

Mandatory use of electronic documents and e-invoices 3/45/21

Paper documents such as invoices and waybills tend to be mislaid or submitted to the accounts department late, leading to inaccuracies in accounting records and tax returns, as well as late payments. Mandatory electronic documents could eliminate these faults.

As we have [written earlier](#), on 12 October the Cabinet of Ministers debated and approved the Finance Ministry's [informational report mandating the use of electronic supporting documents and e-invoices by 2025 \("Adopting a System for the Electronic Flow of Supporting Documents and Delivery Documents"\)](#). E-invoicing will be mandatory in transactions between businesses (B2B) and in transactions between businesses and government agencies (B2G).

This is an EU initiative prescribed by [Directive 2014/55/EU](#), providing for e-invoicing functionality and a uniform adjusted e-invoice format for public procurement and cross-border e-invoicing.

[The Public Procurement Act](#) lays down the applicable standard for a structured e-invoice, specifications for the use of its basic elements and circulation procedures only in public procurement. The law provides that government agencies, municipalities and their institutions must be able to accept e-invoices that meet specifications the EU has prescribed for using the basic elements of an e-invoice across the EU.

Approved this year, the Accounting Act defines a structured invoice as one that has been prepared, sent and received in a structured electronic format allowing it to be processed automatically and electronically, and which meets the e-invoice standard the Cabinet of Ministers has prescribed for use in public procurement.

Advantages of e-invoicing

A structured e-invoice allows data to be processed automatically. Suppliers and recipients can send such invoices to each other directly or using service providers or the electronic operator service system. E-invoicing aims to ensure that standardised structured e-invoices capable of automatic processing are used in Latvia and between EU member states, and to accelerate the processing and payment of such invoices, as well as minimising human error that occurs when invoices are processed manually.

Speed of information flow

The adoption of e-invoicing is likely to save time at all stages – from sending an invoice to paying it.

E-invoices are machine readable, so the recipient system can read and process them automatically up to the payment stage. An e-invoice is sent the day it is prepared, so receiving and processing are almost immediate. This allows one party to accept the accuracy of details included on the invoice promptly, or to notify the other party of any inaccuracies in the document.

Accuracy of information

The party receiving an e-invoice does not have to enter each document into the program manually, as this is done by the accounting software automatically. Automated processes minimise the risk of careless,

typing and other mistakes being made in manual processing.

Cash flow optimisation

E-invoices can be delivered and processed much faster, and payments can also be automated. This eliminates the possibility of an invoice not being received and promotes timely payment.

The environment and cost savings

Minimising the flow of paper documents improves your company's green economy because e-invoicing cuts the printing and delivery costs.

Fraud risk mitigation

It is common knowledge that invoices are sometimes forged, bank accounts switched, and an invoice does not reach the addressee, yet e-invoicing mitigates this risk because the electronic system automatically reads data from the business management program and finds out whether interoperation has taken place. The adoption and flow of e-invoices

E-invoicing is rolled out according to the Cabinet of Ministers' Rule No. 154, *The Applicable E-Invoice Standard and Specifications for the Use of its Basic Elements and Circulation Procedures*, effective from 18 April 2019. The rule provides that one of the e-invoice delivery channels is an e-address (available to Latvian-registered or permanently resident suppliers for supplying e-invoices to government agencies, municipalities and their institutions).

A service provider can prepare an e-invoice in their accounting system (if it has such functionality) or using the e-invoice creation form on the latvija.lv portal (this requires authentication using qualified electronic means of identification, and an e-address account must be set up and accessed from the latvija.lv portal). Service providers may submit e-invoices using the e-address and email, or using special data exchange channels that support e-invoice exchange processes.

An institution will be able to send an e-invoice from its system to the e-address of an individual or entity, and to a foreign national through an e-invoice operator that provides **PEPPOL** access point services. The institution will have to enter into an agreement on this with an e-invoice operator.

The adoption of e-invoicing is something each company should evaluate individually. You should first work out how many business partners are capable of exchanging e-invoices and which of the data exchange channels is the best for you, then evaluate the capabilities of your accounting system.