CEN

WORKSHOP

AGREEMENT

CWA 15582

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English version

eInvoice Reference Model for EU VAT purposes specification

This CEN Workshop Agreement has been drafted and approved by a Workshop of representatives of interested parties, the constitution of which is indicated in the foreword of this Workshop Agreement.

The formal process followed by the Workshop in the development of this Workshop Agreement has been endorsed by the National Members of CEN but neither the National Members of CEN nor the CEN Management Centre can be held accountable for the technical content of this CEN Workshop Agreement or possible conflicts with standards or legislation.

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EUROPÄISCHES KOMITEE FÜR NORMUNG

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Contents

Foreword

This CWA is part of a set of CWAs which has been prepared by the CEN/ISSS Workshop on Interoperability of Electronic Invoices in the European Community, with the view to supporting the effective implementation of the related Council Directive 2001/115/EC of 20 December 2001, with a view to simplifying, modernising and harmonising the conditions laid down for invoicing in respect of Value Added Tax, as well as regulations on electronic signatures and EDI. The set of CWA is as follows:

- Commission Recommendation 1994/820/EC October 1994, proposed revision with the requirements of Directive 2001/115/EC, present day e-Commerce practices and revised definition of EDI Electronic Data Interchange
- The list of invoice content details expressed as UN/CEFACT Core Components
- Recommendation to allow coded identifiers as an alternative to the current unstructured clear text identifications.
- A standardised set of codes with definitions to replace plain text clauses in eInvoice messages.
- Survey of VAT Data Element usage in the Member States and the use of codes for VAT Exemptions.
- eInvoices and digital signatures.
- Storage of Electronic Invoices.
- Guidelines for e-Invoicing service providers.
- eInvoice Reference Model for EU VAT purposes specification

An executive summary of these CWAs is available at:

ftp://ftp.cenorm.be/PUBLIC/e-Invoicing/CWA/Executive_Summary.pdf

This CWA describes the eInvoicing Reference Model, developed by the e-Invoicing Focus Group set up by CEN/ISSS regarding electronic invoicing. The Reference Model covers modelling issues relating to e-Invoicing and VAT in relation to the Council Directive 2001/115/EC, which had to be implemented by Member States by 1st January 2004. Council Directive 2001/115/EC, details the requirements on taxable persons and their service providers to guarantee the integrity and the authenticity of the of electronic invoices for VAT purposes.

The Reference Model aims to describe the business processes involved in (e)Invoicing, including the business relations, the processes required for the VAT process, and the processes for the eBusiness services for the exchange of eInvoices between supplier and customer.

The Reference Model gives a full overview of the processes so as to put the VAT Directive in the context of the overall (e)Invoicing actions.

The final review/endorsement round for this CWA was successfully closed on 12 June 2006.

This CEN Workshop Agreement is publicly available as a reference document from the National Members of CEN: AENOR, AFNOR, ASRO, BSI, CSNI, CYS, DIN, DS, ELOT, EVS, IBN, IPQ, IST, LVS, LST, MSA, MSZT, NEN, NSAI, ON, PKN, SEE, SIS, SIST, SFS, SN, SNV, SUTN and UNI.

Introduction

The Reference Model models eInvoicing as part of Invoicing processes, to give an understanding of the different aspects of eInvoicing: the business processes, the VAT functions, and the service provision for the eInvoicing process; in this it refers to the individual CWA's of the eInvoicing Workshop; the CWA's are interlinked and together constitute a coherent set of eInvoicing recommendations.

The e-Invoice Reference Model aims:

- To identify the actors involved in the electronic invoicing process and to describe their roles;

- to describe the functional modules comprised in the global service;

- to describe the different Business Processes used.

The e-Invoice Reference Model has been developed through a number of subgroup meetings.

The Reference Model follows the UMM methodology and through use cases and activity diagrams describe the eInvoicing processes:

- the business functions between the parties involved in electronic invoicing;

- the processes of V.A.T. declaration and verification;

- the electronic business services to support the eInvoicing.

The e-Invoice Reference Model is applicable to the process of electronic invoicing in the European Union, in line with Council Directive 2001/115/EC.

The Reference Model includes the main points of and refers to the other tasks from the CEN eInvoicing Workshop.

1   Scope

The present document specifies the eInvoicing Reference model, which describes the eInvoicing processes:

- the business functions between the parties involved in electronic invoicing;

- the processes of V.A.T. declaration and verification;

- the electronic business services to support the eInvoicing.

The present document is applicable to the process of electronic invoicing in the European Union, in line with Council Directive 2001/115/EC.

The Reference Model includes and refers to the other tasks from the eInvoicing CEN Workshop.

2   Normative References

The following normative documents contain provisions which, through reference in this text, constitute provisions of this CWA. For dated references, subsequent amendments to, or revisions of, any of these publications do not apply. However, parties to agreements based on this CWA are encouraged to investigate the possibility of applying the most recent editions of the normative documents indicated below. For undated references, the latest edition of the normative document referred to applies."

[1] Counsel Directive 2001/115/EC of 20 December 2001 amending Directive 77/388/EEC with a view to simplifying, modernising and harmonising the conditions laid down for invoicing in respect of value added tax

[2] Report and recommendations of CEN/ISSS e-Invoicing Focus Group on Standards and Developments on electronic invoicing relating to VAT Directive 2001/115/EC

[3] Unified Modelling Language (UML version 1.4)

[4] UN/CEFACT Modelling Methodology (CEFACT/TMG/N090R10, November 2001)

[5] UN/CEFACT Business Requirements Specification (BRS) for Cross-Industry Invoice, version 1

Informative documents are:

- CEN/ISSS CWA "Commission Recommendation 1994/820/EC October 1994, proposed revision with the requirements of Directive 2001/115/EC, present day e-Commerce practices and revised definition of EDI Electronic Data Interchange"
- CEN/ISSS CWA "Recommendation to allow coded identifiers as an alternative to the current unstructured clear text identifications."
- CEN/ISSS CWA "A standardised set of codes with definitions to replace plain text clauses in eInvoice messages."
- CEN/ISSS CWA "Survey of VAT Data Element usage in the Member States and the use of codes for VAT Exemptions."
- CEN/ISSS CWA "eInvoices and digital signatures."
- CEN/ISSS CWA "Storage of Electronic Invoices."
- UN/CEFACT Business Requirements Specification version 1.5 (CEFACT/ICG/005)
- UN/CEFACT – Invoice message

3 Definitions, symbols and abbreviations

3.1 Definitions

For the purposes of the present document, the following terms and definitions apply:

Authentication: the mechanism that verifies that a person or a process is the stated person or process

Buyer: the person or organization acting on behalf of the customer and who buys or purchases the goods or services

Certification authority: a body trusted by all users to create and assign (public key) certificates

Customer: the person or organization who owns the products after successful completion of the transaction. The following roles can be found in a customer company: buyer, consignee, invoicee, VAT representative.

ebusiness service customer: the person or organization who acquires electronic business services from an ebusiness service supplier

ebusiness service supplier: the person or organisation who supplies electronic business services to a customer

Electronic Signature: data in electronic form that are attached to or logically associated with other electronic data and which serve as a method of authentication (Directive 1999/93/EC)

Factor: the person or organization who supplies factoring services

Integrity: data in electronic form that are

Invoice issuer: the person or organization making the invoice, claiming payment for the goods or services rendered to the customer.

Invoicee: the person or organization who will receive the invoice for the delivery of products or services.

Seller: the person or organization acting on behalf of the supplier and who sells goods or services to the customer.

Supplier: the person or organization who has owns of the products, and consigns or makes them available in trade. The following roles can be found in a supplier company: seller, consignor, invoice issuer, VAT representative.
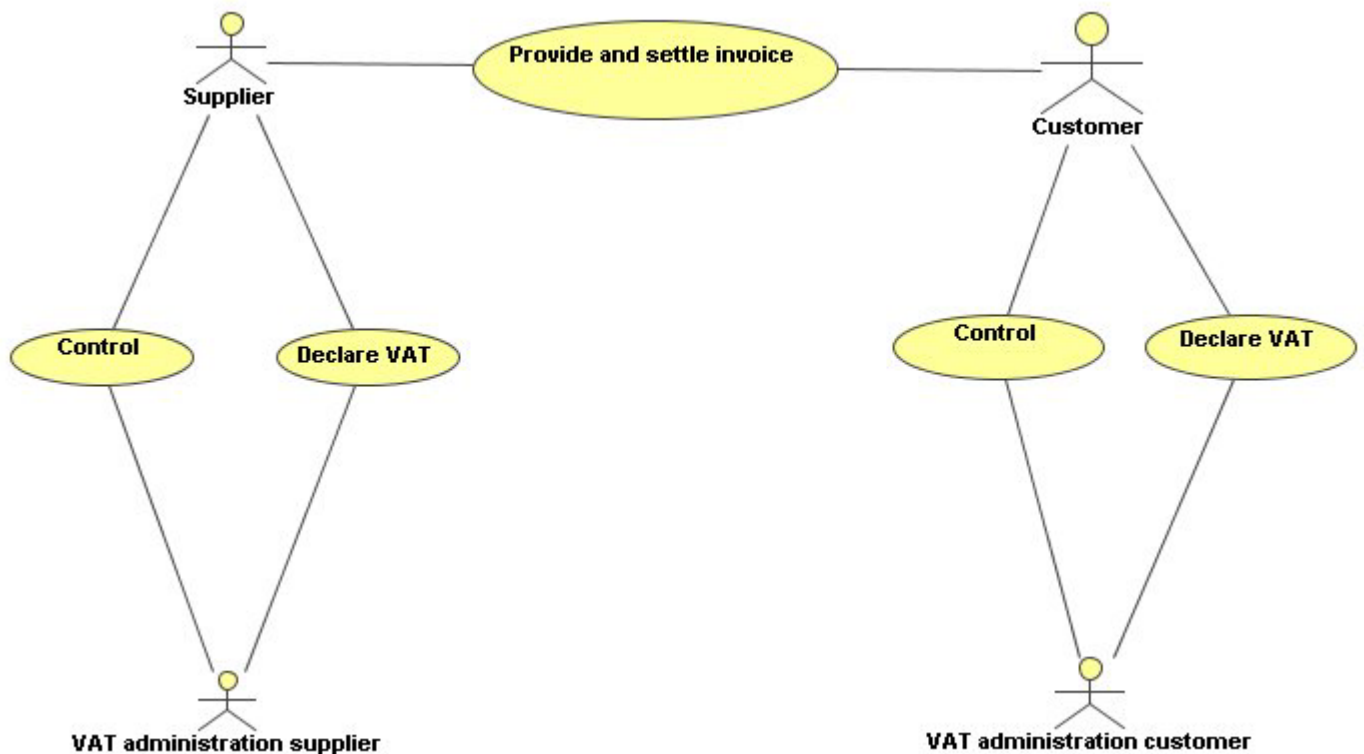
VAT administration: the government organisation responsible for collecting VAT

3.2 Abbreviations

For the purposes of the present document, the following abbreviations apply:

EDI	Electronic Data Interchange
ISO	International Standardisation Organisation
IT	Information Technology
PKI	Public Key Infrastructure

4   eInvoice Reference Model

The diagram represents the generic overview of (e)Invoicing: A Supplier and a Customer exchange and settle an invoice. The VAT on this invoice is declared and settled (on an aggregated basis over a period of time) by the Supplier and Customer to the VAT administration(s) which control the VAT process.

The Reference Model contains:

- a number of use cases and activity diagrams for the business part of the process between Customer and Supplier (4.1), they apply both for paper and for electronic invoices

- a number of use cases for the VAT part of the process (4.2), and

- a number of use cases for the ebusiness processes for the electronic invoice (4.3). The Customer and Supplier can either arrange the electronic business processes themselves or can outsource (parts of) the processes and services to ebusiness service providers.

4.1 BUSINESS PROCESSES

The eInvoicing business processes are divided in:

- 2 processes for the "traditional" invoice with or without corrections
- 2 processes for the self-billing invoice with or without corrections

The descriptions of the processes for traditional invoice and self-billing invoice are taken from the UN/CEFACT Business Requirements Specification (BRS) for Cross-Industry Invoice, version 1.

See also the CEN/ISSS CWA "Recommendation to allow coded identifiers as an alternative to the current unstructured clear text identifications".

