EUROPEAN
COMMISSION

Brussels, 10.2.2020
SWD(2020) 29 final

COMMISSION STAFF WORKING DOCUMENT

EVALUATION

Accompanying the document

REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

assessing the invoicing rules of Directive 2006/112/EC on the common system of value added tax

{COM(2020) 47 final}

Table of contents

Glossary

BAU	Business-As-Usual
BCAT	Business Controls that create a reliable Audit Trail
Bn	Billion
B2B	Business-to-Business
B2C	Business-to-Customer
B2G	Business-to-Government
DG TAXUD	Directorate General for Taxation and Customs Union
EC	European Commission
ECB	European Central Bank
EDI	Electronic Data Interchange
eIDAS	electronic IDentification, Authentication and trust Services
EMSFEI	European Multi-Stakeholder Forum on Electronic Invoicing
EO	Economic Operator
ERP	Enterprise Resource Planning
EU	European Union
EUR	Euro
GDPR	General Data Protection Regulation
IO	Issuance of an Invoice
I&A	Integrity and Authenticity
MNC	Multinational Corporation
MS	Member State(s)
MTIC	Missing Trader Intra Community
OCR	Optical Character Recognition
OECD	Organisation for Economic Co-operation and Development
PC	Public Consultation
PDF	Portable Document Format
PI	Private Individuals
p.p.	Percentage Points
QES	Qualified Electronic Signature
SID	Second Invoicing Directive (Directive 2010/45/EU)
SME	Small and Medium-sized Enterprise
SP	Service Provider
TA	Tax Authority
VAT	Value Added Tax
VTTL	VAT Total Tax Liability
VP	VAT Practitioner
XML	Extensible Markup Language

1. INTRODUCTION

1.1. Purpose and scope

This Staff Working Document sets out the results of the evaluation of the invoicing rules laid down in Directive 2006/112/EC ('the VAT Directive'). Article 237 of this Directive requires the Commission to present an overall assessment report, based on an independent economic study, on the impact of the invoicing rules introduced by Directive 2010/45/EU ('Second Invoicing Directive') and applicable since 1 January 2013, notably the extent to which they have effectively led to a decrease in administrative burdens for businesses.

To prepare the above report, the Commission launched a study[1] to evaluate the invoicing rules assessing the functioning and impact for businesses and tax administrations of the current invoicing rules introduced by the Second Invoicing Directive. The conclusions of this evaluation will allow the Commission to assess the need to amend the current invoicing rules included in the Value Added Tax (VAT) Directive.

The evaluation covers five evaluation criteria: i) relevance, ii) effectiveness, iii) efficiency, iv) coherence and v) EU added value.

The evaluation covers the period from 1 January 2013 (i.e. the transposition date of the Second Invoicing Directive) until mid-2018. From a geographical point of view, the evaluation covers all 28 Member States (MS). The complementary in-depth interview programme was conducted face-to-face in a representative sample of seven Member States being Germany, France, Italy, the Netherlands, Poland, Portugal and Romania and the findings were extrapolated in order to draw conclusions applicable to the whole European Union (EU).

2. BACKGROUND TO THE INTERVENTION

2.1. Description of the intervention and its objectives

Directive 2010/45/EU, amending Directive 2006/112/EC on the common system of value added tax as regards the rules on invoicing (Second Invoicing Directive)[2] aiming at addressing the shortcomings of the First Invoicing Directive[3] entered into force on 11 August 2010 and its provisions had to be transposed by the Member States by 31 December 2012.

The Intervention Logic in figure 1 illustrates how the provisions of the Second Invoicing Directive (SID) should achieve their policy objectives.

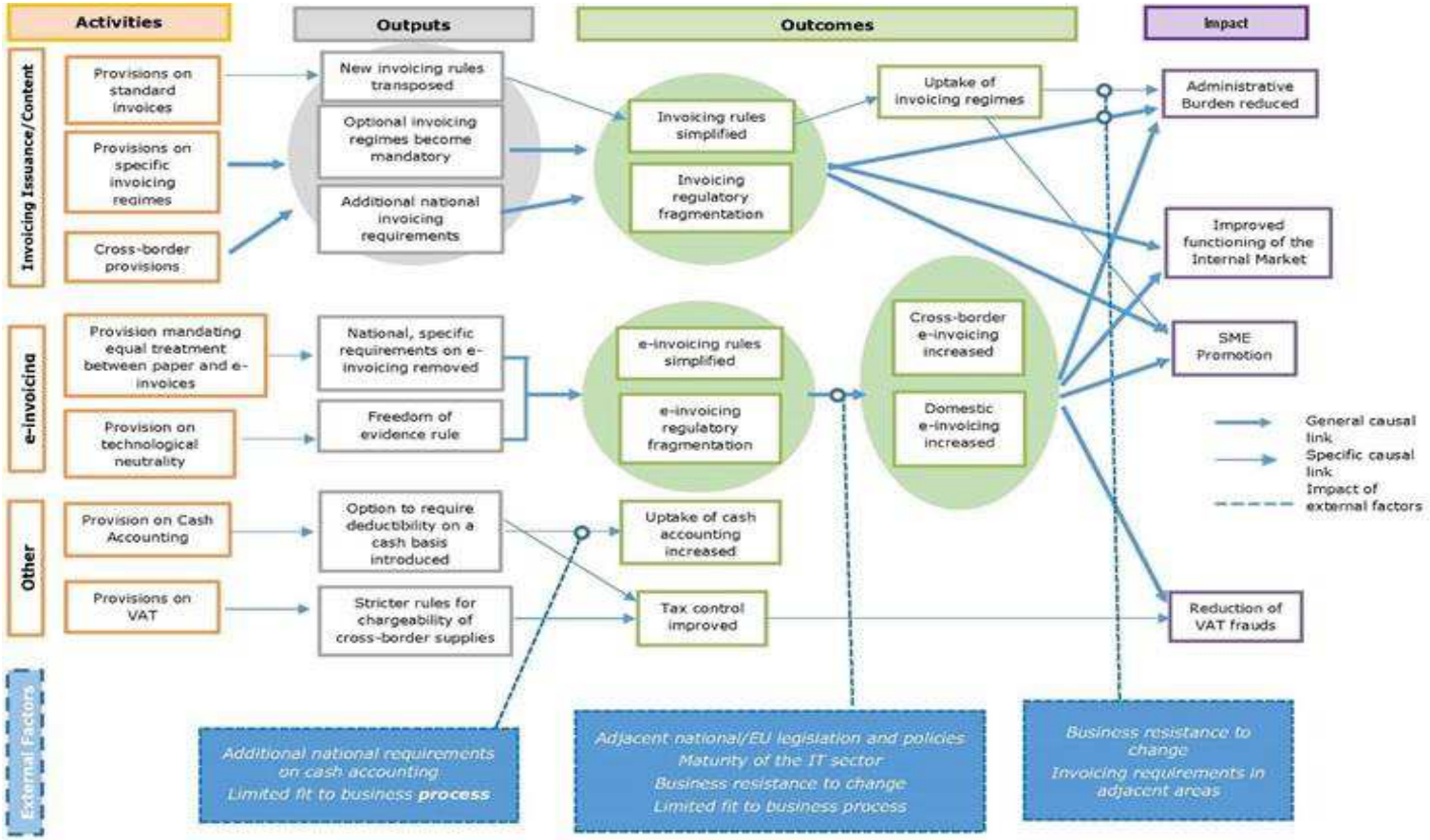
---

1 Study on the Evaluation of Invoicing Rules of Directive 2006/112/EC: https://ec.europa.eu/taxation_customs/sites/taxation/files/report_evaluation_invoicing_rules_vol1_en.pdf; https://ec.europa.eu/taxation_customs/sites/taxation/files/annex_evaluation_invoicing_rules_vol2_en.pdf.

2 Council Directive 2010/45/EU amending Directive 2006/112/EC on the common system of value added tax as regards the rules on invoicing, OJ L 189/1, 22.7.2010.

3 Council Directive 2001/115/EC of 20 December 2001 amending Directive 77/388/EEC with a view to simplifying, modernising and harmonising the conditions laid down for invoicing in respect of value added tax, OJ L 15/24, 17.1.2002.

Figure 1 – Intervention Logic of the Second Invoicing Directive



As depicted above, the SID aimed at contributing to **four general policy objectives** (impacts):

1. The **reduction of the administrative burdens on businesses**. A number of revisions of the VAT invoicing provisions aimed at simplifying the invoicing rules thus reducing the administrative burdens of businesses;
2. The **reduction of VAT fraud**. A part of this impact is also linked to the functioning of invoicing rules, such as the underreporting of the VAT via false or irregular invoices, the claims of excessive deductions, or the so-called carrousel or Missing Trader Intra Community (MTIC) fraud schemes;
3. The **improved functioning of the Internal Market.** The SID seeks to remove the regulatory barriers to cross-border transactions due to the invoicing rules and their application across the EU;
4. **SME promotion**. The SID introduces targeted simplifications and fosters the adoption of favourable tax regimes such as the cash accounting scheme and e-invoicing.

The SID includes a set of specific objectives (outcomes) which should contribute to the general objectives, as follows:

- Directly, for example, by reducing the costs borne by businesses to comply with legal obligations and lowering the regulatory barriers faced by cross-border trade;

- Indirectly, for example, by fostering i) the **adoption of specific invoicing regimes** and thus lowering the administrative burdens on businesses, in particular the SMEs; and ii) the **increase of e-invoicing uptake** for both domestic and cross-border transactions;

- The SID aimed at achieving other specific objectives such as a **higher uptake of the cash-accounting scheme**, a measure designed to support SMEs, and the **improvement of tax controls** for intra-EU supplies by shortening the delays between the economic transaction and its VAT chargeability.

For the purpose of the assessment, the changes introduced by the SID, being the activities and outputs in the Intervention Logic, are grouped as follows: 1) changes to the content of standard invoices and other invoice requirements, which support the simplification objective; 2) new provisions on cross-border invoices and the limitations of national discretionary powers on invoicing regimes, to achieve a reduction of the regulatory fragmentation; 3) removal of mandatory technological requirements and the introduction of the equal treatment of paper-based and electronic invoices, which foster the increase of the e-invoicing uptake; 4) introduction of the option to require deductibility on a cash basis, which is expected to increase the attractiveness of the cash accounting scheme for the Member States.

A number of factors that can influence the achievement of the general and specific objectives of SID were analysed. These factors have been grouped in five categories:

1) **The business resistance to changes.** This has a potential to limit or delay the adoption of new and simpler invoice regimes and processes.
2) **The stakeholders' limited return from change**. For instance, for some SMEs the return on investment from shifting to e-invoicing may be negative given the limited benefits attainable due to the small volume of invoices exchanged. Similarly, the potential negative effects of cash-accounting – stemming from the more burdensome accounting procedures – may well reduce its attractiveness for economic operators;
3) **The national VAT legislation**. Existing divergent national requirements in areas not covered by the SID may still lead to uncertainty and add complexity for economic operators. For instance, different national storage rules may still represent a barrier towards the e-invoicing adoption.
4) **The adjacent national/EU legislation and policies**. Reporting requirements, archiving rules and law enforcement practices largely remain a matter of national law. The consequent cross-country differences may negatively affect the performance of the Directive.
5) **The maturity of the IT sector**. The capacity to supply secure and interoperable e-invoicing solutions and services at reasonable costs influences the likelihood of economic operators (especially SMEs) to adopt IT solutions.

2.2. Baseline and points of comparison

Before the SID entered into force, the invoicing rules of the VAT Directive included a large number of optional provisions allowing Member States to maintain and apply their national rules. An evaluation study published in November 2008[4], supported by a public consultation, highlighted that these different options were considered the biggest burden. This was especially highlighted for cross-border situations since it meant that businesses might have to comply with different requirements for the same transaction.

The rules included in the VAT Directive with regard to e-invoicing were considered a hurdle to the development of e-invoicing. The lack of a uniform definition of an e-invoice (i.e. the equal treatment of paper and e-invoices) as well as of technical neutrality was hampering the use of e-invoicing[5].

The SID addressed a number of the above issues and introduced a number of changes to the VAT Directive in the following areas:

1) **Invoice issuance and content**. The largest group of provisions being rules on when, by whom, and how a standard VAT invoice is to be issued, rules applicable to specific invoicing regimes (i.e. summary, simplified, or self-billing invoices), and rules applicable to invoices for cross-border transactions;
2) **e-Invoicing**. A small group of provisions amended under Section 5 (renamed 'Paper invoices and electronic invoices'), of the Chapter 3 on invoicing;

---

4 PriceWaterhouseCoopers (2007), A Study on the Invoicing Directive (2001/115/EC), Final report for the European Commission. The study was commissioned to provide the analytical background for the reporting obligation of Article 237 of the VAT Directive, which required the Commission to present a report on technological developments in the field of e-invoicing and, if appropriate, an amending proposal.

5 Such conclusion emerges from the PriceWaterhouseCoopers (2007), A Study on the Invoicing Directive (2001/115/EC) and from European Commission (2009), Final Report of the Expert Group on e-Invoicing.

3) **Cash accounting and other provisions**. A residual group, included (i) rules on cash accounting; (ii) rules on the chargeability, deductibility, and payment of VAT; and (iii) rules on the treatment and registration of transfer of goods for valuation purposes.

3. IMPLEMENTATION / STATE OF PLAY

3.1. Description of the current situation

This section presents the analysis of how the SID has been transposed and implemented by the Member States, focusing on whether Member States have correctly transposed the Directive but also measuring the extent to which the national legal framework changed because of the Directive. For the sake of clarity, the analysis is grouped in four thematic areas.

3.1.1. e-Invoicing

A number of consequences derives from the SID with regards to the e-invoicing rules, in particular i) on the e-invoice definition, ii) on the technological neutrality and iii) on the equal treatment of paper and e-invoices.

The SID **modified the definition of e-invoice** as '*an invoice that contains the information required in this Directive, and which has been issued and received in any electronic form*' (Article 217)[6]. As further clarified in the Explanatory Notes[7], the Directive does not prescribe any specific electronic form, and thus includes '*invoices as structured messages (such as XML, Extensible Markup Language) or other types of electronic formats (such as an email with a PDF (Portable Document Format) attachment or a fax received in electronic not paper format)*'. Currently, in all Member States but Bulgaria, the VAT national legislation provides for a definition of an e-invoice. In 24 Member States, the e-invoice definition in the national legislation mirrors the one of the Directive. In a minority of cases, it is enriched with examples of acceptable electronic formats, encompassing both structured and unstructured messages[8]. Three Member States introduced an e-invoice definition somewhat diverging from the Directive[9].

The SID provided for **the technological neutrality** of e-invoicing solutions by establishing that the taxable person can determine 'the way' to ensure Integrity and Authenticity (I&A)[10] of e-invoices (Article 233). The Directive provides only examples of approaches to ensure I&A, namely: (i) technological solutions integrated by controlled data exchanges, i.e. Electronic Data Interchange (EDI), (ii) technological solutions

---

6 Previously only the transmission of an invoice 'by electronic means' was defined in Article 217.

7 European Commission (2011), Explanatory Notes – VAT Invoicing Rules Directive 2010/45/EU. Hereinafter, 'Explanatory Notes'.

8 For instance, this is the case in Austria (e-mail invoicing), in Croatia (XML and PDF), in Romania (XML and PDF), and in Germany (e-mail or de-mail, computer fax via Web download or EDI).

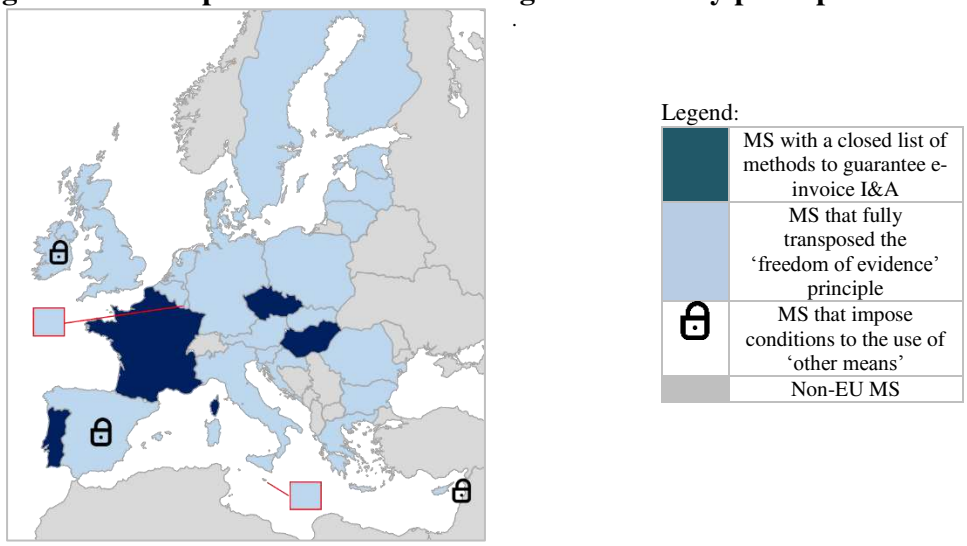
9 These include (i) Latvia, where emphasis remains on the transmission mode 'by electronic means', (ii) Estonia, exclusively considering 'machine-processable' (structured) invoices as electronic ones, and (iii) France, requiring the whole invoicing process to be in electronic form.

10 'Authenticity' of the origin of an e-invoice means the assurance of the identity of the supplier or the issuer of the invoice, while the 'Integrity' of content means that the content required according to the Directive has not been altered.

integrated by data level controls, i.e. Qualified Electronic Signature (QES), and (iii) 'Business Controls that create a reliable Audit Trail' (BCAT) between the invoice and the corresponding supply of goods or services. The technological neutrality principle has been uniformly transposed in the EU, as no Member State establishes the use of particular technologies for e-invoicing. Different technological solutions listed in the Directive are also explicitly mentioned as available options in the amended national VAT legislation, in the secondary regulations[11] and in other administrative documents (circulars)[12] of the majority of Member States.

As illustrated on figure 1, in most of Member States (24), any means for ensuring I&A of e-invoices is currently accepted without further conditions. Still, in three of these countries, the adoption of a solution different from the one mentioned in the national legislation requires a prior consultation and validation (Cyprus and Spain) or a notification (Ireland) of the proposed method by the tax authority. In the other four Member States (i.e. Czech Republic, France, Hungary and Portugal), the use of a solution to ensure e-invoice I&A different from those specified in the 'closed' list foreseen in the national legislation is not accepted[13]. Thus, the proper transposition of the freedom of evidence principle in the amended VAT legislations is somewhat questionable. However, the inclusion of the BCAT option in these lists, in practice, allows using any technology that taxpayers may consider appropriate to automate their invoicing process.

