - Portugal, Spain
 - Italy:
 - previous communication to the Italian tax administration
 - the national taxable person has been carrying out business activity for 5 years
 - there is not any VAT contestation towards the latter

Self billing - Belgium

- the parties must have agreed in advance to use this working method
 - The agreement must be signed before the co-contractor provides the supplier or service provider with the first bill pertaining to a specific transaction.
- each invoice must be the subject of an explicit acceptance procedure by the taxpayer who supplies the goods or service
 - Period within which acceptance must occur ends at the end of the second calendar month following the calendar month in which the VAT on the transaction is due
- the bill is always sent in the name and on behalf of the supplier or service provider
 - The bill must include a suitable statement that makes it clearly distinct from the invoices sent by the supplier or service provider (self-bill, purchase docket, etc.)

Self-Billing - France

- The agreement
 - Must specify what transactions fall within the scope or the agreement and also the period
- The agreement cannot cover correction invoices
- In principle explicit mandate, unless
 - The customer issues no more than 10 self-bills on behalf of the supplier per year, than a tacit mandate is accepted.
- Explicit acceptance of invoices, but
 - Agreement may for see in a period within which self-bills should be contested, if not tacit acceptance is deemed
 - Formal and expressive acceptance of the Self-Bill is obligatory in case of tacit mandate (e.g. sign the self-bill, stamp, ...)
- Self-Bill
 - Advised mention by tax authorities: « Facture établie par A au nom et pour le compte de B ».

Invoice

■ Period to issue an invoice:

- Belgium: 5th working day of the month following the one during which the transaction has taken place
- Portugal: 5 working days after taxable event
- Cyprus, UK, Norway, Malta: 30 days following date of supply
- Spain: one month
- Lithuania, Denmark, France: without delay
- Luxembourg and The Netherlands: 15th day of the month following the one during which the transaction has taken place
- Estonia: 7 days after taxable event
- Switzerland: within three months

Invoice

■ Amount to issue a simplified invoice:

- Cyprus: CYP 50 (€ 85)
- Germany: € 100
- Spain: € 3000
- Finland: € 1000
- Luxembourg: € 100 (VAT inclusive)
- Sweden: SEK 500 (expected to be increased to SEK 2000 this year)
- UK: £250 (including VAT) or less
- Estonia: 1000 Kroons
- Denmark: 750 Kroner
- France: € 150
- Switzerland: CHF 200

Storage of invoices

- May electronic invoices be stored in another EU country:
 - All Member States
- May electronic invoices be stored in a country with which there is no mutual assistance:
 - Yes for Finland, The Netherlands, France, UK, Estonia, Portugal, Malta, Norway, Sweden (if prior approval has been given by the tax authorities)

Storage of invoices

- May paper invoices be stored in another EU country:
 - No for Belgium, Spain, Lithuania, Luxembourg, Sweden, Denmark, France, Portugal (non-established taxable persons can ask for authorization)

Storage of invoices

■ Period to store invoices received:

- Spain: 4 years
- Italy: 5 years
- UK, Finland, Hungary, France: 6 years
- Estonia, Cyprus: 7 years
- Belgium, The Netherlands, Lithuania, Luxembourg, Sweden, Germany, Portugal, Norway, Switzerland: 10 years

Odette Invoicing Task Force

Odette Invoicing Task Force

- **Odette Sweden**, Sten Lindgren (Chair)
- **Volvo IT**, PO Frantzén (Sweden)
- **Volvo Trucks**, Marc De Loor (Belgium)
- **HM Customs & Excise**, Dave Watt (UK)
- **Odette Spain**, David Fernandez (Spain)
- **VDA**, Werner Mock (Germany)
- **Ford Werke AG**, Winfried Baumann (Germany)
- **Skoda**, Michal Nettel (Czech Republic)
- **Galia**, Nadine Buisson-Chavot (France)
- **VAT Forum**, Patrick Wille (Belgium)

Odette Invoicing Task Force: Results in 2004

- Reference to VAT exempt or reverse charge procedure
 - A solution has been proposed that will simplify referencing by only referring to the VAT Directive, not to national legislation. Added to Global Invoice V2. Discussed with the Commission, discussed with other European business sectors, now in CEN/ISSS group.
- Specific national issues
 - Exchange of information. In most member states there are some deviations from the Directive
- Implementation projects
 - Exchange of information between national and OEM projects

Future scope: Task Force on the new Invoicing Directive

- Harmonisation of electronic invoicing and Self-Billing implementation:
 - National legislation
 - Automotive promotion of global messages (Global Invoice V2)
 - Information exchange between automotive industry and IT providers
 - Establish connections to the EU VAT Committee
- Listing of member states national requirements
 - Prepared and published by Odette International and VAT Forum
- Common promotion of implementation/deployment
 - Information gathering of present usage of electronic invoicing and Self-Billing in the European automotive industry
- Information exchange between national implementation projects
 - Information exchange between OEM:s
 - Establish relations to contacts in as many as possible of the EU member states
- Intrastat reporting requirements in Invoicing
 - To promote re-usage of information for automatic Intrastat reporting

Final comment

Final comment

- Electronic invoicing/ Self-Billing in 25 member states - is it possible?
- Yes, it is possible but it is complicated!
- You will have to study and adapt to the situation in each individual member state
- Further harmonisation is very important to reach cost efficient invoicing processes
- The Odette Invoicing Task Force in close cooperation with VAT Forum will continue it's efforts to gather information and to promote harmonisation in contacts with the Commission, the VAT Committee and national taxation agencies

Odette Invoicing Task Force

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