



European Commission Expert Group on e-Invoicing **UPDATE**

4th e-Invoicing Operators' Forum
Amsterdam, September 23rd, 2009

EC Expert Group on e-Invoicing

Introduction

- Vision
- Definition of the European e-Invoicing Framework
 - The EG Report is the proposed **EEIF**
- Business Requirements
- Legal and regulatory proposals (inc Code of Practice)
- Recommendations for Interoperability
- Content Standards
- Organising for implementation

SME Guidelines
Communications Plan

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EC Expert Group on e-Invoicing

Overview

- Legal Reality
- Legal Certainty
- Expert Group Proposal
- Paradigm Shift is Key
- Code of Practice
- 11 Guiding Principles
- EU Recommendation – EEIR
- Common Good Practices
- Enhancement by VAT Directive
- Next Legal Steps

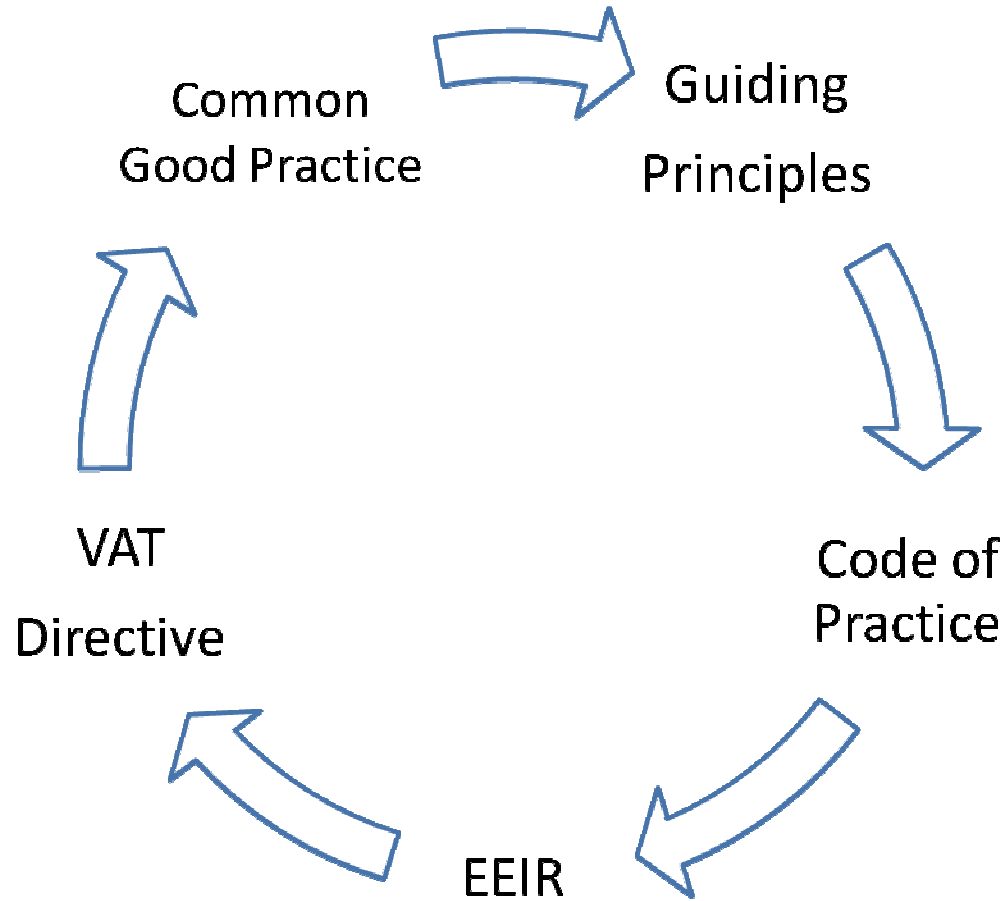
Legal Reality

- The present European landscape of e-Invoicing legislation is disharmonised:
 - The technology based options in Article 233 of Directive 2006/112/EC have been implemented in Member States' national legislation in widely different ways.
 - Trading parties experience difficulties in finding the right degree of clarity and legal certainty to encourage adoption of e-Invoicing.
- Transmission is the key technology aspect for providing the required assurance on e-Invoicing, but no attention to business controls:
 - Internal business controls are essential to all invoicing processes, and
 - Internal business controls provide the necessary assurances for most, whose systems are mature and robustly auditable.

Legal Certainty

- Businesses, solution providers and tax administrations need legal certainty as a key element for:
 - proper functioning of the Internal Market, and
 - realizing the huge process, labour and cost-efficiency benefits
- Legal certainty requires clear, easy to apply and EU wide harmonised regulations that are:
 - uniformly implemented by Member States across the EU, and
 - uniformly applied by the relevant tax administrations in the Member States.
- Mandatory requirement that provisions impacting e-Invoicing:
 - demonstrate a 'light touch',
 - meet the needs of businesses of all sizes, and
 - offer ease of use and cost effectiveness for small and medium-sized business.

