

## Simplified Rules for VAT Invoicing

### Background

One of the main features of the VAT regime in the European Union (EU) is the VAT invoice, as this is the main tax document that determines when VAT has to be accounted for. It is also the primary document for a business to determine when it is entitled to recover what it has been charged. Historically, the invoices have been in paper form and the rules governing their content and issue have reflected this. However, increasingly businesses have been adopting electronic invoicing and although the VAT Directive provided for electronic invoicing the rules were more restrictive and not consistent across the Member States. In order to address this issue the Council of the EU has adopted a Directive aimed at simplifying the VAT invoicing requirements in particular as regards electronic invoicing.

### New Directive

The new directive seeks to ensure the acceptance by the tax authorities in all Member States of electronic invoices under the same conditions as for paper invoices and to remove legal obstacles to the transmission and storage of electronic invoices. In particular the Directive aims to achieve the following:

- That the obligation of businesses registered for VAT should be the same regardless of whether it chooses to issue paper invoices or electronic invoices.
- Invoices must reflect actual supplies and business controls can be used to establish reliable audit trails linking invoices and supplies.
- The authenticity and integrity of electronic invoices can be ensured by whichever electronic invoicing technology the business wishes to adopt. The rules will no longer require the use of certain existing technologies such as Electronic Data Interchanges (EDI) and advanced electronic signature.
- Where a business stores on-line invoices which it has issued or received, the Member State in which the tax is due, in addition to the Member State where the business is established, shall have a right to access.

The Directive also introduces measures to help national tax authorities tackle VAT fraud. These include establishing deadlines for the issuance of invoices to enable speedier exchange of information on intra-EU supplies of goods and services.

### Way forward

The Directive provides that Member States must adopt and publish, by 31 December 2012 at the latest the laws, regulations and administrative provisions necessary to comply with the Directive, with the intention that the revised rules are in force by 1 January 2013.

In adopting the Directive, the EU has acknowledged that the current provisions on VAT invoicing have led to a less than harmonised set of rules, mainly due to the options in this area available to Member States. It also acknowledges that the regulatory requirements have hindered the take up of technologies that are necessary for the development of electronic invoicing.

For a business which currently uses electronic invoicing, or wants to adopt it, there is an 18 month window in which to review their invoicing procedures to see if introducing electronic invoicing, or changing the way electronic invoicing is currently handled, will be beneficial. There would appear to be plenty of scope for savings as the EU Commission has estimated the annual cost saving for business as being up to €18 billion, if the obstacles to electronic invoicing in the VAT legislation are removed.

**Building Trusting  
and Long-lasting  
Relationships Through  
Experience, Intelligent  
Problem Solving and a  
Passion for the Possible**

Partner  
**Les Secular**  
+44 20 7868 2431  
[Les.Secular@TPCtax.co.uk](mailto:Les.Secular@TPCtax.co.uk)

Senior Tax Manager  
**Abbas Sadak**  
+44 20 7868 2434  
[Abbas.Sadak@TPCtax.co.uk](mailto:Abbas.Sadak@TPCtax.co.uk)

VAT Partner  
**Andrew Jackson**  
+44 20 7868 2436  
[Andrew.Jackson@TPCtax.co.uk](mailto:Andrew.Jackson@TPCtax.co.uk)

VAT Consultant  
**Carole Ord-Jackson**  
+44 20 7868 2433  
[Carole.Ord-Jackson@TPCtax.co.uk](mailto:Carole.Ord-Jackson@TPCtax.co.uk)

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication.

True Partners Consulting (UK) LLP would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. True Partners Consulting (UK) LLP accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

True Partners Consulting (UK) LLP is a limited liability partnership registered in England and Wales with registered number OC335920. A list of members' names is available for inspection at 68 Lombard Street, London, EC3V 9LJ, the firm's principal place of business and registered office.