Figure 2 – Transposition of the technological neutrality principle



Source: *Study on the evaluation of invoicing rules of Directive 2006/112/EC.*

Legislative requirements on e-invoices beyond those that exist for paper invoices were removed in all Member States which had imposed them. Prior the transposition of the Directive, four Member States – Cyprus, Ireland, France, and the Netherlands – imposed on taxpayers some sort of prior notification to the tax authority in order to be allowed to issue e-invoices. All these legal requirements have been removed, in line with

11 In Ireland the ongoing acceptance of other methods used under previous regime is described in European Union (Value-Added Tax) Regulations 2012, Statutory Instruments No. 354.

12 This is the case of Belgium (Circular letter concerning e-invoicing, AAFisc Nr. 14/2014).

13 See for the Czech Republic: Amendment no. 502/2012 of the Law no. 235/2004, §34 (3) and (4); for France: Article 62 of the Law no. 2012-1510 of 29 December 2012; for Hungary: Article 138 of Act CLXXVIII of 2012 on VAT; and for Portugal: Article 3 of Decree-law 196 of 2007.

the principle that tax authorities should allow a taxable person the choice between issuing paper or e-invoices.

3.1.2. Invoicing issuance and content

The SID introduced a significant number of changes to the issuing of invoices and their content. For clarity reasons, these changes were classified into three areas: i) standard invoices ii) specific invoicing regimes iii) cross-border provisions.

The Directive's provisions on invoice issuance and content were very well transposed in national legislation. As shown in the table in Annex 4, no Member State was identified as non-compliant for 12 out of 15 indicators, while, in two other cases, only two discrepancies in transposing the EU provisions were identified in the national legal framework.

The changes at national level and the implementation of optional provisions are described and illustrated in more detail in Annex 4.

Standard invoices

The SID adds or simplifies some clauses to be included on standard invoices (Article 226)[14].

Specific invoicing regimes

The Directive amends three specific invoicing regimes, and namely the rules on: (i) self-billing; (ii) simplified invoices; and (iii) summary invoices. More specifically:

- **Self-billing invoice** (Article 224)[15]: The Directive removes the possibility for Member States to impose further conditions on the prior agreement and the acceptance procedure for the issuance of self-billing invoices[16].
- **Simplified invoice** (Articles 220a, 226b and 238)[17]: Prior to the SID this regime was optional for Member States. The new Article 220a requires all Member States to allow simplified invoices when (i) the amount of the transaction is lower than EUR 100; and (ii) for documents or messages treated as an invoice. Article 238 grants Member States the possibility to extend this regime for transactions up to EUR 400 or to specific business sectors.
- **Summary invoice** (Article 223)[18]: Prior to the SID, Article 223 allowed the Member States in which the transaction took place to impose its own national conditions on the use of summary invoices. The SID (i) removes the possibility to add national conditions; (ii) provides that summary invoices can cover at least

[14] It introduces three additional clauses for the identification of the applicable regimes: (i) 'cash accounting'; (ii) 'self-billing'; and (iii) 'reverse charge' and it simplifies two clauses – items 13 and 14 of Article 226.

[15] A self-billing invoice can be issued by the customer on behalf of the supplier.

[16] Member States remain free to define the form of the prior agreement and the acceptance procedure, e.g. whether they need to be in writing.

[17] A simplified invoice, that is an invoice including less information than a standard one, can be used for domestic transactions of low value or in specific industries.

[18] A summary invoice is a document covering separate supplies of goods or services provided by a taxable person to the same customer.

one month of transactions; and (iii) allows Member States to extend the period that can be covered by summary invoices.

Cross-border provisions

The SID introduces a number of changes to the invoicing requirements applicable to cross-border transactions, in view of reducing burdens and increasing harmonisation.

- **Applicable rules** (Article 219a): The SID adds a new article clarifying which jurisdiction determines the invoicing rules for cross-border transactions. Article 219a states that the applicable national invoicing rules – except for those related to storage – follow the determination of the place of supply[19]. However, the supplier's own national invoicing rules apply, regardless of the place of transaction, to cross-border supplies when the customer is liable for the payment of the VAT.
- **Time of issuance** (Article 222): the Directive mandates a single time limit to issue invoices for certain cross-border transactions[20]. For other transactions, Member States remain free to impose any time limit for the issuance of invoices.
- **Content of cross-border invoices:** the content of cross-border invoices is modified by the SID. According to the new Article 226a, when the Member State of establishment of the supplier is not the same one in which the VAT is due and the customer is liable for paying the VAT, **information on the VAT rate and VAT amount payable** can be omitted from the invoice. Article 230 prescribes that the amount of the VAT payable or to be adjusted is expressed in the currency of the Member State in which the tax is due. The SID also adds **another conversion method to** express the VAT amount in the appropriate currency in Article 91 of the VAT Directive, i.e. the reference to the latest European Central Bank (ECB) exchange rate. The Directive removes the possibility for Member States to introduce a general requirement for the **translation of invoices**, by repealing Article 231[21].
- **Invoice for payment on accounts on intra-EU supplies** (Article 220(1)(4)): the SID removed the obligation for Member States to require an invoice in case of payment on accounts received before an intra-EU supply of good (a VAT exempt transaction[22]) is carried out. At the same time Member States remain free to require an invoice for these transactions, based on Article 221(1).

Attribution of legal changes and prioritisation of provisions

The SID caused a number of changes in the national invoicing legislations. Some of the changes were mandated by the Directive, other changes were optional for Member States and some other changes were introduced by the Member States as additional

19 I.e. the rules established in the Title V of the VAT Directive.

20 Intra-EU acquisition of goods *ex* Article 138, and supplies of services for which VAT is payable by the customer *ex* Article 196.

21 At the same time the Directive introduces Article 248a, which prescribes that Member States may require the translation of invoices only 'for certain taxable persons or in certain cases'.

22 Under Article 220(1)(4), an invoice shall still be required for payments on account made before supplies of goods and service made to another taxable person or a non-taxable legal person, and before distance supplies of goods.

simplifications and thus not foreseen by the Directive[23]. The SID worked in some cases as a trigger to review the overall invoicing framework. In all cases, the extent of the changes caused depends on how previous national legislation was framed and thus the Directive had an uneven impact on the national legal frameworks.

As described in more detail in Annex 4, for three provisions, most of national legislations were already in line with the SID since changes in legislation occurred in less than ten Member States. These include the requirements to translate all invoices, the removal of the duty for providers of financial services to issue an invoice for intra-EU transactions, and the changes to the regime of summary invoicing. For four of the SID provisions, the changes in domestic legislation affected between 10 to 19 Member States depending on the provision. These include changes to the self-billing regime and a number of cross-border provisions. Finally, for three further provisions, the changes concern 20 Member States or more. These relate to the case of simplified invoices and the time limits for invoicing intra-EU transactions, or even the whole EU regarding the modification of the clauses to be mentioned on standard invoices.

Prioritisation of provisions in the area of invoicing issuance and content

The provisions in the area of invoicing issuance and content were prioritised based on the extent of legal change (i.e. the number of Member States in which they caused a changed to the national framework) and the local VAT practitioners' perception of whether they had affected the behaviour of companies. This was necessary to determine which of the provisions had to be subject to a more thorough assessment.

Provision (and Article)	Prioritisation
Applicable jurisdiction – Article 219a	**Substantive**
Issuance - Insurance and financial services – Articles 220.2, 221.2	Minor
Invoice on payments on accounts for intra-EU supplies – Article 220.1.4	Minor
Simplified Invoice – Articles 220a, 226b, 238	**Substantive**
Timing – Article 222	**Substantive**
Summary Invoice – Article 223	Minor
Self-billing – Article 224	**Substantive**
Content - Standard Invoices – Article 226	Minor
Content - cross-border supply with reverse charge – Article 226a	Minor
Currency conversion – Articles 91, 230	Minor
Translation – Article 248a	*Negligible*

***Source**: Study on the evaluation of invoicing rules of Directive 2006/112/EC , January 2019*

3.1.3. Other provisions

Cash accounting

The Second Invoicing Directive introduced one specific change targeting SMEs. The new Article 167a grants Member States the possibility to introduce the so-called **'combined cash accounting'** for certain micro-enterprises, i.e. a regime through which both VAT payment and deduction are linked to, respectively, receiving and paying the price of the supplies[24].

[23] It is possible to consider that the Directive triggered these changes indirectly.

[24] The cash accounting scheme could already be introduced prior to the Second Invoicing Directive, but no specific provision concerned the possibility to postpone the VAT deductibility.

The analysis of the transposition of the cash accounting provision shows no discrepancies between EU prescriptions and national legal frameworks. The implementation at national level is shown in annex 5.

VAT chargeability

The SID introduced two changes concerning the rules for the intra-Community supply and acquisition of goods, with the aim of fighting cross-border VAT fraud: 1) the Directive amended Articles 66, 67 and 69 and aligned the chargeability of intra-EU supplies and acquisitions of goods, which is now set upon issuance of the invoice, or no later than the 15th day of the month following the taxable event, 2) it introduced more stringent rules for the intra-EU continuous supplies of goods (Article 64), which became chargeable at the end of each calendar month.

With respect to the chargeability of intra-EU supplies and acquisition of goods, the situation of the national legislations prior to the SID was rather homogeneous. A majority of Member States already had foreseen that the VAT chargeability date was set each month no later than the 15th of the month following the chargeable event, or upon issuance of the invoice. Currently, all Member States have converged towards the common date of chargeability provided for by Articles 67 and 69. Regarding the chargeability of intra-EU continuous supplies of goods, in the majority of Member States (15), the practice was similar to the current SID provisions. In eight Member States, the chargeability of VAT coincided with the dispatch or arrival of the goods, so that there was no specific provision at all for continuous supplies. Finally, in three Member States, the VAT chargeability was linked to the receipt of the price (or at the end of the year if the price was not paid), while, in one Member State, it took place at the end of the tax reporting period. The situation has now been harmonised.

3.1.4. Archiving

The provisions on the archiving of invoices were not amended by the SID. Since different archiving rules and e-invoicing storage requirements could represent a barrier for the uptake of the e-invoice and an obstacle for cross-border trade, their current status of implementation has been assessed.

Regarding **the storage period**, Member States are free to determine the period of storage (Article 247(1)) which varies from 4 to 10 years with the majority of countries opting from 5 to 7 years (detailed overview can be found in figure 1 of Annex 6). On **the place of storage**, Article 245 establishes the freedom to store invoices abroad, however, Member States may impose additional requirements. Detailed overview of the implementation including the additional requirements is included in figure 2 of Annex 6. Following Article 247(2) Member States may require that invoices **be stored in the original form** in which they were sent. Such restriction is imposed currently only by three Member States. Other Member States allow the conversion, although some Member States only allow the conversion from paper invoices to electronic ones (a detailed overview of the situation regarding the storage form is included in figure 3 of Annex 6).

4. METHOD

4.1. Short description of methodology

The evaluation was supported by the external study[25] and based on a set of evaluation questions, connected to the five evaluation criteria defined by the Commission Better Regulation Guidelines, namely (i) relevance; (ii) effectiveness; (iii) efficiency; (iv) coherence; and (v) EU added value.

The Standard Cost Model (SCM) was used in order to quantify the administrative costs and costs savings. The detailed description of the application of the model is included in Annex 3.

4.2. Data collection activities

A number of data collection activities took place to support and underpin the evaluation. The full range of information regarding the different activities can be found in Annex 2.

4.2.1. Legal mapping exercise

The legal mapping exercise undertaken by the external consultant consisted of a review of the national legal frameworks on VAT invoicing rules in order to: (i) assess the status of transposition; (ii) examine the main differences in interpretation and application of invoicing rules across Member States; and (iii) assess the extent of the legal change in each country. To achieve these aims, this fact-finding activity gathered accurate information on how the 28 Member States have implemented the Directive and on the relevant national norms prior to its adoption.

4.2.2. Business survey

The business survey aimed at collecting information necessary to evaluate the uptake of the e-invoicing. The business survey covered 250 respondents in each of the eight countries and resulted in over 2 000 completed questionnaires which were subsequently analysed. More details on the business survey are included in Annex 2.

4.2.3. Targeted consultations

Targeted consultations aimed at gathering information and opinions on the invoicing rules from a vast range of private and public stakeholders. In total, 202 stakeholders participated in the targeted consultation. Economic operators represent the most important category with 83 stakeholders, followed by business federations and tax authorities. From a geographical perspective, stakeholders from 26 Member States participated in the consultations, thus ensuring a very comprehensive coverage. The consultations also covered 13 EU-level organisations, and 7 multi-national companies. The process of targeted consultations is described in detail in Annex 2.

4.2.4. The Public Consultation

The Public Consultation was carried out in order to gather the appreciation of stakeholders and citizens on the working of the Directive and the possible need for

[25] Study on the evaluation of invoicing rules of Directive 2006/112/EC, January 2019. The report was prepared by a group of consulting firms and research institutions led by Economisti Associati.

revisions. ***A total of 175 valid responses were received from 23 Member States***. The majority of respondents (113) answered the public consultation in their professional capacity, while 62 private individuals participated in their personal capacity. More details about the public consultation can be found in Annex 2.

5. ANALYSIS AND ANSWERS TO THE EVALUATION QUESTIONS

This section provides the assessment and answers to the five evaluation criteria. A more compact overview of the assessment of evaluation criteria is included in table in Annex 7.

5.1 Relevance

This sub-section provides an overview on the relevance of Directive 2010/45/EU.

5.1.1 The opinion of the stakeholders on the objectives of the Directive

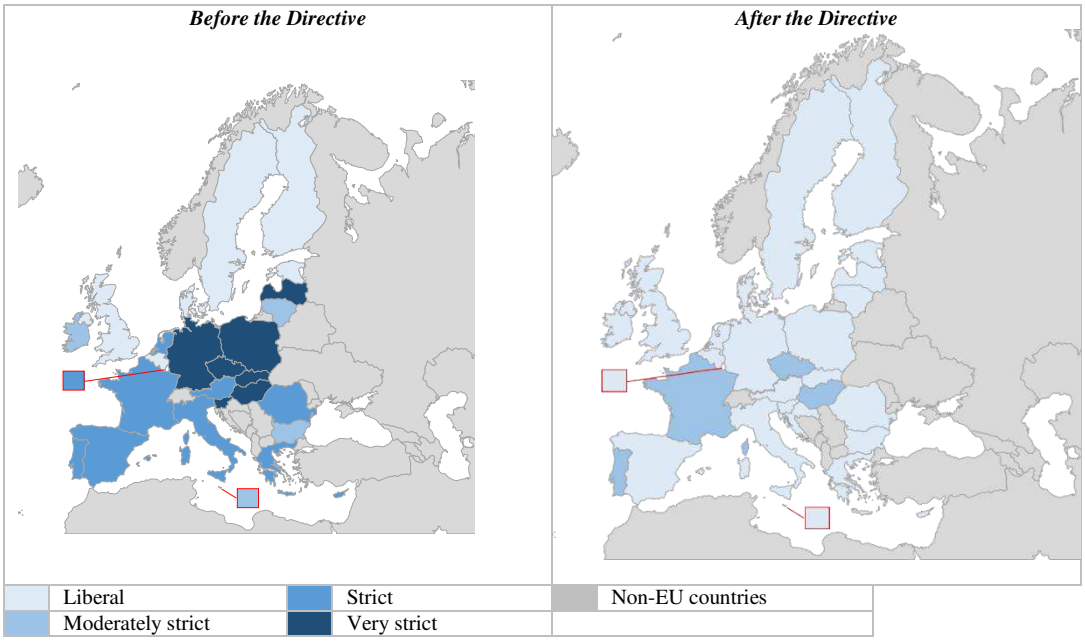
During the targeted and public consultation stakeholders were asked to assess the importance of the objectives of the Directive (see Section 2.1 above) together with a fifth possible objective, that is legal certainty. All the Directive policy objectives are said to be important or highly important by a large majority of stakeholders (no less than 69%). The public consultation showed that stakeholders consider the establishment of clear invoicing rules (legal certainty), and the reduction of differences in invoicing rules across EU countries (harmonisation) as top priorities. The responses by tax authorities and business stakeholders about these two goals are largely homogeneous.

5.1.2 E-invoicing rules: positive impacts and challenges

The review of the national legal frameworks on e-invoicing points out that both the fragmentation and the complexity have largely decreased across the EU as a result of the transposition of the SID. To illustrate this evolution, Member States were categorised by the degree of strictness of the national requirements regarding the e-invoicing. The national e-invoicing requirements of all Member States were categorized into four groups, i.e. (i) 'liberal', (ii) 'moderately strict', (iii) 'strict', and (iv) 'very strict'. The categorisation was based on two main criteria: (i) the openness towards the methods accepted to prove the e-invoice I&A, and (ii) the existence of specific e-invoicing requirements, such as the explicit acceptance by the recipient, the prior notification to the tax authority, or specific requirements on EDI.

After the transposition of the SID, a much more coherent framework has emerged, with the vast majority of Member States adopting a rather 'liberal' approach by removing national specific e-invoicing requirements. Before the Directive came into force, 17 Member States were categorised as 'strict' or 'very strict'. After the transposition of the Directive the situation changed: 24 Member States can now be labelled as 'liberal' and only four countries remain 'moderately strict'.

Figure 3 – Member States convergence towards a liberal and harmonised e-invoicing framework (source Figure 18 of the Study)



The legal changes triggered by the transposition of the SID improved the e-invoicing regulatory framework significantly, especially for domestic transactions. According to a majority of stakeholders, the evolution in the past five years has been towards easier e-invoicing requirements.

The stakeholders' consultations highlighted two positive changes: (i) *the equal treatment of paper and e-invoices and the consequent removal of national e-invoicing specific requirements* (e.g. such as the use of a given e-signature in Germany or the obligation to sign and stamp invoices in Romania); and (ii) *the acceptance of invoices in PDF format* (in some cases, in connection with the introduction of a clear-cut e-invoice definition), *which mainstreamed an easier e-invoicing solution, especially for micro firms*.

The two main challenges highlighted by the stakeholders concern the unclear legal requirements and the BCAT.

The analysis by business size class shows that **unclear legal requirements represent a bigger barrier for larger companies** (and conversely a minor one for micro companies). Based on the evidence gathered from the targeted consultation, this may be explained by two main factors. First, larger companies are comparatively more concerned with legal compliance, while micro firms tend to exchange unstructured e-invoices with a limited awareness of or compliance with I&A requirements. Second, large companies are more likely to have a significant share of cross-border transactions, in which legal uncertainties may be felt more strongly. In other words, the legal requirements are not an issue for all the stakeholders.

