

Electronic invoice

From July 1st, 2024



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Preamble

Since January 1st, 2017, companies signing public procurement contracts already have the obligation to transmit invoices in dematerialized format via the public platform "Chorus Pro".

Finance Act for 2020 has generalized this electronic invoicing obligation to all private sector companies.

The reform has 2 axes:

1/ The obligation to issue and receive electronic invoices, in all transactions between companies established in France subject to VAT (e-invoicing).

2/ The obligation to transmit to the tax administration, detailed data of transactions with non-taxable persons and international transactions between taxable companies (e-reporting).

This reform is motivated by the fight against VAT fraud and by potential productivity gains for businesses through the reduction of administrative burden and the reduction of payment delays.

The entry into force initially planned for the period 2023 to 2025 was postponed to the period 2024 to 2026 by Ordinance No. 2021-1190 of September 15th, 2021.

1. Obligation to invoice electronically "e-invoicing"

1.1. Obligation to issue electronic invoices

An electronic invoice is an invoice issued, transmitted, and received in a dematerialized form and which necessarily includes a minimum base of data in structured form. It differs from invoices in "paper" or PDF formats. It will be sent to the client through a partner dematerialization platform, whether it is the public billing portal or another private dematerialization platform.

To comply with the law, an electronic invoice must meet certain criteria:

- The authenticity of its origin -> Guarantee the identity of its issuer,
- The integrity of its content -> The invoice must not be editable,
- Good readability -> The generated file must be readable by all.

How to meet these 3 criteria?

To date (European semantic standard EN16931 for B2B):

- Either by setting up a reliable audit trail and documented controls between the electronic invoice and the original operation.
- Either in the form of a message structured according to a secure standard (enterprise resource planning (ERP), electronic data interchange (EDI, XML format) or, failing that, by issuing an invoice with electronic signature.
- Either in a mixed format, taking the form of both a document and billing data: Factur-X format (PDF A/3 format + XML file).

From the new 2024 obligation:

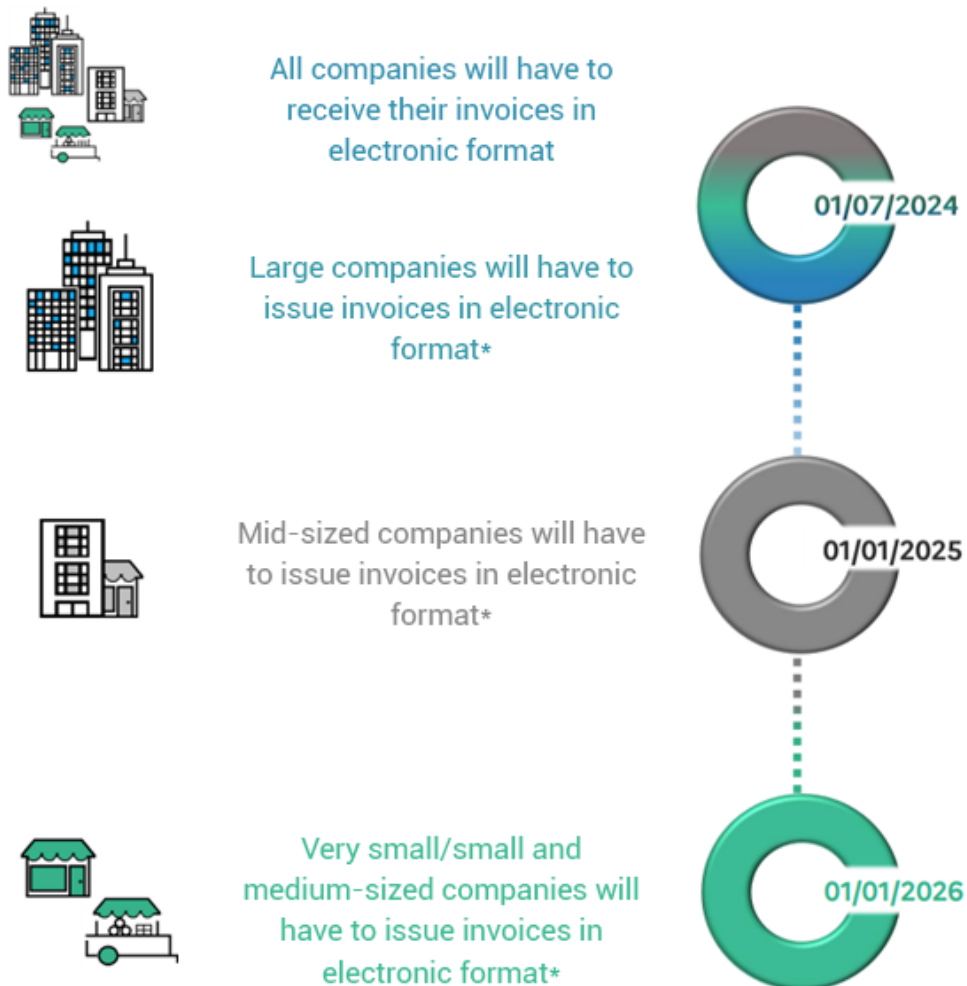
Official publications on the details of the implementation of the new obligation are not yet available. However, everything indicates that the simple PDF format would no longer be sufficient, although the administration would accept it at first.

