

Trading Confusion:

The Current State of
E-Invoicing Legislation
in Europe

Accountis Article



Introduction

Europe generates around 27 billion invoices per year and the number of invoices being sent electronically is growing exponentially. Out of the 25 countries in Europe, Germany, Sweden, Norway and Finland send the most e-invoices, followed by France, UK, Netherlands and Belgium.

To help facilitate and support this growth in e-invoicing, the EC Directive on Invoicing (2001/115/EC) was introduced in 2004. It was the aim of the Directive to simplify and harmonise VAT invoicing requirements across Europe to make it easier for businesses to conduct cross-border trade. Each member state was required to implement the Directive by January 2004. Since then all e-invoices have been accepted as legal VAT documents by all EU Member States, provided that they meet with specified security requirements.

There is no doubt that the Directive provided a valuable set of guidelines for member states to follow regarding e-invoicing in Europe. But unfortunately it did not lead the way to one common legislation used collectively by all, far from it.

Although all member states have followed the fundamentals of the original Directive there are a large number of variations, which has created a very complex environment for businesses to exchange e-documents.

For organisations who send e-invoices to many European countries, trying to keep track of these different regulations can be a major headache. All e-invoices must comply with VAT rules stipulated in the place of supply, which means that an e-invoice generated for goods sent out from an office in Spain, must comply with Spanish law, even if the organisation is registered in Germany. As a result, an organisation needs to be fully conversant with legislation in all the countries they supply from.

A Miscellany of Rules and Regulations

The EC Directive on Invoicing covered all aspects of e-invoicing including encryption techniques and the transmission and storage of electronic documents. How each member state has chosen to interpret these guidelines has varied dramatically with some being far stricter than others. For example, UK e-invoicing rules are amongst the least burdensome within the EU. For companies in the UK there are no penalties for non-compliance but they will lose the ability to deduct VAT. On the other hand, organisations in Germany must adhere to a stringent set of regulatory requirements. Here are just five of the more interesting e-invoicing rules that have been introduced by some member states in Europe;

1. Organisations using EDI to send e-invoices in Germany must also send a summary document using another specified mechanism, but not EDI.
2. Organisations in Ireland can be fined €1,520 for each non-compliant e-invoice, plus an additional personal penalty of €950.
3. In France, paper invoices must be stored in France and not in any other EU country.
4. In Germany and Spain all digitally signed e-invoices must be signed using a piece of hardware, such as a Smart Card or Hardware Security Module (HSM).
5. In Sweden non-compliant e-invoicing or storage can incur a criminal penalty of up to two years in prison depending on the circumstances.

Keep Track Or Call In The Experts

Monitoring your native country requirements can be burdensome, but ensuring that your e-invoices comply with legislation in all 25 member states, as many international organisations must do, requires a great deal of expertise and research.

This can be both time consuming and expensive to complete. One way of avoiding this task is to use a Pan-European e-invoicing service that already has an established European transaction network. They will have the expert knowledge needed to ensure that all invoices you send are VAT compliant. All you need to do is click "send" and they take care of the rest.

In the UK, a new set of guidelines has recently been released in the form of Tax Notice 700/63 (UK Notice on E-Invoicing 2004/2005). This document details the latest laws on issuing, receiving and storing VAT e-invoices in the UK. To view the document, visit the HM Revenue and Customs website at: <http://www.hmrc.gov.uk>.

To find out more about local Tax Notices in other EU countries visit the EU Website at: <http://europa.eu>.



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Tel: 0845 120 8050
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