ENSURING E-INVOICE COMPLIANCE

ESKER®

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> Switching from paper to electronic invoicing can dramatically improve a business's accounts receivable (AR) process; however, there are strict international e-invoicing tax compliance rules that cannot be overlooked.

As more and more companies replace their costly paper-based invoice processes with less expensive and more efficient electronic invoicing delivery and archiving solutions, they are discovering new, more effective ways to help increase their competitive advantage and business efficiency. While e-invoicing is beginning to realise its potential, one of the reasons it has not been widely adopted so far is the confusion around tax compliance.

E-invoicing on the rise

There is an increasing momentum for companies to update their business-to-business communications and send and receive invoices electronically. Two primary factors are contributing to the steady growth of e-invoicing:

1 Many governments and large corporations are adopting e-invoicing, some even mandating it.

2 The European legislative framework has become more flexible, making the requirements for proof of e-invoice validity the same as those for paper invoices.

Rules are rules

Most countries have specific requirements for processing and storing invoices so that tax authorities can easily determine, even many years later, if they are the same invoices as issued, by an identifiable source, at the time of the transaction.

In the event of a tax audit, a company must validate the integrity and authenticity of an invoice, from both the vendor and the buyer, (i.e., prove it is real and unchanged). These qualities must be verifiable from the moment an e-invoice is issued until the end of the mandatory archiving period. All documents requested by an auditor must be made available as quickly as possible, and have to be intelligible to the tax administration. Non-compliance with tax requirements can result in significant fines for a company.

How to prove e-invoicing legality

E-signatures

EDI

BCAT

Previously, electronic signatures and electronic data interchange (EDI) were the only accepted methods for ensuring e-invoice authenticity and integrity. Today, under the European Directive 2010/45, a company has more flexibility to prove the legality of an e-invoice, thanks to a newly introduced method — business controls-based reliable audit trail (BCAT) between an invoice and a supplier. This audit trail, already permitted for paper invoices, gives a step-by-step documented history of a transaction and is now accepted as evidence for proving the validity of an e-invoice.

With a variety of process approaches to ensure e-invoice legitimacy, companies need a trusted partner to help them navigate the complex universe of e-invoicing.

- E-signatures provide an unprecedented level of legal certainty, reliability and cost effectiveness
- EDI requires reliable data formatting and secured exchange
- BCAT obliges companies to show transaction proof with business records generated during the invoicing process (e.g., archived sales/purchase order, goods receipt/dispatch notes)

In this evolving context, from a legal, process and technical point of view, businesses can rely on the expertise of Esker.

All roads lead to Esker
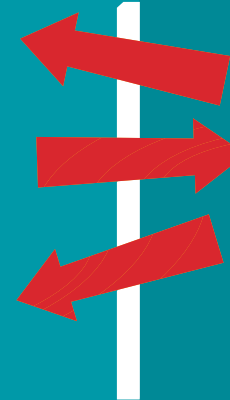
Whichever method a company may choose, Esker can support them. Through its partnership with TrustWeaver, a leading expert on e-invoicing compliance issues, Esker applies appropriate e-signatures, time-stamps and verifications to ensure regulatory compliance in over 40 countries. For those who choose to demonstrate the validity of an invoice through BCAT, the Esker audit trail and reporting capabilities make this possible. Esker keeps track of all customer orders, from receipt and posting to dispatch and electronic archiving, making it easy to retrieve orders for audit purposes. And for those with partners requiring EDI, Esker can help as well.

Esker fits the bill

Esker's ability to ensure compliance when obtaining e-signatures for specific countries played a crucial role in a leading media company's AR vendor decision. Based on a three-year analysis, the company has estimated that Esker will help them:

- Achieve a 20% increase in customer e-invoicing adoption rate per year
- Improve DSO by five days
- Grow revenue by 7%
- Save $1 million in costs

Esker automates it all

Using one integrated and cloud-based platform, companies can leverage Esker to automate any or all business document processes. Whether a business wants to automate and capture inbound documents (e.g., sales orders, vendor invoices) or electronically deliver outbound documents (e.g., customer invoices, purchase orders), it's all controlled by a single set of business rules for end-to-end automation.

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