



HM CUSTOMS AND EXCISE
<http://www.hmce.gov.uk>

Notice 700/63

Electronic Invoicing

December 2003

The law on electronic invoicing is in the Value Added Tax (Amendment) (No. 6) Regulations 2003. A part of this notice has the force of law under these regulations. It is indicated by being placed in a box as shown below.

The following rule has the force of law

If you...	Then you ...
intend to begin invoicing electronically after 1 January 2004	must let Customs know within 30 days of beginning to do so.

Further help and advice

If you need general advice or more copies of Customs and Excise notices, please ring the **National Advice Service** on **0845 010 9000**. You can call between **8.00 am and 8.00 pm, Monday to Friday**.

If you have **hearing difficulties**, please ring the **Textphone** service on **0845 000 0200**.

If you would like to speak to someone in **Welsh**, please ring **0845 010 0300**, between **8.00 am and 6.00 pm, Monday to Friday**.

All calls are charged at the local rate within the UK. Charges may differ for mobile phones.

Other notices on this or related subjects:

700 *The VAT Guide*

700/21 *Keeping records and accounts*

700/62 *Self-Billing*

725 *The Single Market*

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1. Introduction

1.1 What is this notice about?

This notice is about issuing, receiving and storing VAT invoices in an electronic format.

1.2 Who should read this notice?

You should read this notice if you:

- issue, or are intending to issue, your VAT sales invoices electronically;
- receive, or are intending to receive, VAT invoices in an electronic format from your suppliers.

You can access details of any changes to this notice since December 2003 on our internet website at www.hmce.gov.uk or by telephoning the National Advice Service on 0845 010 9000.

This notice and others mentioned are available both on paper and on our website.

2. Issuing electronic VAT invoices

2.1 What is electronic invoicing?

Electronic invoicing is the transmission and storage of invoices, without the delivery of paper documents, by electronic means. Electronic equipment is used for the processing (including digital compression) and storage of data.

'Electronic equipment' employs, for example:

- wires;
- radio transmission;
- optical technologies; or
- other electromagnetic means.

2.2 Do I have to raise my VAT invoices electronically?

No. The law doesn't compel you to use electronic invoicing. It's up to you whether you issue paper or electronic VAT invoices, or a mixture of the two.

2.3 Can I use both paper and electronic VAT invoicing at the same time?

If you were to raise both electronic **and** paper invoices for the same supplies, or with the same trading partners, you would be running what is known as a **dual system**. You may only do this **if** you are running a controlled trial of electronic invoicing systems. Once the trial is over you must stop running the dual system. The electronic invoice then becomes the legal document for VAT purposes.

If you have a specific business need to run a dual system, you should contact our National Advice Service who will look at the details you provide and decide whether an exception can be made in your case.

2.4 Must I tell you that I am intending to issue invoices electronically?

If you...	Then you ...
were invoicing electronically before 1 January 2004, and have previously received authorisation from us to do so	don't have to notify us again.

The following rule has the force of law.

If you...	Then you ...
intend to begin invoicing electronically after 1 January 2004	must let Customs know within 30 days of beginning to do so.

You can notify Customs by contacting our National Advice Service by telephone or in writing. If you prefer to write, you can check where to send your notification by referring to the **contact us** page on our Internet site.

3. Contents of electronic invoices

3.1 What information must my electronic invoices contain?

Electronic invoices must contain the same information as paper invoices. You can find out what information **must** be included on the VAT invoices you raise in section 16 of Notice 700 *The VAT Guide*.

There are further rules on invoice content if you are making Intra-EU supplies. You can find these in paragraph 12.13 of Notice 725 *The Single Market*.

3.2 What about batches of invoices?

If you are sending batches of invoices to the same customer, you may record details that are common to the individual invoices once per computer file rather than once per invoice.

For example, instead of repeating the full name and address of your customer on every invoice in the batch, you could include the full information on the batch header, and use an abridged or coded version of that information within each individual invoice message.