1.2. Timetable for reform

The obligations of electronic invoicing (e-invoicing) and transmission of transaction data to the administration (e-reporting) will be deployed in three stages, and according to the criterion of the size of the companies. The **invoice issuing in electronic format** and the obligation to **transmit information and payment data** will be mandatory from:

- July 1st, 2024, for large companies,
- January 1st, 2025, for mid-caps,
- January 1st, 2026, for small and medium-sized companies.

The obligation to receive invoices in electronic format will be mandatory on July 1st, 2024, for all companies regardless of their size, if their supplier has the obligation to issue in an electronic format.



**Same schedule for the transmission of "e-reporting" transaction data*

1.3. How do we assess the size of the company?

The size of the company is assessed according to the criteria defined in Article 51 of Law No. 2008-776 of August 4th, 2008, on the modernization of the economy:

- a **microbusiness** is a company with a workforce of less than 10 people and whose turnover or annual balance sheet total does not exceed EUR 2 million.

- an **SME** is a company with a workforce of less than 250 people and an annual turnover not exceeding EUR 50 million or whose balance sheet total does not exceed EUR 43 million.

- a mid-cap company, which does not belong to the SME category, is a company with a workforce of less than 5000 people and whose annual turnover does not exceed EUR 1 500 million or whose balance sheet total does not exceed EUR 2 000 million.

- a **large company** is a company that cannot be classified in the previous categories.

The size of the company is determined on the basis of the declaration of results for the last financial year ended preceding the estimated date of entry into force of the reform calendar.

1.4. What operations are concerned?

Pursuant to I of Article 289 bis of the CGI, the following are subject to an obligation to use electronic invoicing:

1/ Supplies of goods or services taxable in France pursuant to Articles 258 to 259 D of the CGI that a taxable person makes for another taxable person, or a non-taxable legal person, and which are not exempt pursuant to Articles 261 to 261 E of the CGI.

2/ The instalments (down payments) relating to the operations mentioned in 1 °.

3/ Supplies made between taxable persons for supplies by public auction of second-hand goods, works of art, collectors' items, or antiques.

Transactions benefiting from a VAT exemption pursuant to the provisions of Articles 261 to 261 E of the CGI are therefore not subject to the obligation of electronic invoicing. These include services provided in the field of health (Article 261, 4, 1 °), education and training services (Article 261, 4, 4 °), real estate transactions (Article 261, 5), operations carried out by non-profit associations (Article 261,7), banking and financial transactions and insurance and reinsurance operations (Article 261C).

Note: to determine whether the transaction falls within the scope of electronic invoicing (e-invoicing) or the transmission of information to the tax administration (e-reporting), it is necessary to:

- Determine the place of establishment of the parties.
- Determine the invoicing rules as well as the VAT territoriality rules.

Electronic invoicing (e-invoicing) applies to transactions between taxable persons established in France which fall within the scope of VAT in France and for which the French invoicing rules are applicable.

