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International network of lawyers, patent attorneys,
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Electronic invoicing in Italy

The Problem

Leader in Europe

Electronic invoicing has been mandatory in Italy since 1 January 2019. The new requirement is aimed at combating VAT evasion and was introduced without any transition period. In doing this, Italy is leading the way Europe-wide.

Mandatory electronic invoicing

This article is not a how-to guide on electronic invoicing; rather it attempts to explain the principles of electronic invoicing for anyone who wants a general overview but cannot or does not wish to engage with the detail.

Trasmission invoices via e-invoicing portal providet by the tax authorities

Electronic invoices can only be transmitted via the dedicated e-invoicing portal (called "SDI") provided by the tax authorities. They are first sent from the issuer of the invoice to the tax authority, and then from the tax authority to the recipient (which means that the tax office will have virtually all invoices issued in Italy).

XML – specific electronic format

An electronic invoice is any invoice issued and received in a specific electronic format (XML format). Invoices in PDF format sent via email, for example, do not count as electronic invoices. Archiving of invoices in paper format has also been abolished and replaced by digital archiving. If an invoice is not issued in the required electronic format, it will be deemed not to have been issued.

for all transactions subject to VAT performed by Italian VATable entities

Electronic invoicing is mandatory for all transactions subject to VAT performed by Italian VATable entities, regardless of whether the recipient of the product or service is a company or a private individual. The new rules also apply to Italian establishments of foreign companies. Taxpayers who use the Italian preferential flat-rate tax scheme (the "Forfettari" regime) and foreign companies registered for VAT in Italy are exempt from the requirement to issue electronic invoices. The only invoices which are exempt are those received from entities abroad. However, invoices sent to customers abroad can be issued electronically.

fundamental change and a major challenge

In business administration terms, the introduction of electronic invoicing constitutes a fundamental change and a major challenge. Invoices delivered on paper or PDF are no longer binding (PDF invoices are still frequently sent as "backup copies") and all invoice recipients, particularly business owners of course, must download invoices sent to them from the Italian tax authority's portal.

Conclusion

Big changes

Electronic invoicing will mean major changes in terms of companies' administrative practices and for the role of accounting departments in particular, whose work in future will be less about data entry and more about "data channelling". Although the introduction of electronic invoicing will reduce the administrative burden on companies in the medium term, it currently means significant extra work.

The introduction of e-invoicing can be compared with the advent of internet banking. Today almost nobody goes to the bank to carry out simple transactions, and from 2019 in Italy, printing and physically sending invoices to recipients and invoice entry in the traditional sense will similarly be a thing of the past.

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Germany
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VAT in online trading

The Problem

In Germany, the Gesetz zur Vermeidung von Steuerausfällen beim Handel von Waren im Internet und zur Änderung weiterer steuerlicher Vorschriften (Act on the prevention of tax losses on the trade of goods on the internet and amending other tax regulations) entered into force on 1 January 2019. In enacting this legislation, Germany is following the example of other European countries which have incorporated new record-keeping requirements and liability rules for operators of electronic marketplaces into their VAT laws.

New provisions on record-keeping and liability

Record personal data

Under section 22f of the German Umsatzsteuergesetz (VAT Act, UStG) operators of electronic marketplaces are now required to record personal data of their traders if supplies made by those traders are taxable. These records include a tax registration certificate issued by the fiscal authorities.

liability

Another new provision, section 25e UStG, makes the operators of electronic marketplaces liable for VAT which traders do not pay. This liability can be avoided if the operators have complied with their record-keeping obligations under section 22f UStG.

submit a tax registration certificate as soon as possible

This means that a registration certificate issued by the fiscal authorities will normally rule out liability on the part of the marketplace operator. In practice, operators will limit their liability by locking out traders who do not submit a tax registration certificate. Traders, including those from elsewhere in the EU or third countries, should therefore submit a tax registration certificate to the operator of their marketplace as soon as possible. Additionally, traders from outside the EU will need a tax representative in Germany from 1 January 2019.

serious VAT implications

Since Amazon introduced its PAN-EU programme about three years ago, if not before, the risk for traders of falling foul of EU VAT legislation has increased enormously. The PAN-EU programme has been designed by Amazon to be financially attractive (it offers savings of €0.50 per delivery) and enables Amazon to transfer goods between its consignment warehouses (referred to as "FC transfers" within the EU as required. Traders often do not consider the serious VAT implications that result from this.

Example

If goods that were previously delivered to consumers in Germany from an Amazon warehouse in Germany are now supplied from an Amazon warehouse in Poland, the resulting transactions are taxable in Poland (where VAT is 23% instead of 19%). Only after the threshold of €100,000 is reached will the right of taxation revert to Germany and the arrangement that was in place before the trader entered the PAN-EU programme be re-applied. The trader must now register for tax in Poland and submit monthly VAT returns and recapitulative statements. These Amazon goods transfers (FC transfers) are also notifiable VAT events, either as intra-Community acquisitions or intra-Community transfers, for which pro-forma invoices must be issued.

Conclusion

As tax advisors and accountants, we too face major challenges in relation to the correct recognition of the enormous quantities of data that online trading generates. Ultimately, we can only offer our services within a reasonable timeframe and so offer acceptable value for money if

a. data is processed automatically – not just for VAT purposes but also for statistical purposes (Intrastat),
b. we have access to a network of reliable tax advisors in other European countries,
c. subsidiary ledgers, for Amazon in particular, are generated automatically in data portals and the data is then aggregated and assigned to accounts.

The Ars Legis network offers solutions that provide all of these. Ask your local tax advisor about them. He or she will be delighted to help you to find the best solution for you as a trader and for us as tax advisors.

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