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VAT

PRECISE. PROVEN. PERFORMANCE.

Brief Summary of the Italian Revenue Agency's Guidelines on Electronic Invoicing

Dear readers,

In this newsletter, we examine all the novelties concerning electronic invoicing that will significantly change the relationship between taxpayers and the tax authorities, but even more - the administration processes of many companies.

The Italian Revenue Agency has issued a guide to electronic invoicing, which has been translated in the parts deemed essential to allow our international customers to fully understand the changes introduced by the new tax legislation.

ELECTRONIC INVOICE

From 1 January 2019, all invoices issued following the sale of goods and performance of services rendered between persons that are residents or established in Italy, may only be electronic invoices.

The electronic invoice obligation, introduced by the 2018 Budget Law, applies if the sale of the goods or the provision of services is carried out between two VAT-able entities (B2B, i.e. Business to Business, operations), as well as in the event where the sale/performance is carried out by a VAT taxpayer towards a final consumer (B2C, i.e. Business to Consumer, transactions).

The rules for preparation, transmission, receipt and storage of electronic invoices are defined in Provision No. 89757 dated 30 April 2018 published on the website of the Italian Revenue Agency.

What is an Electronic Invoice and how is it different from a paper one?

In general, an e-invoice differs from a paper one only in two aspects:

- it must necessarily be compiled using a PC, tablet or smartphone;
- it must be transmitted electronically to the customer via the Interchange System (SdI, Sistema di Interscambio).

The SdI plays the role of a "postman" performing the following tasks:

- checks whether the invoice contains at least the data mandatory for tax purposes (Article 21 or Article 21-

bis of Presidential Decree No. 633 dated 26 October 1972) as well as the telematic address (the so-called "recipient code" or a certified e-mail (PEC, posta elettronica certificata) to which the customer wishes the invoice to be delivered;

- checks that the VAT number of the supplier (seller/provider) and the VAT number or the tax code of the customer (purchaser/client) exist.
- In case of favourable results of the checks above, the Interchange System safely delivers the invoice to the recipient communicating, via a "delivery receipt," to the person that transmitted the invoice the date and time of the document delivery.
- Therefore, ultimately, the mandatory data to be indicated in the electronic invoice are the same as those of a paper invoice in addition to the electronic address the customer wants the invoice to be delivered to.

"Warning"

Since the SdI functions as a "postman," it is necessary to insert, at filling in the customer's data, the electronic address communicated by the customer (which may be a 7-digit alphanumeric "Recipient Code" or a PEC address), otherwise the "postman" will not know where to deliver the invoice.

What Are the Advantages of the E-Invoice?

Electronic invoicing primarily eliminates the consumption of paper, enabling to save on printing, shipping, and storage costs.

The latter can be carried out free of charge by adhering to a special service made available by the Italian Revenue Agency.

Moreover, acquisition of invoices in the form of XML (eXtensible Markup Language) files enables to accelerate the process of accounting the data contained in the invoices, reducing both the costs of managing this process and the errors that may be generated by manual acquisition of data. Finally, the certainty of the date of issue and delivery of the invoice (as it is transmitted and delivered only by the SdI)

increases the efficiency in the commercial relationships between customers and suppliers.

In addition, the e-invoice determines further advantages from the strictly fiscal point of view.

Indeed:

- VAT-able traders applying a simplified accounting system that only issue invoices are no longer required to keep VAT registers (Articles 23 and 25 of Presidential Decree No. 633/1972);
- for all VAT taxpayers that only issue and receive invoices, receiving and making payments in with a “tracing system” above the value of EUR 500, the terms of tax assessment are reduced by 2 years
- any VAT taxpayer, as well as final consumers, may – at any time – view and acquire a copy of their e-invoices issued and received through a simple and secure online service made available by the Italian Revenue Agency.

HOW TO PREPARE, SEND AND RECEIVE E-INVOICES

How to Prepare an E-Invoice

To complete an e-invoice, the following is required:

- a PC, or a tablet, or a smartphone;
- a (software) program that allows the compilation of the invoice file in the XML format required by the Provision of the Italian Revenue Agency dated 30 April 2018.

