

EESPA Standard Definitions for Legally Compliant Electronic Invoicing and their usage v2.0

Background

This guide is published by EESPA for its membership community and is designed to define and explain a set of definitions to support **legally compliant electronic invoicing** (e-invoicing) and provides guidance on their usage in the conduct of customer relationships by service providers

The EESPA Public Policy and Compliance Working Group (PPCWG) formally started a work stream on compliance during 2016 following a request from Executive Committee and the inclusion of a responsibility for compliance within its terms of reference.

It was agreed to start by focusing on what is encompassed by 'compliance' at both an industry level and from the point of view of individual service providers. For the latter, there is a spectrum of opinion ranging from regarding compliance as an important part of the value proposition for service provider offerings, to a view that it is a subject for clients alone; and various intermediate positions. It is important that EESPA remains neutral with regard to these perspectives.

The PPCWG decided to initially focus on framing key definitions which are important to the compliance issue. It produced the definitions set out below which members were requested to use as appropriate at their sole discretion. Comments and suggestions for their evolution were and are welcomed.

In this latest version of the document usage guidance for the definitions is provided through a proposed implementation matrix set out in an annex to this document described as the Responsibility Matrix. This is also proposed for use by EESPA members at their sole discretion and risk.

Scope and objectives

The term 'compliance' is used in many ways in business practice. At a high level, 'compliance' may refer both to complying with law and complying with business rules or requirements. In the context of e-invoicing, the latter form of compliance includes the conformance by senders of invoices with any rules and requirements set by buyers, such as correct buyer references, the specified use of information elements in an invoice, and the provision of attachments and additional information. This aspect of compliance is not the specific focus of this guide but may be subject of a separate reflection within EESPA in due course as it is not further explored in this document.

This document focuses exclusively on compliance with tax law, as well as with commercial and other laws that regulate specific elements of the content of invoices. While many types of law apply to invoicing processes, the principal legal requirements stem from indirect tax law (especially VAT (Value Added Tax), GST (Goods and Services Tax) and similar transactional taxes), including the legal provisions of so-called 'continuous transaction control' or 'clearance' systems (see definitions 14-16); the shorthand 'VAT' is used in this document to designate this specific

category of law, including the foregoing variations in tax regime. The main objective is to classify and clarify requirements in primary law; however, many of the descriptions in this document may also be applicable to requirements stemming from secondary law and regulations, administrative rulings and court decisions in relation to VAT. Where requirements from other legal sources are included, these are explicitly mentioned.

Electronic invoicing service providers offer various ways in which the VAT compliance of the processes that they support can be ensured by the trading parties that are ultimately accountable to their tax authorities for their tax liabilities. The extent to which legal compliance is included in a service offering is an individual competitive choice of each service provider; however, in all cases it is considered important that the service provider and its clients unambiguously define which party is responsible for monitoring and maintaining legal compliance for the various supported processes. These standard definitions aim to provide a basis for an agreement on such allocations of responsibility. The purpose of such an agreement is to mutually identify the tasks that each party will handle and at what level. Some of the below-mentioned requirements might not apply to all services, countries or processes.

The use of such standard definitions will contribute to the e-invoicing service provider industry's reputation for professionalism and good practice.

Interpretation and responsibility

What constitutes legally compliant e-invoicing evolves over time and may depend on the specific characteristics of an enterprise or a business transaction and varies depending on the geographic scope of an invoicing process. EESPA plans to maintain this document and the definitions to the extent that its procedures and available resources allow it to do so, but EESPA accepts no liability for any damages for reliance on these definitions; every EESPA member or third party consulting these definitions is fully responsible for verifying them against the laws that may apply in their specific circumstances from time to time.

EESPA emphasizes that no value judgment as to the quality or business value of a service can be derived from the number or type of requirements that a service provider contractually accepts to ensure or maintain compliance with.

Finally, the fact that a requirement category is included in these Definitions does not mean that the fulfilment of such requirement(s) can be provided as an automated service, or that such automation is necessarily desirable. The level of automation that can be achieved depends on many factors including the functional scope of a service provider's service portfolio.

Definitions

The following could be viewed as the principal components that must be considered between service providers and their customers in a 'compliant' electronic invoicing process: it should be noted that the legal instrument that trading partners acting under EU law must comply with depends on whether the matter is regulated by a Directive (Member State law applies following transposition of the Directive, e.g. most VAT related matters), or by a Regulation (applies directly, e.g. in the area of Trust Services), or solely by Member State law (e.g. most matters concerning commercial law and direct taxes). In the case of a Directive, compliance requirements are

established with reference to the detailed provisions established when the Directive is transposed into Member State law.

