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E-Invoicing in Germany: Achieve Legal, Technical, and Tax Compliance

Kamila Kania

Business Solution Manager at Comarch

Specializing in EDI and e-Invoicing. With comprehensive knowledge of EDI standards and e-Invoicing protocols, she advises clients on optimizing their business processes through seamless digital transformation. Focused on innovation, she stays ahead of market trends and regulatory changes, helping businesses remain compliant and competitive.

Christopher-Ulrich Böcker

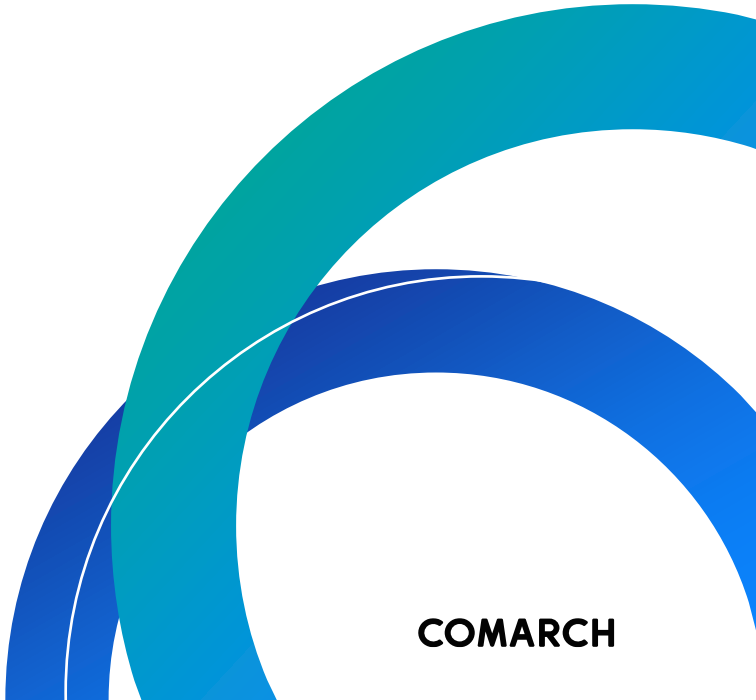
Partner at KPMG Germany

Christopher is a Partner in the Indirect Tax Solution Line at KPMG Germany, specializing in German and international E-Invoicing. With extensive experience advising national and international clients, he also focuses on VAT reviews, due diligences and compliance optimization. He has significant expertise in M&A projects and tax audits and leads KPMG's EMEA E-Invoicing Core Group.

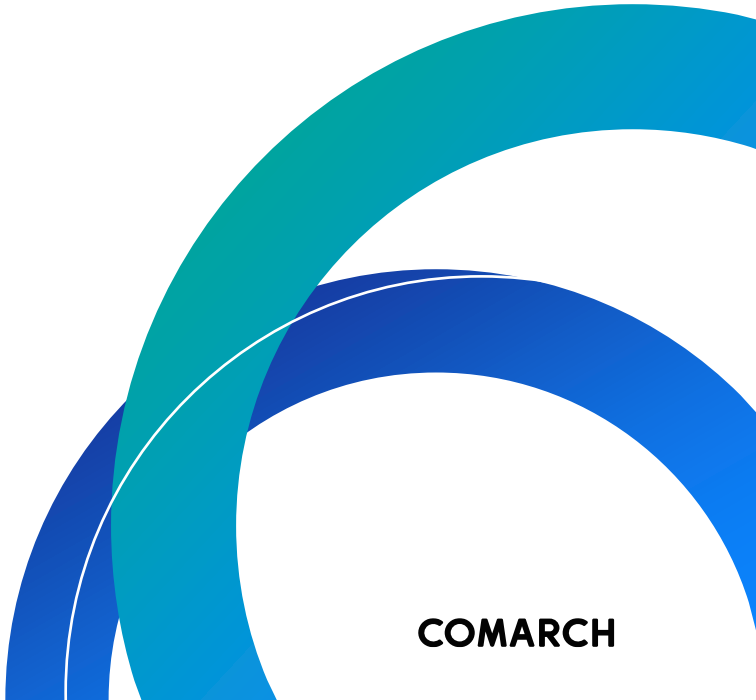
Agenda

1. Understanding the E-Invoicing Mandate in Germany
2. Challenges and Risks: What Businesses Need to Know
3. Leveraging E-Invoicing Solution
4. KPMG’s E-Invoicing Strategy and Advisory Services
5. Key Takeaways, Questions & Answers

Poll #1



Understanding the E-Invoicing Mandate in Germany



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Germany - Term "electronic invoice" – What changes in the law?

Today: Sec. 14 (1) S. 8 German VAT Law

- **Previous definition of an "electronic invoice" in the VAT Law:**
  "An electronic invoice is an invoice issued and received in an electronic format."
- **Clarification in sentence 7 that the recipient's consent is necessary for the receipt of an electr. invoice:**
  "Invoices shall be sent on paper or subject to the recipient's consent, electronically."

From 2025: Sec. 14 (1) S. 2, 6 German VAT Law

- **New definition of an "electronic invoice" in Section 14 (1) s. 2 and 6 VAT Law (see Article 23 Growth Opportunity Act):**

Sentence 1: An electronic invoice is an invoice that is issued, transmitted and received in a structured electronic format and enables electronic processing.

Sentence 6: The structured electronic format of an electronic invoice

1. must comply with the **European standard** for electronic invoicing and the list of corresponding syntaxes in accordance with Directive 2014/55/EU of 16 April 2014 (OJ L 133, 6 May 2014, p. 1) **or**
2. may be agreed between the invoice issuer and the invoice recipient. The prerequisite is that the format enables the **correct and complete extraction** of the information required under this Act from the electronic invoice **into a format that corresponds to the standard under number 1 or** is **interoperable** with it.

- **New term "other invoice" in Sec. 14 para. 1 s. 4 VAT Law:**
  "Another invoice is an invoice that is transmitted in another electronic format or on paper."
- **No consent of the recipient to the e-Invoice, if e-invoice obligation exists, cf. Sec. 14 para. 1 s. 5 VAT Act:**
  The transmission of an electronic invoice or other invoice in an electronic format requires the consent of the recipient, unless there is an obligation under para. 2 sentence 2 no. 1 sentence 2.

