



E-invoicing in Germany

What you need to know!

Germany is introducing mandatory e-invoicing (electronic invoicing) for B2B transactions as from 1 January 2025. Following a protracted process of negotiation and compromise between the Bundestag (Parliament) and Bundesrat (Federal Council), the Growth Opportunities Act (Wachstumschancengesetz) was adopted on 27 March 2024, paving the way for e-invoicing.

The following summarizes what affected businesses should know about the upcoming rules and what actions they should begin taking to prepare for mandatory e-invoicing.

What is an e-invoice?

E-invoicing is the exchange of an electronic "document" between a supplier and a buyer. An e-invoice is issued, transmitted and received in a structured electronic format that also enables the electronic processing of the invoice.

The German e-invoicing rules are in line with the EU "VAT in the Digital Age (ViDA)" proposals (which will make e-invoicing the default standard throughout the EU) and the EU e-invoicing standard CEN 16931. In principle, the following formats will comply with CEN 16931:

- ▶ ZUGFeRD: Hybrid format: Human-readable PDF/A-3 with an embedded XML file in the syntax „Cross-Industry Invoice" (CII)
- ▶ XRechnung: XML file in the syntax „Cross-Industry Invoice" (CII)
- ▶ XRechnung: XML file in the „Universal Business Language" (UBL) syntax

Other electronic formats will be allowed provided a consent of the format between issuer and recipient of the e-invoice, accurate and complete information as required can be extracted in the CEN 16931 format and interoperability between the used format and CEN 16931 is given, respectively.

Other forms of invoices, such as the standard PDF invoice as an email attachment or a paper invoice, will continue to be possible as "other invoices" (e.g., for B2C supplies).

Who will be required to issue e-invoices?

Under Germany's current rules, e-invoicing is only required for public contracts. Starting in 2025, entrepreneurs that are established in Germany (unless they only carry out VAT-exempt B2B transactions in Germany) will need to ascertain whether they fall within the scope of the mandatory e-invoicing rules. Affected businesses include:

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- ▶ Entrepreneurs that have their seat (registered office) or place of management in Germany; and
- ▶ Businesses that have a fixed establishment in Germany that is involved in the transaction (or, if they do not have a registered office, their domicile or habitual residence is in Germany).

If the conditions are fulfilled and the taxable supply is made in Germany to another German-established entrepreneur, an e-invoice will have to be issued. The only exception from the e-invoicing obligation will be for small-value invoices (i.e., where the gross invoice amount does not exceed EUR 250) or travel tickets that function as invoices.

Are there transitional rules?

E-invoicing in Germany will be introduced in stages, with some transitional rules:

- ▶ **1 January 2025:** Covered businesses will have to be able to receive e-invoices in the above standard CEN 16931 formats as from 2025—there are no transitional rules for the receipt of invoices. If an invoice issuer intends to send e-invoices from 1 January 2025 and the recipient of the supply is an entrepreneur established in Germany, the recipient will be required to be equipped to receive e-invoices for VAT purposes.

Both e-invoices and paper invoices will be allowed on a temporary basis. Entrepreneurs will be able to issue paper invoices without the recipient's consent or send PDF or other electronic format invoices with the recipient's consent through 31 December 2026.

- ▶ **1 January 2027:** Entrepreneurs whose total annual turnover exceeds EUR 800,000 will have to issue e-invoices. Paper invoices will continue to be permitted until 31 December 2027 for small and medium-sized enterprises with total turnover not exceeding EUR 800,000 and for EDI invoices.
- ▶ **1 January 2028:** All entrepreneurs in Germany who meet the above requirements will have to issue B2B e-invoices.

What steps should be taken?

While the introduction of e-invoicing in B2B transactions will result in substantial changes for affected businesses, it will bring considerable efficiencies in the form of automation, quicker processing times for invoices and likely reduced administrative burdens.

Businesses should begin now to review their ERP systems or invoicing software to determine whether they are equipped to create e-invoices—for example, whether updates to existing systems will suffice or whether additional tools/add-ons will be needed. More importantly, businesses will need to ensure they are able to receive e-invoices starting on 1 January 2025.

In addition to an „IT review,” businesses should use this opportunity to analyze other systems and processes (e.g., purchasing and sales (prices), financial accounting, invoicing, invoice dispatches, etc.). Such an analysis should be conducted with a view to centralization and standardization and achieving greater efficiencies and potential cost minimization, particularly if the extended reporting obligations under the ViDA initiative are taken into account.

Entrepreneurs will have to determine whether the manual entry and creation of e-invoices, e.g., via a federal platform, is sufficient or whether an alternative solution is needed due to the number of e-invoices. This will involve choosing between:

- ▶ Updating ERP systems and directly creating e-invoices in the system; and/or
- ▶ Using an external service provider for the creation of e-invoices.

In either case, the mapping of invoice information from existing ERP or invoicing systems to the required CEN 16931 format likely will give rise to challenges. BDO will be happy to help with the transition to e-invoicing.

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