In addition, transactions carried out and taxable in another State of the European Union, in which a taxable person established in France would be identified for VAT for the purposes of these transactions, do not fall within the scope of electronic invoicing or the field of transmission of transaction data (e-reporting).

On the other hand, a transaction deemed to be located outside the European Union falls within the scope of electronic invoicing (Article 289-0 II of the CGI).

1.5. What are the mentions to be made on the invoices?

Billing terms will remain the same. The mandatory information provided for by the Commercial Code and the General Tax Code will be the same. New information will be mandatory for management purposes. This would include (i) the VAT option on debits; (ii) the nature of the transaction (delivery of goods / provision of services / mixed operation); (iii) the buyer's Siren number.

1.6. The choice of a dematerialized platform

Invoices sent to your professional clients will necessarily be sent via a partner platform or the public invoicing portal that will take care of the actual sending of electronic invoices to the platform of your professional client. You will no longer send invoices directly to your clients. Invoices from your suppliers will also reach you in electronic form through the platform(s) you have chosen.

This platform can be the same as your provider, a separate platform, or the public billing portal (presumably Chorus Pro). Any company is free to choose the dematerialization platform(s).

Indeed, the DGFIP suggested the possibility of using two billing and data communication models:

- The "V" model, which consists of a centralized platform controlled entirely by the state. The supplier deposits his invoice on the public platform, which is responsible for extracting the tax data useful to the administration and sending the invoice to the customer.

- The "Y" model that allows the direct transmission of invoices between certified private platforms. The necessary tax data is aggregated and then sent to the public platform in connection with the IS of the DGFIP.

The diagram proposed by the administration is summarized as follows:

1. Transmission of the electronic invoices of the selling company to a certified private platform or to the centralizing public platform.

2. Upon receipt of these electronic invoices, the certified private platform:

- Verifies and extracts billing data useful to the tax administration,
- sends the billing data extracted from the invoices or a copy of the invoice to the centralizing public platform,
- sends the electronic invoices directly to the buyer or to a second certified private platform mandated by the buyer, which forwards the invoice to the buyer.

3. Verification and then sending of billing data by the centralizing public platform to the information system of the tax administration.

4. Sending payment data (status, date) by the buyer directly to the centralizing public platform or to the certified private platform mandated by the seller, which then transmits them to the centralizing public platform.