"Structured data set" - What does it mean? (1/2)

"X-invoice"

- Complies with EN16931 standard
- Structured, standardized data set in XML format that can be automatically sent and processed electronically
- German specification (CIUS) for the B2G area.
- Permitted syntaxes:

1. Universal Business Language (UBL)
2. UN/CEFACT Cross Industry Invoice (CII)

Example of a „XRechnung“ with syntax Cross Industry Invoice (CII)

```
<?xml version="1.0" encoding="UTF-8"?>
<rsm:CrossIndustryInvoice xmlns:rsm="urn:un:unece:uncefact:data:standard:CrossIndustryInvoice:100"
                          xmlns:ram="urn:un:unece:uncefact:data:standard:ReusableAggregateBusiness
                          xmlns:udt="urn:un:unece:uncefact:data:standard:UnqualifiedDataType:100"
                          xmlns:xsi="http://www.w3.org/2001/XMLSchema-instance"
                          xsi:schemaLocation="urn:un:unece:uncefact:data:standard:CrossIndustryInv
                                              ../../../schemas/UN_CEFACT/CrossIndustryInvoice_100pD
    <rsm:ExchangedDocumentContext>
        <ram:GuidelineSpecifiedDocumentContextParameter>
            <ram:ID>urn:cen.eu:en16931:2017#compliant#urn:xoev-de:kosit:standard:xrechnung_1.2</ra
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    </rsm:ExchangedDocumentContext>
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        <ram:TypeCode>380</ram:TypeCode>
        <ram:IssueDateTime>
            <udt:DateTimeString format="102">20160404</udt:DateTimeString>
        </ram:IssueDateTime>
        <ram:IncludedNote>
            <ram:Content>Es gelten unsere Allgem. Geschäftsbedingungen, die Sie unter […] finden.</
            <ram:SubjectCode>ADU</ram:SubjectCode>
        </ram:IncludedNote>
    </rsm:ExchangedDocument>
    <rsm:SupplyChainTradeTransaction>
        <ram:IncludedSupplyChainTradeLineItem>
            <ram:AssociatedDocumentLineDocument>
                <ram:LineID>Zeitschrift [...]</ram:LineID>
                <ram:IncludedNote>
                    <ram:Content>Die letzte Lieferung im Rahmen des abgerechneten Abonnements erfo
                </ram:IncludedNote>
            </ram:AssociatedDocumentLineDocument>
            <ram:SpecifiedTradeProduct>
                <ram:SellerAssignedID>246</ram:SellerAssignedID>
                <ram:Name>Zeitschrift [...]</ram:Name>
```

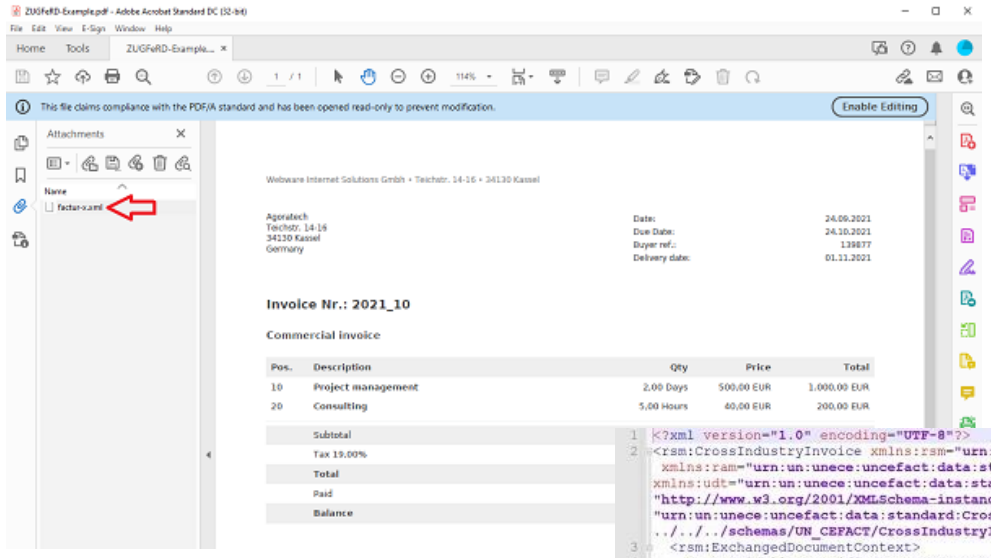
"Structured data set" - What does it mean? (2/2)

„ZUGFeRD Invoice "

- Complies with EN16931 standard
- German standard in hyprid format (i.e. PDF file + XML file)
- Filling as a single PDF/A-3 document, i.e. a PDF that can contain digitized documents, such as an XML file.
- Permitted syntaxes :

  UN/CEFACT Cross Industry Invoice (CII)
- Identical to „Factur-X"

Example of a ZUGFeRD Invoice (hybrid format):



