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What exactly is
E-INVOICING?

An E-invoicing white-paper by Invoicera

What is an E-Invoice?

An e-invoice is a document that is completely processed electronically. Right from being generated to being processed and cleared, an e-invoice stays a part of an electronic system. In case of E-invoicing there are no chances of the invoices going into spam and there is absolutely no use of paper. E-invoicing has the following 2 aspects:

The invoices are issued using a structure of web based forms

The invoices are issued in XML or EDI formats

There are a host of cost savings in adopting an E-invoicing solution for B2B procure to pay process. Automating the invoicing process uncomplicates the procure to pay cycle and makes payments simpler and faster. Here are the key benefits:

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The benefits of an E-Invoice?

E-invoicing has huge cost advantages for any business. The time and effort required in processing paper or online invoices can be a lot. Most of the processing and paper costs of invoicing can be averted with E-invoicing. The process becomes completely automated and saves a lot of time

E-Invoicing enables faster payments as the invoice gets delivered faster and the payments can be automated

Early payment discounts are made possible as the invoice gets paid and processed faster

Any sort of mistakes in the invoices can be rectified easily by retrieving the details of all invoices

Legal compliance is ensured at all times as it is there in the system

Improves carbon footprint by completely doing away with the use of paper

Minimisation of mistakes and timely payments ensure better relationships between suppliers and vendors

By using the existing IT infrastructure for e-invoicing, the IT department can optimize the system for better productivity

The reports generated from an E-invoicing system are faster and deliver quick results. This makes forecasting and planning quicker and easier

Reduced time period in the payment process helps in maintaining a healthy cash flow

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Types of E-Invoicing

E-invoicing can be categorised into two parts on the basis of the the format of the data being exchanged in the invoicing process. Depending upon the country in which the system is being set up, the data format can either be decided by the business partners or a pre-set format prescribed by the government has to be followed.

WITHOUT COMPLIANCE

In this case, both the parties decide on the format of the invoice and the details to be added. The structure of the data is also predefined. A system at the suppliers end, directly sends the invoices.The payable department of the client receives theinvoice directly. The e-invoicing system in this case, does not follow the regulatoryrequirements of any of the countries that the said parties belong to.

WITH COMPLIANCE

In this case the invoice format is not decided upon, by the parties involved. The format is based on the regulatory requirements of the respective countries in which these invoices are being generated. There are specific guidelines for validation of content on the invoices, safety of invoices as well their archiving. Tax compliance and audit must also be taken care of. Every country has its own set of requirements with respect to e-invoicing compliance and these must be understood before deciding on the format.

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Formats of E-Invoices

Full E-Invoice Format

Invoice Sequence Number

Sender's Name and Address

Customer's Name and Address

Date Of Invoice Creation

Sender's VAT Number

Customer's VAT Number

Date of Supply

Quantity and Type Of Goods

Unit Price Excluding VAT

Discounts

Currency

VAT Rate

VAT Amount

Exemptions If Any

Time Of Payment

IBAN/SEPA Number

Formats Of E-Invoices As Per EU Guidelines

Simple E-Invoice Format

Date of Invoice

Sender's Name and Address

Amount Payable

Currency

Vat Amount

Discounts

Product Type and Quantity

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The formats of E-Invoices vary from country to country

COUNTRY SPECIFIC VARIATIONS IN REGULATION

The EU provides clear guidelines for e-invoicing and there are some control systems for the same in Latin America as well. As a business opting for e-invoicing, it is very important to comply with country specific regulations on an ongoing basis. Some of the commonly required regulations are as follows:

▶ Ensure that the invoice is authentic
▶ Invoice number norms
▶ Fields on the invoice
▶ Archival norms

The EU treats both paper invoices and e-invoices in a similar way and regulatory guidelines are similar for both. The US has very few norms regarding e-invoicing. In Latin America the norms are primarily guided by tax collections. E-invoicing compliance must be adhered to, by every business opting for this model of payable and receivable process.

COMMON MYTHS ABOUT E-INVOICING

1. Prohibitive Costs
The e-invoicing process can be easily integrated with an existing ERP system. The e-invoicing system, in fact helps business save huge amount of operational costs by making the process completely automated. The cost benefits of implementing an e-invoicing system are much larger than the incurred costs.