The Italian Revenue Agency makes available, free of charge, three types of programs for preparation of e-invoices:

- a web procedure;
- downloadable software;

an App for tablets and smartphones called Fatturae, downloadable from the Android or Apple stores. These procedures are aimed mainly at VAT payers that issue a limited number of invoices and, as a rule, draft them with the usual word processing programs or using pre-printed paper models.

Alternatively, it is possible to use private software found on the Internet (especially programs issued by the producers of the management software used by the VAT payers to prepare and record invoices in the accounting).

How to Send an E-Invoice to the Customer

E-invoices must always be sent to customers through the SdI interchange system, otherwise they are considered not issued.

“Warning”

If an invoice is prepared and sent to the customer in a form other than XML or via channels other than the Interchange System, as contemplated by the Provision dated 30 April 2018, such invoice is considered not issued, with consequent penalties for the supplier and with VAT no longer deductible from the customer.

There is a number of ways to transmit an e-invoice XML file within the SdI:

- an online service in the “Fatture e Corrispettivi” portal which allows the upload of the XML file previously prepared and saved on the PC;
- the web procedure or the Fatturae App provided by the Italian Revenue Agency free of charge;

- a PEC address, with sending the invoice file as an attachment to the PEC message to sdi01@pec.fatturapa.it;
- a telematic channel (FTP or web service) previously activated via the SdI.

Example: if a VAT taxpayer has prepared an XML file of the invoice and wishes to send it on its own, it may log in with its credentials on the “Invoices and Fees” portal and use the transmission service or, if it has a PEC, attach the invoice file to the PEC message; if the VAT taxpayer does not have a PEC, it may have the intermediary send the invoice file using the latter’s PEC.

“Warning”

The VAT taxpayer may transmit an e-invoice directly or have it transmitted on its behalf by a third party, usually an intermediary or a provider offering specific services for the transmission and receipt of e-invoices

Ultimately, the “postman” (SdI) also accepts e-invoices of a VAT taxpayer from a PEC or a telematic channel (FTP or web service) not managed by the taxpayer directly.

Again, in order to send an e-invoice correctly, it must contain the electronic address the customer has communicated to the supplier.

This address may only be:

- a PEC address, in this case it will be necessary to complete the “Recipient Code” invoice field putting “0000000” (seven times zero) and the “PEC Recipient” field should be completed with the PEC address communicated by the client;
- A 7-digit alphanumeric code, in which case it will be necessary to fill in only the “Recipient Code” field of the invoice with the code communicated by the customer.

What Does the Interchange System do when it receives an invoice?

As stated above, e-invoices should always be sent to customers via the SdI (Interchange System), otherwise they are considered non-issued.

Once an e-invoice file is sent to the SdI, the latter performs some checks and, if these checks are passed, sends the file to the electronic address indicated in the invoice.

The timeframe for the SdI to carry out the control and delivery of the invoice may vary from a few minutes to a maximum of 5 days in the case where the number of invoices submitted to the SdI at the moment is very high.

What electronic invoice controls does the SdI perform?

- verification of the presence of at least the minimum mandatory information required by law (Article 21 or Article 21-bis of Presidential Decree No. 633/1972), i.e. – in general – supplier and customer’s identification details, invoice number and date, description of the nature, quantity and quality of the goods sold or service rendered, taxable amount, rate and VAT;
- verification of the existence of the VAT number of the supplier (seller/provider) and VAT number or tax code of the customer (buyer/client), i.e. their presence in the Italian Tax Register;
- verification of the insertion in the invoice of the telematic address for file delivery, i.e. at least completion of the “Recipient Code” field;

- verification of consistency between the values of the taxable base, tax rate and VAT (e.g. if the taxable amount is € 100 and the rate is 22%, VAT should be € 22).

The Sdl also checks whether the file of the same e-invoice has not already been sent (duplicated).

“Warning”

In case of all the electronic invoices sent to individuals (other VAT taxpayers or final consumers), the Sdl also accepts files that are not digitally signed.

However, in the event that an e-invoice file is digitally signed, the Sdl carries out checks of the validity of the signature certificate.