3.3 What about credit notes?

You can find information about the details you need to include on credit notes you raise for UK supplies in section 18 of Notice 700 *The VAT Guide*.

Recent changes in the law mean that, if you issue invoices to persons in another Member State, documents which *amend* those invoices, for example credit notes or debit notes, **must** contain all the information required to be included on an invoice (see paragraph 3.1 of this notice).

You will need to take care to post these amending documents correctly in your VAT accounts.

3.4 Must all the amounts on my invoices be expressed in sterling?

No. You may express the amounts in any currency. But you **must** express the total amount of VAT due in sterling where there is a positive rate of VAT due in the UK.

4. Conditions for electronic transmission

4.1 When may I invoice electronically?

You may invoice electronically where the authenticity of the origin and integrity of the invoice data are guaranteed by means of:

- an advanced electronic signature (see paragraph 4.2);
- electronic data interchange (EDI) (see paragraph 4.3); or
- by other means for supplies within the UK (see paragraph 4.4).

Please note that you can use advanced electronic signature or EDI for both UK domestic electronic invoicing and electronic invoicing to other Member States of the European Union (EU).

4.2 What is an advanced electronic signature?

An advanced electronic signature is a signature that is:

- uniquely linked to the signatory;
- capable of identifying the signatory;
- created using means that the signatory can maintain under his sole control; and
- linked to the data to which it relates in such a manner that any subsequent change to the data is detectable.

You may use an electronic invoicing system that meets these requirements without our authorisation.

4.3 What is EDI?

EDI (electronic data interchange) is a computer-to-computer exchange of structured data that permits automatic processing by the recipient. It is traditionally more commonly used for high-volume data transfers between businesses, using agreed standards (for example, UN/EDIFACT) to structure the data.

There should be an interchange agreement between the EDI trading partners making provision for the use of procedures that guarantee the authenticity of the origin and integrity of the data. Examples of such procedures include:

- use of secure networks;
- controls over access to networks (for example, checking “trading relationships”);
- syntax checking of data in accordance with the rules of the transmission standard; and
- summary file control reporting.

You may use an electronic invoicing system that meets these requirements without our authorisation.

4.4 What other systems can I use?

We are prepared to accept electronic invoicing by means other than the use of electronic signatures or EDI for supplies made in the UK, as long as you are able to impose a satisfactory level of control over the authenticity and integrity of your invoice data. Examples of this control include:

- security of networks/communication links;
- access controls; and
- message transfer protocols (for example, http-s).

You must also be able to meet all the other conditions in this notice. For more information about the levels of control you will have to apply, see paragraphs 4.8 and 5.2.

Please note that some tax authorities in other Member States may not accept invoicing using these means. If your customers won't be able to use your invoices as evidence that you have made a taxable supply to them, they may not be willing to do business with you. This is a commercial matter between you and your customers.

4.5 What if I'm not sure whether my system is VAT-compliant?

If you...	Then you...
<p>want to invoice electronically but</p> <ul style="list-style-type: none"> • your system isn't covered in paragraph 4.1; and • you are unsure whether your system meets the requirements in paragraph 4.4 	<p>should write to our National Advice Service.</p> <p>If possible, you should provide:</p> <ul style="list-style-type: none"> • an indication of the standard under which the invoice message has been drafted; • a formatted "dump" of an example invoice; and • an overview of the main system concepts, including control over authenticity and integrity of data. <p>Our trained staff will be able to comment on the acceptability of your message. If your message is not acceptable, they will advise you on what further information is required and how this may be accommodated.</p>

4.6 What formats can I use for electronic invoicing?

Provided that the relevant invoice messages used contain the required data (see paragraph 3.1) we will accept a wide variety of electronic invoice message formats. Examples include:

- established EDI standards such as UN/EDIFACT, ODETTE and TRADACOMS;
- web-based standards such as XML and its derivatives (for example, XSL); and
- comma-delimited ASCII, PDF.

