

VAT obstacle to using e-Invoicing removed - potential for reducing cost through e-Invoicing

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New e-Invoicing Directive



Please contact:

Pat Kennedy
(01) 792 5022

Liz Gallagher
(01) 792 6811

Claire McCabe
(01) 792 6112

On 19 July 2010, the Council of the European Union adopted Directive 2010/45/EU amending Directive 2006/112/EC on the common system of value added tax as regards the rules on invoicing

This new proposal aims to increase the use of electronic invoicing and to reduce the associate regulatory burden on business. It simplifies and modernises the VAT invoicing rules and even more, it removes some of the current barriers to e-Invoicing by, for example, treating paper and electronic invoices equally.

Member States must implement the Directive by 31 December 2012 and apply the provisions from 1 January 2013 at the latest. It remains to be seen how the Revenue Commissioners will transpose the new rules into your domestic VAT legislation.

The key points are as follows;

Clarity in relation to the rules on the issuance of invoices in respect of cross-border transactions

Historically, there has been no clear guidance to determine 'whether the validity of an invoice was governed by VAT legislation in the country of the supplier or that of the buyer'. This has long been controversial and we believe an ongoing deterrent to the use of e-Invoicing for cross border transactions.

Whilst the new basic rule is that invoicing (paper or electronic) be governed by the national legislation applying in the Member State in which the supply of goods or services is deemed to be made. An exception to this rule states that the VAT legislation of the country where the supplier is located will in

general apply. So for cross border transactions Irish VAT legislation will generally apply where the supplier is located in Ireland.

Equality of treatment between paper invoices and e-Invoices

An electronic invoice is defined as an invoice that is issued and received in electronic format.

Freedom to choose technology and process in relation to e-Invoicing

Presently, under Irish VAT legislation invoices must be transmitted using either an electronic data interchange (EDI) system, or an advanced electronic signature (AES). If a system other than EDI or AES is used Revenue must be notified in advance.

Post implementation, a company will be able to use any method provided business controls which guarantee the authenticity, integrity and legibility of an invoice are in place (i.e. the requirement to use EDI or AES, or notify Revenue of any alternative method, will be removed).

The storage of, and third party access to e-Invoices

The new rules allow Member States to obligate businesses to store invoices in the exact form that they were issued in. Where on-line access to the data has been guaranteed (to suppliers/customers), the new rules also make it mandatory for businesses to give access and downloading rights to



the tax authority of the issuer and receiver, (potentially multiple tax authorities where goods and/or services are supplied cross-border out of Ireland).

Conclusion

The use of electronic invoicing can help businesses reduce costs and be more competitive. It is important to note that e-Invoicing applies to both the issuance of invoices by your organisation and to the receipt

of invoices. With the implementation of new rules businesses may look again at the potential for savings through the use of e-Invoicing in so far as the issue, receipt and storage of invoices is concerned.

At PricewaterhouseCoopers (PwC) we have the knowledge, skills and experience to manage every aspect of your e-Invoicing needs, from technology and tax issues to legal and accounting concerns.

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