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## Newsletter on Invoicing

Date: 1 August 2024

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### 1. Summary

According to the EU Commission, a standardised electronic reporting system and mandatory electronic invoicing for certain intra-Community transactions are to be introduced by 2028, which will eliminate the need for EC sales lists, amongst other things.

Although it is still unclear in detail what the electronic reporting system will look like, the German legislator is obliging **German based entrepreneurs/taxable persons to issue an e-invoice for services** subject to VAT to other entrepreneurs/taxable persons from **1 January 2025** - albeit with transitional periods until the end of 2026 or 2027.

Bringing together the necessary IT and VAT expertise in order to ensure implementation in line with legal requirements will be the particular challenge.

## 2. Background to the introduction of eInvoicing (B2B)

Based on the so-called Growth Opportunities Act the introduction of mandatory electronic invoicing for **domestic B2B sales** will **gradually** be introduced, starting from **1 January 2025**.

The previous **precedence of paper invoices** over eInvoices, according to which the invoice recipient's consent to receive invoices electronically was required by law, **will no longer apply from 1 January 2025**.

## 3. Definition and data formats of the eInvoices

In the case of an invoice, a distinction must be made between

- **electronic invoice**, i.e. an invoice in a structured electronic format that enables electronic processing (e.g. the X-invoice and the ZUGFeRD invoice), or a
- **other invoice**, i.e. an invoice in another electronic format (e.g. PDF) or on paper.

An electronic invoice therefore contains the data of an invoice that was previously created and sent as a paper invoice or PDF, but as a structured electronic data record in a so-called **XML file**. These XML files can be automatically read and processed by the invoice recipient - provided they fulfil the technical requirements - so that manual data entry is no longer necessary.

Nevertheless, this usually also means that the original data set cannot be read for visual inspection with the human eye. By using visualisation programs, however, the XML data can be displayed in a way that is readable for humans.

## 4. Requirements for issuing and receiving eInvoices

The principle remains in the B2C area (for invoices between entrepreneurs/taxable persons and private end consumers) that there is no obligation to issue invoices and therefore no obligation to issue an eInvoice in future. In the B2B area (for invoices or credit notes to other entrepreneurs), an invoice must be issued within six months of the service being provided, as before.

Using **eInvoices** only applies to **domestic transactions** between **entrepreneurs/taxable persons based in Germany (double domestic nexus)**.

**Please note:** Foreign entrepreneurs/taxable persons that own real estate **in Germany** and rent it out for tax purposes are deemed to be resident in Germany.

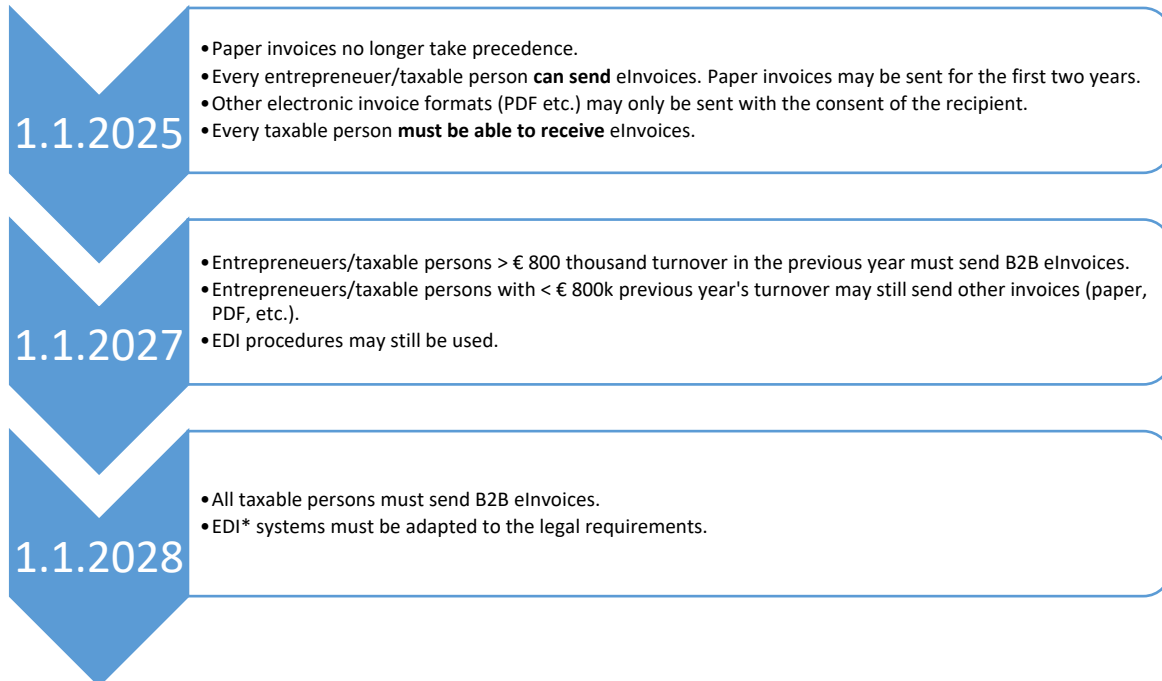
An exception to the eInvoicing obligation applies to so-called low-value invoices. However, if the small amount threshold of € 250 gross is exceeded, the business recipient must request an eInvoice for the purposes of input tax deduction. This also applies to retail, hotel accommodation and restaurants.

From 1 January 2025, domestic entrepreneurs are obliged to be able to receive an eInvoice. According to the current opinion of the tax authorities, it is sufficient if the invoice recipient provides an email inbox. However, the parties involved can agree on other electronic transmission channels. Which - permissible - format is used is then a question of civil law that can only be decided between the contracting parties.

eInvoicing is expected to become standard in many European countries in future and will largely be operated via designated, centralised platforms as transactional cross-border reporting systems. However, it is currently still unclear which providers will operate such a reporting system/platform.

## 5. Date of introduction and transition periods

The following is an overview of the transitional regulations.



\*EDI (Electronic Data Interchange) is a standardised format for the exchange of electronic documents. The data is interpreted in exactly the same way on the sender and recipient side and can be processed immediately after transmission and receipt.

\* \* \*