Electronic invoicing (e-invoicing)

A guide for organisations and institutions
Electronic invoicing is a great way of speeding up payment procedures and creating lean, efficient structures and processes, especially in organisations handling large numbers of transactions. In other words, e-invoicing can cut the costs of issuing, sending, storing, accessing and archiving business information. Various studies have demonstrated potential savings of up to 70% by comparison with paper billing. Even if you’re dealing with relatively small numbers of transactions, lean, efficient processes can also facilitate substantial improvements. In any case they’ll enable you to optimise your cash flow.

To tap into these benefits you first have to negotiate a few legal and formal obstacles. Implementing an e-invoicing process entails specialist know-how and certain start-up costs, because it involves getting your organisation, your processes and your systems fit for the digital handling of invoices.

**What’s it all about?**

This brochure is designed as a guide to help people managing SMEs and institutions who are planning and implementing an electronic invoicing system. You’ll find a summary of the most important legal matters to consider, the pros and cons of e-invoicing, and the main risks. We also give recommendations on what to look out for when introducing e-invoicing, as well as the best way to proceed. Rather than addressing all the tax and commercial law implications in exhaustive detail, we’ve deliberately focused on the key matters relevant under Swiss legislation. We’ve also elected not to look into the exchange of electronic invoices on an international basis.

**What laws apply?**

E-invoicing is subject to certain legal requirements under commercial and tax law. In some cases the rules overlap.

a.) Basic provisions contained in the Swiss Code of Obligations (Art. 958f CO) are formulated in more concrete form in the ordinance on the maintenance and preservation of business records (GeBuV). Under the Code of Obligations, any entity entered in the commercial registry must keep and retain its accounting records and accounting vouchers in printed, electronic or comparable form. GeBuV breaks down the storage media permitted for electronic vouchers and invoices into:

- alterable storage media (magnetic tapes, magnetic or magnetooptical disks, hard and removable disks, solid state storage media) with integrity protection (electronic signature or software protection)
- unalterable storage media such as paper (write once read many), CD-R, DVD-R and UDO (ultra density optical)

b.) The ordinance of the FDF on Electronic Data and Information (OEIDI) is based on the Value Added Tax Ordinance (VATO). The OEIDI defines the requirements to which data sent and stored electronically are subject in terms of input tax, tax collection and documents that are readable without the need for other aids. The requirements set down in the OEIDI are particularly relevant in the event of checks by the Federal Tax Administration (FTA). They define:

- the use of advanced electronic signatures
- audit trail (key checks)
- the retention of electronic invoices in their original form
- documentation relevant to the verifiability of data processing systems

**What are the practical issues?**

The requirements you have to meet with electronic invoicing are complex, and even more complex if you’re obliged to take account of rules in different countries. If you want to introduce e-invoicing in your organisation, you have to find solutions to the following issues:

**Electronic signature**

In Switzerland and certain other countries your electronic invoices generally have to come with an advanced electronic signature (based on a certificate from an accredited
issuer). This way an electronic invoice has the same legal validity as a printed invoice. It links data with the invoice in such a way that any subsequent changes in the data are clearly visible. You have to use an advanced electronic signature as defined in the OEIDI. In addition, you must also have a certificate issued in the name of natural persons or legal entities.

The law leaves it up to you whether you sign your bills yourself with the relevant technology in house or delegate the authority to do so to a specialised service provider. If you sign bills yourself, you should weigh up the costs of the necessary infrastructure against the efficiency gains. The recipient of an e-bill is obliged to check the signature and the authenticity of the bill before processing, on either an automated or a manual basis.

Completeness of billing data

The above-mentioned legislation stipulates the content and form of the data included on your electronic bills. The recipient of the bill can only safely claim the input tax deduction if you meet these requirements.

