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Guidelines for eInvoicing Service Providers

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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 document covers issues on the use of third parties in the electronic invoicing process.

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 need for Guidelines on third party services in eInvoicing originate from the implementation of the Council 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.

Service providers such as consolidators, VANs and ASPs are key facilitators for the uptake and interoperability of e-invoicing: they play a critical role in transferring, translating, authenticating and storing data.

The service provider can be either totally outside the user company, or it can be an internal service provider inside a group or industry.

As part of the CWA preparations, a questionnaire was prepared to assess the challenges service providers are facing in electronic invoicing processing and to find solutions and guidelines to overcome those challenges. The questionnaire was intended in particular to collect up-to-date information and to identify the requirements from the European service providers' perspective. The CEN eInvoicing Workshop issued the questionnaire to 101 prospective participants. Altogether, 41 replies were received - the replies also provide basic information that has helped to prepare the CWAs in the electronic invoicing area.

Key findings from the questionnaire are that

- Interoperability between different Service providers and countries is challenging
- There is uncertainty concerning different local legislative requirements
- Too many country- and company- specific invoice formats exist - lack of common invoice format(s) require format to format conversions (93 % offer format conversions).
- Roles and responsibilities in storage services are not clear for all actors in all countries (especially for service providers).
- There is a clear need for common signature formats and procedures (for exchange and storage)
- Some of the respondents require one EU level format standard whilst other respondents either think this is not needed, or that agreement on it would not be possible

1 Scope

The present document gives guidance on best practices for Service Providers offering value-added third party services in relation to electronic invoicing.

The target audience of this document comprises

- organisations offering third party services in relation to the exchange of electronic business documents.
- organisations who may need guidance when employing providers of such third party services.

2 Definitions and abbreviations

2.1 Definitions

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

EDI message: An electronic data interchange message (EDI message) consists of a set of information, structured using agreed formats, prepared in a computer readable medium and capable of being automatically and unambiguously processed.

Electronic data interchange: Electronic data interchange is the transfer of commercial, administrative and business information between computer systems, using data formats which have been mutually agreed by the parties.

Third party service provider A company to whom specific tasks or services are outsourced. In electronic invoicing some or all of the tasks associated with the creation, issuance, format conversions, transmissions, storage etc. may be outsourced to a third party.

2.2 Abbreviations

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

ASP	Application Service Provider
CWA	CEN Workshop Agreement
EDI	Electronic data interchange
UN/CEFACT	United nations/Electronic Data Interchange for Administration Commerce and Transport
VAN	Value-added network service provider
XML	Extensible Markup Language

3 Guidelines to Service Providers

3.1 Fragmented legislation

Although Directive 2001/115/EC creates a framework for value added tax rules in respect of electronic invoicing, the actual legislation varies in individual Member States. When offering services to customers acting in different Member States, this must be taken into consideration. There are differences, for example, in -

- requirements for digital signatures
- country specific requirements
- rules on storage.

From the legal perspective, the principle of the country of origin should be applied on the invoice sender. The recipient has to accept this even if the recipient has higher standards.¹ The invoice issuer and the recipient are always responsible for fulfilling their own national legal requirements for invoicing, even where a third party service is used.

More information can be found in other documents, such as the Council 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, CEN/ISSS CWA "Storage of Electronic Invoices and CEN/ISSS CWA on E-invoices and digital signatures".

3.2 Third party service agreement

It is recommended that an explicit agreement is drawn up between the customer and the Service Provider. In the agreement, at least the following points should be considered:

- the parties and the contact persons
- communications
- intellectual property rights
- responsibilities and duties, e.g. where, in the process, is the responsibility transferred to the SP
- the level of service and support
- data security and confidentiality issues
- liability for damages
- handling of disputes
- handling force majeure events
- term of the contract
- cancellation of the agreement
- making data and/or documents available on or after termination.

¹ If the invoice issuer's country legislation does not require electronic signatures, the recipient country should accept invoices without a signature, even if the requirement for electronic signatures exist in the recipient country.

It will normally be appropriate to have agreements between the customer and the customer's trading partners and/or between the service provider and the customer's trading partners.

3.3 Interconnection agreement between Service Providers

It is recommended that an explicit agreement is drawn up between the Service Providers. In the agreement, at least the following points should be addressed

- the parties and the contact persons;
- general obligations of a contracting party;
- definitions of, and standards for, the contracting parties' services;
- changing the services of the contracting parties;
- service availability;
- technical solution;
- compensation for damages and limits to liability;
- confidentiality and secrecy;
- agreement validity period, and notice of termination of the contract;
- handling of disputes.

