

10 Easy Steps to switch to e-invoicing

Moving to e-invoicing makes business sense. Whether you are under pressure from customers, needing to reduce your costs, enhancing your processes and making invoice quality improvements or responding to critical corporate working capital or legislative changes, e-invoicing can help. Across Europe more than 600 million e-invoices sent in 2008 – and while you may not realize it, you already have the components in place to join this growing community.

To get the ball rolling we have prepared a short 10 step approach detailing how you can get e-invoicing up and running in your business.

Step 1: Contact an e-invoicing operator - like Basware

Around 65% of e-invoices are managed by e-invoicing operators. In the early days with EDI messages, organizations in the production business tended exchange invoices electronically directly with one another. Today, the majority of customers use e-invoicing operators – due to lower costs, more efficient start-up, compliance with VAT regulations, ease of use and above all, to benefit from the best practices operators have developed during the years of operation.

An operator will help you to select a solution that best meets your needs. As an alternative, Basware has built a solution on top of an open interoperability network. This means that your customers can sit behind any connected e-invoicing operator (today over 60 operators) and we will pass the traffic through their selected provider. This works very much like mobile network roaming, allowing you to call any customers no matter which mobile network they use. The beauty of such a solution is that it expands your connectivity options beyond one operator's network and delivers much more flexibility and efficiency.

So you don't need to reinvent the wheel - operators have a tried and tested process that adds maximum value to your business.

Step 2: Assess your accounting system. Can it produce an invoice data file and/or an invoice image?

The invoice image is an electronic printout of the invoice (the same thing you typically send out on paper) usually in .tif or .pdf format. The invoice data file is a structural text file (typically a XML file) containing exactly the same information as the invoice image.

If your current paper invoice content/layout is acceptable to your customers and it meets your tax-accounting requirements then it will also work when delivered electronically.

The invoice data file is a text file that is used for machine-to-machine communications. You may find that there are hundreds of different formats in which you can produce an invoice data file.

If you are in the production business you're likely to be familiar with term EDI? Companies using SAP tend to use the SAP iDoc format. This generates the invoice data file using a set of

XML-tag for denoting individual data fields according to SAP's specifications. Other commonly used formats are TEAPPS, UBL, OpenTrans, etc.

But don't worry about file format! It is simply important to know that the invoice image and the invoice data file (no matter what format) will make up your e-invoice.

Step 3: Can you get an e-invoice address for the recipient and your own e-invoice address onto the invoices?

In order to send e-invoices each of your customers will need an e-invoicing address. This address is used to route the e-invoice between you and the recipient. Its purpose is to identify the correct receiving customer down to a company unit level for automated processing. The address format varies between countries. Widely used alternatives are GLN, EAN number (Global Location Number or European Article Number) or DUNS (Dun & Bradstreet assigned numbers).

In some countries (like Germany and Finland) the VAT number or Tax ID has emerged as the number of choice for designating e-invoice addresses.

Your customer (i.e. the invoice recipient) will decide what his e-invoice address will be and then you need to decide what your own e-invoice address will be for sending e-invoices. Again, don't worry about format because Basware (as an operator) can interpret all different types. The only requirement from your side is that you can store the recipient's e-invoice address in your accounting system so that it can show up on the invoice image and available in the invoice data file.

Step 4: VAT compliance – review your invoice content

Remember, your customer will use the e-invoice data file to import the invoice into their automated invoice processing system. As such, it's important to understand what information your customers need the e-invoice to contain.

The main question is whether they are only interested in the so-called 'invoice header information' or if they need specific information on the invoice line items?

Local tax officials have defined the minimum content of a legal invoice. The Invoice Header information generally refers to the following items on an invoice:

- * Invoice Type (credit or Invoice)
- * Invoice receiver, company number - the recipient's e-invoice address
- * Invoice receiver, company name
- * Supplier Name
- * Invoice Number
- * Invoice Date
- * Due Date
- * Order Number
- * Contract number
- * Payment Reference
- * Total: The total amount invoiced

- * Currency Code
- * VAT sum
- * Your bank account details
- * A buyer reference - code provided by the recipient when he submitted an order to you.

Line item information generally refers to the following items on an invoice per product / service delivered:

- * Order number / Purchase Order number
- * Order row number / Purchase Order line number
- * Quantity
- * Unit price net
- * Net amount
- * VAT % / Sales tax %
- * VAT amount / Sales tax amount
- * Delivery Date

Local tax officers - or your e-invoicing operator - will provide a detailed description of what is required to ensure legal compliance in each country, although e-invoice content doesn't differ significantly from the paper equivalent. The major detail that needs to be added is the customer's e-invoicing address.

