

EXECUTIVE BRIEF

French government makes e-Invoicing and e-Reporting mandatory starting 2024

e-Invoicing is key to European governments shrinking VAT gap



 France announces new B2B e-Invoicing regulations

 Other European countries strengthen e-Invoicing capabilities in 2021

 Countries beginning to move beyond electronic invoicing

The French government has recently announced sweeping new electronic invoicing requirements to help tackle VAT evasion. By 2026, new e-Invoicing and e-Reporting obligations will apply to Business-to-Government (B2G), and Business-to-Business (B2B), including cross-border B2B transactions.

This marks another major step towards electronic trading as European governments try to narrow the VAT gap, estimated to be over €164 billion in 2020¹. Companies that trade in Europe, and globally, must prepare for a multi-standard, multi-format e-Invoicing environment.

The VAT gap is the difference between the total tax liability and the amount of VAT collected. According to the Billentis e-Invoicing report, the invoice is ideally suited to help address the VAT gap as it provides the most complete information for tax authorities². e-Invoicing represents the best way for tax authorities to reduce VAT errors while decreasing the potential for fraud and other criminal activities.

There are significant trends emerging: First, more governments are now mandating e-Invoicing for a wide range of sales transactions—whether B2G, B2B or B2C. Early mandates that address governments and their suppliers are being extended to all B2B transactions. In addition, France is following countries, such as Italy, in introducing e-Invoicing mandates for B2B. Italy's e-Invoicing program saw a €4bn increase in VAT revenues in the first year, double what they had predicted.

¹ Addressing the VAT gap in the EU, European Parliament Think Tank, 2020

² The e-invoicing journey 2019–2025, Billentis, September 2019

The Changing e-Invoicing Landscape in Europe

In the next 18 months, there will be significant changes to e-Invoicing requirements in many European countries, including:

- United Kingdom
- European Union
- Portugal
- France
- Germany
- Hungary
- Greece
- Italy

Secondly, countries are looking to move from the traditional 'post-audit' model of tax to a 'clearance' model where information is sent to the tax authorities either simultaneously, slightly before, or slightly after the invoice is exchanged between buyer and supplier. This increases the efficiency of tax collection while removing many reporting and declaration requirements from companies. Billentis estimates that electronic invoices issued using the clearance model reduce tax compliance costs by almost 40% for large enterprises³.

In addition, Billentis⁴ states that the evolving clearance model (see box) will lead a trend towards combining fiscal documents like invoices with other business and supply chain documentation. Digitizing documents and information related to the transport, delivery, customs, and even manufacturing of goods allows them to be integrated with e-Invoicing and your company's ERP system to automate a great deal of the invoicing and tax collection processes.

Finally, since its inception in 2012 and use for B2G initiatives across Europe, the PEPPOL network has grown rapidly, both inside the EU and increasingly across the globe. There are now more than 30 countries worldwide implementing PEPPOL, including Singapore, Canada, USA and New Zealand. PEPPOL simplifies the process of e-Invoicing as organizations can quickly exchange e-invoices and other e-documents with their PEPPOL Participant Identifier, PEPPOL ID, making it as simple as sending an email. Companies just have to connect with a PEPPOL Access Point, such as OpenText, and use Active Invoices with Compliance to easily create and exchange e-Invoices.

Sweeping e-Invoicing changes in France

After Latin America, Europe has been at the forefront of e-Invoicing. In 2014, directives 2014/24/EU and 2014/55/EU were released, paving the way for mandatory B2G e-Invoicing across EU states, which came into force for large organizations in December 2020 and a year later for SMBs. The upcoming mandate from the French government builds upon this Europe-wide B2G requirement to extend e-Invoicing and e-Reporting into the B2B sector.

e-Invoicing is a major provision in Article 153 of the French Budget Law for 2020⁵. The article sets out the government's ambition to make e-Invoicing mandatory on 1 January 2023 at the earliest, although the date has since been pushed back to 1 January 2024. It stipulates that France will:

- Introduce mandatory e-invoicing via e-Invoicing service providers for domestic B2B transactions
- Introduce mandatory e-Reporting obligation for cross-border B2B transactions

In November 2020, the Directorate General of Public Finance (DGFIP) issued its report on the development of e-Invoicing in France. The DGFIP favours a technical model where invoices can transit directly between certified private platforms without using the public platform. Certified private platforms would extract the information for the authorities from invoices and forward it to the public platform, which would then group the information before sending it to the DGFIP, enabling multiple billing formats.