See also the CEN/ISSS CWA "A standardised set of codes with definitions to replace plain text clauses in eInvoice messages"

4.1.1 TRADITIONAL INVOICE

Provide traditional Invoice

Supplier — Provide traditional Invoice — Customer

Use case description – Traditional invoice

| Business Process name	Traditional or supplier initiated invoice
Identifier	Cross industry traditional invoice
Actors	Customer, Supplier (Optional, additional roles – Invoicee, Invoice issuer)
Description	The supplier presents to the customer, for the ordered or delivered, received or consumed goods or services, a detailed request for payment (invoice). The customer may reconcile the invoice with the agreed prices and the goods or services rendered and initiates the payment remittance. The supplier may outsource the issuance of the invoice.
Pre-condition	Framework Agreement or Contract and that an order is in place with agreed prices. The supplier has provided goods or services according to the conditions set in the contract and/or order. The customer receiving the goods or services. The Invoice is prepared in accordance with the EU VAT Directive. For invoices outside an individual Member State VAT is exempt. For invoices from a supplier outside of the EU, Member States may have imposed additional conditions.
Post-conditions	Based on the reconciled invoices, the customer should issue the notification for the payments. For the incorrect invoices, see the use case on Traditional incorrect invoice
Scenario	Based on the agreed conditions in the contract, order, delivery schedule, delivery just in time, or other relevant transaction, the supplier will provide goods to the customer. In accordance with the shipping instructions, the goods will be delivered directly to the customer, to a third party warehouse, to a consignment stock, or other relevant delivery point, (more details of the different ways are provided in the shipping cycle). Based on the agreement of the point of invoicing between the parties, the supplier will generate the invoice for the goods or services, based on the goods ordered, or delivered, or received or consumed. Once the goods are delivered to the customer, together with the shipment notice (despatch advice, packing list or waybill), the customer checks the invoice with the

	order, the contract and with the goods receipt report.
	If there is any discrepancy found, the customer shall start the process to handle incorrect invoices – otherwise, the invoice will be submitted to the payment cycle.
	Supplier and Customer put the relevant data of the invoice in the VAT account.
Remarks	

Traditional invoicing is where the supplier invoices the customer when the goods are delivered, or the services provided. In this case, the invoice can be created at the time of despatch or when the customer or a third party gives an acknowledgement to the supplier that the goods have been received.
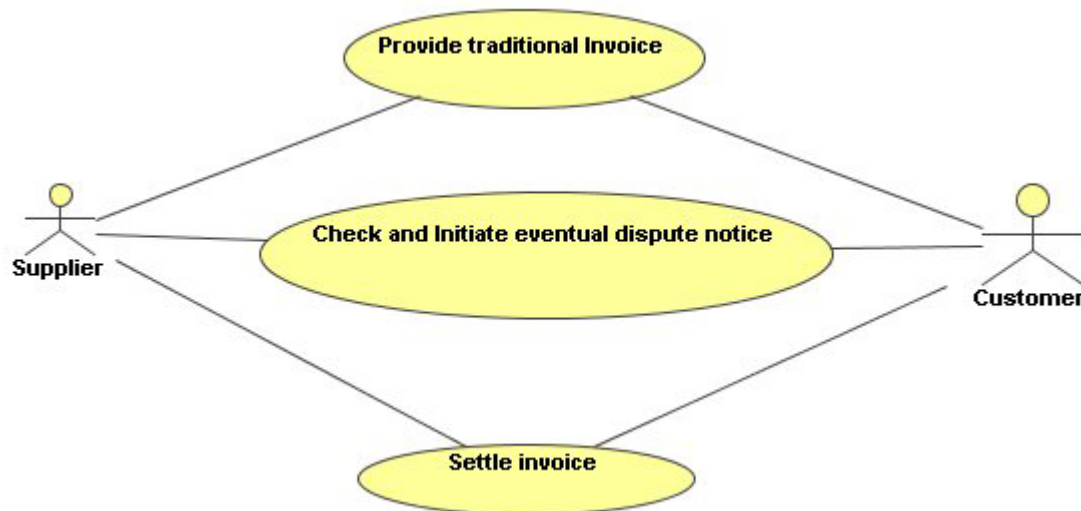
When there are discrepancies between the despatch advice, the invoice and the goods actually received, or rejection of goods for quality reasons, the customer will either request a credit note from the supplier, or issue his own debit note, before paying the invoice. A credit note or debit note may also be issued in the case of retrospective price change.

Traditional invoices can be used:

- to invoice the goods or services based on one delivery
- to generate a pro-forma invoice for customs purposes

- to generate a pre-invoice before the delivery of the goods or services
- to generate a consolidated invoice covering several deliveries made in a predefined time frame
- to generate a credit note to cancel a previously sent invoice
- to generate all kinds of credit notes, for example to settle claims for damaged goods, wrong deliveries, invoice errors, price changes, etc…

Activity diagram: Traditional Invoice
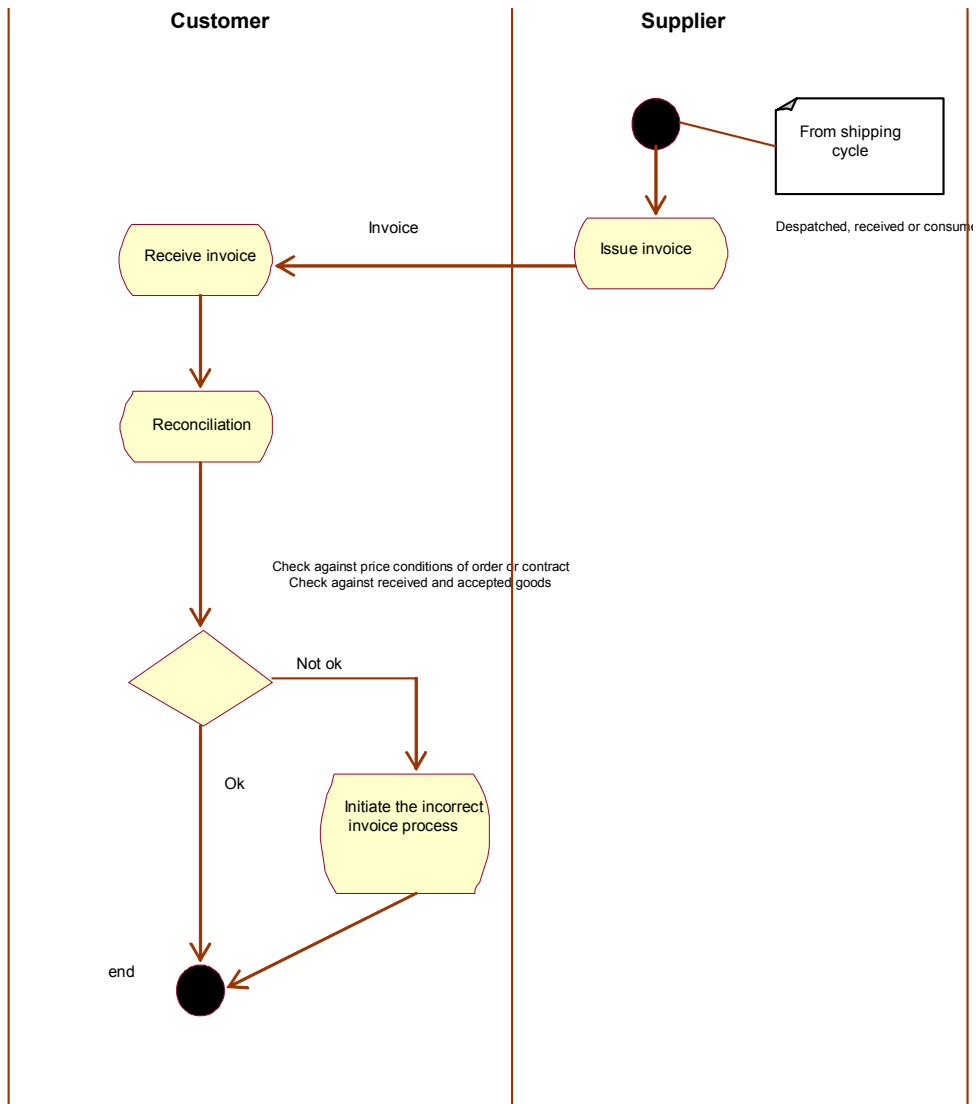
Figure Activity Diagram – Traditional invoice

4.1.2 INCORRECT TRADITIONAL INVOICE

Use case description – Incorrect Traditional invoice

Business Process name	Incorrect invoice
Identifier	Cross industry incorrect invoice
Actors	Customer, Supplier (Optional, additional roles - Invoicee, Invoice issuer)
Description	The Customer has found a (formal) error in the invoice from the supplier, a discrepancy between the invoiced goods and the received or consumed goods, or between the price conditions applied and the price conditions agreed. Explain the VAT situation. From the moment of submission the supplier is liable to pay the VAT, and the customer may deduct VAT based on this invoice.
Pre-condition	The customer received an incorrect invoice from the supplier.
Post-conditions	The supplier has accepted the dispute notice raised by the customer, and the dispute is settled. The supplier rejects the dispute notice.
Scenario	Once the goods are delivered to the customer, together with the shipment notice, the customer checks the received invoice with the order and contract information and with the goods accepted by himself. If there is any discrepancy found, the

| | customer shall generate a dispute notice for the supplier.

On receipt, the supplier shall check the dispute notice and shall raise a dispute notice response, to inform the customer if the dispute notice is accepted or not accepted. When accepted, the supplier shall inform the customer how the incorrect invoice shall be settled.

Supplier and Customer put the relevant data of the invoice in the VAT account.

To settle the incorrect invoice, the supplier may either send a credit note to cancel the previously invoice and to generate a correct invoice, or he can settle the difference by using a credit note or a debit note. |
|---|---|
| **Remarks** | -   The credit note and the debit note are covered by the invoice document. |

Activity diagram:Traditional Incorrect invoice
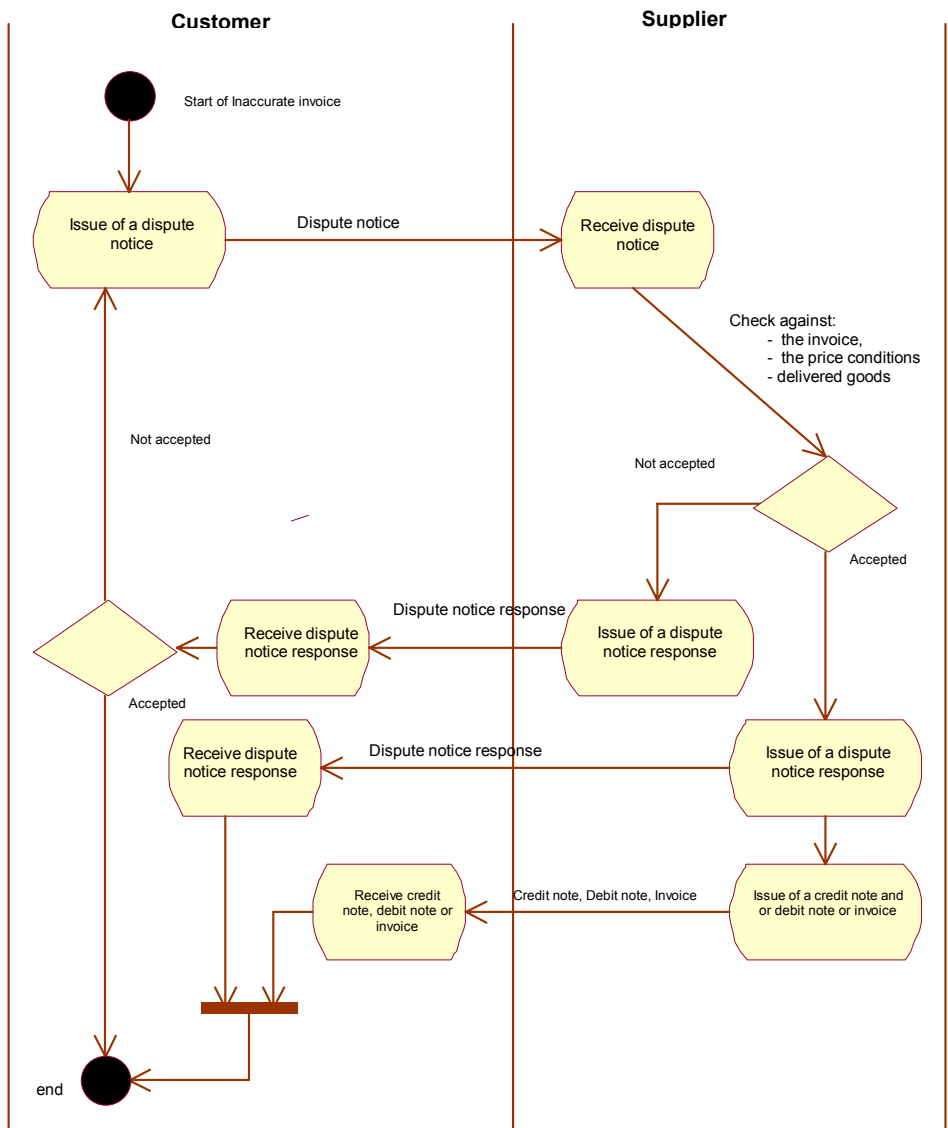
Figure Activity Diagram – Incorrect invoice

4.1.3 SELF-BILLING

Use case description – Self-billing invoice

Business Process name	Self-billing invoice
Identifier	Cross industry self-billing invoice
Actors	Customer, Supplier

(Optional, additional roles – Invoicee, Invoice issuer) |
| **Description** | The customer presents to the supplier, for the received or consumed goods, a detailed statement of trade account payable (invoice). The supplier reconciles the self-billing invoice with the agreed prices and the goods or services rendered.

There are situations where the supplier supplies the self-billing data. |
| **Pre-condition** | Framework Agreement or Contract and order are in place with agreed prices.

The supplier has provided goods or services according to the conditions set in the contract and, or order. The customer has received the goods or services. |
| **Post-conditions** | Based on the self-billing invoices, the customer should issue the notification for the payments.

For incorrect self-billing invoices, the supplier will generate a dispute notice to the customer. |
| **Scenario** | Based on the agreed conditions in the contract, order and/ or the delivery schedule or delivery just in time, the supplier will provide goods to the customer. In accordance with the shipping instructions, the goods will be delivered directly to the customer, or to a third party warehouse or to a consignment stock (more details of the different ways are provided in the shipping cycle). Based on the invoicing agreement between the parties, the customer will generate the self-billing invoice for the goods or services, based on the goods received or consumed.

