

**Study on the evaluation of
invoicing rules of Directive
2006/112/EC**

VAT Committee

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Overview of the Evaluation

➔ Objectives

- ➔ Evaluate the **functioning** and **impact** on businesses and tax administrations of the invoicing rules introduced by Directive 2010/45/EU and, in particular:
 - the decrease of the **administrative burdens**
 - the contribution to the **uptake of e-invoicing**
 - the support to MS efforts to **tackle VAT fraud**
- ➔ Formulate evidence-based and prioritized recommendations aimed at **further harmonizing and simplifying** the invoicing rules which reflect **technological advances**

➔ The **exercise consisted of**

- ➔ A review of the **status of implementation** of the Directive **in all MS**
- ➔ A quantitative and qualitative **assessment of the impacts** generated



**Full-fledged
evaluation**

Data Gathering Activities

Legal Mapping

- Mazars network of local practitioners (EU28)

Targeted Consultation (202 participants)

- 26 Tax Authorities (interviews in 7 MS and email survey)
- 83 Economic Operators (interviews in 7 MS and MNCs)
- 49 VAT practitioners (interviews and email survey)
- 18 Business Federations (interviews)
- 24 Providers of e-invoicing services and other operators (interviews)

Public Consultation (175 participants)

- 113 in their professional capacity
- 62 in their private capacity

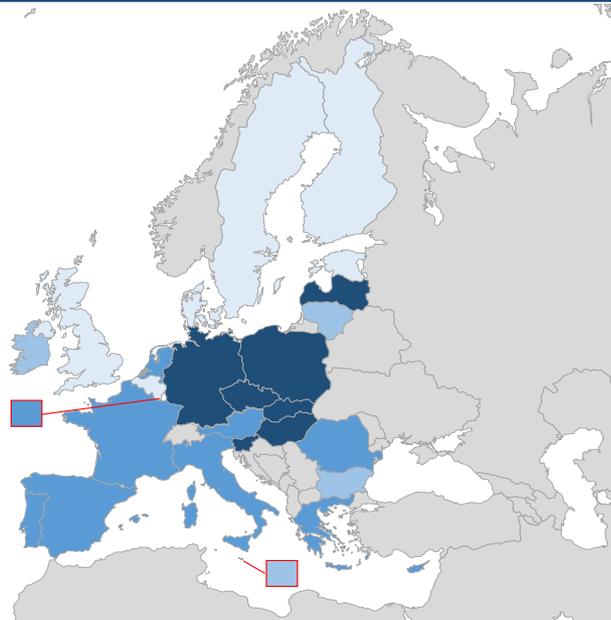
Business Survey (2,007 respondents)

- In 8 MS

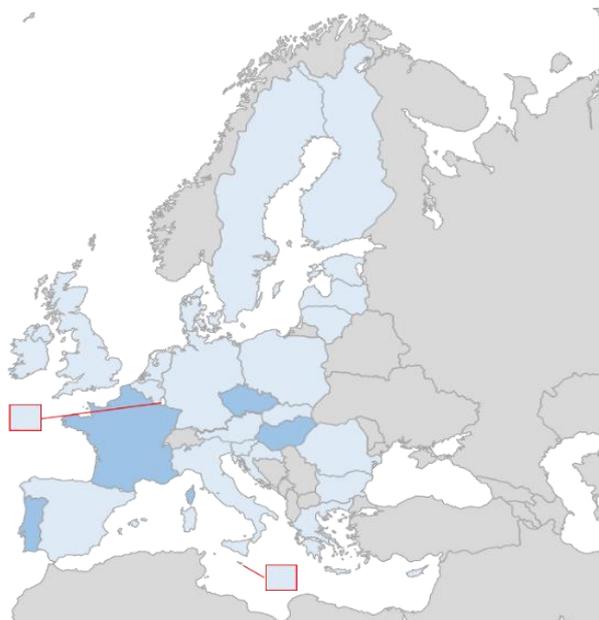
Main Findings: e-Invoicing Legal Framework