PDF view

XML view

```
<?xml version="1.0" encoding="UTF-8"?>
<rsm:CrossIndustryInvoice xmlns:rsm="urn:un:unece:uncefact:data:standard:CrossIndustryInvoice:100"
 xmlns:ram="urn:un:unece:uncefact:data:standard:ReusableAggregateBusinessInformationEntity:100"
xmlns:udt="urn:un:unece:uncefact:data:standard:UnqualifiedDataType:100" xmlns:xsi=
"http://www.w3.org/2001/XMLSchema-instance" xsi:schemaLocation=
"urn:un:unece:uncefact:data:standard:CrossIndustryInvoice:100
../../../schemas/UN_CEFACT/CrossIndustryInvoice_100pD16B.xsd">
  <rsm:ExchangedDocumentContext>
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      <ram:ID>urn:cen.eu:en16931:2017</ram:ID>
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        <ram:NetPriceProductTradePrice>
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```
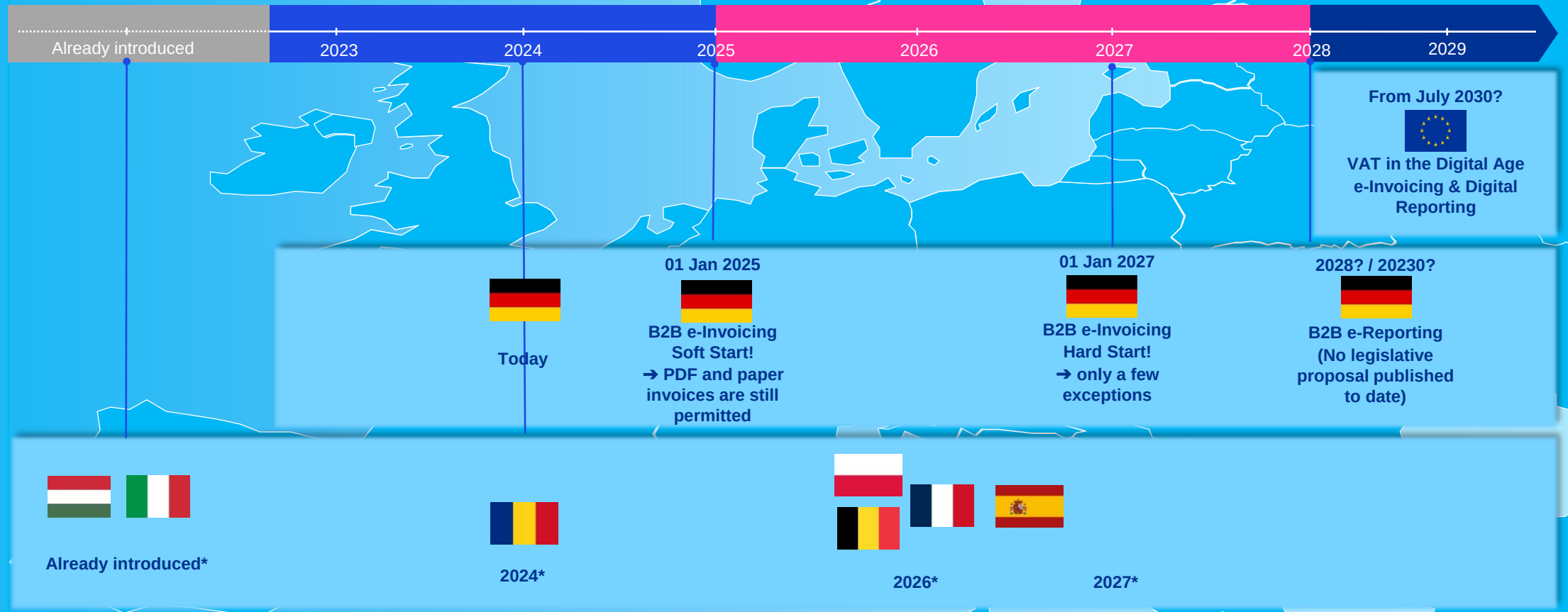
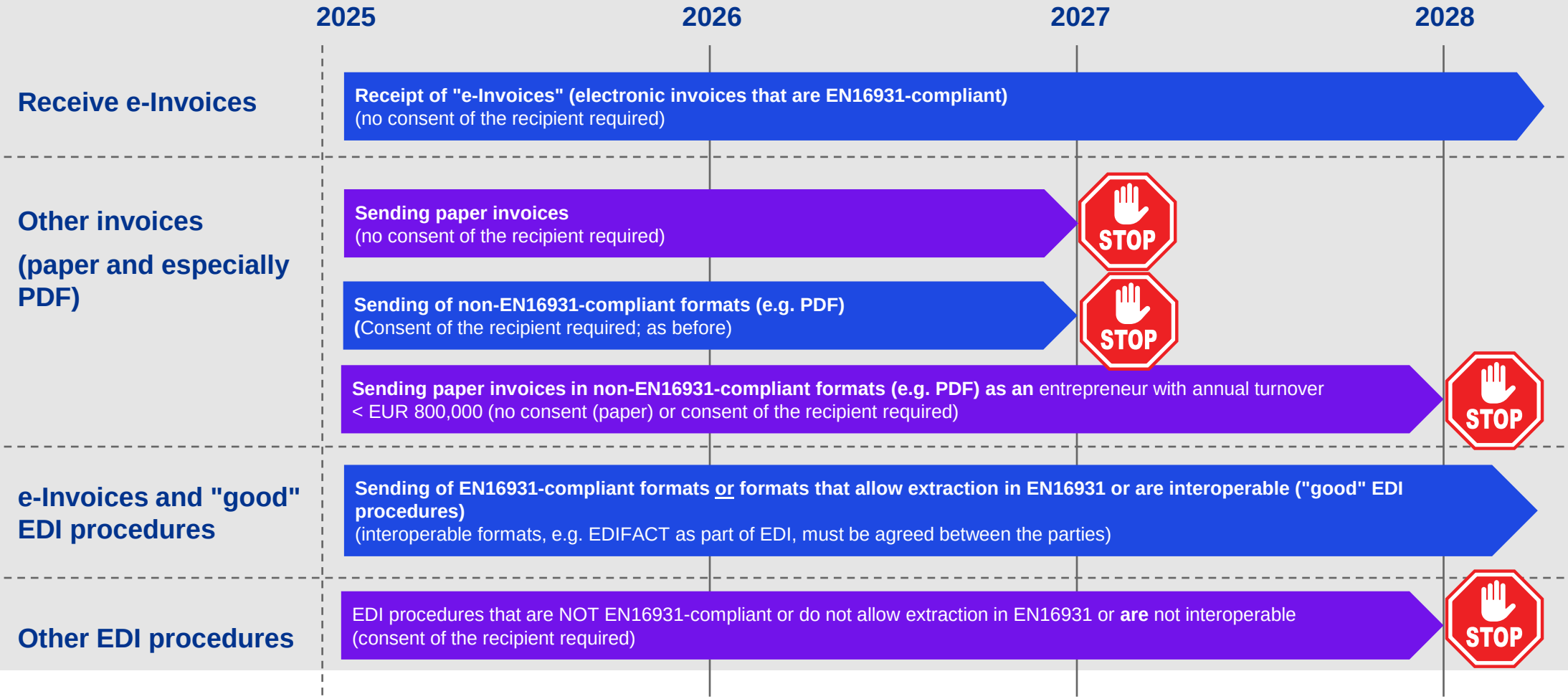

Timeline - Introduction of e-invoicing and digital reporting in the EU and selected countries



* Selected examples; there are much more countries around the globe which already have implemented or are planning to implement e-Invoicing and/or e-Reporting obligations.

Overview Germany - What am I allowed to do and for how long?*



*not included in the overview: Exceptions for low-value invoices and tickets

Letter of the Ministry of Finance (1/2)

Paragraph 14 and 37
Clarification that companies must be **ready to receive** e-invoices and **recipient must accept an e-invoice** (**readiness to receive**)

Paragraph 26
Not only the German e-invoice formats **XRechnung and ZUGFeRD** are permitted, but all invoice formats that comply with the **CEN standard EN16931**, e.g. **PEPPOL BIS Billing or Factur-X** are permitted

Paragraph 5, 6 and 31
In the future, "readability" will no longer mean "human-readable", but **"machine-readable"**, i.e. an XML file is "readable" within the meaning of VAT law

Paragraph 35