Supplier and Customer put the relevant data of the invoice in the VAT account.

Once the self-billing invoices are received, the supplier checks the invoice with the order and contract information and with the information he has received about the goods received (accepted) or consumed by the customer.

If there is any discrepancy found, the supplier shall start the process to treat incorrect self-billing invoices. |
| **Remarks** | |

Self-billing is a process whereby a customer "invoices" or "bills" himself, in the name and on behalf of his supplier, and provides the supplier with a copy of the self-billed invoice. Where a customer knows what was ordered from a specific supplier, what prices were agreed and what was actually delivered, there is no real business need for an invoice to be issued by the supplier, before paying what is due.

There are, however, some very basic recommendations which need to be fulfilled before self-billing can be implemented, since the legal provisions for this method of invoicing do vary from country to country. Some countries are very flexible and encourage self-billing. In other countries, self-billing is only allowed with specific restrictions and in other countries, self-billing is not allowed at all. Some countries do not allow self-billing, but do allow "pre-notice", where the customer informs the seller about what the invoice should contain, and the supplier prepares his invoice accordingly. The shift from normal invoicing to self-billing will be increasingly more evident, as countries drop their local and cross-border restrictions – for example, in the European Union, the introduction of the EC Directive on Invoicing (operative from 1 January 2004) now provides for the use of self-billing, in all Member States, both for domestic and Intra-EU trading.

Under self-billing arrangements, it is mandatory that the customer receives a despatch advice or a delivery note, giving details of the shipment, to advise him about the goods being despatched. After detailed checks for quantity and quality, an advice of discrepancies may be sent by the recipient of the goods to the sender of the despatch advice or delivery note. Only goods accepted by the customer are invoiced and if the supplier finds that the self-billed invoice that he has received is incorrect, e.g. wrong quantities, wrong prices, or if the goods have not been invoiced at all, he may send a claim for non-invoiced goods to the customer. The customer will then verify whether the claim is accepted or not and consequently issue a self-billed invoice, a credit note or a debit note.
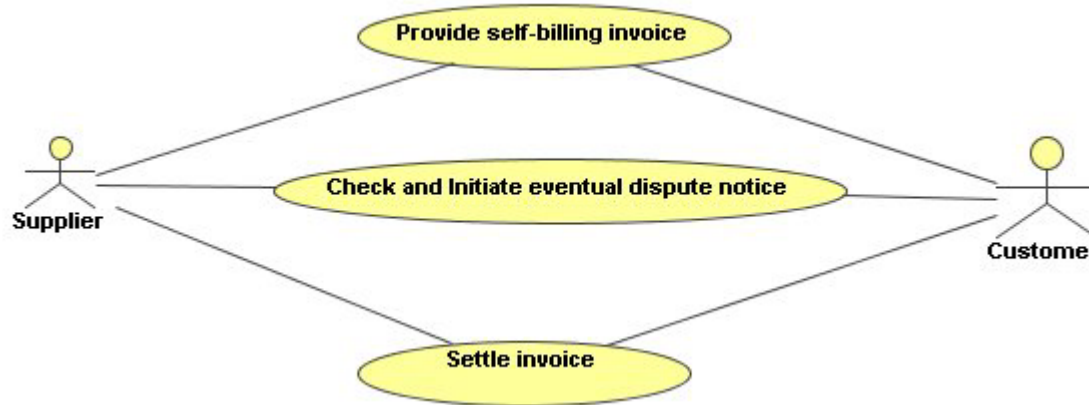
In the case of a retrospective price change, which was not included in the original self-billed invoice, a retroactive self-billing credit note or debit note may be issued.

Self-billing can be applied:

- to self-bill the goods or services based on the receipt or on the consumption during a certain period of time
- to generate all kind of credit notes or self-billing invoices, for example to settle claims for damaged goods, wrong deliveries, invoice error, price changes, etc..

Activity diagram: Self-billing invoice
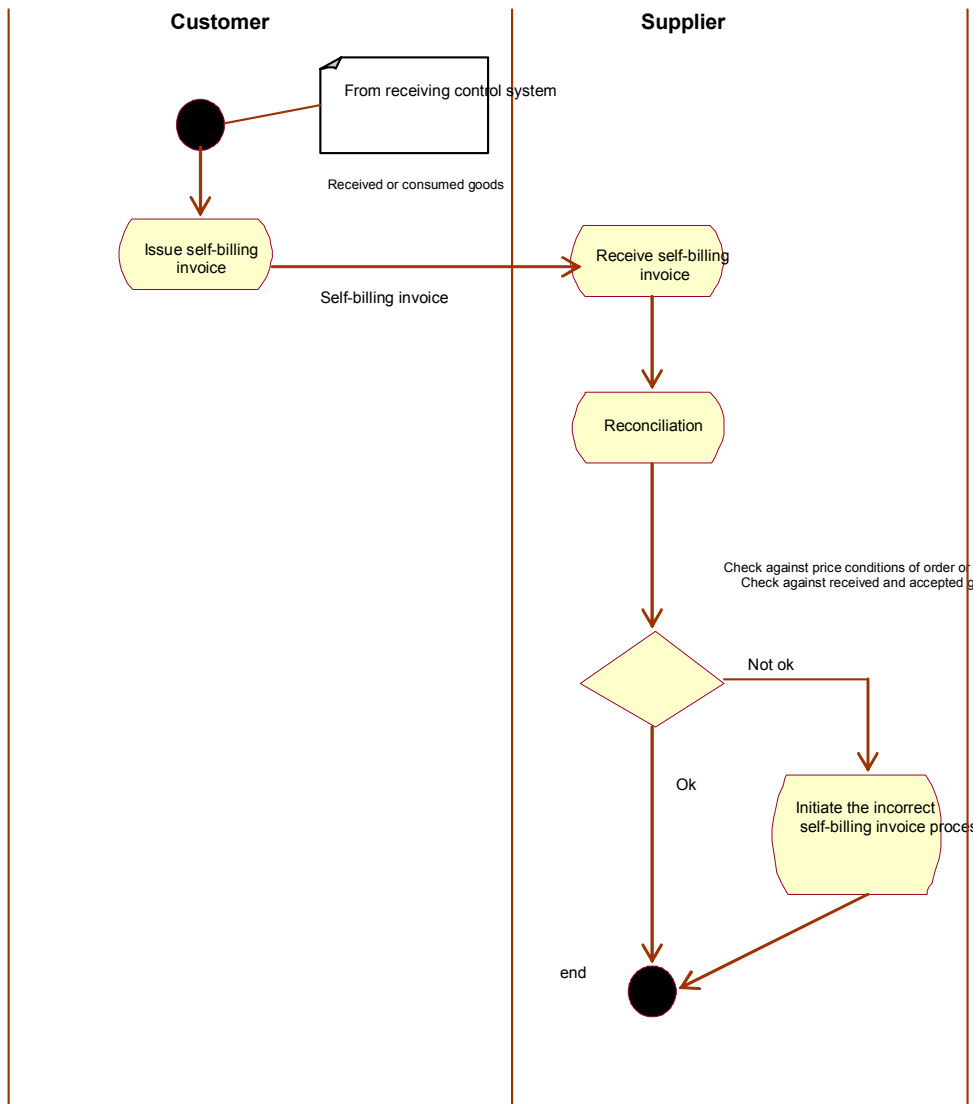
Figure Activity Diagram – Self-billing invoice
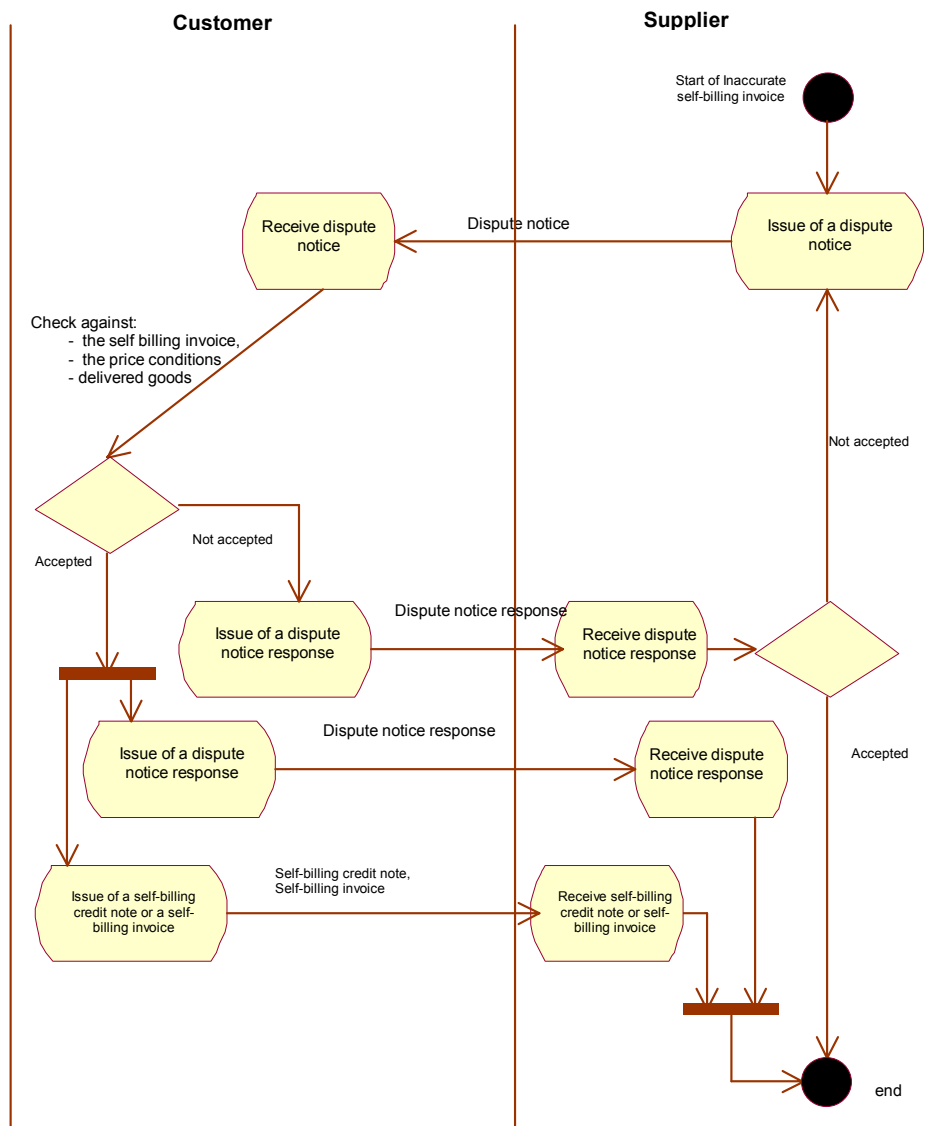
4.1.4 INCORRECT SELF-BILLING INVOICE

Use case description – Incorrect self-billing invoice

Business process name	Incorrect self-billing invoice
Identifier	Cross industry incorrect self-billing invoice
Actors	Customer, Supplier (Optional, additional roles - Invoicee, Invoice issuer)
Description	The supplier has found, on the self-billing invoice from the customer, a discrepancy between the invoiced goods and the received or consumed goods or between the price conditions applied and the price conditions agreed.
Pre-condition	The supplier received an incorrect self-billing invoice from the customer.
Post-conditions	The customer has accepted the dispute notice raised by the supplier, and the dispute is settled. The customer rejects the dispute notice.
Scenario	The supplier checks the received self-billing invoice with the order and contract information and with the goods accepted (received or consumed) by the customer. If there is any discrepancy found, the supplier shall generate a dispute notice for the customer. On receipt, the customer shall check the dispute notice and shall raise a dispute notice response, to inform the supplier if the dispute notice is accepted or not accepted. When accepted, the customer can inform the supplier how the incorrect self-billing invoice shall be settled. Supplier and Customer put the relevant data of the invoice in the VAT account. To settle the incorrect self-billing invoice the customer generates a self-billing credit

	note or self-billing invoice to settle the difference.
Remarks	- The self-billing credit note and the self-billing invoice are covered by the Invoice document.