The BCAT represent an issue for business stakeholders. A number of stakeholders pointed to **the vagueness of the BCAT option and the lack of some practical definitions and examples of 'business controls' and 'reliable audit trail', in the SID as well as in the Explanatory Notes**. Sixteen Member States attempted to fill this gap through secondary legislation as well as guidance documents, providing more or less detailed instructions on how business controls can be implemented in practice. Despite

these national efforts, **in most cases, economic operators do not regard the guidance provided on BCAT as adequate or sufficiently clear. This translates into doubts on how this option should be applied in practice and whether it will be accepted during tax audits.**

5.1.3 Invoicing rules

Positive impacts

The introduction of SID had three main positive impacts. Firstly, the Directive fostered the convergence towards more liberal invoicing rules. This is the result from the joint effect of: (i) the Directive revision; (ii) national decisions on how to implement optional simplifications; and (iii) national interventions in areas in which the Member States still retain discretionary power. Based on the external study, in 2013 most of Member States (16) fell in the strict or very strict categories for what concerns invoicing rules, ***while presently the majority of them (21) fall in the liberal category***. In addition, no Member State belongs to the 'very strict' category any longer (four of them did in 2013).

Secondly, the rules for cross-border invoicing became a little bit simpler. About ***20% of the business stakeholders saw an improvement since 2013 when SID became applicable.*** Such an improvement could be interpreted as limited however the small magnitude of pre-existing problems does limit the simplification potential that could be achieved by the Directive.

Thirdly, the evaluation looked in detail at three further elements which *70% of the business stakeholders interviewed consider to work well or very well*. The elements are the following: (i) Article 219a on the ***applicable invoicing rules***; (ii) the new uniform ***time limit*** for the issuance of invoices for intra-EU transactions; and (iii) the inclusion of the ***ECB exchange rate*** among the currency conversion methods.

Challenges

There are two main complexities identified by the stakeholders regarding the invoicing rules: i) the invoicing issuance, and ii) the content of invoices. Regarding the invoicing issuance, ***the stakeholders do not perceive compliance with VAT rules for standard invoices as complex. Two-thirds of the companies and business federations interviewed do not point out to any invoicing requirement which is either too complex or excessively burdensome.*** This is because the compliance with the applicable rules has become a steady part of a firm's knowhow, so that it poses them no significant problems for most of their transactions. ***The vast majority of tax authorities and business stakeholders do not consider compliance with invoicing rules as a severe source of problems***.

Secondly, ***business stakeholders express a positive assessment with regards to the working of the norms governing the content of standard invoices (i.e. Article 226)***. Only 15% of stakeholders consider that they do not work so well or not well at all. However, ***the main critique on this provision voiced by stakeholders does not concern the Directive itself, but the 'formalism of tax authorities' in enforcing Article 226***.

5.1.4 Specific invoicing regimes

Simplified invoices

Available evidence from the fieldwork indicates that the uptake of this regime varies both across industries and countries. Simplified invoices are commonly only used in specific sectors, such as accommodation and restaurant, retail trade, petrol stations and transport services, which feature a high number of low value deals and a relatively higher importance of Business-to-Customer (B2C) transactions. From a geographical perspective, the fieldwork has shown that the uptake of this regime is uneven. This regime is more commonly used – albeit always sector-specific – in countries such as Germany, Portugal, Romania and the Netherlands, and very uncommon in other countries, such as Poland or Italy.

Summary invoices

A summary invoice is no different from a standard one, the only difference is in the description of the goods or services provided, which makes reference to multiple supplies. Summary invoices remain mostly a sector specific tool, more commonly used for the provision of goods rather than services, and in specific sectors (e.g. petrol stations, utilities, large wholesalers). Summary invoices can reduce, sometimes significantly, the number of invoices issued and received by economic operators having long-term business relationships with a stable supply chain. However, the relevance of summary invoices to business' needs is hardly supported by evidence about their current uptake and the recent trends. Indeed, over 50% of the stakeholders considered summary invoices seem not very commonly used. In terms of evolution, the vast majority of stakeholders saw no change in their usage, confirming that the modifications introduced by the Directive did not have a significant effect on this regime.

Self-billing

The use of the self-billing regime is concentrated in very few industries, or, more precisely, in very few companies within specific industries. It is commonly used when very large companies – mostly in the manufacturing sector, and, in particular, the automotive industry – impose self-billing on their vast range of suppliers, as a way to receive all invoices in a single, and usually automatically processable form. Taking into account how 'specialised' the use of self-billing is, VAT practitioners and business federations interviewed consider its uptake within the overall economy as 'limited' or 'very limited'.

5.1.5 Other issues analysed

Archiving. *The degree of complexity of archiving provisions for paper invoices is assessed as modest.* Over 60% of stakeholders answer that paper-based archiving is 'easy' or 'very easy' to implement, while only a minority of them (approximately 17%) consider these rules to be 'difficult' or 'very difficult'. These results point to the fact that businesses have probably grown accustomed to longstanding rules on the storage of paper fiscal documents.

Cash accounting. Following the implementation of the new Article 167a, cash accounting became available in eight additional countries, while in four Member States

its scope was increased. Even if business stakeholders consider the cash accounting scheme as very important, its uptake points out that this regime responds to the needs of only a limited number of companies. In 9 out of the 11 countries in which exact data or reliable estimates were available, less than 4% of micro enterprises opt for this regime, and, in 7 Member States, its share is below 1%.

The additional costs and complexity of the accountancy requirements and resistance from customers limit the cash accounting uptake, which, however, has little to do with the SID provisions.

Tax control. On tax control, out of 24 respondents from national tax authorities, 20 are of the opinion that there are no or only minor issues with the statement that 'VAT invoicing rules are not in line with the needs of tax control activities'. At the same time, several authorities suggest that ***invoicing rules are far from being the most important factor for tax control. The limited (and declining) importance attributed by tax authorities to invoicing rules also appears from the growing trend in introducing additional, e-reporting requirements.***

VAT chargeability. *The view of tax authorities and VAT practitioners on the working of the new VAT chargeability rules is negative*. More than half of the respondents commented that the new rules on the chargeability of intra-EU supplies and acquisitions of goods, including the specific rules for continuous transactions, do not work well, or not at all. The main explanation provided is that they are not fit to achieve their expected purpose. Indeed, on one side, fraudsters are well versed in complying with formal obligations, including timing and chargeability issues, so that no changes to their behaviours could be expected from these provisions. On the other hand, the study concludes that **acting on chargeability rules rather than improving the real time and electronic reporting of intra-EU transactions could not significantly improve the quality and timeliness of the information put at disposal of the enforcement authorities for fraud identification and prevention purposes**.

5.2 Effectiveness

The following sub-section presents the assessment of effectiveness of the invoicing rules, namely whether and to what extent the SID has achieved its objectives namely i) the reduction of the administrative burdens on businesses, ii) the reduction of VAT frauds, iii) the proper functioning of the Internal Market and iv) SMEs promotion (see section 2.1. for more detail).

5.2.1 The uptake of e-invoicing

Since 2014 there has been a considerable growth in the uptake of e-invoicing in the EU. The average annual growth rate was estimated to be higher for unstructured e-invoices (8.8 p.p. for micro firms and 6.0 p.p. for larger firms) than in the case of structured e-invoices (about +4 p.p. for all size classes). In 2017, about 18 billion invoices have been issued in the EU. Out of these, 5 billion were electronic invoices, 3 billion of which were emitted in an unstructured format.

The Directive ***had a measurable impact on the increased acceptance of unstructured e-invoices***. The simplification brought about by the Directive in a number of Member States fostered an amount of companies to switch from paper invoices to unstructured (PDF) e-invoices. This is especially true for those Member States that had previously in place a number of more stringent e-invoicing requirements. Based on the study, the SID lead to a 30% increase in the uptake of e-invoices in the Member States that had significantly reduced their regulatory requirements, and to a 15% increase in those Member States that introduced only a moderate reduction of their regulatory requirements.

Driving factors of change

The push from trading partners can be considered as the main reason why the business population at large, and, in particular, micro and small companies have been adopting e-invoicing over the last five years. From a structural point of view, the fact that a large multinational moves to an automated system and requires all its trading partners to adopt it is de facto the main reason for its adoption.

The other very important, albeit geographically concentrated, driver for the adoption of e-invoicing is the mandatory Business-to-Government (B2G) e-invoicing requirements. While it obviously plays no role in the Member States in which it is not yet in force, it is invariably mentioned as a major driver in the countries (e.g. Italy) or market segments concerned (e.g. medium and large companies in France).

Obstacles to change

The main message from the stakeholders is that there is no major barrier to change for e-invoicing. This opinion is the strongest among the micro-enterprises.

There are nevertheless two minor barriers that deserve attention. The first element is the ***lack of interest from suppliers and customers which was mentioned as a hindering factor by more than 50% of the economic operators.*** A second hindering factor mentioned by about one third of the participants is the lack of familiarity with e-invoicing technologies.

5.2.2 The reduction of administrative burdens on businesses

The SID is estimated to have reduced administrative burdens on companies by about EUR 540 million in 2017, and about EUR 1.04 billion over the 2014-2017 period[26]. Most of these savings – EUR 920 million – are due to the higher uptake of unstructured e-invoicing driven by the SID.

The estimated administrative burden savings are considerably lower than previous estimates of the savings achievable by e-invoicing assessed by the EU Baseline Measurement of Administrative Burdens Project[27]. The estimated EUR 18 billion savings resulted from the reduction of burdens due to the IO 'VAT bookkeeping in sufficient detail for inspection by tax authorities', that includes the activities for reviewing and

[26] The calculations, based on the Standard Cost Model, are described in Section 6 of the Study.

[27] Capgemini (2009), EU Project on Baseline Measurement and Reduction of Administrative Costs, Final Report incorporating Module 5.2 – Development of Reduction Recommendations.

booking sale and purchase invoices, and keeping sale and purchase ledgers. This IO was estimated to generate about EUR 35 billion of administrative costs, of which about EUR 27 billion attributable to burdens[28]. It was estimated that, if all companies switched to automatically-processable invoices, about half of these costs could be saved, because of the automation of the bookkeeping process.

The EUR 18 billion figure was thus highly hypothetical, as it provided a maximum saving potential assuming that (i) all companies switched to e-invoicing; and (ii) only automatically-processable e-invoices were used. These assumptions are different than the reality under the SID as the uptake by businesses of the e-invoicing is not 100% and the e-invoicing encompasses less structured e-invoices and more unstructured e-invoices. The evaluation did not assess the saving potential of e-invoicing, but assessed the actual administrative burden savings under the current circumstances. Therefore, the savings which have actually occurred are almost exclusively due to the uptake of unstructured (i.e. not automatically-processable) e-invoices. Consequently, the savings calculated by this evaluation are inevitably and significantly lower.

The invoicing issuance, though, had limited impact in terms of cost reductions since it produced savings of EUR 114 million throughout the whole period. ***Two main factors*** explain why the savings in the area of invoicing issuance reached this level. First and foremost, ***invoicing is a routine activity for companies***, and they are very much acquainted with complying with the invoicing rules applicable to their usual transactions. When entering a new market or undertaking a different activity, they have to familiarise themselves with the new requirements. For standard transactions invoicing is hardly perceived as a costly activity at all, except for very large issuers and receivers given the high number of invoices. Secondly, the ***business resistance to changes in invoicing practices*** is a hindering factor to the uptake and impact of certain simplifications introduced by the SID. This implies that, even when new and less costly invoicing regimes are designed or promoted, their uptake may remain uneven.

5.2.3 Functioning of the Internal Market

The Directive should have improved the functioning of the Internal Market by i) increasing the uptake of e-invoices in cross-border transactions, ii) improving legal certainty and reducing the burdens generated by cross-border invoicing rules and iii) creating the conditions for more competition in the market for e-invoicing service providers.

The increase in the uptake of e-invoicing in cross-border transactions

The business survey data[29] shows that in 2018 the share of companies having issued a cross-border e-invoice was 34%[30]. When looking only at companies which have cross-border transactions, the share is 72%. In terms of volume, *e-invoices represent about 44% of the total intra-EU invoices issued*, with micro companies issuing about 36% of their cross-border invoices in electronic form, while for large enterprises the share reaches up to 52%. These numbers reflect an increase compared to 2014 when the share

[28] Capgemini (2009), EU Project on Baseline Measurement and Reduction of Administrative Costs, Final Report, Measurement data and analysis as specified in the specific contract 5&6 on Modules 3&4 .

of companies which issued cross-border e-invoices was at 12% and considering companies which sell cross-border, the share was 27%.

Such increase in the uptake of the cross-border e-invoicing suggests that ***some complexities and difficulties have been removed***. This was largely acknowledged by stakeholders.

Legal certainty and administrative burden of cross-border invoicing rules

The Directive introduced four significant changes to the rules applicable to cross-border invoices: (i) the new rules on the applicable invoicing regimes (Article 219a); (ii) the uniform time limit for the issuance of invoices for intra-EU transactions (Article 222); (iii) the new rules on currency conversion (Articles 91 and 230); and (iv) the simplified content of invoices for cross-border transactions subject to reverse charge (Article 226a). Furthermore, the new rules on self-billing (Article 224) also simplified the use of this regime for cross-border transactions. ***These changes increased the legal certainty of the invoicing rules applicable to intra-EU transactions***[31].

The promotion of lower prices and/or increased availability of suppliers for e-invoicing services

The simpler and more harmonised rules introduced by the SID could have improved the functioning of the Internal Market by reducing the barriers to competition in the market for the provision of e-invoicing services. In turn, this would increase cross-border market entry and decrease the switching costs for companies for resorting to another provider, thus eventually putting a downward pressure on market prices.

The evaluation showed that there seem to exist two relevant market segments based on the size of customers, with different players and competitive conditions. On one side, there is the *high-end segment*, where customers consist of very large companies issuing or receiving a bulky volume of structured e-invoices (more than 1 000 000 per year). Only few e-invoicing service providers operate in this market segment; international competition exists in this segment and moderately increased over the recent years. On the other side, there is the *low-end segment*, which includes the remaining business population issuing or receiving at least 1 000 invoices per year. Several players, mostly domestic, entered this market segment. The harmonisation which resulted from the SID is seen as a positive factor in reducing barriers to entering other Member States' high-end market segment. The effect of the SID on the low-end segment has been very limited since the cross-border competition is very scarce in this segment.

The evaluation concludes that the evolution of the competitive conditions in the market of e-invoicing services did not result in the decrease of market prices.

---

29 Based on size classes and industries populations retrieved from Eurostat Structural Business Statistics and adjusted for the number of companies with internet access (Eurostat ICT usage in enterprises).

30 The statistics for invoices received show very similar results, so only issued invoices are discussed.

31 More information about the four changes are to be found in section 5.3.2 of the Study on the evaluation of Invoicing Rules of Directive 2006/112/EC.

5.2.4 SME promotion

Most of the measures of the SID apply to both large enterprises and SMEs. However, by simplifying the regulatory framework and, thus, reducing administrative burdens, they have the potential to be especially beneficial for SMEs, which usually suffer red tape more than large companies due to their smaller size. Furthermore, *the Directive has also amended two invoicing regimes fully or partly targeted to SMEs, namely cash accounting and simplified invoices*.

Unstructured invoices

SMEs benefit from about 55% of the burden reduction due to the more widespread use of unstructured e-invoicing, while the rest goes to large enterprises, even though they represent about 0.2% of the overall business population. This is due to structural factors, and, most importantly, to the fact that large firms issue a disproportionately higher number of invoices, namely 41% of the total volume. ***All in all, SMEs and micro-companies benefited, on average, from savings on the issuance of e-invoices of about EUR 110 over four years. The benefits for large companies instead amounted to about EUR 120 000 per year***.

The evaluation shows that SMEs and micro companies using e-invoicing tend to stick with the simplest solutions (i.e. PDFs via email), since the potential benefits hardly justify, for most companies, the purchase of more automated solutions.

Regulatory cost savings generated by SME-dedicated measures

Cash accounting., The evaluation study estimated that *about 60,000 additional micro enterprises benefitted of the cash accounting scheme thanks to the SID*[32]. The reasons for such a limited uptake are twofold. On one side, opting for the cash accounting regime requires an adjustment to the accountancy process, which may result in a higher advisor's fees. On the other side, the financial cost savings from cash accounting are very limited for a typical micro company. Indeed, in normal times, the financial relief is limited to the first tax period. Consequently, ***overall cost savings due to the higher uptake of the cash accounting scheme generated by the SID have been estimated at EUR 33 million over the 2014-2017 period, or about EUR 550 per micro enterprise***.

Simplified invoicing. The changes introduced by the SID to the simplified invoice regime led four countries[33] to introduce it, and sixteen more to enlarge its scope. In terms of uptake, the use of simplified invoices varies across countries, and it is largely limited to specific industries, such as accommodation and restaurants, retail trade, petrol stations, and transport services.

A simplified invoice allows micro companies to save between EUR 0.5 (if customers' data are to be included) and EUR 2.2 per invoice issued. Given the uncertainty on the real diffusion of simplified invoices, annual savings have been estimated to fall in the EUR 22-70 million range, with a central value of EUR 38 million[34].

---

32 This figure is based on the current uptake in the EU countries in which the cash accounting scheme was introduced or expanded.

33 Bulgaria, Ireland, Italy, and Malta.

34 See section 5.4.2 of the Study on the evaluation of invoicing rules.

5.2.5 Tax control and VAT fraud

The effects of the SID on VAT fraud and evasion have been analysed by testing the link between two mechanisms: i) by promoting the use of e-invoice, the Directive might have improved the organisation of tax control activities e.g. by shortening the duration of VAT audits or increasing the number of audits and ii) the different implementation modalities at national level might have had an impact on the outcomes of tax control activities, the level of VAT compliance and irregularities detected.

The possible impacts of the SID have been assessed with respect to the following indicators: on the one hand the ***adjusted VAT Gap***, and on the other hand ***the number and value of detected VAT irregularities***[35].

Impact of the Directive on the organisation of tax control activities

Ideally, the SID could have led to the ***shortening of the average duration of VAT-related audits*** because of the more widespread use of e-invoicing. However, the data received from five countries on the audits the year before and after the entering into force of the SID show that the average duration of the VAT-related audits did not decrease.

Impact of the SID on VAT compliance

To assess if and to what extent the implementation modalities of the SID have affected the fight against VAT fraud, two specific impacts have been analysed. Firstly, whether the relaxation of invoicing requirements was detrimental to tax control. Secondly, whether the relaxation of e-invoicing requirements positively affected tax control activities.

The study demonstrated that the SID had no considerable impact on the level of controls undertaken, on the number and value of VAT irregularities discovered and on the level of VAT compliance[36].

5.3 Efficiency

This section presents the analysis of the regulatory costs and cost savings generated by the Directive.

The following *general considerations* apply throughout the subsequent analysis: firstly, except for the financial cost savings from cash accounting, *all the other regulatory costs and cost savings are of an administrative nature*. Secondly, *all administrative costs and cost savings analysed are considered administrative burdens*. The cost savings concern additional or unnecessary activities to the Business-as-Usual (BAU) factor which is considered as 0%. For more details on the calculations of the costs and burdens and the analytical methods, please see Annex 3.

---

35 The VAT Gap is an aggregate measuring of non-compliance, defined as the difference between the expected and actual VAT revenues. It is usually expressed as percentage of the VAT total tax liability. The number of VAT irregularities is the change in *irregularities* between the last year before transposition of the SID and the last available year.