Expert Group Proposal



Paradigm Shift is Key

- Two principles (internal business controls and auditability) have emerged to be central in the discussions of the Expert Group.
- Internal Business Controls:
 - prime means of providing legal certainty in the e-Invoicing process should be the administrative, risk management and business control framework of the trading parties;
 - may include matching of relevant documents and data throughout the invoicing process, accounting and archiving procedures, and auditability by internal and external auditors, or any other means or processes implemented by trading parties that provide the equivalent level of assurance.
- Auditability:
 - Businesses must be able to demonstrate and explain their administrative and control capability;
 - Businesses must maintain an audit trail, including the underlying transaction data and any relevant supporting documentation and data, which must be accessible towards external auditors, and
 - Accessibility must be ensured for at least six years.

Code of Practice

- Code of Practice holds 11 core principles
 - recommending good practice to businesses and solution providers,
 - recognised by tax administrations.
- The objective of Code of Practice is to
 - provide legal certainty for business in the EU in processing invoices by electronic means;
 - foster an e-Invoicing friendly environment in the EU by increasing mutual trust between all involved parties in the processes applied; and
 - provide consistency throughout the EU.
- Code of Practice:
 - adopted by the Plenary meeting of the Expert Group in its meeting on 24th March 2009;
 - attached to the Final Report as Annex.

11 Guiding Principles

- Equality of treatment
- Technology neutrality
- Business controls
- Mutual Recognition
- Auditability
- Readability
- Maximum choice
- Proportionality
- Use of service and solution providers
- Public and private sector
- Legal harmonisation and simplification

European Electronic Invoicing Recommendation (EEIR)

- Adoption of a European Electronic Invoicing Recommendation by the Commission in addition to the Code of Practice (EEIR).
- “EEIR” should be a Commission Recommendation rather than a legislative document:
 - not binding for Member States, but provide a voluntary regulatory framework for Member States and the parties concerned;
 - based on industry contributions rather than through regulatory activities of the European Commission or the Member States;
 - though without legal force, they do have a practical weight and could lead a harmonised way of operating electronic invoicing throughout the European Union.
- The EEIR should include the Code of Practice:
 - overcome the existing legal uncertainty as regards the new directive and its expected lengthy transposition into national law;
 - implement the code of practice as soon as possible;
 - establish good practices addressed to all stakeholders across Members States.
 - safeguard the investments in already existing solutions

Common Good Practices

- Where appropriate and required by trading parties, the development and use of tools for good practices
 - for example the E-Invoicing Compliance Guidelines developed by the CEN/ISSS Workshop on Electronic Invoicing*.
 - more information can be found on <http://www.e-invoice-gateway.net>
- Important that these tools do not impose new requirements on trading parties:
 - trading parties have the choice and are free to use them if required and
 - tools are technology neutral and in line with the core principles stated in the Code of Practice.

*The CEN Workshop is a recognized European standardization activity and supported by more than 60 companies and 10 tax administrations. The Guidelines have been referred for consultation to many stakeholders and after the review period have been published in September 2009 and will be maintained in an open dialogue

Enhancement by VAT Directive*

- The Expert Group has highlighted the VAT Directive as a key piece of legislation with a direct bearing on the up-take of e-Invoicing, although allowed by the various options available to them, Member States have implemented the rules on e-Invoicing in a divergent way.
- This has created a disharmonised set of e-Invoicing rules that have been difficult for businesses to comply with, especially when sending cross border/intracommunity e-Invoicing.
- It is important that best practices develop so that standards, business requirements and all legal requirements converge towards a common approach.
- In this sense the VAT Directive can only play a part in helping to remove the obstacles that currently exist in terms of VAT legislation and here work of the Expert Group on e-Invoicing will be useful.

*Commission Report to Council 28.01.2009 COM(2009) 20

Next Actions

- Approval of Final Report: 2009/2010
 - Code of Practice
- Draft EEIR by EU Commission: 2010
- Approval of VAT Directive: 2010
- Define Good Practices: 2010

Charles Bryant

EC Expert Group on e-Invoicing

Content

- Guidance recommendations for interoperability- a call to action
- Objectives, definitions and scope
- Summary of the 12 recommendations
- Content standards proposition
- UN CEFAC Cross Industry Invoice(CII)
- The minimum core e-invoice data-set
- Being discussed for Expert Group final report

Guidance Recommendations

- Best practices to guide all stakeholders including users and service providers
- Adoption will facilitate reach and a consistent experience
- Distinction between the ‘umbrella’ principles and recommendations and individual network solutions and instances
- Neutral and apply to bilateral, three and four corner models.