Incorrect E-Invoice: Rejection Receipt

If one or more checks described above proves to be unsuccessful, the Sdl “discards” the e-invoice and sends a rejection receipt to the person that transmitted the file with the indication of the code and a brief description of the reason for the rejection. The rejection receipt is transmitted by the Sdl to the same PEC or telematic channel (FTP or web service) from which the e-invoice was received.

In addition, the rejection receipt is always available in the authenticated area “View -> Monitor transmitted files” of the “Fatture e Corrispettivi” portal, when it is sent using the online service of the portal, or via the web procedure, or the free Fatturae App, as well as via PEC or a telematic channel.

“Warning”

In summary, for the purposes of VAT collectability and deductibility, please note:

- *in case of the supplier – every time the Sdl sends a delivery receipt or a receipt of impossibility of delivery, an invoice is considered issued and the collectability date coincides with the date stated in the invoice (on the contrary, a rejection receipt determines that the invoice has never been issued and it is necessary to correct the error contained therein and retransmit it to the Sdl);*
- *in case of the customer, every time the Sdl delivers an invoice, the latter is considered received and the starting date for VAT deductibility coincides with that of the document delivery; in the event that the invoice passes the controls but the Sdl cannot deliver it due to problems associated with the addressee telematic channel, the starting date for VAT deductibility coincides with that of “viewing” (by the customer) of the invoice in the reserved area “View -> Data Relevant for VAT purposes” of the “Invoices and Fees” portal.*

If an e-invoice is discarded by the Sdl, the error that generated the rejection must be corrected and the correct invoice file should be sent to the Sdl again, whereby it is advisable to put the same date and number on the invoice as those of the rejected one (for more information on this issue please refer to Circular No. 13/E dated 2 July 2018).

Correct E-Invoice: Delivery Receipt or Receipt of Delivery Impossibility

If the controls described above are successfully completed, the Sdl sends the e-invoice to the electronic address contained in the invoice file (the “Recipient Code” and “PEC Recipient” fields) and sends a delivery receipt to the person

that transmitted the file with the indication of the exact date and time of delivery.

The receipt also indicates the name assigned to the file by the taxpayer that executed the invoice, the number assigned by the Sdl identifying the invoice file and an additional hash code which ensures the integrity of the said file.

In addition, an e-invoice duplicate is always available to both the customer and the supplier in their respective reserved areas of the “Fatture e Corrispettivi” portal. The e-invoice duplicate has the same legal value as the original invoice file.

In the event that the PEC mailbox or the FTP or web service telematic channel the Sdl is trying to deliver the invoice file to are inactive (e.g. if the PEC mailbox is full or the telematic channel server is temporarily off), the Sdl – reading the VAT number or the customer’s (buyer’s/client’s) tax code in the invoice – generates the duplicate invoice in any case, in the reserved area of the “Fatture e Corrispettivi” portal.

In such a case, the Sdl sends a receipt of impossibility of delivery to the person that transmitted the file with the indication of the date when the file was made available to the customer.

For this reason, it is important for the supplier (seller/provider) to notify the customer – using other means than the Sdl (e.g., by email, telephone or any other means of communication) – of the e-invoice availability in the reserved area, for the latter to be able to view and download it from the aforementioned area: the starting date of VAT deductibility for the customer will be the moment of viewing/downloading of the invoice.

In this event, the invoice is considered issued on the part of the supplier but not yet definitively received (for tax purposes) by the customer.

Consulting the reserved area of the “Fatture e Corrispettivi” portal, both the supplier and the customer may easily identify delivered e-invoices (for which a delivery receipt was issued) distinguishing them from e-invoices that due to problems with the customer’s reception channel, were not delivered but only made available on the portal (for which a receipt of impossibility of delivery was issued):

- delivered invoices are marked with a green tick symbol;
- undelivered invoices to be viewed are marked with a red alert symbol.

“Warning”

Again, in the event that the customer does not register the electronic address with the Sdl or communicate any electronic address (PEC or a seven-digit recipient code identifying an FTP channel or web service) to the supplier and the latter indicates the “0000000” value in the Recipient Code field of the invoice, the only way to recover the e-invoice for the customer will be by accessing his/her/its reserved area “View -> Data Relevant for VAT purposes” of the “Fatture e Corrispettivi” portal.