Invoice content requirements

1. **Requirements to determine the applicable VAT law of an invoice** are VAT requirements for correctly selecting the jurisdiction(s) which will govern the main aspects of e-invoice compliance.
2. **VAT rate selection and associated notification requirements** are requirements for noting and applying the correct VAT, withholding, luxury or other applicable indirect tax rate for a supply in an invoice, where necessary accompanied by the correct mandatory reference to the article in applicable law that is applied to arrive at this rate.
3. **VAT minimum content requirements** are VAT requirements for the information that must be contained within an invoice. (Article 226 of the VAT Directive [2006. 112. EC]).
4. **Non-VAT legal invoice content requirements** are legal requirements arising from commercial or procurement law or other legal instruments regulating the content of certain commercial documents such as invoices; this specifically includes the need for e.g. references to office holders, legal addresses, paid-up share capital, relevant purchase order, invoicing address, tender contract, identification of the purchasing entity , etc.
5. **Legibility requirements** are VAT requirements for an electronic invoice to be capable of being rendered human-readable during its legal lifetime in case of tax administration audit.

Invoice process and form requirements

6. **Computational integrity requirements** are both the requirement for accuracy in the process of mathematical calculation, and any relevant national or local rules applied to processes such as rounding rules, as well as correct conversion of the relevant units of measurements.
7. **E-invoicing notification or prior approval requirements** are VAT requirements concerning the notification of or request for prior approval for using invoices in electronic format to a competent tax administration.
8. **Electronic invoice file format requirements** are requirements for the technical file format (syntax) of the 'original' tax invoice exchanged between the trading partners or the invoice data to be communicated to the tax administration for invoice clearance, reporting or on-request reporting purposes.
9. **Paper invoice dematerialisation requirements** are VAT requirements for the correct transformation of a paper invoice into an electronic invoice
10. **Requirements for electronic invoice exchange with the customer's trading partner or other service provider** are requirements for the correct technical and IT security exchange or receipt of customer's e-invoices with their trading partners or their service providers, including putting in place the necessary agreements, where required.
11. **Integrity and authenticity requirements** are VAT requirements for ensuring and being able to demonstrate integrity of the invoice data and authenticity of the origin of an electronic invoice.
12. **Archiving requirements** are VAT requirements for the storage of electronic invoices and any associated documentary evidence, including requirements for the format of the stored invoice, the components to be stored, duration of storage, security measures to be upheld

during storage, as well as access and audit requirements.

13. **Requirements for human-readable rendition of the electronic invoice** are requirements for the taxable person to ensure that a tax auditor can read an electronic invoice the same that they can read a paper invoice.
14. **Storage abroad notification or derogation requirements** are VAT requirements to notify a competent tax administration of e-invoices being physically stored in another country from that of the country whose VAT law applies to that invoice.

Contractual requirements

15. **E-invoicing buyer consent requirements** are VAT requirements for obtaining the buyer's (express or implied) agreement to receive invoices in electronic format, where required.
16. **Mandatory interchange agreement requirements** are VAT requirements for the execution and maintenance of an electronic data interchange (EDI) agreement between the supplier and the buyer, in accordance with relevant regulatory provisions.
17. **Third party issuance agreement requirements** are VAT requirements for the supplier's authorization to, and where applicable the acceptance thereof by, a third party such as its service provider to issue an invoice in the supplier's name or on the supplier's behalf under agreed powers, terms and conditions as expressed in a contractual agreement.
18. **Third party receipt and validation agreement requirements** are VAT requirements for the buyer's authorization to, and where applicable the acceptance thereof by, a third party such as its service provider to receive and ensure indirect tax compliance (e.g. minimum content; transmitting to a tax administration platform for buy-side 'clearance' validation; verifying an electronic signature etc) of an invoice in the buyer's name or on the buyer's behalf.

Requirements for real-time invoice communication with the tax administration

19. **Invoice clearance requirements** are VAT requirements for trading partners at various stages of an invoicing transaction to communicate the invoice, in whole or as a subset or a reference to the invoice, to a tax administration-designated hosted service and to receive apre-defined approval or confirmation message from that service as a precondition for the issuing, cancellation, correction or receipt of an invoice.
20. **Real-time reporting requirements** are VAT requirements for the supplier, the buyer or both trading partners to communicate the invoice, in whole or as a subset or a reference to the invoice, to a tax administration-designated hosted service without any response from such service being a precondition for further invoice process steps.
21. **Real-time communication authentication and signature requirements** are VAT requirements for the use of clearance or reporting service access credentials and/or the application or validation of an electronic or digital signature to an electronic invoice or associated message as part of a real-time clearance or reporting process.