36 See section 5.5. of the Study on the evaluation of invoicing rules.

5.3.1 The change in the administrative burdens generated by the provisions on e-invoicing

The ***main effect of the Directive in terms of e-invoicing uptake has been a broader use of unstructured e-invoices***. This means that, today, a larger number of companies issue and receive unstructured e-invoices compared to the situation prior to the Directive, and that, within each company, a larger share of invoices is issued/received in unstructured electronic form.

Issuing an unstructured invoice

The invoice issuance process is made up of three stages: collection of the customer and transaction data, drafting of the invoice and its delivery.

Collection of customer and transaction data[37]**.** An invoice includes two sets of data: (i) the customer data, e.g. his/her name, address, VAT number where required; and (ii) the transaction data, e.g. the description of the goods/services provided, the taxable amount, the applicable VAT rate, exemption, or regime, the clauses that need to be mentioned, and the VAT due.

Drafting the invoice. This activity consists in inputting the data collected into the invoice. It can be carried out by hand, with the help of a non-dedicated software (such as a word processor or a spreadsheet), via a web portal, or automatically by means of an invoicing solution or an ERP module.

Delivering the invoice to the client. An unstructured e-invoice can be delivered by sending an email with an attached document (e.g. PDF) or with a web link from which the invoice can be downloaded, or by uploading the document into a web portal.

In terms of invoicing process, the evaluation tested the four sizes of companies (micro, small, medium, large) against four main types of invoicing processes. These processes are the following:

- **Basic invoicing**. Companies do not have an internal invoicing solution and issue their invoices either by hand or using non-dedicated software (such as a word processor or a spreadsheet).
- **Invoicing solutions**. These companies have an internal invoicing solution, either a self-standing software or platform, or a module integrated in their Enterprise Resource Planning (ERP) system. The solution can have various degrees of automation.
- **Service providers**. These companies make use of an external service provider for some or most of the activities. The level of automation can vary significantly.
- **Mixed bag**. These companies use several of the solutions described above.

The distribution of the above groups among the companies varies with the number of invoices issued, and, thus, with the business size. Still a small share of micro companies adopt dedicated invoicing solutions, and few large companies still rely on basic invoicing processes. The table below shows the distribution of companies across the 16 segments.

[37] Both customer and transaction data can be retrieved either automatically, e.g. if the company has an ERP system that draws from the company's internal databases, or manually by an accountant.

Size class	Basic invoicing	Invoicing solution	Service provider	Mixed bag	Total
Micro	64%	13%	21%	2%	100%
Small	31%	21%	41%	7%	100%
Medium	20%	21%	48%	11%	100%
Large	8%	26%	49%	17%	100%

***Source**: Study on the evaluation of Invoicing Rules: authors' elaboration based on business survey and targeted consultation.*

The evaluation shows that there are *neither one-off nor recurrent costs specifically linked to issuing an unstructured e-invoice*. This is because the licensing cost of the software to draft the invoice, create a PDF file, as well as the internet connection can be regarded as part of the company's overall activity.

Two cost savings are generated by a company when an invoice is no longer issued on paper but as an unstructured e-invoice, namely 1) personnel's time because of the faster delivery for unstructured e-invoices and 2) postage and printing costs. These savings are estimated at about EUR 3.2 per invoice.

The analytical model used for the evaluation considers that the SID generated two further savings: 1) resulting from a higher number of companies which adopted unstructured e-invoices – the additional population effect 2) resulting from the fact that within each company the share of unstructured e-invoices has grown over the years – the internal company effect. Both savings have been measured for each of the 16 segments across the 2014-2017 period, while the year 2014 was taken as a baseline[38].

Total savings were estimated by multiplying the number of additional unstructured e-invoices compared to the baseline year by the saving per occurrence, per each segment. ***In 2017, estimated annual cost savings from unstructured e-invoices issuance amounted to about EUR 500 million, while in the overall period the Directive is estimated to have generated almost EUR 920 million cost savings at EU level[39].***

Receipt of an unstructured invoice

Receiving an unstructured invoice is made up of three main stages:

- ***Invoice reception***, directly from the supplier or through a service provider.
- ***Invoice data checking***. This activity consists in the formal verification of the invoice data.
- ***Invoice data entering***. This is done by manually inputting the invoice data into a company's financial records or ERP system, or extracting the data through an Optical Character Recognition (OCR)[40] technology integrated with the ERP.

Cost savings per occurrence. *The cost for receiving unstructured e-invoices is essentially equivalent to receiving paper ones*, as it requires a similar number of activities to be performed in a similar way, mostly manually. However, *the receipt of unstructured e-*

38 For details of calculations see section 6.1.1. of the Study on the evaluation of invoicing rules.

39 For more details see section 6.1.1. of the Study on the evaluation of invoicing rules.

40 OCR technology allows software to interpret machine printed text on scanned images. Invoice Processing Software uses OCR technology and page layout analysis to automatically identify the common data elements in an invoice, such as vendor, date, amount, invoice number, line item data, etc. Invoice Processing applications are built using the same technology as data extraction applications, but have been specifically configured to recognize Invoices since they are one of the most common documents that companies need to automate.

invoices can generate some time savings in case firms use Optical Character Recognition (OCR) solutions. This is because paper invoices must be scanned before being sent to the OCR software and often require manual review while PDF invoices can be sent directly to the OCR software. The amount of cost savings, based on the average EU hourly salary of a clerk has been assessed at ***EUR 0.98/invoice.***

Total savings generated by the SID for receiving unstructured invoices were estimated by multiplying the number of additional e-invoices received by companies adopting the OCR per occurrence over the 2014-2017 period. It appeared that the implementation of an OCR is justifiable only when a large volume of invoices is processed, so micro and small companies were excluded. The estimated annual cost savings amounted to about EUR 3.4 million in 2017 and to about EUR 6 million in the period 2015-2017[41].

5.3.2 Administrative burdens and savings

Issuing an invoice for cross-border transactions

The issuance of a cross-border invoice requires the same activities as for domestic invoices, but the invoicing process and the resulting document can be different from the domestic ones for the following reasons:

- ***Business reasons***. These include, for instance, the possibility that it may be more cumbersome to retrieve customer data.
- ***Applicable VAT regimes***. Certain cross-border transactions are subject to specific VAT regimes therefore, the resulting invoice will have to reflect such a specific regime and include the clauses mandated by Article 226 of the VAT Directive.
- ***Specific invoicing rules***. Cross-border transactions are also subject to specific invoicing rules, which have been amended by the SID.

Obviously, the difference between domestic and cross-border invoices due to business reasons do not generate costs or cost savings that can be attributed to the Directive, or to the VAT rules. As for the applicable VAT regimes, the cost and cost savings for complying with the revised Article 226 were considered. With respect to specific invoicing rules, the cost and cost savings due to the applicable invoicing regime (Article 219a) and the uniform time limit for intra-EU transactions (Article 222) were taken into account in the analysis.

Article 226 – Invoice content. The SID introduced a number of standard clauses for certain regimes applicable to cross-border transactions. In particular the clause 'reverse charge', applicable to most of the cross-border B2B provisions of services, can be used, removing the need to make reference to national or EU legal provisions. However, according to VAT practitioners and business stakeholders, ***the revised Article 226 did not result in either significant costs or savings for companies***.

Article 219a – Applicable invoicing rules. The article did not produce significant costs and savings since the measure entered into force. In terms of cross-border transactions, the vast majority of companies (more than 85% of the respondents to the targeted consultation) do not issue different invoices for cross-border transactions, except for the

[41] For more details see section 6.1.2. of the Study on the evaluation of invoicing rules.

different content due to the applicable VAT regime. When differences exist, the need to adapt to the destination legal requirements was mentioned only by a minority of companies, and, in particular, by multinationals.

Article 222 – Uniform time limit for intra-EU transactions. None of the companies with cross-border activities reported any impact from the new provision on the time limit, the awareness of which was also limited. Since this provision hardly affected the companies' behaviour, it could generate no significant costs or cost savings.

In a nutshell, for the issuance of a standard invoice for cross-border transactions, cost and savings due to the SID have been assessed as negligible or absent.

Issuance of a simplified invoice

The calculation of cost savings from the issuance of simplified invoices was provided only for 7 fieldwork Member States[42] since the data necessary for the calculations was very difficult to obtain or almost non-existent. Regarding the number of simplified invoices or the share of companies using them, assumptions had to be made based on qualitative feedback from business federations, VAT practitioners and economic operators. There was also limited information on the cost parameters since the business survey and targeted consultations were not focusing on the B2C supplies (e.g. restaurants, retailers, providers of accommodation), so the gap had to be filled via qualitative information obtained from VAT practitioners and economic operators. For the fieldwork Member States, the SID triggered changes in five of them, namely Italy, Romania, the Netherlands, Poland and Portugal, so the cost savings linked to the Directive are only valid for these five Member States.

Regarding the population, it appeared that simplified invoices are used almost exclusively by micro enterprises, and, in particular, by those issuing paper or basic e-invoices. From the moment a micro company has an invoicing solution (or uses a service provider), the gains from reducing the information content of an invoice are very limited, so that it will most likely issue standard invoices for all transactions.

In the five fieldwork Member States in which the SID caused a legal change to the simplified invoicing regime, it is estimated that about 55 million simplified invoices have been issued in 2017. Of this, about 36 million of simplified invoices can be attributed to the SID. Given the number of simplified invoices and the saving per occurrence[43], this translates into about EUR 38 million burden savings for the five fieldwork Member States[44].

Issuance of a self-billing invoice

The SID intervened on self-billing by removing the possibility for Member States to impose additional requirements other than (i) the prior agreement; and (ii) the acceptance of the invoice[45]. *These requirements were a possible source of burdens for both domestic*

42 Germany, France, Italy, the Netherlands, Poland, Portugal and Romania.

43 The monetary ssavings per occurrence were estimated between EUR 0.5 and EUR 2.2.

44 For details on the calculations see section 6.2.2. of the Study on the evaluation of invoicing rules.

45 The requirement that the invoice is issued 'in the name and on behalf of the taxable person' may be imposed; however, this generates no additional costs or cost savings.

and cross-border transactions. Seven countries had such requirements in place, such as the duty to notify the tax authority of the prior agreement, to ask for an authorisation, or to have the statement notarised. Five of these Member States have removed these requirements (Estonia, Hungary, Malta, Poland, and Romania).

According to the evidence gathered from two fieldwork Member States – Poland and Romania - the removal of the notification and the authorisation procedures only slightly reduced the administrative burdens.

The cost savings at aggregate level were estimated as negligible because of the following considerations: a) the process did not change much since most of self-billing agreements are still entered in written form, even in countries where it is not mandatory; b) the geographical scope is limited to five Member States and c) the number of companies entering in those agreements is very limited (mainly very large manufacturing companies). This limited amount of savings was also confirmed by the few stakeholders which had some direct experience with self-billing.

Financial cost savings due to cash accounting[46]

The financial cost savings arise because cash accounting taxpayers are not obliged to pay VAT before receiving the related payment from their customers, hence pre-financing costs do not occur. When the payment duration is longer than the time granted for paying the VAT after the end of the tax period, the VAT taxable person has to pre-finance part of its VAT due, which can be done either through loaning money from a bank at a certain interest rate, or by using its own resources, and thus bearing the opportunity cost of capital. The savings of these financial costs ***represent the cost savings attributable to the introduction of the cash accounting scheme.***

Out of the 22 Member States applying cash accounting for micro companies, late payments pose a problem in 15 countries. Further attribution was based on whether and to what extent the SID caused changes in the national legislation. As a result five further Member States[47] were excluded from the analysis.

The financial cost savings generated through the cash accounting scheme that can be attributed to the SID have been estimated **at about EUR 33 million over the 2014-2017 period for the ten Member States[48] where changes had an impact.** This would mean the cost saving of about EUR 550 per each cash accounting taxable person. Additional cost savings could arise in specific circumstances, but it is impossible to assess them quantitatively.

The taxable persons who opt for the cash accounting scheme incur additional costs. Introducing VAT cash accounting implies that taxable persons need to monitor payments, a task that would not be done otherwise. When the accountancy records are

46 When the payment duration is longer that the time granted for paying the VAT after the end of the tax period, the VAT taxable person has to pre-finance part of its VAT due, which can be done either through borrowing money from a bank at a certain interest rate, or using its own resources, and thus bearing the opportunity cost of capital. The savings of these financial costs represent the cost savings attributable to the introduction of the cash accounting scheme.

47 Croatia, Estonia, Germany, Poland and Slovenia.

48 Cyprus, Greece, Spain, Hungary, Ireland, Italy, Luxembourg, Portugal, Romania and Slovakia.

done internally the additional costs can be limited. However, when the accountancy obligations are kept by an external tax advisor – as is the case for most of the cash accounting taxable persons - this could increase the advisory fees[49].

5.3.3 Regulatory costs and costs savings

The evaluation tested the assumption that the SID may have caused regulatory costs to tax authorities, which had to adapt to the new rules, and to enforce them on economic operators. These costs are incurred because of the need to train the personnel to the revised provisions, to buy IT equipment to verify e-invoices, or because of changes to the operational costs of conducting e.g. risk analysis or tax audits.

According to tax authorities, **the costs for the above activities are non-existent or negligible.** This was confirmed during the discussions with tax authorities in the fieldwork Member States. Tax authorities explained that the new rules mostly concerned economic operators and hardly affected the way in which tax authorities function.

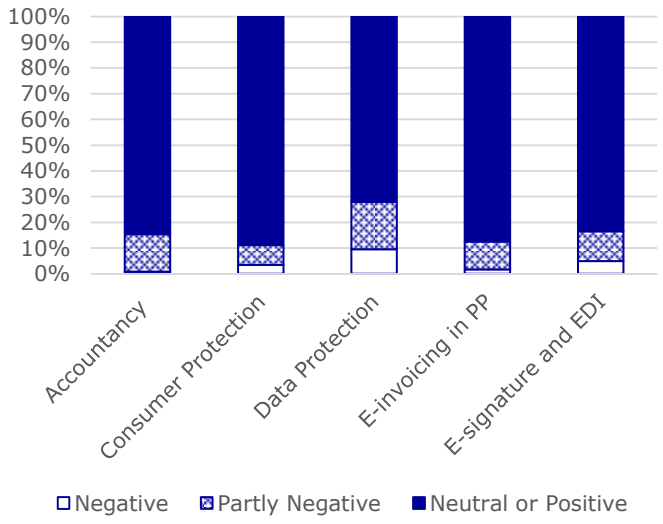
5.4 Coherence

This Section presents the analysis of the ***coherence*** of the SID, namely to what extent the SID is consistent with other EU policies and initiatives in the field of VAT and in related areas.

5.4.1 Coherence with other pieces of EU legislation

The consistency of the Directive was assessed with respect to ***five EU legislative areas.*** The figure below provides an overview of the results of the areas which were identified through the stakeholders' feedback and desk research.

Figure 4 – Public consultation and targeted consultation of tax authorities, VAT practitioners and service providers



Public consultation and targeted consultation of tax authorities, VAT practitioners and service providers

[49] More details on the calculation of cash accounting costs can be found in Section 6.2.4 of the Study on the Evaluation of Invoicing Rules.

Accountancy rules (Directive 2013/34)

The VAT invoice is also relevant for accountancy rules. Accountancy rules are regulated by national legislation, international rules as well as by the Accounting Directive which aims at coordinating the national rules on financial statements[50]. However, the Accounting Directive never makes an explicit reference to invoices, to invoicing rules, or to the VAT legislation[51]. The majority of stakeholders, namely more than 70% of them, consider that the accountancy and VAT rules are not in conflict[52].

However, some practical issues were identified by stakeholders. The most important one is *the probationary value of an e-invoice.* The VAT legislation establishes the legal value of an e-invoice, and makes clear that, subject to the requirements on I&A, it should be treated equally to a paper invoice. However, the same principle was not uniformly and immediately replicated under the accountancy rules. In particular, a few stakeholders voiced the concern that until recently an e-invoice would have had a lower probationary value for accounting purposes (or in courts, for civil litigation), up to not being accepted as a probationary means for certain controversies. Another issue raised was the discrepancy between the time at which the transaction must be registered under accounting rules and the time of the VAT chargeability. However, stakeholders confirmed that such discrepancy would arise only in a very limited number of cases.

Consumer protection rules

VAT invoicing rules and consumer protection rules can only have a limited interaction. Such a small overlap does not create obstacles or uncertainty for economic operators or tax authorities[53]. The main reason for the limited interaction is that the scope of the two legislative areas is mostly non-overlapping.

Data protection rules of Regulation 2016/679 (GDPR)

About a quarter of the interviewees[54] consider that the GDPR may have a negative interaction with the VAT invoicing rules. Most of the economic operators and VAT practitioners consider that including personal data on invoices poses no problem with respect to GDPR – as long as it is not sensitive data, such as medical information. If certain invoice fields were considered as personal data, the impact for both economic operators and e-invoice service providers would be significant. It would require restructuring the invoice processing architecture and, most likely, would lead to the exclusion of any personal information from the invoice.

Storage period. Since storage of invoices is mandatory because of the VAT Directive and the national norms, it is also lawful from a GDPR perspective. However, this also implies that, when the national storage period expires, invoices containing personal data should be destroyed, since their conservation is no longer necessary for complying with a legal obligation. To avoid any data protection risk, companies and service providers may have

50 Directive 2013/34/EU, in Article 1(1).

51 The Directive regulates the publication and the content of financial statements, while the rules on the supporting documents, including proofs of revenues and costs such as invoices, are largely left to the national legislator.

52 Data from the targeted consultation.

53 Targeted consultation data (95% of stakeholders expressed a positive or neutral assessment).

54 Data from the targeted consultation.

to delete invoices once the storage period is elapsed, even though they may want to keep it for business reasons. It is unclear whether this will be the case, especially considering that the minimum storage period for VAT invoices is of five years, and thus any problem may occur as of May 2023 only.

Rules on e-signature and EDI

E-signatures. E-signatures are regulated by the eIDAS Regulation (electronic IDentification, Authentication and trust Services), which replaced the e-signature Directive. The eIDAS Regulation aims at establishing common rules for the Internal Market for electronic trust services, by ensuring their recognition and workability across borders. It provides norms for (i) the certification authority, i.e. the entity issuing the certificate; (ii) the secure signature certification devices (e.g. the smart card, token or software that creates the signature); as well as (iii) specific services, such as e-signatures, e-seals, time stamping, and registered e-delivery services.

With respect to I&A requirements, two services are specifically relevant: (i) the e-signatures, which are explicitly mentioned in the Directive, and (ii) the e-seals. While both services can be used to certify the author and the integrity of an electronic document, the e-signatures also attest the willingness of an individual (and thus can be used, for instance, to sign e-contracts).

