

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 (Wachstumschancengesetz).



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, which is to replace the summarised reportings that have been used up until now. It was originally planned to introduce the electronic reporting system in 2028. It is presently being discussed to push this deadline up to 2030 or 2032.

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 have already made statements to various associations. It has been determined that the x-invoice and the ZUGFeRD formats, which have already been in use for engagements in the public sphere, correspond to the requirements as defined in the EU standard.

The ZUGFeRD format combines the human-eye readable image file of a PDF document and a machine-readable structured data set such as an XML file.

ZUGFeRD is an acronym for the German term "Zentraler User Guide des Forums elektronische Rechnung Deutschland" or Central User Guide of the Forum Electronic Invoicing Germany and is a German standard for electronic invoices.

This hybrid format will be the standard in the future. In the event of a discrepancy, the data from the structured part of the format takes precedence over that of the image file.

In accordance with Section 14.4 (3) sentence 4 of the Value Added Tax Application Degree [Umsatzsteuer Anwendungserlass (UStAE)], the image file has so far been considered the leading part of the format since it can be read by the human eye.

After e-invoicing has been implemented, the relationship between the image file and the XML file will be just the opposite. The XML file will be considered as the leading part of the e-invoice.

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.

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.

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.

Attention: According to present indications, the duty to issue electronic invoices will also pertain to landlords and lessors, who are taxable to other entrepreneurs by exercising the option provided for in § 9 of the Value Added Tax Act. Until now only a lease or rental agreement sufficed in such cases.

As of when is electronic invoicing mandatory?

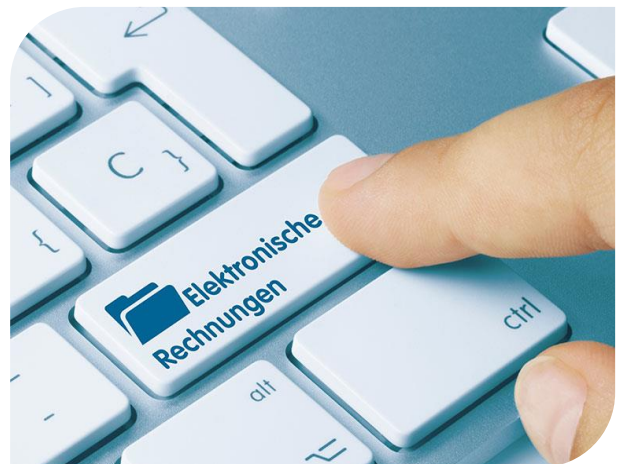
As of the 1st of January 2025, each entrepreneur in the B2B area must have the ability to receive electronic invoices and process them. In contrast to issuing e-invoices, no transitional regulations exist for receiving e-invoices.

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.



Recommended course of action

In order to successfully implement electronic invoicing, it is recommended to thoroughly analyse the current situation of the existing processes for preparing, transmitting, receiving and archiving invoices. In order to comply with the GoBD principles of proper accounting, of the retention and archiving of accounting books, records and documents in electronic form and of data access (Grundsätze zur ordnungsmäßigen Führung und Aufbewahrung von Büchern, Aufzeichnungen und Unterlagen in elektronischer Form sowie zum Datenzugriff (GoBD)), it will also be required to implement processes and to document the procedures of these processes. The selection of the appropriate software will play a decisive role. Despite the transitional regulations that presently exist, the process of introducing and implementing an electronic invoicing system should be undertaken in a timely manner.

With respect to receiving e-invoices, there are no transitional regulations. It must at least be ensured that e-invoices can be received as of the 1st of January 2025.

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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