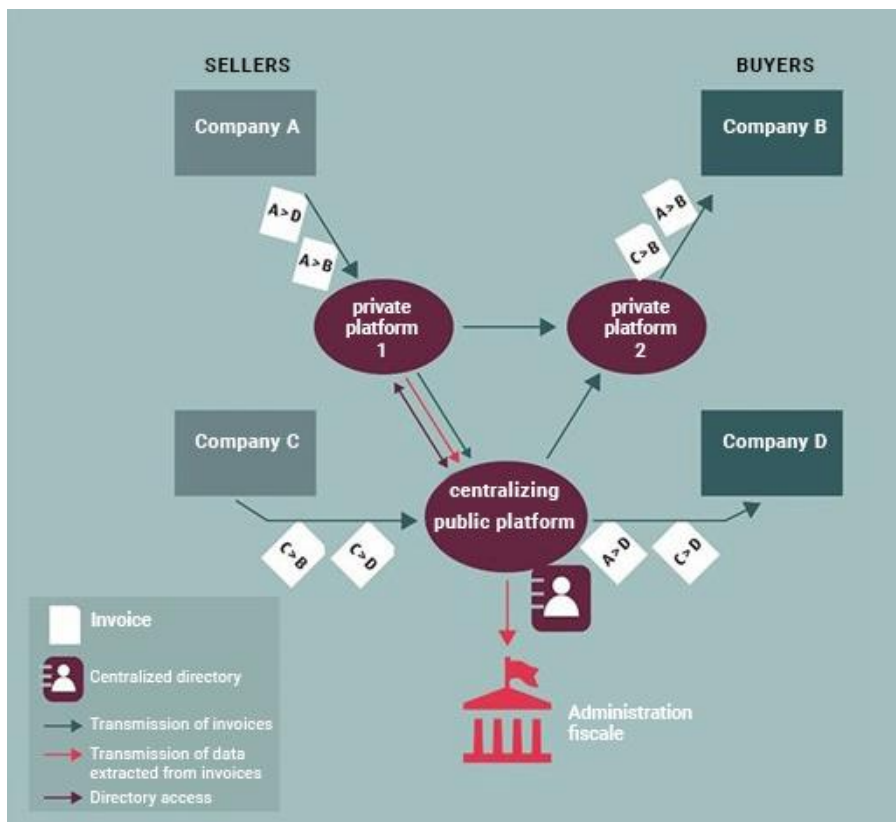


Diagram proposed by the DGFIP

2. The transmission of transaction data to the tax administration "e-reporting"

2.1. What is e-reporting?

E-reporting is the transmission to the administration of information (for example, the amount of the transaction, the amount of VAT invoiced...) relating to commercial transactions which are not affected by electronic invoicing.

E-reporting also includes the concept of transmission of payment data relating to transactions falling within the category of services.

Combined with electronic invoicing, e-reporting makes it possible to reconstruct the overall economic activity of a company: Complementary to electronic invoicing, it will eventually make it possible to offer companies a pre-completion of their VAT returns.

2.2. Which operations are concerned?

The operations concerned by the transmission of information are listed in Article 290 of the General Tax Code. These are:

- Sales and service offerings with individuals (or BtoC transactions, "business to consumer" such as retail) or,
- sales and services with operators established abroad (exports, intra-Community supplies, etc.). Operators established abroad may also be subject to the obligation to transmit information when they carry out transactions deemed to be taxable in France.

On the other hand, transactions benefiting from a VAT exemption pursuant to the provisions of Articles 261 to 261 E of the General Tax Code, exempt from invoicing, do not fall within the scope of e-reporting. This is particularly the case for certain banking and insurance operations, medical and health services, educational services, operations carried out by non-profit organizations and whose management is disinterested.

Transactions outside the scope of VAT are excluded from e-reporting.

2.3. Which companies are subject to e-reporting?

All companies subject to VAT that are established in France are concerned by e-reporting when they carry out transactions with individual customers (BtoC transactions) or with foreign operators (companies or individuals).

Some foreign companies not established in France may be subject to the e-reporting obligation, if the transaction is carried out with a person which is not subject to VAT (most often, an individual) and is taxable in France.

2.4. How will the data be transmitted?

In general, the data of e-reporting transactions, the list of which will be defined by decree, must be transmitted by the company carrying out the operation. And this, through a dematerialization platform partner of the administration or via the public platform (Chorus Pro).

Several modes and formats of transmission will be possible:

- The "Z" ticket, in dematerialized and structured format, can be a deposit format if you have a cash register software.
- If you issue invoices to your individual customers, you can directly submit this invoice in dematerialized and structured format on the partner dematerialization platform you have chosen or on the public billing portal. One or the other will be responsible for extracting the only data useful for e-reporting for the needs of the tax administration. In the latter case, the platform you use will not have the obligation to send the invoice to your customer. This point will therefore depend on the commercial offer of the platform and the contract you have concluded with it.
- In the absence of software or cash register system, or invoice deposit, the company will have the possibility to enter or transmit a summary statement of the transactions carried out over the period. The data transmitted in e-reporting will be limited to the amounts of the transactions and the related VAT.

2.5. Summary of the obligations incumbent on companies

The obligations that will be incumbent on any French company (company created under French law or French branch of a foreign company) that makes sales and purchases in France subject to French VAT from professional customers or individuals, and international sales, are therefore as follows:

Domestic B2B sales: obligation to issue its sales invoices in electronic format and to transmit them via a certified private platform or the public platform, to its customers.

Non-domestic B2B sales: sending sales invoices in a format agreed with customers (paper or electronic), but obligation to transmit the corresponding billing data, in a structured and standardized format, to the French tax authorities.

Domestic B2C sales: obligation to draw up receipts or even invoices, according to the requirements of commercial law, and obligation to transmit sales data to the French tax administration.

Domestic purchases: the purchasing company must enter the status of the electronic invoice (e.g. accepted/refused) sent by its supplier and send the payment data (at least the payment date) to the tax administration via a certified private platform or the public platform.

For any information, do not hesitate to contact your usual contact within the firm.



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