Audit and periodic reporting requirements

22. **On-request e-audit requirements** are VAT requirements for a taxable person to be able to extract and present electronic invoices in a predefined format upon the explicit request of a competent tax administration.

- 23. On-request reporting** are VAT requirements for the reporting or declaration of VAT on an aggregated and/or detailed level on ad hoc basis upon the explicit request of a competent tax administration
- 24. Periodic reporting requirements** are VAT requirements for the reporting or declaration of VAT on an aggregated and/or detailed level on a monthly or other periodic basis.

Data privacy compliance

- 25. Data privacy compliance requirements aim to ensure compliance with applicable data privacy law** e.g. the GDPR requirements to ensure correct and secure processing of personal and sensitive data by (i) the contracted service provider and (ii) the receiving party (either the buyer or the buyer's service provider and (iii) a tax administration-designated hosted service

The attached Annex to this document is identified as the Responsibility Matrix and is intended to be a sample work-aid or tool to assist service providers and their clients to define, allocate and manage their mutual responsibilities

Responsibility Matrix

The following matrix can be used between a service provider and its customer to clearly allocate responsibility for applicable requirement categories. Notwithstanding the allocation of responsibilities under a service contract between a service provider and its customer, it should be recognized that – unless the applicable law explicitly states otherwise – the ultimate responsibility for VAT and contractual compliance lies with the trading entity (as the ‘taxable person’) and any remedies for incomplete performance by the service provider are normally pursued through the service contract entered into.

In practice, this Responsibility Matrix will often need to be refined to reflect more granular allocation within requirement categories.

Recommended use of the Responsibility Matrix

It is important for the parties using the Matrix to jointly determine the intended scope of application. This should include, but necessarily be limited to jurisdictions and specific cross-jurisdictional data-flows, services, deployment or cooperation models between the parties etc. It is recommended that the parties agree this scope in the associated contract between them, or at least explicitly in a form that can subsequently serve as evidence if challenged.

It is recommended to include all requirement categories from the definitions in this document and to mark each cell “not applicable” if a category is not relevant to the scope of services provided; in all other cases, each cell should contain either the service provider’s or the customer’s name.

The terms used in the matrix are defined as follows:

Monitor Requirements: Define responsibilities for keeping track of and clearly documenting published primary and secondary regulations pertaining to relevant requirements in this category that are applicable to a specific trading entity which is the customer of a service provider. Such requirements will include those relevant to the geographical location of the trading entity.

Implement and Maintain: Define responsibilities based on input from the party responsible for monitoring requirements, and implement measures (such as software functionality or data capture processes) to enable the customer to comply with relevant requirements in this category; this includes, to the extent possible under applicable regulations, allowing the customer to test the functional performance such measures in a timely and meaningful manner.

Compliance Assurance: Define final responsibilities in the relationship between the service provider and the customer for the confirmation of compliance of the measures implemented by the party that is mentioned under ‘Implement and maintain’ in the manner in which such responsibilities are allocated.

Invoice Content requirements

		Definition	Monitor Requirements	Implement and Maintain	Compliance Assurance
1	Requirements to determine the applicable VAT law of an invoice	VAT requirements for correctly selecting the jurisdiction(s) which will govern the main aspects of e-invoice compliance.			
2	VAT rate selection and associated notification requirements	Requirements for noting and applying the correct VAT, withholding, luxury or other applicable indirect tax rate for a supply in an invoice, where necessary accompanied by the correct mandatory reference to the article in applicable law that is applied to arrive at this rate.			
3	VAT minimum content	VAT requirements for the information that must be contained within an invoice. (Article 226 of the VAT Directive [2006.112.EC])			
4	Non-VAT legal invoice content	Legal requirements arising from commercial or procurement law or other legal instruments regulating the content of certain commercial documents such as invoices; this specifically includes the need for e.g. references to office holders, legal addresses, paid-up share capital, relevant purchase order, invoicing address, tender contract, identification of the purchasing entity, etc.			
5	Legibility	VAT requirements for an electronic invoice to be capable of being rendered human-readable during its legal lifetime in case of tax administration audit.			