Objectives

- Current market reality is highly fragmented and inhibits full participation
- Create a universally accessible exchange environment
- Separation of the competitive and collaborative domains.
- Three levels of interoperability- business, process and technical.

The 12 guidance recommendations

1. Identification of actors and roles- need for common definitions and terminology.
2. Adopt standards for invoice content.
3. Use common non-proprietary European and international technology standards
4. Support minimum business and technical requirements for connectivity and messaging

The 12 guidance recommendations

5. Progressive adoption of an interoperable routing and addressing process
6. Need to support a variety of business and implementation models
7. Use recommended good practice guidelines, for example the CEN Compliance Guidelines
8. Additional recommendations for bilateral scenarios

The 12 guidance recommendations

9. Additional recommendations for three-corner scenarios
 10. Additional recommendations for four-corner models
 11. The need for agreements
 12. Interoperability between networks
- plus a few thoughts on implementation.

Content standards

- Defined as the actual data-set that constitutes the e-invoice message and business header
- Data structure is expressed in a semantic data model and represented in a syntax, together forming a standard format.
- No dominant format today- this is not a “show-stopper” but it would help...
- Need to support business requirements esp. SME.

Standards proposition

- Need to support a minimum core data set and extensions to support business requirements.
- Evolution and convergence based on a single reference model
- Must link to supply chain and payments
- UN CEFAC Cross Industry Invoice v.2 (CII) is recommended as the common reference model.

Marcus Laube

EC Expert Group on e-Invoicing

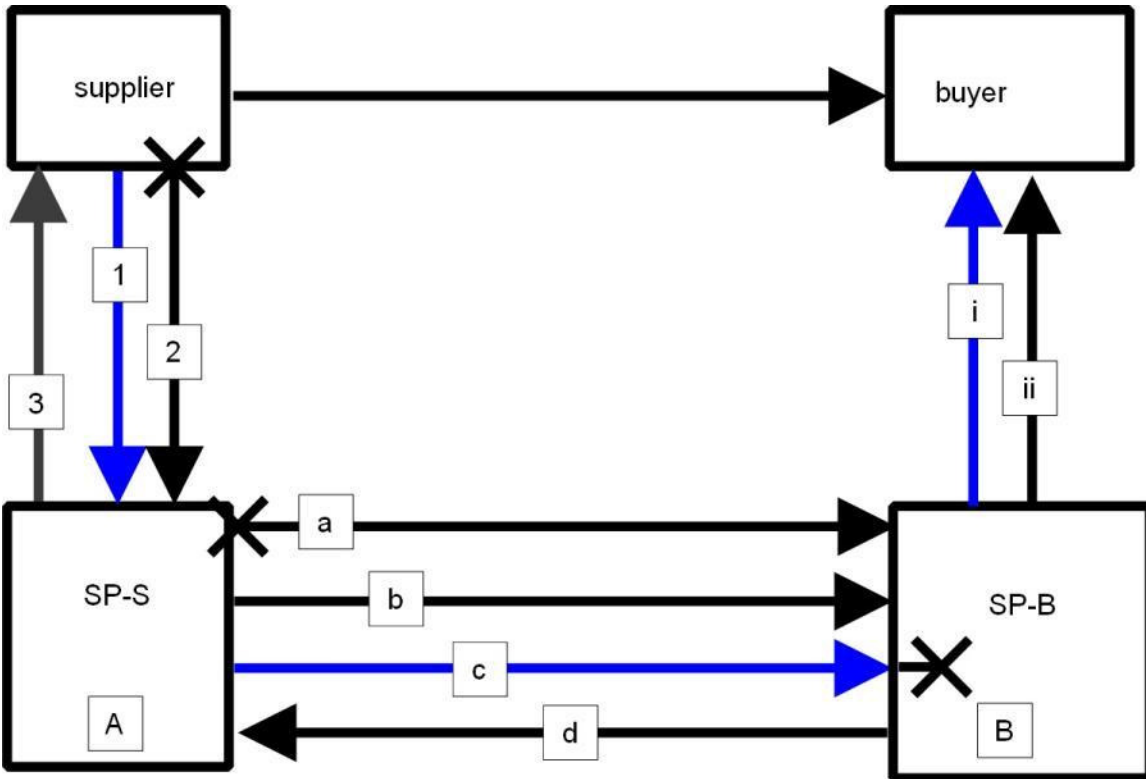
Remove a major barrier

- Missing interoperability is a major barrier for e-Invoicing growth
- An obstacle on national as well as international level
- Topics to be considered are: data format, addressing, contractual and legal/tax arrangements.
- Focus on tax compliance and four corner models

