

# Electronic invoicing (e-invoicing)

A guide for organisations and  
institutions



# What's it all about?

This is a guide for decision-makers and project leaders who are considering to implement an electronic invoicing (e-invoicing) procedure. You'll find a summary of the most important legal matters to consider, the pros and cons of e-invoicing, and the associated risks. We also give recommendations on what to look out for when introducing e-invoicing, as well as the best way to implement.

Rather than addressing all the tax and commercial law implications in exhaustive detail, we've deliberately focused on the key matters relevant under Swiss legislation. We've also elected not to look into the exchange of electronic invoices on an international basis.

# What are the pros and cons?

E-invoicing is a great way of speeding up payment processes and making them lean and efficient, especially in organisations handling large volumes of transactions.



With the right e-invoicing solution you can cut the costs of issuing, sending, storing, accessing, and archiving business information. Various studies have demonstrated potential savings of up to 70% compared with paper billing. Even if you're dealing with relatively small numbers of transactions, e-invoicing can also facilitate substantial improvements, such as enabling you to optimise your cash flow.

To tap into these benefits you first have to navigate legal and organisational obstacles. Implementing an e-invoicing process entails specialist know-how and certain start-up costs, because it involves getting your organisation, your processes, and your systems fit for the digital handling of invoices. But, when done right, the benefits quickly outweigh the cost.



# What are the practical issues?

The requirements that have to be met with e-invoicing are complex, and even more complex if you're obliged to take into account rules in different countries. If you want to introduce e-invoicing in your organisation, you'll need to address the following issues:

## No electronic signature required

In Switzerland, it is no longer necessary for e-invoices to bear an electronic signature due to the repeal of OEIDI and the freedom of proof in VAT legislation. Evidence of adequate internal controls is now deemed sufficient as proof of authenticity.



Operational controls like these are intended not only to ensure accuracy, but also to demonstrate that the invoice cannot be altered at any stage during processing. Such measures typically take the form of reconciliations between invoice and master data, comparisons of totals, strict logging and early archiving.

However, an electronic signature still offers the highest degree of liability and security and can continue to be used. It links data with the invoice in such a way that any subsequent changes to the data are clearly identifiable. You can use an electronic signature as defined in the Swiss Federal Act on Electronic Signatures (ZertES). An electronic signature such as this makes particular sense when dealing with high invoice volumes or processing invoicing data which are visually unreadable or unstructured.

## Completeness of billing data

The VAT legislation defines the content and form of the information that should be included in e-invoices. The recipients of the invoices can only safely claim the input tax deduction if you meet these requirements.



## Retention

Electronic bills qualify as relevant business records and are subject to the archiving requirements described above. As a rule they are retained for ten years, analogous to printed invoices (subject to certain exceptions and limitation periods). You have to assure that the archived information is authentic, unalterable, complete, accessible, and comprehensible over the entire retention period.



## Solution design document



Under Swiss law you must document procedures in connection with the electronic processing and archiving of records and vouchers. This means the processes related to e-invoicing have to be documented verifiably, even if you outsource parts of the overall process. It must be possible for a competent outsider to quickly understand and verify your invoices, transactions and relevant procedures. You are free to choose how you structure and present as well as who you need to involve to create the compliant documentation. The scope of this documentation must be appropriate to the complexity of your organisation, processes and systems. You are responsible for the completeness and informative content of this document vis-à-vis the tax authorities.

The solution design documentation should also adequately depict the processing and retention of other key electronic business processes.

We recommend covering the following areas in your solution design document:

### 1. Legal requirements

What legal requirements are relevant for your organisation? Do certain industry-specific requirements apply?

### 2. Process-independent requirements

Who is responsible for the e-invoicing business process? Does your infrastructure meet the relevant requirements in terms of disaster recovery?

### 3. Processes

What procedures do your records undergo? Which steps in the processing of invoices are automated? Which activities do you perform yourself and which do you delegate to external parties?