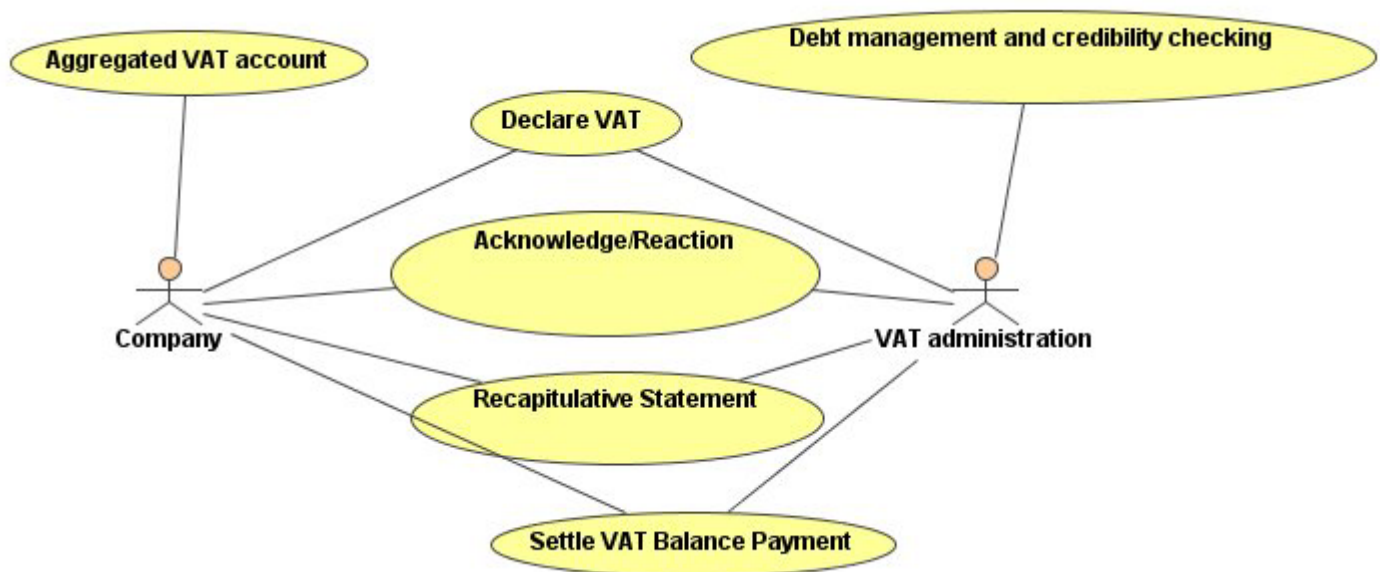## Activity diagram: Incorrect self-billing invoice

Figure Activity Diagram – Incorrect self-billing invoice

4.2 VAT PROCESSES

The VAT processes are divided in:

- The VAT declaration

- The VAT verification

- The VAT verification co-operation in the EU

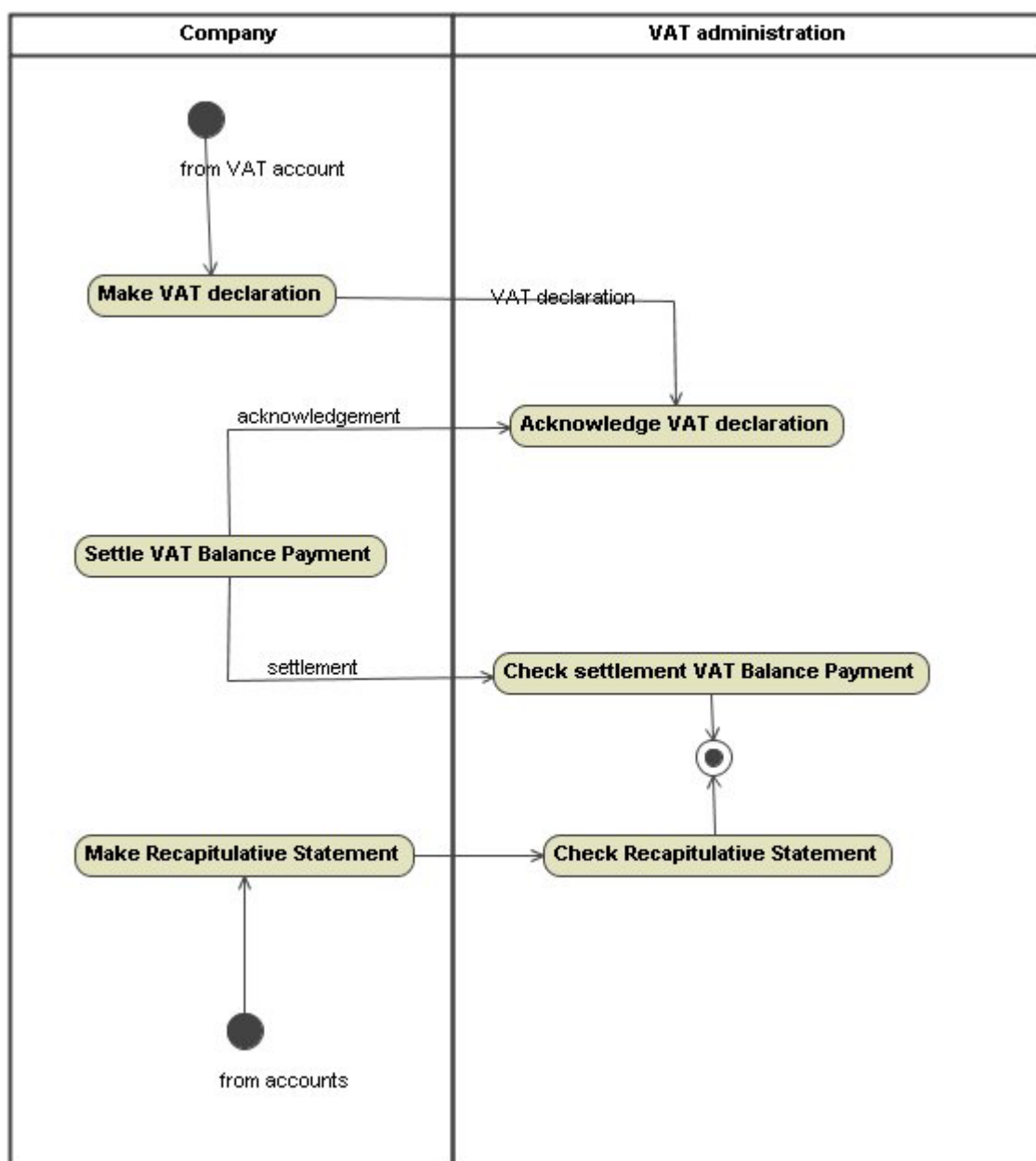- The VAT information system inspection

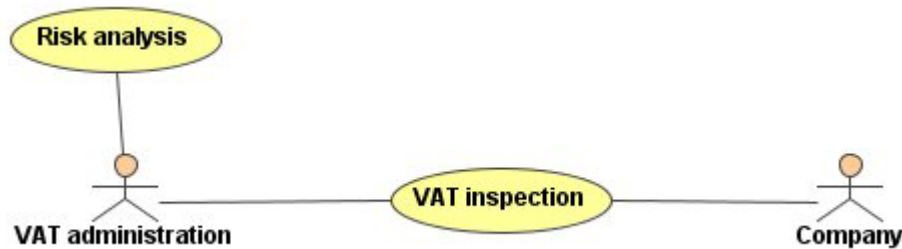## 4.2.1 VAT DECLARATION

Use case description – VAT declaration

Business process name	VAT declaration
Identifier	VAT declaration
Actors	Company (or Company Agent, e.g. accountant), VAT administration
Description	For each VAT accounting period ("tax period"), the company summarizes the VAT data from the individual invoices issued and received in the tax period, into its aggregated VAT Account. The VAT Account is used to prepare the VAT declaration for each tax period. The company submits the VAT declaration, together with the payment details (or the request for repayment), to the VAT administration on a periodic basis. The VAT administration acknowledges the VAT declaration (may be done implicitly) and may take further action towards the Company, based on debt management or credibility analysis. If the company makes supplies to and/or receives supplies from VAT registered businesses in other EU countries, the Company enters (separately) the value of supplies made/received on the periodic VAT declaration. In addition, for supplies made to VAT registered businesses in other EU countries, the company submits a Recapitulative Statement (otherwise known as European Sales List) to the VAT administration. The VAT administration enters the data of the Recapitulative Statement into the EU VIES (VAT Information Exchange System) system. The VAT administration may take action on non-received or erroneous Recapitulative Statements.
Pre-condition	The Company is registered for VAT and is required to make periodic (monthly, quarterly or annually) declarations to the VAT administration. The VAT declaration has to be based on sent and received invoices, for which the time of supply for VAT purposes falls within the period of the VAT declaration. The eInvoices relevant are eInvoices between customer and suppliers within the EU.
Post-conditions	The VAT administration receives a payment in accordance with the payment details of the VAT declaration or the VAT administration issues a repayment in accordance with the repayment details. For incorrect or non-received VAT declarations and/or VAT payments, the VAT administration will undertake an action towards the Company. The VAT administration may take action on non-received or erroneous Recapitulative Statements.
Scenario	The company submits the VAT declaration and the (re-)payment details to the VAT administration on a periodic basis, within a specified time limit after the end of the tax period. The VAT administration acknowledges the VAT declaration (may be done implicitly). If the company supplies goods to VAT registered businesses in other EU countries, the Company submits a Recapitulative Statement (otherwise known as European Sales List) to the VAT administration. This is done separately, within a specified time limit, which may be different from the time limit specified for the VAT

	declaration.
	The VAT administration enters the data of the Recapitulative Statement into the EU VIES system.
	The VAT administration may take further action on the VAT declaration and/or the VAT payment towards the Company, based on debt management or credibility analysis.
	The VAT administration may take action on non-received or erroneous Recapitulative Statements.
Remarks	The Company can be both the Customer and the Supplier from the Business Processes in 4.1.

Activity diagram: VAT declaration
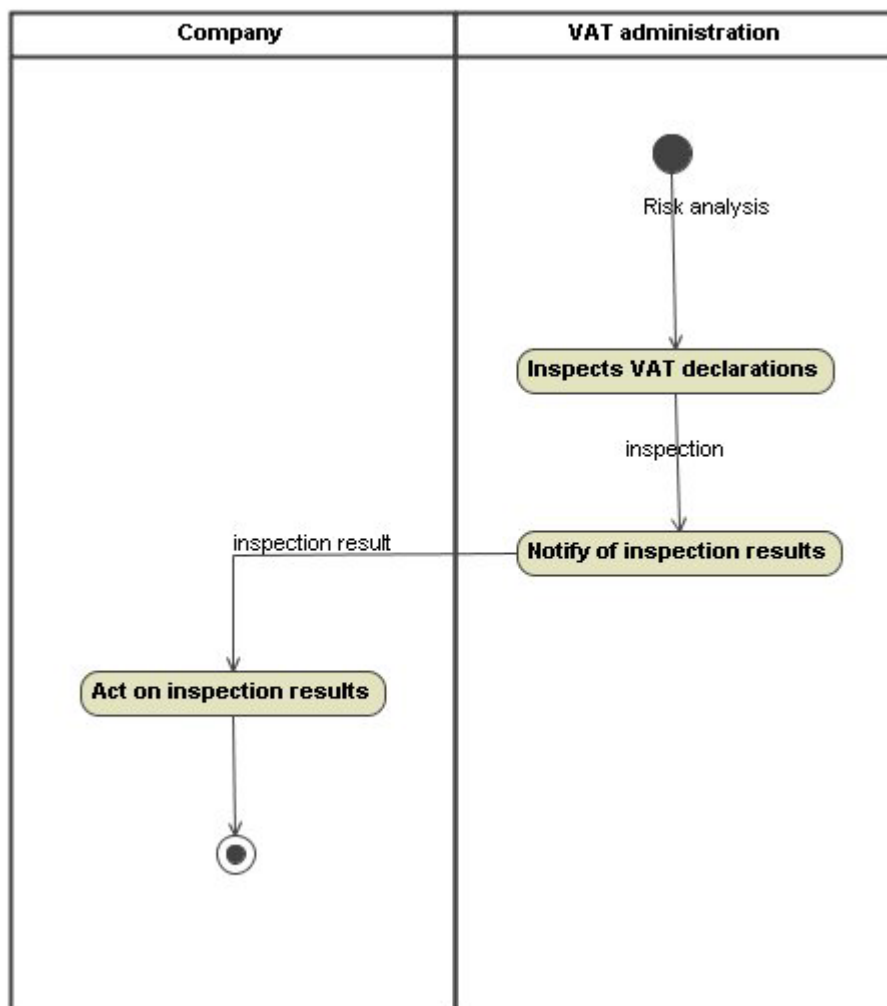
4.2.2 VAT VERIFICATION

Use case description – VAT verification

Business Process name	VAT verification
Identifier	VAT verification
Actors	Company, VAT administration
Description	The VAT administration undertakes a risk assessment of the Company, based on a number of factors – e.g. annual VAT "throughput", business/trade sector, complexity of accounting, previous history (late submission/payment of VAT declarations, errors found on previous inspections) and, from this assessment, decides to conduct a detailed examination of the Company's VAT accounts.
	The VAT administration verifies the VAT declarations that have been submitted by the Company over an extended period of time (a number of years),and performs verification checks on the VAT accounts of the Company. For the purpose of the inspection, other national VAT Offices and/or other EU VAT administrations may be consulted.
	Based on the inspection result, the VAT administration may notify the Company of any underpayments or overpayments of VAT which may result in additional financial penalties being imposed.
	The VAT inspection may lead to a further in-depth investigation of the Company and/or its administration.
Pre-condition	The Company is registered for VAT and is required to make periodic (monthly, quarterly or annually) declarations to the VAT administration.
	The VAT administration has selected the Company for inspection.
	The VAT accounts and the sent and received (electronic) invoices of the Company are accessible for inspection by the VAT administration.
Post-conditions	The VAT administration is satisfied that the Company has discharged its VAT affairs properly.
	Based on the inspection result, underpayments or overpayments of VAT have been found and additional financial penalties may be imposed by the VAT administration.
	The VAT verification may lead to a further in-depth investigation of the Company

|	
	and/or its administration.
Scenario	The VAT administration verifies the VAT declarations from the Company over an extended period of time (a number of years) and performs verification inspections on the VAT accounts of the Company. Based on the inspection result the VAT administration may notify the Company of any underpayments or overpayments of VAT which may result in additional financial penalties being imposed. The VAT verification may lead to a further in-depth investigation of the Company and/or its administration.
Remarks	