3.4 Mandatory data on the invoice

The Directive 2001/115/EU specifies the mandatory data elements for an invoice. All formats used in electronic invoicing should include this data. In addition, there can be many other data elements that are needed on an invoice, which may vary depending on the business area. This optional data must be transferred between trading partners as completely as possible. The data is discussed in detail in the CEN/ISSS CWA "Survey of VAT Data Element usage in the Member States and the use of codes for VAT Exemptions".

3.5 Conversions between formats

Conversions from one format to another are needed, as there are many individual formats in use for electronic invoicing – even within a single Member State. However, the need for conversion should be minimised wherever possible and conversions restricted to those that are necessary to bridge the differing formats of the message originator and the message end receiver, since repeated conversions may result in loss of data quality, or even loss of data, in the individual messages being converted.

3.6 Electronic signatures

The CEN/ISSS CWA "eInvoices and digital signatures" highlights some specific aspects of electronic signatures relating also third party service providers. In many Member States, electronic invoices must be signed. In this CWA, the CEN/ISSS Workshop on Invoice Interoperability would like to point out some important issues, particularly to service providers:

- in some EU Member States it is possible to sign a batch of invoices in order to guarantee an efficient process. Other countries may not allow for the batch signing. In this case, it is to be ascertained if this prohibition blindly applies to any kind of advanced signatures or solely to qualified signatures, and behave accordingly.
- the Service Provider is permitted to sign invoices on behalf of the invoice issuer, if this is agreed between the invoice issuer and the Service Provider

3.7 Cross-border electronic invoicing

In some Member States, co-operation between Service Providers has been supported in local eInvoice Forums. In order to support the cross-border electronic invoicing between traders in different Member States, an European e-Invoice Forum could be established. The consortium should be free to anyone to participate. Participation from VAT administrations and other official bodies - for example bodies involved in the regulation or accreditation of signature solutions - would be particularly welcome and help accelerate the take-up of eInvoicing in the EU.

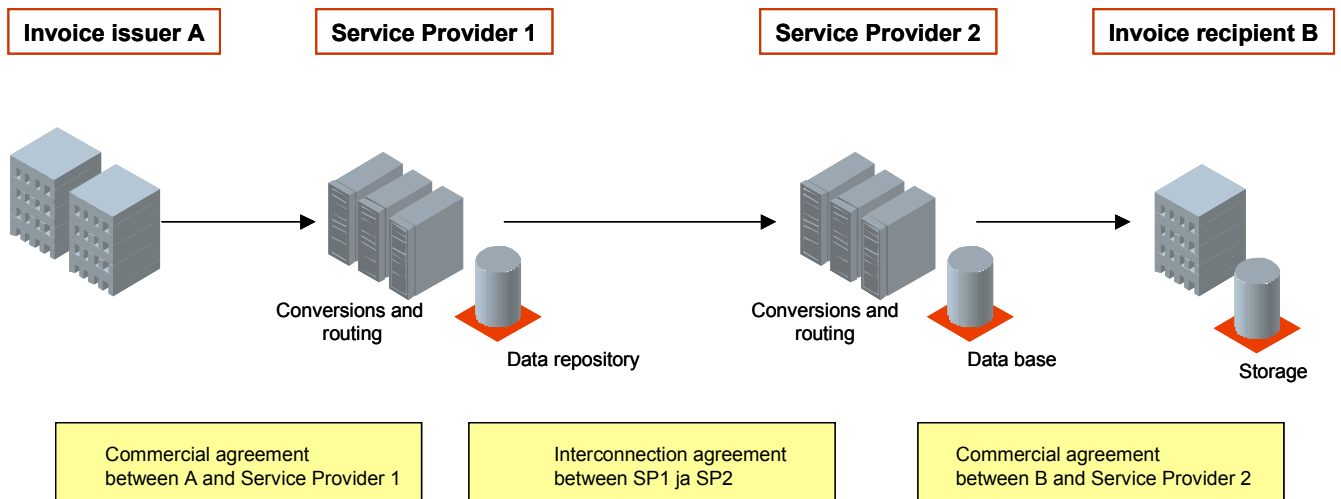
APPENDIX

Case Examples

In order to illustrate the use of Service Providers in e-Invoicing and give the reader a more concrete picture, two country specific cases are represented here as an example.

The cases here are presenting the services of the Service Providers in question, however it must be noted, that there are also other kind of services and products. The case companies are existent and the services are in daily use.

1. Invoicing between companies without digital signatures and with two Service Providers



The service should always be based on an agreement. However, as there may be a number of parties involved in the invoice exchange, there may also be the need for a number of agreements.

