



Mandatory e-invoicing for domestic B2B sales planned in Germany as from 2025

19 | 2023

1 Germany specifies plans for the introduction of an e-invoicing obligation

Since the publication of the EU Commission's draft directive on the introduction as from 2028 of a cross-border transactional reporting system in the European Union (draft directive on "VAT in the Digital Age - ViDA", published on 08.12.2022), the topic of electronic invoicing (e-invoicing) has been on everyone's lips: such a reporting system is based on the mandatory issuing of e-invoices. Alongside other EU member states, Germany has already declared its intention to introduce mandatory e-invoicing. In the coalition government's agreement for 2021, it spoke out in favour of the introduction of a nationwide standardized reporting system for the creation, verification and transmission of e-invoices. While neighbouring countries, such as Poland and France, have been steadily advancing their efforts to introduce mandatory e-invoicing, Germany has, until very recently, been somewhat quiet on the subject. Now, however, the first details of mandatory e-invoicing have also been publicized in Germany via a discussion paper submitted to trade and professional associations. Currently, mandatory e-invoicing and an amendment of the German VAT Act, which would enable such invoicing, is not possible according to the provisions of the EU VAT Directive. However, Germany has submitted an application for authorization under Art. 395 of the EU VAT Directive in order to pave the way for mandatory e-invoicing in Germany.

2 Introduction of mandatory e-invoicing for domestic B2B transactions

According to recent information, the Federal Ministry of Finance is considering proposing mandatory e-invoicing for domestic B2B transactions as of 1 January 2025. The Ministry's current plans provide that e-invoices would have to be issued for all supplies to another taxable person, provided that the supplies are subject to German VAT and the supplier is established



Ronny Langer
Certified Tax Consultant,
Dipl.-FW (FH)

+49 (0) 89 217 50 12-50
ronny.langer@kmlz.de

in Germany. It is not yet known whether a foreign taxable person's fixed establishment in Germany will also automatically give rise to an e-invoicing obligation.

The obligation is to be accompanied by an adjusted definition of the e-invoice: Following the ViDA proposal, only invoices based on the CEN 16931 standard (Directive 2014/55/EU of 16 April 2014) could, in the future, be considered as e-invoices. The consent requirement to receive e-invoices for these transactions is to be dropped. So far, no exemptions from mandatory e-invoicing have been provided. However, it is to be discussed whether, for example, low-value (simplified) invoices will be exempt from mandatory e-invoicing and whether further exemptions are required.

It is currently still open as to whether there will be a staggered introduction of the obligation. Different gradations are under discussion:

- Graduation according to company size: Small and medium-sized companies would, during a transitional period, still have the possibility to object to the receipt of e-invoices.
- Graduation according to invoice amount: The obligation to issue e-invoices would only apply above a certain amount. Over time, the threshold amount would be reduced until comprehensive mandatory e-invoicing applies.
- Differences in receiving and sending e-invoices: All businesses, regardless of size, would be required to receive e-invoices from 1 January 2025. Small and medium-sized enterprises would first only be required to issue e-invoices themselves in a staggered manner.

3 Transaction-based reporting system

Mandatory e-invoicing for domestic B2B transactions is only the first step towards the introduction of a transaction-based reporting system, which is not the subject of the current discussion draft. According to initial information, in future, there is to be only one electronic reporting system: This will enable transaction-based reporting for both national and cross-border B2B transactions (the latter must be reported within the framework of the proposals on ViDA). Traders will then only have to adapt to one reporting system with identical parameters. These include that only certain invoice data is required to be transmitted to the tax authorities and not the complete e-invoice. There is no provision for the tax authorities to intervene in the process of transmitting invoices to the invoice recipient. Instead, the reporting data is to be transmitted to the tax authorities via a state or private e-invoice platform. The tasks of the e-invoice platform used by the invoice issuer should then include plausibility checks (e.g. checking whether the e-invoice complies with the CEN 16931 format), extracting the reporting data and transmitting it to the state e-invoice portal or transmitting the actual e-invoice to the e-invoice platform of the invoice recipient.

4 Recommendation for practice

Businesses with B2B sales in Germany should now start dealing with the topic of e-invoices. Time flies, as it often does, and 1 January 2025 is fast approaching. Considering the fact that ERP systems must be upgraded or converted and processes must be adapted, an early start should be made on thinking about the concept and planning resources. Even if the exact details of the planned reporting system are not yet known, some companies will probably first have to make their billing processes generally suitable for e-invoices. And to avoid having to deal with the topic several times, the ViDA proposals should already start being taken into account. The planned electronic reporting system brings with it requirements that are likely to present a challenge for many currently in use invoicing processes.