4.7 Controls over the transmission of invoices

You must transmit your invoices in a secure environment, using industry-accepted security technologies on the:

- messages themselves; or
- communication links/networks over which the invoices are transferred.

Examples of these include http-s, SSL, S-MIME and FTP.

Alternatively, you may use other procedural means that offer similar assurances.

4.8 Protecting the authenticity and integrity of invoices

You **must** be able to ensure the authenticity and integrity of your invoice data during the transfer between trading partners.

To minimise burdens on business, we will not be over-prescriptive in specifying the detailed forms that such control may take. Where possible, we prefer instead to rely on best business practice or business' own controls.

4.8.1 What internal controls must I maintain?

If you wish to use electronic invoicing you must be able to demonstrate that you have control over the:

- completeness and accuracy of the invoice data;
- timeliness of processing;
- prevention of, or detection of, possible corruption of data during transmission;
- prevention of duplication of processing (by the recipient); and
- prevention of the automatic processing, by the recipient, of certain types of invoice on which VAT may not be recoverable – for example, "margin scheme" invoices.

You must be able to demonstrate that you have a recovery plan in case of a system failure or loss of data.

You must also maintain an audit trail between your electronic invoicing system(s) and the internal application system(s) that are used to process the electronic invoices.

4.9 What if I make supplies to another Member State?

If you are issuing electronic invoices for these supplies those invoices must meet the UK conditions for electronic invoicing. You may want to check whether your customer's system can accept invoices in the format you use before he agrees to receive them electronically. This is a commercial matter between you and your customer.

5. Conditions for electronic storage

5.1 Protecting the authenticity and integrity of stored invoices

You **must** be able to ensure the authenticity and integrity of your invoice data during and after application processing. Paragraph 4.8 gives more details.

5.2 Controls on the storage of electronic invoices

You must:

- be able to guarantee the authenticity and the integrity of the content of your source documents throughout the storage period by electronic or procedural means, and store all the data related to your invoices; and
- store your invoices in a readable format. You must readily be able to recreate the invoice information as at the time of its original transmission. And you must keep history files so that you can find the appropriate details from any particular time in the past if you are asked to do so by a visiting officer.

5.3 Can I store my electronic invoices on paper?

Ordinarily, if you send invoices electronically you should store them electronically. If you wish to store your electronic invoices in a paper-based system, you must write to our National Advice Service for approval to do so.

5.4 How long must I store electronic invoices?

The same rules apply to storage of electronic invoices as to paper invoices. So you must normally keep copies of all the invoices you issue and all the invoices you receive for 6 years. If the 6-year rule causes you **serious** storage problems or undue expense, you should consult our National Advice Service. We may be able to allow you to keep some of the records for a shorter period. You can find more information about this in paragraph 5.4 of Notice 700/21 *Keeping records and accounts*.

5.5 Can I store my electronic invoices in another EU Member State?

Yes. But you must still be able to produce any records we require from you in a readable form, and within a reasonable period of time, at a mutually agreed place. We recommend that you maintain on-line access to your records if you store them outside the UK. The records you produce must comply with the requirements in paragraph 4.8.

5.6 Can I store my electronic invoices outside the European Union?

Provided that...	Then...
<ul style="list-style-type: none"> • the country where you are storing your invoices respects European Data Protection principles regarding the storage of personal data (names/addresses etc); and • you can produce any records we require from you in a readable form, and within a reasonable period of time, at a mutually agreed place 	<p>you may store electronic invoices outside the European Union.</p> <p>If you do this, we recommend that you maintain on-line access to your records.</p>

6. Customs' access to electronic systems

6.1 What access must I allow you to my systems?

If you choose to issue, or receive, electronic invoices, you must retain them in a readable form, or be able to produce them in a readable form without delay.

In order to assure electronic systems, we may request access to:

- the operations of any computer systems which produce or receive VAT invoices or disagreement documents, and to the data stored on them;
- your supporting documentation including your file structures etc; audit trail; controls; safe keeping; and information on how your accounting system is organised; and
- advice on interrogation facilities available on the system.