All mandatory information pursuant to Sec. 14, 14a of the German VAT Act **must be included in the structured part (XML)** of the e-invoice

Letter of the Ministry of Finance (2/2)

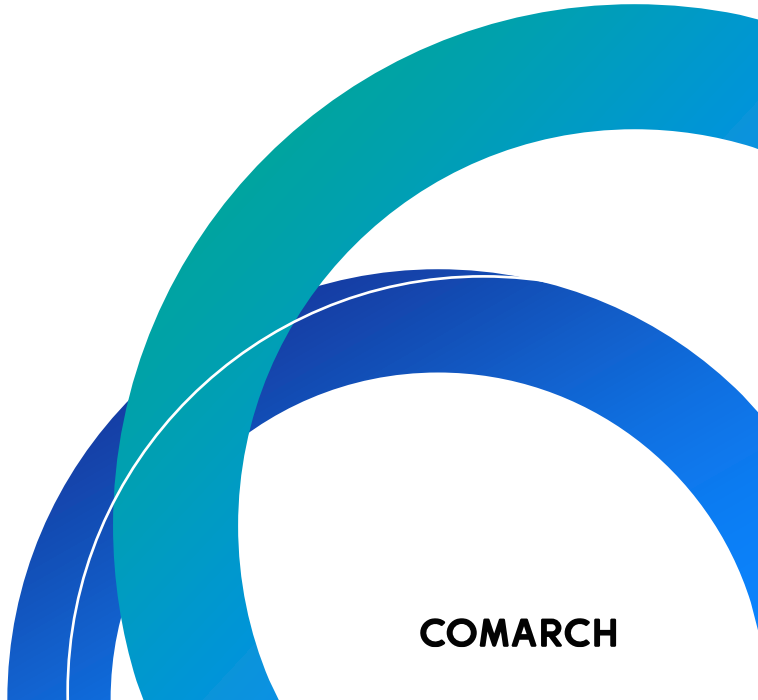
Paragraph 36
Possible **transmission channels**: e-mail, electronic interfaces or via a (customer) portal; (USB stick? ☺)
Not mentioned but obvious: Peppol network!

Paragraph 44, 47, 48, 57
Rental Agreement or other **permanent services**:
One-time issuance of an e-invoice for the first partial service period is sufficient

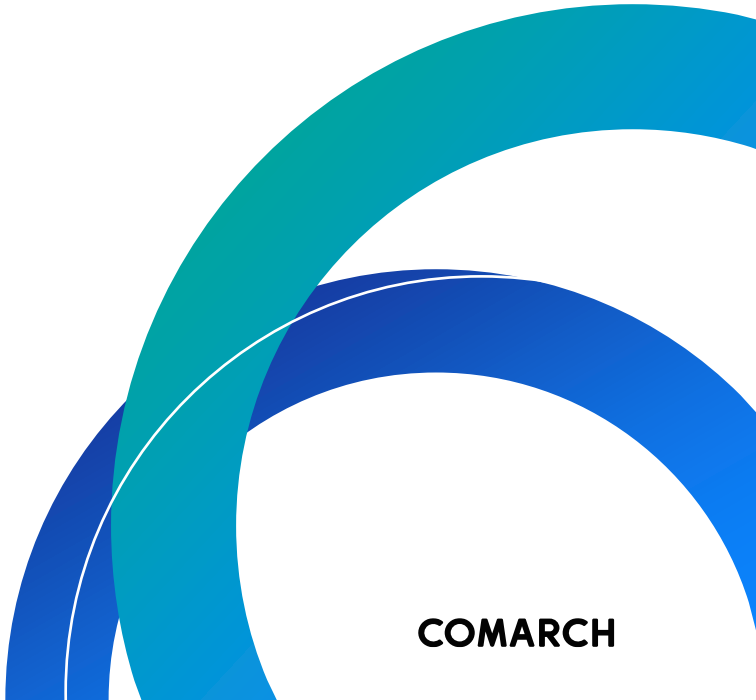
Paragraph 49
Invoice corrections must also be made in XML format complying with EN 16931

Paragraph 57, 58
Input VAT deduction: E-invoices can be corrected with retroactive effect. If no correction is made, then input VAT deduction may also be possible from an "other invoice" by applying a strict standard

Poll #2



Challenges and Risks: What Businesses Need to Know



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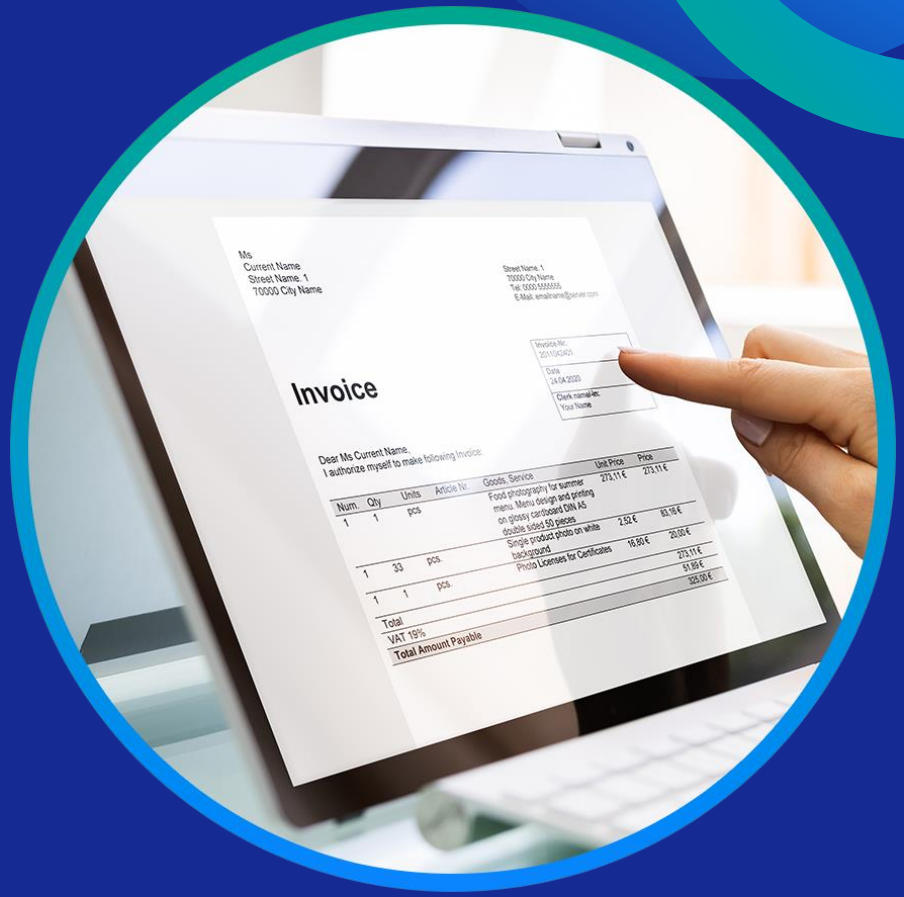
E-Invoicing Landscape

- By 2025, **80% of companies will be required to exchange invoices electronically**
- The e-invoicing market is expected to reach the market value of **USD 6 billion** by 2029.
- Over **70 countries** have implemented or will implement e-invoicing or CTC mandates
- Gartner estimates that by 2030, **60% of countries worldwide will implement CTCs**



- In other words, within the next **8 years, 117 countries** will move to e-invoicing

Billentis, *The e-invoicing journey 2019-2025*; Data Bridge Market Research

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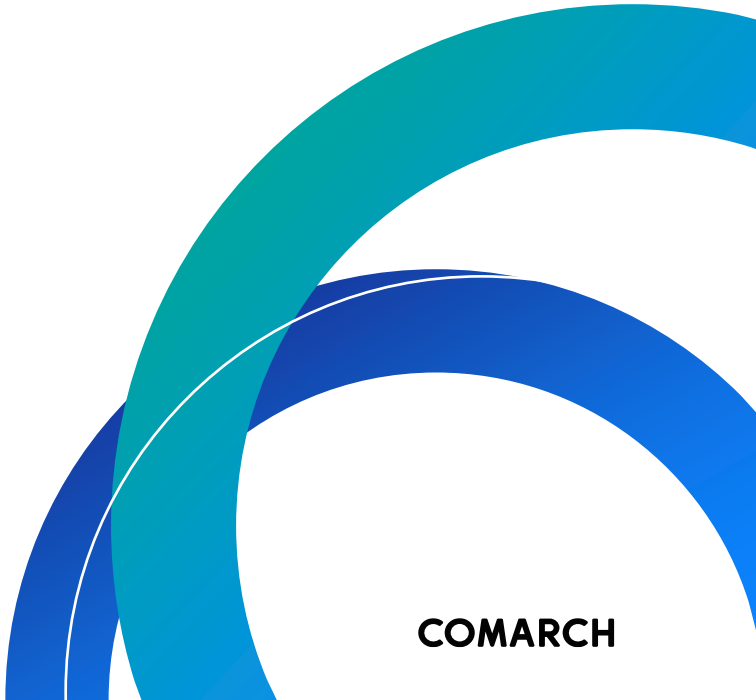
BUSINESS CHALLENGES OF TRANSITIONING TO E-INVOICING

- Each country has different requirements
- Extensive penalties for non-compliance
- Global business presence
- Changing business processes

- Risks related to the delayed implementation of e-invoicing