How to Receive an E-Invoice from the Interchange System

Once an invoice is received from the supplier (or its intermediary), given a positive outcome of the required checks, the Sdl delivers the e-invoice to the electronic address indicated therein. Thus, the e-invoice will be delivered to the PEC (Certified Electronic Mail) mailbox or telematic channel (FTP or web service) as communicated

by the customer to the supplier and correctly indicated by the latter (or its intermediary) in the invoice.

Ultimately, the “postman” (SdI) delivers electronic invoices to the PEC address or telematic channel (FTP or web service) indicated in the invoice, regardless of whether they are directly attributable to the customer.

To ensure correct receipt of an invoice, it is essential to communicate to the supplier in a clear and timely manner not only the VAT number and personal data, as was the case with traditional invoices, but also the telematic address (the PEC or seven-digit Recipient Code) the supplier must indicate in the invoice to enable its delivery by the SdI.

In order to render this delicate passage safer and accelerate it, facilitating the supplier in the acquisition of customer data, all the VAT number holders may:

- register with the SdI in advance the electronic address for receiving all their invoices by default;
- generate and hold a two-dimensional code (QRCode) containing the VAT number, all the personal data and the default electronic address communicated in advance to the SdI.

These two actions may only be performed by the VAT taxpayer (or its specifically appointed intermediary) in the reserved area of the “Invoices and Fees” portal using the two special online services called “Registration of the Mode of E-Invoices Receipt” and “QRCode Generation.”

“Warning”

A VAT taxpayer may decide to receive the invoice at a PEC address pertaining to it directly or via an online channel (FTP or web service) it manages directly or choose to have it received, on its behalf, by a third party, usually an intermediary or a provider offering specific services for transmission and receipt of e-invoices

Using the registration service, a VAT number may be associated with a telematic address (PEC or a seven-digit recipient code identifying an FTP channel or web service) for receipt of all electronic invoices, regardless of the electronic address the supplier might insert in the invoice. Therefore, if the said service has been used, the SdI will ignore the address shown on the invoice and deliver the latter to the address associated with the VAT number.

Generating the QRCode, a sort of a “business card” is created to be carried in a form of an image or on paper: showing it to the supplier (as is done today with the healthcare card when paying a medical expense) will enable the latter to read and acquire the customer’s VAT number, personal data and telematic address (only if the customer first uses the registration service).

If the supplier uses one of the procedures offered by the Italian Revenue Agency free of charge to prepare an invoice or for another market procedure capable of reading the

QRCode, the data contained therein will appear on the invoice automatically and without a precompiled error.

If the customer is a final consumer, a VAT-able party included in the subsidized or lump-sum or agriculture incentive schemes, the supplier must provide them with a paper (or email) copy of the invoice sent to the SdI with a reminder of the possibility of viewing and downloading the original e-invoice in their reserved area of the “View -> Data Relevant for VAT purposes” of the “Invoices and Fees” portal.

How Are Electronic Invoices Stored?

By law (Article 39 of Presidential Decree No. 633/1972), both the issuer and the receiver of an e-invoice are obliged to store it electronically.

Electronic storage, however, does not consist in simple memorization on the PC of the invoice file, it is a process technically regulated by law (the Digital Administration Code). In fact, the electronic preservation process conducted in accordance **with** the law is a guarantee – over the years – against the loss of invoices, ensuring the possibility to read them at all times and, above all, to be able to recover the original invoice at any moment (as well as other computer documents whose storage may be opted for).

The electronic storage process conducted according to the law is usually provided by certified private operators that are easily identifiable on the Internet; in any case, the Italian Revenue Agency provides an electronic preservation service free of charge for all the invoices issued and received electronically through the Interchange System.

MOORE STEPHENS PROFESSIONISTI ASSOCIATI E INVOICE ASSISTANCE

Moore Stephens Professionisti Associati assists Italian and foreign entities throughout the E-Invoicing procedure.

Our professionals and VAT specialist solve any problems concerning the application of the new legislation optimizing the use of software used by the company.

The collaboration with specialized software houses enables us to provide our clients with a series of customized solutions in order to satisfy any request regardless of the ERP used

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