Retention

Electronic bills qualify as relevant business records and are subject to the requirements described above. As a rule they must be retained for ten years, analogous to printed invoices (subject to certain exceptions and limitation period). You have to assure that the archived information is authentic, unalterable, complete, accessible and comprehensible over the entire retention period. It’s important that you retain electronic bills in the form in which they were transmitted to you. Remember:

- Only an electronic bill bearing an electronic signature is deemed to be a valid original record for VAT purposes. In other words, a paper printout of an electronic bill is not sufficient.
- The genuineness of the data must be verifiable for the entire duration of storage.

Solution design description

Under Swiss law you must document procedures in connection with the electronic processing and archiving of records and vouchers. This means the processes related to electronic billing have to be documented verifiably, even if you outsource the electronic signature process or parts of the overall process. It must be possible for a competent outsider to verify your bills, transactions or billing procedures rapidly. You are free to choose how you present these records, what technology you use to do so, and by whom you have them produced. The scope of these records must be appropriate to the complexity of your billing process and systems. You are responsible for the completeness and informative content of these records as mentioned in the tax authorities.

In every case, we recommend covering the following areas in your procedural records:

1. Legal requirements
   - What legal requirements are relevant for your organisation?
   - Do certain industry-specific requirements apply?

2. Requirements independent of the process
   - Who is responsible for the entire business of processing e-invoices?
   - Does your infrastructure meet the relevant requirements in terms of emergency recovery?

3. Processes
   - What processes do your vouchers undergo?
   - Which steps in the processing of invoices are automated?
   - What do you do by hand, and who gives the relevant instructions?

4. IT
   - Who manufactured your application?
   - What version do you use?
   - How are interfaces to other systems designed?

5. Quality
   - Which controls are performed manually and which automatically (e.g. reconciling amounts, checking master data, etc.)?
   - How do you make sure your invoices are complete?
   - How are signatures verified?
   - Are these controls part of your system of internal controls?

Audit trail

The OEIDI requires straightforward checks on all business transactions. The precise wording is as follows: “It must be possible to check each business transaction individually at all stages from the accounting voucher to the accounting books and from there to the value added tax return without unreasonable delay or significant cost, as well as in the other direction.” In concrete terms this means that you have to logically link vouchers in the accounting system with those in the archive. So all vouchers subject to compulsory archiving must be retrievable with reference to the relevant business transaction. You can ensure this either via a direct audit trail in the system, or via an indirect audit trail (e.g. via the invoice number).

It must be possible to verify an e-invoice’s electronic signature during the entire retention period. If you have vouchers stored by a third party, you must ensure you have access to the relevant information and records. It’s advisable to set down this point contractually.

Readability

Your IT system must present stored data to an auditor in an “easily comprehensible” form. It must break down the data and present it on the screen in such a way that an auditor can keep track of the information and interpret the data correctly.
What else has to be considered?

Industry standards
The law does not lay down specific technical requirements in terms of the format of electronic invoices. We recommend adhering to the standards of your particular industry. You’ll find an overview of the most common standards and their application with your industry association.

Customer needs
Switching from paper to electronic invoicing doesn’t just mean meeting the legal requirements described above. You also have to realise that customers who receive electronic invoices also have requirements and expectations of the relevant processes and systems. For this reason you should make sure you coordinate the formats of future invoices and your electronic invoicing process with the needs of your customers.

Outsourcing
You can formally delegate the authority to conduct the e-invoicing process or parts of it to an external provider. Under an agreement of this sort you can outsource the following tasks in return for a consideration:
- Translating billing data into the format desired by the recipient of the invoice
- Adding an electronic signature to invoices
- Creating an additional file in optically readable format (PDF, TIF, etc.)

Outsourcing e-invoicing entails fewer initial costs than doing it yourself and enables you to match the effort and expense involved to your resources. When deciding whether or not to outsource you should think about factors such as transaction volumes, the desired degree of flexibility, the complexity involved and the operating costs.