- Need for updates and adjustments to existing infrastructure
- Reduced efficiency
- Operational Disruptions

Leveraging E-Invoicing Solution



Meeting Compliance Needs

Real-Time Updates and **Adaptability**

Digitization of AP and AR processes **without replacing existing IT systems**

Tools that **automate data extraction, validation, and reporting** ensuring accuracy

Security - using systems that guarantee the highest level of security for all sensitive and important company data

Robust, scalable solutions that **simplify and automate compliance tasks**

Seamless transition with **minimal interruption to business**

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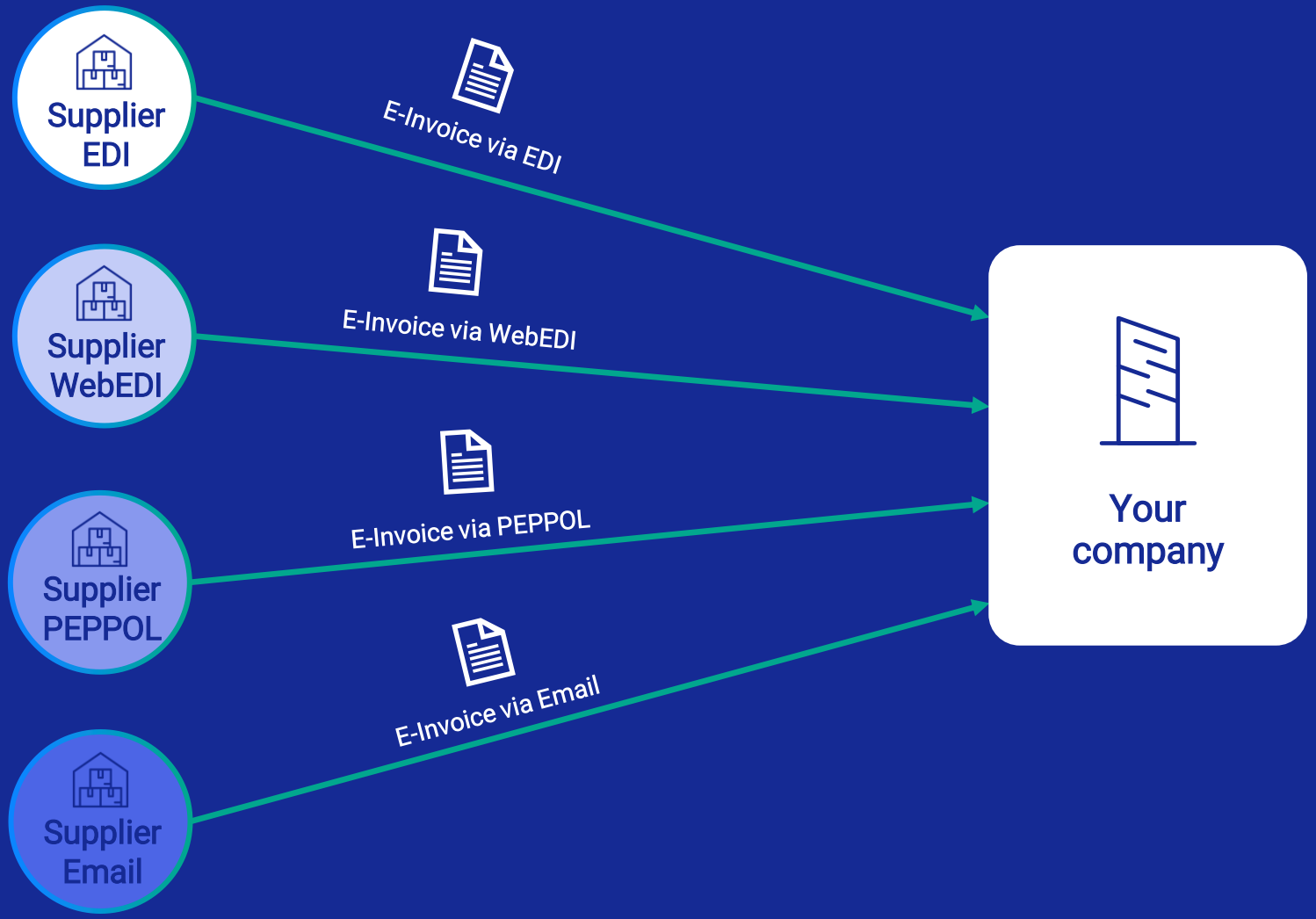
E-Invoice receiving options from 2025



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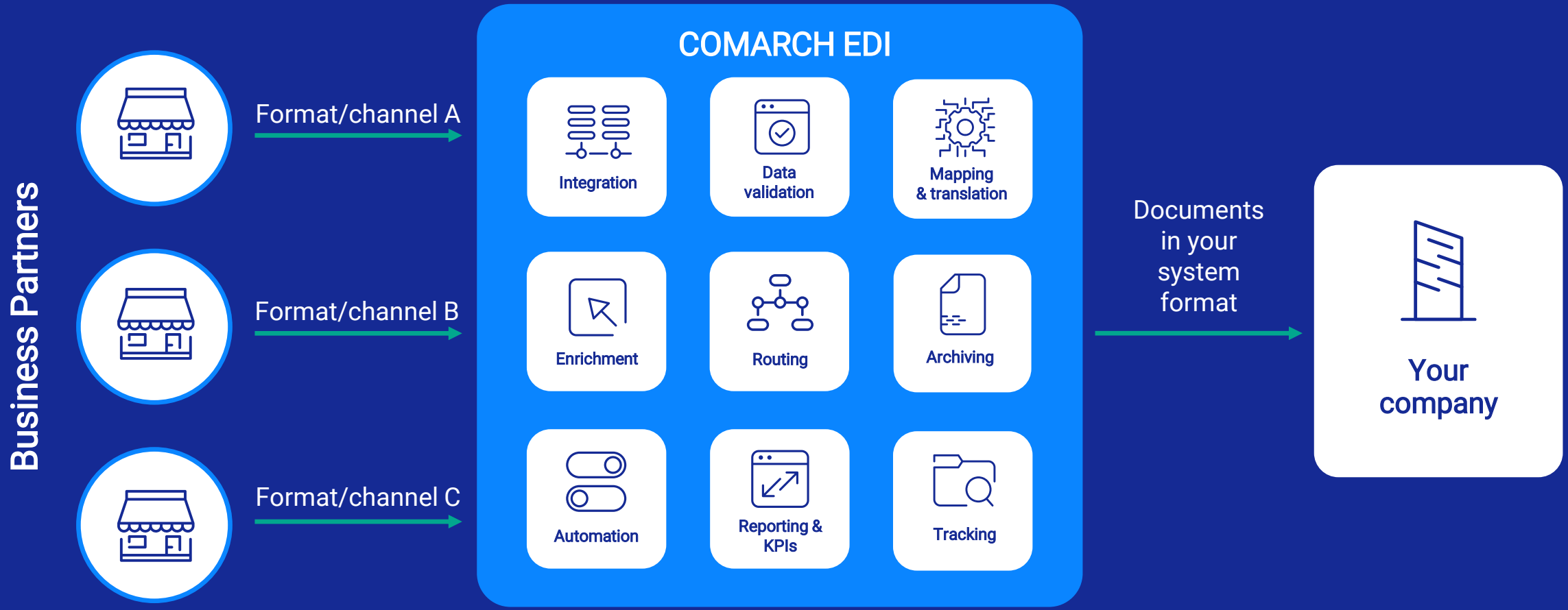
Reciving e-invoices via Comarch EDI



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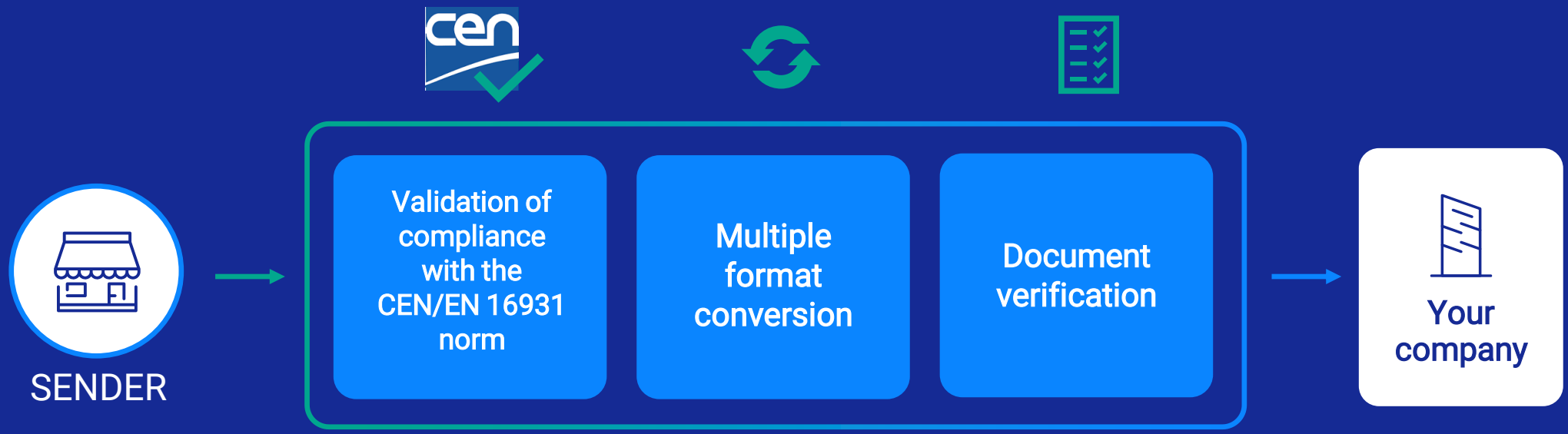
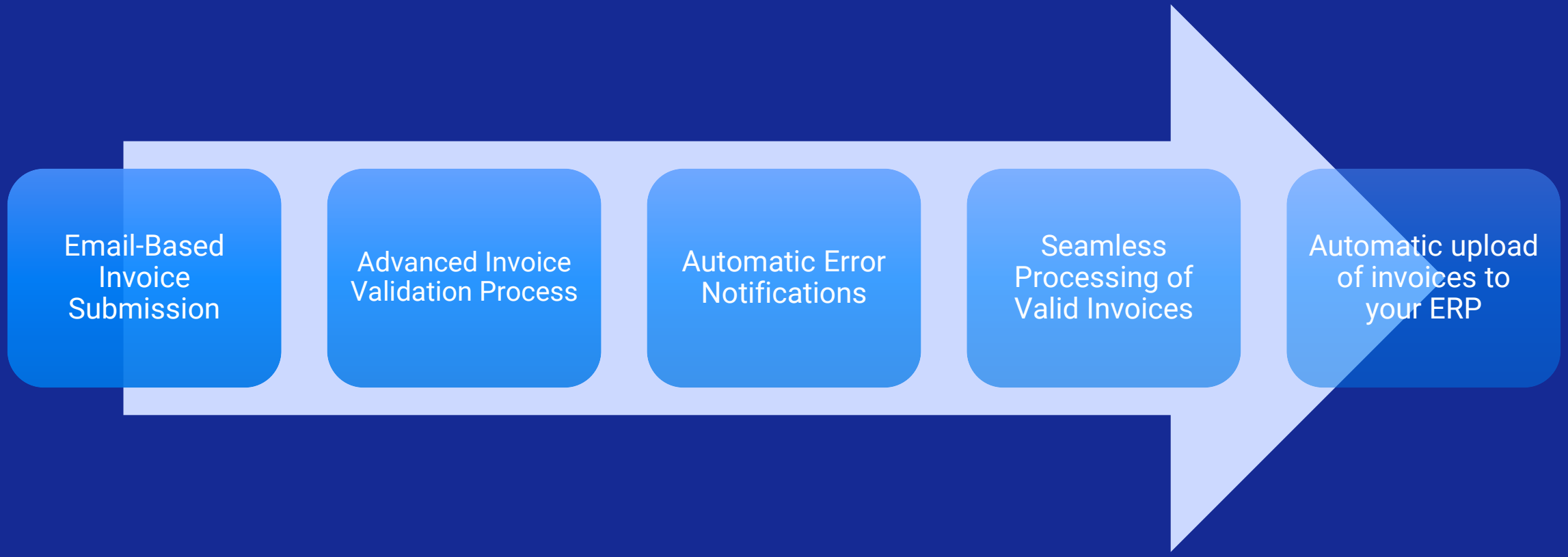
Comarch Email Converter



Comarch Email Converter – step by step



Legal Compliance | Real-Time Monitoring | Handling of Invalid Invoices

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COMARCH'S COMPLIANCE WITH REGULATIONS

- Certified e-invoicing processes in 60+ countries
- PEPPOL certified provider - Access Point
- Invoice conversion from any to any format
- Seamless integration with existing ERP or financial system
- AI and Machine ML models and tools are integrated into the core processes supported in our products
- Document monitoring, data views, user dashboards and reporting, long-term digital archiving
- The highest level of security and encryption services
- Live tax reporting services for B2G, B2B and possibly B2C type of business relationship
- Global expertise in handling the legal and commercial challenges of multi-jurisdictional requirements for e-invoicing