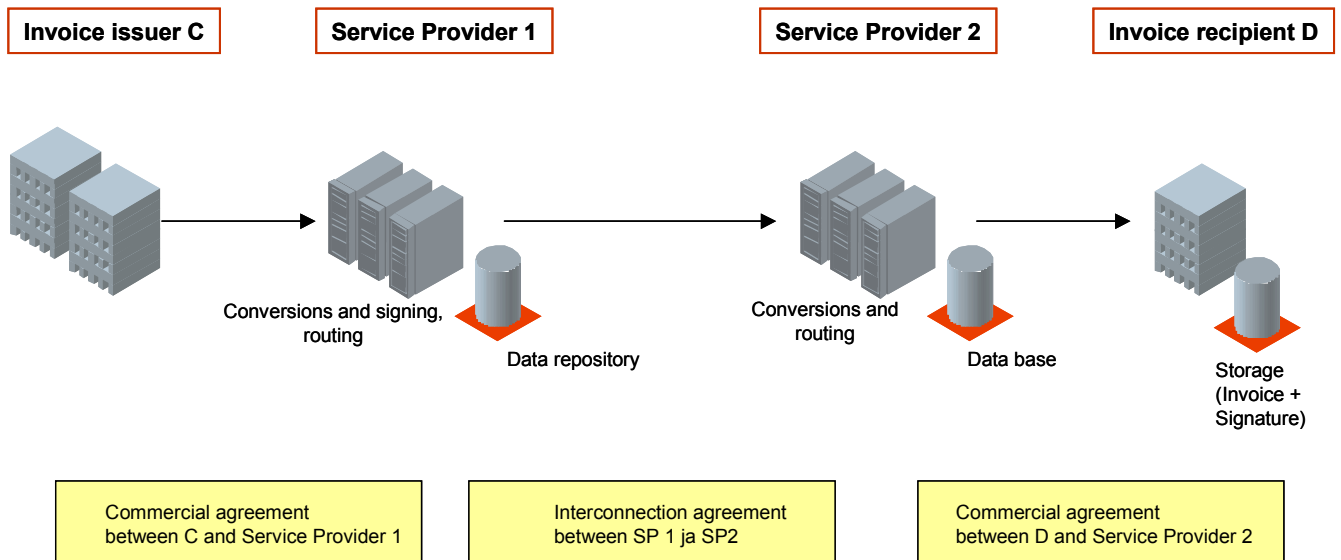
The process:

1. Invoice issuer A sends the invoice data, in his in-house format, to his Service Provider 1, typically as a set of invoices in a single batch.
2. Service Provider 1 verifies the basic correctness of the data (syntax and semantics - the level of verification performed can be agreed on between A and Service Provider 1) and sends an automatic acknowledgment of receipt to Invoice issuer A.
3. Service Provider 1 converts the data into PDF and TIFF images, local XMLformat_X, local XMLformat_Y and UN/EDIFACT Invoic D96. A data formats and stores all these formats into the data repository. (As there is not just one format for e-Invoices, the most popular formats are created in one process and stored into the repository. The receiver/receiver's Service Provider chooses which one he wants to use.)

4. Service Provider 2 retrieves the XMLformat_X data file, TIFF image and (possible) related attachments from Service Provider 1's data repository.
5. Service Provider 2 sends an acknowledgement of receipt to Service Provider 1.
6. Service Provider 2 converts the image (e.g. TIFF to PDF) and the XMLformat_X data format to the format required by Invoice recipient B (e.g local XMLformat_X to XMLformat_Z) and sends the invoice to Invoice recipient B.
7. Recipient B.sends an automatic acknowledgment of receipt to Service Provider 2.
8. Recipient B stores the invoice either himself, or by outsourcing his invoice storage to a third party.

This process follows the definition of EDI as defined in 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 ".

2. Invoicing between companies with digital signatures and with two Service Providers



1. Invoice issuer C sends the invoice data, in his in-house format, to his Service Provider 1, typically as a set of invoices in a single batch.
2. Service Provider 1 verifies the basic correctness of the data (syntax and semantics - the level of verification performed can be agreed on between A and Service Provider 1) and sends an automatic acknowledgment of receipt to the Invoice issuer C.
3. Service Provider 1 converts the data into PDF and TIFF images, local XMLformat_X, local XMLformat_Y, UN/EDIFACT Invoic D96.A data formats, signs the different images and formats, and stores them in the data repository.
4. Service Provider 2 retrieves the XMLformat_X data file, TIFF image and related attachments, including the digital signature file, from Service Provider 1's data repository.
5. Service Provider 2 sends an acknowledgement of receipt to Service Provider 1.
6. Service Provider 2 converts the XMLformat_X format to the format required by Invoice recipient D (e.g. local XMLformat_X to XMLformat_Z) and delivers the TIFF image and attachments, including the digital signature attached to the image, to Invoice recipient D.
- 7 Invoice recipient D sends an automatic acknowledgement of receipt to Service Provider 2.
- 8 Recipient D stores the invoice either himself, or by outsourcing his invoice storage to a third party.