Invoice process and form requirements

		Definition	Monitor Requirements	Implement and Maintain	Compliance Confirmation
6	Computational integrity	Both the requirement for accuracy in the process of mathematical calculation, and any relevant national or local rules applied to processes such as rounding rules, as well as correct conversion of the relevant units of measurements.			
7	E-invoicing notification or prior approval	VAT requirements concerning the notification of or request for prior approval for using invoices in electronic format to a competent tax administration.			
8	Electronic invoice file format	Requirements for the technical file format (syntax) of the 'original' tax invoice exchanged between the trading partners or the invoice data to be communicated to the tax administration for invoice clearance, reporting or on- request reporting purposes.			
9	Paper invoice dematerialisation	Requirements for the correct transformation of a paper invoice into an electronic invoice			
10	Electronic invoice exchange with the customer's trading partner or other service provider	Requirements for the correct technical and IT security exchange or receipt of customer's e-invoices with their trading partners or their service providers, including putting in place the necessary agreements, where required			

11	Integrity and authenticity	VAT requirements for ensuring and being able to demonstrate integrity of the invoice data and authenticity of the origin of an electronic invoice.			
12	Archiving	VAT requirements for the storage of electronic invoices and any associated documentary evidence, including requirements for the format of the stored invoice, the components to be stored, the duration of storage, security measures to be upheld during storage, as well as access and audit requirements			
13	Requirements for human-readable rendition of the electronic invoice	Requirements for the taxable person to ensure that a tax auditor can read an electronic invoice the same that they can read a paper invoice.			
14	Storage abroad notification or derogation	VAT requirements to notify a competent tax administration of e-invoices being physically stored in another country from that of the country whose VAT law applies to that invoice.			
Contractual requirements					
		Definition	Monitor Requirements	Implement and Maintain	Compliance Confirmation
15	E-invoicing buyer consent	VAT requirements for obtaining the buyer's (express or implied) agreement to receive invoices in electronic format, where required			

16	Mandatory interchange agreement	VAT requirements for the execution and maintenance of an electronic data interchange (EDI) agreement between the supplier and the buyer, in accordance with relevant regulatory Provisions, where required			
17	Third party issuance agreement	VAT requirements for the supplier's authorization to, and where applicable the acceptance thereof by, a third party such as its service provider to issue an invoice in the supplier's name or on the supplier's behalf under agreed powers, terms and conditions as expressed in a contractual agreement			
18	Third party receipt and validation agreement	VAT requirements for the buyer's authorization to, and where applicable the acceptance thereof by, a third party such as its service provider to receive and ensure indirect tax compliance (e.g. minimum content; transmitting to a tax administration platform for buy-side 'clearance' validation; verifying an electronic signature etc) of an invoice in the buyer's name or on the buyer's behalf			

Requirements for real-time invoice communication with the tax administration

		Definition	Monitor Requirements	Implement and Maintain	Compliance Confirmation
19	Invoice Clearance	VAT requirements for trading partners at various stages of an invoicing transaction to communicate the invoice, in whole or as a subset or a reference to the invoice, to a tax administration- designated hosted service and to receive a pre-defined			

		approval or confirmation message from that service as a precondition for the issuing, cancellation, correction or receipt of an invoice			
20	Real Time Reporting	VAT requirements for the supplier, the buyer or both trading partners to communicate the invoice, in whole or as a subset or a reference to the invoice, to a tax administration-designated hosted service without any response from such service being a precondition for further invoice process steps.			
21	Real-time communication authentication and signature	VAT requirements for the use of clearance or reporting service access credentials and/or the application or validation of an electronic or digital signature to an electronic invoice or associated message as part of a real-time clearance or reporting process			
Audit and periodic reporting requirements					
		Definition	Monitor Requirements	Implement and Maintain	Compliance Confirmation
22	On-request e-audit	VAT requirements for a taxable person to be able to extract and present electronic invoices in a predefined format			
23	On-request reporting	VAT requirements for the reporting or declaration of VAT on an aggregated and/or detailed level on ad hoc basis upon the explicit request of a competent tax administration.			

24	Periodic reporting	VAT requirements for the reporting or declaration of VAT on an aggregated and/or detailed level on a monthly or other periodic basis			
Handling of personal and sensitive data					
		Definition	Monitor Requirements	Implement and Maintain	Compliance Confirmation
25	Data privacy compliance	Ensure compliance with applicable data privacy law e.g. the GDPR requirements to ensure correct and secure processing of personal and sensitive data by (i) the contracted service provider and (ii) the receiving party (either the buyer or the buyer's service provider and (iii) a tax administration-designated hosted service.			