IOTA PAPER

20 21
SEPTEMBER

ITALY'S ELECTRONIC INVOICING MODEL: TRENDS, LATEST NEWS AND TANGIBLE ADVANTAGES

OR HOW A SIMPLE APP AND A DEDICATED VIRTUAL CHANNEL CAN MAKE BUSINESS SELLING AND PAYING JUST EASIER AND MUCH MORE COMPLIANT

Stefano Latini, Italian Revenue Agency

IOTA
Intra-European Organisation
of Tax Administrations

In our national context, electronic invoicing is now an established and an ever more accepted business tool. But let's start from the beginning. From 1st January 2019, it has become mandatory to issue the electronic invoice, or e-invoice, in transactions between private individuals following the sale of goods and rendering of services carried out between subjects residing or established in Italy. Therefore, starting from this date paper invoices could no longer be issued. In short, the e-invoice is prepared digitally, using a computer, a tablet or a smartphone and transmitted electronically to the customer through the *Exchange System* (SdI) managed by the Italian Revenue Agency. As already mentioned above, the obligation to issue the electronic invoice was introduced by the *2018 Budget Law.* Particularly, the action of the Legislator, starting in 2019, has extended e-invoicing to almost all operators. Indeed, some categories still remain excluded from the regulation, for example, professionals under the flat-rate regime and small agricultural producers. Yet, the fact remains that e-invoicing is now widely used in Italy and the regulatory requirement has certainly acted as a driver for the progressive digitization of billing processes, from invoicing to payment, representing at the same time a double push towards simplification and digitization in the tax field. Put differently, the early adoption of e-invoicing in Italy has made it possible to appreciate its benefits sooner, in such a way to act as a flywheel for the adoption of the same mandatory payment model also by other countries, thanks to the resilient arguments provided by the Italian experience in adopting and handling the electronic invoicing. But let data talk to make a more coherent picture. In detail, 5 billion electronic invoices have been transmitted by the *Interchange System* till now, whilst with reference to the first year of the e-invoicing process, almost 4 million were the business operators involved and over 4.2 million the QRCode generation requests to entering and using the e-invoicing scheme worked. In the same period, approximately 4.4 million electronic addresses were registered for the receipt of electronic invoices and an average of about 200 thousand daily logins to the "Invoices and Fees" portal were registered. That's the output of just 12 months of operations monitored and reported by the Revenue Agency system. (*Data source, Parliamentary Hearing of the Director on 24 June 2020 and an interview given on 28 July to the business newspaper Il Sole24ore*)

The Italian e-invoicing highway

To prepare the electronic invoice it is possible to use a series of *free services from the Revenue Agency*. Once prepared, the invoice is sent to the *Exchange System*. The file of the invoice can also be transmitted via *Certified Electronic Mail* (CEM), or via the dedicated digital channels. The *Exchange*

System essentially operates as a postman: it checks if the invoice sent by the supplier contains the necessary data (at least the mandatory data required for tax purposes), as well as the digital address (so-called "recipient code " i.e. CEM address) to which the customer wants the invoice to be delivered. Also it checks that the VAT number of the supplier (so-called seller/service supplier) and the VAT number, i.e. the Tax Code, of the Customer (c.d. buyer/client) exist. If so, the SdI securely delivers the invoice to the recipient by communicating, to whoever has transmitted the invoice, the date and time of delivery of the document with a *"delivery receipt"*. Therefore, the mandatory data to be shown on the electronic invoice are the same as those shown on paper invoices, in addition to the digital address where the customer wants the invoice to be delivered.

E-invoicing in the making, all for free

For preparation of the electronic invoice, the Revenue Agency offers a series of free services: first of all, a web procedure, which also allows you to transmit electronic invoices, in addition to preparing them. Particularly, to use this procedure it is necessary to gain access to the *"Invoices and Payments"* portal; secondly, a dedicated software for desktop PC is available, with a guide, at the following *link.* Indeed, this procedure only allows you to prepare and save the files of the electronic invoices; and again, the *"Invoices and Payments"* portal allows you to generate, transmit and store electronic invoices (toward public administrations and toward private customers), transmit the data on invoices (issued and received) to the Revenue Agency, store and transmit data on payments, identify and activate devices, obtain certificates to load onto these devices, for secure storage and digital transmission of data on payments.

The advantages of electronic invoicing, from a business perspective

Electronic invoicing allows business operators, companies and professionals to issue, send and deliver the invoice without the use of paper, with a remarkable reduction in the costs of printing, shipping and storing documents. Indeed, the papers produced may be stored free of charge by joining the dedicated service provided by the Revenue Agency. Moreover, as it is possible to acquire the invoice in the form of XML files (*eXtensible Markup Language*), the accounting process for data contained in the invoices can be sped up, thus reducing both the costs of managing this process and the errors that can be generated by acquiring data manually. Finally, as the date of issue and delivery of the invoice is certain (since it is only transmitted and delivered via the SdI), this increases the efficiency in commercial

relationships between customers and suppliers. Particularly, the faster execution of payments show that the introduction of the electronic invoice has led to a reduction in average payment times. This is a significant advance, which has certainly benefited supplier companies. In addition, the adoption of e-invoice has reduced errors and made more efficient all the processes involved, thanks to the automation and sharing of standards and procedures, which also make relations with business partners much easier. Summarizing, it seems easy to match a long list of savings from various point of view in the spread of e-invoicing mechanisms. Not last, it allows the *optimization of the customer billing experience*. In fact, the digitization of the invoice permits companies to have large amounts of data at their disposal that can be used to create targeted and personalized communications to customers. It means for business to redesign their strategies much more in tune with its potential clients. The electronic invoice, therefore, is able to trigger a series of virtuous mechanisms that involve all business processes.