The eIDAS Regulation grants certain legal effects to the e-signatures and the e-seals. E-signatures are admissible in court and QES shall be treated equally to handwritten signatures. Furthermore, QES, unlike the basic and advanced ones, shall be mutually recognised across countries. E-seals are admissible in courts, treated equally to paper-based certification and, most relevant for e-invoicing, provide users with a presumption of integrity and correctness of the sealed data. More than 75% of tax authorities, VAT practitioners and e-invoice service providers claimed during the targeted consultation that *no issue of coherence exists between the eIDAS Regulation and the VAT invoicing rules*.

Directive 2014/55 on the use of e-invoicing in public procurement

The Directive on the use of e-invoicing in public procurement is the piece of EU legislation bearing the closest relation with the VAT e-invoicing rules. This is acknowledged in Article 9 of the former, where it is explicitly stated that '*[this Directive is without prejudice to the provisions of Directive 2006/112/EC*'], in order to prevent possible conflicts.

According to the Directive 2014/55, it will be mandatory for all public entities to receive and process e-invoices complying with the European standard (EN 16931) by April, 2019[55]. An increasing number of Member States (13) went further, by requiring that public entities accept only e-invoices. The format of which can be based on the European standard introduced by Directive 2014/55, as well as on other national or international formats.

[55] Please compare Article 7 of Directive 2014/55/EU. With regard to their sub-central contracting authorities and contracting entities, Member States may postpone the application until 18 April 2020, i.e. 30 months after publication of the reference of the European standard on electronic invoicing.

The most relevant difference between the VAT Directive and Directive 2014/55 is the ***divergent e-invoice definition*** adopted. Notwithstanding the different definitions, in practice, the two acts serve different purposes so they are not in contradiction. In the words of a tax authority, "*VAT provisions remain untouched by the different legal definition of Directive 2014/55/EU, and thus the latter creates no issues"*. This is indeed confirmed by stakeholders.

5.4.2 Coherence with other EU initiatives in the field of invoicing

The European Multi-Stakeholder Forum on Electronic Invoicing (EMSFEI) and Fiscalis, aim at creating a common knowledge and sharing of best practices, thus facilitating the harmonisation of rules and the adoption of e-invoicing. The former concerns both private operators and public authorities, while the latter concerns tax authorities only.

European Multi-Stakeholder Forum on Electronic Invoicing (EMSFEI)[56]

A number of EMSFEI contributions helped to clarify the national implementation and application of the SID. These include, in particular, the 2013 study on the Directive implementation and the remaining cross border issues[57], and the 2017 follow-up on implementation and regulatory issues[58].

In line with these findings, the targeted consultation showed that the ***stakeholders have a positive opinion of EMSFEI***. The quasi-unanimous view of the interviewees is that the EMSFEI positively or very positively contributed to the implementation and application of the VAT Directive e-invoicing rules. No critiques have been raised concerning its interaction with the existing rules.

Fiscalis programme

The Fiscalis programme are a series of multiannual action programmes aimed at supporting the implementation of the EU fiscal policy. The current programme, Fiscalis 2020, covers the period 2013-2020[59]. Its general objective consists of improving the functioning of the taxation systems in the Internal Market, in particular, by enhancing cooperation between the participating countries, their tax authorities and their officials.

Only 6 out of 1 100 joint actions financed so far by Fiscalis 2020 were mainly and directly concerned with e-invoicing rules. The limited relevance of Fiscalis 2020 actions for e-invoicing was indeed confirmed by tax authorities during the interviews.

---

56 The EMSFEI was established by the European Commission in 2011, by bringing together representatives of national e-invoicing fora and other relevant stakeholders at EU level. It aims at exchanging national experiences and best practices on e-invoicing and supporting the identification of measures to facilitate its adoption across borders. Since its launch in 2011, the Forum has turned out as a key resource for exchanging data and best practices, as well as for collecting, compiling, and publishing information on the e-invoicing uptake, regimes, and barriers in each EU country.

57 EMSFEI (2013), Solutions for Remaining Cross- Border Issues.

58 EMSFEI (2017), Activity Group on Regulatory Issues, Final Draft report.

59 Regulation (EU) No 1286/2013 of the European Parliament and of the Council establishing an action programme to improve the operation of taxation systems in the European Union for the period 2014-2020 (Fiscalis 2020) and repealing Decision No 1482/2007/EC.

5.4.3 Coherence with other EU strategies

The degree of alignment of the Directive with other EU strategies was assessed by evaluating the consistency of their respective objectives. Based on the analysis of EU policies, the following two strategies were found to deal – sometimes only marginally – with e-invoicing:

- The ***Single Market Strategy***;
- The ***Digital Single Market Strategy***;

The Single Market Strategy[60]

The Single Market strategy is an EU overarching policy, which provides the general direction for the Internal Market policies, as well as a framework for coordinating an array of other sectoral policies (e.g. for energy, trade, capital markets). Its main aim is to revive and modernise the EU Single Market, so to improve its functioning. *One of the general objectives of the SID is directly relevant and aligned* with the general objective of the Single Market Strategy.

The Digital Single Market Strategy

The Digital Single Market Strategy[61] is one of the sectoral policies of the European Commission. It covers the so-called Information and Communication Technology sectors, i.e. any economic activity related to the Internet, the digital technologies, and the communication networks. The Digital Single Market Strategy specifically aims at ensuring that '*individuals and businesses can seamlessly access and exercise online activities under conditions of fair competition, and a high level of consumer and personal data protection, irrespective of their nationality or place of residence*'[62]. A number of legislative proposals was adopted further to the strategy, among others the new rules on VAT e-commerce, the new rules to stop unjustified geo-blocking or the rules on cross-border parcel delivery services and revised consumer protection rules[63].

The strategy does not explicitly mention e-invoicing rules and policies. At the same time, e-invoicing was, and still is, capable of contributing to the interventions spurred by the strategy. In particular, the first pillar of the strategy aims at ensuring '*better access for consumers and businesses*' to the single Market, ensuring the removal of '*key differences between the online and offline worlds'* and the lowering of *'barriers to cross-border online activities*'. This is aligned to two of the specific objectives of the SID, namely the simplification and harmonisation of e-invoicing rules. In particular, the equal treatment mandated by the SID for paper and e-invoices matches very well the need to reduce differences in how business is conducted online or offline.

---

60 COM/2015/0550 final Communication from the Commission Upgrading the Single Market: more opportunities for people and business.

61 Communication from the Commission on A Digital Single Market Strategy for Europe, COM(2015) 192, 6.5.2015; Commission Staff Working Document, A Digital Single Market Strategy for Europe - Analysis and Evidence, SWD(2015) 100, 6.5.2015.

62 Communication from the Commission on A Digital Single Market Strategy for Europe, COM(2015) 192, 6.5.2015.

63 See for more details the Digital Single Market Strategy.

5.5 EU added value

This Section illustrates the assessment of the EU Added Value namely whether the outcomes and the impacts achieved by the Directive would have been achieved had the intervention not taken place at EU level, i.e. by means of national or bilateral policies.

The assessment of EU Added Value was carried out regarding the following objectives of the SID: i) the simplification of e-invoicing and invoicing rules; ii) the reduction of regulatory fragmentation of VAT invoicing rules; and iii) the uptake of cash accounting. The assessment followed a quali-quantitative approach based on the feedback from stakeholders. More specifically, stakeholders were asked to state (using a qualitative scale) to what extent the objectives would have been achieved in the absence of the SID. The qualitative scale was then converted into numerical values and used to estimate the probability that the change would have occurred without the SID. The complement to this probability rate is the so-called the EU added value (EUAV) factor, i.e. the share of outcomes and impacts which have occurred because of the EU intervention.

5.5.1 Simplification of e-invoicing and invoicing rules

E-invoicing rules

By simplifying the applicable rules, the Directive has positively contributed to a more widespread diffusion of unstructured e-invoicing. The SID is estimated to have added 1.6 p.p. to the annual growth of the e-invoicing uptake among micro companies, and about 0.5 p.p. for companies with ten or more employees. This has, in turn, generated about EUR 900 millions of administrative burden savings.

To assess the EUAV, it was necessary to establish to what extent Member States would have liberalised e-invoicing rules without the SID. So tax authorities and VAT practitioners were asked about the occurrence of changes to the e-invoicing rules and 30% of them considered that the changes were ‘very likely’ and ‘likely’ to occur. Some changes would have occurred in any case as more and more Member States would have progressively introduced the liberal approach into their national legislation. However, the majority of the stakeholders pointed out at the same time that the main driver of change in the VAT area remains the EU legislation, and that fewer Member States would have introduced significant reforms if not prompted by the EU policies. The Member States’ interventions would have been more limited, both in terms of countries covered and the depth of the reforms introduced, should the SID not have been adopted.

The EUAV factor for the simplification of e-invoicing has been estimated to be 62%. By applying this factor, the EUAV on the uptake of unstructured e-invoices can be estimated to be between 0.3 and 1 p.p. (depending on the size of the company). This translates into about EUR 570 millions of cost savings.

Invoicing rules

With respect to the simplification of invoicing rules, the Directive had two main effects: it increased the degree of legal certainty and it contributed to reducing administrative burdens.

Stakeholders were asked to assess the relevant importance of various policy drivers for the simplification of the invoicing rules. The mandatory provisions of the SID were considered the most important legislative driver, and the role in the simplification of invoicing was considered as positive or very positive by the vast majority (87%) of respondents[64]. For the optional Directive provisions and the national drivers, the role played was still positively assessed, but at a lower level (positive answers varied between 60% and 66% of respondents).

At least one third of stakeholders considered it 'very likely' or 'likely' that the simplification would occur without the adoption of the SID. This could have happened for a plurality of reasons as for example internal pressure to fight VAT fraud or a genuine simplification of national invoicing rules. However, in several Member States the Directive was instrumental in creating the opportunity for Member States to simplify the invoicing rules and/or to introduce additional simplifications, which went beyond the minimum required by the SID. Consequently, the EUAV factor has been set at 60% meaning that a large part of the legal certainty would not have been generated without the SID. Specifically in the area of simplified invoice, the additional EU benefits can be estimated at about EUR 70 million over the 2014-2017 period[65].

5.5.2 Reduction of regulatory fragmentation

The Directive generated two main benefits for economic operators: i) the uptake of cross-border e-invoicing; and ii) harmonisation in the area of invoicing rules.

The share of stakeholders considering that a comparable harmonisation process would have happened without EU intervention is low (15%). The stakeholders pointed out that, while a progressive simplification of invoicing and e-invoicing requirements was likely, this would have hardly happened in a fully convergent way. It can thus be concluded that the **SID played an important role in smoothening the functioning of the Internal Market** that took place over the last four years.

5.5.3 Increased uptake of cash accounting

The possibility to introduce a cash accounting regime targeted to micro enterprises was already available prior to the SID. However, to make it more interesting to Member States, the SID introduced Article 167a, which generalised the possibility to postpone both VAT payments and deduction, thus limiting the negative impacts on the public budget cash flow[66]. This was possible also under the previous rules, but an explicit derogation had to be requested to the VAT Committee. After the SID the number of Member States opting for this regime increased - eight more countries introduced cash accounting for micro enterprises, and four more expanded their existing schemes.

A number of Member States consider that changes would have occurred even without the introduction of Article 167a by the SID. However, this view is not shared by all stakeholders, who consider the likelihood rate of introducing or enlarging the cash accounting scheme without the SID at 45%. The EUAV factor is thus set at 55%. As the

64 Number of respondents varied between 52 and 62.

65 The total savings from the simplified invoices are estimated at around 114 million. Since the EUAV factor is set at 60%, the EU benefits are calculated as 60% of 114 million giving thus about 70 million.

66 A negative impact on the public budget cash flow can appear in case VAT payment is postponed while taxable person keeps its right of deduction.

additional uptake of cash accounting caused by the Directive is estimated to have generated about EUR 33 millions (see section 5.2.4) of financial cost savings, ***the additional EU benefits can be estimated at about EUR 18 millions over the 2014-2017 period.***

6. CONCLUSION

The evaluation results in a largely positive assessment of the Directive. It contributed to the simplification and harmonization of invoicing and e-invoicing rules across the EU. The Directive had an overall positive contribution to its general policy objectives, namely i) the reduction of the administrative burdens on businesses, ii) the reduction of VAT frauds, iii) the proper functioning of the Internal Market and iv) SMEs promotion.

6.1 The achievements of the Directive

In particular, the SID has contributed to foster the (unstructured) e-invoicing uptake, to reduce the administrative burdens on businesses, to increase legal certainty for economic operators, and more generally to support the proper functioning of the Internal Market. As a main impact, the SID contributed positively to the burden reduction objective and has produced administrative burden savings of almost EUR 1 billion in the 2014-17 period[67].

The major benefits generated by the simplification of the e-invoicing rules are estimated to have occurred because of the e-invoicing rules being enacted at EU level. The higher uptake of e-invoicing attributed to the Directive is the main driver of the reduction in administrative burdens. The issuance of a higher number of unstructured e-invoices is estimated to have generated about EUR 920 million of cost savings over the 2015-2017 period. At the same time, the unstructured format allows achieving only a (minor) part of the potential savings from e-invoicing, thanks to a quicker issuance process, in particular for data handling and the elimination of paper and postage costs. Only automatically-processable structured e-invoices allow for a full (or quasi-full) automation of the invoicing process. Consequently, the estimated amount of savings generated by the SID in this area is considerably below the potential EU aggregate gains from e-invoicing discussed in the literature. This is the outcome of the conscious policy decision of the SID not to differentiate between structured and unstructured e-invoices and thus not to push for structured e-invoicing.

A number of benefits in the area of invoicing rules also occurred because of the action at EU level. The revision of the Directive improved the legal clarity and certainty of invoicing rules and smoothened the working of the Internal Market for cross border operators thereby contributing positively to the achievement of one of the SID's objective. These results were appreciated by stakeholders. At the same time, these changes led to only negligible burden reduction and had no significant impact on costs.

The contribution of the Directive to its objective of reducing VAT fraud and improving controls was limited. The Directive had no or negligible effects on the effectiveness and efficiency of tax control activities. Tax authorities consider the provisions of the SID

[67] The 1 billion cost savings consists of the following: about 920 million due to issuance of unstructured e-invoices, 6 million due to receipt of unstructured e-invoices, 114 million due to simplified invoices and 33 million from cash accounting. See sections 5.2.2, 5.3.1., 5.2.4 of this Staff Working Document.

aligned with their needs, even though invoicing rules do not play a major role in the fight against tax evasion compared to other rules.

The SID had a positive impact on the achievement of the last objective of the Directive, namely SMEs promotion.The SID benefited smaller companies because of the burden reduction generated by simpler e-invoicing solutions. The SID was a reason why additional Member States opted for or enlarged the cash accounting scheme over the last five years. At the same time the uptake of the cash accounting regime remains limited and thus also its impact. The functioning of the invoicing rules is positively evaluated by stakeholders, signalling no emerging issues. The main hindering factor remains that, for most of micro companies, benefits are small, and that only certain specific companies find cash accounting truly beneficial.

6.2 Shortcomings of the Directive

Only a very few aspects of the SID were identified as potentially problematic, but they were not assessed either by businesses or by Member States as very significant.

In particular, with reference to the current e-invoicing regulatory framework, the BCAT option included in the SID to prove the e-invoice I&A is considered by the stakeholders as lacking clarity.

Some stakeholders complained about the difficulties and costs of compliance with archiving rules. The complexity and regulatory fragmentation of the archiving rules for e-invoices has increased unevenly since the transposition of the SID. This relates to certain countries having adopted very detailed rules on the e-archiving of fiscal documents, which obviously also apply to e-invoices. The area of archiving was however not covered by the adopted SID[68].

Several stakeholders that operate cross-border point to an insufficient level of harmonisation in other areas. In particular, the additional e-reporting requirements which have been and are being imposed by several Member States in a non-harmonised way and the national formats and platforms for exchanging B2G e-invoices[69].

Following the adoption of Directive 2014/55, mandatory e-invoicing requirements for B2G transactions have been introduced by several Member States over the last five years in a rather disharmonized way. However, the situation is still in a flux given that the harmonised standard (hEN) has recently been adopted (in April 2018), and that certain provisions of Directive 2014/55 normally entered into force as of April 2019. More time is required for the effects of the harmonised standard to occur, in order to consider whether and to what extent the current differences remain a barrier to trade.

[68] As detailed in Sections 4.4. and 4.7. of the Study on the evaluation of invoicing rules.

[69] As detailed in Section 4.7 of the Study on the evaluation of invoicing rules.

Annex 1: Procedural information

1. Lead DG – DG TAXUD

   The initiative was planned under PLAN/2017/1293-TAXUD.

2. The evaluation was supported by an independent study carried out by a consortium led by Economisti Associati.

   The contract with the contractor was signed on 3 November 2017. The Final Report was submitted in January 2019 and published in February 2019.

3. The first meeting of the Inter-Service Steering Group (ISSG) took place on 20 June 2019 to inform the members about the upcoming study and the Terms of Reference. Two meetings with the ISSG took place (on the First Interim Report and on the Final Report). The remaining Reports of the Study were sent to the members of the ISSG for comments, which were largely taken into account by the contractor.

Annex 2: Stakeholder consultation

The consultation collected data and evidence to evaluate the invoicing rules introduced by the SID. To this aim the consultation gathered the views of the stakeholders on two topics: firstly, how the SID met its set objectives and to what extent the invoicing rules are still aligned with stakeholders' needs and secondly, the stakeholders' views on possible improvements.

The consultation process consisted of:

1. Familiarisation interviews;
2. Business survey
3. Targeted Consultation in fieldwork Member States;
4. Targeted Consultation – E-mail survey of Tax Authorities;
5. Targeted Consultation – E-mail survey of VAT Practitioners;
6. A public consultation addressed to all stakeholders and members of the public.

1. Familiarisation interviews

The familiarisation interviews were conducted during the inception phase (between December 2017 and January 2018), to gather a better understanding of the overall functioning of the Directive, and elicit comments and opinions from the key EU-level stakeholders and experts regarding the legal changes introduced and their possible effects as well as implementation issues. A total of ***14 stakeholders*** were interviewed face-to-face or via telephone, based on semi-structured checklists.

The interviews conducted involved different categories of stakeholders, namely eight VAT practitioners or federations thereof, two EU business federations, two service providers or federations thereof, and two other stakeholders. In accordance with the Assignment's proposal, the key targets for the familiarisation interviews were the members of the various EU-level expert groups, such as the EU VAT Forum and the VAT Expert Group.

There were also ***two focus group discussions***, namely: (i) one with some members of the European Multi-Stakeholder Forum on e-Invoicing, organised with the support of DG GROW at the margins of the Forum's official meeting held on 9 December 2017 in Brussels; and (ii) one organised within the framework of BusinessEurope's VAT Group meeting, with the participation of eight national business associations and six multinational corporations. Finally, a two-day working meeting was held in Stockholm with the legal compliance team of Trustweaver, one of the leading e-invoicing services providers in the EU.

