

➔ INFORMATION

E-INVOICE



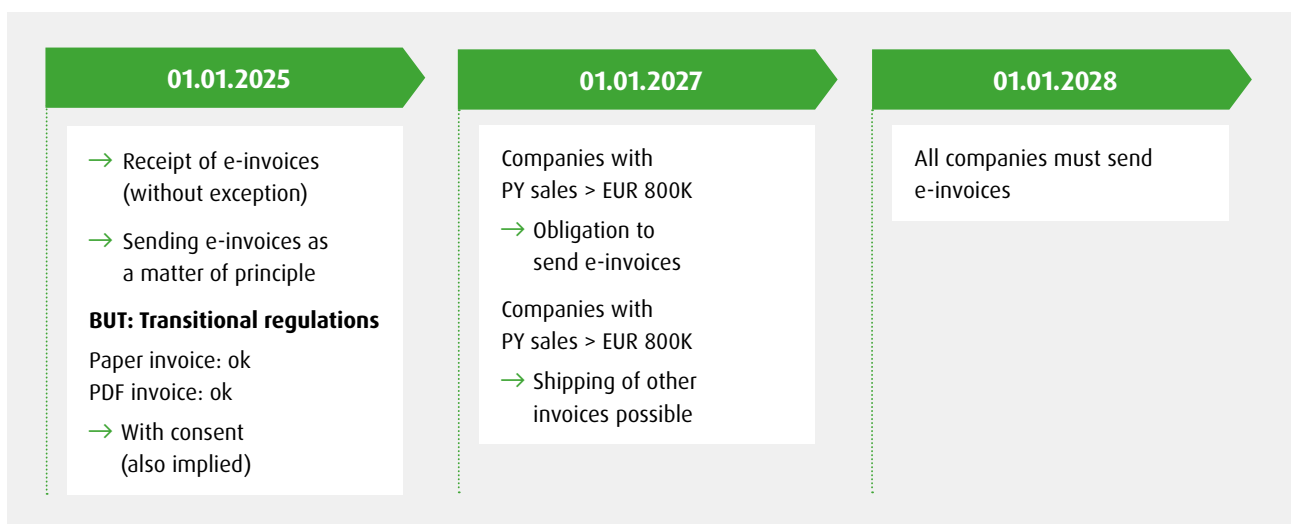
DEAR CLIENTS,

On March 27, 2024, the Growth Opportunities Act came into force, which introduced electronic invoicing as a major innovation for all companies.

As the new regulation comes into force on 01.01.2025, you should take a close look at the processes for receiving and writing invoices in your company over the next few months. In order to gain certainty about the extent to which you will be affected from the beginning of next year and which transitional regulations you can use, we would like to use this letter to give you an overview of the upcoming changes and the existing implementation options.

With the introduction of e-invoicing, the German government is pursuing the goal of avoiding unauthorized input tax deductions. This is to be achieved in two key steps.

In a first step, mandatory e-invoicing for taxable transactions between companies in Germany will be introduced from 01.01.2025. Until the complete switch to e-invoices in B2B companies can make use of various transitional arrangements:



The next step is to set up a standardized electronic reporting system based on electronic real-time data from the e-bill.

The e-invoicing obligation affects all taxable invoices in Germany in the area of B2B transactions. This also includes small businesses and transactions for which the recipient bears the tax liability (Section 13b German VAT act if both the supplier and the recipient are domiciled in Germany). There are exceptions for low-value invoices and tickets.

What are the advantages of e-billing?

The mandatory introduction of e-invoicing also offers your company the opportunity to create more efficient workflows, as processes in financial accounting are displayed without media disruptions and the payment cycle can be accelerated.

The time saved by avoiding errors during data entry and the resulting reduction in the need for rework should also not be neglected.

The end-to-end digital process in invoicing and the processing of incoming invoices also means that all departments in your company can access the documents – no more tedious searching in countless folders and redundant filing systems.

Last but not least, optimized cash management enables consistent discount deduction and a reduction in dunning rates thanks to faster approval processes.

What is an e-bill?

According to EU Directive Art. 2 No. 1 2014/55/EU, an e-invoice is "an invoice that is issued, transmitted and received in a structured electronic format that enables it to be processed automatically and electronically".

