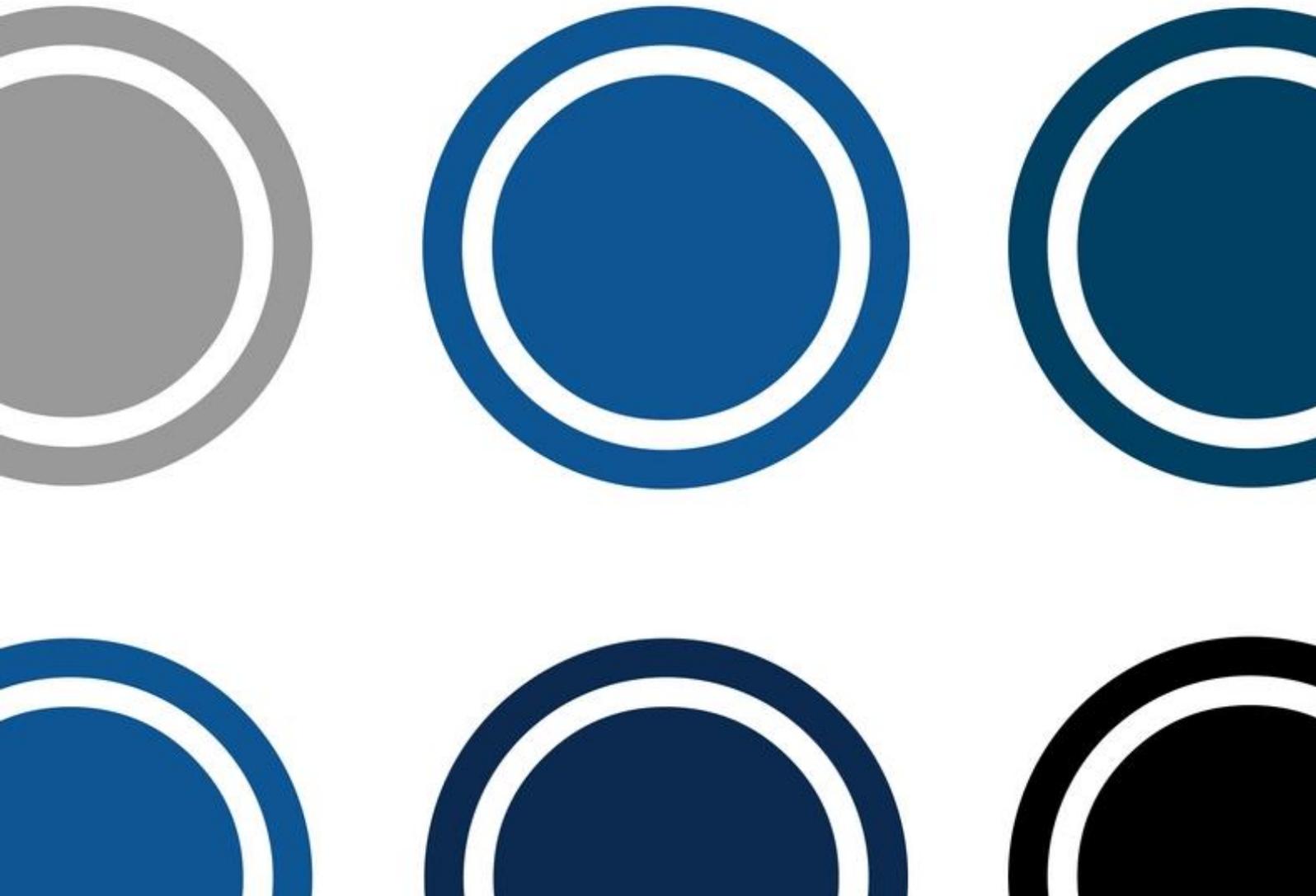




# The Benefits and Basics of Electronic Invoicing

**A Celtrino Guide**



# Electronic Invoicing

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## What is e-invoicing?

Electronic invoicing (e-Invoicing) is the exchange of an invoice document between a supplier and a buyer in electronic format. E-Invoices are a legally recognised alternative to paper invoices and carry the exact same validity, however e-invoices are exchanged in a structured format that allows for automatic processing in the recipient's back office systems, rather than through manual data entry.

The physical nature of paper invoices means they must be manually handled and exchanged, making them more prone to human error, resulting in increased costs for businesses.

## Types of e-Invoicing

The main objective of e-invoicing is that the invoice can be structured in such a format that allows the buyer to automatically process and read the invoice data in their business systems. However e-invoices can also be monitored visually and processed manually, if the user so prefers.

At a superficial level e-invoices can be categorised as 'structured' or 'unstructured'. Strictly speaking, only 'structured' invoices are true e-invoices; 'unstructured' invoices fall into the broader category of 'digital invoicing'.

Unstructured invoices are those that are sent in PDF/Word/Spreadsheet/JPG format, mainly by email. While these invoices do remove the physical element of the traditional invoice, they still need to be read manually and entered into the company's Accounts Payable (AP) Systems.