2. Business Survey

The Business Survey was carried out in eight Member States – France, Germany, Italy, the Netherlands, Poland, Romania, Spain and Sweden. The selection of the Member

States took into account the geographical diversity of EU regions and the different national e-invoicing frameworks. The deployment of the survey was entrusted to YouGov. The questionnaire consisted of a small number of close-ended, matrix questions, aimed at gathering information on: (i) the volume of invoices and e-invoices annually exchanged, (ii) the types of e-invoice exchanged and the starting year of each e-invoicing process; (iii) the most commonly used e-invoicing solutions and (iv) the remaining barriers to e-invoicing adoption, including a detailed review of the legal ones.

The business survey covered some 250 respondents in each of the eight countries, thus a total of 2,007 completed questionnaires. The majority (82%) of respondents were SMEs (including micro, small and medium-size companies), corresponding to a total of 1,637 firms. In addition, 370 large companies with more than 250 employees took part in the questionnaire.

3. Targeted consultation in fieldwork Member States

The fieldwork targeted consultation has been carried out in seven selected Member States: France, Germany, Italy, the Netherlands, Portugal, Poland, and Romania. The sample of Member States was selected on the basis of their geographical location, country size, impact of the Directive and invoices burdensomeness[70], as presented in the below table.

MS	Size	Requirements		Directive impact		Additional elements
		Invoice	e-Invoicing	Invoice	e-invoicing	
France	Big	Strict	Moderately Strict	Unchanged	Moderate simplification	• Prohibition to use scanned PDF invoices for VAT deductions recently removed • Storage requirements for e-invoices introduced • BCAT with written procedure (for large firms)
Germany	Big	Liberal	Liberal	Unchanged	Major simplification	• Complex archiving requirements in place • Cash accounting without postponement of VAT deduction
Italy	Big	Strict	Liberal	Simplified introduced	Major simplification	• Complex archiving requirements in place • Mandatory B2G and incoming mandatory B2B
Portugal	Medium	Strict	Moderately Strict	Simplified modified	Moderate simplification	• Additional e-reporting requirements imposed • Requirement to have e-invoicing software certified by tax authority
Poland	Big	Liberal	Liberal	Self-billing, simplified modified	Major simplification	• Additional e- reporting requirements imposed • Cash accounting scheme, with postponement of VAT deduction for customers

[70] The four criteria were chosen in order to be as representative as possible. On the one hand, to maximise the sample representativeness, an appropriate coverage of different European regions, characterised by different economic structures and development, business behaviours as well as regulatory frameworks (***geographical balance***), as well as of Member States with a different dimension (***size balance***) were taken into consideration. On the other hand, in order to focus on countries more informative on the results achieved by the Directive and the remaining issues, countries where national VAT legislation was significantly amended following the transposition of the Directive (***Directive impact***) and with different levels of burdensomeness of national requirements (***invoicing burdensomeness***), as evidenced by the legal mapping, were given a preference.

Romania	Medium	Liberal	Liberal	Self-billing, simplified modified	Major simplification	• Cash accounting scheme, with postponement of VAT deduction for customers
Netherlands	Medium	Liberal	Liberal	Unchanged	Unchanged*	• None

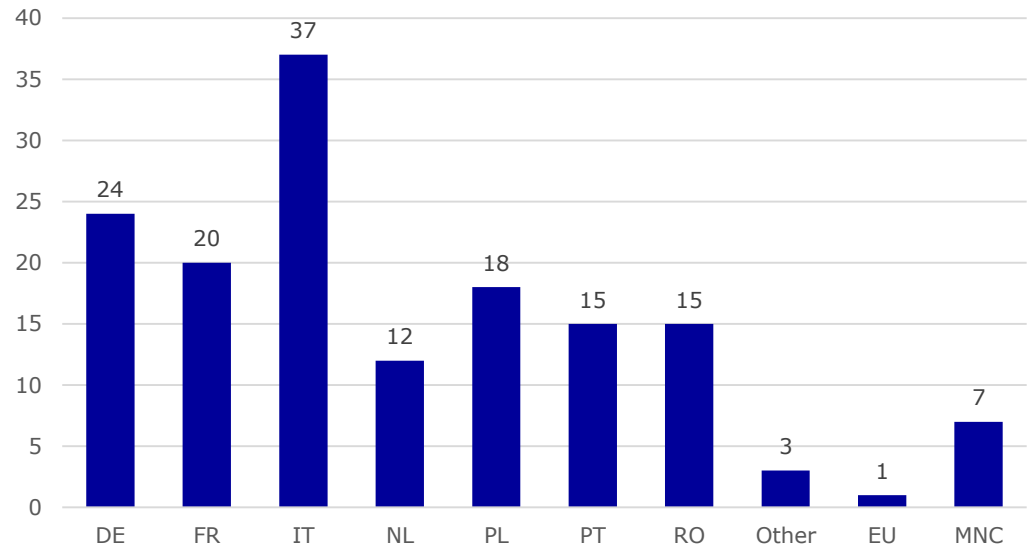
The interview programme including 152 interviews in each of the seven Member States was targeted at:

(i) the ***Tax Authority*** (TA);
(ii) ***Business Federations***, also including SME federations (BF);
(iii) E***conomic Operators*** of different sizes and active in a variety of sectors (EO);
(iv) e-invoicing and e-archiving ***Services Providers*** (SP); and
(v) ***VAT Practitioners*** and tax advisors (VP).

The distribution of the interviews is the following:

Interview type	Number of interviews
Tax Authorities	9
Business Federations	17
Economic Operators	83
Service Providers	15
VAT Practitioners	25
Other	3

The interviews were spread geographically as follows[71]:

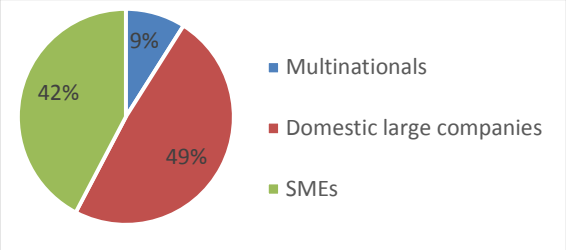


MNC stands for Multinational Corporations

The responsiveness of economic operators varied across size class. Large companies showed a fair interest in contributing to the evaluation, but SMEs were more difficult to reach. In order to ensure a sufficient coverage of all size classes, the Consultant elicited

[71] Multinational Corporation (MNC)

the support of various business federations. ***Eventually, 83 economic operators took part in the consultation and SMEs represent a sizable share of about 42***%.



For each of the five types of stakeholders interviewed, a tailored questionnaire was prepared. For instance, while the questionnaire for business federations was mainly aimed at discussing overarching invoicing themes and issues affecting the majority of companies, the questionnaire for economic operators specifically focused on the invoicing practices and regimes in use and their related costs.

The ***majority of interviews (49%) were conducted in person through face-to-face meetings***. A number of interviews took also place through teleconferences (20%) or in writing via an email interaction (31%).

4. Targeted Consultation – E-mail survey of Tax Authorities

The tax authorities from the non-fieldwork Member States participated to the targeted consultation via an e-mail survey. Out of the 21 non-fieldwork Member States, ***tax authorities from 19 Member States provided responses to the consultation***.

The targeted consultation was designed for three objectives:

(i) validate the findings from the legal mapping, and, in particular, the analysis of transposition and implementation;
(ii) collect tax authorities' opinions to feed the relevant evaluation indicators; and
(iii) collect factual information.

5. Targeted Consultation – E-mail survey of VAT Practitioners

Another e-mail survey was targeted VAT practitioners. While, originally, the national federations of tax auditors had to be targeted by this survey, in the familiarisation interviews VAT practitioners proved more knowledgeable on the subject matter, and thus more interested in participating. ***A total of 17 contributions were received from VAT Practitioners***, in addition to the interviews performed during the fieldwork operations**.**

Given their voluntary participation, the questionnaire had been designed as comparably shorter than the other data collection tools. The questionnaire focused on collecting the VAT practitioners' qualitative assessment on a range of topics, and namely:

(i) the appropriateness of the current invoicing rules;
(ii) the reason why certain specific invoicing regimes have been adopted or not by businesses;
(iii) whether the Directive had an impact on tax control;
(iv) the Directive's contributions vis-à-vis other drivers; and

(v) a set of forward looking questions on possible revisions.

6. A public consultation addressed to all stakeholders and members of the public

The Public Consultation (PC) was launched on 13 June and it remained open until 20 September 2018, for a total of 14 weeks (i.e. for longer than the usual 12 weeks, to take into account the summer period). A total of 177 responses were received from 23 Member States.

The Public Consultation questionnaire consisted of 56 questions focusing mainly on:,

(i) the respondent's perception of the issues at stake and of the functioning of the Directive;
(ii) the assessment of invoicing and e-invoicing rules; and
(iii) the agreement/disagreement with a number of provisions.

The overview

A total of ***175 valid responses*** were received and were used for the analysis. ***The majority of respondents answered the PC in their professional capacity***, while 62 private individuals (PI) participated in their personal capacity. Amongst professionals, the largest group are private enterprises other than consultancies and law firms, with 55 respondents. Noteworthy are furthermore the group of professional and self-employed consultancies or law-firms, and that of trade, business or professional associations with 35 and 14 respondents respectively. Smaller numbers have been collected for NGOs, platforms and networks (3 respondents), research and academia (1), international or national public authorities (1), and the group of other respondents (4). Due to their low participation, these groups have been aggregated into the category 'other' (O) for the analysis.

In total, 23 EU Member States are represented within the PC. Respondents answering in their professional capacity come from all 23, while private individuals participating are resident in 20 Member States. The below table illustrates the countries of respondents.

Country of residence or organisation's country of establishment

Geographical origin of respondent	Number of respondents	Geographical origin of respondent	Number of respondents
Germany	54	Poland	3
Greece	15	Austria	2
Portugal	14	Finland	2
Spain	12	Hungary	2
Bulgaria	9	Sweden	2
Denmark	9	Estonia	1
France	9	Ireland	1
Italy	8	Latvia	1
Slovenia	6	Romania	1
Slovak Republic	5	United Kingdom	1
Belgium	4	EU-level / multinational	2
Czech Republic	4	Non-EU countries	5
Cyprus	3	**Total**	**175**

Most of the participating companies are SMEs, accounting for more than 80% of responses. Almost ***half of all respondents are micro-sized***, either with less than 10 employees or self-employed. Additionally, 14 large companies (16%) with more than 250 employees submitted their answers to the PC.

Regarding the market segments in which companies and consultancies are active in, ***the Business to Business (B2B) segment is dominant with 71 active companies (90%)***, with Business to Government (B2G) and Business to Customer (B2C) being mainly combined with B2B and only in very few cases conducted exclusively.

A majority of the respondents focuses on the domestic market and either solely sells domestically or only occasionally sells to other Member States. For 33 respondents (41%), more than 10% of the company's turnover is being generated through sales to other EU Member States.

Key findings

Overall assessment of the Directive

With respect to the overall assessment of the Directive, a number of relevant questions, were asked and in particular: i) expectations for the EU VAT legislation; ii) impacts of the SID over the last five years; iii) changes in the difficulty of compliance; and iv) the SID complementing or conflicting other pieces of EU legislation.

The question regarding what goals the stakeholders expect the EU VAT invoicing legislation to achieve shows that all the Directive objectives and the need to ensure legal certainty are of high importance. The highest importance has been attributed by respondents to the goal of establishing clear invoicing rules. The reduction of differences in invoicing rules between EU Member States and the reduction of burden on businesses is of very high importance to the majority of respondents as well. Of slightly lower importance are the support for faster and better tax control activities and the adoption of invoicing rules tailored to the needs of SMEs, for which 58 (35%) and 70 (42%) respondents respectively see very high importance.

When asked regarding possible impacts of the SID over the last five years, stakeholders agree that changes in several fields have occurred. The greatest consensus is on the increase of the uptake of e-invoices in that timeframe, which occurred to a large or moderate extent for 80% of the respondents. The majority also agrees that compliance with invoicing requirements has become simpler and that invoicing rules have become more uniform across the EU.

Respondents generally do not consider that compliance with invoicing requirements has become more difficult over the past five years. Improvements to domestic e-invoicing have been reported - more than two-thirds of respondents said it has become either easier or much easier. More than half of the stakeholders responding to the PC also reply that the requirements for exchanging e-invoices across borders has become easier or much easier. For cross-border standard invoices, around one-fifth has found requirements to be more difficult, but the majority evaluates them to have remained as difficult or become easier. As for the requirements for using specific invoicing regimes, almost half the respondents see no difference over the last five years.

The relationship between the SID and other pieces of EU legislation is seen by the majority of stakeholders as not being conflictual.

Rules on e-invoicing

Respondents reported the following factors relevant for the uptake of e-invoicing: invoicing rules, business attitude towards e-invoicing, the security and interoperability of e-invoicing solutions, and their price. More than two-thirds classify the push from other companies and mandatory e-invoicing for public procurement to be either important or very important in order to increase e-invoicing uptake. A majority of the responding stakeholders also assess the mandatory electronic submission of VAT reports or data to the tax authority as important or very important.

Regarding the current working of e-invoicing rules, a majority responded that the legal definition of an e-invoice and the removal of legal requirements on e-invoices beyond those that exist for paper invoices are working well or very well.

The majority of responding individuals and even more of business stakeholders assess compliance with archiving requirements for paper invoices to be either easy or very easy. On the other hand, for e-invoices, more respondents find it difficult or even very difficult to comply with archiving requirements.

Simplification of invoices issuance and content

The majority of business stakeholders assess the invoicing regimes of simplified, self-billing, and summary invoices to be either important or very important for businesses.

Respondents were asked to choose from several factors being possible drivers for the uptake of the specific invoicing regimes, and namely: invoicing requirements, business attitude, push from other companies and tax advisor's suggestion. The most important drivers were invoicing requirements for simplified invoices, and invoicing requirements and business attitude for both self-billing and summary invoices.

When asked to evaluate the working of specific provisions applicable to domestic invoice issuance and content, a majority of the professional respondents rate all of them to be working well or very well. Respondents in their personal capacity were considerably more critical. The elements to be included in standard invoices and content of simplified invoices work either very well or well according to a large majority of business stakeholders and even private individuals. The reasons why part of respondents thinks those rules might not work so well are mainly because they consider them as unclear or to provide insufficient certainty in case of audits.

For the instances in which a simplified invoice can be issued, some respondents add in their comments that the threshold is too low. Regarding the requirements for issuing and receiving self-billing invoices, around one-fifth of respondents say rules were too complex to apply. Private individuals answer in a similar manner as business stakeholders, but with a higher tendency of assessing rules to be too complex to apply.

Harmonisation of Cross-Border Invoice Issuance and Content

The cross-border rules submitted for consultation encompassed: (i) the applicable invoicing rules; (ii) the uniform time limit for issuing invoices for cross-border transactions; (iii) the use of the ECB exchange rate for currency conversion; and (iv) the removal of requirements diverging across countries for self-billing.

A two-thirds majority of business stakeholders evaluate all four rules to be working well or very well. Even though private individuals are slightly more critical, there is still a majority saying the rule works at least well for all of them.

When respondents provide a negative assessment, the underlying reasons are rather diversified. One-fourth of the business stakeholders consider that the uniform time limit and the use of the ECB exchange rate do not work well because those rules are not being applied properly. The stakeholders assessing the rules on the applicable invoicing rules and on the removal of requirements for self-billing as not working well say, by a majority, that these rules are unclear or that national rules remain too different.

Cash accounting

The vast majority of respondents considered the cash accounting scheme as either important or very important for businesses. It is seen as very important by 68 respondents (54%) and as important by another 34 (27%).

Regarding the factors for the uptake of cash accounting, administrative requirements and financial gains are seen as important or very important by 108 (82%) and 112 (86%) respondents respectively. A majority of stakeholders also think that business attitude and tax advisor's suggestion are important factors for its uptake.

Annex 3: Methods and analytical models

Application of the Standard Cost Model

The quantification of the administrative costs and cost savings rely upon the Standard Cost Model (SCM), in accordance with the Better Regulation Toolbox.[72] As prescribed therein, this section provides for the ***analysis*** instrumental in designing the questionnaire, starting from the ***identification and classification of the relevant Information Obligations*** (IOs), and then the analysis of the ***frequency, administrative activities, population,*** and ***cost parameters.***

Identification and classification of IOs. Based on how the substantive changes of the Directive have affected the information duties therein include, the analysis focused on the following IOs for paper invoices:

- IO1 – Issuance of a standard invoice for domestic transactions;
- IO2 – Issuance of a standard invoice for cross-border transactions;
- IO3 – Issuance of a self-billing invoice;
- IO4 – Issuance of a simplified invoice.

As for the Directive provisions aimed at impacting on the e-invoicing uptake, the analysis focused on two IOs:

- IO5 – Issuance of an e-invoice, including compliance with I&A requirements at the time of issuance;
- IO6 – Receipt and storage of an e-invoice, including compliance with I&A requirements and cooperation with tax audits.

Importantly, for IO1, IO5 and IO6, the analysis quantified the total administrative costs generated by this provision, hence estimating what the cost for a company to issue a standard paper invoice for domestic transactions is. For IO2, IO3, and IO4, the focus was set on quantifying the net impacts caused by the Directive that is the administrative costs and cost savings generated.

The Better Regulation Tool distinguishes between 11 types of obligations, depending on the nature of the informational duty imposed on the economic operator. IOs from 1 to 5 belong to the same category, that is the provision of '***non-labelling information to third parties***', as the invoice is a document other than a label through which taxable persons provide information to customers (or suppliers in case of self-billing), as well as to public authorities. IO6 belongs to the category '***cooperation with audits & inspection by public authorities, including maintenance of appropriate records***'.

[72] Better Regulation Toolbox (BRT), Tool #60.

Identification of the administrative activities. The ***issuance of an invoice*** in paper form and electronic format requires a number of actions that can be reconstructed as follows:[73]

1. ***Preliminary activities.*** For the issuance of standard, paper invoices for domestic transactions and simplified invoices, no preliminary activities, such as familiarisation and training are necessary, as this is a routine activity for taxable persons. For the issuance of a standard invoice for cross-border transactions, the taxable person may be not familiar with foreign invoicing rules, when applicable, and would thus need to acquire the necessary know-how. This task should be undertaken 'in full' when a taxable person enters a new foreign market; to the contrary, in markets in which the taxable person is already operating, a regular update could be sufficient. For the issuance of self-billing invoices, both parties have to enter into a prior agreement before they are able to issue the invoice. Finally, in case of businesses switching from paper-based to electronic invoicing, preliminary activities could include familiarisation with new rules, staff training as well as the adjustments required to integrate e-invoicing with up- and downstream business processes. To the contrary, administrative costs related to obtaining the acceptance of e-invoicing from the buyer have not been taken into account because, in the vast majority of MS (23), an implicit, and thus costless, acceptance is considered sufficient.
2. ***Collection of the data*** necessary to fill in the invoice. The data include both customers' data (suppliers', in case of self-billing) as well as sales and VAT-specific data (e.g. nature and value of goods and services, applicable tax rate, possible exemptions). As for the retrieval of customers' data, the activity is different for old customers, the data of whom have already been shared with the taxable operator in the past and possibly stored, and new customers, the data of whom have to be retrieved *ex novo*. This activity is common for all types of invoices, except for simplified invoices (unless required by national provisions).
3. ***Drafting the invoice***. This activity consists in inputting the data collected into the invoice, either by hand, with the help of a non-dedicated software (such as a word processor or a spreadsheet) or created in a web portal, or automatically by means of an ERP software or invoicing software integrated with the ERP.
4. ***Delivering the invoice*** to the client. In the case of paper invoices, this can be done either *de visu*, together with the goods (if it is a provision of goods), or by post (including printing the invoice and preparing the envelope). In the case of an e-invoice, it can be delivered without any manual intervention (e.g. via EDI or an invoicing software integrated with the ERP), by sending an email with PDF attachment or link to web portal, or by uploading it in a web portal.
5. ***Accepting the invoice.*** In case of self-billing invoice, the supplier needs to accept it. The acceptance could be explicit, per each invoice or per group of invoice, tacit, or granted to all invoices issued between two parties in a certain period (e.g. via a clause in the prior agreement). This step is not relevant for other IOs.