Activity diagram: VAT verification

4.2.3 VAT VERIFICATION CO-OPERATION

Use case description – VAT verification co-operation

| Business process name	VAT verification co-operation
Identifier	VAT verification co-operation
Actors	VAT Administrations (from two or more EU Member States)
Description	A VAT Administration, for the purposes of verification, consults the VAT Administration in another EU Member State, under the EU Mutual Assistance provisions, to verify specific transaction(s) between two or more specific companies from these Member States.
Pre-condition	The two or more Companies are registered for VAT in the specific Member States. A VAT Administration requires assistance for the VAT verification of specific transaction(s) between specific companies.
Post-conditions	The information about a specific transaction, available to the VAT administrations, is matched. The information about a specific transaction is not matched, which may result in either or both VAT administrations conducting further investigations with either or both companies.
Scenario	A VAT administration issues a request for assistance to a VAT administration in another Member State on a specific transaction between two companies in these Member States. The approached VAT administration will submit the information about the specific transaction, available to them.
Remarks	

**Activity diagram: VAT verification co-operation**
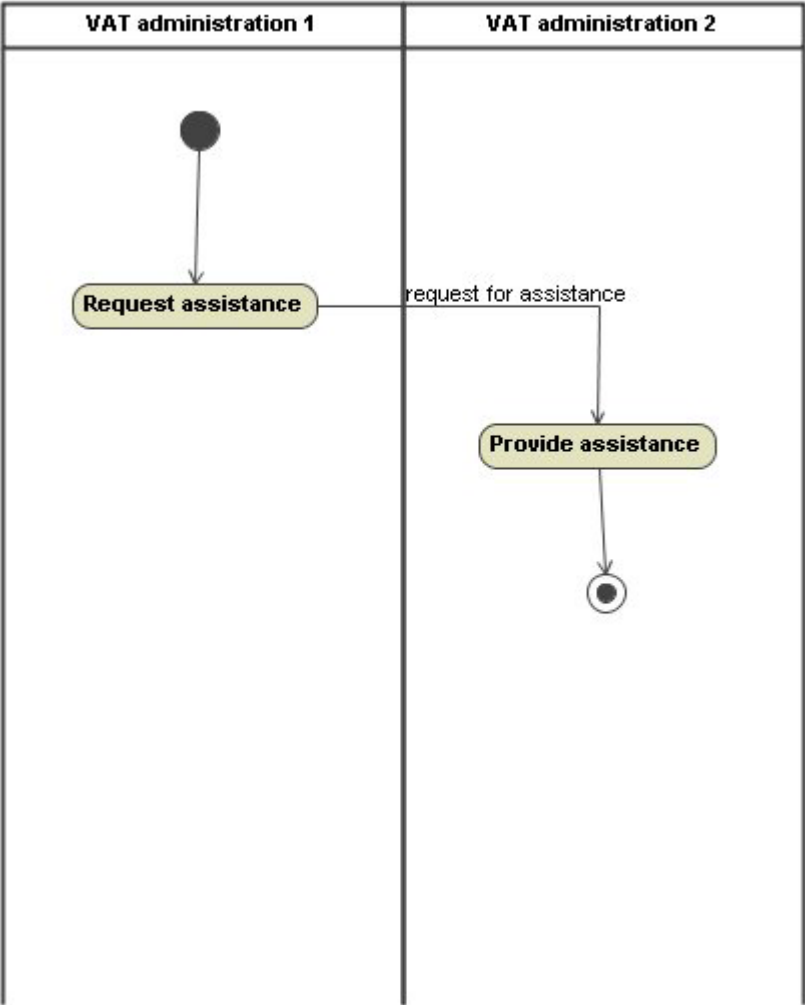
4.2.4 VAT INFO SYSTEM INSPECTION

Use case description – VAT information system inspection

Business process name	VAT information system inspection
Identifier	VAT information system inspection
Actors	VAT Administration, Company
Description	A VAT Administration, for the purposes of verification and certification, inspects the VAT information system of a Company to assess its quality in producing correct VAT data.
Pre-condition	The Company is registered for VAT.
Post-conditions	The VAT information system of the Company is validated by the VAT administration on its quality for producing correct VAT data.
Scenario	A VAT Administration, on request of the Company or on its own initiative, inspects the VAT information system of a Company to assess its quality in producing correct VAT data.
Remarks	The VAT information system inspection is based on individual practices of VAT administrations. For this purpose there could also be co-operation with software package suppliers.

Activity diagram: VAT info system inspection
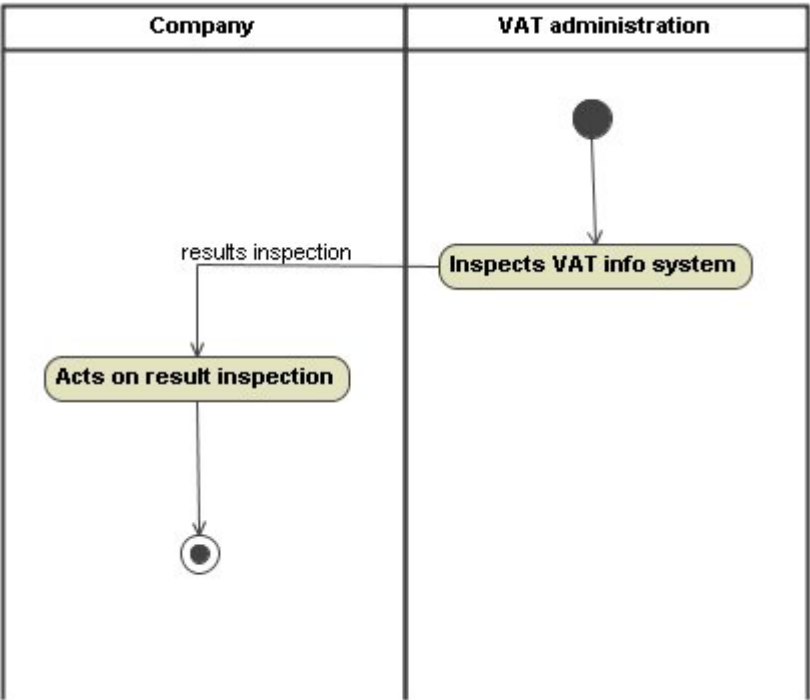
4.3   SERVICE PROVISION
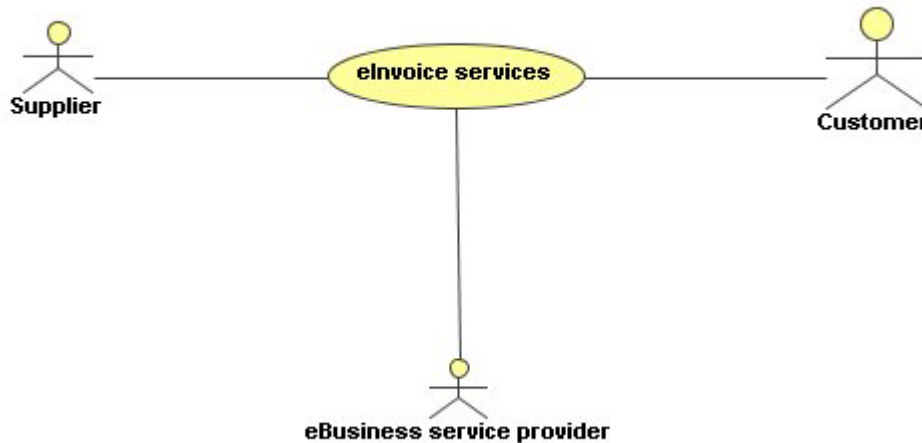
eInvoice services are required for the processing of electronic invoices.

Supplier and Customer may carry out these eInvoice services themselves or use specific eBusiness service providers.

The Supplier only or the Customer only may use an eBusiness Service Provider; both the Supplier and Customer may use eBusiness Service Providers, which may be different or be the same. If the eBusiness service provider issues the electronic invoice, he does so 'in name and on behalf of' the supplier.

The agreement regulating this relationship may need to include specific language to comply with the applicable law in some countries.

The customer must have agreed in forehand to receive invoices in electronic format. This "e-invoicing agreement" can be tacit in some countries and must follow explicit form requirements in others. It is generally advisable to ensure that the existence of such an agreement can be evidenced

The service processes are divided in:

- Invoice issuance
- Scanning
- Conversion
- Communication/transportation
- Authentication
- Integrity
- VAT compliance checking
- Printing
- Storage
- Factoring

Not all of these services are needed for the processing of an individual eInvoice.

For a number of processes (Authentication, Integrity, Storage) the Workshop has developed directly relevant CWAs. Other service processes have been added to complete the overview of eInvoice processes.
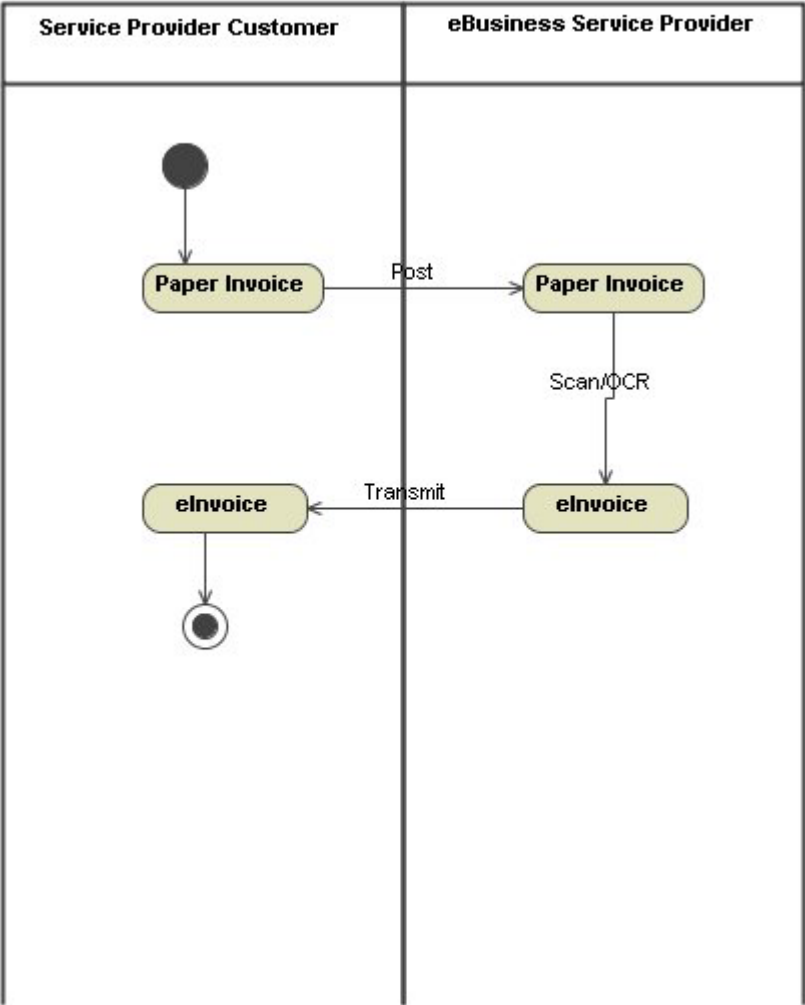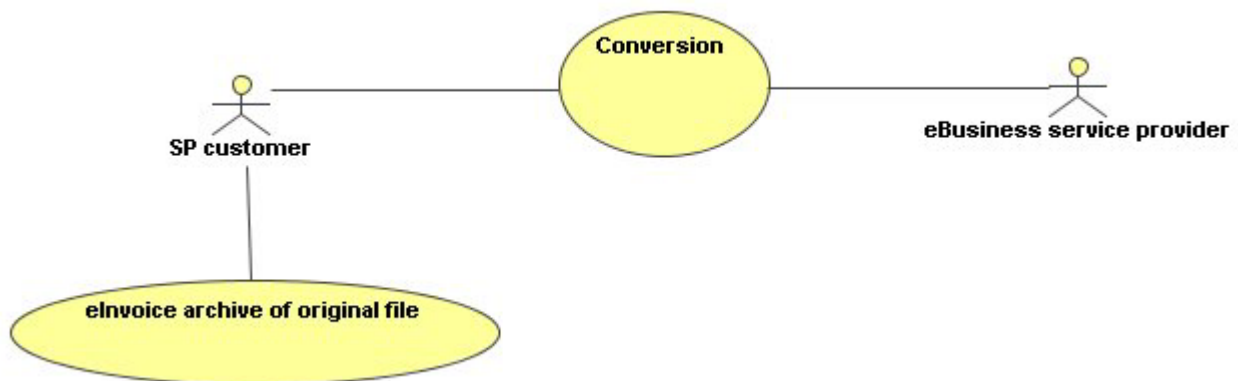
4.3.1 SCANNING