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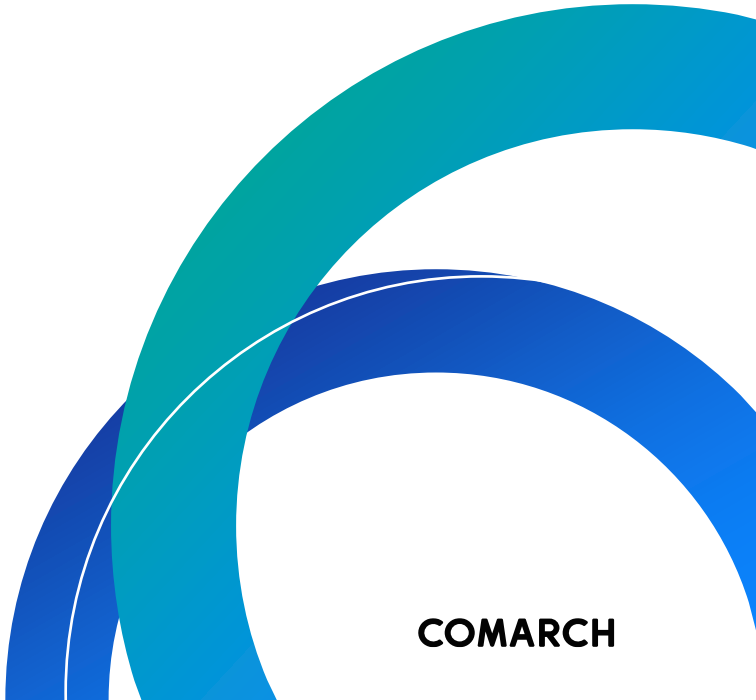
KEY BENEFITS OF E-INVOICING SOLUTIONS

- Enhanced Compliance
- Rapid return on investment (ROI)
- Simplified invoice lifecycle management
- Proactive risk management
- Increased Accuracy
- Scalability and global reach

KPMG’s E-Invoicing Strategy and Advisory Services



What does a global strategy look like?

How to get started?

1

Impact assessment

Overlay the upcoming regulatory requirements to Client's business footprint, entity profile, scenarios.

2

Planning & strategy

Assess current and future state systems alongside compliance obligations. Develop strategy and project plan.

3

Governance framework

Establish a governance framework and high level RACI to determine split of responsibilities across various internal (and external) teams.

4

Vendor selection

Select e-invoicing software provider to partner with across foot print

5

Data & implementation readiness

Identify gaps in Cognizant's data model against pilot country requirements. Prepare to deploy local processes and technology solutions to enable compliance by go-live date.

- **A global strategy for compliance**
- **Governance framework**
- **Tailored and tested deployment framework**
- **Broader technology roadmap**
- **Billing platforms meet obligations**

Horizon scanning and PMO support

KPMG Kick-off advisory packages

Introduction into the topic

- **My situation:** I want to get an introduction into the topic of e-invoicing with the possibility to raise initial questions which are answered directly.
- **Scope:** Focus on the introduction of the e-invoice in Germany (if required with explanations around the EU level: „VAT in the Digial Age/ViDA") and also a view into selected other countries
- **How: T**eams-Call
- **Result:** You will get comfortable with the basics around e-invoicing and will be provided with the knowledge and tools which enble you to initiate your individual e-invoicing project.