### 4. IT environment

Who is the vendor of your software and solution? What version do you use? How are interfaces to other systems designed?

### 5. Quality

Which controls do you perform manually and which automatically (e.g. reconciling amounts, checking master data, etc.)? How do you ensure your invoices are complete and verifiable, and they meet the necessary standards of integrity? Are these controls part of your internal control system (ICS)?



## Audit compliance

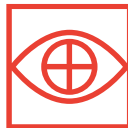
It must be possible to verify all business transactions at all stages from the records to the financial statements and from there to the value-added tax return without unreasonable delay or significant cost, as well as in the other direction. In concrete terms this means that you have to logically link invoices transactions in the accounting system with those in the archive. To each business transaction you need to be able to present all relevant records and invoices from the archive. You can ensure this either via a direct audit trail in the system, or via an indirect audit trail (e.g. via the invoice number).



It must be possible to verify the completeness, reliability and integrity of an e-invoice during the entire retention period. If you have e-invoices stored by a third party, you must ensure you have access to the relevant information and records. It's advisable to incorporate this point contractually.

## Readability

Your IT system must present stored data to an auditor in an 'easily comprehensible' form throughout the retention period. It must break down the data and present it on the screen in such a way that an auditor can keep track of the information and interpret the data correctly. In case of doubt, this must also be possible without any aids.



# What else has to be considered?

## Industry standards

The law does not outline specific technical requirements in terms of the format of e-invoices. We recommend adhering to the standards of your particular industry. You'll find an overview of the most common standards and their application with your industry association or at [swissdigin.ch](http://swissdigin.ch).



## Customer needs

Customers who receive e-invoices also have requirements stemming from their own processes and systems. For this reason you should make sure you coordinate the formats of your future invoices and the e-invoicing process with the needs of your customers and suppliers.



## Outsourcing

You can delegate your electronic invoicing or parts of it to a specialist service provider.



We recommend drawing up a delegation agreement and defining the general conditions, obligations and services in a written contract. Under an agreement of this sort you can outsource the following tasks:

- Translating data into the format desired by the recipient of the invoice
- Creating an additional file in an optically readable format (PDF, TIF, etc.)
- Adding an electronic signature to invoices
- Transmitting electronic invoices to recipients
- Providing legally compliant archive data
- Running an electronic archive
- Operating IT systems

Outsourcing e-invoicing entails fewer initial costs than doing it yourself and enables you to match the effort and expense involved to your resources. When deciding whether or not to outsource you should think about factors such as transaction volumes, the desired degree of flexibility, the complexity involved, the operating costs, and the experience and professionalism of the service provider. Whatever the case, it's important to remember that as a company you're still accountable towards your stakeholders like the Federal Tax Administration (FTA).



## In-house e-invoicing

If you set up your own e-invoicing and archiving procedures and systems you should make sure you do the following:



- Set up an organisational structure, obligations, rules and an operational control environment for receiving and sending invoices, or expand your existing ICS (governance)
- Integrate IT systems (e.g. ERP) and relevant data
- Set up and maintain invoice formats and interfaces with your customers and suppliers
- Reconcile requirements for communication and dialogue with customers and suppliers in terms of optimisation, troubleshooting and documenting the invoicing process
- Create readable data formats
- Archive invoices within an electronic environment meeting the relevant commercial and tax law requirements
- Train employees
- Optional: Set up and operate an infrastructure for issuing and checking electronic signatures

## What points have to be clarified?

In most cases, the information for an electronic invoice originates from your ERP or invoicing system.