Use case description – Scanning

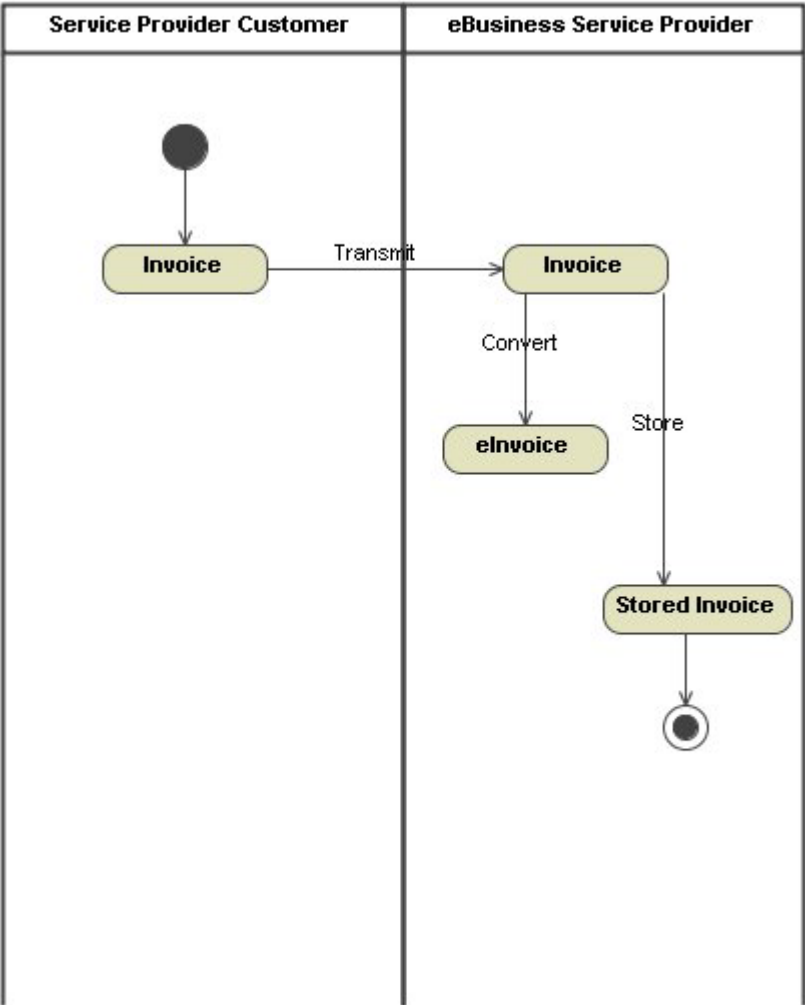| Business process name	Scanning
Identifier	Scanning (2 subtypes; for customer and supplier) to produce an electronic invoice; second to produce an in-house copy)
Actors	Service Provider Customer (Customer and/or Supplier), eBusiness service provider
Description	Paper Invoices are scanned or read using OCR and may become electronic Invoices.
Pre-condition	The Service Provider Customer has one or more paper invoices to be scanned. The eBusiness service provider provides a scanning service
Post-conditions	The paper invoice had been scanned producing an electronic version of the invoice.
Scenario	The Service Provider Customer mails one or more paper invoice(s) to the eBusiness Service Provider. The eBusiness Service Provider scans the paper invoices. The resulting electronic invoices are made available for further eInvoice processing.
Remarks	The original Invoice could be either the paper invoice (if scanned later) or the scanned invoice (if scanned by a service provider on behalf of the supplier under Laws that destine this is the original invoice). Observation: this is not consistently implemented in EU and raises confusion. The date on the invoice and the actual issue date may be different because of the delay involved in scanning.

Activity diagram: Scanning

4.3.2 CONVERSION

Use case description – Conversion

Business process name	Conversion
Identifier	Conversion
Actors	Service Provider Customer (Customer and/or Supplier), eBusiness service provider
Description	Electronic invoice data are converted (e.g. into another format or using another protocol) to allow for the eInvoice processing between Customer and Supplier. The original file of the invoice is stored in accordance with the national and EU legislation.
Pre-condition	The Service Provider Customer uses services for the handling of the electronic invoice.
Post-conditions	The eInvoicing services are rendered by one or more eBusiness service providers to Customer and/or Supplier.
Scenario	The Invoice data from the Service provider Customer are converted to become the eInvoice for further processing. The original file with the data of the invoice is stored in accordance with the national and EU legislation.
Remarks	

Activity diagram: Conversion

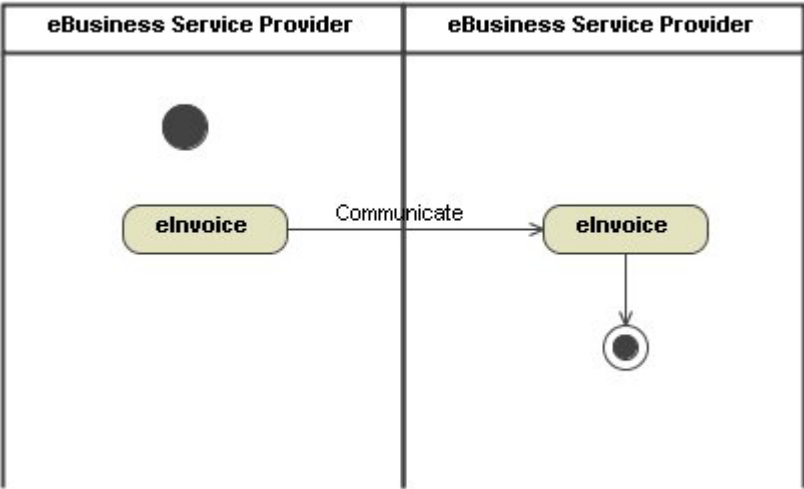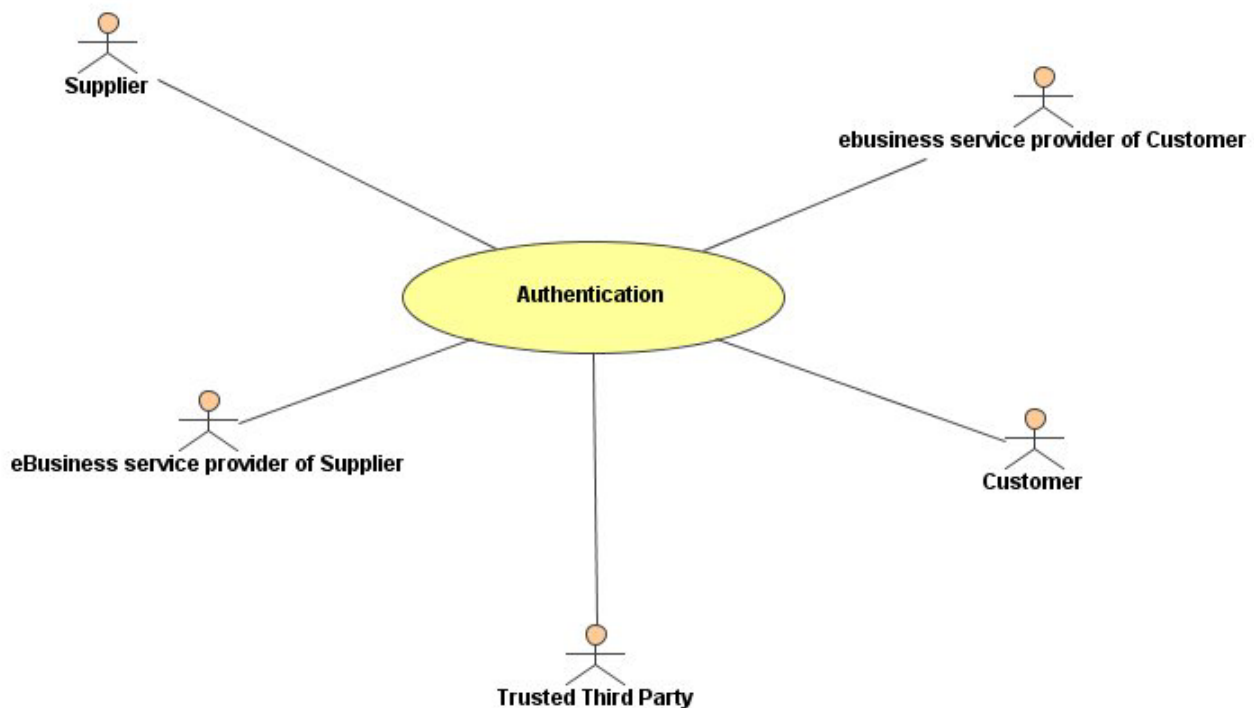# 4.3.3 COMMUNICATION/TRANSPORTATION

Use case description – Communication/transportation

Business process name	Communication/transportation
Identifier	Communication/transportation
Actors	Service Provider Customer (Customer and/or Supplier), eBusiness service provider
Description	The eInvoices are sent by telecommunication (e.g. the Internet) to the Service provider Customer.
Pre-condition	The Service Provider Customer uses services for the handling of the electronic invoice.
Post-conditions	The eInvoices have been sent to the receiving Service provider Customer.
Scenario	The eBusiness service provider sent the eInvoices by telecommunication (e.g. the Internet) to the Service provider Customer.
Remarks	

Activity diagram: Communication/transportation
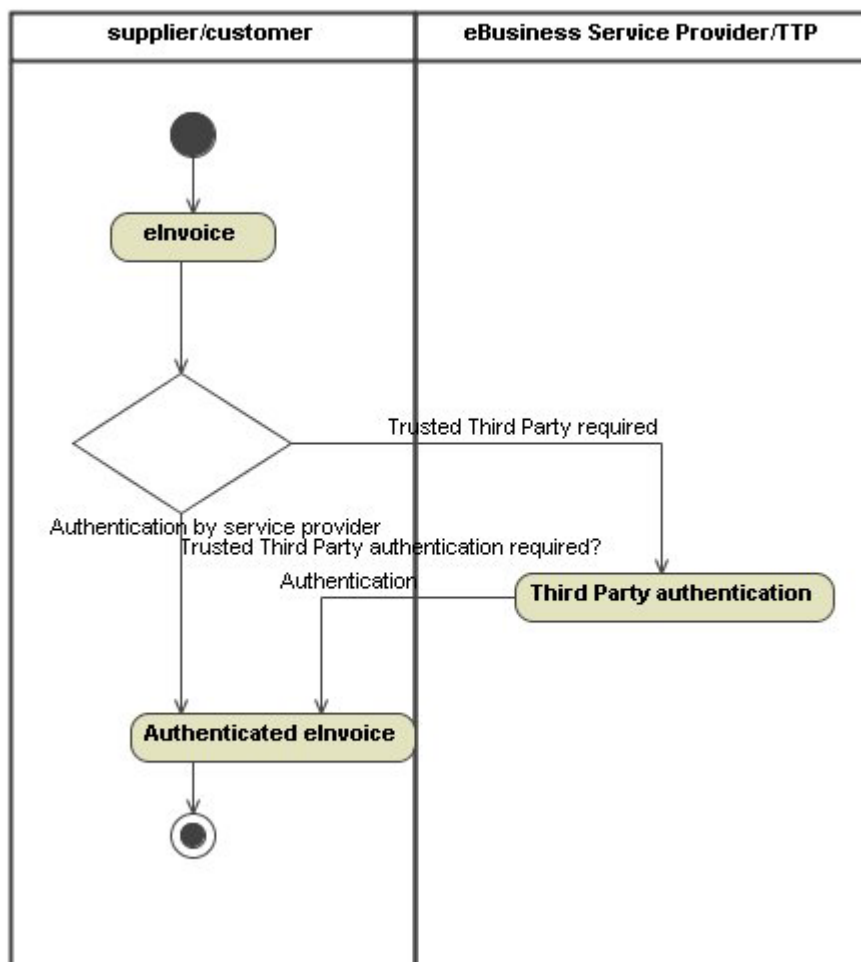
4.3.4 AUTHENTICATION

Use case description – Authentication

Business process name	Authentication
Identifier	Authentication
Actors	Customer, Supplier, eBusiness service providers, Trusted Third Party
Description	The eInvoices are authenticated, for which a Trusted Third party may be used. The authenticity of the origin of the invoice can be guaranteed by either • an advanced electronic signature, or/and • electronic data interchange (EDI).
Pre-condition	The Customer and Supplier are using services for the handling of the electronic invoice. The eBusiness service providers of the Customer and the Supplier have a commercial relationship. A Trusted Third party can be used for the authentication of the eInvoices.
Post-conditions	The eInvoice is authenticated by the Trusted Third Party.
Scenario	The first eBusiness service provider authenticates the eInvoice using the Trusted Third Party. The authenticated eInvoice is sent to the second eBusiness service provider.