In addition, every e-Invoicing obligation must be accompanied by an e-Reporting obligation to achieve a wide set of data and obtain more information, essential for the identification of the VAT owed.

³ The e-invoicing journey 2019–2025, Billentis, September 2019

⁴ The e-invoicing journey 2019–2025, Billentis, September 2019

⁵ LOI n° 2019-1479 du 28 décembre 2019 de finances pour 2020, Légifrance

Future developments to the 'clearance model'

In the e-Invoicing Journey 2019-2025 report, Billentis outlines expected advances to the tax clearance model:

- Covers all fiscal documents, such as invoices, payments, payment receipts, credit notes, debit notes and monthly salary statements
- Traceability at all steps, from invoice issuance through collection
- Inclusion of cross-border invoices
- Replaces post audit or near-real-time systems with real-time models
- Extends to inventory reporting
- Links to the physical supply chain
- Evolves current e-Reporting schemes into advanced e-Invoicing clearance systems

[OpenText Active Invoices with Compliance](#)

[OpenText Active Orders](#)

[e-Invoicing Explained ebook](#)

[OpenText Active Invoice with Compliance – short demo](#)

[Learn more at OpenText Business Network](#)

Meeting e-Invoicing obligations in a rapidly changing world

The increase in European mandates is just another example of the rapid uptake of e-Invoicing by many countries and regions around the world. Complying with global e-Invoicing regulations is an increasingly complex process.

When working with trading partners around the world, whether in Europe, Asia or Latin America, adopting e-Invoicing processes will reduce risk. However, every country processes e-Invoices differently, from applying different levels of Value Added Tax (VAT), to a variety of invoice archive requirements, and applying digital signatures. Businesses are faced with different platforms, different data schemas and different information requirements in each jurisdiction.

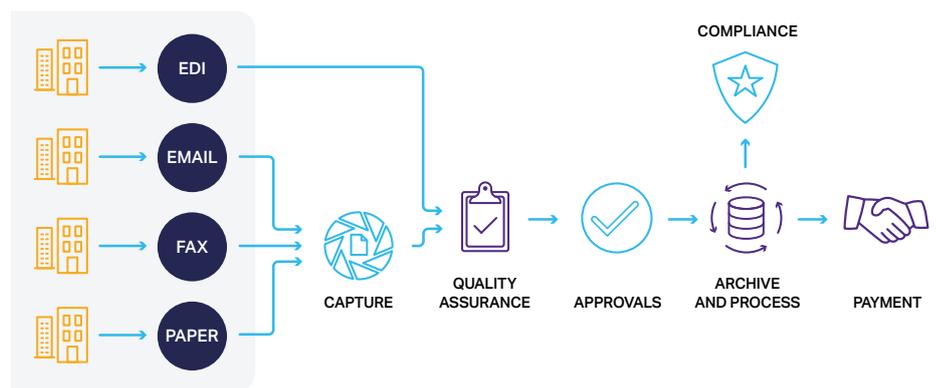
Managing the changing regulatory environment is extremely difficult to achieve without deploying an enterprise e-Invoicing enablement and compliance solution.

Why work with OpenText to ensure global e-Invoicing compliance?

OpenText operates the world's largest B2B network connecting over 1 million companies worldwide and handling over 26 billion transactions every year. OpenText Active Invoices with Compliance (AIC) is a cloud-based electronic invoicing compliance solution that ensures you are constantly up-to-date with the relevant B2B and B2G regulations in over 45 countries worldwide for your Order-to-Cash (O2C) or your Procure-to-Pay (P2P) needs. It is also a certified PEPPOL Access Point, available in any participating country.

In addition to harnessing the power of the network, OpenText Active Orders enables you to automate your entire P2P process with a partner enablement solution that provides a smooth and secure exchange of eInvoices.

All this is backed by a managed services team that gives you access to e-Invoicing experts in all the major trading regions.



About OpenText

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