The invoice format must comply with EU standard EN16931. The XRechnung format as a pure xml data record and ZUGFeRD from 2.0.1 (except the profiles MINIMUM and BASIC-WL) as a hybrid of an xml data record and a document image already meet this standard.

Of course, other formats can also be used as long as they comply with the above-mentioned EU directive.

The BMF letter dated 15.10.2024 explains the scope of an e-invoice, stating that it must contain all mandatory VAT information in accordance with Sections 14 and 14a German VAT act in the structured part of the e-invoice.

In addition, the service description in the structured part of the e-invoice must enable clear and easily verifiable identification of the invoiced service. Additional information can be included in the appendix of the e-invoice.

Which transmission channels can be used?

In addition to being sent by e-mail, e-bills can also be provided via an electronic interface, shared access to a central storage location within a group of companies or downloading via an (Internet) portal.

Good to know:

The obligation to receive e-invoices, which already exists from 01.01.2025, is already fulfilled by the provision of an e-mail inbox. It is not necessary for this mailbox to be used exclusively for receiving invoices.

If the invoice recipient refuses to accept an e-invoice or is not technically able to receive e-invoices, they are not entitled to an alternative invoice.

On the part of the invoice issuer, however, the obligations under VAT law are already fulfilled if the e-invoice has been issued and the issuer has demonstrably made efforts to ensure proper transmission (e.g. using a transmission protocol).

Special case of contracts as standing invoices

Particularly in the case of rental contracts, the concluded contract is often considered an invoice, provided that the contract already contains all relevant information in accordance with Sections 14 and 14a of the German VAT Act.

In subsequent periods, a new e-invoice must be issued if the invoice details relevant for VAT purposes change (e.g. in the event of rent increases).

For existing contracts issued before 01.01.2027, there is only an obligation to create an e-invoice if the invoice details change.

Special case of final invoice for advance payments

If a company has issued advance payment invoices with a separate tax statement, these must be shown separately in the final invoice together with the tax amounts due on them.

At present, this presentation cannot yet be shown in the structured part of an e-invoice. In this case, there is no objection if an attachment is included as an unstructured file in a final invoice issued as an e-invoice by 31.12.2027. Alternatively, it is possible to issue a residual invoice.

What will apply to input tax deduction in the future?

If there is an obligation to issue an e-invoice, only this entitles you to deduct input tax. Therefore, if the invoice recipient receives another invoice even though there is an obligation to issue an e-invoice, the input tax deduction may be denied in the worst case, as the requirements of Sections 14 and 14a German VAT act are not met.

You can already use these solutions today!

Many software systems (ERP systems) offer solutions for the changeover to e-billing.

- This allows you to use ERP solutions for the processing, visualization and archiving of electronic invoices in XRechnung, ZUGFeRD 2.0.1 or higher and EDI formats.
- Current ERP solutions already offer the option of creating and sending electronic outgoing invoices. The data is automatically transferred to the financial accounting system. In addition, many ERP systems offer solutions for importing digital incoming invoices.
- If you use an invoicing program outside of your ERP system, interfaces are available for transfer to financial accounting. In this case, please contact your software provider, so that he can present you with the right solutions for your ERP system for converting to e-invoicing.

Your next steps

1. Create an e-mail address for receiving invoices and inform your business partners.
2. Contact your software provider for the technical implementation of the electronic invoice.
3. The electronic invoice is the first step towards electronic reporting. The implementation of electronic reporting is planned for national and cross-border B2B transactions from 2028. Reporting data will be transmitted to the tax authorities via e-reporting platforms. Find out from your software provider whether the connection to an e-invoicing platform is already being planned or implemented.
4. EDI procedures for electronic data exchange should remain permanently permissible if extraction into an EN16931 format is possible. Existing EDI procedures may have to be adapted accordingly.
5. The conversion of digital processes to e-invoicing or the introduction of digital processes must comply with the principles of proper management and storage of books, records and documents in electronic form and data access (GoBD).

We would be happy to support you with the implementation of your GoBD processes or check your existing processes for compliance with the GoBD.

Do you have any questions? Then please feel free to contact us. Our employees will be happy to help and advise you.

**Yours sincerely,
Wirtschaftstreuhand GmbH**