



Digitalization serving VAT collection

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The electronic invoicing and dematerialized data transmission reform passed in 2021 will come into effect in 2023.

This reform, already implemented in many EU Member States, is aimed at combating tax fraud by controlling in real time the activities of companies. Prefilled VAT returns are envisioned for the future.

In France, the reform consists in enlarging the invoice dematerialization obligation. The obligation to issue electronic invoices already exists since 2017, but only for large companies in the context of their contracts with public bodies.

The implementation of the BtoB electronic invoicing ("e-invoicing") obligation will be progressive.

Firstly, as of 2023, all VAT-taxable persons established in France will **be required to receive electronic invoices**.

To recover VAT, the VAT-taxable entity exercising its VAT recovery rights, will have to submit on a certified platform its underlying purchase invoices received from its suppliers.

This added condition concerning the right to deduct VAT means companies must quickly evolve in terms of their internal organization.

The **obligation to issue electronic invoices** will be implemented in 2023 for large companies (more than 5 000 employees), 2024 for medium companies (250

to 5 000 employees) and 2025 for small companies (less than 250 employees).

A **dematerialized data transmission obligation** ("e-reporting") will apply to BtoB sales subject to VAT in France and to BtoB and BtoC sales when the purchaser is not VAT-established in France.

Finally, French VAT-taxable established purchasers will have to forward purchase related data, for example concerning payment data.

This new obligation will also be progressively introduced depending on the size of the company.

As for the necessary formalities for electronic invoices, these will not be strictly limited at the start of the new requirements. Accordingly, for domestic BtoB sales, invoices could be issued in a structured format (XML, EDI) or not (certified PDF).

Regarding operations realized with a non-French-established purchaser, the issuance of electronic invoices will remain subject to acceptance by such purchasers.

Companies should thus start actively thinking about their future invoice formats, taking into account the reliable audit trail controls for non-electronic invoices according to the tax definition of the term.

Given these changes, it is now time to anticipate these new obligations and adapt internal invoicing processes and information systems.

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