

New Duty of Companies: Electronic Invoicing is Coming

In the business-to-business area electronic invoicing (e-invoice) is to be mandatory as of 2025. The legal basis for this new duty was made by the Growth Opportunities Act (Wachstumchancengesetz).



Digitalising processes

The introduction of electronic invoicing is an important step in modernising business processes. Until now only companies having to invoice public sector clients have had to prepare e-invoices. As of 2025, the electronic invoicing format is mandatory for the entire business-to-business area.

E-invoicing will also drive plans forward for implementing an electronic reporting system within the framework of the EU Initiative for a VAT Digital Age. The new regulations include new rules for electronic invoices, real-time data reporting and sales from digital platforms and are intended to fully digitalise VAT reporting obligations for cross-border transactions by 2030.

What is an e-invoice?

As of the 1st of January 2025, new terminology for invoices shall go into effect. A differentiation will

be made between electronic invoices (e-invoices) and other invoices.

An electronic invoice is an invoice prepared, transmitted and received in a structured electronic format so that it can be processed electronically. An electronic invoice must comply with the European standard for electronic invoicing that provides a list of corresponding syntaxes (CEN Standard EN 16931). In Germany this standard has already been mandatory for cross-border business-to-government (B2G) engagements under the name of "x-invoice".

Concerning the issue about which invoice formats comply with the new requirements, the fiscal authorities issued a statement in the BMF letter dated 15 October 2024.

Typical formats for e-invoices are ZUGFeRD (Zentraler Leitfaden des Forums elektronische Rechnung Deutschland) or XRechnung. There are also European formats, such as the French Factur-X or Peppol-BIS Billing. The final BMF letter also clarifies which programme versions fulfil the legal requirements. For example, it points out that the original ZUGFeRD format was not yet based on the EN 16931 series of standards, but this has changed with version 2.0.1. However, the MINIMUM and BASIC-WL profiles are now explicitly excluded.

Important: Hybrid formats such as ZUGFeRD consist of XML and PDF data parts. The XML data part will be the leading part in the future. This is a departure from the previous view of the BMF. The human-readable data part (e.g. PDF) is a multiple piece that is "harmless" for Section 14c UStG, as long as it remains recognizable as such.

Under certain conditions, it may be possible to continue to apply the EDI procedure, even if it does not correspond to the standard for electronic invoicing. EDI stands for "electronic data

interchange”, which means an electronic exchange of documents for business purposes. Such documents are to be exchanged in the form of files having a certain format. The prerequisite for this is that the information required under the VAT Act can be extracted correctly and completely from the e-invoice.

In the future the concept of “other invoices” comprises both hardcopy invoices as well as invoices in other electronic formats such as emailing PDF invoices. These types of invoices will no longer be deemed to be e-invoices as of 2025.

Transmission and receipt of e-bills

Contrary to the original plans, the restrictions on transmission methods and storage media have been lifted. A USB stick is now also permitted. In its letter, the BMF has also expanded the range of permitted transmission methods. In addition to downloading invoices, they can also be stored on a shared storage device in corporate structures.

To receive an e-invoice, it is sufficient for the invoice recipient to provide an e-mail mailbox. In this context, the BMF clarifies that this does not necessarily have to be a separate mailbox for the receipt of e-invoices.

Final or residual invoice for advance and down payment invoices

Special considerations apply when creating final or remaining invoices. In a final invoice, previously received partial payments and tax amounts must be deducted if invoices with tax identification have already been issued for these. Alternatively, a residual invoice can be issued.

As the requirements for a residual invoice cannot yet be fully mapped in the structured part of an e-invoice, according to the BMF, there will be no objections until 31 December 2027 if an attachment is added to the e-invoice as an unstructured file.

No unnecessary bureaucracy for standing invoices

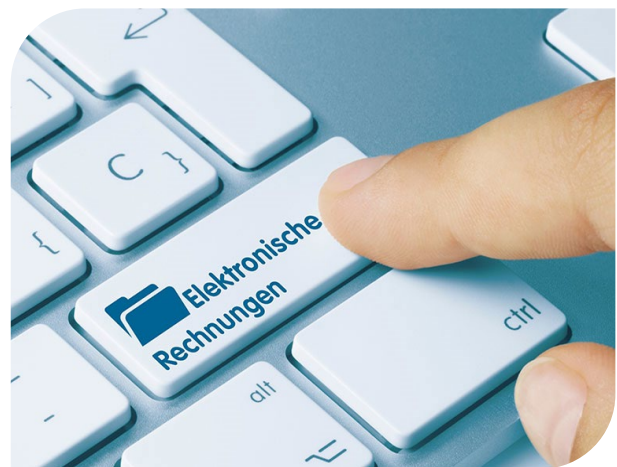
For standing invoices issued before 1 January 2027 in paper form or as a PDF, which have not yet been issued as an e-invoice, protection is granted. It will only be necessary to issue an e-invoice if information on the invoice changes. This is particularly relevant for landlords who rent to other entrepreneurs on a taxable basis by way of the option (§ 9 UStG).

Who is affected?

The duty to issue an electronic invoice exclusively applies to business-to-business (B2B) transactions between companies, for which the company

performing the service and the company receiving the service are both domiciled in the same country. The concept of “domiciled domestically” is defined as having the legal seat of a company, its management, a branch or an office registered domestically as stated in § 14 (2) sentence 3 of the new version of the Value Added Tax Act [Umsatzsteuergesetz]]. It does not suffice to only reside or have a temporary stay in a country to be deemed to be domestically domiciled.

Just being registered for value added tax without being domiciled in Germany does not automatically result in having the duty to perform electronic invoicing.



As of when is electronic invoicing mandatory?

As of the 1st of January 2025, each entrepreneur in the B2B area must have the ability to receive electronic invoices and process them. In contrast to issuing e-invoices, no transitional regulations exist for receiving e-invoices.

It is possible until the 31st of December 2026 to issue hardcopy or PDF invoices for B2B revenues in 2025 and 2026 as long as the recipient of such an invoice agrees.

For revenues generated in 2027 it will also be possible to send hardcopy or PDF invoices until the 31st of December 2027 as long as the prior year revenue did not exceed EUR 800,000.

As of 2028 electronic invoicing is, however, to be applied in all areas. Otherwise, it is possible until the 31st of December 2027 to issue invoices in other formats for revenues for the 2026 and 2027 financial years providing that the recipient of such invoices agrees to another format and that it is transmitted digitally by using an electronic digital interchange procedure.

Clarification on invoice corrections

In its letter, the BMF expressly points out that there is no obligation to use an e-invoice for transactions carried out before 1 January 2025. The same applies to the period in which the transitional regulations pursuant to § 27 para. 38 sentence 1 no. 1 to 3 UStG. 1 no. 1 to 3 UStG can be utilised.

If the invoice needs to be corrected at a later date, this can be done in the format originally used. Consequently, there is only an obligation to correct invoices electronically for services that are to be invoiced electronically anyway.

Do you have any questions on this topic?

Do you need support? Simply contact our expert Oliver Schmitz. He will be happy to explain our range of services to you.

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