Variety of processes

- Implementations can reflect current legal framework (EDI, signatures, other means)
- Implementations should consider likely future developments:
 - Internal business controls
 - Secure exchange
 - **Data level controls (electronic signatures)**
 - Outsourced safekeeping

Four corner model process options

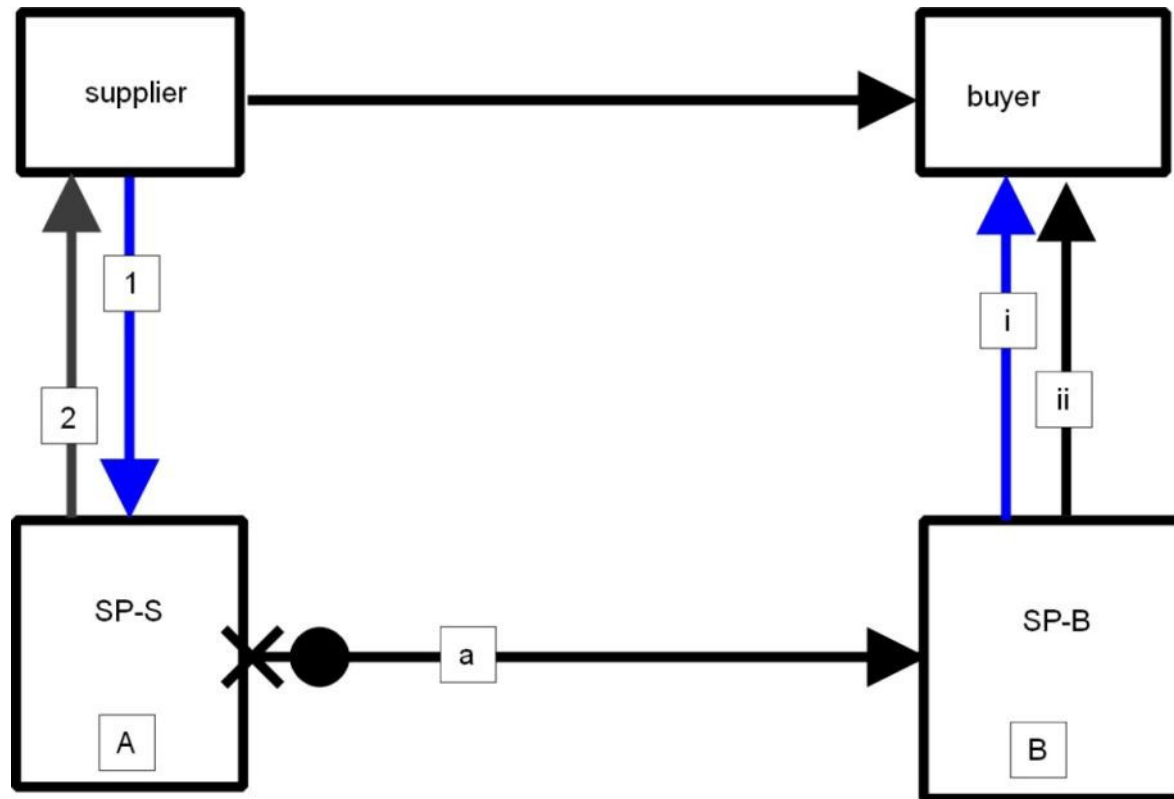


X = moment of formal invoice issue

Recommended model

- Sender Service Provider to perform signature **and** verification
 - Mutual recognition between service providers
 - Passing through power of attorney
- Signing structured or unstructured data, preferably a PDF
 - Universally accepted format
 - Easy readability for workflow applications and tax audits

Recommended model



✕ = moment of formal invoice issue (signature creation)

● = signature verification

Implications

- Providers will follow the expert group recommendations on data format and signature interoperability
- Initiatives established to enable addressing and use directories (Hub Alliance/eGreen Pages)
- Contractual agreements standardized within the different networks.



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Today's confusing market communication

- Hundreds of providers send very different market messages
- Too much (legal) disclaimer information
- Some create a fear factor especially regarding tax compliance when selling their services
- Bewildering range of technical information
- Messages are often not tailored to the immediate target audience using appropriate language

Communication: the EEI framework

- Focus on communication content, which directly helps to accelerate take-up
- Sustain the communication effort over time
Web portal information + actively pushed information
- Language and messages adjusted for different audiences

Target audience

- European Commission and Institutions
- National Governments
- National e-invoicing promotion bodies
- Regional Governments
- Standardisation bodies and collaborative initiatives
- Service and solution providers
- Banks
- Consultants and Advisers
- Trade press and web portals
- Trade Associations
- Conference organisers
- Large corporate enterprises (via multipliers)
- SMEs (via multipliers)