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2. Supplier Dilemma

For any E-invoicing solution to succeed, supplier participation is a must. The general perception is that most suppliers will be cynical of an E-invoicing process. Lack of proper infrastructure at the supplier's end may also seem like a trouble. In today's times this is changing in a big way. Most businesses including suppliers and vendors are opting for e-invoicing implementations.

3. Mandate to Save Hard Copy Of Invoices

Many countries do make it mandatory for businesses to save invoices electronically. Archiving electronic invoicing saves time and effort of handling manual ones. Different countries have different time periods for storing the invoices electronically.
Tax auditing and error correction becomes easier with electronically archived invoices.

4. Meeting Tax Regulations

Meeting tax regulations is not a tough process. The implementation can be done in accordance with the local tax regulations with the help of tax advisors in the area.

SELF HOSTED VS SERVICE PROVIDER

An e-invoicing system can either be a self hosted one or one can use a service provider to help with hosting the system. A hosting service provider helps the business with expertise and cost savings.

THE MECHANICS OF A SELF HOSTED E-INVOICING

A self hosted e-invoicing solution requires the following:

1. **Technical Resources**
   EDI, translation of data, data mapping.

2. **Non Technical Resources**
   Tax professionals, Accounting professionals, Finance professionals .

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3. **Recurring subscription**
   Choose the invoicing software and pay the recurring subscription on the basis of the number of users.

4. **E-Invoicing Maintenance**
   The solution needs to to be maintained and supported as long as it is in use. Besides that, maintenance has to be provided for the partner companies as well.

5. **On-Boarding the Trading Partner**
   The partner companies need to be given appropriate on-boarding options for them to be able to choose a suitable one.

6. **Plan Ahead**
   Changes in regulatory requirements and taxes requires the business to plan for the future. The e-invoicing solution must be upgraded with respect to the on-going internal as well as external changes.

HOSTED BY A SERVICE PROVIDER

There are various aspects to consider while choosing the right solution provider for hosting the e-invoicing solution:

1. **Dedicated Team**
   A dedicated team is required to help the business in supplier on-boarding. Changes in the existing system of the business and the service providers are to be taken care of by the service provider.

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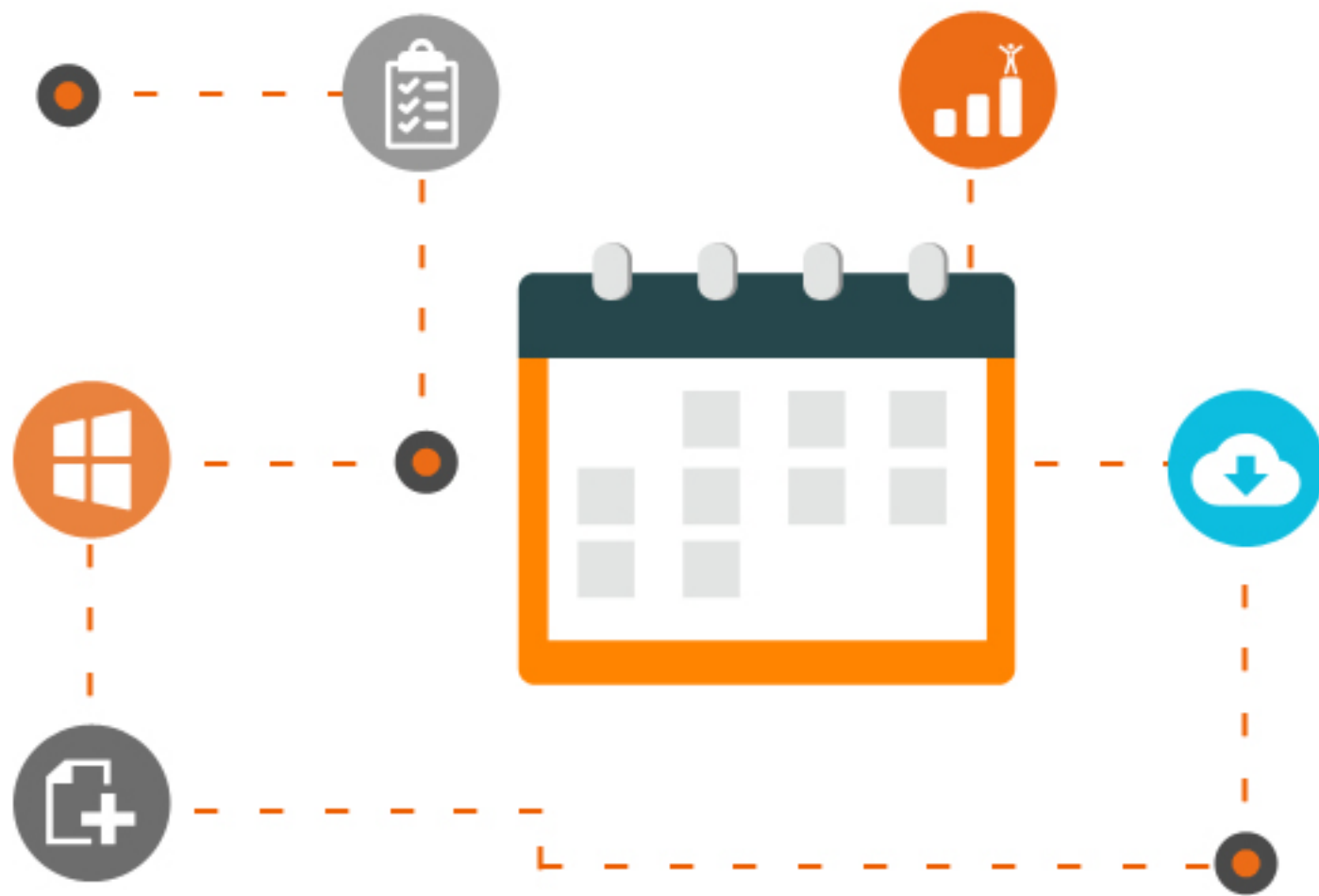
2. **Updated with Technical Standards**
   The solution provider must be updated with the latest technical standards related to the business as well as the trading partner.

