EDI + e-Invoicing = Compliance

Nigel Taylor
Head of e-Invoicing Solutions, GXS
Agenda

- **Background**
  - Why Change?
  - Why do invoices need to be compliant?
  - What makes an invoice compliant?

- **Compliant EDI**
  - What is Electronic Data Interchange?
  - What are the different forms of EDI?
  - Is my existing process compliant?
Why Change?
Compelling Cost Savings Potential

Finance Teams View of e-Invoicing

<table>
<thead>
<tr>
<th>Improvement Area</th>
<th>Performance Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invoice Processing Cost</td>
<td>Reduced 30% – 90%</td>
</tr>
<tr>
<td>Processing Cycle Time</td>
<td>Reduced by 65%</td>
</tr>
<tr>
<td>Accounts Payable Labour</td>
<td>Reduced by 25% – 40%</td>
</tr>
<tr>
<td>On-Time Payment Percentage</td>
<td>Improved from 15% to 59%</td>
</tr>
<tr>
<td>On-Time Earning Discounts</td>
<td>Increased up to 500%</td>
</tr>
</tbody>
</table>

Source: The E-Invoicing Solution Selection Report, Aberdeen Group
Why Change?
Compelling Cost Savings in Accounts Payable/Receivable

Cost of processing paper for the buyer
€17.60 per invoice

Buyer e-invoicing cost
€6.70 per invoice

Cost of processing paper for the seller
€11.10 per invoice

Seller e-billing cost
€4.70 per invoice

Source: Billentis
EDI Landscape

Does your company already process electronic invoices?

High Volume Suppliers

Direct Spend

EDI

EDI e-Invoicing

Indirect Spend

e-Procurement Solutions

Low Volume Suppliers

Alternative e-Invoicing Solutions
### European Compliance Challenges

*Buyer and Supplier Must Meet Each Tax Authority’s Requirements*

<table>
<thead>
<tr>
<th>VAT Data</th>
<th>Authenticity &amp; Integrity</th>
<th>Archiving and Audit</th>
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</table>
| ▪ Invoice data complies with country-specific tax authority rules  
  ▪ Minimum data required for an invoice | ▪ Guarantees the identity of the sender and the integrity of the invoice data | ▪ Invoice archive complies with country-specific tax authority rules  
  ▪ Stored for a specified period  
  ▪ Easy, fast Access for tax authorities |
EU Directives
Why all the rules and regulations..?

- 1994/820/EC
  - Electronic Interchange in a VAN, removing paper from the process
- 1999/93/EC
  - Digital Signatures can guarantee authenticity & integrity of data
- 2001/115/EC
  - Acknowledges e-Invoicing through EDI and Digital Signatures
- 2006/112/EC
  - Harmonisation of VAT laws, simplifies e-Invoicing rules
- 2010/45/EU
  - Clarification of e-Invoicing rules, due to be implemented in 2013
EU Directives

Two clear methods of sending/receiving compliant e-Invoices

2006/112/EC. Article 233.

- 1. Invoices sent or made available by electronic means shall be accepted by Member States provided that the authenticity of the origin and the integrity of their content are guaranteed by one of the following methods:

  - (a) by means of an advanced electronic signature within the meaning of point (2) of Article 2 of Directive 1999/93/EC of the European Parliament and of the Council of 13 December 1999 on a Community framework for electronic signatures (1);

  - (b) by means of electronic data interchange (EDI), as defined in Article 2 of Commission Recommendation 1994/820/EC of 19 October 1994 relating to the legal aspects of electronic data interchange (2), if the agreement relating to the exchange provides for the use of procedures guaranteeing the authenticity of the origin and integrity of the data.