We must be able to take copies of information from your system, if required. You may be able to meet your obligations as regards production of records by giving us:

- physical access to your systems at your premises;
- indirect access (providing information on electronic media, or possibly via remote access, with your permission);
- a resident audit programme installed at the request of the visiting officer; or
- any other reasonable method agreed with us.

7. Receiving electronic invoices

7.1 How must I store electronic invoices I receive?

If you receive electronic invoices from your suppliers, you must meet the same conditions for storing them as are set out for suppliers. These conditions are in section 5. If you wish to store the electronic invoices you receive in a paper-based system, you must write to our National Advice Service for approval to do so.

7.2 Must I accept electronic invoices from my suppliers?

No. If you do not wish, or are not able, to receive electronic invoices you should ask your suppliers to issue you with paper invoices. This is a commercial matter between you and your supplier.

7.3 What if I receive supplies from another Member State?

If you receive electronic invoices from a supplier in another Member State, the format of those invoices will have to meet the requirements of the tax authority in your supplier's Member State. You may want to check whether your system can accept invoices in this format before you agree to receiving them electronically. This is a commercial matter between you and your supplier.

8. Electronic invoices issued by customers or third parties

8.1 Can my customer issue an electronic invoice on my behalf?

You can find out about the rules for self-billing in Notice 700/62 *Self-Billing*. We recommend that you put a system in place to ensure that the self-bills you receive are posted to the correct part of your VAT account. This should help you to avoid the risk of claiming input tax in error on your sales invoices.

8.2 What if I use a third party to issue my electronic sales invoices?

You may, if you wish, 'outsource' the physical responsibility for the issuing of your electronic sales invoices to a third party. But you must remember that all the legal obligations relating to the contents, storage and production of the invoices raised remain with you.

For this reason it's important that you are sure that your outsourcer can meet the requirements in this notice. You may want confirmation of this to form part of your outsourcing agreement.

9. Inability to meet the e-invoicing conditions

9.1 What if I can't meet the conditions?

If you can't meet the conditions for transmission and storage of electronic invoicing set out in the regulations and in this notice, you will have to issue paper invoices. But if you want advice on what you would have to do to be able to meet the conditions, you should contact our National Advice Service.

9.2 What if I fail to meet the conditions?

If you have issued and stored invoices electronically, but have failed to meet the conditions set out in the regulations and this notice, you will have to issue paper invoices until we are satisfied that your system is acceptable.

If you persistently fail to meet the conditions, you may be liable to a penalty.

Do you have any comments?

We would be pleased to receive any comments or suggestions you may have about this notice. Please write to:

**HM Customs and Excise
Accounting and Records Team
4th Floor SW
Queens Dock
Liverpool
L74 4AA**

Please note this address is **not for general enquiries**. You should ring our National Advice Service about those.

If you have a complaint or suggestion

If you have a complaint please try to resolve it on the spot with our officer. If you are unable to do so, or have a suggestion about how we can improve our service, you should contact one of our Regional Complaints Units. You will find the telephone number under 'Customs and Excise - complaints and suggestions' in your local telephone book. Ask for a copy of our code of practice 'Complaints and putting things right' (Notice 1000). You will find further information on our website at <http://www.hmce.gov.uk>.

If we are unable to resolve your complaint to your satisfaction you can ask the Adjudicator to look into it. The Adjudicator, whose services are free, is a fair and unbiased referee whose recommendations are independent of Customs and Excise.

You can contact the Adjudicator at:

**The Adjudicator's Office
Haymarket House
28 Haymarket
LONDON
SW1Y 4SP**

Phone: (020) 7930 2292

Fax: (020) 7930 2298

E-mail: adjudicators@gtnet.gov.uk

Internet: <http://www.adjudicatorsoffice.gov.uk/index.htm>