- Three main changes - (i) new e-invoice definition; (ii) principle of equal treatment between paper and e-invoices; (iii) principle of technological neutrality - **introduced evenly across all MS**
- Fragmentation and complexity** of e-invoicing rules largely decreased following Directive 2010/45 (partial exception: the 'Business Controls that create a reliable Audit Trail' (**BCAT**) option, regarded as cumbersome and not enough defined both at EU level and in most MS)

Before the Directive



Current Situation



Liberal
Moderately strict
Strict
Very strict

Main Findings: e-Invoicing Impacts

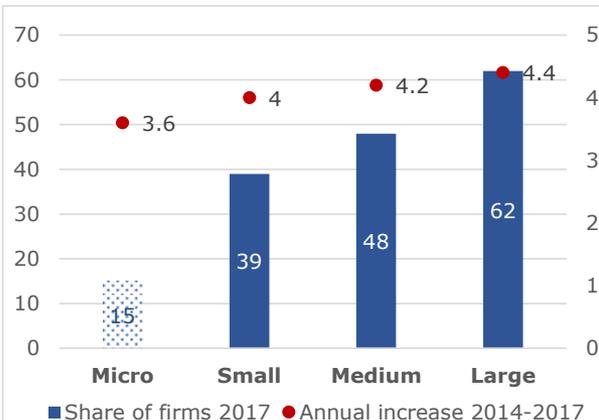
Uptake

- Considerable growth in the **uptake of e-invoicing** in the EU since 2014 (estimated 5 billion e-invoices issued in 2017)
- The Directive contributed to the increased uptake of **unstructured e-invoices** (PDF), especially across micro companies
- No significant role played by the Directive in the uptake of **structured e-invoices**, largely triggered by the B2G mandatory requirements

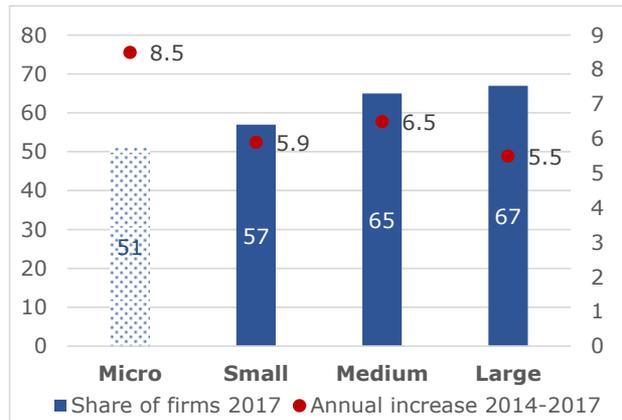
Administrative Burdens

- Significant **savings** from **issuance** (delivery) of **unstructured e-invoices** (€ 917 mn)
- Less than proportional savings for **micro firms**
- Potential** savings from **structured e-invoices** are much larger (up to 90% of total costs)

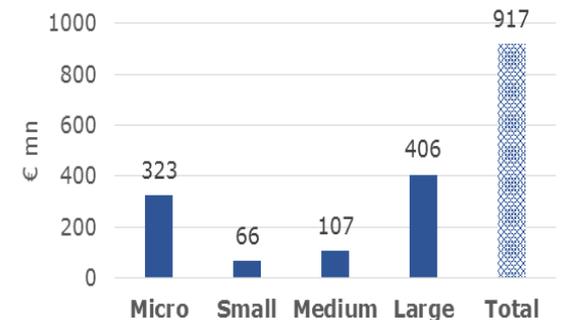
Structured e-invoices



Unstructured e-invoices



Admin burden savings: e-invoice issuance 2015-2017



Recommendations: e-Invoicing

Short Term

- **Updating Explanatory Notes** to (i) further clarify how to implement the BCAT option (consolidating national guidance), and (ii) fill few legal gaps ('original' invoice in case of different forms/formats or digitization)

Medium Term

- **Revising e-invoice definition** to unleash its full potential: changing Article 217 to distinguish between structured e-invoices and other invoices (both PDF and paper-based). In parallel, the adoption of the former could be promoted by various incentives