[73] Cf. Capgemini et al. (2009), EU project on Baseline Measurement and Reduction of Administrative Costs, Final Report for the European Commission. Hereinafter 'Capgemini Report'. Cf. Administrative Simplification Agency (various years), *Rapport: Facturation électronique*. Hereinafter 'ASA Report'.

The flowchart of the activities necessary to comply with the five IOs is represented in Figure 1. The various activities are then classified according to the Better Regulation Toolkit in Table 1.

Figure 1 – Flowchart of activities – Issuance of invoices (IOs 1 – 5)

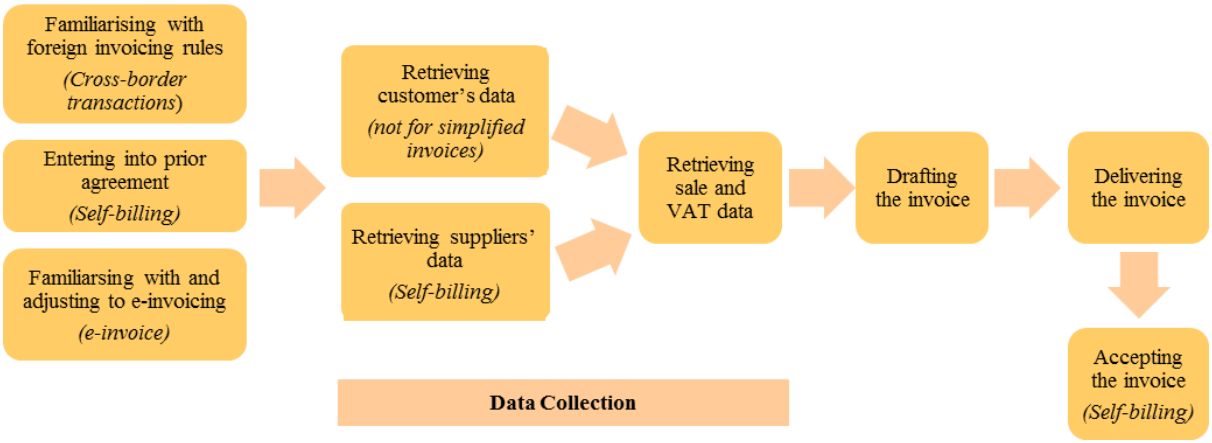


Table 1 – Classification of activities – Issuance of invoices (IOs 1 – 5)

#	Activity	IOs	Classification	Changes introduced by the SID
1.1	Familiarising with foreign invoicing requirements	IO2	Familiarising with the IO	• For cross-border provision of services subject to reverse charge, Article 219a removed the need to retrieve information on foreign invoicing requirements • Uniform time limit and currency conversion method reduces the number of rules to be verified when issuing cross-border invoices
1.2	Entering into a prior agreement	IO3	Filling forms and tables	• Removal of national additional requirements
1.3	Familiarising with e-invoicing rules and process	IO5	Familiarising with the IO	• Provisions aimed to supporting the e-invoicing uptake introduced
2.1a	Retrieving customer's (supplier's) data (new customers)	IO1 IO2	Adjusting existing data and producing new data	
2.1b	Retrieving customer's (supplier's) data (old customers)	IO3 IO5	Retrieving relevant information from existing data	
2.2	Retrieving sales and VAT data	All	Adjusting existing data and producing new data	• The same currency conversion method can be used throughout the EU (relevant for IO2)
3	Drafting the invoice	All	Filling forms and tables	• Provisions aimed to supporting the e-invoicing uptake introduced (thus, differences in the time taken and out-of-pocket costs incurred for drafting and sending an invoice in paper form versus in electronic format will be measured)
4	Delivering the invoice	All	Copying and submitting the information	
5	Accepting the invoice	IO3	Filing the information – EU and national requirement	• Removal of national additional requirements

The Directive does not affect the provisions governing ***invoice receipt and archiving***. However, by fostering the adoption of e-invoicing solutions and archiving, which can

allow digital data capture, automated invoice validation and matching with related documents, it is also expected to affect the ACs to comply with this IO. Additionally, e-invoice and e-archiving solutions may reduce the administrative costs to comply with tax audits, in particular to gather and prepare the information needed, and for submitting it to the tax authority.

Table 2 – Classification of activities –Invoices receipt and archiving (IO6)

#	Activity	Classification
1	Receiving the invoice	Filling forms and tables
2	Validating the invoice	Retrieving relevant information from existing data
3	Entering the invoice data	Filling forms and tables
4.1	Gathering information and preparing documentation for audits	Retrieving relevant information from existing data
4.2	Submitting documents to the tax authority	Filing the information

Identification of the population and of the relevant segments. The available studies on the costs of invoicing express the final estimates in terms of the cost per invoice, rather than as the annual cost per company. The Consultant kept the same approach, hence the population is defined as the ***number of invoices issued by EU taxable persons***. The Consultant asked economic operators about the number of invoices issued and received, detailing the form/format (paper or electronic) and, where relevant, their geographical scope (dome 1stic vs. cross-border), as well as the specific invoicing regimes (self-billing and simplified ones).

Though the population is defined as the total number of invoices, the number and type of taxable persons remains relevant to the analysis, because the different sizes and behaviours of the taxable persons concerned are relevant for the ***segmentation of the population***, which was done over two dimensions, as described in Table 3 below.

Table 3 – Segmentation of the population per IO

Dimension	IOs	Segments	Notes
Business size	IO1, IO2, IO5, IO6	• Independent workers and micro-enterprises (less than 10 employees) • Small and medium enterprises (10-249 employees) • Large enterprises (250 employees or more)	• Part of independent workers and micro-enterprises may benefit from the SME exemption, which in 8 MS also release them from the obligation for issuing an invoice, and should then not be considered as part of the population.[74] • As evidenced by the business survey, both the volume of invoices exchanged and the rate of use of e-invoicing largely vary across business size classes. • For specific invoicing regimes (IO3 and IO4), *ex ante* segmentation is not advisable because of the lower diffusion and thus the lower number of data points.

[74] Namely, Belgium, France, Greece, Croatia, Hungary, Luxembourg, Malta, and Portugal. Cf. Deloitte (2017), Special scheme for small enterprises under the VAT Directive 2006/112/EC - Options for review, Final report, Vol. 2, at p. 6.

In-house vs. Outsourcing	IO2, IO5, IO6	• Companies carrying out the tasks internally • Companies delegating the task to a service provider (e.g. tax advisor, e-invoicing service provider)	• For IO2, companies may outsource task 1.1 "Familiarising with foreign invoicing requirements". • For IO5 and IO6, as emerged from the business survey, a significant share of businesses exchange (and archive) e-invoices through online service providers. • Available studies suggest that the issuance of invoices is carried out mostly or fully in-house, thus this segmentation is unlikely to be relevant for the other tasks, and thus for IO1, IO3, and IO4.[75]

Identification of the frequency. Invoice issuance, regardless of the type of invoice, is a ***sporadic IO***, meaning that it is done routinely, but not at regular intervals. However, as the population is defined as the number of invoices, this parameter is not relevant to the analysis.

Identification of the cost parameters. The parameters relevant for the quantification are described in Table 4 below, presenting both the general approach and the data sources, as well as the specificity for each IO.

Table 4 – Cost Parameters

Type of cost	IOs	Parameters	Notes
Labour costs	All	• Average time spent to carry out the tasks (targeted consultation) • Average salary for a clerk (Eurostat)	• When time estimates are not salient to the interviewee, average time spent will be estimated based on personnel dedicated to invoicing
Out-of-pocket-expenses	All	• Cost of printing the invoice (secondary sources) • Cost of sending the invoice (domestic or cross-border, secondary sources)	• For IO3, costs of printing/sending the prior agreement as well • For IO5 and IO6, these costs may be null, depending on the e-invoicing solution adopted (e.g. invoicing software integrated with the ERP)
Outsourced costs	IO2, IO5, IO6	• Fees paid to the external service provider (targeted consultation)	
Investment costs	IO5, IO6	• Costs of dedicated IT equipment or software	• For IO5 and IO6, businesses may purchase software or IT equipment specifically to exchange e-invoices as well as install an electronic archiving system

The Business As Usual Factor

All administrative costs and cost savings analysed are considered administrative burdens. The cost savings concern additional or unnecessary activities, i.e. not those that would remain even in the absence of a regulatory obligation. For instance, the costs of issuing a paper invoice rather than e-invoice are additional to those imposed by the minimum compliance with the invoicing obligations. As for the few administrative costs analysed below, they invariably concern obligations that go beyond a company's normal activity, and, thus, the Business-as-Usual (BAU) factor is considered as 0%[76].

[75] Cf. Capgemini Report; HMRC Report.

[76] The BAU factor represents the share of costs that the company would bear even if the IO were removed; its complement represents the share of administrative burdens over the total administrative costs.

Annex 4: Invoicing issuance and content – implementation by Member States

Transposition by Member States

Table 1 – Transposition of the provisions on the invoicing issuance and content

Provision	Indicator	Incorrect transposition
Standard invoice		
Content of standard invoices	Amended clauses on cash accounting, self-billing, reverse charge, margin schemes	0
Financial Services	Invoice not required for intra-EU financial services	0
Specific invoicing regimes		
Simplified invoices	Simplified invoice allowed for minor (< EUR100) transactions	2
	Simplified invoice allowed for amending documents and messages[77]	-
	Details on a simplified invoice beyond those in Articles 226, 227, 230	0
	Simplified invoice not allowed for transactions above EUR 400	0
Self-billing	No additional requirements on prior agreement	2
Summary invoice	No additional conditions on summary invoice issuance	0
	Minimum period one month	0
	No additional requirements on acceptance procedure	0
Cross-border provisions		
Applicable Jurisdiction	Invoicing rules are in line with the new Article 219a	0
Time limit	Time limit for intra-EU transactions on 15th day of the following month	0
Content of cross-border invoices	Allowed to omit the VAT rate and the VAT amount for reverse charge transactions	0
Currency conversion	Allowed to use ECB exchange rate	0
Translation	No requirement for all invoices to be translated into national language	0

***Source**: Study on the evaluation of invoicing rules of Directive 2006/112/EC*

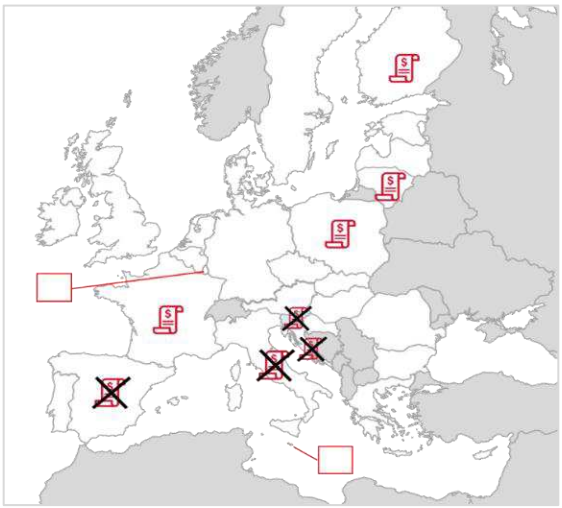
Changes on national level

Standard invoices

All Member States adapted their legislation to the new clauses. The requirement not to require invoices for intra-EU financial services was implemented by all Member States. Some went further (Croatia, Italy, Slovenia and Spain) and have removed the obligation to issue an invoice for VAT-exempt transactions for all financial service providers. Four Member States (Finland, France, Lithuania, and Poland) still require invoices from financial services providers under specific conditions – such as for certain business-to-business (B2B) transactions or upon customer's request. The situation is depicted on figure 1.

[77] A large number of Member States do not have a specific provision transposing Article 220a(1)(b). However, after further research and the interaction with tax authorities, it was clarified that, in most of the countries, amending documents and messages do not need to include all the information required for VAT invoices. For this reason, a lack of an explicit national provision transposing Article 220a(1)(b) does not imply its incorrect transposition.

Figure 1 – Legal changes on invoicing obligations for financial services providers for intra-EU transactions



Legend:

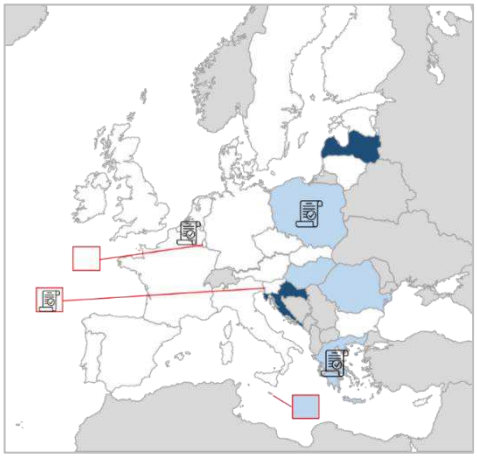
	MS that do not require invoices from financial services providers for intra-EU transactions
	MS that require invoices from financial services providers under specific circumstances
	MS that removed the invoicing requirement for financial services providers after the SID
	Non-EU countries

***Source**: Study on the Evaluation of invoicing rules of Directive 2006/112/EC, January 2019.*

Specific invoicing regimes

The possibility to issue a **self-billing invoice** was granted almost in all EU countries already prior to the SID SID[78]. Twenty Member States require an explicit prior agreement between the parties. Little has changed in this respect, since only Luxembourg and Malta removed the duty for the prior agreement to be explicit. The acceptance procedure had to be explicit only in four countries, while it currently does not have to be in any Member State. Further requirements[79] were in place in seven countries (Bulgaria, Cyprus, Greece, Hungary, Malta, Poland, and Romania), and were removed in all of them except for two. The situation is illustrated in more detail in figure 2 below.

Figure 2 – Legal changes on self-billing



Legend:

	MS that introduced the possibility to issue self-billing invoices
	MS that removed the additional requirements for the self-billing prior agreement
	MS that removed the requirement of explicit acceptance of self-billed invoices
	Non-EU countries

***Source**: Study on the Evaluation of invoicing rules of Directive 2006/112/EC, January 2019.*

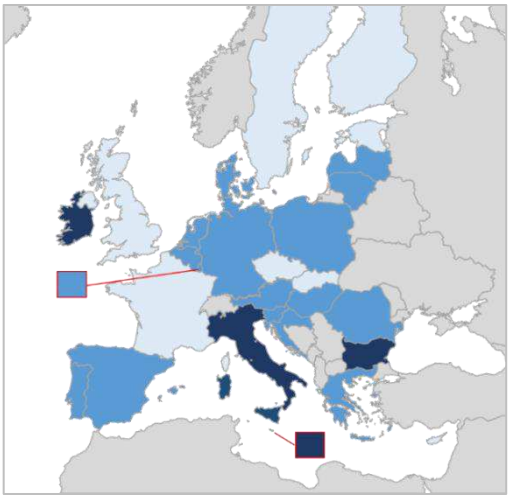
As summarised in figure 3 below, four Member States introduced the possibility to issue **simplified invoices** following the transposition of the SID (Bulgaria, Ireland, Italy, and Malta) since twenty four already allowed it before. Sixteen Member States, where

78 The only exceptions were Latvia and Croatia (the latter not bound by the EU acquis in 2010).

79 E.g. the duty to notify the tax authority of the prior agreement, or to ask for an authorisation, or to conclude the agreement before a notary.

simplified invoices were already allowed, go beyond the minimum requirements, and allow simplified invoices to be used also in other circumstances[80].

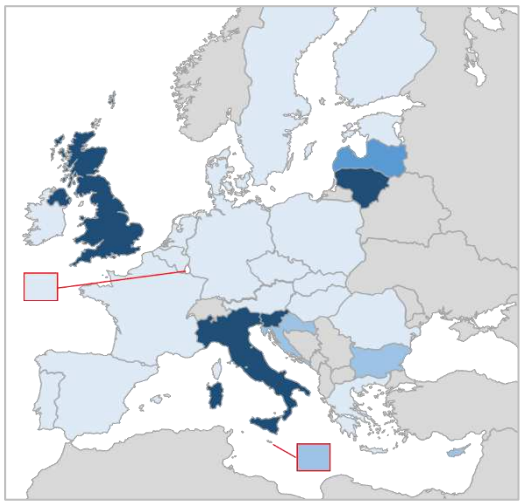
Figure 3 – Legal changes on simplified invoices



***Source**: Study on the Evaluation of invoicing rules of Directive 2006/112/EC, January 2019.*

The possibility of issuing a **summary invoice** was already granted in 24 Member States. Following the Directive, summary invoices were introduced also in the remaining four Member States (Bulgaria, Cyprus, Croatia, and Malta). In line with the revised Article 223, all EU countries allow summary invoices to cover at least one month of supplies; in 17 Member States, one month represents the maximum period allowed. The situation is depicted in figure 4.

Figure 4 – Legal changes on summary invoices



***Source**: Study on the Evaluation of invoicing rules of Directive 2006/112/EC, January 2019.*

Cross-border provisions

Prior to the implementation of the SID, in 16 countries national invoicing rules would apply to taxable persons established (or in some cases registered) therein and thus were changed by the Directive.

[80] (i) for transactions the value of which is between EUR 100 and 400, in 10 Member States; (ii) for specific business sectors, in 10 Member States; and (iii) in other cases, e.g. when the business practices make it difficult to issue a standard invoice, in five Member States.

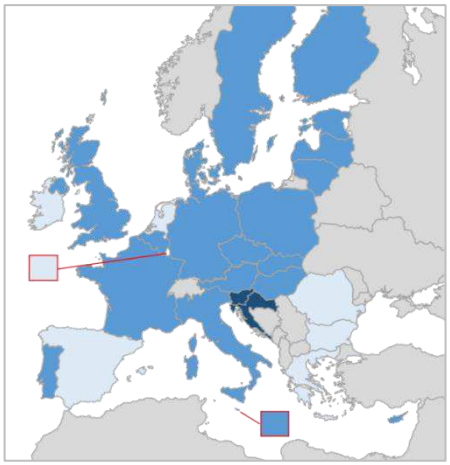
A **time limit for intra-EU transactions** was introduced in Croatia and Slovenia, while nineteen Member States had to modify their previous limit (as illustrated in figure 5 below).