For that reason, you should talk to the provider of your solution to find answers to the following questions:



- Can your software share invoices and other documents with third parties via an interface?
- What version do you need to allow sharing? Can the process of entering and booking the invoice also be automated?
- Is your invoicing system able to deliver and export billing data in a structured form in line with the requirements of the laws and the needs of your customers?
- What interfaces already exist for sharing electronic data?
- Is the process of exporting structured data documented?
- What standard formats does your invoicing software support?
- Does your invoicing software allow you to define whether an invoice is sent to your customer in printed or electronic form?
- Has your provider given you a solution design document for your invoicing software?
- Is your software able to reconcile accounts, VAT returns and archived records?
- Does your solution support compliant archiving of electronic invoices?

# What do you have to bear in mind?



If you opt for e-invoicing you should first weigh the risks. In the table below, we have summarised the major risks and how to tackle them.

Risk	Timing	Counter-measures
Your existing processes may not continue to function properly during the switch	When you're making the changeover to e-invoicing	<ul style="list-style-type: none"> <li>→ Document and check processes and IT systems under the old and new procedures</li> <li>→ Make sure you have homogeneous invoicing and master data</li> <li>→ Reconcile both procedures with your accounts</li> <li>→ Standardise non-electronic business processes</li> </ul>
Invoice recipients aren't able to verify your invoices automatically without a time-consuming follow-up	When assembling invoicing data	<ul style="list-style-type: none"> <li>→ Reconcile invoicing and master data with your customers or business partners</li> <li>→ Regularly check that data is current and accurate</li> <li>→ Train your staff on the e-invoicing process</li> </ul>
You use software, IT systems, and procedures in violation of FTA rules	During execution of the process or archiving	<ul style="list-style-type: none"> <li>→ Produce a legally required solution design document and update it regularly</li> <li>→ Include legal compliance in the specifications for software and IT procurement</li> <li>→ Define special procedures (e.g. electronic signatures) and deviations from the process</li> <li>→ Ensure that the conformity and integrity of the invoice data are checked as part of the process</li> <li>→ Make sure the solution is compatible with IT security and internal rules (e.g. directives)</li> <li>→ Make sure data integrity can be verified for the entire storage period</li> </ul>
Invoices or logs go missing before the storage period has expired	When e-invoicing are archived	<ul style="list-style-type: none"> <li>→ Identify data and documents that are relevant for archiving</li> <li>→ Define a retention period for data, documents and aids</li> <li>→ Define, describe and implement an archiving process, including assigning responsibilities</li> <li>→ Formulate an archiving policy and make sure it conforms with IT security requirements</li> <li>→ Assure integrity, availability and readability of documents archived information</li> <li>→ Train system administrators and users on the e-invoicing process</li> <li>→ Ensure archived information is safeguarded in the case of harmful events</li> <li>→ Have your processes and technical infrastructure evaluated</li> </ul>
There's no clear demarcation of tasks between your people and specialised service providers; misunderstandings arise; duties remain unperformed; service provider goes out of business	When outsourcing and delegating processes, tasks, or systems to specialist providers	<ul style="list-style-type: none"> <li>→ Obtain independent, up-to-date confirmation of compliance with legal and regulatory requirements</li> <li>→ Clearly define what you do in-house and what you outsource</li> <li>→ Allow remigration of data</li> <li>→ Monitor the effectiveness of processes and controls</li> <li>→ Define the specialist provider's tasks and services in a contract and audit regularly adherence to obligations</li> </ul>

# Where can I find out more?

You'll find more information on electronic invoicing here:



**[www.estv.admin.ch](http://www.estv.admin.ch)**

Federal Tax Administration

**[www.swissdigin.ch/ressourcen\\_formate](http://www.swissdigin.ch/ressourcen_formate)**

E-invoicing formats

**Code of Obligations (CO)**

**Ordinance on the maintenance and retention of accounts (AccO)**

**Value Added Tax Act (VAT Act)**

**Ordinance on Value Added Tax (Ordinance VAT)**

**Ordinance of the FDF on Electronic Data and Information (OEIDI)**

**Federal Act on Electronic Signatures (ZertES)**

# Who can I talk to?

If you'd like to discuss e-invoicing with us, please feel free to contact:



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