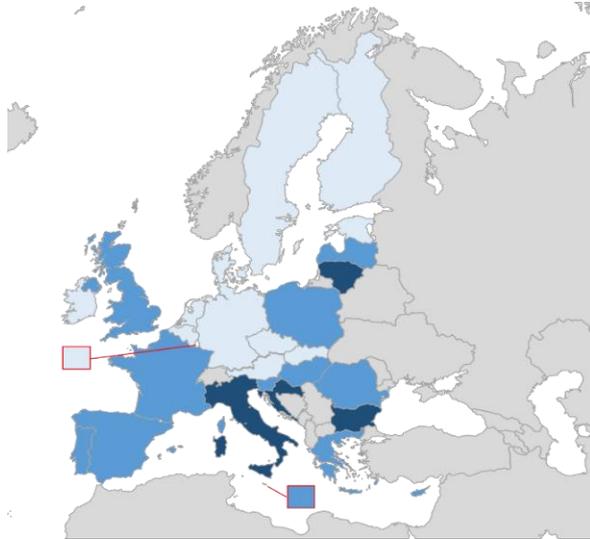
Outside the Directive scope

- **Too early to harmonise B2G mandatory requirements**, as implementation of Directive 2014/55 and adaptation to hEN are ongoing
- **Too complex to harmonise invoice content and e-reporting requirements** through the revision of invoicing rules (Article 226)
- **Easing compliance with e-archiving rules in some MS**, considering the creation of a standard for a European cloud archive for e-invoices

Main Findings: Invoicing Rules

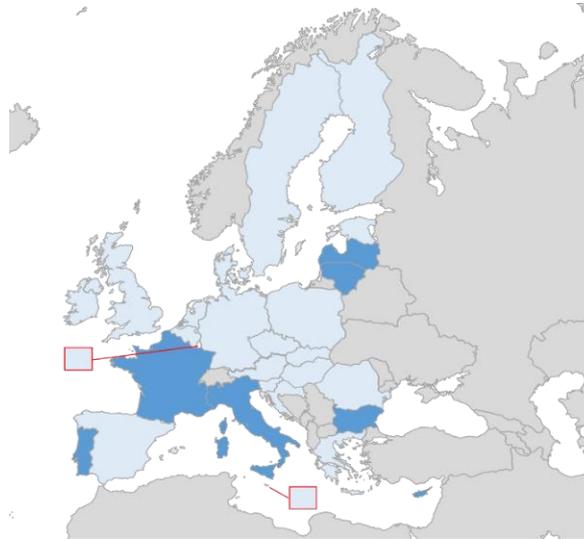
- ❑ Most of MS have converged towards the adoption of **more liberal invoicing rules**, in line with the minimum implementation of the Directive
- ❑ Stakeholders do not perceive **compliance with VAT invoicing rules** as complex; for most companies, no significant problems even before the Directive
- ❑ Compliance with invoicing provisions for **cross-border transactions** is considered slightly more of an issue

Before the Directive



Liberal	12
Strict	12
Very strict	4

Current Situation



Liberal	21
Strict	7
Very strict	0

Impacts

- ❑ **Limited impact** on invoicing process
- ❑ Negligible **burden reduction**
- ❑ Increased **legal certainty** for cross-border transactions

Recommendations

- ❑ Clarify some of **Article 226 items** (address, description)
- ❑ **Further harmonisation** in areas where divergence is not justified (self-billing, time limits)

Other Findings

Emerging needs and trends

- E-invoicing rules still **technologically fit**, as no new technologies adopted
- **New regulatory trends** (mandatory B2G and additional e-reporting requirements) taking place largely outside the scope of invoicing rules

Coherence with other EU acts

- **VAT invoicing rules are coherent** with other EU policies, both legislative acts and other initiatives. Main potential issue: GDPR

Tax control

- Directive **aligned with tax control needs**, but poor appreciation of the amended VAT chargeability rules
- No evidence of any impact on **tax control** activities

SMEs

- Though it fostered use of simple e-invoicing solutions, **modest savings per SME**
- Limitedly increased use of **cash accounting**, with small benefits
- Moderately increased use of **simplified invoices**, large differences in uptake / benefits across MS

Thank you for your attention

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