- Invoices may, however, be sent or made available by other electronic means, subject to acceptance by the Member States concerned.
What Is the Invoicing Process?
Different Perspectives for the Buyer and the Seller

Order to Pay
(Buyer Side)

Order to Cash
(Seller Side)

You order the goods or services
You get the invoice
You send the invoice
You ship the goods or services

You pay the supplier

The customer pays YOU

Your Business

The customer pays YOU

You send the invoice

You get the invoice
You send the invoice
You ship the goods or services

What Is the Invoicing Process?
Different Perspectives for the Buyer and the Seller
What is Electronic Data Interchange?

EDI for short...

- Electronic Data Interchange is...
  - The computer to computer exchange, between two companies, of standard business documents in electronic format
  - EDI is essentially a data processing concept which is independent of communication protocols or transmission media
  - So… EDI is a framework..!
What is Electronic Data Interchange?

*Different documents and standards…*

- A document is any form of communication, usually paper based, sent between two companies, examples include:
  - Purchase Orders, Invoices, Shipping Notices, Export / Import Notices, Carrier to carrier waybills, Funds transfer, Other…

- With varying standards…
  - ANSI ASC X12, EANCOM, UN/EDIFACT, HIPAA, ODETTE, RosettaNet, SWIFT, Tradacoms, VDA, VICs

- What about XML?
  - UN/CEFACT II, ISO20022, MPXML, papiNET, GUSI, ebXML, HL7, ACORD, PIDX, CIDX, VCF, Green Coffee Bean XML, etc.. etc..
Different Methods for EDI

*Connecting the way that suits your business*

- There are different ways in which an EDI environment can be implemented across a trading partner community:
  - EDI in a Value Added Network (VAN)
  - EDI via Point-to-Point connections
  - EDI Outsourcing
  - Web EDI
# Compliant EDI e-Invoicing

*So what are the rules..?*

<table>
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## Compliant EDI e-Invoicing

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Compliant e-Invoicing EDI

How does EDI ensure a tax compliant end-to-end process..?

- In accordance with article 2 of 1994/820/EC
  - Referring to the United Nations definition of EDI

- Authenticity can be assured by;
  - Connection to the VAN by a secure means in accordance to article 6 of 1994/820/EC
  - Trading partner enrolment into the network
  - Validation of trading partners

- Integrity can be assured by;
  - Message transfer over the VAN in accordance to article 8 of 1994/820/EC
  - Data validation
  - Secure sending/receiving process
  - Validation of sending/receiving process
  - Non-repudiation
The Subtleties

So what’s the catch..?

- Correct VAT data fields vary across countries
- Different countries do/do not require summary lists
- Different countries do/do not require trading partner lists
- Different countries do/do not require interchange agreements
- Interpretation of point-to-point AS2 compliance may vary by country
- Some geographic cultures prefer to digitally sign
- Archiving periods and data protection laws vary across countries

Either manage this yourself or outsource the complexity to a service provider
EDI + e-Invoicing = Compliance

These EDI methods can provide compliant e-Invoicing…

- EDI in a Value Added Network (VAN)
- EDI via Point-to-Point connections
- EDI Outsourcing
- Web EDI
EDI + e-Invoicing = Compliance

...as long as you combine all elements of compliance

- VAT Compliance
- Digital Signature
- Archiving and Audit

- VAT Data
- Authenticity & Integrity
- Archiving and Audit
EDI + e-Invoicing = Compliance

EDI is expensive for small suppliers, right..?
EDI + e-Invoicing = Compliance

The benefits…

- Leverage relationship with existing service provider
- Capitalising on an existing process
- Suppliers already connected
  - Multiple ways to connect
- Terms of interoperability between service providers are straightforward
- Inexpensive
- And all the benefits e-Invoicing offers
  - Cost savings
  - Process efficiencies
  - Visibility
  - Supply chain finance
GXS B2B Solutions
Offering Value across Physical and Financial Supply Chains

<table>
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<th>Applications</th>
<th>Solutions</th>
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GXS B2B Solutions: Offering Value across Physical and Financial Supply Chains
Thank You for Your Participation!

For More Information…

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