

# Do XML documents meet requirements for supporting documents? 2/37/23

In this article we will find out if a structured electronic document and an electronic invoice (e-bill) serves as a supporting document and what additional requirements companies need to consider.

As you may know, there are plans to mandate the use of e-bills between businesses and government agencies from 2025. In public procurement, government agencies currently accept e-bills that meet EU specifications for using the basic elements of electronic invoices across the EU. E-bills circulate according to Pan-European Public Procurement Online (PEPPOL), which allows e-bills to be sent and received to a single standard.

Under Directive 2014/55/EU, European e-bill standards require e-bills to be created in a standardised structured data format. This format makes it possible to read data on the recipient's computer systems, enabling automatic processing of e-bills. If this process is to run successfully, e-bills must meet European e-bill standards. Extensible Markup Language (XML) is a format commonly used in structured e-bills.

If invoices are exchanged in this way then it's important to find out what legislation governs this process and what additional business requirements should be met to ensure this XML data satisfies the basic requirements for supporting documents, including information available from the State Revenue Service's databases.

Under the Accounting Act, a company must keep its books of account in a way that enables a third party qualified in accounting matters to obtain a true and fair view of the company's financial position on the balance sheet date and of its profit or loss and cash flows for a certain period, and to identify the beginning of each business transaction and to trace its course. Under section 6 (2) and (4) of the Accounting Act, the information provided by the company's books must be true, comparable, timely, relevant, transparent, and complete. Section 8(1) states that entries made in accounting records must be based on supporting documents, and section 11(1) defines a supporting document as one that confirms the existence of a business transaction and includes relevant company particulars and transaction details.

The taxpayer determines the method for authenticating a tax invoice's origin (confirmation of the issuer's identity), unchanged content and readability, and he guarantees the traceability of transactions by linking the tax invoice with the transaction according to section 125(4) of the VAT Act. An electronic tax invoice means a tax invoice that is issued and received in any electronic form.

However, XML is a computer language designed to capture text and related information in specified form. Any information associated with text (metadata), such as how the text is structured or displayed, is coded with special characteristics.

The Accounting Act states that if books are kept electronically using accounting software or accounting information systems software, then accounting documents must be displayed on the screen of a computer or other electronic device in a human-readable format with the option to make copies of those documents in paper form (printouts). A human-readable format is an electronic way of displaying data that individuals can use as information with no further processing.

XML data does not qualify as a supporting document under the Accounting Act. This means that where the substance of a transaction is under scrutiny and a third party needs to view this information, the XML data received must be capable of being converted into a human-readable format including all the statutory

details. In other words, it must be possible to convert the information into a document or to make a copy in paper form.

The deadline for e-billing between businesses is approaching, but we still need some legislative amendments and guidelines that would allow businesses to get ready for the e-billing environment. We will be monitoring developments in this space to keep you up to speed.