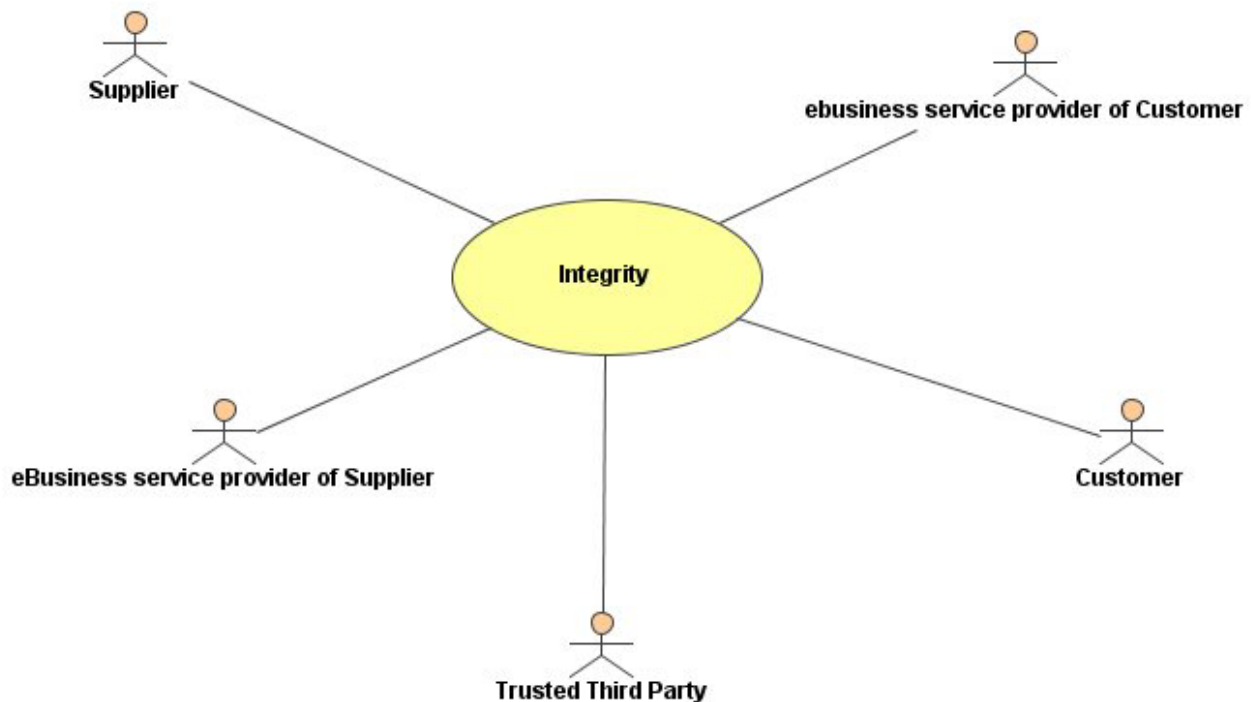| Remarks	The use of a Trusted Third Party is <u>not</u> mandatory.

See also the CEN/ISSS CWA "E-Invoices and digital signatures."

See also the CEN/ISSS CWA "Commission Recommendation 1994/820/EC October 1994, proposed revision with the requirements of Directive 2001/115/EC, present day e-Commerce practices and revised definition of EDI Electronic Data Interchange".

Activity diagram: Authentication

4.3.5 INTEGRITY

Use case description – Integrity

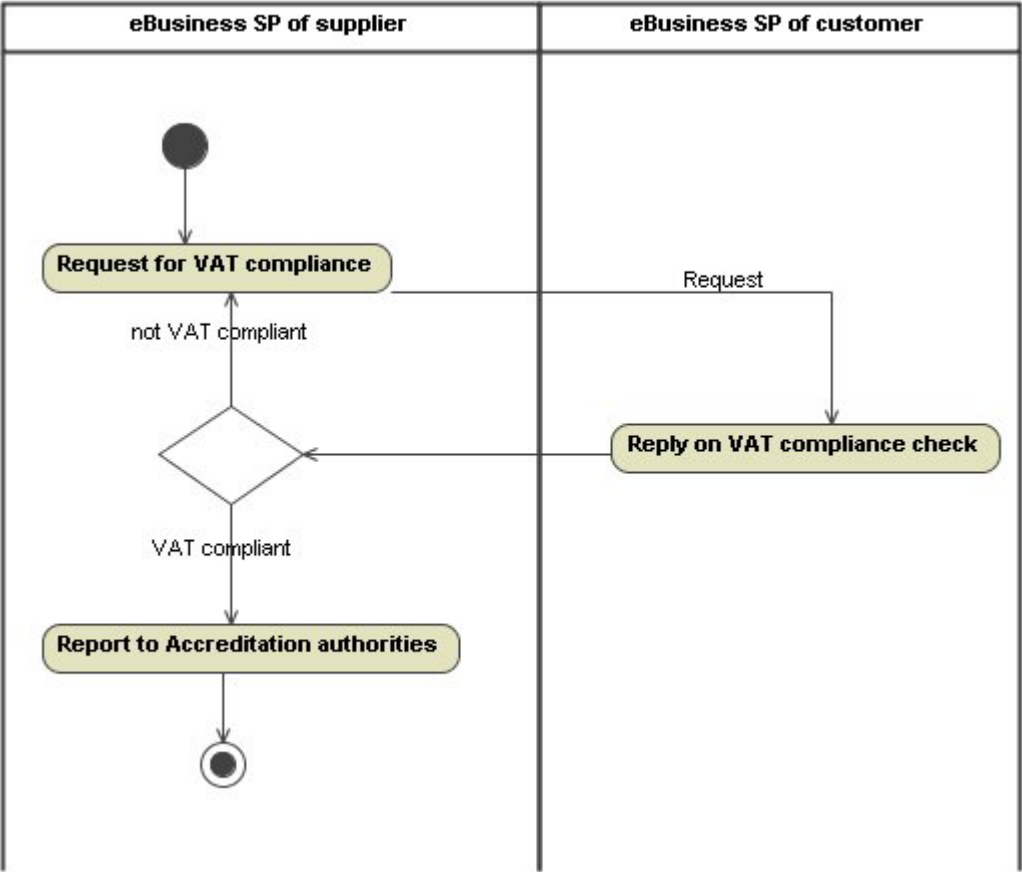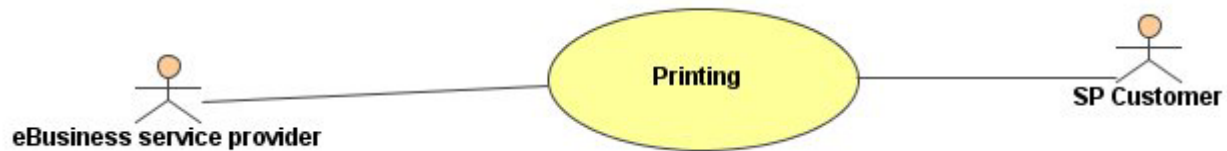| Business process name	Integrity
Identifier	Integrity
Actors	Customer, Supplier, eBusiness service providers, Trusted Third Party
Description	The integrity of the eInvoice is provided by and between the Actors.
Pre-condition	The Customer and Supplier are using services for the handling of the electronic invoice. The eBusiness service providers of the Customer and the Supplier have a commercial relationship. A Trusted Third party is used for the authentication of the eInvoices.
Post-conditions	The integrity of the eInvoice is maintained.
Scenario	The eInvoice is exchanged by and between the Actors. The integrity of the eInvoice is maintained and checked at each step of the eInvoice process.
Remarks	

Activity diagram: Integrity
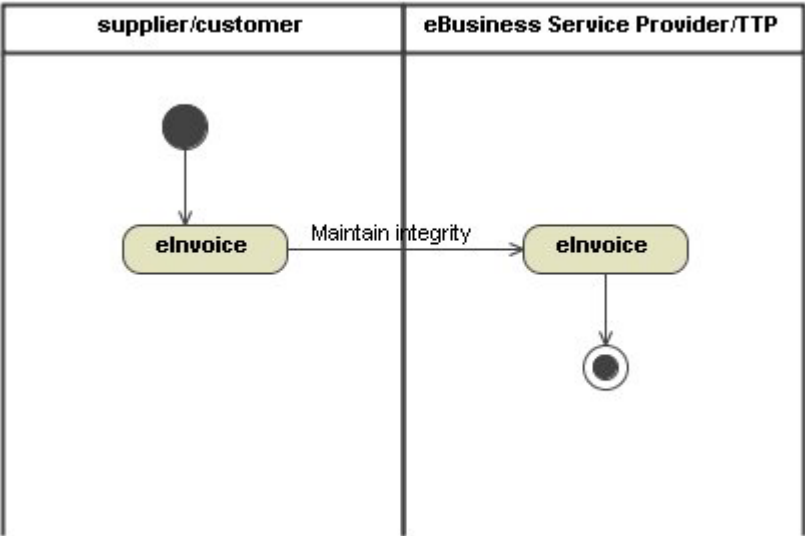
4.3.6 VAT COMPLIANCE CHECKING
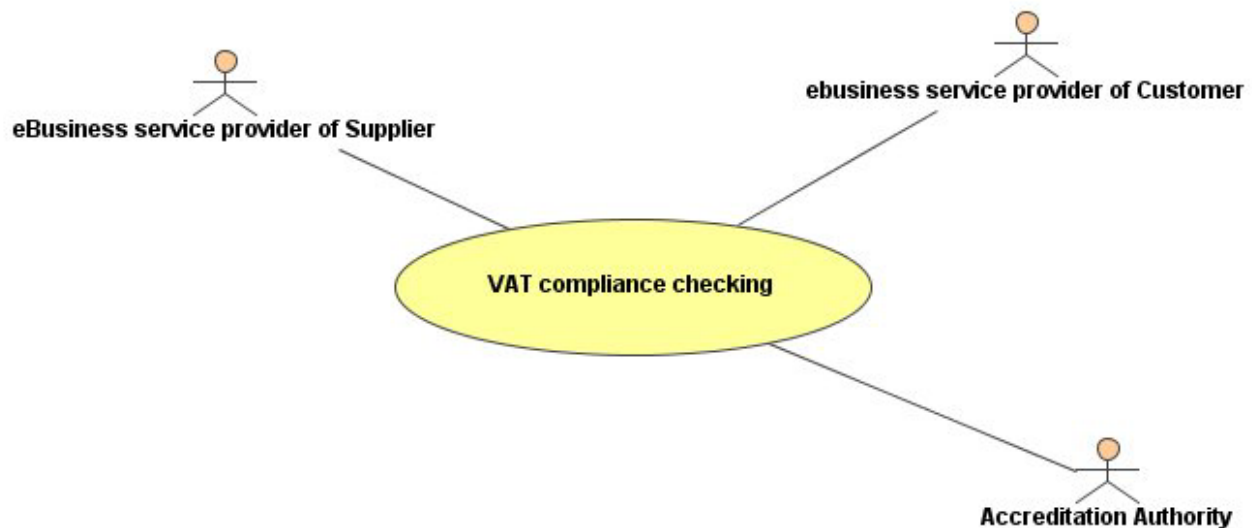
Use case description – VAT Compliance checking

Business process name	VAT compliance checking
Identifier	VAT compliance checking
Actors	eBusiness service providers, Accreditation Authority
Description	To comply with national VAT legislation the eBusiness service providers from two EU Member States check the compliance from the receiving eBusiness service provider with these requirements (specifically the originality of the file and the storage duration and conditions).
Pre-condition	The Supplier and Customer use services for the handling of the electronic invoice.
Post-conditions	The compliance of the receiving eBusiness service provider with the requirements of national legislation in another EU Member State is checked.
Scenario	The eBusiness service provider from the country with the specific national legislation checks the compliance of the receiving eBusiness service provider with these requirements. This VAT compliance may be verified by the national Accreditation Authority.
Remarks	Restricted to compliance with eInvoicing VAT legislation. This is an important issue and practical problem of cross border roaming, which will be further addressed in the second phase. See also the CWA on Guidelines to Service Providers.

**Activity diagram: VAT-compliance checking**

4.3.7 PRINTING

Use case description – Printing

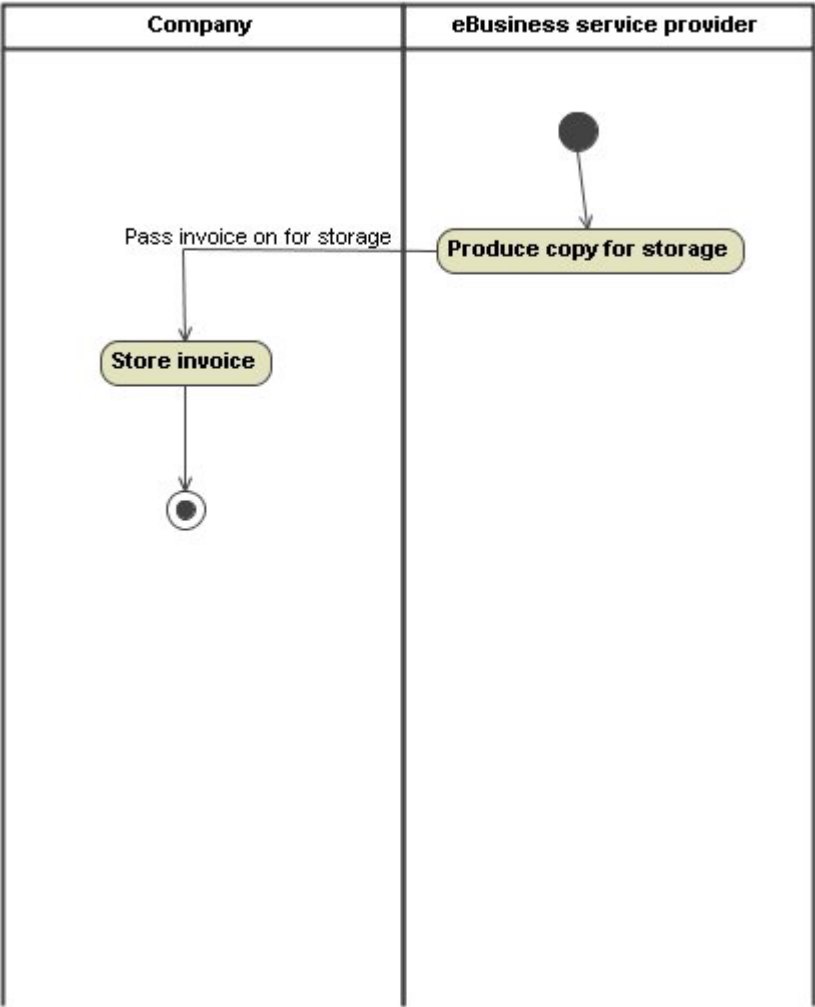| Business process name	Printing
Identifier	Printing to produce an original paper invoice
Actors	Service Provider Customer (Customer and/or Supplier), eBusiness service provider
Description	A print is made of the Invoice and mailed to the Service provider Customer.
Pre-condition	The Service Provider Customer requires a paper invoice.
Post-conditions	The invoice is printed.
Scenario	A print is made of the invoice data, producing an original paper Invoice, which is mailed to the Service provider Customer.
Remarks	The supplier can send invoice data electronically, that are not considered to be an original invoice as such. The date on the invoice and the actual issue date may be different because of the delay involved in printing.