3. **Integration With Existing Software**
   The solution provider must be able to provide integration options with the existing CRM and ERP software.

4. **Access to Cloud Infrastructure**
   Access to latest technologies helps the business scale up or scale down according to the requirement of the business.

6. **Planning Ahead**
   The solution provider must be able to plan ahead for the business. It must have knowledge country specific regulatory requirements and industry specific requirements to plan and act promptly.

FEATURES OF A SUSTAINABLE E-INVOICING SOLUTION

An E-invoicing solution must be chosen carefully and understood well. If planned well, the e-invoicing solution will enable huge cost savings for the business.

1. **Exchange Of Documents Electronically**
   Exchange of documents has to be enabled to ensure that all sorts of invoices, credit notes and purchase orders etc. can move between the supplier and the client. The solution provider must understand the requirements of both the parties involved and then strategize the implementation more effectively.

   This should be irrespective of the data standards of the 2 parties. The security policies and strategies of both the parties must be taken care of.

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2. WORKFLOW INTEGRATION

The E-invoicing solution must integrate with the existing system and must not require any alterations in the existing ERP or CRM solution. This makes the implementation process simpler and keeps the workflow the way it exists. A properly integrated system helps to improve the ROI of the business processes.

3. MANAGING THE QUALITY OF DATA

The solution should follow all the tax rules, customs rules and business guidelines. It must verify all the invoices and related documents for any errors that may arise.

4. COMPLIANCE

The e-invoicing regulatory requirements differ from one country to another. An E-invoicing solution provider must adhere to regulatory compliance of the respective governments before implementing a system. This includes data, signatures and other standards pre-set by the respective authorities.

5. ARCHIVING OF INVOICES

Proper storage and archiving of invoices is a mandate in most countries. The solution must ensure that invoices are properly archived for future use as well as compliance and audit purposes.

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6. REPORTS AND AUDITS

Proper auditing of invoices requires them to be:
- Properly displayed and readable
- Available internally and externally
- Compliance documented
- Legally complying with data security laws

7. MANAGING SUPPLIERS

A sustainable solution takes care of suppliers, both as a group and as individuals. Feedbacks, surveys and regular redressal of issues helps in better management and compliance at all levels.

E-invoicing is the way forward for B2B enterprises to improve cost efficiencies and create automation in the invoicing process and is equally beneficial to all the business partners. It helps improve buyer-supplier relationships and enables faster flow of business transactions.

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