Structured e-invoices contain data in machine-readable format that can be automatically imported into the buyer's AP system, so the buyer doesn't then need to perform any manual intervention. For e-invoices the visual format is not so much of an issue, as the objective is not to view the invoice - due to all the information being automatically processed. Structured e-invoices are issued in Electronic Data Interchange (EDI) or XML formats.

With structured e-invoices the computer does the work a finance/accounts/admin team traditionally had to in terms of managing the incoming invoice. This frees up time for the staff to dedicate elsewhere. In small businesses, where the owner might manage this process due to a shortage in staffing resources, e-invoicing is of huge benefit.

## How it Works

E-Invoicing gives buyers and suppliers the ability to trade electronically with each other. The invoice is a key document in the trading cycle for both purchase-to-pay and order-to-cash processes.

E-Invoices can be generated as a response to a purchase order sent by the buyer and are also perfectly suitable for trading cycle business practices.

Structured e-invoices can be sent to the buyer via a Suppliers' Accounts Receivable System or a web-based form. The invoice will be imported directly in to the buyer's AP application. Unstructured invoices can be simply sent via email.

For the buyer, all structured e-invoices are presented to them in electronic format and processed within a secure online account. There's no need for them to invest in internal software or expensive IT resources – structured e-invoices easily integrate with their existing systems. E-Invoicing frees up resources and reduces the burden on finance teams by removing the need to manually approve, monitor and store paper invoices.

Users have instant visibility of all live and historical transactions, and can react quickly to customer demands.

Many suppliers may be tempted to create the invoice in the quickest and easiest way possible, even if it is an 'unstructured' format. However the format of the e-invoice is driven by specific regulations of the countries in which both businesses are trading. Standards do vary by country and some have little or no restrictions in play. Complying with these regulation does, however, ensure that VAT obligations are facilitated, and it is a legal requirement.

For public sector buyers and their suppliers in the EU, e-invoices must comply with [the European e-invoicing standard](#) and be presented in standardised, structured data format - so a simple PDF invoice will not suffice.

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Source: CEF Digital

## E-Invoicing Benefits

Compared to paper invoices, e-invoices are easier to process, they reach the customer faster and can be stored centrally at very low cost. A report by the European Commission predicts potential annual benefits of up to €40 billion across Europe in the business-to-business field alone.

### Benefits to Suppliers

#### 1. Cost Savings

Adopting e-invoicing allows supplier invoices to be handled and stored much more efficiently, and eliminating paper leads to overall savings in postage, printing, and storage of paper.

Stamps and envelopes alone can produce significant business costs as time goes on.

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## **2. Reduction in Business Administration and Increased Productivity**

E-Invoicing provides full visibility as to whether customers have received an invoice and the time they received it at. This reduces the need for enquiry driven phone calls, freeing up time for Customer Service or Business Owners to address other business issues. The customer no longer needs to manually re-key the invoice data, reducing the potential for data entry errors, meaning fewer rejected invoices that have to be addressed.

## **3. Faster payments and greater efficiency**

The transfer of the invoice is naturally much quicker when done electronically as opposed to by post. E-Invoicing also eliminates any delays that may result from a customer manually sorting the invoice data into their own back-office systems. The data is immediately available to the customer in their systems, so the invoice can be routed for faster approval.

As a result, suppliers get paid quicker.

## **4. Improved customer satisfaction**

Customers can approve and process invoices much quicker, with no risk of human errors, meaning they are spending much less time dealing with the supplier on the administration side of things, leading to increased overall satisfaction with the supplier.

## **5. Less Security Risk**

The entire process is monitored carefully and can be tracked, eliminating human error that may lead to data breaches, as well as enabling the supplier to fight any cases of fraud.

## **6. Regulatory Benefits**

E-Invoicing also helps businesses to stay tax compliant, as the process ensures guaranteed data accuracy.

E-Invoicing enables suppliers to connect with the Public Sector, and on a wider geographical scale, due to the mass adoption of electronic invoicing within the EU, Supported by EU legislation.

## **Benefits to Buyers**

### **1. Business Savings/Increased Productivity**

Elimination of manual handling of the supplier invoice and less time spent manually inputting invoice data into AP systems, ensures that AP staff can focus their energies elsewhere.

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## 2. Increased accuracy

E-Invoicing eliminates the reliance on error-prone, manual re-keying of data, which also reduces overall business costs for buyers. E-Invoices are automatically processed in the buyers' back office systems.

## 3. Less interactions with the supplier

Trading electronically reduces the number of supplier disputes. There are less instances of the supplier querying any details, or enquiring as to whether the invoice was received correctly. This ensures the buyer's customer service team has more time to tackle other issues. For those buyers that trade with, and manage, lots of suppliers this is a huge business benefit.

## 4. Faster payment/More trade discount opportunities

Invoices can be processed and approved much quicker by the buyer, which leads to faster payment. This ensures buyers avoid any penalties for late payments, and suppliers often offer discounts for those who settle invoices early.

## 5. Improved relationships with suppliers

Suppliers are paid quicker and buyers have less customer service queries, which ensure more collaborative business relationships between both trading partners.