However, for your customer to fully utilize the benefits and cost savings of e-invoicing, they may want to add the following fields:

- Row-level posting data such as cost center and account information for automated posting
- Additional organizational unit data such as business unit ID for automated posting
- Row-level order data reference for automatic matching
- Email address or similar ID to automatically send the invoice to the first receiver without pre-processing
- Transferring the original (and signed) image as part of the invoice

There's a lot of information here so by now you may be feeling a little overwhelmed! But don't worry. While choosing the right invoice information for the invoice data file (to ensure majority of your e-invoice-receiving customers happy) may seem more like an art than a science, rest assured that a short calibration period will result in major savings in the medium and longer term.

Step 5: To-XML or not To-XML - or choosing the right invoice data file format

The invoice data file that your system generates should be in XML-format. Your e-invoicing operator (such as Basware) will ensure that each of your customers receive the invoice data file in their required XML-format. As long as the invoice data file has any structural format your e-invoice operator can handle it!

In summary:

You are responsible for the invoice content in the invoice data file, but your operator - who handles the format transformation to all your e-invoicing customers - will take care of the rest.

And there it is; the network effect in practice, and one of the essential value propositions of an e-invoice operator for invoice senders and their recipients.

Step 6: To-sign or not to-sign

If you check the EU Directives on VAT-accounting for invoices, you'll find the requirement for e-invoices to be digitally signed with an advanced electronic signature. Many countries have also diligently taken up this requirement in their respective national legislation. However, suffice to say, you'll still find different types of behavior across the EU:

- Some countries - like France and Germany - strictly sign e-invoices
- Others like the Nordic countries are frontrunners in e-invoicing but do not digitally sign their e-invoices
- The Netherlands changed its regulations from signing e-invoices to not needing to sign e-invoices in the beginning of 2009

Here is a simple guide for the times that you do need digital signatures:

- a) Does your local tax authority require the digital signing of e-invoices? If yes, ask your e-invoicing operator to provide you with digital signature services
- b) If you send e-invoices abroad, enquire whether or not the recipient requires the e-invoices to be digitally signed. If yes, ask your e-invoicing operator add the digital signature to e-invoices destined for that specific country. Operators can help – they will know which countries require signatures. Typically companies only send 1-5% of all their invoices abroad.

Signatures are 'business as usual' to your operator, so don't worry. Let them take care of the whole signature issue.

Step 7: Manage your e-archiving process

As a sender you need to archive your e-invoices. The best way to store all your invoices - both electronic and the ones on paper - is to have a single archive for tax-/accounting purposes.

Please note that if you send your invoices electronically, you also need to store them electronically for VAT compliance.

You can decide whether or not to operate your own e-archive or use a third-party service provider. If you decide to use a third party, ask your e-invoicing operator to send a copy of your e-invoices to that partner.

Step 8: Obtain the e-invoice addresses from your customers

Now you have established communication links to your customers, it's time to get your e-invoicing addresses from the recipients (buyers). Your e-invoice recipients will already be connected directly to the Basware Business Transactions Service or Basware delivers the e-

invoice via a third-party e-invoice operator (see the note in Step 1 on interoperability). Basware's e-invoicing platform has inter-operability agreements with more than 60 e-invoice operators worldwide. And the list is growing.

Once you've got the e-invoice address, and it's been inserted into the invoice image and invoice data file, you're ready to send your first real e-invoice!

Step 9: Start sending e-invoices

This is the easy part! Let your accounting / billing system save the invoice image and the invoice data file in the designated network folder. The Basware sending solution will pick it up and transfer it to the e-invoicing platform. From there your invoices are in safe hands – as Basware takes care of the delivery.

For complete peace of mind you can monitor your invoice traffic using a variety of tools. In Basware's case, we offer the Basware's Monitor tool - a secure and password protected website providing you with a real-time view on the invoice flow.

Step 10: Review the success of the project

By monitoring your e-invoicing, you'll soon see improvements in your A/R processes. You'll achieve significant savings through:

- Reduced workload on implementation of the invoicing system
- Improved payment reminder process
- Improved corporate working capital management (by improving payment terms) Improved dispute management (enabling real-time settlement of disputes)
- Optimised cash management (by improving invoice quality and reducing manual phases)
- Reduced costs through automated archiving printing process