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their billing processes. For your clients large and small doing business in other global regions, education and action around e-invoicing is required.

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By *Alex Baulf*.

In the midst of the accounting profession entering a brave new world where digitization of tax and accounting processes is increasingly the norm, it should come as no surprise that the humble invoice is now in the crosshairs of governments around the globe, including the U.S. The invoice is essential to tax compliance processes, and the electronic invoice (e-invoice) is not only inevitable, but upon us.

Indeed, a growing list of governments are mandating that businesses utilize e-invoicing in their billing processes. For your clients large and small doing business in

other global regions, education and action around e-invoicing is required – not only

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Invoicing's 500+ years as a manual process

It's appropriate to touch on invoicing's long path to 21st Century standards prior to launching into an e-invoicing discussion. Dutch painter Hieronymus Bosch is credited with issuing the first modern, pen-to-paper invoice to King Philip the Handsome in 1504, to establish payment of 36 pounds due for the painting "The Last Judgment." At roughly the same time, Luca Pacioli introduced the concept of double-entry bookkeeping in Italy with publication of the first accounting text, featuring plus and minus symbols.

Today, over half a millennia later, many accounting processes have long been digitized and are now even seeing AI infusion. And in lock step, though behind the curve and less visible to U.S. tax and accounting audiences, the introduction of e-invoicing is finally happening in fast motion – at long last wrestling the invoicing process away from ink, printer, and paper.

E-invoicing basics for your clients

An electronic invoice represents the method for exchanging invoice data digitally, and contains information found on paper invoices: line items, purchase order, purchase amount, payment terms, shipping address, and any other data as required by law to be reported by the creator of the document. However, e-invoices are not simply PDFs attached to an email. E-invoices are issued, transmitted, and received in a structured electronic format, for instance XML, that's purpose built for machines to read. You can take a deeper dive into e-invoicing specifics [here](#).

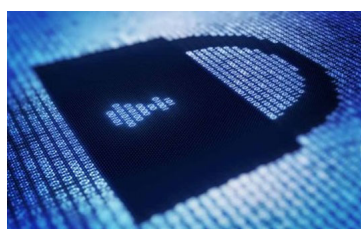
From country to country, various e-invoicing formats are used, with multiple requirements ranging from digital signatures, QR codes, or the use of specific codes. For businesses, this simply translates to more complexity. Accountants serving as

trusted advisors will have an opportunity to play a pivotal role in advising clients on

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[DBNA](#); via a centralized local-country government portal; specific exchange networks; or a private peer-to-peer EDI connection.



In advising your clients, it's important to distinguish that centralized government portals as well as Peppol and DBNA require using standardized formats and transmission protocols for exchanging e-invoices. Companies may also look to service providers such as [Avalara](#) to help them synch finance operations with e-invoicing requirements for usage of e-invoicing networks and portals, and in doing so become compliant with country-by-country e-invoicing mandates — and experience the efficiencies associated with digital transformation of finance functions.

The e-invoicing ship has already sailed via mandates and business incentives

E-invoicing is the clear direction of travel for governments and tax authorities around the globe, with a clear eye toward reducing fraud and closing the VAT gap (the expected versus actual collection of value added tax, or VAT). Over 80 countries already have either an in-place e-invoicing mandate, or an impending mandate, where companies must use e-invoicing for their billing processes. In most countries, e-invoicing is introduced in distinct phases, most likely starting with e-invoicing for B2G (business-to-government) transactions, followed by B2B (business-to-business) transactions.

Some countries also mandate e-invoicing to be used for B2C (business-to-consumer) transactions. As consumers cannot read machine-readable structured data, these types of transactions get immediately reported to the tax authority (via live

reporting), while the consumer receives the invoice on paper or as a PDF. Here are

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- Mandatory B2B e-invoicing in Germany is planned and currently projected for 2026.
- Israel has confirmed plans to introduce mandatory e-invoicing for invoices subject to VAT where the taxable base exceeds ILS 25,000, starting May 5, 2024.
- Malaysia will mandate e-invoicing for B2B, B2G and B2C transactions starting from 1 August 2024

Your clients should be aware that although numerous countries do not yet mandate e-invoicing, their governments may strongly recommend e-invoicing adoption and support multiple programs to assist businesses. Other countries are encouraging businesses to prepare in advance for e-invoicing via voluntary pilot programs. For example, e-invoicing is not mandatory in Australia, New Zealand, or Singapore, but governments in those countries strongly recommend use of Peppol for e-invoicing to increase efficiency of their economies.

Also note that the U.S. is working to stay ahead of the e-invoicing curve. While there are no current e-invoicing mandates in the U.S., an entity called the [Business Payments Coalition](#) conducted a pilot project in 2022 for businesses to voluntarily adopt a new e-invoicing exchange framework – the E-invoice Exchange Market Pilot – to design, build, and test a network for U.S. companies to exchange e-invoices securely. The pilot is now complete and, going forward, the [Digital Business Network Alliance](#) (DBNAlliance) will run the new B2B digital highway for the U.S. and North American market.

Your clients doing business globally will benefit from e-invoicing adoption, which offers a range of distinct benefits, including:

- Improved security by exchanging data via secure networks, leveraging encrypted file transfer, and use of digital signatures

- Higher accuracy and increased efficiency through automated invoice data entry

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authorities, it's incumbent upon accounting and tax professionals to understand why governments around the world are rapidly jumping onboard with mandates and help clients doing business abroad comply with country-by-country rules. Making the leap from traditional invoicing to an e-invoicing system requires forward-thinking planning.

You can help clients plan for future invoicing needs by advising them on e-invoicing technology solutions, which should also take into account not only current but forthcoming regulatory requirements, and looming mandates.

Ultimately, the more expertise you gain in e-invoicing, which is a **critical component on the path to the digitization of tax compliance**, the more value you can offer clients, thereby increasing your trusted advisor status and helping to grow your practice.

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