## 6. Environmental Benefits

E-Invoicing helps the environment by reducing paper usage and encourages businesses to become more environmentally conscious overall.

## Summary of cost/resource savings

Supplier	Buyer
Less postal costs and cost of Paper and printing	Elimination of manual handling of the invoice
Key labour savings of less manual effort associated with debt collection and dispute resolution	Quicker review and approval of invoices
Automated entry of information into back office systems	Automated entry of information into back office systems
Faster payments and better relationships with buyers	Improved payment scheduling and avoidance of late payments
Less manual labour to prepare and send the invoice	Reduced archiving, handling and storage costs

## European e-invoicing Standard

In 2014, the European Parliament and Council voted on Directive 2014/55/EU – on e-invoicing in public procurement. The objectives of the Directive are to create a standard that incorporates widespread adoption across the European Union. It dictates that “EU Member States shall adopt e-invoicing so that it will become mandatory for all contracting authorities and their suppliers to receive and process e-invoices complying with the European standard, by April 18<sup>th</sup>, 2019”. Public Sector bodies will be obliged to accept and process (in whatever way they choose) structured e-invoices by this date. Suppliers are not yet obliged to comply, however this will be implemented in the near future. All EU member states will implement the standard.

Standardising invoicing contributes to the removal of technical barriers to trade, increases market access and international trade, enhances cooperation at international level, and helps EU organisations to access global markets. The standard is designed for services as well as products, and this in itself opens a huge new market in the public sector and its supply chains.

### How the Standard works

A key objective of the standard is to make it possible for suppliers to send invoices to all their relevant customers, using a single format.

To achieve this the core elements of an e-invoice are defined in a semantic data model, which includes a list of all business rules and terms that may be used in a compliant invoice, and how they should be interpreted and read.

In order for information to be successfully exchanged between trading partners, it must be understood in the same way by both parties, and expressed in a format that both parties understand, using a method that both parties can access. By using manual processing and data entry, errors in data can be accounted for using common knowledge, experience and human awareness, however when information is exchanged automatically between business systems it needs to be precise.

The semantic model can be bound to a message syntax to create structured messages (based on existing standards) that can be exchanged and automatically processed. The syntaxes supported are the UBL 2.1 Invoice message and the UN/CEFACT Cross Industry Invoice (CII) message. Syntax bindings are also provided for EDIFACT.

CEN (the European committee for standardisation) were tasked with drafting the semantic data model and preparing its supporting elements, including the message syntax, transmission guidelines, extensions and implementation guidance.

The European E-Invoicing Service Providers Association (EESPA) have outlined some Key features of the EN standard:

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- It can be mapped into and out of other common standards and the data models embedded in most service provider platforms.
- It fully supports the EU VAT regime in all its aspects: various VAT rates, exempt and zero-rate transactions. It even can be adapted for certain VAT-like taxes in Member States. The invoice will support the various recognized methods for demonstrating authenticity and integrity such as digital signatures, EDI and Business Controls.
- It will be possible to create Extensions to the core invoice to meet specific industry or country needs.

## EU funding

Under the Connecting Europe Facility (CEF), EU funding is available to support e-invoicing activities, each year. A European e-Invoicing project called “POOL-TSPs” has been approved and granted by the European Commission through the CEF e-Invoicing call.

The objective of POOL-TSPs Project is to upgrade 10 e-invoicing solutions (EDI providers across Europe, who are also certified PEPPOL Access Point providers) to comply with the European e-invoicing Standard.

Celtrino are one of the 10 solutions selected.

## Celtrino e-Invoicing

### Background

As a leading EDI Managed Service Provider in the UK and Ireland, and a supply chain automation specialist, Celtrino is committed to making business easier and more profitable for customers and their trading partners. Celtrino’s pioneering e-invoicing network delivers innovation and expertise to transform the way companies do business.

Celtrino have been at the heart of electronic trading for almost 30 years, and operate in diverse sectors. Celtrino platforms process:

- More than 25 million business critical transactions annually.
- Transactions worth almost €5 billion.
- On behalf of 1,000 customers through 13,000 trading relationships worldwide.

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## Celtrino and the EU Standard

The EU Directive dictates that all contracting authorities have to accept e-invoices that comply with the European norm. However nationally specific rules around e-invoicing still remain valid.

To alleviate this, Celtrino have been selected by the CEF to upgrade its digital services infrastructure to support the exchange and processing of the European Standard for e-invoicing using latest eDelivery components including AS4 and SMP.

This enables organisations to trade effortlessly with any European public and private sector partners.

## Why Celtrino?

Using Celtrino as an e-invoicing partner ensures that regardless of the method used to digitally create and send the invoice, it can be easily converted into an e-invoice structure, and imported in to the buyer's AP application. The fact that the e-invoice is structured means that the information in it can be readily leveraged for business insights. Celtrino provide services to suppliers and buyers for them to capture these business insights

Celtrino provide instant visibility of all transactions, and enable users to react quickly to customer demands and access real-time data for better decision making.

Celtrino have 30 years' experience in e-invoicing solutions.

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