

12 June 2008

Status report from the Expert Group on e-Invoicing

“There is no future for paper invoices” said Bo Harald, Chair of the newly formed Expert Group, when it met for the first time in February 2008. As of June 2008, he adds that the Group’s programme of work is well underway.

This short status report provides stakeholders with information about the progress of the Group since its formation. It has now held three meetings and established a series of initiatives to address a key opportunity for enhancing efficiency and productivity in the digital environment.

The Expert Group consists of 30 specialists from a cross-section of industries, countries, bodies comprised of large and small enterprises and backgrounds (including taxation specialists). It was set up as a result of a Commission Decision in October 2007, following the report of an Interim Task Force.

As set out in the Commission Decision, its tasks are to identify business requirements and responsibilities for the execution of specific work, as well as to steer the creation- by the end of 2009- of a European e-Invoicing Framework. The purpose of the Framework is to establish a common conceptual structure to support the provision of e-Invoicing services in an open and interoperable manner across Europe. A mid-term report will be issued before the end of 2008.

The Lisbon Strategy for Growth and Jobs regards the development of interoperable e-Invoicing solutions as a vital component of the strategy. Such solutions will act as a catalyst for automation of the complete supply chain by enterprises of all sizes as well as public sector organisations. The advent of the Single Euro Payments Area provides an opportunity for the closer, pan-European integration of the internal processes of enterprises to payment systems. There are important environmental arguments and major cost savings in prospect.

But thus far, progress has largely been confined to larger enterprises, which have made considerable progress with Electronic Data Interchange (EDI) and on the automation of their own supply chains. For the achievement of pervasive adoption, the small and medium sized enterprises, the public sector and the consumer need to discover the benefits. In so doing they can become part of a practical and standardised environment, where e-Invoicing is as easy and available as initiating an electronic payment or making an on-line purchase.

Three streams of work underway

In organising the work, the Expert Group has created three activity streams and has established a rolling Work Plan. Progress is being made during meetings of the Group and during the intervening periods. Additional experts are being mobilised to support specific tasks.

The first stream is the development of a compelling set of high level Business Requirements drawing on substantial existing work and survey material in this area, together with the actual experience of current solutions. Such business requirements will cover the needs of all users and market participants. Particular work is being undertaken to better understand the requirements of small and medium sized enterprises and their relationships with each other and with large enterprises, the public sector and consumers. Here the availability of clear and unambiguous information on implementation and legal requirements is vital. There will need to be benefits for all users in terms of simplifying workflow, cost-savings, ease of use, a good choice of service providers and software, and a core standard for the e-invoice, which meets a wide set of needs.

As the business requirements are developed it is intended to provide opportunities for wide-ranging consultation among stakeholders and among bodies undertaking separate reviews of e-Invoicing issues, so as to validate these requirements.

The second stream is the development of proposals to simplify and evolve the Legal and Regulatory framework for e-Invoicing. In particular, this work is addressing the requirements set out in existing Value Added Tax (VAT) legislation, as implemented across Member States of the European Union in accordance with the relevant Directives. The group is also looking into the broader legal issues related to e-Invoicing such as archiving, company legislation and intra-community rules. The Expert Group is aware of the current review being undertaken by the Commission of the Invoicing Directive 2001/115 as later incorporated in the VAT Directive 2006/112 and is anxious to deliver its first constructive proposals within the timeframe afforded by this review.

The requirements for the “guarantee of authenticity of origin and integrity of content” of electronic invoices are the subject of particular study. Whilst recognising the importance of aligning with these principles, the Group is of the view that, where practicable, e-Invoices should be treated in the same way as paper invoices and there needs to be a uniform implementation of legal provisions and a set of commonly agreed mechanisms that are technology and business model neutral.

It is felt important to protect today’s legacy investments, but to also consolidate requirements into a new “European e-Invoicing Recommendation”. This concept will be further discussed at the meeting of the Expert Group on 3 July 2008, as part of its review of all feasible approaches to the next steps in the evolution of the legal and regulatory environment. The importance of creating greater legal clarity and harmonisation is of great importance, particularly for the smaller enterprise.

The third stream concerns the development of a vision for how the market could better respond to user needs through Network solutions supported by Standards. Interoperability between trading parties and their service providers could provide greater reach and networked connectivity between them. Greater standardisation of processes and invoice content could provide the necessary ease of use and predictability.

Nevertheless the current heterogeneity and fragmentation, the multitude of standards in use and the set-up costs of the necessary interfaces are significant barriers. Work is proceeding on the creation of a “Network Model”, which could form the basis of a framework for interoperability. Within such a framework, there should be maximum competition between solutions, service providers, consortia, schemes etc, but perhaps based on a minimum set of standards and protocols adopted by market participants. At present the feasibility of this approach is being tested with reference to a modelling exercise involving members of the Expert Group and other experts.

In the area of standards for invoice content, there is substantial evidence that convergence between a number of European and global standards initiatives (within UN/CEFACT, ISO TC68 (the ISO20022 standard) and CEN (various Workshops) has and is continuing to take place. The Expert Group will encourage and promote full transparency of these activities, and ensure that its recommendations are submitted where appropriate to these standards processes, so that its recommendations can be validated by stakeholders and practical approaches found. It is unlikely that a single standard for the invoice will emerge or even be desirable given the diversity of user needs, but with careful design a core cross- industry invoice with appropriate extensions is within reach.

European e-Invoicing Framework

Mindful of its final deliverable, the Expert Group has given thought to the nature and content of the European e-Invoicing Framework. At this stage, it is conceived of as a set of actionable recommendations and proposals, for which the support of others will be sought. It will be organised as a series of layers or pillars that need to be addressed and which interrelate.

Whilst, encouraging the development of solutions and schemes, the Framework will not be a contractual framework for market participants to formally adhere to. However, elements such as the possible framework for interoperability would require wide adoption and acceptance if its benefits, once proven, are to be achieved.

Further intense discussion inside and outside the Expert Group will take place before the shape and content of this deliverable is finalised.

Final Comments

In commenting on the Group's work so far, Bo Harald says" We are making good progress and if recent estimates of the costs savings to society of EUR 238 billion over six years are close to the truth, we have 238 billion reasons to be successful"

The European Commission is facilitating the work of the Expert Group by providing logistics support and secretarial assistance. It is also acting to ensure that the Expert Group is informed about the EU legal and political framework and procedures and is therefore able to take these into account in its work. The Commission is encouraged by the current progress of the Expert Group and recognises that bringing about change on this scale requires very high quality work, in particular by providing a compelling solution to the technological, business and legal challenges confronting the broad range of stakeholders in the area of electronic invoicing.

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