In-house e-invoicing
If you set up your own e-invoicing system you should make sure you do the following:
- Set up and operate an infrastructure for issuing and checking electronic signatures
- Acquire and manage certificates for creating signatures and sending invoices
- Set up and operate a system for the documented exchange of documents with your customers
- Integrate IT systems
- Ensure and maintain support for invoice formats and interfaces to your customers
- Create readable data formats
- Archive invoices within an electronic environment meeting the relevant commercial and tax law requirements

What points have to be clarified?

In most cases the data for an electronic invoice originate from your ERP or invoicing system. This means you should talk to the provider of your application to find answers to the following questions:
- Can your software share invoices and other documents with third parties via an interface?
- What version do you need to allow sharing? In addition to the sharing process, can the process of entering and booking the invoice also be automated?
- Is your invoicing system able to deliver and export invoicing data in structured form in line with the requirements of the law and the needs of your customers?
- Transmitting electronic invoices to recipients
- Providing legally compliant archive data
- Running an electronic archive
- Providing additional e-invoicing services

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- Is your invoicing system able to deliver and export invoicing data in structured form in line with the requirements of the law and the needs of your customers?
- Is the process of how data are exported documented?
- What interfaces already exist for sharing electronic data?
- What standard formats does your invoicing software support?
- Does your invoicing software allow you to define whether an invoice is sent to your customer in printed or electronic form?
- Has the manufacturer given you procedural documentation for your invoicing software?
- Is your invoicing software able to reconcile accounts and VAT returns?
- Does your invoicing software support compliant archiving of electronic invoices
If you opt for electronic invoicing you should weigh up the risks first. Here we've summarised the major risks and suggested ways of tackling them.

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<th>Risk</th>
<th>Occurs</th>
<th>Possible counter-measures</th>
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| Your existing processes may not continue to function properly during the switch | When you're making the changeover to electronic invoicing | → Document and check processes and IT systems under the old and new procedure  
→ Make sure you have homogeneous invoicing and master data  
→ Reconcile both procedures with your accounts  
→ Regularise non-electronic business processes |
| Invoice recipients aren’t able to verify your invoices automatically without a time-consuming follow-up | When assembling invoicing data | → Reconcile invoicing and master data with your customers or business partners  
→ Regularly check that the data is current and correct  
→ Train your staff |
| You use inappropriate software, IT systems and procedures (e.g. for signatures) in violation of FTA rules | During execution of the process, signatures or archiving | → Produce legally required procedural records and update them regularly  
→ Include legal compliance in the specifications for software and IT procurement  
→ Set down a policy for using electronic signatures?  
→ Make sure conformity of invoicing data and signatures is checked as part of the process  
→ Make sure the solution is compatible with IT security and internal rules (e.g. directives)  
→ Make sure the signature can be verified for the entire storage period |
| Invoices or logs go missing before the storage period has elapsed | When electronic invoices are archived | → Identify data and documents that are relevant in terms of archiving  
→ Define retention period for data, documents and signatures  
→ Define, describe and implement archiving process, including responsibilities  
→ Formulate archiving policy and make sure it conforms with IT security  
→ Assure integrity, availability and readability of documents and data  
→ Train system administrator and users  
→ Ensure archived data are safeguarded in the event of catastrophes and incidents  
→ Define, document and review procedures |
| There's no clear demarcation of tasks between your people and specialist providers, misunderstandings arise, duties remain unperformed, or the service provider goes out of business | When outsourcing and delegating processes, tasks or systems to specialist providers | → Obtain independent, up-to-date confirmation of compliance with laws and regulatory requirements  
→ Clearly define what you do yourself and what you outsource  
→ Allow remigration of data  
→ Monitor processes and controls  
→ Obtain references for specialist providers  
→ Set down the specialist provider’s tasks and services in a contract |
If you’d like to discuss your plans for introducing electronic invoicing with an expert, please feel free to contact our specialists:

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**Where can I find out more**

You’ll find more information on electronic invoicing here:

→ **Flyer: Damit die Daten laufen und die Gelder fließen**  
  www.pwc.ch

→ **www.estv.admin.ch**  
  Federal Tax Administration

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