Activity diagram: Printing
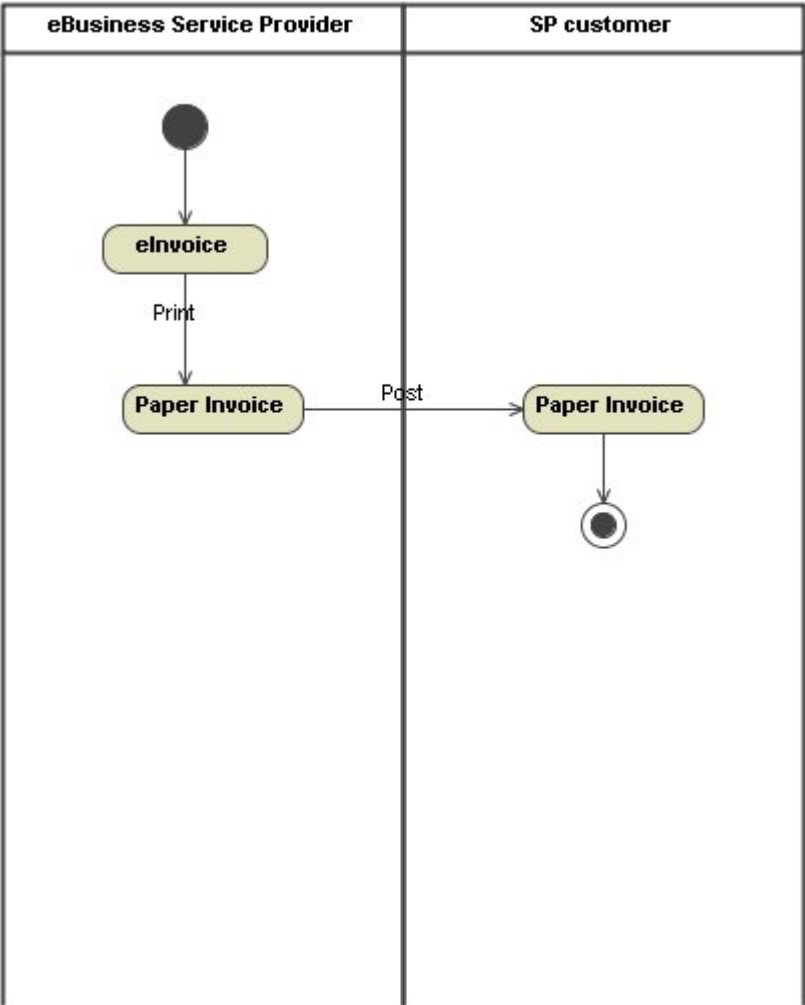
4.3.8 STORAGE

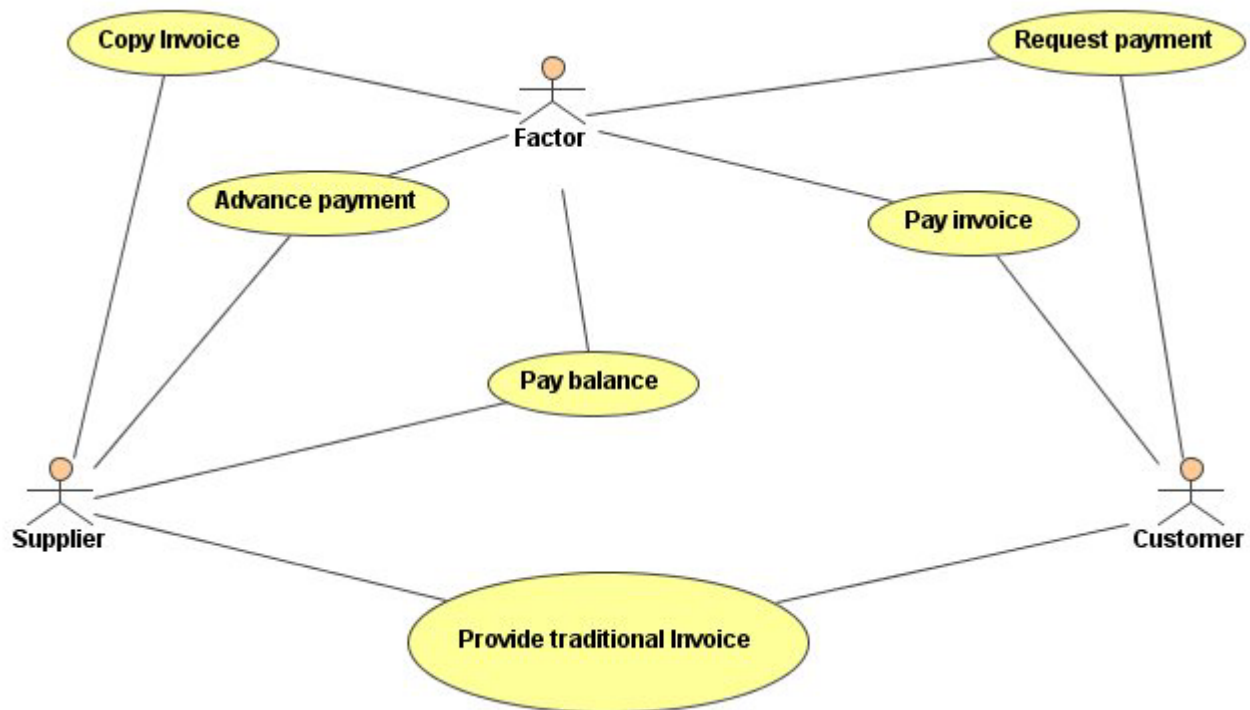**Use case description –** Storage for accounting purposes

Business process name	Storage for accounting purposes
Identifier	Storage for accounting purposes
Actors	Service Provider Customer (Customer and/or Supplier), eBusiness service provider
Description	The eInvoice is stored for accounting purposes, and in accordance with national and EU legislation. Both the Customer and Supplier store a copy of the invoice. The authenticity of the origin and integrity of the content of the invoice, must be guaranteed throughout the storage period. Issues that have to be dealt with are: • the location of the storage • the duration of the storage • the format in which the invoice is stored
Pre-condition	The Service Provider Customer uses services for the handling of the electronic invoice.
Post-conditions	The eInvoice is stored.
Scenario	The eBusiness service Provider stores the eInvoices of the Service Provider Customer in accordance with national and EU legislation (conditions, duration). The eInvoices are made available on request to the Service Provider Customer or to the VAT or any other competent Authority.
Remarks	

See also the CEN/ISSS CWA "Storage of Electronic Invoices.".

Activity diagram: Storage

Company	eBusiness service provider
Pass invoice on for storage	Produce copy for storage
Store invoice	

4.3.9 FACTORING

Use case description – Factoring

Business process name	Factoring
Identifier	Factoring
Actors	Customer, Supplier, Factor
Description	The Supplier sends a copy of the invoice to the Factor, which requests and receives payment from the Customer. The Factor settles the balance payment of the invoice with the Supplier.
Pre-condition	Framework Agreement or Contract and that an order is in place with agreed prices. The supplier has provided goods or services according to the conditions set in the contract and/or order. The customer has received the goods or services.
Post-conditions	The payment of the invoice is settled between the Customer and the Factor. The balance payment of the invoice is settled between the Supplier and the Factor.
Scenario	Supplier issues an invoice to the Customer and sends a copy to the Factor. The Factor makes an advance payment to the Supplier, usually on the basis of a percentage of the face value of the Supplier's invoice. The Factor requests payment of the full value of the invoice from the Customer. The Customer pays the Factor. The Factor pays the balance (face value of the invoice, less the advance payment made) to the Supplier.

Remarks	The Supplier and Customer remain to be liable as they hold the contractual relationship, assuming the factor issues a separate invoice for the service charge.

Activity diagram: Factoring
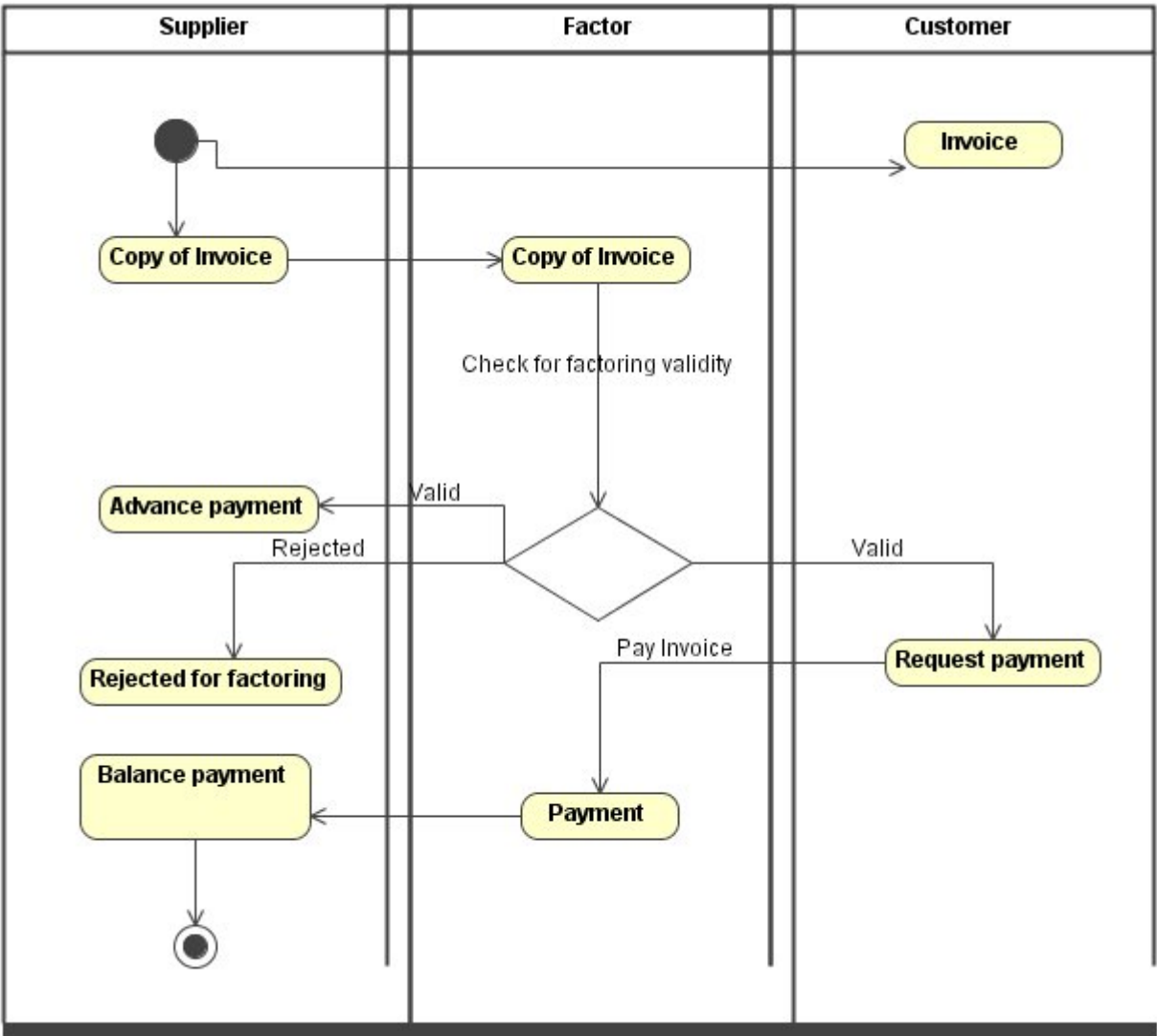
5   INFORMATION FLOW DEFINITION

The EU Directive requires, for VAT purposes, the following details on an invoice:

- The date of issue
- A sequential number which uniquely identifies the invoice
- The VAT number of the Supplier
- The VAT number of the Customer (if applicable)
- Full name and address of the Supplier
- Full name and address of the Customer
- Quantity and nature of the goods or services
- The date of the supply of the goods or services
- The taxable amount per rate or exemption
- The VAT rate applied
- The VAT amount payable

And if applicable:

- Reference to exemptions or provisions
- Particulars of intra-Community supply
- Particulars of a new means of transport
- References for the margin scheme
- Identification of the tax representative

The Core Component Naming of these data will be given once available from the UN/CEFACT Forum.

> *See also CEN/ISSS CWA "Survey of VAT Data Element usage in the Member States and the use of codes for VAT Exemptions."*