KPMG: Your sparring partner

- **My situation:** I have basic or specific questions around the topic of e-invoicing and Digital Reporting for which I need ad-hoc support by experts.
- **Scope:** Your questions will be answered (by phone or via e-mail)
- **How:** Provide your questions to us via e-mail or let us arrange a Teams-Meeting in which we can answer your questions.
- **Result:** Answers to your questions

"EDI-Check"

- **My question:** Is my EDI-procedure interoperable with the European CEN-norm EN16931 or do I have to adjust my used format?
- **Scope:** KPMG performs a data field mapping (e.g. from EDIFACT to EN16931)
- **What do I have to do?** I send an example invoice which is currently used in the EDI-procedure (e.g. EDIFACT format) to KPMG and KPMG checks whether there is any need for adjustments.
- **Result:** Confirmation by KPMG that the used invoicing format is interoperable with EN16931 or information by KPMG about the determined need for adaption.

KPMG kick-off workshops – Building your E-Invoicing strategy

"Ready-2-receive Germany"

- **Core question:** What do I need to do to be ready to receive e-invoices in Germany from 2025 onwards (AP)?
- **Scope of the workshop:** Guidance for the status quo documentation (systems & processes) in a workshop
- **Result:** Presentation incl. status quo documentation, GAP analysis for need for action + recommendations for next steps
- **Scope:** Germany, Input side
- **Not in Scope:** Deep functional technical analysis; translation of legal requirements in functional and non-functional requirements for systems and processes

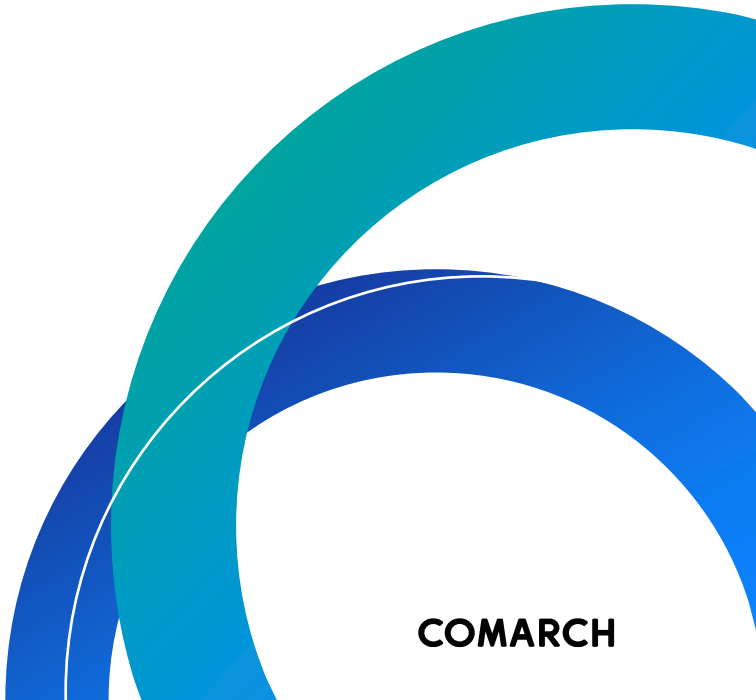
"E-Invoicing readiness Germany"

- **Core question:** What do I have to do to be ready to receive and issue e-invoices from 2025 onwards (AP + AR)?