Prior to the Directive, 16 Member States allowed omitting **the VAT rate and the VAT amount** on invoices in certain cross-border transactions, while currently all Member States allow for such omission.

Following the transposition of the Directive, the use of **the exchange rate** published by the ECB is now possible in all EU countries, compared to the 10 Member States in which this was possible prior to the SID.

A general **requirement to translate** any VAT invoice, both issued and received, was not in force in any EU country even prior to the SID. Tax authorities would request a translation whenever necessary for audit purposes. However, based on accounting laws rather than VAT legislation, a general requirement to issue invoices in the local languages existed in five Member States[81]. It was removed in Poland and Portugal, by means of administrative rules and tax rulings which were not connected to the implementation of the Directive.

Figure 5 – Legal changes on the time limit for intra-EU transactions



***Source**: Study on the Evaluation of invoicing rules of Directive 2006/112/EC, January 2019.*

[81] Bulgaria, France, Lithuania, Poland, and Portugal.

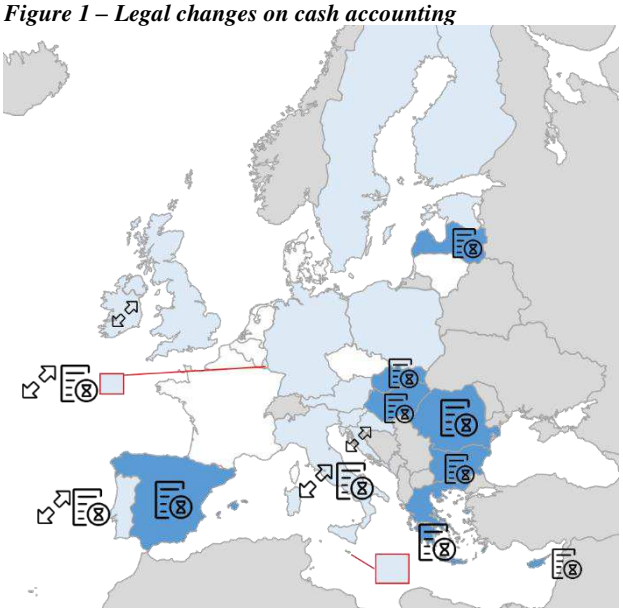
Annex 5: Cash accounting scheme – implementation by Member States

The cash accounting regime targeting micro enterprises is widespread in the EU, as it is foreseen in 22 Member States[82], In 20 out of 22 Member States, the cash accounting regime is combined with the postponement of the VAT deduction, as allowed by Article 167a.

Eight Member States have introduced the cash accounting over the last five years, in all these Member States, the introduction of the cash accounting was paralleled with the implementation of Article 167a, i.e. with the postponement of deduction. In addition, the postponement of VAT deduction was also introduced in three Member States that previously had the cash accounting regime in place.

The scope of cash accounting was also enlarged as a result of other changes to the national legal frameworks. Three Member States (Ireland, Italy and Luxembourg) increased the ceiling under which micro enterprises can opt for cash accounting; in one (Portugal), the scheme went from specific (applicable only to certain taxable persons), to open to any taxable person below the turnover threshold. In Malta, the introduction of the ceiling caused a reduction of the number of eligible taxable persons.

Figure 1 – Legal changes on cash accounting



Legend:

	MS that already provided cash accounting for micro enterprises
	MS that introduced cash accounting for micro enterprises
	MS not providing cash accounting targeted to micro enterprises
	MS that introduced the postponement of VAT deductibility for taxable persons opting for cash accounting
	MS that enlarged the scope of cash accounting*
	Non-EU countries

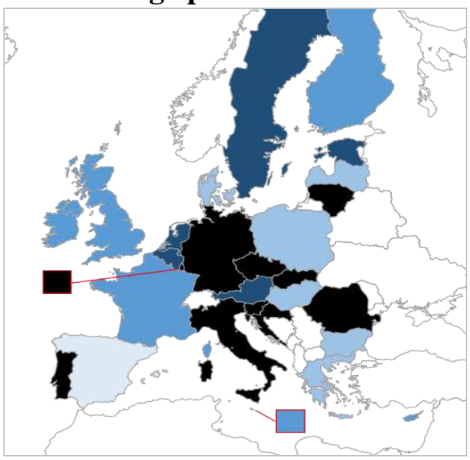
**: Including the increase of the threshold, the removal of business sectors limitations, and the removal of other additional requirements.*

***Source**: Study on the evaluation of Invoicing rules of Directive 2006/112/EC, January 2019.*

[82] Belgium, France, Lithuania, and the Netherlands do have a cash-accounting scheme, but it is not targeted to enterprises below a certain size, and thus bear no relation with Article 167a.

Annex 6: Archiving – situation in the Member States

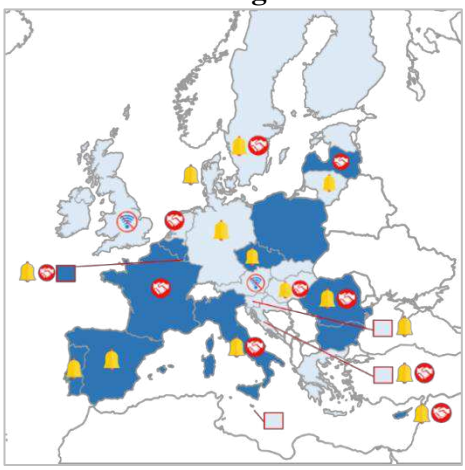
Figure 1 – Storage periods of invoices



Legend:	
	4 years
	5 years
	6 years
	7 years
	10 years
	Non-EU countries

***Source**: Study on the evaluation of invoicing rules of Directive 2006/112/EC, January 2019.*

Figure 2 – Place of storage of invoices

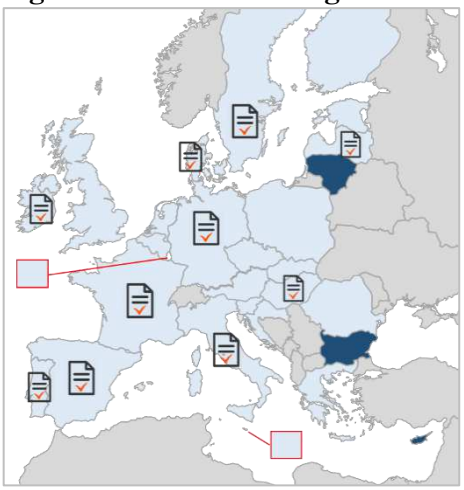


Legend:

	MS allowing to store only e-invoices abroad
	MS allowing to store paper and e-invoices abroad
	Prior notification required
	Full online access not required
	Storage in third countries only with mutual tax assistance agreement
	Non-EU countries

***Source**: Study on the evaluation of invoicing rules of Directive 2006/112/EC, January 2019.*

Figure 3 – Invoice storage form



Legend:

	MS requiring invoices be stored in original form
	MS allowing to convert invoices(*)
	MS imposing specific conditions for the scanning and disposal of paper invoices
	Non-EU countries

***Note**:* Certain Member States only allow the conversion from one form to another (e.g. only from paper to electronic form, and not vice versa).*

***Source**: Authors' own elaboration.*

***Source**: Study on the evaluation of invoicing rules of Directive 2006/112/EC, January 2019.*

Annex 7: Evaluation matrix

1) Relevance

Judgement criteria	*Indicators*	*Sources of evidence*
EQ#1. To what extent do the objectives of the SID still correspond to the needs of the stakeholders, notably the economic operators and the Member States' administrations?		
Importance of harmonising invoicing rules to economic operators and Member States' administrations	• Share of cross-border VAT transactions • Volume of cross-border e-invoices • Businesses' appreciation of the importance of the convergence of national invoicing rules to operate cross-border • Tax authorities' appreciation of the importance of harmonizing invoicing rules	• Desk Review • Business Survey • Targeted consultation of economic operators and tax authorities • OPC
Importance of simplifying invoicing rules to economic operators and Member States' administrations	• Evidence on businesses adopting invoicing regimes simplified by the Directive • Businesses' appreciation of the importance of invoicing simplification • Businesses' appreciation of the appropriateness of specific invoicing regimes • Tax authorities' appreciation of the importance of invoicing simplification	• Desk Review • Legal Mapping • Targeted consultation of economic operators and tax authorities • OPC
Importance of e-invoicing rules for e-invoicing uptake	• Share of businesses making no / limited use of e-invoicing due to legal barriers • Businesses' perception of the severity of e-invoicing legal requirements as a barrier to e-invoicing adoption • Businesses' appreciation of the appropriateness of e-invoicing rules	• Business Survey • Targeted consultation of economic operator • OPC
Importance of tax control by means of invoicing rules	• Number/frequency of controls related to VAT • Detected value of VAT fraud, in particular of irregularities related to fake invoices, underreporting sales, missing trader and cash accounting scheme • Tax authorities' appreciation of the importance of invoicing rules for tax control	• Desk Review (OECD: tax administration statistics) • Targeted consultation of tax authorities
Importance of supporting SME by means of cash accounting	• Share of SMEs subject to payment delays longer that the VAT payment period • Businesses' appreciation of the importance of the cash accounting regime • Businesses' appreciation of the appropriateness of cash accounting regime • Tax authorities' perception on the viability of cash accounting regime for the public budget	• Desk Review (Eurostat data, international and national data and publications) • Targeted consultation of economic operator and tax authorities • OPC
EQ#2. To what extent the main issues, addressed by the Invoicing Directive still persist, have improved, worsened, or otherwise changed?		
Degree of regulatory complexity and fragmentation on e-invoicing	• Number of Member States imposing national specific requirements on e-invoicing • Magnitude of cross-country differences in the implementation/interpretation of e-invoicing rules/requirements (e.g. BCAT, archiving) • Legal disputes or requests for clarification on the interpretation of e-invoicing rules received by TAs • Businesses' appreciation of the burdensomeness / clarity of e-invoicing provisions • e-invoicing SPs' perception of difficulties to	• Desk Review (Court of Justice of the European Union jurisprudence) • Legal mapping • Business Survey • Targeted consultation of tax authorities and economic operators • OPC

Judgement criteria	*Indicators*	*Sources of evidence*
	operate cross-border	
Degree of regulatory complexity and fragmentation on invoicing issuance and content	• Number of Member States imposing additional national requirements on invoicing • Magnitude of cross-country differences in implementation/interpretation of invoicing rules • Number of instances in which the complexity of invoicing rules creates legal disputes at EU level • Legal disputes or requests for clarification on the interpretation of invoicing rules received by TAs • Businesses' perception of the difficulties to exchange cross-border invoices • Businesses' appreciation of the burdensomeness / clarity of invoicing rules and specific invoicing regimes	
EQ#3. Are there any new stakeholders' needs, also in light of technological developments in the field of e-invoicing, which should be addressed through EU-level invoicing rules?		
Changes of regulatory environment affecting invoicing rules	• Number of Member States introducing additional reporting requirements / real-time controls • Tax authorities' opinion on the fitness of current invoicing rules to new requirements and controls	• Desk Review • Targeted consultation of tax authorities
Changes of market/-economic environment affecting e-invoicing rules	• Evolution of the scope of e-invoicing solutions and services, including for cross-border transactions • Evolution of the cost of e-invoicing solutions and services, including for cross-border transactions • e-invoicing SPs' opinion on the fitness of current e-invoicing rules	• Desk Review • Targeted consultation of economic operators
Changes of technology environment affecting e-invoicing rules	• Emergence of new technologies to guarantee e-invoice I&A • Businesses' opinion on new technologies to guarantee e-invoice I&A not mentioned in the Directive • e-invoicing SPs' opinion on new technologies to guarantee e-invoice I&A not mentioned in the Directive	• Desk Review • Targeted consultation of economic operators

2. Effectiveness

Judgement criteria	*Indicators*	*Sources of evidence*
EQ#4. To what extent has the Directive contributed to the achievement of its objectives, in terms of:		
Reduction of Administrative Burden for businesses	• Total reduction of administrative burdens for businesses generated by the Directive AB reduction from e-invoicing	• See Efficiency section
Increase of the uptake of e-invoicing	• Trends in the share of companies issuing/ receiving e-invoices • Trends in the share of invoices issued/ received electronically • Share of businesses adopting different e-invoicing solutions • Stakeholders' appreciation of the role played by the Directive to e-invoicing uptake	• Desk Review (Eurostat data, international and national data and publications) • Business Survey • Targeted consultation of economic operator • OPC
Supporting effective tax control	• Trends in number/frequency/duration of controls related to VAT • Tax authorities' appreciation of the role played by the Directive to increase the effectiveness of tax control	• Desk Review (OECD, tax administration statistics) • Targeted consultation of tax authorities

Judgement criteria	*Indicators*	*Sources of evidence*
Contribution to improved functioning of the internal market	• Trends in the share of companies issuing/ receiving e-invoices for intra-EU transactions • Trends in the share of invoices issued/ received electronically for intra-EU transactions • Reduction of the administrative burdens for exchanging cross-border invoices • Reduction of e-invoicing switching costs due higher SPs competition • Businesses' perception of the ease of exchanging cross-border invoices and e-invoices	• Desk Review • Legal mapping • Business Survey • Targeted consultation of economic operator and tax authorities • OPC
Contribution to SME promotion	• Trends in the share of SMEs issuing/receiving e-invoices • Trends in the share of invoices issued/received electronically by SMEs • Reduction of the administrative burdens for SMEs • Financial costs savings for SMEs	• Desk Review • Legal mapping • Business Survey • Targeted consultation of economic operator and tax authorities • OPC
Contribution to reduction of VAT fraud	• Trends in VAT Gap as % of the VAT Total Tax Liability (VTTL) • Estimated revenue loss from MTIC fraud as % of the VTTL and in terms of revenue loss • Tax authorities' appreciation of the role played by the Directive to reduce VAT fraud	• Desk Review (VAT Gap Studies, international and national data and publications, Intrastat data) • Internal elaborations based on Intrastat data • Targeted consultation of tax authorities
EQ#5. What were the factors that hindered the achievement of the objectives in terms of:		
Reduction of administrative burdens for businesses	• Businesses' attitude towards regulatory simplifications • Evidence and severity of problems with invoicing requirements in adjacent areas	• Legal mapping • Targeted consultation of economic operators and tax authorities • OPC
Increase of the uptake of e-invoicing	• Evidence and severity of legal barriers to e-invoicing • Evidence and severity of other barriers to e-invoicing	• Desk Review • Legal mapping • Business Survey • Targeted consultation of economic operators and tax authorities • OPC
Supporting effective tax controls	• Extent of legal barriers and limited resources to timely control companies' transactions and implementing risk analysis systems • Problems with exchanging information between Member States on VAT payers and transactions • IT readiness of tax authorities	• Desk Review • Targeted consultation of tax authorities

3. Efficiency

Judgement criteria	*Indicators*	*Sources of evidence*
EQ#6. To what extent the invoicing rules introduced by the Directive were efficient i.e. whether the benefits of the reduced costs of issuing invoices, legal certainty and uniform rules have outweighed the costs imposed upon businesses by the new rules?		
Regulatory costs and cost savings for businesses generated by the implementation of the Directive	• Administrative costs and cost savings due to issuance of domestic standard invoices • Administrative costs and cost savings due to the issuance of cross-border standard invoices • Administrative costs and cost savings due to specific invoicing regimes • Administrative costs and cost savings due to issuance and storage of e-invoices • Financial costs and cost savings due to the cash accounting scheme	• Desk Review (EU and national and publications) • Legal mapping • Business Survey • Targeted consultation of economic operators and tax authorities
Regulatory costs and cost savings for tax authorities generated by the implementation of the Directive	• One-off enforcement costs generated by the Directive (including adaptation to new rules, training, purchase of IT equipment) • Recurrent enforcement costs generated by the Directive • Enforcement cost savings due to lower unitary costs of tax audits on taxpayers using e-invoicing • Enforcement cost savings due to lower costs for identifying when a tax investigation is necessary	• Desk Review (EU and national and publications) • Legal mapping • Targeted consultation of tax authorities

4. Coherence

Judgement criteria	*Indicators*	*Sources of evidence*
EQ#7. To what extent are the rules provided for in the Invoicing Directive coherent with other EU interventions and policy priorities?		
Degree of compatibility with other EU legislation	• Existence of inconsistencies, overlaps, and synergies between invoicing rules and other legislation • Existence of inconsistencies, overlaps, and synergies between e-invoicing rules and other legislation • Stakeholders' perception on the severity of the inconsistencies, overlaps, and synergies identified	• Desk Research (Court of Justice of the European Union jurisprudence) • Targeted consultation of economic operators and tax authorities
Degree of alignment with EU strategies	• Consistency of the Directive objectives with those set in relevant EU strategies and legislation • Stakeholders' perception on the fit between EU strategies and invoicing rules: • coherence of the Directive objectives with other EU strategies	
Coordination/synergies with other EU initiatives in the e-invoicing field	• Consistency of the e-invoicing provisions and principles with EU non-legal interventions to support e-invoicing • Stakeholders' perception on the fit between other EU initiatives and the Directive	

5. EU Added Value

Judgement criteria	*Indicators*	*Sources of evidence*
EQ#8. To what extent has the EU intervention been creating added value with respect to Member States acting at national level or through multilateral arrangement?		
Added value of setting common invoicing rules on issuance and content at EU level	• Effectiveness indicators concerning issuance of domestic standard invoices (reduction of administrative burdens, businesses' perception of the ease of exchanging cross-border invoices) • Effectiveness indicators on appreciation of the role played by the Directive to increase the effectiveness	• Targeted consultation of economic operators and tax authorities • OPC • Findings from other Evaluation Questions

Judgement criteria	*Indicators*	*Sources of evidence*
	of tax control • Stakeholders' opinion on the benefit of common invoicing rules at EU level • Likelihood of Member States spontaneously adopting harmonised and simpler invoicing rules	• Consultants' expert assessment
Added value of establishing common e-invoicing requirements at EU level	• Effectiveness indicators concerning uptake of e-invoicing (reduction of administrative burdens, share of companies issuing/receiving e-invoices for intra-EU transactions, business perception of the ease of exchanging cross-border e-invoices) • Stakeholders' opinion on the benefit to establish common e-invoicing requirements at EU level • Likelihood of Member States spontaneously adopting liberal e-invoicing policies	
Added value in matching cash accounting and the postponement of VAT deductibility	• Effectiveness indicators concerning uptake of cash accounting (financial cost savings for companies) • Tax authorities' opinion on the benefit of having an explicit provision for the postponement of VAT for cash accounting taxable persons • Likelihood of Member States demanding the special derogation for the postponement of VAT deductibility	