- **Scope of the workshop:** Guidance for the status quo documentation (systems & processes) in a workshop incl. data field mapping; You will prepare the status quo documentation together with KPMG in the workshop; afterwards KPMG will assess afterwards
- **Result:** Presentation incl. status quo documentation, GAP analysis for need for action + recommendations for next steps
- **Scope:** Only for Germany, Input and Output side
- **Not in Scope:** Deep functional technical analysis; translation of legal requirements in functional and non-functional requirements for systems and processes

"E-Invoicing readiness EU & Global"

- **Content:** Documentation of legal/tax requirements and monitoring of upcoming changes, e.g. what is mandatory/optional (via. Questionnaires and templates); translation of legal requirements in functional and non-functional requirements for systems and processes; if desired: Vendor selection support
- **Scope of the workshop:** EU, Input and output side
- **How:** Guidance for the status quo documentation (systems & processes) in a workshop incl. data field mapping; You will prepare the status quo documentation together with KPMG in the workshop; afterwards KPMG will assess afterwards
- **Result:** Presentation incl. status quo documentation, GAP analysis for need for action + recommendations for next steps

Key Takeaways, Questions & Answers



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E-Invoicing in Germany - Key Takeaways

- Be prepared to start the AP process at the beginning of 2025 and plan for AR implementation
- Non-compliance can result in operational disruptions and financial risks
- Implementing robust e-invoicing solutions can streamline operations
- A well-defined compliance strategy helps businesses stay ahead of legal requirements and reduce operational risks

Consider solutions and support for your compliance needs!

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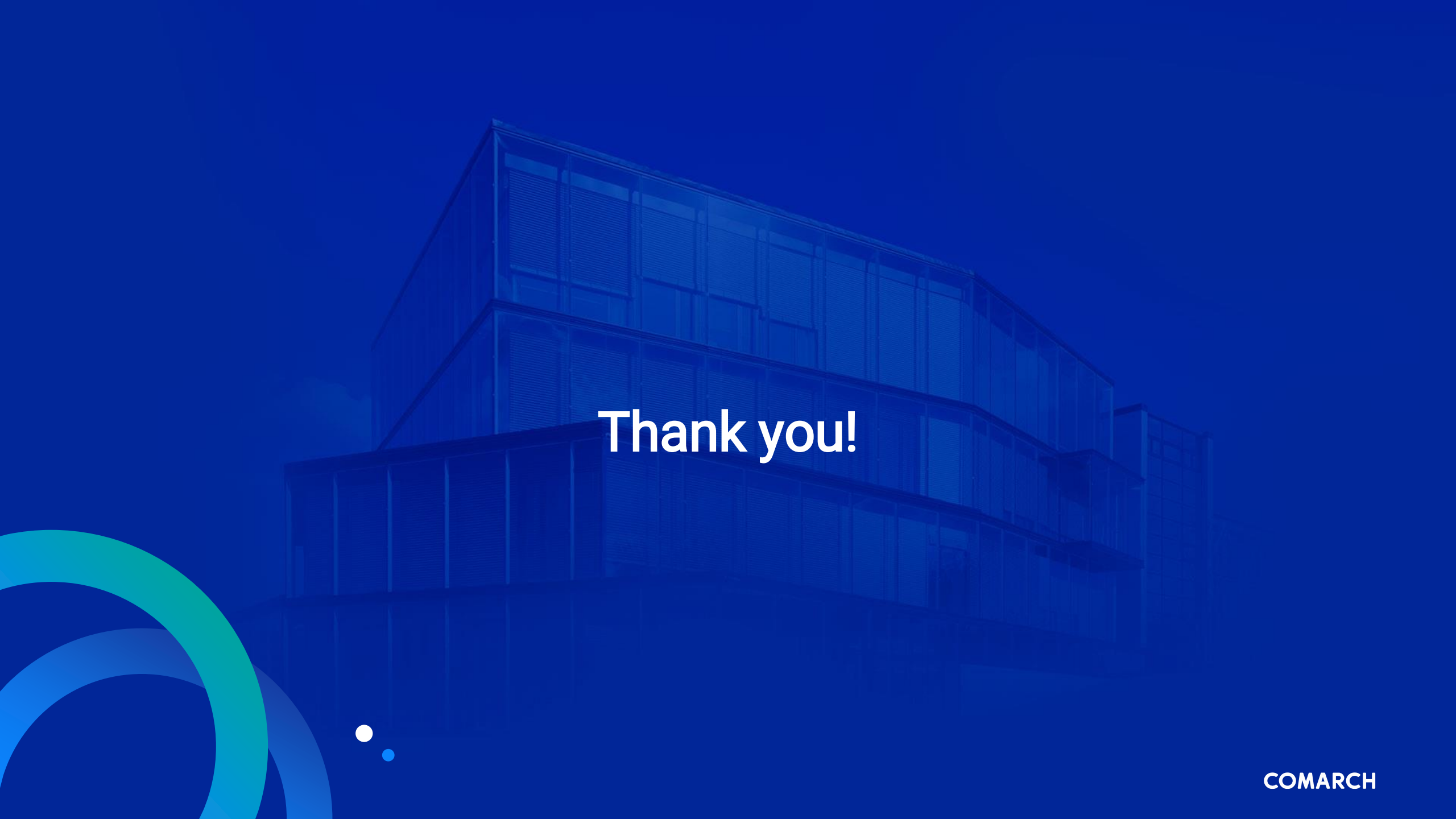
Thank you!